



DRAFT COMMISSION MEETING MINUTES
November 18, 2025

- | <u>No.</u> | <u>Topic</u> |
|------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | Call to Order |
| 1. | <u>Awards and Recognition</u> |
| 2. | <u>Public Comments Not Related to the Agenda</u> |
| 3. | <u>Consent Agenda</u> |
| 4. | <u>Fiscal Year 2025 Annual Comprehensive Financial Report (ACFR)</u> |
| 5. | <u>King William Collection System Capacity Improvements Initial Appropriation – Non-Regulatory</u> |
| 6. | <u>Morrison Pump Station Replacement Initial Appropriation – Non-Regulatory and Contract Award</u> |
| 7. | <u>North Shore Pump Station Influent Valve Installations Initial Appropriation – Non-Regulatory</u> |
| 8. | <u>Nansemond Treatment Plant Administration Building Replacement Additional Appropriation – Non-Regulatory (>\$1,000,000), Task Order (>\$200,000)</u> |
| 9. | <u>Chesapeake Boulevard Pump Station (PS 105) Replacement and Norfolk Pump Station (PS 57) Rehabilitation Acquisition of Real Property for a Public Purpose with a reservation, and easement conveyance of a portion of HRSD Property</u> |
| 10. | <u>Larchmont Area Sanitary Sewer Improvements Transfer Agreement for Gravity Sewer on Richmond Crescent, Norfolk, Virginia</u> |
| 11. | <u>King William Treatment Plant Improvements Phase II Acquisition of Real Property (1377 Acquinton Church Road, King William, Virginia 23086)</u> |
| 12. | <u>Customer Care Briefing</u> |
| 13. | <u>Audit of HRSD's Central Environmental Laboratory (CEL) Expansion Construction Costs Internal Assessment</u> |



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- | <u>No.</u> | <u>Topic</u> |
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| 14. | <u>Program Support Office Briefing</u> |
| 15. | <u>HRSD Brand Awareness Campaign Briefing</u> |
| 16. | <u>Authorization to Transition Federal Consent Decree Requirements into a State-Issued Consent Order</u> |
| 17. | <u>New Business</u> |
| 18. | <u>Unfinished Business</u> |
| 19. | <u>Commissioner Comments</u> |
| 20. | <u>Informational Items</u> |

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The Commission Chair called the meeting to order at 9:00 a.m.

| Name | Title | Present for Item Nos. |
|------------------------|-----------------------|-----------------------|
| Rodriguez, Stephen C. | Commission Chair | 1-20 |
| Levenston, Jr., Willie | Commission Vice-Chair | 1-20 |
| Andrews, Elizabeth A. | Commissioner | 1-20 |
| Glenn, Michael E. | Commissioner | 1-20 |
| Lakdawala, Vishnu K. | Commissioner | 1-20 |
| Stern, Nancy J. | Commissioner | 1-20 |
| Taraski, Elizabeth | Commissioner | 12-20 |
| Templeman, Ann | Commissioner | Absent |

1. **Awards And Recognition**

Action: No action required.

a. Promotion Announcement

Mr. Jack Denby was recently promoted to the new Director of the Quality Assurance Department in our Water Quality Division. Jack joined HRSD in 2012, beginning his HRSD career in the Technical Services Division before joining the Central Environmental Laboratory (CEL) as a Water Quality & Operations Quality Assurance Manager in 2019. While at HRSD, Jack earned a Master of Science in Environmental Science from Christopher Newport University and a Master of Business Administration from the College of William and Mary. In his new role, Jack will lead the Quality Assurance team in supporting staff across all Water Quality divisions and treatment facilities, ensuring they have the tools and resources necessary to generate accurate, reliable, and legally defensible data in compliance with federal and state regulations.

Mr. Kester McCullough was recently promoted to Digital Water Engineer. Kester was hired in 2018 as a research intern and was promoted to Digital Water Engineer in 2025. Kester is a licensed Professional Engineer and Wastewater Operator with 13 years of experience in design, research, and operations.

He earned his bachelor's degree in Civil Engineering and his master's degree in Environmental Engineering from ODU and is completing his PhD in Environmental Engineering at Universite Laval.

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He will be leading efforts to enhance operational, process, and organizational efficiency and efficacy using machine learning and artificial intelligence. Kester is an active participant in WEF and IWA.

Mr. Steven Poe was recently promoted to Digital Water Engineer. He was hired in August of 2022 as a Hydraulic Analysis Manager in the Planning and Analysis Division and was promoted to Digital Water Engineer in October of 2025. He is a licensed Professional Civil Engineer with over eighteen years of experience in utilities engineering, hydraulic modeling, and data science. He holds a Bachelor of Science in Civil Engineering Technology and a Master of Engineering in Modeling and Simulation, both from Old Dominion University. In his new role, Mr. Poe will be advancing the use of machine learning and simulation for streamlining operational efficiency.

b. New Employee Introduction

Mr. Abi Duggal was recently hired as an ERP Developer in the IT Department. Abi holds an M.B.A. in Business Analytics from William & Mary. Abi recently worked at Canon Virginia Inc. as a Senior ERP Business Analyst, where he was responsible for B2B integrations, automation, and digitization initiatives. Abi will support the ongoing Oracle ERP business process, as well as the planned migration to Oracle Cloud. Abi volunteers at the events by Art of Living organization.

c. Commissioner Engagement/Events Participation

The 2025 Bridge Builder Celebration was held on October 29, at the Boathouse, Rockett's Landing. Each fall, VIRGINIA *forever* hosts the signature event – the Bridge Builder Celebration – in Central Virginia. The event honors elected officials and others who have championed efforts to protect Virginia's land and water.

Public Comment: None

2. **Public Comments Not Related to Agenda** – None

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3. **Consent Agenda**

Action: Approve the items listed in the Consent Agenda.

| | | | |
|------------------|-----------------------|--------------|---|
| Moved: | Vishnu Lakdawala | Ayes: | 6 |
| Seconded: | Willie Levenston, Jr. | Nays: | 0 |

Brief:

- a. Approval of minutes from the previous meeting.
- b. Contract Awards (>\$200,000)
 - 1. [Cisco SmartNet Technical Support Services](#) \$1,477,980
- c. Contract Change Orders (>25% of original contract value or \$50,000)
 - 1. [Park Avenue Pump Station Replacement](#)

| | |
|--------------------|-----------|
| Additional Funding | \$574,272 |
| Change Order | \$174,272 |
- d. Task Orders (>\$200,000)
 - 1. [Coating and Concrete Rehabilitation and Replacement FY26](#) \$702,435
 - 2. [Providence Road Interceptor Force Main \(SF-165\) Segmental Replacement at Depositor Lane](#) \$369,405

Item(s) Removed for Discussion: None

Public Comment: None



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4. **Fiscal Year 2025 Annual Comprehensive Financial Report (ACFR)**

Action: Receive the Finance Committee's Report regarding the [ACFR](#).

Brief: Political subdivisions of the Commonwealth of Virginia are required to publish a complete set of audited financial statements. HRSD is also required by its Trust Agreement to prepare and distribute its financial statements within 150 days following the close of the fiscal year.

The Department of Finance is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States. Staff expect the auditors, Cherry Bekaert LLP, to provide an unmodified (clean) opinion on the financial statements on October 29.

The Government Finance Officers Association of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to HRSD for its Annual Comprehensive Financial Report for the fiscal year ended June 30, 2025. This was the 42nd consecutive year that HRSD received this prestigious award and reflects the commitment and dedication of the Accounting Department.

The Finance Committee met with staff to review the draft report on November 13, 2025. The Finance Committee will provide their report to the Commission, and staff will provide a brief overview of the financial statements.

The Finance Committee met with staff to review the draft report on November 13, 2025. The Finance Committee provided their [report](#) to the Commission and staff provided a brief [overview](#) of the financial statements. A copy of the [ACFR](#) was provided during the meeting.

Public Comment: None

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5. **King William Collection System Capacity Improvements
Initial Appropriation – Non-Regulatory**

Action: Appropriate initial project funding in the amount of \$150,000.

Moved: Nancy Stern
Seconded: Michael Glenn

Ayes: 6
Nays: 0

CIP Project: MP016100

Regulatory Requirement: None

Project Description: This project will study, design, and construct needed capacity improvements throughout the King William Collection System to accommodate increased population and flow projections. This project will include storage tank(s), automated valves, purchase of diesel bypass pumps, treatment plant headworks upgrades, and the construction of a duplex pump station and corresponding interceptor pipeline to intercept Purina flows so that the King William Main Pump Station and 7,200 linear feet of associated gravity system can be abandoned, and will reduce inflow and infiltration (I&I) from the overall system.

The attached [map](#) depicts the project location.

Project Justification: The Orchards Development project will add over 800 new homes will be added to the King William collection system with an average daily flow of 272,000 gallons per day (gpd). The existing King William Main Pump Station is undersized for this increased flow, and with the current flows near 100,000 gpd relies on diesel bypass pumps to run multiple times a day to prevent overflows. Although new membranes are being installed at the King William Treatment Plant, flow equalization will still be required through storage in both the collection system and storage tanks. This approach will help flatline flows through the treatment plant and allow for maintenance activities on process equipment without having excessive pump and haul operations throughout the system. Constructing a small duplex pump station and force main would allow for the abandonment of the King William Main Pump Station (and the associated, planned project – MP015800) as well as 7,200 linear feet of gravity sewer.

Funding Description and Task Order Description: This task order will provide professional engineering support to evaluate capacity improvement alternatives within the King William collection system to accommodate projected population growth and increased flows from planned residential developments.



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The fee for the study to be conducted by Hazen and Sawyer is \$69,977. This initial phase of work is below the \$200,000 Commission approval threshold.

Analysis of Cost: The cost of this study is based on negotiated costs and is in agreement with other similar efforts from firms.

| | | |
|-------------------------|--------------------|---------------|
| <u>Schedule:</u> | Study | December 2025 |
| | PER | March 2026 |
| | Design | June 2026 |
| | Bid | December 2026 |
| | Construction | February 2027 |
| | Project Completion | February 2028 |

Public Comment: None

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6. **Morrison Pump Station Replacement
Initial Appropriation – Non-Regulatory and Contract Award**

Actions:

- a. **Appropriate initial project funding in the amount of \$314,496.**
- b. **Award a contract to Kimley-Horn in the amount of \$314,496.**

Moved: Willie Levenston, Jr. **Ayes:** 6
Seconded: Michael Glenn **Nays:** 0

CIP Project: JR014300

Regulatory Requirement: None

Type of Procurement: Competitive Negotiation

A Public Notice was issued on July 22, 2025. Five firms submitted proposals on August 21, 2025, 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 (RFP). Three firms were short-listed, interviewed, and technically ranked as listed below:

| Proposers | Technical Points | Recommended Selection Ranking |
|------------------|-------------------------|--------------------------------------|
| Kimley Horn | 83.6 | 1 |
| RKK | 78.1 | 2 |
| CDM-Smith | 70.5 | 3 |

The Committee recommends award to Kimley-Horn, whose professional qualifications and proposed services best serve the interest of HRSD.

Project Description: HRSD has identified the need to replace the existing pump station due to condition, safety, and capacity issues. A parcel adjacent to the existing pump station was acquired in 2017 with the intent to build a new pump station on a larger parcel. The attached [map](#) depicts the project location.

Project Justification: The existing pump station was conveyed to HRSD in the early 1950's and has now reached the end of its useful life.



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Although various upgrades have been provided for controls and equipment over time, the internal layout creates tight spacing constraints between some components, with a primary example of non-compliant separation between the pump motors themselves and the electrical cabinets. The existing site is constrained as well by the parcel size and existing access drive. Both internal and external constraints will be corrected by constructing a new station on our adjacent parcel as noted above.

Contract Description: The subject Contract is for Engineering Design Services to provide a Preliminary Engineering Report (PER). Once the PER is completed, HRSD and Kimley-Horn will enter into a subsequent contract for the remaining services contemplated in the solicitation including Design, Pre-Construction, Construction Administration, Construction Inspection and Close-Out services.

Funding Description and Analysis of Cost: The cost is based primarily on the direct labor and sub-consultant effort required to produce a PER. The PER will include the effort to bring multiple alternative layouts to an approximate 30% design completion. The rates in the proposal are consistent with similar Consultant fee schedules. The percentage of PER fee to Construction cost is 2.6%, which is in line with the expected range and less than half of the initially anticipated PER fee of \$750,000, or 6.3% of Construction cost.

| | | |
|-------------------------|--------------------|---------------|
| <u>Schedule:</u> | PER | December 2025 |
| | Design | December 2026 |
| | Bid | October 2027 |
| | Construction | May 2029 |
| | Project Completion | May 2030 |

Public Comment: None

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7. **North Shore Pump Station Influent Valve Installations
Initial Appropriation – Non-Regulatory**

Action: Appropriate total project funding in the amount of \$840,000.

Moved: Vishnu Lakdawala

Ayes: 6

Seconded: Willie Levenston, Jr.

Nays: 0

CIP Project: GN020800

Regulatory Requirement: None

Project Description: Influent valves are proposed to be installed on the gravity sewer pipe between the terminal manhole and wet wells at HRSD's Greensprings and Colonial Williamsburg Pump Stations. The attached [map](#) depicts the two project locations.

Project Justification: This project will provide a safe means for staff to isolate flows entering the referenced pump stations. At present, a portable plug must be installed to prevent flow from entering the station wet wells. This (plug) method of preventing flows from entering the confined space of the wet well poses a safety risk for HRSD staff and contractors who may need to work inside the wet well for maintenance, inspections, and repair. The installation of a valve on the influent line to the wet well eliminates the risk of flooding the wet well while personnel are inside by providing a reliable means to isolate the wet wells.

Contract Description: This contract is for influent valve construction at two existing HRSD Pump Stations. Design Work will be completed using RKK, through their Linear Infrastructure Projects annual service contract, to develop plans, and then assign the construction to an FY26 Construction Annual Services contractor.

Funding Description and Analysis of Cost: The current construction cost is based on estimates from HRSD staff at \$300,000 required for each site's valve to be installed, or \$600,000 total for both sites. The CIP was established without Preplanning, PER, or Design costs. A cost of \$690,000 for construction and a remaining balance of \$150,000 between Preconstruction, Closeout, and Contingency. The current proposed budget now includes \$110,442 for Design Services, \$500 for Pre-Construction, \$650,000 for Construction, \$500 for closeout and \$78,558 for Contingency. The initial design phase effort is below the \$200,000 Commission approval threshold.



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| <u>Schedule:</u> | Design | December 2026 |
| | Bid Delay | February 2026 |
| | Pre Construction | February 2026 |
| | Construction | July 2026 |
| | Project Completion | January 2027 |

Public Comment: None

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8. **Nansemond Treatment Plant Administration Building Replacement
Additional Appropriation – Non-Regulatory ($\geq \$1,000,000$), Task Order ($> \$200,000$)**

Actions:

- a. **Appropriate additional funding in the amount of \$1,501,778.**
- b. **Approve a task order with VIA Architects in the amount of \$1,376,778.**

| | | | |
|-------------------------|-----------------------|---------------------|---|
| <u>Moved:</u> | Willie Levenston, Jr. | <u>Ayes:</u> | 6 |
| <u>Seconded:</u> | Michael Glenn | <u>Nays:</u> | 0 |

CIP Project: NP015100

Regulatory Requirement: None

| | Project Cost & Appropriation Summary | CIP Project Summary |
|--------------------------------------------------------|---------------------------------------------------------|--------------------------------|
| Capital Improvement Program Estimate (July 1, 2025) | | \$16,596,500 |
| Funds Appropriated to Date | \$220,333 | |
| Expenditures and Encumbrances Already Incurred | (\$220,333) | |
| Available Balance | \$0 | |
| Proposed Task Order to Engineer | \$1,376,778 | |
| Proposed Contingency | \$125,000 | |
| Revised Total Remaining Project Costs | \$1,501,778 | |
| Expenditures and Encumbrances Already Incurred | \$220,333 | |
| New Project Cost Estimate | \$1,722,111* | \$17,500,000 |
| Additional Appropriation Needed | \$1,501,778 | |
| Favorable (Unfavorable) Variance to CIP | | (\$903,500) |

*Includes only design phase costs

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| Contract Status with Task Orders: | Amount |
|-------------------------------------------|---------------|
| Original Contract with Engineer | \$220,333 |
| Total Value of Previous Task Orders | \$0 |
| Requested Task Order | \$1,376,778 |
| Total Value of All Task Orders | \$1,376,778 |
| Revised Contract Value | \$1,597,111 |
| Engineering Services as % of Construction | 8.7 % |

Project Description: This project will replace the current outdated and undersized administration building with a new facility, which will include required new workspaces associated with full-scale SWIFT, as well as consolidating all administrative, shop, locker, and staff facilities into one building.

This will include all spaces needed for both the wastewater treatment plant and SWIFT laboratory, to include a larger control room, and all administrative, and maintenance activities, including an effective maintenance shop large enough for both sides of the plant.

Project Justification: This space is required to support SWIFT operations and must be constructed prior to SWIFT startup at Nansemond Treatment Plant (NTP). Additionally, this space will accommodate the increased number of plant staff due to the inclusion of Boat Harbor Treatment Plant (BHTP) flow and recent plant upgrades, while allowing for the consolidation of staff onsite into one central facility. This facility will be the designated hurricane ride-out building for the plant. This project replaces the existing undersized and outdated administrative building, providing safer and more functional working environment.

Task Order Description: This task order will provide detailed design services for the new NTP Administration Building from VIA Architects and their subconsultants. They will provide design deliverables at 60%, 90%, 100% and bid phases of the project. Additionally, this fee includes bid phase services and additional services for issues or requests that may arise during design.

Funding Description and Analysis of Cost: These funds are to issue a design task order to VIA Architects in the amount of \$1,376,778 with contingency funds of \$125,000. The cost is based on a negotiated fee between VIA Architects and HRSD. The current OPCC for the new facility is 541,904; thus, the total CIP cost is anticipated to be \$17,500,000. This engineering task order is 8.7% of the anticipated cost of construction, which is considered reasonable.



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| <u>Schedule:</u> | Design | November 2025 |
| | Bid | March 2027 |
| | Construction | November 2028 |
| | Project Completion | December 2028 |

Discussion Summary: It was noted that HRSD has not previously worked with VIA on any design projects. VIA is considered new to HRSD; however, they hold a strong professional reputation and have solid references. Staff mentioned that a recent meeting took place in the same building as VIA's office in downtown Norfolk. While HRSD has not partnered with VIA directly in the past, several of VIA's sub-consultants have collaborated with HRSD on prior projects.

Public Comment: None

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9. **Chesapeake Boulevard Pump Station (PS 105) Replacement and Norfolk Pump Station (PS 57) Rehabilitation**
Acquisition of Real Property for a Public Purpose with a reservation, and easement conveyance of a portion of HRSD Property

Action: Approve the acquisition of a portion of property (3,056 SF/0.0701 AC), identified as GPIN: 1448294195, which includes an easement reservation by the City, for zero consideration, and approve the HRSD conveyance of a variable width (60 SF and 578 SF) permanent drainage, access and maintenance easement located on HRSD's parcels located at 5724 and 5734 Chesapeake Boulevard, in accordance with the terms and conditions of the deed with the City of Norfolk; and authorize the General Manager to execute the 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.

Moved: Elizabeth Andrews

Ayes: 6

Seconded: Michael Glenn

Nays: 0

CIP Project: VP015430

Regulatory Requirement: Rehab Action Plan Phase 2 (5/5/2027 Completion)

Project Details: This project will construct a new Chesapeake Boulevard Pump Station to replace the existing pump station. This project also includes the replacement of existing equipment at the HRSD acquired Norfolk Pump Station 57, which has been renamed to HRSD Pump Station 167 / Robinhood Road Pump Station. The new equipment will be installed in accordance with HRSD's standards. The previous parcel acquisition, which was approved at the July 2024 Commission meeting, was adjacent to the existing pump station, allowing the new pump station to be constructed nearby, minimizing costs and disruptions to the public. During construction of the new pump station, the existing pump station will be placed on bypass. This acquisition will allow for the construction of a retaining wall and U-shaped driveway surrounding the new pump station structure and eliminate the need for crews to continue to back out onto an extremely busy road, with a bend in the road limiting visibility, providing the ability to eliminate a long-standing safety concern. The acquisition of the Norfolk Pump Station (PS 57), now known as HRSD Pump Station 167, has already been secured and no additional acquisitions or easements are required for this effort.

Acquisition Details: This is the final acquisition required for this project to proceed.



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A Phase 1 Environmental Site Assessment was performed as part of HRSD's due diligence and revealed no evidence of environmental conditions associated with the subject property.

Analysis of Cost: HRSD obtained an appraisal for the fee simple acquisition area as well as for the easement areas located on the HRSD parcels to be conveyed to the City to determine fair market value. The appraisal, completed by Dove Valuations, reflected a de minimis dollar difference between these two transactions. Therefore, both agencies agreed to move forward with a zero-dollar consideration.

Agreement Description: HRSD staff and real estate legal counsel, Pender & Coward, have reviewed and accepted the draft [deed](#), which still requires City Council approval. The project, acquisition area, and easement locations are depicted in the [location maps](#) and [plats](#).

Public Comment: None

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10. **Larchmont Area Sanitary Sewer Improvements
Transfer Agreement for Gravity Sewer on Richmond Crescent, Norfolk, Virginia**

Action: Approve the terms and conditions of a transfer agreement with the City of Norfolk (City) for recently replaced gravity sewer and authorize the General Manager to execute the same, substantially as presented, together with such changes, modifications, and deletions as the General Manager may deem necessary.

Moved: Nancy Stern
Seconded: Vishnu Lakdawala

Ayes: 6
Nays: 0

CIP Project: VP015320

Regulatory Requirement: Rehab Action Plan Phase 2 (05/05/2027 Completion)

Project Description: This project involves the rehabilitation of three existing pump stations, the design and construction of two new pump stations, and the design and construction of 6-inch force mains and 8-inch and 10-inch gravity mains and appurtenances. The 8-inch gravity main on Richmond Crescent is an upstream HRSD gravity sewer located in a residential neighborhood. The attached [map](#) depicts the location of the work that is part of the Transfer Agreement.

Project Justification: To minimize the amount of gravity sewer that HRSD owns within the metro area and maximize the improvements of aging infrastructure included in this project, HRSD constructed 8-inch gravity sewer lines and replaced sewer laterals. The existing 6-inch gravity sewers were abandoned in place, while the existing 8-inch gravity sewer segments were abandoned/removed where exposed by new construction. In return, the City will assume ownership of the newly replaced HRSD gravity sewer and manholes.

Agreement Description: In accordance with HRSD's Facility Transfer Commission Adopted Policy, "*in certain circumstances, it may be in the best interest of HRSD, localities, private owners, and the Commonwealth for HRSD to transfer ownership of HRSD-owned sanitary sewer facilities.*" Upon notification from HRSD to the City of Norfolk of Substantial Completion, ownership of the sanitary sewer facilities described in the attached Transfer Agreement shall automatically transfer and vest with the City, and the City will assume ownership, operation and maintenance of the transferred facilities. The attached [Transfer Agreement](#) has been reviewed by HRSD legal counsel, Sands Anderson.



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| <u>Schedule:</u> | Construction | January 2023 |
| | Project Completion | December 2027 |

Public Comment: None

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11. **King William Treatment Plant Improvements Phase II
Acquisition of Real Property (1377 Acquinton Church Road, King William, Virginia
23086)**

Action: Approve the purchase of (+/-) 1.68 acres of property at 1377 Acquinton Church Road, King William Virginia 23086, for \$10,000 (and associated acquisition costs), in accordance with the terms and conditions of the Purchase Agreement with Fontainebleau Farm Inc., (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.

Moved: Michael Glenn
Seconded: Willie Levenston, Jr.

Ayes: 6
Nays: 0

CIP Project: MP013300

Regulatory Requirement: None

Conveyance Details: The proposed acquisition represents a portion of an existing 50-acre parcel that is adjacent to HRSD's existing King William Treatment Plant. The 1.68-acre parcel will be conveyed via a Boundary Line Adjustment Plat, which is attached for reference.

Project Description: This project is intended to increase capacity for King William from 100,000 gallons per day (GPD) Average Daily Flow (ADF) to a firm capacity of 150,000 GPD ADF. Project includes site, civil, demolition, concrete pad, electrical and instrumentation as needed or installation, testing and start-up of pre-purchased Membrane System, as well as addressing known plant deficiencies needed to eliminate flow bottlenecks, improve plant reliability, and provide condition-based rehabilitation.

Agreement Description: HRSD's legal counsel Kaufman and Canoles, P.C. has reviewed the [Purchase Agreement](#) and will prepare the forthcoming [deed](#) between HRSD and Fontainebleau Farm, Inc. The project location is depicted on the [plat](#) and [map](#).

Analysis of Cost: The acquisition cost is based on an analysis of market value, municipal assessments, and a negotiated settlement with the property owner.

Public Comment: None

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12. **Customer Care
Briefing**

Action: No action is required.

Brief: Staff from the Customer Care Department are involved in several ambitious projects to improve functionality, improve the efficiency of operations, redesign bill efforts and continue to modernize customer experience.

Staff provided a [briefing](#) during the meeting.

Discussion Summary: Staff reported that HRSD is transitioning from door-tag shut-off notices to mailed first-class notices with clear “Immediate Attention Required” messaging on the envelope. The current door-tag process is outdated, costly, and presents safety concerns, and while some localities have expressed reluctance to change due to customer expectations, HRSD will proceed with the updated approach. Shut-off responsibilities differ by locality, with some performed by HRSD and others by the localities themselves or via remote disconnect meters. Customers who rely on door tags are being notified of the change through stickers on door tags and via text alerts.

Public Comment: None

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13. **Audit of HRSD's Central Environmental Laboratory (CEL) Expansion Construction Costs Internal Assessment**

Action: No action is required.

Brief: This [audit](#) conducted by SC&H Group reviewed HRSD's cost estimating process for the CEL Expansion project, selection of the CMAR delivery method, and assessed the development of the total price for the project. The goals of this assessment were to:

1. Document and evaluate HRSD's CEL Expansion and Rehabilitation project timeline and understand changes from inception to Guaranteed Maximum Price (GMP).
2. Evaluate past HRSD Construction Manager at Risk projects and compare changes to the Central Environmental Laboratory Expansion and Rehabilitation project to analyze trends.
3. Provide recommendations for transparent reporting during future project cost estimates.

SC&H staff provided a [briefing](#) during the meeting.

Discussion Summary: Staff explained the Construction Manager at Risk selection process for this project. Because CMAR is a collaborative delivery method, HRSD first sought Commission approval before initiating procurement. The engineer was selected through a qualifications-based process, with CDM Smith chosen due to its specialized expertise in laboratory projects—an area HRSD has not constructed in nearly 30 years. The CMAR contractor was procured through an RFP that evaluated qualifications, technical experience, and a price proposal consisting of overhead and comparable cost factors, since a lump-sum price is not available early in design. Staff noted that the lab project is uniquely complex, involving significant space constraints, phased relocation of existing lab operations, and more than \$1 million in specialized equipment moves and recertification.

Public Comment: None

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14. **Program Support Office (PSO)
Briefing**

Action: No action is required.

Brief: In alignment with HRSD’s Strategic Plan, a Program Support Office will be integrated into the Engineering Division structure to increase visibility and improve delivery of capital improvement program (CIP) projects.

Staff provided a [briefing](#) during the meeting that highlighted best practices, initial development efforts, and implementation approach for the new Program Support Office.

Discussion Summary: Staff noted that the assessment confirmed HRSD operates as a highly efficient, lean organization. The recommendation was not to significantly increase general staffing levels but to establish a targeted Program Support Office focused on improved tools, dashboards, project controls, and portfolio-wide visibility, drawing on lessons from the SWIFT program. The Commission Chair agreed the addition is greatly needed and expressed support for its development, noting that when he came on board, HRSD was delivering \$125 million annually in capital improvements, the workload was manageable, but with the program now approaching \$750–\$800 million, the volume, complexity, and number of involved entities can quickly become overwhelming.

A dedicated office providing oversight and ensuring alignment across groups was viewed as essential. The Chair further observed that HRSD’s efficiency is strengthened by the absence of large bureaucratic structures found in some peer utilities and that this setup enables HRSD to remain lean, innovative, and supported by strong staff expertise. Staff reiterated that approximately 64% of HRSD expenditures go to the CIP and that enhancing program-wide insight is critical for financial stewardship.

Public Comment: None

DRAFT COMMISSION MEETING MINUTES
November 18, 2025

15. **HRSD Brand Awareness Campaign Briefing**

Action: No action is required.

Regulatory Requirement: None

Project Description: Following Commission approval of HRSD’s new logo and tagline at the December 2024 Commission meeting and further supported by previous Brand Perception Study research in 2020 and 2022, HRSD continued its work with Qantm Creative to develop a brand awareness campaign. The campaign’s concept celebrates the invisible infrastructure that safeguards not only our environment, but our way of life across Hampton Roads. The campaign’s goal is to better familiarize and personalize HRSD with our rate payers to build value, greater understanding and deeper appreciation for the services HRSD provides in our region.

Creative positioning of the “*Clean Water, Healthy Communities. Brought to you by HRSD*” campaign aims to demystify HRSD. It will show HRSD as protectors of local waterways, emphasizing our role in ensuring clean water to preserve local ecosystems, protect public health, and community wellbeing—for both today and future generations. We want to remind our current customers that used water doesn’t just vanish; it is cleaned and treated and rejoins rivers, streams, aquifers, and coastal ecosystems—supporting the natural cycles our communities rely on.

The campaign will launch over the next few weeks and will be fully digital using a broadly integrated marketing strategy on YouTube, Meta and LinkedIn, programmatic display ads (which use algorithms to target specific audiences based on a variety of data like location, demographics or browsing history), multichannel HTML email ads, and postcards featuring clickable links to a landing page that will allow us to gather analytics to measure campaign reach and efficacy.

Discussion Summary: The Commission Chair clarified that the recent reports of an overflow in Broad Bay were not related to HRSD. The incident was the responsibility of the City of Virginia Beach. He emphasized that, had it been an HRSD issue, it would have been addressed promptly and aggressively. This clarification was provided due to local news coverage that did not clearly distinguish between jurisdictions.

Public Comment: None

DRAFT COMMISSION MEETING MINUTES
November 18, 2025

16. **Authorization to Transition Federal Consent Decree Requirements into a State-Issued Consent Order**

Action: Accept and enter into the Virginia Department of Environmental Quality (VDEQ) Order by Consent incorporating the Federal Consent Decree requirements 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.

Moved: Vishnu Lakdawala
Seconded: Willie Levenston, Jr.

Ayes: 7
Nays: 0

Brief: HRSD is currently under a 2010 Federal Consent Decree (FCD), which required a reduction in wet-weather sanitary sewer overflows, improvements in regional hydraulic capacity, and increased system reliability. Under this federal framework, HRSD has made substantial progress by constructing major wet-weather capacity improvements, implementing advanced monitoring and modeling systems, developing a robust asset management program, and partnering closely with the Hampton Roads localities.

While the FCD was highly effective during the initial program years, its technical foundation is now out of date. Modern hydrologic/hydraulic data, machine learning tools, and far more precise monitoring indicate that the original modeling assumptions no longer reflect the system's conditions, making it harder for HRSD to target investments where they deliver the greatest environmental and public health benefits.

HRSD has requested that the Environmental Protection Agency (EPA) terminate the existing FCD and transfer the requirements to the VDEQ through a State Consent Order (SCO). This Order is designed to carry forward the entire federal program as it exists today, but under state authority.

The requirements outlined in [Appendix A](#) mirror those in the FCD:

- Flow, pressure, and rainfall monitoring
- Regional hydraulic modeling and capacity coordination
- Condition assessment and risk-based rehabilitation programs
- Management, operations, and maintenance (MOM) programs
- Quantitative performance measures
- Regional Wet Weather Management Plan implementation
- SSO emergency response
- Locality coordination through the regional Capacity Team
- Public participation requirements



DRAFT COMMISSION MEETING MINUTES
November 18, 2025

Once the federal government formally terminates the FCD, VDEQ becomes the primary oversight authority for all ongoing wet-weather and SSO-related programs.

This provides:

- Faster decision-making
- Reduced administrative burden
- Elimination of multi-agency (EPA/DOJ/Federal Court) review cycles
- A direct path to amend and modernize technical requirements

Within two years of the FCD's termination, HRSD must submit:

- An updated Regional Wet Weather Management Plan
- Any proposed amendments to existing SSO-related commitments

Upon VDEQ approval, these updated requirements become the new enforceable terms under the SCO. The SCO includes administrative provisions that allow VDEQ (with HRSD consent or through administrative process) to amend or update the Order to reflect new information, improved modeling, or evolving regional needs.

HRSD's legal counsel AquaLaw reviewed the attached [State Consent Order](#).

Public Comment: None



DRAFT COMMISSION MEETING MINUTES
November 18, 2025

17. **New Business – None**

Public Comment: None

18. **Unfinished Business – None**

Public Comment: None

19. **Commissioner Comments**

The Commission Chair expressed pride in HRSD's progress, innovation, and performance as a quasi-governmental entity, noting that HRSD compares exceptionally well to peer facilities. The Chair supported continuing public outreach efforts, including commercials, which help reinforce HRSD's role in wastewater—not solid waste—services. The Commissioner also extended well wishes to staff and fellow Commissioners for the upcoming holidays, encouraging everyone to enjoy time with their families and travel safely.

DRAFT COMMISSION MEETING MINUTES
November 18, 2025

20. **Informational Items**

Action: No action required.

Brief: The items listed below were 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](#)

Discussion Summary: Staff noted that HRSD celebrated its 85th anniversary on November 5 and continues advancing efforts related to WQIF funding. Meetings with House and Senate appropriations staff in Richmond indicated that WQIF support is unlikely to be cash-funded and will more likely require bonding, adding complexity for financial planning. Staff also shared that HRSD will be featured on the cover of *Coastal Virginia Business* as one of three regional “Innovation Superheroes,” following recognition at the TechNite Awards. HRSD’s successful first booth at WEFTEC has prompted discussions about establishing a utilities pavilion in future years. The first full-scale SWIFT facility remains on track for completion around late 2026, and HRSD plans to issue an RFP to refresh the SWIFT Research Center in anticipation of increased public and media interest. Staff also mentioned a lighthearted trademark inquiry from a company seeking to use the SWIFT Water name for a sports drink, which HRSD declined.

Public Comment: None



DRAFT COMMISSION MEETING MINUTES
November 18, 2025

Next Commission Meeting Date: December 16, 2025, at the
HRSD South Shore Operations Complex, 1434 Air Rail Avenue, Virginia Beach, VA 23455

Meeting Adjourned: 11:47 a.m.

SUBMITTED:

Draft

Elizabeth I. Scott
Commission Secretary

APPROVED:

Draft

Stephen C. Rodriguez
Commission Chair

HRSD Commission Meeting Minutes
November 18, 2025
Attachment #1

3. Consent Agenda

CONSENT AGENDA ITEM 3.b.1. – November 18, 2025

Subject: Cisco SmartNet Technical Support Services
Contract Award (>\$200,000)

Recommended Action: Award a contract to CDW LLC DBA CDW GOVERNMENT LLC in the amount of \$295,596 for one year with four renewal options and an estimated cumulative value of \$1,477,980.

Regulatory Requirement: None

Type of Procurement: Use of Existing Contract Vehicle

Contract Description: This contract is for technical support services on Cisco equipment furnished with the SmartNet support feature. SmartNet provides total care support capabilities for all Cisco hardware used by the Information Technology Department.

Upon evaluation of the Fairfax County IT Hardware/Software contract terms and conditions, as a public agency, HRSD is eligible to use the contract awarded to CDW Government LLC.

Analysis of Cost: By utilizing Fairfax County contract 4400006325 for Cisco Smartnet, HRSD is receiving two percent cost savings.

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

CONSENT AGENDA ITEM 3.c.1. – November 18, 2025

Subject: Park Avenue Pump Station Replacement
 Additional Appropriation – Regulatory Required (\geq \$10,000,000)
 Contract Change Order ($>25\%$ of original contract value or \$50,000, or whichever is greater)

Recommended Actions:

- a. Appropriate additional funding in the amount of \$574,272.
- b. Approve a change order to the contract with Shaw Construction Corporation in the amount of \$174,272.

CIP Project: VP018000

Regulatory Requirement: Rehab Action Plan Phase 2 (12/31/2025 Completion)

| | Project Cost & Appropriation Summary | CIP Project Summary |
|-----------------------------------------------------|-------------------------------------------------|----------------------------|
| Capital Improvement Program Estimate (July 1, 2025) | | \$16,660,473 |
| Funds Appropriated to Date | \$15,926,434 | |
| Expenditures and Encumbrances Already Incurred | (\$15,918,413) | |
| Available Balance | 8,021 | |
| Proposed Change Order to Contractor | \$174,272 | |
| Proposed Legal Fees | \$400,000 | |
| Revised Total Remaining Project Costs | \$574,272 | |
| Expenditures and Encumbrances Already Incurred | \$15,918,413 | |
| New Project Cost Estimate | \$16,500,706 | \$16,500,706 |
| Additional Appropriation Needed | \$574,272 | |
| Favorable (Unfavorable) Variance to CIP | | \$159,767 |

| Contract Status with Change Orders: | Amount | Cumulative % of Contract |
|--------------------------------------------|---------------|---------------------------------|
| Original Contract with Contractor | \$11,414,000 | |
| Total Value of Previous Change Orders | \$323,261 | 2.8% |
| Requested Change Order | \$174,272 | |
| Total Value of All Change Orders | \$497,533 | 4.4% |
| Revised Contract Value | \$11,911,533 | |

Project Description: This project is to design and construct a replacement pump station for the existing 1922 Park Avenue Pump Station (PS), based on the recommendations of the Park Avenue and Ferebee Avenue PS Study. This project is to include installation of an emergency generator/pump and address the replacement/rehabilitation of 50 linear feet of the 24-inch gravity influent line. The attached [map](#) depicts the project location.

Project Justification: This project will evaluate and implement the replacement of Park Avenue PS. This facility was inspected in August 2013, as part of a Condition Assessment Program administered by Brown and Caldwell. Park Avenue PS was recommended for replacement and/or upgrades under Phase 2 in the Rehabilitation Action Plan. This facility experiences operational issues related to aging equipment and structure. Park Avenue PS currently receives flows from HRSD's Ferebee Avenue PS in addition to flow from several city pump stations.

Change Order Description: This change order includes a wide variety of tasks that have been completed by Shaw over the course of the project. Some items are recent changes and others are change order requests that HRSD chose to revisit after the Engineer denied the Change Order Request due to ambiguity in the Contract. In addition to the change orders mentioned below and in the coming month, HRSD will be negotiating a large delay claim and some other smaller change order requests. The pump station work has not reached substantial completion due to anomalies in the pump testing and difficulty obtaining the site's new water meter to support HVAC testing.

The changes included in this change order are for the following items: 1) establish vertical and horizontal controls to monitor for settlement, 2) install and monitor crack monitors on nearby structures, 3) make modifications to the instrumentation and control for the HVAC system, 4) extend Builders Risk insurance, and 5) install a different sump pump model.

Analysis of Cost: The change order cost is based on a negotiated cost for each item and is supported by employee hourly wages and material and equipment costs. The proposed contingency fees in the additional appropriation request is an estimate provided by Sands Anderson based on an assumed time commitment and hourly rate to conduct trial proceedings.

| | | |
|-------------------------|--------------------|---------------|
| <u>Schedule:</u> | Construction | June 2022 |
| | Project Completion | December 2025 |

CONSENT AGENDA ITEM 3.d.1. – November 18, 2025

Subject: Coating and Concrete Rehabilitation and Replacement FY26
Task Order (>\$200,000)

Recommended Action: Approve a task order with Commonwealth Epoxy Coatings LLC in the amount of \$702,435.

CIP Project: GN021610

Regulatory Requirement: None

Project Description: The work in this fiscal year will include the following coatings and concrete projects: Atlantic Primary Clarifier ducting and scrubber recoating and repairs, Army Base Biological Nutrient Removal (BNR) Tank structural restoration, Virginia Initiative Plant (VIP) Secondary Clarifier trough coatings and concrete restoration, and Williamsburg Secondary Clarifiers coatings installation.

Project Justification: Atlantic Primary Clarifier ducting and scrubber coatings are flaking badly, and fiberglass is missing in multiple sections, requiring extensive repairs. Army Base BNR Tanks are structurally unsound and need rehabilitation to continue functioning at current capacities. At VIP, Secondary Clarifier troughs have chipped concrete in multiple areas and require concrete restoration as well as recoating. Williamsburg Secondary Clarifiers also require coating to prevent further erosion of the concrete caused by wear and algae growth, and to protect the installed brushes.

Task Order Description: This task order will provide coating and structural rehabilitation for one of the BNR tanks at the Army Base Treatment Plant. The scope of work includes surface preparation, concrete repairs, and the installation of carbon fiber reinforcement to the columns of the BNR tank.

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 the Commission Adopted Procurement Policy.

| | | |
|-------------------------|--------------------|----------------|
| <u>Schedule:</u> | Construction | September 2025 |
| | Project Completion | July 2026 |

CONSENT AGENDA ITEM 3.d.2. – November 18, 2025

Subject: Providence Road Interceptor Force Main (SF-165) Segmental Replacement at Depositor Lane
Task Order (>\$200,000)

Recommended Action: Approve a task order with Hazen and Sawyer in the amount of \$369,405.

CIP Project: AT016700

Regulatory Requirement: None

| Contract Status with Task Orders: | Amount |
|-------------------------------------------|---------------|
| Original Contract with Hazen and Sawyer | \$0 |
| Total Value of Previous Task Orders | \$98,839 |
| Requested Task Order | \$369,405 |
| Total Value of All Task Orders | \$468,244 |
| Revised Contract Value | \$468,244 |
| Engineering Services as % of Construction | 21% |

Project Description: This project will address the replacement of a segment of a 36-inch Reinforced Concrete Pressure Pipe (RCPP) exposed in a creek crossing of Morgan Trail Creek along Providence Road in Virginia Beach. The attached [map](#) depicts the project location.





Project Justification: This project will replace a section of a 36-inch RCPP force main that is severely undermined at an exposed creek crossing due to stream bed and bank erosion with a trenchless form of installation. This pipe section is approximately 15-feet downstream of a stormwater headwall discharge for 21-inch, 36-inch and two 60-inch discharge pipes.

Task Order Description and Analysis of Cost: This task order will provide design and pre-construction services in accordance with the approved recommendations from the Preliminary Engineering Report. A meeting was held to discuss the project and scope of services. A fee of \$369,405 was negotiated which is based on hourly rates in Hazen and Sawyer's annual services contract for General Engineering Services. The task order will provide 90% and 100% design services, real estate assessment and plat preparation, public engagement with a school and nearby businesses, locality coordination, a preconstruction assessment and damage mitigation stage 1 report, and pre-construction services for bid documents and contractor selection. The design fee at 21% of the estimated construction cost is higher than typical but reasonable considering the project location in a high traffic count area, the public outreach requirements due to the close proximity to a nearby school, and traffic control plans requiring a higher number of labor hours.

| | | |
|-------------------------|--------------------|---------------|
| <u>Schedule:</u> | Design | December 2025 |
| | Bid | October 2026 |
| | Construction | January 2027 |
| | Project Completion | January 2028 |



AT016700

-  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 55 110 220 330 440 Feet

AT016700

Providence Road Interceptor Force Main (SF-165)
Segmental Replacement at Depositor Lane



CIP Location



HRSD Commission Meeting Minutes
November 18, 2025
Attachment #2

4. Fiscal Year 2025 Annual Comprehensive Financial Report (ACFR)



Finance Committee Report
November 18, 2025

I'm pleased to provide this report of the Finance Committee.

The Committee met in person on November 13, 2025.

- The following Commissioners were in attendance in person: my fellow Committee members, Willie Levenston and Vishnu Lakdawala.
- Bruce Husselbee provided a high-level overview of the approach for answering the Commission's questions regarding alternative project delivery methods. The Committee agreed with the proposed approach and that the results should be presented to the entire Commission in January 2026.
- The independent audit firm, Cherry Bekaert, presented the preliminary results of their audit. Ms. Laura Hardin, Audit Director, presented the results of the audit and explained the audit process. No reportable deficiencies were identified, and an unmodified (clean) audit opinion has been provided.
- Steve de Mik provided an overview of the Annual Comprehensive Financial Report and summarized the results of operations for the 2025 fiscal year.

I want to thank the staff of HRSD for another great year.

I am also pleased to report the receipt of the Government Finance Officers Association (GFOA) Certificate of Achievement for Excellence in Financial Reporting for the 42nd year in a row.

That is the report of the Finance Committee. Does anyone have any questions?

ANNUAL COMPREHENSIVE FINANCIAL REPORT



For the Fiscal Years Ended June 30, 2025 and 2024

Hampton Roads Sanitation District
[A Component Unit of the Commonwealth of Virginia]





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HAMPTON ROADS SANITATION DISTRICT

A COMPONENT UNIT OF THE COMMONWEALTH OF VIRGINIA

**ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE FISCAL YEARS ENDED JUNE 30, 2025 AND 2024**

PREPARED BY THE FINANCE DIVISION



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INTRODUCTORY SECTION

ANNUAL COMPREHENSIVE FINANCIAL REPORT / HAMPTON ROADS SANITATION DISTRICT



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October 29, 2025

To the Hampton Roads Sanitation District (HRSD) Board of Commissioners and Our Customers:

We are pleased to submit this Annual Comprehensive Financial Report for the fiscal year ended June 30, 2025. Political subdivisions of the Commonwealth of Virginia are required to publish a complete set of audited financial statements. This report fulfills that requirement.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based on a comprehensive framework of internal control it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of material misstatements.

Cherry Bekaert LLP, Certified Public Accountants, has issued an unmodified ("clean") opinion on HRSD's financial statements for the fiscal year ended June 30, 2025. The independent auditors' report is located at the front of the financial section of this report.

Management's Discussion and Analysis (MD&A) immediately follows the independent auditors' report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A, which complements this letter of transmittal, should be read in conjunction with it.

Profile of HRSD

HRSD is an independent political subdivision of the Commonwealth of Virginia (the Commonwealth) created by referendum on November 5, 1940. HRSD was established to abate water pollution in the Hampton Roads area by providing a system of interceptor mains and wastewater treatment plants.

Approximately 1.9 million individuals, more than one-fifth of Virginia's population, reside in HRSD's service area, which is in the southeastern corner of the Commonwealth. HRSD's territory of approximately 5,000 square miles encompasses nine cities, eleven counties and several large military facilities. A brief history of HRSD is provided on page 7. HRSD is required by its Enabling Act to meet its obligations by charging user fees for its wastewater treatment services; no taxing authority is authorized by the Enabling Act. HRSD provides service and bills to approximately 494,000 service connections.

A board of eight commissioners (the Commission), appointed by the Governor of Virginia, governs HRSD. Commission members, who serve four-year staggered terms, can be reappointed without limitation, and may be suspended or removed at the Governor's pleasure. The Commission appoints a General Manager/Chief Executive Officer, who appoints the executive staff.

HRSD owns and operates 14 treatment plants. The eight major plants in Hampton Roads have design capacities ranging in size from 15 to 54 million gallons per day (MGD). Four of the major plants are located south of the James River and four are north of the James River. The combined capacity of these eight plants is approximately 138.4 MGD. HRSD's six small rural treatment plants have a combined capacity of 1.75 MGD.

HRSD maintains 538 miles of pipelines ranging from six inches to 66 inches in diameter. Interceptor pipelines, along with 92 pump stations in Hampton Roads, interconnect into two independent systems, one south of the James River and one north of the James River. The system allows some flow diversions to provide for maintenance or emergency work. HRSD owns and maintains 47 pump stations in the Small Communities.

Local Economy

HRSD's service area includes nearly all the Virginia Beach-Norfolk-Newport News Metropolitan Statistical Area (MSA). It is the eighth largest MSA in the southeastern United States and the 37th largest in the nation. Unlike many metropolitan areas, Hampton Roads' population nucleus is not confined to one central city. Instead, the approximately 1.9 million residents are spread among several cities and counties. Virginia Beach is the most populous city in the Commonwealth, with Chesapeake and Norfolk second and third, respectively. Suffolk is the largest city by land area.

Unemployment rates remain below national averages in the region, which has a civilian labor force of approximately 850,000 as of June 2025.

The regional economy is supported by one of the highest military concentrations in the nation, diverse manufacturing and service sectors, shipbuilding and repair work, international port activities and tourism. Several state and private colleges and a large healthcare infrastructure also lend stability to the region.

A diverse customer base allows HRSD to maintain stable revenues. The ten largest customers account for only 7.4 percent of wastewater revenues for fiscal year 2025. In addition, HRSD's 2025 revenues contained only limited reliance (1.4 percent) on new customer connections.

Long-Term Financial Planning

HRSD's Financial Policy helps it maintain its solid fiscal health. Budgetary principles include using ongoing revenues to pay for ongoing expenses and establishing annual cash contribution goals of at least 15 percent of budgeted capital costs. Under the Financial Policy, debt service coverage ratios should not be less than 1.4 times annual debt service. Operating and ten-year capital improvement budgets are adopted annually. Included in the operating budget is a long-range financial forecast, which is guided by projections of operating and capital needs and the aforementioned Financial Policy requirements.

Major Initiatives

HRSD continues its ambitious \$3.4 billion, 10 year Capital Improvement Program. Regulatory requirements to reduce nutrient discharges and Clean Water Act compliance initiatives to ensure that appropriate wet weather capacity exists within the regional sanitary sewer system, major treatment plant upgrades, and replacements of interceptor pipelines drive the capital program. Most significantly, major projects are currently under construction at the James River, Boat Harbor and Nansemond treatment plants in support of HRSD'S Sustainable Water Initiative for Tomorrow (SWIFT) program, an innovative water treatment system designed to ensure a sustainable source of groundwater while addressing environmental challenges such as Chesapeake Bay restoration, sea level rise and saltwater intrusion. To minimize the impacts of its capital investments on ratepayers, HRSD continues to pursue grant and low-interest loan opportunities when available.

Awards and Acknowledgments

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to HRSD for its annual comprehensive financial report (Annual Report) for the fiscal year ended June 30, 2024. This was the 42nd consecutive year that HRSD has received this prestigious award. In order to be awarded a Certificate of Achievement, HRSD must publish an easily readable and efficiently organized Annual Report that satisfies both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe our current Annual Report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this Annual Report was made possible by the dedicated service staff in the Finance Division. All members of the division have our sincere appreciation for their contributions to the preparation of this report. Credit must also be given to the Commission for their support for maintaining the highest standard of professionalism in the management of HRSD's finances.

Respectfully submitted,



Jay A. Bernas, P.E.
General Manager/CEO



Steven G. de Mik, CPA
Deputy General Manager/CFO



Kassandra Pagan
Director of Accounting



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Hampton Roads Sanitation District
Virginia**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2024

Christopher P. Merrill

Executive Director/CEO

Principal Officials

June 30, 2025

COMMISSIONERS

Stephen C. Rodriguez, Chair

Willie Levenston, Jr., Vice-Chair

Frederick N. Elofson, CPA

Michael E. Glenn

Vishnu K. Lakdawala, PhD

Nancy J. Stern

Elizabeth A. Taraski, PhD

Ann W. Templeman

COMMISSION SECRETARY

Jennifer L. Cascio

ASSISTANT COMMISSION SECRETARY

Elizabeth I. Scott

SENIOR STAFF

Jay A. Bernas, PE
General Manager and Chief Executive Officer

Steven G. de Mik, CPA
Deputy General Manager and Chief Financial Officer

Eddie Abisaab, PE, PMP, ENV SP
Chief Operating Officer

Charles B. Bott, PhD, PE, BCEE
Chief Technology Officer

Mary H. Corby
Chief Information Officer

Bruce W. Husselbee, PhD,
PE, DBIA
Chief Engineer

Brends Matesig
PHR, PSHRA-SCP, SHRM-SCP
Acting Chief People Officer

Jamie Heisig-Mitchell
Chief of Water Quality

Leila E. Rice, APR
Chief Communications Officer

COUNSEL, ADVISOR, TRUSTEE

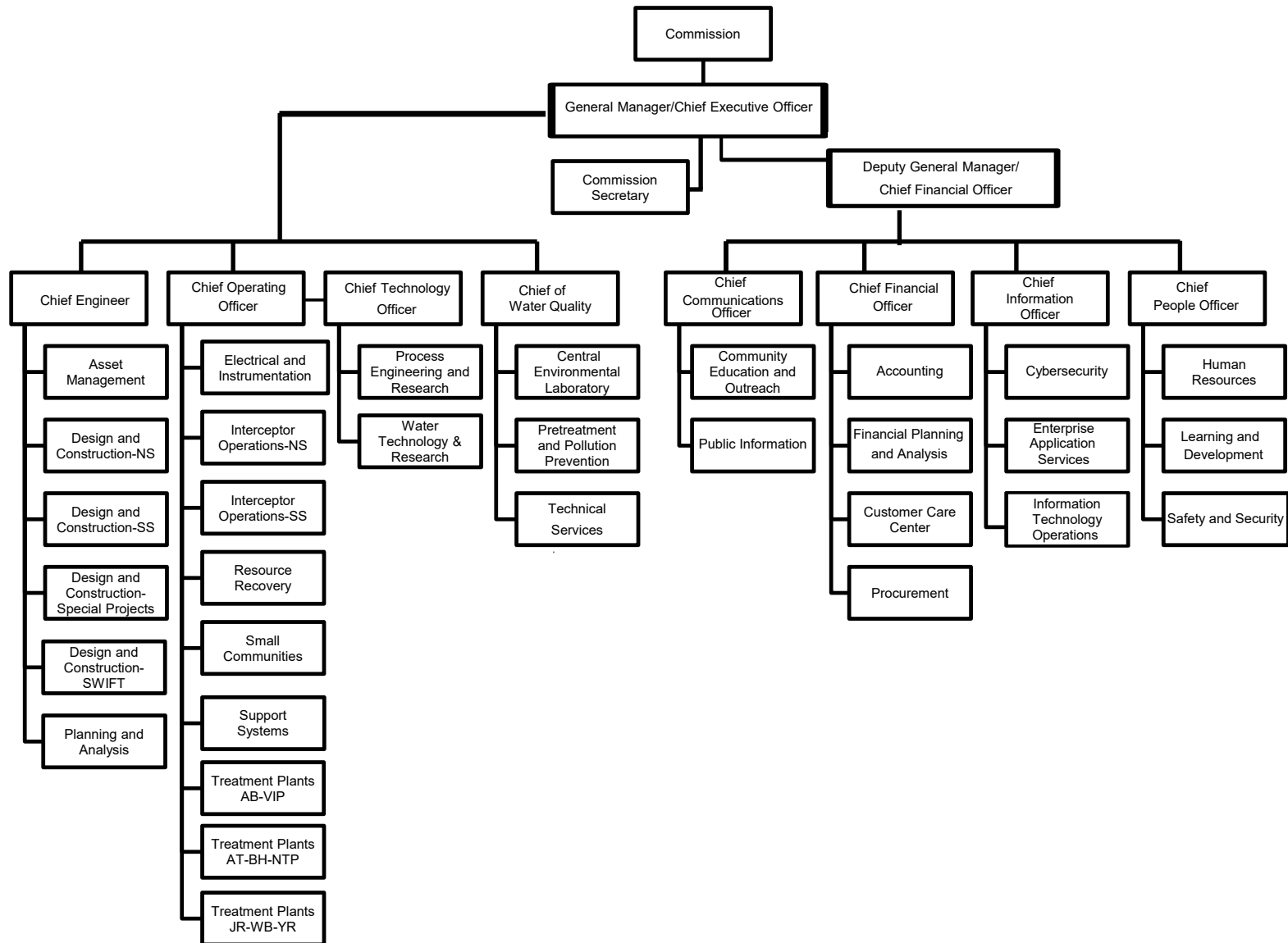
Sands Anderson, PC
General Counsel

PFM Financial Advisors LLC
Financial Advisors

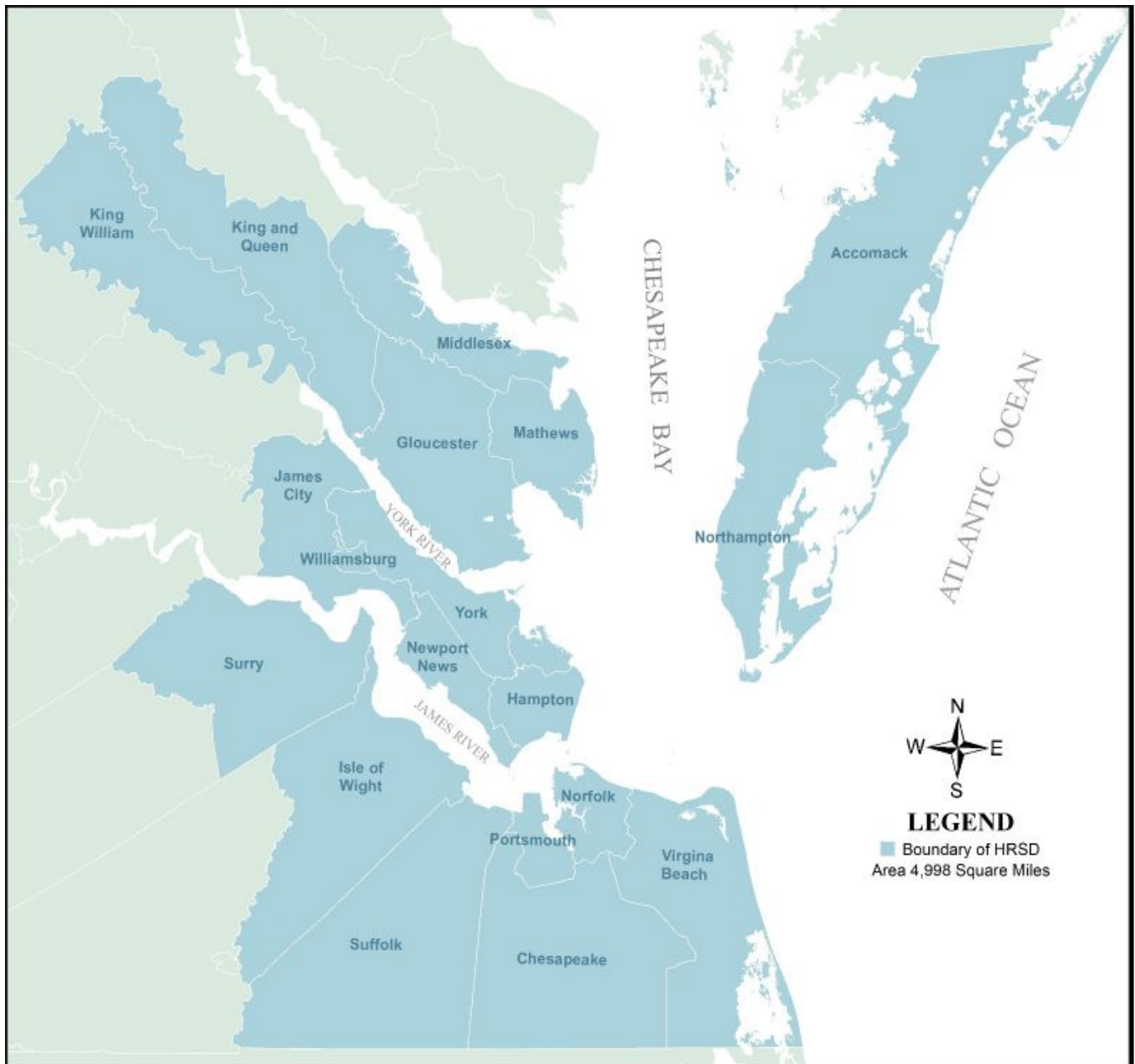
Norton Rose Fulbright US, LLP
Bond Counsel

HRSD Organization Chart

June 30, 2025



Service Area
June 30, 2025



History

June 30, 2025

HRSD can trace its beginnings to 1925 when the Virginia Department of Health condemned a large oyster producing area in Hampton Roads. The closure resulted in the Virginia General Assembly creating in 1927 a “Commission to Investigate and Survey the Seafood Industry of Virginia.” Other studies recommended a public body to construct and operate a sewage system in the area. HRSD was named after Hampton Roads, a ship anchorage used for five centuries located near the convergence of the James, Elizabeth and Nansemond Rivers, before they flow into the Chesapeake Bay in southeastern Virginia.

In 1934, the Virginia General Assembly created the Hampton Roads Sanitation Disposal Commission with instructions to plan the elimination of pollution in Hampton Roads. Recommendations were made to the General Assembly, which resulted in the Sanitary Districts Law of 1938, along with “an Act to provide for and create the Hampton Roads Sanitation District.” This Act required the qualified voters within HRSD to decide in a general election on November 8, 1938, if they favored creation of such a District. This referendum failed to gain a majority by about 500 votes out of nearly 20,000 votes cast. This led to a revision of the Act and another referendum was held on November 5, 1940, which resulted in a majority vote for the creation of the Hampton Roads Sanitation District.

The Enabling Act provides for HRSD to operate as a political subdivision of the Commonwealth of Virginia for the specific purpose of water pollution abatement in Hampton Roads by providing a system of interceptor mains and wastewater treatment plants. Its affairs are controlled by a Commission of eight members appointed by the Governor for four-year terms. Administration is under the direction of a General Manager, supported by division chiefs and their staff.

HRSD began operations on July 1, 1946, using facilities acquired from the United States Government. The Warwick County Trunk Sewer, HRSD’s first construction project, began on June 26, 1946, and was funded by HRSD’s \$6.5 million Primary Pledge Sewer Revenue Bonds, dated March 1, 1946. The first treatment plant, the Army Base Treatment Plant, began operation on October 14, 1947. Since that time, the facilities of HRSD have grown to provide sanitary sewer service to all major population centers in southeastern Virginia. The population served has increased from nearly 288,000 in 1940 to about 1.9 million in 2025.

Throughout its rich history HRSD has earned many of its industry’s most prestigious awards. This tradition continued as HRSD earned the Award for Outstanding Achievement in Popular Annual Financial Reporting from the Government Finance Officers Association for its Popular Annual Financial Report, issued in Fall 2025 for the Fiscal Year ended June 2024.

Additional awards and honors received during the year ended June 30, 2024 include the Best Project Award for Atlantic Treatment Plant Thermal Hydrolysis Process (THP) and Fats, Oils, and Grease (FOG) Receiving Station by Engineering News and Record (ENR); the 2024 Top Projects Award by Wastewater Digest for the Surry Hydraulic Improvements and Interceptor Force Main; the American Council of Engineering Companies Virginia Grand Award for HRSD’s Climate Change Planning Study; the National Association of Clean Water Agencies (NACWA) National Environmental Achievement Awards in the categories of Public Information and Education, Watershed Collaboration, and Workforce Development. HRSD was also pleased to receive the 2024 Engineering Achievement Award presented by the Engineers Club of Hampton Roads for the “Boat Harbor Treatment Plant Force Main Section 1 – James River Crossing Project.”





FINANCIAL SECTION

ANNUAL COMPREHENSIVE FINANCIAL REPORT / HAMPTON ROADS SANITATION DISTRICT



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Report of Independent Auditor

To the Commissioners
Hampton Roads Sanitation District
Virginia Beach, Virginia

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the major fund and the aggregate remaining fund information of the Hampton Roads Sanitation District ("HRSD"), a component unit of the Commonwealth of Virginia, as of and for the years ended June 30, 2025 and 2024, and the related notes to the financial statements, which collectively comprise HRSD's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the major fund and the aggregate remaining fund information of HRSD, as of June 30, 2025 and 2024, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia (the "Specifications"). Our responsibilities under those standards and Specifications are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of HRSD, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about HRSD's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audits of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Specifications will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Specifications, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of HRSD 's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about HRSD 's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits, significant audit findings, and certain internal control related matters that we identified during the audits.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Required Supplementary Information, as listed in the Table of Contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Introductory Section, Statistical Section, and Other Supplemental Section, as listed in the table of contents, but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2025, on our consideration of HRSD's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of HRSD's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering HRSD's internal control over financial reporting and compliance.



Virginia Beach, Virginia
October 29, 2025

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

This narrative overview and analysis of the financial activities of the Hampton Roads Sanitation District (HRSD) for the fiscal years ended June 30, 2025 and 2024, is provided by HRSD's management. Readers of the accompanying financial statements are encouraged to consider this information in conjunction with that furnished in the transmittal letter, which can be found on pages 1 through 2 of this report.

FINANCIAL HIGHLIGHTS

- Total net position increased by \$326.2 million, or 24.3 percent, in 2025 as a result of fiscal year 2025 operations. Total net position increased by \$174.4 million or 14.8 percent in fiscal year 2024.
- In fiscal year 2025, total revenues increased by \$48.7 million, or 10.8 percent, primarily driven by a \$38.1 million rise in wastewater treatment revenues following a 9 percent rate increase effective July 1, 2024. Investment income also grew by \$12.4 million, supported by the higher wastewater revenues and earnings on unspent proceeds from a \$268 million waterwater bond issued in July 2024. Similarly, in fiscal year 2024, operating revenues rose by \$46.1 million as a result of a 9 percent wastewater treatment rate increase effective July 1, 2023, while investment income increased \$7.6 million, largely due to higher interest rates.
- Overall, operating expenses increased by \$6.7 million, or 2.3 percent in fiscal year 2025. Increases in salaries (\$8.1 million) due to new positions and wage adjustments, materials and supplies (\$1.8 million), contractual services (\$2.3 million), and depreciation and amortization (\$3.4 million) were offset by a \$9.7 million (31.7 percent) reduction in fringe benefit costs. The decline in fringe benefits was driven by favorable medical claims experience (\$7.9 million) and a reduction (\$1.9 million) in Retiree Health Plan (RHP) OPEB expense. The OPEB decrease was primarily due to stronger-than-expected trust fund performance, changes in actuarial assumptions, and variances between expected and actual experience. For fiscal year 2024, restated operating expenses increased \$26.8 million. Most of this increase was attributable to a \$11.2 million increase in salaries and fringe benefit, a \$7.5 million increase in major repairs and improvements, a \$2.3 million increase in bad debt expense, and \$3.7 million increase in general materials, utilities and chemical purchases.
- In fiscal year 2025, a one-time \$23.8 million reduction in RHP OPEB expense was recorded as a Special Item on the Statements of Revenues, Expenses, and Changes in Net Position. This adjustment resulted from management's decision to modify its retiree health benefit by transitioning participants from a Medicare Supplement Plan to an employer-sponsored Medicare Advantage Plan.
- Restricted Cash and cash equivalents increased \$159.3 million, or 714.3 percent, in fiscal year 2025, primarily due to a Waterwater Treatment Revenue Bond issue. Unrestricted cash and cash equivalents increased \$135.8 million, or 62.7 percent. Fiscal year 2024 reflected a decrease in restricted cash and cash equivalents of \$11.5 million, or 34.1 percent, primarily due to the utilization of debt proceeds, the receipt of grant funds for capital construction projects, and the reduction in the amount of restricted cash and cash equivalents. Unrestricted cash and cash equivalents increased \$68.3 million, or 46.1 percent, primarily due to receipt of debt proceeds to fund capital construction projects.
- Net Property, Plant and Equipment's increase of \$611.3 million, or 24.3 percent, was mostly due to a \$481.5 million increase in construction in progress associated with three large capital projects. Fiscal year 2024 reflected a similar increase of \$499.3 million, or 24.8 percent, due to a \$465.6 million net increase in construction in progress.
- In fiscal year 2025, HRSD adopted GASB Statement No. 101, *Compensated Absences*, the recognition and measurement guidance for compensated absences. The Statement requires that the fiscal year ended June 30, 2024 be restated and that the fiscal year ended June 30, 2023 ending net position be adjusted. The financial impact for fiscal year 2024 was a decrease of \$7.4 million in beginning Net Position (due to FY 2023 adjusted net position) and a \$0.3 million decrease in Ending Net Position due restatement of FY 2024. See Note 15 for additional information.

OVERVIEW OF FINANCIAL STATEMENTS

HRSD's Basic Financial Statements are comprised of the financial statements and the notes to the financial statements. This report also contains required supplementary information and other supplementary information in addition to the Basic Financial Statements.

The Basic Financial Statements, found on pages 20 through 25 of this report, are designed to provide readers with a broad overview of HRSD's finances in a manner similar to a private sector business.

The Statements of Net Position, found on pages 20 and 21 of this report, present information on all of HRSD's assets, deferred outflows of resources, liabilities, and deferred inflows of resources; the difference between these components is reported as net position. Over time, changes in net position may serve as a useful indicator of whether the financial position of HRSD is improving or deteriorating.

The Statements of Revenues, Expenses and Changes in Net Position, found on page 22 of this report, present all of HRSD's revenues and expenses, showing how HRSD's net position changed during the year. All changes in net position are reported as soon as the underlying event takes place, thus giving rise to the changes, regardless of the timing of the cash flows. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods.

The Statements of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position, found on pages 24 and 25, provide information on the control of assets for which HRSD has a fiduciary responsibility and the beneficiaries with whom a fiduciary responsibility and are discussed in Notes 2 and 14.

The Notes to Financial Statements, found on pages 26 through 59 of this report, provide additional information that is essential to a full understanding of the data provided in the financial statements.

In addition to the Basic Financial Statements and the related notes, this report also presents certain required supplementary information concerning HRSD's progress in funding its obligations to provide pension and other postemployment benefits to its employees.

Required Supplementary Information can be found beginning on 63 page of this report.

FINANCIAL ANALYSIS

Net Position

HRSD's total net position at June 30, 2025 was \$1.67 billion, a \$326.2 million, or a 24.3 percent increase from June 30, 2024. Total assets increased \$948.2 million, or 32.5 percent, to \$3.9 billion and total liabilities increased \$613.7 million, or 38.4 percent to \$2.2 billion.

HRSD's total net position at June 30, 2024 was \$1.34 billion, a \$174.4 million, or a 14.8 percent increase from June 30, 2023. Total assets increased \$571.2 million, or a 24.3 percent, to \$2.9 billion and total liabilities increased \$408.2 million, or 34.3 percent to \$1.6 billion.

HRSD's net position is summarized in the following Condensed Statements of Net Position as of June 30:

HRSD's Condensed Statements of Net Position

| (in thousands) | 2024 | | | 2025 vs. 2024 | |
|---------------------------------------|---------------------|---------------------|---------------------|-------------------|--------------|
| | 2025 | Restated | 2023 | Dollars | Percent |
| Capital assets | \$ 3,122,892 | \$ 2,511,633 | \$ 2,012,351 | \$ 611,259 | 24.3% |
| Current and noncurrent assets | 743,238 | 406,262 | 334,314 | 336,976 | 82.9% |
| Total assets | 3,866,130 | 2,917,895 | 2,346,665 | 948,235 | 32.5% |
| Deferred outflows of resources | 42,892 | 39,373 | 37,522 | 3,519 | 8.9% |
| Long-term liabilities | 1,800,769 | 1,261,974 | 917,223 | 538,795 | 42.7% |
| Current liabilities | 409,609 | 334,660 | 271,225 | 74,949 | 22.4% |
| Total liabilities | 2,210,378 | 1,596,634 | 1,188,448 | 613,744 | 38.4% |
| Deferred inflows of resources | 28,458 | 16,625 | 18,717 | 11,833 | 71.2% |
| Net investment in capital assets | 1,156,903 | 1,017,839 | 981,437 | 139,064 | 13.7% |
| Restricted for debt service | 37,709 | 22,307 | 33,830 | 15,402 | 69.0% |
| Restricted for capital projects | 9,215 | - | - | 9,215 | 100.0% |
| Restricted for net OPEB asset | 30,404 | - | - | 30,404 | 100.0% |
| Unrestricted | 435,955 | 303,863 | 161,755 | 132,092 | 43.5% |
| Total net position | \$ 1,670,186 | \$ 1,344,009 | \$ 1,177,022 | \$ 326,177 | 24.3% |

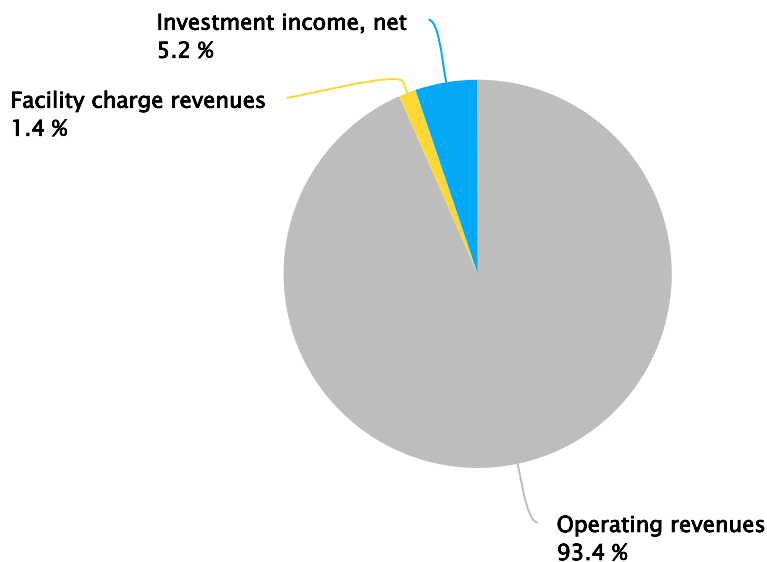
The increase in capital assets is primarily due to the significant increase in construction in progress, most notably for major expansion projects at two of HRSD's treatment plants and the construction of a storage tank, pump station and sub-aqueous force main under the Nansemond River in both fiscal years 2025 and 2024.

The changes in HRSD's net position can be determined by reviewing the following condensed Statements of Revenues, Expenses and Changes in Net Position:

HRSD's Condensed Statements of Revenues, Expenses and Changes in Net Position

| (in thousands) | 2024 | | 2023 | 2025 vs. 2024 | |
|------------------------------------------------------|---------------------|---------------------|---------------------|-------------------|--------------|
| | 2025 | Restated | | Dollars | Percent |
| Revenues: | | | | | |
| Operating revenues | \$ 465,036 | \$ 426,941 | \$ 387,935 | \$ 38,095 | 8.9% |
| Facility charge revenues | 6,928 | 7,153 | 7,293 | (225) | (3.1%) |
| Investment income, net | 26,121 | 13,673 | 6,068 | 12,448 | 91.0% |
| Bond interest subsidy | - | 1,622 | 2,015 | (1,622) | (100.0%) |
| Total revenues | 498,085 | 449,389 | 403,311 | 48,696 | 10.8% |
| Operating expenses: | | | | | |
| Wastewater treatment | 173,973 | 167,327 | 149,532 | 6,646 | 4.0% |
| General and administrative | 57,028 | 60,406 | 53,995 | (3,378) | (5.6%) |
| Depreciation and amortization | 60,456 | 57,053 | 54,469 | 3,403 | 6.0% |
| Total operating expenses | 291,457 | 284,786 | 257,996 | 6,671 | 2.3% |
| Non-operating expenses: | | | | | |
| Bond issuance costs | 1,351 | 1,000 | 98 | 351 | 35.1% |
| Capital distributions to localities | 811 | 2,005 | 2,422 | (1,194) | (59.6%) |
| Interest expense | 45,888 | 33,642 | 27,132 | 12,246 | 36.4% |
| Total non-operating expenses | 48,050 | 36,647 | 29,652 | 11,403 | 31.1% |
| Total expenses | 339,507 | 321,433 | 287,648 | 18,074 | 5.6% |
| Income before capital contributions and special item | 158,578 | 127,956 | 115,663 | 30,622 | 23.9% |
| Capital contributions | 143,841 | 46,425 | 1,875 | 97,416 | 209.8% |
| Change in net position before special item | 302,419 | 174,381 | 117,538 | 128,038 | 73.4% |
| Special item - OPEB benefit adjustment | 23,758 | - | - | 23,758 | 100.0% |
| Change in net position | 326,177 | 174,381 | 117,538 | 151,796 | 87.0% |
| Beginning net position, as previously reported | 1,344,009 | 1,177,022 | 1,059,484 | 166,987 | 14.2% |
| Restatement - change in accounting principle | - | (7,394) | - | 7,394 | 100.0% |
| Beginning net position, as restated | \$ 1,344,009 | \$ 1,169,628 | \$ 1,059,484 | \$ 174,381 | 14.9% |
| Total net position - ending | \$ 1,670,186 | \$ 1,344,009 | \$ 1,177,022 | \$ 326,177 | 24.3% |

Revenues by Source



Operating revenues increased by \$38.1 million, or 8.9 percent, in 2025 and by \$39.0 million, or 10.1 percent, in 2024. The increases were primarily due to wastewater rate increases each year of approximately 9.0 percent. Net Investment income increased \$12.4 million in 2025, or 91.0 percent, primarily due to the availability of unspent bond proceeds and higher interest rates, compared to a \$7.6 million increase, or 125.3 percent, in 2024.

Overall, operating expenses increased by \$6.7 million, or 2.3 percent in fiscal year 2025. Increases in salaries (\$2.6 million) due to new positions and wage adjustments, materials and supplies (\$1.8 million), contractual services (\$2.3 million), and depreciation and amortization (\$3.4 million) were offset by a \$9.7 million (31.7 percent) reduction in fringe benefit costs. The decline in fringe benefits was driven by favorable medical claims experience (\$7.9 million) and a reduction (\$1.9 million) in RHP OPEB expense. The OPEB decrease was primarily due to stronger-than-expected trust fund performance, changes in actuarial assumptions, and variances between expected and actual experience. For fiscal year 2024, restated operating expenses increased \$26.8 million, or 10.4 percent. Most of this increase was attributable to a \$18.5 million increase in salaries and fringe benefits. Other increases in operating expenses were attributable to an \$7.5 million increase in major repairs and improvements and a \$2.3 million increase in bad debt expense.

In 2025 and 2024, HRSD received \$143.8 million and \$46.4 million, respectively, in capital contributions to help pay for its capital improvement program.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2025 and 2024, HRSD had approximately \$3.1 billion and \$2.5 billion, respectively, invested in a broad range of capital assets, including land, wastewater treatment plants, interceptor systems, pump stations, administrative and maintenance buildings, equipment and software. These amounts represent a net increase of \$611.3 million, or 24.3 percent in 2025 and a net increase of \$499.3 million, or 24.8 percent in 2024.

The following summarizes HRSD's capital assets, net of accumulated depreciation, as of June 30:

HRSD's Capital Assets

| (in thousands) | 2025 | 2024 | 2023 |
|------------------------------------------|---------------------|---------------------|---------------------|
| Land | \$ 69,060 | \$ 64,198 | \$ 64,198 |
| Treatment plants | 622,316 | 627,956 | 644,214 |
| Interceptor systems | 727,949 | 598,700 | 561,916 |
| Buildings | 40,883 | 42,076 | 44,022 |
| Small community facilities | 19,002 | 14,928 | 15,474 |
| Office equipment | 714 | 930 | 569 |
| Automotive | 8,246 | 5,890 | 3,481 |
| Other equipment | 47,203 | 50,894 | 38,158 |
| Software and intangible assets | 163 | 214 | 71 |
| | 1,535,536 | 1,405,786 | 1,372,103 |
| Construction in progress | 1,587,356 | 1,105,847 | 640,248 |
| Net property, plant and equipment | \$ 3,122,892 | \$ 2,511,633 | \$ 2,012,351 |

The following summarizes the changes in capital assets for the years ended June 30:

| (in thousands) | 2025 | 2024 | 2023 |
|------------------------------------------|---------------------|---------------------|---------------------|
| Balance at beginning of year | \$ 2,511,633 | \$ 2,012,351 | \$ 1,715,108 |
| Additions | 190,206 | 90,736 | 67,050 |
| Transfers/retirements | (1,358) | (941) | - |
| Depreciation and amortization | (60,456) | (57,053) | (54,469) |
| Accumulated depreciation retired | 1,358 | 941 | - |
| Net increase in construction in progress | 481,509 | 465,599 | 284,662 |
| Balance at end of year | \$ 3,122,892 | \$ 2,511,633 | \$ 2,012,351 |

HRSD's total capital expenditures were \$692.6 million during 2025 and \$577.4 million in 2024. The continued capital improvement efforts for treatment plant expansion projects at the James River and Nansemond Treatment Plants

and the Boat Harbor sub-aqueous transmission forcemain and pump station projects were the largest contributors to the increase in expenses. Similarly, fiscal year 2024 was largely attributed to the same projects.

Long Term Debt

The balance for HRSD's total bonds outstanding including bond premium was \$1.9 billion as of June 30, 2025, versus \$1.3 billion at fiscal year end 2024, a 40.75 percent increase year over year. Outstanding notes payable decreased to \$92.5 million at fiscal year end 2025 from \$100.0 million at fiscal year end 2024, a 7.54 percent decrease over prior year. To capitalize on interest rate savings, in fiscal year 2025, HRSD issued Wastewater Revenue Bonds, Series 2024B, in the amount of \$240.8 million to support spending on capital improvements. In fiscal year 2024, HRSD issued Wastewater Revenue Bonds, Series 2024A in the amount of \$115.5 million to refund \$99.3 million in outstanding principal of its Build America Bonds Wastewater Revenue Bonds, Series 2009B and \$26.1 million in outstanding principal of its Wastewater Revenue Bonds, Series 2014A. This issuance resulted in a present value savings of \$3.8 million and HRSD fully discharged all debt previously identified as senior lien obligations. With no debt priority, all bonded indebtedness is now identified as senior obligations.

Draws on existing approved bonds, or loans for which a liability is not recognized until utilized, in the amount of \$332.1 million, were offset by payments on existing debt, in the amount of \$59.9 million. Unamortized bond premium as of June 30, 2025, was \$47.1 million versus \$23.1 million at fiscal year end 2024.

The following summarizes HRSD's outstanding debt principal as of June 30:

HRSD's Outstanding Debt

| (in thousands) | 2025 | 2024 | 2023 |
|----------------------------------------------------|---------------------|---------------------|---------------------|
| Senior revenue bonds (including bond premium) | \$ 1,854,322 | \$ 1,317,445 | \$ 166,268 |
| Subordinate revenue bonds (including bond premium) | - | - | 813,474 |
| Notes payable | 92,462 | 100,000 | 68,580 |
| Total outstanding debt | \$ 1,946,784 | \$ 1,417,445 | \$ 1,048,322 |

HRSD's financial strengths are reflected in its high credit ratings listed below:

| Ratings Agency | Senior Debt |
|---------------------------|-------------|
| Standard & Poor's | AA+ |
| Fitch Ratings | AA |
| Moody's Investors Service | Aa1 |

The development of HRSD's Capital Improvement Program and its related debt programs are governed by its Trust Agreement. The Trust Agreement, as amended, requires a minimum debt service coverage of 1.2 times maximum annual debt service on debt service coverage basis. The debt service coverage permits certain expenses to be excluded from the calculation of debt service coverage. These adjustments are permitted for certain wet weather capacity related infrastructure capital improvements that HRSD makes on assets owned by the localities that HRSD serves.

"Operating Expenses" as defined by the Enabling Act and the Trust Agreement, 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 exclude depreciation and amortization and expenditures for extraordinary maintenance or repair or improvements. Additionally, Operating Expenses shall 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.

