

HRSD Commission Meeting Agenda - REVISED
9:00 a.m. – September 26, 2023

In-person for Commissioners and essential staff at
1434 Air Rail Avenue, Virginia Beach, VA 23455

Reservations are required for in-person and virtual public observation of all HRSD Commission and Committee meetings; to address the Commission; and to submit written comments to be read into the minutes. Reservations are accepted via the following link and must be completed by noon one business day prior to the meeting: https://www.hrsd.com/contact/commission_meeting.

<u>No.</u>	<u>Topic</u>	<u>Resource</u>
	Call to Order	Rodriguez
1.	Awards and Recognition	Bernas
2.	Public Comments Not Related to the Agenda	Cascio
3.	Consent Agenda	Bernas
4.	Financial Policy Updates	de Mik
5.	Monthly Billing of Model 3 Billing Partners	de Mik
6.	Fiscal Year 2024 Rate Schedule Amendment	de Mik
7.	Capacity Assurance and Service Area Expansion Policy Updates	Dano
8.	City of Chesapeake Public Safety Training Academy and Adjacent City Lands Service Area Expansion Agreement	Dano
9.	Williamsburg Treatment Plant Influent Loading Reduction Improvements New CIP and Initial Appropriation	Dano
10.	James River Land Improvements – Phase I Cost Sharing Agreement and Additional Appropriation	Dano
11.	Eastern Shore Infrastructure Improvements – Transmission Force Main Phase I Real Property – Acquisition 23225 Front Street, Town of Accomac, County of Accomack, Eastern Shore, VA	Dano
12.	Surry Hydraulic Improvements and Interceptor Force Main Real Property – Acquisition (Tax ID: 27A-2-21)	Dano
13.	Conflict of Interest, Ethics and FOIA Training	Bernas
14.	New Business	Bernas

<u>No.</u>	<u>Topic</u>	<u>Resource</u>
15.	Unfinished Business	Bernas
16.	Commissioner Comments	
17.	Informational Items	Bernas
18.	Closed Meeting	Bernas
19.	Reconvened Meeting	
20.	Announcements	Bernas

Next Regular Commission Meeting: October 24, 2023 in Newport News

AGENDA ITEM 1. – September 26, 2023

Subject: Awards and Recognition

Recommended Action: No action is required.

Brief: The Commission Chair will present a service award to Stacie Crandall who will mark her 30th year of service with HRSD on September 29.

Stacie was hired in 1993 as a Laboratory Helper at Central Environmental Lab and was quickly promoted in that same year to a full-time Laboratory Technician. In 1997, Stacie transitioned to Water Quality Specialist. By the end of 1998, she had received two additional promotions to achieve the position of Chemist. In 1999, Stacie became the CEL's Quality Assurance Manager and in 2014, she was promoted to Chief of the Laboratory.

Stacie holds a Bachelor of Science degree in biology from Ohio University and is a graduate of the Keenan Flagler Leadership Program and the Virginia Natural Resources Leadership Institute in addition to completing the Dale Carnegie Leadership course.

Stacie has served in several professional associations, including leadership positions with the Water Environment Federation (WEF) and the Virginia Water Environment Association (VWEA) as a former Chair of the Lab Practices and Operations Challenge Committees in addition to serving as a past President and past Board member for VWEA. She has chaired and participated in multiple committees of the National Environmental Laboratory Accreditation Conference (NELAC) and is a current Board member for The NELAC Institute (TNI), a non-profit organization whose mission is to foster the generation of environmental data of known and documented quality.

During her years of service, she was frequently recognized for her commitment and contributions to the industry. Most notably, she received the WEF Arthur Sydney Beddel Award for service in VWEA in 2018 and recently, she received VWEA's Meritorious Service Award. This award was bestowed on Stacie this month and is intended to recognize VWEA members who have provided extraordinary personal service, devotion, and sacrifice to VWEA over an extended period of time. The Award is infrequently given and is truly an honor to receive.

Stacie has also made innumerable contributions to HRSD, leading the lab's effort to obtain its first state accreditation, maintaining and even expanding the scope of accreditation over more than a decade. Under her leadership, the lab consistently generates reliable, high-quality data used to evaluate compliance and inform operational decisions.



AGENDA ITEM 2. – September 26, 2023

Subject: Public Comments Not Related to Agenda

AGENDA ITEM 3. – September 26, 2023 - REVISED

Subject: Consent Agenda**Recommended Action:** Approve the Consent Agenda.**Brief:** The items listed below are presented on the following pages for Commission action.

- a. Approval of Minutes - The draft minutes of the previous Commission Meeting were distributed electronically prior to the meeting.
- b. Contract Awards (>\$200,000)
 1. [Foxridge, Woodland Road and Fox Hill Road Gravity Sewer Rehabilitation](#)

Contract Award (>\$200,000)	\$5,338,220
Task Order (>\$200,000)	\$523,834
Regulatory Required CIP Additional Appropriation (<\$10,000,000)	\$2,540,886
 2. [Group Medicare and Prescription Coverage](#)

	\$4,242,140
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 3. [Water Quality Department Instrumentation Equipment](#)

	\$314,473
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- c. Contract Change Orders (>25% of original contract value or \$50,000)
 1. [Effingham Interceptor Vault Removal](#)

Contract Change Order (>25% of original contract value)	\$1,335,058
Task Order (>\$200,000)	\$238,321
Non-Regulatory CIP Additional Appropriation (<\$1,000,000)	\$932,083
 2. [Treatment Plant Grease Handling Facilities](#)

	\$82,000
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- d. Task Orders (>\$200,000)
 1. [Colley Avenue Pump Station Pump Replacement](#)

	\$318,802
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 2. [Cybersecurity Practice and Procedure Initiative](#)

	\$360,000
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 3. [Williamsburg Treatment Plant Grit Tank No. 2 Rehabilitation](#)

	\$321,523
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- e. Regulatory Capital Improvement Project – Initial or Additional Appropriation <\$10,000,000
 1. [Bloxoms Corner Force Main Replacement](#)

	\$353,033
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 2. [James River Treatment Plant MIFAS Conversion Emergency](#)

Additional Funding	\$1,201,000
Change Order	\$26,625

CONSENT AGENDA ITEM 3.b.1. – September 26, 2023

Subject: Foxridge, Woodland Road and Fox Hill Road Gravity Sewer Rehabilitation Contract Award (>\$200,000), Task Order (>\$200,000), and Regulatory Required Capital Improvement Project Additional Appropriation (<\$10,000,000)

Recommended Actions:

- a. Award a contract to Tidewater Utility Construction, Inc. in the amount of \$5,338,220.
- b. Approve a task order with RK&K, LLP in the amount of \$523,834.
- c. Appropriate additional funding in the amount of \$2,540,886.

CIP Project: YR010300**Regulatory Requirement:** Rehab Action Plan Phase 2 (2025 Completion)

Budget	\$3,962,504
Previous Expenditures and Encumbrances	(\$374,336)
Available Balance	\$3,588,168
Proposed Contract to Contractor	(\$5,338,220)
Proposed Task Order to Engineer	(\$523,834)
Proposed Contingency	(\$267,000)
Project Shortage/Requested Additional Funding	(\$2,540,886)
Revised Total Project Authorized Funding	\$6,503,390

Contract Status with Task Orders:	Amount
Original Contract with Engineer	\$96,368
Total Value of Previous Task Orders	\$277,967
Requested Task Order	\$523,834
Total Value of All Task Orders	\$801,801
Revised Contract Value	\$898,169
Engineering Services as % of Construction	16.8%

Type of Procurement: Competitive Bid

In accordance with HRSD's competitive sealed bidding procedures, the Engineering Department advertised and solicited bids directly from potential bidders. The project was advertised on July 28, 2023, and two bids were received on August 29, 2023, as listed below:

Bidder	Bid Amount
Tidewater Utility Construction, Inc.	\$5,338,220
Bridgeman Civil, Inc.	\$7,282,380

HRSD/Engineer Estimate: \$3,417,637

The design engineer, RK&K LLP, evaluated the bids based upon the requirements in the invitation for bid and recommends award to the lowest responsive and responsible bidder Tidewater Utility Construction, Inc. in the amount of \$5,338,220.

Project Description: The project consists of rehabilitation of approximately 7,450 linear feet (LF) of 10-inch to 24-inch sanitary sewer gravity main by means of cured-in-place pipe (CIPP) liner, approximately 1,200 LF of 4-inch and 6-inch sanitary sewer service lateral rehabilitation/replacement, rehabilitation of 43 sanitary manholes, replacement of 55 LF of 8-inch sanitary sewer force main, two point repairs and placement of one new 60-inch diameter polymer manhole structure. The attached [map](#) depicts the project location.

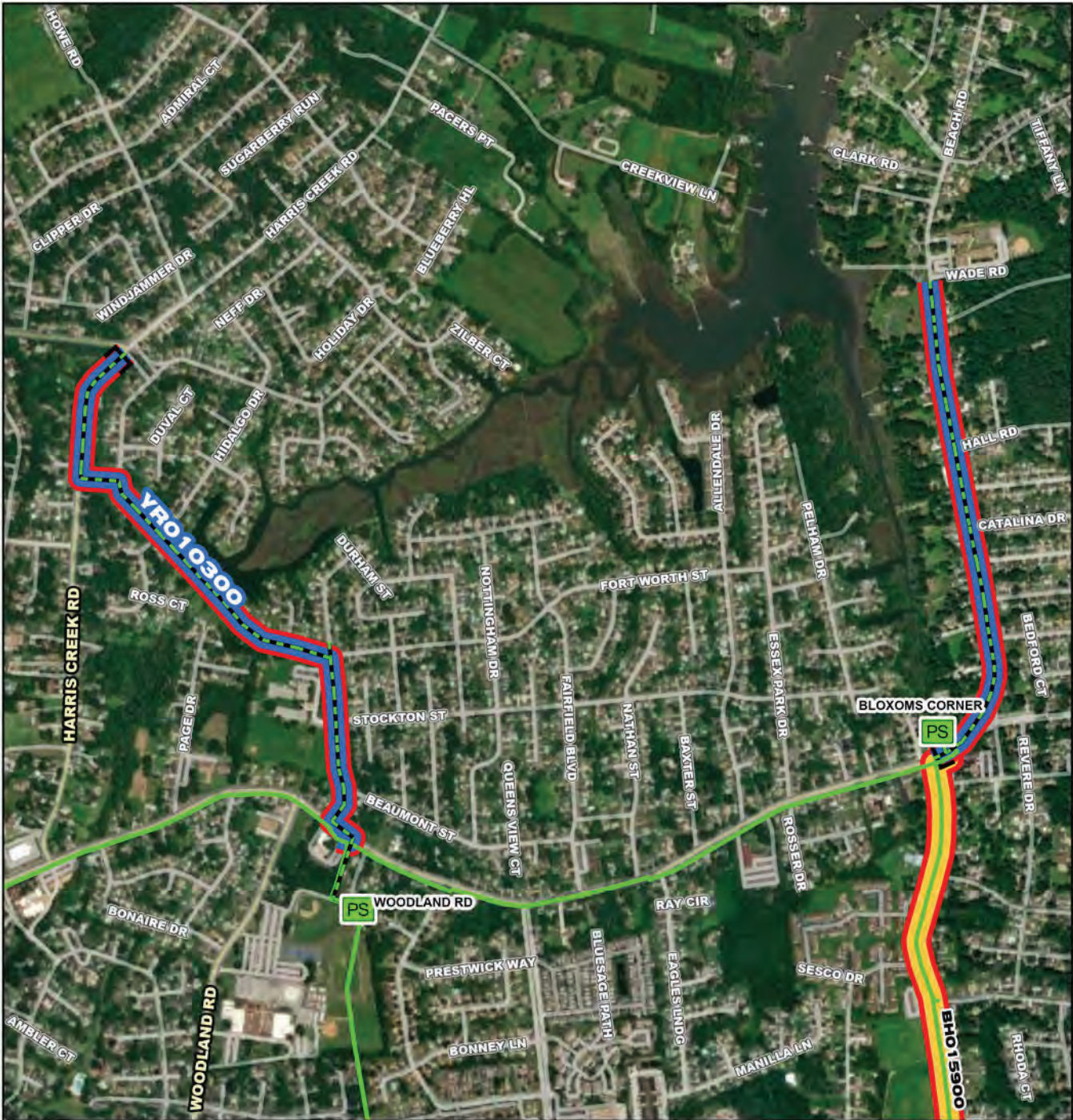
Project Justification: The Foxridge, Bloxom's Corner and Woodland/Fox Hill Road gravity systems are primarily collection systems that require rehabilitation and/or replacement. Upon completion of the rehabilitation and/or replacement, these systems should be transferred to the City of Hampton. Approximately 1,935 LF of existing 10-inch Vitrified Clay pipe was replaced along Beach Road with new 10-inch polyvinyl chloride (PVC) pipe as part of the Prompt Repair program. This portion of new gravity pipe will also be transferred over to the City of Hampton for operation and maintenance.

Contract Description and Analysis of Cost: This contract is for an agreement for the rehabilitation of sanitary sewer gravity main by means of CIPP liner, sanitary sewer service lateral rehabilitation and/or replacement, rehabilitation of sanitary manholes, replacement of sanitary sewer force main with ductile iron pipe, two point repairs and placement of one polymer manhole structure. The contract will include lump sum and unit price items.

Task Order Description and Analysis of Cost: This task order will provide the required construction administration and inspection services. A fee of \$523,834 was negotiated with RK&K, LLP, and is 9.8% of the construction cost. The fee proposal is comparable to other projects of similar size and complexity.

Funding Description: The original CIP project estimate did not foresee the current market conditions as they relate to inflation, labor shortages and long lead times for materials. Additionally, the Engineer's Estimate, though a review of the published cost indices and current heavy utility construction market conditions in Southeastern Virginia was completed in preparing the final estimate, did not adequately account for the saturated construction market conditions and a limited pool of qualified contractors. Further, though the estimate was based on plan material quantities, estimated labor requirements, supplier and vendor costs, average unit prices bid on recent similar projects and published cost data, the greatest deviation between the low bid and the Engineer's Estimate is attributed to the bid prices for main line sewer rehabilitation and point repairs. This deviation accounts for approximately 91% of the difference between the apparent low bid and the Engineer's Estimate. This request includes a 5% contingency to accommodate any unforeseen conditions. Additional appropriation is being requested for construction contract award and construction administration and inspection services. The amount for this work exceeds the balance available by \$2,540,886.

<u>Schedule:</u>	Construction	November 2023
	Project Completion	January 2025



YRO10300

- Project Interceptor Line
- Project Interceptor Point
- Project Pump Station Point
- Project Area

Legend

- CIP Interceptor Point
- CIP Pump Station Point
- CIP Interceptor Line
- CIP Abandonment
- CIP Project Area
- HRSD Interceptor Force Main
- HRSD Interceptor Gravity Main
- HRSD Treatment Plant
- HRSD Pressure Reducing Station
- HRSD Pump Station

Feet

0 400 800 1,600 2,400 3,200

YRO 10300

Foxridge, Woodland Road and Fox Hill Road Gravity Sewer Rehabilitation

N
W E
S

CIP Location

CONSENT AGENDA ITEM 3.b.2. – September 26, 2023

Subject: Group Medicare and Prescription Coverage
Contract Award (>\$200,000)

Recommended Actions: Award a contract to Aetna Life Insurance Company in the amount of \$424,214 for one year with nine renewal options and an estimated cumulative value of \$4,242,140.

Regulatory Requirement: None

Type of Procurement: Competitive Negotiation

A Public Notice was issued on May 1, 2023. Two firms submitted proposals on June 16, 2023, and all firms were determined to be responsive and deemed fully qualified, responsible, and suitable to the Professional Services Selection Committee (Committee) and to the requirements in the Request for Proposals. Two firms were short-listed, interviewed, and technically ranked as listed below:

Proposers	Technical Points	Recommended Selection Ranking
Aetna Life Insurance Company	70	1
Cigna Health and Life Insurance Company	46	2

The Committee recommends award to Aetna Life Insurance Company, whose professional qualifications and proposed services best serve the interest of HRSD.

Contract Description: This contract is for Medicare Advantage PPO plan with Medicare prescription drug benefits for HRSD retirees and their dependents.

Analysis of Cost: The cost is determined to be fair and reasonable based on, competitive pricing, benefit consultant analysis and previous contract pricing.

This work is in accordance with the Commission Adopted Procurement Policy.

CONSENT AGENDA ITEM 3.b.3. – September 26, 2023

Subject: Water Quality Department Instrumentation Equipment
Contract Award (>\$200,000)

Recommended Action: Award a contract to Metrohm USA Inc. in the amount of \$314,473.

CIP Project: GN019500

Regulatory Requirement: VPDES or Other Regulatory Sampling Requirement (CEL projects)

Budget	\$515,000
Previous Expenditures and Encumbrances	(\$146,135)
Available Balance	\$368,865

Type of Procurement: Sole Source

HRSD Estimate: \$309,796

Project Description: This project will provide for analytical equipment for the Water Quality Department for Fiscal Year 2024.

Project Justification: The sampling and analytical equipment will support various projects and programs led by the Water Quality Department.

Contract Description: This contract is for the purchase of a specialized sampling and analysis system provided by Metrohm. The system includes 940 Ion Chromatography (IC) Conductivity Detector and an Agilent 6475 Triple Quadrupole LC/MS System. This system provides more accurate analysis and is more sensitive than other similar systems. The purchase also includes installation, Agilent CrossLab Start Up services plus a three-year warranty and training for HRSD employees.

Analysis of Cost: The cost is based on a price estimate received from a similar supplier.

This work is in accordance with the Commission Adopted Procurement Policy.

Schedule: Construction July 2023

CONSENT AGENDA ITEM 3.c.1. – September 26, 2023

Subject: Effingham Interceptor Vault Removal
Contract Change Order (>25% of original contract value), Task Order (>\$200,000), and
Non-Regulatory Capital Improvement Project Additional Appropriation (<\$1,000,000)

Recommended Actions:

- a. Approve a change order to the contract with Bridgeman Civil, Inc. in the amount of \$1,335,058.
- b. Approve a task order with Rummel, Klepper and Kahl, LLP (RK&K) in the amount of \$238,321.
- c. Appropriate additional funding in the amount of \$932,083.

CIP Project: VP018200**Regulatory Requirement:** None

Budget	\$3,677,138
Previous Expenditures and Encumbrances	(\$2,878,504)
Available Balance	\$798,634
Proposed Change Order No. 1 to Bridgeman	(\$1,335,058)
Proposed Task Order to RK&K	(\$238,321)
Proposed Contingency	(\$157,338)
Project Shortage/Requested Additional Funding	(\$932,083)
Revised Total Project Authorized Funding	\$4,609,221

Contract Status with Change Orders:	Amount	Cumulative % of Contract
Original Contract for Bridgeman	\$2,179,062	
Total Value of Previous Change Orders	\$0	0%
Requested Change Order	\$1,335,058	
Total Value of All Change Orders	\$1,335,058	61%
Revised Contract Value	\$3,514,120	

Time (Additional Calendar Days)	439
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Contract Status with Task Orders:	Amount
Original Contract with RK&K	\$0
Total Value of Previous Task Orders	\$694,125
Requested Task Order	\$238,321
Total Value of All Task Orders	\$932,446
Revised Contract Value	\$932,446
Engineering Services as % of Construction	27%

Project Description: This project will rehabilitate 1,815 linear feet of existing 36-inch prestressed concrete cylinder pipe (PCCP) interceptor force main with a structural cured-in-place pipe (CIPP) lining and removal of the vaults. The structural lining will extend from a new tee and valve near the Race Street Pump Station northerly toward the intersection of Effingham Street and County Street. The attached [map](#) depicts the project location.

Project Justification: This project will address an air vent that was discovered to be directly tapped into a reinforced concrete vault. The air vent and vault were installed as part of a Virginia Department of Transportation relocation project in 1956. The condition of the vault is unknown but is suspected to be compromised due to exposure to hydrogen sulfide gas for over 60 years. Due to the location, unknown condition, and Consent Decree requirement to address the air vent, both assets will be removed from the force main system.

Change Order Description and Analysis of Cost: This change order includes a modification from the original design and a change to rehabilitate by slip lining approximately 1,500 linear feet of 36-inch RCP with 24-inch HDPE and filling the annular space with cellular concrete grout. This change order also adds one of the alternate bid items to remove temporary bypass piping and addresses differing and unforeseen site conditions. The additional costs for this change order were negotiated with the contractor, and the engineer has recommended approval for the negotiated cost for this work.

Task Order Description and Analysis of Cost: This task order will provide additional construction administration and field engineering and inspection services for the remainder of the construction duration. Construction progress has been delayed due to material availability, unforeseen field conditions, and coordination delays with CSX. A fee of \$238,321 was negotiated based on hourly rates in RK&K's annual services contract for Interceptor System Projects and an estimation of hours needed to complete the work. The fee is in agreement with other similar efforts from firms.

Funding Description: This project requires additional funding to close out the construction contract. A change order has been negotiated with Bridgeman for \$1,335,508 for the remaining work. A task order has been negotiated with RK&K for \$238,321 to provide contract administration and field engineering and inspection services through the end of construction. This request also includes \$157,338 in contingency (10% of remaining work) to accommodate any additional unforeseen conditions. The amount negotiated for the change order and task order exceeds the current balance available for the CIP project.

<u>Schedule:</u>	Construction	January 2022
	Project Completion	January 2024



VPO 18200

- Project Interceptor Line
- Project Interceptor Point
- Project Pump Station Point
- Project Area

Legend

- CIP Interceptor Point
- CIP Pump Station Point
- CIP Interceptor Line
- CIP Abandonment
- CIP Project Area
- HRSD Interceptor Force Main
- HRSD Interceptor Gravity Main
- HRSD Treatment Plant
- HRSD Pressure Reducing Station
- HRSD Pump Station

0 155 310 620 930 1,240 Feet

VPO 18200

Effingham Interceptor Vault Removal

N
W E
S

CIP Location

CONSENT AGENDA ITEM 3.c.2. – September 26, 2023

Subject: Treatment Plant Grease Handling Facilities
Contract Change Order (>25% of original contract value or \$50,000)

Recommended Action: Approve a change order to the contract with Downey Ridge Environmental Company in the amount of \$82,000.

CIP Project: GN013300

Regulatory Requirement: None

Budget	\$12,100,769
Previous Expenditures and Encumbrances	(\$11,971,266)
Proposed Change Order No. #2 to Contractor	(\$82,000)
Available Balance	\$47,503

Contract Status with Change Orders:	Amount	Cumulative % of Contract
Original Contract with Contractor	\$775,000	
Total Value of Previous Change Orders	\$147,880	19%
Requested Change Order	\$82,000	
Total Value of All Change Orders	\$229,880	30%
Revised Contract Value	\$1,004,880	

Project Description: This project involves installation of a facility at the Nansmond Treatment Plant to receive FOG (Fats, Oils, and Grease) from indirect haulers. The facility will screen, decant, and process the FOG to convert a portion to biofuel using the Greasezilla™ system. The portion of the FOG converted to biofuel will be sold to Greasezilla™ under a separate off-take agreement. The decanted FOG water will be sent to the headworks for normal wastewater treatment, and the remaining processed FOG will be sent to the digesters.

Project Justification: The grease handling facilities will reduce the impact of high biochemical oxygen demand (BOD) loading on the biological system and provide a more stable operation. The new facilities will also reduce the plugging of treatment process piping and equipment caused by the large quantities of grease being discharged over short time periods. This project also addresses the Regional Consent Decree which requires an effective FOG program.

Contract Description: This contract was for the purchase of the Greasezilla™ system which consists of reactor tanks, boilers, FOG storage tanks, and all associated mechanical, structural, and electrical/instrumentation elements. The staff is also responsible for the complete system interconnections and startup for the equipment supplied on site.

Change Order Description: This change order includes work to fabricate, paint, and deliver a catwalk and ladder for access to rear of processing tanks. It also includes additional system integration and automation work.

Analysis of Cost: The cost for this change is reasonable and in alignment with similar type work completed previously.

This work is in accordance with the Procurement Commission Adopted Policy.

Schedule:	PER	April 2015
	Design	February 2019
	Bid	July 2020
	Construction	November 2021
	Project Completion	January 2024

CONSENT AGENDA ITEM 3.d.1. – September 26, 2023

Subject: Colley Avenue Pump Station Pump Replacement
Task Order (>\$200,000)

Recommended Action: Approve a task order with Gannett Fleming, Inc. in the amount of \$318,802.

CIP Project: VP019000

Regulatory Requirement: None

Budget	\$800,000
Previous Expenditures and Encumbrances	(\$39,588)
Available Balance	\$760,412

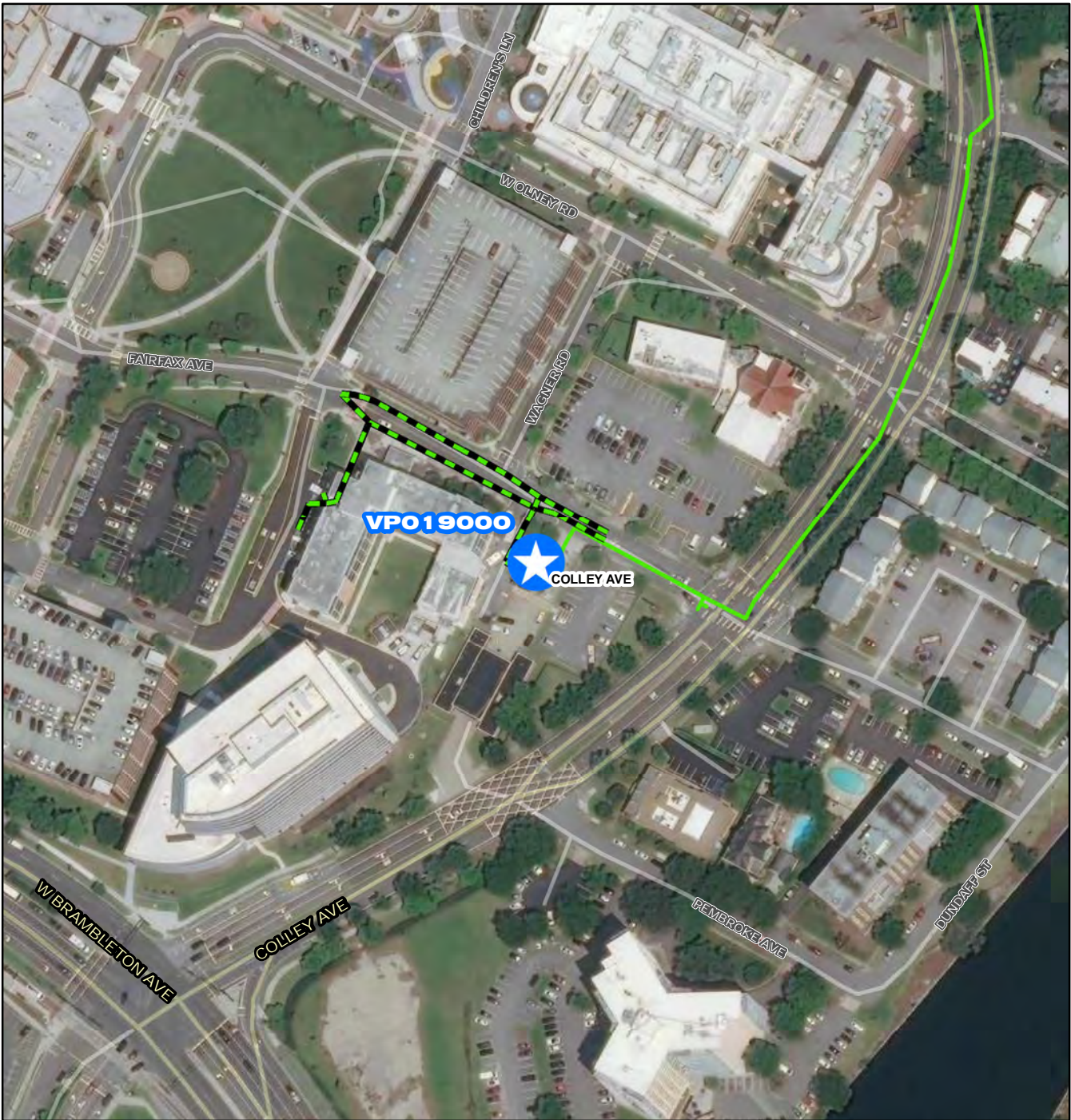
Contract Status with Task Orders:	Amount
Original Contract with Engineer	\$0
Total Value of Previous Task Orders	\$39,588
Requested Task Order	\$318,802
Total Value of All Task Orders	\$358,390
Revised Contract Value	\$358,390
Engineering Services as % of Construction	26%

Project Description: This project will replace the existing extended shaft pumps at Colley Avenue Pump Station with new constant speed dry pit submersible pumps. Architectural updates will also be made to help the station blend with the surrounding area. The attached [map](#) depicts the project location.

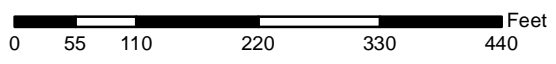
Project Justification: The existing pumps at the Colley Avenue Pump Station were installed circa 1970. Two of the three pumps are Allis-Chalmers pumps, which are no longer manufactured, making spare parts very difficult to find. A recent drawdown test performed in June 2020 showed that the two smaller pumps are operating at 70% of their original hydraulic capacity, and the large pump is operating at approximately 45% of its capacity. In addition, the smaller pumps are undersized for wet weather head conditions, forcing the third pump to be used as both the lead and wet weather pump. As a result, a 6-inch emergency bypass pump has been installed at the station to provide additional wet weather pumping capacity. Due to the loss of hydraulic efficiency and their age, these pumps cost approximately \$10,000 per year more in power, labor and maintenance costs than properly sized new pumps. In addition, replacing the pumps would allow the Godwin pump to be removed, improving the aesthetics of the station, and allowing this pump to be used elsewhere in the system.

Task Order Description and Analysis of Cost: This task order will provide design services and prepare construction documents consisting of plans and specifications and other supporting contract documents in accordance with the approved recommendations from the Preliminary Engineering Report. A fee of \$318,802 was negotiated based on hourly rates in Gannett Fleming's annual services contract for General Engineering Services and an estimation of hours needed to complete the work. The fee is in agreement with other efforts of similar size and complexity.

Schedule:	Design	October 2023
	Bid	April 2024
	Construction	August 2024
	Project Completion	June 2025



- VPO 19000**
- Project Interceptor Line
 - Project Interceptor Point
 - Project Pump Station Point
 - Project Area
- Legend**
- CIP Interceptor Point
 - CIP Pump Station Point
 - CIP Interceptor Line
 - CIP Abandonment
 - CIP Project Area
 - HRSD Interceptor Force Main
 - HRSD Interceptor Gravity Main
 - HRSD Treatment Plant
 - HRSD Pressure Reducing Station
 - HRSD Pump Station



VPO 19000

Colley Ave Pump Station Pump Replacement



CONSENT AGENDA ITEM 3.d.2. – September 26, 2023

Subject: Cybersecurity Practice and Procedure Initiative
Task Order (>\$200,000)

Recommended Action: Approve a task order with Reliaquest LLC in the amount of \$360,000.

CIP Project: AD012500

Regulatory Requirement: None

Budget	\$15,500,000
Previous Expenditures and Encumbrances	(\$6,580,799)
Available Balance	\$8,919,201

Contract Status with Task Orders:	Amount
Original Contract with Contractor	\$1,366,000
Total Value of Previous Change Orders	\$331,940
Total Value of Previous Task Orders	\$3,282,890
Requested Task Order	\$360,000
Total Value of All Task Orders	\$3,642,890
Revised Contract Value	\$5,340,830

Project Description: This project will provide for the development of a sustainable comprehensive framework for secure computing and data management utilizing a variety of hardware, software, and professional contractual services.

Project Justification: IT staff has coordinated an IT security and vulnerability assessment. This project will address the assessment's recommendations for minimizing risk exposure.

Task Order Description: This task order will be to develop an Operational Technology Change Management (OT) policy to ensure that any changes to operational systems are technical sound, safe, and secure. A physical walkthrough of eight treatment plants, and two pump stations, with a focus on identifying potential cybersecurity risks and vulnerabilities. The evaluation will be performed leveraging a combination of industry recognized frameworks.

Analysis of Cost: The cost for this task order is based on the negotiated hourly rates and programs under the Managed Security Provider Services Agreement.

This work is in accordance with the Procurement Commission Adopted Policy.

Schedule:	PER	July 2019
	Design	March 2021
	Bid	June 2025
	Construction	June 2025
	Project Completion	June 2025

CONSENT AGENDA ITEM 3.d.3. – September 26, 2023

Subject: Williamsburg Treatment Plant Grit Tank No. 2 Rehabilitation
Task Order (>\$200,000)

Recommended Action: Approve a task order with Commonwealth Epoxy Coatings, Inc. in the amount of \$321,523.

Regulatory Requirement: None

Contract Status:	Amount
Original Contract with Commonwealth Epoxy Coatings, Inc.	\$0
Total Value of Previous Task Orders	\$13,372,624
Requested Task Order	\$321,523
Total Value of All Task Orders	\$13,694,147
Revised Contract Value	\$13,694,147

Task Order Description: This task order will provide services to rehabilitate grit tank #2 at the Williamsburg Treatment Plant. Services include surface preparation, concrete repairs, and coating.

Analysis of Cost: The cost for this task order is based on the pre-negotiated rates under the Annual Coating Services Agreement.

This work is in accordance with Asset Management and Procurement Commission Adopted Policies.

CONSENT AGENDA ITEM 3.e.1. – September 26, 2023

Subject: Bloxoms Corner Force Main Replacement
Regulatory Required Capital Improvement Project Additional Appropriation
(<\$10,000,000)

Recommended Action: Appropriate additional funding in the amount of \$353,033.

CIP Project: BH015900

Regulatory Requirement: Rehab Action Plan Phase 2 (2025 Completion)

Budget	\$6,038,563
Previous Expenditures and Encumbrances	(\$5,839,112)
Available Balance	\$199,451
Proposed Change Orders to Contractor	(\$404,533)
Proposed Task Order to Engineer	(\$47,951)
Proposed Contingency	(\$100,000)
Project Shortage/Requested Additional Funding	(\$353,033)
Revised Total Project Authorized Funding	\$6,391,596

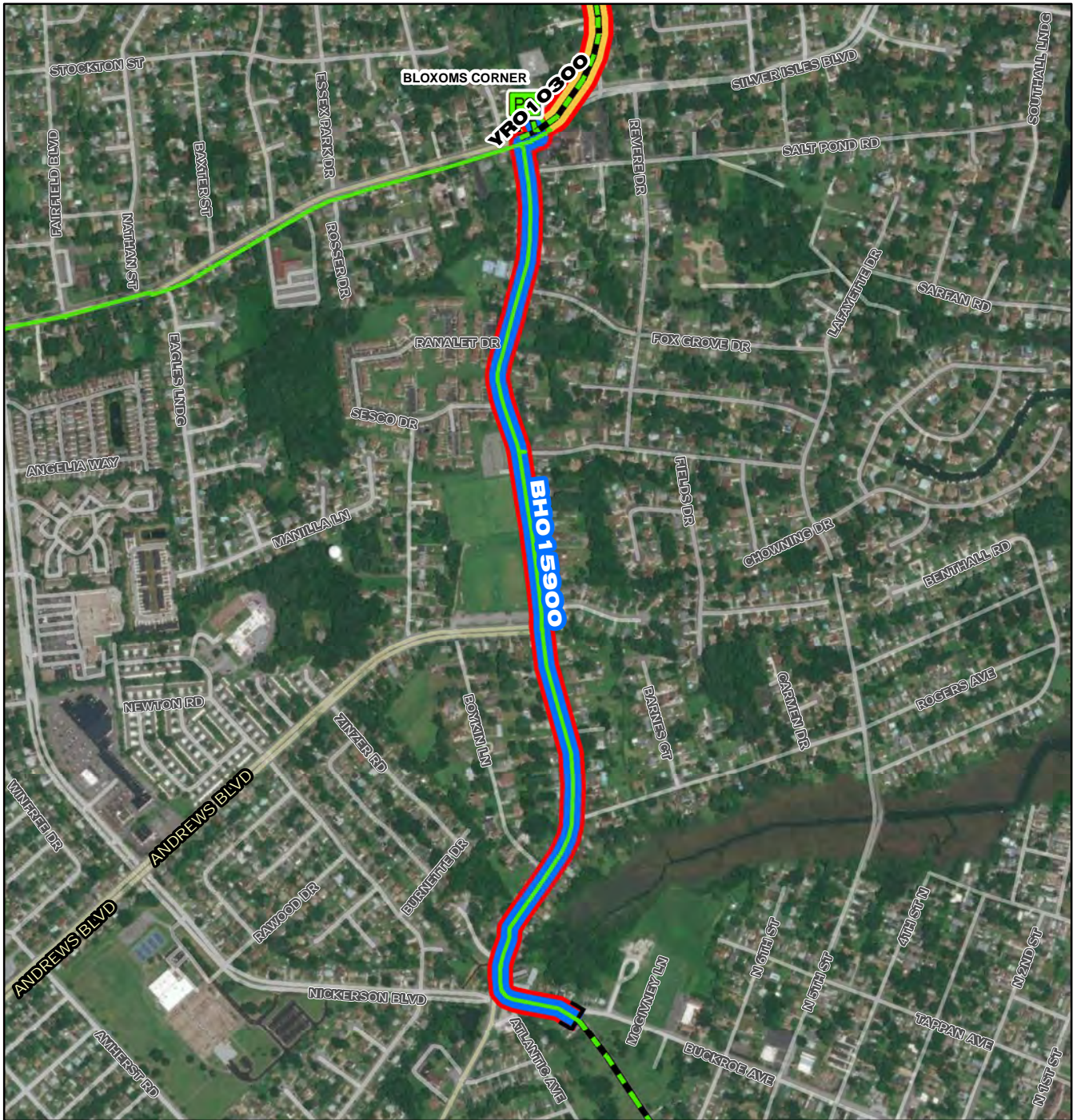
Project Description: This project will replace 6,100 linear feet of 8-inch cast iron pipe from the Bloxom's Corner Pump Station to a gravity discharge manhole on Seaboard Ave near the intersection of Buckroe Avenue. The attached [map](#) depicts the project location.

Project Justification: Disproportionate force main failure history indicates material risk of failure.

Funding Description: The additional appropriation request will cover the expenses incurred from two contractor change orders (\$404,533) and the task order to the engineer (\$47,951). A portion of this work is additional efforts requested by the City of Hampton.

The City of Hampton intends to reimburse HRSD for the requested additional work (estimated amount \$335,775).

Schedule: Project Completion December 2023



BHO 15900

- Project Interceptor Line
- Project Interceptor Point
- Project Pump Station Point
- Project Area

Legend

- CIP Interceptor Point
- CIP Pump Station Point
- CIP Interceptor Line
- CIP Abandonment
- CIP Project Area
- HRSD Interceptor Force Main
- HRSD Interceptor Gravity Main
- HRSD Treatment Plant
- HRSD Pressure Reducing Station
- HRSD Pump Station

Feet

0 310 620 1,240 1,860 2,480

BHO 15900

Bloxoms Corner Force Main Replacement

CIP Location

CONSENT AGENDA ITEM 3.e.2. – September 26,2023

Subject: James River Treatment Plant MIFAS Conversion Emergency
Regulatory Capital Improvement Project Additional Appropriation (<\$10,000,000) and
Contract Change Order (>25% of original contract value or \$50,000)

Recommended Actions:

- a. Appropriate additional funding in the amount of \$1,201,000.
- b. Approve a change order to the contract with Pioneer Industries LLC in the amount of \$26,625.

CIP Project: JR013401

Regulatory Requirement: Enhanced Nutrient Reduction Certainty Program (2023-2032 Completion)

Budget	\$5,000,000
Previous Expenditures and Encumbrances	(\$4,936,890)
Available Balance	\$63,110
Proposed Change Order No. 2 to Pioneer	(\$26,625)
Proposed Pending Work	(\$1,240,000)
Project Shortage/Requested Additional Funding	(\$1,203,515)
Revised Total Project Authorized Funding	\$6,203,515

Contract Status with Change Orders:	Amount	Cumulative % of Contract
Original Contract with Pioneer	\$44,253	
Total Value of Previous Change Orders	\$396,330	895%
Requested Change Order	\$26,625	
Total Value of All Change Orders	\$422,955	956%
Revised Contract Value	\$467,208	

Project Description: This project modified the James River Treatment Plant (JRTP) integrated fixed-film activated sludge (IFAS) basins by adding a second anoxic zone to achieve partial denitrification-anammox (PdNA).

Parallel with the James River Treatment Plant Advanced Nutrient Reduction Improvements (ANRI) (JR013400) project, it was decided to upgrade the JRTP aeration tanks from an anaerobic-anoxic-aerobic (A2O) configuration to a 5-stage Bardenpho with moving media IFAS (MIFAS) PdNA in a newly created second anoxic zone in 8 of the 9 IFAS tanks. PdNA MIFAS provides considerable operational cost savings, but more importantly, this is needed to meet nitrogen limits in the future for the James River SWIFT Facility (GN016360) and to meet new total nitrogen discharge requirements. PdNA MIFAS construction began immediately before the large SWIFT/ANRI design-build project (GN016360/JR013400) construction project to avoid significant conflicts with the larger project performing construction in the same space to upgrade the secondary clarifiers. For this reason, the project was declared an emergency on February 11, 2022.

This initial MIFAS construction allowed HRSD to get the needed mechanical equipment installed for a PdNA MIFAS zone on a very rapid timeline. MIFAS was started in one tank and has demonstrated anammox and PdNA activity, confirming the full-scale validity of this technology. Other tanks are starting up as the ANRI project sequence proceeds. The optimization of this MIFAS process must

continue in the same sequence with which tanks are out-of-service for the ANRI portion (JR013400) of construction in order to meet the timeline needed for nutrient limits. This is even more critical with the ANRI polishing moving bed bioreactor (MBBR) construction schedule delaying completion until late in 2026.

As a full-scale pilot test for other HRSD plant PdNA upgrades, one of the 9 IFAS tanks was upgraded with fixed media IFAS (FIFAS). This tank was placed in service in November 2022 and will operate through March 2024. This tank has also recently demonstrated anammox and PdNA activity. Once this FIFAS tank comes out of service for the ANRI project work, it has been decided that it will be converted to MIFAS to match the other 8 second anoxic zones.

Project Justification: PdNA MIFAS provides considerable operational cost savings, but more importantly, this is needed to meet nitrogen limits in the future for James River SWIFT and to meet new total nitrogen discharge requirements.

Change Order Description and Analysis of Cost: Following HRSD review of the National Fire Protection Association (NFPA) 30 requirements for the existing supplemental carbon feed system, the Pioneer change order includes modifying the existing non-flammable carbon storage tank vent piping to accommodate 5% methanol storage from the new ANRI 100% methanol feed facility.

The cost of this change order is based on a negotiated price between HRSD and Pioneer and is in agreement with other similar efforts from other suppliers.

Funding Description: Additional funding is also requested for this project as indicated in the FY-2024 CIP planning process and represents additional IFAS tank modifications and upgrades needed to optimize the performance of the MIFAS PdNA process. This includes sensors, equipment for miscellaneous tank improvements, Tank 8 conversion from FIFAS to MIFAS, and new MIFAS media that was designed by HRSD staff specifically for this application.

Schedule: Project Completion February 2025

AGENDA ITEM 4. – September 26, 2023

Subject: Financial Policy Revisions
Commission Adopted Policy

Recommended Action: Approve the revised Financial Policy.

Brief: HRSD's Financial Policy is a comprehensive policy designed to help guide its financial operations. The policy was originally drafted in 2009 and is updated no less than every two years. The policy is the primary document that places parameters and defines management practices that are acceptable to HRSD.

Currently, as written, an expense is considered a capital asset for financial reporting purposes when its useful life extends beyond five years and costs more than \$5,000. The recommended changes to the policy are to change this capitalization threshold from \$5,000 to \$20,000.

The Government Finance Officers Association of America notes that capitalization is, of its nature, primarily a financial reporting matter and should be based on anticipated information needs of the users of the financial reports. While it is essential to maintain control over all potentially capitalizable items, there are more efficient means than capitalization for accomplishing this objective in the case of smaller tangible capital-type items. Furthermore, practice has demonstrated that capital asset management systems that attempt to incorporate data on numerous smaller items are often costly and difficult to maintain.

Actual practices across the country vary widely. For example, DC Water has a threshold of \$500,000 for plant and collection facilities and \$5,000 for capital equipment and fleet. Northeast Ohio Regional Sewer District has a threshold of \$10,000. Denver Water uses \$50,000 as their threshold.

As of June 30, 2022, HRSD reported in its financial statements over \$2.9 billion in capital assets and maintains over 60,000 assets in its maintenance management system. Staff believes changing the capitalization threshold for financial reporting purposes is immaterial to its financial operation, appropriate for an entity of our size and relieves staff of burdensome accounting efforts. Our external auditors have been advised of the recommended change and have expressed no concerns. The revised [policy](#) is attached.

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1.0 PURPOSE AND NEED

Hampton Roads Sanitation District (HRSD) was created in 1940 by the Virginia General Assembly as a political subdivision of the Commonwealth of Virginia and was established as a governmental instrumentality to provide for the public health and welfare. HRSD was created for the specific purpose of abating pollution in the Hampton Roads area of Virginia through the interception of existing wastewater outfalls, the construction of wastewater treatment facilities and the installation of interceptors throughout the service area.

HRSD operates under the direction of the Hampton Roads Sanitation District Commission (the Commission) comprised of eight members appointed by the Governor for staggered terms of four years.

Regulatory requirements to reduce nutrients, hydraulic expansion, aging infrastructure renewals and replacements, and increased treatment capacity are addressed through HRSD's Capital Improvement Program (CIP).

HRSD recognizes that adherence to formal financial policies is critical to sound financial management. This sentiment is echoed by bond rating agencies, investors and the Government Finance Officers Association.

This Financial Policy (Policy) is designed to help protect HRSD's financial resources by:

- a. Promoting sound financial management;
- b. Ensuring the legal and prudent use of HRSD's debt issuance authority; and
- c. Guiding HRSD and its managers in policy, investment and debt issuance decisions.

2.0 DEFINITIONS

2.1 Adjusted Days Cash on Hand. Days Cash on Hand that excludes accrued debt service, the Risk Reserve, the Renewal and Replacement Reserve, and cash budgeted for the CIP (i.e., Pay-go).

2.2 Annual Determined Contribution (ADC). The annual contribution requirement determined by an actuary for a defined benefit plan.

2.3 Arbitrage. The simultaneous purchase and sale of an asset in order to profit from a difference in the price. It is a trade that profits by exploiting price differences of identical or similar financial instruments in different markets or in different forms. For the purposes of this Policy, Arbitrage refers to the difference between the interest paid on the tax-advantaged securities and the interest earned by investing the

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security proceeds in higher-yielding taxable securities. The IRS Code governs arbitrage on the proceeds of or security for the repayment of tax-advantaged municipal securities.

- 2.4 Asset Allocation.** An investment strategy that attempts to balance risk versus reward by adjusting the percentage of each asset in an investment portfolio according to the investor's risk tolerance, goals and investment time frame.
- 2.5 Balloon Maturity.** As defined in the Trust Agreements, a maturity that contains twenty-five percent (25%) or more of the original principal amount of an issue and that is not required to be amortized by redemption prior to maturity.
- 2.6 Bankers' Acceptance.** A draft or bill or exchange accepted by a bank or trust company. The accepting institution guarantees payment of the bill, as well as the issuer.
- 2.7 Basis Swap.** An agreement between two parties to exchange interest payments based on different variable-rate indices, e.g. SIFMA vs. SOFR; a floating-to-floating swap.
- 2.8 Benchmark.** A comparative base for measuring the performance or risk tolerance of an investment portfolio. A benchmark should represent a close correlation to the level of risk and the average duration of the portfolio's investments.
- 2.9 Bond Anticipation Notes.** Notes which are generally repaid from the proceeds of the issuance of long-term indebtedness.
- 2.10 Bond Insurance.** Credit Enhancement provided by a bond insurer that insures the payment of the principal of and interest on one or more maturities of Bonds.
- 2.11 Broker.** Matches buyers and sellers of securities for a commission.
- 2.12 Bullet Maturity.** A maturity within an issue of bonds for which there are no sinking fund payments prior to the stated maturity date.
- 2.13 Call Provisions.** The term of a bond giving the issuer the right to redeem all or a portion of such bond prior to its stated maturity at a specific price, usually at or above par.
- 2.14 Capital Appreciation Bond.** A municipal security on which the interest accruing on an initial principal amount is not paid currently but accrued at a stated compounding rate until maturity. At maturity the investor receives a single payment (the "maturity value") representing both the initial principal amount and the accrued, compounded interest.

