



COMMISSION FINANCE COMMITTEE
MEETING MINUTES
March 24, 2026

The Committee Vice-Chair, Willie Levenston, Jr. called the meeting to order at 12:16 p.m.

Attendees:

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

In accordance with Virginia Code § 2.2-3708.3 (B) and the HRSD Remote Participation Commission Adopted Policy, Commissioner Taraski is requesting approval to participate in today’s meeting from Houston, Texas due to a personal matter that prevents her from attending in person.

Moved: Vishnu Lakdawala **Ayes:** 2
Seconded: Willie Levenston, Jr. **Nays:** 0

1. **Approval of Minutes**

The draft minutes of the March 3, 2026, Finance Committee Meeting were distributed electronically prior to the meeting.

Moved: Vishnu Lakdawala **Ayes:** 2
Seconded: Willie Levenston **Nays:** 0

2. **Proposed Fiscal Year 2027 Annual Budget**

Staff presented key components of the [Proposed Fiscal Year-2027 Operating Budget](#). The following topics were covered:

- Operating Budget Overview
- Billed Consumption and Service Growth
- Proposed increases and effects on average monthly bill



COMMISSION FINANCE COMMITTEE
MEETING MINUTES
March 24, 2026

- Operating expenses aligned with both the Financial Plan
- Results of the Compensation Study Phase 3
- Proposed new positions and selected initiatives
- Community Engagement Summary
- Next steps

Public Comment: None

Next Finance Committee Meeting Date: April 28, 2026

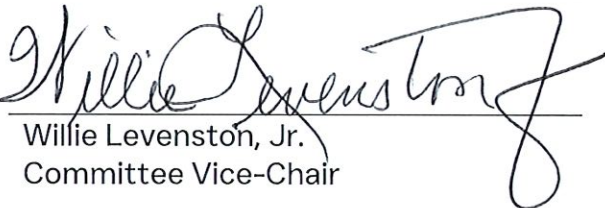
Meeting Adjourned: 12:43 p.m.

SUBMITTED:



Elizabeth I. Scott
Commission Secretary

APPROVED:



Willie Levenston, Jr.
Committee Vice-Chair



FY 2027 Budget Proposal Finance Committee

March 25, 2026

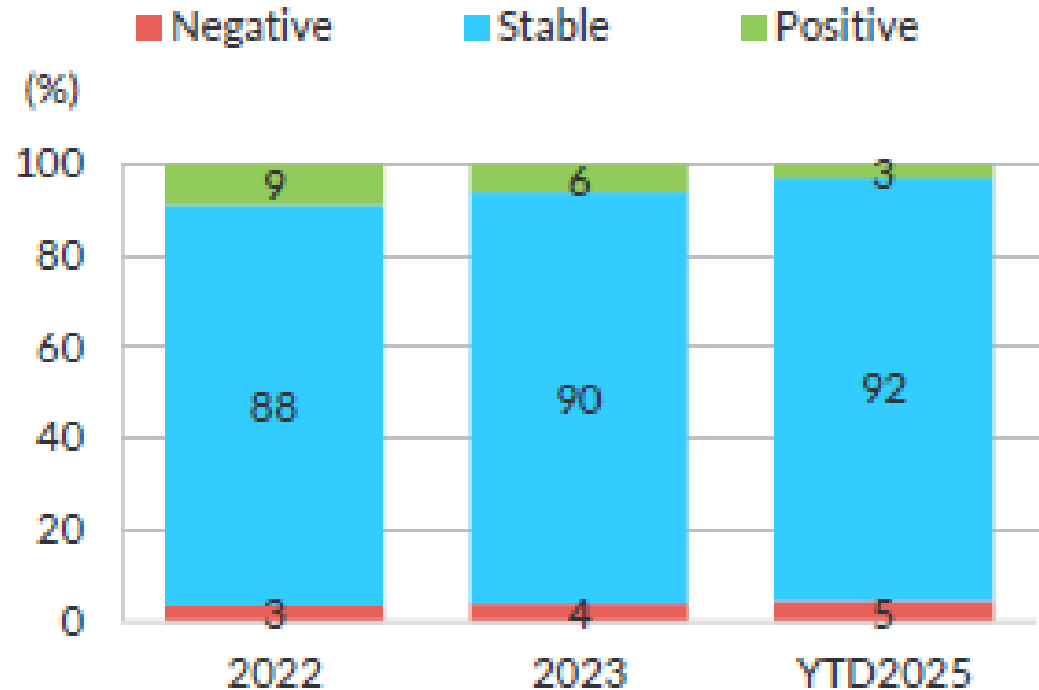


Fitch Ratings - US Water, Sewer Outlook

- Sector Outlook – remains neutral
- Utilities adapting to “new normal”
 - Reflects an operating environment that is no longer deteriorating but generally stable
 - Capital costs continue to increase based on tariffs and spending trends
 - Utilities more actively reviewing asset management plans and reprioritizing projects as costs increase

Source: Fitch Ratings

Water & Sewer - Rating Outlooks



Source: Fitch Ratings

S & P Sector Views

Mixed

- Large utilities returned to stable from negative
- Small utilities remains negative
- All exposed to rising capital investments, climate resilience needs, compliance all of which may influence affordability over time

What we're watching | U.S. water utilities



Federal policy

Federal influence on regulations, grant funding, natural resource oversight, FEMA, and economic policies.



Infrastructure investment

Expanding capital programs to meet resilience needs and aging infrastructure, stresses from rising construction costs, labor shortages, and significant funding gaps.



Weather variability

The impact of hydrology and climate events on financial performance and capital planning.



Labor

Shortages due to the aging workforce, private sector competition, and lack of skilled construction labor.



Affordability

Rate-setting increasingly strained by rising capital demands and operating expenses, especially given variable population and demographic trends throughout the county.



Management capacity

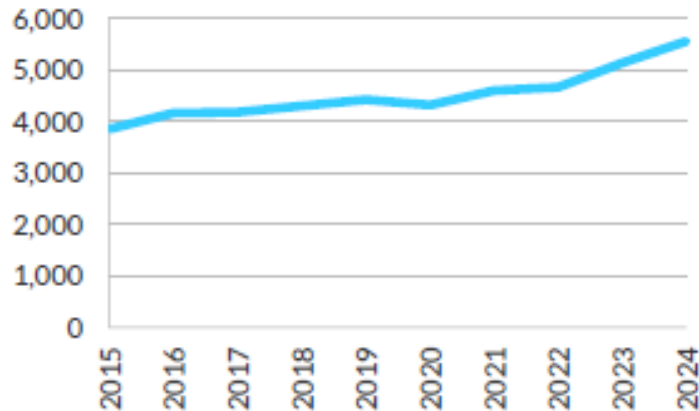
Depth and effectiveness of management, including how policies and practices mitigate complex sector risks.