HRSD's Financial Policy requires the debt service coverage ratio to be a minimum of 1.4 times annual debt service. HRSD's operating and capital improvement plans were developed with the intent to maintain coverage ratios in excess of this requirement.

| | Senior Debt Service Coverage | |
|------------------------|------------------------------|-------------------------|
| | GAAP | HRSD |
| Senior Trust Agreement | 1.20x (MADS) | None |
| Financial Policy | None | 1.40x (Current Year) |

More detailed information regarding HRSD's capital assets and long-term debt is presented in Notes 6 and 9, respectively.

ECONOMIC FACTORS AND RATES

Average billed consumption continues to remain stable as more efficient home appliances and industrial processes are utilized throughout the region. Billed consumption slightly increased from 109 MGD to 111 MGD in fiscal year 2025.

HRSD implemented a 9 percent wastewater treatment rate increase for the 2025 fiscal year to fund its operations and capital investments. As HRSD continues to implement its expansive \$3.7 billion, 10-year capital improvement program, it seeks to maximize federal and state subsidized low interest borrowing programs and grant opportunities to lower costs to our customers.

CONTACTING HRSD'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of HRSD's finances for all those with an interest. Questions concerning the information provided in this report or any requests for additional information should be addressed to the Deputy General Manager/Chief Financial Officer, 1434 Air Rail Avenue, Virginia Beach, Virginia 23455.

**STATEMENTS OF NET POSITION
AS OF JUNE 30, 2025 AND 2024**

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

(in thousands)

| | 2025 | 2024 Restated |
|----------------------------------------------------------|---------------------|---------------------|
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 352,373 | \$ 216,611 |
| Cash and cash equivalents - restricted | 159,524 | 22,307 |
| Accounts receivable, net | 80,670 | 70,524 |
| Other current assets | 3,130 | 4,616 |
| TOTAL CURRENT ASSETS | 595,697 | 314,058 |
| NONCURRENT ASSETS | | |
| Cash and cash equivalents - restricted | 22,115 | - |
| Investments | 69,597 | 65,916 |
| Inventory | 25,425 | 26,288 |
| Net OPEB asset - restricted | 30,404 | - |
| | 147,541 | 92,204 |
| NET PROPERTY, PLANT AND EQUIPMENT | | |
| Land | 69,060 | 64,198 |
| Treatment plants | 1,518,062 | 1,490,990 |
| Interceptor systems | 991,780 | 846,052 |
| Buildings | 70,687 | 69,835 |
| Small community facilities | 30,705 | 26,094 |
| Office equipment | 45,881 | 45,881 |
| Automotive | 27,598 | 24,655 |
| Other equipment | 99,624 | 96,844 |
| Software and intangible assets | 40,332 | 40,332 |
| | 2,893,729 | 2,704,881 |
| Less: Accumulated depreciation and amortization | 1,358,193 | 1,299,095 |
| | 1,535,536 | 1,405,786 |
| Construction in progress | 1,587,356 | 1,105,847 |
| NET PROPERTY, PLANT AND EQUIPMENT | 3,122,892 | 2,511,633 |
| TOTAL NONCURRENT ASSETS | 3,270,433 | 2,603,837 |
| TOTAL ASSETS | 3,866,130 | 2,917,895 |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Deferred loss on debt refunding, net | 14,808 | 16,319 |
| Differences between expected and actual experience: | | |
| OPEB plans | 5,971 | 7,282 |
| Pension plan | 12,863 | 7,483 |
| Changes of assumptions: | | |
| OPEB plans | 3,008 | 2,414 |
| Pension plan | - | 1,416 |
| Net difference between projected and actual earnings on: | | |
| Change in proportion, OPEB plans | 93 | 35 |
| Contributions subsequent to the measurement date: | | |
| OPEB plans | 499 | 496 |
| Pension plan | 5,650 | 3,928 |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES | 42,892 | 39,373 |
| TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | \$ 3,909,022 | \$ 2,957,268 |

See Accompanying Notes to Financial Statements

STATEMENTS OF NET POSITION AS OF JUNE 30, 2025 AND 2024

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

(in thousands)

| | 2025 | 2024 Restated |
|--------------------------------------------------------------------------|---------------------|---------------------|
| CURRENT LIABILITIES | | |
| Trade and contracts payable | \$ 138,863 | \$ 70,836 |
| Contract retention | 46,914 | 33,380 |
| Accrued salaries and wages | 2,504 | 1,955 |
| Current portion of bonds payable | 51,251 | 53,642 |
| Variable rate demand bonds | 50,000 | 50,000 |
| Notes payable | 92,462 | 100,000 |
| Current portion of compensated absences | 7,803 | 6,600 |
| Debt interest payable | 13,742 | 7,090 |
| Other liabilities | 6,070 | 11,157 |
| TOTAL CURRENT LIABILITIES | 409,609 | 334,660 |
| LONG-TERM LIABILITIES | | |
| Compensated absences | 11,673 | 11,542 |
| Net OPEB liability | 4,014 | 8,021 |
| Net pension liability | 32,011 | 28,608 |
| Bonds payable | 1,753,071 | 1,213,803 |
| TOTAL LONG-TERM LIABILITIES | 1,800,769 | 1,261,974 |
| TOTAL LIABILITIES | 2,210,378 | 1,596,634 |
| DEFERRED INFLOWS OF RESOURCES | | |
| Differences between expected and actual experience: | | |
| OPEB plans | 13,483 | 6,311 |
| Pension plan | - | 169 |
| Changes of assumptions, OPEB plans | 3,975 | 4,938 |
| Net difference between projected and actual earnings on: | | |
| OPEB plans investments | 3,354 | 837 |
| Pension plan investments | 7,543 | 4,230 |
| Change in proportion, OPEB plans | 103 | 140 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | 28,458 | 16,625 |
| NET POSITION | | |
| Net investment in capital assets | 1,156,903 | 1,017,839 |
| Restricted: | | |
| Debt service | 37,709 | 22,307 |
| Capital projects | 9,215 | - |
| Net OPEB asset | 30,404 | - |
| Unrestricted | 435,955 | 303,863 |
| TOTAL NET POSITION | 1,670,186 | 1,344,009 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION | \$ 3,909,022 | \$ 2,957,268 |

See Accompanying Notes to Financial Statements

**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE FISCAL YEARS ENDED JUNE 30, 2025 and 2024**

| (in thousands) | 2025 | 2024 Restated |
|-----------------------------------------------------------------|---------------------|---------------------|
| OPERATING REVENUES | | |
| Wastewater treatment charges | \$ 460,275 | \$ 422,784 |
| Miscellaneous | 4,761 | 4,157 |
| TOTAL OPERATING REVENUES | 465,036 | 426,941 |
| OPERATING EXPENSES | | |
| Wastewater treatment | 173,973 | 167,327 |
| General and administrative | 57,028 | 60,406 |
| Depreciation and amortization | 60,456 | 57,053 |
| TOTAL OPERATING EXPENSES | 291,457 | 284,786 |
| OPERATING INCOME | 173,579 | 142,155 |
| NON-OPERATING REVENUES (EXPENSES) | | |
| Wastewater facility charges | 6,928 | 7,153 |
| Investment income | 26,121 | 13,673 |
| Bond interest subsidy | - | 1,622 |
| Bond issuance costs | (1,351) | (1,000) |
| Capital distributions to localities | (811) | (2,005) |
| Interest expense | (45,888) | (33,642) |
| NET NON-OPERATING EXPENSES | (15,001) | (14,199) |
| INCOME BEFORE CAPITAL CONTRIBUTIONS AND SPECIAL ITEM | 158,578 | 127,956 |
| CAPITAL CONTRIBUTIONS | | |
| Capital grants received | 138,949 | 34,183 |
| Other capital contributions | 4,892 | 12,242 |
| CAPITAL CONTRIBUTIONS | 143,841 | 46,425 |
| CHANGE IN NET POSITION BEFORE SPECIAL ITEM | 302,419 | 174,381 |
| Special item - OPEB benefit adjustment | 23,758 | - |
| CHANGE IN NET POSITION | 326,177 | 174,381 |
| TOTAL NET POSITION - Beginning, as previously reported | 1,344,009 | 1,177,022 |
| Restatement - change in accounting principle | - | (7,394) |
| BEGINNING NET POSITION, as restated | 1,344,009 | 1,169,628 |
| TOTAL NET POSITION - Ending | \$ 1,670,186 | \$ 1,344,009 |

See Accompanying Notes to Financial Statements

STATEMENTS OF CASH FLOWS **FOR THE FISCAL YEARS ENDED JUNE 30, 2025 and 2024**

| (in thousands) | 2025 | 2024 Restated |
|--------------------------------------------------------------------------------------------------------|-------------------|-------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Cash received from customers | \$ 445,820 | \$ 407,016 |
| Other operating revenues | 4,761 | 4,157 |
| Cash payments to suppliers for goods and services | (144,410) | (151,085) |
| Cash payments to employees for services | (78,083) | (68,794) |
| Net cash provided by operating activities | 228,088 | 191,294 |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | |
| Capital distributions to localities | (811) | (2,005) |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| Wastewater facility charges | 6,928 | 7,153 |
| Acquisition and construction of property, plant and equipment | (595,655) | (532,696) |
| Proceeds from capital debt | 601,229 | 417,673 |
| Bond interest subsidy | - | 1,622 |
| Principal paid on capital debt | (67,444) | (48,138) |
| Funds from debt defeasance | - | 806 |
| Capitalized interest expense | (6,241) | (1,713) |
| Capital grants | 138,949 | 34,183 |
| Other capital contributions | 4,892 | 12,242 |
| Bond issuance costs | (1,351) | (1,000) |
| Interest paid on interim financing | (4,142) | (4,661) |
| Interest paid on capital debt | (31,790) | (28,798) |
| Net cash provided by (used in) capital and related financing activities | 45,375 | (143,327) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Interest and dividends on investments | 22,442 | 10,831 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS AND CASH AND CASH EQUIVALENTS - RESTRICTED | 295,094 | 56,793 |
| CASH AND CASH EQUIVALENTS, AND CASH AND CASH EQUIVALENTS - RESTRICTED, AT BEGINNING OF YEAR | 238,918 | 182,125 |
| CASH AND CASH EQUIVALENTS, AND CASH AND CASH EQUIVALENTS - RESTRICTED, AT END OF YEAR | \$ 534,012 | \$ 238,918 |
| Reconciliation of Operating Income to Net Cash Provided by Operating Activities | | |
| Operating income | \$ 173,579 | \$ 142,155 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | |
| Depreciation and amortization | 60,456 | 57,053 |
| Special Item related to OPEB asset | 23,758 | - |
| Decrease (increase) in operating assets: | | |
| Accounts receivable | (10,146) | (10,443) |
| Inventory | 863 | (283) |
| OPEB asset | (30,404) | - |
| Other current assets | 1,486 | (1,587) |
| Increase (decrease) in operating liabilities: | | |
| Trade and contracts payable | 5,501 | 812 |
| Accrued salaries and wages | 549 | 562 |
| Compensated absences | 1,334 | 653 |
| Other liabilities | (5,087) | 2,334 |
| OPEB liabilities and related deferred inflows and outflows | 5,338 | (1,272) |
| Pension liabilities and related deferred inflows and outflows | 861 | 1,310 |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | \$ 228,088 | \$ 191,294 |
| Noncash Capital and Related Financing Activities: | | |
| Proceeds of refunding debt principal | \$ - | \$ 115,585 |
| Refunding of debt principal | - | (125,400) |
| Contract Retainage | 13,534 | 16,275 |
| Accrual for capital expenditures | 62,527 | 7,365 |
| Amortization of premium | 4,446 | 9,403 |
| Amortization of deferred loss on bond refunding | 1,511 | 1,090 |

See Accompanying Notes to Financial Statements

STATEMENTS OF FIDUCIARY NET POSITION
AS OF JUNE 30, 2025 and 2024

| (in thousands) | | | | | |
|----------------------------------|-----------------------|------------------|------------------------|-------------|--|
| | OPEB (RHP) Trust Fund | | Custodial Funds (ARPA) | | |
| | 2025 | 2024 | 2025 | 2024 | |
| ASSETS | | | | | |
| Cash and cash equivalents | \$ 363 | \$ 818 | \$ - | \$ - | |
| Investments at fair value | | | | | |
| Domestic equity | 41,184 | 31,220 | - | - | |
| International equity | 10,442 | 15,465 | - | - | |
| Fixed income | 27,903 | 25,608 | - | - | |
| Other income | 2,554 | 2,646 | - | - | |
| Total investments | 82,083 | 74,939 | - | - | |
| TOTAL ASSETS | \$ 82,446 | \$ 75,757 | \$ - | \$ - | |
| NET POSITION | | | | | |
| Restricted for: | | | | | |
| Postretirement benefits for OPEB | 82,446 | 75,757 | - | - | |
| TOTAL NET POSITION | \$ 82,446 | \$ 75,757 | \$ - | \$ - | |

See Accompanying Notes to Financial Statements

STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION FOR THE FISCAL YEARS ENDED JUNE 30, 2025 and 2024

(in thousands)

| | OPEB (RHP) Trust Fund | | Custodial Funds (ARPA) | |
|-----------------------------------|-----------------------|------------------|------------------------|-------------|
| | 2025 | 2024 | 2025 | 2024 |
| ADDITIONS: | | | | |
| Contribution from HRSD | \$ - | \$ 1,914 | \$ - | \$ - |
| Net investment income | 8,248 | 8,270 | - | - |
| Investment related expenses | (61) | (64) | - | - |
| Total Additions | 8,187 | 10,120 | - | - |
| DEDUCTIONS: | | | | |
| Benefit payments for participants | 1,498 | 1,786 | - | - |
| Payments for customers | - | - | - | 4 |
| Total Deductions | 1,498 | 1,786 | - | 4 |
| Change in Net Position | 6,689 | 8,334 | - | (4) |
| Net Position - Beginning | 75,757 | 67,423 | - | 4 |
| NET POSITION - ENDING | \$ 82,446 | \$ 75,757 | \$ - | \$ - |

See Accompanying Notes to Financial Statements

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - GENERAL INFORMATION

Organization and Administration

The Hampton Roads Sanitation District (HRSD) was created by the Virginia General Assembly in 1940, as a political subdivision of the Commonwealth of Virginia (the Commonwealth), to construct, maintain, and operate a wastewater treatment system in the Hampton Roads area. The Hampton Roads Sanitation District Commission (the Commission) is HRSD's governing body and consists of eight members, appointed by the Governor. The Commission's functions were updated by Chapter 66 of the Acts of the Assembly of Virginia of 1960, as amended. The administration of HRSD is under the direction of a General Manager, supported by eight division chiefs.

Regulatory Oversight

HRSD's operations are subject to regulations established by the United States Environmental Protection Agency and the Virginia Department of Environmental Quality. Changes in these regulations could require HRSD to modify its treatment processes and require additional capital investment and/or incur additional costs.

Purpose of HRSD

HRSD was created for the specific purpose of abating pollution in the Hampton Roads area through the interception of wastewater outfalls, installation of interception service into new areas as necessary and providing treatment facilities. HRSD provides points of interception throughout the region. The responsibility of providing lateral sewers and subtrunk facilities to carry sewage from industries, residences and businesses is generally the responsibility of the local municipal governments.

Corporate Limits of HRSD

The geographical limits of HRSD include:

| | | |
|----------------------|------------------------|--------------------------------------------|
| City of Chesapeake | City of Virginia Beach | King William County |
| City of Hampton | City of Williamsburg | Mathews County |
| City of Newport News | Accomack County | Middlesex County |
| City of Norfolk | Gloucester County | Northampton County |
| City of Poquoson | Isle of Wight County | Surry County (excluding Town of Claremont) |
| City of Portsmouth | James City County | York County |
| City of Suffolk | King and Queen County | |

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

HRSD is a political subdivision of the Commonwealth and a government instrumentality. The Commission is granted corporate powers by the *Code of Virginia*. The Governor of the Commonwealth appoints the Commission members, who serve at his pleasure. HRSD is reported in the Commonwealth's Annual Comprehensive Financial Report as a discretely presented component unit. The Commonwealth is not obligated to repay HRSD's debt. HRSD derives its revenues primarily from charges for wastewater treatment services. HRSD has no taxing authority.

RHP, as further described under Postemployment Benefits Other Than Pensions in this note and in Note 7, is reported in the fiduciary fund financial statements and, since HRSD has assumed responsibility to make contributions to the plan, it is also reported as a fiduciary component unit.

Basis of Accounting

The accompanying financial statements report the financial position and results of operations of HRSD in accordance with accounting principles generally accepted in the United States of America (GAAP). Because HRSD is a political subdivision of the Commonwealth, the preparation of HRSD's financial statements are governed by the

pronouncements of the Governmental Accounting Standards Board (GASB). These statements are prepared on an enterprise fund basis and present HRSD's operating revenues and expenses in a manner similar to a private business, where the costs, including depreciation, of providing services to the general public on a continuing basis are financed or recovered primarily through user charges.

An enterprise fund, a proprietary fund type, is accounted for on an economic resources measurement focus. All assets and liabilities, whether current or noncurrent, associated with its activities are included on its Statements of Net Position. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in fund equity. The financial statements are presented using the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recognized when incurred.

When both restricted and unrestricted resources are available for use, it is HRSD's policy to use restricted resources first, then unrestricted resources as they are needed.

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. The operating budget is adopted by division with budgetary controls exercised administratively by management at the divisional level. The CEO is authorized to add or eliminate positions and transfer funds among divisions without further approval by the Commission. Appropriations lapse at the end of the fiscal year. Valid, outstanding encumbrances (those for which performance is expected in a subsequent fiscal year) are reappropriated without further approval by the Commission.

The Capital Budget represents a ten-year plan. Funds for the Capital Budget are appropriated throughout a fiscal year on a project basis. Transfers among projects require approval by the Commission. Appropriations for these budgets continue until the purpose of the appropriation has been fulfilled.

Fiduciary Activities

The accompanying financial statements for the fiscal years ended June 30, 2025 and 2024 include information on the RHP, one of HRSD's three postemployment benefits other than pensions (other postemployment benefits, or OPEB) plans, information on funds held by HRSD to apply toward customer accounts under the American Recovery Plan Act (ARPA). The RHP plan is discussed in Note 7, and ARPA is discussed in Note 14.

Cash Equivalents

All short-term investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to cash, and at the day of purchase, have an original maturity date of no longer than three months. Current restricted cash and cash equivalents are for debt service payments payable within the next year. Investments in the Virginia Investment Pool (VIP) Stable NAV Liquidity Pool provide HRSD an investment vehicle that offers daily liquidity at a stable net asset value (NAV). Investments in the VIP Liquidity Pool are recorded at fair value approximating NAV. Fair value is determined daily. See Notes 3 and 13 for additional discussion of cash and cash equivalent and investment valuations.

Investments

Investments in VIP 1-3 Year High Quality Bond Fund consist of U.S. government obligations including agencies, FDIC-guaranteed corporate notes, other corporate notes and bonds, and municipal bonds, which are reported at fair value, approximating NAV. The VIP 1-3 Year High Quality Bond Fund has an average effective duration period of 1.8 years and although the funds are easily convertible into cash, the intention of HRSD is to hold the funds as an investment.

The HRSD RHP investments consist of domestic equity, international equity, fixed income, other income, and money market instruments. HRSD's investment practices are governed by its Financial Policy. See Notes 3, 7 and 13 for additional information on RHP investments.

Allowance for Uncollectible Accounts

HRSD provides an allowance for estimated uncollectible accounts receivable based on its bad debt experience. The balance in the allowance for uncollectible accounts is considered by management to be sufficient to cover anticipated losses on reported receivable balances.

Inventory

Inventory is carried at the lower of cost or fair value and consists primarily of operating and maintenance materials.

NOTES TO THE FINANCIAL STATEMENTS

Property, Plant and Equipment

HRSD funds its capital improvement program through the issuance of debt, capital grants and it may receive its own resources. The proceeds of debt are reported as restricted assets. 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.

Property, plant and equipment purchased or constructed are reported at cost, including interest cost on funds borrowed to finance the construction of major capital additions. The asset capitalization threshold is \$20,000. Donated assets are reported at acquisition value at the date of donation. Property, plant and equipment are depreciated using the straight-line method over the following estimated useful lives:

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

Depreciation and amortization recognized on property, plant and equipment is an operating expense.

Deferred Outflows and Inflows of Resources

Deferred outflows of resources represent a consumption of net assets that applies to a future period and as such will not be recognized as an expense until then. HRSD has two types of deferred outflows reported: deferred outflows of resources from debt refunding, and deferred outflows of resources from pension and OPEB activities. The deferred outflows of resources relating to the debt refunding is the amount by which the principal and premium of a refunding bond exceed the net carrying amount of the refunded debt. Deferred outflow related to debt is being amortized over the remaining life of the refunded debt or the life of the new debt, whichever is shorter.

Deferred inflows of resources represents an acquisition of net assets that applies to a future period and as such will not be recognized as a revenue until then. The HRSDs deferred inflows of resources consist of pension and OPEB activities.

Deferred outflows of resources and deferred inflows of resources related to pension and OPEB activity will be recognized in pension and OPEB expenses in future reporting periods.

Revenue Recognition

Generally, wastewater treatment charges are computed based on a user's water consumption. These charges are recognized as revenue when billed. Revenues earned but unbilled through June 30 of each fiscal year are accrued at year-end. Wastewater facility charges are generally computed based on a new connection's water meter size and potential for high strength pollutant discharges, and are recognized as revenue prior to the issuance of a building or operating permit.

Operating and Non-operating Revenues and Expenses Recognition

HRSD distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses result from providing services and producing and delivering goods in connection with HRSD's principal service of providing wastewater treatment. The majority of operating revenues are from wastewater treatment, but other associated miscellaneous income from other related services and charges are also included. Revenues and expenses not meeting the operating definition are reported as non-operating. These consist mainly of wastewater facility charges, investment income, capital contributions and interest expense.

Compensated Absences

All permanent employees earn leave upon starting a full-time position. The amount and type of leave earned is based upon the employee's date of hire and years of service and is recorded as an expense as employees earn the right to these benefits.

Depending on years of service, permanent employees enrolled in the Virginia Retirement System (VRS) 1 or VRS 2 retirement plan earn from 123.5 to 221 hours of annual leave per year. These employees have a vested right to their

annual leave when earned and have a maximum pay out upon separation ranging from 363.5 to 653 hours based on number of years of service. In addition, these employees earn 97.5 hours per year of sick leave regardless of the number of years of service. After five years of service with HRSD, an employee has vested rights to 35 percent of accumulated sick leave to a maximum of \$10,000.

Permanent employees enrolled in the VRS Hybrid retirement plan earn 208 hours of paid time off (PTO) per year. These employees have a vested right to their annual leave after two years of service and have a maximum pay out upon separation ranging from 120 to 480 hours based on number of years of service. As required by state law, HRSD also provides a long-term disability (LTD) benefit since these employees are not eligible for disability retirement benefits through VRS. The long-term disability benefit provides income replacement for employees who become disabled and unable to work for an extended period of time due to a non-work-related or work-related condition (as determined under the Virginia Workers' Compensation Act). Long-term disability benefits begin at the expiration of an additional state mandated employer paid short-term disability (STD) benefit period of 125 days.

Postemployment Benefits Other Than Pensions (OPEB)

HRSD employees participate in three OPEB plans:

The HRSD RHP is a single employer, defined benefit plan that provides health benefits for eligible members. HRSD administers the RHP through the Hampton Roads Sanitation District Retiree Health Trust. For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the RHP and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the RHP. For this purpose, the RHP recognizes benefit payments when due and payable in accordance with the benefit terms.

The VRS Political Subdivision Health Insurance Credit Program (HIC) is a multiple-employer, agent-defined benefit plan that provides a credit toward the cost of health insurance coverage for retired political subdivision employees of participating employers. The Political Subdivision HIC Program was established pursuant to §51.1-1400 et seq. of the *Code of Virginia*, as amended, and which provides the authority under which benefit terms are established or may be amended. For purposes of measuring the net HIC OPEB liability, deferred outflows of resources and deferred inflows of resources related to the HIC OPEB, and the HIC OPEB expense, information about the fiduciary net position of the VRS HIC, and the additions to/deductions from the VRS HIC's fiduciary net position have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

The VRS Group Life Insurance (GLI) Program is a multiple employer, cost-sharing plan. It provides coverage to state employees, teachers, and employees of participating political subdivisions. The GLI Program was established pursuant to § 51.1-500 et seq. of the *Code of Virginia*, as amended, and which provides the authority under which benefit terms are established or may be amended. The GLI Program is a defined benefit plan that provides a basic group life insurance benefit for employees of participating employers. For purposes of measuring the net GLI Program OPEB Liability, deferred outflows of resources and deferred inflows of resources related to the GLI Program OPEB, and GLI Program OPEB expense, information about the fiduciary net position of the VRS GLI Program OPEB and the additions to/deductions from the VRS GLI Program OPEB's fiduciary net position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Pensions

HRSD employees participate in the VRS Political Subdivision Retirement Plan which is a multi-employer, agent plan. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of HRSD's Retirement Plan and the additions to or deductions from HRSD's Retirement Plan's net fiduciary position have been determined on the same basis as they were reported to HRSD by VRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are recorded at fair value.

Use of Estimates

The preparation of these financial statements requires management to make estimates and assumptions. These estimates affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from management's estimates.

NOTES TO THE FINANCIAL STATEMENTS

Change in Accounting Pronouncements

In fiscal year 2025, there were two new GASB Standards, No. 101 and No. 102. GASB pronouncement Statement No. 101, *Compensated Absences*, establishes standards of accounting and financial reporting by updating the recognition and measurement guidance for compensated absences. See Note 15 for additional information. GASB Statement No. 102, *Certain Risk Disclosures*, establishes financial reporting requirements for risks related to vulnerabilities due to certain concentrations or constraints. The implementation of this new standard did not have a material impact on HRSD's financial statements for fiscal year 2025.

NOTE 3 - DEPOSITS AND INVESTMENTS

Deposits and investments

Custodial Credit Risk. This risk is associated with the inability of a governmental entity to recover deposits from a financial institution in the event of a failure. At June 30, 2025 and 2024, the carrying values of HRSD's deposits were \$65,806,000 and \$60,129,000, respectively, and the bank balances were \$63,797,000 and \$58,164,000, respectively. All of the bank balances at June 30, 2025 and 2024 were covered by federal depository insurance or collateralized in accordance with the Virginia Security for Public Deposits Act (the Act). In accordance with the Act, the depository institution pledged collateral in the form of federal obligations with a fair value equal to 110 percent of HRSD's deposits with a third party trustee in the name of the Treasurer of the Commonwealth. In the event that the banking institution fails, the Treasurer will take possession of the collateral, liquidate it and reimburse HRSD up to the value of its deposits. The State Treasury Board is responsible for monitoring compliance with the collateralization and reporting requirements of the Act and for notifying local governments of compliance by banks.

Credit Risk. HRSD invests in VACo/VML Virginia Investment Pool's (VIP) 1-3 Year High Quality Bond Fund and Stable NAV Liquidity Pool. Oversight is provided by the VACo/VML Board of Trustees. HRSD's investments in the VIP 1-3 Year High Quality Bond Fund and the VIP Stable NAV Liquidity Pool were rated AA+f/S1 and AAAm, respectively, by Standard & Poor's.

The components of cash and cash equivalents at June 30 are as follows:

| (in thousands) | 2025 | 2024 |
|---------------------------------------------------------------|------------|------------|
| Cash and cash equivalents - unrestricted: | | |
| Cash deposits - unrestricted | \$ 65,806 | \$ 60,129 |
| VIP Stable NAV Liquidity - unrestricted | 286,567 | 156,482 |
| Total cash and cash equivalents - unrestricted | 352,373 | 216,611 |
| Cash and cash equivalents - restricted: | | |
| VIP Stable NAV Liquidity - restricted | 37,709 | 22,307 |
| SNAP - restricted | 143,930 | - |
| Total cash and cash equivalents - restricted | 181,639 | 22,307 |
| Total cash and cash equivalents - unrestricted and restricted | \$ 534,012 | \$ 238,918 |

The components of investments at June 30 are as follows:

| | | |
|-------------------------------------|-----------|-----------|
| VIP 1-3 Year High Quality Bond Fund | \$ 69,597 | \$ 65,916 |
|-------------------------------------|-----------|-----------|

HRSD OPEB Trust Investments

The HRSD OPEB Trust has investments in mutual funds, cash, and cash equivalents on deposit with its trustee, US Bank. Investments are reported at fair value. HRSD's OPEB investment practices are governed by its Financial Policy.

The plan had the following cash, cash equivalents and investments at June 30:

| (in thousands) | 2025 | 2024 |
|-----------------------------------------------------|------------------|------------------|
| Domestic equity | \$ 41,184 | \$ 31,220 |
| International equity | 10,442 | 15,465 |
| Fixed income | 27,903 | 25,608 |
| Other income | 2,554 | 2,646 |
| Money market | 363 | 818 |
| Total investments, cash and cash equivalents | \$ 82,446 | \$ 75,757 |

Fixed income investments had an average maturity of 7.8 years and 8.0 years as of June 30, 2025 and 2024, respectively. The average credit quality was A as of June 30, 2025 and AA as of June 30, 2024. Other investments do not have a stated maturity or credit rating.

Custodial Credit Risk. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, HRSD will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. HRSD's policy is to utilize its Trustee, U.S. Bank Trust Department, for its OPEB investments as recipient of all investment transactions on a delivery versus pay basis. The Trustees may not be a counterparty to the investment transaction.

NOTE 4 - ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS

An analysis of the allowance for uncollectible accounts for the years ended June 30:

| (in thousands) | 2025 | 2024 |
|---------------------------------------------------|-----------------|-----------------|
| Balance, beginning of year | \$ 2,910 | \$ 2,282 |
| Add: Current provision for uncollectible accounts | 4,275 | 5,325 |
| Less: Charge-off of uncollectible accounts | (3,974) | (4,697) |
| Balance, end of year | <u>\$ 3,211</u> | <u>\$ 2,910</u> |

HRSD's collection ratios for the years ended June 30, 2025 and 2024 were 99.1% and 98.9%, respectively.

NOTE 5 - COMPENSATED ABSENCES

Analysis of liability for vested annual leave, sick leave, paid time off, compensatory leave, military leave and parental leave for years ended June 30:

| | 2025 | 2024 * |
|-----------------------|------------------|------------------|
| (in thousands) | | |
| Beginning of year | \$ 18,142 | \$ 17,489 |
| Net change | 1,334 | 653 |
| End of year | \$ 19,476 | \$ 18,142 |
| Less: current portion | 7,803 | 6,600 |
| Noncurrent portion | <u>\$ 11,673</u> | <u>\$ 11,542</u> |

* Fiscal year 2024 was restated due to GASB 101. See Note 15 for additional information.

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NOTE 6 - PROPERTY, PLANT AND EQUIPMENT

Analysis of property, plant and equipment activity for years ended June 30:

| (in thousands) | Balance 2023 | Additions | Transfers/ Retirements | Balance 2024 | Additions | Transfers/ Retirements | Balance 2025 |
|--------------------------------------------------------|-----------------|-------------|---------------------------|-----------------|-------------|---------------------------|-----------------|
| Non-Depreciable Capital Assets: | | | | | | | |
| Land | \$ 64,198 | \$ - | \$ - | \$ 64,198 | \$ 4,862 | \$ - | \$ 69,060 |
| Construction in progress | 640,248 | 562,250 | (96,651) | 1,105,847 | 669,151 | (187,642) | 1,587,356 |
| Depreciable Capital Assets: | | | | | | | |
| Treatment plants | 1,474,641 | 16,349 | - | 1,490,990 | 27,072 | - | 1,518,062 |
| Interceptor systems | 793,863 | 52,189 | - | 846,052 | 145,728 | - | 991,780 |
| Buildings | 69,759 | 76 | - | 69,835 | 852 | - | 70,687 |
| Small community facilities | 26,094 | - | - | 26,094 | 4,611 | - | 30,705 |
| Office equipment | 45,353 | 528 | - | 45,881 | - | - | 45,881 |
| Automotive | 21,694 | 3,902 | (941) | 24,655 | 4,301 | (1,358) | 27,598 |
| Other equipment | 79,329 | 17,515 | - | 96,844 | 2,780 | - | 99,624 |
| Software and intangible assets | 40,155 | 177 | - | 40,332 | - | - | 40,332 |
| Total | \$ 3,255,334 | \$ 652,986 | \$ (97,592) | \$ 3,810,728 | \$ 859,357 | \$ (189,000) | \$ 4,481,085 |
| Less Accumulated Depreciation and Amortization: | | | | | | | |
| Treatment plants | \$ (830,427) | \$ (32,607) | \$ - | \$ (863,034) | \$ (32,712) | \$ - | \$ (895,746) |
| Interceptor systems | (231,947) | (15,405) | - | (247,352) | (16,479) | - | (263,831) |
| Buildings | (25,737) | (2,022) | - | (27,759) | (2,045) | - | (29,804) |
| Small community facilities | (10,620) | (546) | - | (11,166) | (537) | - | (11,703) |
| Office equipment | (44,784) | (167) | - | (44,951) | (216) | - | (45,167) |
| Automotive | (18,213) | (1,493) | 941 | (18,765) | (1,945) | 1,358 | (19,352) |
| Other equipment | (41,171) | (4,779) | - | (45,950) | (6,471) | - | (52,421) |
| Software and intangible assets | - | - | - | - | - | - | - |
| -amortization | (40,084) | (34) | - | (40,118) | (51) | - | (40,169) |
| Total | (1,242,983) | (57,053) | 941 | (1,299,095) | (60,456) | 1,358 | (1,358,193) |
| Net Property, Plant and Equipment | \$ 2,012,351 | \$ 595,933 | \$ (96,651) | \$ 2,511,633 | \$ 798,901 | \$ (187,642) | \$ 3,122,892 |

NOTE 7 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

Plan Description

As discussed in Note 2, HRSD provides OPEB for its employees through three plans: the Hampton Roads Sanitation District RHP, a single employer defined benefit plan, and two plans administered by VRS, the GLI, a multiple employer cost-sharing plan, and the HIC, a multiple-employer, agent defined benefit plan.

RHP

The RHP was established and may be amended by the Commission. HRSD administers the RHP through the Hampton Roads Sanitation District Retiree Health Trust (the Trust), an irrevocable trust to be used solely for providing benefits to eligible retired employees and their beneficiaries (members) in the RHP. HRSD's contributions to the Trust are dedicated irrevocably to providing post-retirement health benefits, the RHP assets are exclusively dedicated to providing benefits to members, and the RHP assets of the Trust are not subject to the claims of HRSD creditors or the Plan administrator. Employer contributions are recorded in the year they are made. Investments are reported at fair value based on published prices and quotations. The RHP does not issue stand-alone financial statements.

Eligible Employees

HRSD employees are eligible for benefits upon retirement provided the employee has 15 years of service with HRSD or 10 years of service with HRSD plus 10 years of service with another employer participating in the VRS with a retiree health plan; are qualified for normal, early or disability retirement benefits under the VRS; and are enrolled in the HRSD Health Insurance Plan prior to retirement. Participating beneficiaries may continue coverage under the plan after the death of the retiree. Medicare eligible participants are required to enroll in both Medicare Part A and Part B and may participate in a Medicare advantage plan. Members not eligible for Medicare may participate in a high deductible health plan.

Benefits provided

The RHP health plan provides medical and prescription services using both in network and out of network providers through a self-funded plan administered by a third-party administrator. Members may elect to purchase dental and vision benefit plans at their own expense.

GLI

All full-time, salaried permanent employees of the state agencies, teachers and employees of participating political subdivisions are automatically covered by the VRS GLI Program upon employment. This plan is administered by the VRS, along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia.

In addition to the Basic GLI benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional Group Life Insurance Program. For members who elect the optional group life insurance coverage, the insurer bills employers directly for the premiums. Employers deduct these premiums from members' paychecks and pay the premiums to the insurer. Since this is a separate and fully insured program, it is not included as part of the Group Life Insurance Program OPEB.

The specific information for GLI Program OPEB, including eligibility, coverage and benefits follows:

Eligible Employees

The GLI Program was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program. Basic group life insurance coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their accumulated retirement member contributions and accrued interest.

Benefit Amounts

The benefits payable under the GLI Program have several components.

- Natural Death Benefit – The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled.
- Accidental Death Benefit – The accidental death benefit is double the natural death benefit.
- Other Benefit Provisions – In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include:
 - Accidental dismemberment benefit
 - Seatbelt benefit
 - Repatriation benefit
 - Felonious assault benefit
 - Accelerated death benefit option

Reduction in Benefit Amounts

The benefit amounts provided to members covered under the GLI Program are subject to a reduction factor. The benefit amount reduces by 25 percent on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25 percent on each subsequent January 1 until it reaches 25 percent of its original value.

Minimum Benefit Amount and Cost-of-Living Adjustment (COLA)

For covered members with at least 30 years of service credit, there is a minimum benefit payable under the Group Life Insurance Program. The minimum benefit was set at \$8,000 by statute in 2015. This will be increased annually based on the VRS Plan 2 cost-of-living adjustment calculation. The minimum benefit adjusted for the COLA was \$9,532 as of June 30, 2025.

HIC

All full-time, salaried permanent employees of participating political subdivisions are automatically covered by the VRS Political Subdivision HIC Program upon employment. This plan is administered by the VRS, along with pension and other OPEB plans, for public employer groups in the Commonwealth of Virginia. Members earn one month of service credit toward the benefit for each month they are employed and for which their employer pays contributions to VRS. The health insurance credit is a tax-free reimbursement in an amount set by the General Assembly for each year of service credit against qualified health insurance premiums retirees pay for single coverage, excluding any

NOTES TO THE FINANCIAL STATEMENTS

portion covering the spouse or dependents. The credit cannot exceed the amount of the premiums and ends upon the retiree's death.

The specific information about the Political Subdivision HIC Program OPEB, including eligibility, coverage and benefits follows:

Eligible Employees

The Political Subdivision Retiree HIC Program was established July 1, 1993 for retired political subdivision employees of employers who elect the benefit and who retire with at least 15 years of service credit. Eligible employees of participating political subdivisions are enrolled automatically upon employment. They include full-time permanent salaried employees of the participating political subdivision who are covered under the VRS pension plan.

Benefit Amounts

The political subdivision's Retiree HIC Program provides the following benefits for eligible employees:

- At Retirement – For employees who retire, the monthly benefit is \$1.50 per year of service per month with a maximum benefit of \$45.00 per month.
- Disability Retirement – For employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP), the monthly benefit is \$45.00 per month.

HIC Program Notes:

- The monthly HIC benefit cannot exceed the individual premium amount.
- No HIC for premiums paid and qualified under the VRS Line of Duty Act Program (LODA), however, the employee may receive the credit for premiums paid for other qualified health plans.
- Employees who retire after being on long-term disability under VLDP must have at least 15 years of service credit to qualify for the HIC as a retiree.

Employees Covered by Benefit Terms

RHP

As of the July 1, 2024 and 2023 actuarial valuation dates the following employees were covered by the benefit terms of the RHP:

| | 2024 | 2023 |
|----------------------------------------------------|-------|------|
| Beneficiaries currently receiving benefit payments | 244 | 248 |
| Active employees | 767 | 734 |
| Total | 1,011 | 982 |

There are no inactive employees entitled to but not yet receiving plan benefits.

HIC

As of the June 30, 2023 and 2022 actuarial valuation dates the following employees were covered by the benefit terms of the HIC:

| | 2023 | 2022 |
|------------------------------------------------------------------------------|-------|-------|
| Inactive members or their beneficiaries currently receiving benefit payments | 395 | 420 |
| Active employees | 830 | 774 |
| Total | 1,225 | 1,194 |

ContributionsRHP

RHP contribution requirements are actuarially determined. Funding is subject to approval by the Commission. Medicare-eligible members contribute \$45 per month for retiree-only coverage and from \$165 to \$171 per month for retiree and dependent coverage. Members not eligible for Medicare contribute \$45 per month for retiree-only coverage and from \$360 to \$366 per month for retiree and dependent coverage. HRSD funds the cost of coverage under the RHP by paying the difference between the contributions it requires retirees to make and the actuarially determined contribution (ADC). HRSD contributed \$0 and \$1,914,000 to the RHP for the years ended June 30, 2025 and 2024, respectively.

GLI

The contribution requirements for the GLI Program are governed by § 51.1-506 and § 51.1-508 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI Program was 1.18 percent of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.71 percent (1.18 percent X 60 percent) and the employer component was 0.47 percent (1.18 percent X 40 percent). Employers may elect to pay all or part of the employee contribution, however the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2025, was 0.47 percent of covered employee compensation. This rate was the final approved General Assembly rate which was based on an actuarially determined rate from an actuarial valuation as of June 30, 2023. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the GLI from HRSD were \$345,000 and \$357,000 for the years ended June 30, 2025 and June 30, 2024, respectively.

HIC

The HIC contribution requirement for active employees is governed by §51.1-1402(E) of the *Code of Virginia*, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. HRSD's contractually required employer contribution rate for the years ended June 30, 2025 and June 30, 2024, was 0.21 percent of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2023. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from HRSD to the Political Subdivision HIC Program were \$154,000 and \$139,000 for the years ended June 30, 2025, and June 30, 2024, respectively.

OPEB Expenses and Deferred Outflows of Resources and Deferred Inflows of ResourcesRHP

HRSD recognized RHP OPEB gain of \$24,756,000 and expense of \$921,000 for the years ended June 30, 2025 and 2024, respectively. HRSD reported deferred outflows of resources and deferred inflows of resources related to RHP OPEB from the following sources:

| (in thousands) | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--------------------------------------------------------------------|--------------------------------------|-------------------------------------|
| Year ended June 30, 2025: | | |
| Differences between expected and actual experience | \$ 5,448 | \$ 13,210 |
| Changes in assumptions | 2,941 | 3,833 |
| Net diff between projected and actual earnings on plan investments | - | 3,260 |
| Total | <u>\$ 8,389</u> | <u>\$ 20,303</u> |
| Year ended June 30, 2024: | | |
| Differences between expected and actual experience | \$ 6,880 | \$ 6,182 |
| Changes in assumptions | 2,274 | 4,730 |
| Net diff between projected and actual earnings on plan investments | - | 705 |
| Total | <u>\$ 9,154</u> | <u>\$ 11,617</u> |

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HRSD's measurement date is its fiscal year end so there are no deferred outflows of resources resulting from contributions subsequent to the measurement date. Other amounts reported as deferred outflows and inflows of resources related to RHP OPEB will be recognized in OPEB expense in future reporting periods as follows:

| (in thousands) | | | |
|---------------------|--|--------------------|-------------------|
| Years Ended June 30 | | 2025 | 2024 |
| 2025 | | \$ - | \$ (805) |
| 2026 | | (434) | 1,352 |
| 2027 | | (3,274) | (1,487) |
| 2028 | | (3,179) | (1,392) |
| 2029 | | (1,491) | 296 |
| 2030 | | (1,354) | - |
| Thereafter | | (2,182) | (427) |
| | | <u>\$ (11,914)</u> | <u>\$ (2,463)</u> |

GLI

At June 30, 2025, HRSD reported a liability of \$2,872,000 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2024 and the total GLI OPEB Liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2023, and rolled forward to the measurement date of June 30, 2024. HRSD's proportion of the Net GLI OPEB Liability was based on the HRSD's actuarially determined employer contributions to the GLI Program for the fiscal year ended June 30, 2024, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2024, HRSD's proportion was 0.2574%.

At June 30, 2024, HRSD reported a liability of \$3,002,000 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2023 and the total GLI OPEB Liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2022, and rolled forward to the measurement date of June 30, 2023. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the Group Life Insurance Program for the fiscal year ended June 30, 2023, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2023, the participating employer's proportion was 0.2503%.

For the years ended June 30, 2025 and 2024, HRSD recognized GLI OPEB expenses of \$61,000 and \$116,000, respectively. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2025 and 2024, HRSD reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

| (in thousands) | Deferred Outflows of Resources | Deferred Inflows of Resources |
|-------------------------------------------------------------------|--------------------------------------|-------------------------------------|
| Year ended June 30, 2025: | | |
| Differences between expected and actual experience | \$ 453 | \$ 242 |
| Net diff bet projected and actual earnings on program investments | - | 70 |
| Change in assumptions | 16 | 142 |
| Changes in proportion | 93 | 103 |
| Employer contributions subsequent to the measurement date | 345 | - |
| Total | <u>\$ 907</u> | <u>\$ 557</u> |
| Year ended June 30, 2024: | | |
| Differences between expected and actual experience | \$ 300 | \$ 91 |
| Net diff bet projected and actual earnings on program investments | - | 121 |
| Change in assumptions | 64 | 208 |
| Changes in proportion | 35 | 140 |
| Employer contributions subsequent to the measurement date | 357 | - |
| Total | <u>\$ 756</u> | <u>\$ 560</u> |

HRSD reported \$345,000 and \$357,000 as of June 30, 2025 and 2024, respectively, as deferred outflows of resources related to the GLI OPEB resulting from the HRSD's contributions subsequent to the measurement date which will be recognized as a reduction of the Net GLI OPEB Liability in the Fiscal Years ending June 30, 2026 and 2025, respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

| (in thousands) | | |
|---------------------|-------------|--------------|
| Years ended June 30 | 2025 | 2024 |
| 2025 | \$ - | (46) |
| 2026 | (138) | (150) |
| 2027 | 48 | 31 |
| 2028 | (6) | (22) |
| 2029 | 43 | 26 |
| 2030 | 58 | - |
| | <u>\$ 5</u> | <u>(161)</u> |

HIC

HRSD recognized HIC Program OPEB expense of \$129,000 and \$130,000 for the years ended June 30, 2025 and 2024, respectively. HRSD reported deferred outflows of resources and deferred inflows of resources related to the Political Subdivision HIC Program from the following sources:

| HIC (in thousands) | Deferred Outflows of Resources | Deferred Inflows of Resources |
|-------------------------------------------------------------------|--------------------------------------|-------------------------------------|
| Year ended June 30, 2025: | | |
| Differences between expected and actual experience | \$ 70 | \$ 31 |
| Net diff bet projected and actual earnings on program investments | - | 24 |
| Change in assumptions | 51 | - |
| Employer contributions subsequent to the measurement date | 154 | - |
| Total | <u>\$ 275</u> | <u>\$ 55</u> |
| Year ended June 30, 2024: | | |
| Differences between expected and actual experience | \$ 102 | \$ 38 |
| Net diff bet projected and actual earnings on program investments | - | 11 |
| Change in assumptions | 76 | - |
| Employer contributions subsequent to the measurement date | 139 | - |
| Total | <u>\$ 317</u> | <u>\$ 49</u> |

HRSD reported \$154,000 for FY 2025 and \$139,000 for FY 2024 as deferred outflows of resources related to the HIC OPEB resulting from HRSD's contributions subsequent to the measurement date which will be recognized as a reduction of the Net HIC OPEB Liability in the fiscal year ending June 30, 2026 and 2025, respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIC OPEB will be recognized in the HIC OPEB expense in future reporting periods as follows:

| (in thousands) | | |
|---------------------|--------------|---------------|
| Years ended June 30 | 2025 | 2024 |
| 2025 | \$ - | 37 |
| 2026 | 15 | 21 |
| 2027 | 41 | 47 |
| 2028 | 17 | 24 |
| 2029 | (7) | - |
| | <u>\$ 66</u> | <u>\$ 129</u> |

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Aggregate OPEB RHP, GLI and HIC Inflows and Outflows

For the years ended June 30, 2025 and 2024, HRSD reported deferred outflows of resources and deferred inflows of resources related to the RHP, GLI and HIC OPEB plans from the following sources:

| (in thousands) | Deferred Outflows of Resources | Deferred Inflows of Resources |
|-------------------------------------------------------------------|--------------------------------------|-------------------------------------|
| Year ended June 30, 2025: | | |
| Differences between expected and actual experience | \$ 5,971 | \$ 13,483 |
| Net diff bet projected and actual earnings on program investments | - | 3,354 |
| Changes in proportion | 93 | 103 |
| Change in assumptions | 3,008 | 3,975 |
| Employer contributions subsequent to the measurement date | 499 | - |
| Total | <u>\$ 9,571</u> | <u>\$ 20,915</u> |
| Year ended June 30, 2024: | | |
| Differences between expected and actual experience | \$ 7,282 | \$ 6,311 |
| Net diff bet projected and actual earnings on program investments | - | 837 |
| Change in assumptions | 35 | 140 |
| Changes in proportion | 2,414 | 4,938 |
| Employer contributions subsequent to the measurement date | 496 | - |
| Total | <u>\$ 10,227</u> | <u>\$ 12,226</u> |

HRSD reported \$499,000 for FY 2025 and \$496,000 for FY 2024 as deferred outflows of resources related to the OPEB plans resulting from HRSD's contributions subsequent to the measurement date which will be recognized as a reduction of the net OPEB Liability in the fiscal year ending June 30, 2026 and 2025, respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the OPEB plans will be recognized in HRSD's OPEB expense in future reporting periods as follows:

| (in thousands) | 2025 | 2024 |
|----------------------------|--------------------|-------------------|
| <u>Years ended June 30</u> | | |
| 2025 | \$ - | (814) |
| 2026 | (557) | 1,223 |
| 2027 | (3,185) | (1,409) |
| 2028 | (3,168) | (1,390) |
| 2029 | (1,455) | 322 |
| 2030 | (1,296) | (427) |
| Thereafter | (2,182) | - |
| | <u>\$ (11,843)</u> | <u>\$ (2,495)</u> |

HRSD reported a gain of \$24,566,000 for FY 2025 and an expense of \$1,167,000 for FY 2024 as combined OPEB gains and expenses related to the RHP, GLI and HIC OPEB plans as follows:

| (in thousands) | 2025 | 2024 |
|----------------------------|--------------------|-----------------|
| <u>Years ended June 30</u> | | |
| RHP | (24,756) | 921 |
| GLI | 61 | 116 |
| HIC | 129 | 130 |
| Total OPEB (Gain) Expense | <u>\$ (24,566)</u> | <u>\$ 1,167</u> |

In fiscal year 2025, \$23,758,000 of the reported RHP gain is related to the Special Item reported separately on the Statements of Revenues, Expenses and Changes in Net Position. See Note 16 Special Item for additional information.

Actuarial Methods and AssumptionsRHP

The total RHP OPEB liabilities were based on actuarial valuations as of July 1, 2024 and 2023, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement dates of June 30, 2025 and 2024.

Year ended June 30, 2025 and 2024:

| | |
|---------------------------------------|--------------------------------------------------------------|
| Inflation | 2.5 percent |
| Salary increases, including inflation | 2.5 percent |
| Investment rate of return | 6.0 percent, net of investment expenses, including inflation |

Mortality rates for the RHP are as follows:

| | |
|-------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Healthy Retirees | SOA Pub-2010 General Retirees Headcount-Weighted Mortality Table projected on a fully generational basis with mortality improvement scale MP-2021 |
| Disabled Retirees | SOA Pub-2010 General Disabled Retirees Headcount-Weighted Mortality Table projected on a fully generational basis with mortality improvement scale MP-2021 |
| Active | SOA Pub-2010 General Employees Headcount-Weighted Mortality Table projected on a fully generational basis with mortality improvement scale MP-2021 |

GLI

The total GLI OPEB Liability was based on an actuarial valuation as of June 30, 2023, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2024.

Year ended June 30, 2024:

| | |
|---------------------------------------|---------------------------------------------------------------|
| Inflation | 2.5 percent |
| Salary increases, including inflation | 3.5 percent - 5.35 percent |
| Investment rate of return | 6.75 percent, net of investment expenses, including inflation |

Mortality tables and assumptions for GLI are as follows:

| | |
|-----------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Pre-Retirement: | Pub-2010 Amount Weighted Safety Employee Rates projected generationally; males set forward 2 years; 105% of rates for females set forward 3 years. |
| Post-Retirement: | Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 95% of rates for males set forward 2 years; 95% of rates for females set forward 1 year. |
| Post-Disablement: | Pub-2010 Amount Weighted General Disabled Rates projected generationally; 110% of rates for males set forward 3 years; 110% of rates for females set forward 2 years. |
| Beneficiaries and Survivors | Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally. |
| Mortality Improvement Scale | Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates. |

Year ended June 30, 2023:

| | |
|---------------------------------------|---------------------------------------------------------------|
| Inflation | 2.5 percent |
| Salary increases, including inflation | 3.5 percent - 5.35 percent |
| Investment rate of return | 6.75 percent, net of investment expenses, including inflation |

Mortality tables and assumptions for GLI are as follows:

| | |
|-----------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Pre-Retirement: | Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males set forward 2 years; 105% of rates for females set forward 3 years. |
| Post-Retirement: | Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 95% of rates for males set forward 2 years; 95% of rates for females set forward 1 year. |
| Post-Disablement: | Pub-2010 Amount Weighted General Disabled Rates projected generationally; 110% of rates for males set forward 3 years; 110% of rates for females set forward 2 years. |
| Beneficiaries and Survivors | Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally. |
| Mortality Improvement Scale | Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates. |

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The actuarial assumptions used in the June 30, 2023, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2021. Changes to the actuarial assumptions as a result of the experience study and VRS Board action for Years ended June 30, 2024 and June 30, 2023 are as follows:

| | |
|-------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Mortality rates | Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020 |
| Pre-retirement, post-retirement healthy, and disabled | Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all |
| Retirement Rates | Adjusted rates to better fit experience at each age and service decrement through 9 years of service |
| Withdrawal Rates | No change |
| Disability Rates | No change |
| Salary Scale | No change |
| Line of Duty Disability | No change |
| Discount Rate | No change |

HIC

The total HIC OPEB liability was based on an actuarial valuation as of June 30, 2023, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2024.

Year ending June 30, 2024:

| | |
|---------------------------------------|---------------------------------------------------------------|
| Inflation | 2.5 percent |
| Salary increases, including inflation | 3.5 percent - 5.35 percent |
| Investment rate of return | 6.75 percent, net of investment expenses, including inflation |

Mortality tables and assumptions for HIC are as follows:

| | |
|-----------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Pre-Retirement: | Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years |
| Post-Retirement: | Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years |
| Post-Disablement: | Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years |
| Beneficiaries and Survivors | Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years |
| Mortality Improvement Scale | Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates |

Note: Assumptions for measurement date June 30, 2024 were the same as June 30, 2023.

The actuarial assumptions used in the June 30, 2023, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2021. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

| | |
|-------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Mortality rates | Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020 |
| Pre-retirement, post-retirement healthy, and disabled | Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age from 75 to 80 for all |
| Retirement Rates | Adjusted rates to better fit experience at each age and service decrement through 9 years of service |
| Withdrawal Rates | No change |
| Disability Rates | No change |
| Salary Scale | No change |
| Line of Duty Disability | No change |
| Discount Rate | No change |

Note: Assumptions for measurement date June 30, 2024 were the same as June 30, 2023.

Long-Term Expected Rate of ReturnRHP

The long-term expected rate of return on RHP investments was determined using an economic building block approach that projects economic and corporate profit growth and takes into consideration the fundamental factors driving long-term real economic growth, our expectation for inflation, productivity, and labor force growth. The returns presented here are geometric return projections based on long-term capital market assumptions. The asset target allocations are governed by its Financial Policy. The best estimate of arithmetic real rates of return for each major asset class are summarized in the following tables:

Year ended June 30, 2025

| <u>Asset Class (Strategy)</u> | <u>Target Allocation</u> | <u>Arithmetic Long-Term Expected Rate of Return</u> | <u>Weighted Average Long-Term Expected Rate of Return</u> |
|--------------------------------|------------------------------|-----------------------------------------------------------------|-----------------------------------------------------------------------|
| Domestic Equity | 48.00% | 5.62% | 2.70% |
| International Developed Equity | 12.00% | 6.99% | 0.84% |
| Core Fixed | 31.00% | 2.20% | 0.68% |
| High Yield | 5.00% | 3.94% | 0.20% |
| Core Real Estate | 4.00% | 6.18% | 0.24% |
| Total | 100.00% | | 4.66% |
| | | Inflation | 2.50% |
| | | * Expected arithmetic nominal return | 7.16% |

* The above allocation provides a one-year return of 7.16%. However, one-year returns do not take into account the volatility present in each of the asset classes so a rate of 6.0% is used.

Year ended June 30, 2024

| <u>Asset Class (Strategy)</u> | <u>Target Allocation</u> | <u>Geometric Long-Term Expected Rate of Return</u> | <u>Weighted Average Long-Term Expected Rate of Return</u> |
|---------------------------------------|------------------------------|----------------------------------------------------------------|-----------------------------------------------------------------------|
| Domestic Equity | 39.00% | 5.96% | 2.32% |
| International Developed Equity | 19.00% | 8.08% | 1.54% |
| International Emerging Markets Equity | 2.00% | 8.27% | 0.17% |
| Core Fixed | 32.00% | 2.69% | 0.86% |
| Short-Term Fixed | 2.00% | 1.41% | 0.03% |
| High Yield | 2.00% | 4.33% | 0.09% |
| core Real Estate | 4.00% | 5.52% | 0.22% |
| Total | 100.00% | | 5.23% |
| | | Inflation | 2.50% |
| | | * Expected arithmetic nominal return | 7.73% |

* The above allocation provides a one-year return of 7.73%. However, one-year returns do not take into account the volatility present in each of the asset classes so a rate of 6.0% is used.

NOTES TO THE FINANCIAL STATEMENTS

GLI and HIC

The long-term expected rate of return on the GLI and HIC investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of GLI and HIC's investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following tables:

Year ended June 30, 2025

| Asset Class (Strategy) | Target Allocation | Arithmetic Long-Term Expected Rate of Return | Weighted Average Long-Term Expected Rate of Return * |
|--------------------------------------|-------------------|----------------------------------------------|------------------------------------------------------|
| Public Equity | 32.00% | 6.70% | 2.14% |
| Fixed Income | 16.00% | 5.40% | 0.86% |
| Credit Strategies | 16.00% | 8.10% | 1.30% |
| Real Assets | 15.00% | 7.20% | 1.08% |
| Private Equity | 15.00% | 8.70% | 1.31% |
| PIP-Private Investment Partnership | 1.00% | 8.00% | 0.08% |
| Diversifying Strategies | 6.00% | 5.80% | 0.35% |
| Cash | 2.00% | 3.00% | 0.06% |
| Leverage | (3.00%) | 3.50% | (0.11%) |
| Total | 100.00% | | 7.07% |
| * Expected arithmetic nominal return | | | 7.07% |

* The above allocation provides a one-year expected return of 7.07% (includes 2.50% inflation assumption). However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 7.10%, including expected inflation of 2.50%.

On June 15, 2023, the VRS Board elected a long-term rate of return of 6.75%, which was roughly at the 45th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.14%, including expected inflation of 2.50%.

Year ended June 30, 2024

| Asset Class (Strategy) | Target Allocation | Arithmetic Long-Term Expected Rate of Return | Weighted Average Long-Term Expected Rate of Return * |
|--------------------------------------|-------------------|----------------------------------------------|------------------------------------------------------|
| Public Equity | 34.00% | 6.14% | 2.09% |
| Fixed Income | 15.00% | 2.56% | 0.38% |
| Credit Strategies | 14.00% | 5.60% | 0.78% |
| Real Assets | 14.00% | 5.02% | 0.70% |
| Private Equity | 16.00% | 9.17% | 1.47% |
| MAPS - Multi-Asset Public Strategies | 4.00% | 4.50% | 0.18% |
| PIP-Private Investment Partnership | 2.00% | 7.18% | 0.14% |
| Cash | 1.00% | 1.20% | 0.01% |
| Total | 100.00% | | 5.75% |
| Inflation | | | 2.50% |
| * Expected arithmetic nominal return | | | 8.25% |

* The above allocation provides a one-year return of 8.25%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.14%, including expected inflation of 2.50%.

On June 15, 2023, the VRS Board elected a long-term rate of return of 6.75%, which was roughly at the 45th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.14%, including expected inflation of 2.50%.

Discount RatesRHP

The discount rate used to measure the total OPEB liability for the RHP, as of June 30, 2024 and 2023, was 6.0%. The projection of cash flows used to determine the discount rate assumes that HRSD contributions will be made in accordance with the funding plan established by an independent actuarial review.

GLI and HIC

The discount rate used to measure the total GLI and HIC OPEB liability was 6.75 percent as of June 30, 2024 and 2023. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal years ending June 30, 2024 and 2023, the rate contributed by the entity for GLI was 113 percent and HIC was 100 percent of the actuarially determined contribution rate. From July 1, 2024 on, employers are assumed to continue to contribute 100 percent of the actuarially determined contribution rates. Based on those assumptions, the GLI and HIC OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI and HIC OPEB liability.

Change in Net OPEB LiabilityRHP

HRSD's net RHP OPEB liability was measured as of June 30, 2025 and 2024, using a June 30, 2024 and 2023 valuation, which has been rolled forward to the June 30, 2025 and 2024 measurement date.

| (in thousands) | Total RHP OPEB Liability (a) | Plan Fiduciary Net Position (b) | Net RHP OPEB Liability (a) - (b) |
|---------------------------------------------------------------|------------------------------------|---------------------------------------|----------------------------------------|
| RHP OPEB Liability Balances at June 30, 2023 | \$ 76,476 | \$ 67,423 | \$ 9,053 |
| Changes for the year - Increase (Decrease): | | | |
| Service cost | 1,274 | - | 1,274 |
| Interest | 4,533 | - | 4,533 |
| Changes of assumptions | 2,599 | - | 2,599 |
| Difference between expected and actual experience | (3,472) | - | (3,472) |
| Contributions - employer | - | 1,914 | (1,914) |
| Net investment income | - | 8,270 | (8,270) |
| Benefit payments, including refunds of employee contributions | (1,850) | (1,850) | - |
| Net changes | 3,084 | 8,334 | (5,250) |
| RHP OPEB Liability Balances at June 30, 2024 | \$ 79,560 | \$ 75,757 | \$ 3,803 |
| Changes for the year - Increase (Decrease): | | | |
| Service cost | 1,338 | - | 1,338 |
| Interest | 4,754 | - | 4,754 |
| Changes of benefit terms | (23,758) | - | (23,758) |
| Changes of assumptions | 1,133 | - | 1,133 |
| Difference between expected and actual experience | (9,426) | - | (9,426) |
| Net investment income | - | 8,248 | (8,248) |
| Benefit payments, including refunds of employee contributions | (1,559) | (1,559) | - |
| Net changes | (27,518) | 6,689 | (34,207) |
| RHP OPEB Liability (Asset) Balances at June 30, 2025 | \$ 52,042 | \$ 82,446 | \$ (30,404) |

RHP fiduciary net position as a percentage of the total RHP OPEB liability was 158.42% and 95.22% as of June 30, 2025 and 2024, respectively.

NOTES TO THE FINANCIAL STATEMENTS

GLI

HRSD's net GLI OPEB liability represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement dates of June 30, 2024 and 2023, net OPEB liability amounts for the GLI Program are as follows:

| (in thousands) | 2024 | 2023 |
|-----------------------------|---------------------|---------------------|
| Total GLI OPEB Liability | \$ 4,196,055 | \$ 3,907,052 |
| Plan Fiduciary Net Position | 3,080,133 | 2,707,739 |
| Net GLI OPEB Liability | <u>\$ 1,115,922</u> | <u>\$ 1,199,313</u> |

| | | |
|------------------------------------------------------------------------------|--------|--------|
| Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability: | 73.41% | 69.30% |
|------------------------------------------------------------------------------|--------|--------|

The total GLI OPEB Liability is calculated by the VRS's actuary, and each plan's fiduciary net position is reported in VRS's financial statements. The net GLI OPEB Liability is disclosed in accordance with the requirements of GASB Statement No. 74 in VRS's notes to the financial statements and required supplementary information.

HIC

HRSD's net HIC OPEB liability was measured as of June 30, 2024 and 2023. The total HIC OPEB liability was determined by an actuarial valuation performed as of June 30, 2023 and 2022, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2024 and 2023.

| (in thousands) | Total HIC OPEB Liability (a) | Plan Fiduciary Net Position (b) | Net HIC OPEB Liability (a) - (b) |
|---------------------------------------------------------------|------------------------------------|---------------------------------------|----------------------------------------|
| HIC OPEB Liability Balances at June 30, 2022 | \$ 2,241 | \$ 1,108 | \$ 1,133 |
| Changes for the year - Increase (Decrease): | | | |
| Service cost | 18 | - | 18 |
| Interest | 147 | - | 147 |
| Difference between expected and actual experience | 106 | - | 106 |
| Contributions - employer | - | 124 | (124) |
| Net investment income | - | 65 | (65) |
| Benefit payments, including refunds of employee contributions | (161) | (161) | - |
| Administrative expense | - | (1) | 1 |
| Net changes | 110 | 27 | 83 |
| HIC OPEB Liability Balances at June 30, 2023 | \$ 2,351 | \$ 1,135 | \$ 1,216 |
| Changes for the year - Increase (Decrease): | | | |
| Service cost | 19 | - | 19 |
| Interest | 154 | - | 154 |
| Difference between expected and actual experience | (5) | - | (5) |
| Contributions - employer | - | 139 | (139) |
| Net investment income | - | 104 | (104) |
| Benefit payments, including refunds of employee contributions | (167) | (167) | - |
| Administrative expense | - | (1) | 1 |
| Net changes | 1 | 75 | (74) |
| HIC OPEB Liability Balances at June 30, 2024 | \$ 2,352 | \$ 1,210 | \$ 1,142 |

Sensitivity of the Net OPEB Liabilities (Assets) to Changes in the Discount Rate and Healthcare Cost Trend Rate

RHP

The following table presents the net RHP OPEB liability (asset) using the discount rate of 6.0%, as well as what the liability (asset) would be if it is calculated using a discount rate that is one percentage point lower (at 5.00%) or one percentage point higher (at 7.00%) than the current discount rate:

| <u>RHP Discount Rate</u> | RHP Discount Rate | | |
|-----------------------------------------------|----------------------|-----------------------|----------------------|
| | 1% Decrease 5.00% | Current Rate 6.00% | 1% Increase 7.00% |
| Net RHP OPEB Liability/(Asset) (in thousands) | | | |
| Year ended June 30, 2025 | \$ (23,238) | \$ (30,404) | \$ (36,318) |
| Year ended June 30, 2024 | 16,411 | 3,803 | (6,350) |

The following table presents the net RHP OPEB liability (asset) using the Trend rate, as well as what the liability (asset) would be if it is calculated using a healthcare cost trend rate that is one percentage point lower or one percentage point higher than the current healthcare cost trend rate:

| <u>RHP Ultimate Trend</u> | RHP - Healthcare Cost Trend Rate | | |
|-----------------------------------------------|----------------------------------|-----------------------|----------------------|
| | 1% Decrease 2.92% | Current Rate 3.92% | 1% Increase 4.92% |
| Year ended June 30, 2025 rates: | | | |
| Net RHP OPEB Asset (in thousands) | \$ (37,452) | \$ (30,404) | \$ (21,605) |
| Year ended June 30, 2024 rates: | 2.94% | 3.94% | 4.94% |
| Net RHP OPEB Liability/(Asset) (in thousands) | \$ (7,724) | \$ 3,803 | \$ 18,423 |

GLI

The following presents the net GLI OPEB liability using the discount rate of 6.75%, as well as what the net GLI OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (at 5.75%) or one percentage point higher (at 7.75%) than the current rate:

| <u>GLI Discount Rate</u> | GLI Discount Rate | | |
|---------------------------------------|----------------------|-----------------------|----------------------|
| | 1% Decrease 5.75% | Current Rate 6.75% | 1% Increase 7.75% |
| GLI Net OPEB Liability (in thousands) | | | |
| Year ended June 30, 2025 | \$ 4,466 | \$ 2,872 | \$ 1,584 |
| Year ended June 30, 2024 | 4,450 | 3,002 | 1,832 |

HIC

The following presents the net HIC OPEB liability using the discount rate of 6.75%, as well as what the net HIC OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (at 5.75%) or one percentage point higher (at 7.75%) than the current rate:

| <u>HIC Discount Rate</u> | HIC Discount Rate | | |
|---------------------------------------|----------------------|-----------------------|----------------------|
| | 1% Decrease 5.75% | Current Rate 6.75% | 1% Increase 7.75% |
| HIC Net OPEB Liability (in thousands) | | | |
| Year ended June 30, 2025 | \$ 1,383 | \$ 1,142 | \$ 937 |
| Year ended June 30, 2024 | 1,461 | 1,216 | 1,008 |

NOTES TO THE FINANCIAL STATEMENTS

GLI Fiduciary Net Position and HIC Plan Data

Information about the VRS Political Subdivision HIC Program and GLI Program Fiduciary Net Position are available in the separately issued VRS 2024 *Annual Comprehensive Financial Report*. A copy of the 2024 VRS Annual Report may be downloaded from the VRS website at [VRS Annual Comprehensive Financial Report for Fiscal Year 2024](#) or by writing to VRS's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

NOTE 8 – DEFINED BENEFIT PENSION PLAN
Pensions

VRS HRSD Retirement Plan is a multi-employer, agent plan. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the HRSD Retirement Plan and the additions to/deductions from the HRSD Retirement Plan's fiduciary net position have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Plan Description

All full-time, salaried permanent employees of HRSD are automatically covered by a VRS Retirement Plan upon employment. This plan is administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the *Code of Virginia*, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

The System administers three different benefit structures for covered employees – Plan 1, Plan 2, and Hybrid. Each of these benefit structures has different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are set out in the table below:

- Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 1 if their membership date is before July 1, 2010 and they were vested as of January 1, 2013. Non-hazardous duty members are eligible for an unreduced retirement benefit beginning at age 65 with at least five years of service credit or at age 55 with at least 30 years of service credit. They may retire with a reduced benefit as early as age 55 with at least five years of service credit or age 50 with at least 10 years of service credit.
- Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 2 if their membership date is on or after July 1, 2010, and they were not vested as of January 1, 2013. Non-hazardous duty members are eligible for an unreduced benefit beginning at their normal Social Security retirement age with at least five years of service credit or when the sum of their age and service equals 90. They may retire with a reduced benefit as early as age 60 with at least five years of service credit.
- The Hybrid Retirement Plan (HRP) combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window from January 1 through April 30, 2014. The employee's retirement benefit is funded through mandatory and voluntary contributions made by the employee and HRSD to both the defined benefit and the defined contribution components of the plan. Non-hazardous duty members are eligible for an unreduced benefit beginning at their normal Social Security retirement age with at least five years of service credit or when the sum of their age and service equals 90. They may retire with a reduced benefit as early as age 60 with at least five years of service credit.

Members in Plan 1 and Plan 2 contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. HRSD makes a separate actuarially determined contribution to VRS for all covered employees. The retirement benefit for members in the HRP is funded through mandatory and voluntary contributions made by the member and HRSD to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the

defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.

Members in Plan 1 and Plan 2 earn creditable service for each month they are employed in a covered position, and vest when they have at least five years (60 months) of creditable service. Members in the HRP earn one month of service credit for each month they are employed in a covered position for the defined benefit component, and service credits are used to determine vesting for the employer contribution portion of the plan. HRP members are always 100% vested in the defined contributions they make, and upon retirement or leaving covered employment are eligible to withdraw employer contributions of 50%, 75%, or 100% after two, three, or four years of service, respectively.

The VRS Basic Benefit for Plan 1 and Plan 2 members, and the defined benefit component for HRP members, is a lifetime monthly benefit based on a retirement multiplier as a percentage of the member's average final compensation multiplied by the member's total service credit. Under Plan 1, average final compensation is the average of the member's 36 consecutive months of highest compensation. Under Plan 2 and the HRP, average final compensation is the average of the member's 60 consecutive months of highest compensation. The retirement multiplier for non-hazardous duty members in Plan 1 is 1.7%; in Plan 2 the multiplier is 1.7% for service earned, purchased or granted prior to January 1, 2013 and 1.65% after that date. The multiplier is 1% for members in the HRP. At retirement, members can elect the Basic Benefit, the Survivor Option, a Partial Lump-Sum Option Payment (PLOP) or the Advance Pension Option. A retirement reduction factor is applied to the Basic Benefit amount for members electing the Survivor Option, PLOP or Advance Pension Option or those retiring with a reduced benefit.

Retirees are eligible for an annual cost-of-living adjustment (COLA) effective July 1 of the second calendar year of retirement. Under Plan 1, the COLA cannot exceed 5%; under Plan 2 and for the HRP defined benefit component, the COLA cannot exceed 3%. During years of no inflation or deflation there is no COLA adjustment. The VRS also provides death and disability benefits.

Employees Covered by Benefit Terms

As of the June 30, 2023 and 2022 actuarial valuation dates, the following employees were covered by the benefit terms of the pension plan:

| | 2023 | 2022 |
|----------------------------|-------|-------|
| Number of: | | |
| Retirees and Beneficiaries | 509 | 491 |
| Inactive Members Vested | 120 | 120 |
| Inactive Members Nonvested | 199 | 177 |
| Active Elsewhere in VRS | 93 | 81 |
| Active Employees | 830 | 774 |
| Total | 1,751 | 1,643 |

Contributions

The contribution requirement for active employees is governed by § 51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. HRSD's contractually required employer contribution rate for the year ended June 30, 2025 was 7.72% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2023.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from HRSD were \$5,650,000 and \$3,928,000 for the years ended June 30, 2025 and 2024, respectively.

Net Pension Liability

The net pension liability (NPL) is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. For HRSD, the net pension liability was measured as of June 30, 2024. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2023, rolled forward to the measurement date of June 30, 2024.

NOTES TO THE FINANCIAL STATEMENTS
Actuarial Methods and Assumptions

The total pension liability for General Employees in the Political Subdivision's Retirement Plan was based on an actuarial valuation as of June 30, 2023, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2024.

Year ended June 30, 2024

| | |
|---------------------------------------|---------------------------------------------------------------------|
| Inflation | 2.5 percent |
| Salary increases, including inflation | 3.5 percent to 5.35 percent |
| Investment rate of return | 6.75%, net of pension plan investment expenses, including inflation |

Mortality:

Mortality rates:

| | |
|-----------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Pre-Retirement | Pub-2010 Amount Weighted Safety Employee Rates projected generationally; 95% of rates for males; 105% of rates for females set forward 2 years |
| Post-Retirement | Pub-2010 Amount Weighted Safety Healthy Retiree Rates projected generationally; 110% of rates for males; 105% of rates for females set forward 3 years |
| Post-Disablement | Pub-2010 Amount Weighted General Disabled Rates projected generationally; 95% of rates for males set back 3 years; 90% of rates for females set back 3 years |
| Beneficiaries and Survivors | Pub-2010 Amount Weighted Safety Contingent Annuitant Rates projected generationally; 110% of rates for males and females set forward 2 years |
| Mortality Improvement | Rates projected generationally with Modified MP-2020 Improvement Scale that is 75% of the MP-2020 rates |

Note: Assumptions for measurement date June 30, 2024 were the same as June 30, 2023.

The actuarial assumptions used in the June 30, 2023, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Year ended June 30, 2024

| | |
|------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------|
| Mortality Rates- Pre-retirement, post-retirement healthy, and disabled | Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020. |
| Retirement Rates | Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/Hybrid; changed final retirement age |
| Withdrawal Rates | Adjusted rates to better fit experience at each year age and service through 9 years of service |
| Disability Rates | No change |
| Salary Scale | No change |
| Line of Duty Disability | No change |
| Discount Rate | No change |

Note: Assumptions for measurement date June 30, 2024 were the same as June 30, 2023.

Long-Term Expected Rate of Return

The long-term expected rate of return on pension system investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected real rates of return (expected returns, net of pension system investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

| Year ended June 30, 2024 | | | |
|--------------------------------------|--------------------------------------|-------------------------------------------------------|-------------------------------------------------------------|
| Asset Class (Strategy) | Long-Term Target Asset Allocation | Arithmetic Long-Term Expected Rate of Return | Weighted Average Long-Term Expected Rate of Return |
| Public equity | 32.00% | 6.70% | 2.14% |
| Fixed income | 16.00% | 5.40% | 0.86% |
| Credit strategies | 16.00% | 8.10% | 1.30% |
| Real assets | 15.00% | 7.20% | 1.08% |
| Private equity | 15.00% | 8.70% | 1.31% |
| PIP - Private Investment Partnership | 1.00% | 8.00% | 0.08% |
| Diversifying Strategies | 6.00% | 5.80% | 0.35% |
| Cash | 2.00% | 3.00% | 0.06% |
| Leverage | (3.00%) | 3.50% | (0.11%) |
| Total | 100.00% | | 7.07% |
| * Expected arithmetic nominal return | | | 7.07% |

* The above allocation provides a one-year expected return of 7.07% (includes 2.50% inflation assumption). However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for VRS, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 7.10%, including expected inflation of 2.50%.

On June 15, 2023, the VRS Board elected a long-term rate of return of 6.75%, which was roughly at the 45th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.14%, including expected inflation of 2.50%.

| Year ended June 30, 2023 | | | |
|---------------------------------------|--------------------------------------|-------------------------------------------------------|---------------------------------------------------------------|
| Asset Class (Strategy) | Long-Term Target Asset Allocation | Arithmetic Long-Term Expected Rate of Return | Weighted Average Long-Term Expected Rate of Return * |
| Public equity | 34.00% | 6.14% | 2.09% |
| Fixed income | 15.00% | 2.56% | 0.38% |
| Credit strategies | 14.00% | 5.60% | 0.78% |
| Real assets | 14.00% | 5.02% | 0.70% |
| Private equity | 16.00% | 9.17% | 1.47% |
| MAPS - Multi-Asset Public Strategies | 4.00% | 4.50% | 0.18% |
| PIP - Private Investment Partnership | 2.00% | 7.18% | 0.14% |
| Cash | 1.00% | 1.20% | 0.01% |
| Total | 100.00% | | 5.75% |
| Inflation | | | 2.50% |
| ** Expected arithmetic nominal return | | | 8.25% |

*The above allocation provides a one-year expected return of 8.25%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for VRS, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 7.14%, including expected inflation of 2.50%.

** On June 15, 2023, the VRS Board elected a long-term rate of return of 6.75%, which was roughly at the 45th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.14%, including expected inflation of 2.50%.

NOTES TO THE FINANCIAL STATEMENTS

Discount Rate

The discount rate used to measure the total pension liability was 6.75 percent. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. For the year ended June 30, 2024, the alternate rate was the employer contribution rate is 100 percent of the actuarially determined employer contribution rate from the June 30, 2023, actuarial valuations. From July 1, 2024, on, participating employers are assumed to continue to contribute 100 percent of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

| (in thousands) | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (a) - (b) |
|---------------------------------------------------------------|-----------------------------------|---------------------------------------|---------------------------------------|
| Pension Liability Balances at June 30, 2022 | \$ 277,575 | \$ 259,238 | \$ 18,337 |
| Changes for the year - Increase (Decrease): | | | |
| Service cost | 4,081 | - | 4,081 |
| Interest | 18,537 | - | 18,537 |
| Difference between expected and actual experience | 10,377 | - | 10,377 |
| Contributions - employer | - | 3,592 | (3,592) |
| Contributions - employee | - | 2,787 | (2,787) |
| Net investment income | - | 16,506 | (16,506) |
| Benefit payments, including refunds of employee contributions | (14,069) | (14,069) | - |
| Administrative expense | - | (168) | 168 |
| Other changes | - | 7 | (7) |
| Net changes | 18,926 | 8,655 | 10,271 |
| Pension Liability Balances at June 30, 2023 | \$ 296,501 | \$ 267,893 | \$ 28,608 |
| Changes for the year - Increase (Decrease): | | | |
| Service cost | 4,538 | - | 4,538 |
| Interest | 19,827 | - | 19,827 |
| Difference between expected and actual experience | 11,603 | - | 11,603 |
| Contributions - employer | - | 3,928 | (3,928) |
| Contributions - employee | - | 3,068 | (3,068) |
| Net investment income | - | 25,740 | (25,740) |
| Benefit payments, including refunds of employee contributions | (14,597) | (14,597) | - |
| Administrative expense | - | (175) | 175 |
| Other changes | - | 4 | (4) |
| Net changes | 21,371 | 17,968 | 3,403 |
| Pension Liability Balances at June 30, 2024 | \$ 317,872 | \$ 285,861 | \$ 32,011 |

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents HRSD's net pension liability/(asset) using the discount rate of 6.75%, as well as what HRSD's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (at 5.75%) or one percentage point higher (at 7.75%) than the current rate:

| Net Pension Liability/(Asset) (in thousands) | 1% Decrease 5.75% | Current Discount 6.75% | 1% Increase 7.75% |
|----------------------------------------------|----------------------|---------------------------|----------------------|
| Pension Discount Rate | | | |
| Year ended June 30, 2025 | \$ 74,921 | \$ 32,011 | \$ (2,882) |
| Year ended June 30, 2024 | 69,805 | 28,608 | (4,899) |

Pension Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

HRSD recognized pension expense of \$6,511,000 and \$5,239,000 for the years ended June 30, 2025 and 2024, respectively. At June 30, 2025 and 2024, HRSD reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| (in thousands) | Deferred Outflows of Resources | Deferred Inflows of Resources |
|-------------------------------------------------------------------|--------------------------------------|-------------------------------------|
| Year ended June 30, 2025: | | |
| Differences between expected and actual experience | \$ 12,863 | \$ - |
| Net diff bet projected and actual earnings on program investments | - | 7,543 |
| Employer contributions subsequent to the measurement date | 5,650 | - |
| Total | <u>\$ 18,513</u> | <u>\$ 7,543</u> |
| Year ended June 30, 2024: | | |
| Differences between expected and actual experience | \$ 7,483 | \$ 169 |
| Changes of assumptions | 1,416 | - |
| Net diff bet projected and actual earnings on program investments | - | 4,230 |
| Employer contributions subsequent to the measurement date | 3,928 | - |
| Total | <u>\$ 12,827</u> | <u>\$ 4,399</u> |

HRSD reported \$5,650,000 and \$3,928,000 as of June 30, 2026 and 2025, respectively, as deferred outflows of resources resulting from HRSD's contributions subsequent to the measurement date, which will be recognized as reductions of the Net Pension Liability in the years ended June 30, 2026 and 2025, respectively. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

| (in thousands) | | |
|----------------------------|-----------------|-----------------|
| <u>Years ended June 30</u> | <u>2025</u> | <u>2024</u> |
| 2026 | \$ - | 1,151 |
| 2027 | (451) | (2,163) |
| 2028 | 7,079 | 5,367 |
| 2029 | 276 | 145 |
| 2030 | (1,584) | - |
| | <u>\$ 5,320</u> | <u>\$ 4,500</u> |

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2024 Annual Report. A copy of the 2024 VRS Annual Report may be downloaded from the VRS website at <https://www.varetire.org/media/shared/pdf/publications/2024-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 9 – NOTES PAYABLE AND BONDSNotes Payable

On October 30, 2015, HRSD entered into a Credit Agreement with Bank of America, N.A. (BoFA) to provide a revolving line of credit (LOC) for interim financing or refinancing of capital project costs. June 30, 2022, HRSD entered into a Second Amended and Restated Credit Agreement. A Second Amendment to the Second Amended and Restated Credit Agreement was entered into April 9, 2024. Pursuant to the Third Amendment to Second Amended and Restated Credit agreement, dated June 5, 2025, the maximum outstanding authorization on the LOC was \$300,000,000.