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- 2.15 Capital Asset.** A unit of property purchased by, constructed by or donated to HRSD that (1) was acquired or produced and has a value of \$520,000 or more and (2) has an economic useful life of a minimum of 60 months. Capital Assets must be capitalized and depreciated for financial statement purposes. Assets constructed and paid by HRSD that improve the performance of the Wastewater System and subsequently transferred to a Locality constitute Locality Assets and will not be capitalized by HRSD for any purpose.
- 2.16 Capital Improvement Program (CIP).** HRSD's planned program of capital projects (greater than \$100,000), such as property, plant and equipment and related engineering, legal and construction services, and may consist of Capital Assets and Locality Assets.
- 2.17 Capitalized Interest.** A portion of the proceeds of a bond issue which is set aside to pay interest on one or more bond issues for a specific period of time. Interest capitalized for the construction period of the project is typically treated as a capital cost under the IRS Code.
- 2.18 Certificate of Deposit (CD).** A time deposit with a specific maturity evidenced by a certificate. Large-denomination CDs are typically negotiable.
- 2.19 Collateral.** Securities, evidence of deposit or other property, which a borrower pledges to secure repayment of a loan. Also refers to securities pledged by a bank to secure deposits of public monies.
- 2.20 Commercial Paper (CP).** Short-term, unsecured promissory notes issued by corporations or governments to finance receivables for a maturity specified by the purchaser that ranges from three days to 270 days. Notes are generally sold at a discount and carry credit ratings issued by a Nationally Recognized Statistical Rating Organization (NRSRO).
- 2.21 Competitive Sale.** A sale/auction of securities by an issuer in which underwriters or syndicates of underwriters submit bids to purchase the securities.
- 2.22 Constant Maturity Swap.** An interest rate swap that is predicated upon the shape of the forward implied yield curve whereby counterparties exchange interest rate payments based on an anticipated future interest rate and a variable swap index rate. The interest rate on one leg of the swap is reset periodically but with reference to a market swap rate rather than an index such as SOFR or a substitute. The other leg of the swap is generally a market index, such as SOFR or a substitute.
- 2.23 Continuing Disclosure.** The principle that accurate and complete information material to an issuer of securities be made available on an ongoing basis. Pursuant to SEC Rule 15c2-12, underwriters of HRSD's bonds are generally obligated to

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obtain a Continuing Disclosure Agreement (CDA) from HRSD prior to underwriting such bonds.

- 2.24 Corporate Notes.** Unsecured promissory notes issued by corporations to raise capital for a maturity that is longer than 270 days. Corporate Notes are generally sold at a discount and carry credit ratings issued by an NRSRO.
- 2.25 Credit Enhancement.** Credit support purchased by the issuer to raise the credit rating of a debt issue. The most common credit enhancements consist of Bond Insurance, direct or standby Letters of Credit, and Lines of Credit.
- 2.26 Credit Support Annex.** A legal document that regulates credit support (collateral) for derivative transactions.
- 2.27 Days Cash on Hand.** Measured by current and non-current unrestricted cash and investments, plus any restricted cash and investments, if available for general system purposes, divided by Operating Expenses, divided by 365.
- 2.28 Dealer.** Acts as a principal in securities transactions, buying and selling for its own account.
- 2.29 Debenture.** An unsecured bond backed only by the general credit of the issuer.
- 2.30 Debt Service Coverage Ratio – GAAP.** Calculated in accordance with HRSD's Senior Trust Agreement, the ratio determined by dividing the Net Revenues by annual debt service. In such calculation, funds spent on Locality Assets are considered an expense. Annual debt service will be based on actual principal and interest payments during the year (i.e., not accrual based).
- 2.31 Debt Service Coverage Ratio - Adjusted.** Calculated in accordance with HRSD's Subordinate Trust Agreement, the ratio determined by dividing the Net Revenues by annual debt service. In such calculation, funds spent on Locality Assets may be excluded from the calculation of Net Revenues under the circumstances described within the definitions of Net Revenues and Operating Expenses. Annual debt service will be based on actual principal and interest payments during the year (i.e., not accrual based).
- 2.32 Debt Service Reserve Fund.** The fund in which money is placed that may be used to pay debt service if revenues available for debt service and Credit Enhancements, if applicable, are insufficient to pay debt service on HRSD's bonds secured by a Debt Service Reserve Fund as it becomes due and payable.
- 2.33 Deep Discount Bonds.** Bonds which are priced for sale at a substantial discount from their face or par value.

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- 2.34 Delivery versus Payment.** Delivery of securities with an exchange of money for the securities. (See also Delivery versus Receipt)
- 2.35 Delivery versus Receipt.** Delivery of securities with an exchange of a signed receipt for the securities. Also known as “free” delivery (See also Delivery versus Payment).
- 2.36 Derivative.** A financial product whose value is derived from some underlying asset value.
- 2.37 Designation Policies.** Outline how an investor’s order is filled when a bond’s maturity is oversubscribed when there is an underwriting syndicate. The senior managing underwriter and issuer decide how the bonds will be allocated among the syndicate. There are three primary classifications of orders which form the designation policy: Group Net orders; Net Designated orders and Member orders.
- 2.38 Discount.** A bond that is issued for less than its par (or face) value, or a bond currently trading for less than its par value in the secondary market.
- 2.39 Diversification.** A process of investing assets among a variety of security types by sector, maturity and quality rating.
- 2.40 Enabling Act.** HRSD’s Enabling Act is Chapter 66 of the Acts of Assembly of Virginia of 1960, as amended.
- 2.41 Encumbrances.** Commitments related to unperformed contracts for goods and services (i.e., purchase orders, contracts and commitments). Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control.
- 2.42 Escrow.** A fund established to hold money pledged and to be used to pay debt service on one or more maturities of HRSD’s defeased bonds or other indebtedness.
- 2.43 Federal Agency.** Government sponsored/owned entity created by the U.S. Congress, generally for the purpose of acting as a financial intermediary by borrowing in the marketplace and directing proceeds to specific areas of the economy considered to otherwise have restricted access to credit markets, also referred to as Government Sponsored Enterprises (GSEs). The largest GSEs are Government National Mortgage Association (GNMA), Federal National Mortgage Association (FNMA), Federal Home Loan Mortgage Corporation (FHLMC), Federal Home Loan Bank (FHLB), Federal Farm Credit Bank (FFCB), and Tennessee Valley Authority (TVA).
- 2.44 Federal Funds Rate.** The rate of interest at which Federal Funds are traded. This rate is currently set by the Federal Reserve through open-market operations.

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- 2.45 Federal Funds.** Funds placed in Federal Reserve Banks by depository institutions in excess of current reserve requirements, and frequently loaned or borrowed on an overnight basis between depository institutions.
- 2.46 FINRA.** The Financial Industry Regulatory Authority.
- 2.47 Fitch.** Fitch Ratings is an NRSRO.
- 2.48 Forward Swap.** A swap executed today, the exchange of interest payments on which starts at some future date (the Effective Date), based on rates and terms determined and agreed upon today. On the Effective Date of a Forward swap begin net exchange of swap payments. On the Trade Date of the swap:
- Enter into Forward swap agreement
 - Set terms of the swap
 - Pay commitment fees for swap and bond insurance (if done in conjunction with a synthetic forward refunding of bonds)
- 2.49 Interest Rate Cap.** An option that pays its holder when and if the floating interest rate index is above the pre-determined fixed rate (strike price).
- 2.50 Interest Rate Collar.** The simultaneous purchase and sale of an Interest Rate Cap and an Interest Rate Floor on a floating index.
- 2.51 Interest Rate Floor.** An option that pays its holder when and if the floating interest rate index is below the pre-determined fixed rate (strike price).
- 2.52 Interest Rate Swap.** A contract between two parties, referred to as “counterparties”, to exchange interest rate payments at specified dates in the future. One party under the swap contract normally makes payments based on a fixed rate while the other party makes payments based on a variable (floating) rate.
- 2.53 Internal Controls.** Systematic measures (such as reviews, checks and balances, methods and procedures) instituted by an organization to: conduct its business in an orderly and efficient manner; safeguard its assets and resources; deter and detect errors, fraud, and theft; ensure accuracy and completeness of its accounting data; produce reliable and timely financial and management information; and ensure adherence to its policies and plans. An important concept in establishing appropriate internal controls is that the cost of the controls should not exceed their anticipated benefits.
- 2.54 IRS Code.** The Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder.

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- 2.55 Knock-in Option.** An option the existence of which is conditional upon a pre-set trigger price trading before the option's designated maturity. If the trigger is not touched before maturity, then the option is deemed not to exist.
- 2.56 Letter of Credit.** A bank facility wherein the bank agrees to deliver funds to a third party for the benefit of the account party, upon the presentation of the documents described in the Letter of Credit. A Letter of Credit may be used as Credit Enhancement or a Liquidity Facility for HRSD's indebtedness.
- 2.57 Line of Credit.** A bank facility wherein the bank permits the borrower to access funds at any time, subject to a maximum loan balance. A Line of Credit may be used as Credit Enhancement or a Liquidity Facility for HRSD's indebtedness.
- 2.58 Liquidity.** The ability of ease with which an asset can be converted into cash without a substantial loss of value. May also refer to unrestricted cash or investments of an issuer.
- 2.59 Liquidity Facility.** A type of bank credit facility wherein the bank agrees to purchase securities, typically variable rate debt, that cannot be immediately remarketed to investors. The Liquidity Facility provider purchases the securities until they can be remarketed.
- 2.60 Locality Assets.** Assets constructed and paid for by HRSD and subsequently transferred to a locality. A resolution of the HRSD Commission is required to exclude these costs from the calculation of the Operating Expenses for purposes of the calculation of the Debt Service Coverage Ratio – Adjusted.
- 2.61 London InterBank Offered Rate (LIBOR).** LIBOR is the rate on U.S. dollar denominated deposits with maturities from one day to 12 months transacted between banks in London. LIBOR was the predominant benchmark floating index in the taxable or corporate swap market. This index is expected to be discontinued after June 2023. The leading replacement is the Secured Overnight Financing Rate (SOFR), which is based on the cost of overnight borrowing using U.S. treasury securities as collateral.
- 2.62 Management Fee.** The fixed percentage of the gross spread which is paid to the senior managing underwriter for structuring a bond issue.
- 2.63 Market Value.** The price at which a security is trading and could presumably be purchased or sold.
- 2.64 Master Repurchase Agreement.** A written contract covering future transactions between the parties to repurchase/reverse repurchase agreements that establishes each party's rights in the transactions. A master agreement will often specify, among other things, the right of the buyer-lender to liquidate the underlying securities in the event of default by the seller borrower.

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- 2.65 Maturity.** The date upon which the principal or stated value of an investment becomes due and payable.
- 2.66 Members.** Underwriters in a syndicate other than the senior underwriter.
- 2.67 Moody's.** Moody's Investors Service, Inc., is an NRSRO.
- 2.68 Nationally Recognized Statistical Rating Organization (NRSRO).** A credit rating agency registered with the SEC that issues credit ratings that the SEC permits other financial firms to use for certain regulatory purposes. Examples include Moody's, Fitch and S&P.
- 2.69 Negotiated Sale.** A method of selling bonds in which the issuer chooses an underwriter to negotiate terms pursuant to which such underwriter will purchase and market the bonds.
- 2.70 Net Revenues.** All revenues received by HRSD less Operating Expenses.
- 2.71 Net Revenues Available for Debt Service.** Under the Subordinate Trust Agreement, means all Net Revenues less debt service on Senior Bonds.
- 2.72 Nominal Interest Rate.** The interest rate before taking inflation into account. Generally, it is the stated or quoted rate in a loan or deposit agreement.
- 2.73 Normal Cost.** The annual current cost of a member's future retirement benefit.
- 2.74 Operating Expenses.** Operating Expenses includes those expenses required to pay the cost of maintaining, repairing and operating the Wastewater System, including, but not limited to, reasonable and necessary usual expenses of administration, operation, maintenance and repair, costs for billing and collecting the rates, fees and other charges for the use of or the services furnished by the Wastewater System, insurance premiums, credit enhancement and liquidity support fees, legal, engineering, auditing and financial advisory expenses, expenses and compensation of the Trustee, and deposits into a self-insurance program. Operating Expenses shall exclude allowance for depreciation and amortization and expenses for extraordinary maintenance or repair or improvements. In the Subordinate Trust Agreement only (i.e., not in the Senior Trust Agreement), Operating Expenses shall also exclude expenses for improvements that will not be owned by HRSD, but which will, in the reasonable determination of the Commission, as evidenced by a resolution thereof, maintain or improve the integrity of the Wastewater System.
- 2.75 Original Issue Discount.** In general, the amount by which the original par amount of a bond or an issue exceeds its public offering price at the time it is originally offered to an investor.

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- 2.76 Percentage of (% of) SOFR Swap.** A swap whose floating rate is reset based on a percentage of a taxable rate (e.g. 67% of SOFR) rather than a tax-exempt rate, e.g. the SIFMA Index. A Percentage of SOFR swap generally carries a lower expected or nominal fixed rate than a comparable SIFMA swap to compensate the fixed payer (issuer) for the assumption of basis and tax risk.
- 2.77 Portfolio.** Collection of securities held by an investor.
- 2.78 Premium.** The difference between the higher price paid for a fixed-income security and the security's face amount at issue.
- 2.79 Present Value.** The current value of a future cash flow.
- 2.80 Primary Dealer.** A group of government securities dealers who submit daily reports of market activity and positions and monthly financial statements to the Federal Reserve Bank of New York and are subject to its informal oversight. Primary dealers include SEC-registered securities broker-dealers, banks, and a few unregulated firms.
- 2.81 Private Placement.** The placement of an issue of indebtedness directly with one or more qualified or institutional investors.
- 2.82 Prudent Person Rule.** An investment standard outlining the fiduciary responsibilities of public funds invested relating to investment practices.
- 2.83 Rate Lock.** An interest rate hedge that is cash-settled at maturity based on the prevailing level of an agreed upon underlying index. (e.g. the SIFMA 'AAA' scales)
- 2.84 Rate of Return.** The yield obtainable on a security based on its purchase price or its current market price. This may be the amortized yield to maturity on a bond or the current income return.
- 2.85 Rebate.** A requirement imposed by the IRS Code whereby the issuer of tax -exempt bonds must, under certain circumstances, pay the United States Treasury an amount equal to its profit earned from investment of tax-exempt bond proceeds at rates exceeding the tax-exempt borrowing rate. The tax-exempt borrowing rate (or bond yield) is calculated pursuant to the IRS Code together with all income earned on the accumulated profit pending payment.
- 2.86 Repurchase Agreement (RP or REPO).** An agreement under which the holder of securities sells them to an investor with a contract to repurchase the securities at a fixed price on a fixed date. The security "buyer" in effect lends the "seller" money for the period of the agreement, and the terms of the agreement are structured to compensate the buyer for this.

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- 2.87 Revenue Bonds.** Bonds issued by HRSD secured by Net Revenues or Net Revenues Available for Debt Service.
- 2.88 Revenue Anticipation Notes.** Notes issued in anticipation of receiving revenues at a future date.
- 2.89 Safekeeping.** A service to customers rendered by banks for a fee whereby securities and valuables of all types and descriptions are held in the bank's vaults for protection.
- 2.90 Secured Overnight Financing Rate (SOFR).** SOFR is a benchmark interest rate in the taxable bond market. SOFR represents a secured interbank overnight interest rate. SOFR is also available in certain longer terms (e.g., 1 month, 3 month, 6 month). With the discontinuation of LIBOR, SOFR is the default replacement in many cases.
- 2.91 Securities and Exchange Commission (SEC).** Agency created by Congress to protect investors in securities transactions by administering securities legislation.
- 2.92 Securities Industry and Financial Markets Association Index (SIFMA).** SIFMA is a high grade market index of 7-day variable rate demand notes that is produced by Municipal Market Data. SIFMA is the benchmark swap floating index in the tax-exempt swap market.
- 2.93 Self-Liquidity.** A term used in connection with variable rate bond financings whereby the issuer agrees to repurchase, with its own capital, bonds that have been tendered but not yet remarketed without procuring a third-party Liquidity Facility. In this instance, the issuer uses its own funds to purchase securities.
- 2.94 Selling Group.** A group of securities dealers that participate in an offering not as underwriters but rather receiving securities less a selling concession from the managing underwriter for distribution at the public offering price.
- 2.95 Senior Bonds.** Bonds and other indebtedness issued by HRSD secured by the Senior Trust Agreement.
- 2.96 Senior Trust Agreement.** The Trust Agreement, dated March 1, 2008, as the same may be amended and supplemented from time to time, between HRSD and a trustee. The Senior Trust Agreement secures HRSD's Senior Bonds. No additional Senior Bonds may be issued under the Senior Trust Agreement.
- 2.97 Serial Bond.** A bond that matures on one date with no mandatory sinking fund redemptions that is part of an issue containing multiple Serial Bonds.
- 2.98 S&P.** S&P Global Ratings is an NRSRO.

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- 2.99 Stripped Security.** Securities for which the rights to receive principal and interest payments have been decoupled and separately sold.
- 2.100 Subordinate Bonds.** Bonds and other indebtedness issued by HRSD and secured by the Subordinate Trust Agreement.
- 2.101 Subordinate Trust Agreement.** The Trust Agreement, dated October 1, 2011, as amended and restated as of March 1, 2016, as amended and supplemented from time to time, between HRSD and a trustee. The Subordinate Trust Agreement secures HRSD's Subordinate Bonds.
- 2.102 Swaption.** An option on a forward swap. The purchaser of a swaption (counterparty) has the right, but not the obligation, to compel the swaption seller (usually an issuer) to enter into a pre-negotiated swap agreement at some future date (exercise date). In exchange for this right, the swaption purchaser pays the swaption seller a premium amount. This amount can be paid up front, at some future date, or as an annuity over time.
- 2.103 Syndicate Policies.** The contractual obligations placed on the underwriting group relating to distribution, price limitations and market transactions.
- 2.104 Term Bond.** A Bond whose principal is amortized based on sinking fund redemption.
- 2.105 Termination Payment Risk.** The risk that an issuer is forced to liquidate a swap when it owes a termination payment to its counterparty.
- 2.106 Treasury Bills.** A non-interest bearing discount security issued by the U.S. Treasury to finance the national debt. Most Treasury Bills are issued to mature in three months, six months, or one year.
- 2.107 Treasury Bonds.** Long-term interest-bearing U.S. Treasury securities issued as direct obligations of the U.S. Government and having initial maturities of more than 10 years.
- 2.108 Treasury Inflation Protected Security (TIPS).** The principal of a TIPS increases with inflation and decreases with deflation, as measured by the Consumer Price Index. When a TIPS matures, the adjusted principal or original principal, whichever is greater, is paid.
- 2.109 Treasury Notes.** Medium-term interest-bearing U.S. Treasury securities issued as direct obligations of the U.S. Government and having initial maturities from one to 10 years.
- 2.110 Trust Agreements.** Collectively, the Senior Trust Agreement and the Subordinate Trust Agreement.

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- 2.111 Underwriter.** A dealer that purchases new issues of municipal securities from the Issuer and resells them to investors.
- 2.112 Underwriter's Discount.** The difference between the price at which bonds are bought by the Underwriter from the Issuer and the price at which they are offered to investors.
- 2.113 Underwriter's Expenses.** Compensates senior managers for out-of-pocket expenses, generally including underwriter's counsel DTC charges, travel, syndicate expenses, dealer fees, communication expenses, CUSIP fees and postage. Underwriter's expenses are subject to negotiation and can vary from transaction to transaction.
- 2.114 Uniform Net Capital Rule.** SEC requirement that member firms as well as nonmember broker-dealers in securities maintain a maximum ratio of indebtedness to liquid capital, also called net capital rule or net capital ratio. Indebtedness covers all money owed to a firm, including margin loans and commitments to purchase securities, one reason new public issues are often spread among members of underwriting syndicates. Liquid capital includes cash and assets easily converted into cash.
- 2.115 Variable Rate Debt (VRD).** An interest rate on a security that changes at intervals according to an index or a formula or other standard of measurement or that changes in connection with a mandatory tender and remarketing or where interest is not set to maturity.
- 2.116 VRA Master Financing Agreement.** The Amended and Restated Master Financing Agreement, as amended and supplemented from time to time, between Virginia Resources Authority and HRSD.
- 2.117 Water Infrastructure Finance and Innovation Act (WIFIA).** - The Water Infrastructure Finance and Innovation Act of 2014, as amended (WIFIA), established the WIFIA, a federal credit program administered by EPA for eligible water and wastewater infrastructure projects. The WIFIA program provides long-term, low-cost supplemental loans for up to 49% of the total cost of an eligible project.
- 2.118 WIFIA Agreements.** Means the WIFIA Master Agreement, dated as of September 28, 2020, between the EPA and HRSD, and each of the loan agreements entered into thereunder from time to time
- 2.119 Yield.** The rate of annual income return on an investment, expressed as a percentage. Income/current yield is obtained by dividing the current dollar income by the current market price for the security. Net yield or yield to maturity is the current income yield minus any premium above par or plus any discount from par in purchase price, with the adjustment spread over the period from the date of

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purchase to the date of maturity of the bond. In addition, Yield may, for certain purposes, be calculated in accordance with the IRS Code.

3.0 GUIDING PRINCIPLES

3.1 RESERVES. An important metric of HRSD's financial flexibility is its liquidity position as measured by available cash and investments. Setting a minimum liquidity position for known risks and obligations helps provide funding in emergency or other unexpected situations as they arise. The reserves represent an earmarking, for budgetary and Policy purposes, of cash and liquid investments (current and non-current). These reserves are in addition to existing reserves required by the Trust Agreements, if any, and any funds earmarked for debt service, capital improvements or budget carryover amounts.

3.1.1 General Reserve. HRSD will maintain sufficient liquidity to ensure adequate working capital for HRSD's operations. These funds are intended to help HRSD cover unanticipated expenses that cannot be paid from the current fiscal year's budgetary resources. Liquidity will be determined in terms of Days Cash on Hand and Adjusted Days Cash on Hand. Adjusted Days Cash on Hand at the end of a fiscal year should not be less than 270 days or greater than 365 days.

In the event the cash and investments are used to provide funding for unanticipated expenses and the Adjusted Days Cash on Hand falls below the 270 day minimum, the General Manager will submit a plan in writing to the Commission that will restore it to the policy level over a period not to exceed five fiscal years.

3.1.2 Risk Reserve. HRSD maintains a self-insurance program for some of its risk exposures.

A. HRSD will maintain a Risk Reserve as of the end of the fiscal year of not less than 25 percent of projected annual self-insured claims costs for known, retained risks.

B. In the event the Risk Reserve is used and reduced to a level that is less than the 25 percent minimum to provide funding of unanticipated self-insured expenses, the General Manager will submit a plan in writing to the Commission that will restore the reserve to the policy level over a period not to exceed five fiscal years.

3.1.3 Renewal and Replacement Reserve. As permitted by the Enabling Act, HRSD's Trust Agreements establish a reserve to finance "anticipated renewals, replacements, extensions, additions and extraordinary repairs" to wastewater system the extent needed. Under the Trust Agreements, the funding of the Renewal and Replacement Reserve is discretionary.

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3.2 BUDGETARY PRINCIPLES.

3.2.1 Long-Range Financial Forecast. Each fiscal year the General Manager will submit to the Commission a 20-year financial forecast of anticipated annual revenues and expenses and capital improvements.

This forecast will serve as the foundation for the General Manager's annual budget proposal to the Commission.

3.2.2 Annual Operating Budget. The Commission is required to adopt an operating budget no later than June 30 each fiscal year.

The Commission will adopt an operating budget that:

- A. Is structurally balanced whereby current budgetary revenues are sufficient to meet current budgetary expenses (those that are ongoing in nature);
- B. Considers the affordability of rates within the context of local wealth and income indicators;
- C. Is at a level necessary to ensure the adequate maintenance and operations of the wastewater system and ensure material compliance with all applicable regulatory requirements;
- D. Is sufficient to meet Actuarially Determined Contribution (ADC) for HRSD's defined benefit plans;
- E. Includes amounts necessary to maintain the required reserves in amounts at least equal to the minimum balances as defined in this Policy;
- F. Enables HRSD to meet the debt service coverage targets defined in these policies and the covenants contained in its Trust Agreements; and
- G. Annually funds at least 15 percent of its capital improvement program in cash.

3.2.3 Capital Improvement Program (CIP). Each year HRSD will adopt a ten-year CIP that identifies capital projects to be undertaken over the next ten years to meet projected needs for regulatory compliance, infrastructure renewal, expansion, replacing old or new facilities, principally Capital Assets and Locality Assets.

3.2.4 Budgetary Accounting and Control. HRSD operates in accordance with annual operating and capital budgets prepared on a basis of accounting that is different from generally accepted accounting principles.

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- A. The operating budget is adopted by department, with budgetary controls exercised administratively by management at the department level. The General Manager is authorized to transfer funds among departments without further approval by the Commission. Appropriations lapse at the end of the fiscal year. Valid, outstanding encumbrances (those for which performance under a contract is expected in the next year) are re-appropriated without further approval by the Commission and become part of the subsequent fiscal year's budget.
- B. The capital budget is a ten-year plan of CIP spending based on estimated project costs and prioritized schedules. Prior to beginning a capital project, however, the Commission must appropriate funding for the total project cost. If a project is expected to exceed its approved budget, staff must seek additional funding from the Commission through a supplemental appropriation.

3.3 DEBT SERVICE COVERAGE. HRSD will comply with the debt service coverage ratios included in its Trust Agreements. Beyond the Trust Agreements' minimums, HRSD will adopt operating and capital budgets that it projects will enable HRSD to maintain a Debt Service Coverage Ratio – Adjusted at a minimum of 1.5 times on Senior Bonds and 1.4 times on total debt.

3.4 DERIVATIVES. The Derivatives section outlined herein is intended to provide general direction regarding the use, procurement and execution of Derivatives by HRSD. The Policy is intended to relate to the use of various interest rate hedging techniques, including the contractual exchange of different fixed and variable rate payment streams through interest rate swap agreements. The Policy is not intended to relate to other derivative products, such as hedges for fuel or other commodities that HRSD may consider for hedging exposures other than to interest rates.

3.5 ACCOUNTING AND FINANCIAL REPORTING. Except as permitted by the Subordinate Trust Agreement, HRSD will adhere to all Generally Accepted Accounting Principles (GAAP). As permitted by the Subordinate Trust Agreement, HRSD may present, or cause to be presented, certain calculations that reflect certain adjustments that are not in accordance with GAAP.

HRSD will maintain a comprehensive framework of internal controls, and policies and procedures.

Over a period of not more than every five years, HRSD under the direction of the Finance Committee of the Commission will seek proposals from qualified firms of certified public accountants, including its current auditors if their performance has been satisfactory, to perform an annual audit of HRSD's financial statements.

3.6 RISK MANAGEMENT. HRSD will make diligent efforts to protect and preserve HRSD assets through a risk management program that generally transfers risk

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(purchase insurance) for high severity-low frequency exposures and retains risk (self-insurance) for low severity-high frequency exposures.

3.7 INTERNAL AUDIT. HRSD or its designee will conduct internal audits using a risk-based approach. Such audit efforts will be approved and directed by the Finance Committee of the Commission.

4.0 PROCEDURES

4.1 DEBT MANAGEMENT. HRSD's debt management program represents an effort to smooth out the fiscal impact of major capital investments while aligning the costs of utility service with the payment of those who will actually use the service.

The proceeds of long-term indebtedness will not be used to finance current operations or expenses for normal maintenance. Long-term indebtedness will be structured such that financial obligations do not exceed the aggregate expected useful lives of the assets financed. Short-term borrowing may be utilized for the temporary funding of operational cash flow deficits or interim construction requirements.

The most appropriate instrument for a proposed sale of debt shall be determined in light of financing needs and expected market conditions at the time of sale.

4.1.1 Permitted Debt by Type.

A. **Lease Financing.** HRSD may use leasing for facilities or equipment if (1) it can be demonstrated that this is the most cost effective or appropriate way to secure financing, or (2) on small projects that do not warrant entry into the bond market.

B. **Installment Purchases or Conditional Sale Contracts.** HRSD may utilize installment purchase or conditional sale contracts having an original term of one year or less.

C. **Bond Anticipation Notes, Commercial Paper (CP) and Lines of Credit.** Each are typically short duration debt instruments issued to provide interim financing and, due to their short duration, expose HRSD to interest rate risk and market access risk upon renewal. Bond Anticipation Notes, Commercial Paper and Lines of Credit may be used

(1) to provide interim financing designed to reduce the frequency of bond sales, thereby reducing cost of issuance;

(2) during times of high interest rates and when the expectation is that interest rates will stabilize in the future or trend downward;

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- (3) when market conditions are such that a Bond Anticipation Notes, Commercial Paper or Lines of Credit may be more readily received in the market than long-term debt; or
- (4) as an interim financing tool during the construction period for a project(s) until the project(s) is placed into service and / or HRSD sells long-term debt or is reimbursed through a clean water revolving loan or WIFIA loan.

- D. **Long-Term Revenue Bonds.** HRSD may issue long-term revenue bonds to fund Capital Assets and Locality Assets.
- E. **Revenue Anticipation Notes.** May be issued to meet HRSD's operational cash flow needs.

4.1.2 Guidelines on Debt Issuance.

- A. **Trust Agreements, VRA Master Financing Agreement and WIFIA Agreements.** HRSD will abide by the covenants contained in its Trust Agreements, the VRA Master Financing Agreement and the WIFIA Agreements. As a matter of prudence, HRSD considers its financial covenants to be minimum requirements to be exceeded.
- B. **Authorization.** Prior to the issuance of debt, the Commission will pass a resolution authorizing the financing arrangements and setting appropriate limits and parameters for the anticipated financing.
- C. **Lowest Cost Financing.** Generally, HRSD intends to pursue the lowest cost of financing within the parameters of this Policy, the Trust Agreements, the VRA Master Financing Agreement, the WIFIA Agreements and the Enabling Act.
- D. **Cash Financing from Available Sources.** HRSD intends to contribute at least 15 percent of each year's CIP in cash.
- E. **Project Costs Prior to Debt Issue.** If project costs are incurred prior to the issuance of debt, the Commission will pass a resolution documenting its intent to be reimbursed from bond proceeds. As a general practice, the Commission will consider and adopt a reimbursement resolution in connection with the adoption of each fiscal year's CIP.
- F. **Variable Rate Debt and Bond Anticipation Notes.** VRD and Bond Anticipation Notes carry inherent interest rate risk. Such securities typically have interest rates lower than fixed rate securities and offer the potential for lower debt service costs over the term of the bond issue without regard to the cost of Credit Enhancement. HRSD will consider using VRD when it

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improves matching of assets and liabilities, potentially lowers debt service costs, adds flexibility to HRSD's capital structure, or diversifies HRSD's investor base.

- (1) Debt service on VRD will be budgeted at a conservative rate based on historical fluctuations in interest activity and current market assumptions. Before issuing VRD, HRSD will determine how potential volatility in the debt service will be funded and consider the impact of various interest rate scenarios on its financial position and on various debt ratios.
- (2) HRSD does not intend to issue VRD in excess of 15 percent of its total debt portfolio. This limitation, however does not apply to debt issued as part of an interim financing program (e.g. Bond Anticipation Notes, Lines of Credit, Commercial Paper) nor does it apply to hedged variable rate debt. In addition, if HRSD can demonstrate historical and projected sufficiency of offsetting principal and interest coverage from short-term and variable rate investment assets held in unrestricted, non-operating accounts, these assets may be netted from variable rate liabilities.

- G. **Derivative Products.** HRSD recognizes that the use of Derivatives may aid HRSD in reducing the cost of capital and gaining flexibility in structuring its debt portfolio. The use of such products is governed by the Derivatives section of this policy.
- H. **Method of Sale.** HRSD will select a method of sale it believes is the most appropriate and economically advantageous in light of financial, market, transaction-specific and HRSD-related conditions. Acceptable methods of sale may include a competitive sale, a negotiated sale, a private placement, or a direct institutional investor purchase.
- I. **Duration of Debt.** HRSD will not issue debt for a period longer than the weighted useful lives of the projects being financed. Pursuant to the Enabling Act, HRSD cannot issue debt with a final maturity more than 40 years from its issuance date. Factors to be considered when determining the final maturity of debt include the average life of the assets being financed, relative level of interest rates, and HRSD's overall outstanding debt service.

4.1.3 Debt Structure

- A. **Interest Rate Structure.** HRSD may make use of both VRD and fixed-rate debt in accordance with limitations set forth in this Policy.
- B. **Tax Status.** Tax-exempt debt will be used whenever possible and appropriate.

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- C. **Maturity Structure.** HRSD's long-term debt may include serial and term bonds. Other maturity structures may also be considered when demonstrated to be advantageous to HRSD.
- D. **Coupon Structure.** Fixed-rate debt may include par, discount, and premium bonds, and may include current interest bonds and Capital Appreciation Bonds.
- E. **Call Provisions.** In order to preserve flexibility and refinancing opportunities, HRSD debt shall generally be issued with Call Provisions. HRSD may consider Call Provisions that are shorter than traditional or non-callable debt or debt with yield maintenance features when warranted by market conditions. For each transaction, various call option scenarios will be evaluated so that the most beneficial can be utilized.
- F. **Credit Enhancement.** HRSD may use Credit Enhancement when it is economically advantageous to do so.
 - (1) When considering the use of Bond Insurance, HRSD will perform a maturity-by-maturity analysis. The economic feasibility of Bond Insurance will be analyzed based on the value of insurance as priced to the earlier of each maturity's first applicable call date and the maturity date of such maturity. Bond Insurance will be used when present value savings result or when such use permits HRSD to incorporate less restrictive covenants into a transaction which results in greater flexibility or lower user charges. HRSD may insure bonds in maturities that are borderline from an economic feasibility standpoint if warranted by other factors (e.g., use of insurance to attract investor interest where certain bond maturities might otherwise be difficult to sell).
 - (2) When considering the use of a Letter of Credit or Line of Credit as a Credit Enhancement or Liquidity Facility, HRSD will examine the economic feasibility thereof by taking into account the trading spread, the cost of the Letter of Credit or Liquidity Facility and the effect on interest costs of HRSD's debt.
- G. **Debt Service Reserve Fund.** The Senior Trust Agreement requires HRSD to fund a Debt Service Reserve Fund when certain debt service coverage and liquidity ratios are not met. HRSD will fund such reserve when and if it is required. The Subordinate Trust Agreement permits, but does not require, the funding of a Debt Service Reserve Fund.
- H. **Capitalized Interest.** Capitalized Interest increases the amount of debt that is issued. If HRSD capitalizes interest on one or more series of

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indebtedness, it will do so only for the period prior to the project being financed is expected to be placed in service.

- I. **Refinancing of Debt.** HRSD will refinance debt from time to time to achieve debt service savings as market opportunities arise or if it determines that it is beneficial for another compelling business reason. To refinance debt, HRSD may use a range of financing tools including but not limited to tax-exempt current refundings, taxable advance refundings, and forward delivery bonds. HRSD's Director of Finance will determine the appropriate financing tool based on tax law, market conditions and the risks associated with each tool (in addition to present value savings and refunding efficiency considerations).

When a refinancing is undertaken to achieve debt service savings, HRSD will target minimum net present value savings of three percent of the amount refinanced. As set forth above, HRSD may refinance debt that does not meet this threshold for another compelling business reason. In addition, HRSD may consider the efficiency of a proposed refinancing transaction and any changes to the callability of debt after such refinancing. In any refinancing of long-term debt, HRSD maintains a bias to not extend maturities.

- J. **Escrow Structuring.** HRSD will utilize the least costly securities available in structuring refinancing escrows. Unless State and Local Government Securities (SLGS) are used, a certificate will be provided by a third-party agent stating that the securities were procured through an arms-length, competitive bid process (in the case of open market securities), and that the price paid for the securities was reasonable within federal guidelines. Under no circumstances will an underwriter, agent or financial advisor sell escrow securities to HRSD from its own account. HRSD will consult with Bond Counsel in connection with any defeasance escrows.
- K. **Hiring of Professionals.** All key members of the financial advisory team including underwriter, financial advisor, bond counsel, and other professionals will be selected in a manner consistent with HRSD's procurement policy for professional services.

4.1.4 Underwriter Selection.

- A. **Senior Manager Selection.** HRSD will select a senior manager for any proposed negotiated sale. The selection criteria will include but not be limited to the following:
- (1) The firm's ability and experience in managing transactions similar to that contemplated by HRSD;
 - (2) Prior knowledge and experience with HRSD;

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- (3) The firm's ability and willingness to risk capital and demonstration of the firm's capital availability and underwriting of unsold balances;
 - (4) Quality and experience of personnel assigned to HRSD's engagement;
 - (5) Financing plan presented; and
 - (6) Cost, including underwriting fees and anticipated pricing.
- B. **Co-Manager Selection.** Co-managers may be selected on the same basis as the senior manager with the exception of underwriting fees, which are determined by the senior manager. In addition to their qualifications, co-managers appointed to specific transactions will be a function of transaction size and the necessity to ensure maximum distribution of HRSD's bonds.
- C. **Selling Groups.** HRSD may establish selling groups in certain transactions. To the extent that selling groups are used, HRSD may make appointments to selling groups, as the transaction dictates.
- D. **Underwriter's Counsel.** In any negotiated sale of HRSD debt in which the underwriter desires legal counsel, the appointment will be made by the senior managing underwriter.
- E. **Underwriter's Discount.** HRSD will evaluate the proposed underwriter's discount against other proposals and/or comparable issues in the market. Any additional expenses payable to an underwriter and paid out of the Underwriter's Discount must be substantiated.
- F. **Evaluation of Underwriter Performance.** HRSD will evaluate each bond sale after completion to assess the following: costs of issuance including underwriters' compensation, pricing of the bonds in terms of the overall interest cost and on a maturity-by-maturity basis, the distribution of bonds and sales credits, and the use of capital by the underwriters to take down bonds.
- G. **Syndicate Policies.** For each negotiated transaction, HRSD will establish syndicate policies that will describe the priority of orders and designation policies governing the upcoming sale.
- H. **Designation Policies.** To encourage the pre-marketing efforts of each member of the underwriting team, orders for HRSD's bonds will be net designated, unless otherwise expressly stated. HRSD shall require the senior manager to:
- (1) Fairly allocate bonds to other managers and the selling group.

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- (2) Comply with the Municipal Securities Rulemaking Board's (MRSB) regulations governing the priority of orders and allocations.
- (3) Within 10 working business days after the sale date, submit to HRSD a detail of orders, allocations and other relevant information pertaining to HRSD's sale.

4.1.5 Consultants.

- A. **Financial Advisor.** HRSD will select a financial advisor (or advisors) to assist in its debt issuance and debt administration processes. Such financial advisor(s) will be an Independent Registered Municipal Advisor within the meaning of the Securities Exchange Act of 1934, as amended. Selection of HRSD's financial advisor(s) will be based on, but not limited to, the following criteria:
 - (1) Experience in providing consulting services to entities similar to HRSD;
 - (2) Knowledge and experience in structuring and analyzing bond issues;
 - (3) Experience and reputation of assigned personnel; and
 - (4) Fees and expenses.
- B. **Bond Counsel.** HRSD debt will include a written opinion by legal counsel affirming that HRSD is authorized to issue the proposed debt, that HRSD has met all legal requirements necessary for issuance, and, if the interest on the debt to be issued is to be exempt under the IRS Code, a determination consistent therewith. The approving opinion and other documents relating to the issuance of debt will be prepared by counsel with extensive experience in public finance and tax issues. The Bond Counsel will be selected by HRSD.
- C. **Conflicts of Interest.** HRSD requires that its consultants and advisors provide objective advice and analysis, maintain the confidentiality of HRSD financial plans, and be free from any conflict of interest. In no case will HRSD's financial advisor be permitted to underwrite any portion of HRSD's bond issues, whether sold competitively or negotiated.
- D. **Disclosure by Financing Team Members.** All financing team members will be required to provide full and complete disclosure, relative to agreements with other financing team members and outside parties. The extent of disclosure may vary depending on the nature of the transaction. However, in general terms, no agreements will be permitted which could compromise the firm's ability to provide independent advice which is solely in HRSD's best interest or which could reasonably be perceived as a conflict of interest.

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4.1.6 Communication and Disclosure.

- A. **Rating Agencies [NRSROs].** HRSD seeks to maintain the highest credit ratings it believes appropriate for its debt without compromising the delivery of its basic core services. The Director of Finance will manage relationships with the rating analysts assigned to HRSD by the NRSROs.
- B. **Investors, Bond Insurers, Liquidity Providers.** The Director of Finance will manage relationships using both informal and formal methods to disseminate information.
- C. **Continuing Disclosure.** HRSD recognizes that ongoing disclosure is imperative to maintaining the high credit quality of its debt and its reputation in the credit markets. HRSD will comply with all of its contractual obligations and applicable law and will meet such disclosure requirements in a timely and thorough manner.
- D. **Arbitrage Compliance.** HRSD will maintain a system of record keeping and reporting in order to comply with the Arbitrage Rebate Compliance Requirements of the IRS Code.
- E. **Post-Issuance Compliance Procedures.** Separate from this policy, HRSD will maintain and follow post-issuance compliance procedures. Such procedures will include provisions regarding continuing disclosure and arbitrage and private use compliance, among others.

4.2 DERIVATIVES.

4.2.1 Approach and Objectives. Interest Rate Swaps and options (swaps) are Derivatives that can help HRSD meet important financial objectives. Properly used, these instruments can increase HRSD's financial flexibility, provide opportunities for interest rate savings or enhanced investment yields, and help HRSD manage its balance sheet through better matching of assets and liabilities.

- A. **Specific Objectives for Using Interest Rate Swaps.** HRSD may consider the use of specific Interest Rate Swaps if they meet one or more of the benefits previously described in this Policy or if they:
 - (1) Result in an expected lower net borrowing cost than traditional debt alternatives;
 - (2) Result in an improved capital structure (e.g., altered pattern of debt service payments or to create variable rate exposure) or better asset/liability matching;

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- (3) Cap, limit, or hedge HRSD's exposure to changes in interest rates on a particular financial transaction; or
- (4) Provide a specific benefit not otherwise available.
- (5) Swaps must not be speculative or create unreasonable risk. Each swap will be reviewed on a case-by-case basis to determine whether or not the level of risk is appropriate for HRSD. Examples of swaps that HRSD considers speculative, and which create unreasonable risk include, without limitation:
 - Basis Swaps;
 - Constant Maturity Swaps;
 - Knock-in Options on Swaps;
 - Interest Rate Swaps that including a floating index multiplier greater than 1.0 (e.g., three times SIFMA); and
 - Interest Rate Swaps that are not associated with a specific bond issue.
- (6) HRSD prefers Swaps that meet the "consistent critical terms method" for evaluating the effectiveness of Interest Rate Swaps as defined by the Governmental Accounting Standards Board in Statement #53: Accounting and Financial Reporting for Derivative Instruments.

B. Prohibited Interest Rate Swap Features. HRSD will not use Interest Rate Swaps that:

- (1) Are speculative or create extraordinary leverage or risk;
- (2) Lack adequate liquidity to terminate without incurring a significant bid/ask spread;
- (3) Provide insufficient price transparency to allow reasonable valuation; or
- (4) Are not reasonably uniform to the risk evaluation criteria by this Policy.

C. Legal Authority. As stated in Section 29 of HRSD's Enabling Act, as amended by the Virginia General Assembly on March 11, 2008,

"With respect to contracts concerning interest rates, currency, cash flow and other basis, the District may enter into any contract that the Commission determines to be necessary or appropriate to place any obligation or investment of the District, as represented by bonds or the investment of their proceeds, in whole or in part, on the interest rate, cash flow or other basis desired by the Commission. Such contracts

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may include, without limitation, contracts commonly known as interest rate swap agreements, rate locks, forward purchase agreements, and futures or contracts providing for payments based on levels of, or changes in, interest rates. Such contracts or arrangements may be entered into by the District in connection with, or incidental to, entering into or maintaining any (i) agreement that secures bonds or (ii) investment, or contract providing for investment, otherwise authorized by law. These contracts and arrangements may contain such payment, security, default, remedy, and other terms and conditions as determined by the Commission, after giving due consideration to the creditworthiness of the counterparty or other obligated party, including any rating by any nationally recognized rating agency.”

All Derivative contracts require Commission approval prior to execution.

D. **Permitted Instruments.** HRSD may utilize the following financial products on a current or forward basis, after identifying the objective(s) to be realized and assessing the attendant risks.

- (1) Interest Rate Swaps, including fixed and floating rate swaps.
- (2) Options, including Swaptions, Interest Rate Caps, Interest Rate Floors, and Interest Rate Collars.

HRSD prefers Interest Rate Swaps that have strong price transparency and which are of a type referred to as “plain vanilla,” e.g., a fixed to floating rate SIFMA -based Interest Rate Swap.

Interest Rate Swaps will be subject to the legal provisions set forth in HRSD’s Trust Agreements, applicable debt documents, and statutory requirements.

E. **Procedure for Submission and Execution.** HRSD may consider Interest Rate Swaps that are either presented as proposals or that are developed by HRSD in consultation with its financial advisor and legal counsel. HRSD will give detailed consideration only to proposals that HRSD, in its sole discretion, believes will offer the projected savings or other benefits and will have the ability to meet one or more of the objectives outlined herein.

- (1) When feasible, Interest Rate Swaps should be competitively procured either under a competitive sealed bid or competitive negotiation (e.g., initiated via RFP). On a product-by-product basis, HRSD will have authority to negotiate the procurement of financial instruments that have customized or specific attributes designed for HRSD.
- (2) For both competitive and negotiated procurements, the execution of any Interest Rate Swap transaction will be subject to receipt of a

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fairness opinion from HRSD's financial advisor, finding that the terms and conditions of the swap reflect a fair market value of such transaction as of the date and time of its execution.

- (3) The execution of all Interest Rate Swaps will be subject to receipt of an opinion from a law firm with extensive experience in public finance and tax issues that the contract is a legal, valid and binding obligation of HRSD that complies with applicable law and has no adverse effect on the tax status of any related bonds.

F. Interest Rate Swap Analysis and Participant Requirements. In connection with any Interest Rate Swap, HRSD, its financial advisor and legal counsel will review the proposed transaction and outline considerations associated with the transaction. Such a review will include the following:

- (1) The identification of the proposed benefit and potential risks, which will include, but not necessarily be limited to, those risks outlined in this Policy;
- (2) Analysis of potential savings and stress testing of the proposed transaction;
- (3) Fixed versus variable rate and Interest Rate Swap exposure;
- (4) To the extent HRSD deems relevant, any rating reports or criteria regarding Interest Rate Swaps by rating agencies; and
- (5) Legal constraints.

G. Interest Rate Swap Risks. In reviewing proposed or possible Interest Rate Swaps, HRSD will consider at a minimum each of the following types of risks, as applicable:

- (1) **Counterparty Risk.** The risk of a payment default on an Interest Rate Swap by a counterparty.
- (2) **Termination Risk.** The risk that an Interest Rate Swap has a negative value and HRSD owes a "breakage" fee if the contract has to be terminated.
- (3) **Tax Risk.** A mismatch between changes in the rate or price on HRSD's underlying debt and the Interest Rate Swap caused by a reduction or elimination in the benefits of the tax exemption for municipal bonds, e.g., a tax cut that results in an increase in the ratio of tax-exempt to taxable yields.

