



COMMISSION FINANCE COMMITTEE  
MEETING MINUTES  
March 25, 2025

The Committee Chair called the meeting to order at 10:27 a.m.

Attendees:

Name	Title	Present for Item Nos.
Taraski, Elizabeth	Committee Chair	1-2
Lakdawala, Vishnu K.	Committee Member	1-2
Levenston, Jr., Willie	Committee Member	1-2
Elofson, Frederick N.	Commissioner	1-2
Glenn, Michael	Commissioner	Absent
Rodriguez, Stephen	Commissioner	1-2
Stern, Nancy	Commissioner	1-2
Templeman, Ann	Commissioner	1-2

1. **Approval of Minutes**

The draft minutes of the February 27, 2025 Finance Committee meetings were distributed electronically prior to the meeting.

<b><u>Moved:</u></b>	Willie Levenston	<b><u>Ayes:</u></b>	3
<b><u>Seconded:</u></b>	Vishnu Lakdawala	<b><u>Nays:</u></b>	0

2. **Proposed Fiscal Year 2026 Annual Budget**

Staff presented key components of the [Proposed Fiscal Year-2026 Operating Budget](#). The following topics were covered:

- Fitch Ratings – US Water and Sewer Outlook 2025
- National Public Section Annual Construction Spending
- Tight Labor Market – Hampton Roads Unemployment
- Federal Uncertainty
- Operating Budget Overview
- Estimated Revenue Summary
- Billed Consumption and Service Growth
- Proposed increases and effects on average monthly bill
- Operating expenses aligned with both the Financial Plan



COMMISSION FINANCE COMMITTEE  
MEETING MINUTES  
March 25, 2025

- Debt Service and CIP
- Results of the Compensation Study Phase 2
- Proposed new positions and selected initiatives
- Next steps

**Public Comment:** None


**Next Finance Committee Meeting Date:** April 22, 2025

**Meeting Adjourned:** 11:10 a.m.

SUBMITTED:

APPROVED:

  
\_\_\_\_\_  
Jennifer L. Cascio  
Commission Secretary

  
\_\_\_\_\_  
Elizabeth A. Taraski, PhD  
Committee Chair



HRSD

FY 2026 Budget Proposal  
Finance Committee

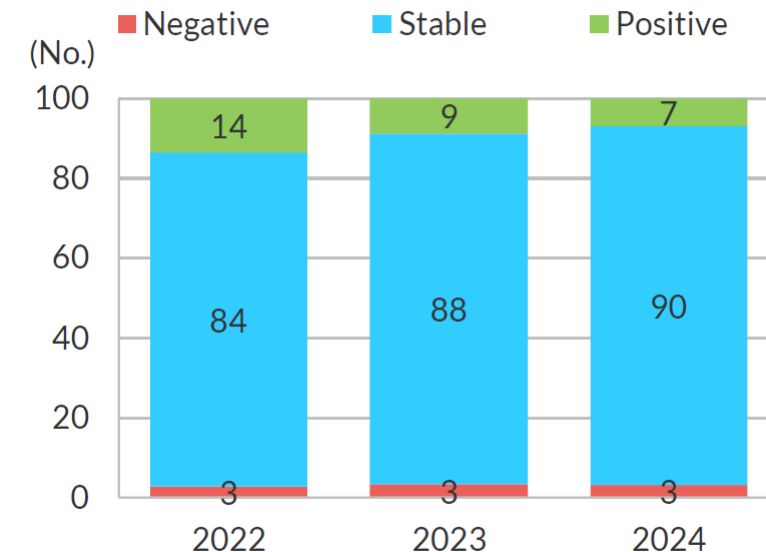
March 25, 2025

## Fitch Ratings - US Water Sewer Outlook – 2025

- Sector Outlook – remains neutral
- Utilities adapting to “new normal”
  - Most utilities absorbed inflationary shocks of prior years
  - Adapted to higher operating costs for supplies, personnel
- Capital costs, *“continue to rise as the full magnitude of revised contractor bids and updated cost estimates only now appear to be fully incorporated into capital plans layered on top of new regulatory requirements”*