Interest on advances is payable monthly at a fluctuating rate per annum. The monthly interest rate is calculated based on the equal to the sum of 80 percent of Daily Secured Overnight Financing Rate (SORF) or 80 percent of term SOFR rate, and 41 basis points.

At June 30, 2025 and 2024, the principal balance in the BOA line of credit was \$92,462,000 and \$100,000,000, respectively. The remaining available balance at June 30, 2025 and 2024, respectively was \$207,538,000 and \$200,000,000. The agreement provides for certain actions to be taken in events of default including acceleration of payment of the line of credit balance, termination of the lender's commitment to make further advances, and increasing the interest rate in effect to a higher default rate until paid in full. The line of credit is recorded as Notes Payable in the Current Liabilities section of the Statements of Net Position.

Bonds

In fiscal year 2025, HRSD sold \$240,775,000 of Wastewater Revenue Bonds, Series 2024B, to fund various capital projects. The bonds were sold at an overall interest rate of 4.15 percent and will be repaid through 2054. With HRSD's issuance of Wastewater Revenue Bond, Series 2024A, in fiscal year 2024, HRSD fully discharged all bond debt previously identified as senior lien obligations. With no bond debt priority, all bond debt is now identified as senior obligations.

HRSD issues revenue bonds for various capital improvements including but not limited to wastewater treatment plants and interceptor system improvements. HRSD's principal outstanding balance (including unamortized bond premium) as of June 30, 2025 and 2024 was \$742,350,000 and \$526,950,000, respectively.

Included in the total outstanding bond balance, HRSD has \$50 million outstanding in variable rate demand bonds, Series 2016B, utilized to partially finance its capital improvement plan. The bonds bear interest in either a Weekly Period or a Long-term Period. The bonds were initially issued in a Weekly Interest Period and bear interest at a varying interest rate until, at HRSD's option, they are converted to the Long-term Period. Liquidity to pay the purchase price of the bonds that are tendered and not remarketed is provided by HRSD. Maturities of the principal and interest for these bonds are shown in the following table as if held to maturity. The bonds are subject to optional redemption by HRSD prior to their maturity. Through June 30, 2025, the bonds have been successfully remarketed by the Remarketing Agent. The interest rate for the bonds at June 30, 2025 and 2024 was 2.97% and 3.45%, respectively. The 2025 rate was used to calculate interest maturity amounts shown below.

Virginia Resources Authority (VRA)

HRSD is indebted for bond issues payable to the VRA as administrator of the Virginia Water Facilities Fund. HRSD is required to adhere to and is in compliance with the rebate and reporting requirements of the federal regulations pertaining to arbitrage. HRSD's principal outstanding balance as of June 30, 2025 and 2024, was \$374,168,000 and \$366,890,000, respectively.

Water Infrastructure Finance and Innovation Act (WIFIA)

WIFIA established a federal credit program administered by EPA for eligible water and wastewater infrastructure projects. The WIFIA implementation rule outlines the eligibility and other requirements for prospective borrowers. The construction completion eligibility timeline required HRSD to enter into a Master Financing Agreement (MFA) with the WIFIA program. The MFA sets all the requirement conditions of the projects that will be funded under this program. To comply with the construction schedule completion requirements, the program will be funded in multiple tranches. On September 30, 2024, HRSD entered into a new MFA with the WIFIA program and closed on Tranche 3 for \$268,088,000 at 4.19 percent. To date, there are no draws on the WIFIA Tranche 3 loan. A liability is recognized when funds are drawn to reimburse HRSD for eligible expenses. The principal outstanding WIFIA balance as of June 30, 2025, was \$690,732,000 and \$400,483,000 as of June 30, 2024.

All bonds are secured by the revenues of HRSD and are payable over the duration of that issue. Summary of activity:

| (in thousands) | Balance at 6/30/2023 | | | Balance at 6/30/2024 | | | Balance at 6/30/2025 | Due within One year |
|------------------------------|-------------------------|------------|--------------|-------------------------|------------|-------------|-------------------------|------------------------|
| | 6/30/2023 | Additions | Deductions | 6/30/2024 | Additions | Deductions | 6/30/2025 | One year |
| BONDS | | | | | | | | |
| Series-2009B | \$ 103,710 | \$ - | \$ (103,710) | \$ - | \$ - | \$ - | \$ - | \$ - |
| Series-2014A | 38,565 | - | (38,565) | - | - | - | - | - |
| Series-2016A | 83,680 | - | (3,235) | 80,445 | - | (3,405) | 77,040 | 3,985 |
| Series-2016B VR | 50,000 | - | - | 50,000 | - | - | 50,000 | 50,000 |
| Series-2017A | 72,055 | - | - | 72,055 | - | - | 72,055 | - |
| Series-2018A | 17,215 | - | (1,205) | 16,010 | - | (1,265) | 14,745 | 1,330 |
| Series-2019A | 196,190 | - | (3,335) | 192,855 | - | (3,390) | 189,465 | 3,455 |
| Series-2024A | - | 115,585 | - | 115,585 | - | (17,315) | 98,270 | 17,120 |
| Series-2024B | - | - | - | - | 240,775 | - | 240,775 | - |
| WIFIA | | | | | | | | |
| WIFIA-Tranche 1 | 80,180 | 118,553 | - | 198,733 | 27,132 | (110) | 225,755 | 226 |
| WIFIA-Tranche 2 | - | 201,750 | - | 201,750 | 263,227 | - | 464,977 | - |
| VRA | | | | | | | | |
| VRA - AB Generator | 229 | - | (75) | 154 | - | (76) | 78 | 78 |
| VRA - Atlantic Expansion | 1,792 | - | (442) | 1,350 | - | (445) | 905 | 450 |
| VRA - Ches-Eliz Expansion | 9,790 | - | (2,411) | 7,379 | - | (2,435) | 4,944 | 2,459 |
| VRA - Williamsburg PS | 437 | - | (95) | 342 | - | (97) | 245 | 97 |
| VRA - York River Expansion | 14,182 | - | (1,610) | 12,572 | - | (1,654) | 10,918 | 1,699 |
| VRA - JRTP | 6,126 | - | (770) | 5,356 | - | (784) | 4,572 | 798 |
| VRA - NTP | 9,219 | - | (1,081) | 8,138 | - | (1,102) | 7,036 | 1,121 |
| VRA - Metering | 4,760 | - | (558) | 4,202 | - | (569) | 3,633 | 579 |
| VRA - ABTP | 27,141 | - | (2,616) | 24,525 | - | (2,670) | 21,855 | 2,725 |
| VRA - WTP | 2,713 | - | (315) | 2,398 | - | (322) | 2,076 | 329 |
| VRA - BHTP | 3,710 | - | (404) | 3,306 | - | (412) | 2,894 | 421 |
| VRA - ATP | 3,592 | - | (341) | 3,251 | - | (345) | 2,906 | 349 |
| VRA - Rodman | 923 | - | (38) | 885 | - | (38) | 847 | 40 |
| VRA - BHTP Switchgear | 6,871 | - | (384) | 6,487 | - | (392) | 6,095 | 399 |
| VRA - Lucas | 2,593 | - | (93) | 2,500 | - | (95) | 2,405 | 98 |
| VRA - Ferguson | 736 | - | (31) | 705 | - | (32) | 673 | 33 |
| VRA - Huxley | 3,500 | - | (183) | 3,317 | - | (186) | 3,131 | 188 |
| VRA - Atlantic | 54,463 | - | (1,839) | 52,624 | - | (11,652) | 40,972 | 2,082 |
| VRA - Deep Creek IFM | 4,529 | - | (234) | 4,295 | - | (237) | 4,058 | 240 |
| VRA - Orcutt Ave and Mercury | 7,389 | - | (238) | 7,151 | - | (245) | 6,906 | 252 |
| VRA - TP Dewatering | 3,165 | - | (164) | 3,001 | - | (166) | 2,835 | 168 |
| VRA - ES* | 18,008 | 6,975 | (4,937) | 20,046 | - | (1,245) | 18,801 | 1,198 |
| VRA - Group Loan | 97,692 | - | (4,629) | 93,063 | - | (4,683) | 88,380 | 4,736 |
| VRA - 2022 Projects | 40,868 | 58,904 | - | 99,772 | 229 | (4,539) | 95,462 | 4,596 |
| VRA - 2024 Projects | - | 71 | - | 71 | 41,470 | - | 41,541 | - |
| Total | 966,023 | 501,838 | (173,538) | 1,294,323 | 572,833 | (59,906) | 1,807,250 | 101,251 |
| Unamortized Bond Premium | 13,719 | 12,463 | (3,060) | 23,122 | 28,396 | (4,446) | 47,072 | |
| Total Bonds Payable | 979,742 | 514,301 | (176,598) | 1,317,445 | 601,229 | (64,352) | 1,854,322 | 101,251 |
| Notes Payable | 68,580 | 31,420 | - | 100,000 | - | (7,538) | 92,462 | 92,462 |
| Total Outstanding Debt | \$ 1,048,322 | \$ 545,721 | \$ (176,598) | \$ 1,417,445 | \$ 601,229 | \$ (71,890) | \$ 1,946,784 | \$ 193,713 |

NOTES TO THE FINANCIAL STATEMENTS
Senior bonds outstanding at June 30, 2025:

| (in thousands) | Issue | Principal Outstanding | | | Interest to | Interest | Duration | Final Maturity |
|------------------------------|------------|-----------------------|------------|--------------|-------------|---------------------------------|----------|-------------------|
| | Amount | Total | Current | Long-Term | Maturity | Rates | of Issue | |
| Series-2016A | \$ 246,845 | \$ 77,040 | \$ 3,985 | \$ 73,055 | \$ 18,884 | 3.00% - 5.00% | 20 years | August 1, 2036 |
| Series-2017A | 83,485 | 72,055 | - | 72,055 | 30,301 | 3.50% - 5.00% | 26 years | October 1, 2043 |
| Series-2018A | 63,185 | 14,745 | 1,330 | 13,415 | 3,562 | 5.00% | 15 years | October 1, 2033 |
| Series-2019A | 205,675 | 189,465 | 3,455 | 186,010 | 38,020 | 1.86% - 2.78% | 20 years | February 1, 2039 |
| Series-2024A | 115,585 | 98,270 | 17,120 | 81,150 | 36,058 | 5.00% | 15 years | November 1, 2039 |
| Series-2024B | 240,775 | 240,775 | - | 240,775 | 243,296 | 5.00% | 30 years | July 1, 2054 |
| WIFIA-Tranche 1 | 225,866 | 225,755 | 226 | 225,529 | 94,357 | 1.40% | 40 years | April 1, 2060 |
| WIFIA-Tranche 2 * | - | 464,977 | - | 464,977 | 245,711 | 1.95% | 40 years | April 1, 2060 |
| VRA - AB Generator | 1,235 | 78 | 78 | - | 1 | 2.00% | 20 years | April 1, 2026 |
| VRA - Atlantic Expansion | 7,340 | 905 | 450 | 455 | 11 | 1.00% | 20 years | February 1, 2027 |
| VRA - Ches-Eliz Expansion | 40,330 | 4,944 | 2,459 | 2,485 | 62 | 1.00% | 20 years | June 1, 2027 |
| VRA - Williamsburg PS | 1,605 | 245 | 97 | 148 | 4 | 1.00% | 20 years | July 1, 2027 |
| VRA - York River Expansion | 29,683 | 10,918 | 1,699 | 9,219 | 989 | 2.72% | 20 years | March 1, 2031 |
| VRA - JRTP | 13,431 | 4,572 | 798 | 3,774 | 251 | 1.80% | 20 years | September 1, 2030 |
| VRA - NTP | 19,395 | 7,036 | 1,121 | 5,915 | 418 | 1.80% | 20 years | March 1, 2031 |
| VRA - Metering | 9,989 | 3,633 | 579 | 3,054 | 216 | 1.80% | 20 years | March 1, 2031 |
| VRA - ABTP | 50,000 | 21,855 | 2,725 | 19,130 | 1,835 | 2.05% | 20 years | September 1, 2032 |
| VRA - WTP | 5,727 | 2,076 | 329 | 1,747 | 141 | 2.05% | 20 years | March 1, 2031 |
| VRA - BHTP | 7,584 | 2,894 | 421 | 2,473 | 212 | 2.05% | 20 years | September 1, 2031 |
| VRA - ATP | 6,318 | 2,906 | 349 | 2,557 | 144 | 1.15% | 20 years | February 1, 2033 |
| VRA - Rodman | 1,096 | 847 | 40 | 807 | 184 | 2.25% | 25 years | June 1, 2043 |
| VRA - BHTP Switchgear | 7,619 | 6,095 | 399 | 5,696 | 825 | 1.85% | 20 years | December 1, 2040 |
| VRA - Lucas | 2,949 | 2,405 | 98 | 2,307 | 677 | 2.65% | 27 years | October 1, 2044 |
| VRA - Ferguson | 866 | 673 | 33 | 640 | 167 | 2.70% | 25 years | March 1, 2042 |
| VRA - Huxley | 3,868 | 3,131 | 188 | 2,943 | 305 | 1.20% | 20 years | August 1, 2040 |
| VRA - Atlantic | 57,149 | 40,972 | 2,082 | 38,890 | 8,164 | 2.25% | 30 years | March 1, 2046 |
| VRA - Deep Creek IFM | 4,989 | 4,058 | 240 | 3,818 | 401 | 1.20% | 20 years | December 1, 2040 |
| VRA - Orcutt Ave and Mercury | 7,968 | 6,906 | 252 | 6,654 | 2,263 | 2.85% | 30 years | February 1, 2046 |
| VRA - TP Dewatering | 3,498 | 2,835 | 168 | 2,667 | 279 | 1.20% | 20 years | October 1, 2040 |
| VRA - ES * | - | 18,801 | 1,198 | 17,603 | 3,018 | 1.30% | 20 years | October 1, 2043 |
| VRA - Group Loan | 100,000 | 88,380 | 4,736 | 83,644 | 9,175 | 1.15% | 22 years | March 1, 2042 |
| VRA - 2022 Projects | 100,000 | 95,462 | 4,596 | 90,866 | 12,247 | 1.30% | 20 years | December 1, 2043 |
| VRA - 2024 Projects * | - | 41,541 | - | 41,541 | 16,434 | 2.20% | 20 years | December 1, 2045 |
| Total Fixed Bonds Payable | | 1,757,250 | 51,251 | 1,705,999 | 768,612 | | | |
| Unamortized Bonds Premium | | 47,072 | - | 47,072 | - | | | |
| Total | | 1,804,322 | 51,251 | 1,753,071 | 768,612 | | | |
| Series-2016B VR | | 50,000 | 50,000 | - | 31,393 | Variable 2.97% June 30, 2025 | 30 years | August 1, 2046 |
| Total Bonds Payable | | 1,854,322 | 101,251 | 1,753,071 | 800,005 | | | |
| Notes Payable | | 92,462 | 92,462 | - | - | Variable 3.87% June 30, 2025 | | |
| Total Outstanding Debt | | \$ 1,946,784 | \$ 193,713 | \$ 1,753,071 | \$ 800,005 | | | |

* These VRA and WIFIA bonds are still in the draw down phase of the loan.

Maturities of senior bond principal and interest as of June 30, 2025:

| (in thousands) | | | | |
|--------------------------|--------------|------------|--------------|--|
| June 30, | Principal | Interest | Total | |
| 2026 | \$ 101,251 | \$ 39,068 | \$ 140,319 | |
| 2027 | 55,794 | 38,261 | 94,055 | |
| 2028 | 53,874 | 36,829 | 90,703 | |
| 2029 | 55,316 | 45,110 | 100,426 | |
| 2030 | 56,701 | 43,544 | 100,245 | |
| 2031-2035 | 281,976 | 194,720 | 476,696 | |
| 2036-2040 | 235,155 | 155,615 | 390,770 | |
| 2041-2045 | 217,060 | 117,186 | 334,246 | |
| 2046-2050 | 200,905 | 73,933 | 274,838 | |
| 2051-2055 | 313,164 | 43,211 | 356,375 | |
| 2056-2060 | 236,054 | 12,528 | 248,582 | |
| Total | 1,807,250 | 800,005 | 2,607,255 | |
| Unamortized Bond Premium | 47,072 | - | 47,072 | |
| Total | \$ 1,854,322 | \$ 800,005 | \$ 2,654,327 | |

HRSD defeased certain revenue bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the fund's financial statements. At June 30, 2025, the following defeased bonds from advance refunding are still outstanding:

| Defeased in | Original Issue | Amount (in thousands) | Redemption |
|-------------|----------------|-----------------------|------------|
| 2017 | Series 2016A | \$ 7,720 | 08/01/26 |
| 2019 | Series 2016A | 24,395 | 08/01/26 |
| 2019 | Series 2016A | 110,947 | 08/01/26 |
| 2019 | Series 2017A | 11,732 | 10/01/27 |
| 2019 | Series 2018A | 11,866 | 10/01/27 |
| 2019 | Series 2018A | 30,915 | 10/01/27 |
| 2024 | Series 2014A | 26,632 | 07/01/25 |
| Total | | \$ 224,207 | |

NOTE 10 – NET POSITIONRestricted Portion of Net Position

HRSD has three components of restricted net position: Debt service, Capital projects and Net OPEB asset. At June 30, 2025 and 2024, the total restricted net position was \$77,328,000 and \$22,307,000, respectively.

Reserved Portion of Unrestricted Net Position

Reserved for Improvement. HRSD's Master Trust Agreement requires a reserve for improvements. There is no specific funding mechanism established by the Trust Agreement. At June 30, 2025 and 2024, \$1,423,000 and \$1,306,000, respectively, were contained in the unrestricted net position. HRSD was in compliance with all funding requirements of this reserve during the fiscal years ended June 30, 2025 and 2024.

Reserved for Construction. A reserve for the construction program is based on funds designated by HRSD's Commission for such purposes. At June 30, 2025 and 2024, \$171,857,000 and \$37,469,000, respectively, was contained in the unrestricted net position.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 11 - RISK MANAGEMENT

HRSD is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; employee dishonesty; injuries to employees; and natural disasters. HRSD purchases commercial insurance for specific types of coverage including property, liability, auto, crime, public officials and workers' compensation. There were no significant reductions in insurance coverage from the prior year. Claim settlements and judgments not covered by commercial insurance are covered by operating resources. The amount of settlements did not exceed insurance coverage for each of the past three years. Claim expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

HRSD has a self-insured health, dental and vision care benefits program for all employees. Claims processing and payments for all health care claims are made through third-party administrators. HRSD uses the information provided by the third-party administrators and a health care benefits consultant to aid in the determination of self-insurance reserves. Hospitalization Reserve is included in Other Liabilities in the Current Liabilities section of the Statements of Net Position.

| (in thousands) | Beginning of Fiscal Year | Estimated Claims Incurred | Claims Paid | End of Fiscal Year |
|----------------|-----------------------------|------------------------------|-------------|-----------------------|
| 2025 | \$ 7,532 | \$ 12,314 | \$ (17,844) | \$ 2,002 |
| 2024 | \$ 5,097 | \$ 15,624 | \$ (13,189) | \$ 7,532 |

NOTE 12 – COMMITMENTS AND CONTINGENCIES

Consent Decree

On December 19, 2014, the Commonwealth of Virginia entered into a long-term State Consent Agreement (the "2014 Consent Agreement") with 14 of the localities that HRSD serves. The 2014 Consent Agreement requires the localities to perform long-term management, operations and maintenance of their sewer systems in support of HRSD's efforts to provide long-term regional wet weather wastewater capacity. HRSD is not a party to the 2014 Consent Agreement. Instead, HRSD's obligation to provide regional wet weather sewer capacity is now memorialized in its federal consent decree (the "Consent Decree"). HRSD entered into the Consent Decree with the Commonwealth and the United States Environmental Protection Agency ("EPA").

The Consent Decree was entered by the federal district court for the Eastern District of Virginia (the "District Court") on February 23, 2010. The Consent Decree has been amended six times, most recently on January 19, 2024 (the "Amended Consent Decree"). The sixth amendment reorders and/or revises certain projects (with no change in overall program cost).

The Amended Consent Decree has two major operative requirements. First, it requires HRSD to implement its approved Regional Wet Weather Management Plan ("RWWMP") to control 69 percent of the capacity-related sewer overflow volume predicted to occur in a five-year storm event. Because HRSD has assumed responsibility for planning (in consultation with the 14 affected localities), designing, funding, and implementing the controls (high priority projects) in both the localities' systems and the HRSD system contained in the approved RWWMP, HRSD estimates the regional ratepayers will achieve significantly reduced program costs than if each locality sought to address peak wet weather wastewater flows on its own. To further facilitate this approach, the 14 affected localities entered into a Memorandum of Agreement with HRSD in 2014 in which they agreed to (1) cooperate with HRSD, (2) facilitate the construction of and accept ownership of any improvements which HRSD may need to construct in the localities' systems, and (3) maintain the integrity of their systems to industry standards.

The Amended Consent Decree includes a schedule for wastewater system improvements that expressly accommodates HRSD's Sustainable Water Initiative for Tomorrow (SWIFT) program. That schedule requires that HRSD implement \$200 million worth of High Priority Project sewer overflow control projects between 2020 and 2030 and then another \$200 million in sewer overflow control projects between 2030 and 2040. These two sets of projects prioritize system improvements that HRSD is to implement along with the SWIFT project. The Amended Consent Decree gives HRSD until 2032 to invest \$1.1 billion in the SWIFT program. Finally, the Amended Consent Decree provides that if HRSD will not make the full \$1.1 billion investment in the SWIFT Project by 2032 then EPA can require HRSD to accelerate some or all of the second group (\$200 million worth) of High Priority sewer overflow control projects to offset the avoided investment in the SWIFT program.

Capital Commitments

HRSD has a major capital improvement and expansion program funded through the issuance of debt and its own resources. As of June 30, 2025 and 2024, HRSD has outstanding commitments for contracts in progress of approximately \$1.28 billion and \$1.61 billion, respectively.

NOTE 13 – FAIR VALUE MEASUREMENTS

HRSD categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs.

Debt securities reported as investments are classified in Level 2 of the fair value hierarchy and are valued using the following approaches:

- U.S. Treasury securities are valued using quoted prices for identical or similar securities.
- All other investments are valued based on matrix pricing using observable data of securities with similar attributes.

The VIP is an Internal Revenue Code Section 115 governmental trust fund created under the Joint Exercise of Powers statute of the Commonwealth of Virginia to provide political subdivisions with an investment vehicle to pool their funds and to invest such funds into two or more investment portfolios under the direction and daily supervision of a professional fund manager. The Trust was established and created by the City of Chesapeake, Virginia, and the City of Roanoke, Virginia (the "Founding Participants") and operates under a Trust Agreement as amended September 23, 2016.

Investments in the VIP fall within two primary funds, 1-3 Year High Quality Bond Fund and Stable NAV Liquidity Pool. The 1-3 High Quality Bond Fund redemptions are available twice a month and participants are required to provide 5 days' notice. Redemptions greater than \$5 million are requested to be submitted 60 days in advance and if the redemption is greater than 10% of the portfolio's net asset value without the 60 days' notice, the redemption can be executed over time. The Stable NAV Liquidity Pool has no restrictions on withdrawals and funds are available the same day.

HRSD's total investment in VIP 1-3 Year High Quality Bond Fund was \$69.60 million (valued at NAV) and \$65.92 million, as of June 30, 2025 and 2024, respectively. HRSD's total investment in VIP's Stable NAV Liquidity Pool (valued at NAV) was \$324.28 million and \$178.79 million as of June 30, 2025 and 2024, respectively. The Stable NAV Liquidity Pool was rated AAAM and the 1-3 Year High Quality Bond Fund was rated AA+f/S1 by Standard & Poor's (S&P) as of June 30, 2025.

The State Non-Arbitrage Program (SNAP) was the result of the Tax Reform Act of 1986 which placed arbitrage restrictions and reporting requirements on issuers of tax-exempt debt. The Virginia Legislature passed the Government Non-Arbitrage Investment Act in 1989 (Sections 2.2-4700 through 2.2-4705 of the Code of Virginia). The law authorized the Virginia Treasury Board to create the Virginia State Non-Arbitrage Program (SNAP). The Commonwealth of Virginia, counties, cities, and towns in the Commonwealth, and their agencies, institutions and authorities ("Virginia Issuers" or "Issuers") are all eligible to invest in the Program.

HRSD's SNAP fund balance as of June 30, 2025, was \$143.93 million (valued at amortized cost). There were no SNAP funds as of June 30, 2024. SNAP Fund Total S&P Rating was AAAM as of June 30, 2025.

See Note 3 for additional information.

NOTES TO THE FINANCIAL STATEMENTS

HRSD OPEB Trust Investments

The HRSD OPEB Trust has investments in mutual funds, cash, and cash equivalents on deposit with its trustee, U.S. Bank. HRSD categorizes its fair value measurements within the fair value hierarchy consistent with the approach described above.

| (in thousands) | Balance at June 30, 2025 | Level 1 | Level 2 | Level 3 |
|-----------------------------------------------------|-----------------------------|-----------|-----------|----------|
| Investments by Fair Value Level | | | | |
| Mutual Funds - Equity | \$ 51,626 | \$ 47,353 | \$ 4,273 | - |
| Mutual Funds - Fixed Income | 27,903 | 7,807 | 20,096 | |
| Real Return | 2,554 | - | - | 2,554 |
| Total Investments by Fair Value Level | \$ 82,083 | \$ 55,160 | \$ 24,369 | \$ 2,554 |
| Cash Equivalents Measured at Net Asset Value | | | | |
| Money Market Funds | 363 | | | |
| Fiduciary Net Position of HRSD's OPEB | <u>\$ 82,446</u> | | | |
| | | | | |
| | Balance at June 30, 2024 | Level 1 | Level 2 | Level 3 |
| Investments by Fair Value Level | | | | |
| Mutual Funds - Equity | \$ 46,685 | \$ 41,130 | \$ 5,555 | - |
| Mutual Funds - Fixed Income | 25,608 | 6,501 | 19,107 | - |
| Other Income | 2,646 | - | - | 2,646 |
| Total Investments by Fair Value Level | \$ 74,939 | \$ 47,631 | \$ 24,662 | \$ 2,646 |
| Cash Equivalents Measured at Net Asset Value | | | | |
| First American Government Obligation | 818 | | | |
| Fiduciary Net Position of HRSD's OPEB | <u>\$ 75,757</u> | | | |

Additional information about HRSD's OPEB Plan is in Notes 3 and 7.

NOTE 14 - FIDUCIARY ACTIVITIES

As discussed in Note 2, HRSD has prepared fiduciary fund financial statements for the fiscal years ended June 30, 2025 and 2024. The statements include information on HRSD's RHP, one of HRSD's three postemployment benefits other than pensions (other postemployment benefits, or OPEB) plans, and information on funds held by HRSD to apply toward customer accounts.

Retiree Health Plan

Detailed information related to HRSD's RHP is included in Notes 2, 3, 7 and 13 and in the Required Supplementary Information section of the Annual Comprehensive Financial Report. The RHP meets the requirements of GAAP for inclusion in the fiduciary fund financial statements. HRSD's other two OPEB plans are administered by VRS and do not qualify for inclusion. The RHP had total assets of \$82.4 million and \$75.8 million as of June 30, 2025 and 2024, respectively, which are restricted to providing postretirement benefits for plan participants.

American Recovery Plan Act

In further response to the COVID-19 pandemic disaster, the United States federal government enacted the American Recovery Plan Act of 2021 (ARPA) to provide funding for numerous programs to address the COVID-19 pandemic disaster, providing assistance to states, local, territorial, and tribal governments for direct impacts of the COVID-19 pandemic disaster through the establishment of the Coronavirus Relief Fund (CRF). Consistent with ARPA, the Commonwealth of Virginia established the State and Local Fiscal Recovery Funds (SLFRF) of ARPA to provide direct assistance to utility customers with accounts over 60 days in arrears.

During the fiscal years ended June 30, 2025 and 2024, HRSD did not receive any additional federal SLFRF-ARPA funds.

NOTE 15 - CHANGE IN ACCOUNTING PRINCIPLE

In fiscal year 2025, HRSD adopted a new GASB pronouncement, Statement No. 101, *Compensated Absences*. Statement No. 101 establishes standards of accounting and financial reporting by updating the recognition and measurement guidance for compensated absences. The statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash. This statement amends the existing requirement to disclose the gross increases and decreases in a liability for compensated absences to allow governments to disclose only the net change in the liability.

The financial reporting impact from the implementation of Statement No. 101 resulted in the restatement of HRSD's Statement of Net Position for fiscal year ended June 30, 2024, and adjusted ending net position for year ended 2023. The change in the compensated leave liability is outlined below and incorporates the restatement.

(in thousands)

| | FY 2023 Ending Net Position | Net Compensated Leave Liability Adjustment | FY 2024 Restated Beginning Net Position |
|-------|-----------------------------------|--------------------------------------------------|-----------------------------------------------|
| Total | \$ 1,177,022 | \$ 7,394 | \$ 1,169,628 |

NOTE 16 - SPECIAL ITEM


In fiscal year 2025, HRSD changed the RHP OPEB benefit by requiring retirees participating in HRSD's employer sponsored Medicare Supplement Plan to move to an employer sponsored Medicare Advantage Plan. The effect of this change resulted in a one-time reduction in the OPEB expense of \$23,758,000.

NOTE 17 - SUBSEQUENT EVENTS

On July 24, 2025, HRSD issued \$223,860,000 of Subordinate Wastewater Revenue Bonds, Series 2025A. The Series 2025A Bonds interest rate (true interest cost) is 2.93 percent, with final maturity on July 15, 2026. The Series 2025A Bonds serve as interim financing to fund capital improvements during the construction period. HRSD is authorized to repay the Series 2025A Bonds at their maturity with the existing WIFIA Tranche 3 loan (interest rate of 4.15 percent), the issuance of long-term bonds, grants, or other funds. To date, there are no draws on the WIFIA Tranche 3 loan.



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A close-up photograph of a metal faucet with water dripping from it. The water forms a series of droplets falling into a sink. The background is blurred, showing the sink and some blue and white patterns.

REQUIRED SUPPLEMENTARY INFORMATION_(UNAUDITED)

ANNUAL COMPREHENSIVE FINANCIAL REPORT / HAMPTON ROADS SANITATION DISTRICT



INDEX TO REQUIRED SUPPLEMENTARY INFORMATION

ANNUAL COMPREHENSIVE FINANCIAL REPORT / HAMPTON ROADS SANITATION DISTRICT

In accordance with the Governmental Accounting Standards Board, the following information is required to accompany the Basic Financial Statements.

| Contents | Page |
|----------------------------------------------------------------------------------------------------------------|-------------|
| Pension | 65 |
| Schedule of Employer Pension Contributions and Schedule of Changes in Net Pension Liability and Related Ratios | |
| OPEB | 69 |
| Schedule of Employer OPEB Contributions and Schedule of Changes in Net OPEB Liability and Related Ratios | |

See notes to required supplementary information



SCHEDULE OF EMPLOYER PENSION CONTRIBUTIONS FOR THE YEARS ENDED JUNE 30, 2016 THROUGH 2025

| Date | Contractually Required Contribution | Contribution in Relation to Contractually Required Contribution | Contribution Deficiency (Excess) | Employer's Covered Payroll | Contributions as a % of Covered Payroll |
|------|-------------------------------------------|-----------------------------------------------------------------------------|----------------------------------------|-------------------------------|--------------------------------------------|
| 2025 | \$ 5,650,000 | \$ 5,650,000 | \$ - | \$ 73,189,000 | 7.72% |
| 2024 | 3,928,000 | 3,928,000 | - | 66,051,000 | 5.95% |
| 2023 | 3,592,000 | 3,592,000 | - | 58,965,000 | 6.09% |
| 2022 | 3,441,000 | 3,441,000 | - | 54,750,000 | 6.28% |
| 2021 | 3,453,000 | 3,453,000 | - | 54,107,000 | 6.38% |
| 2020 | 2,897,000 | 2,897,000 | - | 53,085,000 | 5.46% |
| 2019 | 2,866,000 | 2,866,000 | - | 51,336,000 | 5.58% |
| 2018 | 3,635,000 | 3,635,000 | - | 50,874,000 | 7.15% |
| 2017 | 4,326,000 | 4,326,000 | - | 49,286,000 | 8.78% |
| 2016 | 4,222,000 | 4,222,000 | - | 47,838,000 | 8.83% |

Notes to Required Supplementary Information For the Year Ended June 30, 2025:

Changes of benefit terms

There have been no actuarially material changes to the VRS benefit provisions since the prior actuarial valuation.

Changes of assumptions

The actuarial assumptions used in the June 30, 2023, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates:

| | |
|----------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------|
| Pre-retirement, post-retirement healthy, and disabled | Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020. |
| Retirement Rates | Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/ Hybrid; changed final retirement age |
| Withdrawal Rates | Adjusted rates to better fit experience at each year age and service through 9 years of service |
| Disability Rates | No change |
| Salary Scale | No change |
| Line of Duty Disability | No change |
| Discount Rate | No change |

Information pertaining to Pensions can be found in Notes 2 and 8 to the financial statements.

See notes to required supplementary information

**SCHEDULE OF CHANGES IN
NET PENSION LIABILITY AND RELATED RATIOS**

| (in thousands) | 2024 | 2023 | 2022 | 2021 | 2020 |
|-------------------------------------------------------------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Total pension liability | | | | | |
| Service cost | \$ 4,538 | \$ 4,081 | \$ 3,833 | \$ 4,264 | \$ 4,229 |
| Interest | 19,827 | 18,537 | 18,012 | 16,787 | 16,223 |
| Changes of benefit terms | - | - | - | 6,599 | - |
| Changes in assumptions | - | - | - | - | - |
| Difference between expected and actual experience | 11,603 | 10,377 | 44 | (266) | (991) |
| Benefit payments, including refunds of employee contributions | (14,597) | (14,069) | (14,637) | (11,512) | (10,696) |
| Net change in total pension liability | 21,371 | 18,926 | 7,252 | 15,872 | 8,765 |
| Total pension liability - beginning | 296,501 | 277,575 | 270,323 | 254,451 | 245,686 |
| Total pension liability - ending (a) | \$ 317,872 | \$ 296,501 | \$ 277,575 | \$ 270,323 | \$ 254,451 |
| Plan fiduciary net position | | | | | |
| Contributions - employer | \$ 3,928 | \$ 3,592 | \$ 3,440 | \$ 3,453 | \$ 2,897 |
| Contributions - employee | 3,068 | 2,787 | 2,578 | 2,569 | 2,538 |
| Net investment income | 25,740 | 16,506 | (140) | 58,456 | 4,115 |
| Benefit payments, including refunds of employee contributions | (14,597) | (14,069) | (14,637) | (11,512) | (10,696) |
| Administrative expense | (175) | (168) | (169) | (147) | (142) |
| Other | 4 | 7 | 6 | 6 | (5) |
| Net change in plan fiduciary net position | 17,968 | 8,655 | (8,922) | 52,825 | (1,293) |
| Plan fiduciary net position - beginning | 267,893 | 259,238 | 268,160 | 215,335 | 216,628 |
| Plan fiduciary net position - ending (b) | \$ 285,861 | \$ 267,893 | \$ 259,238 | \$ 268,160 | \$ 215,335 |
| Net pension liability - ending (a) - (b) | \$ 32,011 | \$ 28,608 | \$ 18,337 | \$ 2,163 | \$ 39,116 |
| Plan fiduciary net position as a percentage of the total pension liability (b)/(a) | 89.93% | 90.35% | 93.39% | 99.20% | 84.63% |
| Covered payroll (c) | \$ 66,051 | \$ 58,965 | \$ 54,750 | \$ 54,107 | \$ 53,085 |
| Net pension liability as a percentage of the covered payroll ((a)-(b))/(c) | 48.46% | 48.52% | 33.49% | 4.00% | 73.69% |

(Continued)

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

(in thousands)

| | 2019 | 2018 | 2017 | 2016 | 2015 |
|-------------------------------------------------------------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Total pension liability | | | | | |
| Service cost | \$ 3,946 | \$ 3,825 | \$ 4,145 | \$ 4,025 | \$ 4,115 |
| Interest | 15,598 | 14,953 | 14,750 | 13,872 | 13,559 |
| Changes of benefit terms | - | - | - | - | - |
| Changes in assumptions | 7,378 | - | (3,975) | - | - |
| Difference between expected and actual experience | 760 | (101) | (3,175) | 2,980 | (4,910) |
| Benefit payments, including refunds of employee contributions | (9,655) | (9,250) | (8,475) | (8,161) | (8,446) |
| Net change in total pension liability | 18,027 | 9,427 | 3,270 | 12,716 | 4,318 |
| Total pension liability - beginning | 227,659 | 218,232 | 214,962 | 202,246 | 197,928 |
| Total pension liability - ending (a) | \$ 245,686 | \$ 227,659 | \$ 218,232 | \$ 214,962 | \$ 202,246 |
| Plan fiduciary net position | | | | | |
| Contributions - employer | \$ 2,866 | \$ 3,710 | \$ 3,609 | \$ 4,083 | \$ 4,099 |
| Contributions - employee | 2,468 | 2,424 | 2,351 | 2,286 | 2,314 |
| Net investment income | 13,739 | 14,451 | 21,526 | 3,062 | 7,807 |
| Benefit payments, including refunds of employee contributions | (9,655) | (9,250) | (8,475) | (8,161) | (8,446) |
| Administrative expense | (137) | (125) | (124) | (109) | (107) |
| Other | (8) | (12) | (19) | (1) | (2) |
| Net change in plan fiduciary net position | 9,273 | 11,198 | 18,868 | 1,160 | 5,665 |
| Plan fiduciary net position - beginning | 207,355 | 196,157 | 177,289 | 176,129 | 170,464 |
| Plan fiduciary net position - ending (b) | \$ 216,628 | \$ 207,355 | \$ 196,157 | \$ 177,289 | \$ 176,129 |
| Net pension liability - ending (a) - (b) | \$ 29,058 | \$ 20,304 | \$ 22,075 | \$ 37,673 | \$ 26,117 |
| Plan fiduciary net position as a percentage of the total pension liability (b)/(a) | 88.17% | 91.08% | 89.88% | 82.47% | 87.09% |
| Covered payroll (c) | \$ 51,336 | \$ 50,874 | \$ 49,286 | \$ 47,838 | \$ 47,674 |
| Net pension liability as a percentage of the covered payroll ((a)-(b))/(c) | 56.60% | 39.91% | 44.79% | 78.75% | 54.78% |

See notes to required supplementary information



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**SCHEDULE OF EMPLOYER RHP OPEB CONTRIBUTIONS
FOR THE YEARS ENDED JUNE 30, 2016 THROUGH 2025**

| Date | Actuarially Determined Contribution | Contribution in Relation to the Actuarially Required Contribution | Contribution Deficiency (Excess) | Employer's Covered Payroll | Contributions as a % of Covered Payroll |
|------|-------------------------------------|-------------------------------------------------------------------|----------------------------------|----------------------------|-----------------------------------------|
| 2025 | \$ - | \$ - | \$ - | 72,905,000 | 0.00% |
| 2024 | 1,558,000 | 1,914,000 | (356,000) | 65,575,000 | 2.38% |
| 2023 | 1,606,000 | 2,467,000 | (861,000) | 58,965,000 | 2.72% |
| 2022 | 1,828,000 | 2,260,000 | (432,000) | 55,853,000 | 3.27% |
| 2021 | 1,858,000 | 1,963,000 | (105,000) | 55,731,000 | 3.33% |
| 2020 | 2,730,000 | 2,730,000 | - | 54,799,000 | 4.98% |
| 2019 | 2,993,000 | 2,993,000 | - | 52,070,000 | 5.75% |
| 2018 | 2,729,000 | 2,729,000 | - | 50,874,000 | 5.36% |
| 2017 | 2,558,000 | 2,558,000 | - | 49,286,000 | 5.19% |
| 2016 | 2,178,000 | 2,178,000 | - | 47,838,000 | 4.55% |

Notes to Required Supplementary Information For the Year Ended June 30, 2025:

| | |
|----------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Actuarial cost method | Entry age normal |
| Amortization method | Level percentage of projected payroll |
| Amortization period | An experience gain/loss base is created each year and amortized over a 15 year period |
| Asset valuation | The asset valuation method is the smoothed fair value with phase-in method, using a smoothing period of 5 years, as described in paragraph 3.11 of IRS Revenue Procedure 2000-40. |
| Assumed rate of inflation | 2.50% |
| Healthcare cost trend: | Society of Actuaries (SOA) 2022 Getzen Long-Term Healthcare Cost Trend Model with baseline assumptions. This model is designed to estimate the trend after 2024. The trend rate for 2023 and 2024 was set to 7.5%. |
| Salary increase rate | 2.50% |
| Investments rate of return | 6.00% |
| Mortality rates: | |
| Active Employees | SOA Pub-2010 General Employees Headcount-Weighted Mortality Table projected on a fully generational basis with mortality improvement scale MP-2021 |
| Healthy Retirees | SOA Pub-2010 General Retirees Headcount-Weighted Mortality Table projected on a fully generational basis with mortality improvement scale MP-2021 |
| Disabled Retirees | SOA Pub-2010 General Disabled Retirees Headcount-Weighted Mortality Table projected on a fully generational basis with mortality improvement scale MP-2021 |

See notes to required supplementary information

**SCHEDULE OF CHANGES IN
NET RHP OPEB LIABILITY (ASSET) AND RELATED RATIOS**

(in thousands)

| | 2025 | 2024 | 2023 | 2022 | 2021 |
|----------------------------------------------------------------------------------------|--------------------|------------------|------------------|------------------|-------------------|
| Total OPEB liability | | | | | |
| Service cost | \$ 1,338 | \$ 1,274 | \$ 1,534 | \$ 1,435 | \$ 1,333 |
| Interest | 4,754 | 4,533 | 4,398 | 4,052 | 3,672 |
| Changes of benefit terms | (23,758) | - | - | - | - |
| Changes in assumptions | 1,133 | 2,599 | (5,285) | - | - |
| Differences between expected and actual experience | (9,426) | (3,472) | 3,617 | 2,303 | 2,930 |
| Benefit payments, including refunds of employee contributions | (1,559) | (1,850) | (2,329) | (1,902) | (1,425) |
| Net change in total OPEB liability | (27,518) | 3,084 | 1,935 | 5,888 | 6,510 |
| Total OPEB liability - beginning | 79,560 | 76,476 | 74,541 | 68,653 | 62,143 |
| Total OPEB liability - ending (a) | \$ 52,042 | \$ 79,560 | \$ 76,476 | \$ 74,541 | \$ 68,653 |
| Plan fiduciary net position | | | | | |
| Contributions - employer | \$ - | \$ 1,914 | \$ 2,467 | \$ 2,260 | \$ 1,963 |
| Contributions - retirees | - | - | - | - | - |
| Net investment income | 8,248 | 8,270 | 5,148 | (9,887) | 14,216 |
| Benefit payments, including refunds of employee contributions | (1,559) | (1,850) | (2,329) | (1,902) | (1,425) |
| Administrative expense | - | - | - | - | - |
| Net change in plan fiduciary net position | 6,689 | 8,334 | 5,286 | (9,529) | 14,754 |
| Plan fiduciary net position - beginning | 75,757 | 67,423 | 62,137 | 71,666 | 56,912 |
| Plan fiduciary net position - ending (b) | \$ 82,446 | \$ 75,757 | \$ 67,423 | \$ 62,137 | \$ 71,666 |
| Net OPEB liability (asset) - ending (a) - (b) | \$ (30,404) | \$ 3,803 | \$ 9,053 | \$ 12,404 | \$ (3,013) |
| Plan fiduciary net position as a percentage of the total OPEB liability (b)/(a) | 158.42% | 95.22% | 88.16% | 83.36% | 104.39% |
| Covered payroll (c) | \$ 72,905 | \$ 65,575 | \$ 58,965 | \$ 55,853 | \$ 55,731 |
| Net OPEB liability (asset) as a percentage of the covered payroll ((a)-(b))/(c) | (41.70%) | 5.80% | 15.35% | 22.21% | (5.41%) |

(continued)

Notes to Required Supplementary Information For the Year Ended June 30, 2025:

Benefit changes:

HRSD made several changes to the plans offered to retirees, including moving Medicare-eligible retirees to a Medicare Advantage plan.

The pre-Medicare retiree contribution and the pre and post-Medicare spousal contributions were lowered.

The eligibility requirements for the Plan were amended to allow for early retirement under VRS and eliminate the age 55 requirement.

The post-Medicare retiree contribution for spousal coverage was lowered from \$397 to \$235 per month.

Changes of assumptions:

The healthcare cost trend assumption was updated based on the 2024 Getzen model released by the SOA and adjusted to reflect the expected impact of the Inflation Reduction Act.

The spousal election rate was increased for future retirees from 35% to 60% to reflect the expectation that more retirees will elect to cover their spouse as a result of the lower contribution required for spouses.

| | | |
|---------------|-----------|-------|
| Discount rate | 6/30/2025 | 6.00% |
|---------------|-----------|-------|

See notes to required supplementary information

SCHEDULE OF CHANGES IN NET RHP OPEB LIABILITY (ASSET) AND RELATED RATIOS

(in thousands)

| | 2020 | 2019 | 2018 | 2017 |
|----------------------------------------------------------------------------------------|------------------|------------------|------------------|------------------|
| Total OPEB liability | | | | |
| Service cost | \$ 1,345 | \$ 1,300 | \$ 1,260 | \$ 1,188 |
| Interest | 3,883 | 3,571 | 3,391 | 3,208 |
| Changes of benefit terms | - | - | - | - |
| Changes in assumptions | (518) | (1,607) | - | - |
| Differences between expected and actual experience | (7,074) | 3,302 | - | - |
| Benefit payments, including refunds of employee contributions | (1,186) | (1,149) | (1,791) | (892) |
| Net change in total OPEB liability | (3,550) | 5,417 | 2,860 | 3,504 |
| Total OPEB liability - beginning | 65,693 | 60,276 | 57,416 | 53,913 |
| Total OPEB liability - ending (a) | \$ 62,143 | \$ 65,693 | \$ 60,276 | \$ 57,417 |
| Plan fiduciary net position | | | | |
| Contributions - employer | \$ 2,730 | \$ 2,993 | \$ 2,729 | \$ 2,558 |
| Contributions - retirees | - | - | 303 | - |
| Net investment income | 3,343 | 3,078 | 3,450 | 3,957 |
| Benefit payments, including refunds of employee contributions | (1,186) | (1,149) | (1,791) | (892) |
| Administrative expense | - | - | (114) | (495) |
| Net change in plan fiduciary net position | 4,887 | 4,922 | 4,577 | 5,128 |
| Plan fiduciary net position - beginning | 52,025 | 47,103 | 42,526 | 37,398 |
| Plan fiduciary net position - ending (b) | \$ 56,912 | \$ 52,025 | \$ 47,103 | \$ 42,526 |
| Net OPEB liability (asset) - ending (a) - (b) | \$ 5,231 | \$ 13,668 | \$ 13,173 | \$ 14,891 |
| Plan fiduciary net position as a percentage of the total OPEB liability (b)/(a) | 91.58% | 79.19% | 78.15% | 74.07% |
| Covered payroll (c) | \$ 54,799 | \$ 52,070 | \$ 50,874 | \$ 49,286 |
| Net OPEB liability (asset) as a percentage of the covered payroll ((a)-(b))/(c) | 9.55% | 26.25% | 25.89% | 30.21% |

Note: This schedule is intended to show information for 10 years. However, until a full ten-year trend is compiled, HRSD will present information for those years for which information is available.

See notes to required supplementary information

**SCHEDULE OF EMPLOYER GLI OPEB CONTRIBUTIONS
FOR THE YEARS ENDED JUNE 30, 2016 THROUGH 2025**

| Date | Contractually Required Contribution | Contribution in Relation to Contractually Required Contribution | Contribution Deficiency (Excess) | Employer's Covered Payroll | Contributions as a % of Covered Payroll |
|------|----------------------------------------|--------------------------------------------------------------------------|-------------------------------------|-------------------------------|--------------------------------------------|
| 2025 | \$ 345,000 | \$ 345,000 | \$ - | \$ 73,394,000 | 0.47% |
| 2024 | 357,000 | 357,000 | - | 66,079,000 | 0.54% |
| 2023 | 318,000 | 318,000 | - | 58,965,000 | 0.54% |
| 2022 | 296,000 | 296,000 | - | 54,835,000 | 0.54% |
| 2021 | 293,000 | 293,000 | - | 54,222,000 | 0.54% |
| 2020 | 276,000 | 276,000 | - | 53,126,000 | 0.52% |
| 2019 | 267,000 | 267,000 | - | 51,376,000 | 0.52% |
| 2018 | 259,000 | 259,000 | - | 49,846,000 | 0.52% |
| 2017 | 250,000 | 250,000 | - | 47,987,000 | 0.52% |
| 2016 | 246,000 | 223,000 | 23,000 | 46,417,000 | 0.53% |

Notes to Required Supplementary Information For the Year Ended June 30, 2025:

Changes of benefit terms

There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Changes of assumptions

The actuarial assumptions used in the June 30, 2023, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality rates:

| | |
|----------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Pre-retirement, post-retirement healthy, and disabled | Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020 |
| Retirement Rates | Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/ Hybrid; changed final retirement age from 75 to 80 for all |
| Withdrawal Rates | Adjusted rates to better fit experience at each age and service decrement through 9 years of service |
| Disability Rates | No change |
| Salary Scale | No change |
| Line of Duty Disability | No change |
| Discount Rate | No change |

Information pertaining to OPEB can be found in Notes 2 and 7 to the financial statements.

**SCHEDULE OF EMPLOYER'S SHARE OF
NET GLI OPEB LIABILITY AND RELATED RATIOS
FOR THE MEASUREMENT DATES OF JUNE 30, 2017 THROUGH 2024**

(in thousands)

| | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 |
|-----------------------------------------------------------------------------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Employer's Proportion of the Net GLI OPEB Liability | 0.2574% | 0.2503% | 0.2521% | 0.2626% | 0.2581% | 0.2621% | 0.2621% | 0.2602% |
| Employer's Proportionate Share of the Net GLI OPEB Liability | \$ 2,872 | \$ 3,002 | \$ 3,035 | \$ 3,058 | \$ 4,307 | \$ 4,265 | \$ 3,981 | \$ 3,915 |
| Employer's Covered Payroll | \$ 66,079 | \$ 58,965 | \$ 54,835 | \$ 54,222 | \$ 53,126 | \$ 51,376 | \$ 49,846 | \$ 47,987 |
| Employer's Proportionate Share of the Net GLI OPEB Liability as a Percentage of its Covered Payroll | 4.35% | 5.09% | 5.53% | 5.64% | 8.11% | 8.30% | 7.99% | 8.16% |
| Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability | 73.41% | 69.30% | 67.21% | 67.45% | 52.64% | 52.00% | 51.22% | 48.86% |

Note: This schedule is intended to show information for 10 years. However, until a full ten-year trend is compiled, HRSD will present information for those years for which information is available.

In accordance with GAAP, Net Liability is reported using the measurement date, which is one year prior to the reporting date.

See notes to required supplementary information

**SCHEDULE OF EMPLOYER HIC OPEB CONTRIBUTIONS
FOR THE YEARS ENDED JUNE 30, 2016 THROUGH 2025**

| Date | Contractually Required Contribution | Contribution in Relation to Contractually Required Contribution | Contribution Deficiency (Excess) | Employer's Covered Payroll | Contributions as a % of Covered Payroll |
|------|----------------------------------------|--------------------------------------------------------------------------|-------------------------------------|-------------------------------|--------------------------------------------|
| 2025 | \$ 154,000 | \$ 154,000 | \$ - | \$ 73,189,000 | 0.21% |
| 2024 | 139,000 | 139,000 | - | 66,051,000 | 0.21% |
| 2023 | 124,000 | 124,000 | - | 58,965,000 | 0.21% |
| 2022 | 115,000 | 115,000 | - | 54,750,000 | 0.21% |
| 2021 | 114,000 | 114,000 | - | 54,107,000 | 0.21% |
| 2020 | 111,000 | 111,000 | - | 53,085,000 | 0.21% |
| 2019 | 108,000 | 108,000 | - | 51,336,000 | 0.21% |
| 2018 | 95,000 | 95,000 | - | 49,821,000 | 0.19% |
| 2017 | 91,000 | 91,000 | - | 47,987,000 | 0.19% |
| 2016 | 74,000 | 74,000 | - | 46,417,000 | 0.16% |

Notes to Required Supplementary Information For the Year Ended June 30, 2025:

Changes of benefit terms

There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Changes of assumptions

The actuarial assumptions used in the June 30, 2023, valuation were based on the results of an actuarial experience study for the period from July 1, 2016, through June 30, 2020. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows: actuarial assumptions as a result of the experience study are as follows:

Mortality rates:

| | |
|----------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Pre-retirement, post-retirement healthy, and disabled | Update to PUB2010 public sector mortality tables. For future mortality improvements, replace load with a modified Mortality Improvement Scale MP-2020 |
| Retirement Rates | Adjusted rates to better fit experience for Plan 1; set separate rates based on experience for Plan 2/ Hybrid; changed final retirement age from 75 to 80 for all |
| Withdrawal Rates | Adjusted rates to better fit experience at each age and service decrement through 9 years of service |
| Disability Rates | No change |
| Salary Scale | No change |
| Line of Duty Disability | No change |
| Discount Rate | No change |

Information pertaining to OPEB can be found in Notes 2 and 7 to the financial statements.

SCHEDULE OF CHANGES IN NET HIC OPEB LIABILITY AND RELATED RATIOS

(in thousands)

| | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 |
|----------------------------------------------------------------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Total OPEB liability | | | | | | | | |
| Service cost | \$ 19 | \$ 18 | \$ 22 | \$ 28 | \$ 28 | \$ 26 | \$ 26 | 27 |
| Interest | 154 | 147 | 145 | 140 | 137 | 134 | 130 | 129 |
| Changes in assumptions | - | - | 88 | 15 | - | 50 | - | (22) |
| Differences between expected and actual experience | (5) | 106 | (59) | 5 | 16 | 26 | 27 | - |
| Benefit payments, including refunds of employee contributions | (167) | (161) | (151) | (137) | (129) | (124) | (133) | (94) |
| Net change in total OPEB liability | 1 | 110 | 45 | 51 | 52 | 112 | 50 | 40 |
| Total OPEB liability - beginning | 2,351 | 2,241 | 2,196 | 2,145 | 2,093 | 1,981 | 1,931 | 1,891 |
| Total OPEB liability - ending (a) | \$ 2,352 | \$ 2,351 | \$ 2,241 | \$ 2,196 | \$ 2,145 | \$ 2,093 | \$ 1,981 | \$ 1,931 |
| Plan fiduciary net position | | | | | | | | |
| Contributions - employer | \$ 139 | \$ 124 | \$ 115 | \$ 114 | \$ 111 | \$ 108 | \$ 95 | 91 |
| Net investment income | 104 | 65 | 2 | 238 | 18 | 56 | 60 | 90 |
| Benefit payments, including refunds of employee contributions | (167) | (161) | (151) | (137) | (129) | (124) | (133) | (94) |
| Administrative expense | (1) | (1) | (2) | (3) | (2) | (1) | (1) | (1) |
| Other | - | - | 9 | - | - | - | (5) | 4 |
| Net change in plan fiduciary net position | 75 | 27 | (27) | 212 | (2) | 39 | 16 | 90 |
| Plan fiduciary net position - beginning | 1,135 | 1,108 | 1,135 | 923 | 925 | 886 | 870 | 780 |
| Plan fiduciary net position - ending (b) | \$ 1,210 | \$ 1,135 | \$ 1,108 | \$ 1,135 | \$ 923 | \$ 925 | \$ 886 | \$ 870 |
| Net OPEB liability - ending (a) - (b) | \$ 1,142 | \$ 1,216 | \$ 1,133 | \$ 1,061 | \$ 1,222 | \$ 1,168 | \$ 1,095 | \$ 1,061 |
| Plan fiduciary net position as a percentage of the total OPEB liability (b)/(a) | 51.45% | 48.28% | 49.44% | 51.68% | 43.03% | 44.19% | 44.72% | 45.05% |
| Covered payroll (c) | \$ 66,051 | \$ 58,965 | \$ 54,750 | \$ 54,107 | \$ 53,085 | \$ 51,336 | \$ 49,821 | \$ 47,987 |
| Net OPEB liability as a percentage of the covered payroll ((a)-(b))/(c) | 1.73% | 2.06% | 2.07% | 1.96% | 2.30% | 2.28% | 2.20% | 2.21% |

Note: This schedule is intended to show information for 10 years. However, until a full ten-year trend is compiled, HRSD will present information for those years for which information is available.

See notes to required supplementary information



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STATISTICAL SECTION_(UNAUDITED)

ANNUAL COMPREHENSIVE FINANCIAL REPORT / HAMPTON ROADS SANITATION DISTRICT



INDEX TO STATISTICAL SECTION

ANNUAL COMPREHENSIVE FINANCIAL REPORT / HAMPTON ROADS SANITATION DISTRICT

This section of HRSD's annual comprehensive financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about HRSD's overall financial health.

| Contents | Page |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|
| Demographic and Economic Information | 81 |
| This schedule offers demographic and economic indicators to help the reader understand the environment within which HRSD's financial activities take place and to help make comparisons over time and with other governments. | |
| Financial Trends | 82 |
| These schedules contain trend information to help the reader understand how HRSD's financial performance and well-being have changed over time. | |
| Debt Capacity | 85 |
| This schedule presents information to help the reader assess the affordability of HRSD's current levels of outstanding debt and HRSD's ability to issue additional debt in the future. | |
| Revenue Capacity | 86 |
| These schedules contain information to help the reader assess the factors affecting HRSD's ability to generate revenue from rate payers. | |
| Operating Information | 88 |
| These schedules contain information about HRSD's operations and resources to help the reader understand how HRSD's financial information relates to the services HRSD provides and the activities it performs. | |

Sources: Unless otherwise noted the information in these schedules is derived from the annual comprehensive financial reports and accounting records for the relevant year.



DEMOGRAPHIC AND OTHER MISCELLANEOUS STATISTICS FOR THE LAST TEN FISCAL YEARS

| | 2025 | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 |
|---------------------------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Date of Incorporation - 1940 | 4,998 | 4,998 | 4,998 | 4,998 | 4,998 | 3,087 | 3,087 | 3,087 | 3,087 | 2,808 |
| Area in Square Miles (1) | 768 | 766 | 766 | 766 | 766 | 758 | 758 | 758 | 758 | 672 |
| Present Service Area in Square Miles (1) | 8 | 8 | 8 | 9 | 9 | 9 | 9 | 9 | 9 | 9 |
| Treatment Plants (Major) (2) | | | | | | | | | | |
| Treatment Plant Capacity (MGD) | | | | | | | | | | |
| Army Base, Norfolk | 18.0 | 18.0 | 18.0 | 18.0 | 18.0 | 18.0 | 18.0 | 18.0 | 18.0 | 18.0 |
| Atlantic, Virginia Beach | 54.0 | 54.0 | 54.0 | 54.0 | 54.0 | 54.0 | 54.0 | 54.0 | 54.0 | 54.0 |
| Boat Harbor, Newport News | 25.0 | 25.0 | 25.0 | 25.0 | 25.0 | 25.0 | 25.0 | 25.0 | 25.0 | 25.0 |
| Chesapeake-Elizabeth, Virginia Beach (2) | - | - | - | 24.0 | 24.0 | 24.0 | 24.0 | 24.0 | 24.0 | 24.0 |
| James River, Newport News | 20.0 | 20.0 | 20.0 | 20.0 | 20.0 | 20.0 | 20.0 | 20.0 | 20.0 | 20.0 |
| Nansemond, Suffolk | 30.0 | 30.0 | 30.0 | 30.0 | 30.0 | 30.0 | 30.0 | 30.0 | 30.0 | 30.0 |
| Virginia Initiative, Norfolk | 40.0 | 40.0 | 40.0 | 40.0 | 40.0 | 40.0 | 40.0 | 40.0 | 40.0 | 40.0 |
| Williamsburg, James City County | 22.5 | 22.5 | 22.5 | 22.5 | 22.5 | 22.5 | 22.5 | 22.5 | 22.5 | 22.5 |
| York River, York County | 15.0 | 15.0 | 15.0 | 15.0 | 15.0 | 15.0 | 15.0 | 15.0 | 15.0 | 15.0 |
| Total Treatment Plants (Major) Capacity | 224.5 | 224.5 | 224.5 | 248.5 | 248.5 | 248.5 | 248.5 | 248.5 | 248.5 | 248.5 |
| Small Communities Treatment Plants | 8 | 8 | 8 | 8 | 7 | 7 | 7 | 7 | 5 | 4 |
| Small Communities Plant Capacity (MGD) | | | | | | | | | | |
| Central Middlesex, Middlesex County | 0.025 | 0.025 | 0.025 | 0.025 | 0.025 | 0.025 | 0.025 | 0.025 | 0.025 | 0.025 |
| King William, King William County | 0.100 | 0.100 | 0.100 | 0.100 | 0.100 | 0.100 | 0.100 | 0.100 | 0.100 | 0.100 |
| Lawnes Point, Isle of Wight County (3) | 0.050 | 0.050 | 0.050 | 0.050 | 0.050 | 0.050 | 0.050 | 0.050 | 0.050 | - |
| Onancock, Accomack County(4) | 0.750 | 0.750 | 0.750 | 0.750 | - | - | - | - | - | - |
| Surry County, (5) | - | - | 0.065 | 0.065 | 0.065 | 0.065 | 0.065 | 0.065 | - | - |
| Town of Surry (5) | - | - | 0.060 | 0.060 | 0.060 | 0.060 | 0.060 | 0.060 | - | - |
| Urbanna, Middlesex County | 0.100 | 0.100 | 0.100 | 0.100 | 0.100 | 0.100 | 0.100 | 0.100 | 0.100 | 0.100 |
| West Point, King William County | 0.600 | 0.600 | 0.600 | 0.600 | 0.600 | 0.600 | 0.600 | 0.600 | 0.600 | 0.600 |
| Total Small Communities Treatment Plants Capacity | 1.625 | 1.625 | 1.750 | 1.750 | 1.000 | 1.000 | 1.000 | 1.000 | 0.875 | 0.825 |
| Miles of Interceptor Systems | 557 | 557 | 561 | 538 | 540 | 541 | 541 | 542 | 540 | 536 |
| Interceptor Pump Stations | 92 | 92 | 90 | 89 | 90 | 88 | 87 | 88 | 89 | 88 |
| Small Communities Pump Stations | 47 | 47 | 46 | 44 | 42 | 42 | 41 | 34 | 38 | 33 |
| Maintenance Facilities | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Number of Service Connections (in thousands) | 494 | 488 | 486 | 484 | 481 | 478 | 476 | 473 | 470 | 467 |
| Daily Average Treatment in Millions of Gallons | 139 | 146 | 135 | 132 | 154 | 141 | 153 | 145 | 153 | 155 |
| Bond Rating: Moody's | | | | | | | | | | |
| Senior | Aa1 | Aa1 | Aa1 | Aa1 | Aa1 | Aa1 | Aa1 | Aa1 | Aa2 | Aa2 |
| Subordinate Long-term | | | Aa1 | Aa1 | Aa1 | Aa1 | Aa2 | Aa2 | - | - |
| Bond Rating: Standard & Poor's | | | | | | | | | | |
| Senior | AA+ | AA+ | AA+ | AA+ | AA+ | AA+ | AA+ | AA+ | AA+ | AA+ |
| Subordinate Long-term | | | AA+ | AA+ | AA+ | AA+ | AA+ | AA | AA | AA |
| Subordinate Short-term | | | A-1+ | A-1+ | A-1+ | A-1+ | A-1+ | A-1+ | A-1+ | A-1+ |
| Bond Rating: Fitch | | | | | | | | | | |
| Senior | AA | AA | AA+ | AA+ | AA+ | AA+ | AA+ | AA+ | AA+ | AA+ |
| Subordinate Long-term | | | AA | AA | AA | AA | AA | AA | AA | AA |
| Subordinate Short-term | | | F1+ | F1+ | F1+ | F1+ | F1+ | F1+ | F1+ | F1+ |

(1) HRSD added additional service areas in the counties of Isle of Wight and Surry during the year ended June 30, 2017 and the Eastern Shore of Virginia during the year ended June 30, 2021.

(2) The Chesapeake-Elizabeth Treatment Plant was closed on December 31, 2021. Wastewater from the area was redirected to the Atlantic Treatment Plant.

(3) Lawnes Point was acquired during the year ended June 30, 2017.

(4) The Onancock Plant was acquired during the year ended June 30, 2022.

(5) The Surry Plants were acquired during the year ended June 30, 2018 and closed in fiscal year 2024.

**SCHEDULE OF OPERATING REVENUES, EXPENSES, NET POSITION BY COMPONENT
AND DEBT SERVICE EXPENSES LAST TEN FISCAL YEARS**

| (in thousands) | (restated) | | | | |
|------------------------------------------------------------------|---------------------|---------------------|---------------------|---------------------|-------------------|
| | 2025 | 2024 | 2023 | 2022 | 2021 |
| OPERATING REVENUES | | | | | |
| Wastewater treatment charges | \$ 460,275 | \$ 422,784 | \$ 383,115 | \$ 352,414 | \$ 325,817 |
| Miscellaneous | 4,761 | 4,157 | 4,820 | 5,532 | 3,952 |
| TOTAL OPERATING REVENUES | 465,036 | 426,941 | 387,935 | 357,946 | 329,769 |
| OPERATING EXPENSES | | | | | |
| Wastewater treatment | 173,973 | 167,327 | 149,532 | 134,135 | 132,820 |
| General and administrative | 57,028 | 60,406 | 53,995 | 45,673 | 48,691 |
| Depreciation | 60,456 | 57,053 | 54,469 | 54,357 | 53,278 |
| TOTAL OPERATING EXPENSES | 291,457 | 284,786 | 257,996 | 234,165 | 234,789 |
| OPERATING INCOME | 173,579 | 142,155 | 129,939 | 123,781 | 94,980 |
| NON-OPERATING REVENUES (EXPENSES) | | | | | |
| Wastewater facility charges | 6,928 | 7,153 | 7,293 | 7,072 | 7,379 |
| Investment income | 26,121 | 13,673 | 6,068 | (1,651) | 471 |
| Bond interest subsidy | - | 1,622 | 2,015 | 2,052 | 2,167 |
| Change in fair value of investments | - | - | - | - | - |
| Capital distributions to localities | (811) | (2,005) | (2,422) | (13) | (376) |
| Bond issuance costs | (1,351) | (1,000) | (98) | (311) | (682) |
| Disposal of capital assets | - | - | - | - | - |
| Interest expense | (45,888) | (33,642) | (27,132) | (25,007) | (25,339) |
| NET NON-OPERATING EXPENSES | (15,001) | (14,199) | (14,276) | (17,858) | (16,380) |
| INCOME BEFORE CONTRIBUTIONS AND SPECIAL ITEM | 158,578 | 127,956 | 115,663 | 105,923 | 78,600 |
| CAPITAL CONTRIBUTIONS | | | | | |
| State capital grants | 138,949 | 34,183 | 234 | 200 | - |
| Other capital contributions | 4,892 | 12,242 | 1,641 | 2,537 | 2,317 |
| CHANGE IN NET POSITION BEFORE SPECIAL ITEM | 302,419 | 174,381 | 117,538 | 108,660 | 80,917 |
| Special Item | 23,758 | - | - | - | - |
| CHANGE IN NET POSITION | \$ 326,177 | \$ 174,381 | \$ 117,538 | \$ 108,660 | \$ 80,917 |
| NET POSITION | | | | | |
| Net investment in capital assets | \$ 1,156,903 | \$ 1,017,839 | \$ 981,437 | \$ 832,427 | \$ 776,253 |
| Restricted: | | | | | |
| Debt service | 37,709 | 22,307 | 33,830 | 33,134 | 30,455 |
| Capital projects | 9,215 | - | - | - | - |
| Net OPEB asset | 30,404 | - | - | - | - |
| Unrestricted | 435,955 | 303,863 | 161,755 | 193,923 | 144,116 |
| TOTAL NET POSITION | \$ 1,670,186 | \$ 1,344,009 | \$ 1,177,022 | \$ 1,059,484 | \$ 950,824 |
| Net Revenues Available for Debt Service (GAAP) | 288,680 | 218,651 | 197,264 | 185,287 | 157,217 |
| Add Back: Operating Expenses on Improvements Not Owned by HRSD * | 811 | 2,005 | 2,422 | 13 | 376 |
| Net Revenues Available for Debt Service | \$ 289,491 | \$ 220,656 | \$ 199,686 | \$ 185,300 | \$ 157,593 |
| DEBT SERVICE | | | | | |
| Senior debt | \$ 78,314 | \$ 76,894 | \$ 27,624 | \$ 24,549 | \$ 26,085 |
| Subordinate debt | - | - | 38,767 | 36,468 | 33,128 |
| Total Debt Service | \$ 78,314 | \$ 76,894 | \$ 66,391 | \$ 61,017 | \$ 59,213 |
| Debt Service Coverage | | | | | |
| Debt Service Coverage | 3.70 | 2.87 | 3.01 | 3.04 | 2.66 |

Notes:

FY2025 - HRSD implemented GASB Statement 101 effective July 1, 2024. GASB 101 establishes standards of accounting and financial reporting by updating the recognition and measurement guidance for compensated absences and required restatement of FY2024.

FY2024 - HRSD fully discharged all debt previously identified as senior lien obligations. With no debt priority, all debt is now identified as senior obligations. Additional information pertaining to Outstanding Debt can be found in Note 9 to the financial statements.

* Operating Expenses on Improvements Not Owned by HRSD are funded through HRSD's Capital Improvement Plan from sources which may include cash, debt, grants, and other sources. Such expenses are excluded from the definition of Operating Expenses under the Trust Agreement.

(Continued)

**SCHEDULE OF OPERATING REVENUES, EXPENSES, NET POSITION BY COMPONENT
AND DEBT SERVICE EXPENSES LAST TEN FISCAL YEARS**

| (in thousands) | 2020 | 2019 | 2018 | (adjusted) 2017 | 2016 |
|------------------------------------------------------------------|-------------------|-------------------|-------------------|--------------------|-------------------|
| OPERATING REVENUES | | | | | |
| Wastewater treatment charges | \$ 318,585 | \$ 299,323 | \$ 275,539 | \$ 254,961 | \$ 234,020 |
| Miscellaneous | 3,447 | 3,798 | 3,504 | 3,669 | 3,861 |
| TOTAL OPERATING REVENUES | 322,032 | 303,121 | 279,043 | 258,630 | 237,881 |
| OPERATING EXPENSES | | | | | |
| Wastewater treatment | 122,393 | 117,189 | 116,982 | 113,100 | 106,575 |
| General and administrative | 46,949 | 41,121 | 40,480 | 40,287 | 40,026 |
| Depreciation | 51,383 | 53,225 | 52,349 | 49,311 | 45,670 |
| TOTAL OPERATING EXPENSES | 220,725 | 211,535 | 209,811 | 202,698 | 192,271 |
| OPERATING INCOME | 101,307 | 91,586 | 69,232 | 55,932 | 45,610 |
| NON-OPERATING REVENUES (EXPENSES) | | | | | |
| Wastewater facility charges | 6,444 | 6,662 | 6,673 | 7,511 | 6,699 |
| Investment income | 5,876 | 8,719 | 3,654 | 2,287 | 1,563 |
| Bond interest subsidy | 2,205 | 2,308 | 2,330 | 2,275 | 2,399 |
| Change in fair value of investments | - | - | (1,382) | (1,119) | 750 |
| Capital distributions to localities | - | - | (311) | (138) | (3,287) |
| Bond issuance costs | (1,290) | (53) | (1,061) | (42) | (1,713) |
| Disposal of capital assets | (739) | - | - | - | - |
| Interest expense | (26,179) | (27,964) | (20,226) | (22,630) | (21,631) |
| NET NON-OPERATING EXPENSES | (13,683) | (10,328) | (10,323) | (11,856) | (15,220) |
| INCOME BEFORE CONTRIBUTIONS AND SPECIAL ITEM | 87,624 | 81,258 | 58,909 | 44,076 | 30,390 |
| CAPITAL CONTRIBUTIONS | | | | | |
| State capital grants | - | 2,444 | 2,502 | 7,462 | 14,389 |
| Other capital contributions | 578 | 374 | 2,124 | 1,136 | - |
| CHANGE IN NET POSITION BEFORE SPECIAL ITEM | 88,202 | 84,076 | 63,535 | 52,674 | 44,779 |
| Special Item | - | - | - | - | - |
| CHANGE IN NET POSITION | \$ 88,202 | \$ 84,076 | \$ 63,535 | \$ 52,674 | \$ 44,779 |
| NET POSITION | | | | | |
| Net investment in capital assets | \$ 646,505 | \$ 494,779 | \$ 512,398 | \$ 428,670 | \$ 410,287 |
| Restricted: | | | | | |
| Debt service | 28,155 | 28,553 | 27,799 | 22,701 | 23,798 |
| Capital projects | - | - | - | - | - |
| Net OPEB asset | - | - | - | - | - |
| Unrestricted | 195,247 | 258,373 | 157,432 | 202,907 | 167,519 |
| TOTAL NET POSITION | \$ 869,907 | \$ 781,705 | \$ 697,629 | \$ 654,278 | \$ 601,604 |
| Net Revenues Available for Debt Service (GAAP) | 165,925 | 162,447 | 133,177 | 117,274 | 100,228 |
| Add Back: Operating Expenses on Improvements Not Owned by HRSD * | - | - | 311 | 138 | 3,287 |
| Net Revenues Available for Debt Service | \$ 165,925 | \$ 162,447 | \$ 133,488 | \$ 117,412 | \$ 103,515 |
| DEBT SERVICE | | | | | |
| Senior debt | \$ 28,595 | \$ 33,592 | \$ 36,488 | \$ 35,837 | \$ 38,198 |
| Subordinate debt | 30,416 | 28,313 | 20,633 | 23,603 | 17,068 |
| Total Debt Service | \$ 59,011 | \$ 61,905 | \$ 57,121 | \$ 59,440 | \$ 55,266 |
| Debt Service Coverage | | | | | |
| Debt Service Coverage | 2.81 | 2.62 | 2.30 | 2.00 | 1.85 |

Notes:

FY2018 - HRSD implemented GASB Statement 75 effective July 1, 2017, which requires recording net OPEB assets or liabilities and related deferred outflows and inflows of resources.

FY2019 - HRSD implemented GASB Statement 89 effective July 1, 2018, establishes accounting requirements for interest cost incurred before the end of a construction period.

* Operating Expenses on Improvements Not Owned by HRSD are funded through HRSD's Capital Improvement Plan from sources which may include cash, debt, grants, and other sources. Such expenses are excluded from the definition of Operating Expenses under the Trust Agreement.

**OBJECTIVE CLASSIFICATION OF DIVISIONAL EXPENSES
FOR OPERATIONS - LAST TEN FISCAL YEARS**

(in thousands)

| | 2025 | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 |
|---------------------------------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Personal Services | \$ 79,965 | \$ 71,864 | \$ 65,549 | \$ 61,157 | \$ 60,250 | \$ 59,666 | \$ 56,336 | \$ 55,160 | \$ 53,401 | \$ 51,801 |
| Fringe Benefits | 20,766 | 28,568 | 23,772 | 20,467 | 23,879 | 21,417 | 18,235 | 20,275 | 19,106 | 17,974 |
| Repairs and Maintenance * | 29,419 | 27,625 | 20,174 | 18,004 | 21,207 | 17,419 | 13,786 | 16,763 | 19,933 | 22,824 |
| Materials and Supplies | 15,563 | 13,728 | 12,641 | 9,495 | 11,413 | 9,364 | 9,314 | 8,865 | 8,310 | 7,843 |
| Transportation | 2,118 | 1,776 | 1,672 | 1,380 | 1,100 | 1,194 | 1,423 | 1,271 | 1,386 | 1,537 |
| Utilities | 16,491 | 18,045 | 17,044 | 13,762 | 12,947 | 12,584 | 12,749 | 11,968 | 11,523 | 11,249 |
| Chemical Purchases | 14,895 | 15,500 | 13,890 | 10,044 | 8,719 | 8,760 | 8,746 | 8,750 | 8,020 | 7,512 |
| Contractual Services | 44,551 | 42,257 | 42,934 | 41,904 | 37,278 | 33,748 | 32,123 | 30,165 | 26,977 | 21,573 |
| Miscellaneous Expense | 2,924 | 3,045 | 2,864 | 2,385 | 2,685 | 2,953 | 2,622 | 2,509 | 2,329 | 1,842 |
| General ** | 4,309 | 5,325 | 2,987 | 1,210 | 2,033 | 2,237 | 2,976 | 1,736 | 2,402 | 2,446 |
| Subtotal, Expense before Depreciation | 231,001 | 227,733 | 203,527 | 179,808 | 181,511 | 169,342 | 158,310 | 157,462 | 153,387 | 146,601 |
| Depreciation | 60,456 | 57,053 | 54,469 | 54,357 | 53,278 | 51,383 | 53,225 | 52,349 | 49,311 | 45,670 |
| Total Operating Expenses | \$ 291,457 | \$ 284,786 | \$ 257,996 | \$ 234,165 | \$ 234,789 | \$ 220,725 | \$ 211,535 | \$ 209,811 | \$ 202,698 | \$ 192,271 |

Notes:

* Includes Capital Improvement Program items expensed

** Includes bad debt expense

**RATIOS OF OUTSTANDING DEBT BY TYPE
FOR THE YEARS ENDED JUNE 30, 2016 THROUGH 2025**

| As of June 30, | No. Of Service Connections | (in thousands) | | | | | Debt Per Service Connection |
|-------------------|----------------------------------|------------------|------------------|------------------|---------------------|----------|-----------------------------------|
| | | Senior | Subordinate | | Total | | |
| | | Revenue Bonds | Revenue Bonds | Notes Payable | Outstanding Debt | | |
| 2025 | 494,000 | \$ 1,854,322 | \$ - | \$ 92,462 | \$ 1,946,784 | \$ 3,941 | |
| 2024 | 488,000 | 1,317,445 | - | 100,000 | 1,417,445 | 2,905 | |
| 2023 | 486,000 | 166,268 | 813,474 | 68,580 | 1,048,322 | 2,157 | |
| 2022 | 484,000 | 186,227 | 682,245 | 33,721 | 902,193 | 1,864 | |
| 2021 | 481,000 | 202,486 | 632,520 | 15,299 | 850,305 | 1,768 | |
| 2020 | 478,000 | 219,776 | 615,703 | - | 835,479 | 1,748 | |
| 2019 | 476,000 | 326,531 | 565,098 | - | 891,629 | 1,873 | |
| 2018 | 473,000 | 349,313 | 542,129 | - | 891,442 | 1,885 | |
| 2017 | 470,000 | 458,255 | 388,529 | - | 846,784 | 1,802 | |
| 2016 | 467,000 | 476,734 | 402,560 | - | 879,294 | 1,883 | |

Notes:

Unamortized bond premiums are included in Senior and Subordinate Revenue Bonds.

In fiscal year 2024, HRSD fully discharged all debt previously identified as senior lien obligations. With no debt priority, all debt is now identified as senior obligations. Additional information pertaining to Outstanding Debt can be found in Note 9 to the financial statements.

**RATE SCHEDULE
WASTEWATER TREATMENT CHARGES
LAST TEN FISCAL YEARS**

| | 2025 | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 |
|-----------------------------------------------------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
| <u>Residential - Metered</u> | | | | | | | | | | |
| Per CCF * (single step) | \$ 8.28 | \$ 7.60 | \$ 6.97 | \$ 6.39 | \$ 5.86 | \$ 5.86 | \$ 5.37 | \$ 4.92 | \$ 4.51 | \$ 4.13 |
| Minimum Charges Per day | 0.30 | 0.30 | 0.30 | 0.30 | 0.30 | 0.30 | 0.30 | 0.30 | 0.30 | 0.25 |
| <u>Residential - Unmetered per 30-day period</u> | | | | | | | | | | |
| Flat rate accounts | 65.10 | 60.00 | 57.90 | 52.20 | 48.64 | 48.64 | 34.91 | 31.98 | 29.32 | 26.32 |
| <u>Non-Residential - Special Category</u> | | | | | | | | | | |
| Biochemical Oxygen Demand (BOD) | | | | | | | | | | |
| Per mg/liter per CCF | | | | | | | | | | |
| Excess over 282 mg/liter | - | - | - | - | 0.000129 | 0.000129 | 0.000104 | 0.000091 | 0.000206 | 0.000485 |
| Excess over 297 mg/liter | 0.000182 | 0.000185 | 0.000185 | 0.000176 | - | - | - | - | - | - |
| Total Suspended Solids (TSS) | | | | | | | | | | |
| Per mg/liter per CCF | | | | | | | | | | |
| Excess over 261 mg/liter | - | - | - | - | 0.000630 | 0.000630 | 0.000592 | 0.000520 | 0.000454 | 0.000448 |
| Excess over 282 mg/liter | 0.000613 | 0.000612 | 0.000611 | 0.000584 | - | - | - | - | - | - |
| Total Phosphorus (TP) | | | | | | | | | | |
| Per mg/liter per CCF | | | | | | | | | | |
| Excess over 6 mg/liter | - | - | - | - | 0.009871 | 0.009871 | 0.009535 | 0.011569 | 0.011642 | 0.004361 |
| Excess over 7 mg/liter | 0.009169 | 0.009258 | 0.009531 | 0.010050 | - | - | - | - | - | - |
| Total Kjeldahl Nitrogen (TKN) | | | | | | | | | | |
| Per mg/liter per CCF | | | | | | | | | | |
| Excess over 47 mg/liter | - | - | - | - | 0.003378 | 0.003378 | 0.003595 | 0.003156 | 0.00166 | 0.000917 |
| Excess over 57 mg/liter | 0.002868 | 0.002784 | 0.002705 | 0.002660 | - | - | - | - | - | - |
| <u>Hauled Wastewater (Indirect Discharge Water)</u> | | | | | | | | | | |
| Tank Truck Waste (per gallon) | - | - | - | - | 0.1717 | 0.1717 | 0.1697 | 0.1300 | 0.1366 | 0.1362 |
| Fats, Oils, and Grease (FOG) | 0.3658 | 0.3517 | 0.3339 | 0.2737 | - | - | - | - | - | - |
| Other Approved Hauled Wastes | 0.1812 | 0.1812 | 0.1812 | 0.1717 | - | - | - | - | - | - |

Notes:

Rates can be adjusted by the Commission.

Unusual wastes not covered by this schedule may be assigned a special rate.

