

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 August 20, 2026, 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. Diantha McKeel; Ms.
6 Lizbeth Palmer; Mr. John Parcells; Mr. Clarence Roberts; Ms. Kimberly
7 Swanson.

8 **Members Absent:** None.

9 **Staff Present:** Jason Harlow, Doug Herr, Quin Lunsford, Alex Morrison,
10 Emily Roach, Danielle Trent, April Walker, Justin Weiler.

11 **Staff Absent:** Jeremy Lynn.

12 **Public Present:** Neil Williamson, Free Enterprise Forum (virtual); Stephen
13 Geisz, Davenport & Co.; Chris Kulp, Hunton Andrew Kurth, LLP.

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

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

19
20 2. Employee Recognition – Doug Herr, 30 Years of Service

21 Alex Morrison, Director of Operations, came forward to address the
22 Board. He stated that Mr. Herr began his career with the Albemarle County
23 Service Authority on August 22nd, 1996, as a utility worker. He stated that
24 over the years, Doug worked his way up to being a crew leader before
25 transitioning to the ACSA's CCTV program. He stated that Mr. Herr currently
26 serves as a CCTV technician. He mentioned that throughout his career,
27 Doug has demonstrated a strong commitment to serving both the ACSA and
28 the community. He noted that this service extends beyond the ACSA as well,
29 through his military service.

30 Mr. Morrison stated that as a CCTV technician, Mr. Herr plays an
31 important role in maintaining the ACSA's sanitary sewer system. He stated

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1 that he inspects the infrastructure to identify defects before they become
2 failures, conducts inspections of new construction and warranty work, and
3 helps train new employees in CCTV inspection techniques. He added that
4 Doug has also been a tremendous resource to the organization by way of
5 his experience and knowledge of the ACSA's system. He stated that Doug's
6 attention to detail and pride in his work have been evident throughout his
7 career, from his days leading in-house water main replacement crews to his
8 current work inspecting sewer infrastructure.

9 Mr. Morrison stated that he would like to share one story about Doug
10 with the Board. He stated that a few years back, the ACSA received a
11 customer complaint about an employee sitting in the back of an ACSA
12 vehicle for hours in the parking lot. He stated that when the complaint was
13 investigated, the employee in question turned out to be Doug. He noted that
14 the catch was that Doug was not parked in the vehicle doing nothing. He
15 stated that Mr. Herr was sitting at the CCTV monitor operating a robotic
16 camera throughout the sewer and entering inspection data into the computer
17 system.

18 Mr. Morrison thanked Mr. Herr for 30 years of dedicated service, hard
19 work, and commitment to the ACSA and the community and congratulated
20 him on reaching this incredible milestone.

21 Ms. Palmer asked Mr. Herr about his military service. Mr. Herr replied
22 that he was in the Air Force before he came to the ACSA. He stated that he
23 was also in the Air National Guard while employed at the ACSA. Ms. Palmer
24 thanked him for all of his service.

25 Ms. McKeel asked Mr. Herr what has been the most impactful
26 change that he has seen over the last 30 years. Mr. Herr replied that it was
27 the GIS system. He stated that he can pull up any area on his phone and
28 identify the location of any asset such as a manhole, water line, or valve. He
29 mentioned that when he began his career, they would search for hours to
30 find one manhole.

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1 ***Ms. Palmer moved to approve the resolution as presented to the***
2 ***Board; seconded by Ms. Swanson. The Chair asked for a roll-call vote:***
3 ***Ms. McKeel, aye; Mr. Parcells, aye; Ms. Palmer, aye; Mr. Armstrong,***
4 ***aye; Mr. Roberts, aye; Ms. Swanson, aye;***

5
6 3. Approve Minutes of June 18, 2026

7 There were no additions or corrections to the minutes of June 18,
8 2026. Mr. Parcell stated that he did have one question. He referred to page
9 15 of the Board packet, or page 11 of the minutes. He noted that there was
10 a remark that Davenport would be working on a presentation about the credit
11 rating system. He noted that the schedule shows they will be doing it in
12 September and asked if the Board would get to see the presentation at the
13 September Board meeting.

14 Mr. Lunsford replied that the presentation is in draft form and nearly
15 complete. He stated that the ACSA staff is reviewing what Davenport has
16 provided, and there are a few tweaks to be made. He stated that they will
17 probably finalize everything next week, after which they will be prepared to
18 share it with the Board.

19 ***Mr. Parcells moved to approve the minutes of June 18, 2026;***
20 ***seconded by Ms. Palmer. All other members voted aye.***

21
22 4. Matters from the Public

23 There were no matters from the public.

24
25 5. Response to Public Comment

26 There was no response to public comment.

27
28 6. Consent Agenda

29 ***a. Monthly Financial Reports*** – Mr. Parcells stated that on page 25 of the
30 packet, he noticed that for the year-end on the June statement, the capital
31 contributions were \$8.15 million. He stated that he thought the budget was

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1 approved at \$7.2 million, so he was curious about the extra funds. Mr.
2 Lunsford replied that when they budget for the system connection charges,
3 they are capital contributions which are cash, so the budget only includes
4 the cash connection charges. He mentioned that the extra amount that Mr.
5 Parcels is referencing represents actual physical contributions from
6 developers to the ACSA, such as water and sewer lines dedicated to the
7 ACSA.