Source: S&P Global Ratings.
Copyright © 2025 by Standard & Poor's Financial Services LLC. All rights reserved.

National Public Sector Annual Construction Spending

Operating Cost Burden

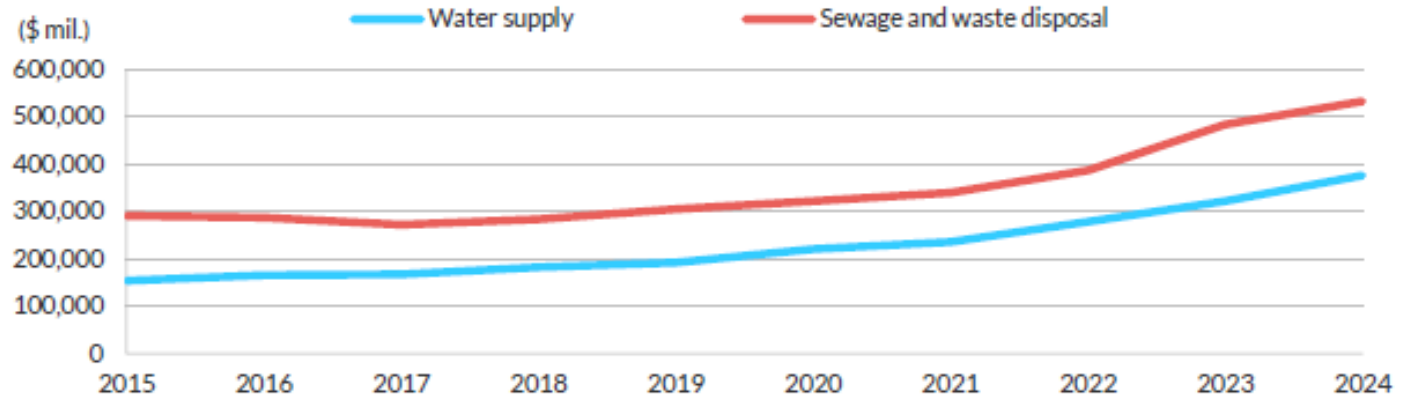
(\$ mil. gallons production)



Source: Fitch Ratings

National Public-Sector Annual Construction Spending

(\$ mil.)



Source: U.S. Census Bureau

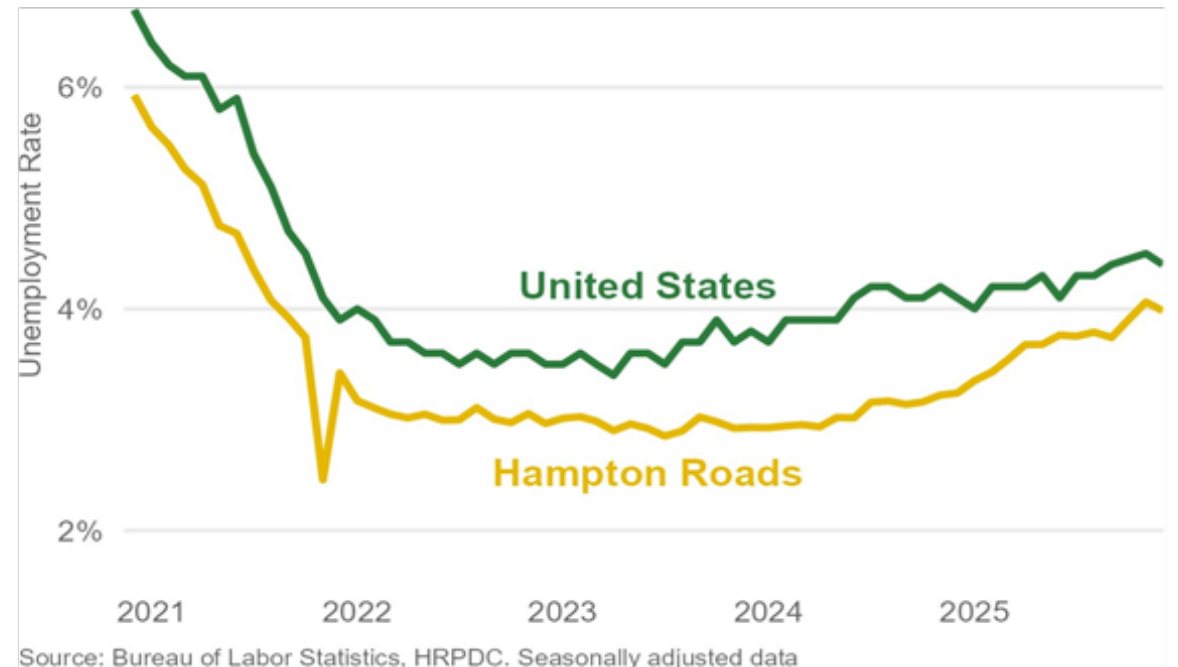
*Inflationary pressures - In response to U.S. and Israeli military actions against Iran and the subsequent skyrocketing of crude oil prices, Fed Chairman Powell stated, "higher energy prices will push up overall inflation."
- March 18, 2026*

Labor Market – Hampton Roads Unemployment @ 4.0%

UNEMPLOYMENT RATE (M)

	Dec 24	Nov 25	Dec 25	MoM Trend
Hampton Roads	3.2%	4.1%	4.0%	↘
Virginia	2.9%	3.5%	3.6%	↗
United States	4.1%	4.5%	4.4%	↘

Unemployment Rate: The unemployment rate reflects the percentage of the labor force unemployed and actively seeking work. Hampton Roads' unemployment rate in December decreased from the prior month. Since January, Hampton Roads unemployment rate has risen 0.6 percentage points, compared to a 0.4 percentage point increase observed for the nation.



