

NEW ISSUE
BOOK-ENTRY ONLY

SEE "RATINGS" HEREIN

In the opinion of Bond Counsel, under current law and subject to conditions described in the section "TAX MATTERS," interest on the 2026B Bonds (as defined herein) (1) is not included in gross income for federal income tax purposes, (2) is not an item of tax preference for purposes of the federal alternative minimum tax, (3) is taken into account in determining adjusted financial statement income for applicable corporations (as defined in Section 59(k) of the Internal Revenue Code of 1986, as amended) for the alternative minimum tax imposed on such corporations, and (4) is exempt from income taxation by the Commonwealth of Virginia. A holder may be subject to other federal tax consequences as described in the section "TAX MATTERS."



CITY OF RICHMOND, VIRGINIA

\$594,675,000*

**Public Utility Revenue and Refunding Bonds
Series 2026B**

Dated:	Date of Delivery	Due:	January 15, as shown herein
Denomination:	\$5,000 and Integral Multiples Thereof	Interest Payable:	January 15 and July 15
First Interest Payment Date:	As Set Forth Below	Form:	Registered, Book-Entry Only

The Public Utility Revenue and Refunding Bonds, Series 2026B (the "2026B Bonds"), will be limited obligations of the City of Richmond, Virginia (the "City"), payable solely from certain revenues derived by the City from its natural gas, water and wastewater utilities, as described herein, and other funds pledged for their payment under the terms of the Master Indenture and the Twenty-Ninth Supplemental Indenture (as such terms are defined herein). Neither the faith and credit nor the taxing power of the Commonwealth of Virginia, the City nor any other political subdivision of the Commonwealth of Virginia will be pledged to the payment of principal of or premium, if any, or interest on the 2026B Bonds.

The 2026B Bonds will be issuable in fully registered form, registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), which will act as securities depository for the 2026B Bonds. Individual purchases of beneficial ownership interest in the 2026B Bonds will be made in book-entry form only, and individual purchasers will not receive physical delivery of 2026B Bond certificates. Individual purchases of the 2026B Bonds will be in denominations of \$5,000 and integral multiples thereof and will bear interest from the date of delivery, payable semi-annually on each January 15 and July 15, commencing January 15, 2027. Principal of and premium, if any, and interest on the 2026B Bonds will be made by wire transfer to Cede & Co., as nominee for DTC, for disbursement to DTC participants to be disbursed subsequently to the Beneficial Owners of the 2026B Bonds, as described in the subsection herein "Book-Entry Only System."

The 2026B Bonds will be subject to redemption prior to their stated maturities as more fully set forth herein.

MATURITY SCHEDULE – SEE INSIDE COVER

The 2026B Bonds are offered for delivery when, as and if issued, subject to the approval of legality by Hunton Andrews Kurth LLP, Richmond, Virginia, 2026B Bond Counsel, and to certain other conditions. Certain legal matters will be passed on for the Underwriters by their counsel, McGuireWoods LLP, Richmond, Virginia. It is expected that the 2026B Bonds will be available for delivery through the facilities of DTC in New York, New York, on or about June 4, 2026.

Wells Fargo Securities

Ramirez & Co., Inc.

Raymond James

Siebert Williams Shank

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

Dated: _____, 2026

* Preliminary, subject to change.

This Preliminary Official Statement and the information contained herein are subject to change, completion and amendment without notice. The Bonds may not be sold nor may an offer to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

City of Richmond, Virginia
\$594,675,000*
Public Utility Revenue and Refunding Bonds
Series 2026B

Maturity Schedule*
(Base CUSIP Number 765433)**

Maturity* January 15	Principal Amount*	Interest Rate	Yield	CUSIP Suffix	Maturity* January 15	Principal Amount*	Interest Rate	Yield	CUSIP Suffix
2027	\$43,560,000				2042	\$ 7,935,000			
2028	36,045,000				2043	8,330,000			
2029	38,285,000				2044	8,750,000			
2030	40,210,000				2045	9,185,000			
2031	33,530,000				2046	9,645,000			
2032	35,210,000				2047	10,125,000			
2033	36,970,000				2048	10,635,000			
2034	17,270,000				2049	11,165,000			
2035	18,140,000				2050	11,725,000			
2036	26,415,000				2051	12,310,000			
2037	27,740,000				2052	12,925,000			
2038	19,835,000				2053	13,570,000			
2039	20,820,000				2054	14,250,000			
2040	21,865,000				2055	14,965,000			
2041	7,555,000				2056	15,710,000			

* Preliminary, subject to change.

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CITY OF RICHMOND, VIRGINIA

ELECTED OFFICIALS

MAYOR

Danny Avula

CITY COUNCIL

Cynthia I. Newbille, President

Katherine Jordan, Vice President

Sarah Abubaker

Andrew S. Breton

Kenya J. Gibson

Nicole Jones

Stephanie A. Lynch

Ellen F. Robertson

Reva M. Trammell

ADMINISTRATION

Odie Donald II, Chief Administrative Officer (“CAO”)

Tanikia Jackson, Deputy CAO – Finance and Administration

Al Wiggins, Deputy CAO – Operations

Sharon Ebert, Deputy CAO – Planning and Economic Development

Laura K. Drewry, Esquire, City Attorney

FISCAL MANAGEMENT

Letitia Shelton, Director of Finance

Meghan K. Brown, Director of Budget & Strategic Planning

Michael S. Nguyen, Deputy Director of Finance

Meiling Qu, Debt and Investment Portfolio Manager

Anthony Morris, Director of Public Utilities

BOND COUNSEL

Hunton Andrews Kurth LLP

CERTIFIED PUBLIC ACCOUNTANTS

CliftonLarsonAllen LLP

FINANCIAL ADVISOR

Davenport & Company LLC

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The 2026B Bonds will be exempt from registration under the Securities Act of 1933. As obligations of a political subdivision of the Commonwealth of Virginia, the 2026B Bonds also will be exempt from registration under the securities laws of Virginia.

No dealer, broker, salesman or other person has been authorized by the City to give any information or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the City. This Official Statement does not constitute an offer to sell or a solicitation of an offer to buy, and there shall be no sale of the 2026B Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. This Official Statement is not to be construed as a contract or agreement between the City and the purchasers or owners of any of the 2026B Bonds.

All quotations from and summaries and explanations of provisions of law and documents herein do not purport to be complete, and reference is made to such laws and documents for full and complete statements of their provisions. Any statements made in this Official Statement involving estimates or matters of opinion, whether or not expressly so stated, are intended merely as estimates or opinion and not as representations of fact. This Official Statement speaks as of its date except where specifically noted otherwise and is subject to change without notice. Neither the delivery of this Official Statement, any sale made hereunder nor any filing of this Official Statement shall under any circumstances create an implication that there has been no change in the affairs of the City since the date of this Official Statement or imply that any information herein is accurate or complete as of any later date.

Certain statements contained in this Official Statement, including but not limited to the information contained in Appendices C, D and E, reflect forecasts and forward-looking statements, rather than historical facts. In this respect, the words “estimate,” “project,” “anticipate,” “expect,” “intend,” “believe,” “plan,” “budget” and similar expressions are intended to identify forward-looking statements. The achievement of certain results or other expectations contained in such forward-looking statements involves known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements described to differ materially from those stated in the forward-looking statements. All such forward-looking statements are expressly qualified by the cautionary statement in the preceding sentence, as well as any other disclaimers set forth in this Official Statement. The City does not plan to issue any updates or revisions to any such forward-looking statements.

References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader’s convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement.

The Trustee has neither reviewed nor participated in the preparation of this Official Statement.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

Certain persons participating in this offering may engage in transactions that stabilize, maintain or otherwise affect the price of the 2026B Bonds, including transactions to (a) over allot in arranging the sales of the 2026B Bonds and (b) make purchases and sales of 2026B Bonds, for long or short account, on a when-issued basis or otherwise, at such prices, in such amounts and in such manner as the Underwriters may determine.

OFFICIAL STATEMENT

City of Richmond, Virginia
\$594,675,000*
Public Utility Revenue and Refunding Bonds
Series 2026B

SECTION ONE: INTRODUCTION

The purpose of this Official Statement, including the cover page and the Appendices, is to furnish information concerning the City of Richmond, Virginia (the “City”), and its natural gas, water and wastewater utility operations in connection with the sale by the City of \$594,675,000* aggregate principal amount of its Public Utility Revenue and Refunding Bonds, Series 2026B (the “2026B Bonds”). Financial and other information contained in this Official Statement has been prepared by the City from its records (except where other sources are noted). This Official Statement is in effect only as of its date.

This Official Statement contains forecasts, projections and estimates that are based on current expectations but are not intended as representations of fact or guarantees of results. If and when included in this Official Statement, the words “expects,” “forecasts,” “projects,” “intends,” “anticipates,” “estimates,” and analogous expressions are intended to identify forward-looking statements as defined in the Securities Act of 1933, as amended, and any such statements inherently are subject to a variety of risks and uncertainties, which could cause actual results to differ materially from those contemplated in such forward-looking statements. These forward-looking statements speak only as of the date of this Official Statement. The City disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in the City’s expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader’s convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement.

Persons considering a purchase of the Bonds should read this Official Statement in its entirety.

All capitalized terms used in this Official Statement, unless otherwise defined or the context otherwise indicates, are defined in [Appendix A -- Definitions of Certain Terms](#).

THE ISSUER

The issuer of the 2026B Bonds is the City of Richmond, Virginia. The City, located in the central portion of Virginia, is the capital of the Commonwealth of Virginia (the “Commonwealth”) and covers an area of approximately 62.5 square miles. The City had a population of 241,478 in 2025 according to the Weldon Cooper Center for Public Service.

The City is organized under the Mayor-Council form of government. The Mayor is elected every four years by a majority of the voters in at least five of the City’s nine council districts. The Mayor is the chief executive officer of the City and responsible for the proper administration of the City government. The City Council of the City (the “City Council”) establishes the policies for the administration of the City. The City Council is comprised of nine members, elected on a single member district basis for four-year terms. The President of the Council is chosen by a majority vote of all members of City Council from their own members and is elected at the City Council’s January organizational meeting for a term of two years. The Mayor appoints a Chief Administrative

Officer, subject to the advice and consent of a majority of the members of the City Council, who serves at the pleasure of the Mayor. The Chief Administrative Officer has responsibility for the day-to-day operation of the

* Preliminary, subject to change.

City's departments and agencies and has the power of appointment and removal of certain officers and employees of the City as well as the heads of all administrative departments.

Additional information with respect to the City is set forth in Appendix C hereto. Audited financial statements for the City for the fiscal year ended June 30, 2025, are set forth in Appendix F hereto.

THE SYSTEM

The System is a natural gas, water and wastewater utility owned by the City and operated under the management of the City's Department of Public Utilities. Each utility is operated on a self-sustaining enterprise basis and follows the policies and directives of the City as provided in the City Charter. The System serves the City and neighboring localities. The Natural Gas Utility serves all of the City, all of Henrico County, the northern part of Chesterfield County and portions of Hanover County. The Water Utility provides retail service to all of the City and to small portions of Chesterfield and Henrico Counties. The Water Utility provides wholesale services to Chesterfield, Hanover and Henrico Counties. The Water Utility also provides water indirectly to Goochland County. The Wastewater Utility serves all of the City and small portions of Chesterfield and Henrico Counties that lie on the city/county line. The City has an agreement with Goochland County to treat a portion of Goochland County's wastewater. Additional information with respect to the System is set forth in Appendix C hereto. Certain financial information about the System is contained in the City's audited financial statements, as set forth in Appendix F hereto.

The City has retained two independent consultants to review the System. GFT Infrastructure, Inc., a consulting engineer, has evaluated the condition of the various component parts of the System. Raftelis Financial Consultants, Inc., a financial consultant, has reviewed the forecasts of revenues and expenses of the System in order to determine whether revenues generated from operations will be sufficient to fund operating expenses, pay System supported debt service and fund required reserves and to otherwise satisfy the rate covenant contained in the Master Indenture. See "*SECTION THREE: MISCELLANEOUS – Consultants' Reports*" herein. The reports of the consultants are set forth in Appendix D and Appendix E.

THE 2026B BONDS

The 2026B Bonds will be dated the date of their delivery, will be issued in authorized denominations of \$5,000 and integral multiples thereof and will be held by The Depository Trust Company ("DTC"), or by its nominee as securities depository with respect to the 2026B Bonds.

Interest on the 2026B Bonds will be payable on January 15 and July 15, commencing January 15, 2027, until the earlier of maturity or redemption. As long as the 2026B Bonds are held by DTC or its nominee, interest will be paid to Cede & Co., as nominee of DTC, in same day funds on each interest payment date.

The 2026B Bonds will be limited obligations of the City payable solely from Net Revenues (as described herein) derived from the System and other funds pledged for their payment under the terms of a Master Indenture of Trust dated as of April 1, 1998 (the "Master Indenture"), between the City and U.S. Bank Trust Company, National Association (successor trustee to Crestar Bank and SunTrust Bank), Richmond, Virginia, as trustee (the "Trustee"), as previously supplemented and amended and as further supplemented and amended by a Twenty-Ninth Supplemental Indenture of Trust dated as of June 1, 2026 (the "Twenty-Ninth Supplemental Indenture"), between the City and the Trustee (collectively, the "Indenture of Trust"). Neither the faith and credit nor the taxing power of the Commonwealth of Virginia nor the faith and credit nor the taxing power of any county, city, town or other subdivision of the Commonwealth of Virginia, including the City, are pledged to the payment of principal of or premium, if any, or interest on the 2026B Bonds.

In the Master Indenture, the City covenants to fix, charge, collect and revise its rates, fees and other charges for the use of and for the services furnished by the System in each Fiscal Year, so as to produce Revenues (as described herein) sufficient to pay the cost of operation and maintenance of the System, payments in lieu of taxes, the cost of necessary replacements and improvements to the System and debt service on the 2026B Bonds and on any other indebtedness of the City secured by Net Revenues of the System, and to provide certain reserves therefor. See "*SECTION TWO: SECURITY FOR THE 2026B BONDS – Rate Covenant*" herein.

DELIVERY

The 2026B Bonds are offered for delivery, when, as and if issued, subject to the approval of validity by Hunton Andrews Kurth LLP, Richmond, Virginia, Bond Counsel, and to certain other conditions referred to herein. Certain legal matters will be passed upon for the City by the City Attorney, Laura K. Drewry, Esquire, and for the Underwriters by their counsel McGuireWoods LLP, Richmond, Virginia. It is expected that the 2026B Bonds will be available for delivery, at the expense of the City, through the facilities of DTC, on or about June 4, 2026.

ADDITIONAL INFORMATION

Any question concerning the content of this Official Statement should be directed to Letitia Shelton, Director of Finance, 900 East Broad Street, Richmond, Virginia 23219 (804-646-7657), or the City's Financial Advisor, Davenport & Company LLC, 901 East Cary Street, Richmond, Virginia 23219 (804-697-2900).

SECTION TWO: THE 2026B BONDS

AUTHORIZATION OF THE 2026B BONDS

The issuance of the 2026B Bonds is authorized by Ordinance No. 2025-062, Resolution No. 2026-R012 and Resolution No. 2026-R017 (collectively, the "Bond Authorization") adopted by the City Council on May 12, 2025, February 23, 2026, and April 27, 2026, respectively. The 2026B Bonds will be issued pursuant to Article VII of the Constitution of the Commonwealth of Virginia, the City Charter, the Public Finance Act of 1991 (Chapter 26 of Title 15.2 of the Code of Virginia, 1950, as amended) and the Indenture of Trust.

USES OF PROCEEDS

The City plans to use the proceeds of the 2026B Bonds (a) to finance or reimburse expenditures for certain improvements to and expansions of the System, (b) to currently refund all or a portion of the City's outstanding Public Utility Revenue and Refunding Bonds, Series 2016A (the "2016A Bonds"), (c) to defease and advance refund all or a portion of the City's outstanding Public Utility Revenue Refunding Bonds, Series 2020B (Federally Taxable) (the "2020B Bonds"), (d) to currently refund all or a portion of the City's outstanding Public Utility Revenue Refunding Bond, Series 2026A (the "2026A Bond"), and (e) to pay related costs of issuance and refunding. *See Appendix C – "CAPITAL IMPROVEMENT PROGRAM" for a summary of capital improvement projects.*

The City intends to refund all or a portion of its outstanding 2016A Bonds, 2020B Bonds and 2026A Bond to realize debt service savings. Depending on market conditions on the date of sale of the 2026B Bonds, the City may decide to postpone or cancel its plans to refund all or a portion of such portion of bonds. Please refer to the final Official Statement for information concerning whether all or any of the outstanding 2016A Bonds, 2020B Bonds and 2026A Bond will be refunded.

The Bonds or portions thereof to be refunded (collectively, the "Refunded Bonds") are expected to consist of all or a portion of the following maturities or installments:

Refunded 2016A Bonds*

<u>Maturity (January 15)</u>	<u>Principal Amount</u>	<u>Redemption Date</u>	<u>Redemption Price</u>
2027	\$24,850,000	___/___/2026	100%
2036	15,420,000	___/___/2026	100
2037	16,040,000	___/___/2026	100
2040 ⁽¹⁾	46,395,000	___/___/2026	100

⁽¹⁾ Term Bond

* Preliminary, subject to change.

Refunded 2020B Bonds*

Maturity (January 15)	Principal Amount	Redemption Date	Redemption Price
2027 ⁽¹⁾	\$ 8,275,000	-	-
2028 ⁽¹⁾	8,470,000	-	-
2029 ⁽¹⁾	8,675,000	-	-
2030 ⁽¹⁾	8,895,000	-	-
2043 ⁽¹⁾⁽²⁾	14,690,000	-	-

⁽¹⁾ Defeased to maturity.

⁽²⁾ Term Bond. Defeased portion is expected to comprise the sinking fund installments due on January 15 in the years 2036 and 2037.

Refunded 2026A Bond*

Installment (January 15)	Principal Amount	Redemption Date	Redemption Price⁽¹⁾
2027	\$ 975,000	06/04/2026	-
2028	27,095,000	06/04/2026	-
2029	28,605,000	06/04/2026	-
2030	29,740,000	06/04/2026	-
2031	30,910,000	06/04/2026	-
2032	32,130,000	06/04/2026	-
2033	33,395,000	06/04/2026	-
2034	13,165,000	06/04/2026	-
2035	13,690,000	06/04/2026	-

⁽¹⁾ Prepayment price will equal the principal amount of the Refunded 2026A Bond, plus interest accrued to the redemption date, plus a breakage fee calculated in accordance with the provisions of the Twenty-Eighth Supplemental Indenture of Trust dated as of January 1, 2026.

Should the refunding proceed, a portion of the proceeds of the 2026B Bonds will be deposited at closing in one or more escrow funds (collectively, the “Escrow Fund”) to be established and held by U.S. Bank Trust Company, National Association, as escrow agent under an escrow deposit agreement with the City and the Trustee (the “Escrow Agreement”). The Escrow Agreement will provide that cash and noncallable obligations of the United States Government (the “Government Obligations”) will be deposited in the Escrow Fund, which Government Obligations will mature and bear interest at times and in amounts sufficient, together with the initial cash deposit, to pay principal of, redemption premium, as applicable, and accrued interest on the Refunded 2016A Bonds and the Refunded 2020B Bonds from the date the 2026B Bonds are issued until through the earlier of their respective maturity dates or the dates fixed for their redemption. A portion of the proceeds of the 2026B Bonds will be transferred at closing to Wells Fargo Municipal Capital Strategies, LLC, as holder of the 2026A Bond, to pay the principal of and prepayment premium and accrued interest on the Refunded 2026A Bond.

* Preliminary, subject to change.

Estimated Sources and Uses of Funds

The following table sets forth the anticipated application of the proceeds of the 2026B Bonds, together with other funds, for the purposes described above:

Sources of Funds

Principal Amount of 2026B Bonds	\$
Net Original Issue [Premium/Discount]	
Bond Fund Contribution	
Total Sources	

Uses of Funds

Deposit to Construction Fund	
Deposit to Escrow Fund for Refunded 2016A Bonds	
Deposit to Escrow Fund for Refunded 2020B Bonds	
Prepayment of 2026A Bond	
Costs of Issuance ⁽¹⁾	
Total Uses	

⁽¹⁾Includes Underwriters' discount and rounding amount.

DESCRIPTION OF THE 2026B BONDS

The 2026B Bonds will be issued in fully registered form in the denominations of \$5,000 and integral multiples thereof and will be held by DTC or its nominee, as securities depository with respect to the 2026B Bonds. *See the subsection herein "Book-Entry Only System."* Purchases of beneficial ownership interests in the 2026B Bonds will be made only in book-entry form, and individual purchasers will not receive physical delivery of bond certificates. The 2026B Bonds will be dated the date of the delivery thereof, will bear interest at the rates per annum set forth on the inside cover page hereof, calculated on the basis of a 360-day year of twelve 30-day months, payable semi-annually on each January 15 and July 15, commencing January 15, 2027 (each an "Interest Payment Date"), and will mature on January 15 in the years and in the principal amounts set forth on the inside cover page hereof. The record date for payments is January 1 and July 1, preceding the next Interest Payment Date.

As long as the 2026B Bonds are held by DTC or its nominee, interest will be paid to Cede & Co., as nominee of DTC (or such other DTC nominee), in same day funds on each Interest Payment Date. If the book-entry system is discontinued, bond certificates will be delivered as described in the Indenture of Trust, and Beneficial Owners (as defined below in the subsection entitled "Book-Entry Only System") will become registered owners of the 2026B Bonds ("Bondholders"). Interest on the 2026B Bonds shall be payable on each Interest Payment Date by check or draft mailed to the registered owner at his address as it appears on the first day of the month preceding an Interest Payment Date on the registration books kept by the Trustee. *See Appendix I – Book-Entry Only System.*

Optional Redemption*

The 2026B Bonds maturing on or before January 15, 2036, are not subject to optional redemption prior to maturity. The 2026B Bonds maturing on or after January 15, 2037, are subject to redemption prior to maturity at the option of the City on or after January 15, 2036, in whole or in part at any time, upon payment of the redemption price equal to 100% of the principal amount of the 2026B Bonds to be redeemed plus accrued interest to the date fixed for redemption.

* Preliminary, subject to change.

Mandatory Sinking Fund Redemption

The final Official Statement will contain the provisions for any 2026B Bonds subject to mandatory sinking fund redemption.

Manner of Redemption

If less than all of the 2026B Bonds are called for redemption, such 2026B Bonds to be redeemed shall be selected by the City's Director of Finance in such a manner as he or she may determine to be in the best interest of the City. If less than all of the 2026B Bonds of a particular maturity are called for redemption, such 2026B Bonds to be redeemed shall be selected by DTC or any successor securities depository pursuant to its rules and procedures or, if the book-entry system is discontinued, by the Trustee by lot in such manner as the Trustee in its discretion may determine. In either case, (a) the portion of the 2026B Bonds to be redeemed shall be in the principal amount of \$5,000 or some integral multiple thereof and (b) in selecting 2026B Bonds for redemption, each 2026B Bond shall be considered as representing that number of 2026B Bonds that is obtained by dividing the principal amount of such 2026B Bond by \$5,000.

Notice of Redemption

The Trustee, upon being satisfied as to the payment of its expenses, shall send notice of the call of redemption, identifying the 2026B Bonds or portions thereof to be redeemed, not less than 30 nor more than 60 days prior to the date fixed for redemption (a) by facsimile, registered or certified mail or overnight express delivery, to the holder of each such 2026B Bond to be redeemed at the address as it appears on the registration books kept by the Trustee, (b) by facsimile, registered or certified mail or overnight express delivery, to all organizations registered with the Securities and Exchange Commission (the "SEC") as securities depositories and (c) to the Municipal Securities Rulemaking Board's Electronic Municipal Market Access System ("EMMA"). Upon the written direction of the City, the notice of redemption for optional redemption shall contain a statement to the effect that the redemption of the 2026B Bonds is conditioned upon the receipt by the Trustee, prior to the date fixed for such redemption, of amounts equal to the redemption price of the 2026B Bonds to be redeemed, and that if such moneys shall not have been so received, the notice will be of no force and effect and the City shall not be required to redeem such 2026B Bonds and such 2026B Bonds shall not become due and payable.

The City shall not be responsible for mailing notice of redemption to anyone other than DTC or another qualified securities depository or its nominee unless no qualified securities depository is the registered owner of the 2026B Bonds. If no qualified securities depository is the registered owner of the 2026B Bonds, notice of redemption shall be mailed to the registered owners of the 2026B Bonds.

During the period that DTC or the DTC nominee is the registered holder of the 2026B Bonds, the City will not be responsible for mailing notices of redemption to the beneficial owners of the 2026B Bonds. See Appendix I - Book-Entry Only System.

Book-Entry Only System

The City has no responsibility or obligation to the Direct or Indirect Participants or the Beneficial Owners with respect to (A) the accuracy of any records maintained by DTC or any Direct or Indirect Participant; (B) the payment by any Direct or Indirect Participant of any amount due to any Beneficial Owner in respect of the principal of and premium, if any, and interest on the 2026B Bonds; (C) the delivery or timeliness of delivery by any Direct or Indirect Participant of any notice to any Beneficial Owner which is required or permitted under the terms of the Indenture of Trust to be given to Bondholders; or (D) any other action taken by DTC, or its nominee, Cede & Co., as Bondholder, including the effectiveness of any action taken pursuant to an Omnibus Proxy.

So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, references in the Official Statement to the Owners of the Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners, and Cede & Co. will be treated as the only Bondholder of 2026B Bonds for all purposes under the Indenture of Trust.

The City may enter into amendments to the agreement with DTC or successor agreements with a successor securities depository, relating to the book-entry system to be maintained with respect to the 2026B Bonds without the consent of Beneficial Owners or Bondholders. See Appendix I – Book-Entry Only System.

SECURITY FOR THE 2026B BONDS

Pledge of Net Revenues

The 2026B Bonds will be issued under the Master Indenture as supplemented with respect to the 2026B Bonds by the Twenty-Ninth Supplemental Indenture. The 2026B Bonds will be limited obligations of the City issued on a parity with other Senior Debt (as defined and discussed below) and payable (except to the extent payable from the proceeds of the 2026B Bonds or the income, if any, derived from the investment thereof) solely from Net Revenues derived from the ownership or operation of the System, certain reserves, income from investments and proceeds of insurance pledged for such purpose under the Master Indenture and Twenty-Ninth Supplemental Indenture. See *“Outstanding Parity Obligations” herein*.

Under the Indenture of Trust, the City pledges to the Trustee for the payment of the principal of and premium, if any, and interest on all Senior Debt, which includes the 2026B Bonds, the Net Revenues derived from the operation of the System and all amounts held under the Bond Fund. The 2026B Bonds will not be secured by a Debt Service Reserve Account. See *“Pledge of Net Revenues and Certain Funds and Accounts” in Appendix B – Summary of Certain Provisions of the Indenture of Trust*.

“Net Revenues” means Revenues less Operating Expenses.

“Revenues” means all moneys received as rates, fees and other charges for, or payments in respect of, the use of and for the services furnished by the System, including Connection Fees, proceeds of any business interruption insurance, and investment earnings on all of the foregoing. Revenues shall not include refundable customer deposits.

“Operating Expenses” means all current expenses directly or indirectly attributable to the ownership or operation of the System, including reasonable and necessary usual expenses of administration, operation, maintenance and repair, payments in lieu of taxes, costs for billing and collecting the rates, fees and other charges for the use of or the services furnished by the System, amounts to reimburse the City for administrative expenses incurred in connection with the System, insurance and surety bond premiums, credit enhancement or liquidity support fees, legal, engineering, auditing and financial advisory expenses, expenses and compensation of the Trustee, deposits into a self-insurance program as described in the Master Indenture, and in addition including moneys which the City elects to transfer to the Rate Stabilization Account in accordance with the Master Indenture. Operating Expenses shall not include any allowance for depreciation, amortization, Debt Service Components, Remaining Components, deposits or transfers to the Bond Fund, the Debt Service Reserve Fund, General Obligation Bond Account, Subordinate Debt Account or expenditures for capital improvements to and extensions of the System. Operating Expenses shall be reduced by transfers from the Rate Stabilization Account to the utility account.

The Indenture of Trust does not convey or mortgage the System. The City has covenanted in the Indenture of Trust not to lease, sell, encumber or otherwise dispose of any part of the System except in the limited circumstances provided in the Indenture of Trust. See Appendix B – Summary of Certain Provisions of the Indenture of Trust – “Particular Covenants.”

THE PRINCIPAL OF AND THE PREMIUM, IF ANY, AND THE INTEREST ON THE 2026B BONDS WILL NOT BE DEEMED TO CONSTITUTE A PLEDGE OF THE FAITH AND CREDIT OF THE COMMONWEALTH OF VIRGINIA OR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE CITY. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE COMMONWEALTH OF VIRGINIA OR ANY COUNTY, CITY, TOWN OR OTHER POLITICAL SUBDIVISION OF THE COMMONWEALTH, INCLUDING THE CITY, ARE PLEDGED TO THE PAYMENT OF PRINCIPAL OF OR PREMIUM, IF ANY, OR INTEREST ON THE 2026B BONDS.

Outstanding Parity Obligations

The 2026B Bonds will be equally and ratably secured by Net Revenues on a parity basis with the City's outstanding (a) Public Utility Revenue Bond, Series 2006A, (b) Public Utility Revenue Bond, Series 2008A, (c) Public Utility Revenue Bond, Series 2009B, (d) Public Utility Revenue Bond, Series 2010A, (e) Public Utility Revenue Bond, Series 2012A, (f) Public Utility Revenue Bond, Series 2015A, (g) Public Utility Revenue and Refunding Bonds, Series 2016A, (h) Public Utility Revenue Bond, Series 2020A, (i) Public Utility Revenue Refunding Bond, Series 2020B, (j) Public Utility Revenue Bond, Series 2021A, (k) Public Utility Revenue Bond, Series 2023A, (l) Public Utility Revenue Refunding Bonds, Series 2023C, (m) Public Utility Revenue Bond, Series 2025C, (n) Public Utility Revenue Bond, Series 2025D, and (o) Public Utility Revenue Refunding Bond, Series 2026A, to the extent that the 2016A Bonds, the 2020B Bonds and the 2026A Bond are not refunded with proceeds of the 2026B Bonds (collectively, the "Existing Parity Bonds"), and with any additional obligations issued under the Master Indenture as Senior Debt. The Existing Parity Bonds had an aggregate outstanding principal balance of \$777,697,906, as of May 1, 2026. The City has not entered into any interest rate swap agreements in connection with any of the outstanding Indebtedness. See "*ADDITIONAL INDEBTEDNESS*" herein and "*Issuance of Additional Indebtedness*" in Appendix B – Summary of Certain Provisions of the Indenture of Trust for the terms and conditions of the issuance of additional indebtedness.

As detailed under "USES OF PROCEEDS" above, the City expects to defease and refund approximately \$361,415,000* aggregate principal amount of the 2016A Bonds, 2020B Bonds and the 2026A Bond.

Rate Covenant

The Master Indenture provides that the City will fix, charge, collect and revise the rates, fees and other charges for the use of and for the services furnished by the System, so that in each Fiscal Year the City will be able to meet the following two independent requirements:

(a) Revenues will be sufficient to pay (1) actual Operating Expenses for such Fiscal Year, (2) the amount required to be deposited in the Bond Fund in such Fiscal Year, (3) the amount required to pay Annual Debt Service on Subordinate Debt in such Fiscal Year, and (4) any amount necessary to be deposited in any Series Debt Service Reserve Account to restore the amount on deposit therein to the amount of the Series Debt Service Reserve Requirement.

(b) Net Revenues, together with all other balances available to pay debt service, shall be sufficient in each Fiscal Year to equal the sum of (1) 115% of the Annual Debt Service on all outstanding Series of Bonds for such Fiscal year and (2) 100% of Annual Debt Service with respect to Other System Indebtedness and Subordinate Debt for such Fiscal Year.

Flow of Funds

The Master Indenture requires all Revenues to be deposited in a utility account to be held by the City. The Director of Finance pursuant to policy determinations may, at any time, transfer Revenues from the utility account to the Rate Stabilization Account. Thereafter, throughout the month, but not later than the last business day of each month, the Director of Finance shall pay Operating Expenses from the utility account. Net Revenues shall be disbursed no later than the last business day of each month in the following order (except that no distinction or preference shall exist in the use in an amount sufficient to make the following deposits of Net Revenues for payment into the Interest Account, the Principal Account or the Sinking Fund Account of the Bond Fund, such accounts being on a parity with each other as to payment from Net Revenues):

(a) To the subaccounts established for each Series of Bonds or Other System Indebtedness in the Interest Account, Principal Account and Sinking Fund Account in the Bond Fund the amounts, if any, set forth in the applicable Supplemental Indentures with respect to each Series of Bonds or Other System Indebtedness; provided, however, that

* Preliminary, subject to change.

if such Other System Indebtedness is evidenced by documents other than a Supplemental Indenture, to the related principal and interest accounts set forth therein.

Moneys in the Interest Account shall be used to pay interest required to be paid on any interest payment date related to such Series of Bonds or Other System Indebtedness, as applicable. Moneys in the Principal Account shall be used to pay principal required to be paid on any principal payment date related to such Series of Bonds or Other System Indebtedness, as applicable. Moneys in the Sinking Fund Account shall be used to pay the amount required for mandatory sinking fund redemption on the applicable redemption date related to such Series of Bonds or Other System Indebtedness, as applicable.

(b) To the applicable Account in the Debt Service Reserve Fund with respect to each Senior Debt issue the amounts, if any, necessary to restore the amount on deposit therein to the related Series Debt Service Reserve Requirement.

(c) To the Subordinate Debt Account, the amount equal to the deposits to such funds and accounts required by the related Supplemental Indenture or other documents evidencing such debt; provided, further, to the General Obligation Bond Account, the amounts equal to the deposits to such funds and accounts required pursuant to the terms of the General Obligation Bonds (except that no distinction or preference shall exist in the use of an amount sufficient to make these deposits of Net Revenues for payment of the principal and interest payments to be made in the Subordinate Debt Account and the General Obligation Bond Account, such accounts being on a parity with each other as to payment from Net Revenues).

There shall also be made periodic dividend distributions to the City on an annual basis, after the deposits required by subsections (a) through (c) above have been made, to the extent of the limitations provided by the City Charter.

If the City fails to make the deposits required by subsection (a) through (c) above, the Trustee is directed in the Master Indenture to give notice of such failure to the Chief Administrative Officer and the Director of the Department of Public Utilities, if any, within 10 days of such failure. At any time that the City is required to make transfers pursuant to subsections (a) through (c) above, and there are insufficient Net Revenues to make all required transfers pursuant to such subsections, the City shall make the transfers in the order set forth above from any other legally available monies. In the event the balance on deposit in the Principal Account, the Sinking Fund Account or the Interest Account is insufficient for the purposes thereof, the Trustee shall transfer for deposit in such Accounts such amounts as may be necessary therefor from the applicable Series Debt Service Reserve Account pursuant to the Master Indenture and applicable supplements.

See "Establishment of Funds and Accounts -- Disposition of Revenues" in Appendix B – Summary of Certain Provisions of the Indenture of Trust for more information on the flow of funds under the Master Indenture.

No Debt Service Reserve Account for the 2026B Bonds

The 2026B Bonds will not be secured by a Debt Service Reserve Account. Currently, no outstanding Senior Debt is secured by a Series Debt Service Reserve Account.

Debt Service Reserve Fund

The Master Indenture provides that each Supplemental Indenture shall set forth whether an Account in the Debt Service Reserve Fund is required to be funded in the amount of the applicable Series Debt Service Reserve Requirement on the Closing Date of such Series of Bonds. To the extent that such Account shall be required to be funded pursuant to the terms of a Supplemental Indenture, amounts in each Account in the Debt Service Reserve Fund shall be used to pay debt service on the related Series of Bonds on the date such debt service is due when insufficient funds for that purpose are available in the Bond Fund.

In the event the amount on deposit in any Series Debt Service Reserve Account is less than the applicable Series Debt Service Reserve Requirement, the Trustee shall transfer moneys to such Series Debt Service Reserve

Account to restore such Series Debt Service Reserve Requirement from available Revenues. In the event the amount on deposit in a Series Debt Service Reserve Account is less than the applicable Series Debt Service Reserve Requirement after such transfer, then the City shall transfer to the Trustee from any legally available moneys the amount of such deficiency as soon as practicable and in any event within one year by depositing one-twelfth of the required amount each month.

In lieu of or in addition to cash or investments, at any time the City may cause to be deposited to the credit of any Series Debt Service Reserve Account any form of credit facility, including a surety bond, in the amount of all or a portion of the Series Debt Service Reserve Requirement, irrevocably payable to the Trustee as beneficiary for the holders of the respective Series of Bonds, provided that the Trustee has received evidence satisfactory to it of certain matters as stated in the Indenture of Trust. If (1) the City receives an expiration notice from the provider of the credit facility and the provider of such credit facility does not extend its expiration date, (2) the City receives notice of the termination of the credit facility or (3) the provider of such credit facility no longer has a credit rating in one of the two highest credit rating categories by two Rating Agencies, the City shall immediately (A) provide a substitute credit facility that meets the requirements set forth in the Indenture of Trust, (B) deposit the Series Debt Service Reserve Requirement to the respective Series Debt Service Reserve Account (i) in equal monthly installments over the next succeeding 12 months in the case of receipt of an expiration notice, (ii) prior to the termination date in the case of receipt of a termination notice, or (iii) immediately in the case of such reduction in credit rating or (C) instruct the Trustee to draw on such credit facility in the amount of the Series Debt Service Reserve Requirement (i) 12 months prior to expiration of the credit facility in the case of receipt of an expiration notice, (ii) prior to the termination date in the case of receipt of a termination notice, or (iii) immediately in the case of such reduction in credit rating and deposit such drawing to the Series Debt Service Reserve Account.

Rate Stabilization Account

The Master Indenture provides that the Rate Stabilization Account shall be held by the City separate and apart from all other funds and accounts of the City. The Director of Finance pursuant to policy determinations may, at any time, transfer Revenues from the utility account to the Rate Stabilization Account. Moneys in the Rate Stabilization Account shall be used to increase Net Revenues in order to offset requirements for rate increases. The Rate Stabilization Account is not subject to the lien of the Indenture of Trust.

BONDHOLDERS' REMEDIES IN THE EVENT OF DEFAULT

In the case of an Event of Default under the Master Indenture (*see "Events of Default and Remedies on Default" in Appendix B – Summary of Certain Provisions of the Indenture of Trust*), the Trustee may, and if requested by the holders of not less than 25% in aggregate principal amount of Bonds of all Series then Outstanding upon indemnification as provided in the Master Indenture shall, proceed to protect and enforce their rights by declaring the entire unpaid principal of such Bonds due and payable or by instituting a mandamus or other suit, action or proceeding at law or in equity, including an action for specific performance of any agreement contained in the Master Indenture. The mandamus remedy, however, may be impracticable and difficult to enforce. Furthermore, the right to enforce payment of the Bonds may be limited by bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium and similar laws and equitable principles, which may limit the specific enforcement of certain remedies.

Chapter 9 of the United States Bankruptcy Code, 11 U.S.C. §101 et seq. (the "Bankruptcy Code"), permits a municipality (defined in section 101(40) of the Bankruptcy Code as a "political subdivision or public agency or instrumentality of a State" and including the City), if insolvent or otherwise unable to pay its debts as they become due, to file a voluntary petition for the purpose of commencing a case under that Chapter and proposing a plan for the adjustment of debts, provided that, *inter alia*, the municipality is specifically authorized, in its capacity as a municipality or by name, to be a debtor under Chapter 9 by State law, or by a governmental officer or organization empowered by State law to authorize such entity to be a debtor under Chapter 9. Current Virginia statutes do not "specifically authorize" the City or municipalities generally to commence a case under Chapter 9 of the Bankruptcy Code. Furthermore, creditors are not authorized by the Bankruptcy Code to commence an involuntary case, either under Chapter 9 or against a municipality under any other Chapter of the Bankruptcy Code.

Bankruptcy proceedings by the City could have adverse effects on Bondholders including (a) delay in the enforcement of their remedies, (b) subordination of their claims to claims of those supplying goods and services to the City after the initiation of bankruptcy proceedings and to the administrative expenses of bankruptcy proceedings, and (c) imposition without their consent of a reorganization plan reducing or delaying payment of the 2026B Bonds. The Bankruptcy Code contains provisions intended to ensure that, in any reorganization plan not accepted by at least a majority of a class of creditors such as the holders of general obligation bonds, such creditors will have the benefit of their original claim or the “indubitable equivalent.” The effect of these and other provisions of the Bankruptcy Code cannot be predicted and may be significantly affected by judicial interpretations.

ADDITIONAL INDEBTEDNESS

As set forth in the Master Indenture, the City may issue, subject to certain restrictions, one or more Series of Bonds or Other System Indebtedness, equally and ratably secured by Net Revenues with the 2026B Bonds, the Existing Parity Bonds and other Senior Debt, to pay the cost of acquiring, constructing, improving, extending, expanding or equipping the System, to pay the cost of planning or investigating the feasibility of acquiring, constructing, improving, extending, expanding or equipping the System or to refund any Series of Bonds or other City obligations secured by or payable from Net Revenues. In addition, the City may at any time issue one or more series of bonds having a lien on revenues of the System that is subordinate to the lien securing the 2026B Bonds, so long as the City remains in compliance with the Rate Covenant under the Master Indenture.

Parity Indebtedness to Pay Costs of the System. In the case of a Series of Bonds or Other System Indebtedness issued to pay the cost of acquiring, constructing, improving, extending, expanding or equipping the System, such Series of Bonds or Other System Indebtedness may be issued only upon delivery of:

(1) evidence that upon issuance of such Bonds, each Series Debt Service Reserve Account will contain the applicable Series Debt Service Reserve Requirement, if any, and

(2) either (a) a certificate of the Chief Administrative Officer, the Director of Finance or an Authorized Representative of the City stating that based on the City’s financial records with respect to the System for any 12 consecutive months of the last 24 months (the “Test Period”) prior to the issuance of such Series of Bonds or Other System Indebtedness the City would have been able to meet the Rate Covenant, taking into account (i) the maximum Annual Debt Service on the proposed Series of Bonds or Other System Indebtedness in the current or any future Fiscal Year, and (ii) the rates, fees and other charges which are in effect and any future changes therein as have been approved by the City Council at the time of the delivery of the proposed Series of Bonds or Other System Indebtedness, or

(b) a written statement of the Chief Administrative Officer, the Director of Finance or an Authorized Representative of the City which projects Operating Expenses, Revenues and Net Revenues for two full Fiscal Years following the anticipated completion of the Project and which demonstrates that, on the basis of such projection, the City can comply with the Rate Covenant, taking into account those rates, fees and other charges which are in effect at the time of the delivery of the proposed Series of Bonds or Other System Indebtedness and any future changes in such rates, fees and other charges as have been approved by the City Council.

Completion Bonds. Completion Bonds may be issued without limitation; provided, however, that prior to the issuance of such Completion Bonds, the City will furnish to the Trustee (a) a certificate of the Consulting Engineer estimating the costs of completing the facilities for which such Completion Bonds are to be issued and (b) a certificate of the Chief Administrative Officer or the Director of Finance, or Authorized Representative of the City, certifying that the amount of such Completion Bonds to be issued will be sufficient, together with other funds, if applicable, to complete construction of the facilities as estimated by the Consulting Engineer with respect to which such Completion Bonds are to be issued.

Refunding Bonds. The City may issue Refunding Bonds so long as it shall provide: (1) evidence that the City has made provision as required by the Master Indenture for the payment or redemption off all Indebtedness to be refunded; (2) either (a) a written determination by of the Chief Administrative Officer, the Director of Finance or an Authorized Representative of the City that after the issuance of such Bonds and the provision for payment or redemption of all Indebtedness to be refunded, the Annual Debt Service requirements will not increase more than 5% of what the Annual Debt Service requirements would have been immediately prior to the issuance of such Refunding

Bonds and that the final maturity has not been extended or (b) a certificate as described in subsection (2)(a) under “Parity Indebtedness to Pay Costs of the System” above.

Subordinate Debt. The City may issue Subordinate Debt at any time and pledge Net Revenues to the payment thereof so long as rates, fees and charges are in effect or scheduled to go into effect to meet the Rate Covenant immediately after the issuance of such Subordinate Debt. Subordinate Debt may not be accelerated if any Senior Debt is outstanding.

See “Issuance of Additional Indebtedness” in Appendix B – Summary of Certain Provisions of the Indenture of Trust for more information on the requirements for the issuance of additional indebtedness.

SECTION THREE: MISCELLANEOUS

LITIGATION

There are miscellaneous claims against the City in litigation. In the opinion of the City Attorney and the City administration, none of these claims would materially adversely affect the City’s financial position.

According to the City Attorney, no litigation has been served or, to the best of her knowledge, information and belief, is pending or threatened against the City (a) seeking to restrain or enjoin the issuance or delivery of the 2026B Bonds, (b) in any manner questioning the proceedings and authority under which the 2026B Bonds are issued or the validity of the Indenture of Trust or (c) in any manner questioning the ability of the City to own and operate the System and collect the revenues of the System and apply such revenues in accordance with the Indenture of Trust.

RATINGS

Moody’s Investors Service, S&P Global Ratings and Fitch Ratings have assigned the ratings of Aa1 (Negative), AA (Stable), and AA (Stable), respectively, to the 2026B Bonds. Such ratings are based solely on the creditworthiness of the City. Such ratings reflect only the respective views of such organizations, and any desired explanation of the significance of such ratings should be obtained from the rating agency furnishing the same.

The City requested that the 2026B Bonds be rated and furnished to such rating agencies the information contained in this Official Statement and certain other information that may not be included in this Official Statement. Generally, rating agencies base their ratings on such materials and information, as well as their own investigations, studies and assumptions. There is no assurance that a rating will continue for any given period of time or that such rating will not be revised, suspended or withdrawn if, in the judgment of the applicable rating agency, circumstances so warrant. The ratings are not a recommendation to buy, sell or hold the 2026B Bonds. Any downward revision or withdrawal of any of such rating could have an adverse effect on market prices or marketability of the 2026B Bonds.

INDEPENDENT AUDIT

The financial statements included in Appendix F have been audited by CliftonLarsonAllen LLP, independent certified public accountants, to the extent and for the period indicated in their report thereon on page F-1. CliftonLarsonAllen LLP will not be reviewing any financial information or this Official Statement in connection with the issuance of the 2026B Bonds.

CONSULTANTS’ REPORTS

The City has retained GFT Infrastructure, Inc. (the “Consulting Engineer”), and Raftelis Financial Consultants, Inc. (the “Financial Feasibility Consultant”) to develop the Consulting Engineer’s Report and the Financial Feasibility Consultant’s Report, respectively. The Consulting Engineer’s Report attached as Appendix D reviewed the condition of the components of the System and the Capital Improvement Plan to assess the ability of the System to provide the required service throughout the service area. The Financial Feasibility Consultant’s Report attached as Appendix E reviewed the forecasted revenues and expenses of the System to determine whether System operations would generate sufficient Revenues to fund all Operating Expenses, debt service requirements, reserve fund funding requirements and to otherwise satisfy the Rate Covenant under the Master Indenture. Each of such

reports is included herein in reliance upon the authority of the respective firm as an expert in the matters covered by the respective report. The Reports should be read in their entirety for a discussion of the assumptions and rationale underlying their forecasts. To the extent that actual conditions differ from those assumed in preparing such forecasted amounts, the actual results will vary from those shown therein, and such variances may be material.

CERTAIN LEGAL MATTERS

Certain legal matters will be passed upon by Hunton Andrews Kurth LLP, Richmond, Virginia, Bond Counsel, in substantially the form set forth in Appendix G (the “Bond Opinion”), which will be furnished at the expense of the City upon delivery of the 2026B Bonds.

The opinion of Bond Counsel will be limited to matters relating to authorization and validity of the 2026B Bonds and to the tax-exempt status of interest thereon as described in the section herein “TAX MATTERS.” Bond Counsel has not been engaged to investigate the financial resources of the City or its ability to provide for payment on the 2026B Bonds.

Certain legal matters will be passed on for the City by its City Attorney, Laura K. Drewry, Esquire, and for the Underwriters by their counsel, McGuireWoods LLP, Richmond, Virginia.

TAX MATTERS

Opinion of Bond Counsel

In the opinion of Bond Counsel and in accordance with customary opinion practice, under current law, interest[, including any accrued original issue discount (“OID”),] on the 2026B Bonds (a) is not included in gross income for federal income tax purposes, (b) is not an item of tax preference for purposes of the federal alternative minimum tax, (c) is taken into account in determining adjusted financial statement income for applicable corporations (as defined in Section 59(k) of the Internal Revenue Code of 1986, as amended, and applicable regulations thereunder (the “Code”)) for the alternative minimum tax imposed on such corporations, and (d) is exempt from income taxation by the Commonwealth. [Except as discussed below regarding OID,] no other opinion is expressed by Bond Counsel regarding the tax consequences of the ownership of or the receipt or accrual of interest on the Bonds.

The Bond Opinion is given in reliance upon (a) computations provided to The Arbitrage Group, Inc., Tuscaloosa, Alabama, the mathematical accuracy of which has been verified by them, relating to (i) the sufficiency of the cash deposited to the Escrow Fund to pay when due the principal of and redemption premium, as applicable, and interest on the Refunded Bonds and (ii) the yield on the 2026B Bonds, and (b) certifications by representatives of the City as to certain facts relevant to both the Bond Opinion and requirements of the Code, and is subject to the condition that there is compliance subsequent to the issuance of the Bonds with all requirements of the Code that must be satisfied in order for interest thereon to remain excludable from gross income for federal income tax purposes. The City has covenanted to comply with the current provisions of the Code regarding, among other matters, the use, expenditure and investment of the proceeds of the 2026B Bonds and the timely payment to the United States of any arbitrage rebate amounts with respect to the 2026B Bonds. Failure by the City to comply with such covenants, among other things, could cause interest[, including any accrued OID,] on the 2026B Bonds to be included in gross income for federal income tax purposes retroactively to their date of issue. The City may in its discretion, but has not covenanted to, take any and all such actions as may be required by future changes in the Code and applicable regulations in order that interest on the 2026B Bonds remain excludable from gross income for federal income tax purposes.

Bond Counsel’s opinion represents its legal judgment based in part upon the representations and covenants referenced therein and its review of current law, but is neither a guarantee of a result nor binding on the Internal Revenue Service (the “IRS”) or the courts. Bond Counsel assumes no duty to update or supplement the Bond Opinion to reflect any facts or circumstances that may come to Bond Counsel’s attention after the date of the Bond Opinion or to reflect any changes in law or the interpretation thereof that may occur or become effective after such date.

Customary practice in the giving of legal opinions includes not detailing in the opinion all of the assumptions, conclusions, limitations and exclusions that are a part of the conclusions therein. *See “Statement on the Role of Customary Practice in the Preparation and Understanding of Third-Party Legal Opinions,” 63 Bus. Law. 1277*

(2008), and “Legal Opinion Principles,” 53 Bus. Law. 831 (May 1998), updated by “Statement of Opinion Practices”, 74 Bus. Law. 801, 807 (2019). Purchasers of the 2026B Bonds should seek the advice of counsel concerning such matters as they deem prudent in connection with their purchase of 2026B Bonds.

Alternative Minimum Tax

Individuals – The Bond Opinion states that under current law interest on the 2026B Bonds is not an item of preference and is not subject to the alternative minimum tax on individuals.

Applicable Corporations – The Bond Opinion also states that under current law interest on the 2026B Bonds is taken into account in determining adjusted financial statement income for applicable corporations (as defined in Section 59(k) of the Code) for the alternative minimum tax imposed on such corporations. Under current law, an “applicable corporation” generally is a corporation with average annual adjusted financial statement income for a three-taxable-year period ending after December 31, 2021, that exceeds \$1 billion.

[Original Issue Discount]

[The initial public offering prices of each maturity of the 2026B Bonds maturing in the years [____ and ____] (the “OID Bonds”) will be less than their stated principal amount. In the opinion of Bond Counsel, under current law, the difference between the stated principal amount and the initial offering price of each maturity of the OID Bonds to the public (excluding bond houses and brokers) at which a substantial amount of such maturity of such OID Bonds is sold will constitute OID. The offering prices set forth on the inside cover of this Official Statement for the OID Bonds are expected to be the initial offering prices to the public at which a substantial amount of each maturity of such OID Bonds will be sold.

Under the Code, for purposes of determining the holder’s adjusted basis in an OID Bond, OID treated as having accrued while the holder holds such OID Bond will be added to the holder’s basis. OID will accrue on a constant yield-to-maturity method. The adjusted basis will be used to determine taxable gain or loss upon the sale or other disposition (including redemption or payment at maturity) of an OID Bond.

Prospective purchasers of the OID Bonds should consult their own tax advisors with respect to the calculation of accrued OID and the state and local tax consequences of owning or disposing of such 2026B Bonds.]

[Original Issue Premium]

[2026B Bonds purchased, whether upon issuance or otherwise, for an amount (excluding any amount attributable to accrued interest) in excess of their principal amount will be treated for federal income tax purposes as having amortizable bond premium. A holder’s basis in such a 2026B Bond must be reduced by the amount of premium that accrues while such 2026B Bond is held by the holder. No deduction for such amount will be allowed, but it generally will offset interest on the 2026B Bonds while so held. Purchasers of such 2026B Bonds should consult their own tax advisors as to the calculation, accrual and treatment of amortizable bond premium and the state and local tax consequences of holding such 2026B Bonds.]

Other Tax Matters

In addition to the matters addressed above, prospective purchasers of the 2026B Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, S corporations, foreign corporations subject to the branch profits tax, recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations. Prospective purchasers of the 2026B Bonds should consult their tax advisors as to the applicability and impact of such consequences.