8 ***b. Monthly Capital Improvement Program (CIP) Report*** – Mr. Parcels
9 stated that on page 65, there was a description about the corrosion problem
10 related to the Townwood water main replacement. He asked what the life
11 span is of the C900 PVC pipe, since they are replacing PVC pipe. Justin
12 Weiler, ACSA Senior Civil Engineer, stated that PVC has the same typical
13 life span of ductile iron pipe, which is well beyond 50 years. He stated that
14 some of the older PVC pipe that they installed, which is being replaced now,
15 is not as thick or strong as the new PVC material. He added that this new
16 pipe should outlast any ductile pipe.

17 Ms. Palmer asked, in terms of the Townwood project on page 65,
18 how the identification of the risk of installing ductile iron pipe near a gas line
19 came about. Mr. Weiler replied that the project manager for ACSA identified
20 that as part of taking a closer look at corrosion issues on ductile pipe and
21 ensuring they are not installing it where it will be an issue. He stated that
22 this is not an issue they would typically run into, but there happens to be a
23 main gas line for the entire city that cuts through the Townwood subdivision.
24 He mentioned that they coordinated with the City and asked about the
25 corrosion protection they have on their gas lines. He noted that it turns out
26 the type of protection they have protects the gas lines very well, but it will
27 cause corrosion to other nearby metal lines.

28 Ms. Swanson stated that this raises the question as to whether the
29 replacement pipe that will be installed will be throughout the entire
30 neighborhood or just in the vicinity of the gas line. Mr. Weiler replied that
31 the recommendation from the Ductile Iron Pipe Research Association

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1 (DIPRA) is that the entire project be done with the replacement pipe. He
2 stated that if the pipe is within a certain radius of the corrosion control
3 centers on the gas mains, then the recommendation is to use the
4 replacement pipe. He noted that there are two corrosion control centers in
5 Townwood, so when they draw the radius around both of them it
6 encompasses the entire project area.

7 Mr. Parcels asked what the relative difference in cost is between
8 the C900 PVC pipe and the ductile iron. Mr. Weiler replied that the C900
9 PVC is about \$200,000-\$300,000 cheaper. Mr. Parcels asked what the lead
10 time is for getting the C900 pipe. Mr. Weiler stated that it is about the same
11 as the ductile iron, as they are both readily available at this size.

12 Mr. Morrison stated that a lot of this stemmed from an ongoing
13 series they began about 5-6 months ago, where a representative from
14 DIPRA comes in monthly to conduct a workshop with engineering and
15 maintenance on various corrosion control techniques and other corrosion-
16 related items. Mr. Parcels asked if they now, for future projects,
17 automatically assess soil for its corrosivity. Mr. Morrison replied that with
18 Geotech borings, there is a soil corrosivity testing that occurs. Mr. Weiler
19 added that they have been and will continue to look at soil corrosivity in their
20 project designs, both on private development projects and capital projects.

21 Ms. Swanson asked if there has been any other effort to
22 communicate with the Townwood community to update them on some of
23 the changes, as they had a very good showing at the community meeting
24 on the project. Mr. Weiler replied that he is not sure, but they will get back
25 to them on that. Keane Rucker, ACSA engineer and project manager for the
26 Townwood project, stated that he has been in communication with the
27 Townwood HOA president. He stated that they will officially award the bid
28 tomorrow and now have a better idea of when the construction will begin.
29 He added that he will reach out to notify them of that, as well as the material
30 change for the pipe.

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1 **c. CIP Authorizations** – Mr. Parcels stated on page 79, there is an
2 authorization request for the Scottsville Phase 4 project, which is a juggling
3 of funds, so to speak. He asked how they arrived at this and what it means
4 in terms of other projects. He stated that they are allocating \$1 million from
5 various projects to move the Scottsville project forward and asked why they
6 are doing this now. Mr. Weiler replied that the Virginia Department of
7 Transportation (VDOT) releases a list of areas that they are planning to
8 repave a year in advance. He noted that recently, they released their paving
9 schedule for next summer which includes a lot of the same streets involved
10 in the ACSA's water main replacement project in Scottsville. He stated that
11 they originally had a large phase 4 for the Scottsville project, but when
12 VDOT released their paving schedule, they split phase 4 into two parts –
13 phase 4a and phase 4b. He mentioned that they are constructing 4a ahead
14 of the original schedule, to get ahead of the VDOT paving because they do
15 not want to tear up the streets 6-8 months after VDOT repaves them. He
16 stated that there is money budgeted for future years, for the Scottsville
17 Phase 4 project but there are limited funds allocated for the project this year.
18 He noted that the authorization memo details where they are going to hold
19 funds from to fund the construction of phase 4a this year. He added that
20 when next year's CIP budget is developed, they will not need as much
21 money for phase 4, so the Board will see more money allocated to other
22 projects.

23 Mr. Parcels stated that he was concerned about potential delays
24 in the Bellair sewer project and the Airport Trunk Sewer project. Mr. Weiler
25 replied that they are not delaying the projects to fund the Scottsville project.
26 He stated that they are running into delays with easement acquisition
27 challenges in Bellair and environmental permitting. He mentioned that even
28 if they moved those projects forward as fast as possible, they will still not
29 spend what they have budgeted for this fiscal year. He noted that those
30 projects are going to be slower to go to construction so rather than carry the
31 money forward, they are going to spend it this year on Scottsville Phase 4.