– Source: Fitch Ratings

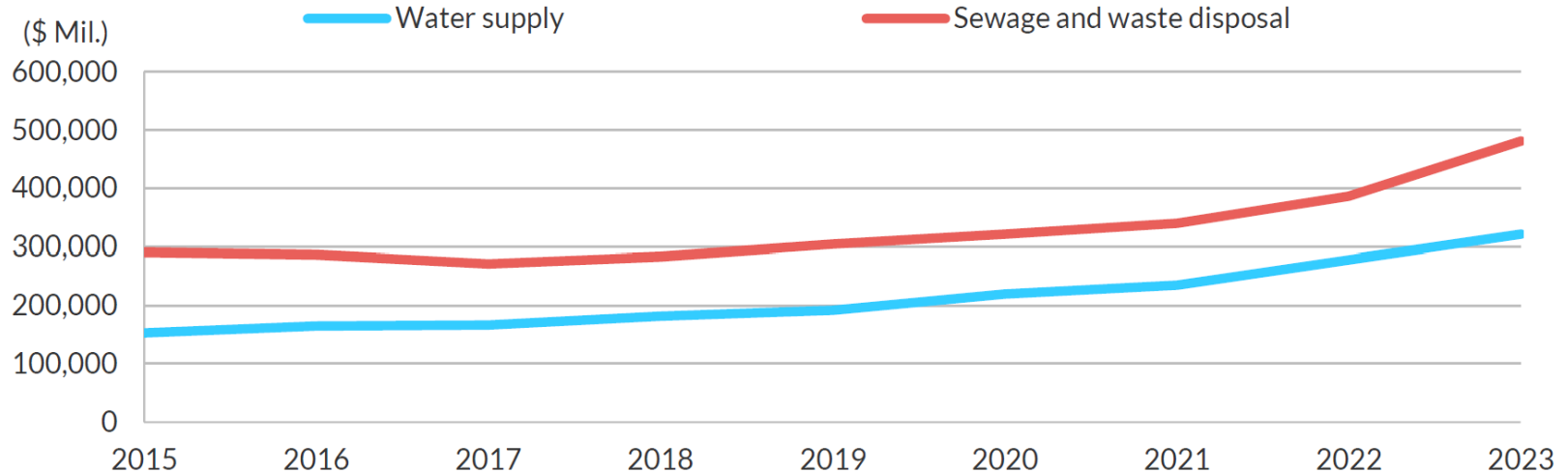
### Water & Sewer – Rating Outlooks



Source: Fitch Ratings

# National Public Sector Annual Construction Spending

## National Public-Sector Annual Construction Spending



Source: Fitch Ratings, U.S. Census Bureau

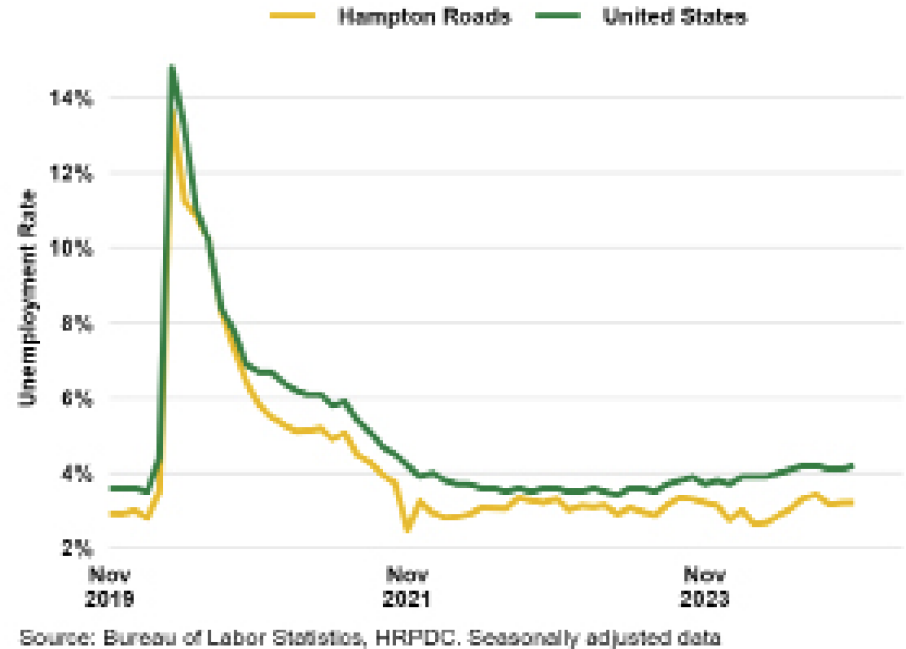


## Tight Labor Market – Hampton Roads Unemployment @ 2.9%

### UNEMPLOYMENT RATE (M)

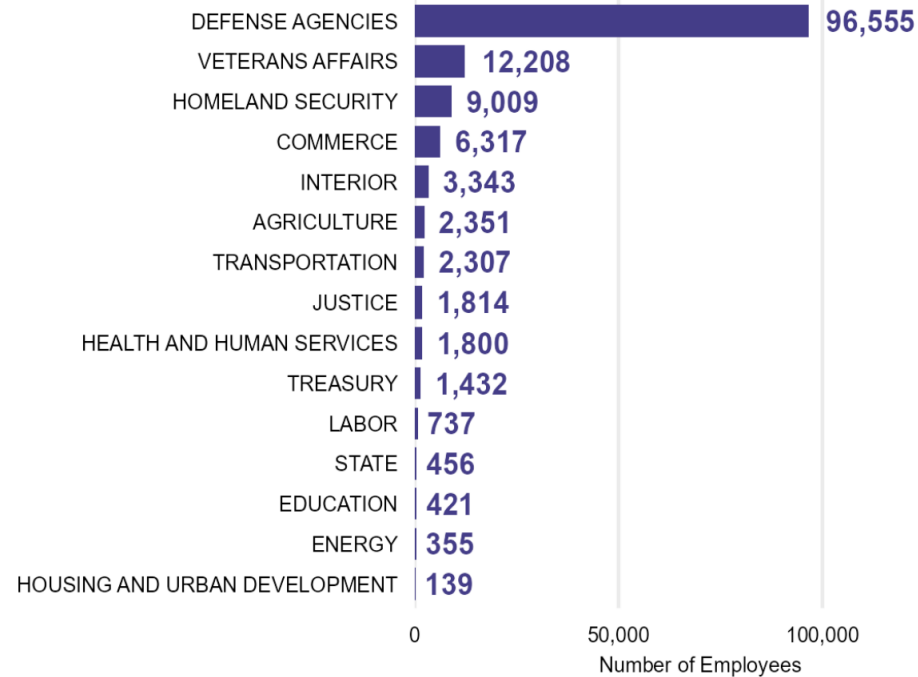
	Dec '23	Nov '24	Dec '24	Trend
Hampton Roads	3.1%	3.2%	2.9%	▼
Virginia	2.9%	2.9%	2.9%	-
United States	3.8%	4.2%	4.1%	▼

**Unemployment Rate:** The unemployment rate reflects the percentage of the labor force unemployed and actively seeking work. Hampton Roads' unemployment rate in December 2024 decreased from the prior month. The latest estimates are a positive sign after several months of rising unemployment rates both nationally and in the region.