*CCF = 100 Cubic Feet (Approx. 748 gallons)

Source: HRSD's Yearly Rate Schedule Publications

**RATE SCHEDULE
WASTEWATER FACILITY CHARGES
LAST TEN FISCAL YEARS**

| | | 2025 | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 |
|--------------------------------|--|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Residential | | \$ 2,430 | \$ 2,420 | \$ 2,285 | \$ 2,055 | \$ 1,905 | \$ 1,905 | \$ 1,895 | \$ 1,895 | \$ 1,895 | \$ 1,895 |
| Commercial/Industrial | | | | | | | | | | | |
| Volume based facility charges: | | | | | | | | | | | |
| 5/8" Meter | | \$ 2,430 | \$ 2,420 | \$ 2,285 | \$ 2,055 | \$ 1,905 | \$ 1,905 | \$ 1,895 | \$ 1,895 | \$ 1,895 | \$ 1,895 |
| 3/4" Meter | | 4,210 | 4,210 | 4,210 | 4,210 | 4,210 | 4,210 | 4,830 | 4,830 | 4,830 | 4,830 |
| 1" Meter | | 7,410 | 7,410 | 7,410 | 7,410 | 7,410 | 7,410 | 8,170 | 8,170 | 8,170 | 8,170 |
| 1 1/2" Meter | | 18,395 | 18,395 | 17,590 | 16,645 | 16,645 | 16,645 | 17,260 | 17,260 | 17,260 | 17,260 |
| 2" Meter | | 35,825 | 35,825 | 34,415 | 31,465 | 30,505 | 30,505 | 30,510 | 30,510 | 30,510 | 29,420 |
| 3" Meter | | 91,665 | 91,665 | 88,570 | 80,405 | 73,810 | 73,810 | 70,800 | 70,800 | 70,800 | 67,350 |
| 4" Meter | | 178,485 | 178,485 | 173,245 | 156,530 | 138,445 | 138,445 | 128,660 | 128,660 | 128,660 | 122,400 |
| 6" Meter | | 456,620 | 456,620 | 445,910 | 400,625 | 336,960 | 336,960 | 298,610 | 298,610 | 298,610 | 284,070 |
| 8" Meter | | 889,185 | 889,185 | 872,130 | 780,840 | 634,710 | 634,710 | 542,680 | 542,680 | 542,680 | 516,260 |
| 10" Meter | | 1,491,070 | 1,491,070 | 1,467,435 | 1,310,665 | 1,038,525 | 1,038,525 | 862,550 | 862,550 | 862,550 | 820,560 |
| 12" Meter | | 2,274,730 | 2,274,730 | 2,244,900 | 2,001,460 | 1,554,120 | 1,554,120 | 1,259,520 | 1,259,520 | 1,259,520 | 1,198,210 |
| 14" Meter | | 3,251,050 | 3,251,050 | 3,215,910 | 2,863,155 | 2,186,505 | 2,186,505 | 1,734,700 | 1,734,700 | 1,734,700 | 1,650,250 |
| 16" Meter | | 4,429,645 | 4,429,645 | 4,390,660 | 3,904,635 | 2,940,135 | 2,940,135 | 2,289,010 | 2,289,010 | 2,289,010 | 2,177,580 |

Notes:

One charge per connection.

Source: HRSD's Yearly Rate Schedule Publications

MAJOR TREATMENT PLANT OPERATING SUMMARY
LAST TEN FISCAL YEARS
(Average Quantity per Day)

| | 2025 | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 |
|--------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Total | | | | | | | | | | |
| Flow (MGD) | 138.4 | 145.8 | 135.1 | 132.3 | 154.4 | 140.9 | 152.6 | 145.2 | 152.9 | 155.1 |
| Influent (1,000 lbs.) | | | | | | | | | | |
| BOD | 279.3 | 273.6 | 284.4 | 263.5 | 269.1 | 252.4 | 281.9 | 285.1 | 288.2 | 282.5 |
| TSS | 229.3 | 228.3 | 253.4 | 203.4 | 215.4 | 226.2 | 211.4 | 215.8 | 215.9 | 228.8 |
| TP | 6.2 | 6.3 | 6.4 | 6.3 | 6.5 | 6.6 | 6.6 | 6.8 | 7.0 | 6.9 |
| TKN | 50.9 | 49.4 | 50.3 | 45.0 | 46.7 | 47.0 | 47.6 | 47.2 | 46.4 | 45.7 |
| Effluent (1,000 lbs.) | | | | | | | | | | |
| BOD | 8.7 | 8.5 | 8.8 | 7.4 | 9.2 | 8.0 | 8.2 | 7.5 | 8.9 | 9.8 |
| TSS | 8.2 | 7.8 | 7.7 | 6.3 | 9.0 | 7.1 | 7.4 | 6.7 | 9.4 | 9.3 |
| TP | 0.6 | 0.6 | 0.5 | 0.5 | 0.7 | 0.7 | 0.8 | 0.7 | 0.9 | 0.9 |
| TKN | 4.7 | 3.7 | 4.3 | 5.1 | 8.1 | 8.4 | 8.5 | 7.3 | 7.7 | 8.0 |
| Army Base Plant | | | | | | | | | | |
| Flow (MGD) | 8.6 | 10.6 | 8.4 | 8.2 | 11.1 | 10.4 | 11.1 | 10.0 | 9.5 | 9.6 |
| Influent (1,000 lbs.) | | | | | | | | | | |
| BOD | 15.1 | 14.3 | 18.1 | 17.4 | 16.6 | 16.0 | 16.6 | 16.3 | 13.2 | 13.3 |
| TSS | 13.7 | 12.1 | 19.0 | 21.8 | 19.0 | 16.9 | 13.9 | 14.0 | 11.7 | 13.3 |
| TP | 0.3 | 0.3 | 0.3 | 0.3 | 0.4 | 0.4 | 0.4 | 0.4 | 0.3 | 0.3 |
| TKN | 2.9 | 2.8 | 2.9 | 2.9 | 3.2 | 3.3 | 3.3 | 3.1 | 2.7 | 2.7 |
| Effluent (1,000 lbs.) | | | | | | | | | | |
| BOD | 0.2 | 0.3 | 0.2 | 0.2 | 0.6 | 0.2 | 0.3 | 0.2 | 0.3 | 0.3 |
| TSS | 0.2 | 0.4 | 0.3 | 0.4 | 0.9 | 0.3 | 0.4 | 0.3 | 0.4 | 0.5 |
| TP | 0.0 | 0.1 | 0.1 | 0.0 | 0.1 | 0.1 | 0.0 | 0.0 | 0.1 | 0.1 |
| TKN | 0.1 | 0.2 | 0.1 | 0.2 | 0.2 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| Atlantic Plant | | | | | | | | | | |
| Flow (MGD) | 43.4 | 44.8 | 42.8 | 35.9 | 27.4 | 24.5 | 28.1 | 26.1 | 28.2 | 27.2 |
| Influent (1,000 lbs.) | | | | | | | | | | |
| BOD | 80.7 | 85.9 | 85.9 | 74.4 | 58.5 | 49.3 | 58.2 | 56.7 | 53.2 | 55.6 |
| TSS | 67.0 | 79.5 | 73.0 | 51.9 | 39.6 | 35.5 | 39.3 | 36.6 | 38.7 | 38.5 |
| TP | 2.0 | 2.2 | 2.1 | 1.8 | 1.4 | 1.3 | 1.4 | 1.3 | 1.4 | 1.4 |
| TKN | 17.5 | 16.9 | 17.2 | 15.2 | 11.4 | 10.7 | 11.9 | 11.2 | 11.0 | 10.9 |
| Effluent (1,000 lbs.) | | | | | | | | | | |
| BOD | 4.5 | 4.3 | 5.4 | 3.5 | 2.9 | 3.0 | 2.5 | 2.4 | 2.3 | 2.7 |
| TSS | 4.4 | 3.5 | 4.7 | 2.9 | 2.5 | 1.5 | 1.6 | 1.6 | 1.9 | 1.9 |
| Boat Harbor Plant | | | | | | | | | | |
| Flow (MGD) | 11.5 | 12.0 | 10.7 | 11.7 | 15.2 | 13.6 | 15.8 | 14.2 | 13.9 | 15.6 |
| Influent (1,000 lbs.) | | | | | | | | | | |
| BOD | 17.2 | 16.9 | 17.8 | 17.7 | 20.0 | 18.4 | 20.6 | 19.2 | 17.4 | 18.3 |
| TSS | 12.5 | 12.6 | 12.7 | 13.2 | 16.1 | 16.0 | 18.0 | 16.6 | 15.7 | 18.1 |
| TP | 0.4 | 0.4 | 0.4 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 |
| TKN | 3.6 | 3.4 | 3.5 | 3.6 | 3.8 | 4.0 | 4.2 | 3.9 | 3.8 | 3.8 |
| Effluent (1,000 lbs.) | | | | | | | | | | |
| BOD | 1.0 | 0.8 | 0.6 | 0.9 | 1.0 | 0.6 | 0.9 | 0.6 | 0.6 | 1.0 |
| TSS | 0.8 | 0.8 | 0.6 | 0.7 | 1.0 | 0.8 | 1.0 | 0.7 | 0.7 | 0.9 |
| TP | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| TKN | 2.5 | 1.6 | 2.5 | 2.2 | 2.1 | 2.0 | 2.5 | 1.3 | 1.2 | 1.8 |

MAJOR TREATMENT PLANT OPERATING SUMMARY
LAST TEN FISCAL YEARS
(Average Quantity per Day)

| | 2025 | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 |
|----------------------------------------------------------------|------|------|------|------|------|------|------|------|------|------|
| Chesapeake-Elizabeth Plant * | | | | | | | | | | |
| Flow (MGD) | - | - | - | 10.1 | 16.8 | 17.4 | 17.6 | 18.7 | 18.0 | 16.3 |
| Influent (1,000 lbs.) | | | | | | | | | | |
| BOD | - | - | - | 20.2 | 30.5 | 38.1 | 37.2 | 35.4 | 35.2 | 30.2 |
| TSS | - | - | - | 14.0 | 23.0 | 24.6 | 26.8 | 26.6 | 26.1 | 22.9 |
| TP | - | - | - | 0.5 | 0.7 | 0.8 | 0.8 | 0.8 | 0.8 | 2.7 |
| TKN | - | - | - | 4.0 | 6.1 | 6.9 | 6.8 | 6.6 | 6.4 | 5.1 |
| Effluent (1,000 lbs.) | | | | | | | | | | |
| BOD | - | - | - | 1.2 | 2.5 | 2.2 | 2.0 | 2.8 | 2.3 | 2.0 |
| TSS | - | - | - | 0.9 | 1.9 | 2.0 | 1.9 | 3.2 | 2.3 | 1.8 |
| TP | - | - | - | 0.1 | 0.1 | 0.2 | 0.1 | 0.2 | 0.1 | 0.1 |
| TKN | - | - | - | 2.0 | 3.9 | 4.4 | 4.1 | 4.5 | 4.1 | 3.6 |
| * The Chesapeake-Elizabeth Plant was closed December 31, 2021. | | | | | | | | | | |
| James River Plant | | | | | | | | | | |
| Flow (MGD) | 11.6 | 11.8 | 12.1 | 12.7 | 14.7 | 12.4 | 13.9 | 13.0 | 12.3 | 13.2 |
| Influent (1,000 lbs.) | | | | | | | | | | |
| BOD | 25.5 | 24.1 | 35.5 | 24.9 | 23.1 | 24.0 | 25.8 | 26.8 | 25.5 | 24.4 |
| TSS | 18.7 | 18.6 | 46.4 | 17.5 | 18.1 | 17.4 | 18.7 | 19.3 | 17.4 | 17.8 |
| TP | 0.5 | 0.5 | 0.6 | 0.6 | 0.6 | 0.5 | 0.6 | 0.6 | 0.5 | 0.5 |
| TKN | 4.4 | 4.4 | 5.2 | 4.7 | 5.0 | 4.7 | 4.7 | 4.8 | 4.3 | 4.2 |
| Effluent (1,000 lbs.) | | | | | | | | | | |
| BOD | 0.8 | 0.7 | 0.6 | 0.6 | 0.5 | 0.5 | 0.4 | 0.3 | 0.4 | 0.4 |
| TSS | 0.7 | 0.8 | 0.5 | 0.5 | 0.5 | 0.4 | 0.4 | 0.4 | 0.4 | 0.5 |
| TP | 0.1 | 0.1 | 0.0 | 0.1 | 0.0 | 0.0 | 0.1 | 0.1 | 0.1 | 0.1 |
| TKN | 0.5 | 0.5 | 0.6 | 0.6 | 0.5 | 0.5 | 0.3 | 0.4 | 0.5 | 0.4 |
| Nansemond Plant | | | | | | | | | | |
| Flow (MGD) | 16.4 | 16.6 | 15.3 | 15.5 | 17.4 | 15.9 | 16.9 | 17.5 | 18.8 | 18.5 |
| Influent (1,000 lbs.) | | | | | | | | | | |
| BOD | 34.6 | 33.6 | 30.1 | 29.9 | 33.8 | 32.5 | 33.0 | 31.9 | 40.7 | 35.8 |
| TSS | 31.8 | 29.1 | 27.7 | 25.9 | 36.0 | 46.5 | 37.2 | 33.4 | 40.3 | 38.4 |
| TP | 0.8 | 0.8 | 0.9 | 0.8 | 0.9 | 1.0 | 1.0 | 1.2 | 1.5 | 1.5 |
| TKN | 7.1 | 7.0 | 6.4 | 6.2 | 6.8 | 6.9 | 6.7 | 7.1 | 7.4 | 7.0 |
| Effluent (1,000 lbs.) | | | | | | | | | | |
| BOD | 0.8 | 0.7 | 0.5 | 0.4 | 0.6 | 0.6 | 0.7 | 0.7 | 0.8 | 0.7 |
| TSS | 1.1 | 0.9 | 0.8 | 0.5 | 0.8 | 0.6 | 0.8 | 0.7 | 0.8 | 0.9 |
| TP | 0.2 | 0.2 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.2 | 0.2 | 0.2 |
| TKN | 0.5 | 0.3 | 0.3 | 0.3 | 0.4 | 0.3 | 0.4 | 0.4 | 0.5 | 0.5 |
| Virginia Initiative Plant | | | | | | | | | | |
| Flow (MGD) | 26.9 | 30.0 | 24.7 | 23.5 | 29.1 | 26.2 | 27.6 | 26.7 | 30.9 | 31.7 |
| Influent (1,000 lbs.) | | | | | | | | | | |
| BOD | 38.3 | 42.4 | 42.3 | 39.1 | 39.4 | 37.0 | 40.4 | 47.5 | 50.1 | 50.4 |
| TSS | 27.5 | 32.9 | 37.3 | 33.2 | 31.5 | 35.4 | 23.2 | 30.0 | 31.3 | 32.0 |
| TP | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.1 | 0.9 | 1.0 | 1.0 | 1.0 |
| TKN | 7.2 | 7.2 | 7.2 | 6.5 | 6.7 | 7.1 | 6.8 | 7.0 | 7.3 | 7.4 |
| Effluent (1,000 lbs.) | | | | | | | | | | |
| BOD | 0.9 | 1.0 | 0.9 | 0.7 | 0.6 | 0.5 | 0.6 | 0.8 | 1.2 | 1.7 |
| TSS | 0.6 | 1.1 | 0.5 | 0.4 | 0.7 | 1.0 | 0.7 | 0.7 | 1.4 | 1.9 |
| TP | 0.1 | 0.1 | 0.1 | 0.1 | 0.2 | 0.1 | 0.2 | 0.2 | 0.2 | 0.2 |
| TKN | 0.5 | 0.5 | 0.4 | 0.3 | 0.4 | 0.3 | 0.4 | 0.6 | 0.4 | 0.7 |

TREATMENT PLANT OPERATING SUMMARY
LAST TEN FISCAL YEARS
(Average Quantity per Day)

| | 2025 | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 |
|---------------------------|------|------|------|------|------|------|------|------|------|------|
| Williamsburg Plant | | | | | | | | | | |
| Flow (MGD) | 8.3 | 8.1 | 8.7 | 8.3 | 9.0 | 8.6 | 7.7 | 8.0 | 8.6 | 8.4 |
| Influent (1,000 lbs.) | | | | | | | | | | |
| BOD | 49.2 | 38.2 | 36.7 | 33.3 | 32.5 | 33.4 | 32.6 | 36.1 | 33.2 | 34.7 |
| TSS | 42.1 | 27.4 | 21.5 | 17.4 | 18.0 | 21.2 | 24.1 | 19.1 | 27.9 | 16.2 |
| TP | 0.6 | 0.6 | 0.6 | 0.6 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 |
| TKN | 4.2 | 3.7 | 4.0 | 3.6 | 3.7 | 3.6 | 3.5 | 3.3 | 3.6 | 3.2 |
| Effluent (1,000 lbs.) | | | | | | | | | | |
| BOD | 0.3 | 0.4 | 0.4 | 0.3 | 0.4 | 0.2 | 0.2 | 0.2 | 0.3 | 0.3 |
| TSS | 0.3 | 0.3 | 0.2 | 0.2 | 0.6 | 0.2 | 0.2 | 0.2 | 0.3 | 0.3 |
| TP | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.0 | 0.0 | 0.0 | 0.1 | 0.1 |
| TKN | 0.2 | 0.1 | 0.1 | 0.1 | 0.2 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| York River Plant | | | | | | | | | | |
| Flow (MGD) | 11.6 | 12.0 | 11.6 | 11.6 | 13.9 | 13.2 | 12.6 | 12.6 | 12.7 | 12.6 |
| Influent (1,000 lbs.) | | | | | | | | | | |
| BOD | 18.6 | 18.0 | 18.0 | 16.7 | 14.6 | 15.8 | 16.8 | 16.7 | 16.3 | 18.2 |
| TSS | 16.0 | 16.2 | 15.8 | 15.5 | 14.1 | 15.4 | 15.0 | 15.1 | 16.7 | 16.9 |
| TP | 0.5 | 0.4 | 0.5 | 0.5 | 0.5 | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 |
| TKN | 4.0 | 3.9 | 3.9 | 3.8 | 3.8 | 3.7 | 3.6 | 3.6 | 3.5 | 3.5 |
| Effluent (1,000 lbs.) | | | | | | | | | | |
| BOD | 0.3 | 0.3 | 0.2 | 0.1 | 0.2 | 0.5 | 0.3 | 0.3 | 0.4 | 0.4 |
| TSS | 0.2 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.2 | 0.2 | 0.1 | 0.2 |
| TP | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.1 |
| TKN | 0.3 | 0.4 | 0.3 | 0.3 | 0.4 | 0.3 | 0.2 | 0.2 | 0.3 | 0.3 |

**TEN LARGEST CUSTOMERS
CURRENT YEAR AND NINE YEARS AGO**

(in thousands)

| <u>Customer</u> | <u>Type</u> | 2025 | | | 2016 | | |
|-----------------------------------------------------|-------------------|-------------------|------|--------------------------------------------------|-------------------|------|--------------------------------------------------|
| | | Annual Billing | Rank | Percent of Wastewater Treatment Revenue | Annual Billing | Rank | Percent of Wastewater Treatment Revenue |
| U.S. Navy - Norfolk Naval Base | Military Facility | \$ 9,125 | 1 | 2.0% | \$ 4,383 | 1 | 1.9% |
| Anheuser - Busch, Inc. | Brewery | 4,060 | 2 | 0.9% | 2,961 | 3 | 1.3% |
| Huntington Ingalls Industries | Shipbuilding | 3,208 | 3 | 0.7% | 1,970 | 4 | 0.8% |
| Norfolk Redevelopment & Housing Authority | Housing Authority | 2,908 | 4 | 0.6% | 1,439 | 7 | 0.6% |
| City of Norfolk | Municipality | 2,850 | 5 | 0.6% | 1,353 | 8 | 0.6% |
| Norfolk Naval Shipyard Military Ship Repair | | 2,761 | 6 | 0.6% | 1,859 | 5 | 0.8% |
| U.S. Air Force - Langley Air Force Base | Military Facility | 2,755 | 7 | 0.6% | - | | - |
| Joint Expeditionary Base Little Creek-Fort Story | Military Facility | 2,340 | 8 | 0.5% | 1,457 | 6 | 0.6% |
| City of Virginia Beach | Municipality | 2,188 | 9 | 0.5% | - | | - |
| Smithfield Foods | Meat Processor | 1,796 | 10 | 0.4% | 4,067 | 2 | 1.7% |
| Oceana Naval Air Station / Dam Neck | Military Facility | - | | - | 1,067 | 10 | 0.5% |
| Fort Eustis | Military Facility | - | | - | 1,200 | 9 | 0.5% |
| Total | | \$ 33,991 | | 7.4% | \$ 21,756 | | 9.3% |

**TEN LARGEST EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO**

| <u>Employer</u> | <u>Type</u> | 2025 | | | 2016 | | |
|-------------------------------------------------------|-------------------------|---------------------|------|--------------------------------|---------------------|------|--------------------------------|
| | | Number of Employees | Rank | Percent of Regional Employment | Number of Employees | Rank | Percent of Regional Employment |
| Naval Station Norfolk | Military Facility | 82,000 | 1 | 9.6% | 64,357 | 1 | 7.0% |
| Huntington Ingalls Industries | Shipbuilding and Repair | 44,000 | 2 | 5.2% | 24,000 | 2 | 2.6% |
| Joint Base Langley-Eustis | Military Facility | 20,884 | 3 | 2.5% | 20,140 | 4 | 2.2% |
| Sentara Healthcare | Health Care Network | 16,000 | 4 | 1.9% | 22,000 | 3 | 2.4% |
| Norfolk Naval Shipyard | Military Ship Repair | 12,000 | 5 | 1.4% | 10,734 | 7 | 1.2% |
| Naval Support Activity/ Naval Medical Center | Military Facility | 10,300 | 6 | 1.2% | - | - | - |
| Naval Air Station Oceana-Dam Neck | Military Facility | 10,227 | 7 | 1.2% | 17,156 | 5 | 1.9% |
| Riverside Health System | Health Care Network | 9,000 | 8 | 1.1% | 8,000 | 9 | 0.9% |
| Virginia Beach Public Schools | Public Schools | 7,597 | 9 | 0.9% | 10,576 | 8 | 1.1% |
| Norfolk City Public Schools | Public Schools | 6,278 | 10 | 0.7% | 6,527 | 10 | 0.7% |
| Joint Expeditionary Base Little Creek - Fort Story | Military Facility | - | - | - | 14,775 | 6 | 1.6% |
| Total | | 218,286 | | 25.7% | 133,908 | | 14.5% |

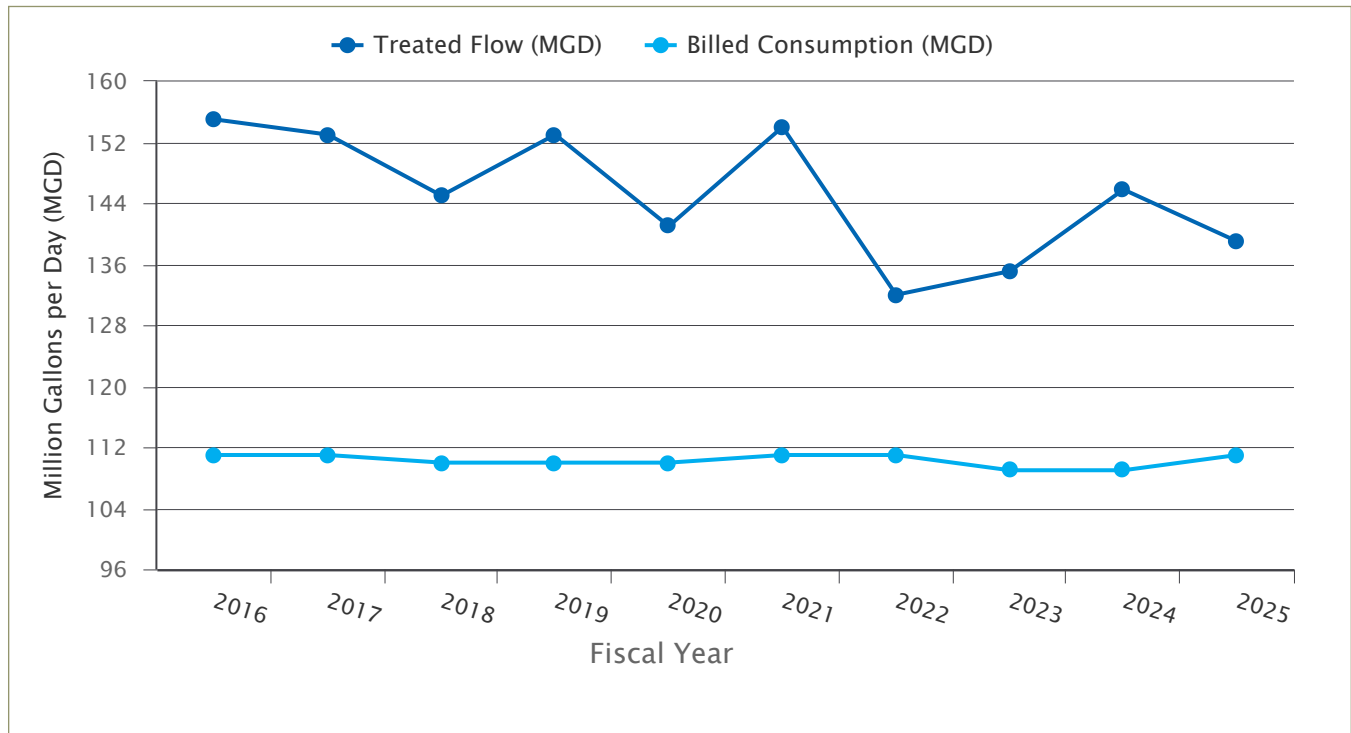
Sources:

Hampton Roads Economic Development Alliance

Hampton Roads PDC

Hampton Roads Business

COMPARISON OF TREATED FLOW TO BILLED FLOW LAST TEN FISCAL YEARS



| Year ended June 30, | Treated Flow (MGD) | Billed Consumption (MGD) |
|------------------------|-----------------------|-----------------------------|
| 2016 | 155 | 111 |
| 2017 | 153 | 111 |
| 2018 | 145 | 110 |
| 2019 | 153 | 110 |
| 2020 | 141 | 110 |
| 2021 | 154 | 111 |
| 2022 | 132 | 111 |
| 2023 | 135 | 109 |
| 2024 | 146 | 109 |
| 2025 | 139 | 111 |

**NUMBER OF EMPLOYEES BY IDENTIFIABLE ACTIVITY
LAST TEN FISCAL YEARS**

| | 2025 | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 |
|--------------------------------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| <u>General Management</u> | | | | | | | | | | |
| General Manager | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 2 | 3 | 3 |
| Support Staff | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Total General Management | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 3 | 4 | 4 |
| <u>Communications</u> | | | | | | | | | | |
| Communications | 4 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | - | - |
| Support Staff | - | 3 | 3 | 2 | 2 | 2 | 2 | 1 | - | - |
| Total Communications | 4 | 4 | 4 | 3 | 3 | 3 | 3 | 2 | - | - |
| <u>Talent Management</u> | | | | | | | | | | |
| Human Resources | 9 | 6 | 6 | 5 | 6 | 6 | 6 | 6 | 6 | 5 |
| Safety | 6 | 5 | 5 | 5 | 4 | 3 | 3 | 3 | 3 | 3 |
| Training | 5 | 6 | 4 | 4 | 4 | 3 | 3 | 2 | 2 | 2 |
| Support Staff | 5 | 4 | 3 | 3 | 3 | 4 | 4 | 4 | 4 | 4 |
| Total Talent Management | 25 | 21 | 18 | 17 | 17 | 16 | 16 | 15 | 15 | 14 |
| <u>Finance</u> | | | | | | | | | | |
| Accounting | 13 | 15 | 15 | 15 | 15 | 12 | 12 | 11 | 10 | 10 |
| Customer Care Center | 65 | 64 | 63 | 65 | 71 | 77 | 77 | 77 | 77 | 77 |
| Procurement | 11 | 11 | 11 | 12 | 11 | 10 | 10 | 10 | 10 | 10 |
| Financial Planning and Analysis | 11 | 9 | 9 | 6 | - | - | - | - | - | - |
| Support Staff | 13 | 6 | 5 | 4 | 5 | 3 | 3 | 3 | 3 | 2 |
| Total Finance | 113 | 105 | 103 | 102 | 102 | 102 | 102 | 101 | 100 | 99 |
| <u>Information Technology</u> | | | | | | | | | | |
| Information Technology | 54 | 58 | 52 | 49 | 48 | 48 | 43 | 48 | 47 | 45 |
| Support Staff | 7 | 1 | 2 | 2 | 2 | 2 | 2 | 2 | 1 | 1 |
| Total Information Technology | 61 | 59 | 54 | 51 | 50 | 50 | 45 | 50 | 48 | 46 |
| <u>Operations</u> | | | | | | | | | | |
| Army Base Treatment Plant | 26 | 31 | 31 | 29 | 32 | 34 | 34 | 34 | 34 | 31 |
| Atlantic Treatment Plant | 41 | 36 | 36 | 36 | 37 | 35 | 35 | 35 | 35 | 32 |
| Boat Harbor Treatment Plant | 34 | 33 | 33 | 34 | 32 | 35 | 35 | 35 | 35 | 32 |
| Chesapeake-Elizabeth Treatment Plant | - | - | - | 25 | 31 | 32 | 32 | 32 | 32 | 31 |
| Interceptor System Maintenance | 115 | 111 | 111 | 112 | 121 | 119 | 119 | 118 | 117 | 115 |
| James River Treatment Plant | 28 | 24 | 24 | 24 | 24 | 22 | 22 | 22 | 22 | 20 |
| Maintenance Shops | 112 | 125 | 114 | 112 | 85 | 74 | 73 | 71 | 70 | 83 |
| Nansemond Treatment Plant | 28 | 32 | 32 | 30 | 35 | 32 | 32 | 32 | 32 | 30 |
| Virginia Initiative Plant | 34 | 33 | 33 | 33 | 32 | 34 | 34 | 33 | 33 | 30 |
| Williamsburg Treatment Plant | 30 | 30 | 30 | 28 | 28 | 29 | 29 | 29 | 29 | 28 |
| York River Treatment Plant | 23 | 24 | 24 | 23 | 23 | 24 | 24 | 24 | 24 | 22 |
| Small Communities Division | 36 | 33 | 29 | 27 | 23 | 23 | 23 | 23 | 23 | 21 |
| Technology | 8 | 5 | - | - | - | - | - | - | - | - |
| Support Staff | 46 | 20 | 27 | 20 | 23 | 23 | 23 | 23 | 23 | 24 |
| Total Operations | 561 | 537 | 524 | 533 | 526 | 516 | 515 | 511 | 509 | 499 |
| <u>Engineering</u> | | | | | | | | | | |
| Design and Construction | 61 | 57 | 51 | 43 | 31 | 31 | 30 | 26 | 25 | 25 |
| Support Staff | 1 | 2 | 2 | 2 | 13 | 13 | 13 | 13 | 14 | 14 |
| Total Engineering | 62 | 59 | 53 | 45 | 44 | 44 | 43 | 39 | 39 | 39 |
| <u>Water Quality</u> | | | | | | | | | | |
| Pretreatment & Pollution Prevention | 29 | 28 | 27 | 27 | 27 | 28 | 27 | 27 | 26 | 26 |
| Technical Services | 42 | 39 | 35 | 34 | 36 | 34 | 31 | 31 | 29 | 28 |
| Laboratory | 52 | 52 | 53 | 52 | 50 | 47 | 47 | 46 | 45 | 42 |
| Support Staff | 2 | 4 | 5 | 6 | 5 | 5 | 5 | 5 | 6 | 6 |
| Total Water Quality | 125 | 123 | 120 | 119 | 118 | 114 | 110 | 109 | 106 | 102 |
| Total | 953 | 910 | 878 | 872 | 862 | 847 | 836 | 830 | 821 | 803 |



OTHER SUPPLEMENTAL SECTION (UNAUDITED)



INDEX TO OTHER SUPPLEMENTAL SECTION

ANNUAL COMPREHENSIVE FINANCIAL REPORT / HAMPTON ROADS SANITATION DISTRICT

In accordance with the Governmental Accounting Standards Board, the following information is required to accompany the Basic Financial Statements.

| Contents | Page |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|
| Debt Service | 98 |
| This schedule presents information pertaining to HRSD's primary bonded debt service. It covers senior debt service payments projected for fiscal years ending from June 30, 2026 through June 30, 2060. | |
| Budgetary Information | 99 |
| These schedules contain information about HRSD's budget and resources to help the reader understand HRSD's budgeting process. | |

SUMMARY OF PRIMARY BONDED DEBT SERVICE
June 30, 2025

| (in thousands) | Senior Bonds - Excluding Bond Premium and Notes Payable | | |
|----------------|---------------------------------------------------------|------------|--------------|
| As of June 30, | Principal | Interest | Debt Service |
| 2026 | \$ 101,251 | \$ 39,068 | \$ 140,319 |
| 2027 | 55,794 | 38,261 | 94,055 |
| 2028 | 53,874 | 36,829 | 90,703 |
| 2029 | 55,316 | 45,110 | 100,426 |
| 2030 | 56,701 | 43,544 | 100,245 |
| 2031 | 58,709 | 42,075 | 100,784 |
| 2032 | 55,439 | 40,569 | 96,008 |
| 2033 | 55,387 | 38,780 | 94,167 |
| 2034 | 55,874 | 37,339 | 93,213 |
| 2035 | 56,567 | 35,957 | 92,524 |
| 2036 | 52,361 | 34,332 | 86,693 |
| 2037 | 53,941 | 32,844 | 86,785 |
| 2038 | 51,419 | 31,158 | 82,577 |
| 2039 | 37,257 | 29,296 | 66,553 |
| 2040 | 40,177 | 27,985 | 68,162 |
| 2041 | 41,245 | 26,593 | 67,838 |
| 2042 | 40,249 | 25,155 | 65,404 |
| 2043 | 45,413 | 23,601 | 69,014 |
| 2044 | 47,306 | 21,795 | 69,101 |
| 2045 | 42,847 | 20,042 | 62,889 |
| 2046 | 49,702 | 18,208 | 67,910 |
| 2047 | 38,025 | 15,332 | 53,357 |
| 2048 | 27,676 | 14,199 | 41,875 |
| 2049 | 28,393 | 13,657 | 42,050 |
| 2050 | 57,109 | 12,537 | 69,646 |
| 2051 | 46,197 | 11,292 | 57,489 |
| 2052 | 65,503 | 10,092 | 75,595 |
| 2053 | 64,555 | 8,608 | 73,163 |
| 2054 | 68,617 | 7,282 | 75,899 |
| 2055 | 68,292 | 5,937 | 74,229 |
| 2056 | 62,539 | 4,726 | 67,265 |
| 2057 | 61,608 | 3,654 | 65,262 |
| 2058 | 60,508 | 2,592 | 63,100 |
| 2059 | 50,362 | 1,543 | 51,905 |
| 2060 | 1,037 | 13 | 1,050 |
| Total | \$ 1,807,250 | \$ 800,005 | \$ 2,607,255 |

BUDGETARY COMPARISON SCHEDULE

June 30, 2025

(in thousands)

(in thousands)

| | Budget | | | Variance Favorable/ (Unfavorable) | |
|--------------------------------------------|------------|------------|------------|-----------------------------------------|---------------------|
| | Adopted | Amended | Actual | Amended Budget | Percent Variance |
| OPERATING BUDGET EXPENSES | | | | | |
| General Management | \$ 616 | \$ 617 | \$ 590 | \$ 27 | 4.4% |
| Communications | 1,182 | 1,220 | 880 | 340 | 27.9% |
| Finance | 18,952 | 19,400 | 18,652 | 748 | 3.9% |
| Information Technology | 22,300 | 24,326 | 19,970 | 4,356 | 17.9% |
| Talent Management | 3,725 | 3,892 | 3,000 | 892 | 22.9% |
| Operations | 140,779 | 154,966 | 135,547 | 19,419 | 12.5% |
| Engineering | 11,602 | 12,464 | 10,604 | 1,860 | 14.9% |
| Water Quality | 18,838 | 19,622 | 18,353 | 1,269 | 6.5% |
| General | 5,564 | 6,526 | (977) | 7,503 | 115.0% |
| Debt Service - Including COI | 88,000 | 88,000 | 104,725 | (16,725) | (19.0%) |
| TOTAL | 311,558 | 331,033 | 311,344 | \$ 19,689 | 5.9% |
| Transfer to CIP | 155,635 | 155,635 | | | |
| TOTAL BUDGET | \$ 467,193 | \$ 486,668 | | | |
| Add: | | | | | |
| Unbudgeted Depreciation and Amortization | | | 60,456 | | |
| Unbudgeted Bad Debt Expense | | | 4,309 | | |
| Capital Improvement Program Items Expensed | | | 23,447 | | |
| Less: | | | | | |
| Capitalized Assets | | | 2,563 | | |
| Debt Service | | | 104,725 | | |
| Capital Distributions to Localities | | | 811 | | |
| TOTAL OPERATING EXPENSES | | | \$ 291,457 | | |

NOTES TO BUDGETARY COMPARISON SCHEDULE JUNE 30, 2025

BUDGETARY HIGHLIGHTS

HRSD's Commission adopts an Annual Operating Budget that contains the day-to-day operating expenses of the District. The Operating Budget as adopted for FY 2025 was \$428,490,000 and contains personnel costs, fringe benefits, material and supplies, electricity, chemicals, insurance, contractual services, debt service and other miscellaneous expenses. There were several modifications to the Operating Budget during the year to reflect changes in spending patterns. All amendments to the Annual Budget were from encumbrances carried forward or from transfers within or among divisions.

NOTE 1 – BUDGETARY ACCOUNTING AND CONTROL Budget Preparation

HRSD prepares its Annual Budget under the provisions of its enabling legislation, used to establish rates, fees and other charges, and the Trust Agreement. In accordance with those provisions, the following process is used to adopt the Annual Budget.

The process begins in late December with the issuance of the Annual Budget Instructions by the General Manager. Each division completes its Operating and Improvement Budgets by March 1 for the General Manager's review.

The HRSD Commission appoints a Finance Committee consisting of three Commissioners. The three Commissioners meet in early April to review the Budgets, which are presented by staff at the April Commission meeting. HRSD's Commission reviews these budgets at that meeting.

The final Annual Budget, which incorporates the Operating and Capital Budgets, is presented at the May Commission meeting for adoption. The Commission simultaneously adopts the budget and any resulting wastewater rate schedule. All rate adjustments must be publicly advertised four consecutive weeks before they can take effect.

The HRSD Commission approves any budget amendments during the ensuing year.

HRSD's Trust Agreement requires the debt service coverage ratio to be a minimum of 1.2 times annual debt service. The HRSD Commission has a policy of maintaining adjusted debt service coverage ratios of not less than 1.4 times annual debt service. HRSD's operating and capital improvement plans were developed with the intent to maintain coverage ratios in excess of this requirement.

Budget Accounting

The Annual Budget is prepared on a basis of accounting generally consistent with accounting principles generally accepted in the United States of America. No provision is provided, however, for non-cash items such as depreciation and bad debt expense and principal payments on outstanding debt are considered an operating expense. The FY 2025 Annual Budget consists of two parts: an operating budget that covers day-to-day operations and a capital budget that identifies all major capital project requirements over the next 10 years. All operating budget amounts lapse at year-end. Funds for the capital budget are appropriated throughout the fiscal year on a project basis and continue until the purpose of the project has been fulfilled.

**SCHEDULE OF REVENUES, EXPENSES AND
DEBT SERVICE FOR OPERATIONS - ACTUAL TO BUDGET
FOR THE FISCAL YEAR ENDED JUNE 30, 2025**

(in thousands)

| | Actual | Amended Budget | Variance Favorable/ (Unfavorable) | Budget Variance Percentage |
|-------------------------------------------------------------|-------------------|-------------------|-----------------------------------------|----------------------------------|
| OPERATING REVENUES | | | | |
| Wastewater Treatment Charges | \$ 460,275 | \$ 450,655 | \$ 9,620 | 2% |
| Miscellaneous | 4,761 | 3,067 | 1,694 | 55% |
| TOTAL OPERATING REVENUES | 465,036 | 453,722 | 11,314 | 1% |
| CURRENT EXPENSES | | | | |
| General Management | 590 | 617 | 27 | 4% |
| Communications | 880 | 1,220 | 340 | 28% |
| Finance | 18,652 | 19,400 | 748 | 4% |
| Information Technology | 19,970 | 24,326 | 4,356 | 18% |
| Talent Management | 3,000 | 3,892 | 892 | 23% |
| Operations | 135,547 | 154,966 | 19,419 | 13% |
| Engineering | 10,604 | 12,464 | 1,860 | 15% |
| Water Quality | 18,353 | 19,622 | 1,269 | 6% |
| General | (977) | 6,526 | 7,503 | 115% |
| TOTAL CURRENT EXPENSES | 206,619 | 243,033 | 36,414 | 15% |
| EXCESS OF OPERATING REVENUES OVER EXPENSES | 258,417 | 210,689 | 47,728 | 23% |
| NON-OPERATING REVENUES | | | | |
| Wastewater Facility Charge | 6,928 | 6,170 | 758 | 12% |
| Interest Income | 26,121 | 7,300 | 18,821 | 258% |
| TOTAL NON-OPERATING REVENUES | 33,049 | 13,470 | 19,579 | 145% |
| INCOME BEFORE CAPITAL CONTRIBUTIONS AND SPECIAL ITEM | 291,466 | 224,159 | 67,307 | 30% |
| CAPITAL CONTRIBUTIONS | | | | |
| Other Capital Contributions | 143,841 | - | 143,841 | 100% |
| INCOME BEFORE SPECIAL ITEM | 435,307 | 224,159 | 211,148 | 94% |
| Special Item | 23,758 | - | 23,758 | 100% |
| AMOUNT AVAILABLE FOR DEBT | 459,065 | 224,159 | 234,906 | 105% |
| DEBT SERVICE | | | | |
| Principal and Interest | 103,374 | 104,691 | 1,317 | 1% |
| Cost of Issuance | 1,351 | 300 | (1,051) | (350%) |
| TOTAL DEBT SERVICE | 104,725 | 104,991 | 266 | 0% |
| AMOUNT AVAILABLE TO REINVEST | \$ 354,340 | \$ 119,168 | \$ 235,172 | 197% |

**OBJECTIVE CLASSIFICATION OF DIVISIONAL EXPENSES
FOR OPERATIONS - ACTUAL TO BUDGET
FOR THE FISCAL YEAR ENDED JUNE 30, 2025**

(in thousands)

| | General Management | Communications | Finance | Information Technology | Talent Management | Operations |
|-----------------------|-----------------------|----------------|------------------|---------------------------|----------------------|-------------------|
| Personal Services | \$ 431 | \$ 485 | \$ 8,269 | \$ 7,019 | \$ 1,951 | \$ 45,061 |
| Fringe Benefits | 110 | 139 | 3,008 | 2,226 | 688 | 17,077 |
| Materials & Supplies | 2 | 117 | 70 | 1,387 | 62 | 12,251 |
| Transportation | 12 | 13 | 31 | 22 | 20 | 1,964 |
| Utilities | - | - | 189 | 1,693 | - | 13,616 |
| Chemical Purchases | - | - | - | - | - | 14,895 |
| Contractual Services | 13 | 88 | 6,857 | 6,796 | 126 | 20,911 |
| Major Repairs | - | - | - | 588 | - | 6,161 |
| Capital Assets | - | - | - | - | - | 2,563 |
| Miscellaneous Expense | 22 | 38 | 228 | 239 | 153 | 1,048 |
| | \$ 590 | \$ 880 | \$ 18,652 | \$ 19,970 | \$ 3,000 | \$ 135,547 |

**OBJECTIVE CLASSIFICATION OF DIVISIONAL EXPENSES
FOR OPERATIONS - ACTUAL TO BUDGET
FOR THE FISCAL YEAR ENDED JUNE 30, 2025**

(in thousands)

| | Engineering | Water Quality | General | Total | Percent of Total | Amended Budget | Variance Favorable/ (Unfavorable) |
|---------------------------------|------------------|------------------|-----------------|-------------------|---------------------|-------------------|-----------------------------------------|
| Personal Services | \$ 7,059 | \$ 10,603 | \$ (913) | \$ 79,965 | 26% | \$ 80,140 | \$ 175 |
| Fringe Benefits | 2,228 | 3,906 | (8,616) | 20,766 | 7% | 30,767 | 10,001 |
| Materials & Supplies | 32 | 1,627 | 15 | 15,563 | 5% | 15,246 | (317) |
| Transportation | 34 | 22 | - | 2,118 | 1% | 2,383 | 265 |
| Utilities | - | 1 | 992 | 16,491 | 5% | 16,643 | 152 |
| Chemical Purchases | - | - | - | 14,895 | 5% | 16,974 | 2,079 |
| Contractual Services | 1,016 | 1,768 | 6,976 | 44,551 | 14% | 57,869 | 13,318 |
| Major Repairs | - | 35 | - | 6,784 | 2% | 16,779 | 9,995 |
| Capital Assets | - | - | - | 2,563 | 1% | 2,361 | (202) |
| Miscellaneous Expense | 235 | 391 | 569 | 2,923 | 1% | 3,871 | 948 |
| | <u>\$ 10,604</u> | <u>\$ 18,353</u> | <u>\$ (977)</u> | <u>\$ 206,619</u> | <u>67%</u> | <u>\$ 243,033</u> | <u>\$ 36,414</u> |
| Debt Service | | | | | | | |
| Principal and Interest | | | | 103,374 | 33% | 104,691 | 1,317 |
| Cost of Issuance | | | | 1,351 | 0% | 300 | (1,051) |
| Total Debt Service | | | | <u>\$ 104,725</u> | <u>34%</u> | <u>\$ 104,991</u> | <u>\$ 266</u> |
| Total Division and Debt Service | | | | <u>\$ 311,344</u> | <u>100%</u> | <u>\$ 348,024</u> | <u>\$ 36,680</u> |

**DIVISION SUMMARY OF EXPENSES
ACTUAL TO BUDGET
FOR THE FISCAL YEAR ENDED JUNE 30, 2025**

(in thousands)

| | Actual | Amended Budget | Variance Favorable/ (Unfavorable) |
|------------------------|---------------|-------------------|-----------------------------------------|
| General Management | | | |
| Personal Services | \$ 431 | \$ 360 | \$ (71) |
| Fringe Benefits | 110 | 93 | (17) |
| Materials & Supplies | 2 | 10 | 8 |
| Transportation | 12 | 13 | 1 |
| Contractual Services | 13 | 121 | 108 |
| Miscellaneous Expense | 22 | 20 | (2) |
| | <u>590</u> | <u>617</u> | <u>27</u> |
| Communications | | | |
| Personal Services | 485 | 488 | 3 |
| Fringe Benefits | 139 | 155 | 16 |
| Materials & Supplies | 117 | 313 | 196 |
| Transportation | 13 | 17 | 4 |
| Contractual Services | 88 | 214 | 126 |
| Miscellaneous Expense | 38 | 33 | (5) |
| | <u>880</u> | <u>1,220</u> | <u>340</u> |
| Finance | | | |
| Personal Services | 8,269 | 8,356 | 87 |
| Fringe Benefits | 3,008 | 3,203 | 195 |
| Materials & Supplies | 70 | 88 | 18 |
| Transportation | 31 | 25 | (6) |
| Utilities | 189 | 258 | 69 |
| Contractual Services | 6,857 | 7,179 | 322 |
| Miscellaneous Expense | 228 | 291 | 63 |
| | <u>18,652</u> | <u>19,400</u> | <u>748</u> |
| Information Technology | | | |
| Personal Services | 7,019 | 7,902 | 883 |
| Fringe Benefits | 2,226 | 2,515 | 289 |
| Materials & Supplies | 1,387 | 1,464 | 77 |
| Transportation | 22 | 28 | 6 |
| Utilities | 1,693 | 1,491 | (202) |
| Contractual Services | 6,796 | 9,068 | 2,272 |
| Major Repairs | 588 | 1,557 | 969 |
| Miscellaneous Expense | 239 | 301 | 62 |
| | <u>19,970</u> | <u>24,326</u> | <u>4,356</u> |

(Continued)

**DIVISION SUMMARY OF EXPENSES
ACTUAL TO BUDGET
FOR THE FISCAL YEAR ENDED JUNE 30, 2025**

(in thousands)

| | Actual | Amended Budget | Variance Favorable/ (Unfavorable) |
|----------------------------------|-------------------|-------------------|-----------------------------------------|
| Talent Management | | | |
| Personal Services | \$ 1,951 | \$ 2,409 | \$ 458 |
| Fringe Benefits | 688 | 843 | 155 |
| Materials & Supplies | 62 | 70 | 8 |
| Transportation | 20 | 28 | 8 |
| Contractual Services | 126 | 177 | 51 |
| Miscellaneous Expense | 153 | 365 | 212 |
| | <u>3,000</u> | <u>3,892</u> | <u>892</u> |
| Operations | | | |
| Personal Services | 45,061 | 44,959 | (102) |
| Fringe Benefits | 17,077 | 18,306 | 1,229 |
| Materials & Supplies | 12,251 | 11,424 | (827) |
| Transportation | 1,964 | 2,198 | 234 |
| Utilities | 13,616 | 14,256 | 640 |
| Chemical Purchases | 14,895 | 16,974 | 2,079 |
| Contractual Services | 20,911 | 28,039 | 7,128 |
| Major Repairs | 6,161 | 15,201 | 9,040 |
| Capital Assets | 2,563 | 2,361 | (202) |
| Miscellaneous Expense | 1,048 | 1,248 | 200 |
| | <u>135,547</u> | <u>154,966</u> | <u>19,419</u> |
| Engineering | | | |
| Personal Services | 7,059 | 7,609 | 550 |
| Fringe Benefits | 2,228 | 2,549 | 321 |
| Materials & Supplies | 32 | 45 | 13 |
| Transportation | 34 | 33 | (1) |
| Contractual Services | 1,016 | 1,912 | 896 |
| Miscellaneous Expense | 235 | 316 | 81 |
| | <u>10,604</u> | <u>12,464</u> | <u>1,860</u> |
| Water Quality | | | |
| Personal Services | 10,603 | 10,738 | 135 |
| Fringe Benefits | 3,906 | 4,255 | 349 |
| Materials & Supplies | 1,627 | 1,810 | 183 |
| Transportation | 22 | 41 | 19 |
| Utilities | 1 | 3 | 2 |
| Contractual Services | 1,768 | 2,169 | 401 |
| Major Repairs | 35 | 21 | (14) |
| Miscellaneous Expense | 391 | 585 | 194 |
| | <u>18,353</u> | <u>19,622</u> | <u>1,269</u> |
| General | | | |
| Personal Services | (913) | (2,681) | (1,768) |
| Fringe Benefits | (8,616) | (1,152) | 7,464 |
| Materials & Supplies | 15 | 22 | 7 |
| Utilities | 992 | 635 | (357) |
| Contractual Services | 6,976 | 8,990 | 2,014 |
| Miscellaneous Expense | 569 | 712 | 143 |
| | <u>(977)</u> | <u>6,526</u> | <u>7,503</u> |
| TOTAL DIVISIONAL EXPENSES | <u>\$ 206,619</u> | <u>\$ 243,033</u> | <u>\$ 36,414</u> |







HRSD

1434 Air Rail Avenue
Virginia Beach, VA 23455
www.hrsd.com

Printed on recycled paper using environmentally friendly ink.

A dynamic splash of water with numerous bubbles, creating a sense of movement and freshness. The water is clear and blue, with light reflecting off the surfaces.

2025 ACFR Commission Meeting

November 18, 2025



Financial Statement Overview

- Introductory Section
 - Letter
 - History, organization chart, etc.
- Financial Section
 - Auditor opinion
 - MDA
 - Financial Statements
 - Note Disclosures
- RSI
 - Pensions/OPEB
- Statistical Section
 - 10-year history
- Other Supplemental Section
 - Debt service
 - Budgetary comparison
 - Expenses summary



Acknowledgements

- Awarded 42 Consecutive Years
- Disclosures and requirements becoming more complex and burdensome
- Dedication of service from the entire Finance Division, especially the Accounting Department

Two Issues....

- Change in Accounting Principle
 - GASB 101 – Compensated Absences
 - Restatement of prior year financial statements
 - Reduced Net Position by \$7.4 million
 - Change was to recognize how the liability is calculated
- Change in Retiree Health Plan
 - Implementation of Medicare Advantage Plan caused significant reduction in costs
 - Impact reported as a “Special Item”

Summary of Net Position – Assets and Deferred Outflows

Summary of Net Position - Assets and Deferred Outflows As of June 30,

| | <u>2025 vs 2024</u> | | | | |
|----------------------------------------------|---------------------|---------------------|---------------------|-----------------|------------|
| | 2025 | 2024 (Restated) | 2023 | \$ Change | % Change |
| Assets | | | | | |
| Unrestricted | | | | | |
| Cash and cash equivalents - Current | \$ 352,373 | \$ 216,611 | \$ 148,295 | \$ 135,762 | 63% |
| Investments | 69,597 | 65,916 | 63,074 | 3,681 | 6% |
| Total Unrestricted Cash and cash equivalents | 421,970 | 282,527 | 211,369 | 139,443 | 49% |
| Cash and cash equivalents - restricted | 181,639 | 22,307 | 33,830 | 159,332 | 714% |
| Total Cash and cash equivalents | 603,609 | 304,834 | 245,199 | 298,775 | 98% |
| Accounts Receivable (net) | 80,670 | 70,524 | 60,081 | 10,146 | 14% |
| Other | 3,130 | 4,616 | 3,029 | (1,486) | -32% |
| Inventory | 25,425 | 26,288 | 26,005 | (863) | -3% |
| Net OPEB Asset - Restricted | 30,404 | - | - | 30,404 | 100% |
| Net Property Plant and Equipment | 3,122,892 | 2,511,633 | 2,012,351 | 611,259 | 24% |
| Total Assets | <u>\$ 3,866,130</u> | <u>\$ 2,917,895</u> | <u>\$ 2,346,665</u> | <u>948,235</u> | <u>32%</u> |
| Deferred Outflows of Resources | <u>\$ 42,892</u> | <u>\$ 39,373</u> | <u>\$ 37,522</u> | <u>\$ 3,519</u> | <u>9%</u> |

Summary of Net Position – Liabilities, Deferred Inflows and Net Position

Summary of Net Position - Liabilities, Deferred Inflows and Net Position

As of June 30,

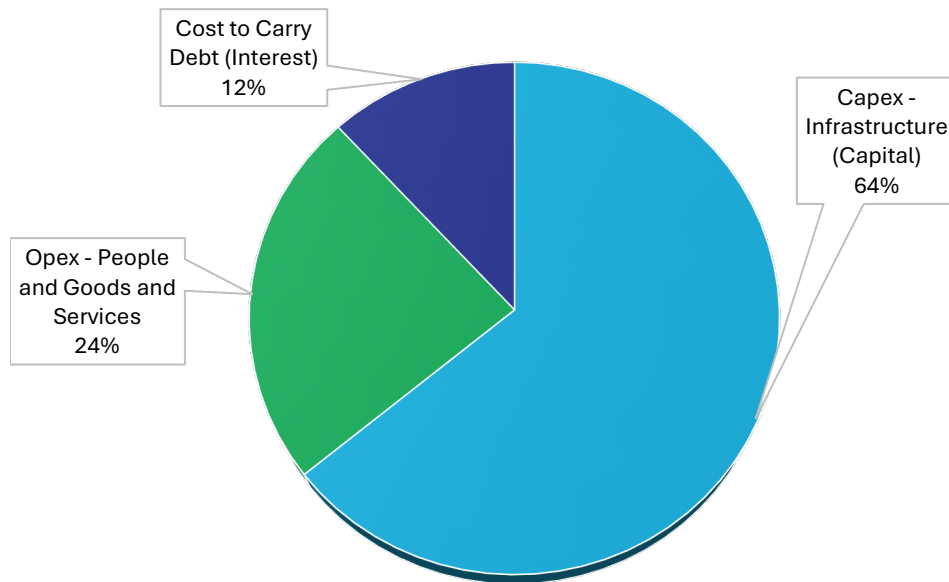
| | 2025 vs 2024 | | | | |
|----------------------------------------|--------------|--------------------|--------------|------------|----------|
| | 2025 | 2024 (Restated) | 2023 | \$ Change | % Change |
| Liabilities | | | | | |
| Bonds Payable - Current | \$ 51,251 | \$ 53,642 | \$ 45,561 | \$ (2,391) | -4% |
| Variable Rate Demand Bonds (current) | 50,000 | 50,000 | 50,000 | - | 0% |
| Bonds Payable - Long Term | 1,753,071 | 1,213,803 | 884,181 | 539,268 | 44% |
| Notes Payable (LOC) | 92,462 | 100,000 | 68,580 | (7,538) | -8% |
| Total Capital Related Debt | 1,946,784 | 1,417,445 | 1,048,322 | 529,339 | 37% |
| Net OPEB Liability | 4,014 | 8,021 | 13,221 | (4,007) | -50% |
| Net Pension Liability | 32,011 | 28,608 | 18,337 | 3,403 | 12% |
| Trade, Contracts Payable and Retention | 185,777 | 104,216 | 79,765 | 81,561 | 78% |
| Compensated Absences | 19,476 | 18,142 | 10,095 | 1,334 | 7% |
| Other Liabilities | 22,316 | 20,202 | 18,708 | 2,114 | 10% |
| Total Liabilities | \$ 2,210,378 | \$ 1,596,634 | \$ 1,188,448 | \$ 613,744 | 38% |
| Deferred Inflows of Resources | \$ 28,458 | \$ 16,625 | \$ 18,717 | \$ 11,833 | 71% |
| Net Position | | | | | |
| Net investment in capital assets | \$ 1,156,903 | \$ 1,017,839 | \$ 981,437 | \$ 139,064 | 14% |
| Restricted for Debt Service | 37,709 | 22,307 | 33,830 | 15,402 | 69% |
| Capital Projects | 9,215 | - | - | 9,215 | 100% |
| Net OPEB Asset | 30,404 | - | - | 30,404 | 100% |
| Unrestricted | 435,955 | 303,863 | 161,755 | 132,092 | 43% |
| | \$ 1,670,186 | \$ 1,344,009 | \$ 1,177,022 | \$ 326,177 | 24% |

Summary of Revenues, Expenses, and Changes in Net Position, For The Years Ended June 30

Summary of Revenues, Expenses and Changes in Net Position For the Year Ended June 30,

| | 2025 | 2024 | 2023 | 2025 vs 2024 | |
|-----------------------------------------------------|------------|------------|------------|--------------|----------|
| | | | | \$ Change | % Change |
| Revenues | | | | | |
| Wastewater Treatment Charges | \$ 460,275 | \$ 422,784 | \$ 383,115 | \$ 37,491 | 8% |
| Facility Charges | 6,928 | 7,153 | 7,293 | (225) | -3% |
| Investment Income | 26,121 | 13,673 | 6,068 | 12,448 | 48% |
| Bond Interest Subsidy | - | 1,622 | 2,015 | (1,622) | -100% |
| Other | 4,761 | 4,157 | 4,820 | 604 | 13% |
| Total Revenues | 498,085 | 449,389 | 403,311 | 48,696 | 10% |
| Expenses | | | | | |
| Wastewater Treatment | 173,973 | 167,327 | 149,532 | 6,646 | 4% |
| General and Administrative | 57,028 | 60,152 | 53,995 | (3,124) | -5% |
| Depreciation and Amortization | 60,456 | 57,053 | 54,469 | 3,403 | 6% |
| Interest Expense | 45,888 | 33,642 | 27,132 | 12,246 | 27% |
| Capital Distributions to Localities | 811 | 2,005 | 2,422 | (1,194) | -147% |
| Other | 1,351 | 1,000 | 98 | 351 | 26% |
| Total Expenses | 339,507 | 321,179 | 287,648 | 18,328 | 5% |
| Capital Contributions | | | | | |
| State Capital Grants | 138,949 | 34,183 | 234 | 104,766 | 75% |
| Other Capital Contributions | 4,892 | 12,242 | 1,641 | (7,350) | -150% |
| Total Capital Contributions | 143,841 | 46,425 | 1,875 | 97,416 | 68% |
| | | | | - | |
| Change in Net Position - Before Special Item | 302,419 | 174,635 | 117,538 | 127,784 | 42% |
| Special Item | 23,758 | - | - | 23,758 | 100% |
| Change in Net Position | \$ 326,177 | \$ 174,635 | \$ 117,538 | \$ 151,542 | 46% |

Where did we spend our money?



Major Pension and Other Post - Employee Benefits (OPEB)

- Pension and OPEB plans are pre-funded trusts where money is set aside to pay for benefits promised
- Financial statement impacts
 - When assets = liabilities = No financial statement impact
 - When assets > liabilities = Net asset on financial statements
 - When assets < liabilities = Net liability on financial statements

| | Virginia Retirement System | HRSD |
|------------------------------|----------------------------|---------------------------|
| June 30, | 2024 | 2025 |
| | Pension | |
| | VRS 1 & 2, Hybrid Plan | Retiree Health Plan (RHP) |
| Total Liability | \$ (317,872) | \$ (52,042) |
| Fiduciary Net Position (MVA) | 285,861 | 82,446 |
| Net Asset (Liability) | (32,011) | 30,404 |
| Funded Ratio | 89.93% | 158.42% |

Key Financial Policy Indicators

Liquidity (HRSD's Unrestricted Savings Account) – Adjusted Days Cash on Hand (ADCOH)

- Liquidity indicates financial flexibility to pay near-term obligations and margin of safety
- Adjusted Days Cash on Hand (ADCOH)
 - Excludes reserves and PAYGO for CIP
- How many days can you operate with available cash if no revenue is coming in?

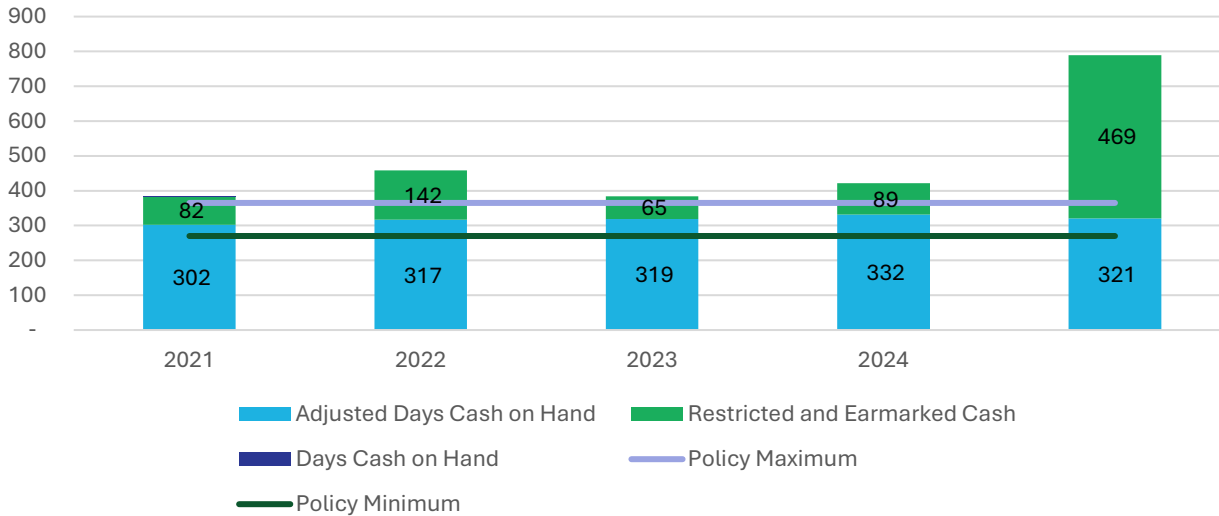
$$\text{ADCOH} = \frac{\text{Unrestricted Cash and Investments}}{\text{Operating Expenses} \div 365 \text{ days}}$$

(EXCLUDES RESERVES AND PAYGO FOR CIP)

HRSD POLICY - Min = 270 ADCOH, Max = 365 ADCOH

Adjusted Days Cash on Hand (DCOH)

Days Cash on Hand



| AA Rated Medians | | Large Utilities |
|------------------|-------|-----------------|
| S&P | Fitch | Fitch |
| 584 | 577 | 471 |

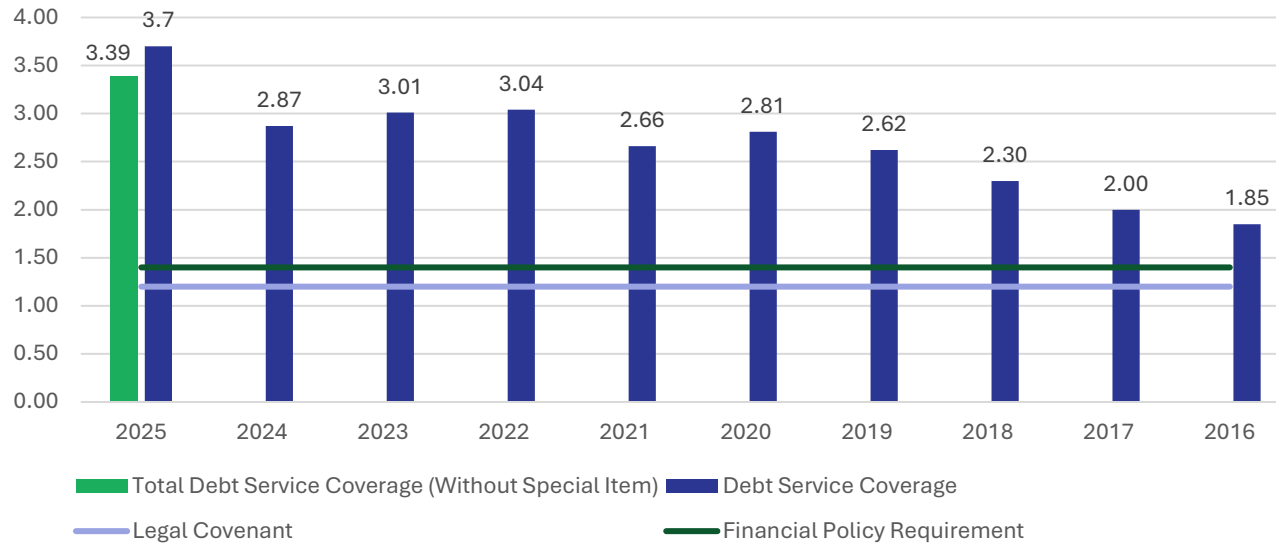
| HRSD Ratings | Senior | Subordinate |
|----------------|------------|-------------|
| Moody's | Aa1 | Aa1 |
| S&P | AA+ | AA+ |
| Fitch | AA+ | AA |

Debt Service Coverage Ratio (DSCR)

$$\text{Debt Service Coverage Ratio} = \frac{\text{REVENUES} - \text{EXPENSES}}{\text{Principal} + \text{Interest}}$$

- *How much income will you have to pay Debt Service (principal + interest)?*
- *Measure of sufficiency of revenues and rates to meet obligations.*
- *Quantifies RISK - Likelihood bond investors get paid back?*

Debt Service Coverage

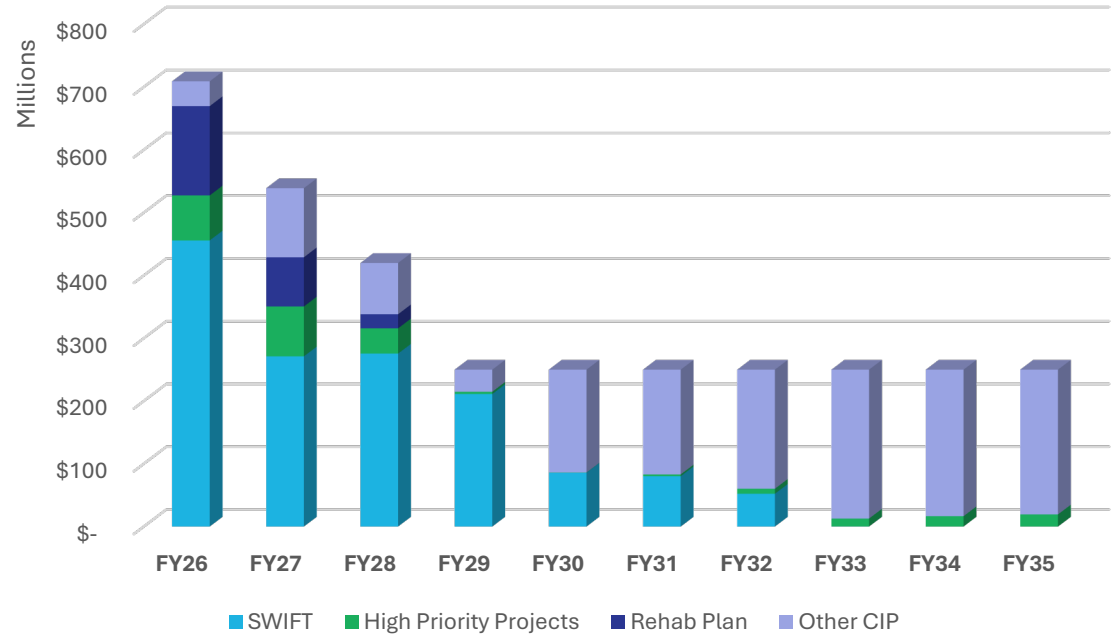


| AA Rated Medians | | Large Utilities |
|------------------|-------|-----------------|
| S&P | Fitch | Fitch |
| 2.3 | 2.5 | 1.5 |

| HRSD Ratings | Senior | Subordinate |
|--------------|--------|-------------|
| Moody's | Aa1 | Aa1 |
| S&P | AA+ | AA+ |
| Fitch | AA+ | AA |

Conclusions

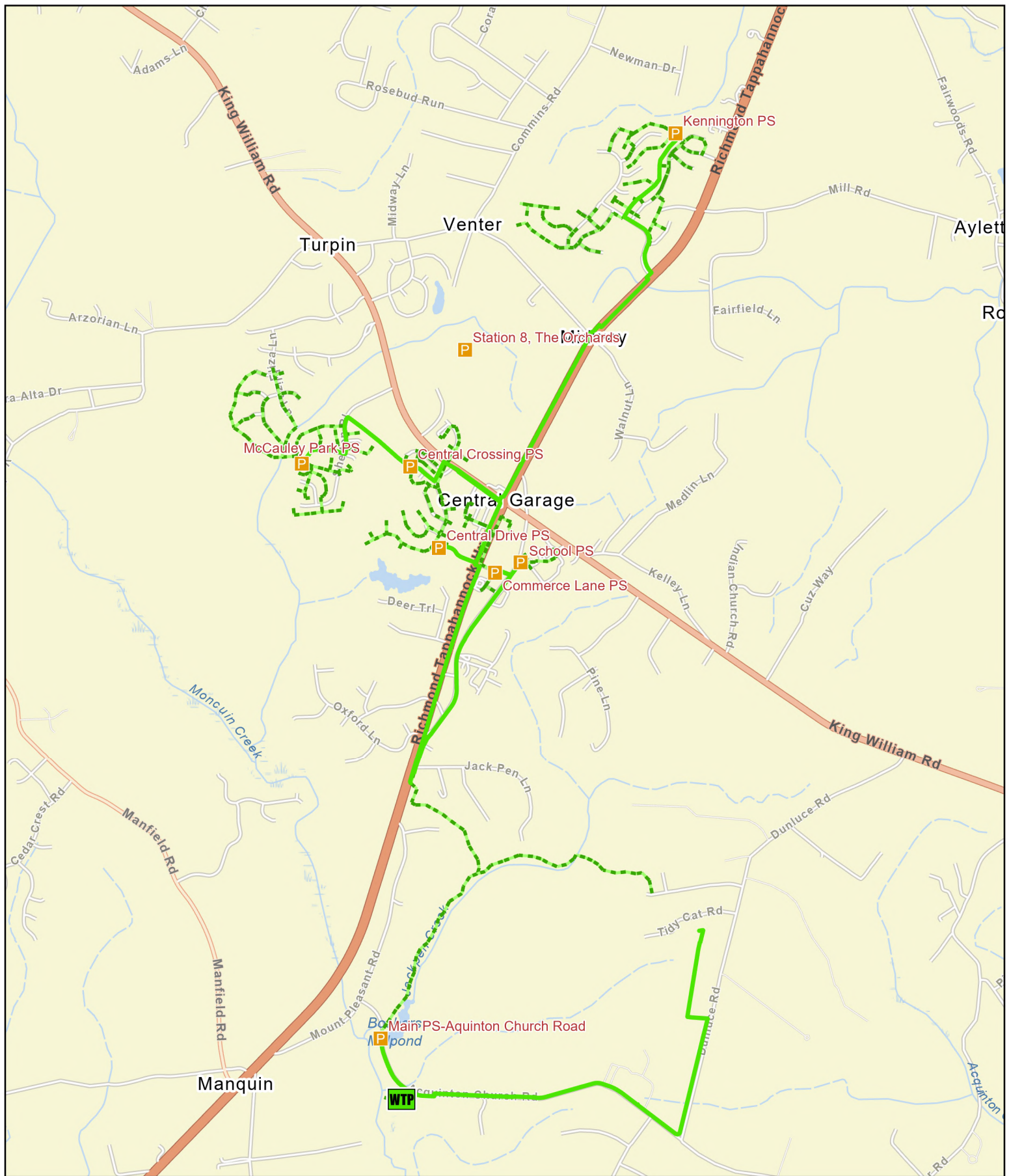
- Financial health is sound, but headwinds exist
 - General inflation has moderated, but remains for labor and construction costs
 - Capital Plan remains largely regulatorily driven (68% for five years) and expansive but moderates after 2028
 - Future forecast is heavily dependent on state appropriations (\$1.14B) for the WQIF program



Questions

HRSD Commission Meeting Minutes
November 18, 2025
Attachment #3

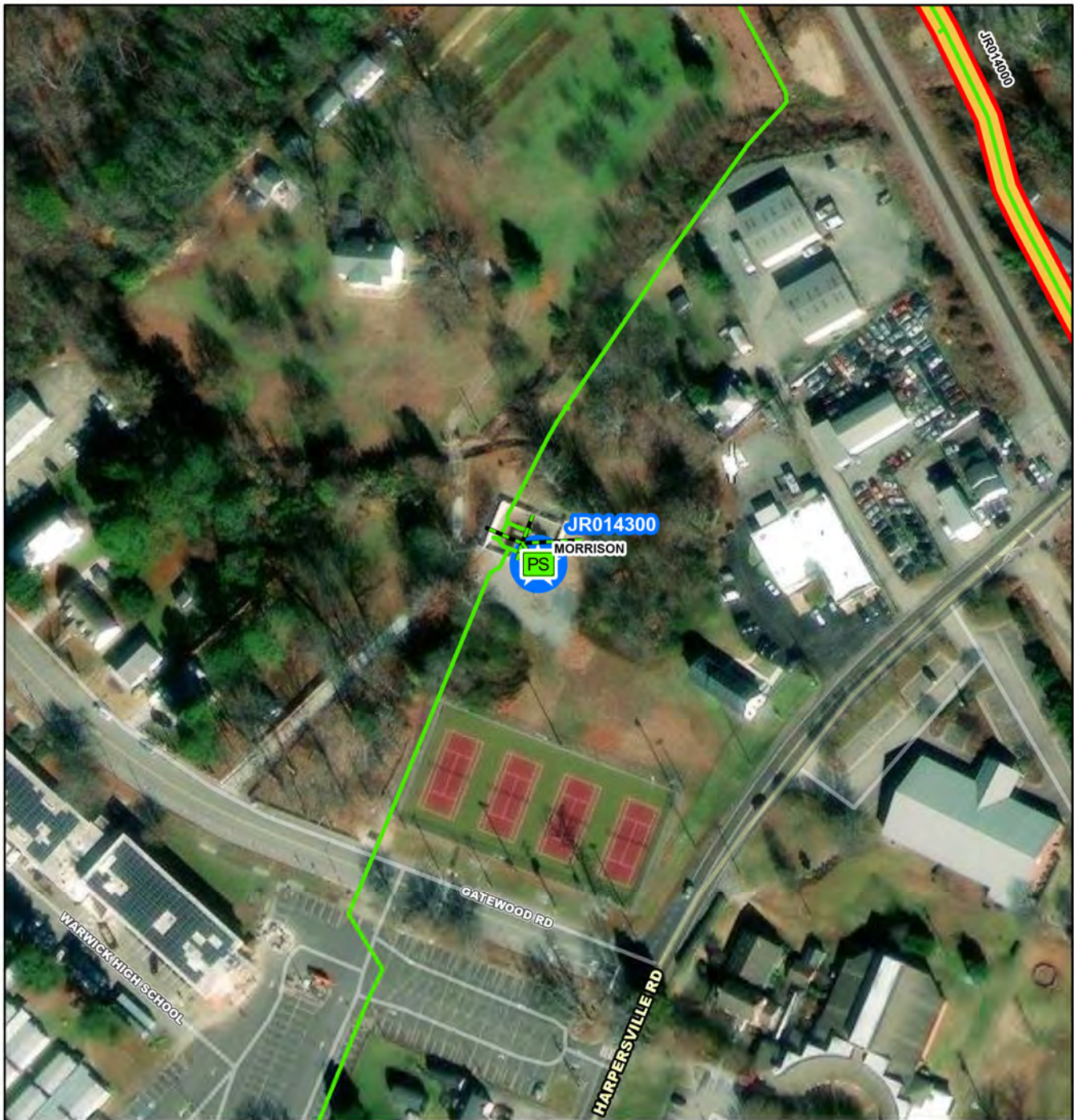
5. King William Collection System Capacity Improvements
Initial Appropriation – Non-Regulatory



King William Collection System Capacity Improvements (MP016100)

HRSD Commission Meeting Minutes
November 18, 2025
Attachment #4

6. Morrison Pump Station Replacement
Initial Appropriation – Non-Regulatory and Contract Award



- JR014300**
- 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 45 90 180 270 360 Feet

JR014300

Morrison Pump Station Replacement

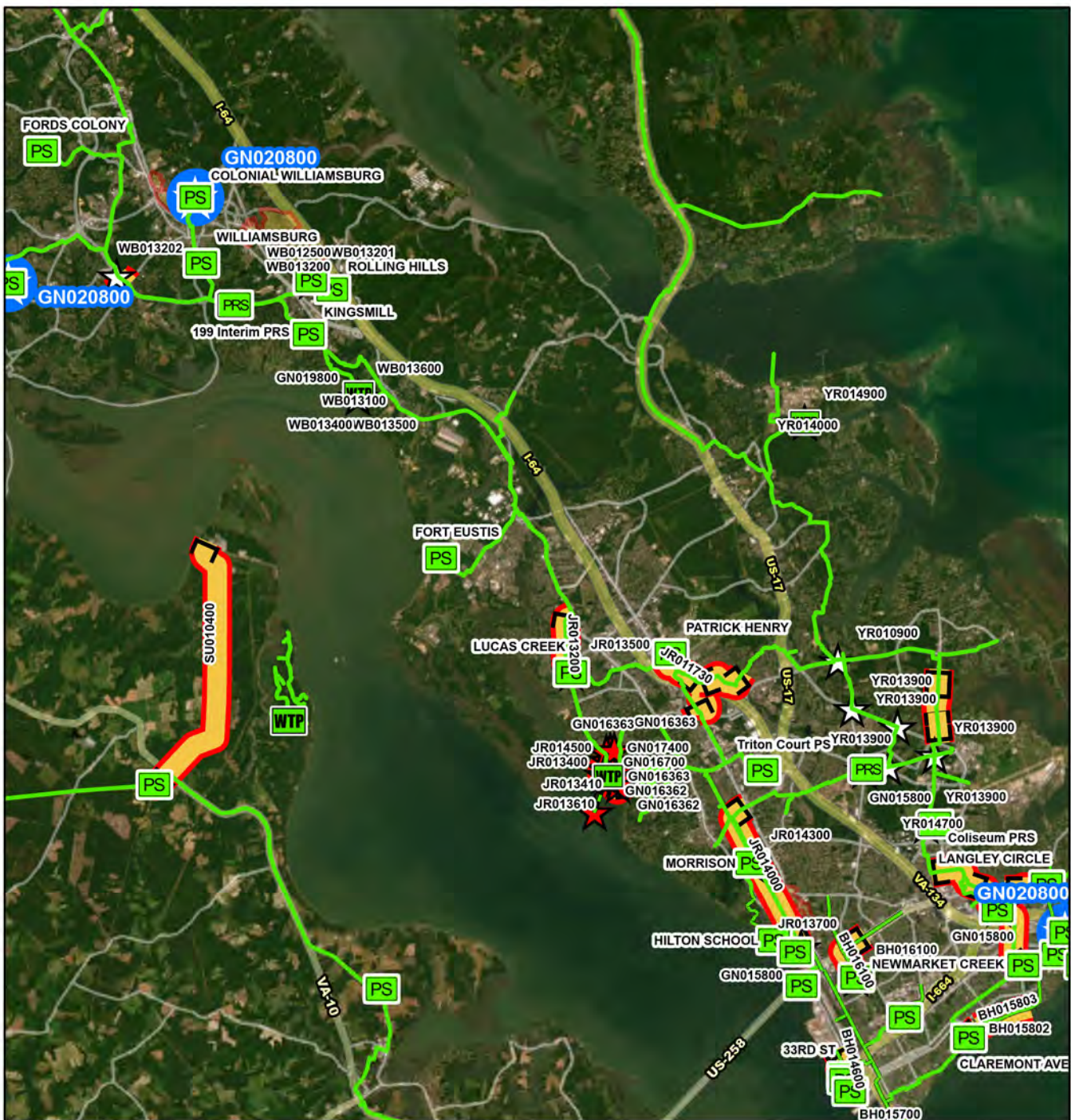


CIP Location



HRSD Commission Meeting Minutes
November 18, 2025
Attachment #5

7. North Shore Pump Station Influent Valve Installations
Initial Appropriation – Non-Regulatory



GN020800

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

Legend

- ★ CIP Interceptor Point
- ☆ CIP Pump Station Point
- Project Interceptor Line
- CIP Abandonment
- CIP Project Area
- HRSD Interceptor Force Main
- HRSD Interceptor Gravity Main
- WTP HRSD Treatment Plant
- PRS HRSD Pressure Reducing Station
- PS HRSD Pump Station

0 5,000 10,000 20,000 30,000 40,000 Feet

GN020800

North Shore Pump Station Influent Valve Installations

N
W E
S

CIP Location

HRSD Commission Meeting Minutes

November 18, 2025

Attachment #6

9. Chesapeake Boulevard Pump Station (PS 105) Replacement and Norfolk Pump Station (PS 57) Rehabilitation

Acquisition of Real Property for a Public Purpose with a reservation, and easement conveyance of a portion of HRSD Property

Prepared by: Alex H. Pincus, Deputy City Attorney (VSB #29180), Office of the Norfolk City Attorney
Return to: Pender & Coward, P.C., 117 Market St., Suffolk, VA 23434
GPIN: 1448293368; 1448294404; 1448294195
Tax Account No.: 29478607; 84449300; 25246700
Title Insurance Underwriter: Fidelity
Consideration: \$ 0.00
Assessed Value: \$ N/A

Tax Exempt pursuant to Section 58.1-811 of the Code of Virginia, 1950, as amended, including subsections (A)(3), (C)(4) & (C)(5) and (E), thereof.

THIS DEED, made and entered into as of the ____ day of _____, 2025, by and between the **CITY OF NORFOLK**, a municipal corporation of the Commonwealth of Virginia, (hereafter "City") Grantor and Grantee, for indexing purposes, and **HAMPTON ROADS SANITATION DISTRICT**, a political subdivision of the Commonwealth of Virginia (hereafter "HRSD"), Grantor and Grantee, for indexing purposes, whose mailing address is: P.O. Box 5911, Virginia Beach, Virginia, 23471-0911.