Federal Uncertainty

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

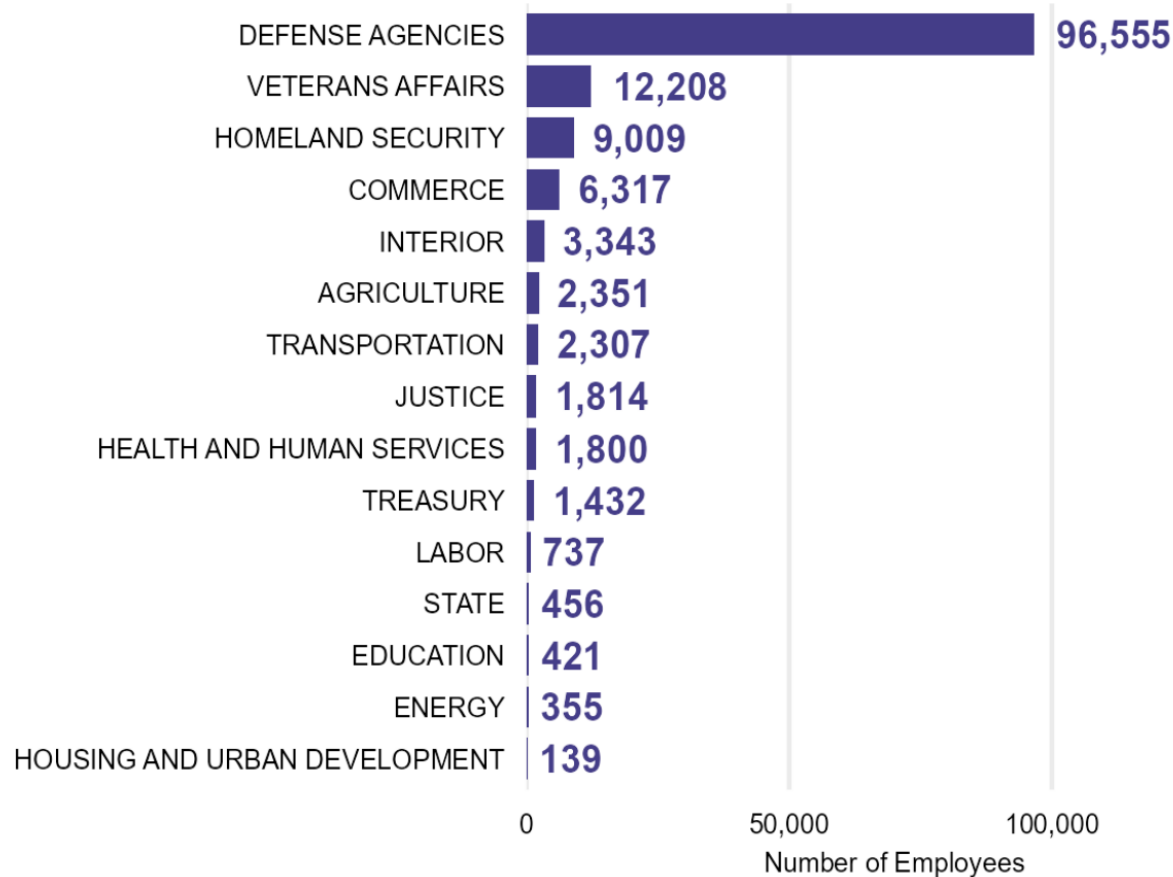
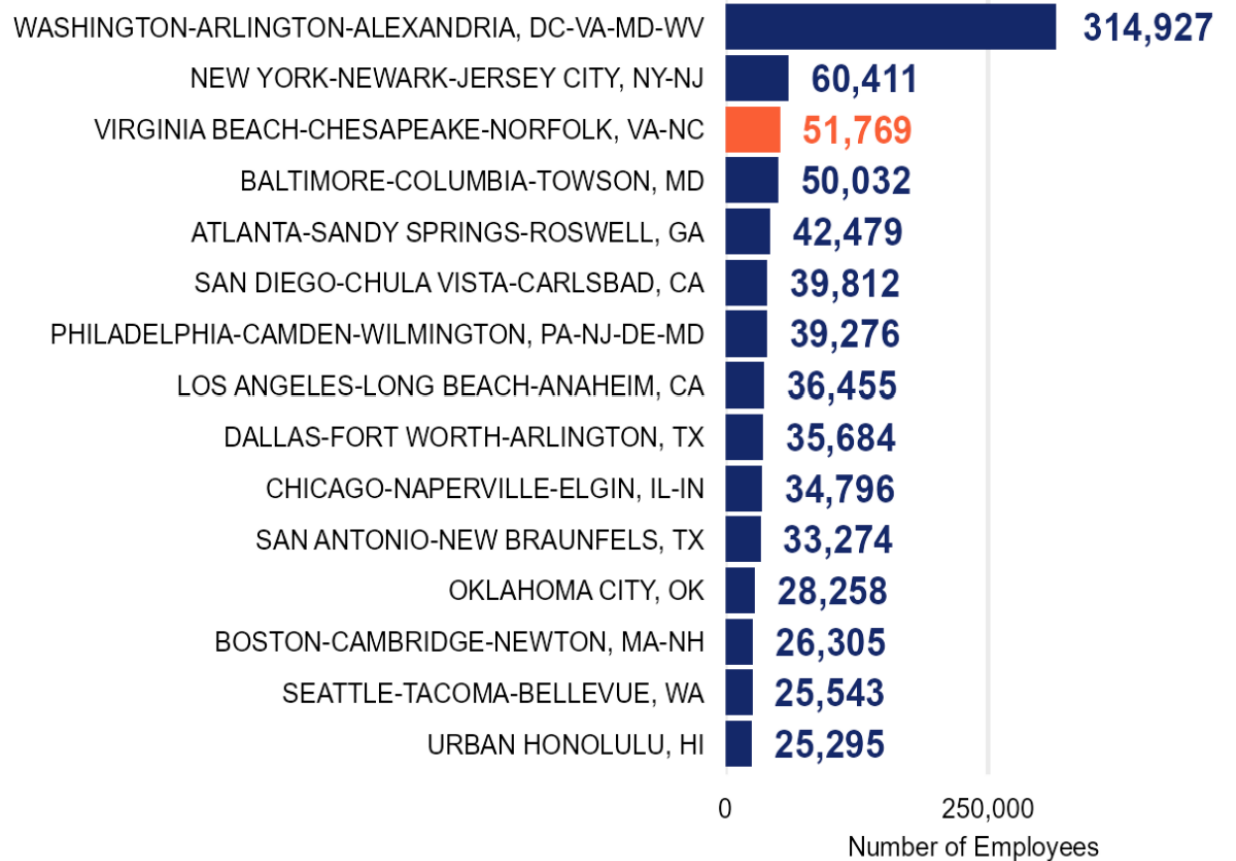