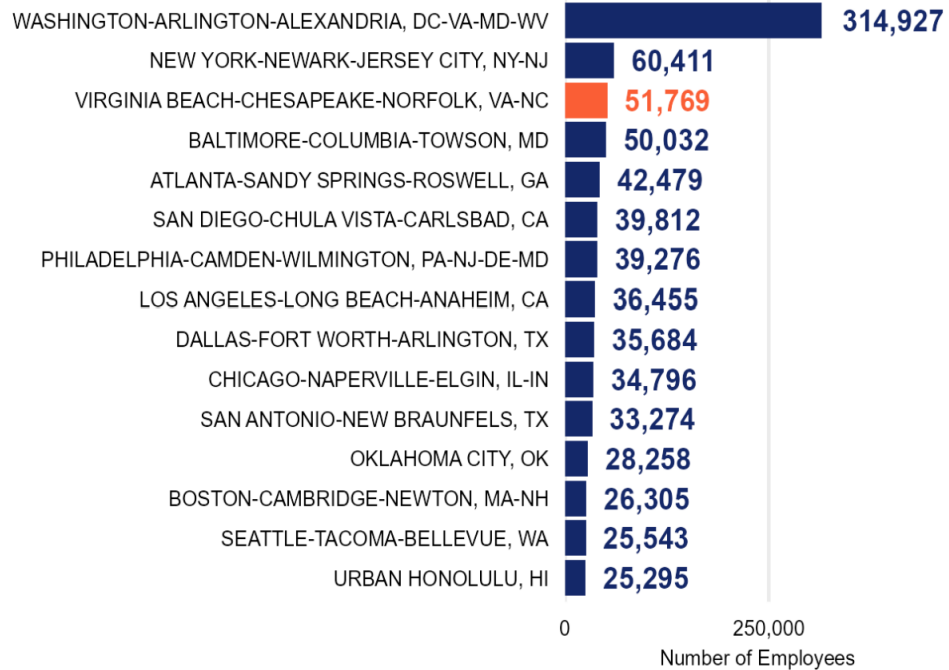
# Federal Uncertainty

**Figure 1: Federal Civilian Employment by Agency**  
Virginia, September 2024



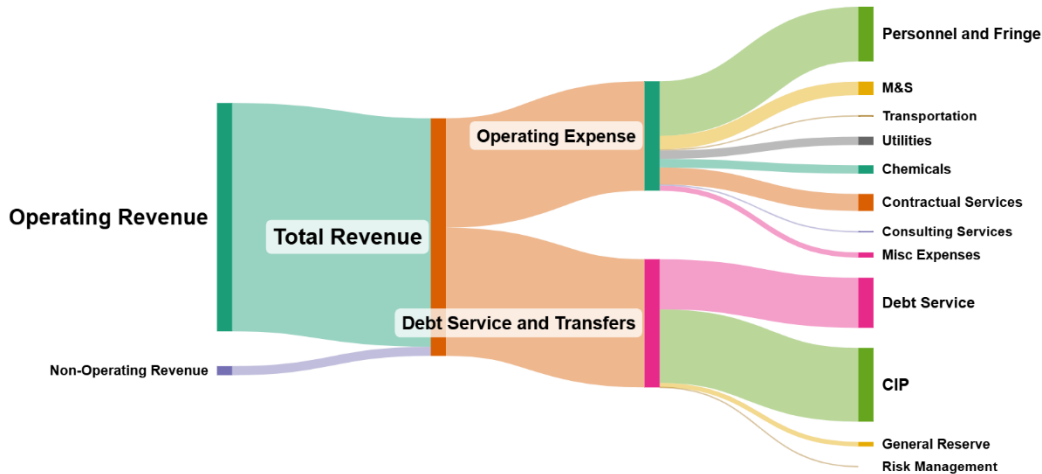
Data sources: Congressional Budget Office, Office of Personnel Management and Budget, and HRPDC.

**Figure 2: Federal Civilian Employment**  
Top 15 Metro Areas, March 2024



## Budget Overview – by Object Code

	<u>% of Revenues</u>
Operations	48%
Capital Improvements	52%



### Operating Budget Summary

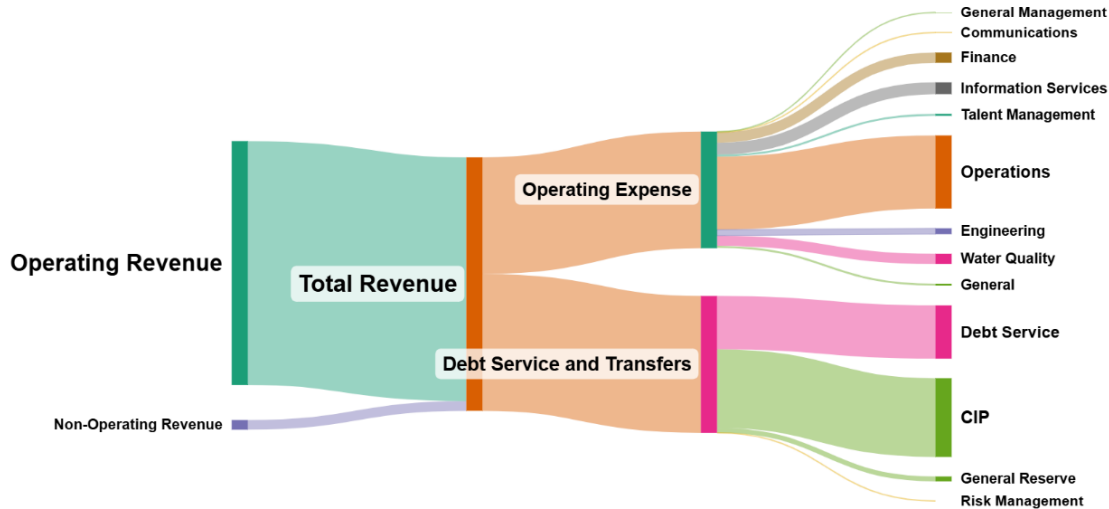
Operating Revenues	\$ 493,376,000
Non-Operating Revenues	19,665,000
Total Estimated Revenues	<u>\$ 513,041,000</u>

Operations	\$ 235,998,138
Transfer to General Reserve	9,294,549
Debt Service	108,000,000
Transfers to CIP	159,748,313
Total Appropriations	<u>\$ 513,041,000</u>