The IRS has a program to audit state and local government obligations to determine whether the interest thereon is includable in gross income for federal income tax purposes. If the IRS does audit the 2026B Bonds, under

current IRS procedures, the IRS will treat the City as the taxpayer, and the owners of the 2026B Bonds will have only limited rights, if any, to participate.

Prospective purchasers of the 2026B Bonds should consult their own tax advisors as to the status of interest on the 2026B Bonds under the tax laws of any state other than the Commonwealth.

There are many events that could affect the value, liquidity and/or marketability of the 2026B Bonds after their issuance, including but not limited to public knowledge of an audit of the 2026B Bonds by the IRS, a general change in interest rates for comparable securities, a change in federal or state income tax rates, legislative or regulatory proposals affecting state and local government securities and changes in judicial interpretation of current law. In addition, certain tax considerations relevant to owners of 2026B Bonds who purchase 2026B Bonds after their issuance may be different from those relevant to purchasers upon issuance. Neither the Bond Opinion nor this Official Statement purports to address the likelihood or effect of any such potential events or such other tax considerations, and purchasers of the 2026B Bonds should seek advice concerning such matters as they deem prudent in connection with their purchase of 2026B Bonds.

UNDERWRITING

The Bonds will be purchased by the group of underwriters set forth on the cover page hereof represented by Wells Fargo Bank, National Association, as Representative (the “Underwriters”). The purchase contract for the 2026B Bonds (the “Bond Purchase Agreement”) sets forth the Underwriters’ obligation to purchase the 2026B Bonds at a price of \$ _____ (representing [net] original issue [discount/premium] of \$ _____ and an underwriters’ discount of \$ _____ from the initial public offering prices set forth on the inside cover page of this Official Statement, and is subject to certain terms and conditions, including the approval of certain legal matters by counsel. The Bond Purchase Agreement provides that the Underwriters will purchase all of the 2026B Bonds if any are purchased. The Underwriters may offer and sell the 2026B Bonds to certain dealers (including dealers depositing the 2026B Bonds into investment trusts) and others at prices different from the public offering prices stated on the inside cover page of this Official Statement. The public offering prices may be changed from time to time at the discretion of the Underwriters.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage services. Certain of the Underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various financial advisory and investment banking services for the City for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities, which may include credit default swaps) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the City.

The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

Wells Fargo Securities is the trade name for certain securities-related capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including, Wells Fargo Bank, National Association, which conducts its municipal securities sales, trading and underwriting operations through the Wells Fargo Bank, NA Municipal Finance Group, a separately identifiable department of Wells Fargo Bank, National Association, registered with the Securities and Exchange Commission as a municipal securities dealer pursuant to Section 15B(a) of the Securities Exchange Act of 1934.

Wells Fargo Bank, National Association, the lead underwriter for the 2026B Bonds, has entered into an agreement (the “WFA Distribution Agreement”) with its affiliate, Wells Fargo Clearing Services, LLC (which uses

the trade name “Wells Fargo Advisors”) (“WFA”), for the distribution of certain municipal securities offerings, including the 2026B Bonds. Pursuant to the WFA Distribution Agreement, Wells Fargo Bank, National Association, will share a portion of its underwriting compensation with respect to the 2026B Bonds with WFA. Wells Fargo Bank, National Association, has also entered into an agreement (the “WFSLLC Distribution Agreement”) with its affiliate Wells Fargo Securities, LLC (“WFSLLC”), for the distribution of municipal securities offerings, including the 2026B Bonds. Pursuant to the WFSLLC Distribution Agreement, Wells Fargo Bank, National Association, pays a portion of WFSLLC’s expenses based on its municipal securities transactions. Wells Fargo Bank, National Association, WFSLLC and WFA are each wholly-owned subsidiaries of Wells Fargo & Company.

FINANCIAL ADVISOR

Davenport & Company LLC, Richmond, Virginia (the “Financial Advisor”), serves as financial advisor to the City with respect to the sale of the 2026B Bonds. The financial advisor has assisted in the preparation of this Official Statement and in other matters relating to the planning, structuring and issuance of the 2026B Bonds by the City.

The Financial Advisor does not assume any responsibility for the information, covenants and representations contained in any of the legal documents provided, agreed to or made by others, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

Although the Financial Advisor has assisted in the preparation of this Official Statement, the Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement.

RELATIONSHIP OF THE PARTIES

Hunton Andrews Kurth LLP is serving as Bond Counsel in connection with the issuance of the 2026B Bonds and represents or has represented the Underwriters and the Trustee in unrelated matters.

McGuireWoods LLP is serving as counsel to the Underwriters in connection with the issuance of the 2026B Bonds and represents or has represented the Trustee and the City in unrelated matters.

A portion of the proceeds of the 2026B Bonds will be used to prepay in full the 2026A Bond, currently held by Wells Fargo Bank, National Association, one of the Underwriters of the 2026B Bonds.

CONTINUING DISCLOSURE

The City has undertaken to assist the Underwriters in complying with the provisions of Rule 15c2-12 (the “Rule”), promulgated by the Securities and Exchange Commission (the “SEC”) and as in effect on the date hereof, by providing annual financial information, operating data and certain event notices required by the Rule. The form of undertaking is set forth in Appendix H. Failure by the City to comply with its continuing disclosure undertaking is not an event of default under the 2026B Bonds, the Bond Authorization or the Indenture of Trust. The sole remedy for a breach of the City’s obligations is to bring an action for specific performance of the City’s covenants thereunder, and no assurance can be provided as to the outcome of any such proceeding.

The City believes that, except as described in the succeeding sentence, it has complied in all material respects with its prior continuing disclosure undertakings under the Rule during the five-year period beginning May 14, 2021, through and including May 13, 2026. The City failed to timely file its annual disclosure for the fiscal year ended June 30, 2025, which was due on February 5, 2026. The City filed a draft of its annual comprehensive financial report (including unaudited financial statements and certain operating data) on February 4, 2026, and filed a copy of its final annual comprehensive financial report (including audited financial statements and certain operating data) once it was available on March 6, 2026. On March 16, 2026, the City filed a separate notice of its failure to timely file such annual disclosure.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

The arithmetical accuracy of certain computations included in the schedules provided by the Financial Advisor, on behalf of the City, relating to (a) computations of forecasted receipts of principal and interest on the investments in the Government Obligations deposited in the Escrow Fund and the forecasted payment of principal of, redemption premium, as applicable, and accrued interest on the Refunded Bonds and (b) computation of the yield on the Government Obligations was examined by The Arbitrage Group, Inc., Tuscaloosa, Alabama (the “Verification Agent”), independent public accountants and consultants. Such computations were based solely on assumptions and information supplied by the Financial Advisor on behalf of the City. The Verification Agent has restricted its procedures to examining the arithmetical accuracy of certain computations and has not made any study or evaluation of the assumptions and information on which the computations are based and, accordingly, has not expressed an opinion on the data used, the reasonableness of the assumptions or the achievability of the forecasted outcome.

MISCELLANEOUS

The purpose of this Official Statement is to supply information to prospective buyers of the 2026B Bonds. All quotations from and summaries and explanations of laws contained in this Official Statement do not purport to be complete and reference is made to the laws for full and complete statements of their provisions. The descriptions of all documents herein do not purport to be complete statements of the provisions of such documents, and reference is directed to all such documents for all matters of fact relating to the 2026B Bonds, the security therefore and the rights and obligations of the Bondholders. The information contained in this Official Statement has been compiled from official and other sources deemed to be reliable, and while not guaranteed as to completeness or accuracy, is believed to be correct as of this date. Any statements made in this Official Statement involving matters of opinion or estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized. Neither this Official Statement nor any statement which may have been made verbally or in writing is to be construed as a contract with the owners of the 2026B Bonds.

Additional information may be obtained, upon request, from the Director of Finance, 900 E. Broad Street, Richmond, Virginia 23219 (804-646-7657) or from the City’s Financial Advisor, 901 East Cary Street, Richmond, Virginia 23219 (804-697-2900).

APPROVAL OF PRELIMINARY OFFICIAL STATEMENT

The distribution of this Preliminary Official Statement and its delivery have been duly authorized by the Director of Finance upon authorization from the City Council. The Director of Finance, on behalf of the City, has deemed this Preliminary Official Statement final as of its date within the meaning of the Rule, except for the omission of certain pricing and other information permitted to be omitted pursuant to the Rule.

CITY OF RICHMOND, VIRGINIA

BY: _____
Director of Finance

APPENDIX A

DEFINITIONS OF CERTAIN TERMS



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APPENDIX A

DEFINITIONS OF CERTAIN TERMS

The following are definitions of certain terms used in the Official Statement:

“2016A Bonds” shall mean the City’s Public Utility Revenue and Refunding Bonds, Series 2016A.

“2020B Bonds” shall mean the City’s Public Utility Revenue Refunding Bonds, Series 2020B (Federally Taxable).

“2026A Bonds” shall mean the City’s Public Utility Revenue Refunding Bonds, Series 2026A.

“2026B Arbitrage Rebate Fund” shall mean the Series 2026B Arbitrage Rebate Fund established in the Twenty-Ninth Supplemental Indenture.

“2026B Bonds” shall mean the City’s \$ _____ Public Utility Revenue and Refunding Bonds, Series 2026B, authorized to be issued pursuant to the Twenty-Ninth Supplemental Indenture.

“2026B Construction Account” shall mean the Series 2026B Construction Account of the Construction Fund established in the Twenty-Ninth Supplemental Indenture.

“2026B Cost of Issuance Account” shall mean the Series 2026B Cost of Issuance Account of the Construction Fund established in the Twenty-Ninth Supplemental Indenture.

“Account” shall mean any of the various Accounts, sometimes created within a fund, under the Indenture of Trust.

“Annual Debt Service” shall mean the amount of payments required to be made for principal of and interest on any specified Indebtedness, including mandatory sinking fund redemptions, and payments pursuant to agreements with providers of credit enhancement or liquidity support with respect to such Indebtedness, to reimburse such providers for debt service payments made, with respect to such Indebtedness, scheduled to come due within a specified Fiscal Year, but excluding any capitalized interest funded from proceeds of Indebtedness. For purposes of calculating Annual Debt Service, the following assumptions are to be used to calculate the principal and interest due in such specified Fiscal Year:

(a) In determining the principal amount due in the Fiscal Year, payment shall be assumed to be made in accordance with any amortization schedule established for such Indebtedness (unless a different subsection of this definition applies for purposes of determining principal maturities or amortization), including any scheduled redemption of such specified Indebtedness on the basis of accreted value and, for such purpose, the redemption payment shall be deemed a principal payment;

(b) If any of the specified Indebtedness constitutes Tender Indebtedness, then Annual Debt Service on the options or obligations of the holders of such Indebtedness to tender the same for purchase or payment prior to their stated maturity or maturities shall be treated as a principal maturity occurring on the first date on which owners of such Indebtedness may or are required to tender such Indebtedness, except that any such option or obligation to tender Indebtedness shall be ignored and not treated as a principal maturity if (1) such Indebtedness is rated at least in the “A” rating category (without regard to any rating refinement or gradation by numerical modifier or otherwise) by a Rating Agency, or such Indebtedness is rated in the two highest short-term note or commercial paper rating categories by a Rating Agency, and (2) any obligation the City may have, other than its obligation on such Indebtedness, to reimburse any provider of a credit or liquidity facility or a bond insurance policy, or similar arrangement, shall either be subordinated to the obligation of the City on such Indebtedness or shall have been incurred under and shall have met the tests and conditions for the issuance of such specified Indebtedness set forth in the Indenture of Trust;

(c) If any of the specified Indebtedness constitutes Variable Rate Indebtedness, the interest rate on such Indebtedness shall be assumed to be 100% of the greater of (1) the daily average interest rate on such Indebtedness during the 12 months ending with the month preceding the date of calculation, or such shorter period that such Indebtedness shall have been Outstanding or (2) the rate of interest on such Indebtedness on the date of calculation;

(d) If any of the specified Indebtedness constitutes Balloon Indebtedness, then, for purposes of determining the annual amount payable on account of principal of and interest on such Indebtedness, such Indebtedness that is or would be Balloon Indebtedness shall be treated as if the principal amount of such Indebtedness were to be amortized in substantially equal annual installments of principal and interest over the lesser of a term of 30 years or the actual term of the Indebtedness; and the interest rate used for such computation shall be the rate quoted in the 30-year revenue bond index, or revenue bond index related to the actual term of the Indebtedness, as applicable, published by The Bond Buyer no more than two weeks prior to the date of calculation, or if that index is no longer published, another similar index selected by the City, or if the City fails to select a replacement index, an interest rate equal to 80% of the yield for outstanding United States Treasury bonds having an equivalent maturity as the Indebtedness on the date of issuance, or if there are no such Treasury bonds having equivalent maturities, 80% of the lowest prevailing prime rate of any of the five largest commercial banks in the United States of America ranked by assets;

(e) Indebtedness that is no longer Outstanding pursuant to the Indenture of Trust or otherwise shall be disregarded and not included in the calculation of Annual Debt Service;

(f) For any Indebtedness for which a binding commitment, letter of credit or other credit arrangement providing for the extension of such Indebtedness beyond its original maturity date exists, the computation of the annual amount payable on account of principal and interest on such Indebtedness shall, at the option of the City, be made on the assumption that such Indebtedness will be amortized in accordance with such credit arrangement; and

(g) Except for Hedge Agreements, Interest Rate Swaps are to be disregarded in calculating the Series Debt Service Reserve Requirement. Upon incurrence of a Hedge Agreement, all calculations, including for the annual amount on account of principal and interest on Indebtedness subject to the Hedge Agreement, shall be made using the Hedge Fixed Rate for the applicable period and such Indebtedness shall not be considered as Variable Rate Indebtedness for such period.

“Authorized Representative of the City” shall mean such person or persons as may be designated to act on behalf of the City by a certificate executed by the Chief Administrative Officer and on file with the Trustee.

“Authorized Utilities Representative” shall mean such person or persons as may be designated to act on behalf of the Department of Public Utilities of the City by a certificate executed by the Director of Public Utilities and on file with the Trustee.

“Balloon Indebtedness” shall mean indebtedness having a term of longer than 60 months and 25% or more of the principal of which matures on the same date and which portion of the principal of such indebtedness is not required to be amortized by payment or redemption prior to such date. If any indebtedness consists partially of Variable Rate Indebtedness and partially of indebtedness bearing interest at a fixed rate, the portion constituting Variable Rate Indebtedness and the portion bearing interest at a fixed rate shall be treated as separate issues for purposes of determining whether any such indebtedness constitutes Balloon Indebtedness.

“Bond Anticipation Notes” shall mean any notes issued in anticipation of the issuance of Bonds.

“Bond Counsel” shall mean an attorney or firm of attorneys nationally recognized on the subject of municipal bonds.

“Bond Fund” shall mean the Bond Fund established in the Indenture of Trust.

“Bondholders” or “holders” of Bonds shall mean the registered owners of Bonds.

“Bonds” shall mean any bonds, notes or other obligations issued from time to time pursuant to Article III of the Indenture of Trust, including Bond Anticipation Notes and Completion Bonds, but not including Other System Indebtedness and Subordinate Debt.

“Business Day” shall mean a day on which banking business is transacted, but not including a Saturday, Sunday or legal holiday, or any day on which banking institutions are authorized by law to close in the city in which the Trustee has its principal corporate trust office.

“City” shall mean the City of Richmond, a body politic and corporate and political subdivision of the Commonwealth.

“City Council” shall mean the Council of the City, the governing body of the City.

“Code” shall mean the Internal Revenue Code of 1986, as amended, including applicable regulations, rulings and revenue procedures promulgated or applicable thereunder.

“Commonwealth” shall mean the Commonwealth of Virginia.

“Completion Bonds” are any Bonds issued for the purpose of financing the completion of certain improvements to the System for which Bonds have theretofore been issued in accordance with the provisions of the Indenture of Trust, to the extent necessary to complete such improvements in the manner and scope contemplated at the time that such Bonds were originally issued, and, to the extent the same shall be applicable, in accordance with the general plans and specifications for such improvements as originally prepared with only such changes as have been made in conformance with the documents pursuant to which such Bonds were originally issued.

“Connection Fees” shall mean all nonrecurring fees that the City collects from developers, builders or others (1) to compensate the City for providing System capacity, and (2) to connect facilities related to installation of and expansion to the System.

“Contracted Services” shall mean (a) services rendered or facilities provided to the City in respect to the System or (b) the performance of functions for or on behalf of the City that are similar to those performed by the System, from a specific project or system, pursuant to a contract, lease, service agreement or another similar arrangement. No designation or characterization of payments pursuant to the terms of a particular Service Contract will affect the City’s right to make designations as to the Debt Service Component, Operating Component and Remaining Component of the Cost of Contracted Services.

“Construction Fund” shall mean the Construction Fund established in the Indenture of Trust.

“Consulting Engineer” shall mean (a) an Independent Consulting Engineer or (b) the designated person(s) within the Department of Public Utilities of the City or of any successor department who is (1) an engineer experienced in the field of water, sanitary sewer, natural gas or electrical engineering (as appropriate), and (2) licensed and registered as a professional engineer in the Commonwealth.

“Cost” shall mean the Costs of the System as set forth in the Indenture of Trust.

“Cost of Contracted Services” shall mean the payments to be made by the City for Contracted Services under Service Contracts as set forth in the Indenture of Trust, which may consist of any of the following three components: a Debt Service Component, an Operating Component, and a Remaining Component, as designated by the Chief Administrative Officer or his designee for each Service Contract.

“Debt Service Component” shall mean the portion of the Cost of Contracted Services that an Authorized Representative of the City determines, in a certificate delivered to the Trustee, to be for the

purpose of paying a fixed charge or the principal of or interest on the obligations, directly or indirectly associated with rendering the Contracted Services, of the person providing the Contracted Services.

“Debt Service Reserve Fund” shall mean the Debt Service Reserve Fund established in the Indenture of Trust.

“Event of Default” shall mean any of the events enumerated in the Indenture of Trust.

“Fiscal Year” shall mean the twelve-month period beginning on July 1 of one year and ending on June 30 of the following year, or such other fiscal year of twelve months, as may be selected by the City.

“General Obligation Bond Account” shall mean the General Obligation Bond Account established by the Indenture of Trust.

“General Obligation Bonds” shall mean the principal amount of the City’s outstanding general obligation bonds, from time to time, the proceeds of which were used to finance facilities of the System.

“Government Certificates” shall mean certificates representing proportionate ownership of Government Obligations, which Government Obligations are held by a bank or trust company organized under the laws of the United States of America or any of its states in the capacity of custodian of such certificates and which have been stripped by the Treasury itself; provided, however, if such certificates are the interest component of REPCORP strips, such obligations must have been stripped by request to the Federal Reserve Bank of New York.

“Government Obligations” shall mean (a) bonds, notes and other direct obligations of the United States of America, (b) securities unconditionally guaranteed as to the timely payment of principal, if applicable, and interest by the United States of America, or (c) bonds, notes and other obligations of any agency of the United States of America unconditionally guaranteed as to the timely payment of principal and interest by the United States of America.

“Hedge Agreement” shall mean an interest rate swap, cap, collar, floor, forward or other hedging agreement, arrangement or security however denominated, expressly identified pursuant to its terms as being entered into in connection with and in order to hedge interest rate fluctuations on all or a portion of any Indebtedness where (a) interest on such Indebtedness or such portion of such Indebtedness is payable at a variable rate of interest for any future period of time or is calculated at a varying rate per annum, and (b) a fixed rate is specified by the City in such agreement, or such Indebtedness, taken together with such agreement, results in a net fixed rate payable by the City for such period of time (the “Hedge Fixed Rate”), assuming the City and the party(ies) with whom the City has entered into the agreement make all payments required to be made by the terms of the agreement, provided that no such agreement may be entered into by the City unless any termination or similar payment which may be payable by the City thereunder is expressly subordinated to the obligation of the City on the Indebtedness, and that the party(ies) with whom the City has entered into the agreement shall have the same or higher rating as the Indebtedness to which it relates. If the rating of the Indebtedness or the party(ies) with whom the City has entered into such agreements is lowered, such agreement will continue in effect and expire in accordance with its terms.

“Indebtedness” shall mean Senior Debt and Subordinate Debt.

“Indenture of Trust” shall mean the Master Indenture of Trust dated as of April 1, 1998, between the City and the Trustee, as supplemented or amended by one or more Supplemental Indentures.

“Independent Consulting Engineer” shall mean an independent engineer, who is not an employee of the City, experienced in the field of water, sanitary sewer, natural gas or electrical engineering (as appropriate) and licensed and registered as a professional engineer in the Commonwealth.

“Interest Account” shall mean the Interest Account in the Bond Fund established in the Indenture of Trust.

“Interest Rate Swap” shall mean a contract pursuant to which a party (the “Counterparty”) has agreed to make payments to the City during a particular period equal to the interest payable on specified Indebtedness or on a specified nominal amount at the actual rate or rates or, if on a nominal amount at a stated rate or rates, payable thereon and, in consideration therefor, the party obligated on the Indebtedness or otherwise executing the agreement agrees to make payments to the Counterparty equal to the interest required to be paid on the specified Indebtedness or stated to be due on the nominal amount during the period calculated as if the specified Indebtedness or nominal amount bore an assumed rate of interest specified in the contract.

“Letter of Representations” shall mean the Blanket Letter of Representations dated November 9,1995, from the City to the Securities Depository and any amendments thereto or successor agreements between the City and any successor Securities Depository, relating to a book-entry system to be maintained by the Securities Depository with respect to the 2026B Bonds. Notwithstanding any provision of the Indenture of Trust, including Article X of the Indenture of Trust regarding amendments, the Trustee may enter into any such amendment or successor agreement without the consent of Bondholders.

“Net Proceeds” shall mean the gross proceeds from any insurance recovery or recovery in any condemnation proceeding remaining after payment of attorneys’ fees, fees and all other expenses incurred in collection of such gross proceeds.

“Net Revenues” shall mean Revenues less Operating Expenses.

“Operating Component” shall mean the portion of the Cost of Contracted Services (excluding any Debt Service Component) that an Authorized Representative of the City reasonably determines, in a certificate delivered to the Trustee from time to time, to be directly or indirectly attributable to the portion of the Costs of Contracted Services that represents operating expenses for the provisions of Contracted Services; provided, however, if no such determination is made, all of the Cost of Contracted Services (excluding any Debt Service Component) will be treated as Operating Component.

“Operating Expenses” shall mean all current expenses directly or indirectly attributable to the ownership or operation of the System, including reasonable and necessary usual expenses of administration, operation, maintenance and repair, payments in lieu of taxes, costs for billing and collecting the rates, fees and other charges for the use of or the services furnished by the System, amounts to reimburse the City for administrative expenses incurred in connection with the System, insurance and surety bond premiums, credit enhancement or liquidity support fees, legal, engineering, auditing and financial advisory expenses, expenses and compensation of the Trustee, deposits into a self-insurance program as described in the Indenture of Trust and moneys which the City elects to transfer to the Rate Stabilization Account. Operating Expenses shall not include any allowance for depreciation, amortization, Debt Service Components, Remaining Components, deposits or transfers to the Bond Fund, the Debt Service Reserve Fund, the General Obligation Bond Account, and the Subordinate Debt Account, or expenditures for capital improvements to and extensions of the System. Operating Expenses shall be reduced by transfers from the Rate Stabilization Account to the utility account.

“Opinion of Counsel” shall mean an opinion of any attorney or firm of attorneys acceptable to the Trustee, who may be counsel for the City but shall not be an employee of either the City or the Trustee.

“Other System Indebtedness” shall mean (a) any Debt Service Component that the City is required, or has elected, to treat as payable on a parity with the Bonds with respect to the pledge of Net Revenues, and (b) any other Indebtedness incurred by the City pursuant to the Indenture of Trust that the City is required, or has elected, to treat as payable on a parity with the Bonds with respect to the pledge of Net Revenues.

“Outstanding” shall mean, when used as descriptive of obligations, that such obligations have been authorized, issued, authenticated and delivered under the Indenture of Trust or a different document and have not been canceled or surrendered to the Trustee or a comparable trustee for cancellation, deemed to have

been paid as provided in the Indenture of Trust, have had other obligations issued in exchange therefor or had their principal become due and moneys sufficient for their payment deposited with the Trustee as provided in the Indenture of Trust, or, for Indebtedness other than Bonds or Subordinated Debt issued under the Indenture of Trust, otherwise so treated under comparable issuance documents.

In determining whether holders of a requisite aggregate principal amount of the Outstanding Indebtedness have concurred in any request, demand, authorization, direction, notice, consent or waiver under the Indenture of Trust or other documents, words referring to or connoting “principal of” or “principal amount of Outstanding Indebtedness shall be deemed also to be references to, to connote and to include the accreted value of Indebtedness as of the immediately preceding interest compounding date for such Indebtedness. Indebtedness that is owned by the City shall be disregarded and deemed not to be Outstanding for the purpose of any such determination.

“**Principal Account**” shall mean the Principal Account in the Bond Fund established in the Indenture of Trust.

“**Public Finance Act**” shall mean the Public Finance Act of 1991, Chapter 26, Title 15.2 of the Virginia Code or any successor provision of law.

“**Qualified Independent Consultant**” shall mean an independent professional consultant having the skill and experience necessary to provide the particular certificate, report or approval required by the provision of the Indenture of Trust or any Supplemental Indenture in which such requirement appears, including an Independent Consulting Engineer and an independent certified public accountant.

“**Rate Covenant**” shall mean the obligation of the City to fix, charge and collect rates, fees and other charges for the use of and the services furnished by the System sufficient to meet the requirements of the Indenture of Trust.

“**Rate Stabilization Account**” shall mean the Rate Stabilization Account established in the Indenture of Trust.

“**Rating Agency**” or “**Rating Agencies**” shall mean any securities rating agency that shall have assigned a rating that is then in effect with respect to the Indebtedness.

“**Remaining Component**” shall mean the portion of the Cost of Contracted Services which is not included in the definition of Debt Service Component or Operating Component.

“**Reserve Determination Date**” shall mean (a) each interest payment date for the Bonds or (b) any other date established in writing by an Authorized Representative of the City for the valuation of obligations on deposit in any Series Debt Service Reserve Account.

“**Revenues**” shall mean all moneys received as rates, fees and other charges for, or payments in respect of, the use of and for the services furnished by the System, including Connection Fees, proceeds of any business interruption insurance, and investment earnings on all of the foregoing. Revenues shall not include refundable customer deposits.

“**Securities Depository**” shall mean The Depository Trust Company, a corporation organized and existing under the laws of the State of New York, whose nominee is Cede & Co., and any other securities depository for the 2026B Bonds appointed pursuant to the Indenture of Trust, and their successors.

“**Senior Debt**” shall mean Bonds and Other System Indebtedness.

“**Series**” or “**Series of Bonds**” shall mean a separate series of Bonds issued under the Indenture of Trust and a Supplemental Indenture.

“**Series Debt Service Reserve Account**” for any Series of Bonds, to the extent required, shall have the meaning set forth in the Supplemental Indenture authorizing such Series of Bonds.

“**Series Debt Service Reserve Requirement**” for any Series of Bonds, to the extent required, shall have the meaning set forth in the Supplemental Indenture authorizing such Series of Bonds.

“**Service Contracts**” shall mean any contracts or agreements for Contracted Services entered into by the City from time to time.

“**Sinking Fund Account**” shall mean the Sinking Fund Account in the Bond Fund established in the Indenture of Trust.

“**Subordinate Debt**” shall mean any bonds, notes or other obligations issued in connection with the System (a) which are expected to be paid from Net Revenues and designated by the City as Subordinate Debt, or (b) which have pledged to their payment Net Revenues as a subordinate lien pledge after the pledge of Net Revenues to Senior Debt, including but not limited to any Debt Service Component and Remaining Component that the City is required, or has elected, to treat as Subordinate Debt and General Obligation Bonds.

“**Subordinate Debt Account**” shall mean the Subordinate Debt Account in the Bond Fund established in the Indenture of Trust.

“**Supplemental Indenture**” shall mean any Supplemental Indenture supplementing or modifying the provisions of the Indenture of Trust entered into by the City and the Trustee pursuant to the Indenture of Trust.

“**System**” shall mean all plants, systems, facilities, equipment or property owned, operated or maintained by the City from time to time, together with all future extensions, improvements, enlargements and additions thereto, and all replacements thereof, used in connection with the collection, treatment or disposal of sanitary sewage, the supply, treatment, storage or distribution of water, and the supply, storage or distribution of natural gas.

“**Tender Indebtedness**” shall mean any indebtedness a feature of which is an option or obligation on the part of the holders of such indebtedness to tender all or a portion of such indebtedness to a fiduciary for mandatory purchase or redemption prior to the stated maturity date of such indebtedness, which may include Variable Rate Indebtedness with such a feature.

“**Term Bonds**” shall mean any Bonds stated to mature on a specified date and required to be redeemed in part prior to maturity according to a sinking fund schedule.

“**Trustee**” shall mean U.S. Bank Trust Company, National Association, as successor to SunTrust Bank and Crestar Bank, Richmond, Virginia, or its successors serving as such under the Indenture of Trust.

“**Trustee’s Fees and Expenses**” shall mean an initial acceptance fee and an annual administrative fee plus expenses in accordance with the fee schedule set forth in a letter from the Trustee to the City, as the same may be renegotiated from time to time.

“**Twenty-Ninth Supplemental Indenture**” shall mean the Twenty-Ninth Supplemental Indenture of Trust dated as of June 1, 2026, between the City and the Trustee, which supplements and amends the Indenture of Trust.

“**Variable Rate Indebtedness**” shall mean any indebtedness the interest rate on which is not established at the time of incurrence at a fixed or constant rate, provided that (a) the maximum interest rate on such indebtedness and the maximum rate payable to any liquidity provider with respect to such indebtedness shall be specified at the time of issuance of such indebtedness, (b) any liquidity provider of any liquidity facility shall cause such indebtedness to be rated by the Rating Agencies at least equal to the rating

on such indebtedness in one of the two highest long-term rating categories of such Rating Agencies, (c) any accelerated principal payments or any interest in excess of the bond interest rate due to such liquidity provider shall be subordinate to the payment of debt service on Bonds, and (d) any two or more series of Bonds which are issued on the same date, the interest on which when such series are considered in the aggregate shall be a fixed or constant rate shall not be considered Variable Rate Indebtedness.

“**Virginia Code**” shall mean the Code of Virginia of 1950, as amended.

APPENDIX B

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE OF TRUST



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APPENDIX B

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE OF TRUST

The following is a brief summary of certain provisions contained in the Indenture of Trust and does not purport to be a complete statement of all of the provisions of the Indenture of Trust. Reference is made to the Indenture of Trust in its entirety for complete information on its terms and the terms of the 2026B Bonds, the security provisions and the application of Revenues. See also the sections entitled “Description of the Bonds” and “Security for the Bonds” contained in the Official Statement.

GENERAL; APPLICATION OF BOND PROCEEDS

The Indenture of Trust authorizes the issuance of the Bonds by the City, establishes the form and details of the Bonds and makes provision for their execution, authentication, delivery, registration and exchange. All capitalized terms used in this summary have the meaning set forth in the Official Statement and in Appendix A thereto, unless otherwise indicated.

The Indenture of Trust provides that the proceeds of the Bonds issued to pay certain Costs of the System be held in trust by the City in a Construction Fund and used solely to pay the Costs of the System. The proceeds of Bonds which are issued to refund any Indebtedness secured by or payable from Net Revenues, including any Bonds, will be held by the Trustee, an escrow agent or other party, as specifically provided in the Supplemental Indenture related to such refunding.

The proceeds of a Series of Bonds or Subordinate Debt issued under the Indenture of Trust will be deposited in the related Construction Account established by a Supplemental Indenture. Deposits will be made to the credit of the Construction Fund and any special accounts as provided in such Supplemental Indenture. All earnings on moneys in each Account and subaccount will be credited to such Account and subaccount.

When all Costs of the System to be paid with a portion of the proceeds of a Series of Bonds have been paid or moneys have been reserved to pay all remaining unpaid items of such Costs of the System, the balance of any Bond proceeds remaining in excess of the amount to be reserved for payment of unpaid items of the Costs of the System will be (a) transferred to the Trustee for deposit in the Bond Fund to be used solely to pay principal of and interest on the Series of Bonds which provided such proceeds to the extent approved by Bond Counsel, or (b) used to pay all or any portion of the Costs of the System designated by the City and approved by Bond Counsel.

ISSUANCE OF ADDITIONAL INDEBTEDNESS

Issuance of Bonds; Parity of Senior Debt. The Indenture of Trust permits the City to issue Bonds (a) to pay the Costs of the System, (b) to refund any Indebtedness secured by or payable from Net Revenues, including any Bonds, or (c) a combination of such purposes. The Indenture of Trust provides for a continuing, irrevocable pledge of Net Revenues to secure payment of the principal of and premium, if any, and interest on all Senior Debt that may from time to time be issued and Outstanding. Each Senior Debt issue will be issued pursuant to a Supplemental Indenture or evidenced by other documents and will be equally and ratably secured by the pledge of Net Revenues under the Indenture of Trust, without preference, priority or distinction; provided, however, that the moneys in any Series Debt Service Reserve Account shall only secure the applicable Senior Debt, and provided further that any Senior Debt may have additional revenues or other security pledged to its payment. In connection with the issuance of Senior Debt, the Trustee may create additional accounts and subaccounts within any fund or account established by the Indenture of Trust. The Indenture of Trust provides that nothing therein will be construed, however, as (a) requiring that any Senior Debt bear interest at the same rate or in the same manner as any other Senior Debt, have the same, or an earlier or later, maturity, or be subject to mandatory, optional or extraordinary redemption prior to maturity on the same basis as any other Senior Debt, (b) prohibiting the City from entering into financial arrangements designed to assure that moneys will be available for the payment of certain Senior Debt at their maturity, or

(c) prohibiting the City from pledging moneys or assets of the City other than those pledged in the Indenture of Trust for the benefit of certain Senior Debt.

Among the required conditions set forth in the Indenture of Trust permitting the issuance of Bonds are:

(a) in the case of any Series of Bonds issued to pay certain Costs of the System, the following:

(1) Evidence that upon issuance of such Bonds, each Series Debt Service Reserve Account within the Debt Service Reserve Fund will contain the applicable Series Debt Service Reserve Requirement, if any; and

(2) Either (A) a certificate of the Chief Administrative Officer, the Director of Finance or Authorized Representative of the City, stating that based on the City's financial records for any 12 consecutive months of the last 24 months (the "Test Period") prior to the issuance of such Bonds the City would have been able to meet the Rate Covenant, taking into account (i) the maximum Annual Debt Service on the proposed additional Series of Bonds in the current or any future Fiscal Year, and (ii) the rates, fees and other charges which are in effect and any future changes therein as have been approved by the City Council at the time of the delivery of the proposed additional Series of Bonds, or (B) a written statement of the Chief Administrative Officer, the Director of Finance or Authorized Representative of the City, which projects Operating Expenses, Revenues and Net Revenues for two full Fiscal Years following the anticipated completion of the System improvements to be financed with such proposed additional Series of Bonds and which demonstrates that, on the basis of such projection, the City can comply with the Rate Covenant, taking into account those rates, fees and other charges which are in effect at the time of the delivery of the proposed additional Series of Bonds and any future changes therein as have been approved by the City Council at the time of the delivery of the proposed additional Series of Bonds.

(b) in the case of Completion Bonds, Completion Bonds may be issued without limitation; provided, however, that prior to the issuance of such Completion Bonds, the City will furnish to the Trustee (1) a certificate of a Consulting Engineer estimating the costs of completing the facilities for which such Completion Bonds are to be issued and (2) a certificate of the Chief Administrative Officer, the Director of Finance or Authorized Representative of the City, certifying that the amount of such Completion Bonds to be issued will be sufficient, together with other funds, if applicable, to complete construction of the facilities as estimated by the Consulting Engineering with respect to which such Completion Bonds are to be issued.

(c) in the case of Bonds issued to refund any Indebtedness, the following:

(1) Evidence that the City has made provision as required by the Indenture of Trust or the documents providing for issuance of Subordinate Debt for the payment or redemption of all Indebtedness to be refunded;

(2) Either (A) a written determination by the Chief Administrative Officer, the Director of Finance or Authorized Representative of the City, or other evidence satisfactory to the Trustee that after the issuance of such Bonds and the provision for payment or redemption of all Indebtedness to be refunded, the Annual Debt Service requirements for each Fiscal Year in which there will be Outstanding Indebtedness not to be refunded will not increase more than 5% of what the Annual Debt Service requirements for such Fiscal Year would have been on all Senior Debt immediately prior to the issuance of such Bonds, including the Indebtedness to be refunded (if such Indebtedness was Senior Debt), and that the final maturity of Indebtedness being refunded has not been extended, or (B) a certificate as described in clause (a)(2) above.

Other System Indebtedness. The City may incur or refinance Other System Indebtedness provided that (1) the documents providing for the Other System Indebtedness specify the amounts and due dates of Annual Debt Service with respect to the Other System Indebtedness, (2) the requirements of paragraphs (a), (b) or (c) above, as appropriate, have been met as if the Other System Indebtedness was an additional Series

of Bonds, (3) the Trustee receives written notice of the issuance of the Other System Indebtedness and the material terms and conditions thereof, and the Trustee shall register the holder as owner thereof as such on its books and records, and (4) the Trustee receives an Opinion of Counsel that the documents creating the Other System Indebtedness have been duly authorized, executed and delivered on behalf of the City and constitute valid, binding and enforceable obligations.

Subordinate Debt The City may at any time issue Subordinate Debt and pledge Net Revenues thereto so long as rates, fees and charges are in effect or scheduled to go into effect to meet the Rate Covenant immediately after the issuance of such Subordinate Debt. Subordinate Debt may not be accelerated if any Senior Debt is outstanding.

RATE COVENANT

The Indenture of Trust contains a rate covenant as described in the section entitled “THE 2026B BONDS – Security for the 2026B Bonds – Rate Covenant” in the Official Statement.

ESTABLISHMENT OF FUNDS AND ACCOUNTS

The Indenture of Trust establishes the following funds and Accounts to be held as indicated:

(a) Construction Fund, in which there shall be established separate Accounts with respect to each Series of Bonds, including the 2026B Construction Account and the 2026B Costs of Issuance Account, to be held by the City;

(b) Rate Stabilization Account, to be held by the City, not subject to the lien of the Indenture of Trust;

(c) Bond Fund, in which there shall be established an Interest Account, a Principal Account and a Sinking Fund Account, and a separate subaccount in each such Account with respect to each Series of Bonds or Other System Indebtedness, including the 2026B Interest Subaccount and the 2026B Principal Subaccount, to be held by the Trustee;

(d) Debt Service Reserve Fund, in which there shall be established Series Debt Service Reserve Accounts for each Series of Bonds or Other System Indebtedness issue which has a Series Debt Service Reserve Requirement, to be held by the Trustee;

(e) General Obligation Bond Account, to be held by the City, not subject to the lien of the Indenture of Trust; and

(f) Subordinate Debt Account, to be held by the Trustee.

Construction Fund. The Construction Fund will be applied to the payment of the Cost of the System, including the costs of issuing Bonds. Any balance remaining in the 2026B Costs of Issuance Account after payment of the costs of issuance of the 2026B Bonds shall be transferred to the 2026B Construction Account. Any balance remaining in the 2026B Construction Account upon completion of the improvements to the System which were funded with the proceeds of the 2026B Bonds, in excess of the amount to be reserved for the payment of unpaid items of the Cost of the System shall be (a) transferred to the Bond Fund to be used solely to pay interest and principal on the 2026B Bonds which provided such proceeds to the extent approved by Bond Counsel or (b) used to pay all or any portion of the Cost of any other Project designated by the City and approved by Bond Counsel.

Disposition of Revenues. The Indenture of Trust provides that all Revenues will be deposited in a utility account to be held by the City. The Director of Finance of the City may, pursuant to policy determinations, at any time transfer Revenues to the Rate Stabilization Account. Thereafter, throughout the month but no later than the last Business Day of each month, the Director of Finance must debit from the utility account an amount sufficient to pay Operating Expenses during such month. Net Revenues will be

disbursed on the last Business Day of each month in the following order (except that no distinction or preference shall exist in the use in an amount sufficient to make the following deposits of Net Revenues for payment into the Interest Account, the Principal Account or the Sinking Fund Account of the Bond Fund, such accounts being on a parity with each other as to payment from Net Revenues):

(a) To the subaccounts established for each Series of Bonds or Other System Indebtedness in the Interest Account, Principal Account and Sinking Fund Account in the Bond Fund the amounts, if any, set forth in the applicable Supplemental Indentures with respect to each Series of Bonds or Other System Indebtedness and such deposits shall be adjusted to give credit for any other available money then in such interest account or subaccount or otherwise available and designated to be used for such purpose; provided, however, that if such Other System Indebtedness is evidenced by documents other than a Supplemental Indenture, to the related principal and interest accounts set forth therein. Moneys in the Interest Account must be used to pay interest required to be paid on any interest payment date related to such Series of Bonds or Other System Indebtedness, as applicable. Moneys in the Principal Account must be used to pay principal required to be paid on any principal payment date related to such Series of Bonds or Other System Indebtedness, as applicable. Moneys in the Sinking Fund Account must be used to pay the amount required for mandatory sinking fund redemption on the applicable redemption date related to such Series of Bonds or Other System Indebtedness, as applicable.

(b) To the applicable Account in the Debt Service Reserve Fund with respect to each Senior Debt issue the amounts, if any, necessary to restore the amount on deposit therein to the related Series Debt Service Reserve Requirement.

(c) To the Subordinate Debt Account, the amount equal to the deposits to such funds and accounts required by the related Supplemental Indenture or other documents evidencing such debt; provided, further, to the General Obligation Bond Account, the amounts equal to the deposits to such funds and accounts required pursuant to the terms of the General Obligation Bonds (except that no distinction or preference shall exist in the use in an amount sufficient to make the deposits of Net Revenues for payment into the Subordinate Debt Account and the General Obligation Bond Account, such accounts being on a parity with each other as to payment from Net Revenues).

There shall also be made periodic dividend distributions to the City on an annual basis, after the deposits required by clauses (a) through (c) above have been made, to the extent of the limitations provided by the City Charter (see "CITY FINANCIAL INFORMATION - Financial Management" in Appendix C).

If the City fails to make the deposits required by clauses (a) through (c) above, the Trustee is required to give notice of such failure to the Chief Administrative Officer and the Director of the Department of Utilities, if any, within 10 days of such failure. Notwithstanding anything in the Indenture of Trust to the contrary, at any time that the City is required to make transfers pursuant to clauses (a) through (c) above, and there are insufficient Net Revenues to make all required transfers pursuant to such clauses, the City is required to make the transfers in the order set forth above first from Net Revenues then from any other legally available moneys.

In the event the balance on deposit in the Principal Account, Sinking Fund Account or the Interest Account is insufficient for the purposes thereof, the Trustee is required to transfer for deposit in such Accounts, such amounts as may be necessary therefor from the applicable Series Debt Service Reserve Account pursuant to the Indenture of Trust.

The Trustee is required to provide for a mandatory sinking fund redemption of any Term Bonds in accordance with the schedules set forth in the Supplemental Indenture for such Bonds; provided, however, that on or before the 70th day next preceding any such sinking fund payment date, the City may:

(1) deliver to the Trustee for cancellation Term Bonds of the maturity required to be redeemed on such sinking fund payment date in any aggregate principal amount desired; or

(2) instruct the Trustee to apply a credit against the City's next sinking fund redemption obligation for any such Term Bonds that previously have been redeemed (other than through the operation of the sinking fund) and canceled but not theretofore applied as a credit against any sinking fund redemption obligation.

Upon the occurrence of any of the events described in the clauses (1) or (2) above, the Trustee shall credit against the City's sinking fund redemption obligation on the next sinking fund payment date the amount of such Term Bonds so delivered or previously redeemed. Any principal amount of such Term Bonds in excess of the principal amount required to be redeemed on such sinking fund payment date is required to be similarly credited in such order as may be determined by the Chief Administrative Officer or the Director of Finance against future payments to the Sinking Fund Account and similarly reduce the principal amount of the Term Bonds of the applicable Series to be redeemed on the next sinking fund payment date. Within seven days of receipt of such Term Bonds or instructions to apply as a credit, any amounts remaining in the Sinking Fund Account in excess of the amount required to fulfill the remaining required sinking fund redemption obligation on the next sinking fund payment date is required to be used in such manner as determined at the direction of the City.

In the event the amount on deposit in the Interest Account on any interest payment date shall exceed the amount required to pay interest on the Senior Debt on the next interest payment date, the City is required to, if the amount on deposit in any Series Debt Service Reserve Account is less than the applicable Series Debt Service Reserve Requirement, instruct the Trustee to transfer such excess to any Series Debt Service Reserve Account to the extent of such deficiency, and otherwise retain any remaining excess in the Interest Account or instruct the Trustee to transfer any remaining excess to the related Principal Account to be credited against subsequent required deposits thereto, as determined by the Chief Administrative Officer or his designee.

In the event the amount on deposit in the Principal Account or Sinking Fund Account on any principal payment or mandatory redemption date exceeds the amount required on such date to pay Bonds at maturity or to redeem Term Bonds pursuant to mandatory sinking fund requirements, the City is required to, if the amount on deposit in any Series Debt Service Reserve Account is less than the applicable Series Debt Service Reserve Requirement, instruct the Trustee to transfer such excess to the Series Debt Service Reserve Account to the extent of such deficiency, and otherwise retain such excess in the Principal Account or instruct the Trustee to transfer such excess to the Interest Account to be credited against subsequent required deposits thereto, as determined by the Chief Administrative Officer or his designee.

Rate Stabilization Account. The Indenture of Trust provides that the Rate Stabilization Account is required to be held by the City in an account separate and apart from all other funds and accounts of the City and payments therefrom shall be made as provided in the Indenture of Trust. Moneys in the Rate Stabilization Account are required to be used to increase Net Revenues in order to offset the requirement for rate increases. Moneys may be transferred by the City to the Rate Stabilization Account from the utility account as provided in Indenture of Trust as determined by the Director of Finance of the City. The Director of Finance, pursuant to policy determinations may, at any time, transfer Revenues from the utility account to the Rate Stabilization Account.

Debt Service Reserve Fund. (a) Each Supplemental Indenture shall set forth whether an Account in the Debt Service Reserve Fund is required to be funded in the amount of the applicable Series Debt Service Reserve Requirement on the Closing Date of such Series of Bonds. To the extent that such Account shall be required to be funded pursuant to the terms of a Supplemental Indenture, amounts in each Account in the Debt Service Reserve Fund are required be used to pay debt service on the related Series of Bonds on the date such debt service is due when insufficient funds for that purpose are available in the Bond Fund; provided, however, that all amounts in an Account in the Debt Service Reserve Fund shall be used, together with other amounts available for such purpose under the Indenture of Trust, to provide for payment of the related Series of Bonds when the aggregate of such amounts is sufficient for such purpose. Amounts in each Account of the Debt Service Reserve Fund shall be pledged to Holders of the related Series.

(b) In lieu of or in addition to cash or investments, at any time the City may cause to be deposited to the credit of any Series Debt Service Reserve Account any form of credit facility, including a surety bond, in the amount of all or a portion of the Series Debt Service Reserve Requirement, irrevocably payable to the Trustee as beneficiary for the holders of the respective Series of Bonds, provided that the Trustee has received evidence satisfactory to it that (1) the provider of the credit facility has a credit rating in one of the two highest credit rating categories by two Rating Agencies, (2) the obligation of the City to pay the fees of and to reimburse the provider of the credit facility is subordinate to its obligation to pay debt service on the respective Series of Bonds, (3) the term of the credit facility is at least 36 months, (4) the only condition to a drawing under the credit facility is insufficient amounts in the applicable funds and Accounts held by the Trustee with respect to such Series of Bonds when needed to pay debt service on such Series or the expiration of the credit facility, and (5) the provider of the credit facility shall notify the City and the Trustee at least 24 months prior to the expiration of the credit facility. If (I) the City receives such expiration notice and the provider of such credit facility does not extend its expiration date, (II) the City receives notice of the termination of the credit facility, or (III) the provider of such credit facility no longer has a credit rating in one of the two highest credit rating categories by two Rating Agencies, the City immediately shall (A) provide a substitute credit facility that meets the requirements set forth in the foregoing sentences, (B) deposit the Series Debt Service Reserve Requirement to the respective Series Debt Service Reserve Account (i) in equal monthly installments over the next succeeding 12 months in the case of receipt of an expiration notice, (ii) prior to the termination date in the case of receipt of a termination notice, or (iii) immediately in the case of such reduction in credit rating, or (C) instruct the Trustee to draw on such credit facility in the amount of the Series Debt Service Reserve Requirement (i) 12 months prior to expiration of the credit facility in the case of receipt of an expiration notice, (ii) prior to the termination date in the case of receipt of a termination notice, or (iii) immediately in the case of such reduction in credit rating and deposit such drawing to the Series Debt Service Reserve Account.

If a disbursement is made pursuant to any credit facility, the City is required to either (a) reinstate the maximum limits of such credit facility, or (b) deposit to the credit of the applicable Series Debt Service Reserve Account moneys in the amount of the disbursement made under such credit facility from available Revenues. To the extent such moneys are still insufficient, then the City is required to transfer to the Trustee from any legally available moneys the amount of such deficiency as soon as practicable and in any event within one year by depositing one-twelfth of the required amount each month.

Amounts, if any, released from any Series Debt Service Reserve Account upon deposit to the credit of such Account of a credit facility shall, upon designation by an Authorized Representative of the City, accompanied by an Opinion of Bond Counsel that such use will not adversely affect the exclusion from gross income of interest on the respective Series of Bonds, be transferred (X) to the subaccount of the Principal Account with respect to such Series of Bonds and used to pay principal of or to redeem such Series of Bonds, or (Y) to the City to be used to pay all or any portion of the Costs of the System designated by the City and approved by Bond Counsel.

(c) On or within five days after each Reserve Determination Date, the Trustee shall determine if the balance on deposit in each Series Debt Service Reserve Account was, as of the Reserve Determination Date, at least equal to the applicable Series Debt Service Reserve Requirement. In making such determination, any obligations in the Series Debt Service Reserve Account shall be valued in accordance with the requirements of the Indenture of Trust.

In the event the amount on deposit in any Series Debt Service Reserve Account is less than the applicable Series Debt Service Reserve Requirement, the Trustee shall transfer moneys to such Series Debt Service Reserve Account to restore such Series Debt Service Reserve Requirement from available Revenues. In the event the amount on deposit in a Series Debt Service Reserve Account is less than the applicable Series Debt Service Reserve Requirement after such transfer, then the City shall transfer to the Trustee from any legally available moneys the amount of such deficiency as soon as practicable and in any event within one year by depositing one-twelfth of the required amount each month.

In the event the amount on deposit in a Series Debt Service Reserve Account exceeds the applicable Series Debt Service Reserve Requirement, the Trustee shall (1) transfer such excess to the Bond Fund to be

deposited in the related Series subaccount in the Interest Account and the related Series subaccount in the Principal Account to the extent amounts in such subaccounts are less than the amounts required to be paid on the next interest payment date and principal payment date, respectively, (2) thereafter transfer such excess to the Bond Fund to be deposited, as directed by an Authorized Representative of the City, in the Interest Account or the Principal Account to the extent amounts in such accounts are less than the amounts required to be paid on the next interest payment date and principal payment date, respectively, and (3) transfer such excess to the City to be used to pay all or any portion of the Costs of the System designated by the City and approved by Bond Counsel; provided, however, that if an Authorized Representative of the City calls for a Reserve Determination Date in connection with the refunding and/or defeasance of a Series of Bonds, then the Trustee is authorized to take such refunding and/or defeasance into account in valuing the Series Debt Service Reserve Account securing such Series of Bonds and is further authorized to apply the amount of any surplus arising from such valuation to reduce the amount of the refunding bonds and/or to provide for the defeasance of the Series of Bonds in such manner as the Authorized Representative of the City may direct.

Payments in Aid of Construction. The City is required to use any payments made to the City by any persons as payment for constructing water, sanitary sewer or natural gas facilities at the request of such persons, whether such payments are made prior to or after such construction, only to pay the cost of such construction. After completion of such construction, the City may use any moneys remaining after such construction is completed to pay all or any portion of the Costs of the System designated by the City and approved by Bond Counsel.

2026B Arbitrage Rebate Fund. The City is required to calculate and pay any rebate obligation owing to the United States of America with respect to the 2026B Bonds as and when due.

Disposition of Funds after Payment of Indebtedness. After the principal of and premium, if any, and interest on all of the Indebtedness, any amounts required to be paid pursuant to the terms of the Indenture of Trust or any Supplemental Indenture and all expenses and charges in the Indenture of Trust required have been paid or provision therefor has been made, the Trustee is required to pay to the City any balance remaining in any fund then held by it.

PLEDGE OF NET REVENUES AND CERTAIN FUNDS AND ACCOUNTS

Net Revenues are pledged equally and ratably to the payment of principal of and interest on all Senior Debt, subject only to the right of the City to make application thereof to other purposes as provided in the Indenture of Trust. Moneys in the Bond Fund and the Debt Service Reserve Fund are pledged (except as provided in the next sentence hereof) equally and ratably to the payment of the principal of and interest on all Senior Debt, subject only to the right of the City to make application thereof, or to direct the Trustee to make application thereof, to other purposes as provided in the Indenture of Trust. The lien and trust created in the Indenture of Trust are for the benefit of the holders of Senior Debt and for their additional security until all the Senior Debt has been paid; provided, however, that the moneys in each Series Debt Service Reserve Account and each Series construction subaccount shall only secure the applicable Series of Bonds and moneys in any account of the Bond Fund relating to a particular Senior Debt shall only secure such Senior Debt.