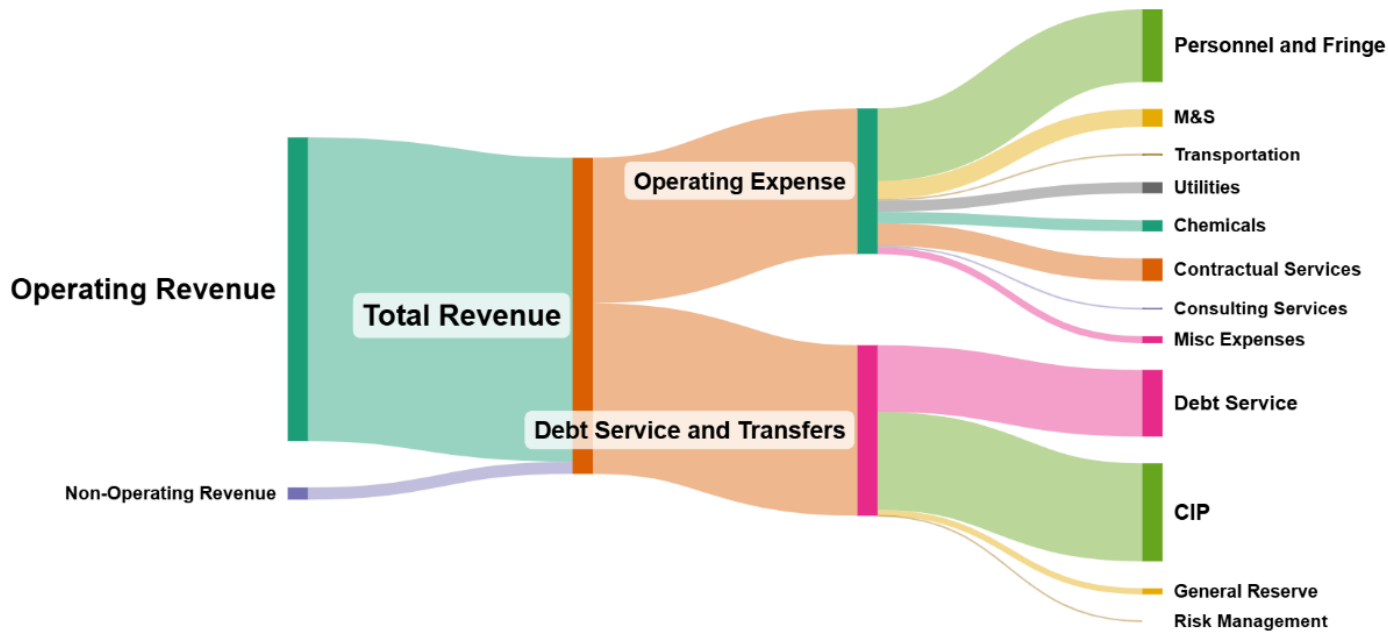
Figure 2: Federal Civilian Employment
Top 15 Metro Areas, March 2024



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

Budget Overview – by Object Code

	<u>% of Revenues</u>
Operations	47%
Capital Improvements	53%



Operating Budget Summary

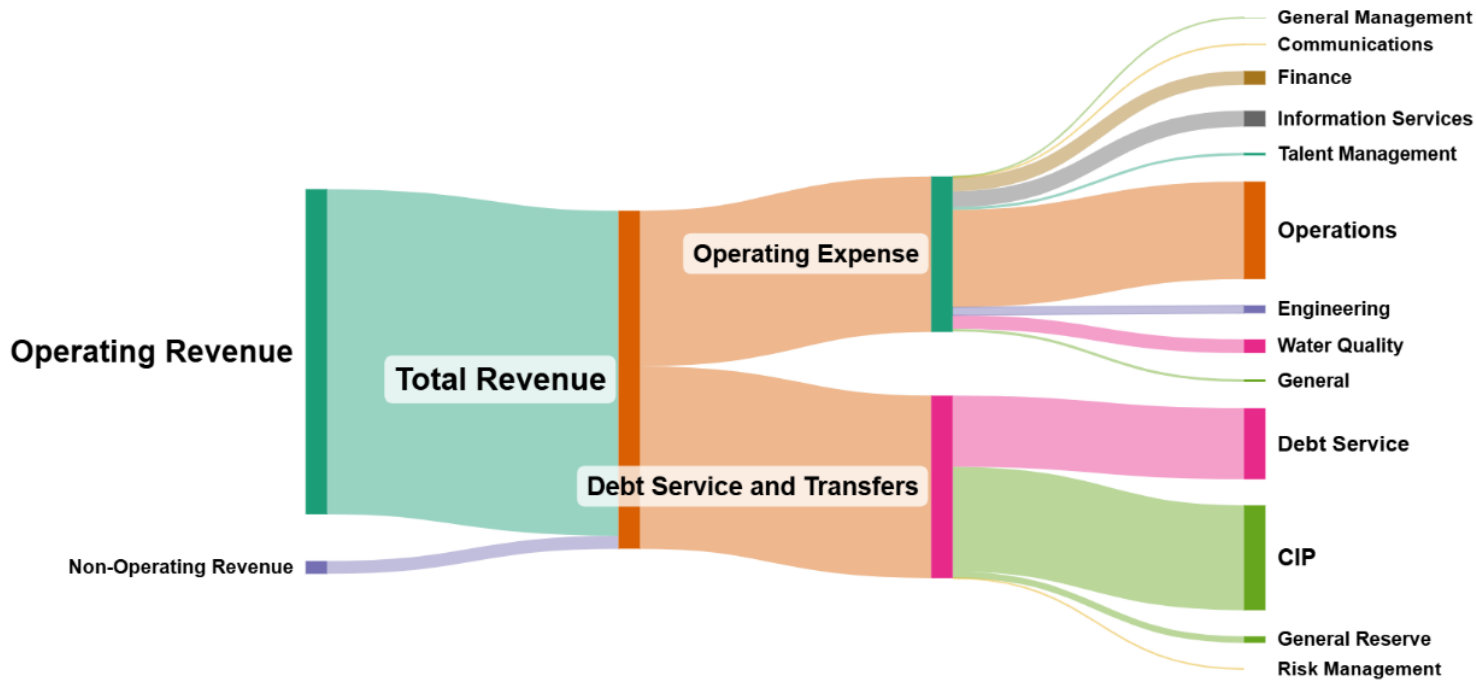
Operating Revenues	\$ 539,076,550
Non-Operating Revenues	21,365,000
Total Estimated Revenues	\$ 560,441,550

Operations	\$ 265,294,180
Debt Service	111,745,000
Transfers to CIP	183,402,370
Total Appropriations	\$ 560,441,550

Budget Overview – by Division

% of Revenues

Operations	48%
Capital Improvements	52%

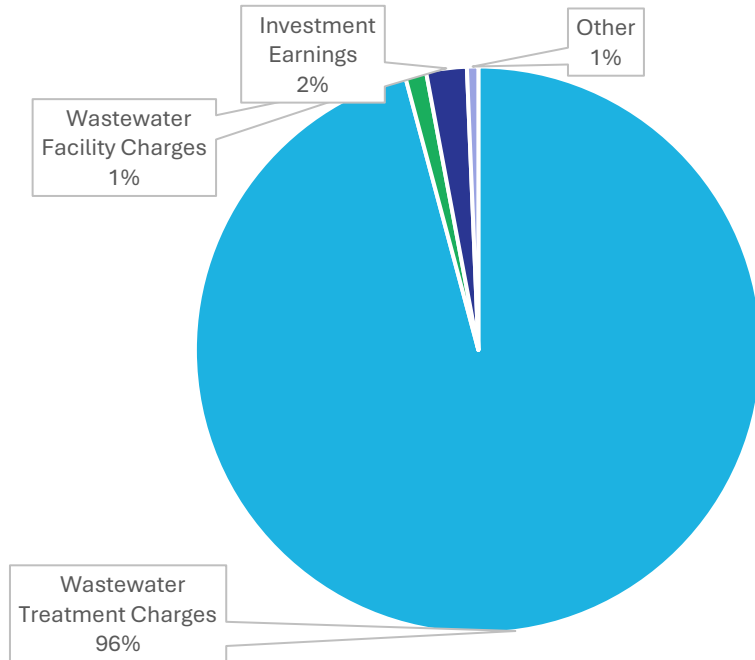


Operating Budget Summary

Operating Revenues	\$ 539,076,550
Non-Operating Revenues	21,365,000
Total Estimated Revenues	\$ 560,441,550