## Budget Overview – by Division

	<u>% of Revenues</u>
Operations	48%
Capital Improvements	52%

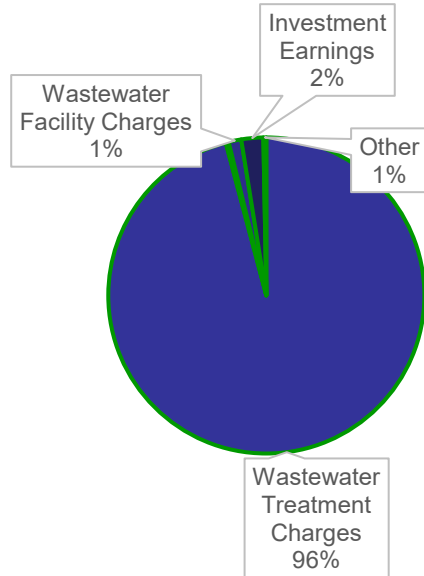


### Operating Budget Summary

Operating Revenues	\$ 493,376,000
Non-Operating Revenues	19,665,000
Total Estimated Revenues	<u>\$ 513,041,000</u>

Operations	\$ 235,998,138
Transfer to General Reserve	9,294,549
Debt Service	108,000,000
Transfers to CIP	159,748,313
Total Appropriations	<u>\$ 513,041,000</u>

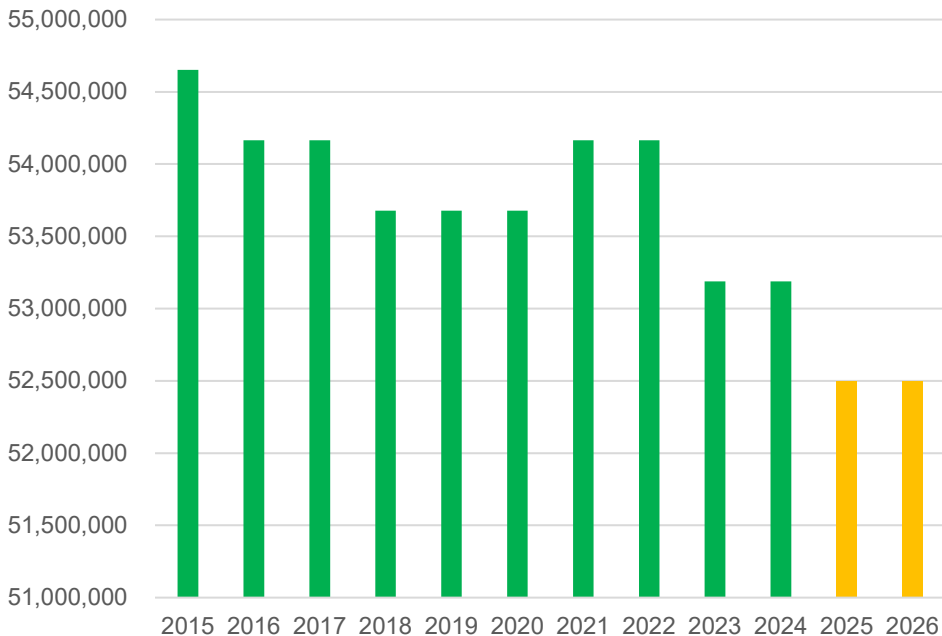
# Estimated Revenue Summary



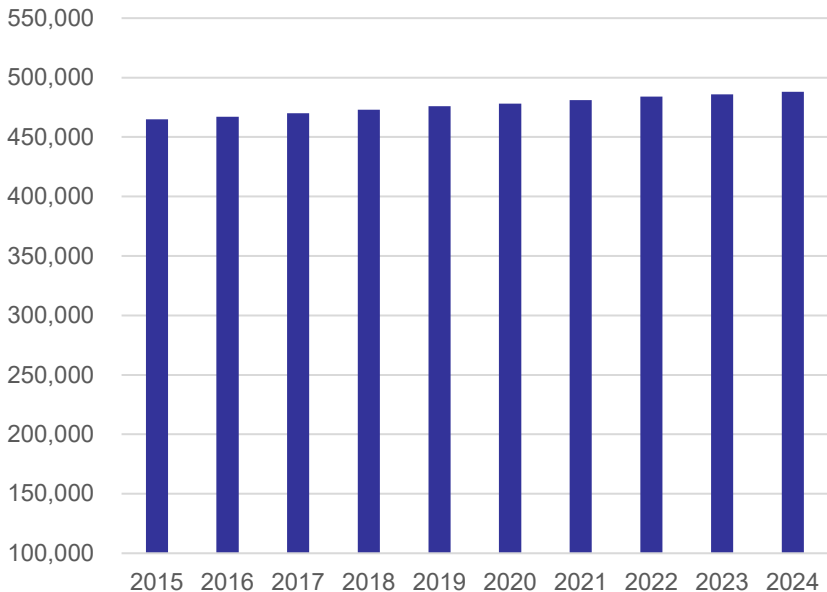
	Actual FY 2024	Budget FY 2025	Proposed Budget FY 2026	FY25 Budget vs FY26	% change FY25 vs FY26
<b>Operating Revenues</b>					
Wastewater Treatment Charges	\$ 422,783,910	\$ 450,655,000	\$ 491,834,000	\$ 41,179,000	9.1%
Miscellaneous	2,366,953	1,472,000	1,542,000	70,000	4.8%
<b>Total Operating Revenues</b>	<b>425,150,863</b>	<b>452,127,000</b>	<b>493,376,000</b>	<b>41,249,000</b>	<b>9.1%</b>
<b>Non-Operating Revenues</b>					
Wastewater Facility Charges	7,152,920	6,170,000	6,620,000	450,000	7.3%
Build America Bond Subsidy	1,621,771	-	-	-	0.0%
Investment Earnings	13,673,112	7,300,000	11,500,000	4,200,000	57.5%
Other	14,032,877	1,595,000	1,545,000	(50,000)	-3.1%
<b>Total Non-Operating Revenues</b>	<b>36,480,680</b>	<b>15,065,000</b>	<b>19,665,000</b>	<b>4,600,000</b>	<b>30.5%</b>
<b>Total Revenues</b>	<b>\$ 461,631,543</b>	<b>\$ 467,192,000</b>	<b>\$ 513,041,000</b>	<b>\$ 45,849,000</b>	<b>9.8%</b>