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- (4) **Basis Risk.** A mismatch between the rate on HRSD's underlying debt and the rate paid under the Interest Rate Swap (for example, an issue of tax-exempt Variable Rate Debt that bears interest at a variable rate equal to 67% of SOFR while HRSD receives 80% of SOFR under the swap).
- (5) **Liquidity/Remarketing Risk.** The risk that HRSD cannot secure a cost-effective renewal of a Letter or Line of Credit or suffers a failed remarketing with respect to its Variable Rate Debt.
- (6) **Rollover Risk.** The risk that the maturity of an Interest Rate Swap does not match maturity of the related debt or asset.

H. **Counterparty Risk Assessment.** HRSD will only enter into an Interest Rate Swap with highly rated financial institutions. Credit criteria for financial institutions are as follows:

- (1) The institutions' long-term, unsecured and unsubordinated obligations are rated at the time of execution of the Interest Rate Swap by at least one rating agency at least "Aa3" by Moody's or "AA" by S&P, or "AA" by Fitch and by at least one other rating agency at no lower than "A2" by Moody's, "A" by S&P, or "A" by Fitch; or
- (2) The institutions' obligations under the Interest Rate Swap and the Credit Support Annex are unconditionally guaranteed by a bank or non-bank financial institution the long-term, unsecured and unsubordinated obligations of which are rated at the time of execution of the swap by at least one credit agency at least "Aa3" by Moody's or "AA" by S&P or "AA" by Fitch and by at least one other rating agency at no lower than "A2" by Moody's, "A" by S&P, or "A" by Fitch.

In the event of downgrade of an Interest Rate Swap counterparty below the minimal rating standard set forth above, the counterparty will be required to:

- a. Provide a substitute guarantor or assign the swap contract to an acceptable counterparty meeting the rating criteria, or
- b. Provide collateral as described in the Collateral section of this Policy.

I. **Benefit Expectation.** Financial transactions using Interest Rate Swaps or other Derivatives related to a debt issue should generate at least two percent or greater projected debt service savings than a traditional debt alternative. Such savings analysis will include, where applicable, the consideration of the probability (based on historical interest rate indices, where applicable, or

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other accepted analytic techniques) of the realization of savings for the Derivative structure. The savings target requirement is intended to reflect the complexity and risk of derivative financial instruments and should include a risk adjustment for other factors. For example, if the underlying debt is callable and the Interest Rate Swap is not, then the analysis should include a risk adjustment for this factor.

In determining any benefit in implementing an Interest Rate Swap, the cost of remarketing, in addition to the cost of credit enhancement or liquidity fees, will be added to the projected variable rate. Such a calculation should consider the trading performance of comparable indebtedness and any trading premium resulting from a specific form of credit enhancement or liquidity and/or any impact related to broader industry trends.

- J. **Hedging Derivatives.** When utilizing a Derivative to cap, limit or hedge HRSD's exposure to changes in interest rates, HRSD will evaluate various interest rate scenarios and the estimated impact on projected wastewater rates.
- K. **Legal and Contractual Requirements.** HRSD will use standard International Swap and Derivatives Association, Inc. swap documentation, including the Schedule to the Master Agreement and a Credit Support Annex, and related protocols. HRSD may use additional documentation if the product is proprietary or HRSD deems in its sole discretion that such documentation is otherwise in its interest. The Interest Rate Swap agreement between HRSD and each counterparty will include payment, term, security, collateral, default, remedy, termination, and other terms, conditions, provisions and safeguards as HRSD, in consultation with its legal counsel, deems necessary or desirable.
- L. **Legal Terms of Swaps.** Terms and conditions of any Interest Rate Swap agreement will be negotiated by HRSD in the best interests of HRSD. Swap documentation and terms should include the following:
 - (1) Downgrade provisions triggering termination based on HRSD's credit rating will in no event be less advantageous than those permitting termination based on a downgrade of the counterparty.
 - (2) Governing law for swaps will be New York law to the extent permitted by law, but should reflect that HRSD's authorization of the related agreement is governed by Virginia law.
 - (3) The specified debt related to credit events in any swap agreement should be narrowly drafted and refers only to specific debt.

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- (4) Collateral thresholds will be set on a sliding scale reflective of credit ratings (see Collateral Section).
- (5) Eligible collateral will be as set forth in the Collateral Section.
- (6) Termination value will be established by “market quotation” methodology, which involves the solicitation of quotations from unrelated brokers regarding the valuation of the swaps.

M. **Notional Amount.** HRSD will limit the aggregate notional amount of derivatives to an amount not to exceed 20 percent of aggregate outstanding debt.

To the extent that HRSD is party to multiple derivatives contracts at any given time, HRSD will seek to diversify its counterparty credit risk by limiting its credit exposure to any single counterparty.

N. **Final Maturity.** The final maturity of any Interest Rate Swap will not extend beyond the lesser of the final maturity date of HRSD’s related debt and the expiration date of any Letter of Credit or Liquidity Facility on the related bonds unless HRSD has the right to cancel the swap agreement without cost on such expiration date.

O. **Termination Provisions.** Interest Rate Swaps will contain provisions granting HRSD the right to optionally terminate an Interest Rate Swap at any time over its term. Such a provision will be required even if the termination is at market. In general, exercising the right to terminate an agreement should produce a benefit to HRSD, either through the receipt of a payment from a termination or, if the termination payment is made by HRSD, in conjunction with the conversion of the related indebtedness to a more beneficial interest rate mode or mitigates a risk to HRSD, as will be determined by HRSD in its sole discretion.

Any termination payment will be established by a “market quotation” methodology, unless HRSD deems an alternate methodology to be appropriate. HRSD’s Director of Finance will provide a written report to the Commission with respect to any termination, including the reason(s) why the swap was terminated.

P. **Collateral.** As part of any swap, HRSD will require collateralization or other forms of credit enhancement to secure any or all swap payment obligations. As appropriate, HRSD, in consultation with its financial advisor and legal counsel, will require collateral or other credit enhancement to be posted by each swap counterparty as follows:

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- (1) Each counterparty to HRSD will be required to post collateral if the long-term credit rating of the counterparty or its guarantor falls below the requirements outlined in the Counterparty Risk Assessment section of this Policy. Additional collateral for further decreases in credit ratings of a counterparty will be posted by the counterparty in accordance with the provisions contained in the related Collateral Support Annex. Threshold amounts for collateral posting will be determined by HRSD on a case-by-case basis.
- (2) In determining maximum uncollateralized exposure, HRSD will consider financial exposure that it may have to the same corporate entities through other forms of financial dealings, such as commercial paper investments.
- (3) Collateral will be deposited with a third-party trustee, or as mutually agreed upon between HRSD and the counterparty.
- (4) A list of acceptable securities that may be posted as collateral and the valuation of such collateral will be determined and mutually agreed upon during negotiation of the swap agreement with each swap counterparty. A complete list of acceptable securities and valuation percentages is included in the Acceptable Collateral section of the Policy.
- (5) The market value of the collateral will be determined on at least a weekly basis, or more frequently if HRSD determines it is in its best interest given the specific collateral.

Q. **Ongoing Management.** HRSD will seek to maximize the benefits and minimize the risks it carries by actively managing its Interest Rate Swap program. This will entail frequent monitoring of market conditions for emergent opportunities and risks. Active management may require modification of existing positions including, for example:

- Early full or partial termination;
- Shortening or lengthening the term of Interest Rate Swaps; or
- Sale or purchase of options.

Legal modification to an existing swap will require approval from the Commission. In modifying any swap, HRSD will fulfill all terms of this Policy and refer back to the original procurement and execution procedures outlined in this Policy.

R. **Ongoing Reporting Requirements.** HRSD will take steps to ensure that there is full and complete disclosure of all Swaps to the Commission, to

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Rating Agencies and to EMMA. HRSD will also present a summary description of its swaps in its disclosure documents.

HRSD will provide a written report regarding the status of all Swap agreements to the Commission at least on a semi-annual basis and will include the following:

- (1) A description of all outstanding swap agreements, including, if and when applicable, bond series, type of Swap, rates paid and received by HRSD, total notional amount, average life of each swap agreement, remaining term of each Swap agreement and covenant compliance;
- (2) Highlights of all material changes to swap agreements or new swap agreements entered into by HRSD since the last report;
- (3) The credit rating of each Swap counterparty and credit enhancer insuring swap payments, if any;
- (4) A summary of Swap agreements that were terminated or that have expired;
- (5) A mark-to-market valuation of swap agreements and the source of the valuation, which HRSD may use for financial reporting purposes; and
- (6) A summary of Collateral postings.

S. Acceptable Collateral.

	Collateral Requirement	
	Valuation Percentage*	Example: \$ Value Based on \$1.0 Million
<u>Security</u>		
Cash	100%	\$1.0 million
(x) Negotiable debt obligations issued by the U.S. Treasury Department or GNMA, or		
(y) Mortgage-backed securities issued by GNMA (but with respect to either (x) or (y) excluding interest only or principal only Stripped Securities, securities representing residual interests in mortgage pools, or securities that are not listed on a national securities exchange or regularly quoted in a national quotation service) and in each case having a remaining maturity of:		

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- less than one year 98% \$1.02 million
- greater than one year 95% \$1.05 million

*To calculate the dollar amount required to satisfy the collateral requirement, divide the collateral requirement by the valuation percentage shown above.

T. **Conformance with Dodd-Frank Act.** It is the intent of HRSD to conform to the requirements relating to legislation and regulations for over-the-counter derivatives transactions under Title VII of the Dodd-Frank Wall Street Transparency and Accountability Act of 2010, as amended from time to time, and the regulations promulgated thereunder (herein collectively referred to as Dodd-Frank). It is the policy of HRSD that (i) each swap advisor engaged or to be engaged by HRSD will function as the designated qualified investment representative of HRSD (Designated Qualified Independent Representative or QIR); (ii) each swap advisor agrees to meet and meets the requirements specified in the Commodity Futures Trading Commission Regulation 23.450(b)(1) or any successor regulation thereto (hereinafter referred to as the QIR Regulation); (iii) each swap advisor provide a written certification to HRSD to the effect that such swap advisor agrees to meet and meets the requirements specified in the QIR Regulation; (iv) HRSD monitor the performance of each swap advisor consistent with the requirements specified in the QIR regulation; (v) HRSD exercise independent judgment in consultation with its swap advisor in evaluating all recommendations, if any presented by any counterparty with respect to transactions authorized pursuant to this Financial Policy; (vi) HRSD rely on the advice of its swap advisor with respect to transactions authorized pursuant to this Financial Policy and not rely on recommendations, if any, presented by any counterparty with respect to transactions authorized pursuant to this Financial Policy; (vii) HRSD comply with all recordkeeping reporting and certification requirements for end-users as applicable under the Commodity Exchange Act.

4.3 INVESTMENT

4.3.1 Ethics and Conflicts of Interest. The Director of Finance and other employees involved in the investment process will comply with the Code of Virginia Section 2.2-3100 et seq., the State and Local Government Conflict of Interests Act (the "Conflict of Interests Act").

A. Specifically, no officer or employee will:

- (1) Accept any money, loan, gift, favor, service, or business or professional opportunity that reasonably tends to influence him in the performance of his official duties;

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- (2) Accept any business or professional opportunity when he knows there is a reasonable likelihood that the opportunity is being afforded to influence him in the performance of his official duties; or
- (3) Violate any of the provision of the Conflict of Interests Act.
- B. All employees involved in the investment process will refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions.
- C. All employees involved in the investment process will disclose to the Director of Finance and the General Manager any material interest in financial institutions with which they conduct business. They will further disclose any personal financial or investment positions that could be related to the performance of the investment portfolio.
- D. All employees involved in the investment process will refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of HRSD.

4.3.2 Operating Funds

- A. **Scope.** Except for funds maintained in trust for retirement and health and welfare benefits for employees and/or retirees, this Policy applies to all HRSD's cash and investments (the Investment Portfolio). The Policy will apply to such monies from the time of receipt until the time the monies leave HRSD's accounts. Although these assets may be pooled for investment purposes, they may be segregated as necessary for accounting and budgetary reporting purposes.
- B. **Objectives.**
 - (1) All investments will be in compliance with the Code of Virginia Sections 2.2-4400 et seq. and 2.2-4500 et seq. and the Trust Agreements.
 - (2) The cash management and investment activities of HRSD will be conducted in a manner which is consistent with applicable law and prevailing prudent business practices which may be applied by other public organizations of similar size and financial resources.
 - (3) The Investment Portfolio will be managed to accomplish the following fundamental goals:

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- a. **Safety of Principal.** The single most important objective of the investment program is the preservation of principal of those funds within the Investment Portfolio.
 - b. **Maintenance of Liquidity.** The Investment Portfolio will be managed at all times with sufficient Liquidity to meet all daily and seasonal needs, to fund special projects and other operational requirements which are either known or which might reasonably be anticipated, and to provide adequate Self-Liquidity, if applicable.
 - c. **Maximizing Return.** The Investment Portfolio will be managed so as to maximize the return on investments within the context and parameters set forth by the safety and liquidity objectives above.
- C. **Standard of Prudence.** All investments will be in compliance with the Code of Virginia Sections 2.2-4400 et seq. and 2.2-4500 et seq. and the Trust Agreements. Public funds held and invested by HRSD are held for the benefit of its ratepayers and any investment of such funds will be made solely in the interest of the ratepayers and with the care, skill, prudence, and diligence under the circumstances then prevailing that a person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims.

The Director of Finance and other HRSD employees acting in accordance with written procedures, including this Policy and exercising due diligence will be relieved of personal responsibility for an individual security's performance, provided that deviations from expectations are reported in a timely fashion to the Commission.

- D. **General Account Structure.** In order to meet HRSD's general objectives, the Investment Portfolio is divided into three major investment strategies: an Operating Liquidity Strategy, a Total Return Strategy and a Capital Investment Strategy.
- (1) The **Operating Liquidity Strategy** consists of funds that are expected to provide for HRSD's day-to-day disbursement and operational needs. As such, Liquidity is the emphasis in this strategy. This strategy will be funded to meet all known operating needs. Selection of investment maturities will be consistent with the cash requirements of HRSD in order to minimize the forced sale of securities prior to maturity. It is expected that a portion of the Operating Liquidity Strategy will be invested in highly liquid funds such as money market funds, overnight repurchase agreements, bank deposit accounts, or

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other short-term investment vehicles. Funds invested pursuant to this strategy may be utilized to provide Self-Liquidity on debt financings.

- (2) The **Total Return Strategy** consists of operating funds that are not expected to be a major source of HRSD's day-to-day disbursement requirements and operational needs. The Total Return Strategy may therefore be invested in longer-term securities in order to generate an investment return, which, over time, is higher than the total return of the Operating Liquidity Strategy. Funds invested pursuant to this strategy may be utilized to provide Self-Liquidity on debt financings.
- (3) The **Capital Investment Strategy** is the source for capital improvement disbursements. The strategy will consist of unspent debt proceeds and unspent HRSD cash contributions to its CIP. It is anticipated that investments will be made in the Capital Investment Strategy with maturity dates matching the anticipated expenditures or invested in highly liquid funds such as money market funds, overnight repurchase agreements, bank deposits or other short-term investment vehicles.

E. **Authorized Investments.** Under the Trust Agreements, the Director of Finance may invest in such of the following securities that are in compliance with the Investment of Public Funds Act (Code of Virginia Section 2.2-4500 et seq.), the Government Non-Arbitrage Investment Act (Code of Virginia Section 2.2-4700 et seq.) and any successor statutes as from time to time amended. The Director of Finance, however, may impose additional requirements and restrictions in order to ensure that HRSD's goals are met.

- (1) **U.S. Treasury Obligations.** TIPS, Treasury Bills, Treasury Notes and Treasury Bonds, and any other obligation or security issued by or backed by the full faith and credit of the United States of America. The final maturity will not exceed a period of five years from the time of purchase.
- (2) **Federal Agency Obligation.** Bonds, notes and other obligations of Federal Agencies, provided that such investments must be rated in one of the two highest rating categories by at least one NRSRO and or the have the same rating as those of U.S. Treasury obligations. The final maturity will not exceed a period of five years from the time of purchase.
- (3) **Municipal Obligations.** Bonds, notes and other general obligation indebtedness, upon which there is no default, with a rating of at least "AA" from S&P and "Aa" from Moody's, maturing within five years of the date of purchase, and otherwise meeting the requirements of Code of Virginia Section 2.2-4501. However, HRSD is prohibited from purchasing its own debt for the purpose of investing its Operating

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Funds. Please see the *Self-Liquidity* section of this policy for important information related to Self-Liquidity and HRSD's purchase of its own debt.

- (4) **Commercial Paper.** Commercial Paper issued by domestic corporations (corporations organized and operating under the laws of the United States or any state thereof) provided that the issuing corporation, or its guarantor, has a short-term debt rating of no less than "A-1" (or its equivalent) from at least two of the NRSROs.
- (5) **Bankers' Acceptances.** Issued by domestic banks or a federally chartered office of a foreign bank, which are eligible for purchase by the Federal Reserve System with a maturity of 180 days or less. The issuing corporation, or its guarantor, must have a short-term debt rating of no less than "A-1" (or its equivalent) from at least two of the NRSROs.
- (6) **Corporate Notes.** Corporate Notes with a rating of at least "Aa" by Moody's and at least "AA" by S&P. [The final maturity will not exceed a period of five years from the time of purchase.]
- (7) **Negotiable Certificates of Deposit and Bank Deposit Notes.** Negotiable CDs and negotiable bank deposit notes of domestic banks and domestic offices of foreign banks with ratings of at least "A-1" from P-1 from Moody's, for maturities of one year or less, and a rating of at least "AA" from S&P and "Aa" from Moody's, for maturities over one year. The final maturity may not exceed a period of five years from the time of purchase.
- (8) **Money Market Mutual Funds (Open-Ended Investment Funds).** Shares in open-end, no-load investment funds provided such funds are registered under the Federal Investment Company Act of 1940, provided that the fund is rated at least "AAAm" or the equivalent by an NRSRO. The mutual fund must comply with the diversification, quality and maturity requirements of SEC Rule 2(a)-7, or any successor rule, provided the investments by such funds are restricted to investments otherwise permitted by the Code of Virginia for political sub-divisions.
- (9) **Local Government Investment Pool.** A specialized fund pursuant to Code of Virginia Section 2.2-4000 et seq. designed to offer a convenient, liquid, and cost-effective investment vehicle for public entities. The Fund is administered by the Treasury Board of the Commonwealth of Virginia.
- (10) **State Non-Arbitrage Pool Fund.** The pooled investment vehicle established for the investment of bond proceeds under the

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Government Non-Arbitrage Investment Act (Virginia Code Section 2.2-4700 et seq.).

- (11) **Repurchase Agreements.** In overnight, term and open repurchase agreements provided that the following conditions are met:
- a. The contract is fully secured by deliverable U.S. Treasury Bills, Bonds or Notes or Federal Agency obligations as described in paragraph 1 and 2 above (with a maximum maturity of five years), having a market value at all times of at least 102 percent of the amount of the contract;
 - b. A Master Repurchase Agreement or specific written Repurchase Agreement governs the transaction;
 - c. The securities are free and clear of any lien and held by an independent third-party custodian acting solely as agent for HRSD, provided such third party is not the seller under the Repurchase Agreement;
 - d. A perfected first security interest under the Uniform Commercial Code in accordance with book entry procedures prescribed at 31 C.F.R. 306.1 et seq. or 31 C.F.R. 350.0 et seq. in such securities is created for the benefit of HRSD;
 - e. For Repurchase Agreements with terms to maturity of greater than one day, HRSD will value the collateral securities daily and require that if additional collateral is required then that collateral must be delivered within one business day (if a collateral deficiency is not corrected within this time frame, the collateral securities will be liquidated);
 - f. The counterparty is a:
 - (1) Primary government securities dealer who reports daily to the Federal Reserve Bank of New York; or
 - (2) A bank, savings and loan association, or diversified securities broker-dealer having at least \$5 billion in assets and \$500 million in capital and subject to regulation of capital standards by any state or federal regulatory agency; and
 - (3) The counterparty meets the following criteria: A long-term credit rating of at least 'AA' or the equivalent from

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an NRSRO; has been in operation for at least five years;
is reputable among market participants.

- (12) **Collateralized Bank Deposits.** CDs and other evidence of deposit as permitted by Section 2.2.4400 et seq. of the Code of Virginia.
- (13) **U.S. Dollar Denominated Supra Sovereign Agency Bonds.** Bonds and other obligations issued, guaranteed or assumed by the International Bank for Reconstruction and Development, by the Asian Development Bank or by the African Development Bank, provided that the obligation is rated by an NRSRO the higher of "AA" or the rating on U.S. Treasury obligations.
- (14) **Virginia Investment Pool Trust Fund (VIP) Stable NAV Liquidity Pool.** This pool supports the cash management needs of municipalities, other governmental agencies and political subdivisions in Virginia that must manage investments conservatively. The objective of the fund is to obtain a competitive market yield on available financial assets consistent with the constraints imposed by the safety objectives, cash flow considerations and the laws of the Commonwealth of Virginia that govern the placement of public funds while facilitating daily liquidity and the maintenance of a stable Net Asset Value, with the price of shares in the portfolio targeted to maintain a value of \$1.00. The fund is governed by the Board of Trustees of the VIP.
- (15) **VIP 1-3 Year High-Quality Bond Fund.** This fund is a fixed income investment portfolio designed to provide another pooled investment alternative to those Participants that have excess funds and that have an investment horizon greater than that of money market instruments, typically one year or longer. The investment objective is to:
 - a. Exceed the return of the Bank of America Merrill Lynch One-to Three-Year U.S. Corporate & Government Index over three-year periods
 - b. Preserve capital

The VIP 1-3 Year High Quality Bond Fund will generally invest in securities with greater potential returns and risk than those offered by money market type instruments. The fund is governed by the Board of Trustees of the VIP.

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- E. **Portfolio Diversification.** The Investment Portfolio will be diversified by security type and institution. The maximum percentage of the portfolio permitted in each eligible security is as follows:

<u>Permitted Investment</u>	<u>Sector Limit</u>	<u>Issuer Limit</u>
Treasury Bonds, Notes and Bills	100%	100%
Federal Agency Obligations	100%	35%
Municipal Obligations	15%	5%
Commercial Paper	25%	5%
Bankers' Acceptances	25%	5%
Corporate Notes	25%	3%
Negotiable CDs and Bank Deposit Notes	25%	3%

<u>Permitted Investment</u>	<u>Sector Limit</u>	<u>Issuer Limit</u>
Money Market Mutual Funds	100%	100%
LGIP	100%	100%
SNAP Fund (bond proceeds only)	100%	100%
Repurchase Agreements	35%	35%
Collateralized Bank Deposits	100%	100%
Supra Sovereign Agency Bonds	15%	10%
VIP Stable NAV Liquidity Pool	100%	100%
VIP 1-3 Year High-Quality Bond Fund	100%	100%

The Sector Limit and Issuer Limit will be applied to the total Investment Portfolio value at the date of acquisition.

- F. **Maximum Maturity.** Maintenance of adequate Liquidity to meet the cash flow needs of HRSD is essential. Accordingly, to the extent possible, the investment portfolio will be structured in a manner that ensures sufficient cash is available to meet anticipated Liquidity needs. Whenever practical, selection of investment maturities will be consistent with the known cash requirements of HRSD in order to minimize the forced sale of securities prior to maturity. For the purposes of the Investment Policy:

- (1) The Funds Invested under the **Operating Liquidity Strategy** will be invested in short-term investments maturing in 12 months or less. Because of the difficulties inherent in accurately forecasting all cash flow requirements, at least 25 percent of the funds invested under this strategy will be continuously invested in readily available funds such as bank deposit accounts, money market funds and overnight repurchase agreements and at least 75 percent of this strategy will be invested in securities with maturities less than 180 days.

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- (2) The Funds Invested in pursuant to **Total Return Strategy** will be invested in permitted investments with a stated maturity of not more than five years from the date of purchase. To manage volatility, the Director of Finance will from time-to-time determine an investment duration target which will not exceed three years and which will be comparable to the selected performance standards as identified under the Performance Standards section of this Policy.
- (3) The Funds invested under the **Capital Investment Strategy** will be invested in compliance with the specific requirements of the Trust Agreements. However, in no case will bond proceeds, or funds set aside for capital projects, be invested in securities with a term to maturity that exceeds the expected disbursement date of those monies.
- (4) Accounts credited to Debt Service Reserve funds with longer term investment horizons may be invested in securities exceeding five years, provided that such investments will mature no later than the first call date for the related bonds.
- G. **Security Downgrades.** If any security held in the Investment Portfolio is downgraded below "AA" or equivalent rating by any NRSRO, the security will be sold within 180 days of such downgrade.
- H. **Self-Liquidity.** In the event that HRSD determines to provide Self-Liquidity for any issuance of CP, VRDs, or related indebtedness, funds invested under the Operating Liquidity Strategy and the Total Return Strategy may be used to support such obligations, if necessary, provided that HRSD will not be legally obligated to pledge such funds for such purpose. The investments identified to provide Self-Liquidity coverage will be sufficient to meet the quality, volatility, liquidity, and maturity guidelines of the NRSRO's then providing ratings on HRSD's debt obligations. If needed, HRSD is permitted to purchase its own debt on a temporary basis or for the retirement of the debt. Such purchase will not be limited to the sector and issuer diversification limits as set forth in the Portfolio Diversification section of this policy or the maximum maturity requirement as set forth in the Capital Investment Strategy section of this Policy.
- I. **Investment of Bond Proceeds.** HRSD intends to comply with all applicable sections of the Internal Revenue Code as it relates to Arbitrage Rebate and the investment of bond proceeds. All investment records will be maintained to ensure compliance with all regulations.
- J. **Collateralization of Bank Deposits.** All bank deposits of HRSD should be considered Public Deposits as defined by Code of Virginia Security for Public

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Deposits Act (Section 2.2-4400 et seq.) and all deposits must be made with Qualified Public Depositories within the meaning of such law.

K. **Selection of Broker/Dealers.** All broker/dealers who desire to provide investment services to HRSD will be provided with current copies of HRSD's Financial Policy. Before an organization can provide investment services to HRSD, it must confirm in writing that it has received and reviewed HRSD's Financial Policy.

- (1) At the request of the Director of Finance, broker/dealers will supply HRSD with information sufficient to adequately evaluate their financial capacity and creditworthiness. The following information will be provided:
 - (a) Audited financial statements;
 - (b) Regulatory reports on financial condition;
 - (c) Proof of Financial Institution Regulatory Authority (FINRA) certification and of state registration;
 - (d) A sworn statement by an authorized representative of the broker/dealer pledging to adhere to Capital Adequacy Standards established by the Federal Reserve Bank and acknowledging the broker/dealer understands that HRSD has relied upon this pledge; and
 - (e) Any additional information requested by the Director of Finance in evaluating the creditworthiness of the institution.
- (2) Only firms meeting the following requirements will be eligible to serve as broker/dealers for HRSD:
 - (a) "Primary" dealers and regional dealers that qualify under SEC Rule 15c3-1 (Uniform Net Capital Rule);
 - (b) Unrestricted Capital of at least \$10,000,000;
 - (c) Registered as a dealer under the Securities Exchange Act of 1934;
 - (d) Member of the FINRA;
 - (e) Registered to sell securities in the Commonwealth of Virginia; and

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- (f) Engaged in the business of effecting transactions in U.S. government and agency obligations for at least five consecutive years.
 - (3) HRSD will designate broker/dealers on an annual basis.
- L. **Competitive Selection of Investment Instruments.** All securities purchases and sales will be transacted only with designated broker/dealers through a formal and competitive process requiring the solicitation and evaluation of at least three bids/offers, taking into consideration current market conditions and any applicable provisions of the IRS Code. Electronic bids will be accepted. HRSD will accept the bid which, in the sole judgment of the Director of Finance or his/her designee: (1) can be accepted under applicable provisions of the IRS Code; (2) offers the highest rate of return within the maturity required; and (3) optimizes the investment objective of the overall investment portfolio, including diversification requirements. When selling a security, HRSD will select the bid that generates the highest sale price, consistent with the diversification requirements and any applicable provisions of the IRS Code.
- M. **Safekeeping and Custody.** All investment securities purchased by HRSD or held as collateral on deposits or investments will be held by HRSD or by a third-party custodial agent that may not otherwise be counterparty to the investment transaction.
 - (1) All securities in HRSD's investment portfolio will be held in the name of HRSD and will be free and clear of any lien. Further, all investment transactions will be conducted on a delivery versus payment basis. On a monthly basis, the custodial agent will provide reports that list all securities held for HRSD, the book value of holdings, and the market value as of month-end.
 - (2) HRSD officials and representatives of the custodial agent responsible for, or in any manner involved with, the safekeeping and custody process of HRSD will be bonded in such a manner as to protect HRSD from losses from malfeasance and misfeasance.
 - (3) Confirming copies of all other investment transactions must be delivered to HRSD or its custodial agent.
- N. **Internal Controls.** The Director of Finance will establish a framework of internal controls governing the administration and management of HRSD's investment portfolio, and these controls will be documented in writing. Such controls will be designed to prevent and control losses of HRSD monies arising from fraud, employee error, and misrepresentation by third parties, unanticipated changes in financial markets, or imprudent actions by any

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personnel. The internal control structure will be designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived, and (2) the valuation of costs and benefits requires estimates and judgments by management.

O. **Records and Reports.** The Director of Finance will prepare an investment report on at least a quarterly basis for the Commission.

P. **Performance Standards.** The investment portfolio will be designed to obtain at least a market level rate of return, given budgetary and economic cycles, commensurate with HRSD's investment risk and cash flow needs. HRSD's portfolio management approach will be active, allowing periodic restructuring of the investment portfolio to take advantage of current and anticipated interest rate movements.

(1) The returns on HRSD's investments will be compared on a quarterly basis to indices of U.S. Treasury securities having similar maturities or to other appropriate benchmarks.

(2) The applicable benchmarks for each of HRSD's three major Investment strategies are listed below:

<u>Fund</u>	<u>Benchmark</u>
Operating Liquidity	3-Month Treasury Bill or Effective Federal Funds rate
Total Return	Merrill Lynch 1-3 Year U.S. Corporate & Government Index over three-year periods
Capital Investment	3-Month Treasury Bill, Effective Federal Funds rate, Virginia LGIP or similar index appropriate to the duration of the expected cash flows

Q. **Engagement of Investment Managers.** The Director of Finance may engage one of more qualified firms to provide discretionary investment management services in compliance with this Policy for HRSD. All investment management firms who desire to provide investment services to HRSD will be provided with current copies of HRSD's Investment Policy. Before an organization can provide investment services to HRSD, it must confirm in writing that it has received and reviewed HRSD's Investment Policy. The Director of Finance will conduct appropriate due diligence in the selection of qualified investment management firms and will periodically confirm a manager's qualifications by visiting that manager's operational facilities that provide services to HRSD.

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- (1) Only firms meeting the following requirements will be eligible to serve as investment manager for HRSD:
 - (a) Must be registered with the SEC under the Investment Advisers Act of 1940;
 - (b) Must provide to HRSD an annual updated copy of Form ADV, Part II;
 - (c) Must be registered to conduct business in the Commonwealth of Virginia; and
 - (d) Must have proven experience in providing investment management services under Code of Virginia Sections 2.2-4500 et seq.
- (2) Any firm engaged by HRSD to provide investment services will:
 - (a) Maintain a list of approved security brokers/dealers selected by creditworthiness who are authorized to provide investment services in the Commonwealth of Virginia;
 - (b) Provide monthly reports of transactions and holdings to the Director of Finance;
 - (c) Provide performance reports, at least quarterly, that display investment performance in comparison to HRSD's investment benchmarks; and
 - (d) Not collect any soft dollar fees from any broker/dealer or other financial firm in relation to services provided to HRSD.

4.3.3 Retiree Health Plan Trust

- A. **Background.** HRSD established the Hampton Roads Sanitation District Retiree Health Plan Trust (the Trust) originally effective July 1, 2002, and amended and restated effective January 22, 2008 and November 25, 2008. The Trust provides for funding of non-pension and Other Post-Employment Benefits (OPEB), for employees who meet the age and service requirements outlined in the Hampton Roads Sanitation District Health Benefits Plan (the Plan) originally effective July 1, 2002, as it may be amended from time to time.
- B. **Purpose.** The main investment objective of the Trust is to achieve long-term growth of Trust assets by maximizing long-term rate of return on investments

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and minimizing risk of loss in order to fulfill HRSD's current and long-term OPEB obligations. The purpose of the Policy is to achieve the following:

- (1) Document investment objectives, performance expectations and investment guidelines for Trust assets.
- (2) Establish an appropriate investment strategy for managing all Trust assets, including an investment time horizon, risk tolerance ranges and asset allocation to provide sufficient diversification and overall return over the long-term time horizon of the Trust.
- (3) Establish investment guidelines to control overall risk and liquidity.
- (4) Establish periodic performance and cost reporting requirements that will effectively monitor investment results and ensure that the investment policy is being followed.
- (5) Comply with all fiduciary, prudence, due diligence and legal requirements for Trust assets.

C. **Investment Authority.** HRSD, as Plan Administrator (the Administrator), has oversight authority of certain policies and procedures related to the operation and administration of the Trust. Pursuant to the terms of the Trust, the Trustee is to hold title to the trust assets held for the Plan and to operate exclusively in the capacity as a directed Trustee. HRSD, as the named Administrator, has the authority not only to direct the Trustee but to appoint one or more investment managers. The Administrator will have authority to implement the investment policy and guidelines in the best interest of the Trust to best satisfy the purposes of the Trust.

- (1) The Administrator has a fiduciary duty to the Trust and the participants and beneficiaries, which requires integrity and competence. Integrity requires management of the Trust and the assets for the exclusive benefit of the Trust's participants and beneficiaries. The required level of competence is that of a prudent person acting in like capacity and familiar with such matters would act. This standard of competence extends to the retention and supervision of expert investment advice and all other areas of Trust's management.
- (2) In implementing this Policy, the Administrator, in accord with the provisions of the Trust, may delegate certain functions to:
 - (a) An investment advisor (the Investment Advisor) to assist the Administrator in the investment process and to maintain compliance with this Policy. The Investment Advisor may assist the Administrator in establishing investment policy

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objectives and guidelines. The Investment Advisor will adjust asset allocation for the Trust subject to the guidelines and limitations set forth in this Policy. The Investment Advisor will also select investment managers (Managers) and strategies consistent with its role as a fiduciary for the Trust. The investment vehicles allowed may include mutual funds, commingled trusts, separate accounts, limited partnerships and other investment vehicles deemed to be appropriate by the Investment Advisor. The Investment Advisor is also responsible for monitoring and reviewing investment managers; measuring and evaluating performance; and other tasks as deemed appropriate in its role as Advisor for Trust assets. The Investment Advisor may also select investment managers with discretion to purchase, sell, or hold specific securities, such as Exchange Traded Funds, that will be used to meet the Trust's investment objectives. The Investment Advisor shall never take possession of securities, cash or other assets of the Trust, all of which shall be held by the custodian. The Investment Advisor must be registered with the SEC. The Director of Finance will conduct appropriate due diligence in the selection of the Investment Advisor and will periodically confirm the Investment Advisor's qualifications by visiting its operational facilities that provide services to the Trust and HRSD.

- (b) A custodian to physically maintain possession of securities owned by the Trust, collect dividend and interest payments, redeem maturing securities, and effect receipt and delivery following purchases and sales, among other things. The custodian may also perform regular accounting of all assets owned, purchased, or sold, as well as movement of assets into and out of the Trust.
- (c) A trustee appointed by the Trust, such as a bank trust department, if the Trust does not have its own Trustees, to assume fiduciary responsibility for the administration of Trust assets; provided, however, that if the Administrator shall have appointed an investment advisor, then any trustee appointed under this paragraph shall have no authority with respect to selection of investments.
- (d) Specialists such as attorneys, auditors, actuaries and, retirement plan consultants to assist the Administrator in meeting its responsibilities and obligations to administer Trust assets prudently.

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- (3) HRSD Commissioners, staff, investment advisors, consultants and managers will refrain from engaging in any activity that impairs (or has the potential to impair) their ability to make impartial investment decisions for the Trust. Persons who nevertheless engage in such conduct will immediately disclose the conduct to the Administrator. HRSD members, staff, investment managers and advisers will also immediately disclose to the Administrator any activity engaged in by their respective firms, employers, employees and agents which conflicts (or has the potential to conflict) with the execution of HRSD's investment program for the Trust.

D. **Statement of Investment Objectives.** The investment objectives of the Trust are as follows:

- (1) **Funding.** The primary objective of the Administrator is to maintain the assets of the Trust at the funding level necessary to provide a pool of funds to be used to provide post-retirement welfare benefits to Plan participants. To obtain this objective the Administrator will diversify Trust assets and adopt an investment strategy consistent with the Trust's investment objectives.
- (2) **Safety.** In order to maintain the safety of Trust assets the Administrator will:
 - (a) Invest assets of the Trust in a manner consistent with the following fiduciary standards: all transactions undertaken must be for the sole interest of Trust beneficiaries and defray reasonable expenses in a prudent manner, and assets are to be diversified in order to minimize the impact of large losses in individual investments.
 - (b) Conserve and enhance the value of Trust assets in real terms through asset appreciation and income generation, while maintaining a moderate investment risk profile.
 - (c) Minimize principal fluctuations over the Time Horizon (as defined below).
 - (d) Achieve a long-term level of return commensurate with contemporary economic conditions and equal to or exceeding the investment objective set forth in this policy under the Performance Expectations section of the Policy.
- (3) **Liquidity.** The Trust's Investment Portfolio in combination with the projected net cash flows will provide sufficient Liquidity to enable the

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Plan to meet all operating requirements which may be reasonably anticipated.

- E. **Investment Guidelines.** Within this section of the Policy, several terms will be used to articulate various investment concepts. The descriptions are meant to be general and may share investments otherwise considered to be in the same asset class. They are:
- (1) **Growth Assets** - a collection of investments and/or asset classes whose primary risk and return characteristics are focused on capital appreciation. Investments within this category can include income and risk mitigating characteristics, so long as the predominant investment risk and return characteristic is capital appreciation. Examples of such investments or asset classes are: domestic and international equities or equity funds, private or leveraged equity, certain real estate investments, and hedge funds focused on equity risk mitigation or equity-like returns.
 - (2) **Income Assets** - a collection of investments and/or asset classes whose primary risk and return characteristics are focused on income generation. Investments within the Income Assets category can include capital appreciation and risk mitigating characteristics, so long as the primary investment risk and return characteristic is income generation. Examples of such investments or asset classes are: fixed income securities, guaranteed investment contracts, certain real estate investments, and hedge funds focused on interest rate risk mitigation or income investment-like returns.
 - (3) **Real Return Assets** - a collection of investments and/or asset classes whose primary risk and return characteristics are focused on real returns after inflation. Investments within this category can include inflation protected securities, commodities, certain real estate investments and hedge funds.
- F. **Time Horizon.** The Trust's investment objectives are based on a market-cycle investment horizon so that interim fluctuations should be viewed with appropriate perspective. HRSD has adopted a long-term investment horizon such that the chances and duration of investment losses are carefully weighed against the long-term potential for appreciation of assets.
- G. **Liquidity and Diversification.** Trust will hold an adequate amount of protected liquidity needs for benefit payments and expenses in cash or cash equivalents, as determined necessary. The liquidity assets will be invested in accordance with statutory requirements applicable to liquid assets, as determined by the Administrator. The remaining assets will be invested in longer-term securities.

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Investments will be diversified with the intent to minimize the risk of long-term investment losses. The total portfolio will be constructed and maintained to provide prudent diversification with regard to the concentration of holdings in individual issues, issuers, countries, governments or industries.

- H. **Asset Allocation.** The Administrator recognizes that asset allocation is one of the most important investment decisions that an investor makes. The Administrator or Investment Advisor, as appropriate, will allocate Trust assets in keeping with the Prudent Person Rule. The Administrator or Investment Advisor has determined that to achieve the greatest likelihood of meeting the applicable investment objectives and achieving the best balance between risk and return for optimal diversification, the Trust should allocate assets into two broad classes called Investment Assets and Liquidity Assets.
- (1) The Investment Assets will be invested in accordance with the targets for each asset class as follows to achieve an average total annual rate of return that is equal to or greater than the Trust's actuarial discount rate as described in the Section titled "Performance Expectations." The Liquidity Assets will be held in cash equivalent investments and used to pay for benefits and expenses of the Trust.
 - (2) The Administrator, Investment Advisor, or Managers will have discretion to temporarily invest a portion of the assets in cash reserves when they deem it appropriate. However, the Investment Advisor and each Manager will be evaluated against their peers on the performance of the total funds under their direct management.

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INVESTMENT ASSETS

<u>Asset Classes</u>	<u>Asset Range</u>	<u>Weightings Target</u>
Growth Assets		
Domestic Equity	19% - 59%	39%
International Equity	1% - 41%	21%
Other	0% - 10%	0%
Income Assets		
Fixed Income	20% - 60%	40%
Other	0% - 10%	0%
Real Return Assets	0% - 20%	0%
Cash Equivalentents	0% - 20%	0%

LIQUIDITY ASSETS

<u>Asset Classes</u>	<u>Asset Range</u>	<u>Weightings Target</u>
Cash Equivalentents	0% - 100%	100%

I. **Rebalancing Philosophy.** The asset allocation range established by this Policy represents a long-term perspective. For that reason, rapid unanticipated market shifts or changes in economic conditions may cause the asset mix to fall outside the Policy range. When these divergences occur, the Administrator or Investment Advisor, as appropriate, will rebalance the asset mix to its appropriate targets and ranges. Rebalancing will typically occur on at least a quarterly basis, unless the divergence is deemed an appropriate tactical strategy by the Administrator or Investment Advisor. Similarly, if the cash requirement to handle liquidity needs falls to a level at which near-term distributions (over the following six months or less) cannot be met and no contributions are anticipated, the Administrator or Investment Advisor will rebalance the fund to its appropriate targets and ranges.

Regarding allocating contributions to the Trust, the Administrator or Investment Advisor will review the Trust allocation and fill the liquidity allocation first and the remaining investment allocations last.

J. **Risk Tolerance.** The Trust will be managed in a style that seeks to minimize principal fluctuations over the established Time Horizon and that is consistent with the Trust's investment objectives.

K. **Performance Expectations.** Over the long-term, a rolling five- year period, the performance objective for Trust assets will be to achieve an average total

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annual rate of return that is equal to or greater than the Trust's current actuarial discount rate. Additionally, it is expected that the annual rate of return on Trust assets will be commensurate with the then prevailing investment environment. Measurement of this return expectation will be judged by reviewing returns in the context of industry standard benchmarks, peer universe comparisons for individual Trust investments and blended benchmark comparisons for the Trust in its entirety. Costs will be reviewed by the Administrator and Investment Advisor to determine that they are minimized to the extent possible and are reasonable when compared to benchmarks.

- L. **Selection of Investment Managers.** The Administrator or Investment Advisor will prudently select appropriate investment managers to manage the assets of the Trust. Managers must meet the following criteria:
- (1) The investment manager must be a bank, insurance company, or investment adviser as defined by the Investment Advisers Act of 1940.
 - (2) With respect to Trust assets invested in a mutual fund, the investment manager must provide historical quarterly performance data for the mutual fund compliant with SEC and FINRA standards.
 - (3) The investment manager must provide historical quarterly performance data compliant with Global Investment Performance Standards, SEC, FINRA or industry recognized standards, as appropriate, calculated on a time-weighted basis, based on a composite of all fully discretionary accounts of similar investment style and reported net of fees.
 - (4) The investment manager must provide detailed information on history of the firm, key personnel, key clients, fee schedule (including most favored nation clauses) and support personnel.
 - (5) The investment manager must clearly articulate the investment strategy that will be followed and document that the strategy has been successfully adhered to over time.
 - (6) The investment professionals making the investment decisions must have a minimum of three years of experience managing similar strategies either at their current or at previous firms.
 - (7) The investment manager for portfolios other than Pooled Vehicles (see the following Guidelines for Portfolio Holdings) must confirm that it has received, understands and will adhere to this policy and any manager specific policies by signing a consent form.

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M. **Guidelines for Portfolio Holdings.** The Administrator will make every effort to prudently select funds that follow the guidelines listed below.

(1) Until the Trust reaches a size for which investment in separate accounts is viable and appropriate, the Trust will invest in pooled vehicles such as commingled and/or mutual funds. Pooled vehicles are regulated by either the Office of the Comptroller of the Currency (OCC) or the SEC and provide the Trust the ability to appropriately diversify its holdings in a cost-effective manner. Inherent within the Pooled Vehicle structure is the limitation on customizing the underlying security selection based on Trust specific economic, social or other screens.

(2) **Direct Investments by Advisor.** Every effort shall be made, to the extent practical, prudent and appropriate, to select investments that have investment objectives and policies that are consistent with this Policy (as outlined in the following sub-sections of the Guidelines for Portfolio Holdings). However, given the nature of the investments, it is recognized that there may be deviations between this Policy and the objectives of these investments.

(3) **Limitations on Investment Manager's Portfolios.**

(a) **Growth Assets.**

Equities. Not more than five percent or weighting in the relevant index (Russell 3000 Index for U.S. issues and MSCI All County World Index (ACWI) ex-U.S. for non-U.S. issues) of the total equity portfolio valued at market may be invested in the common stock of any one corporation. MSCI is a publicly traded company that is an independent provider of research-driven insights and tools for institutional investors. The MSCI ACWI is an index that captures all sources of equity returns in 23 developed and 23 emerging markets. Ownership of the shares of one company will not exceed two percent of those outstanding. Not more than 25 percent of stock valued at market may be held in any one sector, as defined by the Global Industry Classification Standard.

(1) **Domestic Equities.** Other than these constraints, there are no quantitative guidelines suggested as to issues, industry or individual security diversification. However, prudent diversification standards should be developed and maintained by the investment manager(s).

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(2) **International Equities.** The overall non-U.S. equity allocation, if any, should include a diverse global mix that is comprised of the equity of companies from multiple countries, regions and sectors.

(b) **Income Assets.**

Fixed Income. Fixed income securities, other than U.S. Treasury Bonds/Note/Bills or Federal Agency issues, of any one issuer or obligation will not exceed five percent of the total bond portfolio at time of purchase. The five percent limitation does not apply to issues of the U.S. Treasury.

The overall weighted rating of the fixed income assets will be at least "A", based upon the ratings of such assets from a NRSRO.

(c) **Other Assets (Growth and Income Assets).**

Other Assets (Alternatives). Alternatives may consist of non-traditional asset classes such as real estate and commodities, when deemed appropriate. The total allocation to this category may not exceed 10 percent of the overall portfolio.

Real Estate. Consists of publicly traded Real Estate Investment Trust (REIT) securities and/or non-publicly traded private real estate and shall be diversified across a broad array of property types and geographic locations. Investments of this type are designed to provide a stable level of income combined with potential for price appreciation, particularly in periods of unexpected inflation. For private real estate, the illiquid, long-term nature should be considered. For purposes of asset allocation targets and limitations, publicly traded REITs will be categorized as "Other" under the Growth Assets category. Depending on the investment characteristics of a private real estate fund, the fund will be categorized as "Other" under either the Income Assets category, for example, a core real estate fund, or under the Growth Assets category, for example, an opportunistic real estate fund where capital gains are expected to make up a significant portion of the total return.

Portfolio Risk Hedging. Portfolio investments designed to hedge various risks including volatility risk, interest rate risk, etc. are allowed to the extent that the investments are not used for the sole purpose of leveraging Trust assets. One example

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of a hedge vehicle is an Exchange Traded Fund (“ETF”) which takes short positions.

(d) **Real Return Assets.**

Inflation Hedge. Shall consist of pooled vehicles holding among other assets: TIPS, commodities or commodity contracts, index-linked derivative contracts, certain real estate or real property funds and the equity of companies in businesses thought to hedge inflation. Inflation hedge assets will be reported in the Real Return Assets category.

If the credit quality of any one issue should drop below investment grade (as defined by at least two of the following three NRSROs – Fitch, Moody’s and S&P), the investment manager should notify the Administrator and Investment Advisor immediately detailing a plan of action regarding the security.

(e) **Cash Equivalents.** Liquidity and temporary cash equivalent reserves will be invested according to the provisions of Code of Virginia Sections 2.2-4500 through 2.2-4518 applicable to liquid assets.