INVESTMENT OF MONEYS

Any moneys held in the Funds and Accounts shall be invested and reinvested by or at the written direction of the Director of Finance or Authorized Representative of the City in Investment Obligations, subject to the limitations stated in the Indenture of Trust. "Investment Obligations" shall mean any of the following which are at the time legal investments for public funds under the Investment of Public Funds Act (Chapter 45, Title 2.2 of the Virginia Code) or any successor provisions of law applicable to such investments:

- (a) Government Obligations;
- (b) Government Certificates;
- (c) bonds, notes and other evidences of indebtedness of the Federal National Mortgage Association, the Federal Home Loan Bank, the Farm Credit System, the Federal Home Loan Mortgage Corporation, the Student Loan Marketing Association and the Resolution Funding Corp.;
- (d) bonds and notes of the Commonwealth and securities unconditionally guaranteed as to the timely payment of principal and interest by the Commonwealth, so long as such obligations are rated by the Rating Agencies in one of the two highest rating categories of such Rating Agencies;
- (e) commercial paper with a maturity of 270 days or less, which complies with the requirements of Section 2.1-328.1 of the Virginia Code, or any successor provision of law, so long as such commercial paper is rated at the time of purchase, "Prime-1" or better by Moody's and "A-1" or better by the applicable Rating Agencies;
- (f) bankers acceptances, if permitted by Section 2.1-328.3 of the Virginia Code, or any successor provision of law, with a maximum term of one year of any bank which has an unsecured, uninsured and unguaranteed obligation rating of "Prime-1" or "A3" or better by the applicable Rating Agencies;
- (g) savings accounts, time deposits, certificates of deposit and other interest bearing accounts of any (1) national bank located within the Commonwealth or (2) state-chartered bank, provided that such funds are secured in the manner required by the Virginia Security for Public Deposits Act or any successor provision of law, but only to the extent such funds are fully insured by the Federal Deposit Insurance Corporation or any other Federal insurance agency, and provided that no deposits made under this subsection shall be made for a period in excess of five years;
- (h) savings accounts and certificates of deposit of (1) savings institutions which are under supervision of the Commonwealth and (2) Federal institutions located within the Commonwealth organized under the laws of the United States of America and under Federal supervision, but only to the extent that such accounts and certificates are fully insured by the Federal Deposit Insurance Corporation or any other Federal insurance agency, unless such deposits in excess of the amount insured shall be fully collateralized

(A) by eligible collateral as defined in Section 2.1-360(e) of the Virginia Code or any successor provision of law, (B) by Government National Mortgage Association Pass-through Certificates, (C) by Federal National Mortgage Association Guaranteed Pass-through Certificates, (D) by Federal Home Loan Mortgage Corporation Participation Certificates or (E) as provided by the Virginia Security for Public Deposits Act or any successor provision of law, provided that no deposits made under this subsection shall be made for a period in excess of five years; and

(i) units representing beneficial interests in investment pools created pursuant to the Government Non-Arbitrage Investment Act (Chapter 47, Title 2.2 of the Virginia Code) or any successor provision of law.

Any moneys held in the Bond Fund and the Debt Service Reserve Fund or any Account in such funds shall be separately invested and reinvested by the Trustee at the direction of the Chief Administrative Officer or the Director of Finance or his designee in investments described in clauses (a), (b), (c), (g), (h) and (i) above, so long as they are authorized for investment of public sinking funds by Section 2.2-4500 of the Virginia Code or any successor provisions of law applicable to such investments.

Any investments described in clauses (a) and (b) above may be purchased pursuant to an overnight, term or open repurchase agreement in accordance with the provisions of the Indenture of Trust.

Investments in a money market or other fund, investments of which fund are exclusively in obligations or securities described in clauses (a), (b) and (c) above, shall be considered investments in obligations described in clauses (a), (b) and (c) above; provided that such funds are registered under the Securities Act of the Commonwealth (Chapter 5, Title 13.1 of the Virginia Code).

Moneys held in the following funds and Accounts shall be invested in obligations described above of the following maturities:

(1) Bond Fund, General Obligation Bond Account and Subordinate Debt Account - not later than the dates on which such moneys will be needed to pay principal of or interest on the related Indebtedness; and

2) Series Debt Service Reserve Accounts within the Debt Service Reserve Fund - not later than the earlier of five years from the date of acquisition of the investment or the final maturity of the applicable Senior Debt.

Unless otherwise provided in a Supplemental Indenture, earnings on Investment Obligations shall accrue to the fund or Account in which such Investment Obligations are on deposit, or, at the written direction of an Authorized Representative of the City, shall be transferred to and deposited in the Bond Fund.

In computing the amount in any fund or Account, except for the Debt Service Reserve Fund, obligations purchased as an investment of money therein shall be valued at cost or fair market value thereof, whichever is lower, plus accrued interest. Investments in the Debt Service Reserve Fund shall be valued at least semiannually at the fair market value thereof, plus accrued interest.

PARTICULAR COVENANTS

Payment of Indebtedness: Limited Obligations. The Indenture of Trust provides that the City shall promptly pay or cause to be paid when due the principal of (whether at maturity, by acceleration, call for redemption or otherwise) and premium, if any, and interest on the Indebtedness at the places, on the dates and in the manner provided therein and in the Indebtedness according to the true intent and meaning thereof; provided, however, that such obligations are not general obligations of the City but are limited obligations payable solely from Net Revenues, except to the extent payable from the proceeds of Indebtedness, the income, if any, derived from the investment thereof, certain reserves, proceeds of credit enhancement, income from investments pursuant to the Indenture of Trust or proceeds of insurance, which Net Revenues and other moneys are hereby specifically pledged to such purposes in the manner and to the extent provided in the

Indenture of Trust. The Indebtedness, the premium, if any, and the interest thereon shall not be deemed to create or constitute an indebtedness or a pledge of the faith and credit of the Commonwealth or of any county, city, town or other political subdivision thereof, including the City.

Limitation on Indebtedness. The City shall not issue any bonds, notes or other obligations that shall be secured by a pledge of Net Revenues (a) senior to the pledge of Net Revenues securing the Senior Debt, (b) except in compliance with the Indenture of Trust, on parity with the pledge of Net Revenues securing the Senior Debt, or (c) except in compliance with the Indenture of Trust, subordinate to the pledge of Net Revenues securing the Senior Debt. The City shall not issue Bonds, Other System Indebtedness or Subordinate Debt unless the City complies with the provisions of the Indenture of Trust.

Covenants and Representations of City. The City shall faithfully observe and perform all covenants, conditions and agreements on its part contained in the Indenture of Trust, in every issue of Indebtedness issued thereunder and in all proceedings of the City pertaining thereto. The City represents that it is duly authorized under the Constitution and the laws of the Commonwealth, including the Public Finance Act, to issue the Indebtedness, to execute the Indenture of Trust, and to pledge Net Revenues in the manner and to the extent therein set forth. The City covenants that it will take all action necessary for issuance of the Indebtedness and the execution of the Indenture of Trust, and that upon issuance the Indebtedness will be valid and enforceable obligations of the City according to the import thereof.

Covenants with Credit Banks, Insurers, etc. The City may make such covenants and agreements in a Supplemental Indenture as it may determine to be appropriate with any insurer, credit bank or other financial institution that shall agree to insure or to provide credit or liquidity support that shall enhance the security or the value of any Indebtedness. Such covenants and agreements may be set forth in the applicable Supplemental Indenture and shall be binding on the City and all the holders of the Indebtedness the same as if such covenants were set forth in full in the Indenture of Trust.

Operation and Maintenance. The City shall establish and enforce reasonable rules and regulations governing the use of and the services furnished by the System, maintain and operate the System in an efficient and economical manner, maintain the same in good repair and sound operating condition and make all necessary repairs, replacements and renewals.

Free Service. The City shall not permit connections to or use of the System or provide any services of the System without making a charge therefor in accordance with the City's schedule of rates, fees and charges for the System other than those connections, uses or services already in existence; provided, however, the City may accept proffers and other forms of payment in lieu of cash payments that the City deems are in its best interests to accept.

Sale or Encumbrance of System. (a) Neither the System nor any integral part thereof shall be leased, sold or otherwise disposed of without an Independent Consulting Engineer's certification that such disposition will not have a negative impact on the overall viability of the System unless the proceeds of such disposition, together with any other legally available moneys are sufficient to pay the principal of and premium, if any, and interest on all Indebtedness then Outstanding and the proceeds are used for such purpose. The City shall not create or suffer to be created any lien or charge upon the System or any part thereof or any lien or charge upon Net Revenues and other moneys pledged in the Indenture of Trust ranking equally with or prior to the lien and charge of the Indebtedness, except as provided in the Indenture of Trust. Notwithstanding anything in the Indenture of Trust to the contrary, the City may acquire items of personal property constituting part of the System under lease purchase agreements or similar financing arrangements entered into in the ordinary course of business which may be subject to purchase money security interests or other liens in an aggregate amount not to exceed five percent (5%) of the net amount of plant, property and equipment.

(b) Notwithstanding the provisions of clause (a) above, the City may sell, transfer or otherwise dispose of all or substantially all of the System for purposes of consolidating the System with or merging the System into one or more regional water and/or sewer systems of which the City is a participating member jurisdiction if: (1) the successor entity assumes in writing all of the Indebtedness then Outstanding, (2) the

successor entity covenants in writing to comply with the Rate Covenant, (3) the City obtains an opinion of Bond Counsel, subject to the customary exceptions and qualifications, substantially to the effect that the assumption by the successor entity of all of the Indebtedness then Outstanding shall not have an adverse effect on the tax-exempt status of the interest on any such Indebtedness the interest on which was excludable from gross income for purposes of Federal income taxation when issued and (4) the ratings on the Indebtedness then Outstanding will not adversely be affected by such assumption.

Insurance. The City shall continuously maintain insurance with recognized responsible commercial insurance companies against such risks as are customary for public bodies owning and operating similar systems, including (a) insurance against loss or damage to the System, (2) public liability insurance against liability for bodily injury, including death resulting therefrom, and from damage to property, including loss of use thereof, arising out of the ownership or operation of the System and (3) workers' compensation insurance with respect to the System.

In lieu of insurance written by commercial insurance companies, the City may maintain a program of self-insurance or participate in group risk financing programs, including sponsored insurance programs, risk pools, risk retention groups, purchasing groups and captive insurance companies, and in state or Federal insurance programs; provided, however, that the City shall obtain and maintain on file a tri-annual favorable written opinion of a Qualified Independent Consultant that such alternative is reasonably acceptable under all the circumstances.

Damage, Destruction, Condemnation and Loss of Title. If all or any part of the System is destroyed or damaged by fire or other casualty, condemned or lost by failure of title, the City shall restore promptly the property damaged or destroyed to substantially the same condition as before such damage, destruction, condemnation or loss of title with such alterations and additions as the City may determine and which will not impair the capacity or character of the System for the purpose for which it is then being used or is intended to be used. The City may apply so much as may be necessary of the Net Proceeds received on account of any such damage, destruction, condemnation or loss of title to payment of the cost of such restoration, either on completion or as the work progresses. If such Net Proceeds are not sufficient to pay in full the cost of such restoration, the City shall pay so much of the cost as may be in excess of such Net Proceeds from any legally available moneys. Any balance of such Net Proceeds remaining after payment of the cost of such restoration shall be deposited in the Bond Fund.

Records and Accounts: Inspections and Reports. (a) The City shall keep proper books of records and accounts, separate from any of its other records and accounts, showing complete and correct entries of all transactions relating to the System, and the Trustee shall have the right at all reasonable times to inspect the System and all records, accounts and data relating thereto. The City shall also cause a certified audit to be made at the end of each Fiscal Year.

(b) The City shall cause an Independent Consulting Engineer at least once every five years to inspect the System and make a written report thereof.

Service Contracts. The City may enter into Service Contracts for the benefit of the System, provided that the City specifies the items payable as the Debt Service Component, Operating Component or Remaining Component of the Cost of Contracted Services and provided, further, that the City shall not enter into any Service Contracts that would create Debt Service Components unless the City satisfies the certain tests of the Indenture of Trust.

Addition of Utilities or Enterprises to the Net Revenue Pledge of the System. Additional enterprises may be added to the System from time to time at the discretion of the City by resolution of the City Council in accordance with the requirements of the Indenture of Trust.

LIMITATIONS ON USE OF PROCEEDS

The City covenants with the holders of the 2026B Bonds as follows:

(a) The City shall not take or omit to take any action or approve the Trustee's taking any action or making any investment or use of the proceeds of any 2026B Bonds (including failure to spend the same with due diligence) the taking or omission of which would cause the 2026B Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code, including participating in any issue of obligations that would cause the 2026B Bonds to be part of an "issue" of obligations that are arbitrage bonds, within the meaning of Treasury Regulations Section 1.148-10 or successor regulation, or otherwise cause interest on the 2026B Bonds to be includable in the gross income of the registered owners under existing law. Without limiting the generality of the foregoing, the City shall comply with any provision of law that may require the City at any time to rebate to the United States of America any part of the earnings derived from the investment of gross proceeds of the 2026B Bonds;

(b) Barring unforeseen circumstances, the City shall not approve the use of the proceeds from the sale of any 2026B Bonds otherwise than in accordance with the City's "non-arbitrage" certificate delivered immediately prior to the issuance of the 2026B Bonds;

(c) The City shall not permit the proceeds of the 2026B Bonds to be used in any manner that would result in either (1) 5% or more of such proceeds or facilities being financed or refinanced with such proceeds being considered as having been used in any trade or business carried on by any person other than a governmental unit as provided in Section 141(b) of the Code, (2) 5% or more of such proceeds or the facilities being financed or refinanced with such proceeds being used with respect to any "output facility" (other than a facility for the furnishing of water) within the meaning of Section 141(b)(4) of the Code, or (3) 5% or more of such proceeds being considered as having been used directly or indirectly to make or finance loans to any person other than a governmental unit, as provided in Section 141(c) of the Code; and

(d) The City shall not take any other action that would adversely affect, and shall take all action within its power necessary to maintain, the exclusion of interest on all 2026B Bonds from gross income for federal income taxation purposes; provided; however, that if the City receives an opinion of Bond Counsel that compliance with any such covenant is not required to prevent the interest on the 2026B Bonds from being includable in the gross income of the registered owners thereof under existing law, the City need not comply with such restriction.

Events of Default and Remedies on Default

Each of the following events shall be an "Event of Default" upon the conditions and subject to the limitations provided in the Indenture of Trust: (1) default by the City in the due and punctual payment of the principal of or premium, if any, on any Bond (whether at maturity, by acceleration, call for redemption or otherwise), (2) default by the City in the due and punctual payment of the interest on any Bond, (3) subject to certain provisions, failure of the City to observe or perform any other covenants, conditions or agreements under the Indenture of Trust or in the Bonds, (4) failure to make any required payment with respect to any Other System Indebtedness, or an event of default as defined in any mortgage, indenture, or instrument under which there may be issued, or by which there may be secured or evidenced any Other System Indebtedness shall occur, which event of default shall not have been waived by the holder of such mortgage, indenture or instrument, and as a result of such failure to pay or other event of default, such Other System Indebtedness shall have been accelerated, and (e) failure of the City generally to pay its debts as they become due and certain events of bankruptcy, assignment, dissolution, liquidation or reorganization by or against the City.

Certain of the City's obligations other than the obligation to make all payments on the Bonds may be suspended if by reason of force majeure, as defined in the Indenture of Trust, the City is unable to carry out such obligations.

Upon the occurrence and continuation of an Event of Default, the Trustee may (and if requested by the holders of not less than 25% in aggregate principal amount of Bonds then Outstanding shall) by written notice to the City, declare the entire unpaid principal of the Bonds due and payable and, thereupon, the entire unpaid principal of and premium, if any, and accrued interest on the Bonds shall forthwith become due and payable, but only from Net Revenues and other moneys specifically pledged for payments of Bonds.

Upon the occurrence and continuation of an Event of Default, the Trustee may (and if requested by the holders of not less than 25% in aggregate principal amount of Outstanding Bonds and if indemnified in accordance with prevailing industry standards shall) proceed to protect and enforce their rights by mandamus or other suit, action or proceeding at law or in equity, including an action for specific performance of any covenant or agreement contained in the Indenture of Trust.

All moneys received by the Trustee pursuant to any right given or action taken under the provisions of the Indenture of Trust shall, after payment of the cost and expenses of the proceedings resulting in the collection of such moneys, the expenses, liabilities and advances incurred or made by the Trustee and its fees and the expenses of the City in carrying out the Indenture of Trust, be deposited in the Bond Fund and applied as follows and for no other purpose:

(a) Unless the principal of all the holders of Bonds shall have become due or shall have been declared due and payable, all such moneys shall be applied:

First - To the payment to the persons entitled thereto of all installments of interest then due on the Senior Debt, in the order of the maturity of the installments of such interest and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or preference except as to any difference in the respective rates of interest specified in the Senior Debt; and

Second - To the payment to the persons entitled thereto of the unpaid principal of and premium, if any, on any of the Senior Debt which shall have become due (other than Senior Debt called for redemption for the payment of which moneys are held pursuant to the provisions of the Indenture of Trust), in the order of their due dates, with interest on such Senior Debt at the respective rates specified therein from the respective dates upon which they become due and, if the amount available shall not be sufficient to pay in full Senior Debt due on any particular date, together with such interest, then first to the payment of such interest, ratably, according to the amount of such interest due on such date, and then to the payment of such principal and premium, if any, ratably, according to the amount of such principal due on such date, to the persons entitled thereto, without any discrimination or preference except as to any difference in the respective rates of interest specified in the Senior Debt.

(b) If the principal of all the Senior Debt shall have become due or shall have been declared due and payable, all such moneys shall be applied to the payment of the principal and interest then due and unpaid on the Senior Debt, including, to the extent permitted by law, interest on overdue installments of interest, without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any bond over any other bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto, without any discrimination or preference except as to any difference in the respective rates of interest specified in the Senior Debt.

(c) If the principal of all the Senior Debt shall have been declared due and payable and if such declaration shall thereafter have been rescinded and annulled under the provisions of the Indenture of Trust, then, subject to the provisions of clause (b) above in the event that the principal of all the Senior Debt shall later become due or be declared due and payable, the moneys shall be applied in accordance with the provisions of clause (a) above.

Whenever moneys are to be applied pursuant to the provisions above, such moneys shall be applied at such times and from time to time as the Trustee shall determine, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future.

Whenever there are moneys remaining after application to the Bond Fund for the payment of Senior Debt, the Trustee shall apply such remaining moneys, allocated in a similar manner as provided above, to the payment of Subordinate Debt.

Whenever the principal of and premium, if any, and interest on all Senior Debt have been paid under the provisions of the Indenture of Trust, all payments required by the terms of any Supplemental Indenture have been paid and all expenses and charges of the Trustee have been paid, any balance remaining in the several funds created by the Indenture of Trust shall be paid to the City as provided in the Indenture of Trust.

Supplemental Indentures

The City and the Trustee may, without the consent of, or notice to, any of the holders at Bonds, enter into Supplemental Agreements as shall not be inconsistent with the intent of the terms and provisions of the Indenture of Trust for any one or more of the following purposes:

- (a) To cure any ambiguity, formal defect or omission in the Indenture of Trust;
- (b) To grant to or confer upon the holders of Senior Debt any additional rights, remedies, powers or authority that may lawfully be granted to or conferred on the holders of Senior Debt;
- (c) To add to the covenants and agreements of the City in the Indenture of Trust other covenants and agreements to be observed by the City;
- (d) To modify, amend or supplement the Indenture of Trust in such manner as required to permit the City to comply with the provisions of the Code relating to the rebate to the United States of America of earnings derived from the investment of the proceeds of Senior Debt, provided that such modification, amendment or supplement does not materially adversely affect the holders of all Outstanding Senior Debt;
- (e) To modify, amend or supplement the Indenture of Trust in such manner as may be required by a Rating Agency to maintain its rating on the Senior Debt, provided that such modification, amendment or supplement does not materially adversely affect the holders of all Outstanding Senior Debt;
- (f) To modify, amend or supplement the Indenture of Trust to implement any covenants or agreements in connection with an insurer, credit bank or other financial institution that shall agree to insure or to provide credit or other liquidity support to enhance the security or the value of any Senior Debt, as provided in the Indenture of Trust;
- (g) To authorize the issuance of and to secure one or more issues of Indebtedness as provided in the Indenture of Trust; and
- (h) To modify, amend or supplement the Indenture of Trust in any manner that the Trustee concludes is not materially adverse to the holders of all Outstanding Bonds.

In addition, subject to the terms and provisions contained in the Indenture of Trust, the holders of not less than a majority in aggregate principal amount of Outstanding Bonds shall have the right from time to time, notwithstanding anything in the Indenture of Trust to the contrary, to consent to the execution by the City and the Trustee of such other agreements or agreements supplemental thereto as shall be deemed necessary or desirable by the City for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Indenture of Trust and any Supplemental Indentures; provided, however, that nothing in the Indenture of Trust shall permit, or be construed as permitting, (a) an extension of the maturity of the principal of or the interest on any Bonds, (b) a privilege or priority of any Senior Debt over any other Senior Debt, (c) a reduction in the aggregate principal amount of Bonds required for consent to such Supplemental Indentures, (d) a reduction in the principal amount of or premium, if any, on any Bonds or the rate of interest thereon or (e) an extension of time or a reduction in amount of any payment required by any sinking fund that may be applicable to any Bonds, without the

consent of the holders of all of the Outstanding Bonds; provided, however that there shall be no modification of the Net Revenue pledge which secures the Other System Indebtedness nor of the Net Revenue pledge which secures the Subordinate Debt, if such respective modification would adversely affect the interests of the holders of such debt.

If at any time the City shall request the Trustee to enter into any such Supplemental Indenture, the Trustee shall cause notice of the proposed execution of such Supplemental Indenture to be sent by registered or certified mail to the registered owner of each Bond at his address as it appears on the registration books. Such notice shall briefly set forth the nature of the proposed Supplemental Indenture and shall state that a copy thereof is on file at the corporate trust office of the Trustee for inspection by all holders of Bonds. If, within 90 days or such longer period as shall be prescribed by the City following the giving of such notice, the holders of not less than a majority in aggregate principal amount of Outstanding Bonds, or in the case of (a) through (e) above, the holders of all Outstanding Bonds, shall have consented to and approved the execution thereof as provided in the Indenture of Trust, no holder of any Bond shall have any right to object to any of the terms and provisions contained therein, or the operation thereof, or in any manner to question the propriety thereof, or to enjoin or restrain the Trustee or the City from executing such Supplemental Indenture or from taking any action pursuant to the provisions thereof. Upon the execution of any such Supplemental Indenture as above permitted and provided, the Indenture of Trust shall be and be deemed to be modified and amended in accordance therewith.

The City and the Trustee may enter into a Supplemental Indenture pursuant to (g) above and in accordance with the provisions of the Indenture of Trust without compliance with the above.

Notwithstanding anything in the Indenture of Trust to the contrary, the City and the Trustee may enter into any Supplemental Indenture upon receipt of the consent of the holders of all Outstanding Bonds; provided, however that there shall be no modification of the Net Revenue pledge which secures the Other System Indebtedness nor of the Net Revenue pledge which secures the Subordinate Debt, if such respective modification would adversely affect the interest of the holders of such debt.

Discharge of Indenture of Trust

If (a) (1) all Bonds and Subordinate Debt issued under the Indenture of Trust shall have become due and payable in accordance with their terms or otherwise as provided in the Indenture of Trust or have been duly called for redemption or irrevocable instructions to call the Bonds or Subordinate Debt issued under the Indenture of Trust or to pay them at maturity have been given by the City to the Trustee, and (2) the Trustee holds cash or obligations that are either noncallable direct obligations of the United States of America or noncallable obligations, timely payment of which is guaranteed by the United States of America, the principal of and the interest on which at maturity will be sufficient (without reinvestment) (A) to redeem in accordance with the relevant section of the Indenture of Trust all Bonds or Subordinate Debt issued under the Indenture of Trust that have been called for redemption, or for which irrevocable instructions for call for redemption have been given, on the date set for such redemption, (B) to pay at maturity all Bonds or Subordinate Debt issued under the Indenture of Trust not irrevocably called for redemption, (C) to pay interest accruing on any Bonds or Subordinate Debt issued under the Indenture of Trust prior to its redemption or payment at maturity, (D) to make all payments required by the terms of any Supplemental Indenture and (E) to pay the Trustee's fees and expenses and any other fees and expenses for which the City is responsible under the Indenture of Trust, including the costs and expenses of canceling and discharging the Indenture of Trust, and (b) the Trustee shall have received notification from the holders of all other Indebtedness that such Indebtedness has been paid, or payment has been provided for such Indebtedness, in accordance with the documents related thereto, then the Trustee shall, at the expense of the City, cancel and discharge the Indenture of Trust and execute and deliver to the City such instruments in writing as shall be necessary to cancel the lien thereof, and assign and deliver to the City any property at the time subject to the Indenture of Trust that may then be in its possession, except moneys or securities in which such moneys are invested which are held by the Trustee for the payment of principal of or premium, if any, or interest on the Bonds and Subordinate Debt issued under the Indenture of Trust.

Bonds for the payment or redemption of which cash or noncallable direct obligations of the United States of America the principal of and premium, if any, and interest on which will be sufficient therefor shall have been deposited with the Trustee (whether upon or prior to the date of their maturity or their redemption date) shall be deemed to be paid and no longer Outstanding; provided, however, that if such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been duly given or arrangements satisfactory to the Trustee shall have been made for the giving thereof.

APPENDIX C

**DESCRIPTION OF THE CITY OF RICHMOND, VIRGINIA
AND THE SYSTEM**



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INFORMATION REGARDING THE CITY OF RICHMOND

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CITY GOVERNMENT AND ADMINISTRATION

Overview

The City of Richmond (the “City” or “Richmond”) is a municipal corporation of the Commonwealth of Virginia (the “Commonwealth” or “Virginia”) and is the capital of the Commonwealth. As a full service independent city, Richmond is autonomous of any county or other political subdivision. Its citizens are not subject to taxation by any county or independent school district for any purpose. The City occupies 62.5 square miles and serves a population of 241,478 as of 2025 according to the Weldon Cooper Center for Public Service, Demographics Research Group. As of January 1, 2026, the assessed taxable real property base valuation in the City was \$43,905,956,000.

General Government

The City is governed by a Mayor (the “Mayor”) and a City Council (the “Council”). The Mayor is elected every four years by a majority vote of voters in at least five of the City’s nine council districts. The Mayor is the chief executive officer of the City with responsibilities that include recommending the annual budget to the Council, selecting a Chief Administrative Officer with the advice and consent of the Council, issuing regulations as necessary to implement the duties and powers of the Mayor and making recommendations on revenue and funding transfer matters. The City Charter (the “Charter”) grants the Mayor the power to veto any ordinance or any item in any City budget ordinance, which veto may be overridden only by an affirmative vote of six or more Council members.

The Council establishes the policies for the administration of the City. The Council is comprised of nine members, each elected in a single district. Council members are elected for a four-year term and their current terms expire on December 31, 2028. The Council elects a President of the Council who serves a two-year term and presides at meetings of the Council. If a vacancy occurs in the office of the Mayor, the President of the Council becomes acting Mayor until residents of the City elect a successor to fill the remainder of the Mayor’s term.

The Chief Administrative Officer reports to and serves at the pleasure of the Mayor, with the approval of the Council, and is responsible for the day-to-day operations of the City. The Chief Administrative Officer has the power of appointment and removal of the heads of the administrative departments of the City.

Overview of the Organization

Office of the Mayor

Mayor. Dr. Danny Avula was sworn in as Richmond’s 81st Mayor of the City of Richmond on December 31, 2024, representing Richmond’s first immigrant mayor. Prior to his mayoral election, Mayor Avula served the greater Richmond region as a public health physician where he specialized in pediatrics and preventative medicine, practicing clinically as a pediatric hospitalist. Also, Mayor Avula served the Richmond City and Henrico County Health Districts for nearly 13 years, leading as Health Director for six years. Mayor Avula’s public contributions reach state level departments, offices, and board following a string of governor appointments between 2013 and 2022. In 2013, Governor Terry McAuliffe appointed Mayor Avula to the State Board of Social Services, where he served as chair from 2017 to 2019. In 2021, Governor Ralph Northam appointed Mayor Avula to lead the Commonwealth’s COVID-19 vaccination effort, controlling the strategic management of vaccination goals. In 2022, Mayor Avula was appointed as Commissioner of the Virginia Department of Social Services by Governor Glen Youngkin. Mayor Avula received a bachelor’s degree from the University of Virginia and would later complete his Doctor of Medicine from Virginia Commonwealth University (“VCU”) School of Medicine, specializing in pediatrics and preventative medicine. Additionally, Mayor Avula earned his Master of Public Health from the Bloomberg School of Public Health at Johns Hopkins University. Mayor Avula’s work has been featured nationally by



CITY GOVERNMENT AND ADMINISTRATION

the Center for Disease Control and Prevention, MSNBC, The New York Times, National Public Radio, PBS Newshour and more.

Council

President of Council & Seventh District Representative. Cynthia I. Newbille was elected to Council in 2009. Dr. Newbille serves as Chair of the Organizational Development Committee. Prior to being elected to the Council, she served from 2002 to 2004, as Chief of Staff to the City of Richmond's City Manager. Dr. Newbille received a Bachelor of Arts degree and a Master of Arts degree in Psychology from S.U.N.Y at Stony Brook and a Doctor of Philosophy in Public Policy and Administration from Virginia Commonwealth University.

Vice President of the Council & Second District Representative. Katherine Jordan was elected to Council in November of 2020. Ms. Jordan serves as Chair of the Governmental Operations Committee and as Vice Chair of the Organizational Development Committee. She received a Bachelor of Arts degree and Master of Arts degree, in Urban & Environmental Planning, from the University of Virginia.

First District Representative. Andrew Breton was elected to Council in November 2024. Mr. Breton serves as Vice Chair of the Education and Human Services Committee; member of the Organizational Development Committee; member of the Land Use, Housing and Transportation Committee; and alternate member of the Governmental Operations Committee. Mr. Breton is currently employed by Seek as the Vice President of Data. He received a Bachelor of Science in Systems Engineering from the University of Virginia and a Master of Arts in Economics from Duke University.

Third District Representative. Kenya J. Gibson was elected to Council in November 2024. Ms. Gibson serves as member of the Organizational Development Committee; member of the Governmental Operations Committee; and alternate member of the Land Use and Housing Committee. Ms. Gibson is currently employed as Director of Digital Marketing at Acoustical Solutions. She earned a Bachelor of Arts in Economics & Fine Art from the College of William & Mary and a Master of Architecture from Yale University.

Fourth District Representative. Sarah Abubaker was elected to Council in November 2024. Ms. Abubaker serves as Vice Chair of the Governmental Operations Committee; member of the Organizational Development Committee; member of the Public Safety Committee; and alternate member of the Finance and Economic Development Committee. She earned a Bachelor of Arts in Political Science & Communications from James Madison University and a Master of Public Administration from Virginia Commonwealth University.

Fifth District Representative. Stephanie A. Lynch was elected to Council in November of 2019. Ms. Lynch serves as Chair of the Education and Human Services Committee; Vice Chair of the Public Safety Committee; member of the Organizational Development Committee; and member of the Finance and Economic Development Committee. She is employed as the Senior Program Administrative Specialist at the Virginia Department of Social Services. Ms. Lynch received a Bachelor of Science in Psychology and a Bachelor of Arts in Women's Studies and a Master of Social Work, Administration, & Policy Practice from Virginia Commonwealth University.

Sixth District Representative. Ellen F. Robertson was elected to Council in 2003. Ms. Robertson serves as Vice Chair of the Finance and Economic Development Committee and as Vice Chair of the Land Use, Housing and Transportation Committee. Ms. Robertson is a retired community and housing developer. Ms. Robertson received an associate's degree from J. Sargeant Reynolds Community College and a Bachelor of Science degree from Virginia Commonwealth University.



CITY GOVERNMENT AND ADMINISTRATION

Eighth District Representative. Reva M. Trammell was re-elected to Council in 2006, having previously served on the Council from 1998 to 2002. Ms. Trammell serves as Chair of the Public Safety Committee. Ms. Trammell is a self-employed businesswoman.

Ninth District Representative. Nicole Jones was elected to Council in November 2024. Ms. Jones has served on the Richmond City Public School Board as the 9th District Representative from January 2021 until her appointment to Council. Ms. Jones received a Bachelor of Arts degree in Business Administration & Management from Strayer University

Administration

Chief Administrative Officer. Odie Donald II was appointed as Chief Administrative Officer in June 2025. Mr. Donald has nearly two decades of public service experience prior to the City of Richmond. Most recently, Mr. Donald served as Chief of Staff to Mayor Andre Dickens in the City of Atlanta, Georgia. While serving in the City of Atlanta, he provided consultation to the Mayor over legislative and policy issues, led the City's major public-private partnerships transactions, and oversaw an expansive portfolio including External Affairs, Communications, Cultural Affairs, Department of Labor and Employment Services, and more. He holds a master's in business administration and a Bachelor of Arts in History from Georgia State University.

Deputy Chief Administrative Officer – Finance & Administration. Tanikia Jackson was appointed as Deputy Chief Administrative Officer – Finance & Administration in July 2025. Ms. Jackson has extensive experience in public administration with various positions in Atlanta, Georgia, Chattanooga, Tennessee, DeKalb County, Georgia, and Augusta-Richmond County, Georgia. Most recently, Ms. Jackson served as Deputy Chief of Staff for the City of Atlanta, Georgia, where she oversaw budget, procurement, and infrastructure operations. She holds a master's in public administration from Keller Graduate School of Management and a bachelor's in computer information systems from DeVry University.

Deputy Chief Administrative Officer – Operations. Al Wiggins Jr. was appointed as Deputy Chief Administrative Officer – Operations in August 2025. A seasoned local-government executive and U.S. Air Force Veteran, Wiggins brings more than 22 years of proven leadership experience. Most recently, Wiggins served as Senior Advisor to the Chief Operating Officer for the City of Atlanta, where he oversaw major operational projects, including the City's preparation for the 2026 World Cup, and managing compliance of the City's \$750 million "Moving Atlanta Forward" initiative.

Deputy Chief Administrative Officer – Economic & Community Development. Sharon Ebert was appointed as Deputy Chief Administrative Officer – Economic & Community Development in March 2019. She previously held planning, economic and real estate development positions in New York City, Yonkers, New York, Philadelphia, Pennsylvania, and Bridgeport, Connecticut. Most recently, Ms. Ebert served as Director of Community Development in the City of Johns Creek, Georgia, where she oversaw planning, zoning, land development, building permitting, and code enforcement activities. She holds a Bachelor of Arts degree from Rensselaer Polytechnic Institute and held the credential of a registered and licensed architect while working in New York City.

City Attorney. Laura K. Drewry was appointed as City Attorney in April 2023. Ms. Drewry has served the City since 2006, where she served as Deputy City Attorney in the Division of Civil Litigation. She primarily worked in worker's compensation and employment litigation and served as the primary legal representative for Fire and Emergency Services, GRTC Transit System, Human Resources, Richmond Library Board, Richmond Personnel Board, and the Richmond Retirement Board. Ms. Drewry received a Juris Doctorate from George Mason University.

Director of Finance. Letitia Shelton was appointed as Director of Finance in July 2025. Ms. Shelton has more than 30 years of experience in public sector finance, including senior positions in



CITY GOVERNMENT AND ADMINISTRATION

Charlottesville, Virginia, Richmond, Virginia, and DeSoto, Texas. Most recently, she served as Director of Finance for the City of Virginia Beach. In her role at the City of Virginia Beach, she oversaw core functions such as accounting, purchasing, risk management, debt management, payroll, and financial system services. She holds a Master of Business Administration and a Bachelor of Science in Accounting from Averett University.

Deputy Director of Finance, Chief Investment & Debt Portfolio Officer. Michael Nguyen joined the City's Finance Department in April 2023. Prior to joining the City, Mr. Nguyen was the head of investments at the Virginia College Savings Plan, where he was responsible for managing multi-asset portfolios in public and private markets. Mr. Nguyen previously held investments and public advisory roles with RBC Global Asset Management and Wells Capital Management. He holds a Bachelor of Arts in Political Science from the University of California at Irvine, and a master's in public policy from the Humphrey School at the University of Minnesota.

Investment & Debt Portfolio Manager. Meiling Qu joined the City's Finance Department in March 2023. Prior to joining the City, Ms. Qu was Assistant Finance Director at New Kent County, where she was responsible for the county's daily financial operations, including issuing municipal bonds for capital improvement projects for both the county and its public utility department. Ms. Qu received a Bachelor of Science Degree in Business and Management and a master's degree in accounting from Western Carolina University.

Director of Budget and Strategic Planning. Meghan Brown was appointed as Director of Budget and Strategic Planning in March 2025. Ms. Brown served the City for more than 15 years prior to her time as Director in several roles such as: Acting Director of Budget & Strategic Planning, Budget and Strategic Planning Senior Manager, and Council Chief of Staff. Prior to joining the City, she worked for a regional audit, tax, and consulting firm. Ms. Brown holds a Bachelor of Science degree in Business from Virginia Polytechnic Institute and State University.

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CITY FINANCIAL INFORMATION

Financial Management

During the past five fiscal years, the Administration and Council have worked closely together to establish clear goals and actions designed to promote the City as being a well-managed organization based on strong financial management and accountability principles.

In fiscal years 2021 – 2025, the City experienced the following:

- For fiscal year 2021, the General Fund reported an ending Fund Balance of \$162.2 million, representing a decrease of \$4.4 million, or 2.6%, compared to the prior year. \$100.5 million is Unassigned, representing 12.9% of actual Expenditures and Transfers out of \$778.6 million. The City's Net Position for Governmental Activities increased \$33.8 million, or 13.5%, compared to the prior year. Additionally, the City's Business Type Activities Net Position increased by \$16.5 million, or 1.9%.
- For fiscal year 2022, the General Fund reported an ending Fund Balance of \$206.2 million, representing an increase of \$44.1 million, or 27.2%, compared to the prior year. \$107.9 million is Unassigned, representing 13.9% of actual Expenditures and Transfers out of \$776.4 million. The City's Net Position for Governmental Activities increased \$150.6 million, or 52.9%, compared to the prior year. Additionally, the City's Business Type Activities Net Position increased by \$47.0 million, or 5.3%.
- For fiscal year 2023, the General Fund reported an ending Fund Balance of \$262.5 million, representing an increase of \$56.3 million, or 27.3%, compared to the prior year. The Unassigned Fund Balance equaled \$139.9 million, representing 16.2% of actual Expenditures and Transfers out of \$866.2 million. The City's Net Position for Governmental Activities increased \$150.6 million, or 36.5%, compared to the prior year. Additionally, the City's Business Type Activities Net Position increased by \$56.9 million, or 6.2%.
- For fiscal year 2024, the General Fund reported an ending Fund Balance of \$268.2 million, representing an increase of \$5.7 million, or 2.1%, compared to the prior year. The Unassigned Fund Balance equaled \$139.9 million, representing 12.6% of actual Expenditures and Transfers out of \$1,110.4 million. The City's Net Position for Governmental Activities increased \$120.7 million, or 20.3%, compared to the prior year. Additionally, the City's Business Type Activities Net Position increased by \$86.8 million, or 8.7%.
- For fiscal year 2025, the General Fund reported an ending Fund Balance of \$270.5 million representing an increase of \$2.3 million, or 0.9%, compared to the prior year. The Unassigned Fund Balance equaled \$140.7 million, representing 12.9% of actual Expenditures and Transfers out of \$1.088 billion. The City's Net Position for Governmental Activities increased \$119.6 million, or 16.7%, compared to the prior year. Additionally, the City's Business Type Activities Net Position increased by \$77.1 million, or 7.2%.
- The above-mentioned increases to City fund balances over the years are largely from the increases in the City's total taxable assessed value for Real and Personal Property and Machinery & Tools. The compound annual growth rate ("CAGR") for total taxable assessed value is approximately 7.9% over the past five fiscal years.
- Looking forward to Fiscal Year 2026, the General Fund adopted budget indicates total revenues of \$1.1 billion, reflecting a \$54.6 million (or 5.5%) increase over the previous year's adopted budget. The increase in General Fund revenue is driven largely by



CITY FINANCIAL INFORMATION

increased assessed values for real estate and personal property. Current internal projections find that the City is in line with budgeted expectations of the fiscal year. However, actual results may vary, and such variances may be material.

The American Rescue Plan Funding (“ARPA”)

The American Rescue Plan Act of 2021 (“ARPA”), which was approved by the United States Congress and signed into law by President Biden on March 11, 2021, provided the City with an aggregate \$155.9 million of additional federal grant assistance. The City received the \$155.9 million in ARPA funds from the federal government in two annual installments received on June 16, 2021, and on June 21, 2022. Primary expenditure categories that have been approved by Council include contributions to an affordable housing trust, economic development grants to small business for workforce development, setting up reserves to address health, family crisis, healthy homes, gun violence prevention and first responder hazard pay. Funds have also been appropriated to various capital projects to address low-income housing, parks and recreation projects and community centers. A portion of the funds will also be used for Water Utility and Stormwater Utility capital projects. As of February 28, 2026, the City has spent \$134.9 million of the total \$155.9 million in ARPA funds received.

Financial Policies

In addition to the fiscal policy and procedures that are in place to foster adequate internal controls and financial controls, the City has enacted financial policies to assist with its financial management.

Downturn Reserve Fund (formerly known as the “Rainy Day Fund”)

In December 2017, the Council amended the Code of the City of Richmond (2015) (the “City Code”) to establish the financial policies of the City regarding the General Fund Balance (the “Fund Balance Policy”). The Fund Balance Policy, among other things, established a “rainy day” fund (the “Rainy Day Fund”) for the City, consisting of the Unassigned Fund Balance and the Budget and Revenue Stabilization Contingency Reserve. In June 2024, Council amended the Fund Balance Policy for the purpose renaming the Rainy Day Fund (now known as the “Downturn Reserve Fund”), increasing the fund allocation requirements and amending the timing of associated surplus dedication policies. Currently, the policy on the Downturn Reserve Fund provides, in part, as follows:

The Downturn Reserve Fund consists of the Contingency Reserve and the Unassigned Fund Balance. It is the goal of the City that the total of the Downturn Reserve Fund be equal to at least 20 percent of budgeted general fund operating expenses for the latest fiscal year for which the Council has adopted a general fund budget.

As of June 30, 2025, the Unassigned Fund Balance was \$140.7 million and the Contingency Reserve (formerly known as the “Budget and Revenue Contingency Reserve”) was \$34.0 million, providing for a combined balance of \$174.7 million, or 16.5%, of budgeted fiscal year 2026 General Fund operating expenses in the Downturn Reserve Fund.

According to the Fund Balance Policy, 50% of any calculated General Fund surplus should be allocated to the Downturn Reserve Fund, with the exact allocations between the Unassigned Funded Balance and the Contingency Reserve determined by the Mayor. The City considers the Downturn Reserve Fund to be comprised of funds that have no limitations, restrictions or planned use.



CITY FINANCIAL INFORMATION

Unassigned Fund Balance Policy

Since 1988, the Council has had a fund balance policy regarding the required level of the Unassigned Fund Balance, which has been amended from time to time, including as recently as June 2024. Currently, the policy on the Unassigned Fund Balance provides as follows:

- 1) It is the policy of the City that appropriations from the Unassigned Fund Balance will be made (i) only in the event of unusual, unanticipated, and seemingly insurmountable hardship, and (ii) only after all other reserves or contingency funds have been exhausted.
- 2) To the extent that the Unassigned Fund Balance is drawn upon, the Mayor shall submit to Council, within 90 days after the date on which such funds were expended, a plan to restore the amount expended within three years after the date on which such funds were expended.

As of June 30, 2025, the Unassigned Fund Balance was \$140.7 million, which represents 13.31% of budgeted fiscal year 2026 General Fund operating expenses.

Contingency Reserve (formerly known as the “Budget and Revenue Stabilization Contingency Reserve”)

In September 2010, the Council created a new reservation of fund balance called the Revenue Stabilization Fund for the purpose of helping the City manage through the immediate needs of economic factors including, but not limited to, revenue reductions and unanticipated cuts in state funding, and set aside \$2.0 million as a reservation of fund balance (the “Policy”). In April 2012, the Council amended the Policy by changing the name of the fund to the Revenue Stabilization and Contingency Fund and increasing the minimum target balance to \$10.0 million. In December 2017, Council further amended the Policy and changed the name of the fund to the Budget and Revenue Stabilization Contingency Reserve. In June 2024, Council revised the Policy and changed the name of the fund to the Contingency Reserve and removed its individual required funding target of 3% of budgeted general fund operating expenses for the latest fiscal year for which the Council has adopted a general fund budget. Currently, the policy on the Contingency Reserve provides, in part, as follows:

- 1) It is the policy of the City that appropriations be made from the Contingency Reserve only when catastrophic, unforeseen, or unavoidable events cause a reduction in revenue or an increase in expenditures, either or both.
- 2) If funds are expended from the Contingency Reserve to cover appropriations, the Mayor shall submit to the Council, within 90 days after the date on which such funds were expended, a plan to restore the unassigned fund balance expended within three years after the date on which funds were expended.

As of June 30, 2025, the Contingency Reserve was \$34.0 million, which represents 3.23% of budgeted fiscal year 2025 General Fund operating expenses.



CITY FINANCIAL INFORMATION

Debt Management Policies

The City has a debt policy in place regarding limitations on General Fund supported debt. The debt policy has become an integral part of the City's financial management and capital budgeting process, and the City is currently in compliance with the policy.

The policy states:

- 1) Total outstanding general obligation debt, moral obligation debt and subject to appropriation debt will not exceed 3.75% of total assessed taxable value (real estate, personal property and machinery & tools).
- 2) The amount of total debt service to be paid on general obligation debt, moral obligation debt and subject to appropriation debt will not exceed 10% of the sum of the General Fund budget, the Richmond Public Schools ("RPS") budget, and the City funding from the State for Highway and Street Maintenance, less the transfer portion RPS receives from the City's General Fund (to prevent double counting).
- 3) The ten-year payout ratio of tax supported general obligation debt, moral obligation debt and subject to appropriation debt shall not be less than 60%.
- 4) Tax supported general obligation debt, moral obligation debt and subject to appropriation debt will not exceed the useful life of the project to be funded, with a maximum maturity of 30 years.
- 5) City will target to provide cash funding from the annual operating budget for a portion of its five-year Capital Improvement Plan (CIP) budget.

Budget Adoption Process

The Charter requires that the General Fund budget be prepared in accordance with generally accepted principles of municipal accounting. The budget adoption process is described below.

- 1) On a day fixed by Council, which is no earlier than the second Monday in February or no later than the seventh day of April each year, the Mayor submits to the Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget, including a transfer to the schools and other funds, contains proposed expenditures and the means of financing those expenditures.
- 2) Public hearings are conducted to obtain taxpayer comments.
- 3) On or before May 31, the budget is legally enacted through passage of an ordinance by the Council. If the Council does not adopt a budget prior to or on May 31, the budget submitted by the Mayor shall be in full force and effect as if it had been adopted by the Council.
- 4) The Charter grants the Mayor power to veto any one or more items in any City budget ordinance or resolution by written notice of veto delivered to the City Clerk within 14 calendar days of the



CITY FINANCIAL INFORMATION

Council's action. The Council may override the Mayor's veto by vote of any six or more Council members at a meeting held within 14 days after the City Clerk's receipt of the notice of veto.

- 5) Formal budgetary integration is employed as a management control device during the year for all funds.
- 6) Budgets for the General Fund, Special Revenue Funds and Capital Projects Funds are generally prepared on the modified accrual basis of accounting, except those encumbrances that do not lapse at the end of a fiscal year, which are included as budgetary expenditures.

Basis of Accounting

For a detailed discussion of the City's basis of accounting, see Note 1.C in the audited financial statements for the City for the fiscal year ended June 30, 2025, which are set forth in **Appendix B** of this Official Statement.

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THE SYSTEM

Overview of the System

The Natural Gas Utility, Water Utility and Wastewater Utility is a natural gas, water and wastewater utility owned by the City and operated by the City's Department of Public Utilities (the "Department"). Each utility is operated on an enterprise basis and follows the policies and directives of the City as provided in the Charter. The Department operates a system consisting of natural gas, water treatment and distribution, wastewater collection and treatment (including floodwall and levee operations), stormwater collection and treatment (including canals) and streetlights (collectively, the "System"), which serves the City and neighboring localities. The Natural Gas Utility serves the City, Henrico County, the northern part of Chesterfield County and portions of Hanover County. The Water Utility provides retail service to the City and to small portions of Chesterfield and Henrico Counties. The Water Utility also provides wholesale water service to Chesterfield, Hanover and Henrico Counties and water indirectly to Goochland County. The Wastewater Utility serves the City and small portions of Chesterfield and Henrico Counties that lie on the city/county line. In addition, the Wastewater Utility has a contract with Goochland County to treat five million gallons a day ("MGD") of its wastewater.

The following is an operational summary and asset evaluation of the System for the five fiscal years ended June 30, 2025.

Operational Summary and Asset Evaluation Natural Gas, Water & Wastewater System

	2021	2022	2023	2024	2025
<u>Natural Gas</u>					
Peak Day Sendout (MCF)	153,988	178,963	180,532	172,476	191,422
Annual Sendout (MCF)	20,844,134	24,307,518	23,913,688	23,174,343	24,401,252
# of Gate Stations	8	8	8	8	9
Miles of Main	1,945	1,956	1,974	1,974	1,980
Avg Number of Meters	120,435	121,632	122,508	121,367	119,531
Total Value of Plant in Service	\$731,415,359	\$757,263,002	\$778,921,681	\$806,488,740	\$834,560,304
<u>Water</u>					
Peak Sendout (MGD)	94.7	83.0	85.8	96.9	87.3
Avg Day Sendout (MGD)	63.2	62.0	64.1	62.2	64.1
Millions of Gallons of Water in Storage	73,000,000	73,000,000	73,000,000	73,000,000	73,000,000
Water Pumping Stations	12	12	12	12	12
Miles of Water Lines	976	976	976	976	976
Avg Number of Meters	66,597	67,340	67,664	67,274	65,454
Total Value of Plant in Service	\$635,030,927	\$672,466,956	\$700,087,187	\$752,004,960	\$814,539,809
<u>Wastewater</u>					
Peak Day Treated (MGD)	82.9	130.0	96.0	114.7	93.4
Avg Day Treated (MGD)	65.0	58.8	57.3	70.8	64.5
Sewer Pumping Stations	5	5	5	5	5
Miles of Sewer Lines	960	960	960	960	960
Miles of Interceptors	41	41	41	41	41
Avg Number of Meters	63,143	63,846	64,196	63,861	62,175
Total Value of Plant in Service	\$855,203,323	\$883,760,116	\$914,461,608	\$942,989,844	\$964,101,733

Source(s): City of Richmond, Department of Public Utilities



THE SYSTEM

The Department of Public Utilities

The Department of Public Utilities is a department of the City that was established pursuant to and operates in accordance with the City Charter. The Department has approximately 760 employees budgeted, and it has been operating at or below this level for the last ten years. As a result of automation and other organizational efficiencies, the Department does not currently expect to materially exceed this staffing level in the future. The Department is managed by the Senior Director of Public Utilities (the “Director”) and is organized in six units: Richmond Gas Works, Water Services, Customer Service, Finance, Communications and Asset Management. The heads of each of these units report to the Director. Each unit is comprised of several divisions and sub-work units. Many of the duties of the employees in the various divisions and work units are common to two or more utilities, thereby providing economies of scale in the operation of each utility.

Key Administrative Personnel

Senior Director of Public Utilities. Dr. Scott Morris was promoted to Senior Director of the Department of Public Utilities on February 22, 2025, after serving as Interim Senior Director since January 20, 2025. In his current role, Dr. Morris oversees the Gas, Water, Wastewater, Stormwater, and Streetlight Utilities. Dr. Morris started his career in the water and wastewater industry in 2008 for the City of Richmond for four (4) years. He then transitioned to Chesterfield County where he served as Plant Manager and Assistant Director of Utilities for approximately ten (10) years. Dr. Morris was appointed by Governor Youngkin’s Administration as the Chief Deputy of the Virginia Department of Environmental Quality (DEQ) and subsequently served DEQ for approximately three (3) years as the Director of Water.

Dr. Morris is a decorated veteran of the United States Navy, serving on the USS Enterprise after graduating from the naval nuclear program. He earned a Doctorate of Business Administration degree from Liberty University, a Master’s in Information Services Degree from Virginia Commonwealth University, a Bachelor of Science in Applied Science and Technology with an area of study in Nuclear Engineering Technology from Thomas Edison State College, and an Associate of Science Degree in Wastewater and Technology from Mountain Empire Community College.

Director of Richmond Gas Works. Daniel Rifenburg is the Director of Richmond Gas Works, where he oversees strategic planning, system operations, financial performance, regulatory compliance, customer and community engagement, and enterprise-wide warehouse and paving operations.

With more than 20 years of experience in the energy and utility sector, Mr. Rifenburg has held progressive leadership roles at Richmond Gas Works, including Senior Deputy Director, Engineering Manager, Principal Engineer, Senior Engineer, and Engineer. He also previously served as a geothermal project manager with R.J. Dooley & Associates.

Mr. Rifenburg holds an engineering degree from the State University of New York at Alfred and has completed leadership, emergency management, Six Sigma, construction contracting, and gas distribution operations training. He currently serves on the American Public Gas Association’s Board of Directors.

Director of Water and Administration. Jeff McBride serves as Director of Water and Administration, where he supports Senior Director Scott Morris on department-wide initiatives. His responsibilities include developing consistent standard operating procedures across programs, reviewing capital improvement program priorities, reestablishing regular updates to master plans and operational and emergency plans, enhancing the customer experience, and evaluating business processes related to the customer information system and asset management.