# Billed Consumption & Service Growth

Billed Consumption



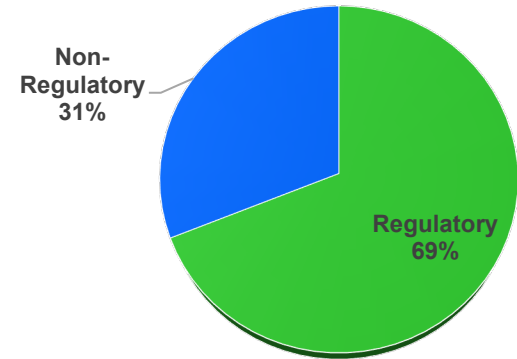
Service Connections  
Average Growth Rate 0.54%/year



## Proposed Increases – Average Monthly Bill

	2026		2025		Change	
					Unit	%
Retail Rate Per CCF	\$	9.03	\$	8.28	\$ 0.75	9%
Average Consumption		5.5		5.5	-	0%
Average Cost Per Month	\$	49.67	\$	45.54	\$ 4.13	9%
Average Cost Per Day	\$	1.63	\$	1.50	\$ 0.14	9%
Average Cost Per Gallon	\$	0.01	\$	0.01		

FY 25 to FY 34 Program



– Largely driven by CIP

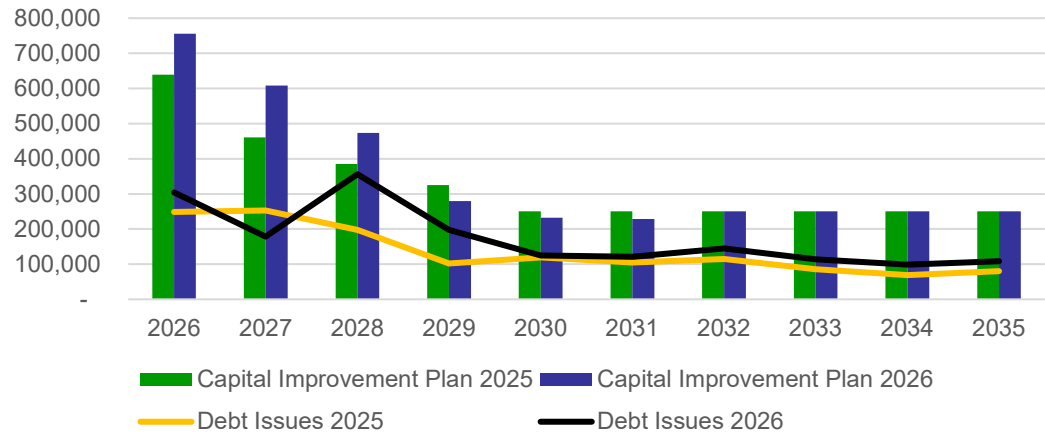
## Expenses – Operating Expenses Align with Financial Plan