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1 Ms. Palmer asked if VDOT released their paving schedule more
2 than a year in advance. Mr. Morrison replied that he has never seen a
3 document that shows the paving schedule more than a year in advance. Mr.
4 Weiler added that when they are coordinating with VDOT, they will often
5 shift their paving around the ACSA's project and push it out further until the
6 project is done. He stated that in Scottsville, they were concerned about
7 pushing the paving out any further, which is why the ACSA shifted its project
8 around more than what they typically would do.

9 Ms. Palmer stated that she cannot believe that VDOT does not
10 know their schedule at least two years in advance. She asked if the ACSA
11 staff has ever asked them about it. Mr. Morrison replied that he personally
12 has not asked them. He stated that he would take note of it and have a
13 discussion with VDOT.

14 Ms. Swanson asked if there are other projects that might benefit
15 from better timing, knowing that VDOT puts their schedule out a year in
16 advance, so that the ACSA does not have to include the paving as part of
17 its projects. She stated that she feels like paving is a VDOT responsibility.
18 Mr. Weiler replied yes and stated that the project along Myrtle Street in
19 Crozet is an example. He stated that they replaced the water line ahead of
20 VDOT's paving. He mentioned that they are currently working on another
21 project on Old Forge Road, which will probably be constructed by in-house
22 maintenance crews. He noted that this area is on VDOT's paving schedule
23 as well.

24 Ms. McKeel stated that she really appreciates the communication
25 with VDOT, which is change that has happened over the last decade. She
26 stated that it is very important for the public to not see the roads being paved
27 and then torn up and then paved again. She added that VDOT does have
28 a plan that goes out 3-5 years, but a year out is about as far as they are
29 going to commit to.

30 ***d. Monthly Maintenance Update*** – Mr. Parcels stated that he had a
31 question about the very interesting story of the Urban zone leak

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1 investigation on page 88. He stated that there was a remark that was
2 surprising, which was that RWSA spoke to the ACSA about a demand
3 requirement and subsequently, the ACSA went to investigate and saw a
4 pressure drop. He stated that it would seem to him that those types of
5 pressure drops would have been alarmed and the ACSA would have
6 received notification.

7 Mr. Morrison stated that ACSA staff logged into the system when the
8 AMI meters began tripping alarms once the threshold that was set for a
9 pressure drop was reached. He stated that RWSA saw the drop quicker
10 than the ACSA's system because they saw an instantaneous increase in
11 demand on all of their urban tanks. He mentioned that once they received
12 the call from RWSA, ACSA staff logged into the system. He stated that on
13 the SCADA side, they could see depressed pressure, but it was not low
14 enough to trigger an alarm. He stated that there generally is a pressure
15 drop when a pump turns on, so they do not want to set the thresholds too
16 high and have the alarm trip all of the time. He added that this was the first
17 time they used both the SCADA and AMI systems for a leak investigation
18 of that magnitude, and they were impressed with the ability to home in on
19 a specific section of the system to locate the leak within five minutes. He
20 noted that without the AMI system, it could have been a lot worse.

21 Mr. Parcels stated that this infers that the City does not have AMI or
22 pressure alarming systems in the same way that the ACSA does. Mr.
23 Morrison stated that he is not sure if they do or not. Mr. Parcels stated that
24 it was a leak on the City's side. Mr. Morrison replied yes that it was a leak
25 on the City's side right across the County boundary. He stated that it was
26 right behind the English Inn and Bodo's. He mentioned that it was a 12-
27 inch 1970's cast iron water main that split. Mr. Lunsford added that with the
28 interconnects, it is important for the ACSA to help identify those leaks as
29 quickly as possible. He asked Mr. Morrison if he could speak about the
30 deployment of the ally meters and some of the conversations that were had
31 following this leak event.

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1 Mr. Morrison stated that with the AMI meters, there is a version called
2 the ally meter which gives pressure readings and water temperature
3 readings. He stated that as they worked through the AMI deployment, they
4 strategically deployed those meters in the areas with the highest pressure
5 and those areas with the lowest pressure. He stated that this allowed them
6 to set thresholds to identify any divergence from the usual threshold,
7 indicating a leak. He mentioned that the Urban zone is different since it is
8 so large, so even though they deployed meters in the high and low
9 pressure areas, they do not have a high-density coverage throughout that
10 zone. He noted that after the leak event, they began conversations about
11 deploying additional ally meters based on geographic coverage within the
12 Urban zone to quickly identify a leak location.

13 Mr. Parcels stated that with the construction of the Central Line, he
14 asked if there was any coordination with the City to install these types of
15 meters. Mr. Morrison replied that they would have to speak with the City to
16 see if their system would support AMI-based devices for pressure
17 monitoring. Mr. Parcels asked if they have had conversations with the City
18 or are there lessons learned as a consequence of this recent leak incident.
19 Mr. Morrison replied that they are scheduling a follow-up, or after action,
20 on this break.

21 Ms. Palmer asked if they knew how much water was loss from this
22 major leak. Mr. Morrison replied that he has not seen a final number. He
23 stated that from seeing it in person, he believes it was probably around
24 3,000 gallons per minute as it was a fairly substantial leak. He stated that
25 when they identified the leak on the northern side of the bypass, he could
26 not traverse the Rivanna Trail because the water level was high. Ms.
27 Palmer asked how long it was leaking. Mr. Morrison replied that the break
28 occurred at 1:34 a.m., and it was ultimately isolated a little before 5:30 a.m.