(f) **Additional Limitations.**

(1) **Prohibited Investments.** Except for purchase within authorized investments, the following investments and transactions are not authorized and will not be purchased:

- Letter stock and other unregistered securities,
- Direct commodities or commodity contracts,
- Short sales,
- Margin transactions,
- Private placements (with the exception of Rule 144A securities),
- Venture capital funds,
- Private equity,
- Hedge funds;
- Cryptocurrencies

Further, derivatives, options or futures for the sole purpose of portfolio leveraging (portfolio leveraging refers specifically to investments which can lead to losses in excess of 100 percent of initial invested capital) are also prohibited. Direct ownership

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of real estate, natural resource properties such as oil, gas or timber and the purchase of collectibles is also prohibited.

(2) **Safekeeping.** All securities will be held by a third-party custodian selected through a public procurement process by the Administrator, pursuant to contract approval, for safekeeping. The custodian will produce statements monthly listing the name and value of all assets held, and the dates and nature of all transactions. Assets of the Trust held as liquidity or investment reserves will, at all times, be invested in interest-bearing accounts. Investments and portfolio securities may not be loaned.

(g) **Control Procedures.**

(1) **Legal Requirements, Controls, and Investment Policy Statement Review.** At all times the Administrator will comply with all State, and federal reporting requirements. The Administrator will establish, maintain and review prudent internal controls for the assets of the Trust, including those used by HRSD staff, and the Trust's Investment Advisor and custodian. The Administrator will provide for annual review of the adequacy and compliance of these control procedures.

(2) The Administrator will review the Financial Policy no less than annually and provide documentation to HRSD when their review is complete. Specifically, the investment component of the Financial Policy will be reviewed when any one of the following occurs:

- Change in investment advisors
- Initial use of investment vehicles other than mutual funds
- Significant change in Trust assets
- Significant change in funded status
- Significant change in market conditions

(3) **Review of Investment Objectives.** The Administrator will review annually the appropriateness of this Policy for achieving the Trust's stated objectives. It is not expected that the Policy will change frequently. In particular, short-term changes in the financial markets

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should not require an adjustment in the investment policy.

- (4) **Review of Investment Performance.** The Administrator, on a quarterly basis, will review the total Trust investment performance, including all fees and costs and provide a report to the Commission. In addition, should investment functions be delegated, the Investment Advisor will be responsible for keeping the Administrator advised of any material change in investment strategy, investment managers, and other pertinent information potentially affecting performance of the Trust.

The Administrator will compare the investment results, including all fees and costs, on a quarterly basis to appropriate benchmarks, as well as to market index returns in both equity and debt markets. Examples of benchmarks and indexes that will be used include the:

- Russell 3000 Index for broad U.S. equity strategies;
- S&P 500 Index for large cap U.S. equities,
- Russell 2000 Index for small cap U.S. equities,
- MSCI ACWI ex-U.S. Index for broad based non-U.S. equity strategies;
- MSCI Europe, Australasia, and Far East (EAFE) Index for developed markets international equities,
- Barclays Capital Aggregate Bond Index for fixed income securities, and
- U.S. 91 Day Treasury Bill for cash equivalents
- Russell 3000 Index will be used to benchmark the U.S. equities portfolio;
- MSCI ACWI ex-U.S. Index will be used to benchmark the non-U.S. equities portfolio;
- Barclays U.S. Aggregate Bond Index will be used to benchmark the fixed income portfolio.

The categories "Other" will be benchmarked against appropriate indices depending on the specific characteristics of the strategies and funds used. The Administrator will also compare investment results with the Virginia Retirement System at the end of each fiscal year.

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- (5) **Voting of Proxies.** The Administrator recognizes that proxies are a significant and valuable tool in corporate governance. The voting rights of individual stocks held in separate accounts or collective, common, or pooled funds will be exercised by the investment managers in accordance with their own proxy voting policies. The voting rights of funds will be exercised by the Investment Advisor.

Investment manager(s) are expected to be aware of corporate provisions that may adversely affect stockholdings, including but not limited to “golden parachutes,” “super majorities,” “poison pills,” “fair price” provisions, staggered boards of directors, and other tactics. Proxies should be vigorously voted with the interest of preserving or enhancing the security’s value.

The investment manager(s) of a commingled trust or mutual fund that holds the assets of the Trust along with assets of other funds with conflicting proxy voting policies must reconcile the conflicting policies to the extent possible, and, if necessary, to the extent legally permissible, vote the proxies to reflect the policies in proportion to each fund’s interest in the pooled fund.

- (6) **Review of Actuarial Data.** The Administrator will review the Trust’s actuarial data at least once every two years or more frequently if deemed necessary, to determine whether any substantive change in the investment policy is appropriate. The Administrator will provide for an actuarial valuation in compliance with GAAP, at least every two years.

4.4 ASSET CAPITALIZATION

4.4.1 Notifications. Accounting must be notified when any Capital Asset is placed in service or is in the process of disposal to ensure accurate asset records are kept.

A. Cost.

- (1) Property, plant and equipment purchased, donated or constructed is recorded at historical cost as of the date acquired.
- (2) Cost includes capitalized interest borrowed to finance the construction of major capital additions.

COMMISSION ADOPTED POLICY
Financial Policy



Adopted: May 26, 2009

Commission Revision:
Effective:

~~November-September 226, 2023~~
~~December-October 1, 2023~~

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- (3) Generally, for projects funded with both debt proceeds and other resources, it is HRSD's policy to use available debt proceeds to pay project expenditures prior to using its own resources.
- (4) Assets costing below the \$520,000 threshold amount are recorded as an expense in HRSD's financial statements.
- (5) Routine repairs and maintenance are expensed as incurred.
- (6) Vehicles, office furniture, equipment, software and intangible assets are reviewed monthly to determine whether the asset meets the capitalization threshold.
- (7) Assets that are constructed over a period of time, such as capital projects, treatment plants, buildings and facilities, and interceptor systems, are reviewed at completion to determine the appropriate capitalization value, which may include interest costs.

B. Useful Life.

- (1) Assets with an economic useful life of less than 60 months are required to be expensed for financial statement purposes, regardless of the acquisition or production cost.
- (2) Major repairs that substantially extend the life of an asset or expand its service capacity may be capitalized. For example, if a roof repair or coating is expected to extend the asset's useful life 20 years or beyond, the cost may be capitalized.
- (2) The service lives for Capital Assets are as follows:

Treatment plants, buildings and facilities	30 years
Interceptor systems	50 years
Office furniture, computer hardware and equipment	5-10 years
Software and intangible assets	5-7 years
Automotive	5 years

COMMISSION ADOPTED POLICY
Financial Policy



Adopted: May 26, 2009

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~~December-October 1, 2023~~

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5.0 RESPONSIBILITY AND AUTHORITY

These financial policies were created after much study and evaluation and were specifically adopted by the Commission. They were developed subject to the requirements of HRSD's Trust Agreements, the VRA Master Financing Agreement, the Enabling Act and the Code of Virginia. Any changes and exceptions to these policies will be made in writing and approved by the Commission.

HRSD's General Manager and Director of Finance are the designated administrators of these policies. The Director of Finance shall have the day-to-day responsibility and authority for implementing the provisions of these policies.

HRSD understands that changes in the capital markets or other unforeseen circumstances may from time to time produce situations that are not covered by the Policy and will require modifications or exceptions to achieve the Policy goals. In these cases, HRSD's management flexibility is appropriate provided specific authorization from the Commission is obtained. This Policy is not a contract or other obligation of HRSD, and no party shall have any right or standing to enforce any provision of this Policy. Failure to comply in any manner with this Policy will not result in any liability on the part of HRSD to any party.

HRSD, together with HRSD's financial advisor and legal counsel, will no less than every two years review the Policy and recommend appropriate changes.

Approved:

Stephen C. Rodriguez
Commission Chair

Date

Attest:

Jennifer L. Cascio
Commission Secretary

Date

AGENDA ITEM 5. – September 26, 2023

Subject: Monthly Billing of Model 3 Billing Partners
Commission Adopted Policy

Recommended Action: Eliminate existing policy.

Brief: On January 26, 2010, HRSD adopted a monthly billing of [Model 3 Billing Partners](#) policy which required those jurisdictions who billed on a monthly cycle to pay HRSD for the incremental cost of producing, mailing and collecting utility bills more frequently than those on a bi-monthly billing cycle.

Direction given to staff was that when more than 50 percent of HRSD's regional customer base was billed monthly, this charge would cease. This occurred on July 1, 2017 when the City of Virginia Beach changed from a bi-monthly to a monthly billing cycle. Since billing for this incremental cost is no longer the practice, staff recommends the elimination of this policy.

AGENDA ITEM 6. – September 26, 2023

Subject: Fiscal Year 2024 Rate Schedule
Amendment

Recommended Action: Approve the amended Rate Schedule.

Briefing: Each year as part of the annual budget process, the Commission adopts a Rate Schedule in effect for the following fiscal year.

This year, with the incorporation of new communities among the Eastern Shore of Virginia into HRSD's service area, staff has determined that the Rate Schedule needs to be amended for unique billing challenges.

On the Eastern Shore there are several customers who will be connected to the HRSD system that are not connected to a public water system nor have an effluent meter. Generally, HRSD service bills are based on water consumption from a publicly or privately owned water meter.

The changes to the Rate Schedule provide that unmetered residential accounts in the Small Communities will be charged the flat rate of \$2.21 per day. All other unmetered accounts, including, government, professional, and multifamily customers without a utility-owned meter will be billed the flat rate based on an Equivalent Residential Unit (ERU) as determined by HRSD.

ERUs are a way to standardize and quantify the sanitary sewer flow from different types of properties or land uses based on their potential contribution to the wastewater system and are used to ensure fair and equitable billing for sewer services. HRSD has used an ERU billing methodology for many years, but the language in the current Rate Schedule specifically addresses ERU billing for Matthews County only.

Staff also recommends amending the Rate Schedule to incorporate changes currently being made by the James City Service Authority (JCSA). JCSA has elected to no longer utilize HRSD's billing system (currently a Model 3 customer) and implement their own system. As part of their implementation, JCSA is eliminating their deduction meter program. Changes to the Rate Schedule are necessary to reflect this change.

HRSD's Enabling Act requires that, *"Before any revision of the present schedule of rates, fees and charges shall become effective the Commission shall publish a copy thereof for four consecutive weeks in a newspaper of general circulation within the District."* As such, if the Commission approves the amendments, staff will advertise the amended Rate Schedule as required to become effective November 1, 2023.

A proposed amended [Rate Schedule](#) is attached.

HRSD Rate Schedule
Fiscal Year-2024
(July 1, 2023 – June 30, 2024)
Amended September 26, 2023 and effective November 1, 2023

1. WASTEWATER TREATMENT RATES (All customers except those in the Small Communities)

Accounts are billed either according to a water meter reading or, in the absence of a water meter, at a flat rate per day. A minimum rate of \$0.30 per day applies to all metered accounts.

Customers without a utility-owned water meter (typically well water customers) shall be billed according to their own water meter, which must be installed and maintained in accordance with the requirements of this Rate Schedule (except Flat Rate accounts).

- a. **Consumption-Based Accounts** **\$7.60 per 100 cubic feet**
 These are accounts with water meters (wastewater charges are generally based on water meter readings) **of water or a minimum of \$0.30 per day (whichever is greater)**

- b. **Flat Rate Accounts (typically limited to Single Family Residential with 1-inch meters and smaller)** **\$2.00 per day**
 These are primary residence accounts without water meters or that use a significant amount of water not discharged to the sanitary sewer (irrigation, swimming pools, etc.)

2. ~~WASTEWATER TREATMENT AND COLLECTION~~ RATES – Small Communities

Small Communities include King William, Middlesex, Urbanna, Surry, West Point and the communities of Virginia's Eastern Shore.

<u>Community</u>	<u>Total Wastewater <i>Treatment and Collection</i> Rate per 1,000 gallons</u>	<u>Flat Rate per day</u>
Eastern Shore Small Communities (except King William)	\$16.08	\$2.21
King William	16.31	2.24
<u>Community</u>	<u>Wastewater Treatment Rate per 1,000 gallons</u>	<u>Flat Rate per day</u>
<i>Small Communities</i>	<i>\$10.16</i>	<i>\$2.001.40</i>

A minimum rate of \$0.30 per day applies to all metered accounts. ~~Customers without a meter must pay the flat rate.~~

~~For metered locations in Small Communities not listed above, which are provided both wastewater treatment and collection services, the Total Wastewater Rate per 1,000 gallons shall be \$16.08, with a minimum bill of \$0.30 per day. Unmetered customers must pay a Flat Rate of \$2.21 per day.~~

Unmetered Accounts

Single Family Residential ~~C~~customers without a utility-owned water meter (typically well water customers) shall be billed ~~according to their own water meter, which must be installed and~~

~~maintained in accordance with the requirements of this Rate Schedule, or, in the absence of a water meter, at a Flat Rate of \$2.21 per day. per 30-day period (typically limited to Single Family Residential).~~

All other customers, including commercial, government, professional, and multifamily customers without a utility-owned meter (typically well water customers) shall be billed a flat rate based on an ~~the~~ Equivalent Residential Unit (ERU) basis ~~water Usage (ERU) of 133.33 gallons per day per ERU.~~ A schedule of fractions or multiples of the ERU is determined by HRSD based on the facility category. This schedule may be subject to verification or revision.

Cost per ERU per day

~~Collection and Treatment and Collections~~ \$2.21
 Treatment only \$2.00

<u>Community</u>	<u>Unit Cost per 1,000 gallons</u>	<u>ERU Usage Rate (133.33 gallons per day)</u>
Mathews	\$16.08	\$2.21

The amount billed to Mathews residential customers is a flat rate based on an Equivalent Residential water Usage (ERU) of 12,000 gallons per quarter. All others, including commercial, government and professional customers, are billed based on a schedule of fractions or multiples of the ERU as appropriate for each customer category. This schedule may be subject to verification or revision.

All other rates and fees in this Rate Schedule apply to Small Communities accounts when applicable.

3. WASTEWATER TREATMENT AND COLLECTION RATES – Lawnes Point

For metered locations in the Lawnes Point subdivision of Isle of Wight County, accounts are billed the Sewer Rate published by Isle of Wight Public Utilities in addition to the Wastewater Treatment Rate listed in the aforementioned section 1.

All other rates and fees in this Rate Schedule apply to accounts in the Lawnes Point subdivision in Isle of Wight County when applicable.

4. TOWN WHOLESALE TREATMENT RATE

The Town Wholesale Treatment Rate is the rate paid by an incorporated town per specified unit of measure to recover the costs of conveyance and treatment of Domestic Quality Wastewater when the town does not use all HRSD facilities or need all of the services provided to a typical customer. This rate is only applicable to incorporated towns with a population less than 2,000.

Consumption per 1,000 gallons \$3.55

5. DELINQUENCY AND RESTORATION SERVICE FEE

Each customer shall be billed a service fee of \$15.00 when HRSD provides warning of impending disconnection or disconnects such customer’s meter because of non-payment of wastewater treatment or other delinquent charges or fees.

When any such services relating to the customer’s meter are performed by the water supplier on behalf of HRSD, a fee to defray the charge imposed by the water supplier will be applied.

6. METER REMOVAL FEE

When water service has been disconnected for non-payment and it becomes necessary to remove the meter, a fee to defray the charge imposed by the water supplier will be applied.

7. DAMAGED LOCK FEE

When it becomes necessary to lock a meter, and the customer damages the lock or removes the lock in an attempt to resume water service, the customer will be billed a fee of \$100.00. HRSD will arrange for removal of the meter.

8. DAMAGED METER/ANTENNA FEE

When it becomes necessary to replace a meter and/or antenna that the customer damaged, the customer will be billed a fee of \$250.00 plus the cost of the meter and/or antenna.

9. INACCESSIBLE METER FEE

When it becomes necessary to access a meter and the customer deliberately blocks access to the meter, the customer will be billed a fee of \$50.00.

10. SERVICE RESTORATION FEE

Customers who have made a sufficient payment following disconnection of water service and request to have service restored outside of standard restoration hours will be billed a fee of \$100.00.

11. RETURNED PAYMENT FEE

A fee of \$25.00 will be billed each time a financial institution returns a customer's payment. This fee will be refunded upon receipt of satisfactory evidence the payment was returned solely due to the financial institution's error.

12. ADVANCE SERVICE FEE

In cases of repeated delinquency, the customer will be required to pay an advance service fee. The amount will be based on the customer's previous 12-month billing history. Advance service fees will be refunded or automatically applied upon final billing. A customer whose account has not been delinquent for two years may apply in writing for a refund of an advance service fee.

13. ACCOUNT DOCUMENTATION FEE

A fee of \$10.00 per account per 12-month period will be charged each time customer requests account documentation.

14. LATE PAYMENT CHARGE

All bills are due and payable when presented. When full payment is not posted to an account by the due date, a late payment charge of 1.5% of the past due amount will be assessed per month.

15. ACCESS CARD REPLACEMENT FEE

When it becomes necessary to replace an electronic access card for automated entry into a HRSD treatment plant or plants, the customer will be required to pay a fee of \$25.00 per card.

16. METER READING FEE

In the event HRSD must directly obtain a meter reading due to customer's failure to submit required meter readings, the customer will be required to pay a fee of \$75.00.

17. DEDUCTION METER FEE

A fee of \$2.00 will be assessed per deduction meter per month.

18. PAYMENT PLAN

A courtesy payment plan may be available for customers temporarily having difficulty managing their bill. Customers approved for a payment plan must maintain eligibility requirements which include maintaining a current account and making timely scheduled payments without a history of late or returned payments.

19. SERVICES RECEIVED WITHOUT BILLING

Wastewater treatment charges may be assessed for services received but not billed (for any reason) for a period of up to three prior years. The rate in effect in the year wastewater treatment services were provided will be applied. If necessary, at HRSD's sole discretion, payment plans may be established for payment of delayed billing or unbilled previous service.

20. HIGH STRENGTH OR UNUSUAL WASTE

a. Surcharges

<u>Type</u>	<u>In Excess of</u>	<u>Per mg/L per 100 CF</u>	<u>Per 100 pounds</u>
Biochemical Oxygen Demand (BOD)	297 mg/L*	\$0.000185	\$ 2.96
Total Suspended Solids (TSS)	282 mg/L*	0.000612	9.80
Total Phosphorus (TP)	7 mg/L*	0.009258	148.30
Total Kjeldahl Nitrogen (TKN)	57 mg/L*	0.002784	44.59

* Domestic Quality Wastewater

Unusual wastes not covered by this Rate Schedule will be considered separately and may be assigned a special rate.

b. Characterization

To determine the applicability of the surcharge, HRSD will assign an average concentration based on results obtained from similar businesses or may make an initial wastewater monitoring survey of the discharge. Based on business classification averages or survey results, HRSD will institute the surcharge. In cases of unusual wastes not covered by existing surcharge rates, HRSD may allow the customer to provide such tests and equipment needed to provide adequate basis for the surcharge. When wastewater discharge is subject to surcharge, the surcharge may be based on the normal characteristics of that waste. These will be determined from wastewater surveys of discharges from similar operations, wastewater surveys from the individual source, or from industrial, chemical, engineering or other appropriate reference.

c. Pretreatment

Wastewater discharge limitations may be imposed by HRSD to protect transmission and treatment structures or processes and to ensure compliance with federal and state effluent limitation guidelines. Pretreatment before discharge or elimination of the discharge may be required to meet the above guidelines, and/or all health standards as required by the Safe Drinking Water Act. It also may be necessary to remove any type of waste or alter any manner of discharge determined by HRSD to be detrimental to either transmission and treatment structures or processes.

d. Damage to Facilities

In the event either transmission or treatment structures or processes are damaged, or the flow through said structures or processes is hampered by a customer's wastewater discharge, HRSD may make or require to be made, at the customer's expense, such repairs as are necessary to restore transmission or treatment structures or processes to normal system operation.

21. NUTRIENT CREDITS

<u>Type</u>	<u>Asset Charge</u> (\$/pound/year)	<u>Operational Charge</u> (\$/pound)
Total Suspended Solids	\$ 8.39	\$ 0.1274
Total Phosphorus (TP)	58.55	1.0226
Total Nitrogen (TN)	13.49	0.2897

Nutrient Credit Rates are established to recover the marginal operational cost to treat pollutants and the capacity of assets consumed to treat the pollutants. HRSD, as provided in its Nutrient Credit Management Policy, may elect to sell these credits if it doesn't jeopardize compliance with its ~~wasteload~~ *waste load* allocation.

Generally, the Operational Charge is paid in advance every five years based on the then current rate. The charge will be reassessed every five years based on the rate in effect at the time of reassessment. On a case-by-case basis, intervals other than five years may be considered to support alignment with the credit recipient's permit cycle or needs.

Credits required to meet Virginia Pollutant Discharge Elimination System (VPDES) allocations must be paid annually.

22. HAULED WASTEWATER (INDIRECT DISCHARGE WASTE)

<u>Type</u>	<u>Per Gallon</u>
Fats, Oils, and Grease (FOG)	\$0.3517
Other Approved Hauled Wastes	\$0.1812

23. FLAT RATE ACCOUNTS

Single family residential customers using a significant amount of water not discharged into the sanitary sewer system (typically irrigation systems or swimming pools) can establish a flat rate account with HRSD. The General Manager or Director of Finance may approve a flat rate account for water meters greater than 1-inch if the requester provides sufficient evidence there is a significant portion of water not discharged into the sanitary sewer system relative to average residential water consumption. Alternatively, these customers may have a separate water service

installed by their local water provider solely for the uses that do not discharge to the sanitary sewer. This separate service will not be billed wastewater treatment charges by HRSD. Other local water charges may apply. Customers should check with their local water provider for details.

24. CUSTOMER-OWNED METERS

a. Service Meters

- i. Meters must be purchased, permanently installed and maintained at the customer's expense.
- ii. The customer is required to provide HRSD a meter reading by the 10th day of each month. Charges will be based on this Rate Schedule. If a meter reading is not received by the 10th day of the month, HRSD will bill estimated wastewater treatment charges (and applicable surcharges) based upon consumption determined by HRSD. If the customer fails to provide a meter reading for a third consecutive month, HRSD will read the meter and calculate wastewater treatment charges (and applicable surcharges) based on consumption since the last actual meter reading, less consumption on the estimated billings. A meter reading fee will be assessed.
- iii. All meters installed are subject to periodic inspection and reading by HRSD personnel to ensure the accuracy of billings. Meters may be required, at the customer's expense, to be certified as accurate to manufacturer's specifications. A copy of the certification, if required, must be provided to HRSD. Meters installed after July 1, 1992, must be installed in such a manner as to provide one person access as defined in HRSD's Confined Space Entry Program.
- iv. Defective meters must be repaired or replaced at the customer's expense. Billing in the interim will be based on an estimate by HRSD. If necessary, an adjustment will be made based on six months of metered consumption using repaired or replaced meters.

b. Deduction Meters (sub-meters)

Existing commercial, industrial, multi-family residential ~~, and customers served by James City Service Authority (JCSA) (as well as other customers~~ with their own deduction meter installed and registered with HRSD prior to July 1, 2009) can meter their own water use not discharged to the sanitary sewer system. That meter information must be reported to HRSD for a reduction of billed consumption (wastewater treatment charges only). Failure to submit at least one deduction meter reading in a 12-month period will result in permanent termination of deduction meter credits for any single family residential account. ~~, with the exception of accounts served by JCSA.~~ Customer-owned deduction meters shall be installed, maintained, read and reported to HRSD as follows:

- i. To receive a reduction in wastewater treatment charges, the customer must provide the deduction meter reading to HRSD each billing period. Customers should submit their readings to HRSD five to seven days prior to their scheduled meter-read date to ensure the maximum deduction. The meter-read date can be found on the customer's bill and generally falls on or about the same day of the month for each billing cycle. Deduction meter readings submitted after the stated meter-read date will not be reflected for that billing cycle. If multiple deduction meter readings are submitted within the same bill period, the latest read will be used to calculate the credit.
- ii. After receiving the deduction meter reading HRSD will make the appropriate reduction in billed consumption, which will be reflected on the next bill. **Billed wastewater treatment charges will not be reduced below the minimum charges per this Rate Schedule.**

- iii. All installed meters are subject to HRSD's inspection and verification of submitted readings. HRSD may require meters be calibrated and their accuracy certified at the customer's expense. A copy of any required certification must be provided to HRSD. Meters installed after July 1, 1992, must be installed in a manner that provides one person access as defined in HRSD's Confined Space Entry Program.
- iv. Defective meters must be repaired or replaced at the customer's expense. Otherwise, no deduction will be allowed.
- v. Installation of a meter must have complied with the local water jurisdiction's cross-connection control program (backflow prevention).
- vi. ~~Customers served by JCSA shall report all deduction meter readings directly to JCSA in accordance with applicable local policies and procedures. JCSA-approved reductions in metered consumption will be applied to HRSD charges accordingly.~~

c. Non-Residential Account – Special Meter

For special situations, HRSD may require the installation of submeters and/or effluent meters if this is the most practical means of determining the Wastewater Treatment Charge. Installation and charges will be based on the requirements of this Rate Schedule.

25. WASTEWATER FACILITY CHARGE

Wastewater facility charges cover the cost of treatment and conveyance capacity consumed by new connections, new development, or redevelopment resulting in increased wastewater volume or higher strength waste. Facility charges are applied to any sewer or sewer system discharging into HRSD facilities and any increase to existing service. For development occurring at a property previously connected to an existing sanitary sewer tap, the applicable facility charge will be waived for equivalent flow capacity. If a property previously served by a septic tank is connected to the sewer system, the applicable facility charge may be waived for equivalent flow capacity.

- a. Volume-Based Facility Charges: These charges apply to all connections and are due and payable prior to the issuance of a building permit/sewer permit by the local jurisdiction. The facility charge shall also be due and payable prior to the renewal and/or reissuance of a building permit except in cases where the applicable facility charge was paid when the building permit was originally issued.

<u>Water Meter Size</u>	<u>Facility Charge</u>
5/8-Inch	\$ 2,420
3/4-Inch	4,210
1-Inch	7,410
1 ½-Inch	18,395
2-Inch	35,825
3-Inch	91,665
4-Inch	178,485
6-Inch	456,620
8-Inch	889,185
10-Inch	1,491,070
12-Inch	2,274,730
14-Inch	3,251,050
16-Inch	4,429,645

b. Special Exceptions

Where an expansion of existing facilities is planned, a facility charge will be paid for the difference in meter size.

In the case of a property use change (redevelopment), where the number and/or size of meters change, the facility charge will be computed on the basis of the difference between the facility charge (at present rates) for the existing facility and the facility charge for the new facilities. In the case of redevelopment where neither the number nor size of meters change, there will be no facility charge required. No refund will be made for decreases in capacity.

Where service by a single master meter is changed to multiple individual meters, no facility charge will be required if aggregate usage remains unchanged.

When oversized water meters are used for fire service, to decrease pressure loss, to provide residential sprinkler systems or other unusual situations, the facility charge will be based on the meter normally sized for the service involved without these special considerations. The sizing required for service will be based on American Water Works Association (AWWA) flow requirements, certified by a Registered Professional Engineer or Architect and approved by HRSD.

When a significant quantity of metered water is not returned to the sewer, the facility charge will be based on one of the following:

- i. The size of the meter supplying water returned to the sewer.
- ii. The size of the meter supplying water minus the size of the customer-owned deduction meter, rounded up to the next available meter size. Deduction meter will be calculated in accordance with AWWA M22 Standards.
- iii. The appropriate water meter size (as determined by HRSD) if effluent metering is the only alternative.

If the usage pattern changes from that originally intended and more flow enters the sewer system, the facility charge will be increased accordingly.

When a water meter is not installed and the customer is connected to the sewer system, HRSD will use an ERU calculation to determine the comparable water meter size.

c. Refunds

Because of HRSD's certification and allocation of flow policies, payment of a facility charge will not assure connection to the system at the same cost after one year from date of issuance. The holder of a HRSD facility charge receipt, upon written request, will be eligible for refund when:

- i. Prior to construction, a change is made in the property which would result in a reduced facility charge.
- ii. Building permits are denied or canceled.
- iii. Construction has not or will not begin within one year from date of issuance.
- iv. Collection was made in error.

No refunds will be issued if HRSD has added treatment or conveyance capacity to the Regional Sanitary Sewer System as a result of the proposed construction prior to the request for a refund.

d. Unusual Situations

For unusual connections or where otherwise indicated, HRSD may make or require to be made, at the customer's expense, such investigations as will provide adequate basis for determination of the facility charge.

AGENDA ITEM 7. – September 26, 2023

Subject: Capacity Assurance and Connection Policy
Service Area Expansion Policy
Commission Adopted Policies Update

Recommended Action: Approve revised policies.

Brief: HRSD manages conveyance and treatment capacity for wastewater flows within the HRSD Service Area. For HRSD and Localities to plan for the infrastructure needed to accommodate future wastewater flows within the HRSD territory, HRSD must track the flow associated with new connections and coordinate with Localities when they desire to expand the HRSD Service Area. The [Capacity Assurance and Connection Policy](#) and the [Service Area Expansion Policy](#) originally adopted by the Commission in September of 2019, establish procedures and provide guidance to ensure needed information is submitted by Localities and developers and to facilitate the planning of needed conveyance and treatment infrastructure.

Key points of the policies include:

Capacity Assurance Policy

- clarifies when new flows to the regional interceptor system can be approved
- clarifies acceptable locations and methods for connecting to the Regional Interceptor System

Service Area Expansion Policy

- clarifies the process for localities to expand the HRSD service area within their boundaries; (Localities control development)
- clarifies how infrastructure will be extended and capacity will be increased

Key changes to the policies include:

[Capacity Assurance Policy - revisions](#)

- add Towns and Counties of the Eastern Shore to the definition of “small communities”
- add Transmission Force Main definition and connection restrictions

[Service Area Expansion Policy - revisions](#)

- Treat Small Communities and Metro the same
- Remove distance requirements from “requests” section (2-miles from HRSD infrastructure was formerly used to estimate HRSD service area extents with the Metro area)
- Clarify Locality and HRSD roles
- Clarify process for infrastructure to be extended and capacity increased

The revised policies are provided for Commission review and comment and will be presented for Commission action at the October meeting.

Staff will provide a briefing during the meeting.

1.0 Purpose and Need

The Capacity Assurance and Connection Policy supports the sizing and planning of the regional interceptor system and establishes the process for connecting to the regional interceptor system.

2.0 Definitions

Collection System. A network of pipes, manholes, and pumping stations to convey sewage from individual properties to the regional interceptor system. ~~Sewer service laterals on private property are not included.~~ *Private sewer service laterals, private cleanouts, and private pump stations on private property are not included.*

Flow Acceptance. The process for reviewing and approving proposed connections, or modifications to existing connections, to the sanitary sewer system.

HRSD Service Area. The area of sewer service ~~established that is defined~~ through coordination with the ~~L~~localities that *are part of the HRSD Territory* serves. *This represents the area for which HRSD agrees to provide capacity.* The existing Service Area boundaries can be found on the HRSD website.

HRSD Territory. *The territory of the Localities identified in the Enabling Act. This does not define the service area.*

~~All territory lying within the boundaries of the counties and cities included in the District, including all territory lying within the boundaries of any town in a county unless otherwise specified.~~

Metro Area. Area encompassing the following localities: Cities of Virginia Beach, Norfolk, Chesapeake, Suffolk, Portsmouth, Hampton, Newport News, *Poquoson*, and Williamsburg; the Counties of Isle of Wight, Gloucester, *York*, and James City; and the Town of Smithfield.

Locality/Localities. Cities, Counties, and Towns *making up the HRSD Territory* ~~within the HRSD Service Area.~~

Regional Interceptor System. A network of gravity and/or force main pipes, *pump stations, and pressure reducing stations* owned and operated by HRSD which *intercept and* convey sanitary sewer flow received from locality, or HRSD

pump stations *or a private collection system* to the ~~Regional HRSD~~ treatment ~~system~~*works*.

Regional Treatment ~~Works~~ System. Wastewater treatment facilities, with physical, chemical, and biological processes to treat sewage and discharge treated water, which are owned and operated by HRSD.

Sanitary Sewer System. The collection system, the regional interceptor system and the associated treatment ~~works~~*system*. ~~Private S~~ewer service laterals, *private cleanouts, and private pump stations* on private property are not included.

Small Communities. Localities including but not limited to the Counties of *Accomack, Mathews, Middlesex, Northampton, King and Queen*, King William, ~~and King and Queen, Middlesex, Surry, and Mathews~~; the *participating* Towns located within these Counties; and the Lawnes Point development.

Terminal Pump Station. Any pump station that connects to; (1) the regional interceptor system or; (2) to a collection system force main that ties into the regional interceptor system.

Transmission Force Main. *A type of force main that has limited planned connection points and is typically operated under higher pressures than interceptor force mains.*

3.0 **Guiding Principles**

HRSD is responsible for ensuring there is adequate capacity in the ~~regional~~ ~~Regional~~ ~~interceptor~~ ~~Interceptor~~ ~~system~~ and ~~treatment~~ ~~Regional Treatment~~ ~~works~~ ~~Systems~~ to support current and future development activity within the HRSD Service Area. HRSD is also responsible for protecting infrastructure and treatment processes from non-domestic wastewaters.

Local governments are responsible for defining sewer ~~collection~~-service areas within their communities and for constructing collection systems to convey sanitary waste from individual properties to the HRSD regional interceptor system. Direct and effective communication and collaboration with the localities regarding development planning, land use, population estimates and other factors that have the potential to impact the regional wastewater infrastructure is required for HRSD to plan the regional interceptor and treatment systems.

In order to ensure adequate capacity, HRSD tracks new connections to the sanitary sewer system via the Flow Acceptance process. The tracking of connections enables HRSD to anticipate and plan for future capacity upgrades.

HRSD force mains are typically sized to accommodate a minimum velocity of 2 feet per second for an average peak hour dry weather flow and to accommodate a maximum peak hour velocity of 8 feet per second.

4.0 Procedures

4.1 Capacity Review

New sanitary sewer service requests shall be submitted through HRSD's *Development Services*. ~~Development Services Review Process~~. A Flow Acceptance Letter and HRSD plan approval are required for:

- A. Projects, regardless of *proposed flow* size, that include a direct connection to the ~~HRSD-regional~~ interceptor system via an existing valve, a new tap, new sewer service line, or ~~through a~~ gravity manhole.
- B. Projects that include a direct connection to a locality force main that is connected to an HRSD interceptor.
- C. Projects requiring regulatory approval (as defined in Commonwealth of Virginia Sewage Collection and Treatment Regulations).
- D. Connections within the Small Communities service areas, regardless of size and without exception, including single family residential homes.

HRSD capacity will be determined by average and peak hour flows as calculated in accordance with the HRSD's Regional Sewage Flow Projection Data *Policy table or best engineering practices*.

Projects requiring HRSD ~~facility~~ *Sanitary Sewer System* expansion will be *denied conditionally accepted* until HRSD ~~facility~~ *Sanitary Sewer System* expansion is completed. ~~Facility~~ *Any* expansion requires a minimum of two-year notice prior to the projected need for service; ~~expansion~~: *could take several years to coordinate, plan, permit, design, and construct*.

4.2 Connections to the Regional Interceptor System

All proposed ~~Requests for~~ connections to the HRSD *Regional Interceptor* ~~S~~system shall be made with adequate detail for HRSD evaluation and approval. At a minimum, requests must include a ~~signed~~ *request form signed by an*

authorized locality representative, ~~Flow Acceptance Certificate Request Form from the locality~~, *site* plans and detailed drawings, ~~completed~~ the Industrial Waste Permit ~~Application~~ (if applicable) and other information in accordance with HRSD's current procedures.

Connections ~~to the HRSD interceptor/collection system~~ must be inspected and approved by HRSD prior to being placed in service.

4.2.1 Terminal Pump Station Connections

Any new pump station connecting to the HRSD interceptor system must be sized to accommodate both the dry weather and peak flow as defined in the HRSD's Regional Sewage Flow Projection Data ~~Policy table~~ *or best engineering practices*. Pump station upgrades or replacements shall use ~~the~~ existing flows and system hydrology for sizing.

HRSD shall provide the associated pressure range for all direct connections to the interceptor force main system per the Hydraulic Grade Line (HGL) – System Operating Pressure Policy.

Connections shall typically only be approved at existing branch locations that were planned for and provided during construction of the interceptor line. New taps shall only be considered when existing conditions make it impractical to use an existing tap.

The Locality shall own an isolation valve immediately upstream of the dedicated HRSD valve at all ~~force main pressure pipe~~ connections.

4.2.2 Connections to HRSD Gravity Line

Gravity line connections shall only be permitted at existing ~~manholes. -for non-Small Communities projects.~~ Connections by constructing new manholes on the gravity line at locations other than existing manholes will be considered *on a case-by-case basis* upon review of the submitted plans. At no time shall connections to existing pump station wet wells be permitted.

4.2.3 Individual Connections to HRSD Force Main

New connections to an HRSD force main for service to a single residential unit or a single commercial parcel will typically not be permitted. ~~However, in the Small Communities service area, single connections may be allowed per the HRSD Sanitary Sewer Guidelines. Requests for connections shall be submitted to~~



~~HRSD for evaluation in consultation with the Locality. Individual? Connections to an HRSD transmission force main will not be permitted.~~

4.3 *Connections to HRSD Transmission Force Main* ~~Connections to HRSD Transmission Force Main~~

New connections to an HRSD transmission force main will be limited to planned connection locations and flowrates. ~~New connections to an HRSD transmission force main will be limited to _____ planned connection locations.~~

4.4 *Connections to the Locality System*

In the Metro Area, a flow acceptance *certificate* request *form signed* by an *authorized* ~~the~~ Locality *representative* is not required when the project's *proposed* average daily flow (ADF) is less than 40,000 gallons per day *and*, it is a gravity connection to an existing Locality sanitary sewer collection system, and ~~it~~ is domestic wastewater. *-HRSD will issue a flow acceptance certificate upon completion of its project review.*

4.5 *Service Area Expansion*

Localities *interested in* expanding sewer service areas beyond the existing HRSD Service Area shall submit a Service Area Expansion Request per the HRSD Service Area Expansion Policy.

COMMISSION ADOPTED POLICY
Capacity Assurance and Connection



Adopted: September 30, 2019

Revised: *September 26, 2023*

Page 6 of 6

5.0 Responsibility and Authority

The Planning and Analysis Division of the Engineering Department shall review and approve all connection requests. -Approval will not be unreasonably withheld. -Appeal of denied connection requests shall be through the General Manager with final decision authority at the Commission.

The Planning and Analysis Division of the Engineering Department shall be responsible to enforce, *review and recommend updates to* this Policy. ~~as necessary~~

~~This policy supersedes any previous policy or portion of policy related to transfer of facilities.~~

Approved:

~~Frederick N. Elofson, CPA~~ *Stephen C. Rodriguez*
Commission Chair

Date

Attest:

Jennifer L. Cascio
Commission Secretary

Date

1.0 Purpose and Need

This policy establishes the procedures and guidelines for submitting, reviewing, and approving Service Area Expansion Requests. These requests help HRSD in planning for and managing wastewater capacity within the HRSD Service Area. Localities make these requests to facilitate development or provide sewer service to previously unserved areas.

2.0 Definitions

Capacity Deficiency. *The exceedance of rated capacity of infrastructure within the HRSD system.*

Comprehensive Plan. A long-range land use plan that provides the Locality's recommended guidelines for the overall development of the territory, as mandated by the Code of Virginia section 15.2-2223.

Flow Acceptance. The process for reviewing and approving proposed connections, or modifications to existing connections, to the sanitary sewer system.

HRSD Service Area. The area of sewer service established through coordination with the Localities that are part of the HRSD Territory. This represents the area for which HRSD agrees to provide capacity.

HRSD System. Encompasses the Regional Interceptor System, Transmission Force Mains, and Regional Treatment Works.

HRSD Territory. The territory of the Localities identified in the Enabling Act. This does not define the service area.

Locality/Localities. Cities, Counties, and Towns making up the HRSD Territory.

Metro Area. Area encompassing the following Localities: Cities of Virginia Beach, Norfolk, Chesapeake, Suffolk, Portsmouth, Hampton, Newport News, Poquoson, and Williamsburg; the Counties of Isle of Wight, Gloucester, York, and James City, and the Town of Smithfield.

Private Sewer System. Any sanitary sewer facility that is operated and maintained by a private owner within private property or private easements.

Public Collection System. Any facility that conveys sanitary sewage and is owned and operated by either a Locality or HRSD and located within a public right-of-way or public utility easement.

Regional Interceptor System. A network of gravity and force main pipes, pump stations, and pressure reducing stations owned and operated by HRSD. This system conveys sanitary sewage received from either a Public Sewer System or a Private Collection System to the Regional Treatment Works.

Regional Treatment System. Wastewater treatment facilities, with physical, chemical, and biological processes to treat sewage and discharge treated water, which are owned and operated by HRSD.

Service Area Expansion Request. A request made by the Locality for HRSD to expand the HRSD Service Area.

Small Communities. Localities including but not limited to the Counties of King William, King and Queen, Mathews, Middlesex, Surry, Accomack, and Northampton; the participating Towns located within these Counties; and Lawnes Point.

Terminal Pump Station. Any pump station that connects to; (1) the Regional Interceptor System or; (2) to a collection system force main that ties into the Regional Interceptor System.

Transmission Force Main. A type of force main that has limited planned connection points and is typically operated under higher pressures than interceptor force mains.

3.0 Guiding Principles

Localities are responsible for developing and maintaining their respective sanitary sewer master plan or similar plan which defines their sewer service areas in alignment with their Comprehensive Plan.

HRSD collaborates with the Localities to ensure the HRSD System has sufficient capacity to meet the Localities' future growth and economic development goals. HRSD is committed to building regional wastewater infrastructure at the appropriate time, in a manner that integrates with the Localities' planning and land use zoning while balancing social, environmental, and economic issues.

Service area expansion requests must be submitted well in advance of needed capacity; upgrades to the existing HRSD System could take several years to coordinate, plan, permit, design, and construct.

Localities are responsible for connecting to the HRSD System. Funding for existing HRSD System upgrades will be shared by HRSD and the Locality.

4.0 Procedures

4.1 Locality

4.1.1 Obligations

- A. Identify the need of service area expansion prior to when actual development will occur to allow HRSD to adequately evaluate and identify existing system capacity deficiencies.
- B. Connection to the public water supply will be provided to the proposed service area expansion.
- C. Locality will be responsible for the cost of all sewer infrastructure required to connect to the HRSD System.

4.1.2 Coordination:

- A. The proposed service area expansion should be contiguous to the existing HRSD service area or adjacent to an HRSD transmission force main planned point of connection. The Locality shall coordinate with HRSD to plan and agree upon, but not limited to, the following:
 - i. A point of entry of new flows to the existing HRSD System.
 - ii. A corridor and alignment of the proposed sewer facility.
 - iv. Ownership of assets between the Locality and HRSD in compliance with the HRSD Facility Transfer Policy.
 - v. The exclusion of gap areas for requests not contiguous to the existing HRSD service area or not adjacent to a planned connection point with a transmission force main. Exclusion areas shall be clearly identified.

4.1.3 Request:

To request an expansion of the HRSD Service Area, Localities shall submit an HRSD Service Area Expansion Request to HRSD for review and approval. All requests must be accompanied by proper documentation and planning efforts to include the following:

- A. Service Area Expansion Request executed and signed by the Locality's authorized representative.
- B. A copy of resolution or other statement of support by the Locality's governing body.
- C. A map with the proposed service area boundary. The map shall identify infrastructure required to convey the flow from the new service area to the agreed upon point of entry into the HRSD System
- D. Sanitary sewer flow projections for the proposed service area expansion based on HRSD's Regional Sewage Flow Projection Data Policy or based on best engineering practices at the time of the Service Area Expansion Request.
- E. Verification that the flow projections are consistent with the proposed land use zoning densities included in the Locality's most current Comprehensive Plan.

4.2 HRSD

Upon receiving a Service Area Expansion Request, HRSD will:

- A. Evaluate Locality's Service Area Expansion request for completeness.
- B. Evaluate the HRSD System's ability to receive flow and identify any capacity deficiencies the system may have.
 - i. If there are no capacity deficiencies identified, HRSD will recommend Commission approval and notify Locality of Commission decision soon thereafter. The HRSD Service Area map will be updated accordingly.
 - ii. If there are capacity deficiencies identified, HRSD will:

COMMISSION ADOPTED POLICY
Service Area Expansion Policy



Adopted: September 30, 2019	Revised: September 26, 2023	Page 5 of 5
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- a. Provide the Locality a written response documenting its findings.
- b. Develop CIP project(s) to address identified deficiencies.
- c. Develop CIP schedule.
- d. Develop a cost participation agreement with Locality.
- e. Execute CIP project(s).
- f. Notify Locality in advance of CIP project(s) substantial completion date(s) that the proposed service area expansion request can be resubmitted.
- g. Review the resubmitted service area expansion request adhering to this Policy herein.

5.0 Responsibility and Authority

The Planning and Analysis Division of the Engineering Department shall be responsible for enforcing this Policy to ensure there is adequate capacity available to meet current and future development in the Localities within its service area. All Service Area Expansion Requests recommended for acceptance must be presented to the Commission for approval.

The Planning and Analysis Division of the Engineering Department shall be responsible for regular reviews and recommended updates to this policy.

Approved:

Stephen C. Rodriguez
Commission Chair

Date

Jennifer L. Cascio
Commission Secretary

Date

AGREEMENT AGENDA ITEM 8. – September 26, 2023

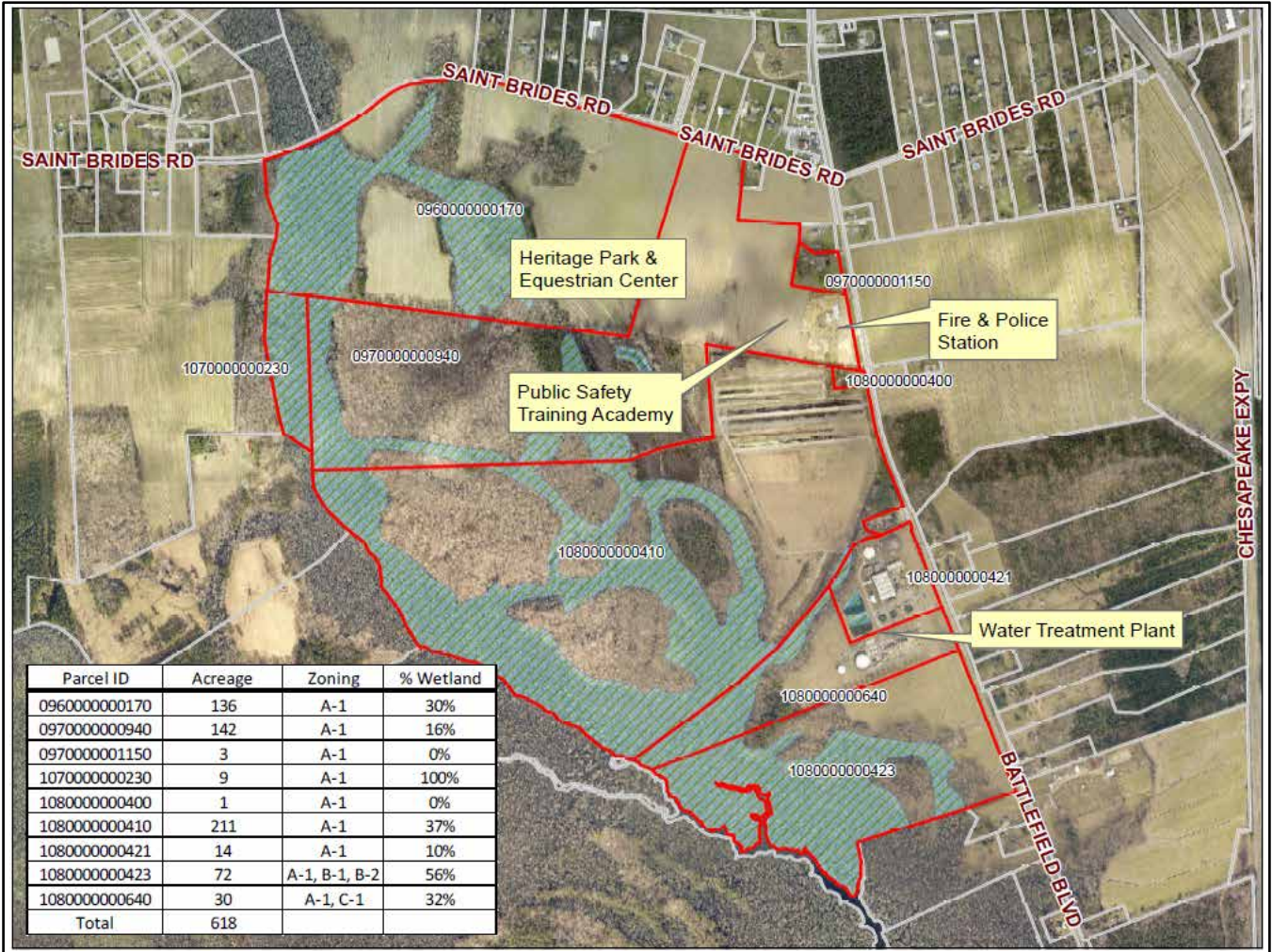
Subject: City of Chesapeake Public Safety Training Academy and Adjacent City Lands
Service Area Expansion Agreement

Recommended Action: Approve the modification to the existing HRSD Service Area as requested by the City of Chesapeake and authorize the General Manager to execute by letter the same, substantially as presented, together with such changes, modifications and deletions as the General Manager may deem necessary.