	FY 2026	Percent of Budget	FY 2025	FY 26 vs FY 25 Inc (Dec)	Percent Change
Personal Services	\$86,585,306	16.9%	80,140,272	\$6,445,034	8.0%
Fringe Benefits	31,210,785	6.1%	30,765,223	445,562	1.4%
Materials and Supplies	26,866,184	5.2%	26,510,937	355,247	<b>1.3%</b>
Transportation	1,313,805	0.3%	1,240,198	73,607	5.9%
Transportation Fuels	1,355,650	0.3%	1,115,869	239,781	21.5%
Utilities	17,875,955	3.5%	16,512,148	1,363,807	<b>8.3%</b>
Chemicals	18,487,242	3.6%	16,539,326	1,947,916	<b>11.8%</b>
Contractual Services	39,145,997	7.6%	38,079,842	1,066,155	2.8%
Consulting Services	2,413,009	0.5%	2,445,600	(32,591)	-1.3%
Miscellaneous	8,820,405	1.7%	8,310,080	510,325	6.1%
Bond Issue Costs	500,000	0.1%	300,000	200,000	<b>66.7%</b>
Capital Assets	856,900	0.2%	1,055,400	(198,500)	-18.8%
Other	566,900	0.1%	841,700	(274,800)	-32.6%
Operating Appropriations	235,998,138	46.0%	223,856,595	12,141,543	5.4%
Debt Service	108,000,000	21.1%	87,700,000	20,300,000	<b>23.1%</b>
Transfer to General Reserve	9,294,549		-	9,294,549	<b>100.0%</b>
Transfer to Construction	159,748,313	31.1%	155,635,405	4,112,908	<b>2.6%</b>
Total Appropriations	\$ 513,041,000	100.0%	\$ 467,192,000	\$45,849,000	9.8%

## Debt Burden and CIP

- Rate pressure is growing
- We are still in a “peak spending” period for CIP
- Rising capital costs and competitive construction market continues

CIP Comparison  
2025 to 2026 (early draft)







## **TALENT**

We attract, develop, and retain an exceptional and diverse workforce that reflects our principles.



**HRSD Priorities**

## Total Salaries and Benefits

	FY 26	FY 25	Change	
			\$	%
<b>Total Salaries and Wages</b>	\$86,585,306	\$80,140,272	\$6,445,034	8%
<b>Employee Benefits</b>				
FICA	\$6,302,053	\$5,859,956	\$442,097	8%
Retirement	7,881,163	7,282,921	598,242	8%
Hospitalization	14,579,447	13,641,958	937,489	7%
Post Retirement Health	-	1,720,791	(1,720,791)	-100%
Other	2,448,122	2,259,597	188,525	8%
<b>Total Employee Benefits</b>	<b>\$31,210,785</b>	<b>\$30,765,223</b>	<b>\$445,562</b>	<b>1%</b>
<b>Total</b>	<b>\$117,796,091</b>	<b>\$110,905,495</b>	<b>\$6,890,596</b>	<b>6%</b>

- Salaries
  - Comp Study phase 2
  - 16 new positions
- Employee Benefits
  - Some move in tandem with salaries
  - Employee Health experience is good
  - Post Retirement Health, no contribution required because of the funded status plan

## Compensation Study - Phase 2

### Recommended Implementation Approach

Phase by Structure Increases over 3 years

<b>Description</b>	<ul style="list-style-type: none"><li>• Discount the entire pay structure in FY 2025 (year 1) by 12%</li><li>• Move the structure forward annually the next two years:<ul style="list-style-type: none"><li>• Phase 2 - 5.66% + COLA in FY 26</li><li>• Phase 3 - 6.00% + COLA in FY 27 - At market FY 27</li></ul></li></ul>
<b>Position in Range</b>	<ul style="list-style-type: none"><li>• Maintains equitable position in range</li></ul>
<b>Impact to Employees</b>	<ul style="list-style-type: none"><li>• Organization-wide strategy (vs. targeted individualized strategy)</li></ul>

## Salary Adjustments

	<b>Market Level Adjustment + COLA</b>	<b>Merit</b>	<b>Training Level Increase</b>	<b>Above Range (x'ers)</b>
% Increase	8.56% (5.66% P2 MA + 2.9% COLA)	3%	2.2%	2.9% (COLA)
Date	July 1	On Merit Date	Usually, Summer	July 1

## New Positions

Division	Position	#	Description
IT	Senior Systems Analyst	1	Expanding IT capabilities to meet heavy demand and work load
IT	Database Administrator	1	Expanding IT capabilities to meet heavy demand and work load
IT	Senior Systems Engineer - Manager	1	Expanding IT capabilities to meet heavy demand and work load
IT	OT Cybersecurity Manager	1	Expanding IT capabilities to meet heavy demand and work load
Engineering	Condition Assessment Inspectors	2	Internalizing more condition assessment work
		<u>6</u>	

- Implement operational changes to increase efficiency because of the Skills Gap Analysis





# ENVIRONMENTAL RESPONSIBILITY

We protect public health and preserve natural resources to ensure a sustainable future.