29 Ms. Swanson thanked Mr. Morrison for sharing the story and stated
30 that she was glad it was a story of cooperation, given the difficulty of the
31 situation. She asked where the closest master meter is that would register

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1 that water loss, and if it is accounted for when the true-up process happens.
2 Mr. Morrison replied that the closest one would be the one near Trader
3 Joe's. He stated that the master meter communicates every six hours, so
4 they do not have the ability to get an instantaneous reading from it. Ms.
5 Swanson asked when the true-up process takes place. Mr. Lunsford
6 replied that the meters are calculated monthly. He stated that he is not
7 entirely sure in terms of the wholesale metering that RWSA does. He noted
8 that RWSA is currently recalibrating those meters. Mr. Morrison added that
9 tonight is the scheduled recalibration of the Trader Joe's meter, which
10 occurs annually.

11 ***e. IT Monthly Update*** – Mr. Parcels asked if Ms. Walker could elaborate
12 on the issues with the inputs and outputs of programming related to the
13 Madison Park pump system upgrade. Ms. Walker replied that the SCADA
14 technician has been working with the contractor and the ACSA engineer
15 on the project. She stated that there is still a programming issue that needs
16 to be worked through. Mr. Parcels asked if there is a delay. Mr. Weiler
17 replied that all of the programming issues have been resolved at this time.
18 He stated that when the IT report was prepared, they were going through
19 normal integration issues. He stated that they replaced the pump station
20 as a capital project. He mentioned that separate from that, a developer that
21 was building apartments upstream of the pump station was required to
22 have a generator and automatic transfer switch installed at the pump
23 station. He stated that getting the new generator and transfer switch to
24 communicate with the PLC at the pump station involved fairly typical
25 hiccups. He added that it took a couple of weeks to get it resolved, but it
26 has been resolved and everything is operational.

27 ***f. Rivanna Water and Sewer Authority (RWSA) Monthly Update*** –

28 ***g. ACSA Board Policy Future Issues Agenda 2026*** –

29 ***Ms. Palmer moved to approve the consent agenda, seconded by***
30 ***Mr. Parcels. The Chair asked for a roll-call vote: Ms. McKeel, aye; Mr.***

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Parcells, aye; Ms. Palmer, aye; Mr. Armstrong, aye; Mr. Roberts, aye; Ms. Swanson, aye.

7. **Operational Presentation – Physical and Digital Security Overview**

April Walker, Director of IT, and Solomon Wondimu, ISO Engineer, came forward to present to the Board. She stated that Tron Henson, the ACSA's IT Technician, was not able to be present today so she is filling in for him. She stated that the presentation (Attached as Pages_____) would be a high-level overview so as not to compromise security in any way, given that it is a public meeting.

Ms. Walker stated that she would begin with physical security. She stated that the first slide shows a picture of Mr. Henson working at the Avon Operations Center to install some infrastructure. She mentioned that Mr. Henson is responsible for the installation, monitoring, and administration of all physical security such as access control and CCTV.

Ms. Walker stated that they have 215 physical security devices, which Mr. Henson manages, but this number will basically double by the end of the year. Mr. Parcells asked which number would double. Ms. Walker replied that currently they have 215 physical devices but with the pump station access control project as well as the Avon Operations Center, that number will double by the end of the year.

Ms. Walker stated that 95% of the security alarms are false, which is great. She stated that a lot of times, the alarms are because of wildlife. Mr. Parcells asked if it is possible to use AI to filter out some of the false alarms. Ms. Walker replied yes. She stated that they can turn the sensitivity down or train the system not to alert them if it is an animal. She mentioned that the issue is with pump stations and tanks. She stated that because they do not visit those facilities as much and there is not usually someone there, they keep as many alerts as possible. She noted that for the Spotnap

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1 building, they have trained the system not to alert for things like a customer
2 putting a payment in the drop box.

3 Ms. Walker stated that about 5% of the alarms do need to be
4 investigated further. She stated that the system is great in that they are able
5 to provide live feeds to law enforcement agencies. She stated that they are
6 also able to login and access footage as well. Mr. Parcels asked if she was
7 able to provide an example. Ms. Walker replied that they have had some
8 people use ACSA facilities for loitering, for whatever reason. Mr. Parcels
9 asked if it was ever for an active break-in. Ms. Walker replied no.

10 Ms. Walker stated that the next slide shows some of their upcoming
11 projects for this year. She stated that the Avon Operations Center project
12 was still in progress. She mentioned that currently, a lot of the building
13 wiring is complete, but the exterior wiring is still to be done. She stated that
14 they hope to have that live by fall. She stated they are still waiting on a
15 special type of wire for the Avon property so in the meantime, they are back
16 to working on the pump station access controls. She mentioned that two out
17 of the eighteen are in progress currently. She added that they also have cell
18 modem upgrades coming, which they plan to have completed by the end of
19 the fiscal year. She stated that Mr. Wondimu would now walk the Board
20 through the ACSA's digital security, which he is responsible for.