THE SYSTEM

Mr. McBride brings more than 32 years of experience in civil and environmental engineering in the water sector. He holds a Master of Business Administration, a master's degree in environmental engineering, and a bachelor's degree in civil engineering. He is a licensed professional engineer and holds a Class I wastewater operator license.

Senior Deputy Director of Finance, Administration and Customer Service. Jamie B. Porter, MBA, is the Senior Deputy Director of Finance, Administration, and Customer Service. She brings more than 25 years of progressive leadership experience across the private and public sectors. A strategic, results-driven administrator, Ms. Porter has a background spanning investment banking, public health, transportation, the military, and multiple levels of government, with a strong focus on aligning administrative functions with organizational goals to enhance efficiency, strengthen compliance, and improve overall performance. Ms. Porter holds a Master of Business Administration and bachelor's degree in public administration.

Senior Deputy Director of Engineering Services. Laura Bendernagel is the Senior Deputy Director of Engineering Services, where she oversees the Stormwater, Water, and Wastewater Capital Improvement Program. She leads teams responsible for planning, design, and construction of major infrastructure projects, as well as two permitting groups: (1) Water Resources, which covers floodplain management, Chesapeake Bay requirements, stormwater, and erosion and sediment control, and (2) Development Services, which manages new gas, water, and sewer connections.

Ms. Bendernagel's career has centered on the intersection of water, reliability, sustainability, and resiliency. She began her work in environmental engineering in New York City, supporting the city's combined sewer consent decree program and wastewater resiliency initiatives. She later contributed to DC Water's combined sewer program and led major roadway and flood mitigation projects in Northern Virginia before joining the City of Richmond in 2024. She brings extensive experience in full life-cycle project delivery, from early planning through construction management.

Ms. Bendernagel holds a bachelor's and master's degree in environmental engineering from Columbia University. She is a licensed Professional Engineer, an Envision Certified Professional, and a Virginia DEQ Combined Stormwater Administrator.

Senior Deputy Director for Water. Dr. Tony Singh is a seasoned professional in water and public health with over 20 years of experience across academia, research, and government. Currently, he serves as the Senior Deputy Director for Water, following his tenure as Assistant Director for the EPA Region 9 Water Division. During his time at the EPA, which concluded in September 2025, he led the Groundwater and Drinking Water Branch with a focus on regulating regional water supplies and water infrastructure. Prior to his federal role, he was the Deputy Director at the Virginia Department of Health Office of Drinking Water, overseeing 2,800 public water systems. Dr. Singh is particularly recognized for his leadership as the state lead for the Virginia PFAS Workgroup, coordinating complex stakeholder interests to address emerging contaminants.

His technical expertise is anchored by a Ph.D. in Chemical Engineering and Master's degrees in both Public Health and Environmental Science and Engineering. He is a licensed Professional Engineer in Virginia and Washington, a Board Certified Environmental Engineer, and a Certified Safety Professional.

Deputy Director for Finance. John Vaughan was appointed to this position in October of 2020. Mr. Vaughan joined the City in January 2001, working as a Financial and Statistical Analyst in the Department's Material and Fleet Warehouse. In April 2008, he accepted a position in DPU's Financial Operations department, where he served in various capacities of financial reporting. Mr. Vaughan is a Certified Public Accountant and holds a Bachelor of Science Degree in Business Management from Longwood University.



THE SYSTEM

Deputy Director of Communications and Marketing. Rhonda Johnson is the Deputy Director of Communications and Marketing. She leads the Department's Communications Team, overseeing public information, education, community outreach, media relations, employee communications, and brand management.

Ms. Johnson has served the City of Richmond for twelve years. Before joining the Department, she lived in Charlottesville, where she spent seven years as Communications Director for the Thomas Jefferson Planning District Commission. Her communications career spans multiple industries, including financial services, transportation, housing, workforce development, real estate, and now public utilities.

She holds a bachelor's degree in business administration from Mary Baldwin College and an MBA from Virginia Commonwealth University.

Deputy Director of Innovation and Technology. Paul Giglio serves as the Deputy Director of Innovation and Technology, a role he assumed in March 2024. In this position, he leads the division responsible for Enterprise Asset Management (EAM), Geographic Information Systems (GIS), Management Information Systems (MIS) and Supervisory Control and Data Acquisition (SCADA). His team supports the Department's technology infrastructure while advancing strategic initiatives that improve operational efficiency and data-driven decision-making across the utility.

Mr. Giglio joined the City in 2016 after more than 25 years in the water sector, bringing extensive experience in engineering and project management. Prior to his public service, he worked with Suez, where he contributed to water and wastewater infrastructure projects. He holds a bachelor's degree in Mechanical Engineering from Manhattan University.

Deputy Director of Water. Michele Maclauchlan is the Deputy Director of Water, where she oversees daily operations and planning for the Wastewater Treatment Plant, Laboratory, and Pretreatment programs.

Ms. Maclauchlan began her career in the drinking water field while still in high school, working at her hometown's water treatment plant. After earning a master's degree in environmental engineering from the University of Massachusetts Amherst, she worked as a consultant before returning to municipal service in 2011 with Henrico County. There, she held roles at the water treatment plant and later in the operations division, focusing on collection and distribution. Her career also includes engineering experience with Chesterfield County and a brief return to consulting prior to joining the City of Richmond.

Deputy Director of Lateral Services. Eric Whitehurst is the Deputy Director of Lateral Services. In this role, he oversees several critical operational areas, including the Stormwater Division, Water Distribution, Gas and Water Field Operations, Logistics and CSO/Shockoe maintenance.

Mr. Whitehurst began his career in the private sector shortly after moving to Virginia from New York in 1990, working in the wastewater, safety and industrial environmental fields. In 2005, he joined the City of Richmond as Superintendent of the Wastewater Treatment Plant. He later served as Interim Chief Chemist for the Wastewater Treatment Plant Laboratory and as the Department's Environmental Compliance Officer before being promoted to Deputy Director in 2023.

He holds a Bachelor of Science degree in mathematics and science from New York University, as well as an associate degree in environmental science.



THE SYSTEM

Labor Relations

Under current Virginia law, localities are authorized to recognize labor unions or employee associations as bargaining representatives of any public employee bargaining unit for purposes of bargaining collectively for terms and conditions of employment. In 2022, the Council adopted an ordinance authorizing collective bargaining for City employees and has since entered into collective bargaining agreements with (1) the Richmond Coalition of Police, (2) the International Association of Firefighters, Local 995, (3) the Service Employees International Union, Virginia 512 (covering administrative, technical and professional employees), and (4) the Teamsters Local 332 (covering labor and trades employees).

Any employee of the Commonwealth or of any county, city, town or other political subdivision thereof (including the City), who, in concert with two or more other such employees, for the purpose of obstructing, impeding or suspending any activity or operation of their employing agency or any other governmental agency, strikes or willfully refuses to perform the duties of their employment, shall, by such action, be deemed to have terminated their employment and shall thereafter be ineligible for employment in any position or capacity during the next twelve months by the Commonwealth, or any county, city, town or other political subdivision of the Commonwealth, or by any department or agency thereof.

As part of the 2026 legislative session, the General Assembly passed legislation to extend mandatory collective bargaining rights to public sector employees across the Commonwealth. Governor Abigail Spanberger proposed amendments to the collective bargaining legislation, which the General Assembly rejected on April 22, 2026. The Governor may either sign the General Assembly's bills into law or veto them. If the current bills are signed into law, they will not become effective until July 1, 2028, allowing the City time to rework its existing collective bargaining agreements to conform to the requirements of the new law.

Financial Management

The Department maintains separate books of account for each utility using the accrual basis of accounting and following generally accepted accounting principles. The Department uses a uniform system of accounts to categorize expenses at the activity and service level. Revenues are recognized when earned, and expenses are recorded in the month incurred.

Since 1991, the Department has prepared five-year financial and rate forecasts that calculate the revenue requirements necessary to meet each utility's financial performance targets and all revenue bond rate covenants each year. The five-year forecasts are updated annually based on the results of each year's operations, new regulatory requirements and market conditions. This time horizon enables the Department to account for the entire life cycle of its major capital projects and provides the City administration and the Council with accurate information to use in balancing long and short-term rate decisions on an annual basis.

Each year, the Department prepares separate operating and capital improvement budgets for each utility. These budgets incorporate the short and long-term financial requirements as established in the five-year financial and rate forecasts. Each utility's budget includes proposed expenses and means of financing such expenses. These budgets are submitted to the City's Budget Director and, in turn, the Mayor's Office, for review, comments and approval. Once approved by the City administration, the budgets are submitted to the Council for adoption as a part of the City's annual operating and capital budget process. After the Council conducts public hearings for citizens' comments, the budgets are enacted by the passage of ordinances by the Council.

The Department incorporates the adopted budgetary data in its Enterprise Resource Planning ("ERP") and internal financial reports for each utility as a management monitoring and control device during the year. Reports are reviewed, and any variances from budget projections are scrutinized. If it appears that expenses will exceed the amount budgeted, the Department shall take appropriate measures to reduce



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expenses in future months. Revenues are also followed closely each month for any variation from budgeted or acceptable limits.

Transfers of retained earnings of any utility of the City are made only after retention of sufficient funds to meet all bond covenant requirements, working capital requirements, and other legal requirements. Any such transfer is limited to 30 percent of any fiscal year's net income of such utility with such transfer to be made in the second succeeding fiscal year. Further, cash transfers are not made to the general fund unless a utility has a minimum of 45 days working capital set aside.

Cash Management

The City pools its cash in order to maximize its investment opportunities, resulting in greater flexibility and, consequently, a better investment return. Investments consist primarily of repurchase agreements, U.S. government obligations, and U.S. government guaranteed investments. All repurchase agreements are collateralized by U.S. government securities. Interest earned on pooled cash is allocated to the various participating funds based upon their net annual equity in pooled cash.

Billing and Collection Procedures

The Department uses a Customer Information System ("CIS") to process metered and non-metered charges for natural gas, water and wastewater services, covering residential, commercial, industrial and municipal customers. Under the structure of the CIS billing program, combined billing takes place to maximize economies of scale in processing. Billing occurs monthly and with nineteen monthly billing cycles the Department renders approximately 185,000 bills a month. Both natural gas and water meters are read monthly. Wastewater charges are based on a customer's water usage.

All payments received from customers are deposited into a separate utility account under the control of the City. From time to time, interfund borrowings may occur among the various funds that comprise the City's pooled cash account, including the Department's funds. All funds in the pooled cash account, however, are accounted for separately and maintain their equity interest therein.

As provided by the City Charter, the Department charges all other City departments, boards, commissions and agencies for all utility services rendered based on the actual cost to provide each service. Conversely, the Department pays for services it receives from other City agencies. In addition, and in keeping with the self-sustaining requirement of the City Charter, the Department attempts to earn a reasonable rate of return on the net invested capital of each of the utilities in the System.

An account is considered delinquent if a bill has not been paid by the next billing date. Delinquent accounts are assessed late charges which vary in amount depending upon the delinquent utility service. Customers with delinquent accounts may direct their payments to an individual utility charge (e.g. natural gas, water or wastewater), although this practice is not encouraged by the Department.

A notice of delinquency is sent to the customer when an account is 30 days past due. At 60 days past due, a cut-off notice is sent to the customer. Only the delinquent service is shut off if other billed services are current. In the collection of bills, the City has a valuable enforcement tool available in the form of a statutory lien which may be placed against industrial, commercial and residential property for non-payment.

The City also assigns accounts receivable written off as bad debt to a collection law firm. Accounts eligible for assignment must be inactive (the service is turned off), for at least 45 days, with no payment received in the past 60 days and the debt must be greater than \$50.00.



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Collections activities can be influenced by seasonal weather policies and special circumstances, such as severe winter-driven volumes and commodity costs for natural gas and special needs of elderly and disabled customers. The Department has several customer assistance plans in force, both monetary and non-monetary, to provide temporary assistance to customers with delinquent accounts who are experiencing financial difficulties.

Over the last few years, the Department has had to work through billing anomalies that have resulted in abnormally high and low bills for customers. These anomalies have been caused by both equipment failures and human error in the creation and review of billing data. A new billing system is scheduled to be launched in May 2026 that will help improve billing accuracy and timeliness. Staffing levels and skill set requirements are currently being evaluated to determine the proper quality and quantity of agents. The City has seen improvement in billing accuracy ahead of the new billing system launch as the Department reviews and updates best practices and emphasizes further training for key staff members. In addition, 50,000 water meters were identified as requiring replacement, and 30,000 have been replaced to date. The City anticipates further improvements in billing efficiency from these efforts, which will lead to increased customer satisfaction and improved account collectability.

Regulatory Compliance

In October 2023, the U.S. Environmental Protection Agency (the "EPA") finalized the Lead & Copper Rule Improvements ("LCRI") mandating that drinking water systems nationwide identify and replace utility owned and maintained lead pipes and certain galvanized service lines within ten years or less. The LCRI also enforces stricter testing of drinking water and lowers the threshold for communities to take action against lead exposure. The Water Utility is taking a proactive, multi-pronged approach to replace known lead service lines as well as identifying additional lines by 2037. First, the Water Utility is replacing lead service lines as they find them during water main renewal projects. This work is budgeted in the water main renewal projects and results in a substantial number of replacements. Second, the Water Utility is initiating a block-by-block lead service line replacement strategy under a Lead Free Water Program. For entire blocks, the Water Utility performs test pits to identify the material for service lines with unknown material, coordinates customer approvals, performs replacements and then repaves. The Lead Free Water Program is partly funded by Virginia Department of Public Health. DPU has already secured \$5M for Phase 5 of the Lead Free Water Program, has received an initial offer for \$20M for Phase 6, and has submitted an application for \$20M for Phase 7. DPU plans to submit additional funding applications in subsequent years.

The Water Utility is committed to consistently producing exceptional quality water, including complying with the new drinking water regulations for per- and polyfluoroalkyl substances ("PFAS") that the EPA finalized in April 2024. Data collected to date shows that water sourced from the James River is below the new PFAS regulatory limits, and there are no known PFAS sources upstream of the water treatment facility. The Water Utility currently has no plans for PFAS mitigation because the source water is under regulatory limits but will continue to test PFAS levels per EPA regulations.

Climate Change

Numerous scientific studies on global climate change demonstrate that, among other effects on the global ecosystem, sea levels will rise, extreme temperatures will become more common and extreme weather events will become more frequent because of increasing global temperatures attributable to atmospheric pollution. In the coming years, such extreme events and conditions are expected to increasingly disrupt and damage critical infrastructure and property as well as regional economies and industries that depend on natural resources and favorable climate conditions. Disruptions could include more frequent and longer-lasting power outages, fuel shortages, supply chain delays and service disruptions.



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In the most recent Richmond-Crater Multi-Region Hazard Mitigation Plan published in 2022, flooding, severe wind events and tornadoes were identified as the highest risk hazards for the City of Richmond. The same report identified severe winter weather, thunderstorms, droughts, and extreme heat as moderate risks for the City. The report lists the City's risk as low for wildfires, earthquakes, and flooding due to impoundment failure. The System continually evaluates infrastructure resiliency and makes prudent capital investments to help minimize the impacts from these risks. In addition, the System is reviewing and updating business continuity plans, which will look more broadly at organization resiliency beyond climate impacts.

The Natural Gas Utility

Overview

The Natural Gas Utility is owned by the City and serves not only City residents but also residents of Henrico, Chesterfield and Hanover Counties. The Natural Gas Utility serves approximately 121,000 residential, commercial and industrial customers through 1,973 miles of intermediate and low-pressure mains. The utility received 24,401,252 Dths (dekatherms), of natural gas for fiscal year 2025, with peak day receipts of 191,422 Dths.

The Natural Gas Utility has seen moderate growth over the past three years due, in part, to increases in the number of new single-family homes constructed in the western portion of Henrico County. Abundant supply and low cost of shale gas have made natural gas a competitive energy source. The Natural Gas Utility foresees continued expansion in both the western and eastern portions of Henrico in order to meet customer demands for natural gas services.

The utility has nine natural gas gate stations along the interstate and intrastate pipelines serving the Richmond area. A significant number of upgrades and replacements have been made to the distribution system since 1992. The upgrades were required to support new and existing customers and have greatly improved the reliability of service. The City anticipates that each of these stations will require only routine maintenance in the foreseeable future.

Supply of Natural Gas

Since the restructuring of the national natural gas pipeline system, which began in 1994 under orders from the Federal Energy Regulatory Commission ("FERC"), the Natural Gas Utility has been purchasing and managing its daily natural gas supplies directly with four natural gas suppliers pursuant to long-term contracts. The purchases are made at market prices based on natural gas industry price indices. The Department has also entered into a long-term prepaid contract with Municipal Gas Authority of Georgia, Peak and Seal, which allows the Department to purchase gas at a discount to market indexes. Each of these contracts have certain corporate warranties and other terms to ensure the reliable supply of natural gas every day of the year.

The United States Department of Transportation, Office of Pipeline Safety ("OPS"), regulates pipeline safety under the Natural Gas Pipeline Act. The Natural Gas Utility has regular contact with, and is audited by, OPS. The Natural Gas Utility has received favorable feedback on its pipeline safety, maintenance and infrastructure improvement programs.

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THE SYSTEM

Set forth below is the statistical summary for the Natural Gas Utility for the five fiscal years ended June 30, 2025.

Natural Gas Utility Statistical Summary For Fiscal Years 2021 – 2025⁽¹⁾

	2021	2022	2023	2024	2025
Total Annual Sales (MCF)	21,750,961	21,144,391	19,997,155	20,122,116	21,475,112
Revenue	\$163,066,209	\$218,147,016	\$218,098,658	\$166,365,742	\$206,037,964
Residential (MCF)	6,872,202	6,091,066	5,745,190	5,822,547	6,308,563
Revenue	\$85,139,655	\$90,667,092	\$94,358,797	\$82,109,048	\$97,708,979
Commercial (MCF)	3,285,297	3,165,553	3,100,201	3,226,292	3,554,917
Revenue	\$32,019,935	\$37,371,680	\$40,824,139	\$34,075,882	\$42,314,575
Industrial Firm (MCF)	11,263,284	11,592,118	10,873,317	10,732,493	11,190,606
Revenue	\$47,206,479	\$72,996,568	\$78,973,369	\$44,341,905	\$60,257,885
Interruptible (MCF)	127,162	103,183	64,449	107,208	112,278
Revenue	\$829,445	\$873,623	\$996,238	\$751,361	\$934,726
Municipal (MCF)	179,536	166,776	174,860	157,813	203,316
Revenue	\$1,580,597	\$1,805,585	\$2,087,493	\$1,508,415	\$2,229,141
Miscellaneous (MCF)	23,480	25,695	39,138	75,763	105,432
Revenue	\$(3,709,902)	\$14,432,468	\$858,622	\$3,579,131	\$2,592,658
Avg # of Meters in Service	120,435	121,632	122,508	121,367	119,531
Degree Days	3,635	3,215	3,089	3,086	3,364
% of Normal Days	107%	93%	89%	92%	103%

Source(s): City of Richmond Department of Public Utilities

(1) Miscellaneous Revenue includes a purchased gas cost adjustment. The Department is required to pass the cost of gas, dollar for dollar, to customers. Since it is not practical to change the billing rate for gas as frequently as the actual cost of gas changes, at the end of the fiscal year the Department compares gas expense to the amount billed for the gas commodity and accrues the difference as Miscellaneous Revenues.



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The Water Utility

The Water Utility serves approximately 66,000 customers in the City and also provides wholesale water service under contracts with Hanover, Henrico and Chesterfield Counties. The Water Utility also serves Goochland County indirectly through Henrico County. For a description of the Water Utility's major contracts with its neighboring localities, see **Appendix D** to this Official Statement.

In 1994, Chesterfield, Henrico, and Hanover Counties agreed that the Water Utility would be the major regional provider of water. Each county entered into a long-term contract (between 40 and 50 years) with the Water Utility, which ensures that the entire water plant capacity will be used.

The Water Utility's water supply is the James River, which has a minimum flow of approximately 266 million gallons per day ("MGD"). After treatment, half the water is pumped to a covered reservoir for distribution; the other half is pumped to wholesale customers and to the distribution system. The average consumption from the System during the last five fiscal years was 63.1 MGD with the highest summer peak of 96.9 MGD. The distribution system consists of approximately 1,000 miles of mains and 12 pumping stations. The mains and pumping stations are in good repair. The distribution and storage systems in Hanover, Henrico and Chesterfield Counties are owned and maintained by the respective counties.

The Water Utility's first water filtration plant was built on the banks of the James River in 1924. Originally capable of processing 30 MGD, the plant was enlarged in 1950, when its rated capacity was increased by 36 MGD. In the mid-1980s, the Water Utility undertook a comprehensive program to refurbish the plant so that it would be able to meet all known and planned purification requirements. A significant part of this effort was the expansion of the plant's purification capacity to 132 MGD in 1996, which is sufficient to meet the utility's current requirements and its contract commitments with the counties.

Approximately half of the water from the water treatment plant is distributed after passing through the Water Utility's principal reservoir at Byrd Park. The reservoir was originally built in 1876, and a roof was installed in or about 1970. The reservoir is capable of storing 50 million gallons ("MG"). Additional water storage capacity of 18 MG is provided by nine water tanks located throughout the distribution system. The City has invested primarily in pumping capacity reliability and in storage capacity to provide the backup needed to insure a continuous water flow. The City's water treatment plant is in complete compliance with Stage 1 Disinfectants and Disinfection Byproducts Rule promulgated by the United States Environmental Protection Agency ("EPA").

To protect the filtration plant during floods, the U.S. Army Corps of Engineers and the utility jointly constructed a flood wall around the plant. The wall was completed in 1999 and is designed to protect the water treatment plant from a 500-year flood.

On January 6, 2025, a power outage resulting from a winter storm caused a service interruption at the City's water treatment plant. The power outage resulted in equipment failure that caused flooding at the facility, which complicated efforts to immediately restore service. The City brought in additional personnel, contractors, and specialists during the immediate response to the water service interruption and was in regular communication with local, state, and regional partners about the situation.

The City has invested in new equipment at the water treatment plant to strengthen resiliency at the facility. This includes investments in primary and secondary system power sources, temporary auxiliary onsite pumps to enhance services, and repairs and upgrades to existing equipment. The City has also developed new processes and protocols to support continuity of operations, including enhanced staffing protocols during inclement weather events, and regular checks of facility equipment, fuel, chemicals, and systems.



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From a financial aspect, the City lost less than 1 week of revenues and incurred approximately \$5 million in cost to put the water treatment plant back into operation. In addition, several capital projects have been identified or reprioritized in the capital improvement plan to further strengthen the resiliency of and add redundancy to the plant.

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THE SYSTEM

The following table sets forth a statistical summary for the Water Utility for the five fiscal years ended June 30, 2025.

Water Utility Statistical Summary For Fiscal Years 2021 – 2025

	2021	2022	2023	2024	2025
Total Annual Sales (MCF)	2,476,764	2,446,344	2,383,751	2,354,007	2,531,114
Total Revenue	\$73,269,515	\$75,385,511	\$81,767,748	\$85,477,161	\$89,970,384
Residential (MCF)	375,352	379,981	376,085	380,662	373,877
Residential Revenue	\$25,483,023	\$26,404,349	\$27,109,863	\$28,443,051	\$28,008,564
Commercial (MCF)	441,625	478,102	498,421	516,541	446,918
Commercial Revenue	\$25,156,490	\$27,629,263	\$29,159,945	\$29,517,538	\$29,770,766
State & Federal (MCF)	128,406	131,128	130,703	135,797	143,661
State & Federal Revenue	\$6,413,177	\$6,696,244	\$6,872,084	\$7,213,228	\$8,191,556
Industrial (MCF)	62,050	60,217	16,708*	109,305*	59,372
Industrial Revenue	\$2,968,274	\$2,957,898	\$909,763*	\$5,271,933*	\$3,311,147
Municipal (MCF)	23,126	25,883	28,981	29,378	32,382
Municipal Revenue	\$1,440,647	\$1,611,310	\$1,838,372	\$1,920,102	\$2,176,652
<u>Wholesale Service:</u>					
Henrico (MCF)	694,065	544,589	648,925	448,701	615,756
Henrico Revenue	\$5,476,643	\$4,258,942	\$4,932,537	\$3,858,843	\$5,940,930
Chesterfield (MCF)	472,885	458,904	432,028	446,881	450,174
Chesterfield Revenue	\$4,539,697	\$4,038,353	\$3,801,849	\$4,290,054	\$4,668,851
Hanover (MCF)	279,255	367,540	251,900	286,742	408,974
Hanover Revenue	\$2,654,953	\$2,524,281	\$2,761,980	\$2,892,413	\$3,240,677
Miscellaneous Revenue	\$(863,389)	\$(735,129)	\$4,381,355	\$2,069,999	\$4,661,241
Avg # of Meters in Service	66,597	67,340	67,664	67,274	65,454

Source(s): City of Richmond, Department of Public Utilities.

* Unusually low results in FY 2023 and high results in FY 2024 for industrial users were due to a billing error in FY 2023 that was corrected in FY 2024.

The Water Utility has an ongoing program of upgrading its plant, pumping stations and distribution system. In conjunction with this work, a significant amount of new and upgraded transmission mains are being added to the water system to meet the utility's contractual obligations to the counties. Some of the larger projects include an \$104.7 million rehabilitation of the Byrd Park reservoir, \$28.7 million for improvements to the feeder channel, \$32.8 million for replacement of plant filtration system valve actuators and filter media, \$7.5 million for pumping processing control improvements, \$7.0 million for waste pumping and control system improvements, \$30.3 million for improvements to the Byrd Park pump station, \$20 million for upgrades at the Trafford pump station valve replacement of raw water pump screens and variable frequency drives, \$13.0 million in renovations to the Byrd Park main pumping station, and a \$17.4 million to replace the Korah 3 main.

Under the authority of the Federal Safe Drinking Water Act, the Virginia State Board of Health regulates all water utilities in the Commonwealth to protect public health and to ensure that water supplies



THE SYSTEM

for public consumption comply with certain minimum standards. The regulations apply to water quality, design and operation, including the application of chemicals in the purification process. Prior to constructing or materially modifying any treatment process, a construction permit must be obtained. An operational permit is required prior to operating a water system. The Water Utility is in full compliance with these requirements, and it is inspected periodically by the Commonwealth to assure continued compliance with the applicable regulators.

The Wastewater Utility

The Wastewater Utility serves approximately 63,000 customers and provides a small amount of wastewater treatment for Goochland, Henrico and Chesterfield Counties by contract. The wastewater system consists of a main treatment plant that provides tertiary treatment and advanced nutrient removal, and its ancillary pumping station, five satellite pumping stations, a network of over 41 miles of intercepting sewer lines and 960 miles of sewer lines.

The main treatment plant was built in 1958 as a primary treatment facility with a rated capacity of 45 MGD for Dry Weather Flow (DWF) and 75 MGD for Wet Weather Flow (WWF). In 1973, the plant was upgraded to secondary treatment. In 1990, filter facilities were added, giving the plant advanced treatment capability. In 2015, upgrades to the plant's advanced treatment capacity were completed, which allow for improved removal of nitrogen and phosphorus. In 2022, upgrades were completed and upgraded the plant to treat 140 MGD WWF of combined stormwater and wastewater. The plant is in good repair and consistently produces one of the highest quality effluents in the country based on industry standards.

In addition to the main treatment plant, there are five satellite pumping stations:

- Upham Brook Pumping Station – built in 1949, upgraded in 1959 with a rated capacity of 13 MGD.
- Hampton Street Pumping Station – built in 1961 with a rated capacity of 1.7 MGD.
- Douglasdale Road Pumping Station – built in 1969 with a rated capacity of 9.6 MGD.
- Dock Street Pumping Station – built in 1995 with a rated capacity of 108 MGD.
- McCloy Pumping Station – built in 2003 with a rated capacity of 5 MGD.

The Wastewater Utility is responsible for the operation of the Shockoe facility, which consists of a retention basin, a diversion structure and a pumping station. The Shockoe facility was completed in 1983 and designed to collect and hold the dirtiest “first flush” of storm and sanitary flow, which is triggered by rain, until it can be released to the main plant for treatment. The capacity of the retention basin is 35 MG, with an additional 15 MG held in the lines. The pumping station was originally built in 1926 and replaced in 1995. The Wastewater Utility also operates the Dock Street Pumping Station, which has a rated capacity of 108 MGD. The Dock Street Pumping Station, commissioned in 1995, replaced the original pumping station built in 1926.

Prior to 1995, the Department of Public Works maintained the sewage collection system with financial assistance from the Department. In 1995, the Wastewater Utility assumed responsibility for maintaining the system and for sewer design and construction.

The Wastewater Utility is also responsible for administering the federally mandated industrial pre-treatment program, under which industries discharging to the main plant are required to pre-treat their wastewater. Over 70 different industries are currently permitted by the City. The pre-treatment division within the Wastewater Utility inspects and monitors these industries.



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In 2003, the Wastewater Utility completed an approximately \$250 million Combined Sewer Overflow (CSO) control program (Phases I & II) that conveys the combined sanitary and storm wastewater from the James River Park areas downstream. Flows on the north side of the James River are diverted to the Shockoe Retention Basin. As part of the CSO control program, the Wastewater Utility has installed interceptor lines under the bottom of the Kanahwa Canal that run parallel to the north bank of the James River and has also renovated a portion of the canal in the downtown area.

In 2005, the City entered into a Special Order by Consent with the Virginia Department of Environmental Quality, which was reviewed by the EPA, to begin work on Phase III of the CSO control program with an implementation cost in the range of \$350 to \$420 million (based on 2006 dollars). In 2020, the Virginia General Assembly passed Senate Bill 1064 which required Interim and Final Plans for addressing combined sewer overflows. DEQ and the City then amended the 2005 Special Order by Consent to incorporate Senate Bill 1064. The Interim Plan includes 10 projects, all of which are in active construction. All projects are projected to be complete by July 1, 2027, and are projected to further reduce approximately 182 million gallons of CSO, thereby increasing CSO capture rate to 92%.

The Final Plan was submitted to DEQ in June 2024 and approved by DEQ in August 2024. The plan contained four projects with an estimated cost of \$575 million. One of these projects (CSO 031 Storage Tank) and a portion of another (CSO 024 Partial Separation) have been designed and are under construction and are expected to be completed in FY 2027 and FY 2029 respectfully. The other portion of the second project (CSO 012 Storage Tank) is nearing the 60% design stage. The two remaining projects are planned to begin design in late CY 2026. Final Plan project construction is mandated to be completed by July 1, 2035. An additional \$10 million is allocated in the Final Plan for green infrastructure projects.

In 2022, Council adopted Resolution No. 2022-R025 expressing commitment to CSS improvements. In addition to the Interim and Final Plans, the City is implementing several other projects not required by SB 1064 to maintain and improve the combined sewer system performance. The current Interim and Final Plan cost estimate is over \$613 million. Since the 2020 Senate bill was passed, the Virginia General Assembly has awarded the City an additional \$250 million in CSO grants. This includes federal ARPA grants of \$50 million in 2021 (100% local match required), \$100 million in 2022 (no local match required), and State CSO grant funding of \$75 million in the FY 2025 Budget and \$25 million in the FY 2026 Budget. An additional \$50 million was recently included in the FY 2027 budget recently adopted by the General Assembly and is awaiting approval or modification by the Governor. The City will continue to work with state and federal partners to identify grant opportunities to fund this program.

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The following table sets forth a statistical summary of certain Wastewater Utility data for the last five fiscal years ended June 30, 2025.

Wastewater Utility Statistical Summary For Fiscal Years 2021 – 2025

	2021	2022	2023	2024	2025
Total Annual Sales (MCF)	935,466	1,110,857	1,145,583	1,040,580	1,029,228
Total Revenue	\$84,026,579	\$93,819,301	\$102,062,493	\$105,962,496	\$109,981,998
Residential (MCF)	289,462	291,161	287,654	302,661	280,476
Residential Revenue	\$33,230,627	\$34,720,802	\$36,329,541	\$38,760,374	\$39,031,917
Commercial (MCF)	411,702	442,893	467,162	496,309	451,165
Commercial Revenue	\$34,439,646	\$38,626,085	\$41,687,888	\$43,120,477	\$43,311,088
State & Federal (MCF)	125,344	130,198	126,774	132,142	137,518
State & Federal Revenue	\$9,815,767	\$10,440,660	\$10,836,263	\$11,623,560	\$13,211,898
Industrial (MCF)	26,144	28,367	34,099	35,726	41,217
Industrial Revenue	\$2,073,173	\$2,409,575	\$2,880,312	\$3,268,045	\$3,917,917
Municipal (MCF)	22,133	24,556	27,994	28,326	30,616
Municipal Revenue	\$1,993,186	\$2,287,522	\$2,674,449	\$2,839,706	\$3,203,687
Henrico (MCF)	3,455	19,341	21,077	22,100	26,463
Henrico Revenue	\$323,166	\$992,193	\$1,081,239	\$1,259,723	\$1,585,152
Chesterfield (MCF)	38,002	110,162	111,086	23,316	22,564
Chesterfield Revenue	\$1,517,223	\$1,343,863	\$1,355,139	\$909,537	\$1,621,735
Goochland (MCF)	19,224	64,179	69,738	0	39,209
Goochland Revenue	\$298,856	\$997,976	\$1,084,413	\$0	\$511,222
Miscellaneous Revenue	\$334,935	\$2,000,625	\$4,133,249	\$4,181,074	\$3,587,382
Avg # of Meters in Service	63,143	63,846	64,196	63,861	62,175

Source(s): City of Richmond, Department of Public Utilities.

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RATES AND CHARGES

Average Monthly Bill Comparison

The tables on the next three pages (including this page) set forth a comparison of average monthly bills for each of the Natural Gas Utility, the Water Utility and the Wastewater Utility as of July 2025 (unless otherwise noted).

Natural Gas Utility Average Residential Monthly Bill Comparison Surrounding Companies and Peer Cities As of July 2025

Residential Service

Company	Location	Monthly Service Charge	Consumption per Ccf	70 Ccf Average Bill
Columbia Gas of Virginia	All Districts	\$21.84	\$1.57	\$139.82
Virginia Natural Gas	Suffolk	\$15.46	\$1.83	\$153.07
Washington Gas Light	Northern Virginia	\$12.40	\$1.17	\$100.32
City of Richmond	Richmond	\$17.24	\$1.26	\$111.97
	Average	\$16.74	\$1.46	\$126.30

Source: City of Richmond, Department of Public Utilities.

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RATES AND CHARGES

Water Utility System Comparison of Various Utility Systems Within Virginia Average Residential Monthly Water Bill As of July 2025

	Monthly Service Charge	Per 1,000 gal	Per Ccf ⁽⁵⁾	6 Ccf (5/8" Meter)
Spotsylvania County	\$31.15	\$1.63, 1-2000; \$6.80, 2001-10000	\$3.80	\$53.93
Chesapeake ⁽¹⁾	11.36		4.50	38.36
Richmond	17.66		4.30	43.44
Norfolk	0.00		6.51	39.06
Virginia Beach	6.00		4.66	33.96
Newport News	13.00		3.53	34.18
Henrico County ⁽¹⁾	9.98		2.86	27.14
Stafford County	16.46	\$3.43, 1-2000; \$4.77, 3000-4000; \$6.54, 5000-8000	3.27	36.05
Roanoke County ⁽²⁾ (Western VA Water Authority)	16.40		2.51	31.43
Manassas	11.87	\$3.80, 1-5000; \$4.03, 5001-12000	2.86	29.04
Loudoun Water ⁽³⁾ (Central System)	15.32	\$3.37	2.52	30.44
Portsmouth	10.00		5.71	44.26
Chesterfield County ⁽¹⁾	8.77		2.71	25.03
Lynchburg	7.69		3.45	28.39
Prince William County Service Authority	8.05	\$4.05	3.03	26.23
Fairfax County Water Authority ⁽⁴⁾	5.52	\$4.03	3.01	23.60
Hanover County ⁽¹⁾	6.52	\$2.07, 1-4000; \$6.31, 4001-15000	1.89	17.88
Average	\$11.46		\$3.59	\$32.97

Source: City of Richmond, Department of Public Utilities

(1) Water & Sewer customers billed bimonthly

(2) Roanoke County rates were effective 10/1/25

(3) Loudoun Water (Central System) rates were effective 1/1/26

(4) Fairfax County bills capacity charge quarterly to customers

(5) Per Ccf column represents average Ccf rate for 6 Ccfs of consumption when tiered rates are used



RATES AND CHARGES

Wastewater Utility System Comparison of Various Utility Systems Within Virginia Average Residential Monthly Wastewater Bill As of July 2025

	Monthly Service Charge	Per 1,000 gal	Per Ccf ⁽⁶⁾	6 Ccf (5/8" Meter)
Portsmouth (includes HRSD fee)	\$0		\$13.52	\$81.12
Virginia Beach (includes HRSD fee)	33.18		9.03	87.36
Norfolk (includes HRSD fee)	0		14.69	88.14
Chesapeake ⁽¹⁾ (includes HRSD fee)	7.82		11.84	78.86
Richmond	22.96		9.57	80.38
Newport News (includes HRSD fee)	5.00		12.40	79.40
Fairfax County Water Authority ⁽⁵⁾	52.62	\$9.33	6.98	94.49
Lynchburg	7.69		8.65	59.59
Stafford County	20.58	\$8.12	6.07	57.02
Spotsylvania County	31.15	\$3.86, 1-2000; \$9.74, 2001-10000	5.82	66.07
Hanover County ⁽¹⁾	13.98	\$7.50, 0-4000; \$9.46, 4001-15000	5.77	48.60
Prince William County Service Authority	14.25	\$7.80	5.83	49.26
Henrico County ⁽¹⁾	20.15		2.97	37.97
Roanoke County ⁽²⁾ (Western VA Water Authority)	23.25		3.14	42.10
Loudoun Water (Central System)	15.31	\$6.59	4.93	44.89
Chesterfield County ⁽¹⁾	14.29		2.87	31.51
Manassas ⁽⁴⁾	10.17	\$3.27, 1-5000; \$4.73, 5001+	2.56	25.56
Average	\$17.14		\$7.43	\$61.73

Source: City of Richmond, Department of Public Utilities

(1) Water & Sewer customers billed bimonthly

(2) Roanoke County rates were effective 10/1/25

(3) Loudoun Water (Central System) rates were effective 1/1/26

(4) Per Ccf rate for wastewater does not include Upper Occoquan Sewage Authority (UOSA) cost recovery charge

(5) Fairfax County bills capacity charge quarterly to customers

(6) Per Ccf column represents average Ccf rate for 6 Ccfs of consumption when tiered rates are used



RATES AND CHARGES

Charges for Ten Largest Customers

Listed below are the ten largest customers for the Natural Gas Utility, the Water Utility and the Wastewater Utility. The information includes the revenue generated from sales as of June 30, 2025.

NATURAL GAS UTILITY

Rank	Customer	Charges (in \$000s)	Percent of Total Revenue
1	DuPont Specialty Products	\$22,119	10.44%
2	VA Commonwealth University	6,832	3.22
3	Philip Morris USA Inc.	4,063	1.92
4	Greater Richmond Transit Company	1,830	0.86
5	Richmond Redevelopment & Housing Authority	1,714	0.81
6	Sonoco Products	1,543	0.73
7	Richmond School Board	1,478	0.70
8	University of Richmond	1,223	0.58
9	Modelez International	868	0.41
10	Kinder Morgan Energy Partners	653	0.31
Total Top-Ten Charges		\$42,323	19.97%

WATER UTILITY

Rank	Customer	Charges (in \$000s)	Percent of Total Revenue
1	Henrico County	\$14,218	15.08%
2	Chesterfield County	3,594	3.81
3	Hanover County	3,331	3.53
4	Richmond Redevelopment & Housing Authority	3,206	3.40
5	VA Commonwealth University	1,560	1.65
6	Sonoco Products	1,539	1.63
7	VCU Health System	1,347	1.43
8	Philip Morris USA Inc.	1,253	1.33
9	City of Richmond, Department of Public Utilities	686	0.73
10	Department of Veterans Affairs	637	0.68
Total Top-Ten Charges		\$31,371	33.26%

WASTEWATER UTILITY

Rank	Customer	Charges (in \$000s)	Percent of Total Revenue
1	Richmond Redevelopment & Housing Authority	\$5,640	5.11%
2	VA Commonwealth University	2,434	2.21
3	VCU Health System	2,386	2.16
4	Philip Morris USA Inc.	2,056	1.86
5	Aqua Clean Environmental of VA LLC	1,940	1.76
6	County of Chesterfield	1,622	1.47
7	City of Richmond, Department of Public Utilities	1,148	1.04
8	Department of Veterans Affairs	1,085	0.98
9	Sonoco Products	1,075	0.97
10	Wilson Manchester LLC	877	0.79
Total Top-Ten Charges		\$20,263	18.36%

Source: City of Richmond, Department of Public Utilities.

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RATES AND CHARGES

Natural Gas Utility Rates

The following is a three-year comparison of the Natural Gas Utility rates.

Description	Rates Effective 7/1/2023	Rates Effective 7/1/2024	Rates Effective 7/1/2025
<u>Residential Gas Service:</u>			
Schedule RS -			
Monthly Customer Charge	\$ 15.38	\$ 16.68	\$ 17.24
Distribution Charge			
Block 1 (1st 500 CCF)	\$ 0.650	\$ 0.668	\$ 0.703
Block 2 (All Over)	\$ 0.650	\$ 0.668	\$ 0.703
Purchase Gas Cost ¹	\$ 0.405	\$ 0.372	\$ 0.560
Restore Service Charge	\$ 35.00	\$ 35.00	\$ 35.00
<u>General Gas Service:</u>			
Schedule GS -			
Monthly Customer Charge	\$ 18.16	\$ 19.16	\$ 20.17
Distribution Charge			
Block 1 (1st 500 CCF)	\$ 0.590	\$ 0.602	\$ 0.634
Block 2 (All Over)	\$ 0.590	\$ 0.602	\$ 0.634
Purchase Gas Cost ¹	\$ 0.405	\$ 0.372	\$ 0.560
Restore Service Charge	\$ 35.00	\$ 35.00	\$ 35.00
Schedule CIS -			
Monthly Customer Charge	\$ 157.89	\$ 157.89	\$ 166.18
Demand Charge	\$ 1.56	\$ 1.62	\$ 1.71
Distribution Charge	\$ 0.350	\$ 0.357	\$ 0.376
Purchase Gas Cost	\$ 0.297	\$ 0.264	\$ 0.452
Schedule LVS -			
Monthly Customer Charge	\$ 764.13	\$ 444.64	\$ 467.98
Demand Charge	\$ 1.56	\$ 1.62	\$ 1.71
Transportation Charge			
Block 1 (1st 15,000 CCF)	\$ 0.212	\$ 0.216	\$ 0.227
Block 2 (From 15,001 to 115,000 MCF)	\$ 0.110	\$ 0.216	\$ 0.227
Block 3 (Over 115,000 CCF)	\$ 0.078	\$ 0.216	\$ 0.227
Schedule LVS2 -			
Monthly Customer Charge	\$ 764.13	\$ 764.12	\$ 804.24
Demand Charge	\$ 1.56	\$ 1.62	\$ 1.71
Transportation Charge	\$ 0.075	\$ 0.076	\$ 0.080
<u>Air Conditioning:</u>			
Schedule AC -			
Air Conditioning (Apr - Oct)	Weighted average commodity cost of gas plus \$0.10	Weighted average commodity cost of gas plus \$0.10	Weighted average commodity cost of gas plus \$0.10
<u>Municipal Gas Service:</u>			
Schedule MGS -			
Distribution Charge	\$ 0.549	\$ 0.561	\$ 0.590
Purchased Gas Cost	\$ 0.405	\$ 0.372	\$ 0.560
<u>Gas Lights – Unmetered:</u>			
Schedule GL -			
Distribution Charge	\$ 0.525	\$ 0.545	\$ 0.574
Purchased Gas Cost ¹	\$ 0.405	\$ 0.372	\$ 0.560
Minimum Monthly Charge	\$ 16.02	\$ 16.62	\$ 17.49



RATES AND CHARGES

Description	Rates Effective 7/1/2023	Rates Effective 7/1/2024	Rates Effective 7/1/2025
Transportation Service:			
Schedule TS -			
Monthly Customer Charge	\$ 839.91	\$ 444.64	\$ 467.98
Transportation Charge			
Block 1 (1st 1500 MCF)	\$ 0.212	\$ 0.216	\$ 0.227
Block 2 (From 1,501 to 11,500 MCF)	\$ 0.110	\$ 0.216	\$ 0.227
Block 3 (Over 11,500 MCF)	\$ 0.078	\$ 0.216	\$ 0.227
Daily Imbalances in Excess of 10%	\$ 0.064	\$ 0.066	\$ 0.069
Transportation Service (TS2):			
Schedule TS2 -			
Monthly Customer Charge	\$ 839.91	\$ 764.12	\$ 804.24
Transportation Charge	\$ 0.075	\$ 0.076	\$ 0.080
Daily Imbalances in Excess of 10%	\$ 0.064	\$ 0.066	\$ 0.069
Natural Gas Vehicle Gas Service			
Schedule NGV			
System Charge	\$ 0.208	\$ 0.216	\$ 0.216
Gas Commodity Charge	\$ 0.385	\$ 0.317	\$ 0.508

Purchased Gas Cost rates are reviewed monthly and adjusted by the Senior Director of Public Utilities as needed to ensure adequate recovery of actual gas costs. Below are the Purchased Gas Cost rates since 7/1/2023:

Effective Date	Rate
7/1/2023	\$0.4050
9/1/2023	\$0.3740
1/1/2024	\$0.4264
2/1/2024	\$0.4460
4/1/2024	\$0.3720
10/1/2024	\$0.4260
12/1/2024	\$0.4510
1/1/2025	\$0.5030
2/1/2025	\$0.6075
3/1/2025	\$0.6285
4/1/2025	\$0.5460
5/1/2025	\$0.5300
6/1/2025	\$0.6000
7/1/2025	\$0.5600
11/1/2025	\$0.5850
1/1/2026	\$0.5500
2/1/2026	\$0.7512

Source: City of Richmond, Department of Public Utilities



RATES AND CHARGES

Water Utility Rates

The following is a three-year comparison of the Water Utility rates.

Description	Rates Effective 7/1/2023	Rates Effective 7/1/2024	Rates Effective 7/1/2025
<u>General Water Service:</u>			
<u>Monthly Service Charges</u>			
5/8 Inch meter	\$ 16.70	\$ 16.70	\$ 17.66
3/4 Inch meter	\$ 23.73	\$ 23.73	\$ 25.09
1 Inch meter	\$ 37.77	\$ 37.37	\$ 39.94
1-1/2 Inch meter	\$ 72.84	\$ 72.84	\$ 77.03
2 Inch meter	\$ 114.94	\$ 114.94	\$ 121.55
3 Inch meter	\$ 227.21	\$ 227.21	\$ 240.27
4 Inch meter	\$ 353.50	\$ 353.50	\$ 373.83
6 Inch meter	\$ 704.33	\$ 704.33	\$ 744.83
8 Inch meter	\$ 1,125.33	\$ 1,125.33	\$ 1,190.04
10 Inch meter	\$ 1,616.49	\$ 1,616.49	\$ 1,709.44
12 Inch meter	\$ 3,708.43	\$ 3,708.43	\$ 3,921.66
<u>Commodity Charge (Ccf)</u>			
Commercial	\$ 4.94	\$ 5.23	\$ 5.53
Industrial	\$ 4.94	\$ 5.23	\$ 5.53
Municipal	\$ 4.94	\$ 5.23	\$ 5.53
<u>Monthly Metered Fire Protection Charges (Firelines)</u>			
5/8 Inch meter	\$ 8.65	\$ 8.97	\$ 9.49
3/4 Inch meter	\$ 8.65	\$ 8.97	\$ 9.49
1 Inch meter	\$ 8.65	\$ 8.97	\$ 9.49
1-1/2 Inch meter	\$ 8.65	\$ 8.97	\$ 9.49
2 Inch meter	\$ 13.81	\$ 14.33	\$ 15.15
3 Inch meter	\$ 27.64	\$ 28.68	\$ 30.33
4 Inch meter	\$ 43.17	\$ 44.79	\$ 47.37
6 Inch meter	\$ 86.34	\$ 89.58	\$ 94.73
8 Inch meter	\$ 138.14	\$ 143.32	\$ 151.56
10 Inch meter	\$ 198.57	\$ 206.02	\$ 217.87
12 Inch meter	\$ 372.98	\$ 386.97	\$ 409.22

Source: City of Richmond, Department of Public Utilities.

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RATES AND CHARGES

Wastewater Utility Rates

The following is a three-year comparison of the Wastewater Utility rates.

Description	Rates Effective 7/1/2023	Rates Effective 7/1/2024	Rates Effective 7/1/2025
General Wastewater Service:			
<u>Monthly Capacity Charges</u>			
5/8 Inch meter	\$ 21.23	\$ 21.66	\$ 22.96
3/4 Inch meter	\$ 30.29	\$ 30.90	\$ 32.75
1 Inch meter	\$ 48.41	\$ 49.38	\$ 52.34
1-1/2 Inch meter	\$ 93.74	\$ 95.62	\$ 101.36
2 Inch meter	\$ 148.11	\$ 151.08	\$ 160.14
3 Inch meter	\$ 293.12	\$ 298.99	\$ 316.93
4 Inch meter	\$ 456.26	\$ 465.39	\$ 493.31
6 Inch meter	\$ 909.39	\$ 927.58	\$ 983.23
8 Inch meter	\$ 1,453.17	\$ 1,482.24	\$ 1,571.17
10 Inch meter	\$ 2,087.59	\$ 2,129.35	\$ 2,257.11
12 Inch meter	\$ 3,205.54	\$ 3,269.66	\$ 3,465.84
<u>Quantity Charge (Ccf)</u>			
Commercial	\$ 8.504	\$ 9.030	\$ 9.572
Commercial S & F	\$ 8.504	\$ 9.030	\$ 9.572
Industrial	\$ 8.504	\$ 9.030	\$ 9.572
Municipal	\$ 8.504	\$ 9.030	\$ 9.572
<u>Strong Wastewater Charge per pound</u>			
SUS > 275 mg/l	\$ 0.480	\$ 0.5100	\$ 0.540
BOD > 250 mg/l	\$ 0.458	\$ 0.4800	\$ 0.510
Nitrogen > 30 mg/l	\$ 1.940	\$ 2.0400	\$ 2.160
Phosphorous >12 mg/l	\$ 2.740	\$ 2.8800	\$ 3.050
SUS Factor	\$ 0.00300	\$ 0.00318	\$ 0.00337
BOD Factor	\$ 0.00286	\$ 0.00300	\$ 0.00318
Nitrogen Factor	\$ 0.01211	\$ 0.01273	\$ 0.01348
Phosphorous Factor	\$ 0.01710	\$ 0.01797	\$ 0.01903
<u>Monthly Domestic and Fire Line Charges</u>			
3 Inch meter	\$ 148.11	\$ 151.08	\$ 160.14
4 Inch meter	\$ 148.11	\$ 151.08	\$ 160.14
6 Inch meter	\$ 293.12	\$ 298.99	\$ 316.93
8 Inch meter	\$ 456.26	\$ 465.39	\$ 493.31
10 Inch meter	\$ 909.39	\$ 927.58	\$ 983.23

Source: City of Richmond, Department of Public Utilities.

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SYSTEM FINANCIAL INFORMATION

Results of Operations for the Fiscal Year Ended June 30, 2025

In fiscal year ended June 30, 2025, operating income decreased \$4.8 million, or 11.3%, compared to the prior year. Combined operating revenues increased \$21.9 million, or 7.6% (excluding gas purchases), and total operating expenses increased by \$26.7 million, or 10.8% (excluding gas costs). (NOTE: the cost of purchased gas is recovered dollar for dollar through the purchased gas adjustment ("PGA"); therefore, changes in the cost of gas from year to year do not impact net income.)

Gas revenues (excluding gas purchases) in fiscal year ended June 30, 2025, increased by \$13.3, or 12.1%, compared to the prior fiscal year, primarily due to rate increases effective at the beginning of the year and a 6.7% increase in volume over the prior year. Operating expenses (excluding gas costs) increased \$8 million, or 9.6% compared to the prior fiscal year. This increase is primarily related to increases in maintenance and repairs, depreciation, and miscellaneous operating expenses.

Water revenues in fiscal year ended June 30, 2025, increased \$4.5 million or, 5.3%, compared to the prior fiscal year. This increase was primarily the result of rate increases that were effective at the beginning of the fiscal year. Water also saw an increase in operating expenses from the prior year of \$13.1 million, or 16.8%. This increase is primarily related to increases in utilities, maintenance and repairs, depreciation, and uncollectable expense.

Wastewater revenues in fiscal year ended June 30, 2025, increased by \$4.0 million, or 3.8%, compared to the prior fiscal year. This increase was due to rate increases effective at the beginning of the year. Wastewater Utility also saw an increase in operating expenses from the prior year of \$5.6 million, or 6.6%. This increase is primarily related to increases in utilities, uncollectable expenses, and miscellaneous operating expenses.

With a focus on safe and reliable services the Department will continue to look for efficiencies through the implementation of new technologies and processes. This will allow the Department to continue to address significant infrastructure upgrades and generate desired financial results with moderate rate increases in the future.

Projections of the Results of Operations for the Fiscal Year Ended June 30, 2026 (Unaudited)

For the fiscal year ending June 30, 2026, the City is projecting combined net revenues (revenues less gas purchases) to increase by approximately \$14.6 million, or over 4.7%, compared to the prior fiscal year. This increase is related primarily to rate increases that occurred at the beginning of the fiscal year, and a colder-than-normal heating season. The City anticipates net combined operating expenses (excluding gas costs) to increase by approximately \$17 million, or 6% in fiscal year 2026. The City is projecting the System to have an operating income of approximately \$35 million in fiscal year ending June 30, 2026. However, actual results may vary from these projections, and such variances may be material.