Project Description: The City of Chesapeake has requested an expansion of HRSD's Service Area to include the Public Safety Training Academy and adjacent City lands as shown on the attached [map](#). HRSD understands that the properties to be served include the following: Heritage Park, Police 6th Precinct/Fire Station 7, and the Northwest River Water Treatment Plant (NWRWTP) domestic flows only, will not include any process flow, and several adjacent undeveloped parcels. The expanded service area will connect to the HRSD South Battlefield Interceptor Force Main through a new private pump station and sewer transmission force main. This transmission line extension is the first leg of the master-planned transmission line that will ultimately have the potential to serve several major customers including the Coastal Virginia Commerce Park. The estimated average daily flow from this proposed added service area is 35,859 gallons per day (25 gpm) with a peak flow estimated at 75 gpm. The sizing of the transmission main should take into account the potential future flows from the expected future customers. All costs associated with connection to the HRSD system would be the City's responsibility. HRSD has capacity to accept flows from development within this amended service area. Future flows along this corridor will necessitate HRSD system upgrades.

This work is in accordance with the Service Area Expansion Commission Adopted Policy as amended at today's meeting.

City of Chesapeake Public Safety Training Academy and Adjacent City Lands Service Area Expansion Limits September 26, 2023



AGENDA ITEM 9. – September 26, 2023

Subject: Williamsburg Treatment Plant Influent Loading Reduction Improvements
New CIP and Initial Appropriation

Recommended Actions:

- a. Approve a new CIP project.
- b. Appropriate total project funding in the amount of \$41,300,000.

CIP Project: WB013600

Regulatory Requirement: Enhanced Nutrient Reduction Certainty Program (2023-2032 Completion)

Project Description: This project will address process modifications, costs, and an implementation schedule for the potential loss of load scenario at the Williamsburg Treatment Plant. It will also provide recommendations addressing denitrification carbon needs for current reduced load events as well as unpredictable installation of pretreatment. Processes to be evaluated will include but not be limited to the following:

1. Incinerator Scrubber Water Recycle – possibly repurposing an intermediate clarifier as a nitrification enhancement facility.
2. Permanent Supplemental Carbon Addition System – use of 100% methanol (or ethanol).
3. Primary Effluent – routing all primary effluent flow to aeration tanks.
4. Oxidation and Intermediate Clarifiers – removal of these processes from mainstream treatment service and possibly repurposing an intermediate clarifier for primary clarifier effluent equalization.
5. 2nd Anoxic Zone Integrated Fixed Film Activated Sludge (IFAS) Partial denitrification/anammox (PdNA) – advanced nutrient removal upgrades.
6. Wet Weather System – to meet the Regional Wet Weather Management Plan.
7. Electrical, Instrumentation, and Distributed Control System (DCS) – modification and upgrades for process improvements.
8. Temporary Non-Flammable Carbon System – to address current reduced flow events using glycerol or <20% methanol.
9. Engineering Study, Design & Construction Services

This project will provide needed wet weather and nutrient reduction improvements. The work proposed as part of this project will parallel the work proposed as part of the WB013500 – WBTP Intermediate Clarifier Wet Weather & Phosphorus Removal System Improvements. Either WB013500 or WB013600 will be constructed but not both projects. The attached [map](#) depicts the project location.

Project Justification: Load reductions are increasing in frequency, impacting nutrient removal. This project is needed to provide recommended process modifications along with costs for cost-effectively providing nutrient removal compliance in the event there is no or significantly decreased load. The project is also needed to address current periodic load reductions impacting nutrient removal.

Funding Description: The total cost estimate for this project is \$41,300,000. The estimated cost was based on other projects at HRSD treatment plants with a similar effort of work.

<u>Schedule:</u>	Study Complete	September 2024
	PER	TBD
	Design	TBD
	Preconstruction	TBD
	Construction	TBD
	Closeout	TBD



WB013600
Williamsburg Treatment Plant
Influent Loading Reduction Improvements

AGENDA ITEM 10. – September 26, 2023

Subject: James River Land Improvements – Phase I
Cost Sharing Agreement and Additional Appropriation

Recommended Actions:

- a. Approve the terms and conditions of the Cost Sharing Agreement with the City of Newport News (City) for reimbursement of construction costs associated with improvements to the project requested by the City and authorize the General Manager to execute same, substantially as presented, together with such changes, modifications and deletions as the General Manager may deem necessary.
- b. Appropriate additional funding in the amount of \$720,000.

CIP Project: GN016344**Regulatory Requirement:** Integrated Plan – SWIFT

Budget	\$9,854,579
Previous Expenditures and Encumbrances	(\$9,358,399)
Available Balance	\$496,180
Proposed HRSD Contingency	(\$496,180)
Proposed Cost Sharing Agreement	(\$600,000)
Proposed City Contingency	(\$120,000)
Project Shortage/Requested Additional Funding	(\$720,000)
Revised Total Project Authorized Funding	\$10,574,579

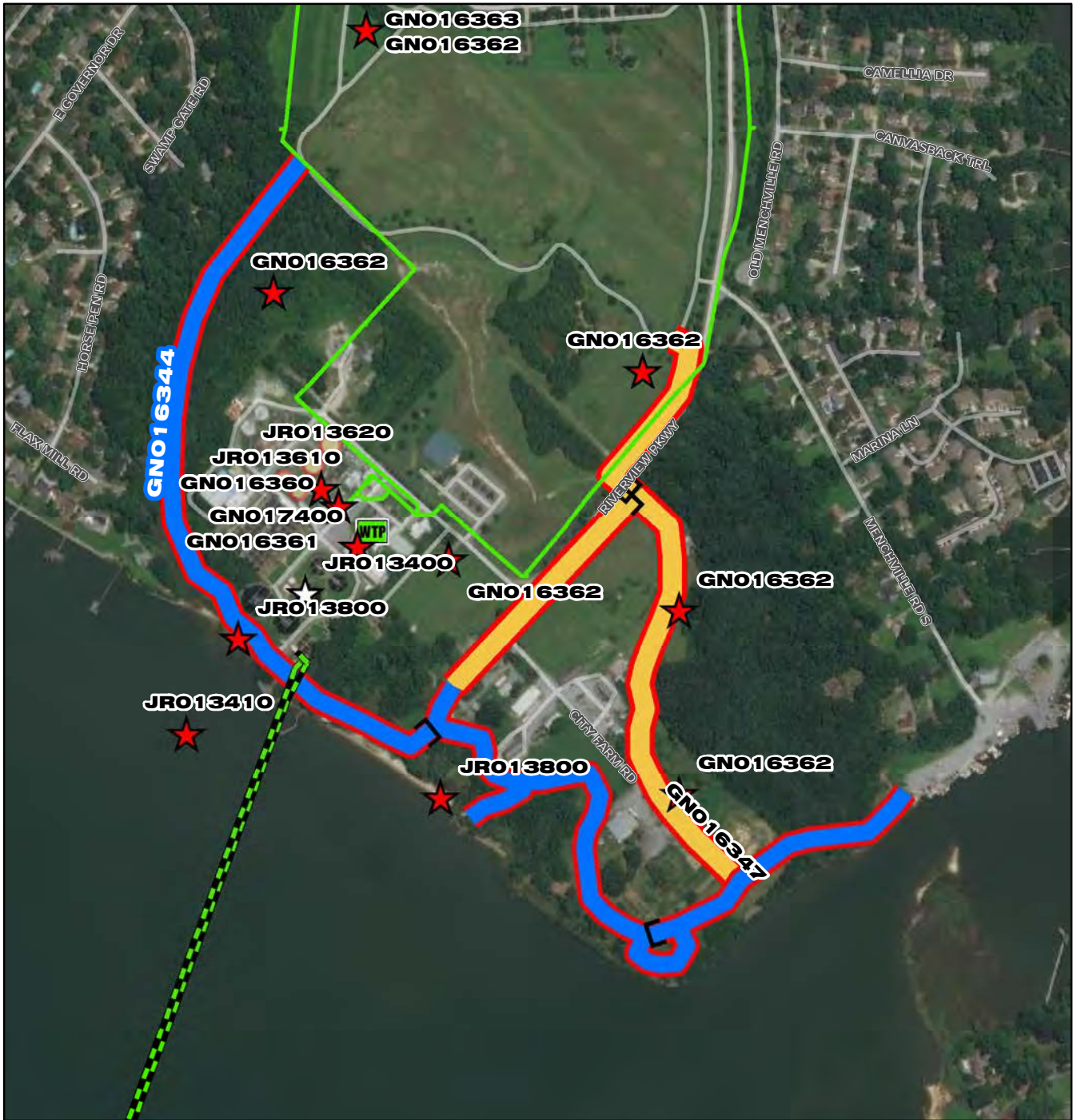
Project Description: This project will provide design and construction of improvements to the land surrounding the James River Treatment Plant (JRTP), including development of a nearly one mile of linear park and trail system. The trail consists of elevated timber boardwalk structures and asphalt on grade trails within HRSD's open space easement and in the City Farm section of Riverview Farm Park. The attached [map](#) depicts the project location.

Project Justification: HRSD Commission approved an Agreement with the City in 2020 to purchase approximately ten acres of land adjacent to the JRTP and receive the required easements for managed aquifer recharge wells, buildings, and related piping. Among the requirements stated in the land purchase Agreement is the commitment by HRSD to design and construct public access trails, which will be operated and maintained by the City.

Agreement Description: The attached agreement between the City and HRSD has been reviewed by HRSD legal counsel. Some key highlights for the [Agreement](#): Construction of the project is on-going. The City has requested the construction of additional improvements, which may include demolition of miscellaneous items, tree removal, installation of fencing, and reconstruction of a pier trail. The City will be responsible for the cost of the construction of these additional improvements. HRSD shall compensate the contractor for the work and the City shall reimburse HRSD for all such payments made on its behalf at the end of the project.

Funding Description: Additional appropriation is needed to fund the City requested improvements. The estimated cost of City requested improvements is \$600,000. Due to the uncertainty of the proposed scope of work, a 20 percent City contingency is included in the appropriation request.

Schedule: Project Completion July 2024

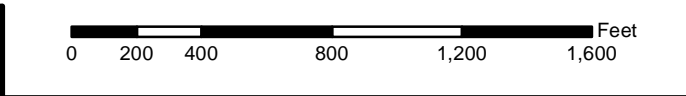


GNO 16344

- Project Interceptor Line
- Project Interceptor Point
- Project Pump Station Point
- Project Area

Legend

- CIP Interceptor Point
- CIP Pump Station Point
- CIP Interceptor Line
- CIP Abandonment
- CIP Project Area
- HRSD Interceptor Force Main
- HRSD Interceptor Gravity Main
- HRSD Treatment Plant
- HRSD Pressure Reducing Station
- HRSD Pump Station



GNO 16344

James River Land Improvements Phase 1

CIP Location

**AGREEMENT FOR COST SHARING
OF THE
HAMPTON ROADS SANITATION DISTRICT
JAMES RIVER LAND IMPROVEMENTS – PHASE I (GN016344)**

AND

**CITY OF NEWPORT NEWS
ADDITIONAL TRAIL IMPROVEMENTS**

THIS COST SHARING AGREEMENT (“Agreement”), between the CITY OF NEWPORT NEWS, VIRGINIA, a political subdivision of the Commonwealth of Virginia (“CITY”) and the HAMPTON ROADS SANITATION DISTRICT, a political subdivision of the Commonwealth of Virginia (“HRSD”) (hereinafter referred to individually as a “Party” or collectively “Parties” is entered into this ____ day of _____, 2023 (“Effective Date”).

RECITALS

R:1. HRSD and the CITY fully executed an Option Agreement and Agreement of Purchase of Sale (Land Purchase Agreement) dated the 23rd of March, 2021; and

R:2. HRSD and the CITY agree that HRSD has fulfilled the Land Purchase Agreement requirements for design of the Phase I Recreation Trails (the “Trails”), and that design of the recreation trails was developed in coordination with City staff and received City approval; and

R:3. HRSD, in accordance with the Virginia Public Procurement Act, competitively procured the services of Howard Brothers Contractor, Inc. (the “CONTRACTOR”) to construct the Trails and entered into a construction contract with the CONTRACTOR (the “CONTRACT”); and

R.4 HRSD is constructing the Trails project as shown on **Exhibit 1** under the **James River Land Improvements – Phase I** (GN016344) capital improvement project; and

R:5. The CITY has now requested additional improvements (the “CITY Improvements”) as part of the Trails; and

R.6 The CITY Improvements include, but are not limited to, fencing, tree removal, disposal and demolition of miscellaneous items, and may include reconstruction of a pier. The CITY agrees that the Land Purchase Agreement Warranty requirements do not apply to the CITY Improvements; and

R:7. HRSD and the CITY agree that it is in the best interest of the parties to have the Trails and the CITY Improvements constructed as one project (the “Project”) and

therefore the Parties agree that the CITY shall use CONTRACTOR for the construction of the CITY Improvements; and

R:8. HRSD agrees to include the construction of the CITY Improvements as an approved change order to the CONTRACT which change order shall include the plans and specifications necessary for the CITY Improvements (“CHANGE ORDER”); and

R:9. CITY agrees to reimburse HRSD for that portion of the costs of the construction attributable to CITY Improvements contained in the CHANGE ORDER under the terms and conditions set forth herein; and

R:10. HRSD and the CITY agree that the CITY will take ownership of the Trails in accordance with the Land Purchase Agreement.

AGREEMENT

NOW THEREFORE, in consideration of the above provisions and agreements set forth herein, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

I. DESIGN

A. Plans and Specifications

1. HRSD has employed Vanasse Hangen Brustlin Inc. (“ENGINEER”), to prepare plans and specifications for the design of the Trails. A location map is shown on Exhibit 1.
2. The CITY has contracted directly with the ENGINEER to design any plans and specifications necessary for the CITY Improvements to be included in the CHANGE ORDER.
3. HRSD and the CITY, in coordination with the ENGINEER, will meet to coordinate, review, and approve the CHANGE ORDER. Any changes to the Final Plans and Specifications for the CONTRACT and associated CHANGE ORDER shall be approved by HRSD and the CITY.

B. Payment of the Design Costs

The CITY shall be fully responsible for all costs and expenses incurred pursuant to its agreement with the ENGINEER for the design of plans and specifications necessary for the CITY Improvements.

II. CONSTRUCTION

A. Cost of Construction

1. The total cost of the CITY Improvements (the “Improvement Costs”), as more particularly defined by the CHANGE ORDER shall include, if applicable:
 - a. Cost of construction of the CITY Improvements;
 - b. Cost of approvals and permits required for the construction of the CITY Improvements;
 - c. Costs of services rendered by ENGINEER for the CITY Improvements other than Design Costs;
 - d. Costs for all temporary or permanent easements and fee simple land acquisitions; and
 - e. Any related miscellaneous essential expenses.
2. The current estimated Improvement Costs of the construction of the CITY Improvements is \$600,000.

B. Approval of Construction Contract Documents; Contractors; Change Orders

1. Except as otherwise provided in this Agreement, HRSD shall be responsible for preparing, finalizing, and executing any and all front end documents, construction contracts, architectural contracts, engineering contracts, drawings, surveys, bidding documents, bonds, insurance documents, and all amendments, revisions and modifications thereto, relating to the construction of the project (collectively, the “Project Documents”).
2. HRSD and the CITY will jointly review and approve the CHANGE ORDER in writing. If the CITY does not approve the CHANGE ORDER, the CITY Improvements shall not be included in the Project.
3. ENGINEER, in coordination with HRSD and CITY, will review and approve shop drawings related to the CITY Improvements.

C. Payment of Cost of Construction

1. The Costs shall be apportioned among the parties as follows:

- a. HRSD will administer and be responsible for bearing one hundred percent (100%) of the cost of the CONTRACT except for the CHANGE ORDER.
- b. The CITY will be responsible for bearing one hundred percent (100%) of the cost of the CITY Improvements included in the CHANGE ORDER.
- c. Costs associated with any change to the construction cost (“Change Order”) of the CONTRACT including the CHANGE ORDER shall be as follows:
 - (1) HRSD shall be solely responsible for costs due to a Change Order requested by HRSD; and
 - (2) The CITY shall be solely responsible for costs due to a Change Order requested by the CITY.
 - (3) Change Orders related to design errors, omissions or changed field conditions shall be the responsibility of the entity impacted by the change. If the Change Order impacts the work of both HRSD and the CITY, the responsibility shall be proportionally shared.

2. During the course of construction, HRSD shall compensate the CONTRACTOR and other individuals and entities providing materials and/or services related to the CITY Improvements for all Improvement Costs, including those for which the CITY is responsible. The CITY shall reimburse HRSD for all such payments made on its behalf. The CITY shall pay its share of the Improvement Costs to HRSD in one lump sum payment upon completion of construction (as determined by HRSD). HRSD shall provide the CITY with an invoice detailing the CITY’s share of the Improvement Costs. Within thirty (30) days of its receipt of such invoice, the CITY shall reimburse HRSD for the CITY’s share of the Improvement Costs as detailed in the invoice.

III. OBLIGATIONS OF HRSD AND THE CITY

A. Public Hearings or Meetings

HRSD and the CITY will each be responsible for noticing and holding any public hearings or other open meetings required under applicable law. The parties agree to reasonably cooperate and assist each other in the conduct of

such meetings.

B. Progress Meetings

ENGINEER shall arrange and conduct monthly progress meetings. HRSD and CITY shall attend and participate in these meetings.

C. Correction of Construction Defects

Pursuant to the CONTRACT, HRSD has required the CONTRACTOR to provide a performance and payment bond for the full amount of the construction of the CONTRACT. The CONTRACT provides for a warranty of the CONTRACTOR's work against construction defects in the Project and shall require the CONTRACTOR to correct such defects that are reported by HRSD or the CITY within one (1) year of the final acceptance of the Project.

D. Construction Record Drawings

ENGINEER shall provide HRSD and the CITY approved construction record drawings in accordance with HRSD's Design and Construction Standards, latest edition, and Hampton Roads Planning District Commission Regional Construction Standards, latest edition, and CITY's Utility Policy and Design and Construction Standards, latest edition.

IV. GOVERNING LAW

This Agreement shall be governed as to all matters whether of validity, interpretations, obligations, performance or otherwise exclusively by the laws of the Commonwealth of Virginia, and all questions arising with respect thereto shall be determined in accordance with such laws. Regardless of where actually delivered and accepted, this contract shall be deemed to have been delivered and accepted by the parties in the Commonwealth of Virginia.

V. TERMINATION

Termination. This Agreement may be terminated by the CITY or HRSD (i) without cause upon written notice to the other party; (ii) with cause in the event that the other party materially breaches this Agreement and such breach is not cured within sixty (60) days of the defaulting party's receipt of written notice of such breach from the non-defaulting party; or (iii) by mutual agreement of the CITY and HRSD. Anything herein or elsewhere to the contrary notwithstanding, any such termination of this Agreement shall not relieve the Parties of their obligation to pay all of the Improvement Costs incurred prior to termination, whether or not those amounts are due and payable as of the termination date. Furthermore, in the event of termination

without cause, the terminating Party shall reimburse the non-terminating Party for its reasonable, out-of-pocket costs incurred with regard to the CITY IMPROVEMENTS through the date of termination.

- VI. NOTICE. Any notice, communication or request under this Agreement shall be provided in writing by either (a) a nationally recognized overnight delivery service (next business day service), (b) electronic mail with confirmation of receipt, or (c) hand-delivery, if the receipt of the same is evidenced by the signature of the addressee or authorized agent, to CITY and to HRSD at the respective addresses herein shown, unless this Agreement is modified in writing to reflect other addresses:

For: HRSD
General Manager
1434 Air Rail Avenue
Virginia Beach, VA 23455
Telephone: (757) 318-4335
Email: generalmanager@hrsd.com

With Copy to:
Robyn H. Hansen, Esquire
Sands Anderson PC
4801 Courthouse Street, Suite 203
Williamsburg, VA 23188
Telephone: (757) 276-8243
Email: rhansen@sandsanderson.com

For: City of Newport News
Alan Archer, Acting City Manager
City of Newport News, Virginia
2400 Washington Avenue
Newport News, VA 23607
Email: archerak@nnva.gov

With Copy to:
City Attorney
2400 Washington Avenue
Newport News, VA 23607
Email: cityatty@nnva.gov

VII. ASSIGNMENT

No party may assign its rights under this Agreement without the prior written consent of the other party.

VIII. AMENDMENT

This Agreement may be amended only by a written instrument duly executed by the parties.

IX. SEVERABILITY

If any provision of this Agreement or the application thereof to any circumstance shall be determined to be invalid, illegal or unenforceable to any extent, the remainder of this Agreement and the application thereof shall not be affected and shall continue to be valid, in effect and enforceable to the fullest extent permitted by law.

X. INSURANCE

Pursuant to the CONTRACT, HRSD has reviewed and approved as necessary for the CONTRACT the insurance procured by the CONTRACTOR . Proof of insurance shall be provided at the request of HRSD or the CITY and the insurance coverage shall be maintained during the term of this Agreement.

XI. TERM OF AGREEMENT

The term of the Agreement will commence on the date the Agreement is entered into and be completed when each party has completely performed its obligations hereunder.

XII. FORCE MAJEURE

No Party shall be responsible for its failure to fulfill an obligation pursuant to this Agreement to the extent that such failure is due to acts of God; labor strikes; war or terrorism; epidemics/pandemics; fires; floods; the actions of a third party; lockouts; strikes, freight embargos, and unusually severe weather or delays of subcontractors due to such causes. A Party experiencing a force majeure event that prevents fulfillment of a material obligation hereunder shall (a) give the other Party prompt written notice describing the particulars of the event; (b) suspend performance only to the extent and for the duration that is reasonably required by the force majeure event; (c) use reasonable efforts to overcome or mitigate the effects of such occurrence; and (d) promptly resume performance of the affected obligation if and when such Party is able to do so.

XIII. INDEPENDENT CONTRACTOR

If the CONTRACTOR(s) hire subcontractors or independent contractors, HRSD and the CITY have the right to approve them by reviewing their requisite experience and knowledge to complete the work assigned.

XIV. MISCELLANEOUS

- A. Authority. CITY and HRSD both warrant that they have permission and authority derived under their respective corporate Charters and Enabling Acts to execute and undertake this Agreement. This Agreement shall apply to, and be binding upon both Parties, their elected officials, officers, agents, employees, successors, and assigns, to the maximum extent permitted by law.
- B. Compliance with Law. Each Party warrants that it has complied with all aspects of applicable federal, state, and local law in entering this Agreement and further warrants that it shall comply with all applicable federal, state, and local laws in the performance of this Agreement.
- C. Binding Effect. This Agreement shall inure to the benefit of the Parties and shall, to the maximum extent permitted by law, be binding on the Parties and their successors and assigns.
- D. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original as against any Party whose signature appears thereon, and all of which shall together constitute one and the same instrument. A signature affixed or delivered electronically will be considered an original.
- E. Recitals. The Recitals above are incorporated into this Agreement as if fully set forth therein.

XV. WAIVER

No waiver of breach of any term or provision of this Agreement shall be construed to be, or shall constitute, a waiver of any other breach of this Agreement. No waiver shall be binding unless in writing and signed by the parties waiving the breach.

The failure of any party to seek redress for violation of or to insist upon the strict performance of any covenant or condition of this Agreement shall not prevent a subsequent act, which would have originally constituted a violation, from having the effect of an original violation.

The rights and remedies provided by this Agreement are cumulative and the use of any one right or remedy by any party shall not preclude or waive the right to use any or all other remedies. Such rights and remedies are given in addition to any other rights the parties may have by law, statute, ordinance or otherwise.

Signature pages follow

IN WITNESS WHEREOF, the Hampton Roads Sanitation District (HRSD) Commission has caused this Agreement to be signed on its behalf by its General Manager in accordance with authorization granted at its regular meeting held on September 26, 2023.

HAMPTON ROADS SANITATION DISTRICT

By _____
Jay A. Bernas, General Manager

COMMONWEALTH OF VIRGINIA,
CITY OF NEWPORT NEWS, to-wit:

The foregoing Agreement was acknowledged before me this _____ day of _____, 2023, by Jay A. Bernas, HRSD General Manager.

Notary Public

My commission expires:

Registration No.:

IN WITNESS WHEREOF, the City of Newport News, Virginia has caused this Agreement to be signed by the City Manager on its behalf pursuant to Resolution Number _____ adopted by the City Council on _____, 2023.

CITY OF NEWPORT NEWS, VIRGINIA

By _____
Alan Archer, Acting City Manager

ATTEST:

APPROVED AS TO FORM:

City Clerk

City Attorney

STATE OF VIRGINIA
CITY OF NEWPORT NEWS, to-wit:

The foregoing Agreement was acknowledged before me this _____ day of _____, 2023 by Alan Archer, Acting City Manager, City of Newport News, Virginia.

Notary Public

My commission expires:

Registration No.:

ATTEST:

APPROVED AS TO FORM:

City Clerk

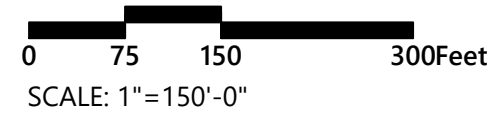
City Attorney

Exhibit 1 - HRSD Trails

[Attached]



351 McLaws Circle
Suite 3
Williamsburg, VA 23185
757.220.0500



GRAPHIC SCALE FOR USE WHEN PRINTED ON SHEET SIZE 22"x34" ANSI D FORMAT. THIS GRAPHIC SCALE WILL NOT MEASURE TO THE SCALE SHOWN WHEN PLANS ARE NOT PRINTED PROPERLY, TYPICAL ALL SHEETS.

James River Land Improvements - Phase I

101 City Farm Road
Newport News, VA

No. Revision Date Apprd.

No.	Revision	Date	Apprd.

Designed by _____ Checked by _____

Issued for _____ Date March 15, 2023

Conformed Drawings
CU-2021-0002
CIP NO.: GN016344

Layout & Materials

Drawing Number



C4.00

Sheet 35 of 103

Project Number 34690.01

EXHIBIT 1: HRSD TRAILS

WARWICK RIVER

AGENDA ITEM 11. – September 26, 2023

Subject: Eastern Shore Infrastructure Improvements – Transmission Force Main Phase I
Real Property – Acquisition
23225 Front Street, Town of Accomac, County of Accomack, Eastern Shore, Virginia

Recommended Action: Approve the acceptance of a portion of property, being subdivided, and conveyed by Deed of Gift in fee simple, from the County of Accomack for no consideration, located at 23225 Front Street in the Town of Accomac, County of Accomack, Virginia, Tax Map Number: 86A1-A-11, to be used as the site of a future pump station and authorize the General Manager to execute the deed, substantially as presented, together with such changes, modifications and deletions as the General Manager may deem necessary upon approval of legal counsel.

CIP Project: ES010100

Regulatory Requirement: None

Project Description: This Design-Build project includes the installation of approximately 26 miles of 4-inch, 6-inch, 10-inch and 12-inch force mains for 25 miles along the Railway right-of-way and along Wachapreague Road all on the Eastern Shore of Virginia, in Northampton and Accomack Counties and three wastewater pumping stations in the Towns of Nassawadox, Exmore, and Onancock. The project will allow for the abandonment of aging treatment facilities in Nassawadox and Exmore by taking advantage of unused capacity at the Onancock Treatment Plant. The scope of the project has been expanded to include force mains, gravity collection systems, and pump stations to serve the Towns of Accomac and Wachapreague to allow for the abandonment of aging septic systems in those towns to provide reliable, long-term collection and treatment of wastewater.

Conveyance Details: This acquisition allows for the construction and installation of the new pump station in the Town of Accomac that will be required, as part of this project effort. Additional agreements and easement acquisitions will be required, and negotiations are currently underway.

Agreement Details: The [Deed of Gift and Easement](#) for the future pump station site and associated easement access and usage rights were reviewed by HRSD staff and legal counsel. Upon approval by both entities, the conveyance deed will be recorded. A [map](#) for is provided for clarification purposes.

Drafted by and return to:
Sands Anderson PC
Danielle J. Wang (VSB#: 85964)
1111 E. Main Street, Suite 2400
Richmond, Virginia 23219
(804) 783-7292 [Va. Code § 17.1-223]

Tax Map Number: a portion of 86A1-A-11;
Parcel ID Number: a portion of
086A1A000001100
[Va. Code § 17.1-252]
Consideration \$0.00
Title Ins. Co.: Fidelity National Title Insurance

THIS DOCUMENT IS EXEMPT FROM RECORDATION TAX PURSUANT
TO VA. CODE § 58.1-811(A)(3) AND EXEMPT FROM THE
PAYMENT OF CLERK'S FEES PURSUANT TO VA. CODE § 17.1-279(E)
AND EXEMPT FROM GRANTOR'S TAX PURSUANT TO VA. CODE § 58.1-811(C)(4)

THIS DEED OF GIFT AND EASEMENT, made this _____ day of _____, 202__, by and
County of Accomack, a political subdivision of the Commonwealth of Virginia, as grantor (the "**Grantor**"),
and Hampton Roads Sanitation District, a political subdivision of the Commonwealth of Virginia, as
grantee (the "**Grantee**").

WITNESSETH

That for no consideration, the Grantor does hereby grant and convey with general warranty and
English covenants of title unto the Grantee, in fee simple, the following-described real estate, to wit:

FOR A LEGAL DESCRIPTION OF PROPERTY CONVEYED SEE EXHIBIT "A"
ATTACHED HERETO AND MADE A PART HEREOF (the "Property")

For the avoidance of doubt, the parties hereby acknowledge that this conveyance includes any and
all underground wastewater, water reuse force mains, and/or gravity mains, together with above- and/or
below-ground equipment, accessories, and other appurtenances (the "**Facilities**") whether over, across,
under, or through the Property.

Grantor further grants and conveys unto Grantee, its successors and assigns, with general warranty
and English covenants of title, the permanent, perpetual privilege and right to access and use (including
over, on, across, under, or through) an easement more particularly described in Exhibit "B" attached hereto
and made a part hereof (the "**Easement**"), to lay, erect, construct, maintain, mobilize, excavate, store, and/or
perform any and all other activities concerning the Property and/or the Facilities.

The Property and the Easement are shown on the plat attached hereto as Exhibit "C."

The Grantor and Grantee covenant the following:

- A. Grantee will restore the area of the Easement (the “**Easement Area**”), including landscaping, affected by maintenance or improvement of the Facilities or construction on the Property as closely as is reasonably possible to its condition immediately prior to maintenance, improvement, and construction, in a manner causing as little inconvenience and disruption to Grantor and its invitees, licensees, and occupants as is reasonably possible.
- B. Grantee shall have the right to trim, cut, and remove trees, shrubbery, and other obstructions that interfere with or threaten the efficient and safe maintenance or operation of the Facilities and/or the use of the Property. Brush, branches, and other debris resulting from cutting, trimming, or clearing by Grantee on the Easement Area will be removed and disposed of by Grantee.
- C. Grantee may access and use (including over, on, across, under, or through) of any and all buildings and other improvements and appurtenances, tenements, rights, and privileges within the Easement Area.
- D. Grantee, its contractors, employees, other agents, assigns, and successors have, without notice to Grantor, the absolute right to enter, unimpeded, upon so much of Grantor’s lands as needed for the operation and maintenance of the Facilities and/or access to or improvement of the Property. Grantor will not construct or otherwise place or allow on the Easement any improvements, including without limitation houses, sheds, or other buildings, pools, or other structures, without the express written permission of Grantee or its assigns or successors. Consent to install fences, driveways, pavement, and landscaping, including tree and shrub varieties that do not exceed 20-feet tall at maturity, will not be unreasonably withheld by Grantee. Grantor will not use its property for any purpose that might, in Grantee’s sole judgment, interfere with the use and enjoyment of the Property or Easement.

This conveyance is made subject to the conditions, reservations, restrictions, and easements, if any, contained in the instruments forming the chain of title to the Property.

This deed and conveyance was approved by a vote of and resolution adopted by the Board of Supervisors of the County of Accomack after a duly-noticed public hearing held on _____, 2023 concerning the conveyance [Va. Code § 15.2-1800].

WITNESS the following signatures and seals:

GRANTOR:

COUNTY OF ACCOMACK, a political subdivision of the Commonwealth of Virginia

By: _____ (SEAL)
Name: _____
Title: _____

COMMONWEALTH OF VIRGINIA

COUNTY OF _____

The foregoing deed of gift was acknowledged and executed before me this _____ day of _____, 20____, by _____ as _____ of the County of Accomack, a political subdivision of the Commonwealth of Virginia.

My commission expires: / /

Notary Public

In witness whereof, the Hampton Roads Sanitation District Commission has caused the acceptance of this transfer of property to occur on its behalf by its General Manager in accordance with the authorization granted at its regular meeting on September ____, 2023.

Accepted by:

HAMPTON ROADS SANITATION DISTRICT

By: _____

Jay A. Bernas, P.E.
General Manager

GRANTEE'S ADDRESS:

Hampton Roads Sanitation District
Attn: Real Estate Manager
P.O. Box 5911
Virginia Beach, Virginia 23471-0911

EXHIBIT A

Legal Description of Property

ALL THAT CERTAIN lot or parcel of land in the Town of Accomac, Accomack County, Virginia designated as "Pump Station Site," consisting of 0.304 Acres (13,246 square feet), on that plat of survey titled, "Subdivision Plat for Property of County of Accomack, To Be Acquired by Hampton Roads Sanitation District, Being Described in Instrument No. 120001053," dated March 15, 2023, prepared by Precision Measurements, Inc., and recorded in the Clerk's Office of the Circuit Court of Accomack County, Virginia (the "**Clerk's Office**") simultaneously herewith.

BEING THAT SAME property conveyed to the Grantor by the Commonwealth of Virginia, Department of General Services, by deed dated February 17, 2012 and recorded March 26, 2012 in the Clerk's Office as Instrument Number 2012010523.

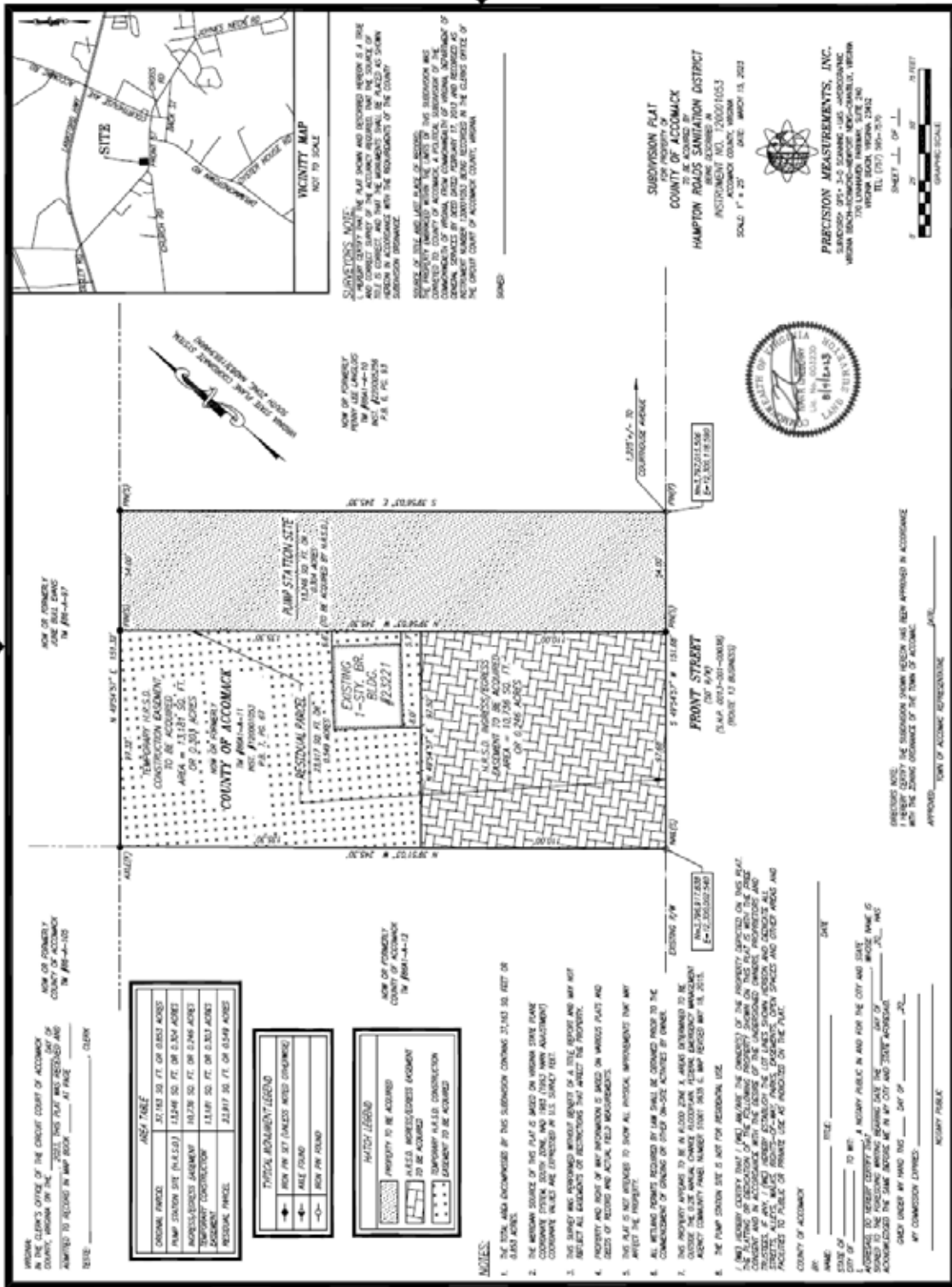
EXHIBIT B

Legal Description of Easement

Being in Accomack County, Virginia, and shown on the attached plat prepared by Precision Measurements, Inc., entitled "Subdivision Plat for Property of County of Accomack, To Be Acquired by Hampton Roads Sanitation District, Being Described in Instrument No. 120001053," dated March 15, 2023, and showing an "H.R.S.D. Ingress/Egress Easement To Be Acquired," as containing 0.246 acres (10,736 square feet), and being portions of the property conveyed to Grantor, by deed dated February 17, 2012, from the Commonwealth of Virginia, Department of General Services, recorded on March 26, 2012 in the Clerk's Office as Instrument Number 2012010523.

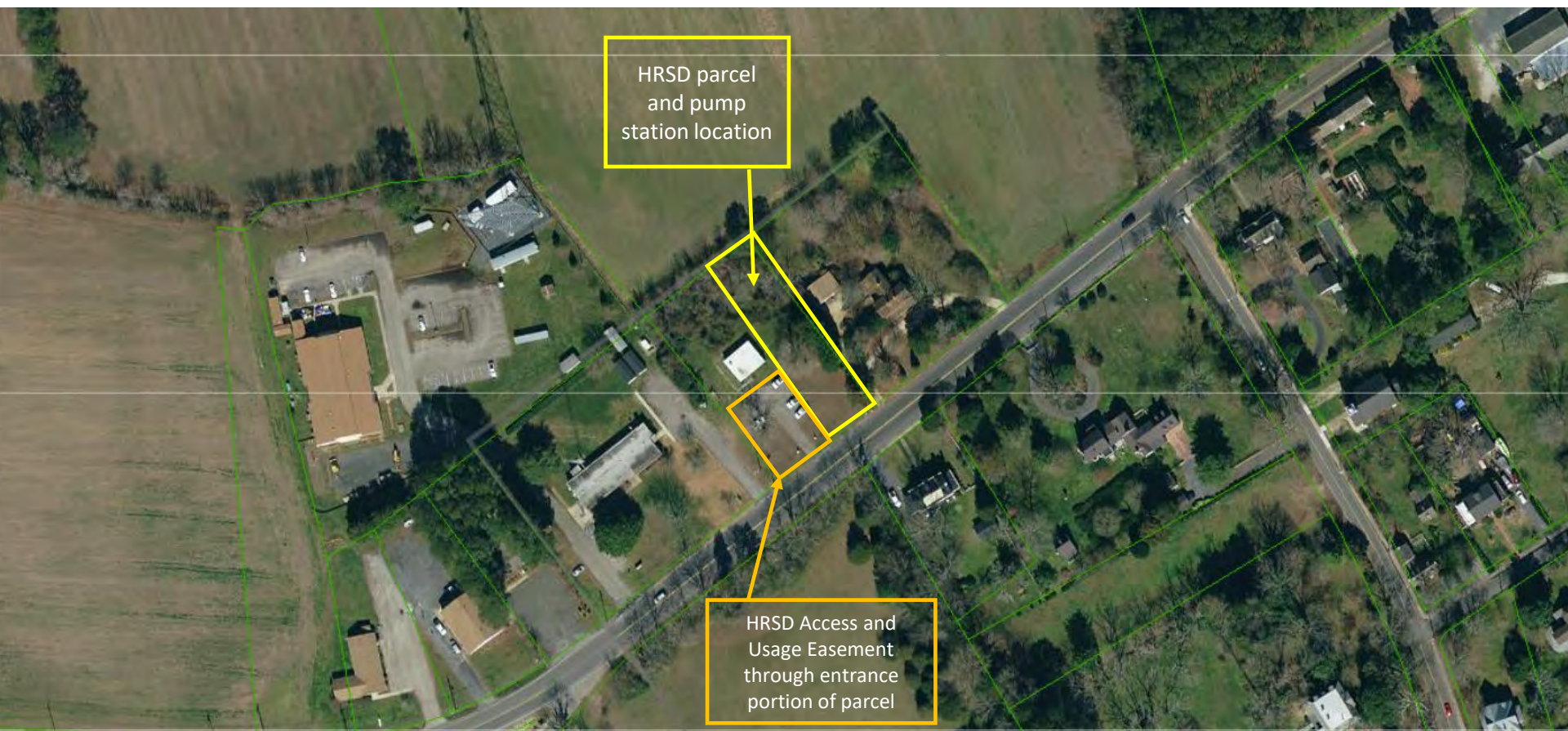
EXHIBIT C

Plat



Location Map

23221 Front Street, Town of Accomac, Virginia



HRSD parcel
and pump
station location

HRSD Access and
Usage Easement
through entrance
portion of parcel

AGENDA ITEM 12. – September 26, 2023

Subject: Surry Hydraulic Improvements and Interceptor Force Main
Real Property – Acquisition (Tax ID: 27A-2-21)

Recommended Action: Approve the purchase of a (+/-) 4,927 square foot portion of Tax Map 27A-2-21 in Surry County, Virginia, and associated acquisition costs of \$10,000 and \$8,030 in rental payments in accordance with the terms and conditions of the Purchase Agreement with Surry Holdings, LLC (Seller) and authorize the General Manager to execute same and related acquisition documents in accordance with those terms and conditions substantially as presented, together with such changes, modifications and deletions as the General Manager may deem necessary.

CIP Project: SU010200

Regulatory Requirement: None

Budget	\$44,513,606
Previous Expenditures and Encumbrances	(\$43,173,263)
Available Balance	\$1,340,343



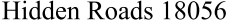

Conveyance Details: This project will construct 121,000 linear feet of force main ranging from 4-inch to 10-inch diameter force main, 280,000-gallon equalization tank, three new pump stations and one upgraded pump station all to include electrical, instrumentation and controls, and generator. The project also includes the closure and demolition of the Town of Surry Treatment Plant. The flow will be conveyed from Surry and discharged into existing infrastructure in Smithfield then ultimately treated at the Nansemond Treatment Plant. The subject site houses an existing pump station that will tie into the upgraded wastewater system, but to which HRSD does not own in fee simple.

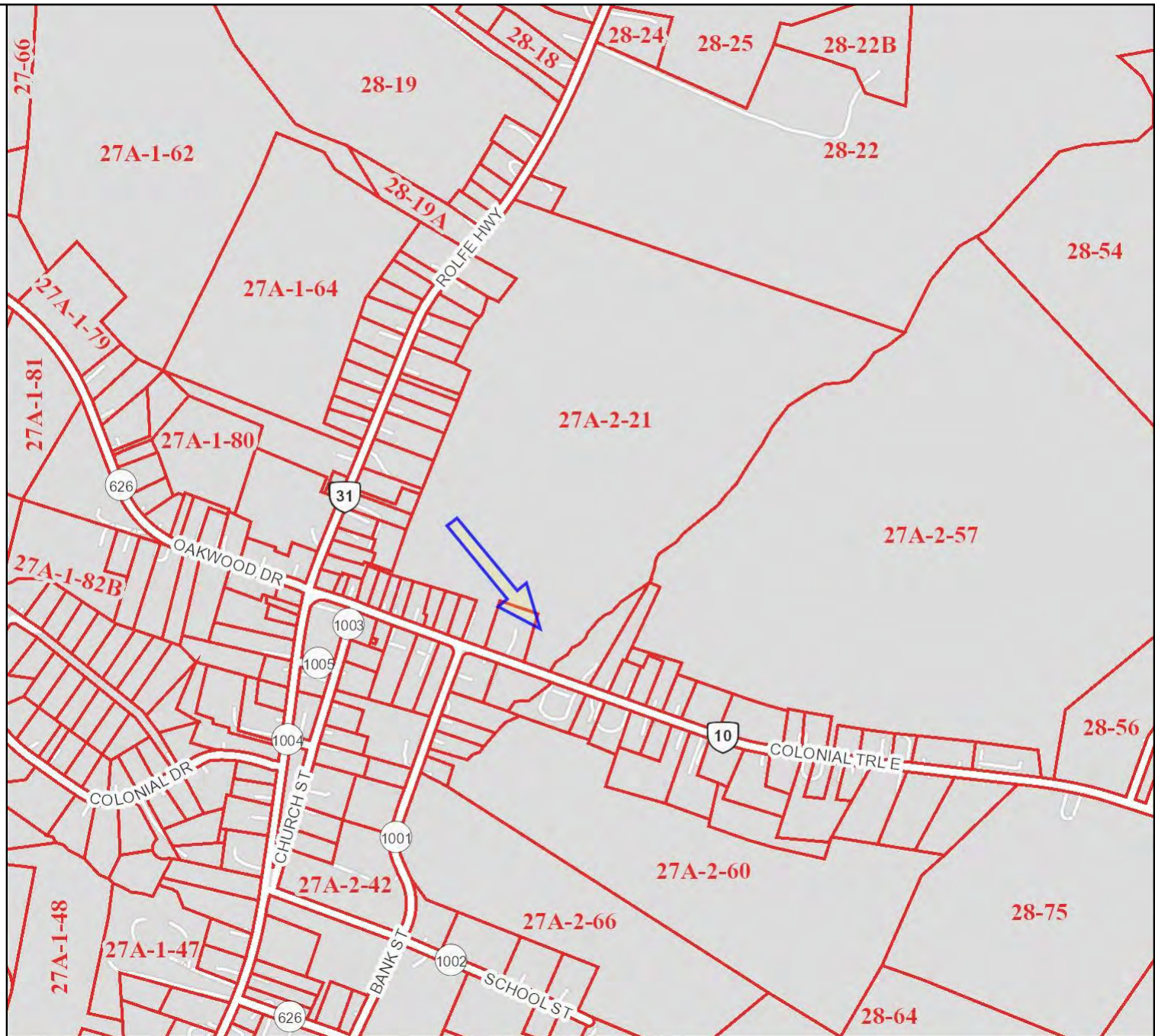
Agreement Description: The [Purchase Agreement](#) and [Amendment](#) between HRSD and Seller was reviewed by HRSD staff and legal counsel. Upon approval, the conveyance Deed will be forthcoming and will be reviewed by HRSD staff and legal counsel before execution. The project and easement locations are depicted in the [plat](#) and [map](#).