21 Mr. Wondimu stated that the ACSA has separate networks for data
22 and SCADA. He stated that each network has its own firewall and security.
23 He stated that in terms of network security, the ACSA has firewalls, intrusion
24 detection systems, and VPNs to protect from unauthorized access and
25 cyber threats. He stated that they also use data encryption to ensure
26 sensitive data remains unreadable to unauthorized parties. He mentioned
27 that the ACSA also uses multi-factor authentication, whether it is the
28 SCADA or data network. He added that every day, they investigate all of
29 the data that goes through the firewall on each network.

30 Mr. Parcels stated that Ms. Walker has mentioned before that there
31 have been attempts to hack into the ACSA's system. Ms. Walker replied

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1 that they do see attempts, but no attacks. She stated that Mr. Wondimu
2 constantly monitors them. Mr. Parcels asked if they are increasing. Mr.
3 Wondimu replied not that much. He stated that they do not see any
4 significant threats.

5 Mr. Wondimu stated that with the cloud migration project, they will be
6 migrating all the servers onsite to the cloud. He stated that this will give
7 them more security because Microsoft will have their own security, in
8 addition to the ACSA's security. He mentioned that when they move to the
9 cloud, there will be a security implementation which will include data
10 classification, providing an additional layer of security.

11 Mr. Wondimu moved to the next few slides, illustrating some of the
12 reports that he monitors on a daily basis, which show any unusual activity.
13 Mr. Parcels noted the graph showing the various detections color-coded by
14 threat level. He stated that there were not any high-level detections, but
15 there were some medium level detections. Mr. Wondimu explained that
16 those were internal, such as an employee who makes a mistake, not
17 external threats.

18 Mr. Wondimu stated that the next slide shows applications that have
19 been blocked. Ms. Walker stated that it may look as if employees are trying
20 to access games, but most of the time it is a website with a game ad that
21 pops up requesting the user to play the game before accessing the site.
22 She noted that games are blocked on employee devices. She added that if
23 there was actually a game being played, the previous slide would have
24 shown some red, or high-level detections.

25 Mr. Wondimu stated that the next few slides illustrate traffic from the
26 firewall and user activity. He noted that the traffic insight dashboard in the
27 firewall control center shows real-time and 24-hour summary statistics on
28 network bandwidth usage, web traffic, as well as blocked and allowed
29 applications. Mr. Parcels asked if the snapshot was of one day. Mr.
30 Wondimu replied that the dashboard usually provides 10-12 hours of data,
31 but he can look at any duration of time he chooses.

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1 Mr. Wondimu stated that the next slide shows usage and activity from
2 the Microsoft 365 administration center dashboard. He mentioned that it
3 provides data on which Office 365 applications employees are using.

4 Mr. Wondimu stated that the chart on the next slide shows the
5 ACSA's security report from the Microsoft security portal, compared to other
6 organizations of a similar size. He mentioned that the score is good, but he
7 believes it will be even better after the cloud migration.

8 Mr. Parcels asked if the 81.25% is good or very good. Mr. Wondimu
9 replied that it is very good. He stated that after the cloud migration, it will
10 probably fall in the 90%-95% range. Mr. Parcels asked if there is an
11 example of an organization that is already in that range. Mr. Wondimu
12 replied that he did not know of one offhand.

13 Ms. Palmer asked if there is any information on the comparison to
14 what happened with the water authorities in Minnesota recently. Ms. Walker
15 replied that they do not have a comparison. She stated that they do get
16 alerts in terms of what to look for. She mentioned, for example, the ACSA
17 will get alerts about certain ports to block on their firewall, and Mr. Wondimu
18 will go in and ensure those ports are blocked. Ms. Palmer asked if the ACSA
19 was alerted to anything as a result of the incident in Minnesota. Mr.
20 Wondimu and Ms. Walker both replied yes. Ms. Walker replied that they
21 receive those alerts daily, sometimes multiple times a day depending on the
22 threat. She added that most of them come from Homeland Security, which
23 are sent out instantly.

24 Mr. Wondimu stated that the next and final slide shows a snapshot
25 from the SCADA firewall. He mentioned that the SCADA network is a bit
26 more secure than the data network as it does not have internet connection.
27 He stated that it is only permitted to communicate with the servers and the
28 PLCs.

29 Mr. Parcels asked how SCADA alarms reach the on-call technician
30 if the network is not connected to the internet. Mr. Wondimu replied that the
31 SCADA server communicates through a modem. Ms. McKeel asked what

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1 redundancy there is when the internet goes down. Ms. Walker replied that
2 the ACSA has two internet providers. She stated that the firewall knows to
3 switch if one goes down. She reiterated that they use cell modems as there
4 is no designated internet service at every pump station. Mr. Lunsford asked
5 if SCADA was totally down, would the ACSA be able to operate in manual
6 mode. Ms. Walker replied yes. She stated that all pump stations and water
7 tanks can be operated manually.

8 Ms. Swanson asked if the ACSA is working with Ting, who is
9 currently building out its cellular infrastructure. Ms. Walker replied yes. Ms.
10 Swanson stated that she recalls post-pandemic, the County partnered with
11 Verizon to hand out hotspots to children in the school system. She stated
12 that at the time, Ting did not have enough bandwidth to support the
13 community. She added that if the ACSA is making an investment in helping
14 them build out their network, it could be helpful for the community. Ms.
15 Walker replied that the ACSA currently uses Comcast and Ting for internet,
16 but for cell modems they are currently using Verizon and are in the process
17 of adding T-Mobile as a redundant carrier.