**HRSD Priorities**

## New Positions

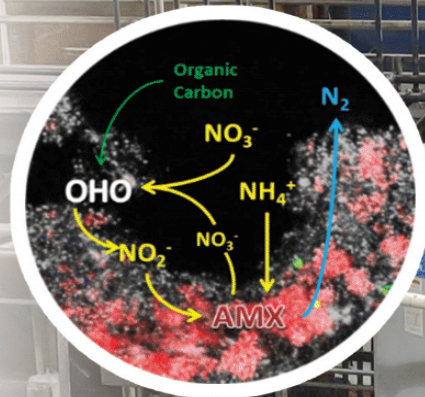
Division	Position	#	Description
Operations	Plant Operator	1	JR - SWIFT Facility coming on line 2026
Operations	Plant Operator	1	JR - SWIFT Facility coming on line 2026
Operations	Maintenance Operator	1	NR - ANRI operations coming on line 2026
Operations	Maintenance Operator	1	NR - ANRI operations coming on line 2026
Operations	Maintenance Operator	1	NR - ANRI operations coming on line 2026
Operations	Maintenance Operations Assistant	1	NR - ANRI operations coming on line 2026
Water Quality	P3 Inspector	1	Focus on FOG reduction
Water Quality	TSD Technician	1	Conversion PT to FT
		<b>8</b>	

- Pause land application and curing process of biosolids at Atlantic Treatment Plant and haul away generated solids daily.
- Expanding regulatory monitoring and analysis for SWIFT program.
- Addressing additional monitoring requirements triggered by pending per- and polyfluoralkyl substances (PFAS) regulations.



# INNOVATION

We lead the industry by boldly innovating in every aspect of our business to enable continuous improvement.



**HRSD Priorities**

## New Positions

Division	Position	#	Description
Operations	Digital Water Engineer	1	Expanding digital operations and research in AI capabilities

- Optimizing the use and reactivation of GAC for the removal of PFAS (SWIFT)
- Evaluating the odor, dewatering, and nuisance struvite benefits of partial post-aerobic digestion and phosphorus sequestration in the digested solids storage tank at ATP
- Continued development and application of PdNA, with extension to PNA (revenue generation in FY25, so no net cost)
- Continued pilot work to evaluate the acclimation of nitrifiers and heterotrophs to low DO conditions
- Optimizing the design and operation of recharge wells: clogging mechanisms and hydraulic performance
- Implement an AI-enhanced digital twin at Nansemond Treatment Plant for dynamic scenario analysis, enabling engineers and operators to simulate and optimize processes under varying conditions





## **FINANCIAL STEWARDSHIP**

We preserve financial integrity and sustainability through sound planning to help ensure long-term affordability.

**HRSD Priorities**

## Financial Stewardship Initiatives

- Customer Care & Billing (CC&B) migration to the Oracle Energy & Water Customer Cloud Service (CCS) platform
- Technology infrastructure replacements, upgrades, and expansions
- Develop an additional Construction Support Team (formerly the Projects Team) to execute small-scale CIP projects.
  - The labor costs for this team average approximately 20% of what HRSD would incur if using contractors, resulting in significant cost savings.
- A multitude of process optimization efforts/projects and upgrades to reduce overall operational costs



# COMMUNITY ENGAGEMENT

We engage and partner with the communities we serve to enhance relationships, provide value, and foster trust.

**HRSD Priorities**

## New Positions

Division	Position	#	Description
Communications	Communications Manager	1	Expanding comms efforts and community outreach

- Customer Portal Phase II
- Logo and brand refresh roll-out



- Operating Budget \$513,041,000<sup>1</sup>
  - Operating Expenses +5.4%
  - Total Operating Budget + 9.8%
  - Compensation study incorporated
  - Addition of 16 new positions
  - Average monthly residential bill to increase by \$4.13/month or \$0.14/day
  - Average Cost Per Gallon remains \$0.01
- Next steps
  - April 22: Commission Meeting, Draft Budget Proposal provided
  - April 22: Finance Committee, focus on final CIP, rates and financial projections
  - May 27: Commission Meeting, budget presented to Commission with vote on GM proposed budget

<sup>1</sup>Revenues, transfers and debt service still under evaluation



---

# Questions?

---