Operations	\$ 265,294,180
Debt Service	111,745,000
Transfers to CIP	183,402,370
Total Appropriations	\$ 560,441,550

Estimated Revenue Summary



Operating Revenues
Wastewater Treatment Charges
Miscellaneous
Total Operating Revenues

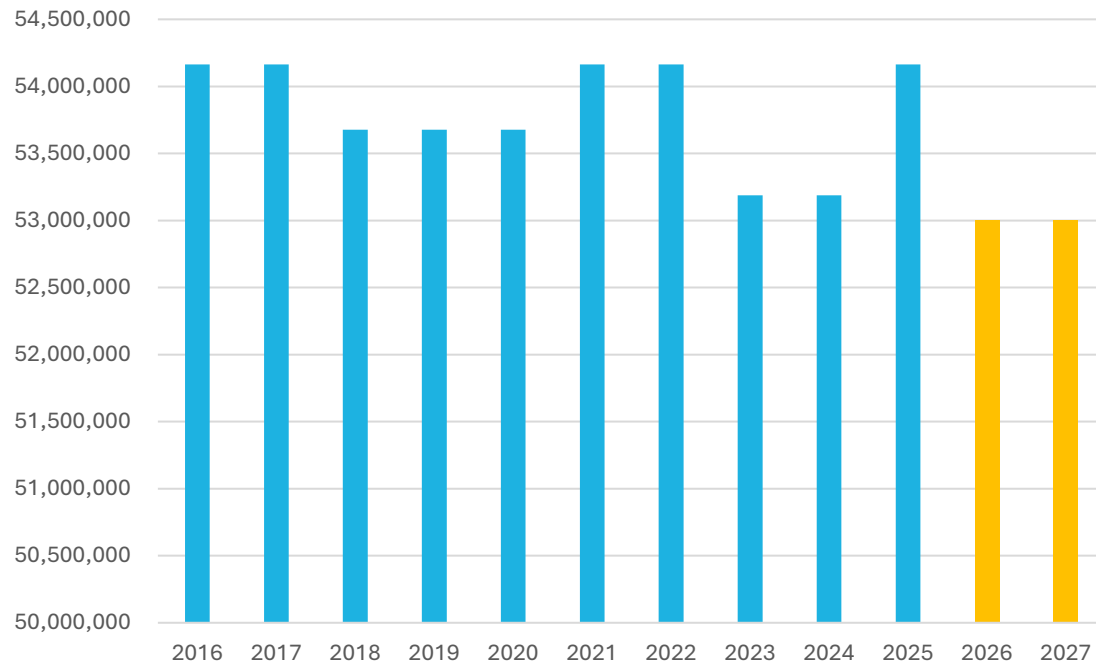
Non Operating Revenues
Wastewater Facility Charges
Investment Earnings
Other
Total Non-Operating Revenues

Total Revenues

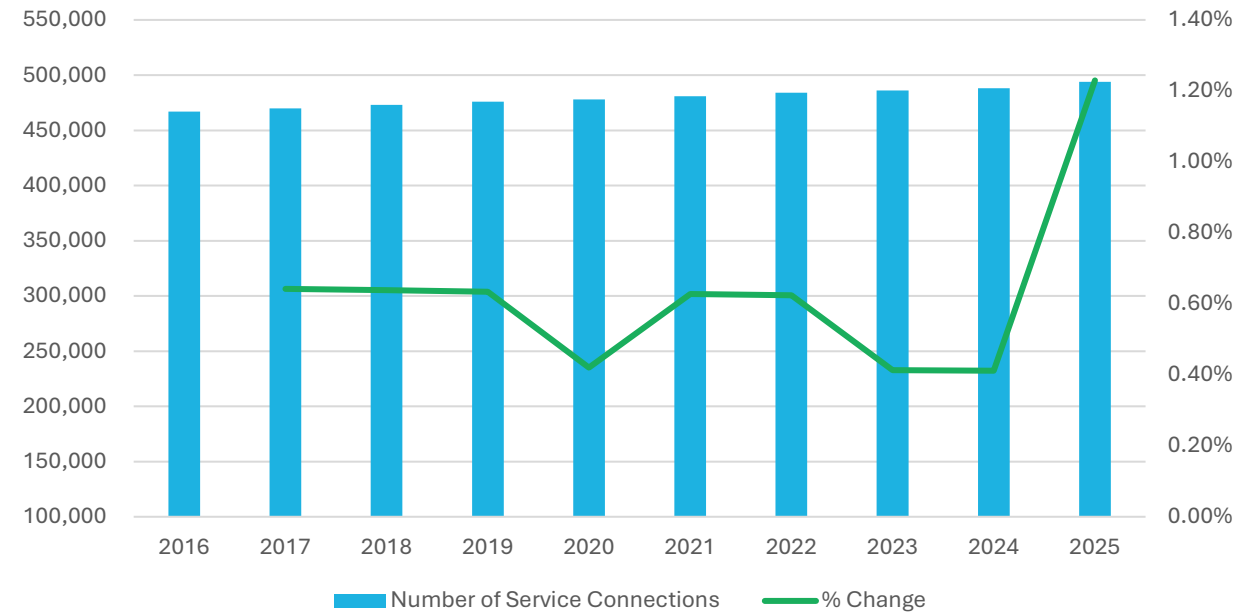
	Proposed	Budget	Actual	Change 2027 vs. 2026	
	2027	2026	2025	\$	%
Operating Revenues					
Wastewater Treatment Charges	\$ 537,104,550	\$ 496,372,000	\$ 460,275,000	\$ 40,732,550	8%
Miscellaneous	1,972,000	1,542,000	4,761,000	430,000	28%
Total Operating Revenues	539,076,550	497,914,000	465,036,000	41,162,550	8%
Non Operating Revenues					
Wastewater Facility Charges	6,740,000	6,620,000	6,928,000	120,000	2%
Investment Earnings	12,968,000	11,500,000	26,121,000	1,468,000	13%
Other	1,657,000	1,545,000	-	112,000	7%
Total Non-Operating Revenues	21,365,000	19,665,000	33,049,000	1,700,000	9%
Total Revenues	\$ 560,441,550	\$ 517,579,000	\$ 498,085,000	\$ 42,862,550	8%