18 19 8. **Annual Year-End Appropriations**

20 Emily Roach, Director of Human Resources and Administration, and
21 Acting Director of Finance, came forward to present to the Board. She stated
22 that staff is requesting approval from the Board to reappropriate funds from
23 fiscal year 2026 to fiscal year 2027, to complete purchases that were already
24 budgeted for. She noted that some of the reappropriation has to do with
25 timing and various delays.

26 ***Mr. Parcels moved to approve the reappropriation of \$71,496.60***
27 ***from fiscal year 2026 to fiscal year 2027, seconded by Ms. Swanson.***
28 ***The Chair asked for a roll-call vote: Ms. McKeel, aye; Mr. Parcels, aye;***
29 ***Ms. Palmer, aye; Mr. Armstrong, aye; Mr. Roberts, aye; Ms. Swanson,***
30 ***aye;***
31

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1
2
3 9. Presentation and Consider to Vote to Approve: Bond Proposal –
4 Series 2026 Bond for Construction Funding

5 Quin Lunsford, ACSA Executive Director, came forward to address
6 the Board. He stated that Mr. Geisz with Davenport & Co., as well as Mr.
7 Kulp with Hunton Adrew Kurth, LLP, the financial advisor and bond counsel
8 for the ACSA respectively. He mentioned that they have prepared a short
9 presentation (Attached as Pages_____) and are incredibly versed in
10 transactions like this. He stated that they have been made aware of some of
11 the questions that they have heard over the last few days related to the
12 issuance and the resolution.

13 Mr. Geisz came forward to address the Board. He stated that his
14 senior colleague, Courtney Rogers, was not able to make it today but today's
15 presentation was the next step in the presentation that Mr. Rogers gave the
16 Board in May outlining the plan of finance for the borrowing for the identified
17 debt funded capital needs. He noted that they are before the Board today
18 with a resolution that would authorize the issuance of water and sewer
19 revenue bonds subject to certain parameters. He stated that he would go
20 into the parameters in more details but high level, the parameters give them
21 a box within which they can operate to secure the debt funding. He noted
22 that should the interest rate or borrowing amount exceed that in the
23 resolution, they would not move forward. He added that also included in the
24 Board packet are some of the draft forms of the key financing documents,
25 which Mr. Kulp and his team have been putting together.

26 Mr. Geisz stated that the planned use of proceeds for this borrowing
27 would total roughly \$20 million across four projects – the Avon Operations
28 Center, Buckingham Circle and Bellair-Liberty Hills, Scottsville Phase 4, and
29 the Airport Trunk Sewer Upgrade. He stated that they have established a
30 not-to-exceed figure of \$22.3 million, which represents the maximum par
31 amount that may be issued under this authorization. He noted that the not-

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1 to-exceed amount does not represent the amount they expect to issue but
2 more so, the amount they can issue up to if needed. He added that it
3 provides flexibility as market conditions move, specifically for the
4 underwriters to prepare the most attractive proposal possible for the ACSA.

5 Mr. Geisz stated that looking at the not-to-exceed estimate, the
6 primary components are the \$20 million that would go to fund the previously
7 mentioned projects. He stated that in addition to those projects, there is the
8 cost of issuance which includes the underwriter's costs. He mentioned that
9 they have also included two or three lines of contingency to give additional
10 par to operate under, providing flexibility for lenders. He noted that they have
11 also included \$1.3 million for a debt service reserve fund. He stated that they
12 do not anticipate that being needed at the moment. He stated that this is
13 basically one year of debt service that would be set aside in a fund and
14 invested and would be there in case revenues do not come to fruition. He
15 mentioned that through their analysis, they do not see any benefit to
16 including it at this time but wanted to include the amount needed to fund it
17 should something change during their discussions with the rating agencies.

18 Ms. Swanson asked if Mr. Geisz could talk about the arbitrage rules.
19 Mr. Geisz replied that basically, arbitrage rules state that the ACSA cannot
20 earn in excess of the borrowing rate. Mr. Kulp added that under arbitrage
21 rules, the ACSA can invest a debt service reserve fund at an unlimited rate
22 for the full term of the bond issuance. He stated that the ACSA would pay a
23 rebate on that reserve fund for any positive arbitrage above the yield on the
24 bonds. He mentioned that it allows the ACSA to maximize the amount that
25 the IRS will allow them to receive on the reserve bond, but anything beyond
26 that would be rebated back to the IRS. He added that this gets calculated
27 and paid every five years.

28 Ms. Swanson asked who manages that. Mr. Geisz replied that if the
29 reserve bond is funded, it would typically be held by the bond trustee, and
30 the ACSA would engage a rebate consultant to monitor and calculate

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1 whether a rebate would be owed. Ms. Palmer asked if there is a fee for that.
2 Mr. Kulp replied that there is a fee, but it is not significant.

3 Ms. Swanson asked what determines the need for establishing or
4 using a debt service reserve fund. Mr. Geisz replied that the need for one is
5 based on whether the ACSA could end up with a lower all-in borrowing cost,
6 taking into account the additional amounts they are borrowing based on the
7 investors sense of credit. He stated, however, that they feel the ACSA is a
8 strong enough credit that the investors will not find benefit to include a debt
9 service reserve fund in the issuance at this time. Mr. Parcels asked if the
10 debt service reserve fund was, in a sense, insurance language. Mr. Geisz
11 replied yes. He stated that they wanted to lay out all of the components that
12 factored into the not-to-exceed amount.