Analysis of Cost: HRSD will purchase the (+/-) 4,927 square foot portion of Tax Map 27A-2-21 for the offer price of \$10,000. This amount is reflective of land sales in the area and negotiations with the landowner. The additional compensation of \$8,030 reflects the agreed upon rental amount for use of the site from 2017 to 2023.

Surry County, Virginia

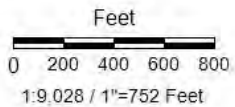
Legend

-  County Boundary
-  Parcels
-  Hidden Roads 18056
-  Driveways



Title:

Date: 9/13/2023



DISCLAIMER: This drawing is neither a legally recorded map nor a survey and is not intended to be used as such. The information displayed is a compilation of records, information, and data obtained from various sources, and Surry County is not responsible for its accuracy or how current it may be.

**AMENDMENT
TO
PURCHASE AND SALE AGREEMENT**

THIS AMENDMENT TO PURCHASE AND SALE AGREEMENT (“Amendment”) is made this ____ day of _____, 2023, by and between **HAMPTON ROADS SANITATION DISTRICT**, a political subdivision of the Commonwealth of Virginia (“Purchaser”), and **SURRY HOLDINGS, L.L.C.**, a Virginia limited liability company (“Seller”).

WHEREAS, the parties entered into a Purchase and Sale Agreement dated June 24, 2020 (the Purchase and Sale Agreement and this Amendment are collectively referred to as the “Agreement”); and

WHEREAS, the parties wish to amend certain provisions of the Agreement.

NOW, THEREFORE, for the mutual consideration contained herein and in the Agreement, the parties agree as follows:

1. The capitalized terms used in this Amendment shall have the same meanings as set forth in the Agreement.
2. Paragraph A of Recitals under the Agreement is amended to read as follows:

“A. Seller is the owner in fee simple absolute of a certain parcel of property approximately ____ square feet in area, being a part of Tax Map 27A-2-21, located in the Town of Surry, Virginia, such property being more particularly described in Exhibit A and shown on Exhibit B (the “Plat”), both of which are attached hereto and made a part of this Agreement (the “Property”).

3. Unless amended herein, the remaining terms and conditions shall remain in full force and effect.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed.

PURCHASER:

HAMPTON ROADS SANITATION DISTRICT

Date: _____

By _____
Its _____

SELLER:

SURRY HOLDINGS, L.L.C.

Date: _____

By _____
Leigh S. Huston, Member

667427

DRAFT

SUBDIVISION CERTIFICATE

THE PLATTING OR DEDICATION OF THE FOLLOWING DESCRIBED LAND AS SHOWN ON THIS PLAT CONTAINING X.XXX ACRES AND DESIGNATED AS SUBDIVISION PLAT OF HRSD PUMP STATION PROPERTY TO BE SUBDIVIDED FROM SURRY HIGH SCHOOL SITUATED IN HAMPTON ROADS SANITATION DISTRICT, SURRY COUNTY, VIRGINIA, IS WITH THE FREE CONSENT AND IN ACCORDANCE WITH THE DESIRES OF THE UNDERSIGNED OWNERS, PROPRIETORS, AND TRUSTEES, IF ANY.

OWNER _____

COUNTY _____

CITY/COUNTY OF _____
COMMONWEALTH OF VIRGINIA
THE FOREGOING INSTRUMENT WAS ACKNOWLEDGED BEFORE ME THIS _____ DAY OF _____, 20____ BY _____

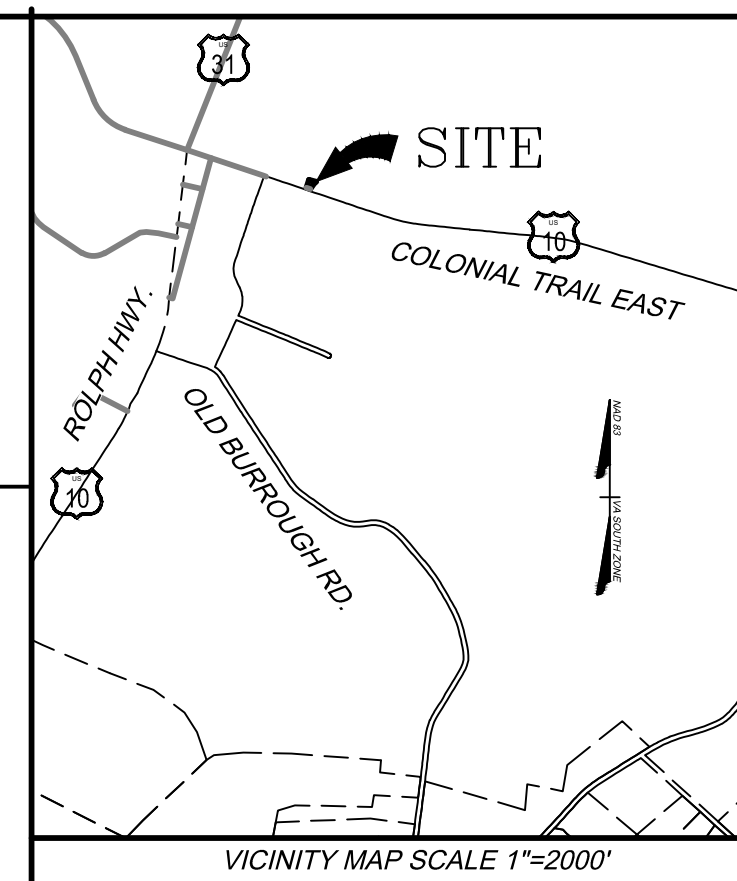
NOTARY PUBLIC
NOTARY REGISTRATION NUMBER: _____
MY COMMISSION EXPIRES: _____

CITY/COUNTY OF _____
COMMONWEALTH OF VIRGINIA
THE FOREGOING INSTRUMENT WAS ACKNOWLEDGED BEFORE ME THIS _____ DAY OF _____, 20____ BY _____

NOTARY PUBLIC
NOTARY REGISTRATION NUMBER: _____
MY COMMISSION EXPIRES: _____

APPROVED FOR RECORDATION IN
SURRY COUNTY, VIRGINIA
THIS PLAT SHALL BE RECORDED WITHIN SIX (6)
MONTHS OF THE THE DATE OF APPROVAL

SUBDIVISION AGENT _____ DATE _____



THIS DRAWING PREPARED AT THE
TR-CITIES OFFICE
4701 Owens Way, Suite 900 | Prince George, VA 23875
TEL 804.541.6600 FAX 804.458.1311 www.timmons.com

Technology
Infrastructure
Residential
Site Development

GENERAL NOTES

- OWNER: SURRY HOLDINGS, LLC
112 67TH STREET
VIRGINIA BEACH, VIRGINIA, 23451
- PARCEL PIN: 27A-2-21
- THIS SURVEY WAS PREPARED WITHOUT THE BENEFIT OF A TITLE COMMITMENT AND MAY BE SUBJECT TO DEED AND EASEMENTS OF RECORD WHICH ARE NOT DEPICTED HEREON.
- FIELD WORK COMPLETED FEBRUARY 21, 2022.
- (): JMT PLAT UNRECORDED
- []: PMI PLAT UNRECORDED
- { } DEED BOOK REFERENCE
- PMI PLAT: DATED JULY 5, 2017, 0.463 ACRES, 20,168.28 SQ.FT.
- JMT PLAT: DATED NOVEMBER 29, 2018, 0.113 ACRES 4,922.28 SQ.FT.
- MONUMENTED BOUNDARY: 0.112 ACRES, 4,878.72 SQ.FT.

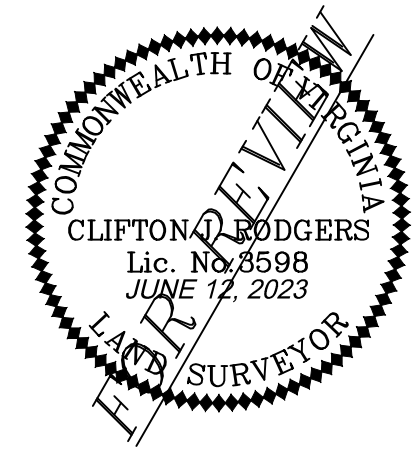
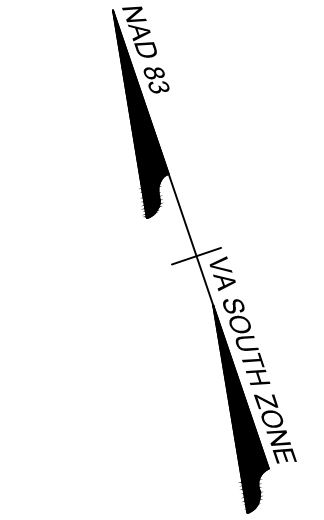
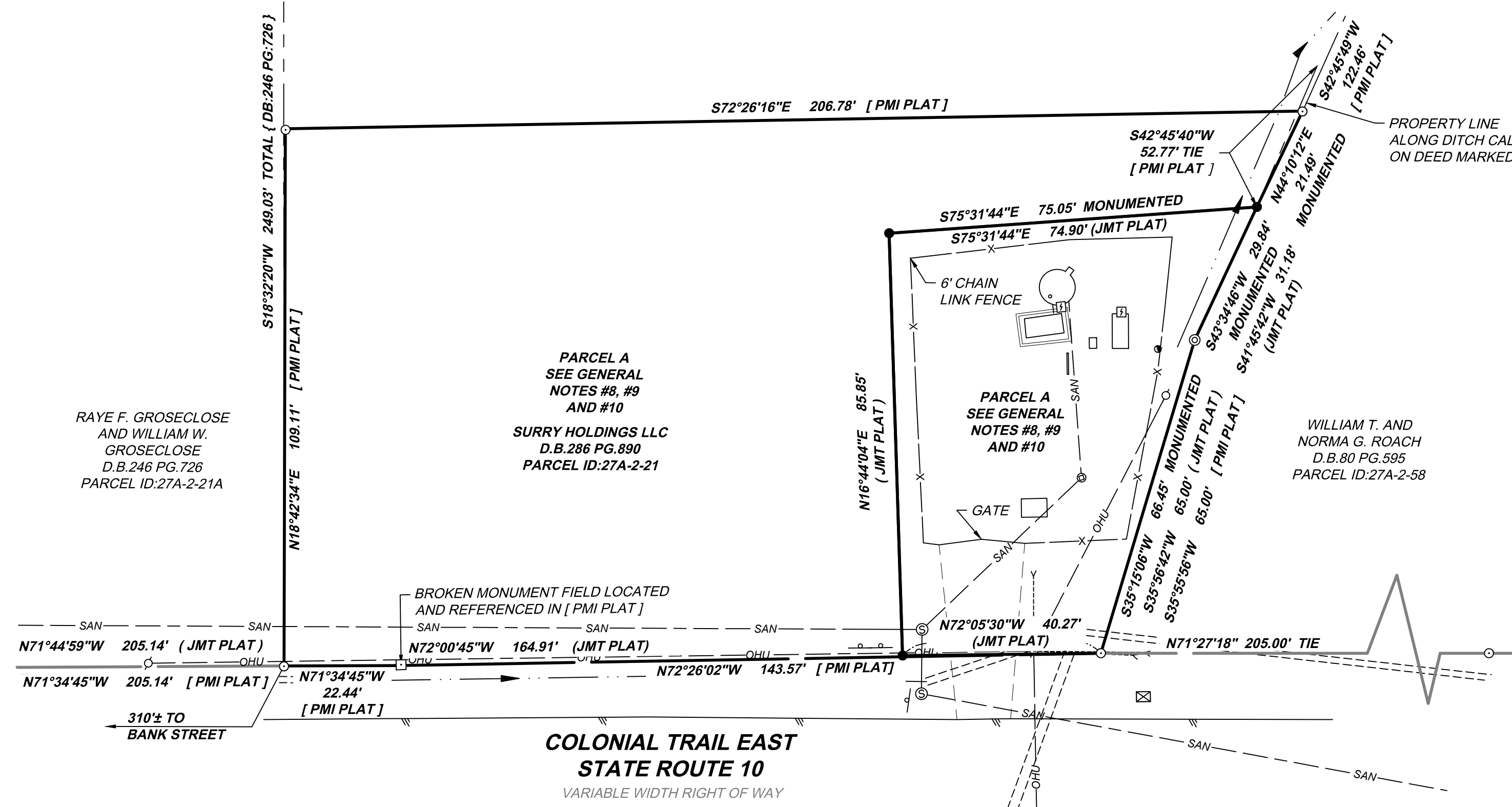
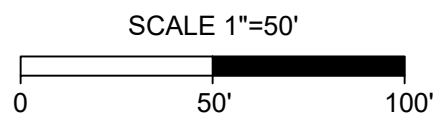


EXHIBIT MAP OF PUMP STATION #6 LOCATED OFF OF COLONIAL TRAIL EAST IN HAMPTON ROADS SANITATION DISTRICT

TOWN OF SURRY	VIRGINIA
DATE: JUNE 12, 2023	SCALE: 1"=20'
SHEET 1 OF 1	J.N.:42956
DRAWN BY: J. WADE	CHECK BY: C. RODGERS

SURVEYOR'S CERTIFICATE
I HEREBY CERTIFY THAT TO THE BEST OF MY KNOWLEDGE AND BELIEF, ALL OF THE REQUIREMENTS OF THE BOARD OF SUPERVISORS AND ORDINANCES OF THE COUNTY OF SURRY, VIRGINIA, REGARDING THE PLATTING OF SUBDIVISIONS WITHIN THE COUNTY HAVE BEEN COMPLIED WITH. GIVEN UNDER MY HAND THIS 12TH DAY OF JUNE, 2023.

CLIFTON J. RODGERS L.S., NO. 3598



- LEGEND:**
- — POWER POLE
 - △ — GUY WIRE
 - ⊠ — UTILITY VAULT
 - — ELECTRIC BOX
 - — GAS VALVE
 - ⊙ — SANITARY MANHOLE
 - ⊕ — CLEAN OUT
 - ▣ — GRATE TOP INLET
 - — HIGHWAY MONUMENT
 - — IRON ROD FOUND
 - ⊙ — IRON PIPE FOUND
 - — IRON ROD SET

Y:\903\42956-HRSDPump-6\DWG\42956PumpHouse6_XPSurv-903v.dwg | Plotted on 6/12/2023 3:53 PM | by Joe Wade

TIMMONS GROUP

PURCHASE AND SALE AGREEMENT

THIS PURCHASE AND SALE AGREEMENT (this "Agreement") made this 24TH day of June, 2020, by and between **SURRY HOLDINGS, L.L.C.**, a Virginia Limited Liability Company, hereinafter referred to as Seller, and **HAMPTON ROADS SANITATION DISTRICT**, a political subdivision of the Commonwealth of Virginia ("HRSD"), Purchaser.

RECITALS

- A. Seller is the owner in fee simple absolute of a certain parcel of property approximately four thousand nine hundred twenty-seven [4,927] square feet in area, being a part of Tax Map 27A-2-21 located in the Town of Surry, Virginia, such property being more particularly described in Exhibit A and shown on Exhibit B [*Resubdivision Plat*], both of which are attached to and made a part of this Agreement (the "Property").
- B. HRSD desires to purchase the Property from the Seller for the purpose of maintaining and improving the existing pump station site on the Property.
- C. Seller is willing to sell the Property to HRSD subject to the terms and conditions set forth in this Agreement.
- D. HRSD will compensate Seller for reasonable rent beginning in April of 2017 through January of 2020 in the amount of \$2,750 and additional compensation of \$110 per month for each month until closing after January of 2020.
- E. These recitals are incorporated by this reference into this Agreement.

NOW, THEREFORE, in consideration of the purchase price and the mutual promises contained in this Agreement, the parties agree as follows:

1. **SALE.** Seller agrees to sell and HRSD agrees to purchase the Property, together with all rights and appurtenances thereto, including all right, title and interest of Seller in and to any land lying in the bed of any highway, street, road, or avenue, open or proposed, in front of or abutting, or adjoining such tract or piece of land and any riparian rights, if any, and any rights, easements, and appurtenances pertaining thereto, and any building and other property situated thereon, including all personal property, attached or appurtenant to, located in or on, or used in connection with the real property, if any. The real property and the personal property are called "the Property".

2. PURCHASE PRICE. The purchase price (the Purchase Price) for the Property is Ten Thousand Dollars (\$10,000.00), (in addition to the aforementioned compensation for rent) and the Purchase Price shall be paid to the Seller by certified check or wired funds at closing.

3. CONVEYANCE.
 - a. At the Closing, Seller shall convey title to the Property in fee simple, by general warranty deed, free and clear of any and all liens, mortgages, deeds of trust, security interests, leases, covenants, conditions, restrictions, easements, rights-of-way, licenses, encroachments, judgments or encumbrances of any kind, except for the following permitted exceptions: (a) the lien of real estate taxes not yet due and payable; (b) zoning and building restrictions and other laws, ordinances, and regulations of governmental bodies having jurisdiction over the Property; and (c) matters of record affecting title to the property, as reviewed and approved (or deemed approved) by HRSD in accordance with this Agreement. Except as expressly stated in this Agreement, the Property shall be conveyed in "AS IS" condition.

 - b. Title to the Property shall be good and marketable and, if HRSD chooses to obtain title insurance, insurable by a nationally recognized ALTA title insurance company of HRSD's choice at or below normal rates. In the event that a title examination discloses defects of title or other matters unsatisfactory to HRSD at HRSD's sole determination, HRSD shall notify Seller in writing (an "Objection Notice"), within 90 days of the Effective Date, of such title defects or other matters to which HRSD objects. Seller covenants that it shall cure all monetary encumbrances and all title objections which may be cured by execution of a document requiring the signature of no party other than Seller (including any affidavits which may reasonably be required by the title insurer). Seller may notify HRSD in writing (an "Objection Response"), within ten (10) business days after receiving an Objection Notice if it believes that the Objection Notice makes reference to any title defect or other matter that Seller cannot or elects not to cure. Upon receipt of an Objection Response from Seller, HRSD shall have the option either to (i) terminate this Agreement by notice to Seller given within ten (10) business days of the Objection Response or (ii) accept the defects, exceptions or other matters referenced in such Objection Response and proceed to Closing hereunder with

no reduction of the Purchase Price. Seller shall have the period until the Closing date within which to correct all defects, exceptions or other matters that it is required or elects to cure. Seller shall provide such documents (including evidence of authority), affidavits, and other instruments that may be reasonably required for the issuance of a title insurance policy to HRSD.

- c. HRSD will continue to maintain its existing access to the Property for the purposes specified herein. Fee simple title to the Property will convey to HRSD at Closing.
 - d. Seller agrees to pay Grantor's tax, proration of real estate taxes and storm water fees (if applicable) and agrees to deliver fee simple title to the Property to HRSD at settlement. HRSD will pay all other fees charged in connection with preparation and recordation of the deed and resubdivision plat.
 - e. Seller and HRSD agree that the attorney selected by HRSD shall act as the Settlement Agent at HRSD's expense. The Settlement Agent shall prepare the settlement statement, update and record the deed, collect and disburse settlement funds in accordance with this Agreement and the settlement statement, and file any required state and federal tax forms or other certifications.
4. RIGHT OF ENTRY. HRSD and HRSD's authorized representatives may at any reasonable time and after giving reasonable notice to Seller, enter upon the Property for the purpose of making inspections, appraisals, surveys, including but not limited to the cutting of survey lines and putting up markers and driving stubs and stakes, site analysis, engineering studies, core sampling for engineering reports, and locating existing rights of way, easements, and utilities. HRSD will exercise this right of entry in such a way so as to not cause unreasonable damage to the Property. HRSD agrees to indemnify and save harmless the Seller from all claims of liability for any personal injury or property damage or otherwise to any person or property caused by any action or omission of HRSD or its agents on the Property before or after Closing.
5. CONDITIONS AND CONTINGENCIES.
- a. HRSD's obligations are expressly conditioned upon the waiver or satisfaction of each of the following conditions in the sole determination of HRSD. If any one of the following conditions cannot be met within 90 days after the Effective Date (the Effective

Date being defined as the date the contract is endorsed by both HRSD and Seller), HRSD may unilaterally terminate this Agreement:

- i. Receipt of a satisfactory title commitment with all unacceptable title exceptions, encumbrances, and conditions as deemed by HRSD removed or cured at Seller's cost; however, if Seller chooses not to remove or cure any such title exception, HRSD's sole remedy shall be to terminate this Agreement;
- ii. Seller's compliance of all of its obligations under this Agreement.

6. REPRESENTATIONS AND WARRANTIES BY SELLER. Seller represents and warrants as of the date of this Agreement and as of the date of Closing that: Seller has the right, title, and authority to enter into this Agreement and to perform its obligations hereunder.

Seller further represents and warrants and shall deliver to HRSD at or prior to the Settlement, an Affidavit prepared by HRSD evidencing the following facts:

- (i) Other than this Agreement, there are no other contracts for sale or options involving the Property now in effect;
- (ii) To the best of Seller's knowledge, no other party has any right, title or interest in the Property;
- (iii) There are no unrecorded leases, options, licenses or easements existing in connection with the property to which the Seller has knowledge;
- (iv) There are no adverse government notifications or proceedings and there is no pending or threatened litigation or any other potentially adverse claims affecting the property to which the Seller has knowledge.
- (v) Foreign Status. Seller is not a foreign corporation, person or entity and is a "United States Corporations, Person or Entity" as such terms is defined in Section 1445 and in Section 7701 (a)(30) of the Internal Revenue Code of 1986, as

amended (the "Code") and shall deliver to HRSD at or prior to the Settlement an Affidavit prepared by HRSD evidencing such fact and such other documents as may be required under the Code.

- (vi) From and after the date of this Agreement, Seller shall not transfer any interest in, or grant any easements or enter into any contractual agreement or understanding, written or oral, with respect to the Property or any portion thereof or make any changes at all that require recordation and therefore modifications to title, without the prior written consent of HRSD.
- (vii) The Seller warrants that to the best of his knowledge there are no wetlands or hazardous wastes, which would prevent HRSD's intended use of the land. To the best of the Seller's knowledge: (i) none of the Property has been excavated (except for standard grading related to site development); (ii) no hazardous materials, toxic chemicals, or similar substances, as defined by 42 U.S.C. §1251, et seq. or 42 U.S.C. §6901, et seq. or 42 U.S.C. §9601, et seq., or 33 U.S.C. §1317(1), or 15 U.S.C. §2606(f), or 49 U.S.C. §1801, et seq., or regulations adopted pursuant thereto, or any similar provision of any applicable state, Federal, or local law (collectively "Hazardous Materials"), are or were stored or used on or under or otherwise were or are in existence or were in any way dealt with on or under the Property; and (iii) no owner or occupant of the Property has received any notice from any governmental agency with regard to such Hazardous Materials.

8. NOTICES. All notices to the parties hereto will be delivered by hand, via certified mail return receipt requested, or via facsimile and all be deemed effective upon delivery if by hand and upon confirmation of receipt if by other means, to the following address until the address is changed by notice in writing to the other party:

HRSD: Edward G. Henifin, P.E.
General Manager
P.O. Box 5911
Virginia Beach, Virginia 23471-0911

Copy to: Conway H. Sheild, III, Esq.
Jones, Blechman, Woltz & Kelly, P.C.
701 Town Center Drive, Suite 800,
Newport News, VA 23606

Seller: Surry Holdings, L.L.C.
c/o Leigh Huston
112 67th Street
Virginia Beach, VA 23451

9. CLOSING. Unless this Agreement is terminated pursuant to its terms or by mutual agreement of the parties, Closing will be made at the offices of the Settlement Agent within 120 days of the Effective Date, unless extended by terms of these agreements or by mutual agreement of the parties.
10. SURVIVAL. The provisions contained in this Agreement will be true as of the date of this Agreement and as of the date of Closing.
11. PRORATIONS. All rents, interest, taxes, insurance premiums, utility bills, and fuel oil, if any, will be prorated as of the date of Closing.
12. FUTURE SALE BY HRSD. In the event that HRSD shall determine to sell all or a portion of the property for private development within two (2) years of the Settlement Date, it agrees to notify Seller and give Seller first opportunity to purchase the property on such terms as the parties shall mutually agree. Such notice shall be writing addressed in accordance with the provisions of Section 8 herein or such other address provided to HRSD by the Seller and shall provide Seller with at least thirty (30) calendar days to present HRSD with an offer to purchase the property.
13. BROKERS. Seller and HRSD both represent and warrant to the other that it has not hired, engaged, or consulted with any broker or agent in regard to this transaction. Each party agrees to indemnify and hold harmless the other from any and all costs, expenses, or damages resulting from any claim for brokerage fees or other similar forms of compensation made by any real estate broker or other person or entity with whom a party has dealt, and who is not expressly named herein.

14. CONDEMNATION. Seller covenants and warrants that Seller has not heretofore received any notice of any condemnation proceeding or other proceeding in the nature of eminent domain in connection with the Property. If prior to Settlement any such proceeding is commenced or any change is made, or proposed to be made, to the current means of ingress and egress to the Property or to the roads or driveways adjoining the Property, or to change such ingress or egress or to change the grade thereof, Seller agrees immediately to notify HRSD thereof. HRSD then shall have the right, at HRSD's option, to terminate this Agreement by giving written notice to Seller within thirty (30) days after receipt of such notice.
15. DEFAULT AND REMEDIES.
- a. If the sale and purchase contemplated by this Agreement is not consummated because of Seller's or HRSD's default, the non-defaulting party may elect to:
 - i Terminate this Agreement;
 - ii Seek and obtain specific performance of this Agreement; or
 - iii Pursue all other rights or remedies available at law or in equity, including an action for damages.
 - b. If either Seller or HRSD defaults under this Agreement, the defaulting party will be liable for any expenses incurred by the non-defaulting party in connection with the enforcement of its rights under this Agreement.
 - c. These remedies are cumulative and non-exclusive and may be pursued at the option of the non-defaulting party without a requirement of election of remedies.
16. ENTIRE AGREEMENT. This Agreement contains the entire agreement of the parties and will supersede the terms and conditions of all prior written and oral agreements, if any, concerning the matters it covers. The parties acknowledge there are no oral agreements, understandings, representations, or warranties that supplement or explain the terms and conditions contained in this Agreement. This Agreement may not be modified except by an agreement in writing signed by the parties.

17. WAIVER. Failure to insist upon strict compliance with any of the terms, covenants, or conditions hereof will not be deemed a waiver of the term, covenant, or condition, nor will any waiver or relinquishment of any right or power at any one time or more times be deemed a waiver or relinquishment of the right or power at any other time or times.
18. SEVERABILITY. This Agreement will be construed in its entirety and will not be divisible, except that the invalidity or unenforceability of any provision hereof will in no way affect the validity or enforceability of any other provision.
19. CAPTIONS. Captions are used in this Agreement for convenience only and will not be used to interpret this Agreement or any part of it.
20. GOVERNING LAW. This Agreement is to be construed in accordance with the laws of the Commonwealth of Virginia.
21. CHOICE OF FORUM/JURISDICTION. The parties hereby consent to the jurisdiction and venue of the courts of the Commonwealth of Virginia, specifically to the courts of the City of Virginia Beach, Virginia, and to the jurisdiction and venue of the United States District Court for the Eastern District of Virginia in connection with any action, suit, or proceeding arising out of or relating to this Agreement and further waive and agree not to assert in any action, suit, or proceeding brought in the City of Virginia Beach, Virginia, or the Eastern District of Virginia that the parties are not personally subject to the jurisdiction of these courts, that the action, suit, or proceeding is brought in an inconvenient forum or that venue is improper.
22. WAIVER OF TRIAL BY JURY. THE PARTIES WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM BROUGHT BY EITHER PARTY AGAINST THE OTHER ON ANY MATTER WHATSOEVER ARISING OUT OF OR IN ANY WAY CONNECTED WITH THIS AGREEMENT OR ANY RELATED AGREEMENTS OR INSTRUMENTS AND THE ENFORCEMENT THEREOF, INCLUDING ANY CLAIM OF INJURY OR DAMAGE TO ANY PARTY OR THE PROPERTY OF ANY PARTY.
23. SUCCESSOR/ASSIGNMENT. This Agreement will be binding upon and the obligations and benefits hereof will accrue to the parties hereto, their heirs, personal representatives, successors, and assigns. This Agreement is assignable by HRSD only upon written consent of the Seller, which consent will not be unreasonably withheld. If this Agreement is

assigned by HRSD with Seller's consent, HRSD will nevertheless remain fully liable for its performance.

24. COUNTERPARTS. This Agreement may be executed in any number of counterparts, each will be considered an original, and together they will constitute one Agreement.
25. FACSIMILE SIGNATURES. Facsimile signatures will be considered original signatures for the purpose of execution and enforcement of the rights delineated in this Agreement.
26. ETHICS IN PUBLIC CONTRACTING. By executing this Agreement, the undersigned Seller or its representative, and the representative of HRSD, certify that the prices agreed to in this Agreement were arrived at without collusion or fraud and that they have not offered or received any payment, kickbacks or other inducement from any other party to this Agreement or its agent or employee in connection with this Agreement, and that they have not conferred on any public employee having responsibility for this procurement transaction any payment, loan, subscription, advance, deposit of money, services (or anything of more than nominal value, present or promised) unless disclosed in this Agreement.

SELLER:

SURRY HOLDINGS, L.L.C., a Virginia Limited Liability Company

By: Leigh S. Huston
Leigh S. Huston

Its: owner

HAMPTON ROADS SANITATION DISTRICT

By: Ayanna Q. Williams
Title: Real Estate Manager

EXHIBIT A – Legal Description

All that certain lot, tract or parcel of land lying, situate and being in the County of Surry, Virginia, designated and described as, "PUMP STATION PARCEL 4,927 SQ. FT./0.113 AC", as shown on that certain plat entitled, "PLAT SHOWING PROPERTY OWNED BY LEIGH S. HUSTON TO BE CONVEYED TO HAMPTON ROADS SANITATION DISTRICT SURRY, VA", dated November 29, 2018 and made by Johnson, Mirmiran & Thompson, a copy of which plat is attached hereto and made a part hereof, to which reference is here made.

EXHIBIT B [*Resubdivision Plat*]

AGENDA ITEM 13. – September 26, 2023

Subject: Conflict of Interest, Ethics and FOIA Training

Recommended Action: No action is required.

Brief: Commission General Counsel, Robyn Hansen and Max Hlavin, of Sands Anderson will provide an overview of ethics and conflict of interest for the Commission, which will meet the periodic training requirement per the Ethics Policy for Commission members.

In addition, they will provide an overview of the Freedom of Information Act (FOIA) laws related to meetings that must be followed by public servants. The presentation will include an explanation of what constitutes a meeting and the appropriate use of emails by Commission members.

AGENDA ITEM 14. – September 26, 2023

Subject: New Business

AGENDA ITEM 15. – September 26, 2023

Subject: Unfinished Business

AGENDA ITEM 16. – September 26, 2023

Subject: Commissioner Comments

AGENDA ITEM 17. – September 26, 2023

Subject: Informational Items

Recommended Action: No action is required.

Brief: The following items listed below are presented for information.

- a. Management Reports
 - (1) [General Manager](#)
 - (2) [Communications](#)
 - (3) [Engineering](#)
 - (4) [Finance](#)
 - (5) [Information Technology](#)
 - (6) [Operations](#)
 - (7) [Talent Management](#)
 - (8) [Water Quality](#)
 - (9) [Report of Internal Audit Activities](#)
- b. [Strategic Measures Summary](#)

September 17, 2023

Re: General Manager's Report

Dear Commissioners:

Improving our monthly reports and aligning them with our Strategic Plan continues. I welcome your feedback and comments on the new versions.



Environmental Responsibility

The first full-scale Underground Injection Control (UIC) permit for the James River SWIFT facility was received. This was the first UIC permit of its kind in the country and is the result of a tremendous amount of great work by our Water Quality staff.

Staff sent the draft Consent Decree modification to the EPA and Department of Justice for the Rehabilitation Action Plan deadline extensions and improvements to the High Priority Project implementation plan. We are hopeful it will be finalized in the coming months.

Treatment Compliance and System Operations: With the large rain events in August, there were several Sanitary Sewer Overflows (SSOs) on the South Shore which are detailed in the Operations report. All SSOs were reported to the Department of Environmental Quality (DEQ). The treatment plants experienced a few spills due to equipment failures and a high flow event.

Water Quality: Three civil penalties were issued this month for technical and administrative violations: Bottling Group (Newport News), Atlantic Constructors (Chesterfield), and New Realm Brewing (Virginia Beach).



Financial Stewardship

Staff met with DEQ to discuss the \$450 million Water Quality Improvement Fund (WQIF) grant applications currently under review, however, this is also dependent upon the General Assembly passing a budget.

In the Hampton Roads Planning District Commission's (HRPDC) most recent analysis on Hampton Roads population trends, the region decreased by 0.01% in 2021-2022, which was due to net domestic migration (movement within the U.S.). The Hampton Roads job market is strong. HRPDC reports that unemployment declined again to 2.9%, which is lower than the 3.6% national rate. Initial unemployment claims declined for the third month in row. As long-term interest rates settle down and the thread of a recession declines, single family housing

permits have been increasing in 2023. This is correlated to our higher than budgeted Facility Charges.

The Operations Department deployed several technologies in August to reduce the cost of treatment and resource consumption while also providing an overall environmental benefit.



Talent

HRSD created a Treatment Project Team to perform small projects and repairs. They have been successfully deployed throughout HRSD. This focused team grows our internal capabilities while also minimizing the need to divert existing plant staff that would typically get pulled away from their normal duties to work on small projects.

The compensation study kickoff meeting was held this month. The goal was to solicit feedback and develop a compensation philosophy. A SharePoint site will be set-up to ensure staff can track the progress and keep the process transparent.

I participated in the following meetings/activities with HRSD personnel:

1. Met with staff on the sodium hypochlorite business case evaluation
2. Working with staff on the TCC Foundation land acquisition
3. Attended with compensation study kick-off meeting
4. Attended the Community Commitment Plan Steering Team meeting



Community Engagement

Staff presented at the City of Norfolk's Lambert's Point Forum with over 300 residents attending. The questions and answers will be posted on the City's website in September.

Staff created a new HRSD Ambassador program. This is a team of employees that is interested in education and outreach activities for recruitment and career events throughout the region.

IT continues mock data conversations and other testing to ensure the City of Chesapeake conversion to Model 3 goes smoothly. The go-live date is scheduled for October.

I participated in the following external meetings/activities:

1. Met with my mentee, Brandon Cooper – Greeley-Hansen, as part of the Virginia Water Environment Association's mentoring program
2. Attended the regional Directors of Utilities Committee monthly meeting
3. Discussed potential water-related efforts with Troutman Pepper
4. Worked with AquaLaw on the draft Consent Decree minor modification

5. Met with the City of Norfolk's acting Deputy City Manager and acting Director of Utilities on various issues
6. Presented "HRSD's Integrated Plan: Regional Collaboration Success Story" to the Potomac Aquifer Recharge Oversight Committee
7. Met with the compensation study consultants
8. Debriefed with the City of Norfolk on the Lambert's Point Forum



Innovation

Staff are working on a Water Research Foundation (WRF) project on One Water program management since SWIFT is the epitome of thinking about water as a system as opposed to silos.

Partial denitrification-anammox (PdNA) continues to progress at the James River Treatment Plant. Both the Moving Media Integrated Fixed Film Activated Sludge (MIFAS) and Fixed media Integrated Fixed Film Activated Solids (FIFAS) continued to show anammox growth and improved performance as expected.

Thanks for your continued dedicated service to HRSD, the Hampton Roads region, the Commonwealth, and the environment.

I look forward to seeing you in person in Virginia Beach at 9:00 a.m. on Tuesday, September 26, 2023.

Respectfully submitted,

Jay Bernas, P.E.
General Manager

TO: General Manager
FROM: Director of Communications
SUBJECT: Monthly Report for August 2023
DATE: September 12, 2023

A. Publicity and Promotion

1. It was a relatively quiet month for HRSD and SWIFT in the media with only four news stories or media/social media mentions. Topics included:
 - a. The public forum on the future of Lambert's Point Golf course
 - b. HRSD searches for general consultant for its 457 Plan
 - c. Business notes regarding the reappointment of Commissioners Glenn and Levenston
 - d. HRSD's SWIFT program mentioned in a story about efforts to reverse subsidence
2. Analysis of media coverage

What are the key results for the August?

Mentions

Compared to last period

2 ↓ 91%
Previous Value: 23

Total Potential News Reach

Compared to last period

119k ↓ 100%
Previous Value: 469M

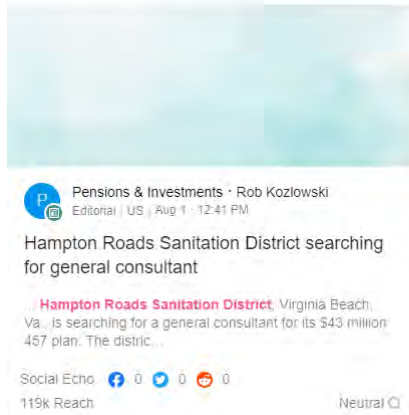
Sentiment

Compared to last period

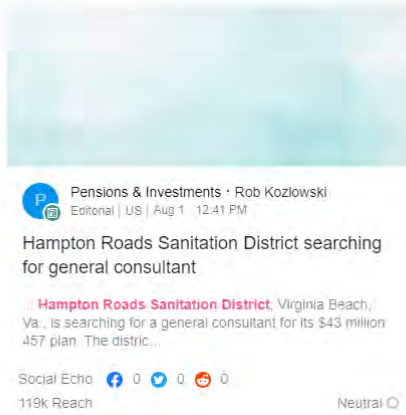
0 ↓ 100%
Previous Value: 9

What is the top performing news content?

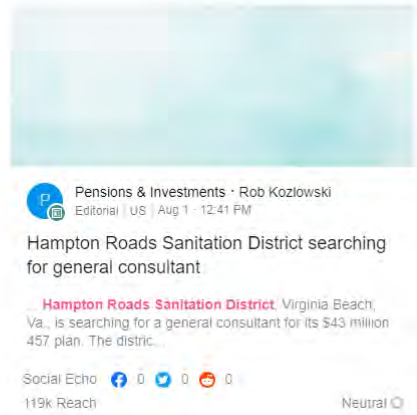
Top Article by Reach



Top Article by Reach and Volume

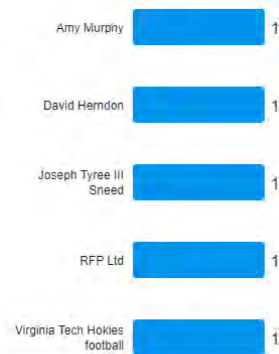


Top Article by Social Echo

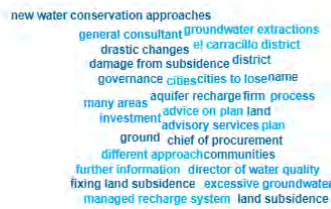


What are the top entities and keywords?

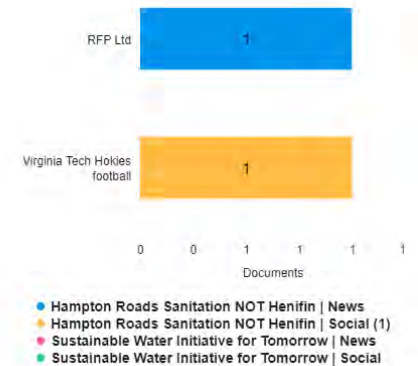
Top Entities



Top Keywords

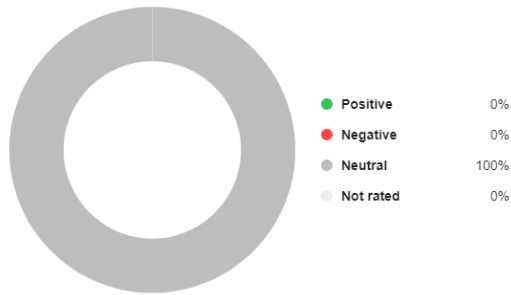


Top Organizations

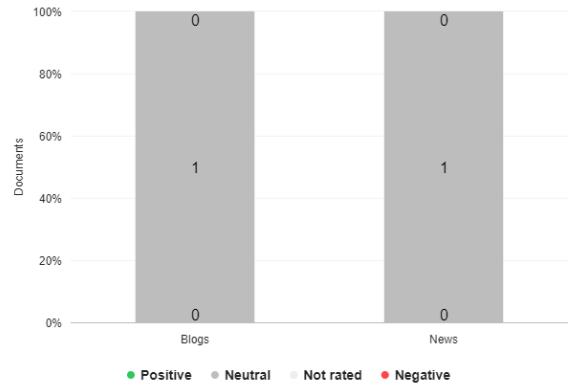


How favorable is the content?

Sentiment Share of Voice

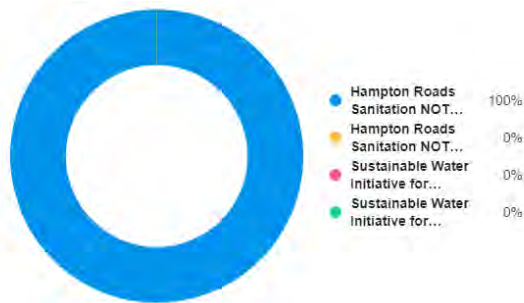


Sentiment by Source Type

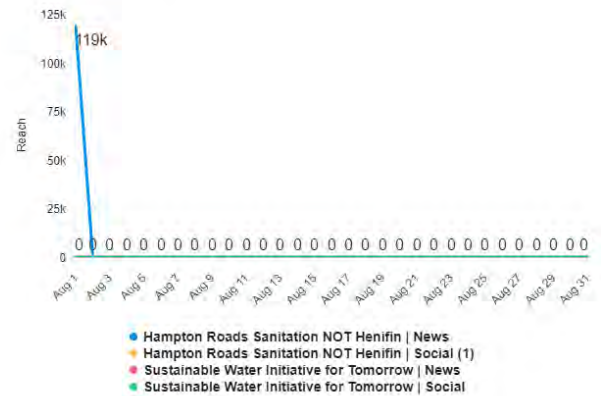


What is the potential reach?

Share of Voice by Reach



Potential News Reach

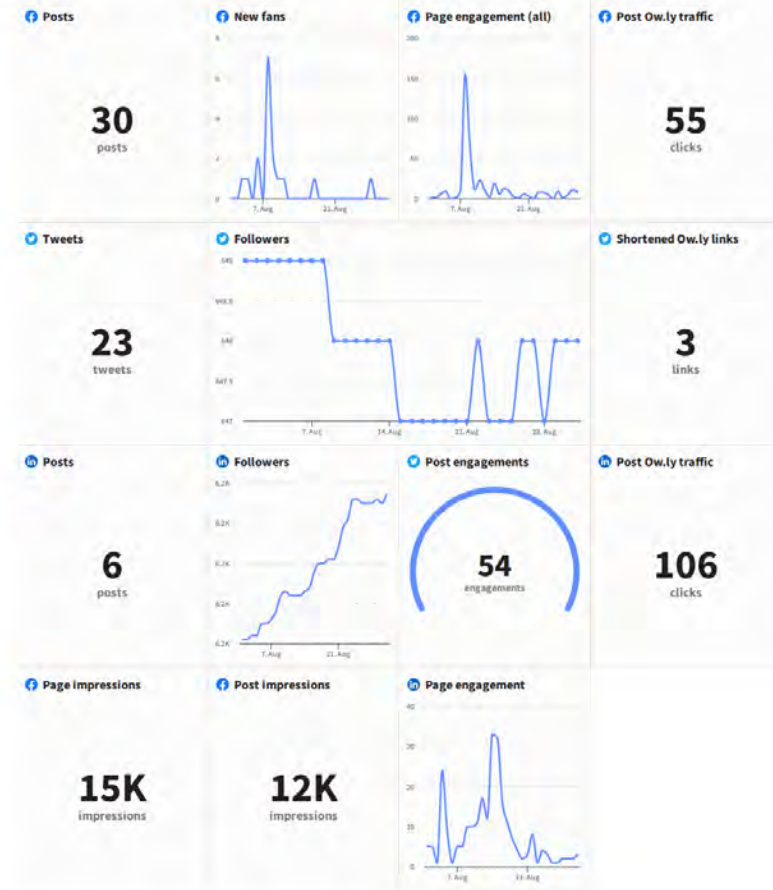




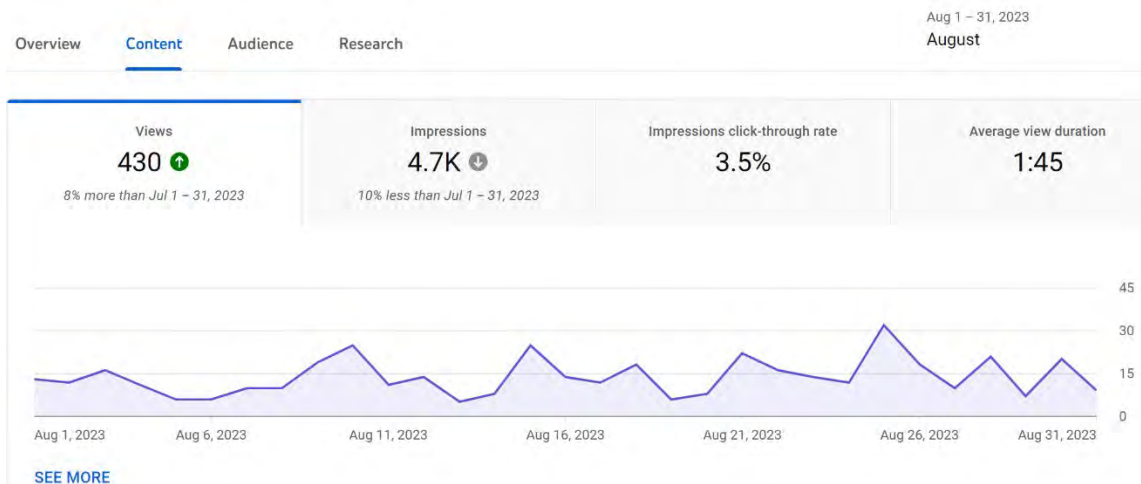
Community Engagement

B. Social Media and Online Engagement

1. Metrics – Facebook, Twitter and LinkedIn

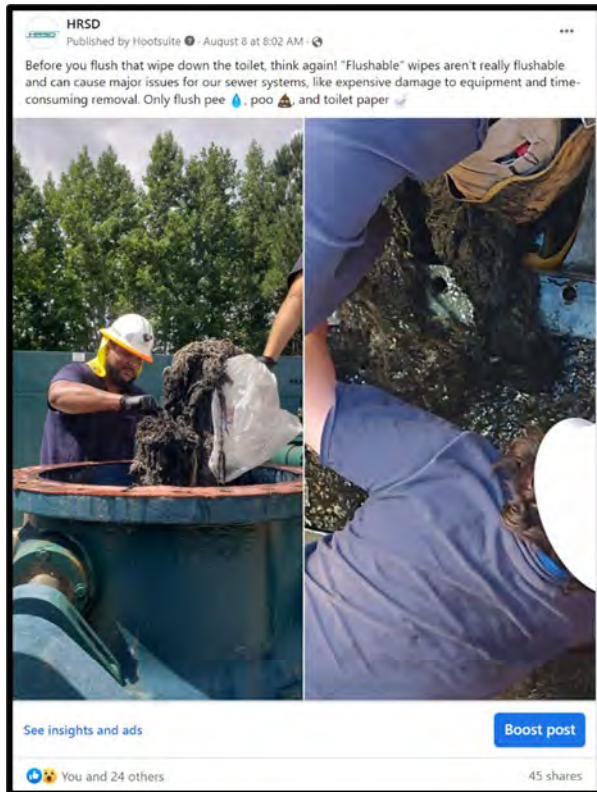


2. YouTube



3. Top posts on Facebook, Twitter, and YouTube

a. Top Facebook post



b. Top Tweet



c. Top YouTube Videos

- (1) [The Wastewater Treatment Process](#) (114 views)
- (2) [HRSD Employee Testimonials - Robert](#) (45 views)
- (3) [HRSD Larchmont Area Sanitary Sewer Improvements](#) (33 views)
- (4) [National Infrastructure Week: James River SWIFT](#) (32 views)

- (5) [What Is Asset Management? Celebrating Infrastructure Week at HRSD](#) (29 views)

4. Website and Social Media Impressions and Visits

- a. Facebook:
 - (1) 15,139 page impressions
 - (2) 12,359 post impressions reaching 11,827 users
 - (3) Facebook Engagement of 406 (306 reactions, 59 shares, and 41 comments)
- b. X (Formerly known as Twitter): 2,872 post impressions, 2.6% engagement rate
- c. HRSD.com: 1,049* homepage visits (numbers for SWIFT virtual tour visits are not available due to property changes within Google Analytics. ITD is researching the issue and hope to have resolution in the coming month.)
- d. LinkedIn Impressions:
 - (1) 9,871 page impressions
 - (2) 8,177 post impressions
- e. YouTube: 430 views
- f. Next Door unique impressions: 16,071 post impressions from 19 targeted neighborhood postings and one region-wide posting shared with 689,066 total residents
- g. Blog Posts: (0)
- h. Construction Project Page Visits – 2,007 total visits (not including direct visits from home page, broken down as follows:
 - (1) 1,688 visits to individual pages
 - (2) 319 to the status page

C. Education and Outreach Activities

Director, together with the Deputy General Manager and the Chief of Design and Construction for SWIFT attended the City of Norfolk public forum for the future of the Lambert's Point Golf Course property. Together, they assisted residents as they took tours of the property ahead of the event. Presentations were given by HRSD's Chief of Design and Construction for SWIFT as well as city officials. HRSD staffed an information table and provided bottles of SWIFT Water™. The event was well-attended and well organized. Questions and answers from the event will be shared on the City of Norfolk site as well as within the future project site for Virginia Initiative Plant Tertiary Treatment work as it draws nearer.