Billed Consumption & Service Growth

Billed Consumption



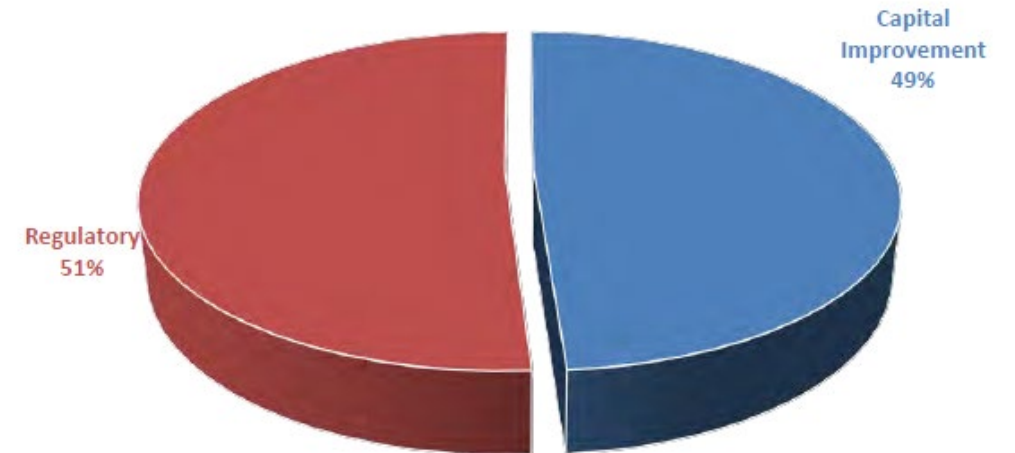
Service Connections Average Growth Rate 0.63%/year



Proposed Increases – Average Monthly Bill

	2027	2026	Change	
			Unit	%
Retail Rate Per CCF	\$ 9.84	\$ 9.03	\$ 0.81	9%
Average Consumption	5.5	5.5	-	-
Average Cost Per Month	\$ 54.13	\$ 49.67	\$ 4.47	9%
Average Cost Per Day	\$ 1.78	\$ 1.63	\$ 0.15	9%
Average Cost Per Gallon	\$ 0.01	\$ 0.01		

FY26 TO FY35 PROGRAM - REGULATORY DRIVEN PROJECTS



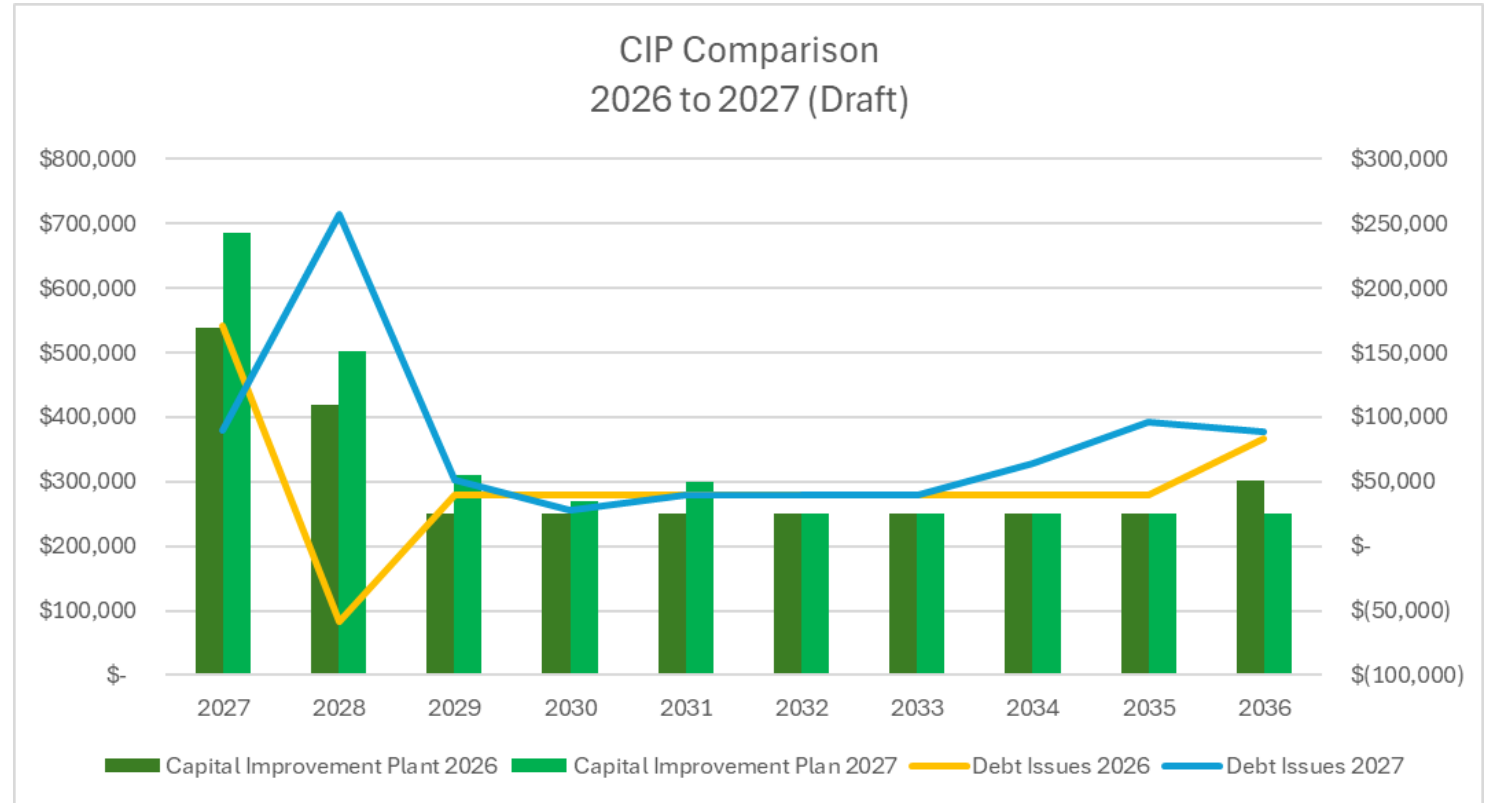
Expenses – Operating Expenses Align with Financial Plan