13 Mr. Parcels stated that he noticed it stated in the documents not to
14 exceed 5.5%, but the calculation they are using seems to be closer to 3%-
15 3.5%. Mr. Geisz replied that those two thresholds do not move in tandem.
16 He stated that they could issue at the 5.5% maximum rate but not necessarily
17 issue at the full par amount. He mentioned that it depends on the structure
18 of the bids received from the underwriters. He stated that the underwriters
19 are incentivized to provide the lowest cost bid because the lowest interest
20 rate wins. He stated that the premiums and discounts will affect the par
21 amount. Mr. Parcels asked if this is where the market size contingency
22 comes into play. Mr. Geisz replied yes.

23 Ms. Swanson stated that she was still not clear as to who would
24 manage the debt service reserve fund. Mr. Kulp replied that the fund would
25 be held by the trustee, but the ACSA would have the ability to direct the
26 investments. Ms. Swanson also asked if she is understanding correctly that
27 the ACSA Board Chair and Vice-Chair would authorize the bond issuance.
28 Mr. Kulp replied that the resolution is set up for the full Board to consider and
29 adopt, which would approve a bond deal to proceed within the parameters
30 that are established. He stated that the resolution also delegates authority to
31 the Chair and Vice-Chair to execute on that with Mr. Lunsford and the rest

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1 of the ACSA team, who would make the final decision if financing can be
2 done within those parameters. He noted that it avoids having to schedule a
3 special meeting to come back and receive approval.

4 Mr. Roberts asked if the bond trustee is filed with the Circuit Court,
5 as all trustees are. Mr. Kulp replied that they are authorized to act in Virginia
6 as a corporate trustee. He stated that there was a new agreement of trust
7 put in place in 2010 and a bond trustee was selected at that time.

8 Mr. Parcels stated that he found a small typo on page 207. He stated
9 it says for the fiscal year ended June 30, 2025, customers were billed for 1.6
10 million gallons of sewer collected, and it should be 1.6 billion gallons. He
11 stated on page 223, there is a reference to the ACSA and the City not
12 exceeding their respective plant capacities. He asked if the plant capacity is
13 known. Mr. Lunsford replied yes. He stated that it is a number provided by
14 RWSA each month, and the ACSA is nowhere near exceeding that number.

15 Mr. Parcels stated that he had another question about the section
16 referring to the issuance of additional bonds where it references "certain
17 assurances of the sufficiency of revenues to pay operation and maintenance
18 expenses." He stated that they are going into this with the understanding that
19 there will be additional bonds which will require certain cash flows to
20 guarantee bond payment. He asked if the bond holders have this
21 understanding as well. Mr. Kulp replied that the trust agreement sets out
22 expectations and certifications that need to be made with each bond
23 issuance which is a protection for existing bond holders. He stated that
24 included in that are certifications and projections of being able to comply with
25 the ACSA's rate covenant for at least the first two years after the completion
26 of the projects. He stated that the CIP program is set out in the disclosure so
27 investors will know what is coming in terms of capital improvements and
28 potential bond issues. He mentioned that if there were a known bond
29 issuance coming in the next year, they would expressly say that but
30 otherwise the CIP gives a sense of the borrowing that may be needed down
31 the road.

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1 Ms. Swanson asked where the debt service reserve fund would be
2 held. Mr. Kulp replied that it would be held by the trustee, Bank of New York,
3 which is the trustee for the debt fund as well as the reserve fund. Ms.
4 Swanson stated that in terms of the investment strategy, that would fall on
5 the ACSA and PFM Management. Mr. Lunsford replied that he thinks that is
6 a fair statement.

7 Mr. Parcells stated that back to the overall cost, included in the
8 budget is an allocation of debt service figured at around \$1.2 million. He
9 stated that this was based on the ACSA paying 3%. He asked if the budget
10 will have to be revised if it turns out that the ACSA has to pay 5%. Mr.
11 Lunsford replied that he is an accountant by trade which involves looking
12 backwards. He stated that budgeting is different because it involves looking
13 forward and making assumptions. He mentioned that one of the assumptions
14 they made is that they would not have a full year of principle and interest in
15 2027. He stated that the \$1.2 million that Mr. Parcells is referencing that is
16 reflected in 2027 very well may align with a higher number for 2027 based
17 on the fact that they are not paying 12 months of principle and interest.

18 Mr. Geisz stated that the table showing the debt service impact may
19 help. He stated that the table shows the resulting impact on the ACSA's debt
20 profile which consists of one issuance, which is shown in the first three
21 columns. He stated that in the middle is a projection of what they anticipate
22 will be the results of the bond issue with conservatism built in. He mentioned
23 that they have added 50 basis points to market rates, so the market could
24 move up 50 basis points, and it would align with what they have shown in
25 the table. He noted that in the total column for FY 2027, the far right of the
26 table, it shows roughly \$1.06 million. He added that this might be a result of
27 shifting issuance back further than what was assumed during the budget
28 process. Mr. Parcells asked by shifting back if he meant later than October.
29 Mr. Lunsford stated that during the early part of the budget process, they
30 were thinking around July. Mr. Geisz added that they had assumed a full

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1 year in 2027 of debt service payments, but they will not pay as much now
2 that they are closing part of the way into the fiscal year.