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SYSTEM FINANCIAL INFORMATION

Historical Results

The following tables detail the historical revenues and expenses and the historical debt service coverage of the System for the five fiscal years ended June 30, 2025.

Comparative Statement of Revenues, Expenses, and Changes in Retained Earnings For Fiscal Year 2021 – 2025 (in 000's)

	2021	2022	2023	2024	2025
Operating Revenues					
Gas Recovery	\$74,313	\$126,109	\$123,459	\$69,395	\$95,718
Gas Revenue	88,753	92,038	94,640	96,970	110,320
Water Revenue	73,270	75,386	83,688	85,477	89,970
Wastewater Revenue	84,027	93,819	102,062	105,963	109,982
Total Charges for Goods and Services	\$320,362	\$387,352	\$403,849	\$357,805	\$405,990
Operating Expenses					
Purchased Gas	\$74,313	\$126,109	\$123,459	\$69,395	\$95,718
Operation & Maintenance	149,573	142,057	165,879	178,885	199,609
Depreciation	60,654	64,729	63,389	67,165	73,100
Total Operating Expenses	\$284,540	\$332,895	\$352,727	\$315,445	\$368,427
Operating Profit (Loss)	\$35,822	\$54,457	\$51,122	\$42,360	\$37,563
Non-Operating Income					
Interest Income	\$957	\$985	\$14,903	\$24,321	\$10,528
Misc. Revenue	15,054	21,879	14,478	53,213	52,194
Total Non-Operating Income	\$16,011	\$22,864	\$29,381	\$77,534	\$62,722
Non-Operating Expenses					
Interest on Customer Deposits	\$55	\$52	\$47	\$45	\$48
Interest on Long Term Debt	29,708	28,533	27,437	29,800	29,206
Total Non-Operating Expense	29,764	28,585	27,484	29,845	29,254
Profit (Loss) before Operating Transfers	\$22,070	\$48,736	\$53,019	\$90,049	\$71,031
Operating Transfers In (Out)	(8,464)	(9,528)	(2,815)	(8,460)	(11,562)
Increase (Decrease) in Retained Earnings	\$13,606	\$39,208	\$50,204	\$81,589	\$59,469
Retained Earnings, Beginning of Year	\$811,989	\$825,595	\$864,805	\$915,009	\$996,598
Retained Earnings, End of Year	\$825,595	\$864,803	\$915,009	\$996,598	\$1,056,067

Source(s): City of Richmond Department of Public Utilities



SYSTEM FINANCIAL INFORMATION

**Statement of Historical Debt Service Coverage
By Fiscal Year**

	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
<u>Revenues</u>					
Revenue	\$320,362,302	\$387,351,827	\$403,849,023	\$357,805,399	\$405,990,346
Connection Fees and Interest Income	13,649,138	20,538,232	29,356,942	43,175,954	32,540,051
Total Revenue Base for Debt Service	<u>\$334,011,440</u>	<u>\$407,890,339</u>	<u>\$433,206,323</u>	<u>\$400,981,676</u>	<u>\$438,530,536</u>
<u>Deductions</u>					
Operating Expenses	\$284,540,076	\$332,894,568	\$352,727,427	\$315,445,331	\$368,427,655
Less: Depreciation	60,654,344	-64,729,145	-63,389,381	-67,164,582	-73,100,134
Total	<u>\$223,885,732</u>	<u>\$268,165,423</u>	<u>\$289,338,046</u>	<u>\$248,280,749</u>	<u>\$295,327,521</u>
<u>Net Revenues Available for Debt Service</u>	<u>\$110,125,708</u>	<u>\$139,724,916</u>	<u>\$143,868,277</u>	<u>\$152,700,927</u>	<u>\$143,203,015</u>
<u>Annual Debt Service</u>					
Public Utility Revenue Bonds	\$59,912,932	\$62,787,695	\$61,824,660	\$62,440,555	\$70,798,477
Other Debt Service	12,300,428	3,959,494	3,996,166	3,760,132	748,765
Total Public Utility Debt Service	<u>\$72,213,360</u>	<u>\$66,747,189</u>	<u>\$65,820,826</u>	<u>\$66,200,687</u>	<u>\$71,547,242</u>
Coverage Ratio for All Debt	1.53	2.09	2.19	2.31	2.00
Coverage Revenue Bonds Only (1.15 x Req.)	1.84	2.22	2.33	2.44	2.02

Source: City of Richmond, Department of Public Utilities.

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SYSTEM FINANCIAL INFORMATION

Budgeted Revenues and Expenditures

The following table shows a comparison of the budgeted revenues, expenditures and changes in retained earnings for the fiscal year ended June 30, 2025, and the fiscal year ending June 30, 2026.

Budgeted Revenues, Expenses, and Changes in Retained Earnings For Fiscal Year 2025 and 2026 (in 000's)

	2025 Budget	2025 Actual	2026 Budget
Operating Revenues			
Gas Recovery	\$131,000	\$95,718	\$113,600
Gas Revenue	104,131	110,320	110,327
Water Revenue	86,707	89,970	96,187
Wastewater Revenue	113,591	109,982	117,439
Total Charges for Goods and Services	\$435,429	\$405,990	\$437,553
Operating Expenses			
Purchased Gas	\$131,000	\$95,718	\$113,600
Operation & Maintenance	199,560	199,609	223,172
Depreciation	72,138	73,100	82,055
Total Operating Expenses	\$402,698	\$368,427	\$418,827
Operating Profit (Loss)	\$32,731	\$37,563	\$18,726
Non-Operating Income			
Interest Income	\$15,447	\$10,528	\$12,219
Misc. Revenue	33,526	52,194	27,845
Total Non-Operating Income	\$48,973	\$62,722	\$40,064
Non-Operating Expenses			
Interest on Customer Deposits	\$57	\$48	\$57
Interest on Long Term Debt	33,074	29,206	37,518
Total Non-Operating Expense	33,131	29,254	37,575
Profit (Loss) before Operating Transfers	\$48,573	\$71,031	\$21,215
Operating Transfers In (Out)	-11,562	(11,562)	-7,664
Increase (Decrease) in Retained Earnings	\$37,011	\$59,469	\$13,551
Retained Earnings, Beginning of Year	\$996,598	\$996,598	\$1,056,067
Retained Earnings, End of Year	\$1,033,609	\$1,056,067	\$1,069,618

Source(s): City of Richmond Department of Public Utilities



SYSTEM FINANCIAL INFORMATION

Projected Results for Fiscal Years 2027 through 2031

The following tables detail the projected revenues and expenses and the projected debt service coverage of the Department for five fiscal years ending June 30, 2027 through 2031.

Statement of Projected Revenues and Expenses

	2027	2028	2029	2030	2031
<u>Operating Revenues:</u>					
Gas	\$265,810,987	\$277,912,196	\$290,664,696	\$303,970,689	\$318,045,054
Water	103,296,080	109,270,399	116,088,734	123,359,460	131,114,343
Wastewater ⁽¹⁾	121,051,347	129,430,614	138,387,036	147,967,429	158,212,486
Total Operating Revenues	\$490,158,414	\$516,613,209	\$545,140,466	\$575,297,578	\$607,371,883
<u>Operating Expenses:</u>					
Purchased gas	\$142,597,430	\$146,875,353	\$151,281,613	\$155,820,062	\$160,494,664
Operation & Maintenance ⁽²⁾	239,133,855	245,995,688	254,667,098	263,428,895	272,155,207
Depreciation	88,396,000	95,854,400	103,273,800	110,489,600	117,276,200
Total Operating Expenses	\$470,127,285	\$488,725,441	\$509,222,511	\$529,738,557	\$549,926,071
Operating Profit (Loss)	\$20,031,129	\$27,887,768	\$35,917,955	\$45,559,021	\$57,445,812
<u>Non-Operating Income</u>					
Interest Income	\$8,366,690	\$6,410,086	\$6,683,832	\$7,640,301	\$8,554,703
Misc Revenue ⁽³⁾	31,336,726	26,599,909	21,581,138	20,505,810	27,151,008
Total Non-Operating Income	\$39,703,416	\$33,009,995	\$28,264,970	\$28,146,111	\$35,705,711
<u>Non-Operating Expenses</u>					
Interest on Long Term Debt	40,691,830	43,758,383	47,567,056	56,029,651	62,998,268
Total Non-Operating Expense	40,691,830	43,758,383	47,567,056	56,029,651	62,998,268
Profit (Loss)	\$19,042,715	\$17,139,380	\$16,615,869	\$17,675,481	\$30,153,255

(1) Wastewater revenue includes other revenues, such as wastewater high strength surcharges, late payments and other miscellaneous revenues.

(2) Includes payment in lieu of taxes by the System to the City.

(3) Includes capital contributions from neighboring jurisdictions and connection fees.

Source: City of Richmond, Department of Public Utilities.

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SYSTEM FINANCIAL INFORMATION

Statement of Projected Debt Service Coverage

	2027	2028	2029	2030	2031
Revenues					
Revenue	\$490,158,414	\$516,613,209	\$545,140,466	\$575,297,578	\$607,371,883
Connection Fees and Interest Income	39,703,416	33,009,995	28,264,970	28,146,111	35,705,711
Total Revenue Base for Debt Service	\$529,861,830	\$549,623,204	\$573,405,436	\$603,443,689	\$643,077,594
Operating Expenses	\$470,127,284	\$488,725,439	\$509,222,513	\$529,738,557	\$549,926,071
Less: Depreciation	(88,396,000)	(95,854,400)	(103,273,800)	(110,489,600)	(117,276,200)
Total	\$381,731,284	\$392,871,039	\$405,948,713	\$419,248,957	\$432,649,871
Net Revenues Available for Debt Service	\$148,130,546	\$156,752,165	\$167,456,723	\$184,194,732	\$210,427,723
<u>Annual Debt Service</u>					
Public Utility Revenue Bonds	\$89,121,971	\$93,294,875	\$100,351,961	\$113,525,417	\$123,227,612
Other Debt Service	1,202,921	1,203,314	1,202,787	1,203,314	1,203,058
Total Public Utility Debt Service	\$90,324,892	\$94,498,189	\$101,554,748	\$114,728,731	\$124,430,670
Coverage Ratio for All Debt	1.64	1.66	1.65	1.61	1.69
Coverage Revenue Bonds Only (1.15 x Req.)	1.66	1.68	1.67	1.62	1.71

Source: City of Richmond, Department of Public Utilities.

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SYSTEM FINANCIAL INFORMATION

Outstanding Indebtedness and Annual Debt Service Requirements

The following tables set forth (a) the outstanding principal amount of indebtedness of or supported by the System, and (b) for each fiscal year, the total debt service requirements for the outstanding long-term indebtedness of or supported by the System (including debt service on the 2026B Utility Revenue Bonds).

Indebtedness of the System as of the Expected Date of Issuance [(May 26, 2026)]

Existing Revenue Bond Long-Term debt ⁽¹⁾⁽²⁾	\$ 777,697,906
Plus: General Obligation Long-Term debt ⁽³⁾	14,324,358
Sub-total	\$ 792,022,264
Plus: 2026B Utility Revenue Bonds ⁽⁴⁾	
(Less: the Refunded Bonds) ⁽⁴⁾	
Total	

(1) Reflects the maximum principal amounts for the 2025C VRA Utility Revenue Bonds (\$28,500,000) and 2025D VRA Utility Revenue Bonds (\$2,622,500), which were issued as draw-down loans.

(2) Includes full debt service on the outstanding 2016A, 2020A, and 2020B Revenue Bonds, portions of which are expected to be refunded with proceeds of the 2026B Utility Revenue Bonds.

(3) The General Obligation Bonds represent the portion of the City's 2024B Taxable General Obligation Pension Bonds that are allocable to the Utility System.

(4) To be completed following pricing of 2026B Utility Revenue Bonds.

Source: City of Richmond, Department of Public Utilities.



SYSTEM FINANCIAL INFORMATION

Debt Service Requirements for System Supported Long-Term Indebtedness⁽¹⁾⁽²⁾

Fiscal Year	Existing Debt			Less Refunded Debt*			Plus New Money & Refunding Bonds*			Total Existing & New Debt		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2027	\$ 42,663,296	\$ 28,639,284	\$ 71,302,580									
2028	43,951,915	27,091,560	71,043,475									
2029	45,119,799	25,780,011	70,899,810									
2030	46,194,211	24,304,905	70,499,116									
2031	45,413,590	22,813,689	68,227,278									
2032	46,177,564	21,120,161	67,297,726									
2033	47,937,373	19,355,474	67,292,846									
2034	44,076,778	17,515,942	61,592,720									
2035	41,473,676	15,654,990	57,128,666									
2036	40,482,957	13,929,733	54,412,690									
2037	37,248,616	12,429,997	49,678,613									
2038	34,721,769	11,059,014	45,780,783									
2039	34,953,030	9,788,346	44,741,376									
2040	35,237,399	8,507,702	43,745,101									
2041	31,601,729	7,258,492	38,860,221									
2042	30,664,359	6,190,824	36,855,184									
2043	28,938,857	5,182,069	34,120,926									
2044	19,423,357	4,216,426	23,639,783									
2045	18,149,320	3,583,724	21,733,044									
2046	18,791,742	2,959,152	21,750,894									
2047	10,684,209	2,221,435	12,905,644									
2048	11,096,720	1,806,674	12,903,394									
2049	11,350,545	1,401,151	12,751,696									
2050	11,771,655	980,528	12,752,184									
2051	5,282,796	542,887	5,825,684									
2052	4,220,000	366,138	4,586,138									
2053	4,395,000	186,788	4,581,788									
2054	-	-	-									
2055	-	-	-									
2056	-	-	-									
Total	\$ 792,022,264	\$294,887,095	\$1,086,909,359									

(1) As of the expected date of issuance of the 2026B Utility Revenue Bonds [(May 26, 2026)]. Includes the City's outstanding Utility Revenue Bonds as well as the portion of the City's GO bonds allocable to the Utility System. Currently, the City's 2024B Taxable General Obligation Pension Bonds are the only outstanding General Obligation bonds that are allocable to the Utility System, and the portion of the 2024B Taxable General Obligation Pension Bonds is included in the Existing Debt columns. The Existing Debt columns also include the projected debt service on the maximum loan amounts for the 2025C VRA Bonds (\$28,500,000) and 2025D VRA Bonds (\$2,622,500).

(2) * Projected debt service and refunding results to be completed following pricing.

Source: City of Richmond



CAPITAL IMPROVEMENTS

The Department normally undertakes capital improvement projects for utility system expansion, regulatory and environmental requirements and for upgrades to the system. As new construction projects are identified, the Department personnel and outside consulting engineers estimate the cost to complete each project. Budget appropriations are subsequently made based on those estimates. Utility capital improvement plan (“CIP”) projects are financed through the issuance of bonds and with available cash generated from operations. A summary of the planned projects from the FY26 CIP is included in the paragraphs that follow, and specific details of each planned project may be found in the Adopted Capital Improvement Plan available on the City’s Budget Department website at <https://www.rva.gov/budget-and-strategic-planning/budget-documents>. A portion of the proceeds from the 2026B Utility Revenue Bonds will fund, in part, these capital projects.

Capital Improvement Projects – Natural Gas Utility

The FY26 CIP for the Natural Gas Utility provides for the funding of two categories of major capital improvements for projects to ensure the Richmond metropolitan region has safe and secure natural gas service. The first category is the installation of new natural gas mains including high pressure system upgrades, services, meters and regulators to serve the new customers that request to be added to the Natural Gas Utility. New natural gas mains are constructed only after a net present value financial analysis shows that the estimated net revenue to the Natural Gas Utility (net of the cost of natural gas) will cover the total cost of construction over a fifteen-year period.

The second category of capital improvements is comprised of various programs to replace or renovate natural gas mains, services, meters, and regulators on a scheduled basis. Since the implementation of a formal, planned program in 1990 to address the older cast iron main and service line requirements in a comprehensive way and to upgrade all of the meters in the system, unaccounted for natural gas has remained within industry standards. Over the next five years, the City intends to invest over \$183 million in upgrading the distribution and metering of the system, to improve system reliability and minimize unaccounted for natural gas. A portion of this program is being funded by grants from the Pipeline and Hazardous Materials Safety Administration (PHMSA), under the Natural Gas Distribution Infrastructure Safety and Modernization Grant Program. The Natural Gas Utility will continue to apply for grants from PHMSA, as funds are made available.

Capital Improvement Projects – Water Utility

The FY26 CIP for the Water Utility provides for the funding of projects to ensure the Richmond metropolitan region safe and secure drinking water, dependable fire protection services, consistent compliance with all regulatory requirements and infrastructure for enterprise growth. Water Utility projects are prioritized in the master planning process and the assets are managed to provide for water demands today and in the future based on on-going water supply planning analysis. Current projects will ensure the Water Utility maintains the firm capacity of the treatment plant, pumping station and distribution system at the design maximum of 132 million gallons per day of safe drinking water. This volume will meet the demands of the customers of the City and wholesale water needs for the Counties of Henrico (and indirectly to Goochland through Henrico), Chesterfield (and indirectly to Powhatan through Chesterfield) and Hanover. City and wholesale customers pay rates based on cost of service and generate the revenue to fund the capital improvements. The Department’s goal is to maintain those rates at a competitive cost.

Capital Improvement Projects – Wastewater Utility

The FY26 CIP for the Wastewater Utility provides for the funding of projects to improve the operation of the treatment plant and to more fully automate its processes. It also funds ongoing system rehabilitation and upgrades the sanitary sewers to ensure reliable conveyance of sanitary waste to the plant as well as various CSO Interim Plan and Final Plan projects. The Wastewater Utility has received and will continue to work with state and federal partners to secure grant funding for the CSO Interim and Final Plan projects.



CAPITAL IMPROVEMENTS

Capital Expenditures

The following charts show the projected capital spending, in total for the System and separately for each utility for fiscal years 2026 through 2031:

SIX YEAR CAPITAL SPENDING FORECAST (in 000's)

Project	Fiscal Year ending June 30,						Total
	2026	2027	2028	2029	2030	2031	
Gas Utility	\$44,450	\$42,580	\$44,585	\$43,316	\$46,621	\$50,284	\$271,836
Water Utility	79,353	91,188	93,930	91,773	93,461	94,973	544,678
Wastewater Utility	128,094	146,181	147,692	141,032	127,746	89,982	780,727
TOTAL	\$251,897	\$279,949	\$286,207	\$276,121	\$267,828	\$235,238	\$1,597,241

NATURAL GAS UTILITY FIVE YEAR CAPITAL SPENDING FORECAST (in 000's)

Project	Fiscal Year ending June 30,					Total
	2026	2027	2028	2029	2030	
New Business	\$10,179	\$8,935	\$9,423	\$8,424	\$8,823	\$55,027
Gas Replacements	34,271	33,645	35,162	34,892	37,798	216,809
TOTAL	\$44,450	\$42,580	\$44,585	\$43,316	\$46,621	\$271,836

WATER UTILITY FIVE YEAR CAPITAL SPENDING FORECAST (in 000's)

Project	Fiscal Year ending June 30,					Total
	2026	2027	2028	2029	2030	
Distribution System Improvements	\$28,753	\$22,628	\$23,219	\$29,075	\$35,074	\$175,249
Major Plant & Pumping Improvements	37,063	56,268	54,932	50,994	31,102	265,427
Transmission Main Improvements	13,537	12,292	15,779	11,704	27,285	104,002
TOTAL	\$79,353	\$91,188	\$93,930	\$91,773	\$93,461	\$544,678

WASTEWATER UTILITY FIVE YEAR CAPITAL SPENDING FORECAST (in 000's)

Project	Fiscal Year ending June 30,					Total
	2026	2027	2028	2029	2030	
Treatment Plant Improvements	\$23,931	\$26,940	\$29,043	\$24,163	\$22,727	\$131,668
CSO Project	58,802	50,703	58,821	48,232	21,346	248,387
Sanitary Sewer Upgrades	45,361	68,538	59,828	68,637	83,673	400,672
TOTAL	\$128,094	\$146,181	\$147,692	\$141,032	\$127,746	\$780,727

Source: City of Richmond, Department of Public Utilities



REGULATORY AND OTHER MAJOR ISSUES

Major Issues Affecting the Department

Combined Sewer Overflow (“CSO”)

A third of the City is partially served by pipelines through which flow both sanitary sewage and stormwater. These combined pipelines collect the sewage and stormwater and discharge them to the treatment plant. All dry weather flow and some storm events are captured and fully treated in the sewage treatment plant. During heavier precipitation events, partially treated combined stormwater and sanitary sewage can be released into the James River at outfall points permitted by DEQ. This overflow contains bacteria and other pollutants and the City has a control program to address the overflows.

Begun in 1988, Phases I and II of the CSO control program were completed in 2003 at a cost of approximately \$250 million and have resulted in improved water quality and river aesthetics in the James River. In 2005, the City and the Commonwealth signed the Third (and current) Special Order by Consent with the Virginia State Water Control Board (“SWCB”) to implement Phase III of the CSO control program at an estimated cost of between \$352 to \$422 million (based on 2006 dollars – the time of the last formal revision of the CSO control program plan). In December 2006, the City submitted the Richmond Phase III CSO Control Plan Program Project Plan to DEQ, which specifies the estimated implementation plan, schedule and costs. In the Third Special Order by Consent issued by the SWCB to the City, DEQ states the City shall be deemed to be raising CSO control project funds to the limit of its financial capability if at least bi-annually the City adjusts its sewer rates so that in conformance with the Third Order, the annual sewer bill for typical residential customers (i.e. 7 ccf of average monthly use) will be at least 1.25% of median household income (MHI). In addition, the City performs industry standard cost of service and rate setting, closely monitors revenue and expenses and projects Department future rate changes that are affordable and sustainable in order to ensure that there is no significant change in uncollectible expense.

The City is actively seeking state and federal financial assistance for the CSO control program as well as applying for low interest loans from the Virginia Revolving Loan Fund. In April 2013, the Commonwealth’s budget authorized the Virginia Resources Authority and the SWCB to make a grant to the City to pay a portion of the capital costs of its CSO control projects. Through the Commonwealth’s Combined Sewer Overflow Matching Fund, \$45,000,000 was provided to the City. These funds were used to upgrade the Wastewater Treatment Plant to accommodate up to 140 MGD WWF and other CSO control projects. Additionally, the City has benefited from in-kind resources that the Army Corps of Engineers has allocated for preliminary engineering studies of the projects in the Phase III CSO control plan.

To date, the City’s CSO plan has reduced CSO volumes by 77% and caused an 80% reduction in Biochemical Oxygen Demand (BOD) and Suspended Solids loads. These reductions have contributed to improved aquatic life and enhanced waterfront development. In 2020, the Virginia General Assembly passed Senate Bill 1064, which requires Interim and Final Plans for addressing combined sewer overflows. DEQ and the City then amended the 2005 Special Order by Consent to incorporate Senate Bill 1064. The Interim Plan includes 10 projects, all of which are under active construction near Gillies Creek. All Interim Plan projects are projected to be completed by July 1, 2027, and are projected to further reduce CSO volume by approximately 182 million gallons. The Final Plan was submitted to DEQ in June 2024 and approved by DEQ in August 2024. The Final Plan contained four projects with an estimated cost of \$575 million. One of these projects (CSO 031 Storage Tank) and a portion of another (CSO 024 Partial Separation) have been designed and are under construction. The other portion of the second project (CSO 012 Storage Tank) is nearing the 60% design stage. The two remaining projects are planned to begin design in late CY 2026. Final Plan project construction is mandated to be completed by July 1, 2035. An additional \$10 million is allocated in the Final Plan for green Infrastructure projects.

Since the 2020 Senate bill was passed, the Virginia General Assembly has awarded an additional \$250 million in CSO grants. This includes federal ARPA grants of \$50 million in 2021 (100% match), \$100 million in 2022 (no match requirement), and State CSO grant funding of \$75 million in the FY 2025 Budget



REGULATORY AND OTHER MAJOR ISSUES

and \$25 million in the FY 2026 Budget. An additional \$50 million was included in the FY 2027 budget recently adopted by the General Assembly and is awaiting approval or modification by the Governor.

Cybersecurity

The City relies on a technology environment to conduct its operations. As such, it may face multiple cybersecurity threats including but not limited to, hacking, viruses, malware and other such attacks on computer or other sensitive digital systems and networks. There can be no assurance that any security and operational control measures implemented by the City will be completely successful to guard against and prevent cyber threats and attacks. The result of any such attack could impact operations and/or digital networks, and the costs of remedying any such damage could be significant.

To transfer and share these risks the City maintains robust cyber insurance coverage as a part of its overall insurance portfolio, which also includes crime insurance for misdirected funds. The City's cyber insurance coverage is provided by VAcop. Coverage includes all standard cyber security insurance provisions including, but not limited to, Network Security, Privacy and Data Breach Liability, Multimedia Liability, Regulatory Liability, Data Breach Incidence Response, Data Restoration, Cyber Extortion, Social Engineering Fraud and PCI DSS Fines.

The City's Department of Information Technology includes dedicated cyber security staff who focus on system-wide hardware and software vulnerability management, mitigation solutions, and backups for redundancy of critical records and systems processes. The City follows the National Institute of Standards and Technology (NIST) Special Publication 800-18 framework and NIST Cybersecurity Framework v1.1. To ensure an awareness of emerging threats, cyber security staff interfaces routinely with external consultants; State and Federal partners such as the Department of Homeland Security, MS-ISAC, EL-ISAC, Water-ISAC; and other entities. In addition, the City requires annual cybersecurity awareness training for all employees. This training covers topics such as employee responsibility, Ransomware, SmiShing, email compromise attacks, and mobile device security.

During fiscal year 2024, like many governmental and business entities around the United States, the City discovered that it was subject to a small, sophisticated business email compromise that resulted in a misdirected ACH transfer. At this time, the City believes that this activity was limited to six inbox accounts out of the City's 11,000 active inbox accounts. The City immediately initiated its incident response protocols, notified its cyber insurance carrier, and engaged a leading third-party cybersecurity expert - Mandiant. The City also notified the Virginia State Police Fusion Center and the FBI Cyber Crimes Division of the incident and is working with law enforcement in their investigation. These protocols resulted in the freezing of the bank account to which the misdirected funds were sent and the return of 100% of the misdirected funds to the City. The City is continuing to evaluate additional actions to strengthen its security in the face of an ever-evolving cyber threat landscape. There was no impact from this incident to the City's finances or overall operation.

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ECONOMY AND DEMOGRAPHICS

Economic and Statistical Information

Richmond is one of the major financial centers of the United States. It is headquarters for the Fifth Federal Reserve District which comprises five states and the District of Columbia. The City also serves as the home to regional offices for a number of other banking institutions. Home to an array of industries and eight Fortune 500 headquarters, the Richmond region is a magnet for talent and ranks 3rd for the highest concentration of business and finance workers east of the Mississippi. The Richmond Metropolitan Statistical Area ("Richmond MSA") has a diverse mix of government, manufacturing and service sector businesses.

The following tables set forth a 2025 listing of the Fortune 500 companies located in the Richmond MSA, a listing of the 25 largest employers in the Richmond MSA and the assessed values of the 25 largest taxpayers in the City as of January 1, 2025.

Richmond MSA Industrial and Commercial Base Fortune 500 Companies

2025 Rank	Firm	Industry Group	2024 Revenues (in Billions)
80	Performance Food Group	Food Wholesaler	\$54.7
151	CarMax	Automotive Retailer	28.2
209	Altria Group	Tobacco & Wine Products	20.4
251	Markel Group	Electric & Gas Utilities	16.6
264	Dominion Energy	Insurance & Financial Services	16.1
395	Owens & Minor	Healthcare Services	10.7
488	Arko Corp.	Convenience Stores	7.6

Source: Fortune Magazine, June 2025

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ECONOMY AND DEMOGRAPHICS



Richmond MSA 25 Largest Private Employers⁽¹⁾

2026 Rank	Company Name	Line of Business	Employees
1	Capital One Financial	Financial services, call center	14,000
2	VCU Health	Health care	13,500
3	HCA Virginia Health System	Health care	11,200
4	Bon Secours Richmond	Health care	8,516
5	Virginia Commonwealth University	Public four-year university	7,832
6	Dominion Energy	HQ; energy services	5,433
7	Amazon	Online retail	5,100
8	Truist	Banking	4,549
9	Altria Group	HQ; tobacco products, R&D	3,850
10	United Parcel Service	Package distribution	2,805
11	Federal Reserve Bank Richmond	Federal reserve bank	2,700
12	Anthem Blue Cross Blue Shield	Health Insurance	2,655
13	Wells Fargo	Banking	2,582
14	CarMax	HQ; used auto sales	2,475
15	DuPont	Chemicals and fibers	2,436
16	CoStar Group	Real estate information and analytics	2,400
17	Bank of America	Banking	1,921
18	Markel Group	HQ; Specialty insurance	1,886
19	Verizon Communications	Telecommunications	1,700
20	University of Richmond	Private four-year university	1,578
21	General Dynamics	Call center	1,450
22	Estes Express Lines	HQ; Trucking, air freight	1,345
23	T-Mobile USA	Telecommunications	1,316
24	Thermo Fisher Scientific	Biolab services; clinical research; manufacturing	1,300
25	AdvanSix	Polymers	1,269

Source(s): Greater Richmond Partnership, Largest Employers
(1) As of February 2026.

ECONOMY AND DEMOGRAPHICS



**City of Richmond
Real Estate Assessed Values of Largest Taxpayers
as of January 1, 2025⁽¹⁾**

Rank	Taxpayer⁽¹⁾	Assessment	% of Total
1	Philip Morris Inc.	\$369,445,000	0.90%
2	Dominion Resources Services Inc.	307,141,000	0.74
3	Philip Morris USA Inc.	304,265,000	0.74
4	Richmond Riverfront Plaza LP	187,589,000	0.46
5	Costar Realty Information Inc.	179,785,000	0.44
6	RP James Center LLC	157,280,000	0.38
7	Chippenham Hospital Inc.	131,796,000	0.32
8	M D Coastal 21 LLC	128,297,000	0.31
9	Gateway Plaza Realty LLC	123,557,000	0.30
10	Southwood Apartments LLC	123,540,000	0.30
11	SJW II LLC	111,111,000	0.27
12	GS Rosenesth Owner LLC	92,449,000	0.22
13	Kireland South 10th Street LLC	91,842,000	0.22
14	Scotts View LLC	91,165,000	0.22
15	Logistics Park 95 LLC	87,258,000	0.21
16	Federal Reserve Bank of Richmond	84,480,000	0.20
17	CS1031 Canopy at Ginter Park	79,844,000	0.19
18	LS Biotech Eight LLC	78,161,000	0.19
19	AP Aden Park LLC & AP Aden TIC	77,764,000	0.19
20	Imperial Propco LLC	77,173,000	0.19
21	3200 Broad LLC	76,899,000	0.19
22	Malvern Manor Apartments LLC	75,999,000	0.18
23	CC Scotts Addition LP	73,133,000	0.18
24	Stratford Hills Associates LLC	72,475,000	0.18
25	AREP Riverside I LLC	71,233,000	0.17
Subtotal		\$3,133,828,000	7.89%
All Other Properties		\$37,973,841,000	92.11%
Total Taxable Assessment		\$41,227,522,000	100.00%

Source(s): City Assessor's Office, 2025 Certified Land Book

(1) Taxpayers with the same identification are assessed separately from their affiliates.



ECONOMY AND DEMOGRAPHICS

Annual Labor Force Statistics, Employment and Unemployment

Set forth below are the labor force statistics, including employment and unemployment numbers, for the City and the Richmond Metropolitan Statistical Area since 2016.

City of Richmond

Year	Labor Force (City)	Employment (City)	Unemployment (City)	Unemployment Rate (City) (%)	Unemployment Rate (US) (%)	Unemployment Rate (VA) (%)
2016	122,975	117,729	5,246	4.3%	4.9%	4.0%
2017	125,078	120,192	4,886	3.9	4.4	3.6
2018	125,599	121,476	4,123	3.3	3.9	3.0
2019	126,125	122,325	3,800	3.0	3.7	2.8
2020	126,200	115,301	10,899	8.6	8.1	6.5
2021	123,743	117,586	6,157	5.0	5.4	3.8
2022	126,524	122,738	3,786	3.0	3.7	2.7
2023	130,001	125,982	4,019	3.1	3.6	2.7
2024	131,163	126,903	4,260	3.2	4.0	2.9

Source(s): Virginia Department of Workforce Development and Advancement, Local Area Unemployment Statistics
 U.S. Bureau of Labor Statistics, Unemployment Rate
 Note: Latest information available.

Richmond Metropolitan Statistical Area ("MSA")⁽¹⁾

Year	Labor Force	Employment	Unemployment	Unemployment Rate (%)
2016	662,735	635,864	26,871	4.1
2017	676,337	651,154	25,183	3.7
2018	681,607	660,456	21,151	3.1
2019	688,721	669,129	19,592	2.8
2020	679,679	633,341	46,338	6.8
2021	677,290	649,940	27,350	4.0
2022	700,277	680,875	19,402	2.8
2023	722,559	702,130	20,429	2.8
2024	728,792	707,181	21,611	3.0

Source(s): Virginia Department of Workforce Development and Advancement, Local Area Unemployment Statistics
 Note: Latest information available.

(1) The Richmond MSA includes the cities of Richmond, Petersburg, Colonial Heights, and Hopewell and the counties of Henrico, Chesterfield, Amelia, Caroline, Charles City, Cumberland, Dinwiddie, Goochland, King and Queen, King William, Louisa, New Kent, Powhatan, Prince George, and Sussex.

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ECONOMY AND DEMOGRAPHICS

Income Indicators

Set forth below are the income indicators for the City and the Richmond MSA, including average weekly wage and the per capita personal income for calendar years since 2015.

Average Weekly Wage

Year	City of Richmond	% Change	Richmond MSA	% Change	Commonwealth of Virginia	% Change
2015	\$1,222	4.37%	\$963	2.23%	\$1,044	2.55%
2016	1,123	0.09	973	1.04	1,055	1.05
2017	1,158	3.12	1,004	3.19	1,087	3.03
2018	1,187	2.50	1,023	1.89	1,120	3.04
2019	1,231	3.71	1,055	3.13	1,157	3.30
2020	1,351	9.75	1,143	8.34	1,253	8.30
2021	1,400	3.63	1,194	4.46	1,308	4.39
2022	1,486	6.14	1,259	5.44	1,368	4.59
2023	1,535	3.30	1,301	3.34	1,428	4.39
2024	1,604	4.50	1,363	4.77	1,492	4.48

Source(s): Virginia Employment Commission
 Note: Latest information available.

Per Capita Personal Income

Year	City of Richmond	% Change	Richmond MSA	% Change	Commonwealth of Virginia	% Change
2015	\$49,422	4.85%	\$50,617	4.62%	\$51,617	3.73%
2016	49,985	1.14	51,605	1.95	52,656	2.01
2017	52,392	4.82	53,624	3.91	54,377	3.27
2018	53,096	1.34	54,912	2.40	56,130	3.22
2019	56,689	6.77	57,756	5.18	58,362	3.98
2020	62,644	10.50	61,308	6.15	61,449	5.29
2021	69,384	10.76	66,074	7.77	67,223	9.40
2022	72,510	4.51	67,805	2.62	69,562	3.48
2023	76,702	5.78	71,794	5.88	73,890	6.22
2024 ⁽¹⁾	80,007	4.31	--	--	77,351	4.68

Source(s): U.S. Department of Commerce, Bureau of Economic Analysis ("BEA"). BEA figures include employment and wages not covered by state and federal unemployment compensation.

Note: Latest information available.

(1) Beginning with the 2024 annual report, the Bureau of Economic Analysis ("BEA") has discontinued publication of statistics for metropolitan statistical areas, micropolitan statistical areas, metropolitan divisions, combined statistical areas, and metropolitan and nonmetropolitan portions. GDP and personal income estimates will continue to be published by locality. The Per Capita Personal Income data table has been revised to reflect this change in reporting.



ECONOMY AND DEMOGRAPHICS

Population Statistics

Set forth below are the population estimates for the City for calendar years 2005 through 2025.

Year⁽¹⁾	Population
2005	197,915
2006	198,992
2007	200,655
2008	202,867
2009	204,451
2010	204,214
2011	205,533
2012	210,309
2013	214,114
2014	217,853
2015	220,289
2016	223,170
2017	227,032
2018	228,783
2019	230,436
2020	229,233
2021	226,604
2022	229,395
2023	229,247
2024	233,655
2025	241,478

Source(s): U.S. Department of Commerce: U.S. Census Bureau, U.S. Census of Population; Weldon Copper Center for Public Service, Demographics Research Group.

- (1) Population data for years 2005 – 2024 are sourced from U.S. Census of Population data from the U.S. Census Bureau. Calendar year 2025 reports population estimate sourced from the Weldon Copper Center for Public Service, Demographics Research Group (published on February 24, 2026).

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RETIREMENT

Pension Funds

Prior to January 1, 2024, eligible employees of the constitutional offices of the Sheriff, Courts, Registrar and Treasurer were members of VRS. All other employees of the City were part of RRS. The City elected to join VRS beginning in January 1, 2024, with membership now including full-time permanent public safety and general city employees. As of January 1, 2024, RRS was closed to all new City of Richmond employees. Employees hired prior to January 1, 2024, were given the option to join VRS, or remain within RRS, with a final binding decision by December 31, 2024. As of April 2024, of the 3,400 City employees eligible to transition to VRS, 24% (816 employees) have made the election to join VRS.

Virginia Retirement System Plans (“VRS”)

Plan Description

The City contributes to VRS Plan, a cost-sharing and agent multiple-employer defined benefit pension plan administered by the VRS. Eligible City of Richmond VRS members include full-time, permanent public safety and general city employees and employees of the constitutional offices of the Sheriff, Courts, Registrar and Treasurer. Benefits vest after five years of service credit in the system. Members earn one month of service credit for each month they are employed, and their employer is paying into the VRS. Members are eligible to purchase prior public service, active duty military service, certain periods of leave and previously refunded VRS service as credit in their plan. There are three defined benefit plans for local government employees – Plan 1, Plan 2, and the Hybrid Plan. Eligible public safety employees go into Plan 1 or Plan 2 with Hazardous Duty benefits. In addition to the defined benefit component, the Hybrid Plan includes a defined contribution 401(a) plan component and voluntary 457(b) plan.

Plan 1. Members hired before July 1, 2010 and who were vested as of January 1, 2013 are covered under Plan 1. Non-hazardous duty members are eligible for an unreduced retirement benefit beginning at age 65 with at least five years of service credit or age 50 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. Members hired or rehired on or after July 1, 2010 and who were not vested on January 1, 2013 are covered under Plan 2. 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.

Hybrid Plan. Non-hazardous duty employees hired on or after January 1, 2014 are covered under the Hybrid Plan. The VRS Hybrid Retirement Plan combines features of a defined benefit and a defined contribution plan. Employees covered under the VRS Hybrid Plan are eligible for an unreduced benefit when they reach their normal Social Security retirement age or when their age and service equal the sum of 90. Benefits are payable monthly for life in an amount equal to 1% of their Average Final Salary for each year of credited service. Hybrid members make mandatory contributions to the defined contribution component of the plan and may make additional voluntary contributions to the plan, which the employer is required to match. Employees vest in the matching employer contributions based upon a tiered schedule. Employees are 100% vested in all matching employer contributions upon reaching four years of creditable service.



RETIREMENT

The system issues a publicly available annual comprehensive financial report that includes financial statements and required supplementary information for the plans administered by VRS. A copy of the report may be obtained from the VRS web site located at <https://www.varetire.org/publications/index.html> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Contribution Policy

Plan members are required by the Code of Virginia (1950), to contribute 5% of their compensation toward their retirement. Beginning July 1, 2012, new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5% member contribution. This could be phased in over a period of up to five years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. The City is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by Code of Virginia and approved by the VRS Board of Trustees. The City's contribution rate through December 31, 2023, was 13.45% of the annual covered employee compensation. The contribution rate became 15.08% effective with the City's VRS join date of January 1, 2024, and will remain in effect until June 30, 2024. VRS is implementing a Hybrid rate separation for its employer contribution starting July 1, 2024. For additional detail regarding the VRS Hybrid rate separation, see <https://employers.varetire.org/hybrid-rate-separation>. The City's contractually required contribution rate for the year end June 30, 2025 was 14.71% of covered employee compensation. The rate was based on an actuarial determined rate from an actuarial valuation of June 30, 2023. Contributions to the plan for the year ending on June 30, 2025 were \$11,012,496.

Net Pension Liability

The net pension liability of the City at June 30, 2025, for the VRS was as follows.

Total Pension Liability (TPL)	\$ 166,453,427
VRS Fiduciary Net Position	(169,634,579)
Net Pension Liability/(Asset)	\$ (3,181,152)
Plan Fiduciary Net Position as a percentage of Total Pension Liability	101.91%
Covered Employee Payroll	\$ 58,834,023
City's Net Pension Liability as a percentage of Covered Employee Payroll	(5.41)%



RETIREMENT

Pension Expense – Virginia Retirement System (“VRS”)

Service Costs	\$3,498,397
Interest on the total pension liability	10,386,727
Expensed portion of current-period difference between expected and actual experience in the total pension liability	3,441,313
Expensed portion of current period changes in assumptions	-
Member contributions	(2,888,702)
Projected earning on plan investments	(10,399,431)
Expensed portion of current-period differences between actual and projected earning on plan investments	(894,433)
Administrative expenses	96,485
Other	(3,061)
Recognition of beginning deferred outflows of resources as pension expense	3,323,050
Recognition of beginning deferred inflows of resources as pension expense	(5,687,941)
Pension Expense	\$872,404

Richmond Retirement System Plans (“RRS”)

As noted earlier, effective January 1, 2024, participation in the RRS is closed to new employees and eligible new hires after that date have become part of VRS.

RRS Defined Benefit Plan

Plan Description

The RRS was established by action of the Council on February 1, 1945. The Council appoints five members and the Mayor appoints two members of the Board of Trustees to administer the RRS. However, Council retains the authority to establish or amend benefit provisions. The RRS is currently not subject to the provisions of the Employee Retirement Income Security Act of 1974.

The RRS is a single-employer Defined Benefit Plan, which has one participating employer, the City, including its component unit, the Richmond Behavioral Health Authority and a small portion of Richmond Public Schools. The Plan covers all full-time, permanent employees, with the exception of those elected officials and persons eligible for membership in the Judicial Retirement System and the Virginia Retirement System. A majority of the employees of the School Board participate in the VRS, which offers both agent and cost sharing multiple-employer retirement plan options to Virginia localities and acts as a common investment and administrative agent for certain political subdivisions in the Commonwealth. Members are vested after five years of creditable service or at their normal retirement age (age 65 for general employees; age 60 for public safety employees). The plan is contributory for employees.

Contribution Policy

The City Code, requires the City to contribute to the RRS, annually, an amount as determined by the actuary, expressed as a percentage of payroll, equal to the sum of the “normal contribution” and the “actuarial determined contribution.” During 2022, the City contributed \$1.2 million in addition to funding the Actuarially Determined Contribution.



RETIREMENT

The Actuarial Determined Contribution is the amount necessary to amortize the unfunded actuarial liability and any increase or decrease in the unfunded actuarial liability in future years due to changes in actuarial assumptions, changes in RRS provisions, including the granting of COLA increases, or actuarial gains or losses amortized over a closed period not to exceed 30 years, with payments increasing up to 4% per year.

The following is a schedule of the City's contributions to the RRS, exclusive of City employee contributions, for fiscal years ended June 30, 2016 through 2025:

Fiscal Year	Actuarially Determined Contributions ⁽¹⁾	Employer Contributions ⁽¹⁾	Percentage Contributed
2016	\$44,926,043	\$44,926,043	100.00%
2017	42,911,076	42,911,076	100.00
2018	46,548,902	46,548,902	100.00
2019	46,539,647	48,539,647	104.30
2020	48,276,781	55,240,421	114.42
2021	55,649,723	55,649,723	100.00
2022	54,936,872	54,936,872	100.00
2023	62,168,123	62,168,123	100.00
2024	69,500,995	187,680,492 ⁽²⁾	270.04
2025	51,297,646	51,297,646	100.00

Source(s): Richmond Retirement System-Annual Comprehensive Financial Report – Fiscal Years 2016 - 2025.

(1) The figures above include contributions made by RBHA on behalf of its employees who participated in RRS.

(2) Includes \$120,000,000 contribution made from proceeds of the 2024B General Obligation Bonds.

Plan Membership

The number of vested and retired City employees participating in the RRS defined benefit plan for fiscal years 2016 to 2025 is as follows:

Fiscal Year	Classification	Active Members ⁽¹⁾	Retired Members	Terminated Vested ⁽²⁾	Total
2016	Municipal Employees	1,911	4,322	1,618	7,851
2017	Municipal Employees	1,858	4,297	1,616	7,771
2018	Municipal Employees	1,781	4,318	1,603	7,702
2019	Municipal Employees	1,731	4,300	1,567	7,598
2020	Municipal Employees	1,587	4,327	1,545	7,459
2021	Municipal Employees	1,463	4,276	1,544	7,283
2022	Municipal Employees	1,379	4,214	1,541	7,134
2023	Municipal Employees	1,381	4,158	1,534	7,073
2024	Municipal Employees	1,209	4,100	1,536	6,845
2025	Municipal Employees	1,055	4,051	1,464	6,570

Source(s): Richmond Retirement System-Annual Comprehensive Financial Report – Fiscal Years 2016 - 2025.

(1) Does not include participants in the Defined Contribution 401(a) Plan.

(2) As defined in Section 22-143(2) of the Code of the City of Richmond, Virginia.



RETIREMENT

Net Pension Liability

The following table sets forth net pension liability for fiscal years 2016 to 2025. Financial information shown on the table below reflects data that is one year ahead of the figures reported in the City's financial statements as required by GASB 68.

Fiscal Year	Fiduciary Net Position	Total Pension Liability	Net Pension Liability	Fiduciary Net Position as a % of Total Pension Liability
2016	\$515,253,793	\$854,875,197	\$339,621,404	60.3%
2017	552,712,561	863,992,966	311,280,405	64.0
2018	569,085,310	874,789,363	305,704,053	65.1
2019	572,635,105	938,077,477	365,442,372	61.0
2020	565,456,261	954,585,395	389,129,134	59.2
2021	685,425,764	954,775,368	269,349,604	71.8
2022	619,157,459	959,392,716	340,235,257	64.5
2023	640,849,780	986,166,215	345,316,435	65.0
2024	819,178,952	1,012,368,491	193,189,539	80.9
2025	883,849,545	1,041,237,304	157,387,759	84.9

In fiscal year 2025, the RRS funded status rose from 65.0% in the prior year (RRS fiscal year 2023) to 80.9% (RRS fiscal year 2024). The increase in actuarial funded status is as result of the additional City's contribution by transferring the 2024B GO Bonds proceeds at the end of fiscal year 2024. As reported in the RRS fiscal year 2025 Annual Comprehensive Financial Report, the RRS funded status rose from 80.9% to 84.5%.

Defined Contribution Plan

401(a) Plan Description

The RRS also offers a Defined Contribution 401(a) Plan as another retirement option to the City and RBHA. This plan is mandatory for general employees hired on/or after July 1, 2006, and optional for senior executives and public safety officers. The RRS is the administrator for this plan and has contracted with an independent, not-for-profit financial services organization to be the record keeper of the plan. The City contributes a percentage of an employee's creditable compensation, based on years of service, to a portable account for investment by the employee. This plan is non-contributory for employees. As of June 30, 2025, the Defined Contribution 401(a) Plan had 1,850 plan members.

The Defined Contribution Plan is a 401(a) account which grows through contributions from the participating employers and investment earnings. Participating employers contribute a percentage of the member's salary to an account each pay period in accordance with a schedule based on years of creditable service. Prior to January 1, 2024, participating employees did not contribute to the 401(a) plan, and the employer's contribution schedule was as follows:

- Less than 5 years of service 5%
- 5 – 10 years of service 6%
- 10 – 15 years of service 8%
- 15 or more years of service 10%



RETIREMENT

As of January 1, 2024, participating employees contribute a mandatory 5% to the 401(a) plan, and the employer's contribution schedule is as follows:

- Less than 10 years of service 1%
- 10 – 15 years of service 3%
- 15 or more years of service 5%

The Richmond Retirement System's Annual Comprehensive Financial Statement for the fiscal year ending June 30, 2025, is available on the City's website at www.rva.gov/retirement-system/annual-reports.



RETIREMENT

Insurance and Risk Management

The City has an active risk management program including safety and loss control, claims administration, risk management financing and consulting services to all City agencies that is accounted for as an Internal Service Fund. The City manages risk through a combination of commercial insurance, self-insurance and association programs. The program continues to provide workers' compensation and third-party liability coverage.

For workers' compensation claims, the City assumes the first \$2,000,000 for Heart, Lung and Cancer presumptive claims for Public Safety Officer and \$2,000,000 for all other employees and non-presumptive claims for Public Safety Officers. The City pays claims filed directly from appropriations to various agencies. Excess workers' compensation coverage provides protection for accidents exceeding the self-insured retentions noted above. Claims for indemnity benefits may be paid over a maximum period of 500 weeks with the exception of certain legally defined cases, which may be paid for the lifetime of the claimant.

The City is self-insured for the first \$1,500,000 of any general liability, automobile liability, public officials or police professional liability claim. The City has purchased \$20,000,000 in excess liability coverage over a \$1,500,000 self-insured retention from Virginia Association of Counties Risk Group (VACorp). Claims under the \$1,500,000 self-insured retention are paid by the Risk Management agency within the Internal Service Fund.

The Department is a member of the Associated Electric Gas and Insurance Services, Ltd., a member-owned company based in New Jersey. In exchange for an annual premium, the utilities are provided insurance coverage to a limit of \$35,000,000 per occurrence for excess liability with self-insured retention of \$1,000,000 per occurrence for General and Employers' Liability, and \$1,000,000 per occurrence for Pollution Liability. The Department is also a member of Energy Insurance Mutual Ltd., which provides excess liability coverage with limits of \$100,000,000 in excess of the \$35,000,000 underlying coverage.

The City also carries commercial insurance in a number of smaller, more defined risk areas such as employees' faithful performance, money and securities, and medical professional liability. The Risk Management agency continues to carry the necessary Fiduciary coverage for the Richmond Retirement System Fund and Malicious Acts coverage for the City.



RETIREMENT

The City's aggregate actuarially determined liability for uninsured workers' compensation, general liability, and automobile liability at June 30, 2025, was \$47,864,378 (undiscounted) and \$47,004,002 (discounted at 3.50 percent). Changes in the aggregate for these liabilities from 2016 through 2025 were:

Fiscal Year	Beginning of Fiscal Year Liability Balance	Current Year Claims and Changes in Estimates	Claims and Premium Payments	Fiscal Year-End Reserved Liability Balance
2016	\$35,561,172	\$6,179,001	\$(7,327,968)	\$34,412,205
2017	34,412,205	2,411,238	(5,320,965)	31,502,478
2018	31,502,478	3,255,876	(1,637,823)	33,120,531
2019	33,120,531	10,969,924	(8,282,134)	35,808,321
2020	35,808,321	11,884,878	(9,465,044)	38,228,155
2021	38,228,155	15,704,183	(12,195,116)	41,107,222
2022	41,107,222	9,229,181	(7,781,634)	42,554,769
2023	42,554,769	9,137,709	(10,132,341)	41,560,137
2024	41,560,137	11,050,000	(9,034,095)	43,576,042
2025	43,576,042	9,950,000	(6,522,040)	47,004,002

Source: City Department of Finance - Bureau of Risk Management



RETIREMENT

Other Post-Employment Benefits (“OPEB”)

The City has employees participating in one of two OPEB Plans, The City of Richmond OPEB Plan and the Virginia Retirement System (“VRS”) OPEB Plan

Plan Description – City of Richmond

The City provides continuous medical insurance coverage for some full-time employees who retire directly from the City, have continuously been enrolled in the health plans for 5 years prior to retirement, and are eligible to receive an early or regular retirement benefit from the City. In addition, they must be employed with the City for at least 10 years of creditable service at retirement. Dental insurance also continues after retirement at the retiree rate. The plan has been changed to only value participants who are currently retired and active members that were hired prior to July 1, 2006. Sworn Police, Sworn Fire, Sworn VRS, and Executives currently not in the defined contribution group are also able to participate in the post-retirement medical coverage even if they were hired after July 1, 2006. All other members hired after this date are assumed to pay the full cost of the program with no implicit rate subsidy and, therefore, have no liability reported under GAAP.

Retirees that become Medicare eligible are no longer eligible for the City retiree medical plan. Surviving spouses of retirees may elect to remain in the deceased member’s health insurance plan for up to 36 months after the death of the member paying the same rate as the retiree, but without the City’s contribution.

Currently the plans offered to retirees provided by the Connecticut General Life Insurance Co. are Choice Fund Open Access Plus HAS Plan Healthcare Plan 1 and the Open Access Plus Plan Healthcare Plan 2. Retirees that become Medicare Eligible are no longer eligible for the City of Richmond retiree medical plan.

For pre-Medicare coverage, retirees pay a portion of the early retiree rates based on years of service at retirement. The City pays a subsidy of premiums based on length of active service. This subsidy is determined on an annual basis. There are four levels of City subsidy.

Years of Active Service	Monthly Subsidy
25+	\$ 400
20 to 24	\$ 300
15 to 19	\$ 200
10 to 14	\$ 100
Less than 10	\$ 0

Disabled participants are provided coverage under the same benefit terms and eligibility as non-disabled participants. Employees may retire under the City of Richmond Retirement Plan with an unreduced benefit under the following age and service requirements based on the category of employee:

- General employees are eligible at age 65, with no service requirement
- General employees are eligible with 30 years of service regardless of age
- Police officers and firefighters are eligible at age 60, with no service requirement
- Police officers and firefighters are eligible with 25 years of service regardless of age



RETIREMENT

Employees may retire with a reduced benefit under the RRS under the following age and service requirements based on the category of employee:

- General employees are eligible at age 55, with five years of service
- Police officers and firefighters are eligible at age 50, with five years of service

The number of employee participants as of June 30, 2025, the effective date of the biennial OPEB valuation, follows. There have been no significant changes in the number covered or the type of coverage since that date.