The department launched its HRSD Ambassador Program in collaboration with the Talent Management Department. The goal of the program is to create a team of HRSD employees who are interested in outreach and education activities and recruitment/career events throughout the region. Ambassadors will be trained on how to perform classroom activities, presentations, and represent HRSD at recruitment/career related events. This program aligns with our efforts to build value within our community and with our ratepayers through education about HRSD and the impact it has on protecting public health and the environment.

Project notices were distributed to 1,732 customers for 11 different projects across the service area this month and the department issued and posted three traffic advisories and nine construction notices to the HRSD.com Newsroom.

There were four SWIFT Tours given over the course of the month to a total of 41 people. Virtual tour information is not available currently due to changes in Google Analytics. We continue to research this and hope to find a resolution in the next month.

Outreach planning began for participation in the upcoming Newport News Fall-o-ween Festival as well as the next SWIFT Industry Outreach Day.

D. Internal Communications

Director participated in the following internal meetings and events:

- Eastern Shore billing work session
- Crisis Communications plan development meetings with consultant
- Strategic measurement dashboard development
- Compensation Study kickoff meeting
- Bi-weekly GM briefings
- Discharge Monitoring Report (DMR), SWIFT Quality Steering Team (QST) and HRSD QST meetings
- Weekly check-in meetings with Deputy General Manager

Director also conducted biweekly Communications department status meetings and weekly one-on-one check-in meetings.

Staff participated in 21 project progress and outreach development meetings with various project managers.



Talent

The Communications Department achieved fully staffed status this month with the hiring and onboarding of fulltime Community Outreach and Education Specialist, Brantley Bissette. Brantley is a Virginia Beach native who graduated from the University of South Carolina with a degree in Marine Science and minor in Journalism and Mass Communications in 2021. He previously worked for the Virginia Aquarium Stranding Response Program, where he primarily assisted with the rehabilitation of wild sea turtles. He has also worked as a senior guide and naturalist at Chesapean Outdoors, leading dolphin-watching kayak tours in the bay.

Brantley joins Lacie Wever in providing educational outreach, SWIFT tours, classroom activities, community presentations and other events to our HRSD service area to help expand our customers' understanding of and appreciation for HRSD and the critical role we play in protecting public health and the environment.

Respectfully,

Leila Rice, APR
Director of Communications

TO: General Manager
FROM: Director of Engineering
SUBJECT: Engineering Monthly Report for August 2023
DATE: September 13, 2023



Environmental Responsibility

HRSD owns and operates numerous pipeline crossings in the various water and river bodies in Hampton Roads. HRSD has installed warning signs along the water's edge wherever possible to improve the visibility of these crossings. Since these signs are in public areas and are subject to extreme weather events, HRSD checks these locations to verify that the signs are clearly visible and in good shape. The HRSD Asset Management System has been updated to provide an annual process to verify that these warning signs are properly inspected and maintained.

Vibration monitoring is used to proactively check for minor vibrations which can occur in critical assets including centrifuges, blowers, pumps, and motors prior to damage or failure. A pilot program was installed at the Virginia Initiative Plant (VIP) in Fiscal Year (FY) 2023. This pilot was successful, and a full scale implementation of 264 continuous monitoring sensors was recently completed at all major treatment plants.



Financial Stewardship

Capital Improvement Program (CIP) spending for the first month of FY2024 was below the planned spending target.

CIP Spending (\$M):

	Current Period July 2023	FYTD
Actual	31.08	31.08
Plan	44.80	44.80

A meeting was held with Virginia Department of Environmental Quality (VDEQ) staff in August. This meeting focused on the various Water Quality Improvement Fund applications that are under review by VDEQ. The three pending applications have a total reimbursement amount of \$450M. Discussions focused on specific project details and how to move the review of these applications forward. A site visit of the James River Treatment Plant construction was also provided. A follow-up meeting is scheduled for October to continue the discussions on these applications.



Talent

Staff retention and recruitment remain significant priorities for the Engineering Department. Three positions are needed to fully staff the Engineering Department. We recently hired Mr. Will Leggett to fill the vacant GIS Analyst position. Interviews are underway to fill each of the remaining open positions and we hope to be fully staffed by the Fall.

Future staffing at the proposed Boat Harbor Pump Station is under review by the Asset Management Division. Using the Asset Management Program and knowing the proposed facilities and equipment to be constructed allows us to estimate the operating and maintenance needs for this very large pump station. Since this new pump station will have screening, grit removal and odor control in addition to some of the largest pumps in the entire interceptor system, proper staffing of this critical asset will be important. An estimate of hours needed to run this pump station will be provided based on the analysis conducted by the Asset Management Division and will be used for future Operating Budget estimates.



Community Engagement

Planning has begun for next year's SWIFT Industry Day. This will be the fifth year of this event which will be held in January 2024. Last year's event included 350 participants facilitated by HRSD's SWIFT consultant, AECOM. The event will include an overview of the SWIFT Program with each Project Team presenting their specific project and upcoming needs. Invited participants will include engineers, contractors, subcontractors, vendors and suppliers. SWaM firms will also be invited to facilitate networking opportunities with some of the national firms that will be assisting HRSD with this large effort. The event will be held in-person in at the Holiday Inn Newport News - Hampton. We continue learning how to engage with attendees and will be modifying the program to keep attendees engaged and to improve information sharing and networking opportunities.

The James River Treatment Plant SWIFT project includes several amenities that will benefit the public. A new road has recently been completed to provide access to the adjacent Riverview Gymnastics Center and Dog Park. This new access road will provide improved access to these facilities and limit impacts caused by construction. In addition, a new trail is under construction to provide public access around the plant site and to connect two adjoining parts of the City's Park property. This initial phase of the trail project will be completed in the next year.



Innovation

Staff are participating in a Water Research Foundation (WRF) project to address best practices associated with One Water Program Management (WRF-5196). HRSD's Swift Program is an excellent example of how to effectively deliver a large and complex One Water Program. HRSD's lessons learned will be shared with other utilities participating in the study. This project is being administered using a workshop format to facilitate input from numerous stakeholders.

The process of repurposing the Chesapeake-Elizabeth Treatment Plant (CETP) continued. This effort is known as the CETP Center for Excellence. Several innovative programs are proposed at this location, including a future grease handling facility, metallic pipe destructive testing, training location for the Apprenticeship Program and study location for sewer collection system infiltration. Each of these study areas will help HRSD plan for the future. HRSD continues to coordinate with the U.S. Navy as we repurpose this facility.

Bruce W. Husselbee

Bruce W. Husselbee, PhD, P.E., BCEE, DBIA

TO: General Manager
FROM: Director of Finance
SUBJECT: Monthly Report for August 2023
DATE: September 13, 2023



Financial Stewardship

HRSD has received its first Environmental, Social, Governance (ESG) rating from Moody's. In summary, the ESG impact score fell into the neutral category meaning little to no impact to overall credit rating. Moody's found that HRSD has a moderate environmental risk due to proximity to the coastline and the wastewater sector's costly regulatory requirements. Social risks were negligible and Governance risks were favorable.

Staff met with the Department of Environmental Quality (DEQ) clean water funding program representatives to discuss how to accelerate review of submitted WQIF applications. Meetings are scheduled in September and October to go over the application and address any concerns. DEQ is estimating that grant approval can be completed by February 2024.

HRSD's FY2023 financial records were held open during the months of July and August to accurately account for those revenues and expenses related to the prior fiscal year. Our independent auditors, Cherry Bekaert LLC, started year-end field work on site and remotely in early September.

Accounts Receivable remained steady for the month. The Debt Solutions team continues to address the past due account process flow and explore options for non-severance accounts.

Field staff delivered 8,094 warning door tags and disconnected water service to 1,202 accounts in August. The Debt Solutions team continues to advance assistance initiatives such as the Low-Income Household Water Assistance Program (LIHWAP), pay plans and Help to Others.

A. Interim Financial Report

1. Operating Budget for the Period Ended August 31, 2023

	Amended Budget	Current YTD	Current YTD as % of Budget (17% Budget to Date)	Prior YTD as % of Prior Year Budget
Operating Revenues				
Wastewater	\$ 405,832,000	\$ 70,821,847	17%	18%
Surcharge	1,600,000	211,505	13%	16%
Indirect Discharge	4,400,000	813,241	18%	21%
Fees	2,894,000	575,851	20%	21%
Municipal Assistance	800,000	167,536	21%	18%
Miscellaneous	1,295,000	55,493	4%	12%
Total Operating Revenue	416,821,000	72,645,473	17%	18%
Non Operating Revenues				
Facility Charge	6,095,000	1,207,735	20%	18%
Interest Income	3,000,000	1,954,916	65%	17%
Build America Bond Subsidy	1,954,000	-	0%	0%
Other	620,000	63,387	10%	33%
Total Non Operating Revenue	11,669,000	3,226,038	28%	15%
Total Revenues	428,490,000	75,871,511	18%	18%
Transfers from Reserves	17,120,789	2,853,465	17%	17%
Total Revenues and Transfers	\$ 445,610,789	\$ 78,724,976	18%	18%
Operating Expenses				
Personal Services	\$ 70,450,193	\$ 10,600,244	15%	19%
Fringe Benefits	28,487,963	4,169,129	15%	15%
Materials & Supplies	16,073,465	1,438,137	9%	10%
Transportation	2,003,573	224,432	11%	11%
Utilities	16,843,498	2,277,426	14%	14%
Chemical Purchases	17,688,997	2,390,770	14%	13%
Contractual Services	53,541,285	5,721,431	11%	10%
Major Repairs	13,696,912	763,082	6%	8%
Capital Assets	1,258,970	96,109	8%	2%
Miscellaneous Expense	3,938,563	597,228	15%	14%
Total Operating Expenses	223,983,419	28,277,988	13%	14%
Debt Service and Transfers				
Debt Service	76,150,000	22,202,382	29%	30%
Transfer to CIP	145,217,370	24,202,895	17%	17%
Transfer to Risk management	260,000	43,334	17%	17%
Total Debt Service and Transfers	221,627,370	46,448,611	21%	21%
Total Expenses and Transfers	\$ 445,610,789	\$ 74,726,599	17%	18%

2. Notes to Interim Financial Report

The Interim Financial Report summarizes the results of HRSD's operations on a basis of accounting that differs from generally accepted accounting principles. **Revenues are recorded on an accrual basis, whereby they are recognized when billed**, and expenses are generally recorded on a cash basis. No provision is made for non-cash items such as depreciation and bad debt expense.

This interim report does not reflect financial activity for capital projects contained in HRSD's CIP.

Transfers represent certain budgetary policy designations as follows:

- a. Transfer to CIP: represents current period's cash and investments that are designated to partially fund HRSD's capital improvement program.
- b. Transfers to Reserves: represents the current period's cash and investments that have been set aside to meet HRSD's cash and investments policy objectives.

3. Reserves and Capital Resources (Cash and Investments Activity) for the Period Ended August 31, 2023

HRSD - RESERVE AND CAPITAL ACTIVITY

August 31, 2023

	General Reserve				Capital	
	General	CARES - ARPA	Debt Service	Risk Mgmt Reserve	Paygo	Debt Proceeds
	Unrestricted	Restricted	Restricted	Unrestricted	Unrestricted	Restricted
Beginning - July 1, 2021	\$ 203,718,301	\$ 4,406	\$ 33,830,226	\$ 4,539,551	\$ 3,115,384	\$ -
Current Year Sources of Funds						
Current Receipts	77,328,558					
Line of Credit					31,420,145	
VRA Draws					-	
WIFIA Draws					62,435,721	
CARES Transfer In	730,692					
Days Cash on Hand Transfer In						
Transfers In	-			43,334	24,202,895	
Sources of Funds	78,059,250	-	-	43,334	118,058,761	-
Total Funds Available	\$ 281,777,551	\$ 4,406	\$ 33,830,226	\$ 4,582,885	\$ 121,174,145	\$ -
Current Year Uses of Funds						
Cash Disbursements	57,088,833				69,200,200	
CARES Transfer Out		4,406				
Days Cash on Hand Transfer Out						
Transfers Out	24,246,229					
Uses of Funds	81,335,062	4,406	-	-	69,200,200	-
End of Period - August 31, 2023	\$ 200,442,489	\$ -	\$ 33,830,226	\$ 4,582,885	\$ 51,973,945	\$ -
Unrestricted Funds	\$ 256,999,319					

4. Capital Improvements Budget and Activity Summary for Active Projects for the Period Ended August 31, 2023

HRSD - PROJECT ANALYSIS

August 31, 2023

Classification/ Treatment Service Area	Appropriated Funds	Expenditures prior to 7/1/2023	Expenditures Year to Date FY2024	Total Project Expenditures	Encumbrances	Available Funds
Administration	77,238,240	30,147,734	1,152,243	31,299,977	4,405,111	41,533,152
Army Base	163,448,800	125,866,880	51,617	125,918,497	594,740	36,935,563
Atlantic	240,329,164	83,457,057	1,559,354	85,016,411	17,263,227	138,049,526
Boat Harbor	516,174,791	93,175,955	19,376,899	112,552,854	329,584,591	74,037,346
Ches-Eliz	183,518,801	121,933,822	778,558	122,712,380	1,875,235	58,931,186
Eastern Shore	63,122,892	26,927,768	6,166,483	33,094,251	10,767,426	19,261,215
James River	363,759,717	106,257,591	15,560,862	121,818,453	201,854,563	40,086,701
Middle Peninsula	103,916,303	29,052,916	1,817,852	30,870,768	7,904,578	65,140,957
Nansemond	499,893,169	98,383,735	16,630,484	115,014,219	303,095,423	81,783,527
Surry	60,391,465	41,079,533	706,254	41,785,787	10,573,942	8,031,736
VIP	193,600,091	36,717,151	3,576,732	40,293,883	48,763,887	104,542,321
Williamsburg	28,535,758	25,152,268	99,028	25,251,296	212,393	3,072,069
York River	83,305,444	21,386,479	1,694,959	23,081,438	19,807,098	40,416,908
General	1,159,492,275	257,322,171	23,604,312	280,926,483	298,513,723	580,052,069
	3,736,726,910	1,096,861,060	92,775,637	1,189,636,697	1,255,215,937	1,291,874,276

5. Active Capital Grants

Active Capital Grants

Grant Name	Funder	Project	CIP#	Application Submitted	Amount Requested	HRSD Award Amount
American Rescue Plan Act	VDEQ	Eastern Shore Infrastructure Improvements - Transmission Force Main Phase II (Accomac Sewer Collection System)	ES010200	11/28/2022	\$ 8,367,000	\$ 4,183,500
American Rescue Plan Act	VDEQ	James River Treatment Plant Advanced Nutrient Reduction Improvements	JR013400	10/7/2022	\$ 50,000,000	\$ 16,940,000
American Rescue Plan Act	VDEQ	Nansemond Treatment Plant Advanced Nutrient Reduction Improvements Phase II	NP013820	10/7/2022	\$ 50,000,000	\$ 14,640,000
FY2024 Congressionally Directed Funding Warner-Kaine	CDF FY24	Eastern Shore Wastewater Improvements	ES010100	3/9/2023	\$ 9,677,112	\$ -
Water Quality Improvement Fund, Conveyance	VDEQ	Chesapeake-Elizabeth Treatment Plant Conveyance	Multiple	2/7/2023	\$ 100,647,746	\$ -
Water Quality Improvement Fund, Conveyance	VDEQ	Eastern Shore TFM Phase 1	ES010100	5/2/2022	\$ 4,900,000	\$ -
Water Quality Improvement Fund, Nutrient Reduction	VDEQ	James River SWIFT - Advanced Nutrient Reduction Improvements	JR013400	3/23/2023	\$ 344,741,547	\$ -
					\$ 568,333,405	\$ 35,763,500

6. Debt Management Overview

HRSD - Debt Outstanding (\$000's)					August 31, 2023	
	Principal July 2023	Principal Payments	Principal Draws	Principal Aug 2023	Interest Payments	
Fixed Rate						
Senior	152,663	-	-	152,663		
Subordinate	758,975	(3,835)	54,343	809,483	(4,167)	
Variable Rate						
Subordinate	50,000	-	-	50,000	(120)	
Line of Credit	100,000			100,000	(354)	
Total	\$ 1,061,638	\$ (3,835)	\$ 54,343	\$ 1,112,146	\$ (4,641)	

HRSD- Series 2016VR Bond Analysis			September 01, 2023
	SIFMA Index	HRSD	Spread to SIFMA
Maximum	4.71%	4.95%	0.24%
Average	0.89%	0.69%	-0.20%
Minimum	0.01%	0.01%	0.00%
As of 09/01/23	4.06%	3.95%	-0.11%

* Since October 20, 2011 HRSD has averaged 69 basis points on Variable Rate Debt

Subsidised Debt Activity

Source	Funder	Loan Amount	Current Drawn Total	% Remain	Initial Draw Date - Projected
WIFIA Tranche 1	EPA	\$ 225,865,648	\$ 111,930,716	50%	Ongoing
WIFIA Tranche 2	EPA	\$ 476,581,587	\$ 51,861,356	89%	Ongoing
WIFIA Tranche 3	EPA	\$ 346,069,223	\$	100%	July 2025
Clean Water Program 2022	DEQ	\$ 100,000,000	\$ 49,321,335	51%	Ongoing
Clean Water Program 2023	DEQ	\$ 50,000,000	\$	100%	March 2024

7. Financial Performance Metrics for the Period Ended August 31, 2023

HRSD - UNRESTRICTED CASH

Can be used for any purpose since it is not earmarked for a specific use and is extremely liquid

		Days Cash on Hand	Adjusted Days Cash on Hand
Total Unrestricted Cash	\$ 256,999,319		419
Risk Management Reserve	\$ (4,582,885)	(8)	411
Capital (PAYGO only)	\$ (51,973,945)	(84)	327
Adjusted Days Cash on Hand	\$ 200,442,489		327

Risk Management Reserve as a % of Projected Claims Cost is 25% YTD compared to 25% Policy Minimum

Adjusted Days Cash on Hand Policy Minimum is 270-365 days.

HRSD - SOURCES OF FUNDS

August 31, 2023

Primary Source	Beginning	YTD	YTD	YTD	Ending	Allocation of	Credit	Current
	Market Value				Market Value			
	July 1, 2023	Contributions	Withdrawals	Income Earned	August 31, 2023	Funds		Yield
BOA Corp Disbursement Account	30,761,730	164,494,292	175,938,850	197,516	19,514,688	9.3%	N/A	0.55%
VIP Stable NAV Liquidity Pool	129,511,237	60,000,000	-	1,273,435	190,784,672	90.7%	AAAm	5.47%
Total Primary Source	\$ 160,272,967	\$ 224,494,292	\$ 175,938,850	\$ 1,470,951	\$ 210,299,360	100.0%		

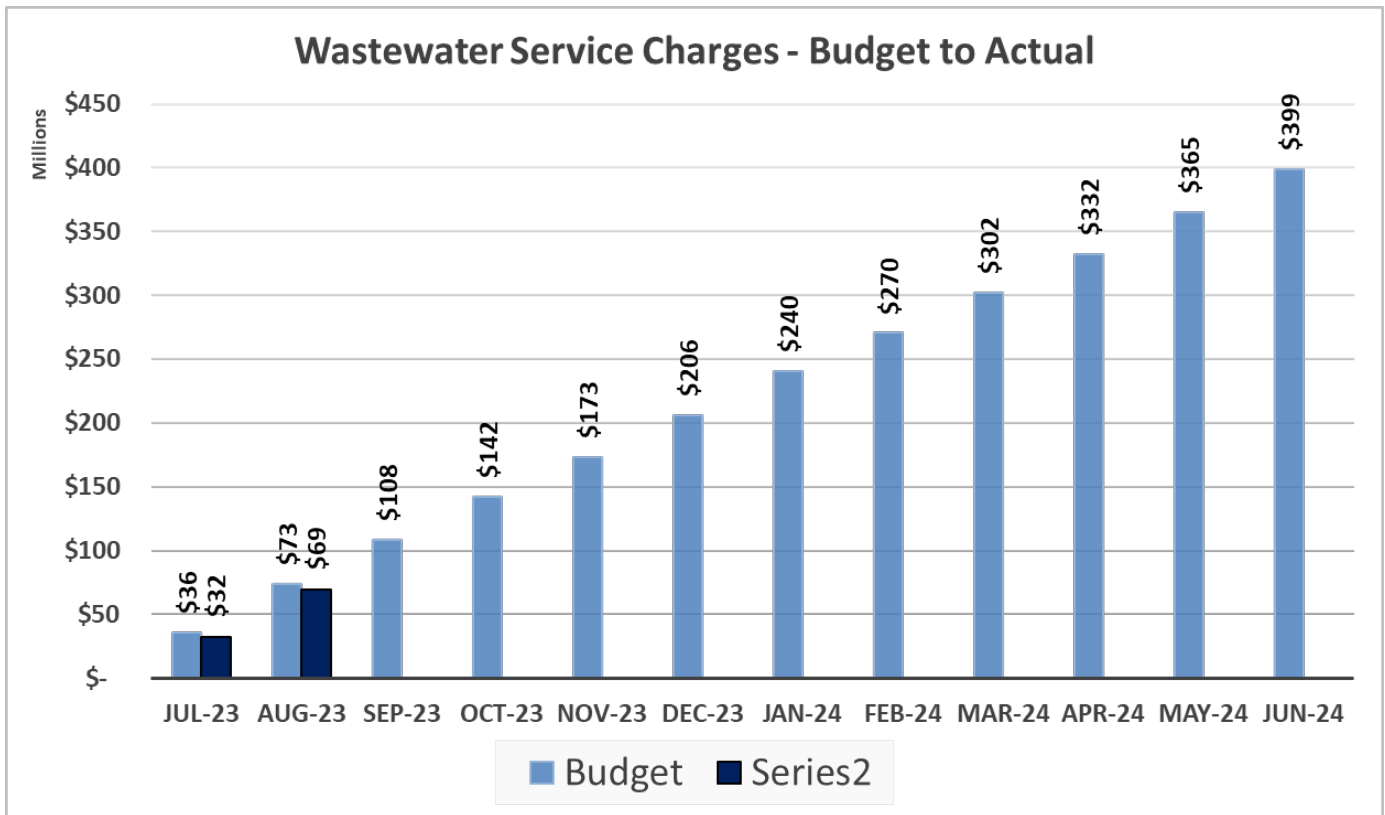
VIP Stable NAV Liquidity Pool out performed Va Local Government Investment Pool's (the market benchmark) by 0.03% in the month of August 2023.

Secondary Source	Beginning	YTD	YTD	YTD	Ending	Ending Cost	LTD	Yield to
	Market Value				Market Value			
	July 1, 2022	Contributions	Withdrawals	Income Earned & Realized G/L	July 31, 2023		Mkt Adj	at Market
VIP 1-3 Year High Quality Bond Fund	63,074,075	-	2,115	333,519	63,537,990	65,220,247	(1,682,257)	4.95%
Total Secondary Source	\$ 63,074,075	\$ -	\$ 2,115	\$ 333,519	\$ 63,537,990	\$ 65,220,247	\$ (1,682,257)	

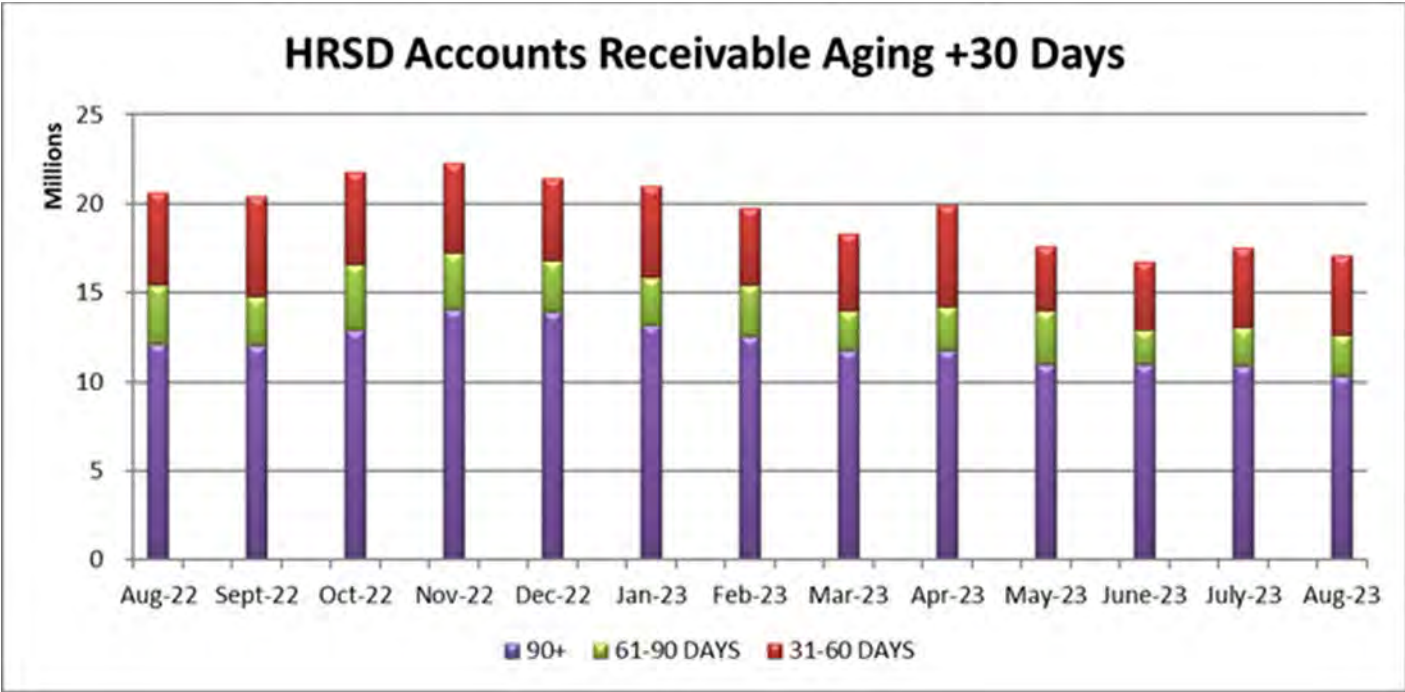
VIP 1-3 Year High Quality Bond Fund performed 0.05% below ICE BofA ML 1-3 yr AAA-AA Corp/Gov Index (the market benchmark) in August 2023.

	Total	Fund Alloc
Total Primary Source	\$ 210,299,360	76.8%
Total Secondary Source	\$ 63,537,990	23.2%
TOTAL SOURCES	\$ 273,837,350	100.0%

8. Summary of Billed Consumption

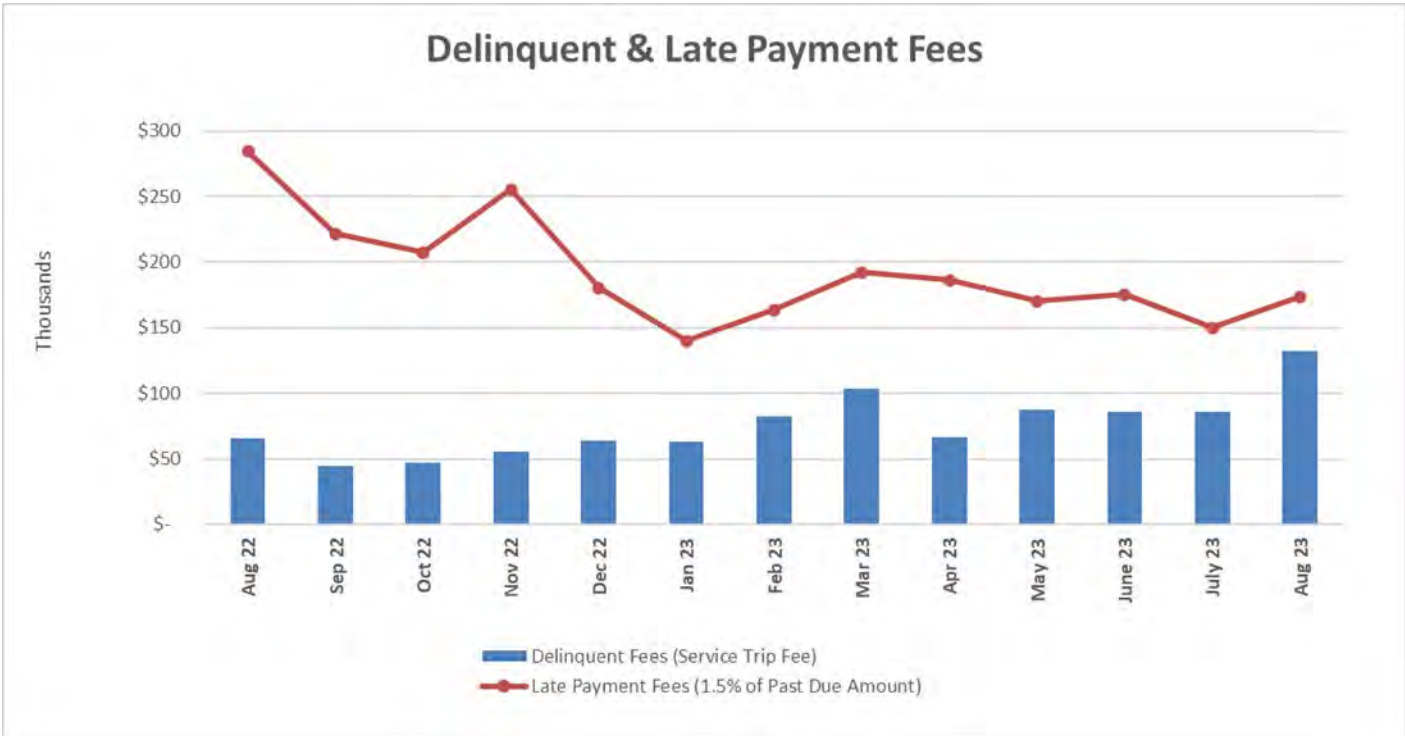


Summary of Billed Consumption (,000s ccf)							
Month	FY2024 Cumulative Budget Estimate	FY2024 Cumulative Actual	<u>% Difference</u>		<u>% Difference</u>		<u>% Difference</u>
			From Budget	Cumulative FY2023 Actual	From FY2023	Cumulative 3 Year Average	From 3 Year Average
July	4,678	4,504	-3.7%	4,682	-3.8%	4,803	-6.2%
Aug	9,644	9,432	-2.2%	9,652	-2.3%	9,543	-1.2%
Sept	14,196	-	N/A	14,208	N/A	14,297	N/A
Oct	18,663	-	N/A	18,680	N/A	18,863	N/A
Nov	22,756	-	N/A	22,777	N/A	22,307	N/A
Dec	27,109	-	N/A	27,133	N/A	27,430	N/A
Jan	31,641	-	N/A	31,669	N/A	32,004	N/A
Feb	35,568	-	N/A	35,601	N/A	35,952	N/A
March	39,770	-	N/A	39,807	N/A	40,351	N/A
Apr	43,694	-	N/A	43,735	N/A	44,473	N/A
May	48,027	-	N/A	48,072	N/A	48,548	N/A
June	52,500	-	N/A	52,549	N/A	53,329	N/A



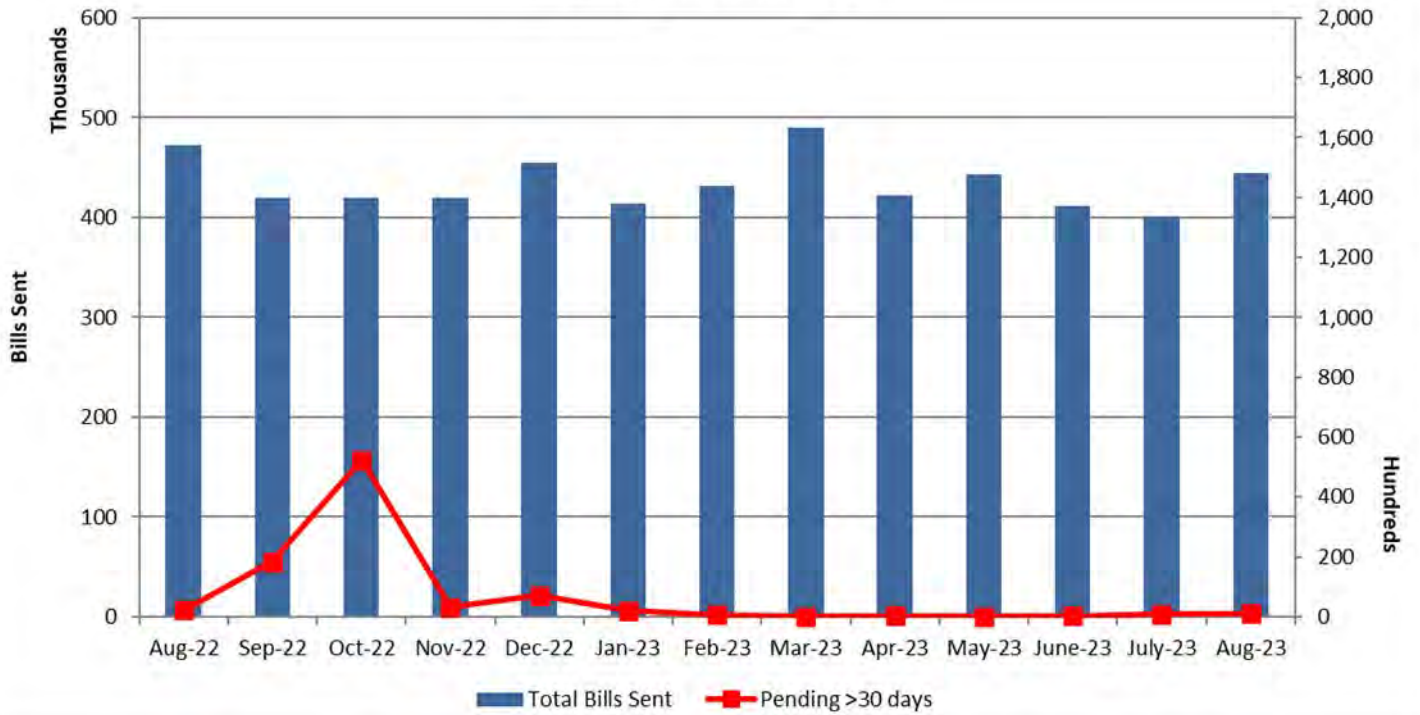
B. Customer Care Center

1. Accounts Receivable Overview

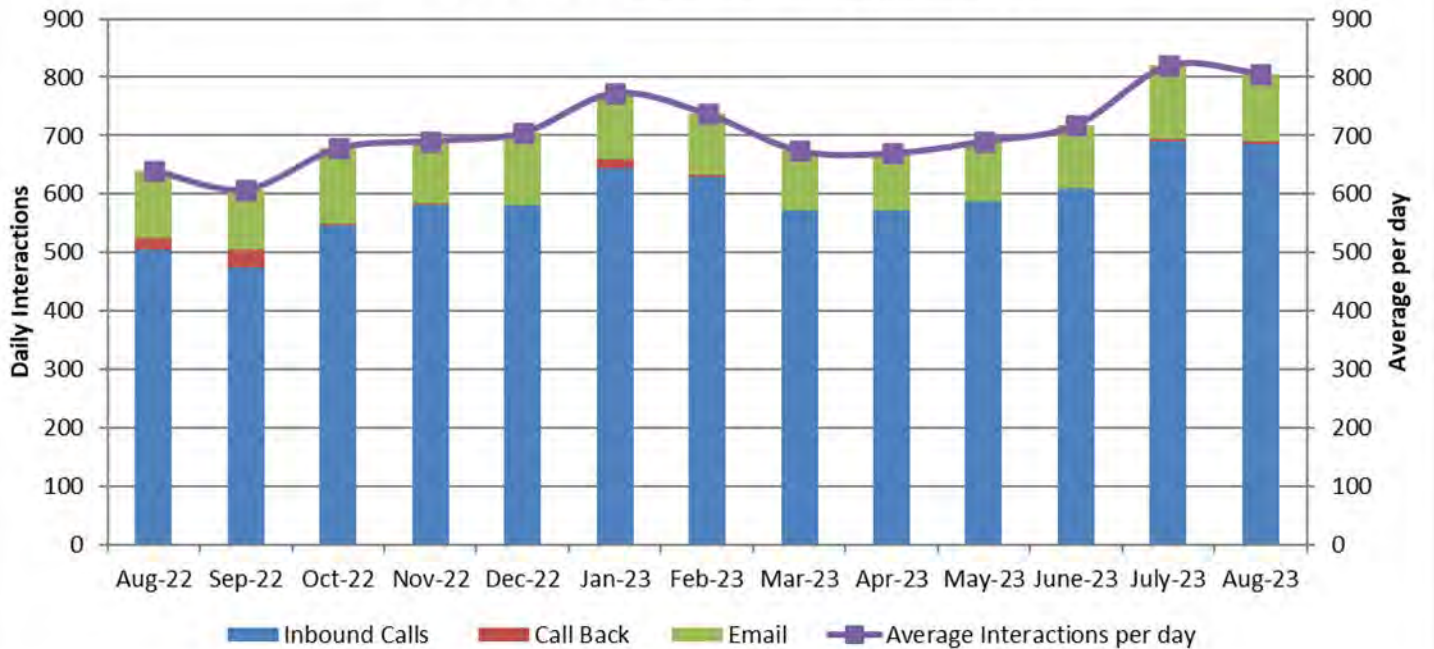


Apr 20-Feb 22 Field Activity was suspended late March 2020 in response to COVID-19

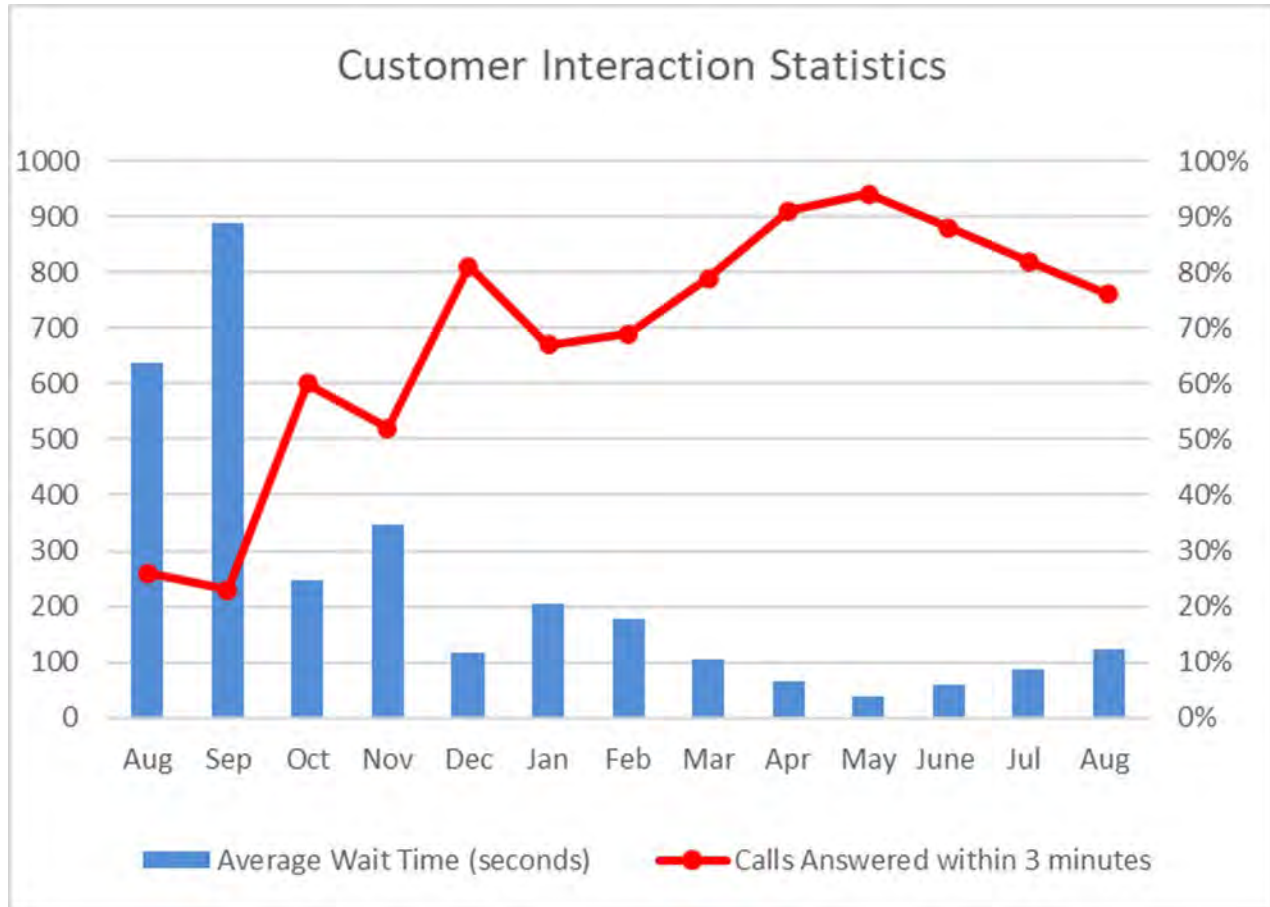
Billing Summary



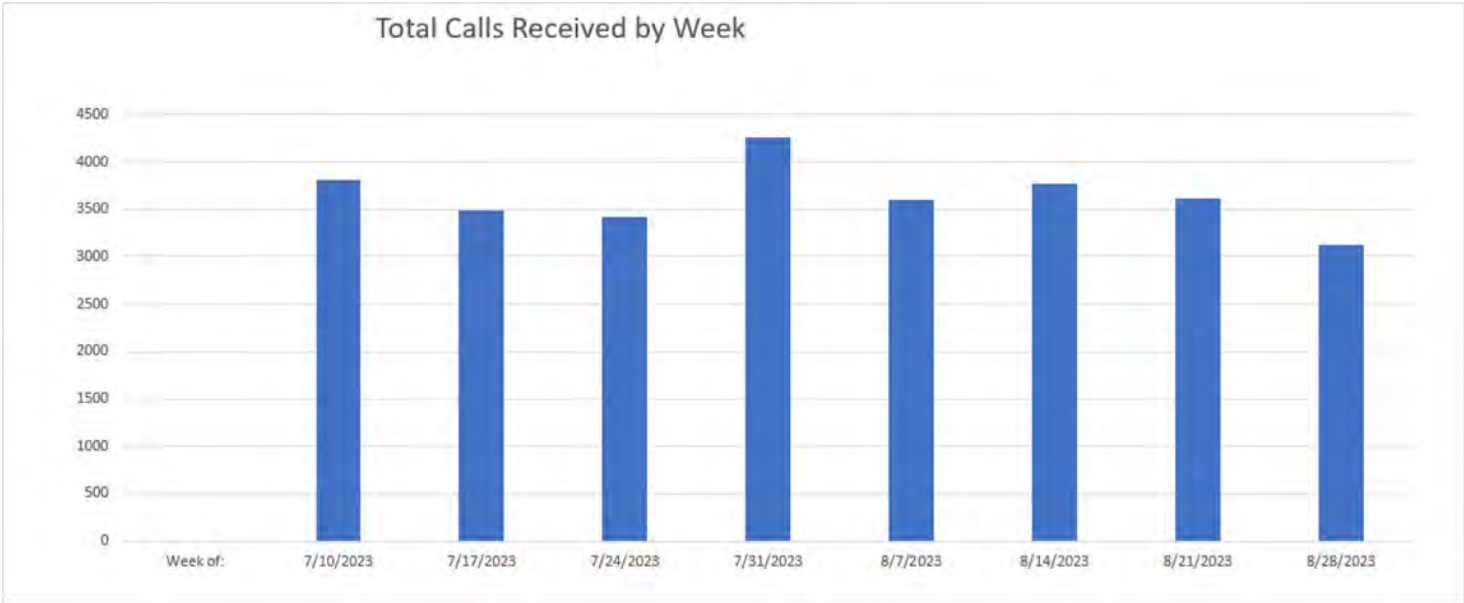
Call Center Interactions (per day)



2. Customer Care Center Statistics



Customer Interaction Statistics	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June	Jul	Aug
Calls Answered within 3 minutes	26%	23%	60%	52%	81%	67%	69%	79%	91%	94%	88%	82%	76%
Average Wait Time (seconds)	638	887	246	347	117	206	177	105	66	37	60	87	122
Calls Abandoned	25%	31%	14%	18%	8%	12%	11%	7%	5%	4%	5%	7%	8%



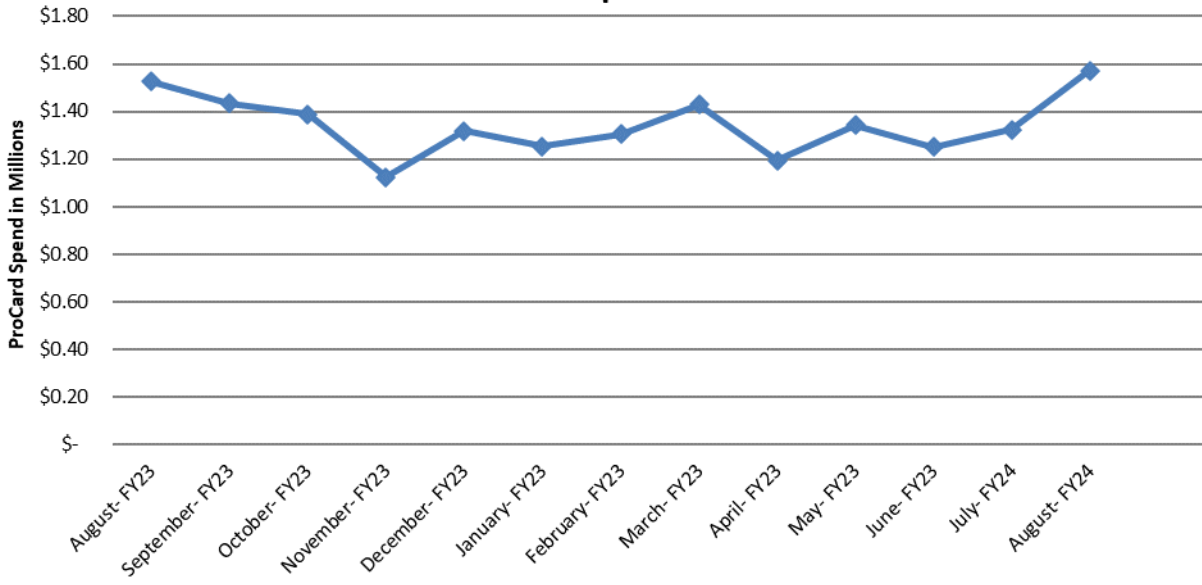
C. Procurement Statistics

Savings	Current Period	FYTD
Competitive Savings ¹	\$90,080	\$119,537
Negotiated Savings ²	\$0	\$218
Salvage Revenues	\$2,410	\$2,410
Corporate VISA Card - Estimated Rebate	\$23,408	\$43,111

¹ Competitive savings are those savings obtained through the informal/formal bidding process. All bids received (except for the lowest responsive/responsible bid) added together and averaged. The average cost is subtracted from the apparent low responsive/responsible bidder.