3 Mr. Parcels asked if they knew what the market rate is currently. Mr.
4 Geisz replied that they ran the numbers yesterday at the current market rate
5 and it was roughly 4.59%. He stated that the estimates shown in the table
6 with the 50 basis points of contingency are right at 5.04%, which is still well
7 below the 5.50% threshold.

8 Ms. Palmer asked, out of curiosity, what the interest rate was on the
9 bond issued in 2010. Mr. Geisz replied that he was not involved with that,
10 but he came on board right when the ACSA refinanced the bond. He stated
11 that market rates were at near historic lows and it was a shorter term. He
12 mentioned that he believes the rate was right around 1%. Mr. Lunsford
13 replied that he believes after the subsidy, it was 3.25%.

14 Mr. Geisz moved to the next slide outlining the tentative bond
15 issuance schedule. He stated that August 20th, today, is when the Board
16 would consider adopting the authorized resolution, after which time they
17 would plan to meet with the credit rating agencies to go through the credit
18 presentation that was discussed earlier. He mentioned that the agencies
19 would then go back to their rating committees and decide on the ultimate
20 rating outcome, which should take about 10-14 days. He noted that once
21 they get the ratings back, they will be put into the offering document that will
22 be sent out to the underwriters ahead of the bond sale on September 22nd.
23 He stated that on September 22nd, the underwriters will submit their bids,
24 and the final interest rates would be known. He added that two weeks later,
25 after the bond sale, Mr. Kulp and his team will work through the closing
26 documents and funds would be in hand by early October.

27 Mr. Parcels asked if there is anything that they can foresee with the
28 way the ACSA's cash flows and assets are set up that would not yield an AA
29 rating. Mr. Geisz replied that they have run a bunch of different analyses,
30 and they are estimating that the rating will be within the AA category, which
31 is reflected on the next slide. He stated that they are not sure where within

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1 that category but based on their modeling, they estimate a AA rating. He
2 added that outside of some abnormal circumstance, their estimates are not
3 showing any reason that the ACSA would receive a lower rating than AA.

4 Ms. Palmer asked if the recent changes with the RWSA's S&P Global
5 rating could affect the ACSA's credit rating. Mr. Geisz replied that he spoke
6 with their bond desk about that and there are a couple of things that play into
7 that. He stated that overall, there is negligible impact if any. He mentioned
8 that this is because Moody's had RWSA rated at Aa2 and S&P had them
9 rated one notch higher at AA+. He stated that all that happened was S&P
10 shifted down to the same tier as Moody's rating. He noted that in addition,
11 both agencies assigned a stable outlook which means over the next two
12 years, they do not foresee anything changing the rating.

13 Mr. Armstrong stated that he has heard reports about the federal
14 debt impacting federally issued bonds. He asked if this impacts the ACSA in
15 terms of what they are trying to do. Mr. Geisz replied that he does not believe
16 so. He stated that he believes their market will generally follow the treasury
17 market. He stated that he does not anticipate anything on that larger scale
18 that will impact their timing or results.

19 ***Ms. Palmer moved to adopt the resolution authorizing the***
20 ***issuance, sale, and award of up to \$22,300,000 Water and Sewer***
21 ***System Revenue Bonds, Series 2026, of Albemarle County Service***
22 ***Authority as presented, seconded by Ms. McKeel. The Chair asked for***
23 ***a roll-call vote: Ms. McKeel, aye; Mr. Parcels, aye; Ms. Palmer, aye; Mr.***
24 ***Armstrong, aye; Mr. Roberts, aye; Ms. Swanson, aye;***

25 26 10. **Items Not on the Agenda**

27 Ms. McKeel asked if Mr. Lunsford could give a quick update on the
28 drought watch. Mr. Lunsford replied that as of yesterday, South Rivanna
29 Reservoir and Totier Creek Reservoir were 100% full and spilling over,
30 Ragged Mountain Reservoir was at 88% full, Sugar Hollow Reservoir was
31 at 96%, and Beaver Creek Reservoir was at 89% full. He stated that the

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1 regional drought committee, which consists of RWSA, City of
2 Charlottesville, County of Albemarle, and the ACSA, have continued to
3 meet every Monday. He noted that conditions have improved given some
4 of the recent rainfall. He mentioned that stream flows have improved
5 somewhat, but they are still not able to transfer from Sugar Hollow to
6 Ragged Mountain. He stated that they meet again this coming Monday, and
7 RWSA is rerunning their OASIS model to see what that projects into the
8 future. He added that there is some hesitation to move out of the drought
9 watch phase until the other reservoirs begin to fill more. He stated that
10 Sugar Hollow is still not full but could fill with one big rainstorm. Mr. Parcels
11 asked about Beaver Creek. Mr. Lunsford replied that Beaver Creek is down
12 a bit but based on how much is produced from the reservoir every day, they
13 are not particularly concerned. He stated that heat and increased
14 consumption in the summer do have an impact, but they should start to see
15 some recovery in the fall and winter.

16 Mr. Lunsford stated that he had one other item to mention which was
17 the ACSA's employee appreciation picnic on September 4th at Darden Towe
18 Park. He stated that the picnic will begin at 12 noon, and there will be
19 cookout style food, as well as games, and invited the Board to attend.

20 21 11. Adjourn

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

25
26

Quin Lunsford, Secretary-Treasurer
27