Active Employees	1,285
Retired Employees	60
Total	1,345

Pre-Medicare retirees who participate in the plan pay the full active rate less the contribution from the City of Richmond if they are eligible for the subsidy. Below are the full cost of the monthly premium rates projected at 7.50% of the valuation year.

	OPEB Classic Plan	High Deductible Plan
Retiree Only	\$1,350	\$1,108
Retiree + Spouse	\$2,750	\$2,236

Funding Policy

The City currently pays for post-employment healthcare benefits on a pay-as-you-go basis. The City funds on a cash basis are paid as benefits. In February 2019, the City began participating in the Virginia Pooled OPEB Trust Fund, an irrevocable trust. Starting in fiscal year 2019, the City began making contributions to the trust for investment purposes. In fiscal year 2025, there are no contributions to this pooled investment trust and the assets of the trust have been segregated and restricted to provide other post-retirement benefits in the future.

Net OPEB Liability

The City's OPEB cost is calculated based on the annual required contribution of the employer ("ARC"), an amount actuarially determined in accordance with the parameters of GAAP. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of City's annual OPEB cost for the year, annually required contribution to the plan, and changes in the City's net OPEB obligation:

Changes in Net OPEB Liability – Fiscal Year 2024 and 2025

	2024	2025
Total OPEB Liability – Beginning of Fiscal Year	\$7,497,608	\$8,294,048
Changes for the Year		
Service cost	219,802	192,586
Interest on Total OPEB Liability	468,412	523,915



RETIREMENT

Change of Benefit Terms		-
Experience Losses (Gains)	738,320	63,895
Change in Assumptions	147,876	289,821
Net Investment Income		-
Benefits Paid	(777,970)	(724,927)
Net Change in Total OPEB Liability	796,440	345,290
Total OPEB Liability	8,294,048	8,639,338
Plan Fiduciary Net Position	(11,265,793)	(12,249,659)
Net OPEB Liability – End of Fiscal Year	\$(2,971,745)	\$(3,610,321)

Source: City of Richmond Annual Comprehensive Financial Report of 2025

Virginia Retirement System Group Life Insurance Other Post-Employment Benefits (“VRS GLI OPEB”)

VRS Plan Description

The Virginia Retirement System (VRS) Group Life Insurance Program (GLI) is a multiple employer, cost-sharing plan and provides coverage to state employees, teachers, and employees of participating political subdivisions. For the City of Richmond these eligible employees include Constitutional Officer Employees only.

The Group Life Insurance Program was established in July 1, 1960 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 Group Life Insurance 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 Group Life Insurance Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the Group Life Insurance Program OPEB, and Group Life Insurance Program OPEB expense, information about the fiduciary net position of the Virginia Retirement System (VRS) Group Life Insurance program OPEB and the additions to/deductions from the VRS Group Life Insurance Program OPEB's net fiduciary 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 market value

Basic group life insurance coverage is automatic upon employment for constitutional employees that elect the program. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their member contributions and accrued interest. The benefits payable under the Group Life Insurance 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
 - Safety belt benefit



RETIREMENT

- Repatriation benefit
- Felonious assault benefit
- Accelerated death benefit option

The benefit amounts provided to members covered under the Group Life Insurance 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.

For covered members with at least 30 years of creditable service, 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 amount is increased annually based on the VRS Plan 2 cost-of-living adjustment and is currently \$9,532 as of June 30, 2025.

Contributions

The contribution requirements for the Group Life Insurance 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 Group Life Insurance Program was 1.34 percent of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.80 percent (1.34% X 60%) and the employer component was 0.54 percent (1.34% X 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. The City of Richmond's contractually required employer contribution rate for the year ended June 30, 2024 was 0.54 percent of covered employee compensation. This rate was based on an actuarial determined rate from an actuarial valuation as of June 30, 2021. The actuarial 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 Group Life Insurance Program from the City were \$318,335 for the year ended June 30, 2025.

Net Group Life Insurance (“GLI”) OPEB Liability

	Group Life Insurance OPEB Program
Total GLI OPEB Liability	\$9,633,722
Plan Fiduciary Net Position	7,071,676
Employers’ Net GLI OPEB Liability	\$2,562,046
Plan Fiduciary Net Position as Percentage of Total GLI OPEB Liability	73.41%

At June 30, 2025, the City of Richmond reported a liability of \$ 2,562,046 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 as of June 30, 2023. The City's proportion of the Net GLI OPEB Liability was based on the City's actuarial determined employer contributions to the Group Life Insurance Program for the year ended June 30, 2024 relative to the total of the actuarial determined employer contributions for all participating employers. At June 30, 2024, the City of Richmond proportion was 0.22959 percent as compared to 0.11082 percent at June 30, 2023.

APPENDIX D

CONSULTING ENGINEER'S REPORT



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Public Utility Revenue and Refunding Bonds Series 2026B

Consulting Engineer's Report
Richmond, Virginia
May 2026



Prepared for:
City of Richmond Department of Public Utilities



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SECTION 1 INTRODUCTION

The City of Richmond, Virginia (City) is issuing its Public Utility Revenue and Refunding Bonds, Series 2026B (Bonds) to fund a portion of its Capital Improvement Program (CIP) for fiscal years (FY) 2026 through 2031. This report provides a general description of the City's existing natural gas, water, and wastewater systems, a description of the improvements for these systems contained in the CIP, and their estimated costs.

This report was prepared by the consulting engineering firm of GFT Infrastructure, Inc. (formerly Gannett Fleming) for inclusion as an appendix to the official statement for the Bonds.

SECTION 2 EXISTING NATURAL GAS, WATER, AND WASTEWATER SYSTEMS

2.1. GAS SYSTEM

The City's natural gas system (Richmond Gas System) is presently the eighth largest municipally owned gas utility in the country. The City of Richmond Department of Public Utilities (DPU) is responsible for day-to-day operation and maintenance of the system, which includes more than 1,973 miles of gas mains serving approximately 121,000 customer accounts in the City, Henrico County, northern Chesterfield County and portions of Hanover County as of December 2025. DPU purchases gas on a wholesale basis from four major suppliers: BP Energy, Municipal Gas Authority of Georgia, Southeast Gas Supply, and Public Energy Authority of Kentucky. From these suppliers, gas is delivered to the City's eight gate stations, with a ninth gate station completed but not in-service, through major transmission pipelines owned by TC Energy, Williams and BHE GT&S. The information in the following subsections is based on interviews with City gas system specialists.

2.1.1. History

The origins of the Richmond Gas System date back 176 years when on November 29, 1849, the Richmond City Council adopted an ordinance to begin illuminating City streets using gas lights. A plant that manufactured gas from coal was constructed at a site on East Cary Street between 15th and 16th Streets and the plant and streetlights went into full operation on February 22, 1851. The gas plant on East Cary Street was later replaced by the Fulton Gas Works, which began operating on October 5, 1856 and continued to operate until it was eventually decommissioned in the mid-1950s. Today, supply gas is purchased on a wholesale basis from various suppliers and originates primarily from gas wells in the Appalachian area.

2.1.2. Service Area

The present service area of the Richmond Gas System covers approximately 326.4 square miles and includes all of the City, Henrico County, northern Chesterfield County and portions of Hanover County. The service area of the Richmond Gas System is illustrated in Figure 2.1.

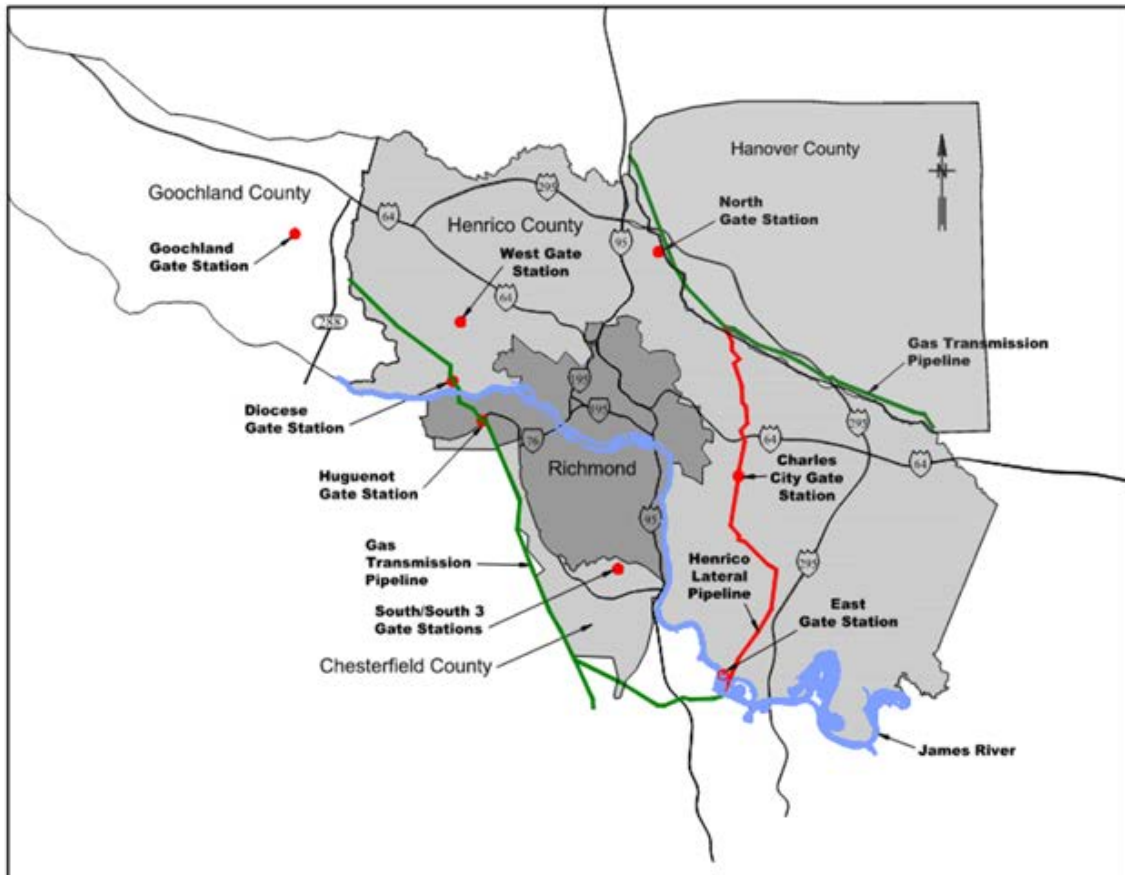


Figure 2-1: Gas Service Area and Gate Stations

2.1.3. Facilities and Resources

The major facilities comprising the Richmond Gas System consist of roughly 1,973 miles of distribution pipelines, various pressure regulators and nine gate stations.

Gas is introduced into the City's gas distribution system through a total of eight gate stations. The ninth station, Goochland Gate Station, was completed in 2025 but is not currently in service due to demand levels. The purpose of these gate stations is to meter and regulate the flow of gas into the City system from the supply transmission pipelines owned by others. The City recently completed capital projects to upgrade and modernize all of its gate stations. The locations of the City's nine gate stations are shown on Table 2-1.

Overall, the reliability of the gas supplies on which the Richmond Gas System depends is deemed to be very high. There continues to be no occurrences where the City has experienced an interruption in service as a result of inadequate supply to its gate stations, either through failure of a critical asset or through contractual disagreement. The Richmond Gas System's capacity is approximately 214,188 decatherms as shown in Table 2.1. Goochland Gate Station adds an additional 33,000 decatherms for a total capacity of 247,188 decatherms.

Table 2-1: Gate Station Capacities

Gate Station	Maximum Day Capacity DTH/Day
West	62,954
South/South 3	47,378
East	18,656
Huguenot	7,200
Diocese	7,000
North	59,000
Charles City	12,000
Goochland	33,000
TOTAL	247,188

Of the 1,973 miles of pipelines in the system, approximately 141 miles is cast iron and non-state of the art jointed pipe or high risk pipe in need of replacement. Much of the cast iron pipe that is still in service today is over 75 years old. The City has a long-term program underway to replace all of the old cast iron mains in the system with high-density polyethylene (HPDE) pipe and coated steel welded pipe. The City has continued its replacement program by replacing approximately 13.12 miles in 2025. The mains selected for replacement are based on the results of a field testing and evaluation program to prioritize mains for rehabilitation or replacement.

The gas pipelines in the system are classified into three service pressures; low pressure, intermediate pressure and high pressure. The City intends to slowly phase out low pressure service and replace it with intermediate service. The low pressure system is currently 1.87% (36.96 miles) of the total system. Only a very few high volume customers are supplied from high pressure pipes. Pressure regulators are used at various locations throughout the distribution system to reduce the pressure to either intermediate or low pressure service. The City’s average unaccounted gas from 2021 to 2025 (5 years) was about 6.8% of the metered gas, which is within acceptable bounds. The City is working on updating meters to lower the unaccounted gas percentage.

The City currently has contracts with four major gas suppliers, as shown in Table 2-2, to provide natural gas on a wholesale basis:

Table 2-2: Major Gas Suppliers

Supplier	Percent of Total City Demand Supplied
BP Energy	45%
Municipal Gas Authority of Georgia	28%
Southeast Gas Supply (SGS)	21%
Public Energy Authority of Kentucky (PEAK)	6%

Prior to entering into contract negotiations, the City closely investigates each company to determine that it has the facilities, financial resources, and operating practices in-place to provide the level of service required by the City.

The City also adopted the requirement that gas suppliers must have a minimum BBB credit rating. Negotiated into each of the City's contracts are also various safeguards and mechanisms that ensure the reliability of supplies. Suppliers face severe financial penalties for failure to provide minimum quantities of gas as stipulated in their contracts. The City also maintains the option of switching to alternative suppliers in the event of one or more companies failure to deliver gas as promised.

2.1.4. Environmental/Regulatory Review

Federal Department of Transportation delegated the inspection of the City's gas utility to the State Corporation Commission (SCC) in 2005. To date in 2026, the Pipeline and Hazardous Materials Safety Administration (PHMSA) has initiated six cases and resolved four cases. No monetary penalties have been proposed or assessed, and no corrective action orders have been issued.

2.1.5. Risks

Alternative Fuels: Competition from alternative fuels such as coal, oil, electricity and others provide additional opportunities for customers to choose where to meet their energy needs. In order to be competitive and to maintain a sizable share of the energy market, natural gas must continue to be the preferred source for energy by being economical, safe and reliable. The long-term outlook for natural gas as being a valuable commodity and preferred energy source continues to be very positive. Domestic natural gas reserves are sufficient to meet the country's projected needs for at least the next thirty years. Natural gas is also easier and less costly to transport than other petroleum fuels and is cleaner burning as well. In light of increased environmental requirements restricting pollution and exhaust emissions, and diminishing supplies of oil and low sulfur coal, the likelihood of the Richmond Gas System losing market share to other alternative fuel sources is very slight.

Loss of High Demand Industrial Loads: The energy needs from high demand industrial customers are significant and generally do not undergo the drastic seasonal and diurnal fluctuations, as do the demands from residential and most commercial customers. While preferred from an operational standpoint, high volume customers pose additional risk because the loss of just a few customers may have a severe impact on total system demand and associated revenue stream. Presently, the Richmond Gas System is not facing any major threat from losing large volume customers. However, approximately 50 percent of the City's total gas operating revenues is derived from industrial and large volume customers.

Climactic Conditions: According to the U.S. Energy Information Administration (EIA), roughly 40 percent of total gas consumption is for climate control purposes such as heating homes and places of work. As such, gas revenues are highly dependent on prevailing weather patterns. Annual gas consumption can vary as much as 15-30 percent from one year to the next based solely on the climactic conditions that occur. The risks to gas revenues are short-term risks only and overall, should not have a detrimental effect for more than a few years at any one time.

2.1.6. Regional Agreements and City/County Relationship

The DPU owns and operates the entire gas system including those facilities located within Henrico County and portions of Chesterfield and Hanover Counties. Accordingly, customers in the counties are billed on a retail basis directly by the City. Presently, the only legal agreement between the City and the adjacent counties is a 40-year agreement with Henrico County that expires in 2040. This agreement simply states that the City will continue to provide gas service to the citizens of Henrico County for the duration of the agreement.

2.1.7. Growth Trends

According to data supplied by DPU for 2025, the Richmond Gas System serves a total of about 120,000 residential and non-residential customers. The average numbers of customers served by the Richmond Gas System and associated sales volumes for the years 2021 through 2025 are shown in Table 2-3.

Table 2-3: Customer Sales

Fiscal Year	Average Number of Meters	Sales Volumes (MCF)
2021	120,435	21,750,961
2022	121,632	21,144,391
2023	122,508	19,997,155
2024	121,367	20,122,116
2025	119,531	21,475,112

The Greater Richmond Transit Company (GRTC) began the use of Compressed Natural Gas (CNG) in November 2012 and has increased use of CNG vehicles. All of the fleet that has been dedicated to use CNG is now 100% operational with plans to continue increasing the percentage of CNG vehicles. Other CNG customers include:

- City Department of Public Works Trash Trucks
- Waste Management
- Clean Energy Station
- St. Catherine’s School
- Richmond Airport
- United Postal Service

2.2. WATER SYSTEM

2.2.1. History

The City established its water system in 1829 and has continually expanded and upgraded it to meet growing demands. The water treatment plant was completed in 1924, expanded in 1950, and has undergone subsequent improvements over the years. The Department of Public Utilities (DPU) treats water sourced from the James River and distributes it to more than 66,000 residential and commercial customers within the City. In addition, the City supplies water under long-term wholesale contracts to Henrico, Chesterfield, and Hanover counties. The water purification plant has a rated treatment capacity of 132 million gallons per day (mgd).

2.2.2. Service Area

The City’s water system service area is divided into a total of nine pressure zones as shown in Figure 2-2 and includes all areas located within the City limits. Water is also provided to the Counties of Henrico, Chesterfield and Hanover through wholesale contract master meters. The City also provides water to Goochland indirectly through Henrico County. There are three metered interconnection points with Chesterfield County, 41 metered interconnection points with Henrico County, and two metered interconnection points with Hanover County.

2.2.3. Facilities and Resources

The City has long-standing water withdrawal rights from the James River to meet the contractual water demands through 2060. The water pumping station and storage facilities are shown in Figure 2-2. The major facilities of the water system are summarized below.

- One water treatment plant (132 mgd)
- 12 finished water pumping stations (2.7 mgd to 70 mgd)
- 10 finished water storage facilities (0.75 MG to 54.8 MG)

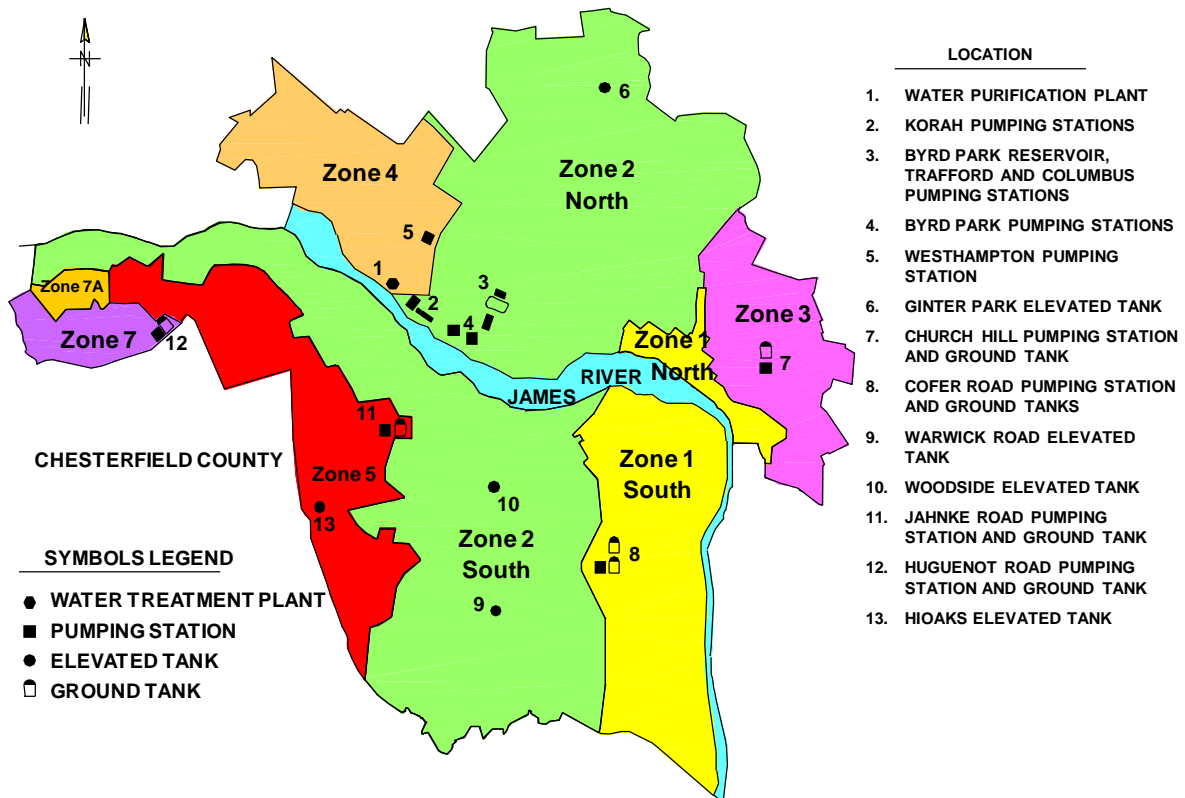


Figure 2-2: Water System Service Area, Pressure Zones and Facilities

Table 2-4: Pumping Station Inventory

Station	Number of Pumps	Station Capacity	Firm Capacity (1)
Korah No. 1	2	34 mgd @ 190'	17 mgd @ 190'
Byrd Park Main	3	50 mgd @ 165'	30 mgd @ 165'
Byrd Park Reserve- Zone 1	1	11.5 mgd @ 166'	11.5 mgd @ 166'
Korah No. 2	5	70 mgd @ 248'	56 mgd @ 248'
Korah No. 3	5	35 mgd @ 378'	28 mgd @ 378'

Station	Number of Pumps	Station Capacity	Firm Capacity (1)
Byrd Park Reserve- Zone 2	3	24.9 mgd @ 110'	16.6 mgd @ 128'
Trafford	5	66.8 mgd @ 145'	51.8 mgd @ 145'
Columbus	4	60 mgd @ 145'	45 mgd @ 145'
Westhampton	4	24 mgd @ 132'	16 mgd @ 132'
Jahnke Road –City Zone 5	2	12 mgd @ 234'	6 mgd @ 234'
Jahnke Road- Chesterfield County	4	34.5 mgd @ 250'	24.5 mgd @ 250'
Huguenot Road	2	5.4 mgd @ 135'	2.7 mgd @ 135'
Church Hill	4	39.0 mgd @ 135'	26.0 mgd @ 135'
Cofer Road	4	35.2 mgd @ 185'	26.4 mgd @ 185'

Table 2-5: Distribution System Water Storage Facilities

Storage Facility	Pressure Zone	Total Storage Volume (MG)
Byrd Park Reservoir	1N	54.8
Ginter Park	2N	1.0
Church Hill	3	4.8
Cofer Rd. No. 1	1S	2.0
Cofer Rd. No. 2	1S	2.0
Woodside	2S	1.0
Warwick Rd.	2S	2.0
Jahnke Rd.	5	2.4
Hioaks	5	2.0
Huguenot Rd.	7	0.75
TOTAL STORAGE		72.75

The capacity of the water treatment plant is 132 mgd. The capacity of the plant finished water transmission system is 162 mgd, which is higher than the plant capacity. The James River has adequate capacity to meet the City and Counties demands projected for more than the next 30 years. A regional water conservation plan was developed to protect the water supply from the James River during low river flow conditions. This plan was submitted to the Virginia Department of Environmental Quality in 1998. During drought conditions the City is allowed to continue to withdraw water from the James River provided that water conservation measures are in place. The water distribution system is comprised of approximately 1,055 miles of pipe as summarized below in Table 2-6.

Table 2-6: Water Distribution System Piping

Pipe Size Diameter (in)	Miles of Pipe
8 or Less	778
10	24
12	121
16	48
20	17
24	28
30	14
36	19
42	1.4
48	3.8
60 or Greater	0.8
Total	1,055

Regardless of the diligence in locating and correcting distribution leaks and faulty water meters, urban areas with aging infrastructure typically experience between 15% and 20% of unaccounted water. Unaccounted for water includes distribution leaks, water-metering discrepancies, fire flows, pipe flushing and other water uses for distribution system maintenance activities. The City’s average unaccounted water from 2016 to 2025 (10 years) was approximately 18.8% of the metered water, which is within acceptable bounds.

Based on ongoing condition assessments and system performance evaluations indicate that the City’s water distribution system is in good condition relative to other systems of comparable age. The Water Treatment Plant Master Plan further concludes that, upon implementation of the planned and recommended improvements, the Water Treatment Plant will continue to comply with all applicable regulatory requirements and reliably meet contractual water demands through the year 2060. These improvements will support the continued provision of safe, reliable, and affordable drinking water to the City’s customers. The capital expenditures associated with these planned and recommended improvements are incorporated into the Capital Improvement Program (CIP) presented in this report.

2.2.4. Environmental/Regulatory Review

The water treatment plant is in compliance with all existing state and federal regulatory requirements and orders. Past studies and evaluations conducted by the City conclude that the plant should be able to meet all of the planned future drinking water regulatory requirements with process changes to plant operational procedures. Additionally, the City submits monthly reports of the finished water quality to the Virginia Department of Health.

2.2.5. Risks

The water treatment plant has a floodwall in order to protect the plant from damage during major James River flood events. The City prepared the Richmond Water Supply (WSP) in accordance with the “Local and Regional Water Supply Planning Regulation” (9 VAC 25-780). The purpose of the state regulation is to establish a comprehensive water supply planning process for the development of local, regional and state water supply plans. The Richmond

WSP concluded that the City has sufficient supply capacity to meet City’s retail customer and contractual water demands through 2060.

In January 2025, a power outage due to a winter storm resulted in equipment failure that caused flooding at the City’s water treatment plant and interrupted services to its customers. Since the event, the City has invested in new equipment and repairs and upgrades to existing equipment to strengthen resiliency at the plant. Several projects were identified or reprioritized to add redundancy to the facility.

2.2.6. Regional Agreements and City/County Relationship

The City has long-term wholesale water supply agreements with Henrico County, Chesterfield County and Hanover County, which are summarized in Table 2-8. The City has an active program of regional cooperation with neighboring localities. In accordance with Water Supply Planning Regulation 9 VAC 25-780, the counties have developed separate water supply plans and have incorporated the water supply capacities from the City into their plans. Chesterfield and Henrico Counties have separate water treatment facilities to meet their future demands. Hanover County has purchased 20 mgd of maximum day capacity from the City, which is expected to meet their demands for the next 30 years. Long-term wholesale water supply capacity from the City’s water system is summarized as follows in Table 2-7.

Table 2-7: Wholesale Water Supply Maximum Day Capacity

Wholesale Customer	Wholesale Water Supply Capacity
Henrico County	35 mgd
Chesterfield County	32 mgd*
Hanover County	20 mgd
TOTAL	87 mgd
*Chesterfield County First Amendment to Amended Water Contract	

Table 2-8: County Water Agreements

Item		Henrico	Chesterfield	Hanover
Contract Date		1994	1994	1994
Contract Period (Minimum)		46 years	51 years	41 years
Long Term Capacity	- Max. Day	35 mgd (1)	27 mgd (amended to 32 mgd)	20 mgd
	- Max. Hour	40 mgd (1)		
Option to Obtain Additional Capacity		No	Yes (2)	Yes
Annual Projections (10 yr.)				
From County		1-May	July 1 (3)	July 1 (3)

City Reply (System Improvements)		1-Aug	1-Oct	1-Oct
County Approval for Improvements		1-Dec	1-Jan	1-Jan
County Review of Improvements				
Plans and Specifications		No	Yes	Yes
Bid Awards		No	Yes	Yes
Contract Change Orders		No	Yes	Yes
Maximum Peak Day Volumes		--	105%	105%
Demand Charge		Yes	--	--
Commodity Charge		Yes	--	--
Direct County Capital Costs		Yes	Yes	Yes
Joint Capital Costs		--	Yes	Yes
Operating Expenses		--	Yes	Yes
Capacity Billings		--	--	Yes
Water Transmission Surcharge		--	--	Yes

Notes:

1. After Henrico WTP operational
2. Chesterfield has first option
3. Past projections used if new projections not provided

2.2.7. Growth Trends

Projections by the Richmond Regional Planning District Commission conclude that the City will maintain about the same number of customers in the future. Population growth is projected for the counties, which will result in higher water usage and increased wholesale water demands on the City’s system. The average daily metered water demand by user type during the past 5 years is summarized in Table 2-9.

Table 2-9: Average Daily Water Demand

Classification	Average Daily Demand (mgd)				
	2021	2022	2023	2024	2025
Residential	7.7	7.8	7.8	7.8	7.7
Commercial	9.1	9.8	10.2	10.6	9.2
Industrial	1.3	1.2	0.3	1.3	1.2
Non-Residential	2.6	2.7	2.7	2.8	2.9
Municipal	0.5	0.5	0.6	0.6	0.7

Subtotal-City	21.1	22	21.6	23.1	21.7
Counties	29.64	28.1	27.3	27.1	30.2
TOTAL	50.8	50.1	48.9	50.2	51.9

Estimated future maximum daily water usage rates and demand for City customers and County wholesale customers are summarized in Table 2-10.

Table 2-10: Estimated Maximum Daily Demand

Item	Estimated Maximum Daily Demand (mgd)		
	2028	2032	2036
City	56	56	56
Henrico County*	35	35	35
Chesterfield County**	18.74	19.26	19.52
Hanover County***	13.54	14.66	15.87
TOTAL	123.28	124.92	126.39

Notes:
 * Henrico data from Water Agreement between City of Richmond and the County of Henrico, May 12, 2025 Correspondence
 ** Chesterfield data from July 17, 2023 Correspondence, "Daily Max Water Usage."
 *** Hanover data from June 13, 2025 Correspondence, "Hanover peak day estimate."

2.3. WASTEWATER SYSTEM

2.3.1. History

The City of Richmond’s wastewater system dates to the late 1800s and was originally constructed as a combined sewer system (CSS), conveying both sanitary sewage and stormwater to the James River. In the early 1950s, the City began constructing interceptor sewers to direct sanitary flows to a centralized Wastewater Treatment Plant (WWTP), which was completed in the late 1950s with primary treatment processes including screening, grit removal, and primary sedimentation. The facility was expanded in the 1960s to include solids handling and sludge digestion. In 1973, the WWTP was upgraded to provide secondary treatment for improved removal of biochemical oxygen demand (BOD) and total suspended solids (TSS). Additional upgrades in the 1990s and early 2000s included effluent filtration, ammonia compliance improvements, and equipment rehabilitation to maintain reliability. In 2015, the City completed enhancements for nutrient removal (ENR) to comply with Chesapeake Bay regulatory requirements for nitrogen and phosphorus.

Richmond has proactively addressed combined sewer overflows (CSOs) for more than 50 years and has operated under continuous CSO consent orders since 1992. Phase I CSO controls included the Shockoe Retention Basin, completed in 1983, which provides 50 million gallons of storage to capture combined flows for later treatment. Complementary WWTP upgrades in the late 1980s increased wet-weather treatment capacity, allowing the basin to be dewatered within two days following storm events. The City’s CSO districts are shown in Figure 2-3.

Phase II CSO controls were defined in a 1988 comprehensive study and focused on reducing discharges to environmentally sensitive areas along the James River. Projects implemented between the late 1990s and early 2000s included multiple conveyance and storage improvements, culminating in a retention tunnel completed in 2003. These improvements significantly reduced the frequency and impact of CSO discharges, increased the number of days the river is suitable for recreation, and virtually eliminated floatable debris through the use of control regulators.

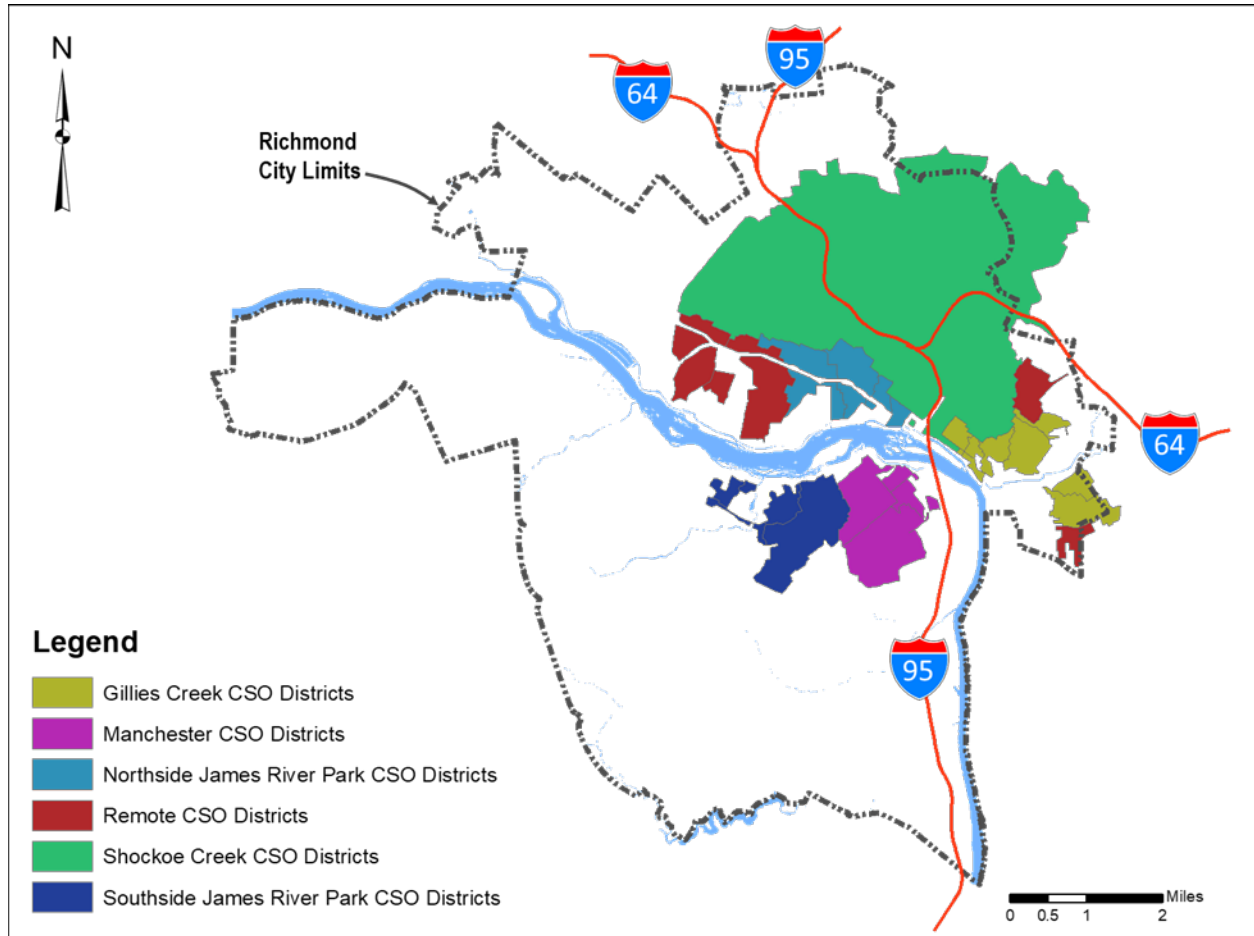


Figure 2-3: CSO Districts

A 2002 CSO re-evaluation established the basis for Phase III controls and led to a 2005 Special Order by Consent. Since that time, the City has implemented a range of improvements including replacement of CSO regulators, targeted sewer separation projects, and installation of wet-weather ultraviolet (UV) disinfection facilities to expand treatment capacity during storm events.

Between 2013 and 2017, Richmond undertook a comprehensive watershed planning effort involving stakeholders from government, academia, and non-profit organizations, along with extensive public engagement. This effort resulted in the RVA Clean Water Plan, released in 2017, which provides a watershed-based framework for managing water quality while meeting regulatory requirements in a cost-effective manner. The plan integrates multiple regulatory programs, including CSO, Municipal Separate Storm Sewer System (MS4), and Total Maximum Daily Load

(TMDL) requirements for local waterways and the Chesapeake Bay. In 2018, these efforts were formalized through an integrated VPDES permit covering wastewater, CSO, and stormwater discharges.

In 2020, the Virginia General Assembly enacted legislation requiring updated CSO planning for systems discharging to the James River watershed. In response, the City submitted an Interim Plan in 2021 identifying ten projects to be completed by July 2027. These projects are currently under construction and are expected to reduce approximately 182 million gallons of annual CSO volume. Many of these efforts have been supported by federal American Rescue Plan Act (ARPA) funding, helping to minimize costs to ratepayers.

The City’s Final Plan, submitted in 2024, builds on prior efforts by identifying five additional major projects to be completed by July 2035, with an estimated cost of approximately \$575 million. Several of these projects are already underway, supported by a combination of federal and state funding, including dedicated CSO grant programs. Together, the Interim and Final Plans establish a prioritized and financially balanced approach for meeting regulatory obligations and continuing to improve water quality in the James River and its tributaries.

Richmond’s long-standing commitment to CSO control and water quality improvement has been widely recognized by regulatory agencies, professional organizations, and environmental groups, reflecting the City’s leadership in developing effective and sustainable wastewater management solutions.

2.3.2. Service Area

The City is landlocked with Henrico County bound on the north and Chesterfield County on the south. The City’s wastewater system is divided into two general service areas as shown in Figure 2-4 and summarized below in Table 2-11.

Table 2-11: Wastewater Treatment Plant Service Area

Service Area	Area
Separated Sewer System	
From City of Richmond	25,100 acres
From Chesterfield County	13,300 acres
From Henrico County	1,500 acres
From Goochland County (1)	155 acres
Combined Sewer System	12,000 acres
TOTAL	52,055 acres
Notes: (1) Estimated service area currently served by the City.	

Additionally, wastewater service is provided to portions of Henrico and Chesterfield Counties that naturally drain to the City. Likewise, the counties provide wastewater service to the City for the 3,500 acres that naturally drain to the Counties. These services are covered in contracts with the counties.

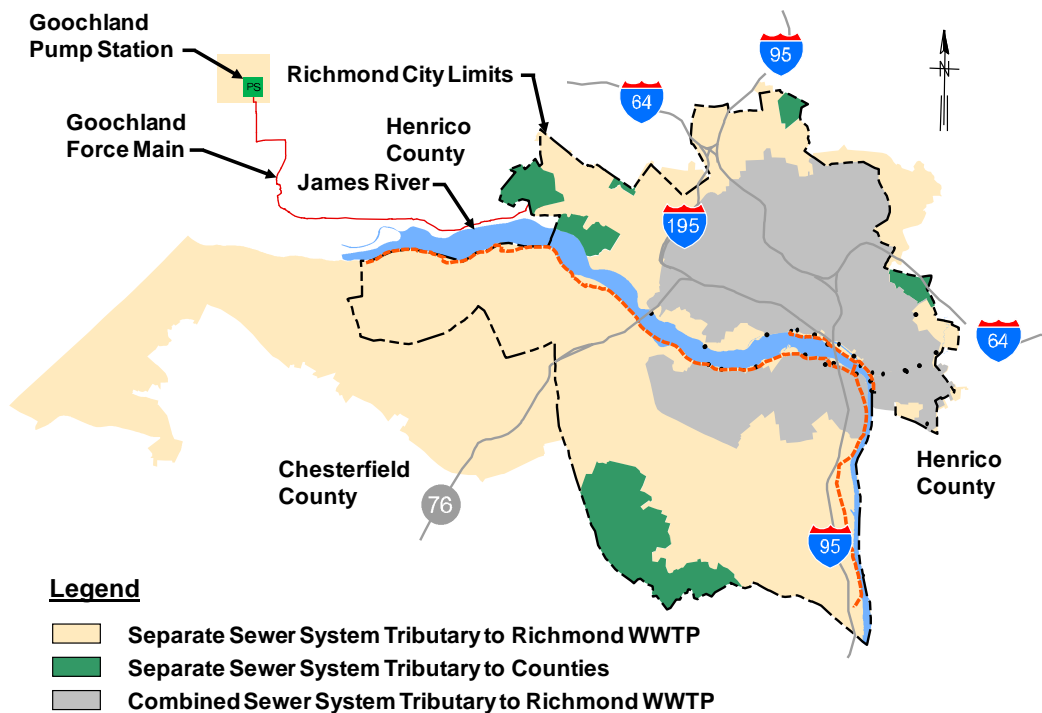


Figure 2-4: Wastewater Service Area

2.3.3. Facilities and Resources

The City has one wastewater treatment plant, which is located on the south side of the James River adjacent to Interstate 95. The WWTP has two modes of operation as follows:

- Dry Weather Flow (DWF) Treatment: The dry weather flow full treatment capacity of the WWTP is 75 mgd.
- Wet Weather Flow (WWF) Treatment: During and immediately after rainfall events the WWTP treats flows in excess of the dry weather flow capacity that are associated with the combined sewer system. The Virginia Pollution Discharge Elimination System (VPDES) permit requires the City to operate the plant to treat flows up to 140 mgd (75 mgd through full treatment and up to 65 mgd with primary treatment and UV disinfection) during these wet weather conditions.

The City wastewater system is comprised of two general service areas; separated sewer system and combined sewer system. Current practices are to build separate sewers for sewage and stormwater. No combined sewers have been installed since the early 1950s.

As of 2026, of the original 40 CSO outfalls, 15 have been eliminated, and 12 main outfalls have been provided with state-of-the-art controls. The current combined sewer system includes 31 dry weather flow regulators, 5 remote pumping stations, 57.2 MG of wet weather storage (50 MG at Shockoe Retention Facilities and 7.2 MG at Hampton/McCloy CSO Retention Tunnel) and 11 wet weather flow regulators. A pipeline summary for the collection system length is provided in Table 2-12 below.

Table 2-12: Wastewater Collection System Piping

Pipe Type	Length In Miles
Collection System	
Mainline Pipes	
Sanitary	342
Combined	512
CSO	4
Unknown	131
Interceptor Pipes	20
Subtotal	1009
Customer Lateral Connections	415
TOTAL – COLLECTION SYSTEMS	1424

The costs included in the capital spending plan are adequate to support needs expected for the near term. The City has master plans that address future upgrades of the wastewater treatment plant and the wastewater collection system. As the master plans are designed to anticipate future conditions, they will be routinely adjusted to conform to actual needs.

2.3.4. Environmental/Regulatory Review

The City’s Wastewater Utility is in compliance with the requirements of the current VPDES permit and CSO Consent Special Order dated March 17, 2005 issued by the Department of Environmental Quality (DEQ) for the implementation of the Phase III CSO Controls. The Phase III CSO Controls were identified in the January 2002 CSO Long-Term Control Plan (LTCP) report as Alternative E and later revised by the 2024 CSO Final Plan. The City’s CSO Special Order includes the affordability criteria, financial requirements, and implementation schedules for Phase III CSO projects. The CSO Special Order requires the City to raise funds to undertake CSO control projects by maintaining the wastewater bill at no less than 1.25% Median Household Income. The CSO Special Order also requires DEQ to address wet weather water quality compliance prior to the City making any investments beyond the \$20 million in the first 12 years. To-date, the first 12 projects in the CSO Special Order have been completed ahead of schedule and were funded largely with state and/or federal grants.

As mentioned above, the City has developed and received DEQ approval for both the CSO Interim Plan and the CSO Final Plan by July 1, 2024 in accordance with the 2020 CSO Law. The 10 Interim Plan projects will control overflows by using existing capacity in the CSS, providing an estimated 182-million-gallon overflow volume reduction on an annual average basis, and costing approximately \$38.1 M in 2025 dollars. The Final Plan projects will reduce overflows by an estimated 785 million gallons per year on average and is expected to cost approximately \$575 million. The City is utilizing ARPA funding and other state and/or federal grants to help mitigate the cost impact of these projects to wastewater rate payers.

Pretreatment program: The City has a pretreatment program approved by DEQ that monitors the wastewater from industrial dischargers. The program restricts the strength of the wastewater that enters the sewer system.

2.3.5. Risks

Proposed EPA Rule for Sanitary Sewer Overflow (SSO): The City has completed a comprehensive collection system master plan (CSMP). This plan has established a prioritized approach for renewal of the sanitary sewer system assets with the objective of the reducing the average age of the collection system and updating its performance. As the CSMP projects are implemented and their effectiveness in upgrading the collection system performance is established the CSMP will continue to be updated. The collection system master plan also provides the framework for compliance with future Capacity, Management, Operation and Maintenance (CMOM) requirements of the proposed EPA rule for SSOs.

The City developed a voluntary, collaborative, long-term plan (RVA Clean Water Plan) to bring cleaner water under EPA's Integrated Planning Framework. This plan included a four-year process to seek an innovative permit granted by the EPA's National Pollutant Discharge Elimination System (NPDES) program. Richmond is one of the first cities in the U.S. to receive such a permit, which allows for the efficient combination of addressing efforts regarding drinking water, wastewater and stormwater, allowing the City to set funding priorities to deliver cleaner water faster.

Potential Additional Nutrient Controls to Reduce James River Chlorophyll-a: The 2010 Chesapeake Bay TMDL modeling suggested that significant nutrient controls would be required meet the current Virginia Chlorophyll-a water quality standards in the James River. DEQ recognized in Virginia Phase I Watershed Implementation Plan for the Chesapeake Bay TMDL that James River has less impact on the water quality of the mainstem of the Chesapeake Bay than any other river and that new information was available that suggested the Chlorophyll-a water quality standard should be revisited prior to reducing the waste load allocations in the James River. The DEQ is in the process of reevaluating the existing James River Site-Specific Numeric Chlorophyll-a Criteria and associated modeling framework for the tidal James River to determine the best scientific basis for the standard. The City of Richmond is collecting water quality data to support the development of the new standard to improve the linkage between nutrients and the Chlorophyll-a levels in the James River. If the revised water quality standard requires reductions of nutrient permit limitations, all the WWTPs in the James River basin will be required to install additional nutrient controls. Richmond's WWTP was planned with adequate space to design and construct additional controls, if needed. The City is actively participating in scientific and regulatory studies to reduce the risk of additional nutrient controls.

2.3.6. Regional Agreements and City/County Relationship

The City has wastewater service contracts with Henrico, Chesterfield, and Goochland Counties. Wastewater service is provided to portions of Henrico and Chesterfield Counties that naturally drain to the City. Likewise, the counties provide wastewater service to the City for areas that naturally drain to the Counties. Goochland County has negotiated a contract with the City to purchase 5 mgd of treatment capacity. Goochland County started conveying wastewater to the City in January 2008. A summary of each County's wastewater agreement is shown in Table 2-13.

Table 2-13: County Wastewater Agreements

Item		Henrico	Chesterfield	Goochland
Contract Date		1991	2000	2001
Contract	- Period	1 Year Automatically Renewed Annually	Effective until Terminated by either Locality	Effective until Terminated by Goochland (1)
	- Notice to Terminate	Two Years Written Notice Required	Two Years Written Notice Required	Five Years Written Notice Required

Item		Henrico	Chesterfield	Goochland
Service Provided		Treat other's wastewater	Treat other's wastewater	City Treats Wastewater from Goochland
Capacity	- Initial	--	--	5 mgd
	- Option to Increase Capacity	--	--	Up to 15 mgd
Pretreatment Agreement		Yes	Yes	Yes
Emergency Discharge Agreement (2)		Yes	No	No
Wastewater Service	- Treatment Rate	\$4.918 per	\$1.41 per	\$1.69 per
		100 cubic feet	100 cubic feet	1,000 gallons
	- Payment Period	Monthly	Monthly	Monthly
	- Rate for Strong Wastes	100% of rate imposed by treating jurisdiction	\$3.16 per cwt of suspended solids in excess of	--
			275 mg/L & \$2.74 per cwt of BOD in excess of 250 mg/L	
	- Emergency Rate	Double Treatment Rate	--	--
Rate Adjustment	- FREQUENCY	Annually	Annually	Annually
	- Method	Average of Both System Rate Increases	Determined by Directors of both Public Utilities	Based on City's Actual Costs for Treating Goochland Wastewater
County Review of Improvements:				
Plans and Specifications		No	No	Yes
Bid Awards		No	No	Yes
Contract Change Orders		No	No	Yes
Water Transmission Surcharge		--	--	

Notes:

1. City may also terminate contract based on non-fulfillment of agreement terms by Goochland.
2. Provision for either WWTP to direct flow to the other under emergency conditions.

2.3.7. Growth Trends

As indicated previously, projections by the Richmond Regional Planning District Commission conclude that the City will maintain about the same number of customers in the future. The sewage service provided to the Counties will remain in the 130,000 MCF range over the foreseeable future.

The City provided public wastewater service as shown in Table 2-14.

Table 2-14: Wastewater Usage (MCF)

Category	Total Usage (MCF)				
	2021	2022	2023	2024	2025
Residential	289,462	291,161	287,654	302,661	280,476
Commercial	411,702	442,893	467,162	496,309	451,165
State and Federal	125,344	130,198	126,774	132,142	137,518
Industrial	26,144	28,367	34,099	35,726	41,217
Municipal	22,133	24,556	27,994	28,326	30,616
Subtotal - City	874,785	917,175	943,683	995,164	940,992
Counties	60,681	193,682	201,901	45,416	88,236
TOTAL	935,466	1,110,857	1,145,584	1,040,580	1,029,228

SECTION 3 CAPITAL IMPROVEMENT PROGRAM

3.1. INTRODUCTION

The City has developed a Capital Improvement Program (CIP) comprising of additions, extensions, improvements and rehabilitations of the gas, water and wastewater systems. Projects in the CIP are either in the preliminary planning stages, design process or contracts have not been awarded yet. Accordingly, the total cost of the Capital Improvement Program could be more or less depending on actual contract awards, future needs, and other economic factors. The capital spending plan is summarized in Table 3-1. The capital improvement projects for the gas, water and wastewater systems are described below.

Table 3-1: Capital Spending Plan

Description	FY26	FY27	FY28	FY29	FY30	FY31	TOTAL
Gas New	\$10,178,624.00	\$8,934,492.00	\$9,423,332.00	\$8,423,498.00	\$8,823,263.00	\$9,242,684.00	\$55,025,893.00
Gas Replacement	\$34,271,439.00	\$33,645,888.00	\$35,161,979.00	\$34,892,318.00	\$37,797,419.00	\$41,041,198.00	\$216,810,241.00
TOTAL GAS	\$44,450,063.00	\$42,580,380.00	\$44,585,311.00	\$43,315,816.00	\$46,620,682.00	\$50,283,882.00	\$271,836,134.00
Wastewater Plant	\$23,931,290.00	\$23,579,843.00	\$26,762,801.00	\$24,163,298.00	\$22,726,758.00	\$4,863,704.00	\$126,027,694.00
CSO	\$58,802,000.00	\$50,702,852.00	\$58,820,625.00	\$48,232,000.00	\$21,346,050.00	\$10,482,500.00	\$248,386,027.00

Description	FY26	FY27	FY28	FY29	FY30	FY31	TOTAL
Wastewater Sanitary Sewers	\$45,361,000.00	\$71,898,715.00	\$62,108,821.00	\$68,636,570.00	\$83,673,416.00	\$74,635,284.00	\$406,313,806.00
TOTAL WASTEWATER	\$128,094,290.00	\$146,181,410.00	\$147,692,247.00	\$141,031,868.00	\$127,746,224.00	\$89,981,488.00	\$780,727,527.00
Water Plant & Pumping	\$37,063,012.00	\$50,465,401.00	\$48,738,845.00	\$43,122,824.00	\$22,465,953.00	\$26,006,139.00	\$227,862,174.00
Water Transmission	\$13,537,000.00	\$12,291,548.00	\$15,779,442.00	\$11,703,569.00	\$27,284,781.00	\$23,404,513.00	\$104,000,853.00
Water Distribution	\$28,753,000.00	\$28,430,533.00	\$29,411,850.00	\$36,946,789.00	\$43,710,106.00	\$45,561,996.00	\$212,814,274.00
TOTAL WATER	\$79,353,012.00	\$91,187,482.00	\$93,930,137.00	\$91,773,182.00	\$93,460,840.00	\$94,972,648.00	\$544,677,301.00
TOTAL SYSTEM	\$251,897,365.00	\$279,949,272.00	\$286,207,695.00	\$276,120,866.00	\$267,827,746.00	\$235,238,018.00	\$1,597,240,962.00

3.2. GAS CAPITAL IMPROVEMENT PROJECTS

The City of Richmond gas system capital spending is estimated to be about \$227 million over the next five years to meet future increases in customer growth and consumption as well as ongoing maintenance and facility replacement needs. The elements of the gas CIP are summarized below.

3.2.1. New Business

This project provides for the ongoing installation of new gas mains, services, meters, and regulators to serve new customers in the City of Richmond and the counties of Chesterfield, Hanover, and Henrico. Extension of the existing gas system is done by request, with each project being evaluated to ensure it provides a sufficient financial return. Over the last five years, an average of 45,600 feet of new mains and 1,200 new services have been added to the system each year.