WITNESSETH:

THAT for and in consideration of the sum of Ten Dollars (\$10.00), cash in hand paid, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, City does hereby grant and convey, with **SPECIAL WARRANTY** of title, unto HRSD, all that certain piece, or parcel of land, being designated and labeled as "PROPERTY OF CITY OF NORFOLK D.B. 1743 PG. 540 TO BE CONVEYED 3,056 S.F./0.0701 AC" as shown on that certain plat entitled "EXHIBIT SHOWING PROPERTY TO BE CONVEYED BY CITY OF NORFOLK TO HAMPTON ROADS SANITATION DISTRICT IN THE CITY OF NORFOLK" dated September 8, 2025, and revised October 16, 2025, prepared by Precision Measurements, Inc., and attached hereto as **Exhibit A** and recorded simultaneously herewith in Clerk's Office of the Circuit Court of the City of Norfolk, and incorporated herein by this reference, the said conveyance being made in accordance with the consent, desire, and approval of the appropriate authorities of the City as evidenced by Ordinance Number _____, adopted on

_____, 20__ and effective on _____, 20__, as well as the signature of the City Manager, duly attested by the City Clerk, subject to the following reservations and agreements:

The City and HRSD do hereby reserve, convey, and dedicate to the City, and the City does hereby accept said reservation, conveyance, and dedication of, perpetual stormwater drainage, access, and maintenance easements, labeled as “VARIABLE WIDTH DRAINAGE ACCESS AND MAINTENANCE EASEMENT TO BE GRANTED TO CITY OF NORFOLK” and consisting of the areas marked as A (60 square feet), B (2,314 square feet), and C (578 square feet), on that certain plat entitled “EASEMENT EXHIBIT SHOWING VARIABLE WIDTH DRAINAGE, ACCESS AND MAINTENANCE EASEMENT OVER THE PROPERTIES OF: HAMPTON ROADS SANITATION DISTRICT, and CITY OF NORFOLK IN THE CITY OF NORFOLK VIRGINIA” dated September 8, 2025, revised October 16, 2025, and made by Precision Measurements, Inc., a copy of which is attached hereto as **Exhibit B**, and incorporated herein by this reference, and the said reservation, conveyance, and dedication thereof being made in accordance with the consent, desire, and approval of the appropriate authorities of the City as evidenced by Ordinance Number _____, adopted on _____, 20__ and effective on _____, 20__, as well as the signature of the City Manager, duly attested by the City Clerk, and the signature of the authorized representative of HRSD, both as set forth below. Said Easements shall be subject to all other existing easements, rights-of-way, covenants, encumbrances, and restrictions of record, and shall run with the land, and are further subject to the following terms and conditions:

1. All structures and appurtenant facilities which are installed or placed in the Easements by or on behalf of the City shall be and remain the property of the City. All structures

and appurtenant facilities which are installed or placed in the Easements by or on behalf of the HRSD shall be and remain the property of the HRSD, its successors, or assigns.

2. The City shall have full and free use of each of the Easements for the Easements' named purposes and shall have all rights and privileges reasonably necessary to the utilization of said Easements for the Easements' respective named purposes, to the extent that such use and rights do not interfere with the construction, maintenance, or operation of any HRSD pump station constructed on or adjacent to the property conveyed in this Deed.

3. The City shall have the right to trim, cut and remove trees, shrubbery, fences, structures, or other obstructions in the Easements, deemed by it to interfere with the proper and efficient operation and maintenance of the easement or with public drainage, other than those necessary for the construction, access, maintenance, stability, support, or operation of any HRSD pump station constructed on or adjacent to the property conveyed in this Deed.

4. HRSD shall have the right to make any use of the Easements which may not be inconsistent with the rights herein conveyed or unreasonably interfere with the use of the Easements by the City for the purposes named, provided, however, that HRSD shall not erect any building or structure on the Easements, other than those necessary for the construction, access, maintenance, stability, support, or operation of any HRSD pump station constructed on or adjacent to the property conveyed in this Deed, without obtaining prior written approval of the City. The Easement or Easements may not be conveyed or assigned without HRSD's express written permission. HRSD retains all rights in the areas encumbered by the Easements not expressly granted to the City in this deed.

5. Any disturbance of the area of the Easements or of the property by or on behalf of the City will be repaired or restored by the City as nearly as practicable to its condition prior to

disturbance by or on behalf of the City. Prior to any work in the Easements the City shall also coordinate with and provide notice to HRSD's staff, particularly HRSD's South Shore Interceptor staff or their successors. The City will maintain facilities that are installed by or on behalf of the City in the Easements.

This conveyance is also made subject to any easements, restrictions and reservations contained in duly recorded deeds, plats and other instruments constituting constructive notice in the chain of title, which have not expired by a time limitation contained therein or have otherwise become ineffective, and to matters visible upon inspection.

The parties acknowledge that the conveyances in this Deed are in accordance that certain subdivision plat entitled "SUBDIVISION PLAT OF H.R.S.D. PUMP STATION #105 CHESAPEAKE BLVD. NORFOLK, VIRGINIA" made by Precision Measurements, Inc., and dated September 8, 2025, recorded contemporaneously herewith but immediately prior hereto on _____ as Instrument No. _____.

The parties further acknowledge that the area of reserved easement referred to above as B, consisting of 2,314 square feet, is on a portion of the area conveyed to HRSD in this deed in fee simple, said fee simple area consisting of 3,056 square feet, and thus 742 square feet of the area conveyed to HRSD in this deed in fee simple is not encumbered by the easement referred to as B.

The signature of the City Manager, or his duly authorized designee, is affixed hereto on behalf of the Council of the City of Norfolk, Virginia, pursuant to an Ordinance duly adopted by the City Council, to evidence the acceptance of this Deed of Dedication by the City, in accordance with Section 15.2-1803, Code of Virginia, 1950, as amended.

The Hampton Roads Sanitation District (HRSD) Commission has caused this Deed to be signed on behalf of HRSD by its General Manager in accordance with authorization granted at the Hampton Roads Sanitation District Commission regular meeting held on _____, 2025.

WITNESS the following signatures and seals.

GRANTOR / GRANTEE:

CITY OF NORFOLK

By: _____ (SEAL)

Name: Patrick Roberts

Title: City Manager

ATTEST:

City Clerk

COMMONWEALTH OF VIRGINIA
CITY OF NORFOLK, to-wit:

Sworn to and subscribed before me, a Notary Public in and for the City and Commonwealth aforesaid, by Patrick Roberts, City Manager of the City of Norfolk, and by _____, City Clerk of the City of Norfolk, this ____ day of _____, 2025.

Notary Public

My Commission Expires: _____
Registration No.: _____

Approved as to Form and Correctness:

Deputy City Attorney

GRANTEE / GRANTEE:

HAMPTON ROAD SANITATION DISTRICT

By: _____ (SEAL)

Name: Jay Bernas

Title: General Manager / CEO

**COMMONWEALTH OF VIRGINIA,
CITY OF VIRGINIA BEACH, to-wit:**

I, Karen Russo-Scarano, a Notary Public in and for the City of Virginia Beach, in the Commonwealth of Virginia, whose term of office expires on April 30, 2027, do hereby certify that Jay Bernas, in his capacity as General Manager / CEO of Hampton Roads Sanitation District, whose name is signed to the foregoing Deed, has acknowledged the same before me in my City and State aforesaid.

Given under my hand this ____ day of _____, 2025.

Notary Public

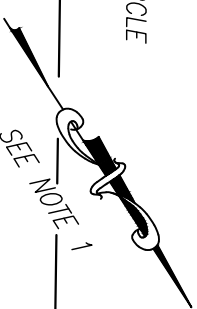
Registration No.7837081

N: 3,489,374.88
E:12,142,315.95

CHESAPEAKE BLVD.
(M.B. 46, PG. 147)
(VARIABLE WIDTH R/W)

N: 3,489,492.29
E:12,142,392.17

375.78' TO
LENOIR CIRCLE



EXISTING R/W

139.97' TOTAL

N 32°59'24" E

EXISTING R/W

84.94'

EXISTING 15'
UTILITY EASEMENT
(M.B. 46, PG. 147)

PROPERTY OF
HAMPTON ROADS
SANITATION DISTRICT
INST. #240012373
5724 CHESAPEAKE BLVD.
5,892 S.F./0.1353 AC.

PROPERTY OF
HAMPTON ROADS
SANITATION DISTRICT
D.B. 1075 PG. 155
5734 CHESAPEAKE BLVD.
5,526 S.F./0.1269 AC.

NOW OR FORMERLY
MEREDITH INVESTMENT
PARTNERS, L.P.
INST. # 030044205
5750 CHESAPEAKE BLVD

NOW OR FORMERLY
CHRISTOPHER M. CHRISTIAN
INST# 160017730
M.B. 46, PG. 147
5720 CHESAPEAKE BLVD.

N 57°00'30" W 92.52'

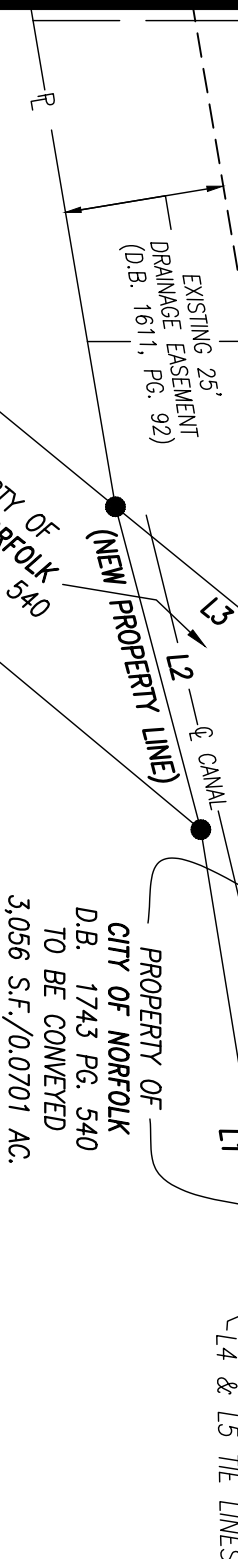
N 17°37'58" W 19.00'
S 23°13'04" W 68.31'

S 56°27'56" E 66.22'
96.59' TO TIE LINE

S 56°18'58" E 90.34'

— Q — CANAL —

SHEET 2 OF 2
REVISED: 10/16/2025



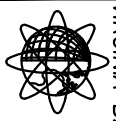
NOW OR FORMERLY
J. CALVIN GALLOP, IV
& LINDA L. GALLOP
INST# 990007003
C.M.B. 30, PG. 89

EXHIBIT SHOWING
PROPERTY TO BE CONVEYED BY
CITY OF NORFOLK
TO
HAMPTON ROADS SANITATION DISTRICT
IN THE CITY OF NORFOLK, VIRGINIA

DATE: 09/08/2025 SCALE: 1" = 30'

PRECISION MEASUREMENTS, INC.

SURVEYORS • GPS • 3-D SCANNING • GIS • MAPPERS
VIRGINIA BEACH—RICHMOND—NEWPORT NEWS—CHANTILLY, VIRGINIA
11835 CANON BLVD, SUITE B-103
NEWPORT NEWS, VIRGINIA 23606
TEL: (757) 595-7570



SEE SHEET 1 FOR NOTES
AND LINE TABLE

NOTES:

- 1. THIS EXHIBIT IS BASED ON VIRGINIA STATE PLANE COORDINATE SYSTEM, SOUTH ZONE, NAD 1983(94 HARN). COORDINATE VALUES SHOWN ARE EXPRESSED IN U.S. SURVEY FEET
- 2. PROPERTY LINE AND RIGHT-OF-WAY INFORMATION IS BASED ON PLATS, DEEDS OF RECORD AND ACTUAL FIELD MEASUREMENTS.
- 3. THIS EXHIBIT IS FOR CLARIFICATIN PURPOSES ONLY AND IS NOT INTENDED TO REPRESENT A BOUNDARY SURVEY NOR A SUBDIVISION OF LAND.
- 4. PROPERTY SHALL BE ACQUIRED BY DEED.
- 5. THIS PLAT WAS PREPARED WITHOUT THE BENEFIT OF A TITLE REPORT AND MAY NOT REFLECT ALL EASEMENTS OR RESTRICTIONS THAT AFFECT THE PROPERTY.

LINE TABLE

| LINE | BEARING | DISTANCE |
|------|---------------|----------|
| L1 | S 23°45'53" W | 113.93' |
| L2 | S 18°10'54" W | 52.18' |
| L3 | N 17°46'08" W | 37.98' |
| L4 | S 23°37'04" W | 39.42' |
| L5 | S 33°26'58" W | 20.93' |

EXHIBIT SHOWING
PROPERTY TO BE CONVEYED BY
CITY OF NORFOLK
TO
HAMPTON ROADS SANITATION DISTRICT
IN THE CITY OF NORFOLK, VIRGINIA



REVISED: 10/16/2025 SHEET 1 OF 2

DATE: 09/08/2025 SCALE: 1" = 30'

PRECISION MEASUREMENTS, INC.

SURVEYORS • GPS • 3-D SCANNING • GIS • MAPPERS
VIRGINIA BEACH-RICHMOND-NEWPORT NEWS-CHANTILLY, VIRGINIA
11835 CANON BLVD, SUITE B-103
NEWPORT NEWS, VIRGINIA 23606
TEL: (757) 595-7570



CHESAPEAKE BLVD.
(M.B. 46, PG. 147)
(VARIABLE WIDTH R/W)

N: 3,489,374.88
E:12,142,315.95

N: 3,489,492.29
E:12,142,392.17

375.78' TO
LENOIR CIRCLE

EXISTING R/W

139.97' TOTAL N 32°59'24" E

EXISTING R/W

84.94'

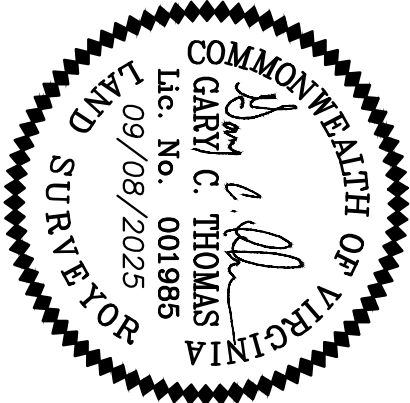
EXISTING 15'
UTILITY EASEMENT
(M.B. 46, PG. 147)

PROPERTY OF
HAMPTON ROADS
SANITATION DISTRICT
INST. #240012373
5724 CHESAPEAKE BLVD.

PROPERTY OF
HAMPTON ROADS
SANITATION DISTRICT
D.B. 1075 PG. 155
5734 CHESAPEAKE BLVD.

NOW OR FORMERLY
MEREDITH INVESTMENT
PARTNERS, L.P.
INST. # 030044205
5750 CHESAPEAKE BLVD

NOW OR FORMERLY
CHRISTOPHER M. CHRISTIAN
INST# 160017730
M.B. 46, PG. 147
5720 CHESAPEAKE BLVD.



N: 3,489,331.08
E:12,142,383.43

N: 3,489,450.50
E:12,142,454.86

N 57°00'30" W 92.52'

N 17°37'58" W 19.00'

S 23°13'04" W 68.31'

S 56°27'56" E 66.22'

96.59' TO TIE LINE

S 56°18'58" E 90.34'

SHEET 2 OF 2
REVISED: 10/16/2025

NOW OR FORMERLY
J. CALVIN GALLOP, IV
& LINDA L. GALLOP
INST# 990007003
C.M.B. 30, PG. 89

*VARIABLE WIDTH DRAINAGE,
ACCESS AND MAINTENANCE EASEMENT
TO BE GRANTED TO CITY OF NORFOLK
SEE AREA TABLE

PROPERTY OF
CITY OF NORFOLK
D.B. 1743 PG. 540

EXISTING 25'
DRAINAGE EASEMENT
(D.B. 1611, PG. 92)

AREA TABLE

| | | |
|---|-----------------------------------------------------------------|------------|
| A | EASEMENT AREA LOCATED ON HRSD PROPERTY 5724 CHESAPEAKE BLVD. | 60 S.F. |
| B | EASEMENT AREA LOCATED ON CITY OF NORFOLK PROPERTY | 2,314 S.F. |
| C | EASEMENT AREA LOCATED ON HRSD PROPERTY 5734 CHESAPEAKE BLVD. | 578 S.F. |

SEE SHEET 1 FOR NOTES
AND LINE TABLE

EASEMENT EXHIBIT SHOWING
VARIABLE WIDTH DRAINAGE,
ACCESS AND MAINTENANCE EASEMENT
OVER THE PROPERTIES OF:
HAMPTON ROADS SANITATION DISTRICT
AND
CITY OF NORFOLK
IN THE CITY OF NORFOLK, VIRGINIA

DATE: 09/08/2025 SCALE: 1" = 30'

PRECISION MEASUREMENTS, INC.

SURVEYORS • GPS • 3-D SCANNING • GIS • MAPPERS
VIRGINIA BEACH-RICHMOND-NEWPORT NEWS-CHANTILLY, VIRGINIA
11835 CANON BLVD, SUITE B-103
NEWPORT NEWS, VIRGINIA 23606
TEL: (757) 595-7570



NOTES:

- 1. THIS EXHIBIT IS BASED ON VIRGINIA STATE PLANE COORDINATE SYSTEM, SOUTH ZONE, NAD 1983(94 HARN). COORDINATE VALUES SHOWN ARE EXPRESSED IN U.S. SURVEY FEET
- 2. PROPERTY LINE AND RIGHT-OF-WAY INFORMATION IS BASED ON PLATS, DEEDS OF RECORD AND ACTUAL FIELD MEASUREMENTS.
- 3. THIS EXHIBIT IS FOR ACQUISITION PURPOSES ONLY AND IS NOT INTENDED TO REPRESENT A BOUNDARY SURVEY NOR A SUBDIVISION OF LAND.
- 4. EASEMENT(S) SHALL BE ACQUIRED BY DEED.
- 5. THIS EXHIBIT WAS PREPARED WITHOUT THE BENEFIT OF A TITLE REPORT AND MAY NOT REFLECT ALL EASEMENTS OR RESTRICTIONS THAT AFFECT THE PROPERTY.


LINE TABLE

| LINE | BEARING | DISTANCE |
|------|---------------|----------|
| L1 | S 23°45'53" W | 113.93' |
| L2 | S 18°10'54" W | 52.18' |
| L3 | N 17°46'08" W | 37.98' |
| L4 | N 17°37'58" W | 15.63' |
| L5 | N 32°55'09" E | 9.92' |
| L6 | N 32°55'09" E | 30.00' |
| L7 | S 57°04'51" E | 4.44' |
| L8 | N 32°55'09" E | 39.24' |
| L9 | NOT USED | |
| L10 | N 32°55'09" E | 23.80' |
| L11 | N 23°46'46" E | 29.67' |
| L12 | N 36°06'24" W | 5.00' |
| L13 | N 32°51'52" W | 5.03' |
| L14 | S 33°26'58" W | 20.93' |
| L15 | S 23°37'04" W | 39.42' |
| L16 | N 56°27'56" W | 11.79' |

EASEMENT EXHIBIT SHOWING
VARIABLE WIDTH DRAINAGE,
ACCESS AND MAINTENANCE EASEMENT
OVER THE PROPERTIES OF:
HAMPTON ROADS SANITATION DISTRICT
AND
CITY OF NORFOLK
IN THE CITY OF NORFOLK, VIRGINIA



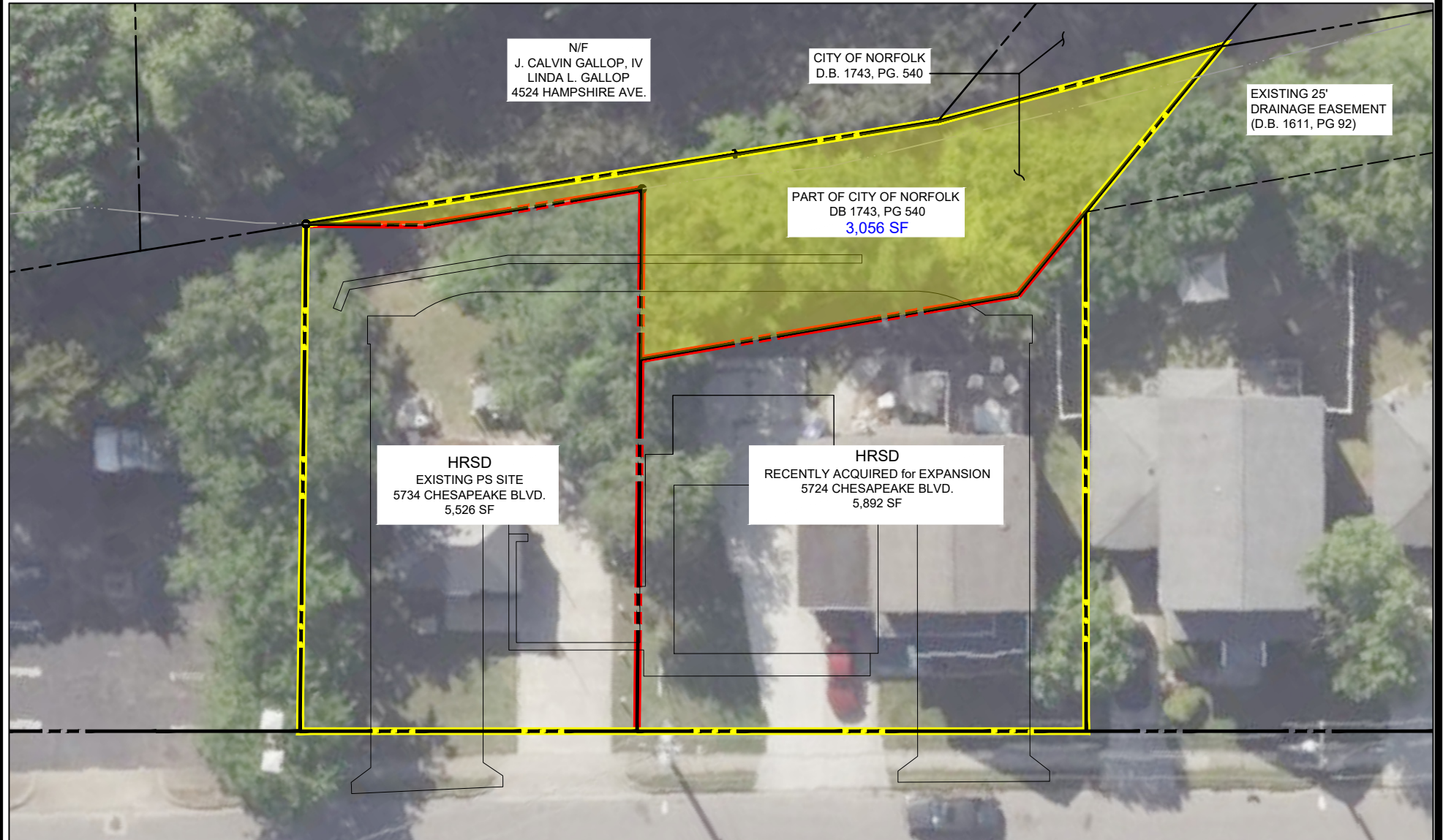
REVISED: 10/16/2025 SHEET 1 OF 2
DATE: 09/08/2025 SCALE: 1" = 30'






PRECISION MEASUREMENTS, INC.
SURVEYORS • GPS • 3-D SCANNING • GIS • MAPPERS
VIRGINIA BEACH-RICHMOND-NEWPORT NEWS-CHANTILLY, VIRGINIA
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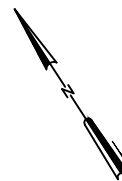
LOCATION MAP - PROPOSED PROPERTY ACQUISITION
& PROPERTY LINE VACATION

5734 & 5724 CHESAPEAKE BLVD, NORFOLK VA



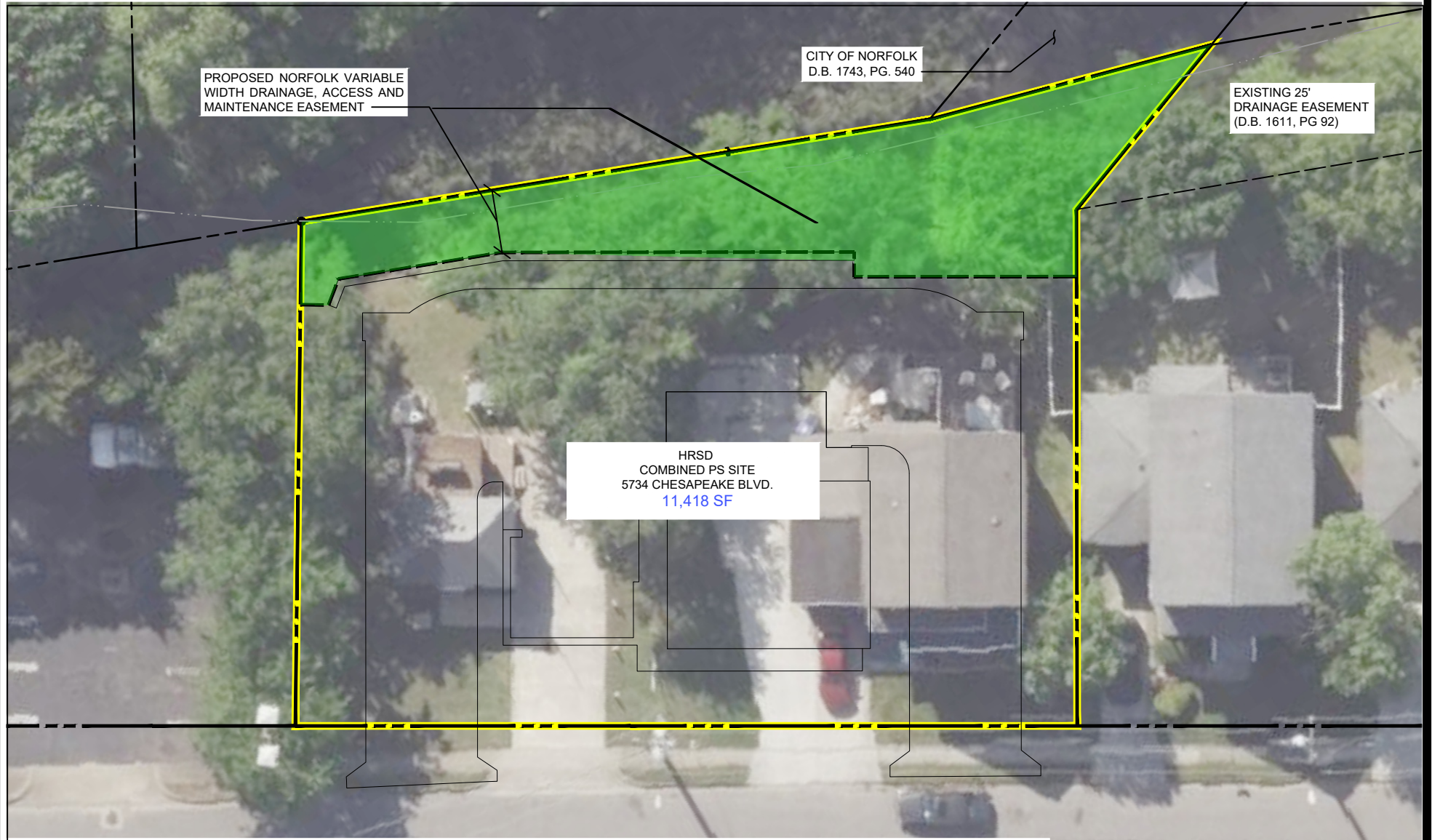
LEGEND

-  PROPOSED ACQUISITION 3056 sq ft
-  PROPOSED NEW PROPERTY BOUNDARY
-  INTERIOR PROPERTY LINES TO BE VACATED






LOCATION MAP - PROPOSED EASEMENT

5734 & 5724 CHESAPEAKE BLVD, NORFOLK VA



LEGEND

-  CITY OF NORFOLK PROPOSED VARIABLE WIDTH EASEMENT AREA
-  PROPOSED EASEMENT LINE
-  PROPOSED NEW PROPERTY BOUNDARY



CHESAPEAKE BLVD

1" = 25'



SOURCE OF TITLE: H.R.S.D. PARCEL
THE PROPERTY EMBRACED WITHIN THE LIMITS OF THIS SUBDIVISION WAS CONVEYED TO HAMPTON ROADS SANITATION DISTRICT COMMISSION FROM H. CLARKSON MEREDITH AND MARSHALL H. MEREDITH BY DEED DATED AUGUST 8, 1952 AND RECORDED IN DEED BOOK 1075 PAGE 155 IN THE CLERK'S OFFICE OF THE CIRCUIT COURT OF THE CITY OF NORFOLK, VIRGINIA.

OWNERS NOTE:
THE PLATTING OR DEDICATION OF THE FOLLOWING DESCRIBED LAND,
"SUBDIVISION PLAT OF THE PROPERTY H.R.S.D. PUMP STATION 105 CHESAPEAKE BLVD. NORFOLK, VIRGINIA (DEED BOOK 1075 PG. 155) (M.B. 46 PG. 147) LOCATED IN NORFOLK, VIRGINIA, IS WITH FREE CONSENT AND IN ACCORDANCE WITH THE DESIRE OF THE UNDERSIGNED OWNER.

OWNER: HAMPTON ROADS SANITATION DISTRICT

APPROVED: _____, DATE: _____
JAY BERNAS, P.E., MBA, GENERAL MANAGER, HRSD

NOTARY'S NOTE:
STATE OF VIRGINIA
CITY OF VIRGINIA BEACH TO WIT:

I, KAREN C. RUSSO-SCARANO, A NOTARY PUBLIC, IN AND FOR THE CITY AND STATE AFORESAID, DO HEREBY CERTIFY THAT JAY BERNAS, GENERAL MANAGER, HRSD WHOSE NAME IS SIGNED HEREON, HAVE ACKNOWLEDGED THE SAME BEFORE ME IN MY CITY AND STATE AFORESAID.

GIVEN UNDER MY HAND THIS ____DAY OF _____, 20____.

MY COMMISSION EXPIRES APRIL 30, 2027

NOTARY PUBLIC 7837081
NOTARY REGISTRATION NUMBER & SEAL

DIRECTORS NOTE:
THE UNDERSIGNED CERTIFY THAT THIS SUBDIVISION AS IT APPEARS ON THIS PLAT, CONFORMS TO THE APPLICABLE REGULATIONS RELATING TO THE SUBDIVISION OF LAND AND IS ACCORDINGLY APPROVED. BY SUCH APPROVAL, THE UNDERSIGNED DO NOT CERTIFY AS TO THE CORRECTNESS OF THE BOUNDARY, STREETS OR OTHER LINES ON THIS PLAT.

APPROVED: _____, DATE: _____
DEPARTMENT OF CITY PLANNING AND
COMMUNITY DEVELOPMENT, NORFOLK, VIRGINIA

APPROVED: _____, DATE: _____
DEPARTMENT OF PUBLIC WORKS, NORFOLK, VIRGINIA

APPROVED: _____, DATE: _____
DEPARTMENT OF UTILITIES, NORFOLK, VIRGINIA

APPROVED: _____, DATE: _____
DEPARTMENT OF TRANSPORTATION, NORFOLK, VIRGINIA

CLERK'S NOTE:
VIRGINIA:
IN THE CLERK'S OFFICE OF THE CIRCUIT COURT OF THE CITY OF NORFOLK, VIRGINIA, ON THE _____ DAY OF _____, 20____ AT _____, THIS PLAT WAS THIS DAY RECEIVED AND UPON CERTIFICATE OF ACKNOWLEDGMENT, THERETO ANNEXED, ADMITTED TO RECORD IN INSTRUMENT NUMBER _____

BY: _____
TESTE: GEORGE E. SCHAEFER, CLERK

SOURCE OF TITLE: LOT A
THE PROPERTY EMBRACED WITHIN THE LIMITS OF THIS SUBDIVISION WAS CONVEYED TO: HAMPTON ROADS SANITATION DISTRICT FROM TIFFANY M. TALLEY BY DEED DATED JULY 23, 2024 AND RECORDED IN INST. #240012373 IN THE CLERK'S OFFICE OF THE CIRCUIT COURT OF THE CITY OF NORFOLK, VIRGINIA.

OWNERS NOTE:
THE PLATTING OR DEDICATION OF THE FOLLOWING DESCRIBED LAND,
"SUBDIVISION PLAT OF THE PROPERTY H.R.S.D. PUMP STATION 105 CHESAPEAKE BLVD. NORFOLK, VIRGINIA (DEED BOOK 1075 PG. 155) (M.B. 46 PG. 147) LOCATED IN NORFOLK, VIRGINIA, IS WITH FREE CONSENT AND IN ACCORDANCE WITH THE DESIRE OF THE UNDERSIGNED OWNER.

OWNER: HAMPTON ROADS SANITATION DISTRICT

APPROVED: _____, DATE: _____
JAY BERNAS, P.E., MBA, GENERAL MANAGER, HRSD

NOTARY'S NOTE:
STATE OF VIRGINIA
CITY OF VIRGINIA BEACH TO WIT:

I, KAREN C. RUSSO-SCARANO, A NOTARY PUBLIC, IN AND FOR THE CITY AND STATE AFORESAID, DO HEREBY CERTIFY THAT JAY BERNAS, GENERAL MANAGER, HRSD WHOSE NAME IS SIGNED HEREON, HAVE ACKNOWLEDGED THE SAME BEFORE ME IN MY CITY AND STATE AFORESAID.

GIVEN UNDER MY HAND THIS ____DAY OF _____, 20____.

MY COMMISSION EXPIRES APRIL 30, 2027

NOTARY PUBLIC 7837081
NOTARY REGISTRATION NUMBER & SEAL

SOURCE OF TITLE: PART OF CITY OF NORFOLK
THE PROPERTY EMBRACED WITHIN THE LIMITS OF THIS SUBDIVISION WAS CONVEYED TO: CITY OF NORFOLK FROM WILLIAM MAZEL, SPECIAL COMMISSIONER, BY DEED DATED APRIL 4, 1984 AND RECORDED IN DEED BOOK 1743 PAGE 540 IN THE CLERK'S OFFICE OF THE CIRCUIT COURT OF THE CITY OF NORFOLK, VIRGINIA.

OWNERS NOTE:
THE PLATTING OR DEDICATION OF THE FOLLOWING DESCRIBED LAND,
"SUBDIVISION PLAT OF THE PROPERTY H.R.S.D. PUMP STATION 105 CHESAPEAKE BLVD. NORFOLK, VIRGINIA (DEED BOOK 1075 PG. 155) (M.B. 46 PG. 147) LOCATED IN NORFOLK, VIRGINIA, IS WITH FREE CONSENT AND IN ACCORDANCE WITH THE DESIRE OF THE UNDERSIGNED OWNERS.

OWNER: CITY OF NORFOLK

APPROVED: _____, DATE: _____
RICHARD ALLAN BULL, CITY CLERK

APPROVED: _____, DATE: _____
TRISTA POPE, DEPUTY CITY MANAGER

NOTARY'S NOTE:
STATE OF _____
CITY OF _____ TO WIT:

I, _____, A NOTARY PUBLIC, IN AND FOR THE CITY AND STATE AFORESAID, DO HEREBY CERTIFY THAT RICHARD ALLAN BULL, CITY CLERK, WHOSE NAME IS SIGNED HEREON, HAVE ACKNOWLEDGED THE SAME BEFORE ME IN MY CITY AND STATE AFORESAID.

GIVEN UNDER MY HAND THIS ____DAY OF _____, 20____.

MY COMMISSION EXPIRES _____

NOTARY PUBLIC NOTARY REGISTRATION NUMBER & SEAL

NOTES:

1. THE MERIDIAN SOURCE OF THIS PLAT IS BASED ON VIRGINIA STATE PLANE COORDINATE SYSTEM, SOUTH ZONE, NAD83 (HARN 1993) EXPRESSED IN U.S. SURVEY FEET.
2. THIS SURVEY MAY NOT REFLECT ALL EASEMENTS OR RESTRICTIONS THAT AFFECT THE PROPERTY.
3. THE EXISTENCE OF HAZARDOUS WASTES, VEGETATED WETLANDS OR TIDAL WETLANDS WAS NEITHER INVESTIGATED NOR CONFIRMED DURING THE PERFORMANCE OF THIS SURVEY.
4. THIS PROPERTY APPEARS TO BE IN FLOOD ZONE X SHADED, AREAS OF 0.2% ANNUAL CHANCE FLOOD WITH AVERAGE DEPTHS OF LESS THAN 1 FOOT OR WITH DRAINAGE AREAS LESS THAN 1 SQUARE MILE; AND AREAS PROTECTED BY LEVEES FROM 1% ANNUAL CHANCE FLOOD, AND ZONE AE(8) BASE FLOOD ELEVATION 8. ZONE AE(8) DENOTES SPECIAL FLOOD HAZARD AREAS SUBJECT TO INUNDATION BY THE 1% ANNUAL CHANCE FLOODPLAIN. PER FLOOD INSURANCE RATE MAP (F.I.R.M.) HAVING COMMUNITY PANEL NUMBER 510104-0038H, MAP REVISED FEBRUARY 17, 2017.

FLOOD ZONE DETERMINATION IS BASED ON FLOOD INFORMATION RATE MAP (F.I.R.M.) AND DOES NOT IMPLY THAT THIS PROPERTY WILL OR WILL NOT BE FREE FROM FLOODING OR DAMAGE. CONTACT THE LOCAL COMMUNITY FLOOD OFFICIAL TO CONFIRM THE ABOVE INFORMATION.
5. IT IS THE INTENT OF THIS PLAT TO HEREBY VACATE ANY AND ALL INTERIOR PROPERTY LINES WITHIN THE LIMITS OF H.R.S.D. PARCEL, LOT A AND PART OF THE CITY OF NORFOLK PROPERTY IN ORDER TO CREATE ONE LOT TO BE KNOWN AS LOT A-2
6. THE TOTAL AREA ENCOMPASSED WITHIN THIS PLAT IS:
14,747 SQ. FT. OR 0.3323 ACRE.

CHESAPEAKE BAY PRESERVATION AREA NOTE:
THIS PROPERTY IS LOCATED IN THE CHESAPEAKE BAY PRESERVATION AREA (CBPA) AND IS SUBJECT TO CERTAIN DEVELOPMENT REQUIREMENTS AND LIMITATIONS. NO TREE REMOVAL, LAND DISTURBING ACTIVITY OR CONSTRUCTION ACTIVITY CAN BE COMMENCED WITHOUT PRIOR APPROVAL FROM THE CITY OF NORFOLK. PLEASE CONTACT THE BUREAU OF ENVIRONMENTAL SERVICES AT 664-4368 FOR FURTHER INFORMATION.

REFERENCES:

INST# 030044205
D.B. 1611 PG. 96
D.B. 1075 PG. 155
D.B. 1743 PG. 540

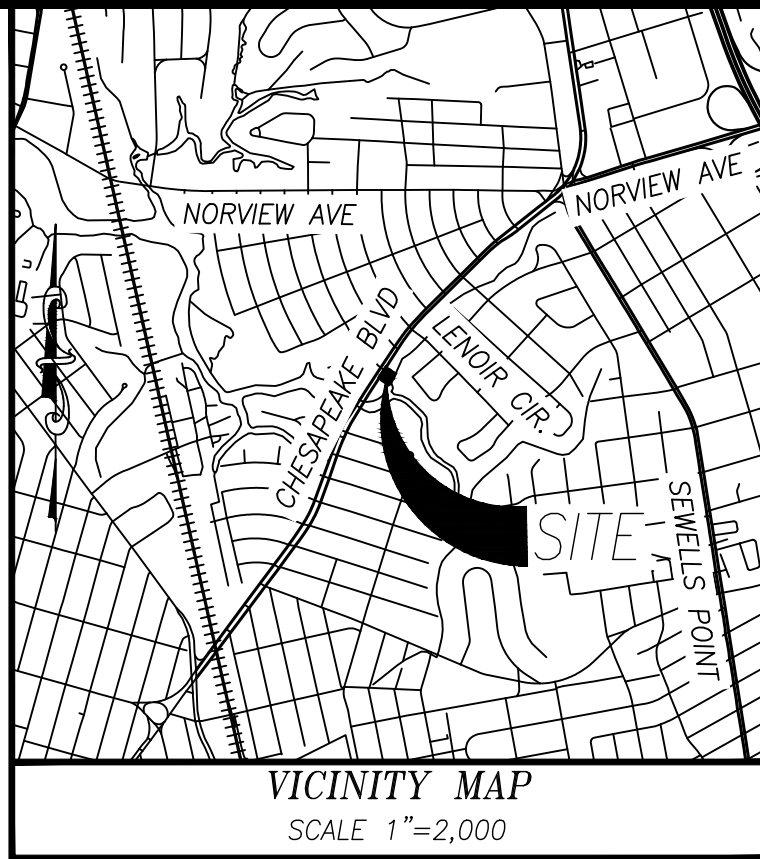
NOTARY'S NOTE:
STATE OF _____
CITY OF _____ TO WIT:

I, _____, A NOTARY PUBLIC, IN AND FOR THE CITY AND STATE AFORESAID, DO HEREBY CERTIFY THAT TRISTA POPE, DEPUTY CITY MANAGER, WHOSE NAME IS SIGNED HEREON, HAVE ACKNOWLEDGED THE SAME BEFORE ME IN MY CITY AND STATE AFORESAID.

GIVEN UNDER MY HAND THIS ____DAY OF _____, 20____.

MY COMMISSION EXPIRES _____

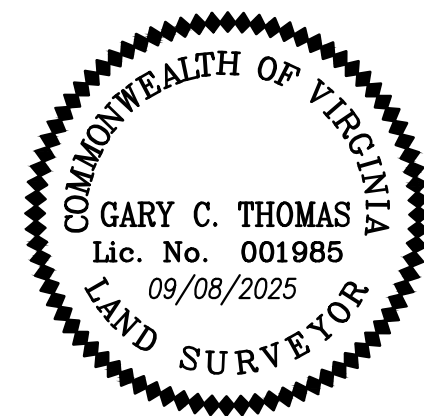
NOTARY PUBLIC NOTARY REGISTRATION NUMBER & SEAL



SURVEYORS NOTE:

I, GARY THOMAS, A LAND SURVEYOR, DO HEREBY CERTIFY THAT THIS PLAT WAS MADE BY ME, THE UNDERSIGNED, AT THE DIRECTION OF THE OWNER, AND THAT THIS SUBDIVISION IS ENTIRELY WITHIN THE BOUNDARIES OF LAND COVERED BY DEED DESCRIBED BELOW, AND THAT CONCRETED STEEL PINS, AS SPECIFIED BY THE SUBDIVISION REGULATIONS OF THE CITY OF NORFOLK, VIRGINIA, ARE ACTUALLY IN PLACE AT POINTS MARKED THUS "●" AND/OR AS SHOWN ON THE ACCOMPANY LEGEND, AND THAT THEIR LOCATIONS ARE CORRECTLY SHOWN.

SIGNED: _____, DATE: 09/08/2025
GARY C. THOMAS, L.S. NO. 001985



SUBDIVISION PLAT OF
H.R.S.D. PUMP STATION #105
CHESAPEAKE BLVD.
NORFOLK, VIRGINIA
(DEED BOOK 1075 PG. 155)
(M.B.46 PG. 147)

NORFOLK, VIRGINIA

SCALE: 1" = 30' DATE: SEPTEMBER 8, 2025

PRECISION MEASUREMENTS, INC.
SURVEYORS GPS • 3-D SCANNING • GIS • MAPPERS
VIRGINIA BEACH-RICHMOND-NEWPORT NEWS-CHANTILLY, VIRGINIA
11835 CANON BLVD, SUITE B-103
NEWPORT NEWS, VIRGINIA 23606
TEL: (757) 595-7570
gthomas@precisionmeasurements.com
SHEET 1 OF 2

H.R.S.D. PARCEL

PROPERTY OF: HAMPTON ROADS SANITATION DISTRICT COMMISSION (H.R.S.D.)

LOT A

PROPERTY OF: HAMPTON ROADS SANITATION DISTRICT (H.R.S.D.)

PART OF THE CITY OF NORFOLK (LINES L4 & L5 ADJUSTED TO L1, L2 & L3)

PROPERTY OF: CITY OF NORFOLK

AREA TABLE

| DESCRIPTION | NEW SQ. FT. | NEW ACREAGE | OLD SQ. FT. | OLD ACREAGE |
|----------------------------------|-------------|-------------|-------------|-------------|
| LOT A | | | 5,892 | 0.1353 |
| H.R.S.D. PARCEL | | | 5,526 | 0.1269 |
| PART OF CITY OF NORFOLK PROPERTY | | | 3,056 | 0.0701 |
| A-2 (NEW PARCEL) | 14,474 | 0.3323 | | |
| TOTAL PLAT AREA | 14,474 | 0.3323 | | |

LINE TABLE

| LINE | BEARING | DISTANCE |
|------|---------------|----------|
| L1 | S 23°45'53" W | 113.93' |
| L2 | S 18°10'54" W | 52.18' |
| L3 | N 17°46'08" W | 37.98' |
| L4 | N 17°46'08" W | 19.00' |
| L5 | N 23°13'04" E | 68.31' |
| L6 | N 57°00'30" W | 12.00' |
| L7 | N 32°49'01" E | 39.91' |
| L8 | S 57°04'51" E | 4.44' |
| L9 | N 32°55'09" E | 63.04' |
| L10 | N 23°46'46" E | 29.67' |
| L11 | N 36°06'24" W | 5.00' |
| L12 | N 32°51'52" E | 5.03' |
| L13 | S 33°26'58" W | 20.93' |
| L14 | S 23°37'04" W | 39.42' |

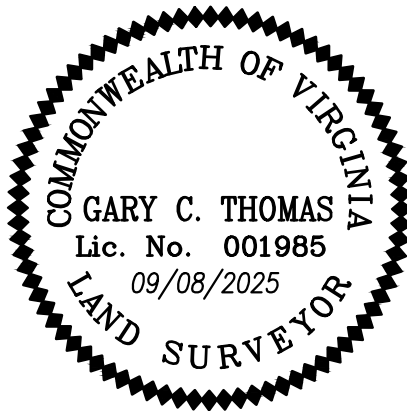
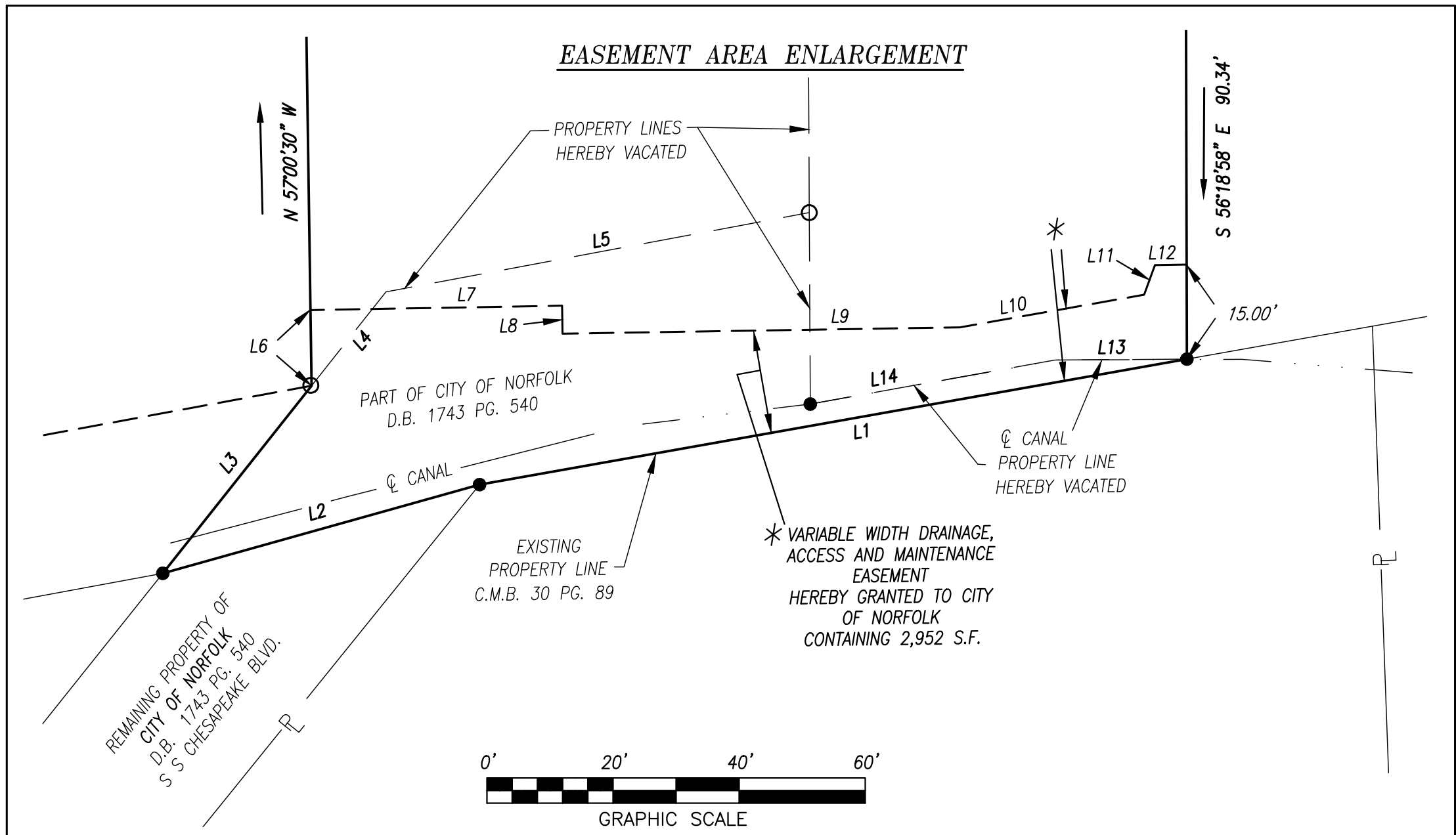
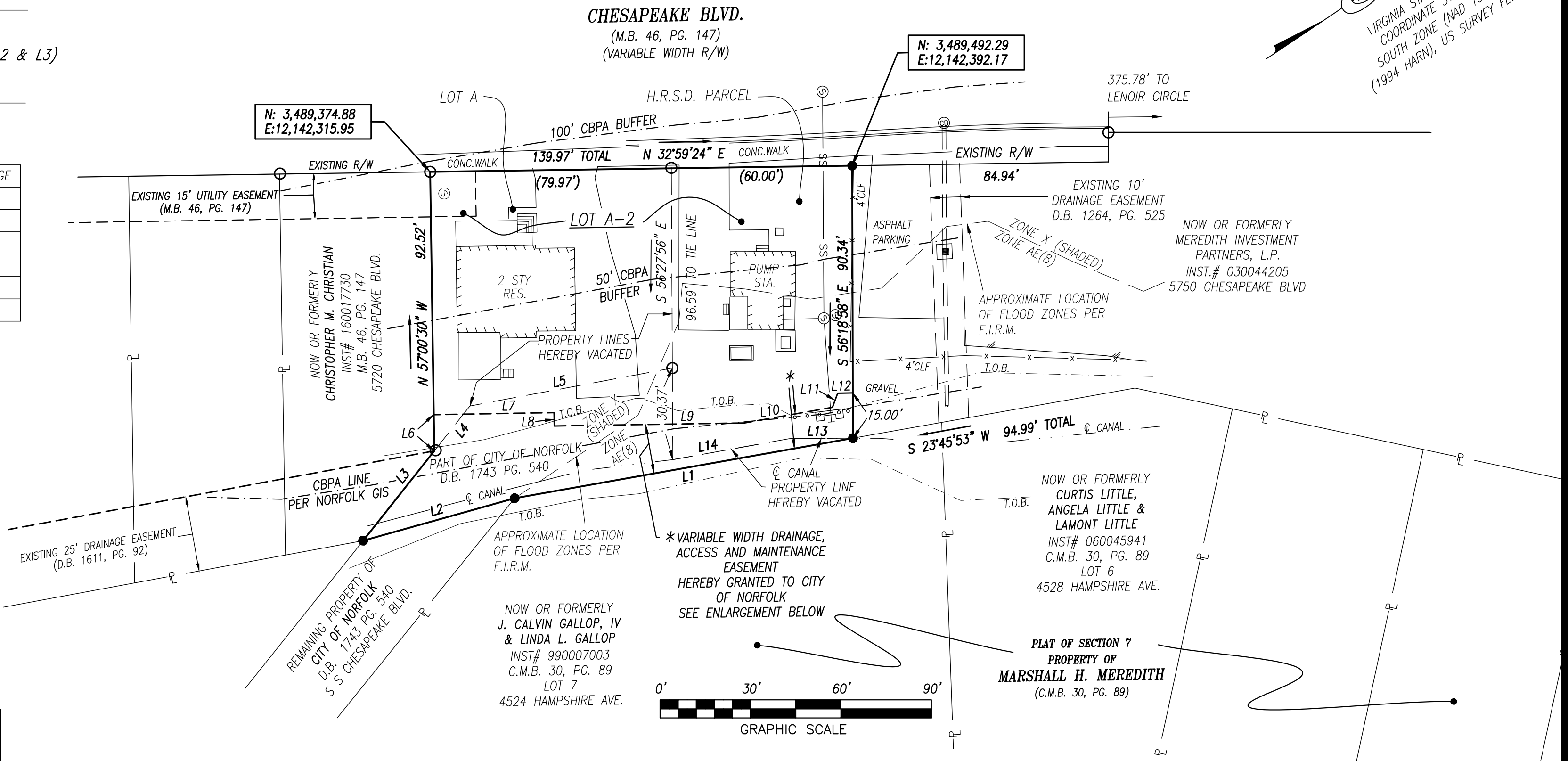
MONUMENTS LEGEND

| | | |
|---|----------------------------|------------------------|
| ● | 5/8" IRON ROD SET | UNLESS OTHERWISE NOTED |
| ○ | 5/8" IRON ROD FOUND/ROD(F) | UNLESS OTHERWISE NOTED |

IT IS THE INTENT OF THIS PLAT TO HEREBY VACATE ANY AND ALL INTERIOR PROPERTY LINES WITHIN THE LIMITS OF H.R.S.D. PARCEL, LOT A AND PART OF THE CITY OF NORFOLK PROPERTY IN ORDER TO CREATE ONE LOT TO BE KNOWN AS LOT A-2

CLERK'S NOTE:
VIRGINIA:
IN THE CLERK'S OFFICE OF THE CIRCUIT COURT OF THE CITY OF NORFOLK, VIRGINIA, ON THE _____ DAY OF _____, 20____ AT _____, THIS PLAT WAS THIS DAY RECEIVED AND UPON CERTIFICATE OF ACKNOWLEDGMENT, THERETO ANNEXED, ADMITTED TO RECORD IN INSTRUMENT NUMBER _____

BY: _____
TESTE: GEORGE E. SCHAEFER, CLERK



SUBDIVISION PLAT OF
H.R.S.D. PUMP STATION #105
CHESAPEAKE BLVD.
NORFOLK, VIRGINIA
(DEED BOOK 1075 PG. 155)
(M.B.46 PG. 147)

NORFOLK, VIRGINIA

SCALE: 1" = 30' DATE: SEPTEMBER 8, 2025

PRECISION MEASUREMENTS, INC.

SURVEYORS GPS 3-D SCANNING GIS MAPPERS
VIRGINIA BEACH-RICHMOND-NEWPORT NEWS-CHANTILLY, VIRGINIA
11835 CANON BLVD, SUITE B-103
NEWPORT NEWS, VIRGINIA 23606
TEL: (757) 595-7570
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

HRSD Commission Meeting Minutes
November 18, 2025
Attachment #7

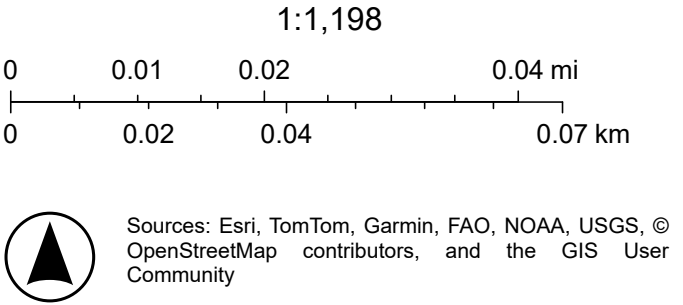
10. Larchmont Area Sanitary Sewer Improvements
Transfer Agreement for Gravity Sewer on Richmond Crescent, Norfolk, Virginia

Richmond Crescent SA124 - City of Norfolk Transfer



10/31/2025, 11:38:04 AM

| | | | | | | | | | |
|------------------------------------------------------------------------------------|----------------|-------------------------------------------------------------------------------------|----------------------|-------------------------------------------------------------------------------------|--------------|--------------------------------------------------------------------------------------|---------------------|---------------------------------------------------------------------------------------|-----------------------|
|  | Air Vent |  | Service Connection |  | Valves Misc. |  | Sewer Line - Active |  | Sewer Line - Inactive |
|  | Valve Mainline |  | Emergency Connection |  | Branch |  | Sewer Force Main |  | Red: Band_1 |
|  | Fitting |  | Pump Stations |  | Manhole |  | Sewer Gravity Main |  | Green: Band_2 |
| | |  | Pump Station | | |  | Sewer Virtual Line |  | Blue: Band_3 |



**HAMPTON ROADS SANITATION DISTRICT AND CITY OF NORFOLK
TRANSFER AGREEMENT
FOR
RICHMOND CRESCENT GRAVITY SEWER IMPROVEMENTS**

THIS TRANSFER AGREEMENT (the “AGREEMENT”), between the CITY OF NORFOLK (“CITY”) and the HAMPTON ROADS SANITATION DISTRICT (“HRSD”) (each individually a “Party” and collectively, the “Parties”), is entered this _____ day of _____, 2025.

WHEREAS it is the desire for the CITY and HRSD to regionalize certain wastewater conveyance systems to create savings for the mutual ratepayers of the CITY and HRSD, and to create additional benefits for both the CITY and HRSD by the division of certain roles and responsibilities with regard to operation of systems and the transfer of ownership of certain assets; and

WHEREAS HRSD has constructed 778 LF of 8-inch DR18 PVC gravity sewers, five new sewer manhole structures, and eight 4-inch sewer service laterals in accordance with construction plans (bid document Vol 2) titled “CIP project # VP015320 Larchmont Area Sanitary Sewer Improvements”, and dated October 24, 2024, (the “BID DOCUMENTS”) in coordination with the CITY and as shown on Exhibits A and B (hereafter referred to as the “IMPROVEMENTS”); and

WHEREAS CITY and HRSD have determined that a transfer of ownership of the IMPROVEMENTS from HRSD to CITY will serve the needs of the service area most efficiently and is in the best interests of the Parties; and

WHEREAS the IMPROVEMENTS were completed by HRSD in coordination with the CITY and in conformance with the CITY’s Design and Construction Standards for Public Right-of-Ways (ROW) (NCDS2021.12);

WHEREAS upon CITY’s satisfactory inspection of the IMPROVEMENTS and a determination of substantial completion in accordance with the terms and conditions of this AGREEMENT including but not limited to conformance with the BID DOCUMENTS, HRSD agrees to convey, and CITY agrees to acquire, the IMPROVEMENTS.

NOW, THEREFORE, it is mutually agreed between the Parties as follows:

I. OWNERSHIP TRANSFER OF IMPROVEMENTS

- A. HRSD agrees to transfer, and the CITY agrees to accept ownership of the IMPROVEMENTS upon their SUBSTANTIAL COMPLETION by HRSD. “SUBSTANTIAL COMPLETION” shall be achieved when HRSD has substantially completed the work outlined in Section II of this AGREEMENT, has determined that the IMPROVEMENTS are ready for their intended use and the City has provided HRSD with a written notification that it has completed its inspection and approved the IMPROVEMENTS.

- B. The CITY shall be entitled to conduct a final inspection walkthrough to confirm that the IMPROVEMENTS have been installed in substantial conformance with the terms of this AGREEMENT, which inspection and confirmation shall not be unreasonably delayed or withheld. Following inspection and confirmation of conformity by the CITY, HRSD shall release the contractor(s) engaged in the construction of the IMPROVEMENTS and the warranty period for the IMPROVEMENTS provided for herein shall commence.
- C. Upon CITY'S written notification to HRSD that it has satisfactorily inspected and approved of the IMPROVEMENTS, HRSD will issue a notice of SUBSTANTIAL COMPLETION, at which time ownership of the IMPROVEMENTS shall automatically transfer and vest with the CITY. The Parties shall provide written acknowledgment of the transfer of ownership of the IMPROVEMENTS from HRSD to CITY promptly following SUBSTANTIAL COMPLETION by executing a completed Certificate of City's Acceptance of Improvements (the "CERTIFICATE") in the form attached hereto as Exhibit "C". The CERTIFICATE shall serve to establish a date certain of the transfer of ownership and confirm both Parties' compliance with the terms of this AGREEMENT.
- D. Upon the transfer of ownership of the IMPROVEMENTS to the CITY, the CITY will thereafter operate and maintain the IMPROVEMENTS in perpetuity.
- E. HRSD agrees to provide the CITY access to sewer manhole # MH 9004 (see Exhibit B) to conduct periodic routine maintenance and CCTV work for the IMPROVEMENTS and along Richmond Crescent public Right-of-Way (ROW).

II. ROLES AND RESPONSIBILITIES

- A. The IMPROVEMENTS shall consist of the following work, which the Parties agree represent the mutually agreed upon necessary gravity sewer system improvements based on the BID DOCUMENTS and industry standard practices and products acceptable to the CITY:
 - 1. HRSD will construct IMPROVEMENTS, to replace the existing gravity sewers located in the Richmond Crescent Public Right-of-Way.
 - 2. In performing its work on the IMPROVEMENTS, HRSD will adhere to CITY's Design & Construction Standards for all gravity sewer system improvements to ensure the IMPROVEMENTS and appurtenances are acceptable and in good operational condition prior to transfer to CITY.
 - 3. HRSD will replace all existing sewers as shown in Exhibits A and B with the IMPROVEMENTS from new sewer manhole MH-9004 to sewer manhole MH-9000 located at the intersection of Richmond Crescent and

Manchester Avenue. HRSD will own, operate and maintain sewer manhole MH-9004. HRSD will also transfer all active service laterals along Richmond Crescent to the IMPROVEMENTS by installing new service laterals and clean-outs as shown in Exhibits A and B. The existing sewer manhole structures and new service laterals and clean-outs shall be included in the definition of IMPROVEMENTS for the purposes of such transfer.

4. HRSD will own, operate, and maintain sewer manhole MH-9004 in perpetuity.
 5. HRSD will abandon in place the existing gravity sewer infrastructure and remove the parts that will be exposed during construction of the IMPROVEMENTS.
 6. HRSD will restore the Public Right-of-Way to include curb and gutter pans with paving patch as required in the BID DOCUMENTS. Repaving methods and means will adhere to CITY's Design & Construction Standards for Public Right-of-Way (ROW).
- B. The Parties agree to the following ancillary provisions relating to the IMPROVEMENTS:

1. Correction of Construction Defects

HRSD shall require the contractor(s) engaged in the construction of the IMPROVEMENTS to provide a performance and payment bond, issued to and for the benefit of HRSD and the City of Norfolk, for the full amount of the construction of the IMPROVEMENTS. The construction contract shall also provide for a warranty of the contractor's work against construction defects in the IMPROVEMENTS and shall require the contractor to correct such defects that are reported by the CITY or HRSD within one (1) year of substantial completion of the IMPROVEMENTS. In reviewing and approving the award of the construction contract, the Parties shall ensure that any such warranty is assignable to the CITY upon transfer of ownership of the IMPROVEMENTS.

2. Construction Record Drawings

Upon completion of the IMPROVEMENTS, HRSD shall provide the CITY construction record drawings approved by both Parties in accordance with CITY's Design and Construction Standards latest edition. HRSD further agrees to provide the CITY all other records produced during the work pertaining to the IMPROVEMENTS, e.g., condition assessment closed-circuit television (CCTV) videos, record drawings, etc.

III. GENERAL PROVISIONS

- A. Notices: All formal notices required pursuant to the terms of this AGREEMENT shall be deemed effective when delivered by hand-delivery, electronic mail with confirmation of receipt, or certified mail, return receipt requested, postage prepaid, to CITY and to HRSD at the respective addresses herein shown, unless this AGREEMENT is modified in writing to reflect other addresses:

| | |
|-------------------------------------------------------------------------------------|---------------------------------------------------------------|
| CITY of Norfolk | HRSD |
| c/o Director, Department of Utilities | c/o General Manager and CEO |
| 401 Monticello Avenue | PO Box 5911 |
| Norfolk, VA 23510 | Virginia Beach, VA 23471 |
| Email: robert.carteris@norfolk.gov | Email: jbernas@hrsd.com |

With Copies to:

HRSD Counsel:
Robyn H. Hansen, Attorney
Sands Anderson PC
4801 Courthouse Street, Suite 203
Williamsburg, VA 23188
Email: Rhansen@sandsanderson.com

City of Norfolk - Department of Utilities
Robert A. Carteris, Director
500 E. Main Street, Suite 700
Norfolk, VA 23510

And

Office of the Norfolk City Attorney
810 Union Street, Suite 900
Norfolk, VA 23510

- B. Entire Agreement: This AGREEMENT, and any exhibits or attachments made hereto, represent the full agreement and understanding of the Parties hereto, there being no additional agreements written, oral or otherwise. This AGREEMENT may be amended only by a writing signed by both Parties.
- C. 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 and that all necessary actions of the Norfolk City Council to allow execution of this AGREEMENT have been completed, and that any necessary Resolutions and actions of the

Commission of HRSD to allow execution of this AGREEMENT have been completed. This AGREEMENT shall apply to, and be binding upon both Parties, their elected officials, officers, agents, employees, successors, and assigns.

- D. 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.
- E. No Violation: The execution of this AGREEMENT by the Parties will not violate any covenant, condition, or contract to which the Parties hereto are subject at the time of execution.
- F. Governing Law; Venue: 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. Venue shall be in the courts of the City of Norfolk.
- G. Enforcement: The failure of either Party to enforce the terms of this AGREEMENT shall not be considered a waiver as to the enforceability of such terms. If any provision of this AGREEMENT is found to be unenforceable, the remainder of this AGREEMENT shall remain in full force and effect.
- H. Survival: This AGREEMENT shall survive settlement and conveyance of title and shall terminate only upon the written AGREEMENT of both Parties.
- I. 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.
- J. 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.

- K. 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.
- L. Reservation: Except as expressly provided herein, nothing in this AGREEMENT shall be construed to limit or otherwise affect the authority, rights, or responsibilities of the Parties.
- M. Recitals: The Recitals above are incorporated into this Agreement as if fully set forth therein.

(SIGNATURE PAGES TO FOLLOW)

IN WITNESS WHEREOF, the CITY of Norfolk has caused this AGREEMENT to be signed by the CITY Manager pursuant to the Ordinance (# _____) adopted by the CITY Council on _____, 2025.

CITY OF NORFOLK

By: _____
Patrick G. Roberts, City Manager

Attest: _____

COMMONWEALTH OF VIRGINIA
CITY OF NORFOLK, to-wit:

The foregoing instrument was acknowledged before me this ____ day of _____, 2025, by _____, CITY Manager of the CITY of Norfolk and _____, who is CITY Clerk of the CITY of Norfolk.

Notary Public

Notary#: _____

My Commission expires: _____

APPROVED AS TO CONTENT:

Director, Department of Utilities

APPROVED AS TO FORM AND
CORRECTNESS:

CITY Attorney's Office

IN WITNESS WHEREOF, the Hampton Roads Sanitation District 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 November 18, 2025.

HAMPTON ROADS SANITATION DISTRICT

By:

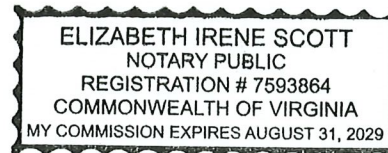

Jay Bernas, P.E., General Manager and CEO

COMMONWEALTH OF VIRGINIA
CITY OF VIRGINIA BEACH, to-wit:

The foregoing instrument was acknowledged before me this 18th day of November, 2025 by Jay Bernas, P.E., General Manager and CEO of Hampton Roads Sanitation District.


Notary Public

Notary#: 7593864
My Commission expires: August 31, 2029



HRSD Commission Meeting Minutes
November 18, 2025
Attachment #8

11. King William Treatment Plant Improvements Phase II
Acquisition of Real Property (1377 Acquinton Church Road, King William, Virginia
23086)

VIRGINIA STATE PLANE
COORDINATE SYSTEM
SOUTH ZONE (NAD 1983)
(1994 HARN)

HRSD owned parcel
(KWTP site)

NOW OR FORMERLY
CLEMENS FARMS, INC.
D.B. 137 PG. 207
PARCEL ID: 28-29

NOW OR FORMERLY
JEAN M. HOOVER
D.B. 220 PG. 315
PARCEL ID: 28-35

ACQUITTION CHURCH ROAD/RT. 618
(VARIABLE WIDTH R/W S.H.B. 1 PG. 17)

Proposed acquisition area:
1.68 acres (+/-)

NOW OR FORMERLY
WILLIAM J. HUNT IV
INST. #170000269
D.B. 320 PG. 2283 (PLAN)
INST. #090002542 (PLAN)
PARCEL ID: 28-69C

NOW OR FORMERLY
DAVID L. BEAHER
D.B. 328 PG. 2067
D.B. 320 PG. 2283 (PLAN)
PARCEL ID: 28-4-7

NOW OR FORMERLY
CLEMENS FARMS, INC.
D.B. 137 PG. 207
PARCEL ID: 28-29

REMAINING PROPERTY OF
FONTAINEBLEAU FARM, INC.
D.B. 138 PG. 698
TAX PARCEL ID: 28-69F
(OLD AREA=50.00 ACRES +/- PER TAX RECORDS)
NEW AREA = 48,3214 ACRES +/-
NO IMPROVEMENTS ARE CURRENTLY
LOCATED ON TAX PARCEL 28-69F

PARCEL 28-69F
(INST. #100001381 (EASEMENT)
DENOTES 20' EASEMENT FOR SEWER
LINE OF UNDESIGNED LOCATION)
LINE 1/4" TO 1/2" IS APPROXIMATE AND
IS PER THE COUNTY GIS MAPPING

NOW OR FORMERLY
STOKES FARM LLC
INST. #130000037
PARCEL ID: 28-69D

Fontainebleau Farm Inc.
owned parcel

SEE SHEET 2 FOR
IMPROVEMENTS LOCATED ON
TAX PARCEL 34-21.

PARCEL SUMMARY

| TAX PARCEL | PARCEL | OLD ACREAGE | NEW ACREAGE |
|-------------------|---------------|-------------|-------------|
| TAX PARCEL 34-21 | PARCEL 34-21 | 5.4986 | 7.1772 |
| TAX PARCEL 28-69F | PARCEL 28-69F | *50.00 | 48.3214 |
| | TOTAL | 55.4986 | 55.4986 |



PRECISION MEASUREMENTS, INC.
SURVEYORS • GPS • 3-D SCANNING • GIS • MAPPERS
VIRGINIA BEACH-RICHMOND-NEWPORT NEWS-CHARLOTTESVILLE, VIRGINIA
11833 CANYON BLVD., SUITE B-103
NEWPORT NEWS, VIRGINIA 23606
TEL: (757) 595-7570





SHEET 2 OF 3

OVERALL SHEET

BOUNDARY LINE ADJUSTMENT PLAT
BETWEEN THE PARCELS OF
HAMPTON ROADS SANITATION DISTRICT
BEING TAX PARCEL 34-21
AND
FONTAINEBLEAU FARM INC.
BEING TAX PARCEL 28-69F
KING WILLIAM COUNTY, VIRGINIA
SCALE: 1" = 150' DATE: JULY 7, 2025



MP013300

-  Project Interceptor Line
-  Project Interceptor Point
-  Project Location 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 25 50 100 150 200 Feet

MP013300

King William Treatment Plant Improvements Phase II



CIP Location



HRSD Commission Meeting Minutes
November 18, 2025
Attachment #9

12. Customer Care
Briefing

A dynamic splash of water with many bubbles, creating a sense of movement and freshness. The water is clear and blue, with light reflecting off the surface.

Finance: Customer Care Center Briefing

Jill Morrison | Director of Customer Care
November 18, 2025



2030 HRSD Strategic Plan & Customer Care Center

HRSD Priorities of Customer Engagement and Financial Stewardship

Goals include increasing customer awareness and demonstrate value of services

By modernization of communication methods, digital engagement, and self-service options

Customer Care Briefing

- Water Cycle Process Illustration & Moving Graphic
- Customer Engagement Portal
- New Outbound Texts
- After Call Surveys
- Hand-delivered Door Tags to Mailed Shut-off Notices
- Bill Redesign
- Billing System Cloud Migration and Version Upgrade

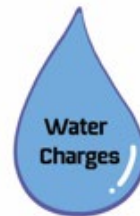
Water Cycle Process Illustration & Moving Graphic

- Static Image
—Paper bills
Insert
- Moving Graphic

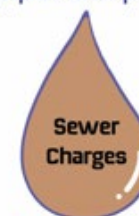
FROM SOURCE



- City/County provides water to you
- City/County collects water meter info; sends info to HRSD for billing



- Used water (wastewater) leaves your home or business through City/County-owned sewer pipes and pump stations



TO SANITATION

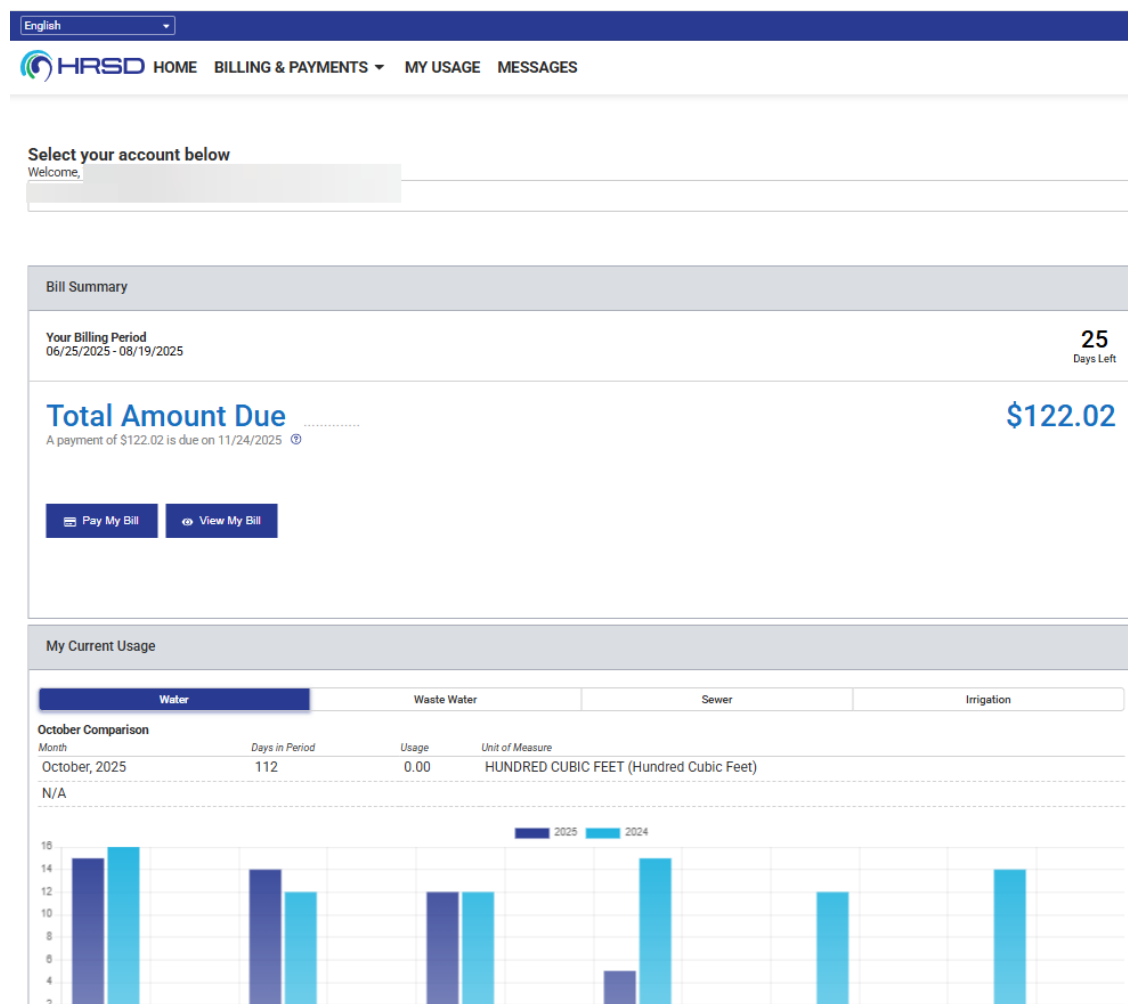


- HRSD treats the wastewater
- Highly treated water is returned to the environment



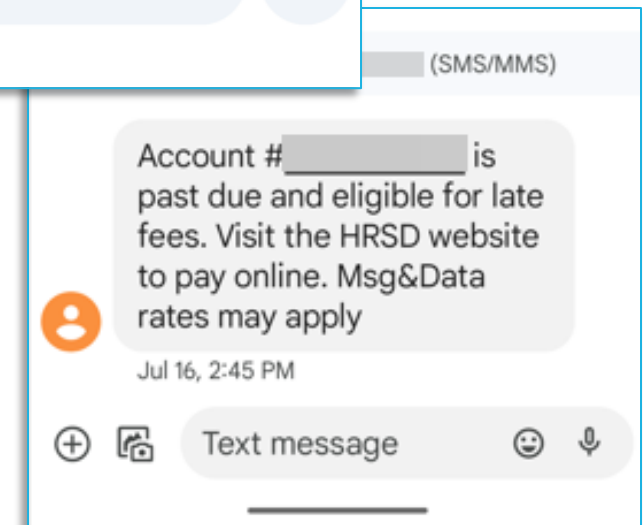
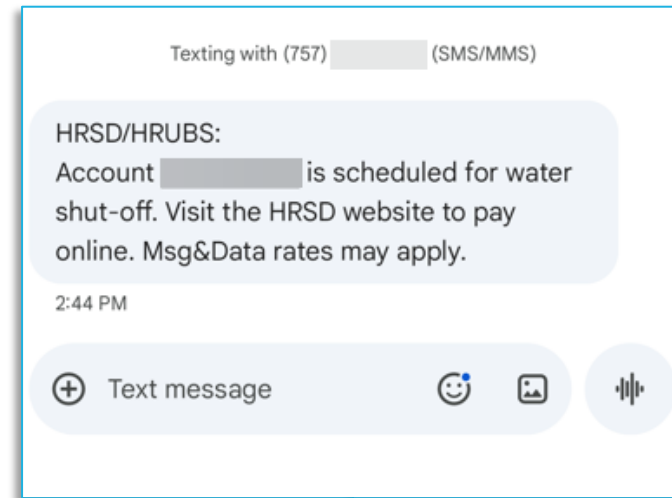
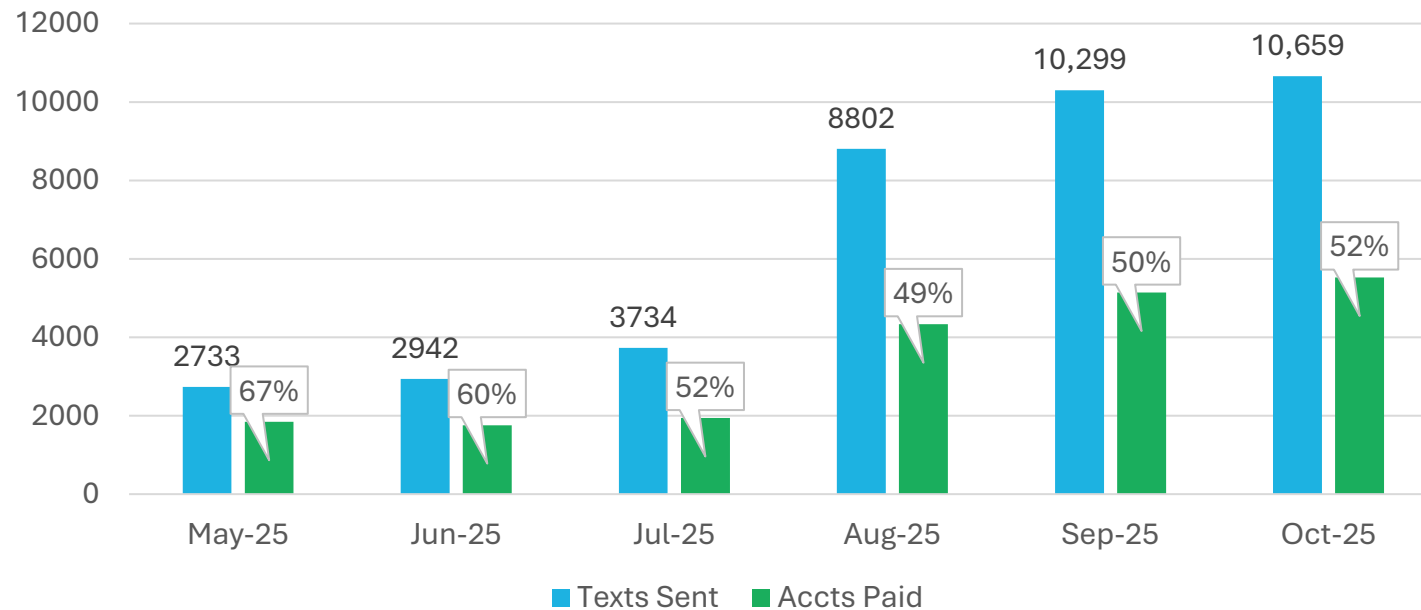
Customer Engagement Portal

- ~200K enrolled
- Intentionally Simple
- New Histogram
- Active Autopay ~108K
- Active eBill ~192K
- Planned Portal Enrollment , Autopay and eBill Campaigns
- Budget Feature
- More Self-Service Options



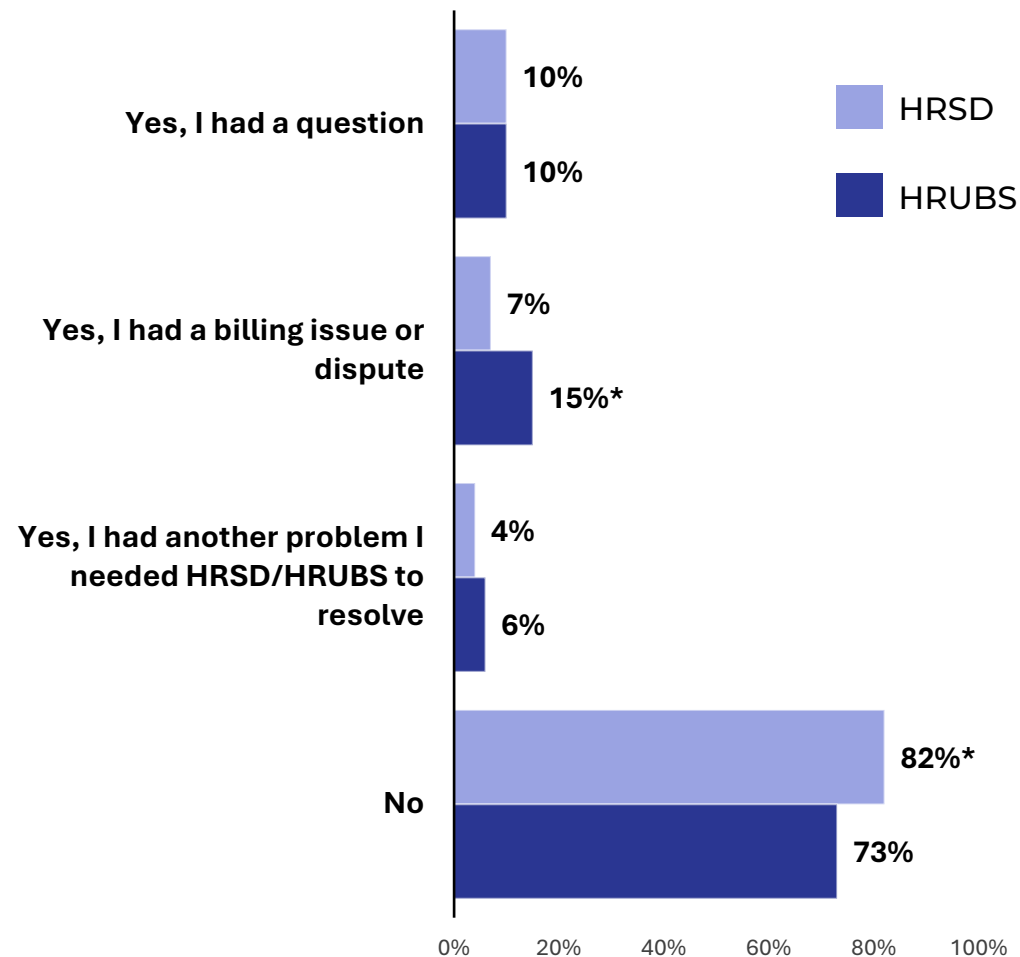
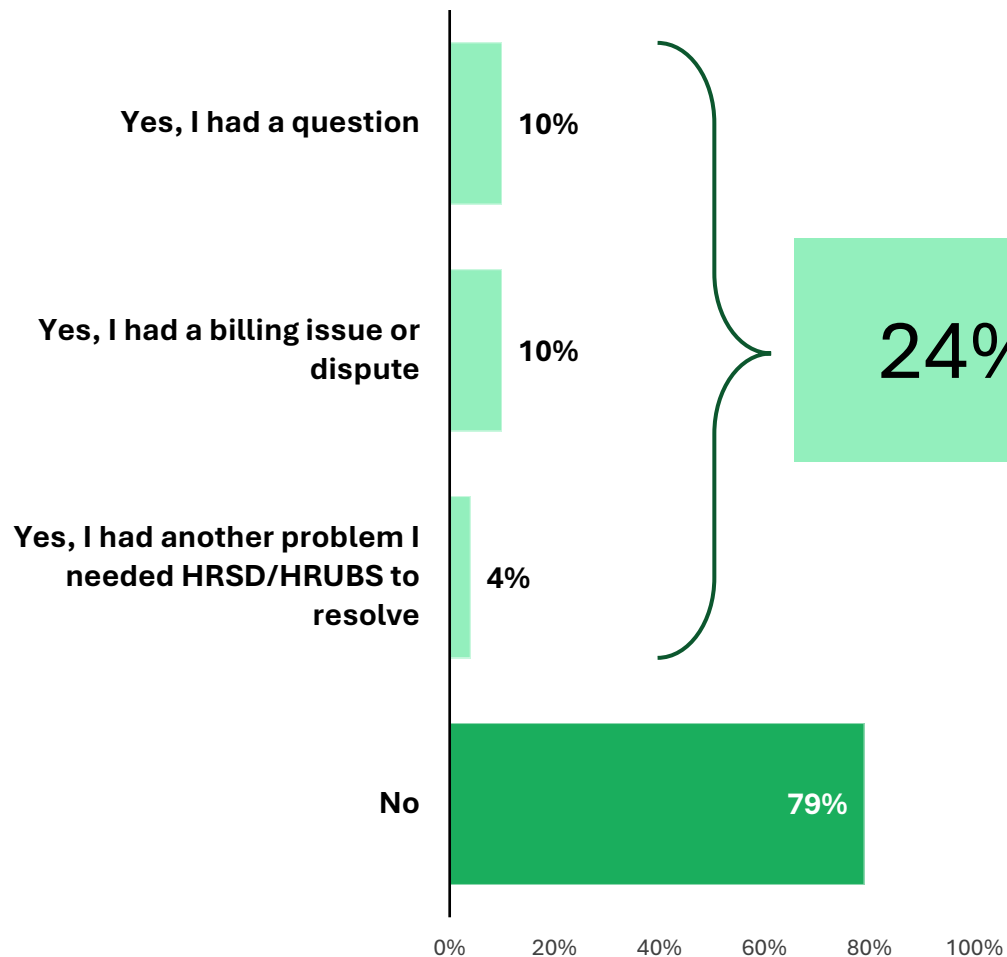
New Outbound Texts & Results

Texts Sent to Payments Received



Customer Service Contact

Over the past year, one-quarter of respondents have contacted HRSD/HRUBS customer support with a question or problem.