² Negotiated savings are savings obtained during a Request for Proposal process, or if all bids received exceed the budgeted amount, or if only one bid is received.

ProCard Spend FY24



Respectfully,

Steven G. de Mik

Steven G. de Mik
Deputy General Manager/CFO

TO: General Manager
FROM: Director of Information Technology
SUBJECT: Information Technology Department Report for August 2023
DATE: September 18, 2023



Innovation

Preparations continue for the upcoming Surface Pro replacement and Windows 11 upgrade. Staff are working with Microsoft professional services to develop and test automated scripts which automate a large portion of the data migration and configuration required to transfer users' applications, data, preferences, and settings.

The Cybersecurity Division is working on several application and monitoring implementations within the business and operational technology networks. Individual site surveys were conducted in conjunction with the Electrical and Instrumentation division, as well as representatives from Emerson Power and Water Solutions. Results from the surveys are documented and will serve as a foundational reference in planning future enhancements and modifications to the operational technology network and connections thereto.

The IT Help Desk processed 442 work orders and requests for assistance in August, ensuring availability of computing resources to those working locally and remotely.

Staff are in the process of upgrading several Oracle and Microsoft SQL databases to ensure compatibility with current and projected computing needs.

Microsoft recently announced potential vulnerabilities associated with login security, prompting staff to quickly take remedial actions in accordance with Microsoft's recommendations.



Community Engagement

In preparing for the City of Chesapeake's upcoming migration to Customer Care and Billing (CC&B) Model 3 billing, staff successfully conducted another mock data conversion of Chesapeake customer accounts in CC&B. The mock conversions ensure that data integrity is maintained throughout the conversion process, and the conversion is accomplished within the time allotted.

Respectfully,

Don Corrado

TO: General Manager
FROM: Director of Operations
SUBJECT: Operations Monthly Report for August 2023
DATE: September 18, 2023



Environmental Responsibility

Treatment and Interceptor System Spills and Sanitary Sewer Overflows (SSO):

There were a total of six Interceptor system spills in August.

1. North Shore (NS) Interceptors had no SSOs.
2. South Shore (SS) Interceptors had four rainfall related SSOs.
 - a. Park Avenue Pump Station (PS) in Chesapeake; 31,925 gallons released to storm drains connected to the Elizabeth River.
 - b. Colley Avenue PS/force main in Norfolk; 100 gallons released to storm drains connected to the Elizabeth River.
 - c. Cedar Lane PS in Portsmouth; 1,000 gallons released to storm drains connected to the Elizabeth River.
 - d. Chesapeake Boulevard PS in Norfolk; 200,000 gallons released to Wayne Creek (Lafayette River tributary).
3. Small Communities Division (SCD) had no SSOs.

There were three reportable spill events for the treatment plants in August.

1. Nansemond Treatment Plant (NTP)/Sustainable Water Initiative For Tomorrow (SWIFT) Research Center (RC) drain pumps failed to operate upon return from power loss; 2,500 gallons from the plant drain pump station overflowed and soaked into the ground.
2. NTP/SWIFT RC; generators supplying power to effluent pumping station failed during a wet weather event resulting in overflow of the final effluent wet well for 18 minutes; 18,000 gallons of plant effluent was spilled and soaked into the ground.
3. Williamsburg Treatment Plant (WBTP); high flow event during planned maintenance activity on influent screens; 2,000 gallons of raw influent was spilled and soaked into the ground.

Permit Compliance:

There were no treatment plant permit exceedances, and one reportable Water Quality (WQ) event.

Daily effluent pH samples at West Point Treatment Plant (WPTP) were missed on August 4, 7, and 8. Responsible staff has since received retraining and signs have been posted to make sure samples are collected daily at each SCD plant.

Internal Air and Odor Compliance:

The following Odor Complaints and/or Exceptions occurred:

1. Atlantic Treatment Plant (ATP) received 10 odor complaints in August. The bulk of occurrences took place at the beginning of the month because of solids being moved/ stacked on the storage pads, which stirred up odors. This combined with metrological conditions that were unfavorable and resulted in offsite odors reaching up to a mile away from the plant.
2. Army Base Treatment Plant (ABTP) had one exception for odor control scrubber shutdown due to general failure. Fan was reset and returned to service.
3. Boat Harbor Treatment Plant (BHTP) had two odor control exceptions:
 - a. On August 11, plant staff found the odor scrubber drain line clogged, with minimal pass-through due to a buildup of struvite-like material. Operations staff secured the scrubber system for the maintenance staff to troubleshoot safely. A temporary line was required due to the blockage.
 - b. On August 30, the plant had an unplanned shutdown of the Non-Potable Water (NPW) system due to maintenance on the Furnace Non-Potable Water (FNPW) pumps. Shutting down the NPW to the entire plant caused a shutdown of the scrubber system due to NPW being used for dilution flow.
4. WBTP had one exception for odor control scrubber exhaust reading over five parts per million caused when sodium hydroxide pumps needed to be shut off to repair a pipe leak.
5. York River Treatment Plant (YRTP) had one odor exception for odor control scrubber exhaust reading over five parts per million caused while optimizing chemical dosing.

Air Compliance Summary:

1. The following deviations from continuous emission monitoring (100 ppm THC) occurred during the month of August.
 - a. BHTP: Total Hydrocarbons (THC) unit failed calibration. Electrical and Instrumentation (E&I) staff reset and manually calibrated.
 - b. BHTP: THC unit failed calibration. A faulty gauge on unit replaced and unit recalibrated.
 - c. WBTP: On six occasions the THC unit failed to record two valid readings per hour due to calibration issues.
 - d. ABTP: On six occasions the THC unit failed to record two valid readings per hour due to calibration issues.

2. The following deviations from the required CFR 129 Sewage Sludge Incineration Rule minimum operating parameters occurred in August:
 - a. BHTP: Thermocouple failed causing 12-hour average temperature below minimum allowable. On-call E&I staff replaced thermocouple and the Plant Operator (PO) was able to resume operation of Multiple Hearth Incinerator (MHI).
 - b. WBTP: While working on the plant NPW system, 12-hour average NPW flow to the scrubber was below minimum allowable.
 - c. WBTP: On two occasions while transitioning from feeding waste fats, oils, and grease to the furnace the 12-hour average burn zone temperature was below the minimum allowable.
3. The following MHI scrubber bypass events occurred during the month of August:

WBTP: Six total uses of the bypass stack due to loss of operation of the induced draft fan due to power quality issues (i.e., power blips).

Additional Topics for Compliance:

On August 31, NTP Operations, WQ and Water Technology and Research (WT&R) staff made the decision to go OFF-SPEC until new carbon media is installed at in late September. This is a proactive and conservative measure based on the expected turn-around time for analysis of Perfluorooctane Acid (PFOA) and intention to prevent recharge of SWIFT Water™ greater than the proposed maximum contaminant level of 4 ng/L PFOA.



Financial Stewardship

1. Deployment of HRSD-developed treatment technologies continues to reduce treatment costs, resource consumption, and achieve overall environmental benefit.
 - a. At Virginia Initiative Plant (VIP), Ammonia-Based Aeration Control (ABAC) is operating at an average Dissolved Oxygen (DO) level in the aeration tanks of 0.30 mg/L for August, down from 0.50 mg/L in June. No supplemental carbon chemical addition was used for denitrification, resulting in a savings on both energy and chemicals for the plant.
 - b. At ATP, piloting of aerobic curing of dewatered Class A biosolids continues. The Treatment Process Engineer (TPE) is working with Capital Finance Division (CFD) to develop a business case for full-scale biosolids curing based on reduced cost for hauling a drier final product; and potential for marketing the material to alternative beneficial use outlets. ATP staff have fully embraced the biosolids curing process and have become knowledgeable at operating the turner and efficiently creating a final product. Because the cured product is substantially less odorous than the dewatered biosolids, we plan to produce as much cured product as possible throughout calendar year 2023 to reduce the amount of dewatered cake hauling and land application during Spring 2024. Full scale curing of material beginning in calendar year 2024 will require the purchase of additional equipment, which is justified within the business case (offsetting equipment purchase with reduced hauling costs).

2. Staff have completed the training presentation tailored for the Operation Department. This training is specifically designed to provide new supervisors and employees with a comprehensive understanding of the intricate Dominion Energy billing structure and how our plant operations directly impact power costs. The objective is to equip staff with knowledge in this area, enabling them to make informed decisions and optimize our operations to minimize costs.



Talent

1. The Operations Department continues developing its internal Skills Gap Analysis. Operations Quality Steering Team (QST) has begun developing an internal assessment tool that will be administered to Operations work centers at various staff levels to create data for future staffing (quantity and type) requests.
2. Operations Department staff are working with SWIFT Project Management staff augmentation and HRSD's Asset Management Division to develop a bottom-up staffing analysis for NTP and the BHTP PS. The analysis takes an asset-level accounting of required maintenance, operational, and Electrical and Instrumentation (E&I) hours to operate these facilities, and accounts for existing assets as well as those that will be added under various ongoing Capital Improvement Projects (CIP).
3. The Treatment Project Team (TPT), managed under the Atlantic, Chesapeake-Elizabeth and Virginia Initiative (ACV) treatment group, remains an asset to HRSD. The TPT participated in or independently completed 13 projects that would have otherwise required contracting of external resources or diverting Treatment, Interceptor, or Small Communities Division (SCD) resources away from their day-to-day tasks. Much of the TPT's work in August was in support of SCD, WPTP, and Onancock TP (OTP). Projects were also completed at WBTP and VIP. The TPT allows us to grow our internal capabilities for small projects and repairs, reducing our reliance on external resources, and helping to right-size the Operations Department to manage routine and ad-hoc demands on staff.
4. Treatment staff attended the Virginia Tech Short School and took the license exam. Exam results are still pending and Operations QST will be assessing the effectiveness of the short course as data becomes available.



Community Engagement

Operational coordination meetings were held with the City of Hampton and the City of Newport News. These meetings were related to on-going operational studies and issues. These meetings provided an avenue to improve system issues and verify HRSD and locality staff are working in tandem to better operate our combined system.



Innovation

As previously reported, anammox activity was detected in the mainstream process at James River Treatment Plant (JRTP). This confirmed previous pilot work and has further moved partial

denitrification-anammox (PdNA) into the realm of established treatment technology. Anammox activity was confirmed in the first of eight tanks upgraded with moving Media Integrated Fixed Film Activated Sludge (MIFAS). As expected, approximately three months of operation were required after initiating methanol addition to detect anammox activity, and performance has improved significantly since then. Through 2023, other MIFAS tanks have been brought into service, with full-scale testing and optimization continuing, including addition of sensors, improvements in controls, improved design of biofilm carriers for MIFAS PdNA, addition of primary effluent step feed, and addition of a first anoxic swing zone. One of the nine tanks at JRTP was also upgraded with fixed media Integrated Fixed Film Activated Solids (IFAS) (FIFAS) for PdNA. This represents a full-scale pilot test for a less complicated and more easily deployable PdNA technology that was designed and developed by HRSD in collaboration with World Water Works. Anammox activity was detected for the first time on all three FIFAS modules this month, and there is some detectable ammonia removal occurring in second anoxic zone. This is another exciting development in our continued work on PdNA.

Respectfully submitted,

Christopher Wilson
Acting Director of Operations

Attachment: [MOM Reporting](#)

TO: General Manager
FROM: Director of Talent Management
SUBJECT: Talent Management Monthly Report for August 2023
DATE: September 13, 2023



Talent

Staff retention and recruitment remain significant priorities for the Talent Management Department. A contingent offer of employment was made and accepted for the vacant Occupational Health and Safety Professional and the Talent Acquisition Specialist. Interviews were conducted for the Apprenticeship Program Administrator. Professional references are being checked by the hiring manager.

Human Resources (HR): HR is currently working on a large compensation project with Mercer. Stakeholder meetings were held with senior leaders. The first in-person meeting occurred with the extended project group and senior leaders to discuss the findings and make the decisions for the development of our compensation philosophy. HR has also completed finalist presentations on all medical related benefits and accounts. Selections will be made for all benefits and services contracts which could be in place for the next ten years. Depending on the benefit, new contracts will begin on January 1, 2024, or July 1, 2024, in line with existing plan years. Our HR Business Analyst continued working with our consultant on system changes to benefit interfaces. Staff also continue to work with IT staff on updates to system notifications.

Participation in HRSD's Wellness Program continues to increase. The Wellness Specialist conducted onsite visits, virtual lunch and learns, emailed informational flyers, and facilitated virtual guided meditation sessions.

Organization Development and Training (ODT): Training events continued throughout the summer with many quality and apprenticeship events held in August. Several sessions of the Leadership and Management Academy (LAMA) and the mandatory quality training, such as Teams and Problem Solving, were conducted by HRSD's facilitators and our consultant Hick-Carter-Hicks (HCH). Quality Facilitators have also taken requests from work centers for team building activities and training to create a more cohesive work group. Multiple apprenticeship training events were held, including New Apprentice Orientation and the day program update training. The 2023 Apprenticeship Graduation was also held on August 4 at Newport News Park and was attended by graduates, friends, family, and coworkers. The Training Manager is working with the General Manager and facilitators to revise the Workcenter Planning Day Initiative as well as developing the 2023 Employee Engagement Survey.

Safety: Staff conducted required safety trainings and medical monitoring. Weekly, monthly, and quarterly safety inspections, testing, and monitoring were performed at various workcenters and construction sites. There were eight reported work-related

injuries requiring medical attention. However, one received first aid care and is not an OSHA-recordable. There were five auto/property damage accidents. Safety will be conducting safe driving training by the end of the year.



Community Engagement

Staff provided outreach at career events. This outreach was focused on the variety of careers fields represented at HRSD. We shared information about our open positions and our Apprenticeship Program, how we positively impact the local waterways, and our generous benefits. We explained how to apply for a position at HRSD and answered questions about what it's like to work at HRSD.

The Communications Department launched its HRSD Ambassador Program in collaboration with Talent Management. The goal of the program is to create a team of HRSD employees who are interested in outreach and education activities and recruitment/career events throughout the region. Ambassadors will be trained on how to perform classroom activities, presentations, and represent HRSD at recruitment/career related events. This program aligns with our efforts to build value within our community and with our ratepayers through education about HRSD and the impact it has on protecting public health and the environment.

Respectfully submitted,

Dorissa Pitts-Paige

Director of Talent Management

TO: General Manager
FROM: Director of Water Quality (DWQ)
SUBJECT: Monthly Report for August 2023
DATE: September 13, 2023



Environmental Responsibility

1. HRSD's Regulatory Activities:
 - a. The monthly Discharge Monitoring Report (DMR) Summary and Items of Interest: [Effluent and Air Emissions Summary](#).
 - b. The first full-scale Underground Injection Control (UIC) permit for the James River SWIFT facility was received. This permit becomes effective on September 22, 2023, and remains in effect for 10 years. We anticipate that the permit will be reopened as part of an update for new primary drinking water regulations prior to the completion of the James River SWIFT facility in 2026. Draft regulations are currently proposed for PFOA and PFOS and four additional per- and polyfluoroalkyl substances (PFAS). HRSD is already operating the SWIFT Research Center and plans to operate James River SWIFT to comply with the anticipated regulations.
 - c. The nutrient compliance plan was submitted to the Virginia Nutrient Credit Exchange Association ("Exchange") to update the new 5th year, 2028, as well as our compliance strategy for the 2029-2031 planning years. The submissions for all Exchange members are coordinated and provided to the Virginia Department of Environmental Quality (DEQ) by February 1 of the following year to satisfy the regulatory requirements of HRSD's Nutrient General Permit [Virginia Pollutant Discharge Elimination System (VPDES) General Permit for Total Nitrogen and Total Phosphorus Discharges and Nutrient Trading in the Chesapeake Watershed].

2. Pretreatment and Pollution Prevention (P3) Program Highlights:

Three civil penalties were issued by the P3 Division in August.

Bottling Group, LLC - Newport News

An Enforcement Order was issued to Bottling Group, LLC, a soft drink manufacturing facility in Newport News, on July 11, 2023, for two technical violations. The Enforcement Order included a \$4,000 civil penalty. The two technical violations included permit limit exceedances for pH with the May 2023 permit limit exceedance resulting in a chronic

violation (three occurrences within 180 days). A Show Cause meeting was held on July 12, 2023, where the permittee outlined steps to work towards compliance with pH monitoring and pH neutralization systems. The Enforcement Order was accepted, and the civil penalty was paid in full on August 10, 2023.

Atlantic Constructors – Chesterfield

An Enforcement Order was issued to Atlantic Constructors, a waste hauler based in Chesterfield, on July 14, 2023, for five technical violations and one administrative violation. The Enforcement Order included a \$18,500 civil penalty. Technical violations included failing to follow permit requirements by not completing a manual ticket when HRSD scales were inoperable, discharge of waste types not allowed within the discharge permit including two unauthorized discharges with evidence of intent. The administrative violation was due to falsification of required monthly report. Their discharge permit was also revoked.

A virtual Appeal Hearing was conducted on May 23, 2023. The Hearing Officer's recommendation was to uphold the violation points and monetary penalties as assigned, but to change the permit revocation to a 90-day suspension. The General Manager upheld the Hearing Officer's recommendations. Atlantic Constructor's discharge permit was reinstated after the 90-day suspension with process improvement items incorporated into their permit. The Enforcement Order was accepted, and the civil penalty was paid in full on August 7, 2023.

New Realm Brewing Company – Virginia Beach

An Enforcement Order was issued to New Realm Brewing Company, an alcohol beverage manufacturer in Virginia Beach, on July 25, 2023, for three administrative violations and one technical violation. The Enforcement Order included a \$2,000 civil penalty. Two administrative violations were issued for late submittals of required monthly reports in December 2022 and March 2023, one being a chronic occurrence (three late submittals within 180 days). In May 2023, a technical violation was issued due to a permit limit exceedance for pH. The limit exceedance was not self-reported to HRSD, which resulted in a third administrative violation. A Show Cause meeting was held virtually on July 11, 2023, where the permittee explained the causes of noncompliance and outlined the steps that they were taking to correct the issue. The steps to ensure compliance included implementing more variety in sample collection times and increased oversight from management. The Enforcement Order was accepted, and the civil penalty was paid in full on August 28, 2023.

3. **Environmental and Regulatory Advocacy**

- a. The Sustainability Environment Advocacy (SEA) Group reported no activities for the month of August.
- b. Central Environmental Laboratory (CEL) representatives attended the Environmental Monitoring Symposium. They participated in and led laboratory

accreditation meetings and presented technical presentations covering laboratory innovation and online analyzers.

- c. Comments were submitted to EPA on the Agency's Advanced Notice of Proposed Rule Making (ANPRM) for "Addressing PFAS in the Environment." This specific ANPRM proposes designating seven additional PFAS beyond the previously proposed PFOA and PFOS as hazardous substances under the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA). These comments repeated previously made comments regarding the need to hold the manufacturers of PFAS accountable for any necessary clean-up efforts under CERCLA ("polluter pays" model of accountability) in addition to clarifying that biosolids land application represents a normal application of fertilizer. Normal application of fertilizer is not considered a release under CERCLA. EPA continues to make progress in its PFAS Strategic Roadmap, guided by three primary goals: to research the potential for human health and ecological impacts and identify effective science-based interventions where needed; to restrict PFAS and prevent these compounds from entering air, land and water at concentrations that can cause harm; and remediate sites of known PFAS contamination.
- d. Director attended the Potomac Aquifer Recharge Oversight Committee (PAROC) quarterly meeting where HRSD staff provided updates on microplastic and PFAS research.



Financial Stewardship

Supported the generation of high-quality data for use in permitting and environmental management decisions through our Municipal Assistance Program (MAP), which offers services to other municipal and regional authorities throughout the state. HRSD costs for this program are reimbursed by the customer. Below are program highlights for the month.

HRSD provided sampling and analytical services to the following to support monitoring required for their respective VPDES permits:

1. City of Chesapeake
2. City of Virginia Beach
3. Northumberland County
4. Stafford County
5. Westmoreland County



Talent

1. The CEL promoted Suzie Adams and Latrelle Patton to Supervising Chemists.
2. Technical Services Division (TSD) promoted Becca Boyd to TSD Technician.
3. Director participated in the following meetings/activities with HRSD personnel:
 - a. The WQ Communications Team facilitated three Focus Groups for Water Quality employees to gain insight on ways the Water Quality Department can improve collaboration and communication between divisions.
 - b. Attended the kick-off workshop for the HRSD Compensation Study



Community Engagement

Supported Microbial Source Tracking (MST) investigations in partnership with Hampton Roads' localities. This work is required as part of HRSD's Integrated Plan. Sampling and analytical services were provided for the localities and projects identified below:

1. City of Chesapeake (Southern Branch)
2. City of Hampton (New Market Creek)
3. City of Newport News (Southeast Newport News)
4. City of Norfolk (Mason Creek)
5. City of Suffolk (downtown)
6. City of Virginia Beach (Thalia Creek)
7. James City County



Innovation

The CEL began researching methodologies and analytical techniques for PFOA to be able to provide quick data turn around to the SWIFT group. Activities included meeting with instrument manufacturers and training with Potomac Aquifer Recharge Monitoring Laboratory (PARML) staff on procedures in place for use in the CEL.

Respectfully submitted,

Jamie Heisig-Mitchell

Director of Water Quality

EFFLUENT SUMMARY FOR AUGUST 2023

PLANT	FLOW mgd	% of Design	BOD mg/l	TSS mg/l	FC #/UBI	ENTERO #/UBI	TP mg/l	TP CY Avg	TN mg/l	TN CY Avg	CONTACT TANK EX
ARMY BASE	10.35	57%	2	3.7	1	1	1.8	0.73	7.5	4.2	21
ATLANTIC	45.58	84%	10	7.0	3	1	NA	NA	NA	NA	16
BOAT HARBOR	11.55	46%	8	5.6	2	9	0.55	0.57	13	24	13
CENT. MIDDLESEX	0.011	45%	<2	<1.0	<1	<1	NA	NA	NA	NA	NA
JAMES RIVER	11.46	57%	4	4.1	2	1	0.24	0.43	8.1	10	20
KING WILLIAM	0.084	84%	<2	<1.0	NA	<1	0.097	0.089	3.0	1.9	NA
NANSEMOND	16.13	54%	4	4.6	2	1	1.7	0.70	5.2	4.0	5
NASSAWADOX	0.018	18%	<2	7.7	1	<1	1.1	0.54	16	16	NA
ONANCOCK	0.209	28%	<2	<1.0	2	2	0.73	0.28	2.6	1.9	NA
URBANNA	0.061	61%	3	10	1	2	7.3	4.8	19	14	NA
VIP	31.51	79%	1	1.3	2	1	0.34	0.41	3.4	3.7	3
WEST POINT	0.329	55%	19	5.8	2	1	3.4	3.1	17	18	0
WILLIAMSBURG	8.27	37%	6	3.5	4	6	2.1	0.87	2.2	3.0	17
YORK RIVER	11.02	73%	1	1.3	<1	2	0.25	0.26	4.9	4.6	19
	<u>146.58</u>										

	% of Capacity
North Shore	51%
South Shore	73%
Small Communities*	41%

Tributaries	Tributary Summary					
	Annual Total Nitrogen			Annual Total Phosphorus		
	Discharged	Operational		Discharged	Operational	
	YTD	Projection CY23		YTD	Projection CY23	
	%	Lbs	%	%	Lbs	%
James River	37%	2,248,078	63%	32%	217,549	69%
York River	45%	213,919	74%	47%	14,987	78%
Rappahannock	52%	NA	NA	65%	NA	NA

Permit Exceedances: Total Possible Exceedances, FY24 to Date: 3:9,421
Pounds of Pollutants Removed in FY24 to Date: 38,990,252
Pollutant Lbs Discharged/Permitted Discharge FY24 to Date: 15%

	Rainfall (inch)		
	North Shore (PHF)	South Shore (ORF)	Small Communities (FYJ)
Month	5.96"	7.47"	2.25"
Normal for Month	6.25"	6.05"	4.97"
Year to Date Total	31.64"	37.67"	27.64"
Normal for YTD	35.19"	33.67"	33.50"

*Small Communities includes Eastern Shore

AIR EMISSIONS SUMMARY FOR AUGUST 2023

	No. of Permit Deviations below 129 SSI Rule Minimum Operating Parameters								Part 503e Limits		
	Temp 12 hr ave (F)	Venturi(s) PD 12 hr ave (in. WC)	Precooler Flow 12 hr ave (GPM)	Spray Flow 12 hr ave (GPM)	Venturi Flow 12 hr ave (GPM)	Tray/PBs Flow 12 hr ave (GPM)	Scrubber pH 3 hr ave	Any Bypass Stack Use	THC Mo. Ave (PPM)	THC DC (%)	BZ Temp Daily Ave Days >Max
MHI PLANT											
ARMY BASE	0	0	0	0	0	0	0	2	81	76	0
BOAT HARBOR	1	0	0	n/a	0	0	0	0	11	87	0
VIP	0	0	0	n/a	0	0	0	0	23	100	0
WILLIAMSBURG	2	0	0	n/a	0	1	0	2	38	78	0

ALL OPERATIONS

DEQ Reportable Air Incidents:	0
DEQ Request for Corrective Action:	0
DEQ Warning Letter:	0
DEQ Notice of Violation:	0
Other Air Permit Deviations:	0
Odor Complaints Received:	12
HRSD Odor Scrubber H2S Exceptions:	5

Items of Interest – August 2023

MULTIPLE HEARTH INCINERATION (MHI)

Total Hydrocarbon (THC) monthly averages (not to exceed 100 ppm) were met by all four MHI plants (Army Base, Boat Harbor, Virginia Initiative, and Williamsburg) with a THC continuous emissions monitoring (CEM) valid data captured of greater than 71%.

The MHIs had four (4) deviations from the required 129 SSI rule minimum operating parameters and four (4) minor bypass events (<60 minute).

Title V semiannual reports for the MHI plants were submitted to DEQ on August 29.

AIR PERMITS and ODOR CONTROL.

Payment was made by HRSD to DEQ for the CY22 annual air permit fees on August 15, 2023.

On August 29, HRSD agreed to DEQ's draft Title V permit for Williamsburg issued August 22, 2023.

There were five (5) odor control scrubber system hydrogen sulfide (H₂S) exceptions measured and documented in August.

Atlantic Plant received twelve (12) odor complaints from Ocean Lakes neighbors during August. Plant Staff and TSD responded to all complaints and followed up with our neighbors with investigation results as documented and relayed to them accordingly.

TREATMENT

DEQ was notified of the following reportable events:

Nansemond

On August 19, SWIFT Research Center (SRC) drain pump station pumps stopped due to a power outage. Once power was restored, the pumps failed to restart, and the drain pump station overflowed. Approximately 2,500 gallons of ozonated effluent were released onto the ground and a trough behind the SRC with 500 gallons recovered from the trough. The remaining 2,000 gallons soaked into the ground.

On August 28, the final effluent wet well overflowed due to generator failure during a high flow event. The final effluent pump program at Nansemond requires the effluent pumps to run on generator power. During this rain event, the program started as expected, however as flow increased, the need for two pumps to run caused an over current to the online generator. The next available generator came online and subsequently failed as well. For approximately 14 minutes the final effluent wet well overflowed resulting in 18,000 gallons of final effluent overflowing onto the ground. These issues associated with final effluent pump station operation will be fixed with the ongoing plant expansion project.

Williamsburg

On August 28, during a high flow rain event, the bar-screens were secured while the rag and grit dumpster was being changed. The bar-screens quickly blinded and raw influent overflowed the channel. Approximately 2,000 gallons of raw wastewater were released and soaked into the ground.

SYSTEM

On August 4, heavy rainfall inundated the Park Ave Pump Station resulting in increased system flows exceeding system capacity. The Ferebee Ave PS saw 0.50" rainfall in 1 hour with 2.44" total rainfall for the rain event. Staff verified Park Ave PS was operating properly. Approximately 31,925 gallons of raw wastewater overflowed to a ditch draining to Scuffeltown Creek.

On August 5, the pipe to the emergency pump connection behind the Colley Avenue Pump Station failed due to increased system flows and high pressures from heavy rainfall. On call staff isolated the station, ending the spill. Approximately 100 gallons of raw wastewater were released to a storm drain to the Elizabeth River.

On August 28, heavy rainfall inundated the Cedar Lane Pump Station and the Chesapeake Boulevard Pump Station resulting in increased system flows exceeding system capacity. Staff verified the pump stations were operating properly. The following raw wastewater overflow events were reported:

- Cedar Lane PS, 1,000 gallons to Elizabeth River; 6.46" of rainfall
- Chesapeake Boulevard PS, 200,000 gallons to Lafayette River; 3.28" of rainfall

SYSTEM/TREATMENT, SMALL COMMUNITIES, AND EASTERN SHORE

West Point

On August 9, it was discovered daily pH samples were missed on August 4, 7, and 8. A new operator misunderstood the training and was re-trained. The Operator will also run a flash report to ensure a daily pH has been recorded. Signs have been posted to make sure samples are collected daily, and the plant staff are pursuing automated reminders.

2023 Metals, Ammonia, and TKN

		Limit	Jan	Feb	Mar	Apr	May	Jun	July	Aug	Sep	Oct	Nov	Dec
Central Middlesex	Ammonia	0.56	0.02	NA	NA	0.06	NA	NA	<0.02	NA				
	TKN	3.0	NA	<0.50	NA	1.7	NA	NA	0.72	NA				
King William	Zinc	*	54	NA	NA	35	NA	NA	NA	52				
	TKN	3.0	1.9	1.1	1.6	0.76	0.61	0.53	0.47	0.89				
Nassawadox Riverside	Cadmium	2.0	<0.50	<0.50	<0.50	<0.50	<0.50	<0.50	<0.50	<0.50				
	Copper	23	<5.0	<5.0	<5.0	5.2	<5.0	<5.0	<5.0	5.8				
	Nickel	38	14	18	14	<10	<10	<10	<10	<10				
	Zinc	150	<50	<50	<50	<50	<50	<50	<50	<50				
	Ammonia	1.7	0.31	0.67	0.44	0.14	0.19	0.09	0.08	0.13				
Onancock	Copper	12	2.2	NA	NA	0.80	NA	NA	0.52	NA				
	Ammonia	0.90, 2.0	0.04	0.03	0.03	0.08	0.04	0.77	0.07	0.41				
Surry County	Copper	5.9	2.0	NA	NA	NA	NA	NA	NA	NA				
	Zinc	56	24	NA	NA	NA	NA	NA	NA	NA				
	Ammonia	0.77	NA	NA	NA	NA	NA	NA	NA	NA				
	TKN	3.0	NA	NA	NA	NA	NA	NA	NA	NA				
Urbanna	Ammonia	3.83, 9.08	0.04	0.16	0.02	0.02	0.92	0.05	0.05	0.05				

*No limit. Treatment objective 53 ug/L
 Units: TKN, Ammonia: mg/L. Metals: ug/L

2023 MONTHLY FLOW AVERAGES

	JAN	FEB	MAR	APRIL	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC	YR AVG	FY AVG
Army Base	9.10	9.87	9.09	8.47	8.46	9.28	10.86	10.35					9.44	10.60
Atlantic	44.58	46.31	43.65	41.11	41.28	44.62	47.18	45.58					44.29	46.38
Boat Harbor	11.60	12.95	11.16	10.39	10.31	12.27	11.88	11.55					11.51	11.72
C.Middlesex	0.013	0.013	0.013	0.010	0.010	0.011	0.014	0.011					0.012	0.013
James River	12.46	13.31	11.87	12.13	12.03	12.42	11.78	11.46					12.18	11.62
King William	0.070	0.065	0.058	0.062	0.076	0.083	0.082	0.084					0.072	0.083
Lawnes Point	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000					0.000	0.000
Nansemond	15.97	16.61	15.77	15.59	15.75	15.38	16.76	16.13					15.99	16.44
Nassawadox	0.016	0.015	0.013	0.013	0.014	0.015	0.018	0.018					0.015	0.018
Onancock	0.170	0.194	0.207	0.208	0.197	0.207	0.235	0.209					0.203	0.222
Surry, County	0.011	0.000	0.000	0.000	0.000	0.000	0.000	0.000					0.001	0.000
Surry, Town	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000					0.000	0.000
Urbanna	0.035	0.039	0.046	0.050	0.056	0.063	0.067	0.061					0.052	0.064
VIP	27.26	30.12	27.54	27.47	27.99	29.68	31.37	31.51					29.12	31.44
West Point	0.466	0.470	0.389	0.359	0.373	0.330	0.423	0.329					0.392	0.376
Williamsburg	7.73	8.09	7.96	8.48	7.76	8.59	8.41	8.27					8.16	8.34
York River	12.69	13.74	12.00	12.37	12.31	12.67	11.37	11.02					12.27	11.20
North Shore	44.47	48.09	42.99	43.36	42.42	45.95	43.44	42.31					44.13	42.87
South Shore	96.91	102.91	96.06	92.64	93.47	98.95	106.16	103.56					98.83	104.86
Small Communities	0.78	0.80	0.73	0.70	0.72	0.71	0.84	0.71					0.75	0.78
TOTAL	142.16	151.79	139.78	136.70	136.62	145.61	150.44	146.58					143.71	148.51

Bold values indicate monthly plant flow average >95% of permitted design flow



The following Internal Audit Status document has been prepared by SC&H for the HRSD Commission. Below is a summary of projects in process, upcoming projects, and the status of current management action plan monitoring.

I. Projects in Process

Accounts Payable and ProCards

- **Tasks Completed (August 2023)**
 - Conducted process understanding interviews with AP and Procurement.
 - Began drafting planning documentation (e.g., flowcharts and RCM).
- **Upcoming Tasks (September 2023)**
 - Request transaction population files and conduct data analytics (requested 9/6).
 - Finalize planning documentation procedures (e.g., flowcharts, RCM, and fieldwork audit program).

Personally Identifiable Information

- **Tasks Completed (August 2023)**
 - Continued drafting report.
 - Met with Business Owners to discuss findings.
 - Met with Deputy General Manager and Director of Finance to discuss findings.
 - Performed final internal review of documented objectives.
- **Upcoming Tasks (September 2023)**
 - Send draft report to Deputy General Manager and Director of Finance (sent 9/5).
 - Provide departments with their inventory and lifecycle documents for reference.
 - Finalize report following management responses.

Remote Access

- **Tasks Completed (August 2023)**
 - Attended fieldwork discussion meeting.
 - Sent fieldwork request (awaiting responses).
- **Upcoming Tasks (September 2023)**
 - Continue following up on requests.
 - Schedule meetings to gather evidence, as needed.

II. Upcoming Projects

- Design and Construction Estimating: October 2023



III. Management Action Plan Status

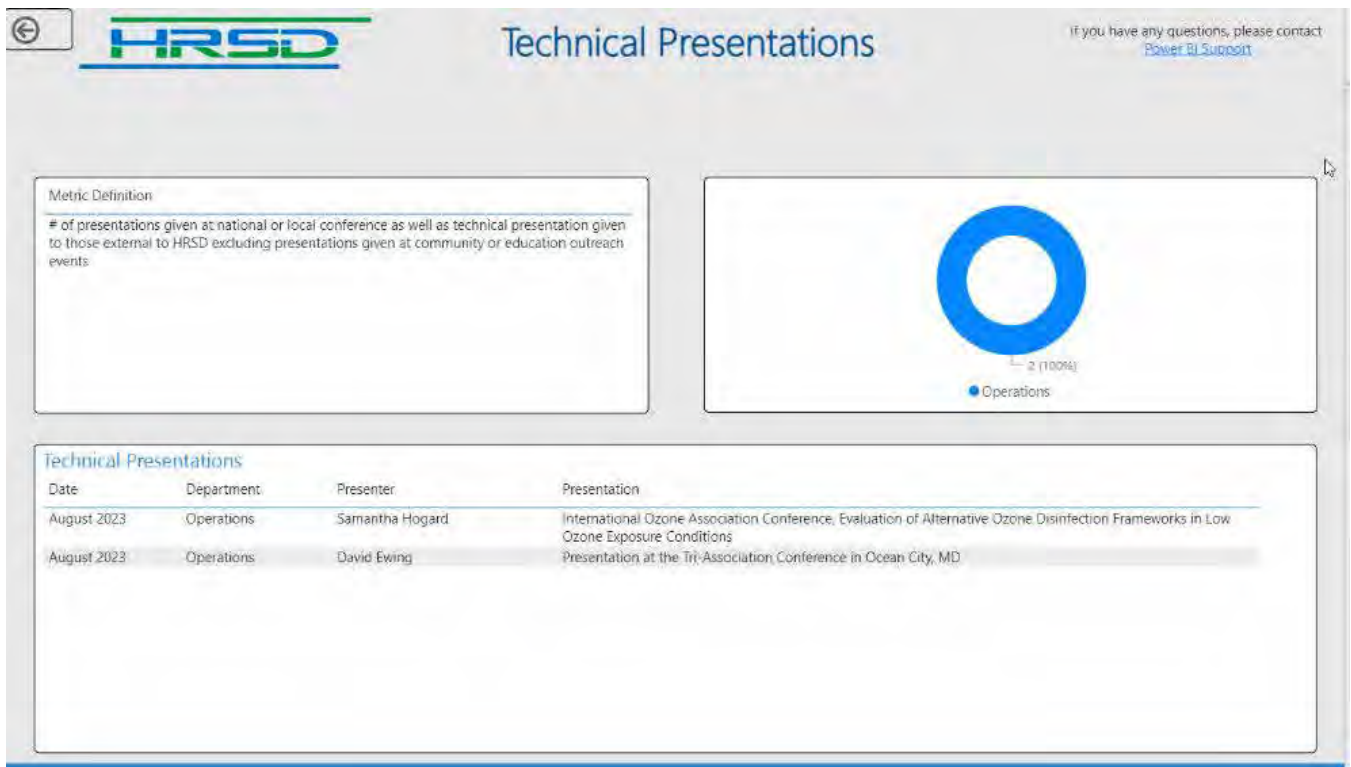
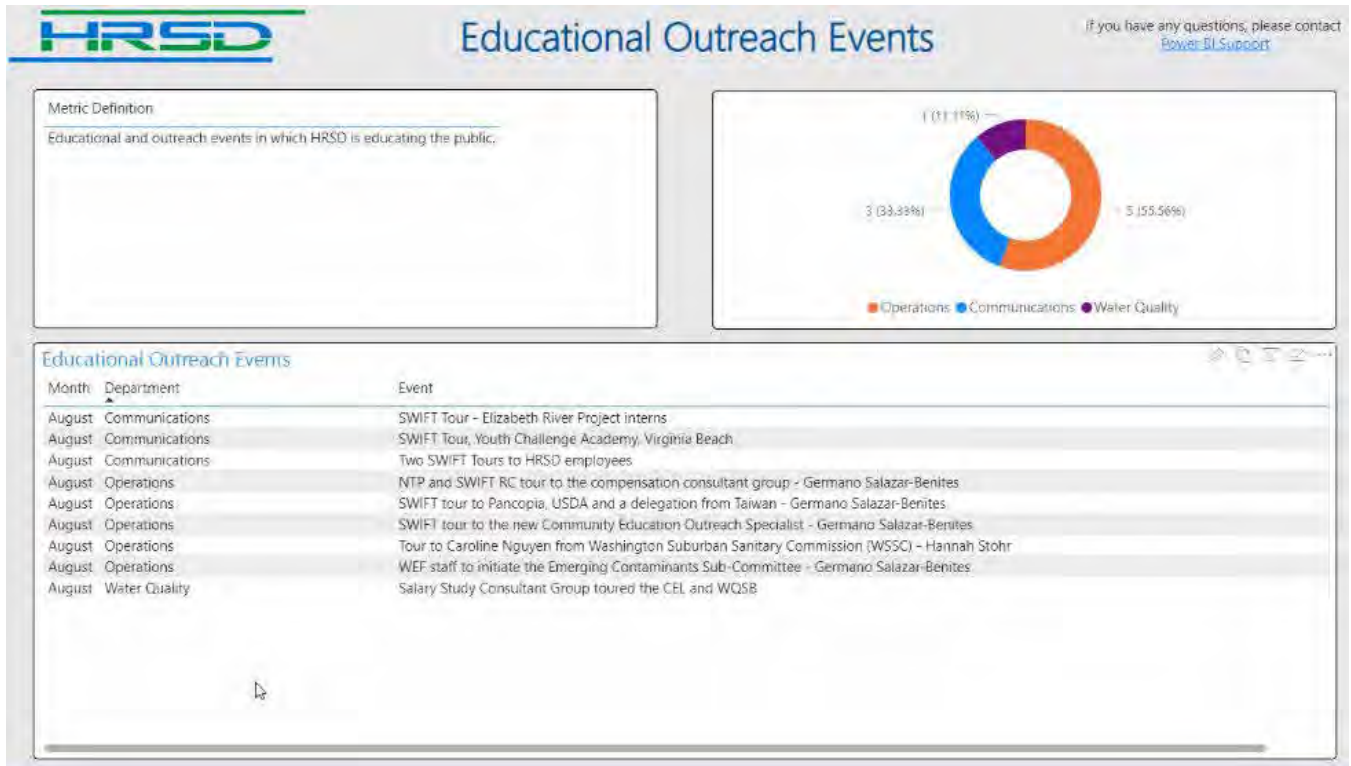
SC&H performs on-going management action plan (MAP) monitoring for completed internal audits/projects. SC&H begins MAP follow-up approximately one year following the completion of each audit and periodically follows up until conclusion.

For each recommendation noted in an audit report, SC&H gains an understanding of the steps performed to address the action plan and obtains evidence to confirm implementation, when available.

The following describes the current project monitoring status. This listing does not include audits which were determined by HRSD Management and the Commission to include confidential or sensitive information.

Audit	Next Follow-up	Recommendations		
		Closed	Open	Total
Succession Planning	January 2024	2	2	4
Safety Division	September 2023	2	1	3
Freedom of Information Act	December 2023	0	1	1
Family Medical Leave Act (FMLA)	April 2024	0	4	4
D&C: CIP Project Management	Closed	13	0	13
HR Benefits	Closed	15	0	15
Inventory	Closed	5	0	5
Procurement/ProCard	Closed	11	0	11
Engineering Procurement	Closed	8	0	8
Corporate Governance: Ethics Function	Closed	5	0	5
Treatment Plant Operations	Closed	9	0	9
Permitting	Closed	2	0	2
Payroll	Closed	3	0	3
Customer Care Division	Closed	4	0	4
Pollution Source Control	Closed	8	0	8
Fleet Services	Closed	17	0	17
Biosolids Recycling	Closed	8	0	8
Unifier/ERP Integration	Closed	4	0	4
Emergency Repairs	Closed	3	0	3
SWIFT Program	Closed	12	0	12
Totals		131	8	139

Strategic Measures August 2023



FY-24		Jul-23	Aug-23	FY-24
Item	Strategic Planning Measure			
SM1	Capacity Related Overflows	0	3	3
SM2	Educational and Outreach Events	18	9	27
SM3	Number of Community Partners	22	22	44
SM4	Revenue vs. Budget	\$0		\$0
SM5	Wastewater Expenses vs. Budget	\$0	\$0	\$0
SM6	General Reserves	111%	105%	108%
SM7	Liquidity	355	419	387
SM8	Accounts Receivable (HRSD)	\$37,355,090	\$41,211,627	\$39,283,359
SM9	Aging Accounts Receivable	29.20%	24.90%	27.05%
SM10	Monthly CIP Spending	\$914,000	\$31,367,068	\$16,140,534
SM11	Turnover Rate wo Retirements	0.84%	0.24%	0.54%
SM12	Turnover Rate w Retirements	1.32%	0.36%	0.84%
SM13	Time to Fill Positions	7 months 27 days	7 months 4 days	7 months 16 days
SM14	Number of Vacancies	73	66	70
SM15	Affordability	0.00		
SM16	Number of Technical Presentations	2	2	4
SM17	TONS OF CARBON: Tons of carbon produced per million gallons of wastewater treated. Energy consumed (gas (scfm) and electricity (kWh)) per million gallons of wastewater treated.	0.00		
SM18	GAS CONSUMPTION: Tons of carbon produced per million gallons of wastewater treated. Energy consumed (gas (scfm) and electricity (kWh)) per million gallons of wastewater treated.	0.00		
SM19	ELECTRICITY CONSUMPTION: Tons of carbon produced per million gallons of wastewater treated. Energy consumed (gas (scfm) and electricity (kWh)) per million gallons of wastewater treated.	11900343.00		11900343
SM20	System Failures	0		
H11	Average number of applicants per position/type.	7.96	5.90	7
H12	Percentage of positions filled with internal applicants.	42.30%	30.00%	36.15%
H13	Recruitment source Return on Investment.	0.00		0.00
H14	Average time required (days) to onboard new employees, including from initial posting of position to candidates' first day.	1 months 0 days		1 months 0 days
H18	Quantity of expenditures (\$) allocated to Information Technology per 1,000 HRSD customers (commercial and residential).	0.00		0.00
H20	Percentage of CIP projects that are completed within budget.	0.00%		0.00%

AGENDA ITEM 18. – September 26, 2023 - REVISED

Subject: Closed Meeting

Recommended Action: Approve a motion to go into closed meeting for briefing and consultation to consider the following items as provided for in Code of Virginia §2.2-3711A:

- Item a. : Acquisition of real property for a public purpose of publicly held real property located in the City of Suffolk
- Specific Exemptions : §2.2-3711.A3

- Item b. : Legal matters concerning actual litigation
- Specific Exemptions : §2.2-3711.A7

Exemption Description:

A3. Discussion or consideration of the acquisition of real property for a public purpose, or of the disposition of publicly held real property, where discussion in an open meeting would adversely affect the bargaining position or negotiating strategy of the public body.

A7. Consultation with legal counsel and briefings by staff members or consultants pertaining to actual or probable litigation, where such consultation or briefing in open meeting would adversely affect the negotiating or litigating posture of the public body. For the purposes of this subdivision, "probable litigation" means litigation that has been specifically threatened or on which the public body or its legal counsel has a reasonable basis to believe will be commenced by or against a known party. Nothing in this subdivision shall be construed to permit the closure of a meeting merely because an attorney representing the public body is in attendance or is consulted on a matter.

AGENDA ITEM 19. – September 26, 2023

Subject: Reconvened Meeting

Recommended Action: Pursuant to Section 2.2-3712.D of the Code of Virginia, we will now have a roll call vote to certify that to the best of each Commission member's knowledge: (i) only public business matters lawfully exempted from open meeting requirements under this chapter, and (ii) only such public business matters as were identified in the motion by which the closed meeting was convened were heard, discussed or considered. Any Commissioner who believes there was a departure from these two requirements shall so state prior to the vote, indicating the substance of the departure.