3.2.2. System Replacement

This project provides for the replacement of gas mains, services, meters, and regulators. The Cast and Ductile Iron Gas Main Renewal Program is a long-range capital initiative undertaken by Richmond Gas Works to systematically replace aging cast iron and ductile iron gas distribution mains throughout the service area. The program was established in 1993 with a planned 40-year horizon, targeting full completion by 2033. The program directly supports the safe, reliable delivery of natural gas to residential, commercial, and industrial customers. Also, included are ancillary projects to renew or replace mains in conjunction with projects being done by other City agencies or the State. It is estimated to replace over 100,000 feet of main and 1,500 services in FY 2027. This project also allows for the purchase of replacement vehicles and equipment used to provide services throughout the Department of Public Utilities' Gas Utility service territory.

3.3. WATER CAPITAL IMPROVEMENT PROJECTS

The City's water system capital spending is estimated to be about \$465 million over the next five years. The elements of the water CIP are summarized below.

3.3.1. Water Treatment & Pumping

This project provides for intake of water from the James River, purification of the water at the City's Water Treatment Plant to meet Safe Drinking Water Act and State Health Department regulations, and pumping of cleaned drinking water to the Byrd Park Reservoir and throughout the City's water distribution system. This project has been funded continuously to replace systems that have reached or surpassed their useful service lives, maintain compliance with new drinking water quality regulations, and to meet county wholesale water contract capacity requirements. Major projects include the following:

- Feeder Channel Upgrades
- Plant Filtration System Valve Actuator Replacements
- Plant Filter Media Replacement
- Byrd Park Main Pump Station Upgrades
- Byrd Park Reservoir Roof Replacement

3.3.2. Transmission Main

This project provides for construction of water transmission mains and storage tanks which service the City of Richmond, as well as Henrico, Hanover, and Chesterfield Counties, to convey large amounts of water and maintain distribution system pressure. All projects which benefit Henrico, Hanover, and Chesterfield Counties are paid for proportionally by each benefiting entity based on proportional flow provided by the project. The City is in the process of replacing the roof on the Byrd Park Reservoir, the main storage tank for finished water.

3.3.3. Water Distribution System

This project provides for installation of water mains to serve new customers; a meter replacement program; and rehabilitation of existing water mains, services and valves. It is estimated to renew 79,200 feet of main and 300 services in FY 2027. This project also includes ancillary projects to renew or replace mains in conjunction with projects being done by other City of Richmond agencies or the State. This project also allows for the purchase of replacement vehicles and equipment used to provide services throughout the Department of Public Utilities' Water Utility service territory. Rehabilitation and replacement of water mains are done on a systematic basis, with priority based on pressure, demand projections, leak rates, and pipe age and material. New water mains and services are installed as requested, with the customer paying for all work beyond a minimum amount per customer.

3.4. WASTEWATER CAPITAL IMPROVEMENT PROJECTS

The City's wastewater system capital spending is estimated to be about \$653 million over the next five years. The elements of the wastewater CIP are summarized below.

3.4.1. Wastewater Treatment

This project provides for the upgrading of equipment and process control systems at the Wastewater Treatment Plant to continue and improve the operational processes of the Wastewater Treatment Plant. The wastewater system serves approximately 63,000 customers in the City, Henrico, northern Chesterfield, and Goochland counties. This project also allows for the purchase of replacement vehicles and equipment used to provide services throughout the Department of Public Utilities' Wastewater Utility service territory. Major projects at the Wastewater Treatment Plant include the following:

- Main Pump Station and Supplemental Pump Station Upgrades

- Sludge and Grit Storage Pads
- Bio-Reactor and Aeration Upgrades
- UV Reactor Replacements
- Valve Actuator and VFD Replacements
- Effluent Denitrification Filter Addition
- Digester Upgrades

3.4.2. Sanitary Sewers

This project provides for rehabilitation and upgrade of sanitary sewers, which includes cleaning, inspection, replacement or rehabilitation (lining), point repairs, miscellaneous sewer extensions, and emergency replacements. Projects include inspection and rehabilitation for sewersheds in Shockoe, South James River, McCloy, Lower Goodes, Bon Air, and multiple stream crossings. Also included are ancillary projects to renew or replace sewers in conjunction with projects being done by other City agencies and the State.

3.4.3. Combined Sewer Overflow

As part of its VPDES Permit, CSO Special Order by Consent, and the Regional Water Quality Management Plan (208 Plan), the City of Richmond has developed and is implementing two plans to control CSO discharges and meet Virginia water quality standards, as well as continuing an ongoing CSO monitoring program and financial status review. This program implements the City of Richmond's Interim and Final Combined Sewer Overflow (CSO) Plans, as well as lifecycle capital maintenance of existing regulator, retention basin, and retention tunnel facilities and assets.

SECTION 4 FINDINGS

The following findings reflect the results of our evaluation concerning the adequacy of the project costs included in the capital spending plan, presented in this report, to meet identified needs. These findings are based on information received from the City or developed by GFT.

Gas System: Based on the information received and reviewed, the City's long-term reinvestment in the Richmond Gas System, shown in the capital spending plan, is adequate for maintaining the performance and condition of the capital facilities in the gas system.

Water System: With implementation of the planned and recommended improvements, the City's Water System will be able to continue to meet regulatory requirements and the contractual water demands through the year 2060. The facilities will thus be able to continue to provide safe and affordable drinking water for its customers. The expenditures associated with all necessary improvements are included in the capital spending plan.

Wastewater System: The City is in the process of updating the master plan for the Wastewater Treatment Plant and will be updating the master plan for the Collection System over the course of the next 5 years. The costs included in the capital spending plan are adequate to support needs expected for the near term. The capital spending plan for the City's CSO Control Program is adequate to develop the projects identified in the CSO Consent Special Order. The City will continue to work with DEQ to address wet weather water quality compliance. Additionally, the City will continue to actively pursue additional funding including federal and state support for all remaining unfunded projects in the CSO Final Plan.

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APPENDIX E

FINANCIAL FEASIBILITY CONSULTANT'S REPORT



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CITY OF RICHMOND, VIRGINIA
DEPARTMENT OF PUBLIC UTILITIES

Financial Feasibility Evaluation
of Proposed Public Utility
Revenue and Refunding Bonds, Series 2026B



MAY 13, 2026

**CITY OF RICHMOND, DEPARTMENT OF PUBLIC UTILITIES
PUBLIC UTILITY REVENUE AND REFUNDING BONDS, SERIES 2026B**

We have evaluated the accompanying Forecast Statement of Revenues, Expenses, Debt Service, and Debt Service Coverage (the Forecast Statement) for the City of Richmond (City), Department of Public Utilities (DPU or Department) for the six fiscal years ending June 30, 2026 through June 30, 2031. Our evaluation was conducted in accordance with guidelines for the natural gas, water, and wastewater industries and included such procedures as we considered necessary to evaluate the assumptions of the Department.

In evaluating the financial feasibility of the proposed debt issuance, those assumptions that we believe are most significant include:

- Projected growth in customers and demand for natural gas, water, and wastewater services, and the resulting impact on forecast revenues during the six-year forecast period;
- Projected operating costs for providing natural gas, water, and wastewater services to meet demand during the forecast period;
- Projected natural gas, water, and wastewater rates during the forecast period; and
- Projected conditions for financing capital improvements over the forecast period.

The accompanying Forecast Statement is presented on a cash basis consistent with the Department's budgeting process for the natural gas, water, and wastewater utility systems (System), and has been presented to be consistent with the specific requirements of the coverage tests identified in the Master Indenture of Trust, dated as of April 1, 1998, as amended and supplemented (Master Indenture), pursuant to the ordinances (Ordinances) adopted by the Richmond City Council (Council), between the City and US Bank (formerly Crestar Bank). The Forecast Statement, together with the Summary of Significant Forecast Assumptions, which is included as an integral part of the forecast, constitutes the "Feasibility Evaluation" for the proposed debt issuance.

In our opinion, the accompanying Forecast Statement is presented in conformity with industry guidelines for presentation of a forecast, and the underlying assumptions provide a reasonable basis for the City's forecast. Based upon the assumptions in our report, the projected Revenues provide adequate funds to maintain the debt service coverage ratios required by the Master Indenture during the forecast period for the issuance of the City's proposed Public Utility Revenue and Refunding Bonds, Series 2026B (Series 2026 Bonds). However, there will be differences between the forecast and actual results because events and circumstances frequently do not occur as expected, and those differences may be material.

Raftelis Financial Consultants, Inc.



Charlotte, North Carolina
May 13, 2026

By: J. Bart Kreps
Executive Vice President

CITY OF RICHMOND, VIRGINIA
NATURAL GAS, WATER, AND WASTEWATER SYSTEM
Historical Statement of Revenues, Expenses, Debt & Debt Service Coverage
Fiscal Year Ending June 30

Line No.	Description	FY 2021 Actual	FY 2022 Actual	FY 2023 Actual	FY 2024 Actual	FY 2025 Actual
Revenues						
<u>User Charges (1)</u>						
1.	Gas User Charges	\$ 161,613,090	\$ 216,532,276	\$ 215,541,622	\$ 163,979,932	\$ 203,875,725
2.	Water User Charges	72,852,963	74,412,054	82,219,250	84,186,422	88,630,735
3.	Wastewater User Charges	83,282,818	91,770,543	99,253,715	102,752,273	105,878,296
4.	<i>Subtotal: User Charge Revenue</i>	<u>\$ 317,748,871</u>	<u>\$ 382,714,873</u>	<u>\$ 397,014,587</u>	<u>\$ 350,918,627</u>	<u>\$ 398,384,756</u>
<u>Miscellaneous Operating Revenue</u>						
5.	Transfer from Rate Stabilization	\$ -	\$ -	\$ -	\$ -	\$ -
6.	Other Revenue (2)	2,613,431	4,636,954	6,834,436	6,886,772	7,605,590
7.	<i>Subtotal: User Charge Revenue</i>	<u>\$ 2,613,431</u>	<u>\$ 4,636,954</u>	<u>\$ 6,834,436</u>	<u>\$ 6,886,772</u>	<u>\$ 7,605,590</u>
8.	Total Operating Revenues	\$ 320,362,302	\$ 387,351,827	\$ 403,849,023	\$ 357,805,399	\$ 405,990,346
Operating Expenses						
9.	Gas Recovery	\$ (74,312,943)	\$ (126,109,286)	\$ (123,459,064)	\$ (69,395,359)	\$ (95,717,915)
10.	O&M Expenses	(130,275,389)	(121,198,731)	(145,898,650)	(158,142,083)	(178,317,087)
11.	Transfer to Rate Stabilization	-	-	-	-	-
12.	Depreciation	(60,654,344)	(64,729,145)	(63,389,381)	(67,164,582)	(73,100,134)
13.	Payment in Lieu of Taxes	(19,297,399)	(20,857,126)	(19,979,974)	(20,743,016)	(21,292,379)
14.	Total Operating Expenses	<u>\$ (284,540,075)</u>	<u>\$ (332,894,288)</u>	<u>\$ (352,727,070)</u>	<u>\$ (315,445,039)</u>	<u>\$ (368,427,515)</u>
15.	Operating Income	\$ 35,822,227	\$ 54,457,539	\$ 51,121,953	\$ 42,360,360	\$ 37,562,831
Non-Operating Income/Expenses						
16.	Non-Operating Income	\$ 957,000	\$ 985,000	\$ 14,879,000	\$ 24,321,000	\$ 10,528,000
17.	Interest Expense	(29,708,196)	(28,532,482)	(27,437,199)	(29,799,847)	(29,205,955)
18.	Amortization of Issuance Expense	-	-	-	-	-
19.	Total Non-Operating Income/Expenses	<u>\$ (28,751,196)</u>	<u>\$ (27,547,482)</u>	<u>\$ (12,558,199)</u>	<u>\$ (5,478,847)</u>	<u>\$ (18,677,955)</u>
20.	Net Income (Excludes Grants & Cont.)	\$ 7,071,031	\$ 26,910,057	\$ 38,563,755	\$ 36,881,512	\$ 18,884,876
Adjustments to Calculate Net Revenues						
Add Back:						
21.	Depreciation	\$ 60,654,344	\$ 64,729,145	\$ 63,389,381	\$ 67,164,582	\$ 73,100,134
22.	Interest Expense	29,708,196	28,532,482	27,437,199	29,799,847	29,205,955
23.	Amortization of Issuance Expense	-	-	-	-	-
24.	Wholesale Cash Capital Contributions (3)	12,692,138	19,553,232	14,477,942	18,854,985	22,012,051
25.	Connection Fees	-	-	-	-	-
26.	Other	-	-	-	-	-
27.	Net Revenue Available for Debt Service	\$ 110,125,708	\$ 139,724,916	\$ 143,868,277	\$ 152,700,927	\$ 143,203,015
Debt Service						
<u>Senior Debt (Bonds)</u>						
28.	Existing Revenue Bonds (4)	\$ 59,912,000	\$ 62,788,000	\$ 61,825,000	\$ 62,441,000	\$ 70,798,000
29.	Future Revenue Bonds	-	-	-	-	-
30.	Future SRF Loans	-	-	-	-	-
31.	<i>Subtotal: Senior Debt (Bonds)</i>	<u>\$ 59,912,000</u>	<u>\$ 62,788,000</u>	<u>\$ 61,825,000</u>	<u>\$ 62,441,000</u>	<u>\$ 70,798,000</u>
32.	Debt Service Coverage (Bonds) (Line 27 / Line 31)	1.84	2.23	2.33	2.45	2.02
<u>Other System Indebtedness and Subordinate Debt</u>						
33.	Existing GO Bonds (4)	\$ 12,300,000	\$ 3,960,000	\$ 3,996,000	\$ 3,760,000	\$ 749,000
34.	<i>Subtotal: Other System Indebt. And Sub. Debt</i>	<u>\$ 12,300,000</u>	<u>\$ 3,960,000</u>	<u>\$ 3,996,000</u>	<u>\$ 3,760,000</u>	<u>\$ 749,000</u>
35.	Total Debt Service	\$ 72,212,000	\$ 66,748,000	\$ 65,821,000	\$ 66,201,000	\$ 71,547,000
36.	Total Debt Service Coverage (Line 27 / Line 35)	1.53	2.09	2.19	2.31	2.00
Rate Covenant						
37.	Net Revenues Available for Debt Service	\$ 110,125,708	\$ 139,724,916	\$ 143,868,277	\$ 152,700,927	\$ 143,203,015
38.	Debt Service on Bonds (115%)	\$ 68,898,800	\$ 72,206,200	\$ 71,098,750	\$ 71,807,150	\$ 81,417,700
39.	Other System Indebt. And Sub. Debt (100%)	12,300,000	3,960,000	3,996,000	3,760,000	749,000
40.	Total Requirements for Rate Covenant	\$ 81,198,800	\$ 76,166,200	\$ 75,094,750	\$ 75,567,150	\$ 82,166,700
41.	Rate Covenant Test (Must Exceed 1.0x) (Line 27 / Line 40)	1.36	1.83	1.92	2.02	1.74
42.	Net Revenues After Total Debt	\$ 37,913,708	\$ 72,976,916	\$ 78,047,277	\$ 86,499,927	\$ 71,656,015

Notes to the Historical Statement:

- (1) Includes revenue from natural gas, water, and wastewater user charges as well as the operating and maintenance component of water and wastewater wholesale revenues.
- (2) Other revenue includes late payments, wastewater high strength surcharges, and other miscellaneous revenues.
- (3) Represents wholesale cash capital contributions and connection fees.
- (4) Rounded to the nearest thousand.

CITY OF RICHMOND, VIRGINIA
NATURAL GAS, WATER, AND WASTEWATER SYSTEM
Forecast Statement of Revenues, Expenses, Debt & Debt Service Coverage
Fiscal Year Ending June 30

Line No.	Description	FY 2026 Estimated	FY 2027 Budget	FY 2028 Forecast	FY 2029 Forecast	FY 2030 Forecast	FY 2031 Forecast
Revenues							
<u>User Charges (1)</u>							
1.	Gas User Charges	\$ 236,791,287	\$ 257,742,217	\$ 269,601,363	\$ 282,104,537	\$ 295,153,726	\$ 308,963,582
2.	Water User Charges	88,577,051	103,296,080	109,270,399	116,088,734	123,359,460	131,114,343
3.	Wastewater User Charges	111,822,973	121,051,347	129,430,614	138,387,036	147,967,429	158,212,486
4.	<i>Subtotal: User Charge Revenue</i>	\$ 437,191,310	\$ 482,089,644	\$ 508,302,376	\$ 536,580,308	\$ 566,480,614	\$ 598,290,411
<u>Miscellaneous Operating Revenue</u>							
5.	Transfer from Rate Stabilization	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
6.	Other Revenue (2)	7,833,758	8,068,770	8,310,833	8,560,158	8,816,963	9,081,472
7.	<i>Subtotal: User Charge Revenue</i>	\$ 7,833,758	\$ 8,068,770	\$ 8,310,833	\$ 8,560,158	\$ 8,816,963	\$ 9,081,472
8.	Total Operating Revenues	\$ 445,025,068	\$ 490,158,414	\$ 516,613,209	\$ 545,140,466	\$ 575,297,578	\$ 607,371,883
Operating Expenses							
9.	Gas Recovery (3)	\$ (120,132,990)	\$ (142,597,430)	\$ (146,875,353)	\$ (151,281,613)	\$ (155,820,062)	\$ (160,494,664)
10.	O&M Expenses (4)	(196,912,912)	(214,482,561)	(219,275,538)	(225,853,804)	(232,629,419)	(239,608,301)
11.	Transfer to Rate Stabilization	-	-	-	-	-	-
12.	Depreciation	(72,026,530)	(88,396,000)	(95,854,400)	(103,273,800)	(110,489,600)	(117,276,200)
13.	Payment in Lieu of Taxes	(20,447,087)	(24,651,293)	(26,720,149)	(28,813,295)	(30,799,476)	(32,546,906)
14.	Total Operating Expenses	\$ (409,519,519)	\$ (470,127,284)	\$ (488,725,440)	\$ (509,222,513)	\$ (529,738,556)	\$ (549,926,071)
15.	Operating Income	\$ 35,505,549	\$ 20,031,130	\$ 27,887,769	\$ 35,917,953	\$ 45,559,021	\$ 57,445,813
Non-Operating Income/Expenses							
16.	Non-Operating Income (5)	\$ 7,029,000	\$ 8,366,690	\$ 6,410,086	\$ 6,683,832	\$ 7,640,301	\$ 8,554,703
17.	Interest Expense	(32,785,947)	(40,691,830)	(43,758,383)	(47,567,056)	(56,029,651)	(62,998,268)
18.	Amortization of Issuance Expense	-	-	-	-	-	-
19.	Total Non-Operating Income/Expenses	\$ (25,756,948)	\$ (32,325,140)	\$ (37,348,297)	\$ (40,883,224)	\$ (48,389,349)	\$ (54,443,565)
20.	Net Income (Excludes Grants & Cont.)	\$ 9,748,601	\$ (12,294,010)	\$ (9,460,527)	\$ (4,965,271)	\$ (2,830,328)	\$ 3,002,248
Adjustments to Calculate Net Revenues							
Add Back:							
21.	Depreciation	\$ 72,026,530	\$ 88,396,000	\$ 95,854,400	\$ 103,273,800	\$ 110,489,600	\$ 117,276,200
22.	Interest Expense	32,785,947	40,691,830	43,758,383	47,567,056	56,029,651	62,998,268
23.	Amortization of Issuance Expense	-	-	-	-	-	-
24.	Wholesale Cash Capital Contributions (6)	23,537,532	26,086,726	21,349,909	16,331,138	15,255,810	21,901,008
25.	Connection Fees (7)	6,500,000	5,250,000	5,250,000	5,250,000	5,250,000	5,250,000
26.	Other	-	-	-	-	-	-
27.	Net Revenue Available for Debt Service	\$ 144,598,610	\$ 148,130,546	\$ 156,752,165	\$ 167,456,723	\$ 184,194,732	\$ 210,427,723
Debt Service							
<u>Senior Debt (Bonds)</u>							
28.	Existing Revenue Bonds	\$ 71,105,802	\$ 71,787,703	\$ 70,898,769	\$ 70,330,957	\$ 69,593,350	\$ 66,994,628
29.	Series 2026 Revenue Bonds	-	12,496,536	17,377,000	17,381,000	17,379,250	17,381,500
30.	Future Revenue Bonds (8)	-	-	-	7,252,995	20,779,510	32,672,564
31.	Future SRF Loans (9)	2,823,029	4,837,732	5,019,107	5,387,009	5,773,307	6,178,920
32.	<i>Subtotal: Senior Debt (Bonds)</i>	\$ 73,928,831	\$ 89,121,971	\$ 93,294,875	\$ 100,351,961	\$ 113,525,417	\$ 123,227,612
33.	Debt Service Coverage (Bonds)	1.96	1.66	1.68	1.67	1.62	1.71
<u>Other System Indebtedness and Subordinate Debt</u>							
34.	Existing GO Bonds	\$ 1,203,329	\$ 1,202,921	\$ 1,203,314	\$ 1,202,787	\$ 1,203,314	\$ 1,203,058
35.	<i>Subtotal: Other System Indebt. And Sub. Debt</i>	\$ 1,203,329	\$ 1,202,921	\$ 1,203,314	\$ 1,202,787	\$ 1,203,314	\$ 1,203,058
36.	Total Debt Service	\$ 75,132,160	\$ 90,324,892	\$ 94,498,189	\$ 101,554,748	\$ 114,728,732	\$ 124,430,670
37.	Total Debt Service Coverage	1.92	1.64	1.66	1.65	1.61	1.69
Rate Covenant (10)							
38.	Net Revenues Available for Debt Service	\$ 144,598,610	\$ 148,130,546	\$ 156,752,165	\$ 167,456,723	\$ 184,194,732	\$ 210,427,723
39.	Debt Service on Bonds (115%)	\$ 85,018,155	\$ 102,490,267	\$ 107,289,107	\$ 115,404,755	\$ 130,554,230	\$ 141,711,754
40.	Other System Indebt. And Sub. Debt (100%)	1,203,329	1,202,921	1,203,314	1,202,787	1,203,314	1,203,058
41.	Total Requirements for Rate Covenant	\$ 86,221,484	\$ 103,693,188	\$ 108,492,421	\$ 116,607,542	\$ 131,757,544	\$ 142,914,812
42.	Rate Covenant Test (Must Exceed 1.0x)	1.68	1.43	1.44	1.44	1.40	1.47
<u>Assumed Rate Increases</u>							
	Natural Gas		5.95%	5.95%	5.95%	5.95%	5.95%
	Water		7.00%	7.00%	7.00%	7.00%	7.00%
	Wastewater		6.95%	6.95%	6.95%	6.95%	6.95%

Notes to the Forecast Statement:

- (1) User charge revenues in FY 2026 through FY 2031 are calculated based on projected customer information and demand, actual rates in FY 2026, and projected natural gas, water, and wastewater rates in FY 2027 through FY 2031. Also includes the operating and maintenance (O&M) component of wholesale water and wastewater revenues.
- (2) Other revenue includes late payments, wastewater high strength surcharges, and other miscellaneous revenues.
- (3) Since the City can adjust the cost of purchased gas on a periodic basis, which is designed to ensure adequate cost recovery, the cost of purchased gas is included as both a revenue and pass-through expense.
- (4) FY 2026 Operating Expenses are based on DPU's estimated actuals. The FY 2027 Operating Expense Budget has been presented to City Council and is expected to be approved on May 11, 2026. Operating Expenses in FY 2028 through FY 2031 are escalated approximately 3.0% annually.
- (5) Excludes interest earnings on available bond proceeds in the Construction Fund.
- (6) Includes the capital component of the wholesale water rate charged to Henrico County. Henrico County's wholesale rate includes both an O&M component, which is reflected as a user charge Revenue, and a capital component. The capital component is assessed on an ongoing basis to recover a proportionate share of the cost of assets that are used and useful to Henrico County. Since the capital component of the rate assessed to Henrico County is an ongoing cash-flow, and since DPU has entered into a long-term agreement with Henrico County to provide potable water services, this annual cash flow has been included as a Revenue for the purpose of calculating debt service coverage. Also includes cash capital contributions from both Hanover and Chesterfield counties for wholesale water services. These cash capital contributions are included as a funding source for the capital program.
- (7) Per the Master Indenture, the City may include connection fees as Revenue for the purpose of calculating debt service coverage.
- (8) It has been assumed the DPU will issue approximately \$107 million in revenue bonds in FY 2028 (second half of fiscal year), approximately \$200 million in revenue bonds in FY 2029, approximately \$176 million in revenue in FY 2030, and approximately \$155 million in revenue bonds in FY 2031. These future revenue bond issuances assume a rate of 5.0%, term of 30 years, and 1% issuance costs. Full principal and interest payments are projected to occur the fiscal year after issuance.
- (9) The DPU has also secured or is in the process of securing several loans from the Virginia Resource Authority for various water and wastewater projects. Interest rate assumptions vary between (1% – 3.5%) with terms of 20 years.
- (10) Per the Master Indenture, the City shall fix, charge, and collect such rates, fees, and other charges for the use of and the services furnished by the System and shall, from time to time and as often as shall be necessary, revise such rates, fees, and other charges so as to meet the following two independent requirements.
 1. Revenues shall be sufficient in each Fiscal Year to pay (A) the actual Operating Expenses for such Fiscal Year, (B) the amount required to be deposited in the Bond Fund in such Fiscal Year, (C) the amount required to pay Annual Debt Service on Subordinate Debt in such Fiscal Year, and (D) any amount necessary to be deposited in any Series Debt Service Reserve Account to restore the amount on deposit therein to the amount of the Series Debt Service Reserve Requirement.
 2. Net Revenues, together with all other balances available to pay debt service, shall be sufficient in each Fiscal Year to equal the sum of (A) 115% of the Annual Debt Service with respect to the Bonds for such Fiscal Year, and (B) 100% of Annual Debt Service with respect to Other System Indebtedness and Subordinate Debt for such Fiscal Year.

**CITY OF RICHMOND, DEPARTMENT OF PUBLIC UTILITIES
SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS**

**FOR THE SIX FISCAL YEARS ENDING
JUNE 30, 2026 THROUGH JUNE 30, 2031**

1. Basis of Presentation

Raftelis Financial Consultants, Inc. (Raftelis) has been engaged by the City of Richmond (City), Department of Public Utilities (DPU or Department) to evaluate the financial feasibility of proposed improvements to its natural gas, water, and wastewater utility systems (System). The opinion letter to the City is based upon the Forecast Statement and the Summary of Significant Forecast Assumptions which presents, to the best of the City's knowledge and belief, based upon available information, the expected revenue, expenses, debt service, and debt service coverage for the System during the forecast period.

All schedules prepared in support of the Forecast Statement have been presented in accordance with the City's annual accounting cycle, based upon its fiscal year beginning July 1 and ending June 30 (Fiscal Year). The Forecast Statement reflects the DPU's judgment as of April 24, 2026, the date of this Forecast Statement, of the anticipated conditions and the DPU's expected course of action during the forecast period. The Forecast Statement is presented in conformity with the methodology for calculating debt service coverage of the outstanding indebtedness set forth in the Master Indenture of Trust, dated as of April 1, 1998, as amended and supplemented (Master Indenture), between the City and US Bank (formerly Crestar Bank) as Trustee.

The Master Indenture sets forth a Rate Covenant in Section 601 requiring that the City shall fix, charge, and collect such rates, fees, and other charges for the use of and the services furnished by the City's Systems, and shall, from time to time and as often as shall appear necessary, revise such rates, fees, and other charges so as to meet the following two independent requirements:

- A. Revenues¹ shall be sufficient in each Fiscal Year to pay:
 - a. The actual operating expenses for such Fiscal Year;
 - b. The amount required to be deposited in the Bond Fund in such Fiscal Year;
 - c. The amount required to pay Annual Debt Service on Subordinate Debt in such Fiscal Year; and
 - d. Any amount necessary to be deposited in any Series Debt Service Reserve Account to restore the amount on deposit therein to the amount of the Series Debt Service Reserve Requirement.
- B. Net Revenues², together with all other balances available to pay debt service, shall be sufficient in each Fiscal Year to equal the sum of:
 - a. 115% of Annual Debt Service with respect to the Bonds for such Fiscal Year; and

¹ Per the City's Master Indenture, Revenues include all rates, fees, and other charges for, or payments in respect of, the use of and for the services furnished by the DPU.

² Net Revenues are defined as Revenues less Operating Expenses. Operating Expenses include all operation and maintenance (O&M) costs, including the DPU's Payment in Lieu of Taxes (PILOT) to the City, net of annual depreciation.

- b. 100% of Annual Debt Service with respect to Other System Indebtedness and Subordinate Debt for such Fiscal Year.

The Forecast Statement is presented on a cash basis consistent with the City's budgeting process for the System and is adjusted to meet the specific requirements of the rate covenant in the Master Indenture. Compliance with the Rate Covenant is demonstrated on the Forecast Statement since the ratio calculated using Net Revenues Available for debt service is significantly greater than the sum of 115% of Annual Debt Service with respect to the Bonds plus 100% of the Annual Debt Service with respect to Other System Indebtedness and Subordinate Debt in each year of the forecast.

The assumptions described below are those that the DPU believes are significant to the Forecast Statement. There will be differences between forecasted and actual results because events and circumstances frequently do not occur as expected, and those differences may be material.

2. DPU's Scope of Operations

The DPU provides natural gas, water, wastewater, stormwater, and electric street-lighting services to a diverse mix of residential, commercial, industrial, institutional, and wholesale customers. The DPU serves approximately 250,000 total customers in the aggregate within the City and outside the greater metropolitan region, and it reports to the City Council. The DPU is operated as an Enterprise Fund with a goal of generating sufficient revenues through user rates and charges to meet all operating expenses and capital expenditures. Each of the respective utilities within the Enterprise Fund are operated on a self-sustaining basis. However, both the stormwater and electric street-lighting utilities are not included in the revenues and expenditures of the System under the Master Indenture. As such, the Forecast Statement excludes all financial information related to the stormwater and electric street-lighting utilities.

The City provides retail natural gas and distribution services to approximately 126,000³ customers within the City and Henrico County and portions of Chesterfield and Hanover counties. The distribution system includes approximately 1,980 miles of distribution mains and nine pipeline meter and regulating stations. The City's raw water source for its water utility is the James River, and its treatment capacity is 132 million gallons per day (MGD). Retail service is provided to approximately 64,000³ customers. Wholesale services are provided to Henrico, Chesterfield, and Hanover counties. The total service population exceeds 500,000. Water is delivered through a network infrastructure of pumping stations, transmission lines, and distribution lines. The City is also one of the largest providers of wastewater services in the region, and its treatment facility is the largest of its kind in the Commonwealth of Virginia, with treatment capacity of 75 MGD during wet weather conditions. Retail service is provided to approximately 58,000³ customers. Wholesale service is provided to Chesterfield, Goochland, and Henrico counties. The wastewater system includes 960 miles of sanitary sewer pipes, pumping stations, interceptor sewers, retention basins, and a 50-million-gallon reservoir used to manage wet weather flows. It should be noted that the number of customers is estimated by the number of accounts with metered flow during the FY 2025 billing period.

3. Demand for Services

³ The number of customers for each utility is sourced from customer billing data provided by the City. Only accounts marked "active" in the billing data are included. Accounts are used for revenue calculation purposes and may be different than other quoted statistics.

The DPU serves as the provider of natural gas, water, and wastewater services to all of the retail residential, commercial, industrial, and institutional customers within the City limits of Richmond. Retail natural gas service is also provided to customers in Henrico County and portions of Chesterfield and Hanover counties. Wholesale water service is provided on a contract basis to Henrico, Chesterfield, and Hanover counties. Wholesale wastewater service is provided to Chesterfield, Henrico, and Goochland counties. The specific structure of the wholesale contractual agreements varies but generally includes a proportionate allocation of the operating expenses and capital costs associated with the assets that are used and useful to wholesale customers.

The City has experienced a moderate increase in the number of active retail natural gas customers over the past five years due to growth in the county service areas. As such, retail natural gas customers are assumed to increase 0.5% annually. Natural gas billable consumption in FY 2026 has been normalized based on a statistical analysis of heating degree days (HDDs) and associated sales of natural gas per account since 2010. Projected natural gas consumption per account by month in FY 2026 is based on 10-year historical average HDDs for the Richmond metropolitan area. Natural gas consumption from FY 2027 through FY 2031 is assumed to grow by 0.5% annually. The number of active City retail water and wastewater accounts has remained relatively stable over the last five years. Therefore, no growth in water and wastewater customer accounts has been projected for the forecast period. Water and wastewater billable consumption in FY 2026 is projected based on actual usage in FY 2025. However, similar to most utilities nationwide, the City continues to experience a trend in declining per capita water consumption related to a number of factors including, in particular, the increased prevalence and use of high efficiency fixtures, water resource conservation, and other related factors. As a result, the forecast period assumes that water and wastewater consumption remains flat.

The following tables, Table 1 and Table 2, show a summary of the projected number of customer accounts and billable demand, based on detailed data provided by DPU staff, for the forecast period. It should be noted that the number of customer accounts estimated in Table 1 include active accounts excluding bills with no charge.

TABLE 1: CUSTOMER ACCOUNTS

Description	FY 2026 <i>Estimated (1)</i>	FY 2027 <i>Forecast</i>	FY 2028 <i>Forecast</i>	FY 2029 <i>Forecast</i>	FY 2030 <i>Forecast</i>	FY 2031 <i>Forecast</i>
Customer Accounts						
Natural Gas						
Residential	116,290	116,872	117,456	118,043	118,633	119,227
Commercial	9,575	9,623	9,671	9,720	9,768	9,817
Industrial	313	313	313	313	313	313
Large Volume	63	63	63	63	63	63
Municipal	132	132	132	132	132	132
Flexible/Interruptible	11	11	11	11	11	11
Total Natural Gas Customers	126,385	127,014	127,646	128,282	128,921	129,563
% Change		0.5%	0.5%	0.5%	0.5%	0.5%
Water						
Residential	53,766	53,766	53,766	53,766	53,766	53,766
Commercial	7,594	7,594	7,594	7,594	7,594	7,594
Industrial	92	92	92	92	92	92
Municipal	512	512	512	512	512	512
State and Federal	553	553	553	553	553	553
Fireline	1,510	1,510	1,510	1,510	1,510	1,510
Total Water Customers	64,027	64,027	64,027	64,027	64,027	64,027
% Change		0.0%	0.0%	0.0%	0.0%	0.0%
Wastewater						
Residential	50,186	50,186	50,186	50,186	50,186	50,186
Commercial	6,685	6,685	6,685	6,685	6,685	6,685
Industrial	66	66	66	66	66	66
Municipal	254	254	254	254	254	254
State and Federal	460	460	460	460	460	460
Fireline	-	-	-	-	-	-
Total Wastewater Customers	57,651	57,651	57,651	57,651	57,651	57,651
% Change		0.0%	0.0%	0.0%	0.0%	0.0%

(1) Estimated based on active accounts excluding bills with no charge.

TABLE 2: BILLABLE DEMAND

Description	FY 2026 <i>Estimated</i>	FY 2027 <i>Forecast</i>	FY 2028 <i>Forecast</i>	FY 2029 <i>Forecast</i>	FY 2030 <i>Forecast</i>	FY 2031 <i>Forecast</i>
Billable Consumption (Ccf)						
Natural Gas						
Residential	61,508,484	61,816,027	62,125,107	62,435,732	62,747,911	63,061,651
General Service	33,771,709	33,940,567	34,110,270	34,280,821	34,452,225	34,624,487
Large Commercial/Small Industrial	12,977,709	13,042,598	13,107,811	13,173,350	13,239,216	13,305,412
Large Volume Service (LVS)	10,487,104	10,539,540	10,592,238	10,645,199	10,698,425	10,751,917
Large Volume Service 2 (LVS2)	87,545,358	87,983,084	88,423,000	88,865,115	89,309,440	89,755,988
Municipal	2,033,163	2,043,329	2,053,545	2,063,813	2,074,132	2,084,503
Transportation	895,889	900,368	904,870	909,395	913,942	918,511
Flexible/Interruptible	1,122,776	1,128,390	1,134,032	1,139,702	1,145,400	1,151,128
Miscellaneous	1,054,330	1,059,602	1,064,900	1,070,224	1,075,575	1,080,953
Natural Gas Billable Consumption	211,396,522	212,453,505	213,515,772	214,583,351	215,656,268	216,734,549
% Change		0.5%	0.5%	0.5%	0.5%	0.5%
Water (1)						
Residential	3,575,358	3,575,358	3,575,358	3,575,358	3,575,358	3,575,358
Commercial	4,615,769	4,615,769	4,615,769	4,615,769	4,615,769	4,615,769
Industrial	602,440	602,440	602,440	602,440	602,440	602,440
Municipal	328,576	328,576	328,576	328,576	328,576	328,576
State and Federal	1,457,711	1,457,711	1,457,711	1,457,711	1,457,711	1,457,711
Fireline	6,191	6,191	6,191	6,191	6,191	6,191
Water Billable Consumption	10,586,045	10,586,045	10,586,045	10,586,045	10,586,045	10,586,045
% Change		0.0%	0.0%	0.0%	0.0%	0.0%
Wastewater (1)						
Residential	2,951,395	2,951,395	2,951,395	2,951,395	2,951,395	2,951,395
Commercial	4,443,494	4,443,494	4,443,494	4,443,494	4,443,494	4,443,494
Industrial	427,309	427,309	427,309	427,309	427,309	427,309
Municipal	317,405	317,405	317,405	317,405	317,405	317,405
State and Federal	1,425,690	1,425,690	1,425,690	1,425,690	1,425,690	1,425,690
Fireline	-	-	-	-	-	-
Wastewater Billable Consumption	9,565,294	9,565,294	9,565,294	9,565,294	9,565,294	9,565,294
% Change		0.0%	0.0%	0.0%	0.0%	0.0%

(1) Excludes wholesale consumption.

4. Rates and Charges

The City maintains separate rates and charges for natural gas, water, and wastewater customers.

Rate Structure

The DPU’s natural gas customers are billed on a monthly basis. In general, the monthly bill includes a service charge and a volumetric charge per 100 cubic feet (Ccf) based on gas used. Natural gas customers are also assessed a volumetric charge per Ccf to recover the cost of purchased gas, or PGC. The DPU updates the PGC periodically based on market conditions. For the purpose of the Forecast Statement, the PGC is treated as both a revenue and a pass-through expense. Most natural gas customers fall into three primary categories including: residential, general service, and large volume. The City also has a number of other natural gas customer types including municipal, transportation (low volume), transportation (high volume), flexible/interruptible, and compressed natural gas (CNG). Water and wastewater customers are also billed monthly. For single-family water residential customers, the monthly bill includes a service charge and a two-tiered volumetric rate structure, with consumption up to 4 Ccf billed at a lower volumetric rate and consumption above 4 Ccf billed at a higher rate to promote customer affordability and resource conservation. For all wastewater customers and non-single-family residential water customers, the monthly bill includes a service charge and a uniform volumetric charge per Ccf based on water consumption. Water and wastewater service charges are escalated based on meter size.

Rate Forecast

The City adopted a new schedule of rates and charges on July 1, 2025. The rates presented in Table 3 for FY 2026 reflect this effective rate increase. For FY 2027 through FY 2031, Raftelis has developed a forecast of anticipated future rate increases to meet the DPU’s revenue requirements and covenants identified in the Master Indenture. It should be noted that rate increases in FY 2027 through FY 2031 are applied across-the-board within the natural gas, water, and wastewater rate structures. Table 3 identifies the actual rates for FY 2026 and the projected increases from FY 2027 through FY 2031.

TABLE 3: RATE STRUCTURE

Description	FY 2026 Actual	FY 2027 Forecast	FY 2028 Forecast	FY 2029 Forecast	FY 2030 Forecast	FY 2031 Forecast
Natural Gas (1)						
Residential						
Customer Charge	\$ 17.24	\$ 18.27	\$ 19.36	\$ 20.52	\$ 21.75	\$ 23.05
Distribution Charge (per Ccf)	\$ 0.703	\$ 0.745	\$ 0.790	\$ 0.838	\$ 0.888	\$ 0.941
Purchase Gas Cost (per Ccf)	\$ 0.560	\$ 0.585	\$ 0.603	\$ 0.622	\$ 0.641	\$ 0.661
General Gas Service						
Customer Charge	\$ 20.170	\$ 21.380	\$ 22.660	\$ 24.010	\$ 25.440	\$ 26.960
Distribution Charge (per Ccf)	\$ 0.634	\$ 0.672	\$ 0.712	\$ 0.755	\$ 0.800	\$ 0.848
Purchase Gas Cost (per Ccf)	\$ 0.560	\$ 0.585	\$ 0.603	\$ 0.622	\$ 0.641	\$ 0.661
Schedule CIS						
Customer Charge	\$ 166.18	\$ 176.07	\$ 186.55	\$ 197.65	\$ 209.42	\$ 221.89
Demand Charge (per Ccf)	\$ 1.710	\$ 1.812	\$ 1.920	\$ 2.035	\$ 2.157	\$ 2.286
Distribution Charge (per Ccf)	\$ 0.376	\$ 0.399	\$ 0.423	\$ 0.449	\$ 0.476	\$ 0.505
Purchase Gas Cost (per Ccf)	\$ 0.450	\$ 0.477	\$ 0.495	\$ 0.514	\$ 0.533	\$ 0.553
Water						
Service Charge						
5/8" Meter	\$ 17.66	\$ 18.90	\$ 20.23	\$ 21.65	\$ 23.17	\$ 24.80
3/4" Meter	\$ 25.09	\$ 26.85	\$ 28.73	\$ 30.75	\$ 32.91	\$ 35.22
1" Meter	\$ 43.52	\$ 46.57	\$ 49.83	\$ 53.32	\$ 57.06	\$ 61.06
1-1/2" Meter	\$ 78.59	\$ 84.10	\$ 89.99	\$ 96.29	\$ 103.04	\$ 110.26
2" Meter	\$ 121.55	\$ 130.06	\$ 139.17	\$ 148.92	\$ 159.35	\$ 170.51
3" Meter	\$ 240.27	\$ 257.09	\$ 275.09	\$ 294.35	\$ 314.96	\$ 337.01
4" Meter	\$ 373.83	\$ 400.00	\$ 428.00	\$ 457.96	\$ 490.02	\$ 524.33
6" Meter	\$ 744.83	\$ 796.97	\$ 852.76	\$ 912.46	\$ 976.34	\$ 1,044.69
8" Meter	\$ 1,190.04	\$ 1,273.35	\$ 1,362.49	\$ 1,457.87	\$ 1,559.93	\$ 1,669.13
10" Meter	\$ 1,709.44	\$ 1,829.11	\$ 1,957.15	\$ 2,094.16	\$ 2,240.76	\$ 2,397.62
Single Family Residential (SFR) Volumetric Rate						
Rate 1 (0-4 Ccf)	\$ 3.13	\$ 3.35	\$ 3.59	\$ 3.84	\$ 4.11	\$ 4.39
Rate 2 (Over 4 Ccf)	\$ 6.63	\$ 7.10	\$ 7.59	\$ 8.12	\$ 8.69	\$ 9.30
Non-SFR Volumetric Rate	\$ 5.53	\$ 5.92	\$ 6.33	\$ 6.78	\$ 7.25	\$ 7.76
Wastewater						
Service Charge						
5/8" Meter	\$ 22.96	\$ 24.56	\$ 26.27	\$ 28.10	\$ 30.06	\$ 32.15
3/4" Meter	\$ 32.75	\$ 35.03	\$ 37.47	\$ 40.08	\$ 42.87	\$ 45.85
1" Meter	\$ 52.34	\$ 55.98	\$ 59.88	\$ 64.05	\$ 68.51	\$ 73.28
1-1/2" Meter	\$ 101.36	\$ 108.41	\$ 115.95	\$ 124.01	\$ 132.63	\$ 141.85
2" Meter	\$ 160.14	\$ 171.27	\$ 183.18	\$ 195.92	\$ 209.54	\$ 224.11
3" Meter	\$ 316.93	\$ 338.96	\$ 362.52	\$ 387.72	\$ 414.67	\$ 443.49
4" Meter	\$ 493.31	\$ 527.60	\$ 564.27	\$ 603.49	\$ 645.44	\$ 690.30
6" Meter	\$ 983.23	\$ 1,051.57	\$ 1,124.66	\$ 1,202.83	\$ 1,286.43	\$ 1,375.84
8" Meter	\$ 1,571.17	\$ 1,781.19	\$ 1,904.99	\$ 2,037.39	\$ 2,178.99	\$ 2,330.43
10" Meter	\$ 2,257.11	\$ 2,413.98	\$ 2,581.76	\$ 2,761.20	\$ 2,953.11	\$ 3,158.36
Volumetric Rate (per Ccf)	\$ 9.57	\$ 10.24	\$ 10.95	\$ 11.71	\$ 12.52	\$ 13.39
Annual Rate Increase						
Natural Gas		5.95%	5.95%	5.95%	5.95%	5.95%
Water		7.00%	7.00%	7.00%	7.00%	7.00%
Wastewater		6.95%	6.95%	6.95%	6.95%	6.95%

(1) The City also has several additional natural gas customer classifications including, municipal, transportation (low volume), transportation (high volume), flexible/interruptible, and CNG.

5. Revenues

The City collects Revenue from a number of different sources that are deposited into a utility account to be held by the City. Operating revenues consist primarily of revenues from retail natural gas, water, and wastewater rates and charges. The City also collects operating revenue from its water and wastewater wholesale customers, which reflects each wholesale customer's proportionate responsibility for O&M expenses. Non-operating revenues include primarily interest income. An adjustment has been made to non-operating revenue to reflect the exclusion of refundable customer deposits. The Financial Forecast also includes wholesale water revenue collected from Henrico County to recover a proportionate share of the City's capital costs. Since the capital component of the wholesale rate assessed to Henrico County is an ongoing, annual cash-flow, and since DPU has entered into a long-term agreement with Henrico County to provide potable water services, this annual cash flow has been included as a Revenue for the purpose of calculating debt service coverage. Similarly, the Financial Forecast includes cash capital contributions from both Hanover and Chesterfield counties that reflect each customer's proportionate responsibility for future capital expenditures. Connection fees have also been included as Revenue per the Master Indenture.

Revenues have been estimated for FY 2026 based on the projected number of customer accounts and demand, and the rates in place as of July 1, 2025. The remaining years of the forecast period (FY 2027 through FY 2031) have been estimated using the projected billable units of service and anticipated future rate increases.

Table 4 presents projected Revenues over the forecast period.

TABLE 4: PROJECTED REVENUE

Line No.	Description	FY 2026 Estimated	FY 2027 Forecast	FY 2028 Forecast	FY 2029 Forecast	FY 2030 Forecast	FY 2031 Forecast
Revenues							
<u>User Charges (1)</u>							
1.	Gas User Charges	\$ 236,791,287	\$ 257,742,217	\$ 269,601,363	\$ 282,104,537	\$ 295,153,726	\$ 308,963,582
2.	Water User Charges	88,577,051	103,296,080	109,270,399	116,088,734	123,359,460	131,114,343
3.	Wastewater User Charges	111,822,973	121,051,347	129,430,614	138,387,036	147,967,429	158,212,486
4.	<i>Subtotal: User Charge Revenues</i>	<u>\$ 437,191,310</u>	<u>\$ 482,089,644</u>	<u>\$ 508,302,376</u>	<u>\$ 536,580,308</u>	<u>\$ 566,480,614</u>	<u>\$ 598,290,411</u>
<u>Miscellaneous Operating Revenue</u>							
5.	Transfer from Rate Stabilization	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
6.	Other Revenue (2)	7,833,758	8,068,770	8,310,833	8,560,158	8,816,963	9,081,472
7.	<i>Subtotal: Misc. Operating Revenue</i>	<u>\$ 7,833,758</u>	<u>\$ 8,068,770</u>	<u>\$ 8,310,833</u>	<u>\$ 8,560,158</u>	<u>\$ 8,816,963</u>	<u>\$ 9,081,472</u>
8.	Total Operating Revenue	\$ 445,025,068	\$ 490,158,414	\$ 516,613,209	\$ 545,140,466	\$ 575,297,578	\$ 607,371,883
<u>Non-Operating Revenue</u>							
9.	Non-Operating Income (3)	\$ 7,029,000	\$ 8,366,690	\$ 6,410,086	\$ 6,683,832	\$ 7,640,301	\$ 8,554,703
10.	Other	-	-	-	-	-	-
11.	<i>Subtotal: Non-Operating Revenue</i>	<u>\$ 7,029,000</u>	<u>\$ 8,366,690</u>	<u>\$ 6,410,086</u>	<u>\$ 6,683,832</u>	<u>\$ 7,640,301</u>	<u>\$ 8,554,703</u>
<u>Other Revenue</u>							
12.	Wholesale Capital Contributions (4)	\$ 23,537,532	\$ 26,086,726	\$ 21,349,909	\$ 16,331,138	\$ 15,255,810	\$ 21,901,008
13.	Connection Fees	6,500,000	5,250,000	5,250,000	5,250,000	5,250,000	5,250,000
14.	<i>Subtotal: Other Revenue</i>	<u>\$ 30,037,532</u>	<u>\$ 31,336,726</u>	<u>\$ 26,599,909</u>	<u>\$ 21,581,138</u>	<u>\$ 20,505,810</u>	<u>\$ 27,151,008</u>
15.	Total Revenue	\$ 482,091,599	\$ 529,861,831	\$ 549,623,205	\$ 573,405,436	\$ 603,443,689	\$ 643,077,594
	<i>% Change</i>		9.9%	3.7%	4.3%	5.2%	6.6%

(1) User charge revenues in FY 2026 through FY 2031 are calculated based on projected customer information and demand, actual rates in FY 2026, and projected natural gas, water, and wastewater rates in FY 2027 through FY 2031. Also includes the O&M component of wholesale water and wastewater revenues.

(2) Other revenue includes late payments, wastewater high strength surcharges, and other miscellaneous revenues.

- (3) Interest earnings exclude interest earned on customer deposits.
- (4) Reflects the recovery of capital costs from Henrico, Hanover, and Chesterfield counties for the provision of wholesale water service.

6. Operating Expenses

Operating Expenses represent normal, recurring expenses necessary to operate and maintain the System in good condition incurred during the City’s annual accounting cycle based upon its Fiscal Year ending June 30. It should be noted that depreciation is excluded, since it is a non-cash expense. Operating Expenses have been projected for the forecast period and are presented in Table 5.

TABLE 5: PROJECTED OPERATING EXPENSES

Line No.	Description	FY 2026 Estimated	FY 2027 Budget (2)	FY 2028 Forecast	FY 2029 Forecast	FY 2030 Forecast	FY 2031 Forecast
Operating Expenses							
1.	Gas Recovery (1)	\$ 120,132,990	\$ 142,597,430	\$ 146,875,353	\$ 151,281,613	\$ 155,820,062	\$ 160,494,664
2.	O&M Expenses	196,912,912	214,482,561	219,275,538	225,853,804	232,629,419	239,608,301
3.	Payment in Lieu of Taxes	20,447,087	24,651,293	26,720,149	28,813,295	30,799,476	32,546,906
4.	Total Operating Expenses	\$ 337,492,989	\$ 381,731,284	\$ 392,871,040	\$ 405,948,713	\$ 419,248,956	\$ 432,649,871
	<i>% Change</i>		13.1%	2.9%	3.3%	3.3%	3.2%

- (1) Since the City can adjust the cost of purchased gas on a periodic basis to ensure adequate cost recovery, the cost of purchased gas is included as both a revenue and a pass-through expense.
- (2) The FY 2027 Operating Expense Budget has not yet been approved by Richmond City Council. It has been presented and is expected to be approved on May 11, 2026.

FY 2026 Operating Expenses are based on DPU’s estimated actuals. The FY 2027 Operating Expense Budget has been presented to City Council and is expected to be approved on May 11, 2026. Through discussions with DPU staff, it is assumed the impact from recent, above-trend inflation has been captured in the FY 2026 estimated results and FY 2027 operating budget. However, in order to account for expected growing utility costs and inflation and other utility initiatives, cost escalation rates have been developed for System O&M expenses in FY 2028 through FY 2031. For the purpose of the Forecast Statement, O&M expenses have been assumed to increase at an annual rate of approximately 3.0% over the forecast period. The DPU’s payment in lieu of taxes (PILOT) in FY 2026 through FY 2031 has been estimated in a manner consistent with the calculation approach identified in the City’s Ordinances.

7. Capital Improvement Plan

The DPU’s Capital Improvement Plan (CIP) identifies the anticipated capital expenditures for the natural gas, water, and wastewater Systems. In order to provide a more realistic projection of capital expenditures, the Financial Forecast assumes about an 80% execution rate on the CIP. The 80% spend factor represents a conservative projection of CIP execution, which typically ranges between 60-70%.

Table 6 summarizes the DPU's CIP over the forecast period.