	FY 2027	Percent of Budget	FY 2026	FY 27 vs FY 26 Inc (Dec)	Percent Change
Personal Services	\$ 97,641,986	17.4%	\$ 87,350,419	\$ 10,291,567	11.8%
Fringe Benefits	34,787,265	6.2%	31,415,189	3,372,076	10.7%
Materials and Supplies	25,551,781	4.6%	28,091,184	(2,539,403)	-9.0%
Transportation	1,229,274	0.2%	1,313,805	(84,531)	-6.4%
Transportation Fuels	1,102,609	0.2%	1,355,650	(253,041)	-18.7%
Utilities	18,214,075	3.2%	17,875,955	338,120	1.9%
Chemicals	17,114,350	3.1%	18,487,242	(1,372,892)	-7.4%
Contractual Services	55,599,730	9.9%	41,065,997	14,533,733	35.4%
Consulting Services	2,204,033	0.4%	2,113,009	91,024	4.3%
Miscellaneous	4,971,101	0.9%	4,096,480	874,621	21.4%
Bond Issue Costs	230,000	0.0%	500,000	(270,000)	-54.0%
Insurance	5,169,000	0.9%	4,674,000	495,000	10.6%
Capital Assets	750,214	0.1%	856,900	(106,686)	-12.5%
District Memberships	728,762	0.1%	641,826	86,936	13.5%
Operating Appropriations	265,294,180	47.3%	239,837,656	25,456,524	10.6%
Debt Service	111,745,000	19.9%	104,640,000	7,105,000	6.8%
Transfer to Construction	183,402,370	32.7%	173,101,344	10,301,026	6.0%
Total Appropriations	\$ 560,441,550	100.0%	\$ 517,579,000	\$ 42,862,550	8.3%

- Salaries/Benefits - 49 New positions + Comp Study Phase 3 (final)
- Materials & Supplies – mainly reclassifications to CS
- Chemicals – new contract pricing for sodium hypochlorite
- Contractual Services
 - Cyber security move from CIP +\$6.1M
 - IT +\$3.2M
 - Ops +2.6M (5,000 new assets)
- Bond issue Costs – no new debt issue planned
- Transfers and Debt Service
 - WQIF Funding 2027 \$500M
 - Both likely to change in month of April as CIP is solidified and General Assembly wraps up session

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





TALENT

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



Total Salaries and Benefits

	FY 27	FY 26	Change	
			\$	%
Total Salaries and Wages	\$97,641,986	\$87,350,419	\$10,291,567	11.8%
Employee Benefits				
FICA	\$7,197,613	\$6,358,309	\$839,304	13.2%
Retirement	9,614,753	7,927,012	1,687,741	21.3%
Hospitalization	15,718,509	14,676,387	1,042,122	7.1%
Other	2,256,390	2,453,481	(197,091)	-8.0%
Total Employee Benefits	\$34,787,265	\$31,415,189	\$3,372,076	10.7%
Total	\$132,429,251	\$118,765,608	\$13,663,643	12%

Salaries

- 49 new positions +\$3.9M
- Comp Study phase 3 (final)
 - ~+\$5.5M (excludes vacant and new positions)
 - +\$486K (COLA)

Benefits

- 49 new positions +\$1.0M
- Retirement
 - Contribution rate changes +8%
 - New positions + salary adjustments ~13%

Compensation Study - Phase 3 (Final)

Recommended Implementation Approach Phase Pay Structure Increases over 3 years

Description	<ul style="list-style-type: none">• Phase 1 - Discount the entire pay structure in FY 2025 (year 1) by 12%• Phase 2 - 5.66% + 2.9% COLA in FY 26• Phase 3 - 6.00% + 2.7% COLA in FY 27 - At market FY 27
Position in Range	<ul style="list-style-type: none">• Maintains equitable position in range
Impact to Employees	<ul style="list-style-type: none">• Organization-wide strategy (vs. targeted individualized strategy)

Salary Adjustments

	Market Level Adjustment + COLA	Merit	Training Level Increase	Above Range (x'ers)
% Increase	8.7% (6.0% P3 MA + 2.7% COLA)	3%	2.2%	2.7% (COLA)
Date	July 1	On Merit Date	Usually, Summer	July 1

Employee Benefits Overview

Medical Plans					
Tier	Nov-25 Enrollment	FY2026 PERs	FY2027 PERs	% Increase	COBRA Rates
Active Wellness					
Employee Only	142	\$723.28	\$740.69	2.4%	\$755.50
Employee + Family	293	\$2,025.22	\$2,073.97	2.4%	\$2,115.44
Active Non-Wellnes					
Employee Only	216	\$713.91	\$731.09	2.4%	\$745.72
Employee + Family	205	\$1,998.79	\$2,046.90	2.4%	\$2,087.84
Totals:	856	\$15,120,621	\$15,484,562	2.4%	\$15,794,253

- Medical trend data very favorable +2.4%
 - Total increase 7.1%
 - New positions + employee election changes
- Dental + 7.5%
- Retiree Health – 0%

Talent – Talent Management, New Positions

Division	#	Position	Description
Talent Management	1	OD Change Manager	Provide enterprise-level coordination to align leaders, systems, and communications so change is intentional, sequenced, and understood across the organization
Talent Management	2	Occupational Health & Safety Professional	Migration to a work center based approach to better address safety support needs

Initiatives

- Formalizing organizational change management efforts
- Launching Empower Talent - a new management training program
- Establishing a new wellness program platform



ENVIRONMENTAL RESPONSIBILITY

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



Environmental Responsibility – Operations, New Positions

- 28 new positions
 - 11 are paid for from the CIP when directly related to project costs
- 2 new Deputy Chief Positions
- New/expanded facilities
 - JR SWIFT
 - BH pre-treatment facility
 - NP wastewater facility
 - 5k new assets
- Establish additional construction team (labor costs 20% of outside contract costs)
- More resources needed to support expanded SC service areas

Division	Work Center	#	Position
Operations	North/South	2	Deputy Chief Operating Officer
Operations	AB	1	Maintenance Assistant
Operations	JR	2	Maintenance Assistant
Operations	JR	1	Plant Operator
Operations	WB	1	Plant Operator
Operations	YR	1	Plant Operator
Operations	SC	1	Maintenance Assistant
Operations	SC	1	Maintenance Operator
Operations	SC	1	Lead Operator
Operations	SC	1	System Operator
Operations	SC	1	Heavy Equipment Operator
Operations	AM	1	Corrosion Process Engineer
Operations	South Shore	2	E&I Specialist
Operations	North Shore	2	E&I Specialist
Operations	North Shore	1	Industrial Automation Programmer
Operations	MT&L	3	Driver Operator
Operations	CST	1	Construction Foreman
Operations	CST	5	Construction Specialist

Environmental Responsibility – Other, New Positions

- Engineering –Construction inspector type positions to provide inspection services (1/3 cost of consultants)
- WQ - Support full implementation of Quality System throughout expanded service area and SWIFT

Division	#	Position
Engineering	2	Construction Superintendent
Engineering	2	Construction Inspector
Engineering	1	Senior Real Estate Manager
Water Quality	1	Quality Assurance Manager