Q13: In the past 12 months, have you contacted HRSD/HRUBS Customer Service to ask a question or report a problem? *Select all that apply.* *Significantly higher, $p < .05$

3. Customer Care



Half of those who have contacted customer service are satisfied with their experience, down from prior study waves.



Those who only have to contact customer service once or only have a general question are more likely to report successful problem resolution.



Gen X respondents report low satisfaction scores with customer service elements, while Boomer respondents report the highest.



24%

of customers have contacted customer service within the past year.

34%

of those customers first turn to an online resource to try to resolve their problem.

66%

of those contacting customer service reached a satisfactory outcome.

New After Call Surveys

Customer Satisfaction: "How satisfied are you with the overall experience of our service?"

Agent Performance: "How do you rate the service quality of the agent who served you on the call?"

First Call Resolution: "Were all your questions resolved at first call, or did you contact us more than once?"

| | Email Surveys Completed | Overall Score | Voice Surveys Completed | Overall Score |
|-----------|-------------------------|---------------|-------------------------|---------------|
| May 2025 | 164 | 86% | | |
| June 2025 | 120 | 89% | | |
| July 2025 | 203 | 90% | | |
| Aug 2025 | 152 | 87% | | |
| Sept 2025 | 68 | 82% | | |
| Oct 2025 | 178 | 85% | 206 | 76% |

Response Rate 6%

Response Rate 40%

Introduction of Mailed Shut-off Notices

- Out of Date Practice
- Avoids Additional Costs to Customers
- Reduces Notification Timing Delays
- Dominion VA Energy, Virginia Natural Gas, Columbia Gas, VB Utilities, NNWW
- Norfolk, Chesapeake, Suffolk – options

HRSD Customer Care Center
8:00 AM – 5:00 PM M – F
(757) 460 – 2491

[X] THE UTILITY SERVICE BILL FOR THIS PROPERTY IS PAST DUE. To avoid interruption of water service and additional charges:
*** Amount below must be received IMMEDIATELY.**
*** DO NOT MAIL PAYMENT.**

[] HRSD attempted to access your water meter and found it was inaccessible. A \$50 Inaccessible meter fee will be applied to your account upon the second failed attempt.

ACCT #: [REDACTED] **11/03/2025**

\$349.65 Required to continue/restore water service

If the above amount is not received TODAY, your required payment may increase due to additional billed charges becoming past due. Payment may be made online, by phone or in person.

Payment must be made in full by 4PM to have water service turned on the same day. If payment is received after 4PM, water service turn-on will be scheduled the next business day.

For more information regarding specific locality disconnection policies contact your local water provider.

Hampton Roads Utility Billing Service
HRUBS
 HRSD
 1434 Air Rail Ave
 Virginia Beach, VA 23455
 www.hrdsd.com

WATER SHUT OFF NOTICE
SHUT OFF DATE 10/14/25

NORFOLK
 City of Norfolk
 810 Union St, Suite 101
 Norfolk, VA 23510
 www.norfolk.gov/utilities

PAYMENT OPTIONS

Credit/Debit Card and Electronic Checks:
 Pay online at www.hrdsd.com or call toll free at 1-888-430-4385

Payment Locations:
NORFOLK UTILITIES OFFICE
 Monday - Friday, 7:30 a.m. - 4:30 p.m. EST
 (757) 664-6700
 Department of Utilities
 810 Union St, Suite 101
 Norfolk, VA 23510

HRSD CUSTOMER CARE CENTER
 Monday - Friday, 8:00 a.m. - 4:30 p.m.
 (757) 460-2491
 1434 Air Rail Avenue
 Virginia Beach, VA 23455



PAST DUE

PAY IMMEDIATELY: \$145.36

If paid after (current Bill due date) please pay (Total Balance)

Date: [REDACTED]
 Customer Name: [REDACTED]
 Account Number: [REDACTED]
 Service Address: [REDACTED] NORFOLK, VA 23513

NOTICE INTENT TO SHUT OFF WATER

Water service at this address will be shut off without further notice unless the required payment amount is paid immediately. Additional fee(s) will be assessed.

Payment must be made in full before 4:00 pm (NNWW 2:00 pm) to have water service turned on the same day after shut off.

Prompt attention to this matter is required to avoid water service shut off. If payment of the past due amount has already been made, please disregard.

HRSD or City cannot be held responsible for personal or property damage as a result of water service shut off due to non-payment.

RETURN THIS PORTION WITH PAYMENT - DO NOT SEND CASH THROUGH MAIL

Hampton Roads Utility Billing Service
HRUBS
 HRSD
 1434 Air Rail Ave
 Virginia Beach, VA 23455
 www.hrdsd.com

TIME SENSITIVE MATERIAL

PAYMENT SECTION

Account Number [REDACTED]
 Due Date [REDACTED] Pay Immediately
Amount Past Due \$255.73
 Amount Enclosed \$ [REDACTED]

If payment to turn on water is returned, full balance will be due.

Past due balances subject to finance charges of .83% per month - Norfolk and 1.5% per month - HRSD

MAKE CHECK PAYABLE TO:

 HRSD
 PO BOX 37097
 BOONE, IA 50037-0097

Bill Redesign Coming Soon

Hampton Roads Utility Billing Service
HRUBS

HRSD
1434 Air Rail Ave
Virginia Beach, VA 23455
www.hrud.com

City of Norfolk
810 Union St, Suite 101
Norfolk, VA 23510
www.norfolk.gov/utilities

Page 1 of 4

| ACCOUNT SUMMARY | | | |
|-------------------|-----------|---------------------|----------|
| HRSD Acct | 8 | Total Amount Due | \$963.96 |
| Jurisdiction Acct | | Current Charges Due | 01/03/25 |
| Bill Date | 12/13/24 | Current Charges | \$214.05 |
| Previous Balance | \$949.91 | | |
| Payment Received | -\$200.00 | | |
| Balance Forward | \$749.91 | Total Amount Due | \$963.96 |

ACCOUNT DETAIL

Customer Name: [REDACTED]
Service Address: [REDACTED]

Balance Forward - DUE IMMEDIATELY **\$749.91**

Norfolk Charges

Service from 11/08/24 to 12/10/24

| | |
|--------------------------------------|-----------------|
| Water S CCF x \$6.29 | \$50.32 |
| Wastewater Collection S CCF x \$5.44 | \$43.52 |
| Refuse Disposal | \$29.99 |
| Storm Water | \$15.01 |
| Finance Charge | \$3.35 |
| Tax | \$5.62 |
| Norfolk Subtotal | \$147.81 |

HRSD Charges

Service from 11/09/24 to 12/10/24

| | |
|-----------------------------------------------|-----------------|
| Wastewater Treatment Charge 8.00 CCF x \$8.28 | \$66.24 |
| HRSD Subtotal | \$66.24 |
| Total Current Charges | \$214.05 |
| Total Amount Due | \$963.96 |

Bill continues on back

MESSAGES

Norfolk's water quality rated #4 in the nation in a recent comparison of the drinking water quality of 100 cities in the USA.

RETURN THIS PORTION WITH PAYMENT - DO NOT SEND CASH THROUGH MAIL

Hampton Roads Utility Billing Service
HRUBS

HRSD
1434 Air Rail Ave
Virginia Beach, VA 23455

Save the environment! Register for e-Billing today at www.hrud.com

1

A

PAYMENT SECTION

| | |
|--------------------------|----------|
| Account Number | |
| Current Charges Due Date | 01/03/25 |
| Total Amount Due | \$963.96 |
| Amount Enclosed | \$ |

Past due balances subject to finance charges of .03% per month - Norfolk and 1.5% per month - HRSD

MAKE CHECK PAYABLE TO:

HRUBS
PO BOX 37097
BOONE, IA 50037-0097

- Featuring updated Blurple brand colors
- Hampton Roads Utility Billing Service (HRUBS) update to Municipal Utility Bill (MUB)
- Optimizing paper space, tighter columns, larger message areas for insert campaigns
- Planned Additions
 - Pay Plan status update
 - Budget Plan Designation
 - QR Code

Billing System Cloud Migration and Version Upgrade

- Major initiative for Customer Care and IT beginning in 2026 – dedicated resources
- From On Premise Server to Cloud
- Upgrade Environment from 2.7 to 2.9



Questions?

HRSD Commission Meeting Minutes
November 18, 2025
Attachment #10

13. Audit of HRSD's Central Environmental Laboratory (CEL) Expansion Construction Costs
Internal Assessment



Hampton Roads Sanitation District

Central Environmental Laboratory Expansion Construction Cost Assessment

November 3, 2025

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Executive Summary

SC&H conducted an assessment of Hampton Roads Sanitation District's (HRSD) development of the budget for the Central Environmental Laboratory Expansion (CEL) project estimate created through the Construction Manager at Risk (CMAR) delivery method. Throughout the assessment, HRSD's Engineering Division personnel, CDM Smith Engineering consultants, and PC Construction management personnel were tremendously supportive and helped drive actionable solutions.

What We Did

This assessment reviewed HRSD's cost estimating process for the CEL project, selection of the CMAR delivery method, and assessed the development of the total price for the project. The goals were to:

1. Document and evaluate HRSD's Central Environmental Laboratory Expansion and Rehabilitation project timeline and understand changes from inception to Guaranteed Maximum Price (GMP).
2. Evaluate past HRSD Construction Manager at Risk projects and compare changes to the Central Environmental Laboratory Expansion and Rehabilitation project to analyze trends.
3. Provide recommendations for transparent reporting during future project cost estimates.

What We Found

Overall, the HRSD staff, CDM Smith, and PC Construction supported the decision to utilize the CMAR delivery method based on the project type and complexity of the requirements. The involvement of external firms enabled HRSD to have a better understanding the design and potential costs of the project categories at an early stage compared to other construction delivery methods.

Based on significant growth and refinement to the initial scope, equipment specifications, spatial requirements, and other related factors, the originally appropriated funds were not sufficient and additional funding was necessary. During the assessment, the following were identified:

1. Quarterly CIP reporting to the Commission did not include the CEL project due to subjective criteria for selecting and presenting specific projects, resulting in additional reporting inquiries when the project was presented.
2. Quarterly reports from HRSD provide current project estimates and milestones but provide limited specific information surrounding major changes communicated to Engineering from the external partners and/or Operations.
3. HRSD receives project reports from contractors in varying formats, making it difficult to track, compare, and analyze projects consistently.

What We Recommend

The report provides five recommendations from three observations focused on enhancing communication and standard reporting to HRSD's Commission to increase awareness during CMAR projects. Opportunities for improvement were identified in the following observations, which were agreed upon by HRSD:

1. Create a cost growth threshold between major project milestones to enhance the current CIP project status reporting to the Commission.
2. Revise agenda items to include details surrounding changes to increase transparency from the Engineering Division to the Commission.
3. Create standardized, required, financial and schedule reporting for consultant engineering firms, construction managers, and bidders.

CEL Construction Cost Assessment Summary

Background

The Central Environmental Laboratory (CEL) Expansion project was initiated in 2017 to rehabilitate the existing lab, and a study was commissioned that year to evaluate the feasibility of the existing CEL structure. In Q1 2021, after the study was conducted, it was found that the project's complexity was greater than initially anticipated. Consequently, HRSD approved plans for the demolition of the existing Water Quality Building and the construction of a new CEL. Due to the expected level of effort (LOE), materials required, and complexity, HRSD recommended and approved the Construction Manager at Risk (CMAR) delivery method for the project.

Due to the project's nature, the CEL Expansion project has experienced multiple updates to the Opinion of Probable Construction Cost (OPCC) as the project scope was refined. These changes impacted pricing, timing, and scoping which then affected the ability to estimate fiscal obligations and resource needs. From the end of the initial appropriation for the CEL project, \$30 million, to the current Guaranteed Maximum Price (GMP), \$63 million, the price changed by approximately \$33 million.

Following a \$9 million increase reported to the Commission in November 2024, which included cost changes between the 50% OPCC milestone and 90% OPCC milestone, SC&H was contracted to conduct an assessment of the CEL project.

Objectives and Scope

Objectives

1. Document and evaluate HRSD's Central Environmental Laboratory Expansion and Rehabilitation project timeline and understand changes from inception to GMP.
2. Evaluate past HRSD CMAR projects and compare changes to the CEL Expansion project to analyze trends.
3. Provide recommendations for transparent reporting during future project estimates.

Scope

Operations and processes surrounding the CEL Expansion project cost creation were in scope for the assessment. These included the time, processes, and procedures from the time the project was converted into a CMAR project until the time a final GMP was agreed upon.

Additional analysis was attempted on similar CMAR projects to understand the successes and challenges of the CMAR process. HRSD provided data on five projects that utilized the CMAR delivery method. However, they were not comparable due to a multitude of factors including size, complexity, and price. SC&H discussed these limitations internally and with HRSD CEL Project Management and the Chief Engineer. HRSD and SC&H mutually agreed to forgo this objective because of these limitations.

Methodology, Approach, and Execution

Multiple procedures were performed to achieve the assessment's objectives, clarify HRSD's understanding of the CEL Expansion project changes, and offer recommendations to help mitigate future issues.

Research

SC&H conducted research to obtain an overview of the current CMAR process. This included evaluating the Code of Virginia (COV), § 2.2-4382 (Design-build or construction management contracts for local public bodies authorized)¹ as a guideline used to determine project delivery types, best practices for CMAR delivery methods, and advantages/challenges of the CMAR process.

The following section outlines the definition of CMAR, its potential advantages, and communication approaches compared to other delivery methods.

CMAR Defined

CMAR is a project delivery method where the construction manager (CM) commits to delivering the project within a GMP to the project owner (in this case, HRSD). This approach involves two separate contracts: one for the design and another for the construction manager who executes the design. The CM assumes the majority of the risk after the GMP is agreed upon, as they must complete the project within the GMP. If costs exceed the GMP, the CM is responsible for paying additional expenses.

The pre-construction phase of a CMAR project involves multiple stages.

- Initially, the owner and consultants or subcontractors define the project's objectives, scope, budget, and vision. The design typically does not progress beyond the 50% OPCC without selecting the CM.
- Once the CM is selected, the project advances to create the 50% and 90% OPCC deliverables, refining the design and creating specific schematics. At 90% OPCC, the CM delivers a GMP utilizing the estimates and specifications created in tandem with the consultant engineering firm. During this phase, the CM and owner may also start obtaining permits and purchasing equipment for the project.
- Once the GMP is delivered, the CM finalizes pricing from the selected contractors (transitioning OPCC/GMP from 90% to 100%). This results in the receipt of variance logs, based on the final pricing received for the material and services.

CMAR enables transparency in the estimating process, which encourages competitive bids. The owner can benefit from active communication with the CM and an in-depth understanding of project needs, which could reduce/limit change orders for the project scope. However, CMAR projects can take longer due to the need for separate contracts for design and construction management.

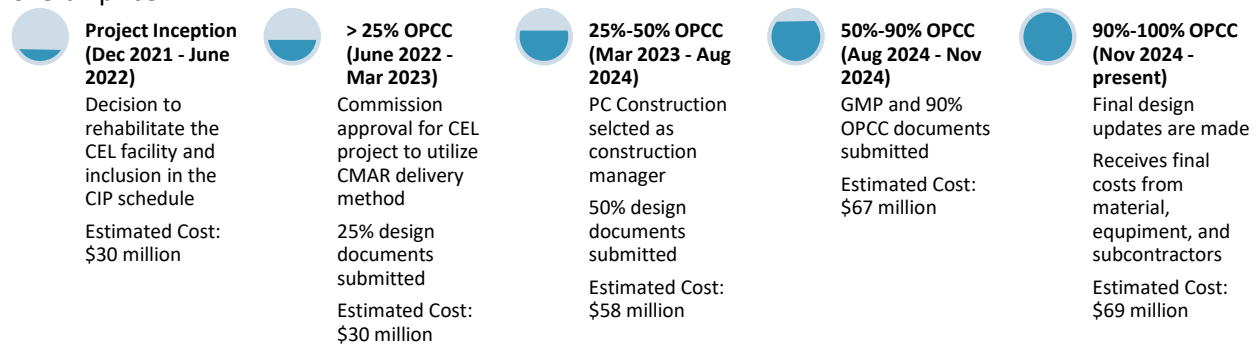
HRSD Interviews

SC&H met with HRSD CEL Project Management personnel to gain an understanding of the detailed steps of the CEL project as of August 19, 2025, and the processes involved in a CMAR project. Discussion points included CEL project steps, challenges, successes, and ongoing procedures.

¹ <https://law.lis.virginia.gov/vacode/title2.2/chapter43.1/section2.2-4382/>

CEL Project Timeline

SC&H developed a CEL project timeline to document events that contributed to the final OPCC and GMP. The following provides a visualization and summary of the CEL project process. **Appendix A: CEL Project Milestones** provides a detailed timeline of milestones that drove revisions to the project's overall price.



Project Inception (\$30 million)

The CEL project began in 2017 as a feasibility study (Central Environmental Laboratory Phase 2 Study) for an addition to an existing CEL facility. The study determined that the current CEL could not support expansion. As a result, a new initiative, the Central Environmental Laboratory Expansion and Rehabilitation project, was launched with an initial appropriation of \$30 million. CDM Smith was retained as the consulting engineering firm to provide expertise and assist with project cost estimation.

>25% OPCC (\$30 - \$39 million)

As initial design scoping began, HRSD realized the existing structure would not have the capacity to hold the planned updates to the building projected to the year 2045. The increased scope and complexity of the project required a change in the project delivery method. In June of 2022, the HRSD Commission voted to change the project from a Design-Build to a CMAR delivery method. In September 2022, an update was presented to the Commission with project changes and the benefits of the CMAR project delivery method. The OPCC, at this point in the project, was \$30 million.

HRSD selected a CMAR delivery method in part because the owner and CM share the risk. The project approach would allow for early cost estimation and collaboration throughout the project resulting in more accurate cost estimation and limited liability for HRSD. The CMAR method encouraged collaboration throughout the design phase of the project so the owner and CM gain an understanding of the final design documents.

25% - 50% OPCC (\$39 - \$58 million)

HRSD started the CMAR process by publicly inviting construction firms to propose for the role of CM in March 2023. By June 2023 HRSD had shortlisted three firms, and in July 2023 HRSD selected PC Construction to be the CM on the CEL Expansion project.

Following, the CM and the existing consulting firm, CDM Smith, worked in tandem with HRSD to begin developing the GMP deliverable, or 100% design estimate, or OPCC. Monthly meetings were conducted between HRSD, PC Construction and CDM Smith to discuss budget, updates to design, risks, procurement plans, scheduling, permitting, and reviews.

From these meetings and continued project development, 30% OPCC, with a revised estimate of \$39 million, was submitted on December 12, 2023. The 50% OPCC documents, with a second revised estimate of \$58 million, were submitted to HRSD on May 3, 2024. On May 14, 2024, CDM Smith was approved for additional task orders to complete the CMAR delivery.

50% - 90% OPCC (\$58 - \$67 million)

After the 50% OPCC documents were submitted, work began on preparing the 90% OPCC. Similar to the prior phase, monthly meetings were conducted between HRSD, CDM Smith and PC Construction to communicate changes in the project. 90% OPCC, with a third revised estimate of \$67 million, was submitted by both CDM Smith and PC Construction on October 28, 2024.

The 90% OPCC translates to the CM's initial GMP, which was finalized between 90% and 100%. These documents were reviewed during the Commission meeting on November 6, 2024. The documents were approved including the GMP of \$67 million, the furniture listing, and additional appropriations for CDM Smith and PC Construction for support during the construction phase of the project.

In addition to the standard process of developing an estimate applying the CMAR delivery method, the HRSD Project Manager (PM) requested that CDM Smith and PC Construction develop estimates of the remaining processes required to complete the project. CDM Smith and PC Construction were instructed to complete this activity without communicating with the other firm. The results of this comparison were utilized to ensure that the development of estimates was aligned between the two firms and were similar in dollar value.

In addition to the submission of the design documents for the 90% OPCC, the HRSD PM requested CDM Smith submit a listing of changes between the 30% OPCC deliverable and the 90% OPCC deliverable, which CDM Smith subsequently provided.

90% - 100% OPCC (\$67 - \$69 million)

CDM Smith conducted a comprehensive review of all building systems to finalize the OPCC process. This encompassed modifications to align with the specifications outlined in the design documents. Following, CDM Smith conveyed changes in the design documentation to PC Construction.

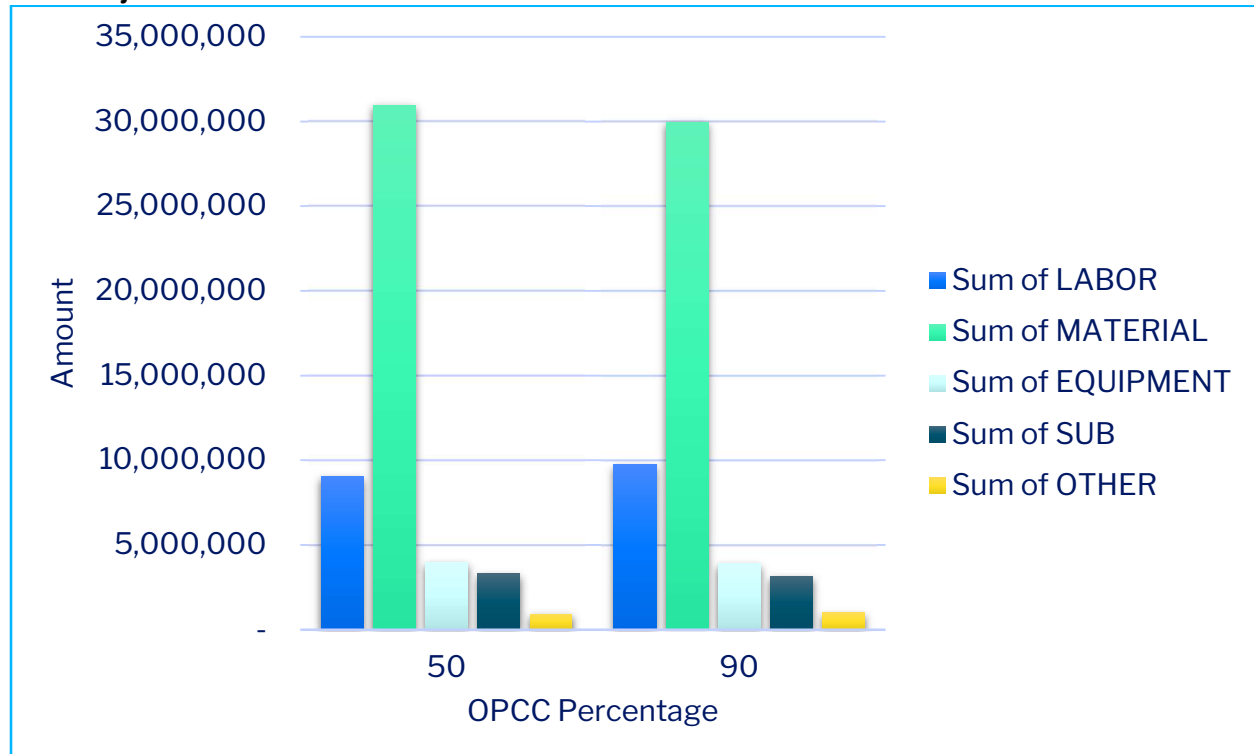
Subsequently, PC Construction requested final submissions for materials, subcontractor expenses, and equipment from their suppliers with a final 100% OPCC/GMP value of \$69 million. These figures were then reported to HRSD Project Management in the form of a variance log, detailing all adjustments to final pricing. Ultimately, PC Construction submitted a Usage Allowance Request to secure any additional funds required to address the updated project requirements. The final estimate was communicated to the HRSD Commission during the November 2024 meeting.

Cost Comparison Workshop

SC&H and HRSD organized a cost comparison workshop with HRSD Project Management, PC Construction, and CDM Smith to gain insight related to challenges and successes from the CEL Expansion project CMAR process. To prepare for the workshop, SC&H utilized project deliverables from both firms to develop illustrations of the project's price changes between the 50% OPCC and 90% OPCC. These resulting charts and graphs were presented to both firms before the meeting, included in an agenda with questions SC&H developed from the analysis performed.

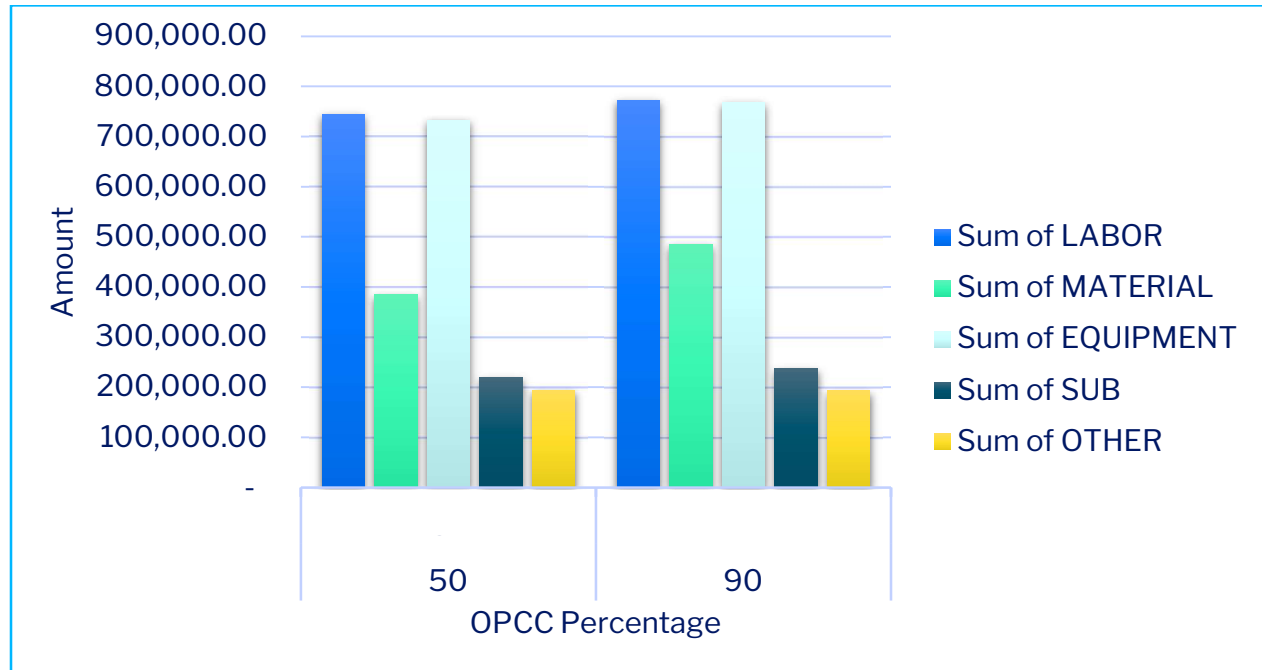
To facilitate open discussion, SC&H developed a presentation outlining the project goals, activities completed, processes performed, and questions. SC&H selected five cost divisions—Siteworks, Signage and Specialties, Plumbing, HVAC and Control, and Electrical—to address specific topics regarding price changes. These cost divisions were chosen due to significant price variations observed between the 50% and 90% OPCC deliverables, with questions targeting the affected cost drivers (Labor, Material, Subcontractor, Equipment, and other). The charts and explanations below summarize key insights from the workshop on selected cost categories, based on responses from PC Construction and CDM Smith.

Total Project Costs



| Category | 50% Cost Estimate | 90% Cost Estimate |
|---------------|-------------------|-------------------|
| Total | \$48,173,193 | \$47,790,351 |
| Labor | \$9,041,884 | \$9,732,097 |
| Material | \$30,928,468 | \$29,969,570 |
| Equipment | \$3,970,812 | \$3,913,960 |
| Subcontractor | \$3,301,654 | \$3,175,681 |
| Other | \$930,375 | \$999,043 |

02 – Sitework



Subdivision(s)

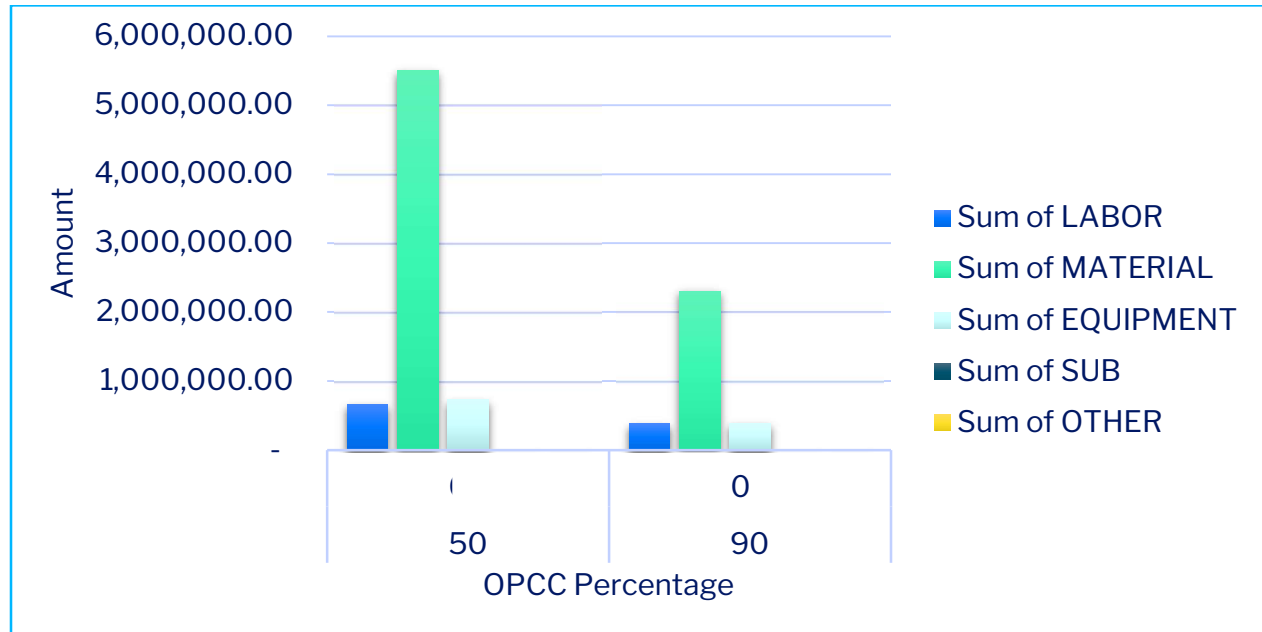
- 02A – Sitework
- 02B – Sitework
- 02C – Landscaping
- 02D – Demolition

| Cost Category | 50% Cost Estimate | 90% Cost Estimate |
|---------------|-------------------|-------------------|
| Total | \$2,275,149 | \$2,458,252 |
| Labor | \$743,999 | \$773,447 |
| Material | \$384,171 | \$485,405 |
| Equipment | \$732,670 | \$768,290 |
| Subcontractor | \$219,260 | \$238,143 |
| Other | \$195,050 | \$192,969 |

Conclusion

The Sitework cost category was selected as a control group because there was not a large price change from the 50% to 90% OPCC, with an overall price of \$2,275,149 at 50% and \$2,458,252 at 90%. Both firms confirmed that this cost category was easier to estimate due to the conceptual nature of the work to be performed and the site being determined at the onset of the project.

05 - Metals



Subdivision(s)

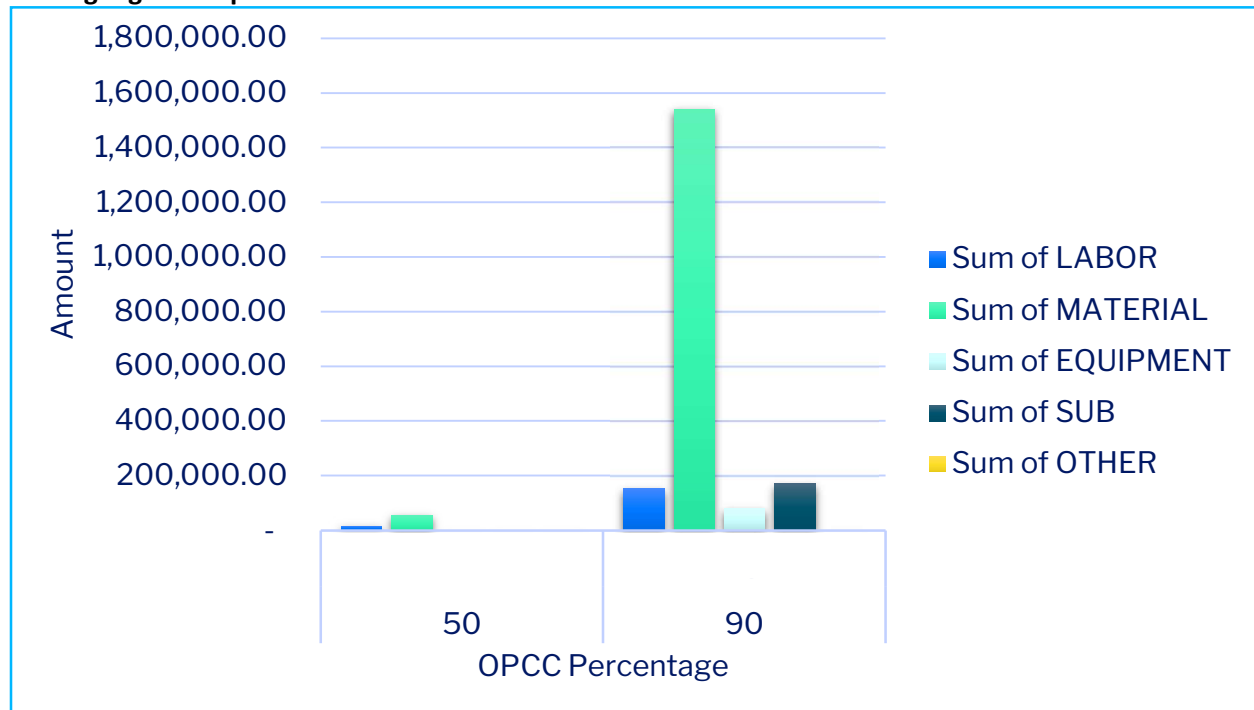
- 05A – Structural Steel
- 05B – Misc Metals

| Cost Category | 50% Cost Estimate | 90% Cost Estimate |
|---------------|-------------------|-------------------|
| Total | \$6,893,310 | \$3,072,155 |
| Labor | \$666,896 | \$379,516 |
| Material | \$5,549,994 | \$2,302,374 |
| Equipment | \$726,286 | \$389,526 |
| Subcontractor | \$0 | \$0 |
| Other | \$701 | \$738 |

Conclusion

The Metals cost category showed a large decrease in price from 50% to 90% OPCC. Both firms noted this was due to a larger number of subcontractor bidders than anticipated who were able to perform the required work. This drove the price down due to competitiveness of the bidding process.

10 - Signage and Specialties



Subdivision(s):

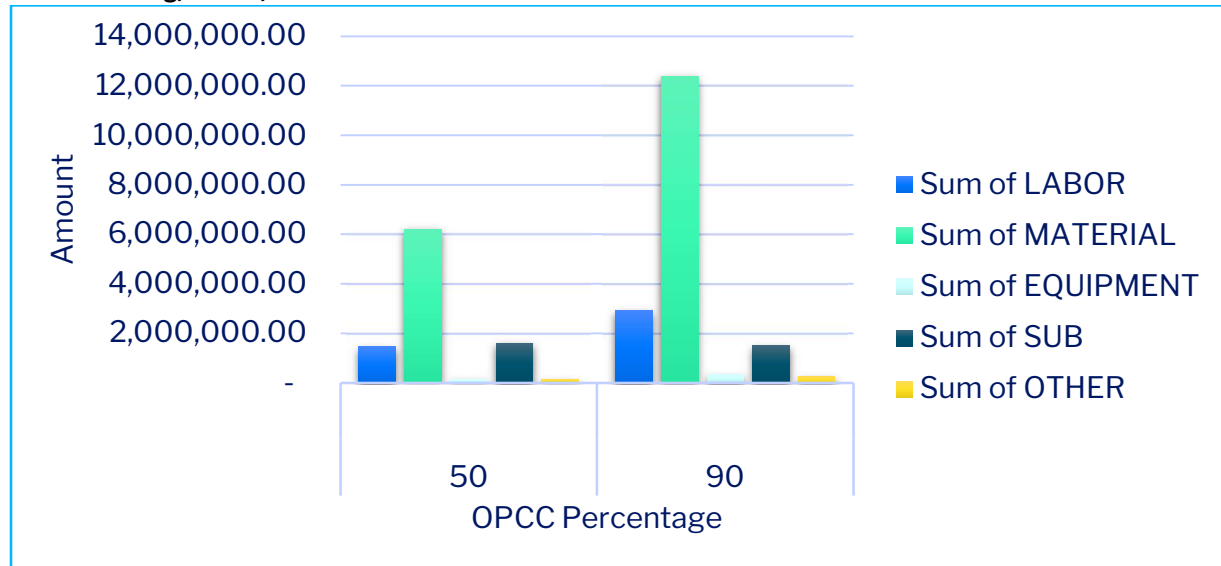
- 10A – Specialties
- 10B – Signage

| Cost Category | 50% Cost Estimate | 90% Cost Estimate |
|---------------|-------------------|-------------------|
| Total | \$71,685 | \$1,941,558 |
| Labor | \$16,225 | \$152,509 |
| Material | \$55,126 | \$1,539,827 |
| Equipment | \$334 | \$78,790 |
| Subcontractor | \$0 | \$170,433 |
| Other | \$0 | \$0 |

Conclusion

The Signage and Specialties cost category showed a large increase across the board. The firms noted this was because of a reallocation of scope from the Doors and Windows cost category to the Signage and Specialties. A large portion of this was also subcontracted instead of self-performed, resulting in the price being driven up by the subcontractor.

15 - Plumbing, HVAC, and Control



Subdivision(s):

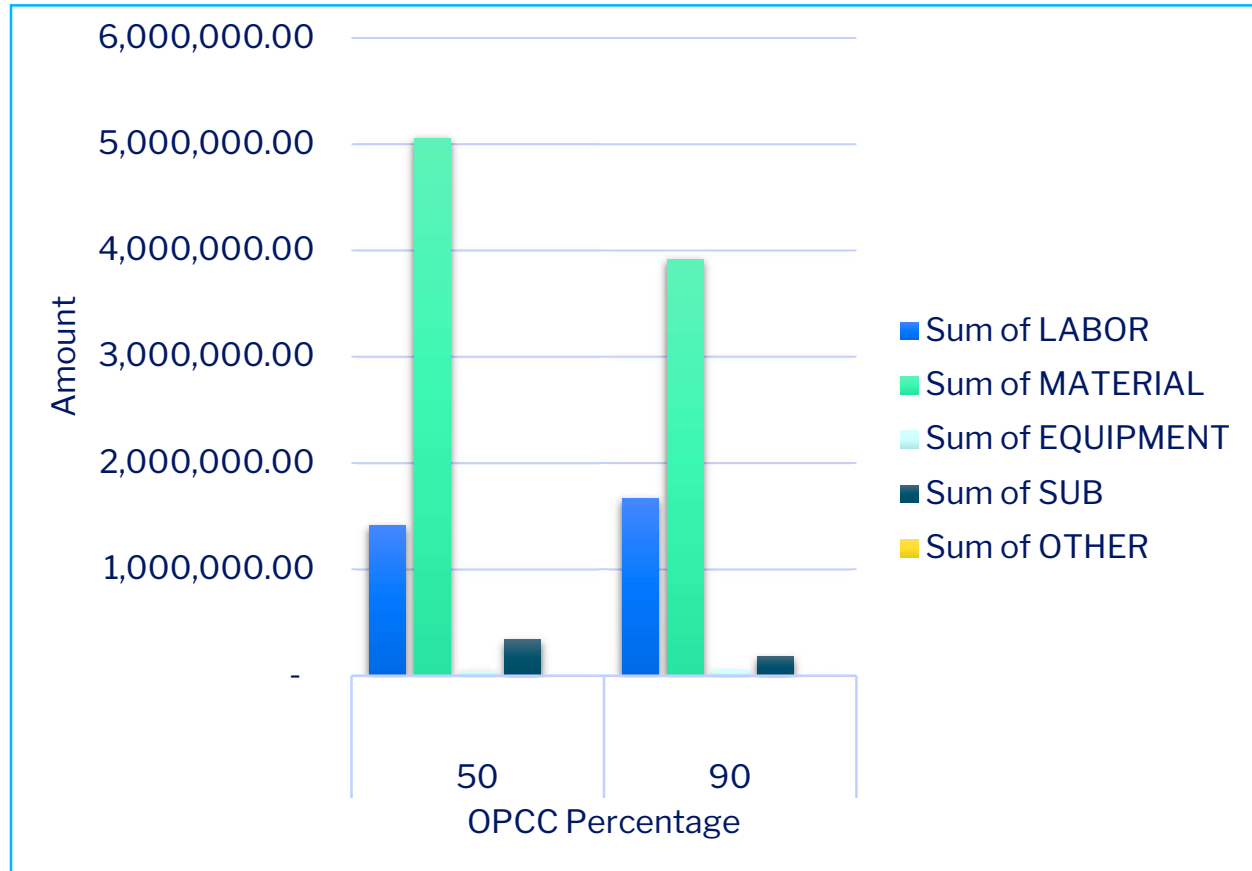
- 15A – Fire Protection
- 15B – Plumbing, HVAC and Controls
- 15C – Plumbing

| Cost Category | 50% Cost Estimate | 90% Cost Estimate |
|---------------|-------------------|-------------------|
| Total | \$9,545,941 | \$17,390,305 |
| Labor | \$1,452,657 | \$2,925,725 |
| Material | \$6,207,376 | \$12,395,964 |
| Equipment | \$149,276 | \$322,935 |
| Subcontractor | \$1,605,078 | \$1,508,978 |
| Other | \$131,551 | \$236,702 |

Conclusion

The Plumbing, HVAC and Control cost category saw total price double between 50% and 90% OPCC. Both firms noted this category was complex due to the specific types of equipment to be implemented, the ventilation for that equipment, and size constraints. At the time of the meeting, this division was still actively being priced as the firms were not sure of downstream effects from subcontractors or specific equipment prices.

16 - Electrical



Subdivision(s):

- 16A – Electrical

| Cost Category | 50% Cost Estimate | 90% Cost Estimate |
|---------------|-------------------|-------------------|
| Total | \$6,848,760 | \$5,812,729 |
| Labor | \$1,414,292 | \$1,668,513 |
| Material | \$5,058,940 | \$3,919,214 |
| Equipment | \$39,313 | \$44,627 |
| Subcontractor | \$336,218 | \$180,375 |
| Other | \$0 | \$0 |

Conclusion

The Electrical cost category decreased from 50% to 90% OPCC. Firms noted the price decrease was a refinement of the amounts of materials needed, types of materials needed, and a better-defined plan for electrical routing and installation that decreased the cost category price.

From the workshop SC&H gained a greater understanding of the positives and negatives of the CMAR process. The responses from the workshop allowed SC&H to create improvement opportunities surrounding reporting and communication for HRSD.

Summary of Work

What Drove Changes?

After the CEL study was completed in 2021, the Commission voted to utilize CMAR as the delivery method for the project and allocated \$30 million to begin work on project estimates using the CMAR method. Over the next three and a half years, HRSD worked with its CM and consultant engineer to create OPCCs based on the project specifications. Due to a large variance between the initial \$30 million allocated and the final \$69 GMP agreed upon, the Commission hired SC&H to evaluate the CMAR process which HRSD had just completed.

The HRSD CIP is inherently complex due to the type of work HRSD performs and the ever-increasing demand in the area. The CEL project's complexity and the external pricing factors drove the increase in project pricing, which further resulted in a difference between allocated funds and estimates created.

Commendations

Throughout the assessment, the team members operated in a professional manner and offered detailed responses to questions and clarifying items in addition to obtaining requested documentation in a timely manner. HRSD also acknowledged the challenges with the current project estimating procedures and has been taking steps to mitigate differences between budgeted appropriations and final costs.

Examples include:

1. Creating HRSD's Construction Cost Database for maintaining historical cost estimating data.
2. Updating policies for Construction Cost estimating to reflect updated processes.
3. Creating a Consultant Cost Estimating User Group to discuss the current construction cost estimating environment.

Observations

Based on the assessment procedures, there are opportunities to help HRSD provide greater and earlier visibility into the variances received in cost estimates. The following summarizes these opportunities, which are detailed in the "Observations and Recommendations" section of this report.

1. Create a cost growth threshold between major project milestones to enhance the current CIP project status reporting to the Commission.
2. Revise agenda items to include details surrounding changes to increase transparency from the Engineering Division to the Commission.
3. Create standardized, required reporting for consultant engineering firms, construction managers, and bidders.

We appreciate the assistance and cooperation of the management and staff involved in HRSD's cost estimating for the CEL assessment. Please contact us if you have any questions or comments regarding any of the information contained in the assessment report.

SC&H Group, Inc.

A handwritten signature in dark ink, appearing to read "Matthew Simons", is written over a horizontal line.

Matthew Simons, CPA, CIA, CGAP
Principal

Observations and Recommendations

Observation 1

Summary

Quarterly CIP reporting did not include material cost changes in between milestone reporting due to limited agenda detail, resulting in additional reporting inquiries.

Background

HRSD conducts monthly Commission Meetings to address organizational business, including voting on CIP action items such as construction contract awards. Engineering team members prepare recommendations and submit agenda items for discussion at these meetings. Engineering also provides updates on the status of CIP projects and budget estimates.

Risk

Because of the reporting timing to the Commission, there could be large changes in project prices/costs in pre-construction phases, which can lead to a lack of adequate communication and unexpected increase in project budget estimates compared to initial appropriations that are presented to the Commission. This can also lead to additional questions and inquiries which the current agenda format may not address.

Recommendation 1.1

HRSD should consider implementing a cost growth threshold between major project milestones that triggers additional reporting to the Commission, to improve transparency and strengthen CIP project status oversight.

1. This threshold could be based on both absolute dollar value and percentage change, so projects experiencing significant cost deviations are highlighted.
2. Currently, per industry practices, external progress deliverables are provided at 50% OPCC and 90% OPCC. In the event of significant cost changes which exceed the threshold, more frequent OPCC percentages could be reported to the Commission.

Management Action Plan 1.1

HRSD staff will propose revisions to the Commission Governance Guidelines to update the Commission on CIP Projects that have significant scope/cost/schedule changes and request additional funds as necessary.

Implementation Date/Period 1.1

March 31, 2026

Recommendation 1.2

HRSD should periodically evaluate the success of implemented changes and update accordingly. Further, HRSD should consider implementing similar threshold reporting structure for all delivery methods, which may require differing dollar value and/or percentage milestones based on the delivery method.

By establishing these criteria, HRSD can proactively address cost changes, provide timely updates to stakeholders, and support more informed decision-making throughout the project lifecycle.

Management Action Plan 1.2

HRSD staff will review updated Commission Governance Guidelines related to CIP Project reporting at a regularly scheduled Commission Finance Committee Meeting (tentatively planned for Jan. 2027).

Implementation Date/Period 1.2

March 2027

Observation 2

Summary

Quarterly reports from HRSD provide current project estimates and milestones but provide limited specific information surrounding major changes from Engineering.

Background

The HRSD Chief Engineer reports the status for a selection of projects to the Commission on a quarterly basis. The projects typically focus on updated milestones and project scope changes. The current quarterly Commission agenda items include the following high-level project status information:

- Recommended actions
- Contract status with change and task orders
- Project description and justification
- GMP and GMP Analysis
- Task order description
- Funding description

Risk

A lack of periodic reporting and providing insight into a project can limit the Commission's understanding of the current status of a project and consequently raise questions about the budget, scope, and direction.

Recommendation 2.1

HRSD should consider revising its project reporting agenda item documentation to include providing transparency around project history, changes, and other relevant updates. This revision could be complemented by recommendation criteria within Observation 1.

The revision could identify key contributing factors such as equipment procurement challenges, labor shortages, limited subcontractor bids, design constraints (e.g., restricted space or capacity limitations), and substantial fluctuations in material costs. Providing this context could enhance stakeholder understanding of the underlying reasons for cost increases and support more informed project oversight.

SC&H has presented HRSD with opportunities to refine Commission related material to help enhance reporting going forward. These include:

1. Revised content, information, and presentation formatting for the current Commission meeting agenda items.
2. Interactive dashboards presenting easily digestible project information and data, in both high and detailed levels.

SC&H will be available to modify based on HRSD's reviews. Following, HRSD should present draft revisions/reporting mechanisms to the Commission for review, feedback, and approval prior to implementation.

Management Action Plan 2.1

HRSD to form an in-house cross divisional (Engineering and Finance) team to review and propose revisions to the Commission Agenda Item format.

Implementation Date/Period 2.1

March 31, 2026

Recommendation 2.2

Similar with Recommendation 1.2, HRSD should periodically evaluate the success of implemented changes and update accordingly. Further, HRSD should consider implementing similar revisions for all delivery methods.

Management Action Plan 2.2

HRSD staff will review the updated Commission Agenda Item format at a regularly scheduled Commission Finance Committee Meeting (tentatively planned for Jan. 2027).

Implementation Date/Period 2.2

March 2027

Observation 3

Summary

HRSD receives project reports from contractors in varying formats, making it difficult to track, compare, and analyze projects consistently.

Background

The current HRSD reports provide a summary level detail of the changes and updates to a project throughout its development. HRSD receives these from the third-party contractors, however there is currently not a standard format/set of required criteria.

Risk

The inconsistent reporting method could (and does).

1. Make project tracking, comparison, and analysis difficult and dependent on consulting firms.
2. Lead to errors, delays in decision-making, and challenges in maintaining accurate records across multiple projects.
3. Result in differing information for HRSD to utilize in internal reporting.

Recommendation 3.1

HRSD should consider establishing standardized, mandatory reporting requirements for consultant engineering firms, construction managers, and bidders by developing a suite of reporting templates for estimating, bidding, and project updates, tailored to delivery methods such as CMAR, Design-Build, and Design-Bid-Build. This could include but is not limited to:

1. Project Progress Summary
 - a. Current phase
 - b. Development since last report
2. Cost types a breakout of cost types (material, labor, subcontractor, etc.)
3. Drivers of price and scope changes
4. Timeframe to next major milestone and/or completion.

Providing this context could help improve reporting, comparability, and communication between HRSD and their stakeholders.

Management Action Plan 3.1

A new reporting format has already been provided to the consulting firms managing CIP Projects. A review of the effectiveness of this new reporting format and any changes will be incorporated in the next update of HRSD's Design & Construction Standards.

Implementation Date/Period 3.1

July 2026

Appendix A: CEL Project Timeline Visualization



Timeline Visualization Summary Layout, Definitions, and Abbreviation

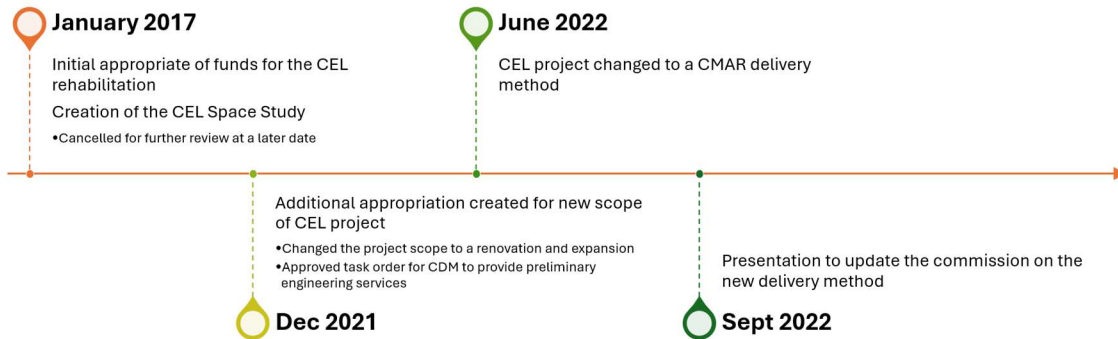
Timeline visualization outlines high-level milestones in the development of the CEL project price summary by the OPCC percentage completion below:

- > 25% OPCC
- 25% - 50% OPCC
- 50% - 90% OPCC
- 90% - 100% OPCC

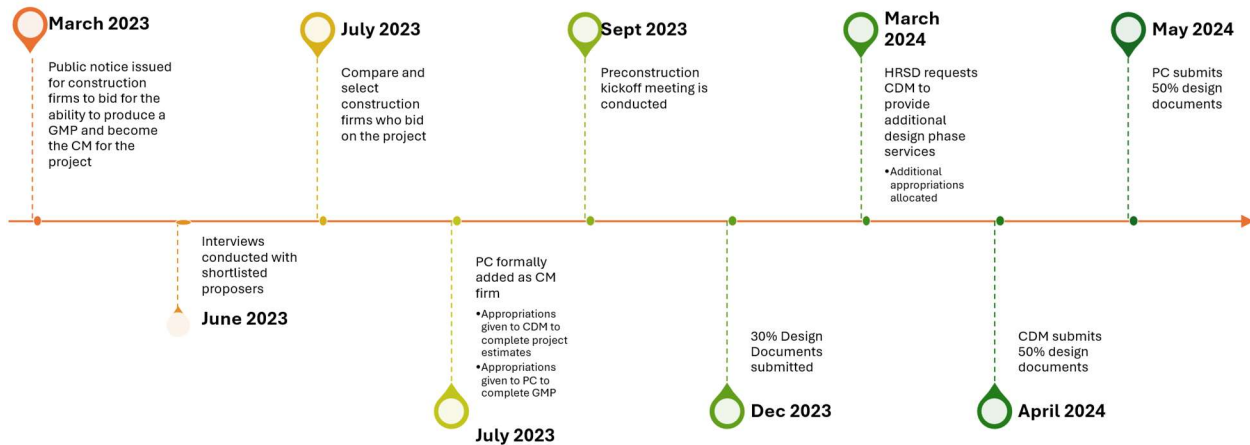
Definitions and abbreviations:

- GMP: Guaranteed Maximum Price
- CDM: CDM Smith Engineering
- PC: PC Construction
- OPCC: Opinion of Probable Construction Cost
- FFE: Furniture, Fixtures and Equipment

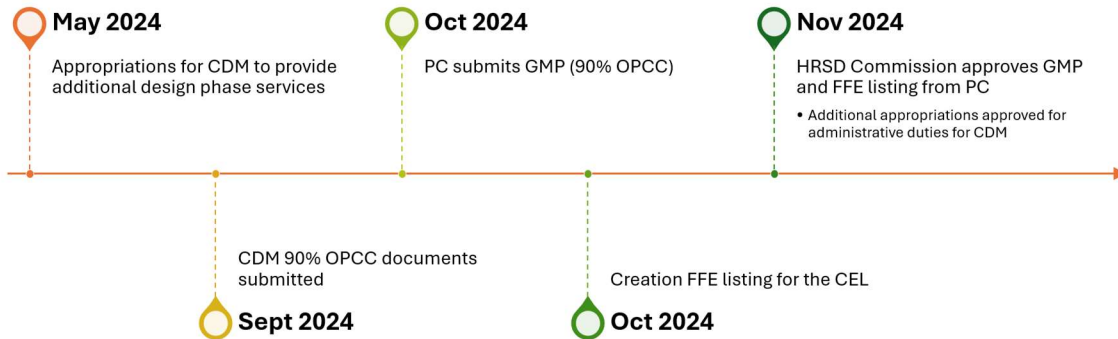
>25% OPCC



25%-50% OPCC



50%-90% OPCC



90%-100% OPCC





Hampton Roads Sanitation District

Internal Audit and CEL Assessment Updates

November 18, 2025

Internal Audit Team

SC&H Presentation Team

Matt Simons: CPA, CIA, CGAP

Principal: Contract Lead and Point of Contact

Hayden Wigley: CIA

Manager

Today's Topics

- › Internal Audit Program Strategy
- › Project Progress
- › FY26 Internal Audit Plan
- › CEL Bid Assessment Update

Internal Audit Program

Innovative and Value Driven Program

Quantitative and Qualitative Benefits

- › Mitigate risks and enhance operations
- › Assess operational effectiveness
- › Incorporate innovated tactics and tools
- › Support governance
- › Align with strategies and industry
- › Recover funds
- › Address fraud, waste, abuse

HRSD Collaboration

- › Independent and honest partnerships
- › Nonintrusive approach
- › Positive change encouragement
- › Concern validation and resolution
- › Recommendation support

Internal Audit Plan

Project Updates Since Prior Status

| Subject | Status |
|-------------------------------------------------------|------------------------------|
| Annual Risk Assessment | Complete |
| Accounts Payable / ProCards | Complete |
| Operational Technology and Resilience | Complete |
| IT Governance | Complete |
| Investigations (Current State Assessment) | Complete |
| Central Environmental Laboratory Expansion Assessment | Complete |
| Aging and Arrears (Current State Assessment) | Reporting: Management review |

Internal Audit Plan

Fiscal Year 26 Internal Audit Plan

| Subject | Timing |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|
| Grants Management <i>Internal Audit</i> <i>Short- and long-term risk migration and process improvement opportunities</i> | In Process |
| ProCards and Employee Expenses <i>Internal Audit</i> <i>Targeted audit with cyclical monitoring</i> | Feb/Mar 2026 |
| Artificial Intelligence Governance and Operations <i>Internal Audit</i> <i>Advisory: Governance and Operations Assessment</i> | Apr/May 2026 |
| Risk Assessment and Audit Plan Development <i>Facilitated Leadership collaboration</i> <i>Institutional, industry, professional evaluation</i> <i>Advanced information and data aggregation</i> | Dec 2025/Jan 2026 |

Project Summary: CEL Assessment

History: How did this evolve?

- 2017: Central Environmental Laboratory (CEL) Expansion project
- 2021: Converted to new construction; Construction Manager at Risk (CMAR) delivery method
- \$39 million price increase from initial appropriation, to Opinion of Probable Construction Cost (OPCC), to Guaranteed Maximum Price (GMP)



Project Inception (Dec 2021 - June 2022)

Decision to rehabilitate the CEL facility and inclusion in the CIP schedule
Estimated Cost: \$30 million



> 25% OPCC (June 2022 - Mar 2023)

Commission approval for CEL project to utilize CMAR delivery method
25% design documents submitted
Estimated Cost: \$30 million



25%-50% OPCC (Mar 2023 - Aug 2024)

PC Construction selected as construction manager
50% design documents submitted
Estimated Cost: \$58 million



50%-90% OPCC (Aug 2024 - Nov 2024)

GMP and 90% OPCC documents submitted
Estimated Cost: \$67 million



90%-100% OPCC (Nov 2024 - present)

Final design updates are made
Receives final costs from material, equipment, and subcontractors
Estimated Cost: \$69 million

Project Summary: CEL Assessment

Goals: What was HRSD trying to achieve?

Objectives

- Review HRSD's cost estimating process for the CEL project, selection of the CMAR delivery method, and development of the price for the project.
- Document and evaluate the CEL Expansion and Rehabilitation project timeline and understand changes from inception to GMP.
- Provide recommendations for transparent reporting during future project estimates.

Focus Areas

Identify:

- *Commendations*
- *Challenges and impacts*
- *CMAR support*

Provide:

- *Actionable solutions*
- *Forward looking improvements*

Project Summary: CEL Assessment

Workshop: Support decisions and understand changes

- Background: HRSD and SC&H facilitated a cost comparison workshop with:
 - PC Construction: Construction Manager
 - CDM Smith: Consultant Engineering Firm
- Criteria: Focused on 50% and 90% estimates as catalyst
 - 50%: \$58,507,111
 - 90%: \$67,778,485
- Goals:
 - Reflect on CMAR decision
 - Understand cost changes
 - Vocalize challenges and successes
 - Identify solutions

Project Summary: CEL Assessment

Pricing: Recognizing fluctuating costs from 50%-90%

| Division* | Price Change (%, \$) | | Price Change Responses |
|-------------------------|----------------------|---------------|----------------------------------------------------------------------------------------------|
| Sitework | 7% | \$183,103 | Easier to estimate due to conceptual nature of the work being performed. |
| Metals | (55%) | (\$3,821,155) | Large number of subcontractor bidders created competition and drove the price down. |
| Signage and Specialties | 2,608% | \$1,869,873 | Scope reallocation paired with non-competitive subcontractor bidding environment. |
| Plumbing, HVAC, Control | 82% | \$7,844,364 | Equipment being implemented; ventilation for the equipment; size constraints. |
| Electrical | (15%) | (\$1,036,031) | Refinement of types and amounts of materials needed; better-defined electrical routing plan. |

* The table provides cost changes for 5 of 16 Divisions.

Project Summary: CEL Assessment

CMAR Method: Delivery method decision reasoning

- Collaboration: Open communication between owner, contractor, and construction manager; facilitates resolutions (design issues, scope changes, etc.)
- Flexibility: Changes can be made throughout the project, accommodating evolving needs and unforeseen challenges
- Costing: Early involvement of the construction manager for cost estimates and price driver visibility (labor, material, equipment, subcontractors)
- Risk Mitigation: Process helps identify and address risks early
- Risk: CM holds most of the risk; delays/issues fall on the CM

Project Summary: CEL Assessment

CMAR Method: Not without risks

- 10% Limitation: GC limited to 10% of the work; could create delays and/or cost increases
- Time Commitment: Increased collaboration, deliverables; could result in increased time to complete
- Cost: Increased upfront costs due to increased scoping, development activities
- Cost Constraints: GMP could sacrifice quality for price

Project Summary: CEL Assessment

Results: What was uncovered and why does it matter?

Commendations

- Demonstrated professionalism and responsiveness.
- Provided documentation/data promptly and thoroughly to support CMAR and assessment.
- Proactively improving cost estimating practices:
 - *Built historical Construction Cost Database*
 - *Updated estimating policies*
 - *Formed Consultant User Groups for cost discussions*

Challenges

- Project not included in the quarterly report due to varied project selection criteria.
- HRSD reports offer high-level estimates and milestones, with room to expand data detail.
- Contractor reports were submitted in different formats, affecting consistency.

Impact

- Reduced transparency in current and historical project reporting and progress tracking.
- Inconsistent and limited ability to compare, analyze, and monitor project performance across time.
- Increased volume of project-related inquiries and scrutiny from stakeholders.

Project Summary: CEL Assessment

Next Steps: How can HRSD mitigate against future challenges?

Observation and Recommendations

Quarterly CIP Reporting did not include material cost changes in between milestones reporting.

- 1.1: Consider implementing a cost growth threshold between major project milestones that triggers additional reporting to the Commission
- 1.2: Periodically evaluate the success of implemented changes and update accordingly.

Management Response

- 1.1: HRSD staff will propose revisions to the Commission Governance Guidelines to update the Commission on CIP Projects that have significant scope/cost/schedule changes and request additional funds as necessary.
- 1.2: HRSD staff will review updated Commission Governance Guidelines related to CIP Project reporting at a regularly scheduled Commission Finance Committee Meeting (tentatively planned for Jan. 2027).

Project Summary: CEL Assessment

Next Steps: How can HRSD mitigate against future challenges?

Observation and Recommendations

Quarterly reports provide current project estimates and milestones but limited specific information surrounding major changes.

- 2.1: Consider revising its project reporting agenda item documentation.
- 2.2: Periodically evaluate the success of implemented changes and update accordingly

Management Response

- 2.1: HRSD to form an in-house cross divisional (Engineering and Finance) team to review and propose revisions to the Commission Agenda Item format.
- 2.2: HRSD staff will review the updated Commission Agenda Item format at a regularly scheduled Commission Finance Committee Meeting (tentatively planned for Jan. 2027).

Project Summary: CEL Assessment

Next Steps: How can HRSD mitigate against future challenges?

Observation and Recommendation

HRSD receives project reports from contractors in varying formats, making it difficult to track, compare, and analyze projects consistently.

- 3.1: Consider establishing standardized, mandatory reporting requirements for estimating, bidding, and project updates, tailored to delivery methods.

Management Response

- 3.1: A new reporting format has already been provided to the consulting firms managing CIP Projects. A review of the effectiveness of this new reporting format and any changes will be incorporated in the next update of HRSD's Design & Construction Standards.

Project Summary: CEL Assessment

Supplement: Agenda Item Considerations

Hampton Roads Sanitation District
CEL Construction Cost Assessment



Agenda Item Revision Considerations

Example 1: Refined Information, Content, and Presentation Format

AGENDA ITEM # – Date

Subject: Insert

Recommended Actions

1. Insert
2. Insert
3. Insert

Project Information

1. CIP Project: Insert
2. Regulatory Requirements: Insert
3. Funding Type: Insert
4. [Insert] Type: Insert (e.g., CMAR)
5. Description: Insert

Project Budget

| Item | Total |
|------------------------------------------------------|-------|
| Original Budget (Approved: Date) | \$ |
| 25% OPCC | \$ |
| 50% OPCC | \$ |
| 90% OPCC | \$ |
| 100% OPCC | \$ |
| GMP | \$ |
| Prior Period Expenditures, Encumbrances, Adjustments | \$ |
| Available Balance | \$ |

¹ Refer to Supplemental Information and Support for additional information.

Budget Milestones

| Milestone | Total Budget | Date | \$ Change | % Change | Reason Types |
|-----------|--------------|------|-----------|----------|--------------|
| Initial | \$ | | \$ | % | |
| 25% OPCC | \$ | | \$ | % | 1, 2 |
| 50% OPCC | \$ | | \$ | % | |
| 90% OPCC | \$ | | \$ | % | |
| 100% OPCC | \$ | | \$ | % | |
| GMP | \$ | | \$ | % | |

¹ Refer to Supplemental Information and Support for additional information.

Contract Status: Construction Manager

| Item | Total | Ref |
|---------------------------------------|-------|-----|
| Original CM Contract: Name | \$ | |
| Total Value of Previous Change Orders | \$ | |
| Revised Contract Value | \$ | |

¹ Refer to Supplemental Information and Support for additional information.

Hampton Roads Sanitation District
CEL Construction Cost Assessment



Contract Status: Consultant Engineer

| Item | Total | Ref |
|-------------------------------------|-------|-----|
| Original Contract: Name | \$ | |
| Total Value of Previous Task Orders | \$ | |
| Requested Task Order | \$ | |
| Total Value of All Task Orders | \$ | |
| Revised Contract Value | \$ | |

¹ Refer to Supplemental Information and Support for additional information.

Supplemental Information and Support

Project Information

Insert

Project Budget and Milestones

| Milestone | Change Summary |
|-----------|------------------------------------------------|
| Initial | |
| 25% OPCC | Reason Type 1: Insert Reason Type 2: Insert |
| 50% OPCC | Reason Type 1: Insert Reason Type 2: Insert |
| 90% OPCC | Reason Type 1: Insert Reason Type 2: Insert |
| 100% OPCC | Reason Type 1: Insert Reason Type 2: Insert |
| GMP | Reason Type 1: Insert Reason Type 2: Insert |

Contract Status: Contractor 1

Insert

Contract Status: Contractor 2

Insert

Project Summary: CEL Assessment

Supplement: Reporting Considerations

Hampton Roads Sanitation District
CEL Construction Cost Assessment



Example 2: Interactive Dashboard

The following provides screenshots of examples of project information that can be viewed from macro or micro levels. Information, data, content, presentation formatting, etc. can be modified based on HRSD's preference.



Screenshot 1: Project overview example; oil costs.



Screenshot 1: Project overview example; 100% OPCC material, PC selected; supplemental tables reflect selection.



Screenshot 3: Project cost driver example; 50% OPCC; all work groups.



Screenshot 4: Project cost driver example; 50% OPCC; work group 8.



Screenshot 5: Project cost driver example; 90% OPCC; all work groups.

Contact Information

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DiGiulian

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////

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Matt
Simons

PRINCIPAL

**CONTRACT LEAD AND
POINT OF CONTACT**

////

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office 410-403-1561

Hayden
Wigley

MANAGER

////

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HRSD Commission Meeting Minutes
November 18, 2025
Attachment #11

14. Program Support Office (PSO)
Briefing

A dynamic splash of water with many bubbles, filling the upper half of the slide. The water is clear and blue, with light reflecting off the surface.

Program Support Office (PSO) Commission Brief

November 18, 2025





**In alignment with HRSD's Strategic Plan,
a Program Support Office will be integrated
into the Engineering Division
to increase visibility and improve delivery of
the capital improvement program (CIP).**

Strategic Plan Priorities & Principles





We preserve financial integrity and sustainability through sound planning to help ensure long-term affordability.

Strategic Planning effort acknowledged potential for structural and procedural changes in CIP implementation



FINANCIAL STEWARDSHIP

Objectives

Improve CIP prioritization, planning, and implementation.

Optimize financial solutions to manage funding opportunities and minimize/mitigate inefficiencies.

Actions

- Establish a Project Management Office for HRSD.
- Create a CIP "fundability" plan (i.e., review planned CIP projects and identify and align projects to potential funding sources).

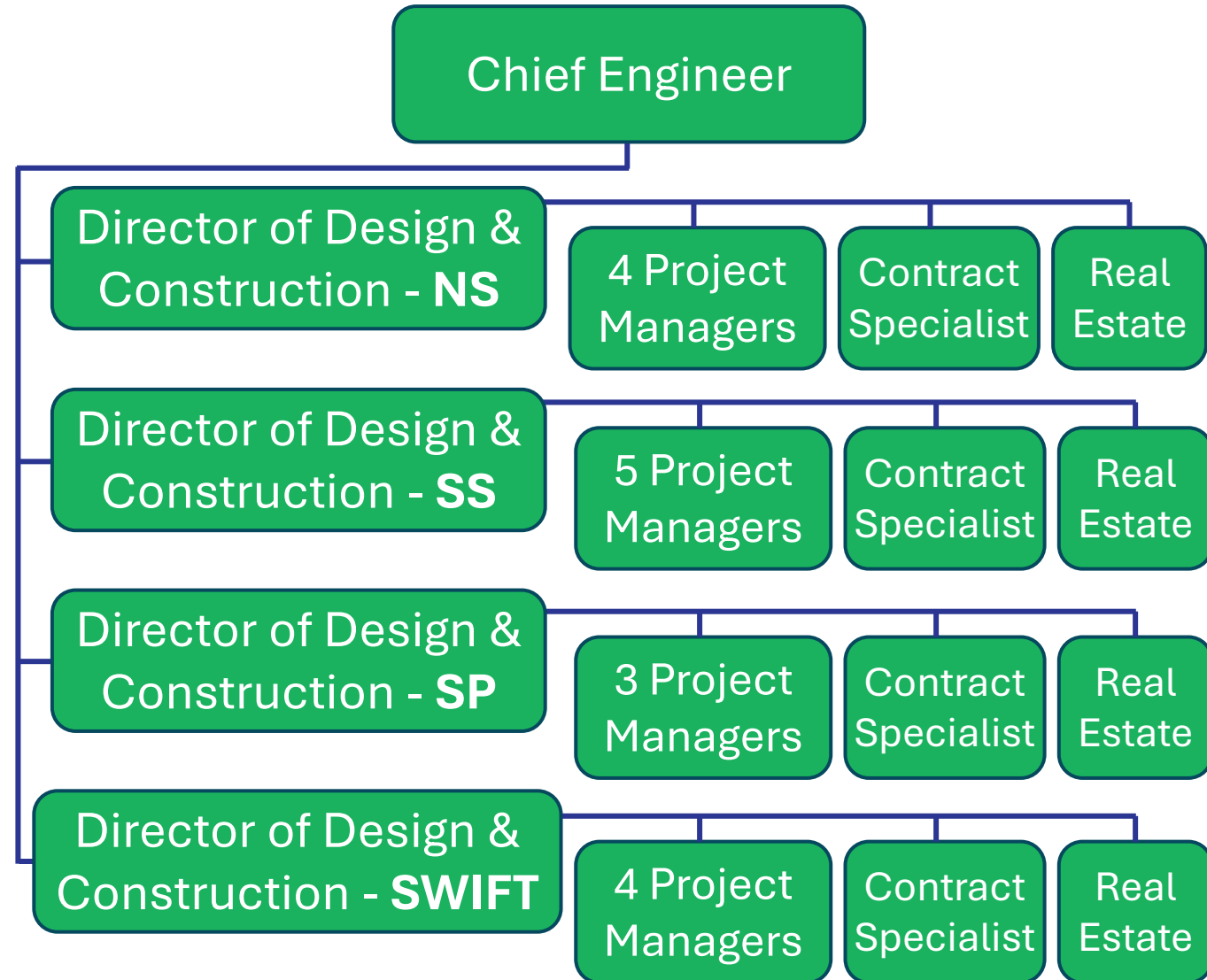
There's no one-size-fits-all Project Management Office (PMO) description*

Project Management Office

“... the definition of PMO may vary in name and by function, but it is essentially an **organizational structure that centralizes, coordinates, and oversees the management of projects...**” *

HRSD manages delivery of most CIP projects through Design & Construction departments

Design & Construction Department



Continue delivery of capital projects through Design & Construction departments

**Design &
Construction
Department**

Project
Management
Office

Empowered Project Execution

- ✓ Directly manage individual projects
- ✓ Ensure projects meet intended goal
- ✓ Manage risks
- ✓ Hire and direct highly qualified engineers and contractors
- ✓ Coordinate with agencies, public, etc.

Why do organizations implement a Program Support Office?



Large-scale initiatives

with multiple workstreams or dependencies



Cross-departmental programs

where alignment and coordination are critical



Government or regulated entities

that require formal oversight structures



Managing portfolios

of projects rather than single initiatives

Program Support Office will elevate communication and visibility of status of HRSD's whole capital program

Design & Construction Department

Project
Management
Office

Program Support Office

Empowered Project Execution

- ✓ Directly manage individual projects
- ✓ Ensure projects meet intended goal
- ✓ Manage risks
- ✓ Hire and direct highly qualified engineers and contractors
- ✓ Coordinate with agencies, public, etc.

Visible reporting and governance

- ✓ Support whole CIP portfolio
- ✓ Gather data - maintain tools and dashboards - report consistently
- ✓ Support change management
- ✓ Inform HRSD strategic objectives in coordination with Finance and Operations

A dynamic splash of water with many bubbles, filling the upper half of the slide. The water is clear and blue, with light reflecting off the surface.