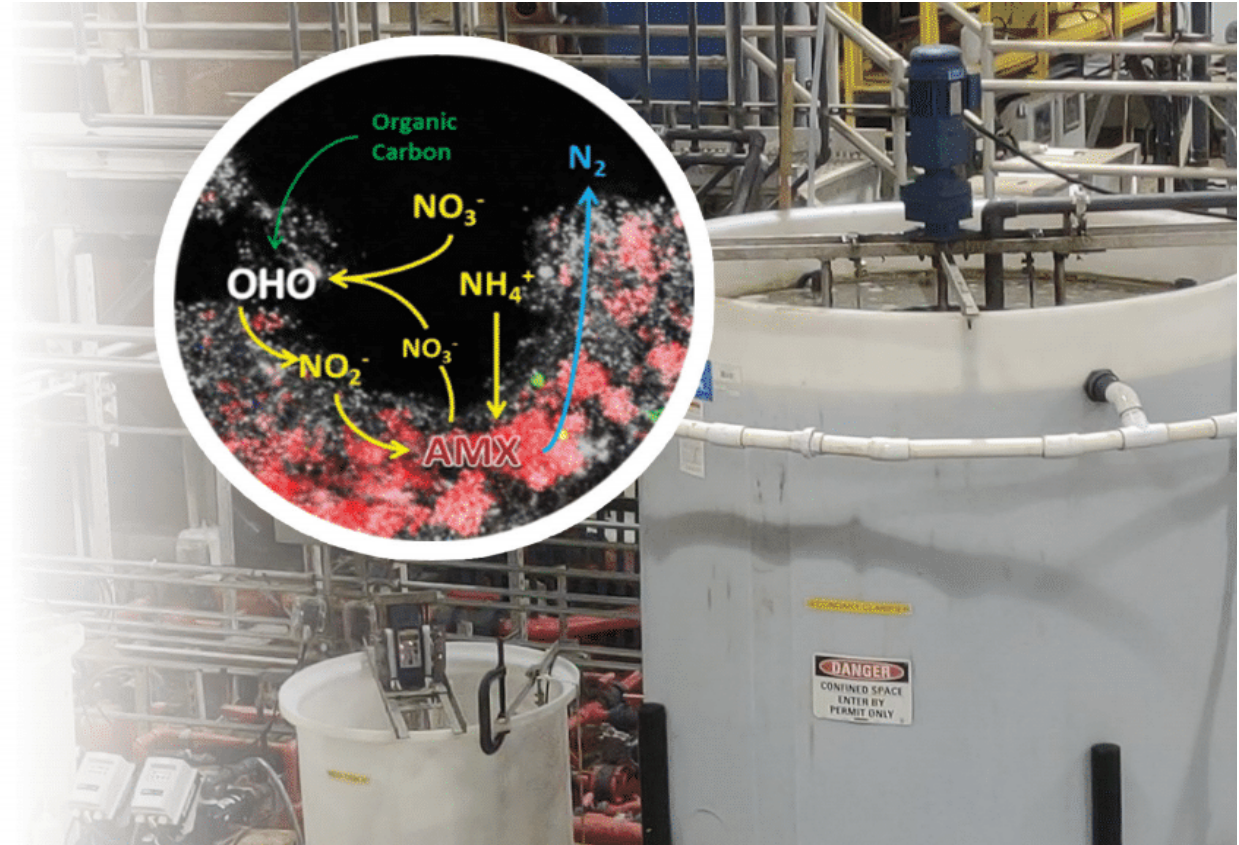
Initiatives

- Executed a long-term, innovative contract with McGill Composting to manage expanding biosolids needs
- Enhancing support of the Regional Hydraulic Model and the development of new models to better inform the sizing and timing of future capital projects
- Expanded monitoring for per- and polyflouroalkyl substances (PFAS) to support source reduction strategies
- Water quality monitoring of local surface waters, stormwater, groundwater, and wastewater to support clean waters for our communities
- AB partially attended operation



INNOVATION

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



Innovation - New Positions

Division	#	Position
General Manager	1	Strategy & Innovation Manager
Information Technology	2	Systems Engineer
Information Technology	1	Database Administration Manager
General Manager	1	Strategy & Innovation Manager

- GM Position
 - Manage state and federal lobbyists
 - Manage strategic plan
 - Develop and maintain strategic partnerships
- IT Positions to address
 - gaps in infrastructure and networking support related to OT
 - Coordinate resources for major projects such as EBS & CC&B cloud migrations, system upgrades, and database security patching

Innovation Initiatives

- 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
- Pilot partial attended operations at AB
- Continued development and application of PdNA, with extension to PNA (revenue generation in FY27, 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
- Developing real time monitoring in the collection system for rapid detection of anomalous discharges
- Build out of a third network for segmentation to support the secure exchange of data between Operational Technology (OT) and Business IT (BIT)



FINANCIAL STEWARDSHIP

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



Financial Stewardship – New Positions

Division	#	Position
Finance	3	Customer Care Representative
Finance	1	Small Communities Coordinator
Finance	1	Business Analyst - Help Desk
Information Technology	1	Cybersecurity Analyst - Access Control

- Finance
 - To meet additional customer demand and SC service area needs and improve CC metrics
 - Increase expertise for help desk for ERP operations
- Information Technology
 - Focus on Identity and Access Management centralizing ownership of identity security and incident response time.

Financial Stewardship Initiatives

- Optimize treatment process chemical usage by selecting more cost-effective chemicals that achieve the same result
- A multitude of process optimization efforts/projects and upgrades to reduce overall operational costs
- Stand up new Project Support Department to optimize the delivery of the CIP
- Establishment of a new Commercial Paper program
- Begin major new cloud migration projects for both CCS and EBS



COMMUNITY ENGAGEMENT

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



Community Engagement - New Positions

Division	#	Position
Communications	1	Social Media & Digital Content Specialist
Information Technology	1	Senior Web Programmer

- Communications
 - More proactive use of social channels for storytelling, education and building community value
- Information Technology
 - Resources to maintain websites, and other applications.

Community Engagement

- HRSD.com refresh
- SWIFT RC refresh
- Phase 2 of ODU SWIFT Economic Impact Study
- Biannual customer satisfaction survey
- Educational partnership with the Virginia Living Museum

Summary

- Operating Budget \$560,441,550¹
 - Operating Expenses +10.6%
 - Total Operating Budget + 8.3%
 - Final phase of compensation study incorporated
 - Addition of 49 new positions
 - Average monthly residential bill to increase by \$4.47/month or \$0.15/day
 - Average Cost Per Gallon remains \$0.01
- Next steps
 - April 21: Finance Committee, focus on final CIP, rates and financial projections
 - April 28: Commission Meeting Budget Proposal Presented – no action required
 - Commission Meeting, Draft Budget Proposal provided
 - May 28: Commission Meeting, budget presented to Commission with vote on GM proposed budget

¹Revenues, transfers and debt service still under evaluation

A dynamic splash of clear water with numerous bubbles, set against a light blue and white background. The water is captured in mid-air, creating a sense of movement and freshness.

Questions?