Benchmarking, Best Practices, and Initial Development



Task Force members represent Finance, Engineering, and Operations



Bruce Husselbee –
Executive Sponsor
Chief Engineer



Lauren Zuravnsky
*Director of Design &
Construction - SWIFT*



Erin Girardi
*Director of Financial
Planning and Analysis*



Chris Wilson
*Director of Process
Engineering*



J Dano
*Director of Planning and
Analysis*

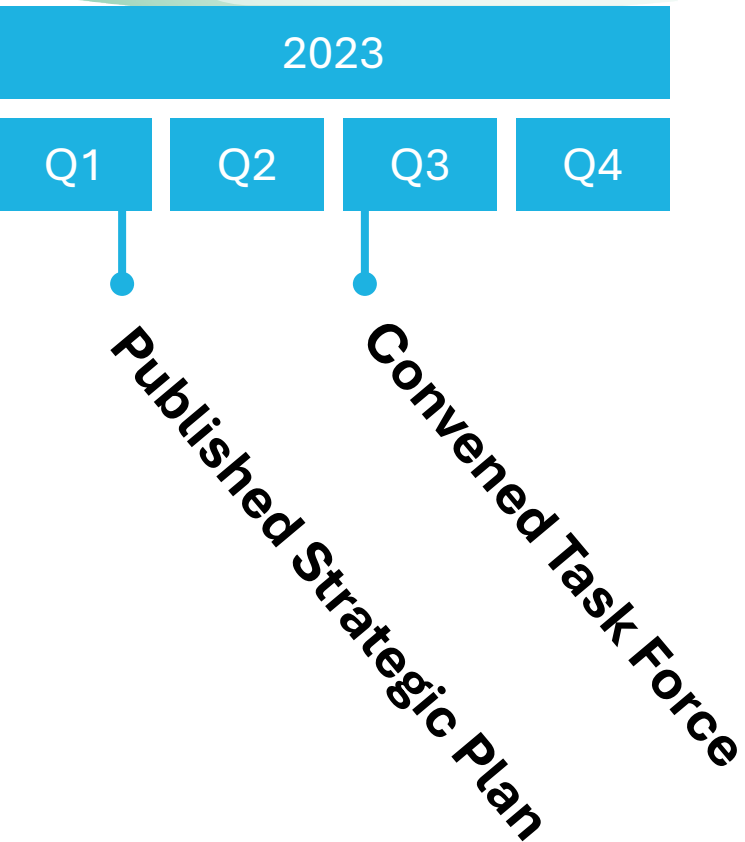


Charles Wright
*Director of Electrical and
Instrumentation South Shore*



Jasmine Anderson
*Engineering Administrative
Coordinator*

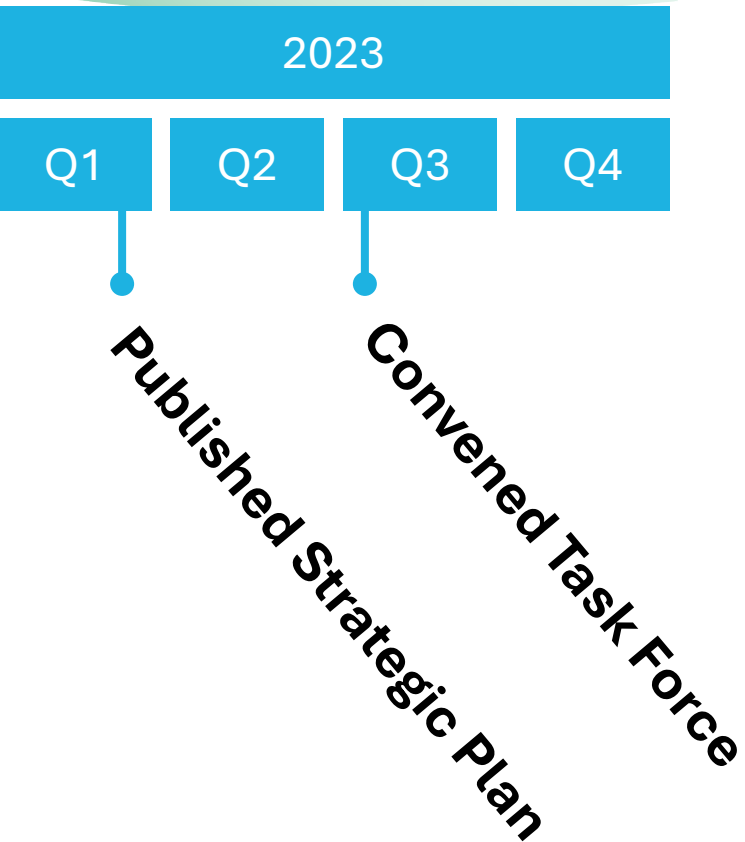
Task Force convened in 2023, established a charter, and developed initial scope of effort



Objectives:

- Research PMO/ Strategic Implementation Office (SIO) structures and best practices
- Perform gap analysis related to use of best practices at HRSD
- Make recommendation on PMO/SIO/PSO structure and roles

HDR was brought on board to conduct a peer utility benchmarking study

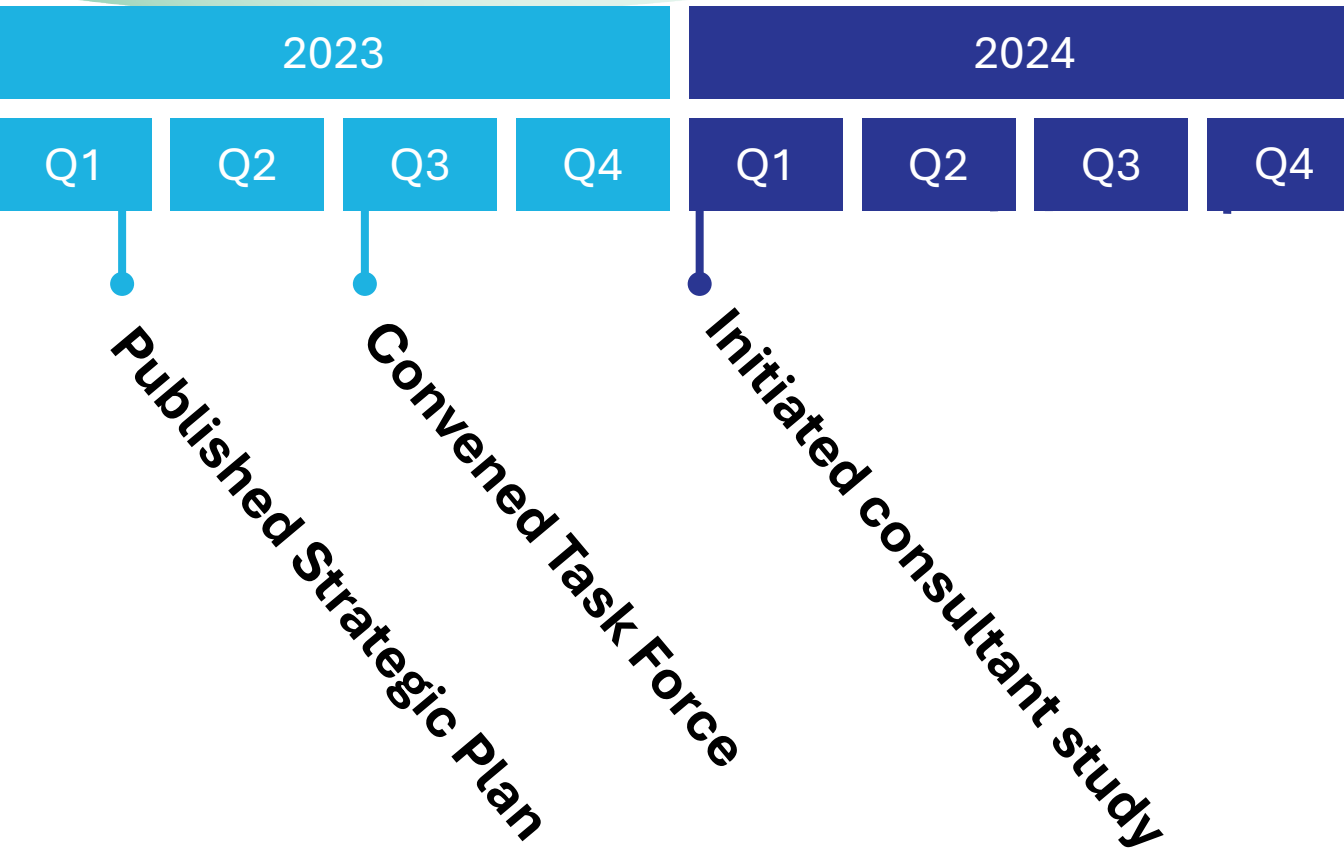


Objectives:

- Research PMO/ Strategic Implementation Office (SIO) structures and best practices to summarize best practices that HRSD may consider adopting
- Perform gap analysis related to use of best practices at HRSD
- Make recommendation on PMO/SIO/PSO structure and roles



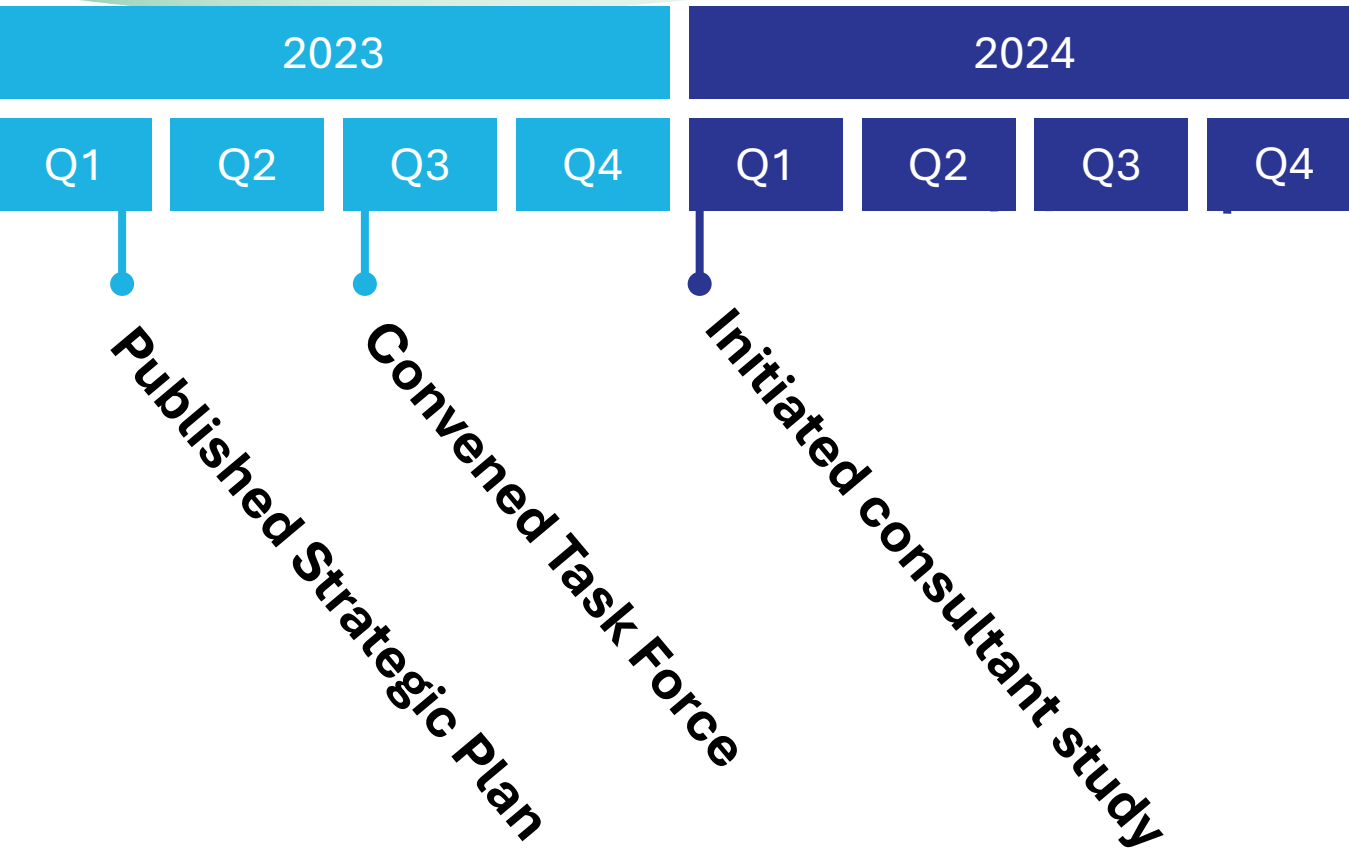
HDR was brought on board to conduct a peer utility benchmarking study



| | | Population Served (millions) | | FY24 Annual CIP (\$millions) | | Governance | | # Localities | Wholesale Customers? | | WWT | DWT | Conveyan | Dr |
|----|--------------------------|------------------------------|----------|------------------------------|--|------------|---|--------------|----------------------|---|-----|-----|----------|----|
| | | | | | | | | | | | | | | |
| | HRSD | 1.9 | \$ 580 | | | | | 30 | Y | X | | X | X | |
| 1 | MWD of Southern CA | 19 | \$ 300 | District | | 38 | Y | | X | X | X | X | X | |
| 2 | San Antonio Water System | 2 | \$ 568 | City | | 3 | N | X | X | X | X | X | | |
| 3 | Metro Vancouver, BC | 2.8 | \$ 1,000 | District | | 23 | Y | X | X | X | X | X | X | |
| 4 | LA San (City) | 4 | \$ 421 | City | | 29 | N | X | X | X | X | X | | |
| 5 | Trinity River Authority | 1.5 | \$ 584 | Board | | 47 | Y | X | X | X | X | X | | |
| 6 | King County WA | 1.9 | \$ 495 | City | | 18 | Y | X | | | X | X | X | |
| 7 | Orange County SD (CA) | 2.6 | \$ 272 | District | | 20 | Y | X | X | X | X | X | X | |
| 8 | Charlotte Water | 1.1 | \$ 443 | City | | 8 | Y | X | X | X | X | X | X | |
| 9 | Raleigh Water | 0.6 | \$ 275 | City | | 7 | N | X | X | X | X | X | X | |
| 10 | WSSC Water | 1.9 | \$ 441 | Commission | | 45 | N | X | X | X | X | X | X | |
| 11 | LA County SD | 5.5 | \$ 488 | District | | 78 | N | X | | | | X | X | |
| 12 | St. Louis MSD | 1.3 | \$ 567 | District | | 2 | N | X | | | | X | X | |
| 13 | Tampa Bay Water | 2.5 | \$ 87 | Commission | | 6 | Y | | | X | X | X | | |

HDR

HDR was brought on board to conduct a peer utility benchmarking study



metrovancover



HDR

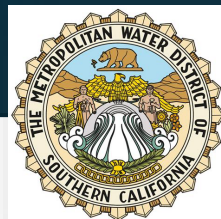
King County Wastewater Treatment Division (WTD)

- Serves 18 Cities and 15 Sewer Districts
- Area Service
424 sq. mi.
- Capital Budget - \$495 million
- Project Staff – 300+
- Governed by a County Executive & elected Council



Metropolitan Water District of Southern California (MWD)

- Serves 6 Counties and 26 Member Agencies
- Area Service
5,200 sq. mi.
- Capital Budget - \$364 million
- Project Staff – 355+
- Governed by a 38-member board



Metro Vancouver Regional District, British Columbia

- Serves 24 Local Authorities
- Area Service
1,113 sq. mi.
- Capital Budget – \$1.2 Billion
- Project Staff – 150+
- Governed by a 23-member board and 1 Commissioner

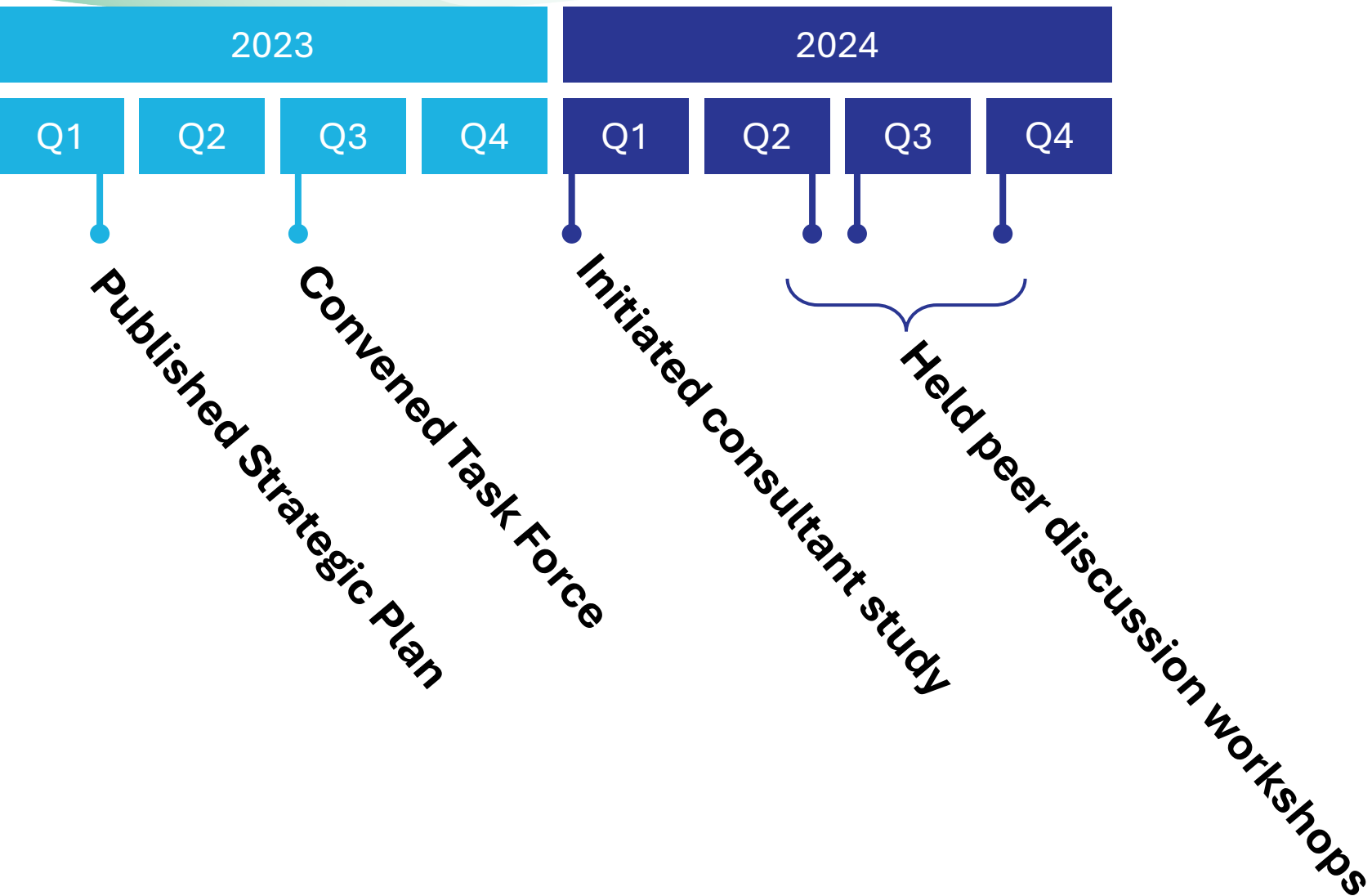
metrovancouver

HRSD

- Serves 20 Cities and Counties
- Area Service
4,995 sq. mi.
- Capital Budget - \$760 million
- Project Staff – 20+
- Governed by 8 Governor appointed Commissioners



HDR Benchmarking Study summarized best practices and recommended next steps



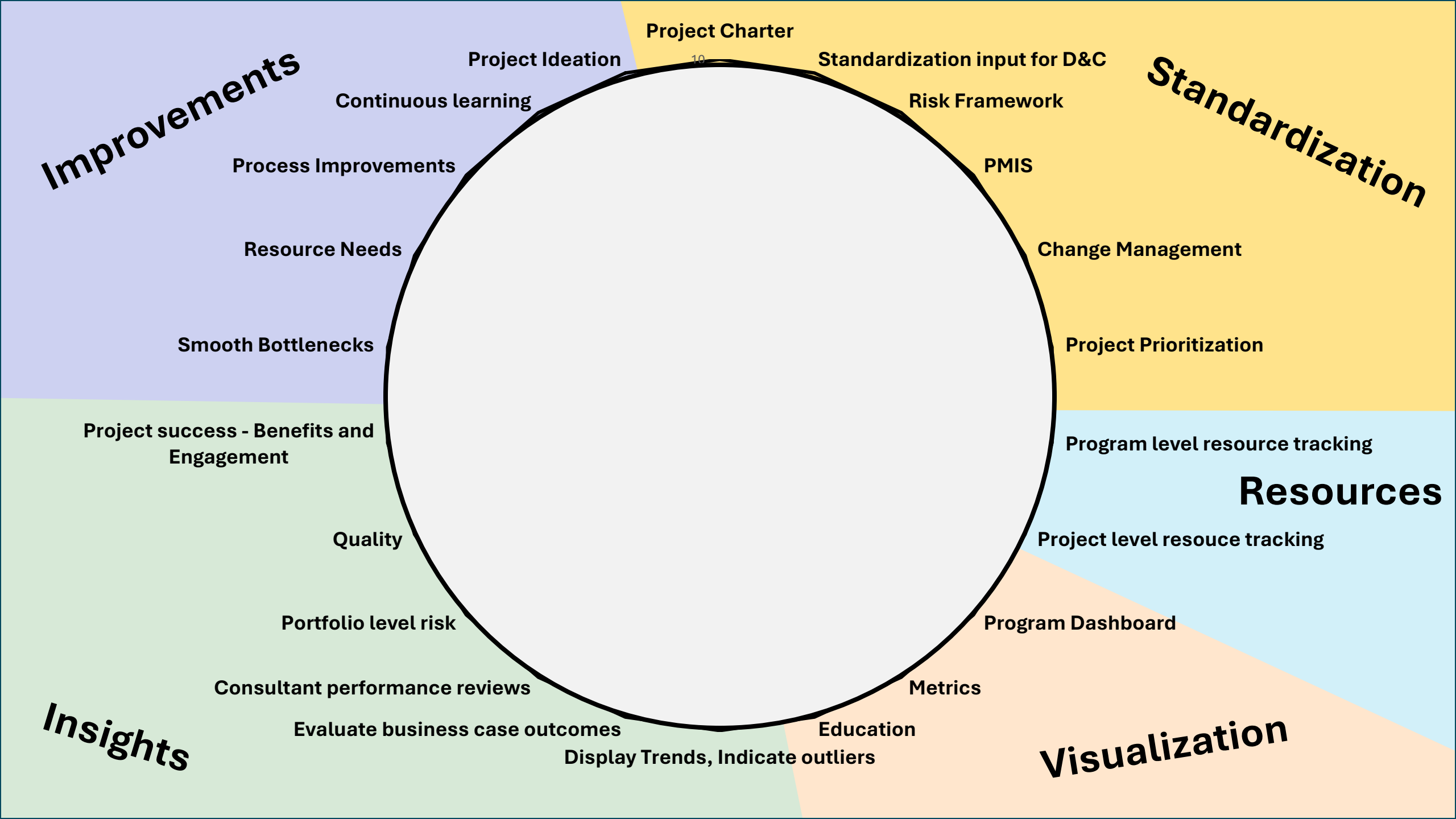
HDR Benchmarking Study summarized best practices and recommended next steps

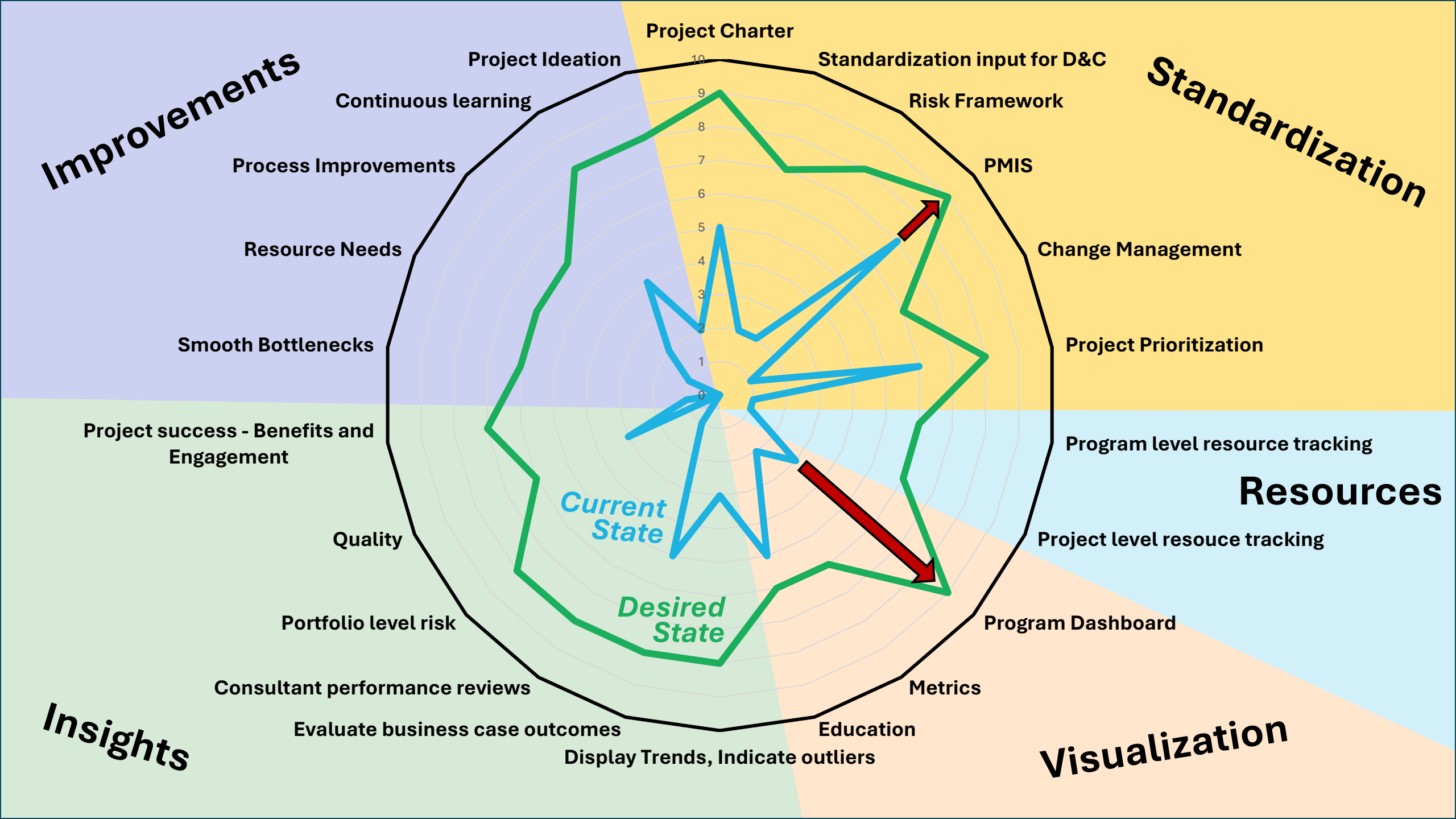
Identified Best Practices

- ✓ Planning Processes
- ✓ Monitoring Processes
- ✓ Financials / Implementation Targets
- ✓ PSO Model / Organization Structure

Recommended Next Steps

- Define Potential Program Support Office (PSO) Responsibilities
- Create Program Support Office (PSO) Roadmap
- Consider Alternative Organizational Structures

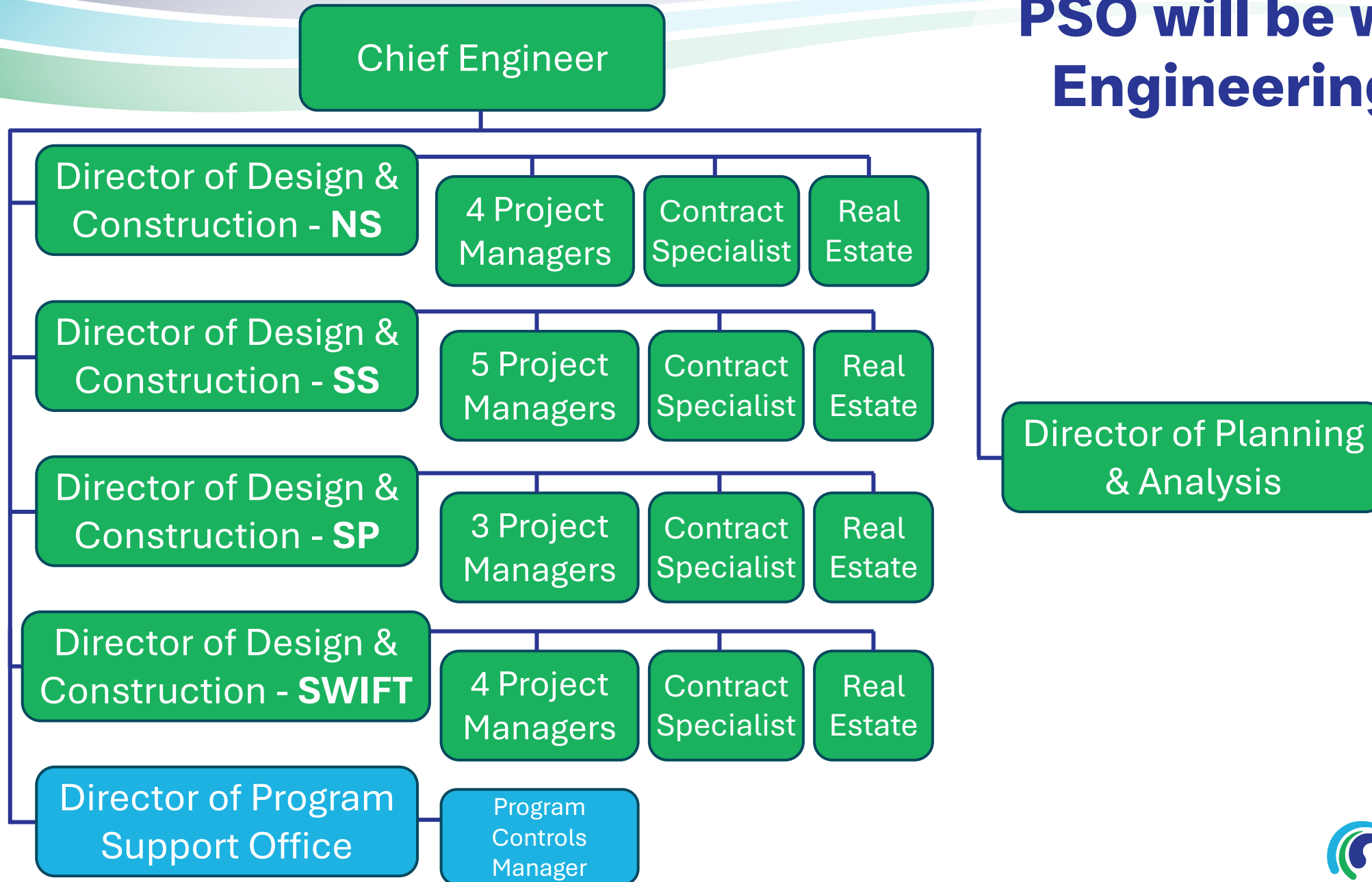




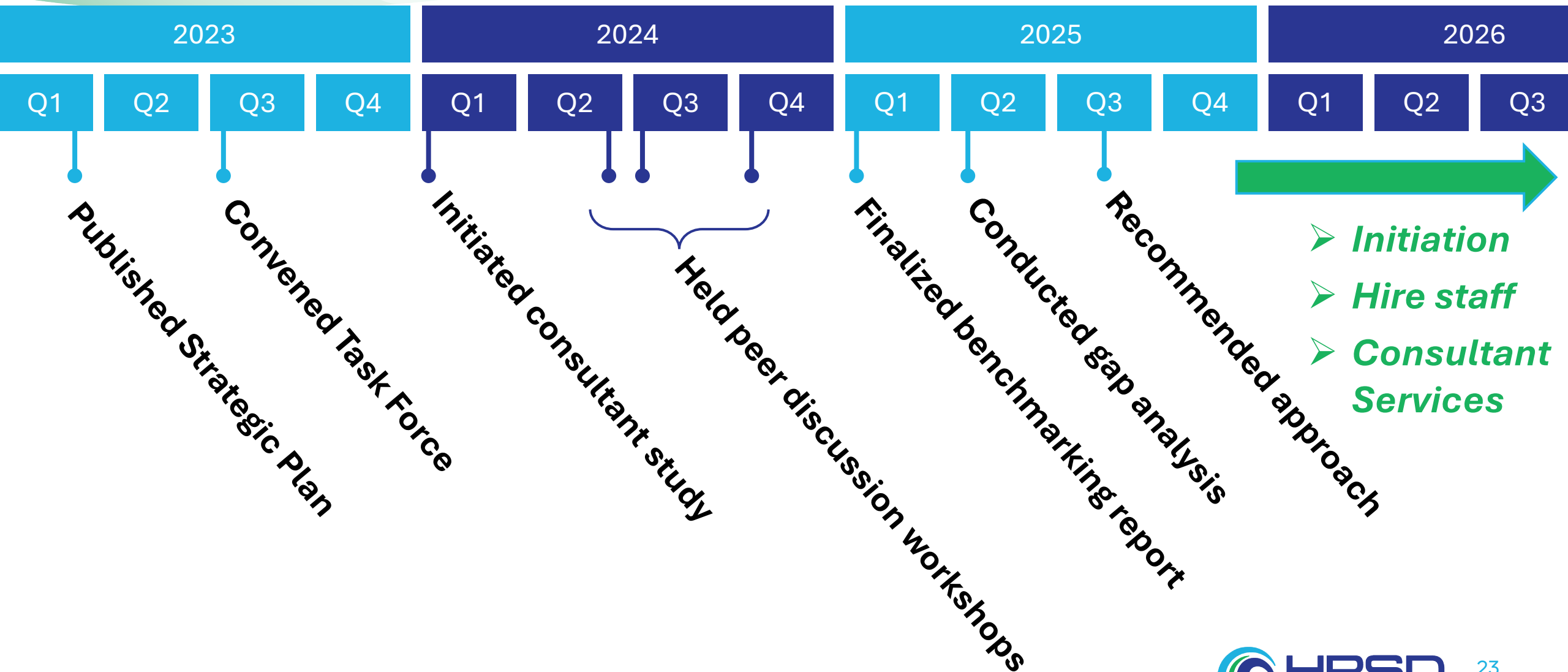
DRAFT roadmap for Program Support Office department

| | Year 1 | Year 2 | Year 3 | Year 4+ |
|---------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------|
| Focus | Department Startup | Inform Financial Planning | Leverage Data for Insights | Continuous Learning Model |
| Staff Request | <ul style="list-style-type: none">• Director of PSO• Program Controls/ Scheduler• Consultant Services | <ul style="list-style-type: none">• Senior Project Manager | <ul style="list-style-type: none">• Data Analyst• Process Engineer | |
| Goals | <ul style="list-style-type: none">• Refresh needs analysis• Prioritize deliverables• Diagram data flows• Design of CIP program dashboard• Organizational education on PSO• Initiate Change Council | <ul style="list-style-type: none">• Develop risk framework• Quantify risk• P6 Improvements• Programmatic cost loaded scheduling• Consultant evaluations/ inform selections | <ul style="list-style-type: none">• Internalize program dashboard – end consultant support• Resource tracking program• Project ideation improvements• Quality measurement | <ul style="list-style-type: none">• Identify bottlenecks• Recommend process improvements• Process documentation |

PSO will be within the Engineering Division



Task Force presented recommendations to internal leadership and stakeholders





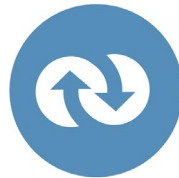
In alignment with HRSD's Strategic Plan, a **Program Support Office** will be integrated into the Engineering Division to increase visibility and improve delivery of the capital improvement program (CIP).



FINANCIAL STEWARDSHIP



DATA DRIVEN

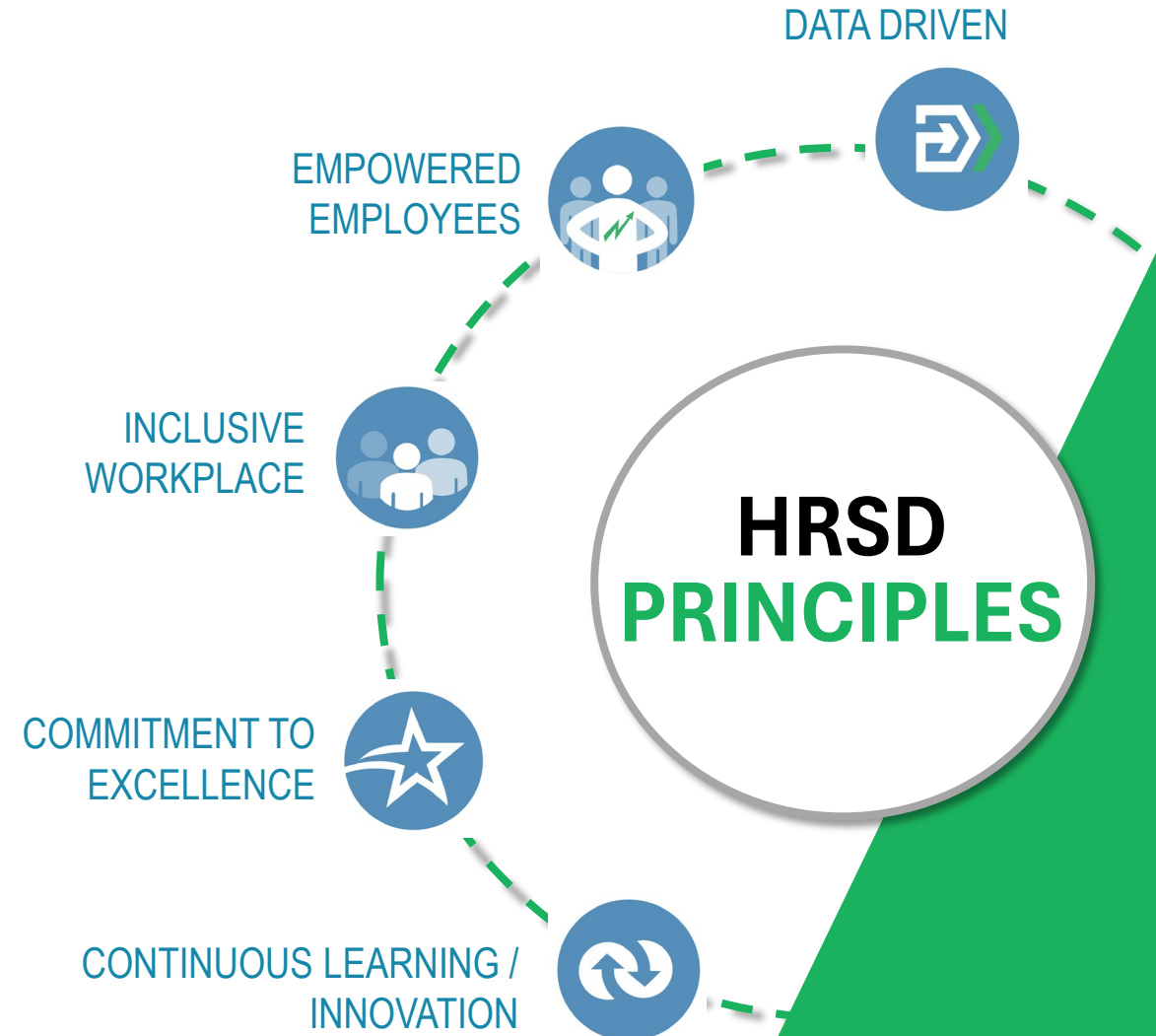


CONTINUOUS LEARNING



EMPOWERED EMPLOYEES

2023 Strategic Plan Priorities & Principles



HRSD Commission Meeting Minutes
November 18, 2025
Attachment #12

16. Authorization to Transition Federal Consent Decree Requirements into a State-Issued Consent Order



Commonwealth of Virginia

VIRGINIA DEPARTMENT OF ENVIRONMENTAL QUALITY

www.deq.virginia.gov

Stefanie K. Taillon
Secretary of Natural and Historic Resources

Michael S. Rolband, PE, PWD, PWS Emeritus
Director

**VIRGINIA DEPARTMENT OF ENVIRONMENTAL QUALITY
ENFORCEMENT ACTION - ORDER BY CONSENT
ISSUED TO
HAMPTON ROADS SANITATION DISTRICT**

SECTION A: Purpose

This is a Consent Order issued under the authority of Va. Code § 62.1-44.15, between the Virginia Department of Environmental Quality (“Department” or “DEQ”) and the Hampton Roads Sanitation District (“HRSD” or “Responsible Party”) for the purpose of resolving certain violations of the State Water Control Law and the applicable regulations.

SECTION B: Definitions

Unless the context clearly indicates otherwise, the terms in this Consent Order have the meanings assigned to them in Va. Code § 62.1 -44.2 *et seq.*, and the Virginia Pollutant Discharge Elimination System (“VPDES”) Permit Regulation at 9 VAC 25-31-10.

SECTION C: Findings of Fact and Conclusions of Law

1. HRSD is a political subdivision of the Commonwealth established as a governmental instrumentality to provide for the public health and welfare pursuant to Chapter 66 of the Acts of Assembly of 1960, as amended. HRSD is a “person” within the meaning of Va. Code § 62.1-44.3 .

2. HRSD owns and operates a regional interceptor sewer system, which includes both gravity and force mains which deliver wastewater to eight (8) wastewater treatment plants (“WWTPs”) serving the Hampton Roads region plus four (4) WWTPs serving portions of the Middle Peninsula and two (2) WWTPs serving portions of the Eastern Shore. These 14 WWTPs and associated sewer system have a total design treatment capacity of 225 million gallons per day (“MGD”) (the “HRSD System”). The HRSD System serves approximately 1.9 million individuals. Discharges of treated wastewater from HRSD’s WWTPs into State waters are regulated by VPDES permits issued by the Department.

3. The localities in the Hampton Roads portion of HRSD’s service territory (*i.e.*, the cities of Chesapeake, Hampton, Newport News, Norfolk, Poquoson, Portsmouth, Suffolk, Virginia

Beach, and Williamsburg; the counties of Gloucester, Isle of Wight, James City, and York; and the town of Smithfield; collectively, the “Localities”) individually own and operate sanitary sewer collection systems, which collect sewage within their individual jurisdictional boundaries and deliver it to the HRSD System for treatment.

4. Due to infiltration and inflow, insufficient capacity, pipe breaks, damage by contractors working in public rights-of-way, the low-lying nature of the Hampton Roads region and corresponding high groundwater table, periodic widespread flooding in urbanized areas, electrical outages, and other factors, prior to 2010 untreated sewage was, and to a far lesser degree now is, discharged from various locations in the individual sanitary sewer collection systems of the Localities and the HRSD System (“sanitary sewer overflows” or “SSOs”) to public and private property as well as various State waters in the region.

5. With respect to the Localities, the Department executed a 2014 Consent Order requiring proper management, operation, and maintenance (“MOM”) of their sanitary sewer collection systems in accordance with individual MOM programs to prevent or minimize the discharge of untreated sewage, to evaluate and repair significant defects, and to ensure compliance with applicable statutory and regulatory requirements.

6. With respect to HRSD, on February 23, 2010, the Department joined with the United States Environmental Protection Agency (“EPA”) to enter into a consent decree with HRSD in *United States of America et al. v. Hampton Roads Sanitation District*, Civil Action No. 2:09-cv-481 (the “Federal Consent Decree”) to address regional wet weather sewer capacity throughout the regional system, as well as to minimize dry weather SSOs that occur from HRSD-owned assets. The Federal Consent Decree was subsequently modified six times, in part to include portions of the Localities’ sewage collection systems impacted by operations of the HRSD System as the financial responsibility of HRSD and to be considered as part of the HRSD System.

7. Over the past 15 years, HRSD has worked constructively with EPA and the Department to implement the requirements of the Federal Consent Decree, including extensive work to assist individual Localities with reducing and managing peak flows in their sanitary sewer collection systems. Under the Federal Consent Decree, sewer system projects are scheduled in various phases, including Interim System Improvements, Rehab Action Plans (three phases referred to as Phase 0, 1, and 2), and the High Priority Projects phase.

8. In addition to the above projects, as required by the Federal Consent Decree, HRSD has developed comprehensive programs for the Hampton Roads region that have since been incorporated into HRSD’s organizational structure and business processes including the examples listed below. The Data Analysis Section of HRSD’s Planning and Analysis Department developed and now administers a Flow, Pressure and Rainfall Monitoring Program providing near real time vision into the performance of the regional system to inform operations and better calibrate system models. The Hydraulic Capacity Section of HRSD’s Planning and Analysis Department developed and now maintains a regional Hydraulic Model, models system performance, manages new connections to the system, coordinates with Localities on regional planning, and plans capacity improvements to the regional system. HRSD’s Asset Management Department undertook and continues a Condition Assessment Program to provide a robust asset condition database enabling

HRSD to accurately and proactively identify pipes that present a material risk of failure and proactively plan rehabilitation in advance of failure. HRSD participates in an active regional Capacity Team including the Department, HRSD, the Localities, and the Hampton Roads Planning District Commission. The team monitors regional system performance and exchanges information as changes are made to the Localities' systems, which facilitates improved modeling and performance of the regional system.

9. Based on the HRSD System's performance, along with other factors, HRSD has requested that the federal government terminate the Federal Consent Decree. According to HRSD, other factors warranting the federal termination include that the system rehabilitation/improvement approach of the Federal Consent Decree is technically outdated and an impediment to making the best investments in protecting public health and water quality going forward and that the state revision process is more agile and better able to address the continuously evolving needs of the Hampton Roads region and the Commonwealth for wastewater infrastructure. If the federal government approves HRSD's request, HRSD envisions updating the technical basis for its project phases and programs to continue to minimize SSOs while also directing resources to additional projects or programs to improve Chesapeake Bay and local tributary water quality.

10. Section 62.1-44.5.A of the Code and the Regulation at 9 VAC 25-31-50.A prohibit the discharge of sewage to State waters except as authorized by a permit issued by the Department. The Department has not issued a permit authorizing discharges of untreated sewage from the HRSD System. Accordingly, despite the progress and performance demonstrated by HRSD's post-2010 improvements, the Department finds that HRSD continues to violate Va. Code § 62.1-44.5.A and 9 VAC 25-31-50.A.

11. In the event the federal government terminates the Federal Consent Decree as requested by HRSD, this Order will provide a mechanism for the (1) ongoing implementation of the Federal Consent Decree requirements, (2) orderly resumption of primary oversight by the Department, and (3) consideration of timely and appropriate amendments to the operative elements of the project phases and programs then in effect.

SECTION D: Agreement and Order

Accordingly, by virtue of the authority granted it in Va. Code §§ 62.1-44.15, the Department orders the Responsible Party, and the Responsible Party agrees, to perform the actions described in Appendix A of this Consent Order.

SECTION E: Administrative Provisions

1. The Department may modify, rewrite, or amend this Consent Order with the consent of HRSD, for good cause shown by HRSD, or on its own motion pursuant to the Administrative Process Act, Va. Code § 2.2-4000 *et seq.*, after notice and opportunity to be heard.

2. This Consent Order addresses and resolves only those violations specifically identified in Section C of this Consent Order. This Consent Order shall not preclude the

Department or the Director from taking any action authorized by law, including but not limited to: (a) taking any action authorized by law regarding any additional, subsequent, or subsequently discovered violations; (b) seeking subsequent remediation of the facility; or (c) taking subsequent action to enforce the Consent Order.

3. For purposes of this Consent Order and subsequent actions with respect to this Consent Order only, the Responsible Party admits to the jurisdictional allegations, and agrees not to contest, but neither admits nor denies, the findings of fact and conclusions of law in this Consent Order.

4. The Responsible Party consents to venue in the Circuit Court of the City of Virginia Beach for any civil action taken to enforce the terms of this Consent Order.

5. The Responsible Party declares it has received fair and due process under the Administrative Process Act and the State Water Control Law and waives the right to any hearing or other administrative proceeding authorized or required by law or regulation, and to any judicial review of any issue of fact or law contained herein. Nothing herein shall be construed as a waiver of the right to any administrative proceeding for, or to judicial review of, any action taken by the Department to modify, rewrite, amend, or enforce this Consent Order.

6. Failure by the Responsible Party to comply with any of the terms of this Consent Order shall constitute a violation of an order of the Department. Nothing herein shall waive the initiation of appropriate enforcement actions or the issuance of additional orders as appropriate by the Department or the Director as a result of such violations. Nothing herein shall affect appropriate enforcement actions by any other federal, state, or local regulatory authority.

7. If any provision of this Consent Order is found to be unenforceable for any reason, the remainder of the Consent Order shall remain in full force and effect.

8. The Responsible Party shall be responsible for failure to comply with any of the terms and conditions of this Consent Order unless compliance is made impossible by earthquake, flood, other acts of God, war, strike, or such other unforeseeable circumstances beyond its control and not due to a lack of good faith or diligence on its part. The Responsible Party shall demonstrate that such circumstances were beyond its control and not due to a lack of good faith or diligence on its part. Financial inability to perform any obligation required by this Consent Order does not qualify as an unforeseeable circumstance. The Responsible Party shall notify the Department Enforcement Director verbally within 24 hours and in writing within 3 business days when circumstances are anticipated to occur, are occurring, or have occurred that may delay compliance or cause noncompliance with any requirement of the Consent Order. Such notice shall set forth:

- a. the reasons for the delay or noncompliance;
- b. the projected duration of any such delay or noncompliance;
- c. the measures taken and to be taken to prevent or minimize such delay or noncompliance; and

- d. the timetable by which such measures will be implemented and the date full compliance will be achieved.

Failure to so notify the Enforcement Director verbally within 24 hours and in writing within 3 business days of learning of any condition above, which the parties intend to assert will result in the impossibility of compliance, shall constitute a waiver of any claim to inability to comply with a requirement of this Consent Order.

9. This Consent Order is binding on the parties hereto and any successors in interest, designees and assigns, jointly and severally.

10. This Consent Order shall become effective upon execution by both the Director or his designee and by the Responsible Party. Nevertheless, the Responsible Party agrees to be bound by any compliance date which precedes the effective date of this Consent Order.

11. This Order shall continue in effect until:

- a. The Director or his designee terminates the Consent Order after the Responsible Party has completed all of the requirements of the Consent Order;
- b. The Responsible Party petitions the Director or his designee to terminate the Consent Order after it has completed all of the requirements of the Consent Order and the Director or his designee approves the termination of the Consent Order; or
- c. The Director or Department terminates the Consent Order in his or its sole discretion upon 30 days' written notice to Responsible Party.

Termination of this Consent Order, or any obligation imposed in this Consent Order, shall not operate to relieve the Responsible Party from its obligation to comply with any statute, regulation, permit condition, other order, certificate, certification, standard, or requirement otherwise applicable.

12. Any plans, reports, schedules or specifications attached hereto or submitted by the Responsible Party and approved by the Department pursuant to this Consent Order are incorporated into this Consent Order. Any non-compliance with such approved documents shall be considered a violation of this Consent Order.

13. The undersigned representative of the Responsible Party certifies that he or she is a responsible official or officer authorized to enter into the terms and conditions of this Consent Order and to execute and legally bind the Responsible Party to this document. Any documents to be submitted pursuant to this Consent Order shall also be submitted by a responsible official of Responsible Party.

14. This Consent Order constitutes the entire agreement and understanding of the parties concerning settlement of the violations identified in Section C of this Order, and there are

no representations, warranties, covenants, terms or conditions agreed upon between the parties other than those expressed in this Consent Order.

15. By its signature below, the Responsible Party voluntarily agrees to the issuance of this Consent Order.

And it is so ORDERED.

DEQ Signee Signature

Date

DEQ Signee Name

Title

I hereby certify that I am a duly appointed representative/officer of the Hampton Roads Sanitation District.



HRSD Signee Signature

11/18/2025

Date

JAY BERNAS

HRSD Signee Name

GM/CEO

Title

APPENDIX A SCHEDULE OF COMPLIANCE

1. Upon the termination of the Federal Consent Decree, HRSD shall continue to implement and comply with all projects, programs, obligations, and associated schedules in effect under the Federal Consent Decree immediately prior to its termination, including but not limited to:
 - A. Flow, Pressure, and Rainfall Monitoring Program (including Locality portal access)
 - B. Capacity Related SSO Review (including coordination with Localities)
 - C. Condition Assessment Plan (including Prompt Repairs and Rehabilitation Action Plan)
 - D. Management, Operations, and Maintenance Program
 - E. Quantitative Performance Measures Tracking
 - F. Regional Wet Weather Management Plan
 - G. SSO Emergency Response Plan
 - H. Consultation with Localities (including Capacity Team meetings)
 - I. Public Participation (including annual information meeting, newsletter, and website posting)
 - J. Post-RWWMP Implementation Monitoring and Performance Assessment
2. By November 1 of each year this Order is in effect following the termination of the Federal Consent Decree, HRSD shall submit to the Department an Annual Report covering the preceding 12-month period from July 1 to June 30 and addressing the projects, programs, and associated schedules required by Paragraph 1 of this Appendix A.
3. Within 24 months of the termination of the Federal Consent Decree, HRSD shall submit to the Department for review and approval an updated Regional Wet Weather Management Plan and any other proposed updates or amendments to the requirements of paragraph 1 of this Appendix A, and upon approval by the Department, such requirements as updated or amended shall be enforceable under this Order.
4. Documents to be submitted to the Department shall be sent to:

Kristen Sadtler
Enforcement Director
Virginia Department of Environmental Quality
Central Office
PO Box 1105
Richmond, VA 23218
Email: Kristen.sadtler@deq.virginia.gov

HRSD Commission Meeting Minutes
November 18, 2025
Attachment #13

20. Informational Items

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](#)

November 12, 2025

Re: General Manager's Report



Environmental Responsibility

The SWIFT Research Center has been operating since 2018, and we recently celebrated a huge milestone: we have replenished the Potomac Aquifer with one billion gallons of SWIFT Water®.

Unfortunately, one of the Federal Government impacts to HRSD has been the James River extensometer delay as workers were furloughed. As a result, USGS will need to redrill the shallow well at their cost when work resumes.

Staff are working with James City Service Authority(JCSA) on capacity improvements and JCSA offered HRSD a 500,000-gallon ground-level storage tank that is adjacent to our force main. They are taking this tank offline, which could be a great partnership opportunity for mutual benefit.

Treatment Compliance and System Operations: There were multiple events this month and additional details are available in the Air and Effluent Summary in the Water Quality (WQ) monthly report.

- From Fiscal Year (FY) 2026 to date, there have been five Permit Exceedances out of 18,622 Total Possible Exceedances.
- Pounds of Pollutants Removed in FY 2026 to date: 58.9 million pounds.

Water Quality: No civil penalties were issued in October.



Financial Stewardship

HRSD external auditor, Cherry Bekaert, issued an unmodified (clean) opinion on our Annual Comprehensive Financial Report (ACFR), which is the gold star standard. Details will be presented to the Finance Committee and full Commission in November.

Staff presented financing options to House and Senate Appropriations staff in Richmond for WQIF options. We learned that Water Quality Improvement Fund (WQIF) will not come out of cash, but likely bond proceeds if it does get appropriated.

The WQIF Grant for the Boat Harbor Conveyance Project was approved for \$294M. This is the largest grant in the history of the program.

HRSD was approved for two Virginia Community Flood Preparedness grants and a \$6.44 million low-interest loan Virginia Department of Conservation and Recreation's Community Flood Preparedness Program for the Army Base Treatment Plant (ABTP) Generator Controls project.

Revenues continue to exceed our budget targets as interest income continues to be strong. On the expense side, costs remain under control in spite of rising inflation.



Talent

Jeff Scarano was selected to be the new Chief Engineer. He will assume the role on January 1 and will work closely with Dr. Bruce Husselbee for a smooth transition before he retires on April 1.

Siva Velappan, Programming Development Manager, was appointed by Governor Glenn Youngkin to serve on the Virginia Asian Advisory Board.

Talent Management launched eight new recruitment campaigns and secured 21 job offers. One of the key initiatives they are focused on is updating the existing Human Resources policies.



Community Engagement

Staff have been helping Hopewell Water Renewal on a number of fronts. For example, we helped them develop an RFP for contract operations. In addition, we are helping to screen applications for their new Director to run the plant.

I provided the keynote for the Massachusetts Coalition for Water Resources Stewardship. With their theme: "Science, Regulation, and Public Opinion: At the Crossroads," I focused my talk on HRSD's SWIFT and the importance of showing ratepayer the value of the services we provide.

I provided input on the upcoming Virginia Chamber of Commerce's Blueprint 2035 - Infrastructure, which will be given to the Governor in December. HRSD became a member of this Industry Council this year.

I was interviewed by CoVA Biz magazine's editor for an upcoming article highlighting three Hampton Roads innovators. This is a direct result of HRSD winning the Innovate Hampton Roads 2025 Technical Achievement in Government award last month.

The Hampton Roads Planning District Commission (HRPDC) approved HRSD's request that they support WQIF in the upcoming General Assembly budget as a legislative priority. The HRPDC Commission is made up of Mayors and Council Members for Hampton Roads cities and counties.

Ulliman-Schutte-Alberici (US-A) Joint Venture Team, as part of their SWIFT Community Commitment Plan, rebuilt the courtyard within Menchville High School, which is adjacent to the James River Treatment Plant.



Innovation

Staff provided a tour to Claus Homan, Chief of Strategic Development, Aarhus Vand (Denmark). He was very impressed with our technologies. Moving forward, our first collaboration will be on Artificial Intelligence.

Dr. Jeff Sparks, Director of Digital Water, spoke at a LinkedIn Live event sponsored by Bluefield Research and Xylem. The topic was "Reimagining Utility Management: AI's Role in the Future of Water." In addition, he presented at the National Academies: Water Science and Technology Board Fall Meeting 2025: Frontier Applications of AI and Water Management. As the only utility invited to present, this prestigious opportunity highlights how HRSD is leading the country in AI.

Metro Water Recovery (Denver) toured the Dam Neck Heat Exchanger facility that uses our Atlantic Treatment Plant's effluent as a heat sink. In addition, they toured SWIFT, our latest research and heard about our vision of creating the "Silicon Valley of Water Tech" in Hampton Roads.

Staff met with MAIA Water to hear the latest progress on the agentic AI they are building to help our operators make better data-driven decisions.

I look forward to seeing you in Virginia Beach at 9:00 a.m. on Tuesday, November 18, 2025.

Respectfully submitted,

Jay Bernas

Jay Bernas, P.E.
General Manager/CEO

TO: General Manager

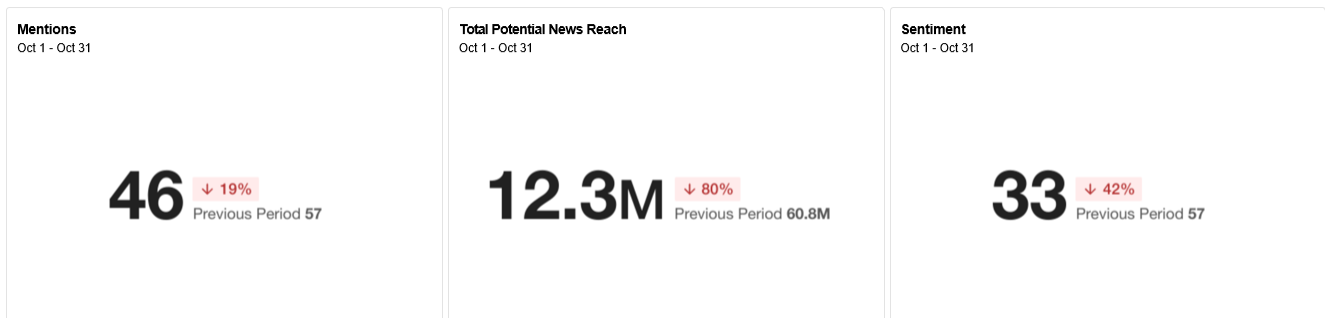
FROM: Chief Communications Officer

SUBJECT: Monthly Report for October 2025

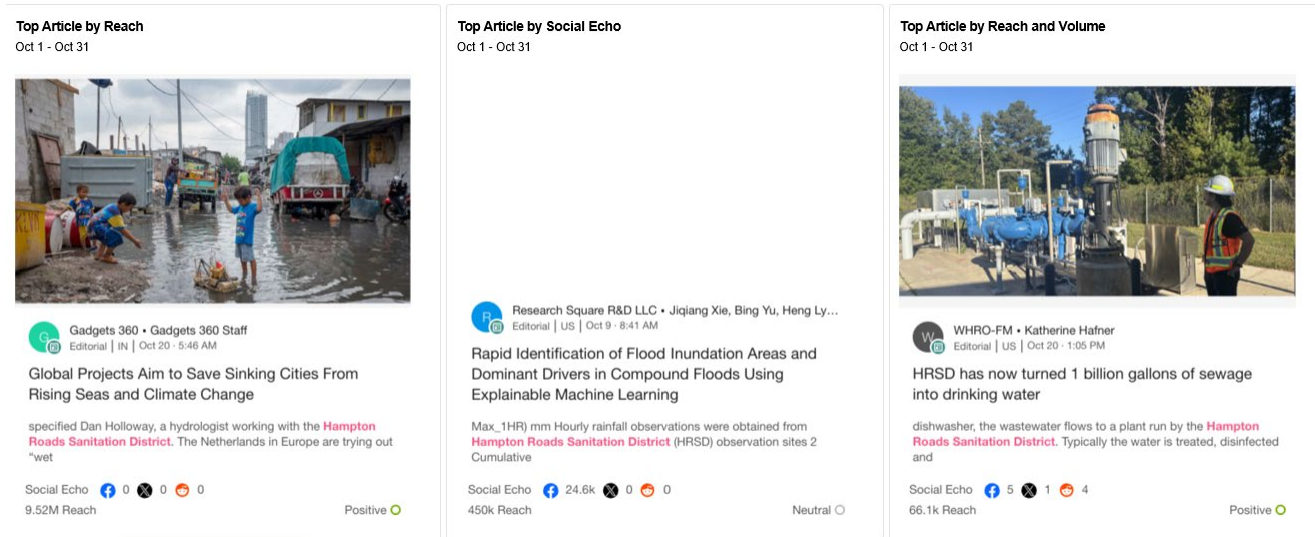
DATE: November 10, 2025

A. Publicity and Promotion

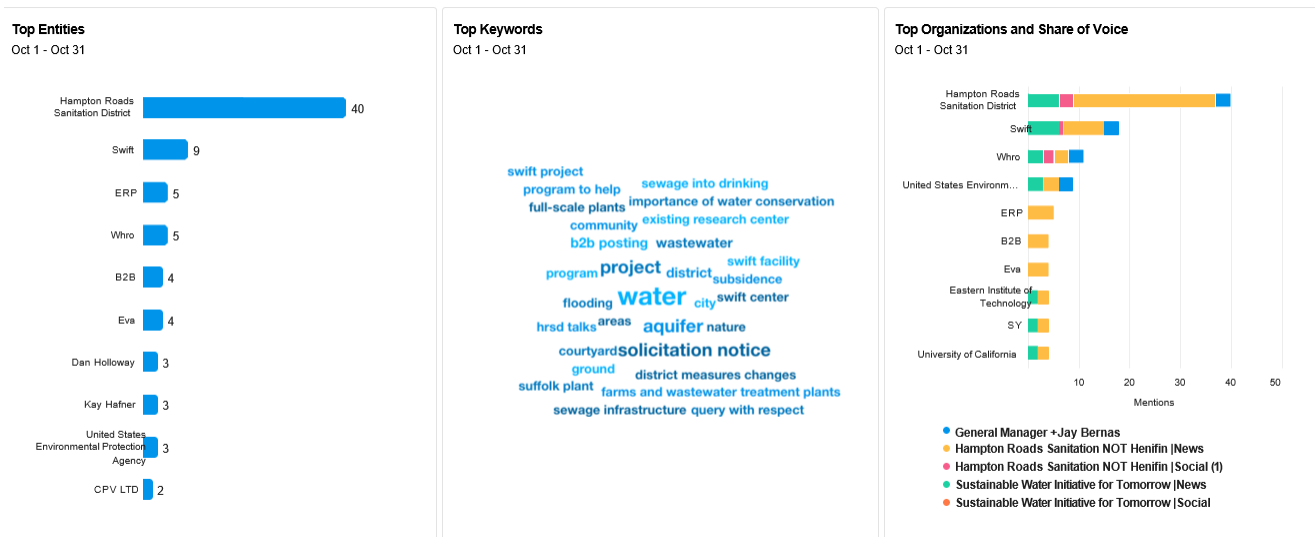
1. HRSD and the Sustainable Water Initiative For Tomorrow (SWIFT) were mentioned or featured in nine stories this month. Topics included:
 - a. Traffic advisory for work taking place in Suffolk
 - b. Two stories about how sinking cities might rebound featuring SWIFT
 - c. HRSD's SWIFT Research Center achieves one billion gallons of SWIFT Water® in the Potomac aquifer
 - d. How Generative AI can help utility reimagine water management
2. Analysis of Media Coverage
 - a. Key results for October



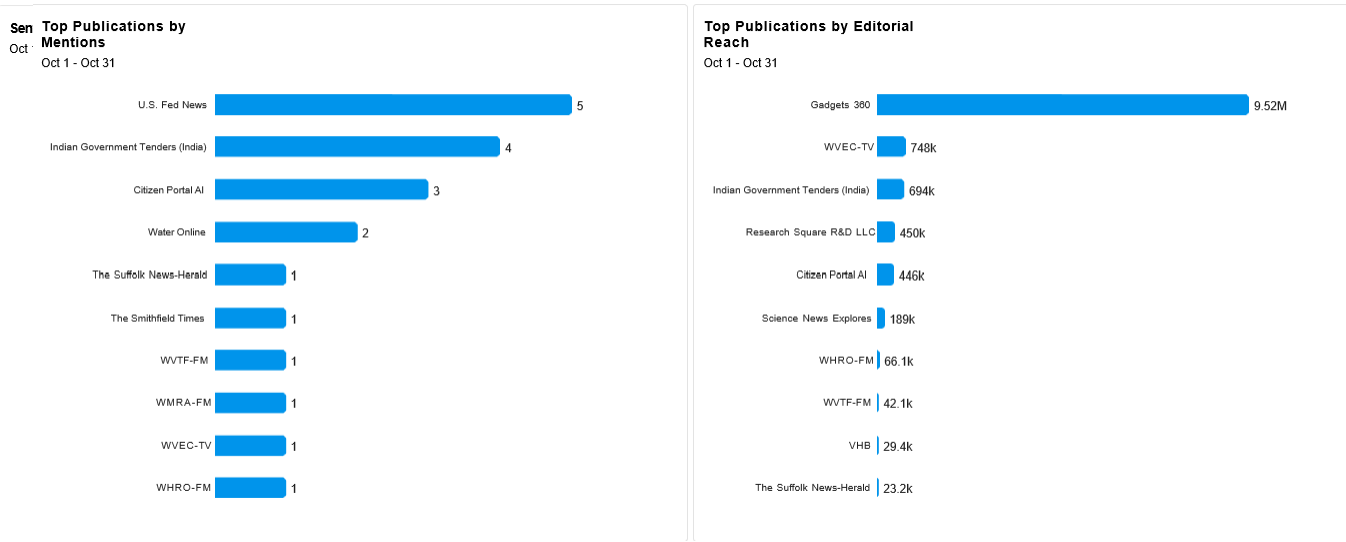
b. Top performing news content



c. Top entities and keywords

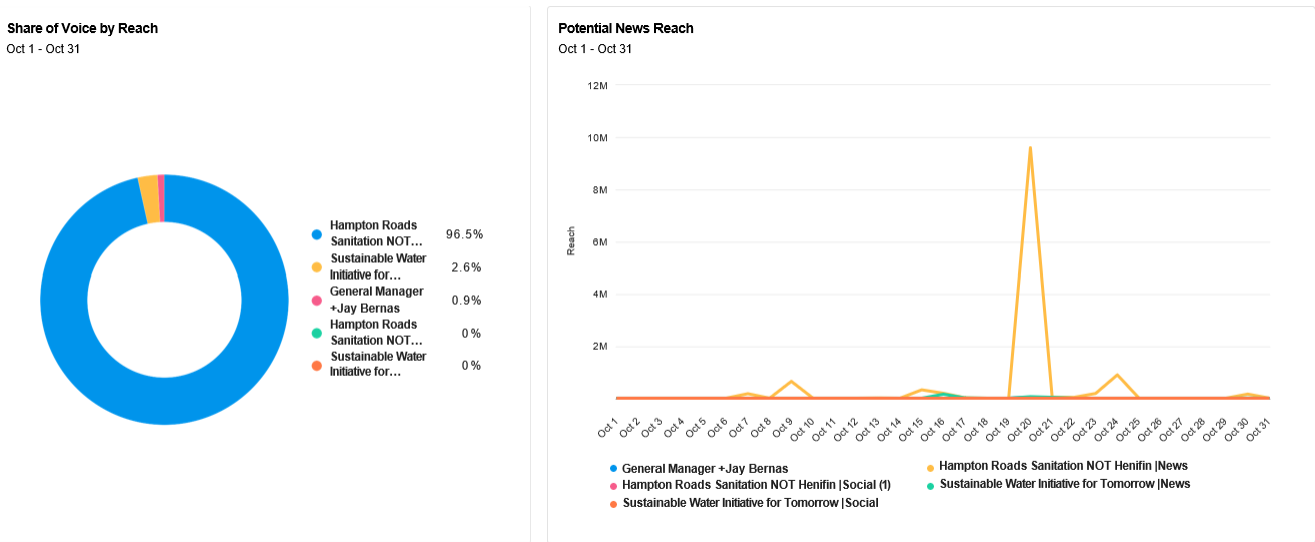


d. How favorable is the content?



(Negative sentiment directly attributed to HRSD associated with recent numerous social mentions of cyber incident)

e. What is the potential reach?



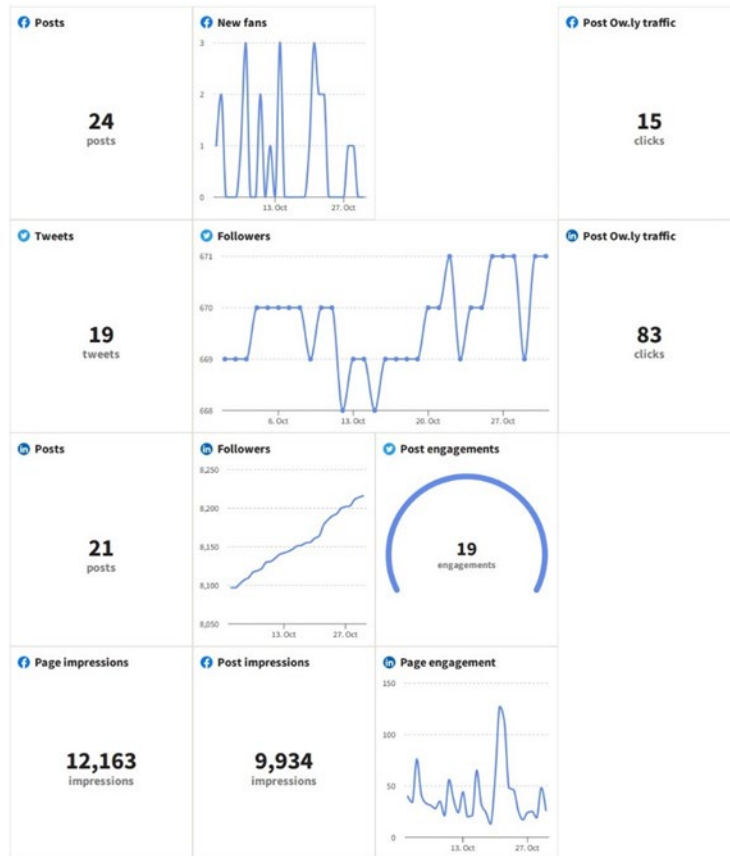
f. Top publishers



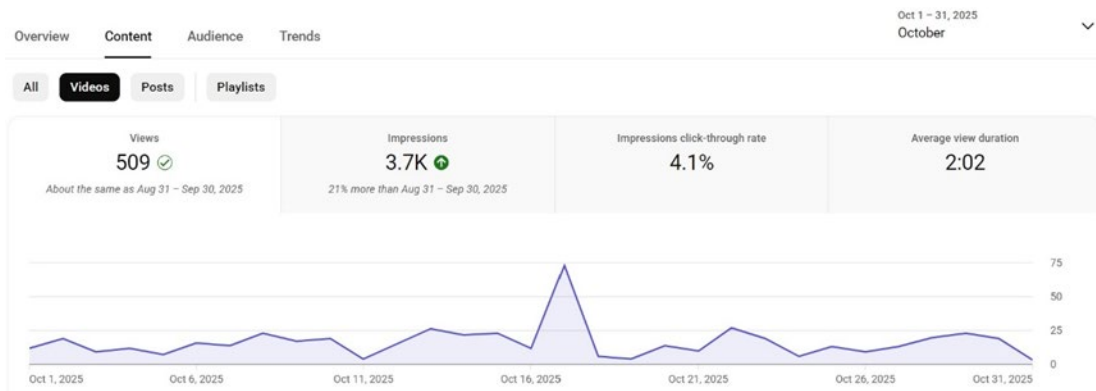
Community Engagement

B. Social Media and Online Engagement

1. Metrics – Facebook, X and LinkedIn

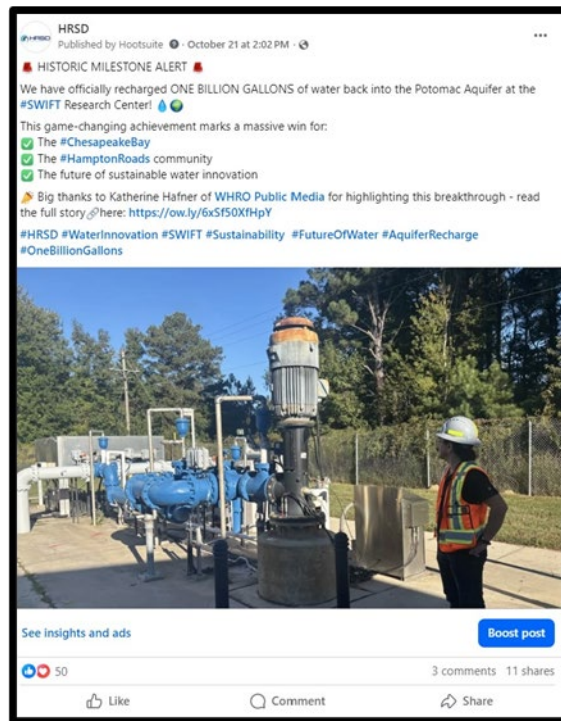


2. YouTube



3. Top posts on Facebook, Twitter, and YouTube

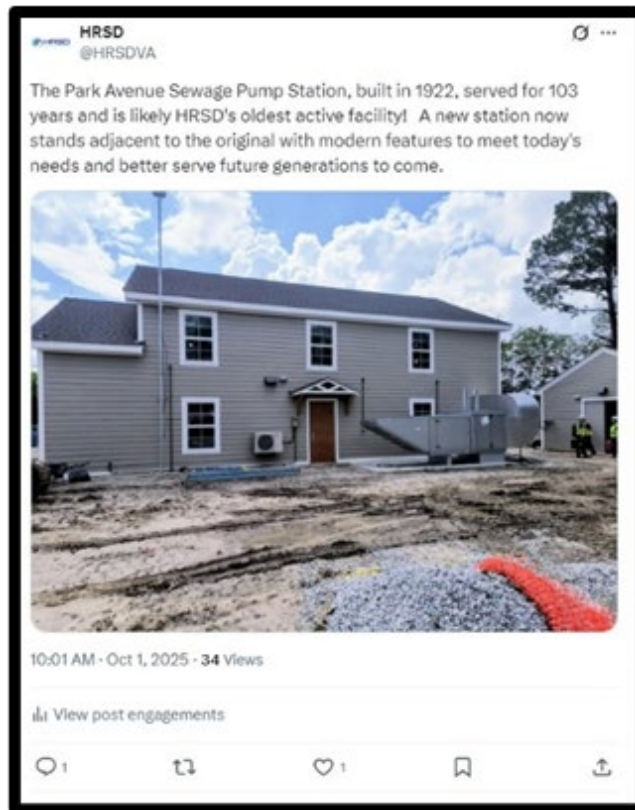
a. Top Facebook post



b. Top LinkedIn Post



c. Top X Post



d. Top YouTube Videos (based on views in the month)

- (1) [The Wastewater Treatment Process](#)
- (2) [SWIFT Research Center: What is the Potomac Aquifer](#)
- (3) [Atlantic Treatment Plant Cambi Tour](#)
- (4) [Why SWIFT Matters](#)
- (5) [HRSD Employee Testimonials](#)

4. Website and Social Media Impressions and Visits

a. Facebook:

- (1) 12,163 page impressions
- (2) 9,934 post impressions reaching 8,895 users.
- (3) Facebook Engagement of 385 (341 reactions, 32 shares, and 12 comments)

b. X: 3.01% engagement rate

- c. HRSD.com/SWIFTVA.com: 973 page visits
- d. LinkedIn Impressions:
 - (1) 42,581 page impressions
 - (2) 40,619 post impressions
- e. YouTube: 509 views
- f. NextDoor unique impressions: 12,575 post impressions from 25 targeted neighborhood postings and one regionwide posting.
- g. Blog Posts (0):
- h. Construction Project Page Visits – 1,748 total

C. Education and Outreach Activity Highlights

1. 10/01/25 – HRSD booth at WEFTEC 2025
2. 10/14/25 – SWIFT tour and HRSD innovation presentation for Newport News Shipbuilding Lead Forward Program cohort
3. 10/14/25 – SWIFT tour and activity for ODU TRiO Student Support Services
4. 10/15/25 -- SWIFT tour and activity for Aberdeen Elementary School (Hampton)
5. 10/15/25 -- SWIFT tour for ODU Center for Educational Partnerships
6. 10/16/25 – SWIFT tour and activity for Aberdeen Elementary students (Imagine a Day without Water)
7. 10/22/25 -- Fall Community Information event at Naval Weapons Station Yorktown
8. 10/23/25 -- HRSD presentation and activity for Girl Scout Troop 4642 (Williamsburg)
9. 10/23/2025 – HRSD presentation and activity for Old Donation School Eco Club
10. 10/29/2025 – SWIFT tour and activity for Grassfield High School Governor’s STEM Academy
11. CCO attended the State of the Region luncheon on October 7
12. Project notices distributed to 4,336 customers for 13 projects across the service area

13. Newsroom postings:

- a. Construction notices – 13
- b. News releases – one
- c. Traffic Advisories – 4

D. Internal Communications

CCO participated in the following internal meetings and events:

1. SWIFT website review meeting
2. Chief Engineer interview panel
3. HRSD.com redesign meetings
4. HRSD/SWIFT Industry Day 2026 planning meetings
5. Bi-weekly General Manager (GM) briefings
6. Discharge Monitoring Report (DMR), SWIFT Quality Steering Team (QST), and HRSD QST meetings
7. Check-in meetings with Deputy General Manager (DGM)
8. CCO conducted biweekly Communications department status meetings and weekly one-on-one check-in meetings.
9. Staff participated in 28 project progress and/or construction meetings in addition to communication planning meetings with various project managers, plant staff, internal and external stakeholders.



Talent

Professional development activities and pursuits for September:

- CCO is continuing a multi-part certificate course titled, “Professional Development: Ai Tools for the Modern Communicator”
- Public Information Specialist attended a virtual Visual Communications Conference
- Public Information Specialist attended a webinar titled, “Elevate Your Internal Communications – 3 steps to Connect with Your Audience”
- Public Information Specialist attended the “Nature as Infrastructure Asset” webinar hosted by AECOM

Respectfully,

Leila Rice, APR

Chief Communications Officer

TO: General Manager

FROM: Chief Engineer

SUBJECT: Monthly Engineering Report for October 2025

DATE: November 11, 2025



Environmental Responsibility

- Understanding ground subsidence is an important aspect of HRSD’s SWIFT Program. HRSD has worked with the U.S. Geological survey (USGS) to install two extensometers (Nansemond and King William) to better understand ground movement as it relates to the SWIFT groundwater recharge efforts. Through a continued partnership with USGS, a third extensometer is under construction at HRSD’s James River Treatment Plant. Due to the recent federal government shutdown, USGS staff have been furloughed and work has been halted. We are working with USGS to find ways to move this effort forward including the possibility of HRSD’s subcontractors providing support to USGS for certain aspects of the construction. There is a likelihood that this delay will result in the need to redrill the shallow extensometer well at USGS’s cost. We will continue to work closely with the USGS to find ways to move this effort forward and limit costs for the construction project.
- HRSD’s pipe installation efforts often impact environmentally sensitive areas requiring numerous regulatory reviews. The Great Bridge Interceptor Force Main Emergency Replacement project impacts the Intracoastal Waterway and is adjacent to the Revolutionary War Great Bridge Battlefield site. As part of the public input required by the U.S. Army Corps of Engineers review, a request has been made to install a Story Map highlighting the history of Native American service member’s contributions to the Revolutionary War. This request is under review by HRSD Staff and we hope to have the final environmental permit issues resolved soon to move this project into the construction phase.



Financial Stewardship

- Capital Improvement Program (CIP) spending for the third month of FY2026 was above the planned spending target and we are still above the planned CIP target for the FY.

CIP Spending (\$M):

| | Current Period | FYTD |
|--------|----------------|--------|
| Actual | 67.58 | 168.70 |
| Plan | 45.40 | 128.90 |

- WQIF Grant applications have been made for the following projects:

- Boat Harbor Conveyance Project
- James River ANRI & SWIFT Project
- Nansemond ANRI Phase II

The WQIF Grant has been approved for the Boat Harbor Conveyance Project for a total value of \$294M. This agreement refunds HRSD for a large portion of the work to close the Boat Harbor Treatment Plant and convey flow to the Nansemond Treatment Plant. This is the largest WQIF Grant ever received by HRSD. Since a large portion of the work is already completed, we have already billed the VDEQ for \$208M. An initial payment of \$67M was recently received. The grant applications for the other two projects are under review by VDEQ for work at both James River and Nansemond. We expect to see these grant agreements finalized in the coming months.



Talent

- Staff retention and recruitment remain significant priorities for the Engineering Division. Four open positions are needed to fully staff the Engineering Division including:

- Director of Design & Construction – Special Projects
- Director of Program Management Office
- Hydraulic Analysis Manager
- Condition Assessment Inspector

These opportunities are due to promotion and newly created positions. We expect to fill these open positions in the coming months.

- Talent involves not only hiring great individuals but empowering those individuals to make the organization more efficient. A way improved efficiency is managed at HRSD is through the Annual SPARC sessions. These sessions allow staff to propose new processes and procedures to improve the organization. The recently held SPARC Session for the Design & Construction Divisions resulted in the following areas for improvement:

- Improvements to HRSD Design & Construction Standards
- Development of a Post-Construction Report
- Creation of a Design & Construction Document Retention Policy
- Project and Scheduling Software Integration

These topics will be reviewed with the Senior Leadership Group and efforts will begin to implement these ideas in the coming year.



Community Engagement

- As part of the SWIFT Community Commitment Plan, Ulliman-Schutte-Alberici (US-A) Joint Venture Team, rebuilt the courtyard within the Menchville High School. This school is adjacent to the James River Treatment Plant and is indirectly impacted by the

construction efforts associated with the project. This new courtyard space will support the next generation of students by providing a beautiful, safe, and sustainable outdoor learning environment. The design of this space was provided by VHB, also a partner on the SWIFT Program.

- HRSD's investments can sometimes be leveraged by others. Our Data Analysis group is working with both the National Weather Service and the Virginia Department of Emergency Management to provide real-time rain gauge data. These organizations are partnering with HRSD since we have seventy-one (71) rain gauges in the region. HRSD uses the rain gauge data to better understand how the regional sewer system is impacted by rainfall and these other organizations can use our data for other important purposes that can also benefit the citizens of Hampton Roads.



Innovation

- A large project has begun to make process improvements required at the VIP Treatment Plant. One significant challenge will be to address potential environmental issues associated with the waste disposal activities previously conducted by the City of Norfolk at this location. The HRSD team will work to define the soil and groundwater issues of concern that could impact the proposed construction efforts. This work will include subsurface soil sampling, installation of groundwater monitoring wells, and collection of groundwater samples. This field effort will help the team to find creative ways to design and ultimately build the needed improvements while limiting the impact on the environment.
- HRSD's SWIFT Program has been acknowledged for another significant innovation award. At the recent 757 TechNite held in Norfolk, local entrepreneurs, business leaders, technologists, and government officials were acknowledged for making a significant impact on the regional technology ecosystem and shaping the future of Hampton Roads. HRSD was awarded the Technical Achievement in Government award. This local award recognizes technological excellence in government operations.

Bruce W. Husselbee

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

TO: General Manager/CEO

FROM: Deputy General Manager and Chief Financial Officer

SUBJECT: Monthly Report for October 2025

DATE: November 10, 2025



Financial Stewardship

Debt and Grants Management

Two Virginia Community Flood Preparedness grant awards were approved by the Commission and are pending execution. Additionally, HRSD was awarded a \$6.44 million low-interest loan from the Virginia Department of Conservation and Recreation's Community Flood Preparedness Program for the ABTP Generator Controls project.

Accounting & Interim Financial Reports

Staff finalized the Annual Comprehensive Financial Report (ACFR) for fiscal year 2025. The audit firm Cherry Bekaert, LLP issued an unmodified (clean) opinion on the report on October 29, 2025.

Although billed consumption, the driver of HRSD's most significant revenue source is lagging budgetary expectations to date, staff continues to believe that the decline is temporary and is mainly attributable to meter reading staffing shortages and with some of our largest locality partners either upgrading or replacing meters across the service area.

Strong investment performance and the availability of invested bond proceeds continue to drive interest income, which has reached 67 percent of budgetary expectations. Capital spending remains active with \$274 million in cash disbursements made this fiscal year.

| Summary of Billed Consumption (,000s ccf) | | | | | | | |
|-------------------------------------------|--------------------------------------------|--------------------------------|----------------|--------------------------------|----------------|------------------------------|------------------------|
| Month | FY2025 Cumulative Budget Estimate | % Difference | | % Difference | | % Difference | |
| | | FY2026 Cumulative Actual | From Budget | Cumulative FY2025 Actual | From FY2024 | Cumulative 3 Year Average | From 3 Year Average |
| July | 4,723 | 4,536 | -3.9% | 4,630 | -2.0% | 4,605 | -1.5% |
| Aug | 9,735 | 9,205 | -5.4% | 9,518 | -3.3% | 9,534 | -3.4% |
| Sept | 14,331 | 13,682 | -4.5% | 14,223 | -3.8% | 14,132 | -3.2% |
| Oct | 18,841 | 18,219 | -3.3% | 18,870 | -3.4% | 18,801 | -3.1% |
| Nov | 22,973 | - | N/A | 23,421 | N/A | 23,067 | N/A |
| Dec | 27,367 | - | N/A | 27,666 | N/A | 27,309 | N/A |
| Jan | 31,942 | - | N/A | 32,016 | N/A | 31,835 | N/A |
| Feb | 35,907 | - | N/A | 35,801 | N/A | 35,861 | N/A |
| March | 40,149 | - | N/A | 40,246 | N/A | 39,959 | N/A |
| Apr | 44,110 | - | N/A | 44,404 | N/A | 44,064 | N/A |
| May | 48,484 | - | N/A | 48,830 | N/A | 48,554 | N/A |
| June | 53,000 | - | N/A | 53,606 | N/A | 53,120 | N/A |

Customer Care

Primarily due to the end of the summer disconnection moratorium, past due account balances decreased slightly in October 2025, with the most significant reduction in accounts over 90 days. Disconnection activity declined as management limited-service interruptions in response to the federal government shutdown and the end of SNAP benefits. Field staff delivered 5,026 warning door tags and completed 2,096 disconnections. Customer interactions averaged 4,500–5,000 per week, driven by inquiries related to the shutdown,

billing delays, and portal communications. Service performance improved, with 22% of calls answered within three minutes (up from 13%), average wait times reduced to 6:49, and call abandonment rates decreasing to 33%. Two temporary employees were onboarded to support service levels. Customer satisfaction remained strong, with 85% favorable scores from email surveys and 76% from new voice surveys. Text reminders prompted over 10,000 messages and achieved a 52% payment response rate. The team continues to refine collection practices and digital engagement strategies to enhance efficiency and customer experience.

A. Entity Wide Interim Financial Report & Summary of Reserves

Hampton Roads Sanitation District Interim Financial Report Funds Analysis For the Period Ending October 31, 2025

| | Operating Fund | Capital Fund | Total |
|------------------------------------|-----------------------|-----------------------|-----------------------|
| Inflows | | | |
| Wastewater Treatment Charges | \$ 174,551,115 | \$ - | \$ 174,551,115 |
| Interest Income | 6,753,828 | 858,612 | 7,612,440 |
| Debt Issuances | - | 287,392,188 | 287,392,188 |
| Transfers-In | - | 57,700,448 | 57,700,448 |
| Total Inflows | 181,304,943 | 345,951,248 | 527,256,191 |
| Outflows | | | |
| Operational | 85,465,760 | - | 85,465,760 |
| Debt Service | 30,890,991 | - | 30,890,991 |
| Capital | - | 273,603,253 | 273,603,253 |
| Transfers-Out | 57,700,448 | - | 57,700,448 |
| Total Outflows | 174,057,199 | 273,603,253 | 447,660,452 |
| Net Change in Reserves | 7,247,744 | 72,347,995 | 79,595,739 |
| Beginning Reserves | 287,822,081 | 315,786,766 | 603,608,847 |
| Ending Reserves | \$ 295,069,825 | \$ 388,134,761 | \$ 683,204,586 |
| Ending Reserves Summary | | | |
| Unrestricted | | | |
| General | \$ 252,561,270 | \$ - | \$ 252,561,270 |
| Risk | 4,799,555 | - | 4,799,555 |
| PayGo | - | 159,688,618 | 159,688,618 |
| Total Unrestricted Reserves | 257,360,825 | 159,688,618 | 417,049,443 |
| Restricted | | | |
| Debt Service | 37,709,000 | - | 37,709,000 |
| Bond Proceeds | - | 228,446,143 | 228,446,143 |
| Total Ending Reserves | \$ 295,069,825 | \$ 388,134,761 | \$ 683,204,586 |

Notes to Entity Wide Interim Financial Report and Summary of Reserves

The Entity Wide Interim Financial Report and Summary of Reserves summarizes the results of HRSD's operations and capital improvements on a basis of accounting that differ from generally accepted accounting principles. Revenues are recorded when received and expenses are generally recorded when paid. No provision is made for non-cash items such as depreciation and bad debt expense.

Reserves represent the balance of HRSD's cash and investments classified into functional purposes.

B. Operating Fund Interim Financial Report - Budget to Actual

Hampton Roads Sanitation District Operating Fund Interim Financial Report Budget to Actual For the Period Ending October 31, 2025

| | Amended Budget | Current YTD | Current YTD as % of Budget (33% Budget to Date) | Prior YTD as % of Prior Year Budget |
|-----------------------------------------|-----------------------|-----------------------|----------------------------------------------------------|-------------------------------------------|
| Operating Revenues | | | | |
| Wastewater | \$ 486,718,000 | \$ 163,994,928 | 34% | 35% |
| Surcharge | 1,568,000 | 472,141 | 30% | 43% |
| Indirect Discharge | 3,526,000 | 1,699,012 | 48% | 36% |
| Fees | 4,560,000 | 1,669,406 | 37% | 39% |
| Municipal Assistance | 734,000 | 280,459 | 38% | 31% |
| Miscellaneous | 808,000 | 74,070 | 9% | 33% |
| Total Operating Revenue | 497,914,000 | 168,190,016 | 34% | 36% |
| Non Operating Revenues | | | | |
| Facility Charge | 6,620,000 | 2,706,865 | 41% | 43% |
| Interest Income | 11,500,000 | 7,671,548 | 67% | 120% |
| Other | 1,545,000 | 666,447 | 43% | 42% |
| Total Non Operating Revenue | 19,665,000 | 11,044,860 | 56% | 83% |
| Total Revenues | 517,579,000 | 179,234,876 | 35% | 37% |
| Transfers from Reserves | 26,039,871 | 8,679,957 | 33% | 33% |
| Total Revenues and Transfers | \$ 543,618,871 | \$ 187,914,833 | 35% | 37% |
| Operating Expenses | | | | |
| Personal Services | \$ 86,931,718 | \$ 29,184,765 | 34% | 29% |
| Fringe Benefits | 31,351,107 | 9,997,624 | 32% | 28% |
| Materials & Supplies | 16,542,501 | 4,527,715 | 27% | 26% |
| Transportation | 2,679,992 | 611,386 | 23% | 26% |
| Utilities | 18,037,260 | 4,918,472 | 27% | 29% |
| Chemical Purchases | 19,158,847 | 4,377,807 | 23% | 26% |
| Contractual Services | 62,040,179 | 13,921,218 | 22% | 22% |
| Major Repairs | 18,968,701 | 3,676,145 | 19% | 13% |
| Capital Assets | 2,280,197 | 706,806 | 31% | 8% |
| Miscellaneous Expense | 4,527,025 | 1,708,268 | 38% | 51% |
| Total Operating Expenses | 262,517,527 | 73,630,206 | 28% | 26% |
| Debt Service and Transfers | | | | |
| Debt Service | 108,000,000 | 30,890,991 | 29% | 28% |
| Transfer to CIP | 173,101,344 | 57,700,448 | 33% | 33% |
| Total Debt Service and Transfers | 281,101,344 | 88,591,439 | 32% | 31% |
| Total Expenses and Transfers | \$ 543,618,871 | \$ 162,221,645 | 30% | 29% |

Notes to Operating Fund Interim Financial Report – Budget to Actual

The Operating Interim Financial Report – Budget to Actual is intended to summarize financial results on an accounting basis similar to the Annual Operating Budget. The basis of accounting differs from generally accepted accounting principles and from the Entity Wide Interim Financial Report. 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.

C. Capital Fund – Project Length Summary of Activity

HRSD-PROJECT ANALYSIS

October 31, 2025

| Classification/ Treatment Service Area | Appropriated Funds | Project to Date Expenditures | Encumbrances | Available |
|----------------------------------------------|-------------------------|------------------------------------|-------------------------|-----------------------|
| Administration | \$ 130,531,101 | \$ 52,044,907 | \$ 68,025,933 | \$ 10,460,261 |
| Army Base | 171,571,945 | 131,414,716 | 7,938,483 | 32,218,746 |
| Atlantic | 226,701,479 | 54,606,129 | 50,200,362 | 121,894,988 |
| Boat Harbor | 507,355,299 | 359,654,163 | 92,399,550 | 55,301,586 |
| Ches-Eliz | 29,279,118 | 14,195,661 | 1,593,412 | 13,490,045 |
| Eastern Shore | 63,870,076 | 46,222,892 | 1,956,456 | 15,690,728 |
| James River | 365,414,716 | 296,105,979 | 36,723,177 | 32,585,560 |
| Middle Peninsula | 98,199,389 | 22,841,369 | 7,682,516 | 67,675,504 |
| Nansemond | 538,267,185 | 362,552,024 | 118,777,308 | 56,937,853 |
| Surry | 57,978,543 | 50,876,846 | 2,353,868 | 4,747,829 |
| VIP | 321,078,690 | 133,886,254 | 92,818,699 | 94,373,737 |
| Williamsburg | 104,425,475 | 8,775,759 | 5,937,919 | 89,711,797 |
| York River | 115,439,557 | 71,968,830 | 10,897,427 | 32,573,300 |
| General | 1,685,276,072 | 592,137,322 | 723,783,956 | 369,354,794 |
| | <u>\$ 4,415,388,645</u> | <u>\$ 2,197,282,851</u> | <u>\$ 1,221,089,066</u> | <u>\$ 997,016,728</u> |

D. Summary of Debt Activity

HRSD- Debt Analysis October 31, 2025

| (in thousands) | Fixed Rate | Variable Rate | Line of Credit | Total |
|----------------------------|--------------|---------------|----------------|--------------|
| Beginning Balance 7/1/25 | \$ 1,757,250 | \$ 50,000 | \$ 92,462 | \$ 1,899,712 |
| Add: | | | | |
| Principal Draws | 282,956 | - | - | 282,956 |
| Capitalized Interest | 3,080 | - | - | 3,080 |
| Less: | | | | |
| Principal Payments | (14,098) | - | - | (14,098) |
| Ending Balance 10/31/25 | \$ 2,029,188 | \$ 50,000 | \$ 92,462 | \$ 2,171,650 |
| FY26 YTD Interest Payments | \$ (15,245) | \$ (392) | \$ (1,156) | \$ (16,793) |

HRSD- Series 2016 Variable Rate Bond Analysis October 31, 2025

| | SIFMA Index | HRSD Series 2016VR | Deviation to SIFMA |
|----------------|-------------|-----------------------|-----------------------|
| Maximum | 4.71% | 4.95% | 0.24% |
| Average | 1.56% | 1.05% | -0.51% |
| Minimum | 0.01% | 0.01% | 0.00% |
| As of 10/31/25 | 3.22% | 3.35% | 0.13% |

Since October 20, 2011 HRSD has averaged 105 basis points on Variable Rate Debt

Subsidised Debt Activity

| Source | Funder | Loan Amount | Current Drawn Total | % Remain | Initial Draw Date - Projected |
|-----------------|--------|----------------|------------------------|----------|----------------------------------|
| WIFIA Tranche 3 | EPA | \$ 346,069,223 | \$ - | 100% | July 2026 |

E. Cash and Investment Summary

| Operating Liquidity Accounts | Beginning Market Value July 1, 2025 | YTD Contributions | YTD Withdrawals | YTD Income Earned | Ending Market Value Oct 31, 2025 | Allocation of funds | Current Mo Avg Yield |
|-------------------------------|-------------------------------------------|----------------------|--------------------|----------------------|----------------------------------------|------------------------|-------------------------|
| BOA Corp Disbursement Account | \$ 43,574,043 | \$ 494,270,814 | \$ 518,125,612 | \$ 136,907 | \$ 19,856,152 | 3.2% | 0.69% |
| BOA Operating Accounts | 14,339,684 | 380,453,353 | 385,586,083 | 69,572 | 9,276,526 | 1.5% | 0.75% |
| BNY Mellon Account | 7,892,401 | 32,314,908 | 19,152,259 | 27,118 | 21,082,168 | 3.4% | 0.13% |
| SNAP Accounts | 143,929,872 | 228,294,382 | 144,636,725 | 858,613 | 228,446,142 | 37.3% | 0.38% |
| VIP Stable NAV Liquidity Pool | 324,275,659 | 170,096,072 | 166,000,000 | 5,589,700 | 333,961,431 | 54.5% | 4.35% |
| Operating Liquidity Accounts | \$ 534,011,659 | \$ 1,305,429,529 | \$ 1,233,500,679 | \$ 6,681,910 | \$ 612,622,419 | 100.0% | |

VIP Stable NAV Liquidity Pool performed 0.02% above to the Va Local Government Investment Pool's (the market benchmark) in the month of October 2025.

| Total Return Account | Beginning Market Value July 1, 2025 | YTD Contributions | YTD Withdrawals | YTD Income Earned & Realized G/L | Ending Market Value Oct 31, 2025 | Allocation of funds | Yield to Maturity at Market |
|-------------------------------------|----------------------------------------|----------------------|--------------------|----------------------------------------|----------------------------------------|------------------------|-----------------------------------|
| VIP 1-3 Year High Quality Bond Fund | 69,597,188 | - | 4,659 | 930,530 | 70,582,167 | 71,073,605 | 3.63% |
| Total Return Account | \$ 69,597,188 | \$ - | \$ 4,659 | \$ 930,530 | \$ 70,582,167 | \$ 71,073,605 | |

VIP 1-3 Year High Quality Bond Fund performed 0.01% below the ICE BofA ML 1-3 yr AAA-AA Corp/Gov Index (the market benchmark) in October 2025.

| | Total | Fund Alloc |
|------------------------------|----------------|------------|
| Operating Liquidity Accounts | \$ 612,622,419 | 89.7% |
| Total Return Account | \$ 70,582,167 | 10.3% |
| TOTAL | \$ 683,204,586 | 100.0% |

F. Financial Performance Metrics Adjusted Days Cash on Hand

| | |
|--------------------------|------------------|
| HRSD - UNRESTRICTED CASH | October 31, 2025 |
|--------------------------|------------------|

Can be used for any purpose since it is not earmarked for a specific use.

| | | Days Cash on Hand | Adjusted Days Cash on Hand |
|----------------------------|----------------|----------------------|-------------------------------|
| Total Unrestricted Cash | \$ 417,049,443 | | 580 |
| Risk Management Reserve | (4,799,555) | (7) | 573 |
| Capital (PAYGO only) | (159,688,618) | (222) | 351 |
| Adjusted Days Cash on Hand | \$ 252,561,270 | | 351 |

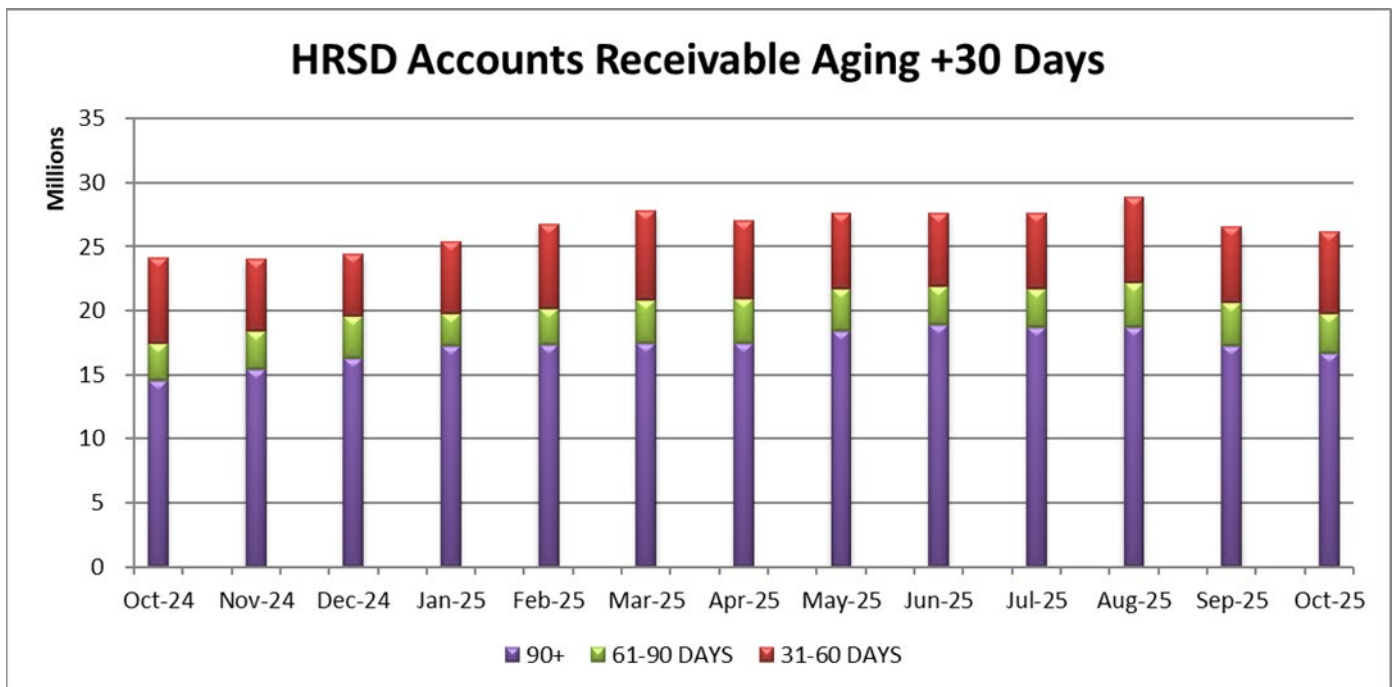
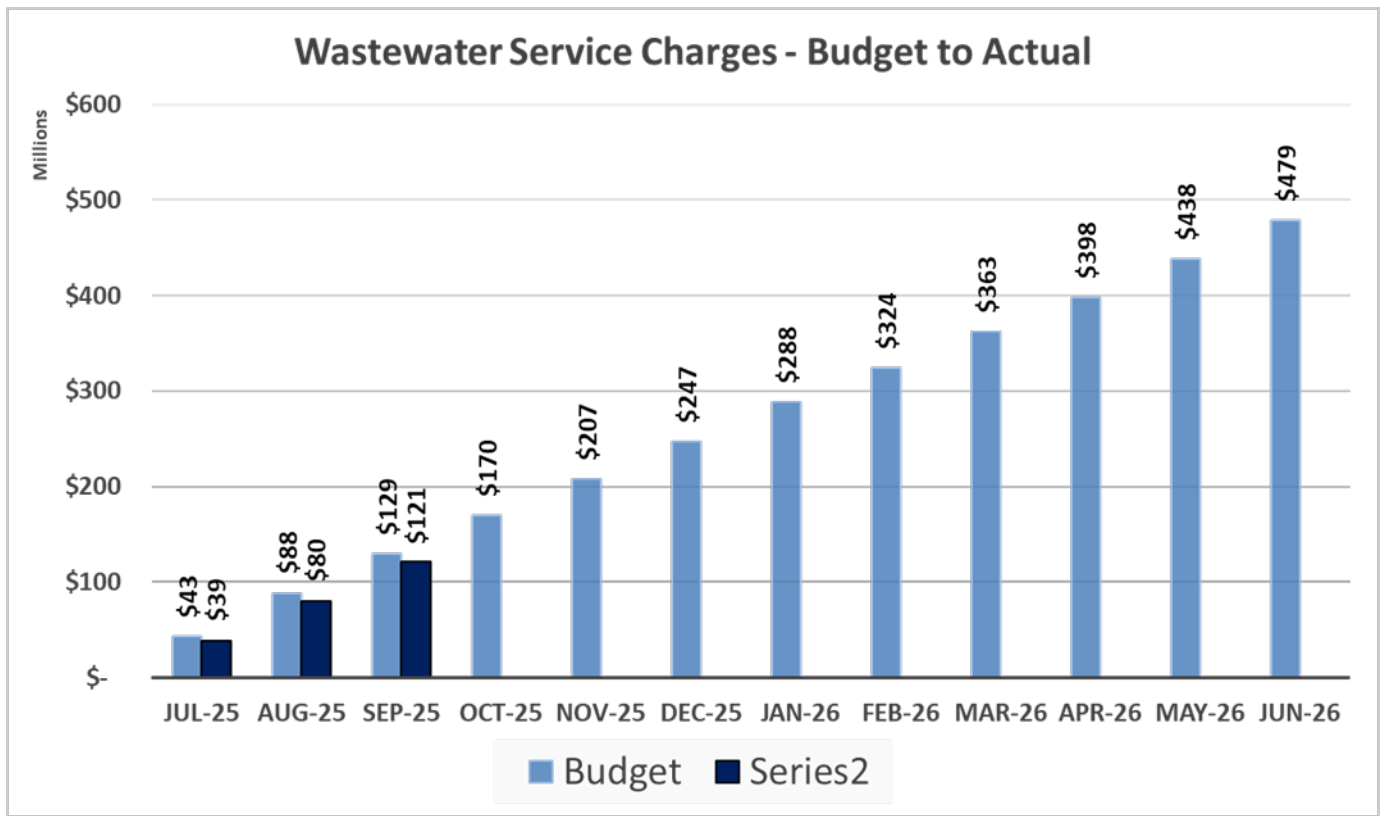
Risk Management Reserve as a % of Projected Claims Cost is 25% YTD compared to 25% Policy Minimum
Adjusted Days Cash on Hand Policy Minimum is 270-365 days.

G. Summary of Grant Applications, Awards and Activity

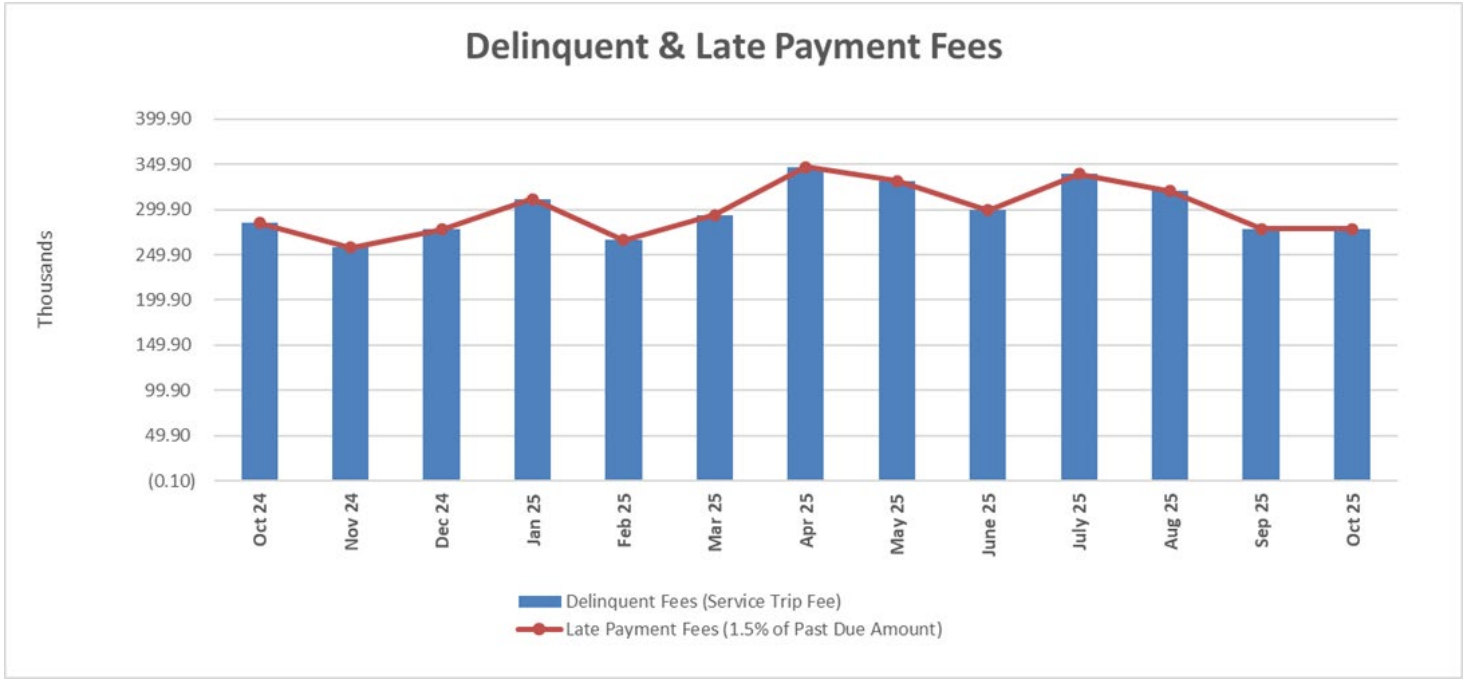
| Active Capital Grants | | | | | | | |
|-----------------------------------|--------|---------------------------------------------------------|----------------------------------------------|--------------------------|---------------------|----------------------|--------------------------------|
| Grant Name | Funder | Project | CIP# | Application Submitted | Amount Requested | HRSD Award Amount | Reimbursement Rcvd 10/31/25 |
| Community Flood Preparedness Fund | VDCR | Dozier's Corner Pump Station Replacement | AT015400 | 12/4/2024 | \$ 6,265,669 | \$ 6,265,669 | \$ - |
| Community Flood Preparedness Fund | VDCR | Onancock Treatment Plant Administrative Building Design | ES010300 | 10/30/2024 | \$ 374,400 | \$ 374,400 | \$ - |
| Water Quality Improvement Fund | VDEQ | Boat Harbor Pump Station and Conveyance | BH015700 BH015710 BH015720 BH015730 | 3/4/2024 | \$ 311,286,392 | \$ 294,300,592 | \$ - |
| | | | | | \$ 317,926,461 | \$ 300,940,661 | \$ - |

| Active Non-Capital Grants (excludes research and boater pump-out funding) | | | | | | | |
|---------------------------------------------------------------------------|--------|--------------------------------------------------|------|--------------------------|---------------------|----------------------|--------------------------------|
| Grant Name | Funder | Project | CIP# | Application Submitted | Amount Requested | HRSD Award Amount | Reimbursement Rcvd 10/31/25 |
| Non-Point Source Funding | VDEQ | Gloucester Septic to Sewer (Pay for Performance) | n/a | 2/3/2024 | \$ 1,180,000 | \$ 1,180,000 | \$ - |
| | | | | | \$ 1,180,000 | \$ 1,180,000 | \$ - |

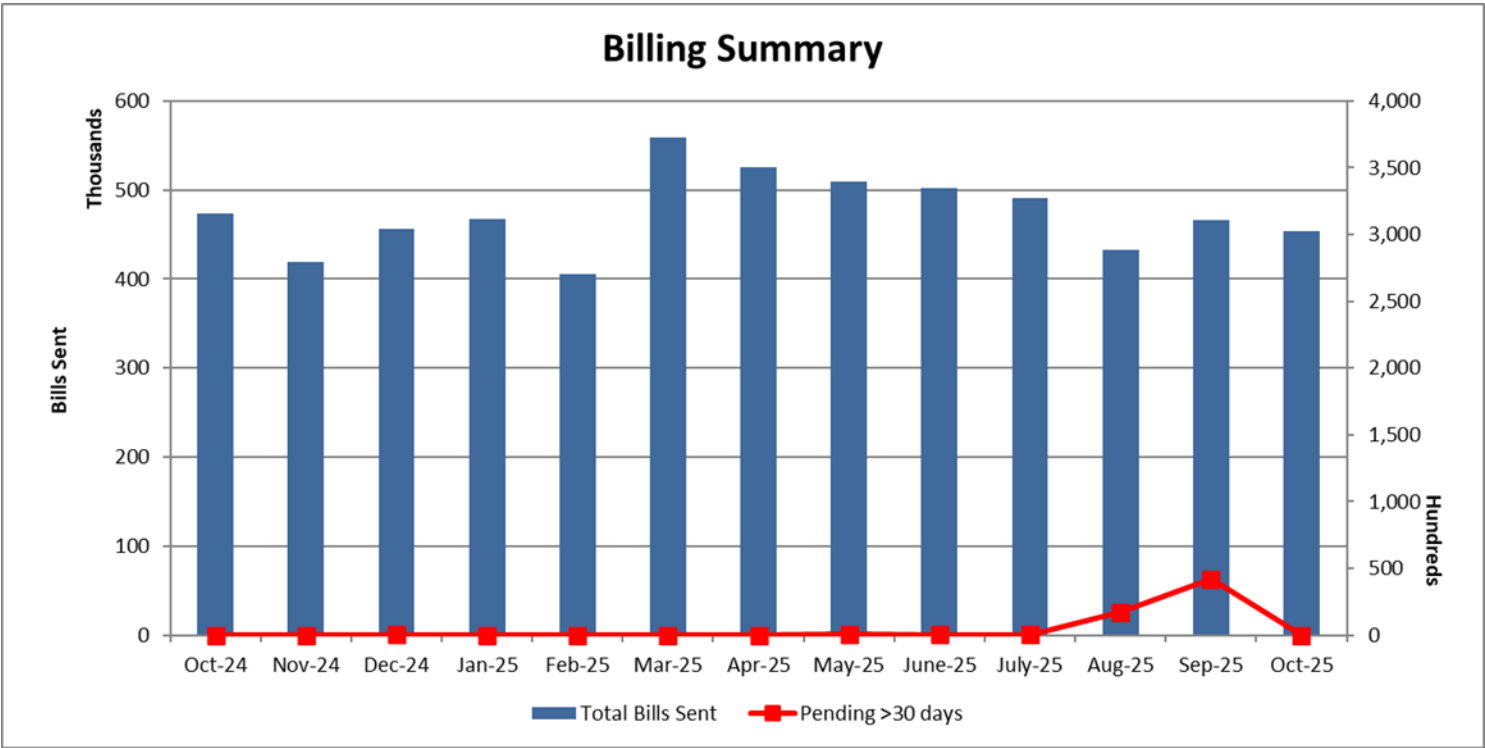
H. Customer Care Center – Key Statistics



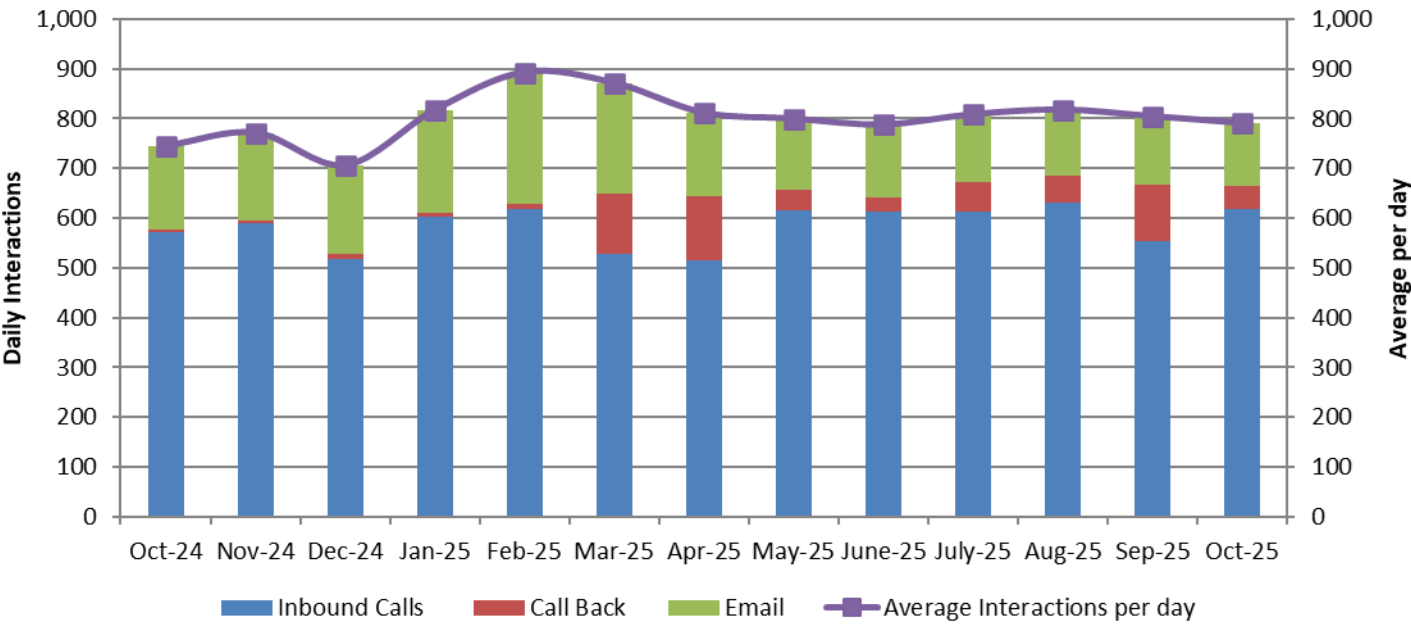
Delinquent & Late Payment Fees



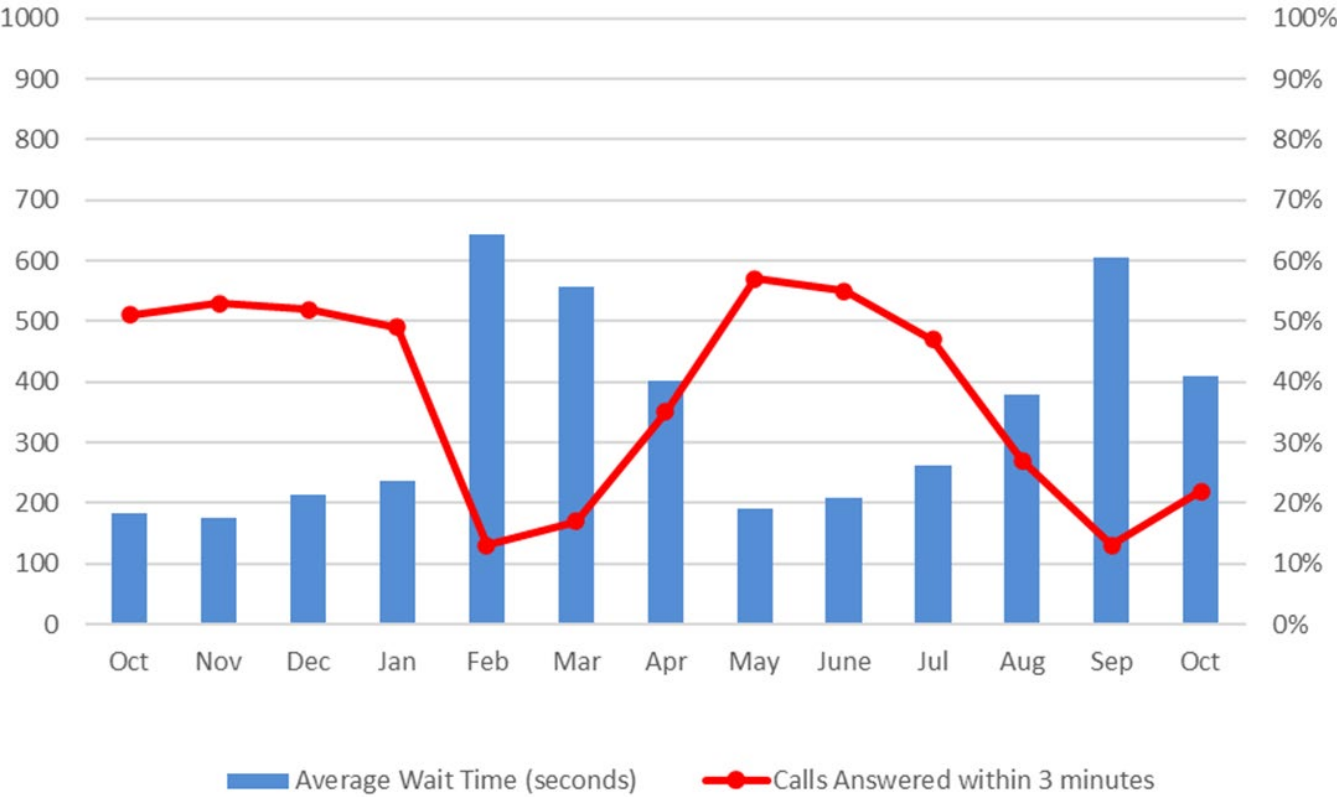
Billing Summary



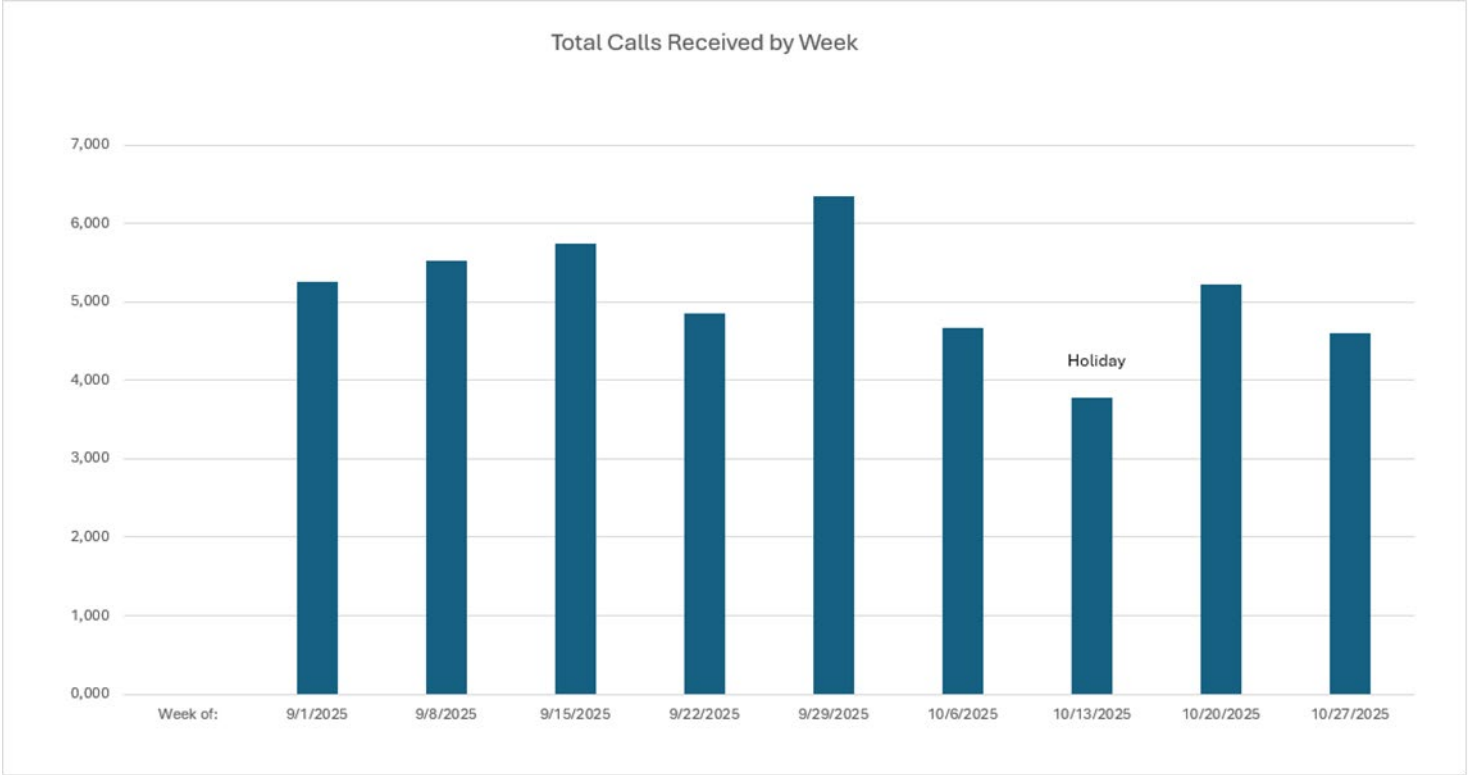
Call Center Interactions (per day)



Customer Interaction Statistics



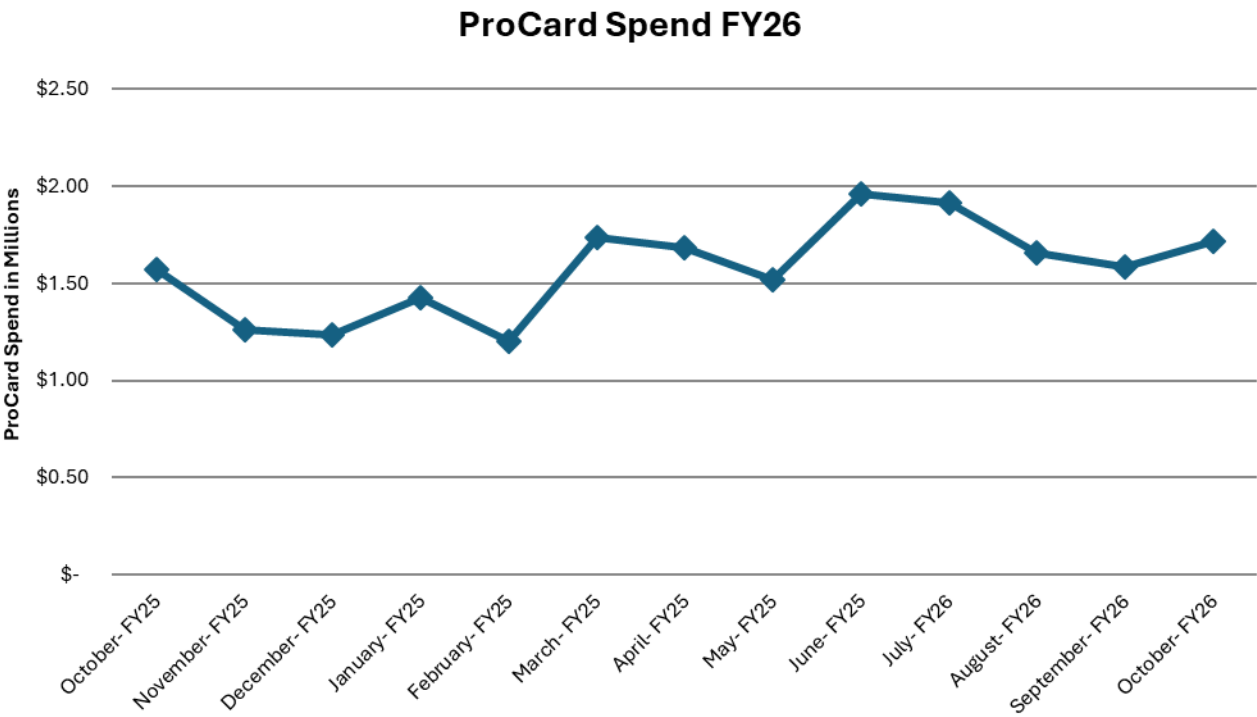
| Customer Interaction Statistics | Oct | Nov | Dec | Jan | Feb | Mar | Apr | May | June | Jul | Aug | Sep | Oct |
|---------------------------------|-----|-----|-----|-----|-----|-----|-----|-----|------|-----|-----|-----|-----|
| Calls Answered within 3 minutes | 51% | 53% | 52% | 49% | 13% | 17% | 35% | 57% | 55% | 47% | 27% | 13% | 22% |
| Average Wait Time (seconds) | 183 | 176 | 214 | 237 | 643 | 556 | 403 | 190 | 208 | 262 | 379 | 604 | 409 |
| Calls Abandoned | 16% | 16% | 19% | 21% | 45% | 44% | 30% | 16% | 19% | 22% | 28% | 42% | 33% |



| Item # | Strategic Planning Measure | Unit | October 2025 |
|--------|----------------------------|------------------------------------------------|--------------|
| | Accounts Receivable (HRSD) | Dollars | \$54,731,603 |
| | Aging Accounts Receivable | Percentage of receivables greater than 90 days | 30.9% |

I. Procurement Statistics

| Savings | Current Period | FYTD |
|----------------------------------------|----------------|-------------|
| Competitive Savings1 | \$1,964,844 | \$3,161,890 |
| Negotiated Savings2 | \$1,341 | \$5,575 |
| Salvage Revenues | \$3,671 | \$14,714 |
| Corporate VISA Card - Estimated Rebate | \$25,554 | \$102,343 |



Respectfully,

Steven G. de Mik

Steven G. de Mik
Deputy General Manager/Chief Financial Officer

TO: General Manager/ Chief Executive Officer

FROM: Chief Information Officer

SUBJECT: Information Technology Division (ITD) Report for October 2025

DATE: November 10, 2025



Innovation

The IT Help Desk processed 422 work orders and requests for assistance in October.

Senior Systems Engineers completed work on the capacity expansion, upgrade and patching of HRSD's main backup storage system.

Senior Systems Engineers performed upgrades to workstation endpoint management software.

Senior Systems Engineers began work on configuration and testing of HRSD's new Virtual Private Network (VPN) appliance.

Senior Systems Engineers continued work on Cisco equipment refreshes, Firewall replacements and retiring of old network hardware infrastructure. This is expected to be ongoing for several months.

Senior Systems Engineers participated in planning meetings related to various construction projects at HRSD treatment plants and pump stations to provide input on technology items.

IT Operations staff completed several key initiatives to enhance system reliability, security and efficiency across technological environments. This includes the security patching and upgrades of operating systems.

Cybersecurity staff and Senior System Engineers continue to work with HRSD Operations staff in efforts to enhance security on operational technology systems at HRSD plants.

IT staff continued participating in ServiceNow project implementation workshops. Workshops are expected to wrap up in the beginning of November.

IT staff along with business users were engaged in workshops related to Data Governance and Data Loss Prevention (DLP) with a heavy focus on Microsoft 365 Purview configurations.

Programming staff continue to work with Customer Care staff and the City of Portsmouth staff in ongoing post-go-live stabilization of data being received from the City of Portsmouth's new billing system.



Talent

Mr. Siva Velappan, Programming Development Manager was appointed by Governor Glen Youngkin to serve on the Virginia Asian Advisory Board.

Mr. Abi Duggal, new Oracle Developer – ERP and Ms. Michelle San Anton, IT Senior Project Manager began their new positions in mid-October.

Coleen Moody, Director of Enterprise Application Services and I attended the 2025 Gartner IT Symposium conference. The conference had a heavy focus on technology leadership in Artificial Intelligence (AI), Cybersecurity, Data Governance and Disruptive Technology trends.

Recruiting efforts continue for the Senior Programmer Analyst, Oracle Developer, Desktop Support Analyst - Telecommunications and Senior Systems Engineer – Systems Administration positions.

Respectfully,

Mary Corby

Chief Information Officer

TO: General Manager/Chief Executive Officer

FROM: Chief Operating Officer

SUBJECT: Operations Monthly Report for October 2025

DATE: November 10, 2025



Community Engagement

Staff participated in several community events as follows:

1. Small Community Department (SCD) staff worked with the Communications Division to create an informational packet for Town of West Point customers. The packet explains how the collection system operates and provides guidance on identifying improper connections. This effort helps reduce inflow and infiltration by encouraging customers to address illicit connections.
2. HRSD and James City Service Authority (JCSA) continued discussions on potential capacity improvements for the northern portion of the Williamsburg Interceptor system, where JCSA has historically had Sanitary Sewer Overflows (SSO's) and HRSD has recorded pressure policy exceedances. JCSA has offered to donate a 500,000 gallon storage tank for conversion into an off-line to provide interim capacity relief. Hydraulic modeling is underway to evaluate this option, with preliminary results showing promising potential as a wet-weather solution.



Environmental Responsibility

Treatment and Interceptor System Reportable Items:

There were multiple events reported this month. Additional details are available in the Air and Effluent Summary in the Water Quality monthly report.

Internal Air and Odor Compliance:

There were multiple events reported this month. Additional details are available in the Air and Effluent Summary in the Water Quality monthly report.

1. The James River Treatment Plant (JRTP) had two odor scrubber exhaust exceptions for scrubber hydrogen sulfide (H₂S) levels above two parts per million. One was due to a sodium hydroxide pump inadvertently turned off while switching pumps and the other due to a sodium hydroxide pump not coming on automatically after an emergency generator test run.
2. SCD received an odor complaint in King William and replaced a manhole casting and lid with a watertight casting and lid to eliminate future issues.

Additional Topics of Interest:

1. On the Advanced Nutrient Removal Improvements and Sustainable Water Initiative for Tomorrow (SWIFT) project at JRTP, installation of secondary clarifier launder covers has been completed, and wet testing of the new clarifier has begun. The contractor installed junction-splitter box piping and continued replacing carbon steel return activated sludge (RAS) piping with ductile iron in the RAS pump station. Site work around the new administration building, including parking area construction, continued. On the SWIFT side, crews continued installing piping, conduit, wire, ductwork, and instrumentation in buildings #1 and #2. Staging and containment were set up to prepare for coating the canopy over flocculation-sedimentation tanks. Work advanced at all ten well buildings, with activities including under-slab piping and conduit installation, foundations construction, erecting structural components, and completing interior finishes.
2. The Construction Support Team (CST) and Electrical and Instrumentation (E&I) staff completed construction of the supplemental carbon feed system at Williamsburg Treatment Plant (WBTP). Remaining tasks include contractor installation of piping insulation and integration into the distributed control system. The project is scheduled to begin in November and is essential for meeting the more stringent 2026 nutrient removal requirements.
3. Efforts to meet the York River Basin's annual phosphorus loading requirements at the York River Treatment Plant (YRTP) have been successful. By increasing alum feed to the secondary treatment process, phosphorus levels were reduced, allowing for a subsequent decrease in alum usage.
4. The Atlantic Treatment Plant (ATP) continues to experience issues with boiler reliability, which are critical for solids processing. Recent repairs were on the main plant boiler's deaerator tank to mitigate any leaks. A capital project for a second permanent boiler, and a new maintenance contract are in progress to improve long-term system performance.
5. On October 10, the SWIFT Research Center reached **1 billion gallons** of recharge into the Potomac Aquifer. The total volume of SWIFT recharge into the Potomac aquifer for the month of October was 16.4 million gallons (MG) (56 % Recharge Time based on 650gpm).
6. The Central Middlesex Treatment Plant (CMTP) experiences multiple high pH events in October. Investigations by staff traced the issue to a malfunctioning industrial dishwashing system at the nearby regional jail. Staff are monitoring influent pH daily and continue to work with the Jail to eliminate the issues.
7. Bridgeman Civil, a contractor, has mobilized to the King William Treatment Plant (KWTP) and begun site work to prepare for the new Kubota Membrane System installation which will be delivered in January 2026.
8. On October 14, South Shore (SS) Interceptor Operations supported the City of Virginia Beach with a force main failure near their pump station 500. Staff operated a system branch valve allowing City forces to complete their work.
9. Staff installed a Jarbalyzer for monitoring the Side-stream Nitrogen Removal process at Nansemond Treatment Plant (NTP). The startup phase of an anammox process is an area of great interest to the Water Technology and Research (WT&R) group. The analyzer will later be used for flow diversions to other downstream processes. Expected ammonia concentrations are very high, well out of the range of commercially available analyzers and probes.

10. E&I staff replaced the second Allen-Bradley Human Machine Interface (HMI) on the Cambi System at ATP with a “Thin Client” computer, monitor, and keyboard due to repeated failures including total loss of graphics (i.e. black screens) and unresponsive touch screen functions. To date, the HMIs at both the Cambi PLC and the Operations Lab have been replaced for the same reasons. This ongoing issue has persisted for over a year despite multiple new and warranty replacements. Cambi has recommended these upgrades, noting similar problems with Allen-Bradley HMIs in other installations.
11. E&I staff installed conduit and wiring for the new Gravity Belt Thickener (GBT) polymer skid at NTP, providing a significant upgrade to the system. The new system batch mixes the polymer, allowing it to be pumped directly to the day tank without requiring a separate pre-mix tank. This design improves polymer batching speed and overall system efficiency.
12. Staff participated in the successful completion of cutover testing for the new Ovation Supervisory Control and Data Acquisition (SCADA) System at Cross Street, and Willard Avenue Pump Stations. The final site testing was completed, and these sites are now active on the new Ovation SCADA systems.
13. NS Interceptors Operations assumed full operational control of the new Willard Avenue Pump Station in Hampton. After successful installation of the pumps and performance testing, HRSD staff and the contractor then completed startup and SCADA cutover testing on October 22. It is anticipated that it will take a couple more months to install the gravity line needed to connect the old station flows to the new station, but the majority of flows in this system are now being pumped by the new station.



Financial Stewardship

1. On October 14, SS Interceptor Operations partnered with NTP staff to clean the Regional Residuals Facility (RRF) removing approximately 8-9 cubic yards of material from the grit traps and bar screen trough to maintain peak operating efficiency. By working together and utilizing internal resources, this effort resulted in daily cost savings of approximately \$5,000.
2. The CST completed several key projects and community initiatives. At WBTP, the Carbon Feed project progressed with the successful completion of concrete walkway installations to improve site accessibility and safety. In collaboration with JRTP, the CST supported Menchville High School by constructing durable, high-quality picnic tables as part of a community partnership effort. For the Hurricane Shelter project, the team removed and relocated an existing gazebo, demolished the old concrete slab, and began rebar footer construction to support future structural work. At KWTP under the Kobuta Project, demolition of the Chemical Building and its concrete slab was completed safely and in compliance with environmental standards. Additionally, at ATP, the CST performed modifications on Scum Trough #3, restoring full functionality to the clarifier system and ensuring continued operational reliability. For these specific efforts, cost savings are approximately \$100,000.
3. Material Transportation & Logistics staff hauled 40 loads of Ash for a total of 285 dry tons. They also hauled 135 loads of primary clarifier solids and 95 loads of thickened waste activated biosolids for a total of 5,422 wet tons. In addition, 79 loads were hauled from ATP to McGill Composting Facility during the month of August, totaling 2,090 wet tons.



Innovation

HRSD's Digital Water team has developed a new process that is intended to keep pumps at HRSD pump stations operating continuously at their best efficiency point. The approach uses flow recirculation and a flow control valve to maintain optimal performance. The first prototype of this system is currently being installed at the Lodge Road Pump Station, and initial testing indicates that it has the potential to keep pumps operating within the preferred operating range 100% of the time, leading to less pump downtime.



Talent

1. At JRTP plant operator Mr. Devin Cook obtained his Class 2 Virginia Wastewater Works License.
2. NTP had 100% completion for monthly PM's (preventive maintenance) in October. While this is always the goal, most months staff are pulled off from PM's to assist in correctives or project needs. Kudos to the NTP team.
3. SCD Eastern Shore Operator Mr. Joe Ranieri successfully achieved his wastewater Class 3 Virginia Wastewater Works License.
4. Mr. Chris Everton was promoted from an Interceptor Inspector on North Shore to a Lead Construction Supervisor for the SCD.

Respectfully submitted,

Eddie M. Abisaab, PE, PMP, ENV SP
Chief Operating Officer

[Attachment: MOM Reporting](#)

MOM Reporting Numbers

| MOM # | Measure Name | Measure Target | July | Aug | Sep | Oct | Nov | Dec | Jan | Feb | Mar | Apr | May | June |
|-------|----------------------------------------------|----------------|-------|-------|------|------|-----|-----|-----|-----|-----|-----|-----|------|
| 2.7 | # of PS Annual PMs Performed (NS) | 37 | 3 | 2 | 3 | 4 | | | | | | | | |
| 2.7 | # of PS Annual PMs Performed (SS) | 53 | 3 | 3 | 3 | 1 | | | | | | | | |
| 2.7 | # of Backup Generator PMs Performed | 4.6 | 11 | 14 | 14 | 24 | | | | | | | | |
| 2.8 | # of FM Air Release Valve PMs Performed (NS) | 234 | 307 | 401 | 318 | 362 | | | | | | | | |
| 2.8 | # of FM Air Release Valve PMs Performed (SS) | 1,550 | 232 | 58 | 147 | 90 | | | | | | | | |
| 2.9 | # of Linear Feet of Gravity Clean (NS) | 2,417 | 4,434 | 3,606 | 3013 | 2246 | | | | | | | | |
| 2.9 | # of Linear Feet of Gravity Clean (SS) | 2,417 | 1,070 | 1112 | 1774 | 171 | | | | | | | | |

TO: General Manager

FROM: Chief People Officer

SUBJECT: Talent Management Monthly Report for October 2025

DATE: November 10, 2025



Talent

In October, HRSD advanced key initiatives across Human Resources, Learning and Development, and Safety and Security to strengthen its workforce and workplace culture. Efforts focused on recruitment, employee wellness, leadership development, and strategic planning, while continued emphasis on safety and security ensured a safe, well-supported environment for all employees.

Human Resources

Recruitment & Staffing

- **Recruitment Activity:**
 - Launched **8 new recruitment campaigns**
 - Secured **21 accepted job offers**
- **Policy Review:**
 - Initiated review of **employment and talent acquisition policies and procedures**
 - Objective: Align HRSD practices with **industry best practices**

ERP Enhancements & Collaboration

- Partnered with **IT** and **Business Intelligence** teams to advance discussions on **ERP enhancements**
 - Focus areas: **Recruiting** and **Performance Appraisals**

Benefits & Wellness

- Met with **Sentara** and **Marsh McLennan** to review **HRSD medical plan utilization**
- **Wellness Program Highlights:**
 - Continued delivering:
 - Plan education sessions
 - Wellness presentations
 - Individual and group coaching
 - Virtual guided meditation sessions
 - Preparing for **transition to a new wellness platform**

- Ensuring **all employees complete required activities** before year-end to avoid disruption

Learning and Development

Continuous Learning & Employee Engagement

- **Celebrated National Learning and Development Month** with:
 - **Learning Bingo**
 - **Micro-learning challenge**
 - **Virtual Q&A session** on career development
 - **HRSD Knowledge Quiz**
- Result: Strong engagement and participation across departments

Innovation & Quality Improvement

- Facilitated **“Your Role in Quality” project presentations**, providing a platform for:
 - Staff to share **quality improvement projects**
 - Highlighting **innovative ideas** supporting **operational excellence**

Leadership Development

- **LAMA Leadership Cohort:**
 - Completed **Covey’s The 7 Habits of Highly Effective People** training
 - Participants delivered **teach-back presentations** to reinforce learning

Strategic Planning Support

- Facilitated multiple **SPARC Sessions** to:
 - Help teams **prioritize goals**
 - Develop **actionable plans** aligned with HRSD’s **strategic initiatives**

Safety and Security

| Safety Inspections and Training | |
|---------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Count | Event |
| 9 | Comprehensive safety inspections across HRSD work centers |
| 20 | Inspections across HRSD work centers, including weekly construction safety walks |
| 18 | Safety training sessions, including: <ul style="list-style-type: none"> • Asbestos Awareness • CPR, First Aid, and AED • Confined Space Entry • Mobile Elevated Work Platform operation |
| 4 | Contractor safety briefings |

- Distributed **Fall Safety Newsletter** featuring:
 - Prevention tips for **slips, trips, and falls**
 - **Fall protection** reminders
 - **Seasonal emergency preparedness** guidance
- **Fire Marshal Inspections**
 - Completed by **Virginia Beach** and **Newport News** Fire Marshals
 - Inspected facilities:
 - Atlantic Treatment Plant
 - Boat Harbor Treatment Plant
 - James River Treatment Plant
 - NS Operations Complex
 - Five pump stations
 - **All received clean inspection reports**

Security Enhancements

- Advanced **physical security initiatives** and vendor collaborations:
 - Potential partners: **Motorola, Genetec, Security 101, AmbientAI**
 - Scheduled **Motorola demonstration** in November
- Coordinated with:
 - **Procurement:** Acquisition of **body-worn cameras**.
 - **HR:** Enhancements to **employee badging** and **iLOQ access management system**.
- **Site Security Updates:**
 - Conducted perimeter fencing assessments
 - Installed new signage at **Air Rail Complex** and **Atlantic Treatment Plant**

New Safety Requirement

- Implemented **mandatory safety glasses policy** for:
 - Work at plants and pump stations
 - Machinery and carpentry operations
 - Automotive maintenance
 - Environmental Sampling
- Reinforces HRSD's commitment to **employee safety and health**

| Incident Summary | |
|---------------------------------------------------|-------|
| Event | Count |
| Auto accident/property damage incident | 4 |
| Work-related injuries requiring medical attention | 4 |

| | |
|---------------------------------|---|
| Accident resulting in lost time | 1 |
|---------------------------------|---|

Respectfully submitted,

Christina Gibson

Chief People Officer

TO: General Manager/ Chief Executive Officer
FROM: Chief of Water Quality (CWQ)
SUBJECT: Monthly Report for October 2025
DATE: November 10, 2025



Environmental Responsibility

HRSD's Regulatory Activities:

- Monthly Discharge Monitoring Report (DMR) Summary and Items of Interest: [Effluent and Air Emissions Summary](#).
- 5 Permit Exceedances out of 18,622 Total Possible Exceedances to date in FY2026.
- 58.9 million pounds of pollutants removed to date in FY2026.
- HRSD received a draft consent order on October 22 for releases occurring in West Point.

Pretreatment and Pollution Prevention (P3) Program Highlights:

- No civil penalties were issued in October.

Environmental and Regulatory Advocacy

Chief participated in the following advocacy and external activities:

- Attended Virginia Forever's annual Bridge Builders event, honoring leaders who have successfully engaged cross-sector partnerships to manage Virginia's natural resources.
- Virginia Association of Municipal Wastewater Agencies (VAMWA) quarterly biosolids committee meeting.



Financial Stewardship

- HRSD's Municipal Assistance Program (MAP)
 - Provided sampling and analytical services on a cost-reimbursement basis to the following:
 - City of Franklin
 - Northumberland County
 - Westmoreland County
- Continued discussions with DEQ Finance staff on the James River Water Quality Improvement Fund (WQIF) grant agreement.

- Met with Virginia House and Senate Appropriations staff to discuss WQIF grant funding needs over the next 5-year period.



Talent

- Provided Water Quality and organizational updates at the quarterly Water Quality Uncovered briefing. Kerri Williams led a presentation from the CEL to introduce section staff and managers along with their portfolio of services.



Community Engagement

- Microbial Source Tracking (MST) partnering localities and projects.
 - City of Chesapeake (Southern Branch)
 - City of Hampton (southeast)
 - City of Newport News (Hilton Beach)
 - City of Suffolk (downtown)
 - City of Virginia Beach (Thalia Creek)
 - James City County

Respectfully submitted,

Jamie Heisig-Mitchell
Chief of Water Quality

EFFLUENT SUMMARY FOR OCTOBER 2025

| 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 | 8.69 | 48% | 1 | 2.0 | 5 | 2 | 0.15 | 0.36 | 3.9 | 4.9 | 22 |
| ATLANTIC | 43.78 | 81% | 9 | 11 | 2 | <1 | NA | NA | NA | NA | 20 |
| BOAT HARBOR | 11.01 | 44% | 4 | 4.5 | 1 | 3 | 0.25 | 0.71 | 9.4 | 20 | 3 |
| CENT. MIDDLESEX | 0.014 | 57% | <2 | 1.1 | <1 | <1 | NA | NA | NA | NA | NA |
| JAMES RIVER | 12.03 | 60% | 6 | 7.3 | 1 | 2 | 0.89 | 0.73 | 4.9 | 7.2 | 26 |
| KING WILLIAM | 0.100 | 100% | <2 | 0.11 | NA | <1 | 0.069 | 0.15 | 2.4 | 3.1 | NA |
| NANSEMOND | 15.63 | 52% | 5 | 5.3 | 7 | 8 | 1.1 | 1.5 | 4.9 | 5.1 | 5 |
| ONANCOCK | 0.250 | 33% | <2 | 0.25 | <1 | 4 | 0.16 | 0.19 | 2.7 | 2.8 | NA |
| CHINCOTEAGUE (SB) | 0.016 | 40% | <2 | 1.0 | <1 | 7 | NA | NA | NA | NA | 0 |
| URBANNA | 0.051 | 51% | 4 | 14 | 2 | 2 | 5.6 | 4.8 | 17 | 18 | NA |
| VIP | 26.30 | 66% | 3 | 2.0 | 11 | 1 | 0.53 | 0.60 | 3.6 | 4.7 | 5 |
| WEST POINT | 0.303 | 51% | 14 | 15 | 1 | 1 | 1.4 | 2.3 | 16 | 15 | 0 |
| WILLIAMSBURG | 7.98 | 35% | 6 | 2.8 | 2 | 6 | 0.71 | 0.63 | 3.2 | 2.9 | 30 |
| YORK RIVER | 12.26 | 82% | 1 | 0.061 | 1 | <1 | 0.036 | 0.42 | 3.5 | 4.0 | 26 |
| | 138.43 | | | | | | | | | | |

% of
Capacity

North Shore
South Shore
Small Communities

52%
66%
42%

AIR EMISSIONS SUMMARY FOR AUGUST 2025

| | 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) | 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 | | | | | | | | | | |
| BOAT HARBOR | 0 | 0 | 0 | 0 | 0 | 0 | 2 | 82 | 72 | 0 |
| VIP | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 26 | 98 | 0 |
| WILLIAMSBURG | 2 | 1 | 0 | 0 | 1 | 0 | 4 | 21 | 87 | 0 |

ODOR COMPLAINTS

| | |
|--------------|---|
| ARMY BASE | 0 |
| ATLANTIC | 3 |
| BOAT HARBOR | 0 |
| JAMES RIVER | 0 |
| NANSEMOND | 1 |
| VIP | 0 |
| WILLIAMIBURG | 0 |
| YORK RIVER | 5 |
| NS OPS | 0 |
| SS OPS | 0 |
| SCD | 3 |
| NON-HRSD | 1 |
| Undetermined | 1 |

Items of Interest – October 2025

MULTIPLE HEARTH INCINERATION (MHI)

Total Hydrocarbon (THC) monthly averages (not to exceed 100 ppm) were met by all three MHI plants (Boat Harbor, Virginia Initiative, and Williamsburg). The THC continuous emissions monitoring (CEM) valid data capture was 72% or more.

The three operating MHI plants had four (4) 129 operating parameter deviations and six (6) minor uses of the emergency bypass stack (<60 minutes), and no (0) reportable uses of the MHI bypass (>60 minutes).

All three MHI plants have been scheduled for upcoming full 129 emission limits testing. Grace Consulting will perform the MHI stack testing at BHTP on 12/9/2025, WTP on 3/10/2026, and VIP on 3/19/2026.

AIR PERMITS and ODOR CONTROL

VA DEQ and EPA were provided with the notification of actual start-up of the JRTP SWIFT diesel engine emergency generators on 10/20/2025.

There was a total of fourteen (14) odor complaints this month.

Atlantic Treatment Plant received three (3) complaints from one of our Ocean Lakes neighbors. Plant staff respond to these complaints and take corrective action as needed. Communications personnel provides responses to our neighbors as appropriate. TSD records the complaints in the air permit required odor complaint log.

One (1) additional complaint was directed to ATP Outreach from a customer located about seven (7) miles away from the plant in the Lynnhaven area of Virginia Beach. The source of odors is suspected to be naturally occurring, tidally influenced, or other non HRSD-related odors.

York River received five (5) complaints from a neighbor on Back Creek Road. Some of these complaints were called in directly to the plant while others were conveyed in direct emails to TSD personnel. Plant staff responded and no unusual odors on plant site were identified. YRTP Ops has increased hypo to the plant odor control system (OCS) to help alleviate any potential offsite odors. TSD has also deployed continuous hydrogen sulfide (H₂S) monitoring equipment onsite in line with this neighbor's home to better understand what H₂S based odors may be traveling offsite. It is noted that the complainant has not fixed the infrastructure on their property that TSD identified as causing localized odors from a sewer vent gooseneck next to the residence.

One (1) complaint was received from the property manager of the Harbor View Condominium Complex located next to Nansemond Treatment Plant. Although we could not conclusively determine whether it was the plant or other sources causing the complaint, given the proximity of the residences to NTP, this complaint was conservatively designated with NTP as the source. TSD plans to start conducting regular odor monitoring on plant site and around the condo complex to help pinpoint potential sources of odors that could be impacting these residences.

Small Communities Division (SCD) received three (3) odor complaints related to the KW-MH-A12 manhole off Richmond Tappahannock Highway in King William. Two of these complaints came from Atlantic Union Bank and another came from a residential neighbor, all of which are located near this manhole. SCD Ops and TSD investigated and confirmed corrosion of the frame and lid along with high levels of H₂S coming from the manhole measured with a Jerome H₂S meter. In response, SCD Ops installed a new watertight manhole casting and lid for this manhole. TSD is also planning on adding an additional carbon insert to a downstream manhole to prevent additional odors in the nearby area.

One (1) complaint was received from a Norfolk business owner (“Getem Services”) on W 42nd street near Virginia Initiative Plant (VIP). The complaint described intermittent odors inside and outside the building. TSD conducted several investigations into odors around the location of the complaint. On one deployment, no odors were detected, and on another some faint aeration odors from VIP were detected outside the building. A review of GIS showed the block where the business sits is surrounded by either HRSD force main or Norfolk gravity lines that could be contributing to odors, particularly the reports of odors inside the building. This same business owner reported a very similar complaint about 15 years ago, to which HRSD responded by smoke testing his plumbing and found several issues and recommended needed repairs. Since the complaint, adjustments have been made to one of the Odor Control Systems at VIP so that it is working as designed to pull a draft on the headspace of some of these nearby gravity lines to prevent upstream release of odors. Routine odor monitoring in the area will continue to help further narrow down the cause(s) of the odors described in the complaint. Future smoke testing of the building may be necessary to show whether unresolved or new plumbing issues are contributing to odors described in the complaint. This complaint source was designated as undetermined since we are still assessing whether the odors in question are a result of interceptor infrastructure in the area or odors wafting over from VIP.

TREATMENT

Atlantic

On October 31, it was discovered that repair work by a contractor caused condensate to leak on the ground below a rental steam boiler. The steam condensate being expelled had a pH of ~11 and was within normal range for the boiler. Approximately 25 gallons of steam boiler condensate were released to the ground.

Nansemond

On October 30, an overflow occurred when a power outage caused the SWIFT Research Center (SRC) drain pump station pumps to stop operating. When power was restored, the SRC influent pumps were restarted; however, the drain pumps required manual reset. The drain pump station was already full due to the process gravity drainage. When the influent pumps were started, the Floc/Sed basins filled and sent more water to the drain pump stations. Approximately 43,160 gallons of partially chlorinated Floc/Sed effluent were released to the ground.

SYSTEM

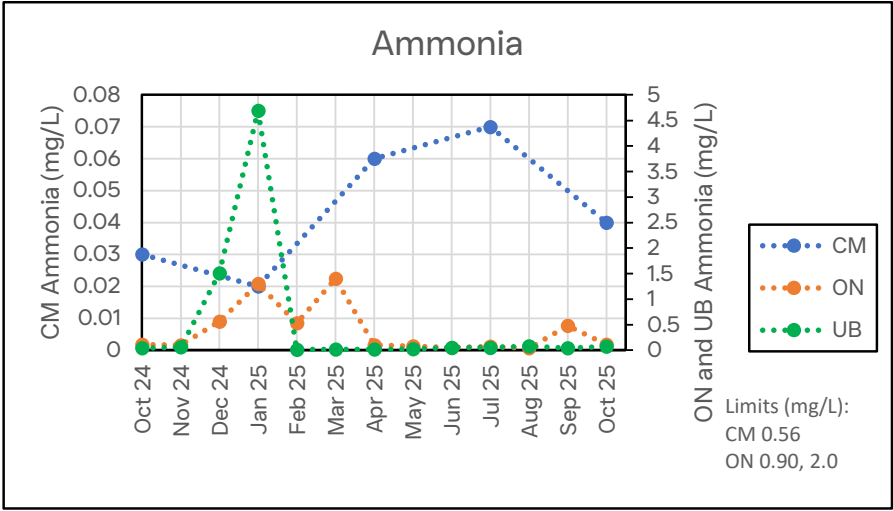
On October 7, raw wastewater was released from NF-184-7849 at Maryus Road in Hayes, VA due to a hole in the force main caused by external corrosion. During the repair, a second location was also found to have external corrosion. A full-circle repair clamp was installed at both locations, and ultrasonic thickness testing was attempted on the pipe to determine wall thickness and extent of external corrosion. Approximately 43,500 gallons of raw wastewater were released to the ditch.

SYSTEM/TREATMENT, SMALL COMMUNITIES, AND EASTERN SHORE

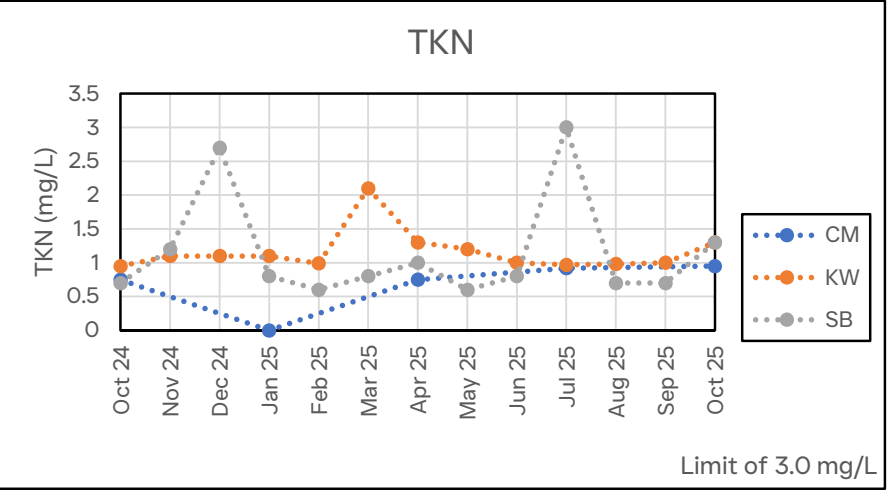
Chincoteague Sunset Bay

On October 3, an overflow of final effluent occurred due to an electrical failure of the final effluent pumps during an elevated high tide event. A temporary pump was installed and pumped treated effluent into a storage tank while the relay for the effluent pumps was being repaired. Approximately 500 gallons of final effluent were released to the storm drain to the Chincoteague Channel.

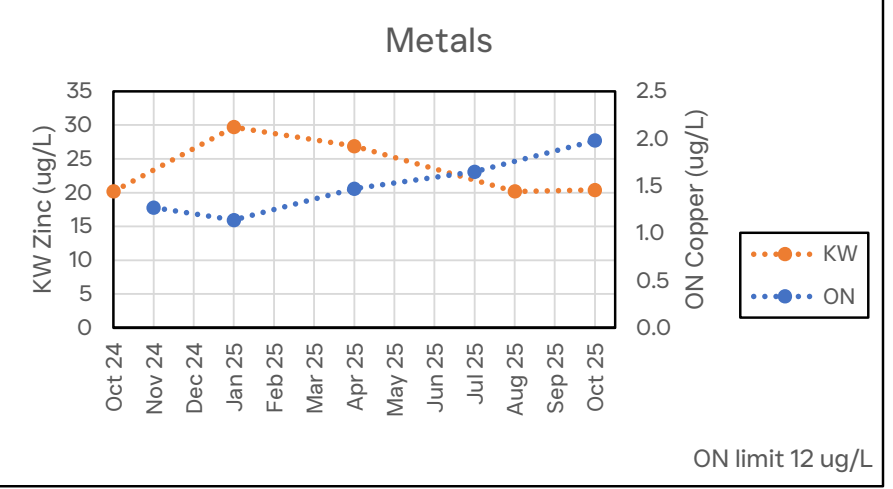
| | Ammonia | | |
|--------|---------|------|------|
| | CM | ON | UB |
| Oct 24 | 0.03 | 0.11 | 0.04 |
| Nov 24 | | 0.10 | 0.06 |
| Dec 24 | | 0.56 | 1.5 |
| Jan 25 | 0.02 | 1.3 | 4.7 |
| Feb 25 | | 0.53 | 0.01 |
| Mar 25 | | 1.4 | 0.02 |
| Apr 25 | 0.06 | 0.10 | 0.02 |
| May 25 | | 0.08 | 0.02 |
| Jun 25 | | 0.05 | 0.05 |
| Jul 25 | 0.07 | 0.07 | 0.05 |
| Aug 25 | | 0.04 | 0.08 |
| Sep 25 | | 0.48 | 0.04 |
| Oct 25 | 0.04 | 0.11 | 0.07 |



| | TKN | | |
|--------|-------|------|------|
| | CM | KW | SB |
| Oct 24 | 0.75 | 0.95 | 0.70 |
| Nov 24 | | 1.1 | 1.2 |
| Dec 24 | | 1.1 | 2.7 |
| Jan 25 | <0.50 | 1.1 | 0.80 |
| Feb 25 | | 0.99 | 0.60 |
| Mar 25 | | 2.1 | 0.80 |
| Apr 25 | 0.75 | 1.3 | 1.0 |
| May 25 | | 1.2 | 0.60 |
| Jun 25 | | 1.0 | 0.80 |
| Jul 25 | 0.92 | 0.97 | 3.0 |
| Aug 25 | | 0.98 | 0.70 |
| Sep 25 | | 1.0 | 0.70 |
| Oct 25 | 0.95 | 1.3 | 1.3 |



| | Zinc | Copper |
|--------|------|--------|
| | KW | ON |
| Oct 24 | 20 | |
| Nov 24 | | 1.3 |
| Dec 24 | | |
| Jan 25 | 30 | 1.1 |
| Feb 25 | | |
| Mar 25 | | |
| Apr 25 | 27 | 1.5 |
| May 25 | | |
| Jun 25 | | |
| Jul 25 | | 1.7 |
| Aug 25 | 20 | |
| Sep 25 | | |
| Oct 25 | 20 | 2.0 |



SC&H prepared the following Internal Audit Status document for the HRSD Commission. The status includes a summary of projects in process, upcoming projects, and management action plan updates.

I. Projects in Process

CEL Bid Assessment

- **Completed Tasks (October 2025)**
 - Provided draft deliverables to HRSD Engineering management and address comments provided.
- **Upcoming Tasks (November 2025)**
 - Provided final deliverables to HRSD (11/3).
 - Present assessment results to Commission (11/18).

Aging and Arrears Assessments

- **Completed Tasks (October 2025)**
 - Provided final deliverables to HRSD senior management (10/29).
- **Upcoming Tasks (November 2025)**
 - Provide for Commission reporting upon closeout.

Grants Management

- **Completed Tasks (October 2025)**
 - Provided notification of intent to initiate the internal audit.
 - Began preparing entrance material documentation.
- **Upcoming Tasks (November 2025)**
 - Conduct internal audit kickoff meeting.
 - Request and review initial documentation.
 - Conduct process understanding meetings.

II. Upcoming Internal Audits

- Risk Assessment (December 2025, January 2026)
- ProCards and Employee Expenses (February 2026)
- AI Governance and Operations (April 2026)

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 / Project | Next Follow-up | Recommendations | | |
|-------------------------------------------|----------------|-----------------|------|-------|
| | | Closed | Open | Total |
| Safety Division | November 2025 | 2 | 1 | 3 |
| Personally Identifiable Information (PII) | November 2025 | 0 | 3 | 3 |
| AP, ProCard | November 2025 | 1 | 2 | 3 |
| CEL Assessment | March 2026 | 0 | 5 | 5 |
| Closed Audit/Projects (x22) | Closed | 136 | 0 | 136 |
| | Totals | 139 | 11 | 145 |

Strategic Measures
October 2025

| Strategic Planning Measure | Sep-25 | Oct-25 | FY-26 |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|--------|--------------------|
| Educational and Outreach Events | 9 | 12 | 63 |
| Number of Community Partners | 9 | 13 | 59 |
| Number of Technical Presentations | 1 | 7 | 10 |
| Number of Technical Publications | 0 | 0 | 1 |
| Revenue vs. Budget | 26% | | 26% |
| Wastewater Expenses vs. Budget | 19% | | 19% |
| Accounts Receivable (HRSD) | \$52,988,793 | | \$55,654,780 |
| Aging Accounts Receivable | 33.10% | | 33.23% |
| Turnover Rate wo Retirements | 0.33% | | 1.22% |
| Turnover Rate w Retirements | 0.55% | | 1.88% |
| Avg Time to Hire (Posting to Acceptance) | 2 months 29 days | | 3 months 2 days |
| Number of Vacancies | 65 | 969 | 431 |
| Average number of applicants per position | 5.8 | | 6.2 |
| Percentage of positions filled with internal applicants | 20.0% | | 26.9% |
| Recruitment source Return on Investment | * | * | * |
| Avg Time to Hire (Acceptance to NEO) | 46.00 | * | * |
| Customer Call Wait Time (mins) | 6.32 | | 5.58 |
| Capacity Related Overflows with Stipulated Penalties (Reported Quarterly) | * | * | * |
| Non-Capacity Related Overflows with Stipulated Penalties (Reported Quarterly) | * | * | * |
| 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. | N/A | N/A | 0 |
| 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. | N/A | N/A | * |
| 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. | N/A | N/A | 0 |
| Cumulative CIP Spend | \$168,700,000 | | \$168,700,000 |

*Not currently tracking due to constraints collecting the data.

** Updated after EPA Quarterly Report submittal.

***Billing is one month behind

Strategic Measures
October 2025

| Technical Presentations | | | |
|-------------------------|---------------------------------------------------------------------------------------------|-------------------------|---------------|
| Date | Presentation | Presenter | Departments |
| 10/09/2025 | "Understanding PFAS and How Communities Can Reduce Their Impact" | Mike Martin | Water Quality |
| 10/13/2025 | "HRSD Hauled Waste Program" | Mike Martin | Water Quality |
| 10/22/2025 | "Advancing PFAS Removal for Indirect Potable Reuse: SWIFT Center Insights" | Erin Love | Operations |
| 10/27/2025 | SWIFT RC Technical Presentation - Metro Water Recovery | Germano Salazar-Benites | Operations |
| 10/30/2025 | "Innovating for the Future: HRSD's Technology Path to Affordable and Resilient Clean Water" | Charles Bott | Operations |
| 10/30/2025 | "Applied AI at HRSD: Achievements, Challenges, and the Road Ahead." | Jeff Sparks | Operations |
| 10/30/2025 | "Unleashing Resiliency, Protecting Groundwater Quality" | Rebecca Nardacci | Operations |

Strategic Measures
October 2025

| Education Outreach and Community Partners | | | |
|-------------------------------------------|---------------------------------------------------------------------------------------------------------------|------------------------------------------------|----------------|
| Date | Event | Community Partner | Departments |
| 10/02/2025 | SWIFT RC Tour to Clause Homann | Aarhus Vand | Operations |
| 10/03/2025 | SWIFT briefing at the Virginia Department of Health Western Tidewater Health District's annual staff retreat. | VDH | Water Quality |
| 10/14/2025 | SWIFT Tour and HRSD presentation - NNS Lead Forward Program Cohort | Huntington Ingalls - Newport News Shipbuilding | Communications |
| 10/14/2025 | ODU TRiO Student Support Services | Old Dominion University | Communications |
| 10/15/2025 | SWIFT RC Tour - ODU Center for Educational Partnerships | Old Dominion University | Communications |
| 10/16/2025 | SWIFT RC Tour- Hampton's Aberdeen Elementary School for 3rd grader | Hampton's Aberdeen Elementary School | Operations |
| 10/22/2025 | Naval Weapons Station Yorktown Fall Community Information Event - tabling | York County School Division | Communications |
| 10/23/2025 | HRSD Environmental Project Overview to ODU Environmental Engineering Student Association | Old Dominion University | Water Quality |
| 10/23/2025 | HRSD presentation and activity - Old Donation School Eco Club | Virginia Beach City Public Schools | Communications |
| 10/23/2025 | HRSD presentation and activity - Girl Scout Troop 4642 (Williamsburg) | Girl Scouts of the USA | Communications |
| 10/24/2025 | VIP Tour - Southampton County Public Utility employees | Southampton County Public Utility | Operations |
| 10/29/2025 | SWIFT Tour and activity - Grassfield High School Governor's STEM Academy | Chesapeake Public Schools | Communications |