TABLE 6: CAPITAL IMPROVEMENT PLAN

Line No.	Description	FY 2026 Forecast	FY 2027 Forecast	FY 2028 Forecast	FY 2029 Forecast	FY 2030 Forecast	FY 2031 Forecast
Capital Improvement Plan							
1.	Natural Gas Projects						
	Gas New Business	\$ 10,178,624	\$ 8,934,492	\$ 9,423,332	\$ 8,423,498	\$ 8,823,263	\$ 9,242,684
	Gas System Replacement	23,536,000	22,421,000	25,009,250	26,478,113	28,974,868	31,792,707
	Administration	10,735,439	11,224,888	10,152,729	8,414,206	8,822,551	9,248,492
	Total Natural Gas Projects	\$ 44,450,063	\$ 42,580,380	\$ 44,585,311	\$ 43,315,816	\$ 46,620,682	\$ 50,283,882
2.	Water Projects						
	Water Plant & Pumping	\$ 37,063,012	\$ 29,933,216	\$ 22,559,400	\$ 13,141,957	\$ 14,100,242	\$ 23,044,985
	Water Pumping	-	20,532,186	26,179,446	29,980,867	8,365,711	2,961,154
	Water Transmission	13,537,000	12,291,548	15,779,442	11,703,569	27,284,781	23,404,513
	Water Distribution	28,753,000	22,627,800	23,218,835	29,075,211	35,074,448	36,499,708
	Replacement Water Services (Lead)	-	1,720,244	2,649,176	5,373,612	5,642,292	5,924,407
	Administration	-	4,082,490	3,543,840	2,497,968	2,993,366	3,137,881
	Total Water Projects	\$ 79,353,012	\$ 91,187,483	\$ 93,930,137	\$ 91,773,182	\$ 93,460,840	\$ 94,972,648
3.	Wastewater Projects						
	Treatment Plant	\$ 23,931,290	\$ 23,579,843	\$ 26,762,801	\$ 24,163,298	\$ 22,726,758	\$ 4,863,704
	CSO Projects	58,802,000	50,702,852	58,820,625	48,232,000	21,346,050	10,482,500
	Sanitary Sewer	45,361,000	68,538,715	59,828,821	68,636,570	83,673,416	74,635,284
	Administration	-	3,360,000	2,280,000	-	-	-
	Total Wastewater Projects	\$ 128,094,290	\$ 146,181,410	\$ 147,692,246	\$ 141,031,869	\$ 127,746,224	\$ 89,981,489
4.	Total Capital Expenditures	\$ 251,897,365	\$ 279,949,272	\$ 286,207,695	\$ 276,120,867	\$ 267,827,746	\$ 235,238,019

The DPU’s CIP for the natural gas utility includes projects to serve new development as well as infrastructure repair and replacement, customer service, and administration. Projects for the water utility include improvements to the water transmission system, distribution system, treatment facilities, customer service, and administration. Projects for the wastewater utility include improvements to wastewater treatment plant, sanitary conveyance and collection system, combined sewer system, customer service, and administration. The CIP also includes annual funding for vehicle and equipment replacement.

As seen in Table 6, the DPU identified approximately \$1.6 billion in capital project costs over the forecast period. It is assumed that these capital expenditures will be funded through a combination of debt and equity. Specifically, the primary sources of capital funding include grants, rate financed capital, capital contributions, construction fund monies, the Series 2026 Bonds, and future revenue bonds.

TABLE 7: CAPITAL FINANCING PLAN

Line No.	Description	FY 2026 Forecast	FY 2027 Forecast	FY 2028 Forecast	FY 2029 Forecast	FY 2030 Forecast	FY 2031 Forecast
Capital Spending							
1.	Natural Gas	\$ 44,450,063	\$ 42,580,380	\$ 44,585,311	\$ 43,315,816	\$ 46,620,682	\$ 50,283,882
2.	Water	79,353,012	91,187,483	93,930,137	91,773,182	93,460,840	94,972,648
3.	Wastewater	128,094,290	146,181,410	147,692,246	141,031,869	127,746,224	89,981,489
4.	<i>Subtotal: Funding Uses</i>	<u>\$ 251,897,365</u>	<u>\$ 279,949,272</u>	<u>\$ 286,207,695</u>	<u>\$ 276,120,867</u>	<u>\$ 267,827,746</u>	<u>\$ 235,238,019</u>
CIP Funding Sources							
5.	Grant Funding	\$ 52,762,344	\$ 84,652,446	\$ 68,713,488	\$ 45,738,396	\$ 45,974,688	\$ 24,026,154
6.	Rate Financed Capital	21,433,924	12,000,000	14,000,000	17,000,000	34,000,000	37,500,000
7.	Capital Reserve Fund (1)	70,198,168	48,871,731	13,629,865	8,070,690	6,417,131	12,443,621
8.	VA DWSRF Loans	28,500,000	29,426,876	2,649,176	5,373,612	5,642,292	5,924,407
9.	Series 2026 Revenue Bonds (2)	79,002,929	104,998,220	80,007,179	-	-	-
10.	Future Revenue Bonds	-	-	107,207,988	199,938,170	175,793,635	155,343,836
11.	<i>Subtotal: Funding Sources</i>	<u>\$ 251,897,365</u>	<u>\$ 279,949,272</u>	<u>\$ 286,207,695</u>	<u>\$ 276,120,867</u>	<u>\$ 267,827,746</u>	<u>\$ 235,238,019</u>
	<i>Equity Financed</i>	57%	52%	34%	26%	32%	31%
	<i>Debt Financed</i>	43%	48%	66%	74%	68%	69%

- (1) The Capital Reserve includes available reserves and projected future cash capital contributions from both Chesterfield and Hanover counties, provided by DPU staff. The Capital Reserve also includes use of projected future cash collections from connection fees.
- (2) Excludes approximately \$11 million in funding for a one-time repayment from natural gas to wastewater for prior year capital spending.

As seen in Table 7, the DPU has secured or is in the process of securing numerous grants to fund natural gas line replacements, water lead service line replacements, and wastewater combined sewer system improvements. The DPU also anticipates financing certain capital expenditures through a combination of annual revenue generated from rates, or rate financed capital, and funds from its Capital Reserve, which also includes future cash contributions from Chesterfield and Hanover counties as well as connection fees. Remaining capital needs are assumed to be funded with debt. The Series 2026 Bonds are anticipated to be used for projects in FY 2026 through the first half of FY 2028. The capital financing plan also assumes the issuance of additional revenue bonds in FY 2028 through FY 2031. Specifically, it has been assumed the DPU will issue approximately \$107 million in revenue bonds in FY 2028 (second half of fiscal year), approximately \$200 million in revenue bonds in FY 2029, approximately \$176 million in revenue bonds in FY 2030, and approximately \$155 million in revenue bonds in FY 2031. These future revenue bond issuances assume a rate of 5.0%, term of 30 years, and 1% issuance costs. The DPU has also secured or is in the process of securing several loans from the Virginia Resource Authority (VRA) for various water and wastewater projects. Interest rate assumptions on VRA loans vary between (1% – 3.5%) with terms of 20 years.

8. Debt Service Obligations

The DPU’s capital structure includes debt obligations. Current outstanding debt obligations include General Obligation bonds, revenue bonds, and VRA loans. The DPU’s outstanding revenue bonds and VRA loans are considered Senior Debt and qualify as Bonds per the Master Indenture. The DPU’s general obligation debt is considered Subordinate Debt. Debt service payments identified below in Table 8 are based on schedules provided by DPU staff.

TABLE 8: EXISTING DEBT SERVICE

Line No.	Description	FY 2026 Actual	FY 2027 Forecast	FY 2028 Forecast	FY 2029 Forecast	FY 2030 Forecast	FY 2031 Forecast
Existing Debt Service							
<u>Senior Debt</u>							
Revenue Bonds (1)							
1.	Natural Gas	\$ 23,003,029	\$ 23,385,006	\$ 23,260,435	\$ 23,320,181	\$ 23,198,643	\$ 22,759,239
2.	Water	17,383,023	17,696,661	17,688,534	17,729,092	17,649,042	17,171,504
3.	Wastewater	30,719,750	30,706,036	29,949,800	29,281,684	28,745,664	27,063,885
4.	<i>Subtotal: Senior Debt</i>	\$ 71,105,802	\$ 71,787,703	\$ 70,898,769	\$ 70,330,957	\$ 69,593,350	\$ 66,994,628
<u>Subordinate Debt</u>							
General Obligation Bonds							
5.	Natural Gas	\$ 479,221	\$ 479,059	\$ 479,215	\$ 479,005	\$ 479,215	\$ 479,113
6.	Water	356,691	356,570	356,687	356,531	356,687	356,611
7.	Wastewater	367,416	367,292	367,412	367,251	367,412	367,334
8.	<i>Subtotal: Subordinate Debt</i>	\$ 1,203,329	\$ 1,202,921	\$ 1,203,314	\$ 1,202,787	\$ 1,203,314	\$ 1,203,058
9.	Total Existing Debt Service	\$ 72,309,131	\$ 72,990,624	\$ 72,102,083	\$ 71,533,743	\$ 70,796,664	\$ 68,197,687

(1) Includes VRA loans that are considered senior debt per the Master Indenture.

The City worked with its financial advisors, underwriters, municipal advisors, and other independent consultants (Financing Team) to evaluate various financing strategies for the Series 2026 Bonds. The Sources and Uses of Funds for the Series 2026 Bonds, provided by the City’s Financial Advisor, are shown in Table 9.

TABLE 9: SOURCES AND USES OF SERIES 2026 BONDS

Description	Series 2026 New Money
Sources:	
Bond Proceeds:	
Par Amount	\$ 267,140,000
Net Premium	10,132,366
Total Sources	\$ 277,272,366
Uses:	
Project Fund Deposits	
Project Fund	\$ 275,000,000
Cost of Issuance	
Cost of Issuance	\$ 1,200,000
Delivery Date Expenses	
Underwriter's Discount	\$ 1,068,560
Other Uses of Funds	
Rounding Proceeds	\$ 3,806
Total Uses	\$ 277,272,366

Table 10 presents the DPU’s debt service including the Series 2026 Bonds and future debt service.

TABLE 10: TOTAL DEBT SERVICE

Line No.	Description	FY 2026 Estimated	FY 2027 Forecast	FY 2028 Forecast	FY 2029 Forecast	FY 2030 Forecast	FY 2031 Forecast
Existing Debt Service							
Senior Debt (Bonds)							
Revenue Bonds (1)							
1.	Natural Gas	\$ 23,003,029	\$ 23,385,006	\$ 23,260,435	\$ 23,320,181	\$ 23,198,643	\$ 22,759,239
2.	Water	17,383,023	17,696,661	17,688,534	17,729,092	17,649,042	17,171,504
3.	Wastewater	30,719,750	30,706,036	29,949,800	29,281,684	28,745,664	27,063,885
4.	<i>Subtotal: Senior Debt</i>	<u>\$ 71,105,802</u>	<u>\$ 71,787,703</u>	<u>\$ 70,898,769</u>	<u>\$ 70,330,957</u>	<u>\$ 69,593,350</u>	<u>\$ 66,994,628</u>
Subordinate Debt							
General Obligation Bonds							
5.	Natural Gas	\$ 479,221	\$ 479,059	\$ 479,215	\$ 479,005	\$ 479,215	\$ 479,113
6.	Water	356,691	356,570	356,687	356,531	356,687	356,611
7.	Wastewater	367,416	367,292	367,412	367,251	367,412	367,334
8.	<i>Subtotal: Subordinate Debt</i>	<u>\$ 1,203,329</u>	<u>\$ 1,202,921</u>	<u>\$ 1,203,314</u>	<u>\$ 1,202,787</u>	<u>\$ 1,203,314</u>	<u>\$ 1,203,058</u>
9.	Total Existing Debt Service	\$ 72,309,131	\$ 72,990,624	\$ 72,102,083	\$ 71,533,743	\$ 70,796,664	\$ 68,197,687
Proposed Debt Service							
Senior Debt (Bonds)							
Revenue Bonds							
10.	Natural Gas	\$ -	\$ 4,920,617	\$ 6,842,340	\$ 7,747,656	\$ 9,154,797	\$ 9,628,719
11.	Water	-	7,575,919	10,534,659	13,017,164	18,247,671	23,688,472
12.	Wastewater	-	0	0	3,869,176	10,756,292	16,736,873
13.	<i>Subtotal: Revenue Bond Senior Debt</i>	<u>\$ -</u>	<u>\$ 12,496,536</u>	<u>\$ 17,377,000</u>	<u>\$ 24,633,995</u>	<u>\$ 38,158,760</u>	<u>\$ 50,054,064</u>
SRF Loans							
14.	Natural Gas	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
15.	Water	-	117,776	299,151	667,054	1,053,352	1,458,965
16.	Wastewater	2,823,029	4,719,956	4,719,956	4,719,956	4,719,956	4,719,956
17.	<i>Subtotal: SRF Loan Senior Debt</i>	<u>\$ 2,823,029</u>	<u>\$ 4,837,732</u>	<u>\$ 5,019,107</u>	<u>\$ 5,387,009</u>	<u>\$ 5,773,307</u>	<u>\$ 6,178,920</u>
18.	Total Proposed Debt Service	\$ 2,823,029	\$ 17,334,268	\$ 22,396,107	\$ 30,021,004	\$ 43,932,068	\$ 56,232,984
19.	Total Debt Service	\$ 75,132,160	\$ 90,324,892	\$ 94,498,189	\$ 101,554,748	\$ 114,728,732	\$ 124,430,670
	<i>% Change</i>		20.2%	4.6%	7.5%	13.0%	8.5%

(1) Includes VRA loans that are considered senior debt per the Master Indenture.

9. Additional Bonds Test

Per Section 303 of the City's Master Indenture, before the issuance of any Series of Bonds, the City is required to file with the Trustee either

A) A certificate stating that based on the City's financial records for any 12 consecutive months of the last 24 months prior to issuance the City would have been able to meet the Rate Covenant taking into account the maximum Annual Debt Service on the proposed additional Series of Bonds in the current or any future Fiscal Year and the rates, fees, and other charges which are in effect and any future changes therein as have been approved by the City Council; or

B) A written statement which projects Operating Expenses, Revenues, and Net Revenues for two full Fiscal Years following the anticipated completion of the System improvements to be financed with the proposed Series of Bonds and that the City can comply with the Rate Covenant taking into account those rates, fees, and other charges which are in effect at the time of the delivery of the proposed Series of Bonds and any future changes that have been approved by the City Council.

Compliance with Section 303 (h) (2) (A) of the Master Indenture for the 12-month period comprising FY 2025 is demonstrated below in Table 12.

TABLE 12: ADDITIONAL BONDS TEST

		<u>FY 2025</u> <i>Actual</i>
	Net Revenues Available for Debt Service	\$ 143,203,015
	Adjustment for Approved FY 2026 Rate Increases	\$ 14,391,480
A	Adjusted Net Revenues Available for Debt Service	<u>\$ 157,594,495</u>
	Debt Service on Existing Bonds	\$ 70,798,000
	Series 2026 Maximum Annual Debt Service	\$ 17,381,500
B	Total	<u>\$ 88,179,500</u>
C	Total x 1.15	\$ 101,406,425
	Additional Bonds Test A: (A > C)	Yes
D	Other System Indebt. And Sub. Debt (100%)	\$ 749,000
E	Total (B+D)	\$ 88,928,500
	Additional Bonds Test B: (A > E)	Yes

10. Conclusions

The following conclusions have been made by Raftelis regarding the covenant requirements of the Master Indenture given the assumptions outlined in this report:

- Compliance with the Rate Covenant is demonstrated on the Forecast Statement since the ratio calculated using Net Revenues Available for Debt Service is greater than the sum of 115% of Annual Debt Service with respect to the Bonds (as defined in the Master Indenture) plus 100% of the Annual Debt Service with respect to Other System Indebtedness (as defined in the Master indenture) and Subordinate Debt (as defined in the Master Indenture) in each year of the forecast.
- Compliance with the Additional Bonds Test is demonstrated in Table 11 since the ratio calculated using Net Revenues Available for Debt Service in FY 2025 adjusted to reflect the rates which have been approved by City Council are able to meet the Rate Covenant taking into account the maximum Annual Debt Service on the Series 2026 Bonds.
- These qualifications are based upon a reasonable forecast of revenue, expenses, and debt service at the time of this report, with the expectation that the City Council will take the measures necessary on an annual basis to implement such rate increases necessary to maintain the level of financial sufficiency outlined in this report.

Raftelis Financial Consultants, Inc.
J. Bart Kreps

A handwritten signature in black ink, appearing to read "J. Bart Kreps". The signature is fluid and cursive, with a large initial "J" and "K".

Executive Vice President

APPENDIX F

AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2025



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**THE CITY OF RICHMOND, VIRGINIA
ANNUAL FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025**

The enclosed Financial Statements were reproduced from the City’s audited financial statements in the Annual Comprehensive Financial Report for the year ended June 30, 2025. Additional information relative to the City’s Capital Improvement Program and Long-Term Debt is presented elsewhere within the Official Statement.

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INDEPENDENT AUDITORS' REPORT

The Honorable Members of the City Council
City of Richmond, Virginia
Richmond, Virginia

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Richmond, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the City of Richmond's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of the other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Richmond, as of June 30, 2025, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the following discretely presented component units: Richmond School Board, Richmond Economic Development Authority, Richmond Behavioral Health Authority, and Richmond Redevelopment and Housing Authority, which represents 98 percent, 96 percent, and 97 percent, respectively of the assets and deferred outflows of resources, net position, and revenues for the aggregate discretely presented component units. We also did not audit the financial statements of the Richmond Retirement System, which represents 72 percent, 83 percent and 33 percent, respectively, of the assets and deferred outflows of resources, fund balance/net position, and revenues/additions of the aggregate remaining fund information of the City. Those statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for Richmond School Board, Richmond Economic Development Authority, Richmond Behavioral Health Authority, Richmond Redevelopment and Housing Authority and the Richmond Retirement system, are based solely on the reports of the other auditors.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS), 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 Counties, Cities, and Towns* (the "Specifications"), issued by the Auditor of Public Accounts of the Commonwealth of Virginia.

Our responsibilities under those standards and Specifications are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Richmond 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.

Emphasis of Matter – Correction of an Error and Change in Accounting Principles

As discussed in Note 18 to the financial statements, the City restated beginning net position or fund balance due to a correction of an error in the Debt Service and Custodial Funds and for the implementation of GASB Statement No. 101, *Compensated Absences*. Our opinion is not modified with respect to these matters.

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 the City of Richmond'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.

Auditors' Responsibilities for the Audit 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 auditors' 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 GAAS, *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 GAAS, *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 City of Richmond'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 City of Richmond'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 audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that 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 is the responsibility of management and, 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 and the other auditors have applied certain limited procedures to the required supplementary information in accordance with GAAS, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Richmond's basic financial statements. The accompanying combining and individual fund financial statements and budgetary comparison schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the accompanying combining and individual fund financial statements and budgetary comparison schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Honorable Members of the City Council
City of Richmond

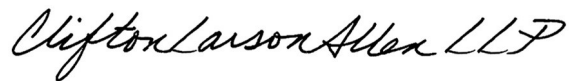
Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditors' report thereon February 27, 2026. 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 February 27, 2026.

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 February 27, 2026February 27, 2026February 27, 2026, on our consideration of the City of Richmond'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 the City of Richmond'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 City of Richmond's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Arlington, Virginia
February 27, 2026

CITY OF RICHMOND, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2025
(Unaudited)

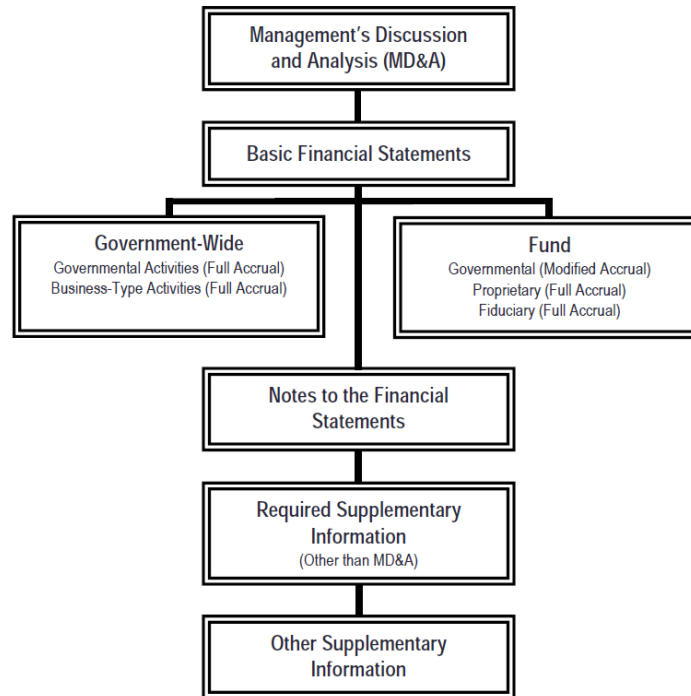
The following discussion and analysis provided by the City's management presents a narrative overview and analysis of the financial activities of the City through the presentation of its Annual Comprehensive Financial Report for the Fiscal Year ended June 30, 2025. City management encourages readers to consider the information presented here in conjunction with the information presented in the Transmittal Letter at the front of this report and the City's Basic Financial Statements which follow this section.

FINANCIAL HIGHLIGHTS FOR FISCAL YEAR 2024

- The City's General Fund reported an ending Fund Balance of \$270.5 million, an increase of \$1.8 million or 0.7 percent compared to the prior year. Of the total General Fund balance: \$1.1 million is Nonspendable, \$34.0 million is Committed to Revenue Stabilization, \$109.0 thousand committed to School Board Operations, \$40.8 million is Assigned to subsequent years' Expenditures, \$0.3 million for Percent for the Arts , \$8.9 million to Capital Reserve, \$9.8 million for School Facilities, \$6.9 million for Unspent Building Code Fees, \$0.5 million for Unspent COVID-19 Contingencies, \$1.3 million for Special Purpose, \$6.0 million Employee Compensation Reserve \$1.8 million for Special Purpose, Unfunded Reserve, \$1.8 million for Revolving Land Acquisition, 12.8 million for Risk Reserve, and \$140.7 million is Unassigned. The Unassigned Fund Balance represents 12.9 percent of actual Expenditures and Transfers out of \$1,088.0 million.
- The City's total taxable assessed value for Real and Personal Property including Machinery and Tools increased by \$3.0 billion or 7.2 percent.
- The City's General Obligation Bond ratings were reaffirmed at Aa1 by Moody's, with a stable outlook, and AAA by Fitch Ratings, with a stable outlook. The rating was upgraded to AA+ by Standard and Poor's, with a stable outlook.
- At the end of the Fiscal Year, the City's Assets and Deferred Outflows of Resources exceeded Liabilities and Deferred Inflows of Resources by \$1,978.9 million. Net Position was comprised mainly of \$1,492.4 million attributable to the City's Net Investment in Capital Assets, \$289.1 million in Restricted and \$197.4 million in Unrestricted.
- Net Position for Governmental Activities increased \$118.4 million or 16.6 percent compared to the prior year.
- For this Fiscal Year, General Fund Revenues and Financing Sources were \$1,089.8 million. General Fund Expenditures and Other Financing Uses were \$1,088.0 million. City Taxes accounted for 71.8 percent of Revenue.
- The City's Business-Type Activities Net Position increased by \$77.1 million or 7.2 percent.

OVERVIEW OF THE FINANCIAL STATEMENTS

The City's Annual Comprehensive Financial Report consists of three sections: Introductory, Financial and Statistical. As illustrated in the following chart, the financial section of this report consists of five components: Management's Discussion and Analysis (this section), the Basic Financial Statements, Notes to the Financial Statements, Required Supplementary Information and Other Supplementary Information.



The City's financial statements present a focus on the City as a whole (Government-Wide) as well as the major individual funds. The Government-Wide financial statements provide both long-term and short-term information about the City's overall financial status. The Fund financial statements focus on the individual parts of the City government, reporting the operations of the City in more detail than the government-wide statements. Both perspectives, Government-Wide and individual Fund, allow the user to address relevant questions, broaden the basis for comparisons year to year or government to government and enhance the City's accountability.

Government-Wide Financial Statements

The Government-Wide financial statements are designed to provide readers with a broad overview of the City's finances in a manner similar to a private-sector business. Government-Wide financial reporting consists of two statements: the Statement of Net Position and the Statement of Activities. The Statement of Net Position includes all of the City's Assets and Liabilities, both short-term and long-term, while the Statement of Activities reports all of the current year's Revenues and Expenses as soon as the underlying event for recognition occurs, regardless of the timing of the related cash flows. Over time, the increases or decreases in the City's Net Position can be an indicator of the City's financial condition. Annual Comprehensive Financial Report users should also consider additional non-financial factors in assessing the overall health of the City.

The City's Government-Wide financial statements are divided into three categories:

- **Governmental Activities** – Most of the City's basic services including Police, Fire, Economic and Community Development, Parks, Recreation and Community Facilities, Social Services and General Administration are reported here. The majority of these activities are supported by property taxes, other local taxes and federal and state funding.
- **Business-Type Activities** – The City's Gas, Water, Wastewater, Stormwater, Parking and Cemeteries are reported here. Fees are charged to customers to help cover the costs of providing these services.

- **Component Units** – Five separate legal entities are included in this report: Richmond School Board, Richmond Economic Development Authority, Richmond Ambulance Authority, Richmond Behavioral Health Authority and Richmond Redevelopment and Housing Authority. Although legally separate, these component units are important because the City is financially accountable for them, and may provide significant operating or capital funding, or both.

Fund Financial Statements

The Fund financial statements provide detailed information about the City's most significant funds and not the City as a whole. Funds are an accounting tool that the City uses to track resources that are segregated for specific activities or objectives. Some funds are required by state law or by bond covenants. Other funds are established to control and manage money for particular purposes or to show that the City is using specific revenue sources such as taxes and grants for their intended purposes. The City has three types of funds: Governmental, Proprietary and Fiduciary.

- **Governmental Funds** – The General Fund, Debt Service Fund, Capital Projects Fund, Special Revenue funds and Permanent Funds are Governmental Funds. These Funds' statements focus on near-term inflows and outflows of spendable resources as well as balances of spendable resources available at the end of the Fiscal Year. Additional information is provided accompanying these statements that explains the relationship between the long-term focused Government-Wide statements and the short-term focused Governmental Fund statements.
- **Proprietary Funds** – Services for which the City charges customers a fee are generally reported in Proprietary Funds. Like the Government-Wide statements, Proprietary Fund statements provide both long and short-term financial information. The City maintains two types of Proprietary Funds:
 - **Enterprise Funds** – Similar to Business-Type Activities included in the Government-Wide statements, the Enterprise Fund financial statements provide more detail and additional information such as Cash-Flow.
 - **Internal Service Funds** – The City uses Internal Service Funds to report activities that provide supplies and services for the City's other programs and activities.
- **Fiduciary Funds** – Fiduciary Funds are used to account for resources held for the benefit of parties outside the government. These Fiduciary activities are excluded from the City's Government-Wide financial statements because the City cannot use these assets to finance its operations. The City maintains three Fiduciary Funds:
 - **Trust Funds** – Provides Retirement and Disability Benefits for all vested full time employees under a City deferred compensation plan created in accordance with the Internal Revenue Code Section 457.
 - **Private Purpose Funds** -- Reports trust arrangements, other than pension and investment trusts, under which principal and income benefit individuals, private organizations, or other governments.
 - **Custodial Funds** – Reports fiduciary activity resources that are not held in a trust agreement or equivalent arrangement that meets specific criteria.

Notes to the Financial Statements

The notes to the financial statements provide information that is essential for a full understanding of the information provided in the Government-Wide and Fund financial statements. The notes also present certain Required Supplementary Information.

GOVERNMENT-WIDE ANALYSIS

Net Position

FY2025, Total Assets for the Primary Government were \$4,608.6 million, an increase from prior year total Assets by \$230.7 million. Total Assets for only Governmental Activities were \$2,404.0 million, up by \$181.2 million or 8.2 percent. Total Assets from Business-Type Activities increased by \$49.6 million in FY2024, accounting for 47.8 percent of total Primary Government Assets compared to 49.2 percent in FY2024.

Total Liabilities were \$2,680.4 million down \$130.4 million from \$2,810.8 million in FY2024. Total Liabilities associated with Governmental Activities decreased by \$99.4 million or (5.9) percent while total Liabilities associated with Business-Type Activities decreased \$31.0 million or (2.8) percent.

Total Net Position was \$1,978.9 million up \$195.6 million over the prior year's balance. Table 1 summarizes the City's Government-Wide Net Position at June 30, 2025 and 2024.

Table 1
City of Richmond's Schedule of Net Position
As of the Fiscal Years Ended June 30, 2025 and 2024
(In Millions, rounded)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2025	2024	2025	2024	2025	2024
Current and Other Assets	\$ 756.4	\$ 767.6	\$ 403.7	\$ 520.7	\$ 1,160.1	\$ 1,288.3
Capital Assets, Net	1,647.7	1,455.3	1,800.8	1,634.3	3,448.5	3,089.6
Total Assets	<u>2,404.0</u>	<u>2,222.8</u>	<u>2,204.6</u>	<u>2,155.0</u>	<u>4,608.6</u>	<u>4,377.9</u>
Deferred Outflow of Resources	<u>226.5</u>	<u>230.0</u>	<u>36.5</u>	<u>41.8</u>	<u>263.0</u>	<u>271.8</u>
Current and Other Liabilities	459.4	425.5	165.3	124.4	624.7	549.9
Long-Term Obligations Outstanding	1,130.6	1,263.7	925.1	997.2	2,055.7	2,260.9
Total Liabilities	<u>1,589.9</u>	<u>1,689.3</u>	<u>1,090.5</u>	<u>1,121.5</u>	<u>2,680.4</u>	<u>2,810.8</u>
Deferred Inflows of Resources	<u>206.0</u>	<u>48.5</u>	<u>5.2</u>	<u>7.0</u>	<u>211.2</u>	<u>55.5</u>
Net Position:						
Net Investment in Capital Assets	593.5	585.6	898.9	734.8	1,492.4	1,320.4
Restricted	253.4	285.3	35.8	35.9	289.1	321.3
Unrestricted	(13.3)	(155.9)	210.7	297.5	197.4	141.6
Total Net Position	<u>\$ 833.5</u>	<u>\$ 715.1</u>	<u>\$ 1,145.4</u>	<u>\$ 1,068.3</u>	<u>\$ 1,978.9</u>	<u>\$ 1,783.3</u>

Note - Immaterial rounding differences between the tables in the MD&A and the Exhibits in the Financial Statements may exist.

Activities

REVENUES

In FY2025, total Primary Government Revenues were \$1,754.4 million, which reflects an increase over prior year. Program Revenues (Charges for Service, Grants, and Contributions) of \$954.6 million accounted for 54.4 percent of all Primary Government Revenues, while property and other local taxes attributable to Governmental Activities accounted for \$727.6 million, most of the remainder. Total Revenues for all Governmental Activities were \$1,232.6 million. Governmental Activities' Program Revenues of \$437.4 million accounted for 35.5 percent.

For the fiscal year ended June 30, 2025, revenues from governmental activities totaled \$1,232.6 million, an increase of \$45.3 million from fiscal year 2024. Real estate tax revenue is the City's largest revenue source, and reflects the recognition of the first half and second half of calendar year 2025 real property tax. The Real estate tax revenue collected during fiscal year 2025 was \$470.1 million, which was an increase of \$27.9 million or 6.3 percent, from fiscal year 2024 due to increased property values.

During fiscal year 2025, the City collected \$90.7 million in personal property tax revenue from City residents which includes Personal Property Tax Relief received from the Commonwealth of Virginia (the Commonwealth) of \$16.7 million. Under the provisions of the Personal Property Tax Relief Act of 1998 (PPTRA), the Commonwealth's share of the local personal property tax payment for a calendar year was frozen at 70 percent for qualified vehicles. During the 2004 General Assembly, the Commonwealth's obligation for car tax relief was capped at \$950 million annually. Each jurisdiction's share of the \$950 million is based on the total 2004 reimbursement as of December 31, 2005. The fiscal year 2025 property tax collections were up by \$10.3 million or 12.9 percent over fiscal year 2024.

Business-type activities produced revenues of \$521.8 million, an increase of \$47.0 million from fiscal year 2024. The City's Gas activity produced \$206.5 million in charges for services, and the City's Water and Sewer activity produced \$217.1 million in charges for services.

Program revenues of \$1.3 million in operating grants and contributions, and \$71.1 million in capital grants and contributions were received in fiscal year 2025.

EXPENSES

Total Expenses for Primary Government were \$1,524.2 million. Four activities: General Government, Public Safety and Judiciary, Education, and Business-Type Activities accounted for the following amounts and percentages: \$193.1 million (12.7 percent), \$301.8 million (19.8 percent), \$246.4 million (16.2 percent), and \$411.4 million (27.0 percent), respectively. Table 2 summarizes the City's Government-Wide Activities for the years ended June 30, 2025 and 2024.

For the fiscal year ended June 30, 2025, expenses for the governmental activities totaled \$1,113.0 million, an increase of \$46.4 million or 4.4 percent from fiscal year 2024 (Table 2). Included in this activity are employee compensation and benefits, payments for education expenses to the School Board (Richmond Public Schools), and the cost of general governmental activities such as public safety, recreation, and libraries. The largest expense increases occurred in Public Safety, Education, and Human Services.

Education continues to be one of the City's highest priorities and commitments. Spending on Education was up \$13.7 million or 5.9 percent, which includes a direct payment by the primary government of \$246.4 million for School operations.

Public Safety and Judiciary expenses decreased by \$24.2 million or 7.4 percent (Table 2). The decrease is primarily driven by a City-wide decrease in pension and OPEB activities.

The expenses of business-type activities totaled \$411.4 million, an increase of \$51.9 million or 14.4 percent over fiscal year 2024 business-type activities.

FINANCIAL ANALYSIS OF THE FUND STATEMENTS

For the fiscal year ending June 30, 2025, the governmental funds reflect a combined fund balance of \$340.2 million, a decrease of \$22.2 million from fiscal year 2024. The General Fund accounts for \$270.5 million of the total combined balance. This is an increase of \$1.8 million or 0.7 percent from the General Fund balance of \$268.6 million recorded at June 30, 2024. The General Fund Balance was impacted by General Fund Revenues, which increased by \$72.2 million or 7.2 percent from fiscal year 2024. The largest increases occurred in Real Estate Taxes by \$27.9 million, Personal Property Taxes by \$10.3 million, and Intergovernmental by \$28.7 million.

At the same time, General Fund Expenditures decreased by \$25.4 million or 2.7 percent from fiscal year 2024. The following items affected the fund balance and should be noted:

- The General Fund transferred \$40.8 million to the Capital Projects Fund to finance various capital projects, \$13.8 million to the Special Revenue Fund and \$86.9 million for debt service. The total transfers were up \$3.0 million from the previous year.
- The General Fund contributed \$239.3 million to fund fiscal year 2025 School Board operations, an increase of \$17.8 million or 8.0 percent increase from the fiscal year 2024 contribution.

Highlights of other Governmental Funds are as follows:

The Other Governmental Fund balance of \$60.8 million (Exhibit D) decreased by \$0.2 million or 0.3 percent from fiscal year 2024. The decrease is primarily due to an overall increase in expenditures incurred during fiscal year 2025. The major function of the Other Governmental Fund is to account for State and Federal grants received by the City, Social Services programs, and solid waste operations. State and Federal grants are received on a reimbursement basis and accounted for \$102.1 million in revenues. The City's Department of Social Services operations accounted for \$15.8 million in State and Federal grant revenue and \$50.4 million in expenditures during fiscal year 2025.

- The Debt Service Fund Balance decreased by \$36.8 million from \$56.2 million during fiscal year 2025, due to a prior period correcting made to remove the EDA bonds from the Debt Service Fund and include them in the Fiduciary Fund. The fund received transfers from the General Fund of \$87.9 million, and expenditures for debt service were \$92.1 million. Other financing sources included issuance of refunding bonds of \$134.1 million, offset by transfers out of \$132.9 million.

- The Capital Projects Fund Balance of \$(10.5) million (Exhibit D) is an increase of \$13.0 million, or 55.3 percent, in comparison to fiscal year 2024. During the fiscal year, expenditures for capital projects were \$255.9 million, and revenues were \$26.3 million. Other financing sources include transfers from the general fund of \$173.6 million, and issuance of bonds and notes of \$124.0 million during fiscal year 2025.

Table 2
City of Richmond's Schedule of Activities
As of the Fiscal Years Ended June 30, 2025 and 2024
(In Millions, rounded)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2025	2024	2025	2024	2025	2024
Revenues:						
Program Revenues:						
Charges for Services	\$ 363.8	\$ 337.4	\$ 444.7	\$ 413.4	\$ 808.5	\$ 750.9
Operating Grants and Contributions	51.7	57.4	1.3	1.7	53.1	59.2
Capital Grants and Contributions	21.9	32.9	71.1	35.1	93.0	68.1
General Revenues:						
Property Taxes	556.3	529.2	-	-	556.3	529.2
Other Taxes	171.3	170.9	-	-	171.3	170.9
Investment Income	6.2	2.0	10.5	24.3	16.7	26.2
Miscellaneous	61.4	57.4	(5.9)	0.2	55.6	57.6
Total Revenues	<u>1,232.6</u>	<u>1,187.3</u>	<u>521.8</u>	<u>474.8</u>	<u>1,754.4</u>	<u>1,662.1</u>
Expenses:						
Primary Government						
General Government	193.1	189.0	-	-	193.1	189.0
Public Safety and Judiciary	301.8	326.0	-	-	301.8	326.0
Highway, Street, Sanitation and Refuse	116.4	121.9	-	-	116.4	121.9
Human Services	101.5	97.2	-	-	101.5	97.2
Culture and Recreation	43.6	43.6	-	-	43.6	43.6
Education	246.4	232.7	-	-	246.4	232.7
Transportation	9.3	8.9	-	-	9.3	8.9
Interest and Fiscal Charges	100.8	47.2	-	-	100.8	47.2
Business-Type Activities	-	-	411.4	359.5	411.4	359.5
Total Expenses	<u>\$ 1,113.0</u>	<u>\$ 1,066.6</u>	<u>\$ 411.4</u>	<u>\$ 359.5</u>	<u>\$ 1,524.2</u>	<u>\$ 1,426.2</u>
Income Before Transfers	87.4	120.7	110.6	115.4	230.2	235.8
Transfers	32.3	29.6	(33.4)	(29.6)	(1.0)	-
Changes in Net Position	119.6	150.3	77.2	85.8	229.1	235.8
Net Position, Beginning of Year	715.1	435.7	1,068.3	925.5	1,783.3	1,361.2
Net Position, End of Year	<u>\$ 834.7</u>	<u>\$ 586.0</u>	<u>\$ 1,145.5</u>	<u>\$ 1,011.3</u>	<u>\$ 2,012.5</u>	<u>\$ 1,597.0</u>

Note - Immaterial rounding differences between the tables in the MD&A and the Exhibits in the Financial Statements may exist.

GENERAL FUND

The General Fund is the City's largest governmental Fund and, therefore, deserves special attention. Total Revenues and Other Financing Sources totaled \$1,089.8 million in FY2025, an increase of \$75.3 million from the prior year. Property and other local taxes accounted for \$774.3 million or 71.8 percent of total Revenues

Actual General Fund Revenues were more than the original budgeted revenues by \$87.9 million during fiscal year 2025. Actual revenue collections exceeded the amended budget by \$53.8 million. This increase is attributable in part to collections of general property taxes such as real property and personal property taxes, which exceeded the amended budget by \$8.1 million, and intergovernmental revenue, such as federal awards, which exceeded budget by \$58.4 million (Table 3).

On the other side of the ledger, Expenditures and Transfers Out totaled \$1,088.0 million, an decrease of \$22.4 million or 2.0 percent, from the prior year. Public Safety & Judiciary and Education, the two largest program areas, totaled \$516.2 million, or 58.3 percent of total General Fund Expenses.

Actual General Fund Total Expenses and Other Financing Sources were greater than the original budget by \$86.1 million, and less than the amended budget by \$6.3 million. During the fiscal year, City Council amended the budget several times. These budget amendments or supplemental appropriation resolutions were primarily for the following purposes:

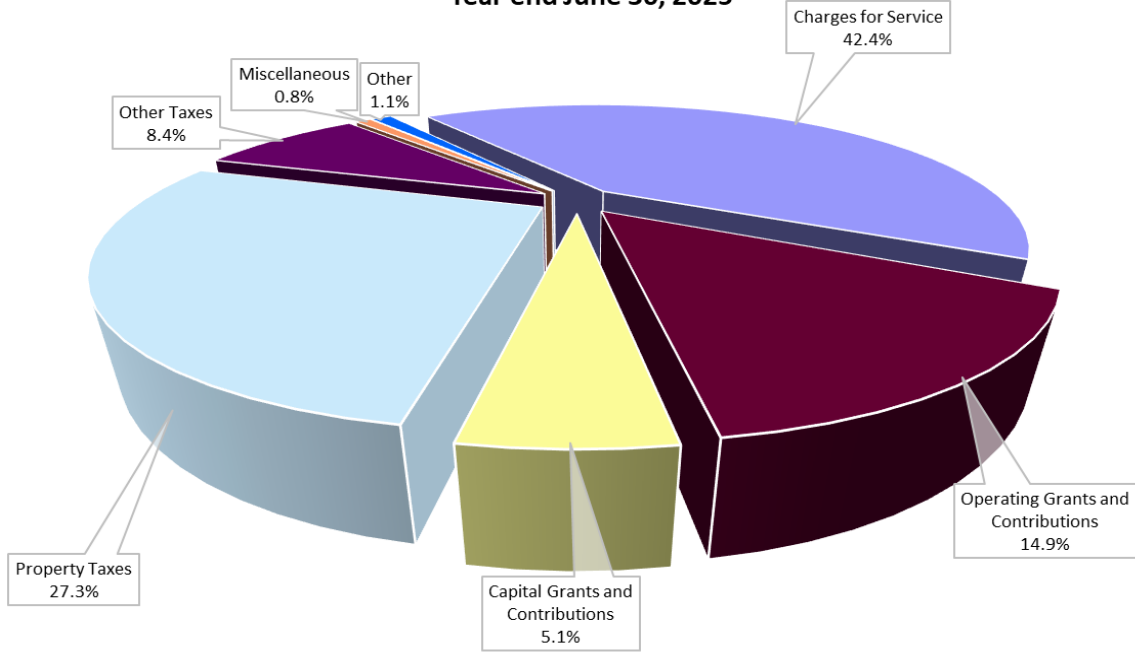
- To reappropriate monies to pay for continuing programs for whose fiscal years extended beyond June 30, 2025.
- To reappropriate grant revenues authorized in fiscal year 2025 or earlier, but not expended or encumbered as of June 30, 2025 and to appropriate grants or donations accepted or adjusted in fiscal year 2025.
- To appropriate funds for program enhancements, capital projects or other operational needs that were not anticipated in the original fiscal year budget.

Table 3
City of Richmond's Budgetary Comparison
General Fund
For the Fiscal Years Ended June 30, 2025 and 2024
(In Millions, rounded)

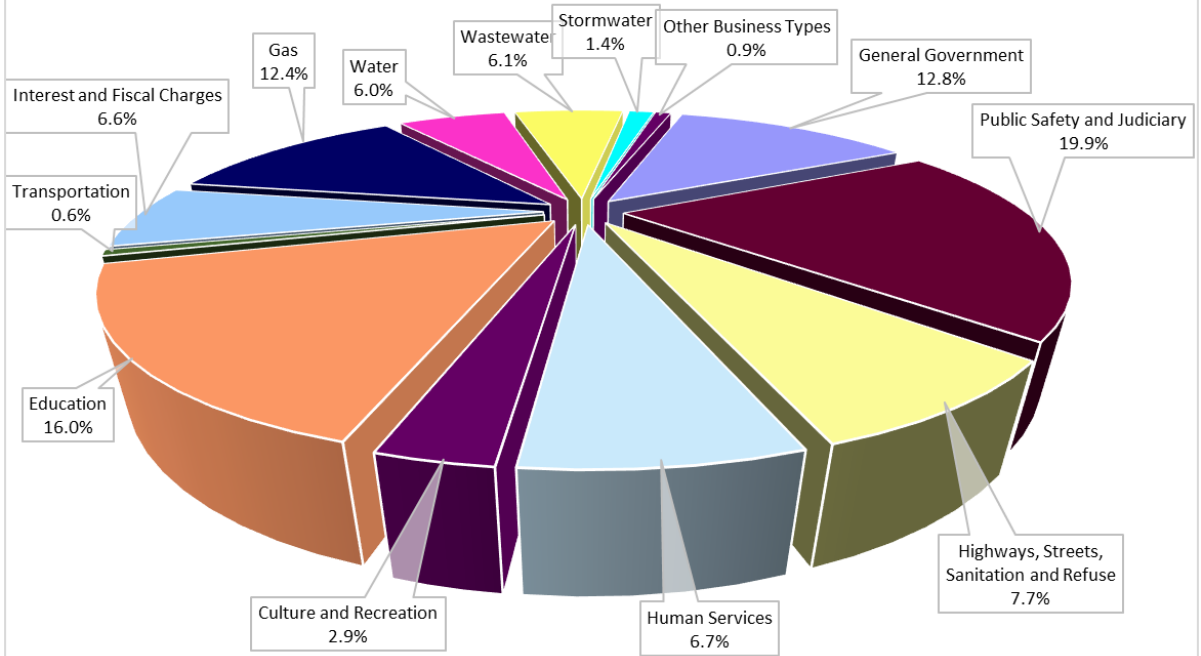
	Original Budget		Amended Budget		Actual		Positive (Negative) Variance	
	2025	2024	2025	2024	2025	2024	2025	2024
Revenues:								
Property Taxes	\$ 573.3	\$ 562.0	\$ 587.7	\$ 544.3	\$ 595.8	\$ 562.0	\$ 8.0	\$ 17.7
Other Taxes	176.1	176.2	175.9	165.9	178.6	176.2	2.6	10.3
Intergovernmental	96.2	125.9	96.3	89.2	154.7	125.9	58.4	36.9
Miscellaneous	143.4	122.2	147.2	138.8	149.2	141.9	2.1	3.1
Other Financing Sources	12.9	34.3	28.9	35.6	11.5	8.5	(17.4)	(27.1)
Total Revenues and Other Financing Sources	<u>\$ 1,001.9</u>	<u>\$ 1,020.7</u>	<u>\$ 1,036.0</u>	<u>\$ 973.7</u>	<u>\$ 1,089.8</u>	<u>\$ 1,014.5</u>	<u>\$ 53.7</u>	<u>\$ 40.9</u>
Expenses:								
General Government	\$ 108.8	\$ 94.2	\$ 140.2	\$ 138.7	\$ 109.6	\$ 106.0	\$ 30.6	\$ 32.6
Public Safety and Judiciary	263.2	251.4	275.8	268.2	277.0	257.2	(1.3)	11.0
Highway, Street, Sanitation and Refuse	43.9	41.2	48.5	46.9	48.9	45.6	(0.4)	1.3
Human Services	77.5	74.7	78.1	72.3	69.6	65.7	8.6	6.6
Culture and Recreation	36.9	34.0	41.3	36.4	41.2	35.9	-	0.6
Education	239.3	221.5	239.3	221.5	239.3	221.5	-	-
Non-Departmental	81.0	87.3	119.6	115.5	98.7	206.1	20.9	(90.5)
Other Financing Uses	151.3	147.8	151.6	155.7	203.6	166.0	(52.0)	(10.5)
Total Expenses and Other Financing Uses	<u>\$ 1,001.9</u>	<u>\$ 951.9</u>	<u>\$ 1,094.3</u>	<u>\$ 1,055.0</u>	<u>\$ 1,088.0</u>	<u>\$ 1,103.9</u>	<u>\$ 6.6</u>	<u>\$ (48.9)</u>

Note - Immaterial rounding differences between the tables in the MD&A and the Exhibits in the Financial Statements may exist.

Primary Government Sources of Revenues
Year end June 30, 2025



Primary Government Functional Expenses
Year end June 30, 2025



CAPITAL ASSETS

The Department of Public Utilities' spent \$245.23 million during the Fiscal Year to expand, upgrade, and renew its Infrastructure. The Gas Utility invested approximately \$8.22 million to support our expanding market base and \$36.64 million in upgrades to existing Infrastructure. The Water Utility invested approximately \$69.03 million in upgrades to our Infrastructure including \$27.33 million of investments in major plant and pumping improvements, \$1.20 million into water transmission, and \$40.51 million into water distribution . The Wastewater Utility invested approximately \$103.11 million in upgrades to existing Infrastructure, of which \$39.76 million was spent on major plant improvements, \$25.38 million of improvements to the Combined Sewer System, and \$35.10 million into sanitary sewers. The Storm water Utility invested \$28.24 million to upgrade their existing Infrastructure.

Table 4
City of Richmond's Capital Assets
As of the Fiscal Years Ended June 30, 2025 and 2024
(In Millions, rounded)

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Capital Assets Not Being Depreciated:						
Land and Land Improvements	\$ 109.8	\$ 107.7	41.3	\$ 39.6	\$ 151.1	\$ 147.3
Construction In Progress	451.3	236.4	238.2	126.2	689.5	362.6
Works of Art/Historical Treasures	8.3	8.1	-	-	8.3	8.1
Total Assets Not Being Depreciated	<u>569.4</u>	<u>352.2</u>	<u>279.5</u>	<u>165.8</u>	<u>848.9</u>	<u>518.0</u>
Capital Assets Being Depreciated:						
Infrastructure	1,153.6	1,129.8	-	-	1,153.6	1,129.8
Buildings and Structures	1,123.8	1,117.4	2,421.6	2,640.8	3,545.4	3,758.2
Right of Use Land & Land Rights	-	-	16.3	16.2	16.3	16.2
Right of Use Equipment and Other Assets	42.0	33.5	-	-	42.0	33.5
Equipment and Other Assets	176.3	166.7	365.6	3.8	541.9	170.5
Improvements Other Than Buildings	36.3	35.1	-	-	36.3	35.1
Total Other Assets	<u>2,532.0</u>	<u>2,482.5</u>	<u>2,803.5</u>	<u>2,660.8</u>	<u>5,335.6</u>	<u>5,143.3</u>
Less Accumulated Depreciation For:						
Infrastructure	759.4	732.1	-	-	759.4	732.1
Buildings and Structures	525.4	501.6	1,048.5	1,189.8	1,573.9	1,691.4
Equipment and Other Assets	132.2	122.9	232.4	3.0	364.6	125.9
Right of Use Land & Land Rights	-	-	1.4	1.4	1.4	1.4
Right of Use Equipment and Others	15.2	5.3	-	-	15.2	5.3
Improvements Other Than Buildings	21.5	20.1	-	-	21.5	20.1
Total Accumulated Depreciation	<u>1,453.7</u>	<u>1,382.0</u>	<u>1,282.3</u>	<u>1,194.2</u>	<u>2,736.0</u>	<u>2,576.2</u>
Total Capital Assets Being Depreciated, Net	<u>1,078.3</u>	<u>1,100.5</u>	<u>1,521.2</u>	<u>1,466.6</u>	<u>2,599.6</u>	<u>2,567.1</u>
Total Capital Assets, Net	<u>\$ 1,647.7</u>	<u>\$ 1,452.7</u>	<u>\$ 1,800.7</u>	<u>\$ 1,632.4</u>	<u>\$ 3,448.5</u>	<u>\$ 3,085.1</u>

Note - Immaterial rounding differences between the tables in the MD&A and the Exhibits in the Financial Statements may exist.
Additional capital asset information can be found in Note 6.

LONG-TERM OBLIGATIONS

As of June 30, 2025, the City's had a total of \$2.1 billion of outstanding Bonds, Notes and Premiums, a increase of \$136.0 million compared to the previous year. Outstanding debt of the City's Governmental Activities at year end was \$1,122.9 million, while the Business Type Activities outstanding debt (primarily Utilities and Parking operations) was \$954.4 million.

During FY2025, the City issued it's \$129,725,000 of General Obligation Public Improvement Bonds (Tax-Exempt), Series 2024C, dated July 30, 2024. The proceeds of the Series 2024C bonds, together with other available funds, will be used to (a) finance the cost of the design, acquisition, construction and equipping of a new baseball stadium to be developed in connection with the redevelopment of the area known as the "Diamond District" and (b) to pay the issuance and financing costs incurred in connection with the 2024C Bonds (including, but not limited to, certain capitalized interest on the 2024C Bonds)..

The City's Utility Department has issued its \$16.6 million Public Utility General Obligation Bond, Anticipation Note, Series 2025A, to Atlantic Union Public Finance, Inc. to finance the costs of certain stormwater utility capital improvement projects. The Series 2025A BAN bears interest on the unpaid principal at a rate of 3.436% per year

Table 5
City of Richmond's Long-Term Obligations
For the Fiscal Year Ended June 30, 2024
(In Thousands, rounded)

	Balance July 1, 2024	Additions	Deletions	Balance June 30, 2025	Not Due Within One Year	Due Within One Year
Primary Government - Governmental Activities						
General Obligation Bonds	\$ 822,927.9	\$ 129,725.0	\$ 53,040.0	\$ 899,612.9	\$ 845,492.9	\$ 54,120.0
General Obligation Bond - Direct Borrowing	-	-	-	-	-	-
Total General Obligation Bonds	<u>822,927.9</u>	<u>129,725.0</u>	<u>53,040.0</u>	<u>899,612.9</u>	<u>845,492.9</u>	<u>54,120.1</u>
Line of Credit - Bond Anticipation Note -	39,600.0	124,000.0	-	163,600.0	-	163,600.00
General Obligation Serial Equipment Notes	4,997.0	-	2,123.0	2,874.0	1,456.0	1,418.0
Total General Obligation Notes	<u>44,597.0</u>	<u>124,000.0</u>	<u>2,123.0</u>	<u>166,474.0</u>	<u>1,456.0</u>	<u>165,018.0</u>
HUD Section 108 Notes	7,715.0	-	725.0	6,990.0	6,250.0	740.0
Premium on Debt Issued	54,401.9	4,390.2	8,922.7	49,869.3	41,918.8	7,950.6
Total Obligations	<u>\$ 929,641.8</u>	<u>\$ 258,115.2</u>	<u>\$ 64,810.7</u>	<u>\$ 1,122,946.2</u>	<u>\$ 895,117.7</u>	<u>\$ 227,828.6</u>
Compensated Absences	\$ 26,061.7	\$ (3,362.1)	\$ -	\$ 22,699.6	\$ 15,001.5	\$ 7,698.1
Net Other Post Employment Benefit Obligations	\$ (1,413.0)	\$ 4,681.0	\$ 3,865.2	\$ (597.3)	\$ (597.3)	\$ -
Net Pension Liability	<u>\$ 290,843.8</u>	<u>\$ 14,637.4</u>	<u>\$ 142,002.7</u>	<u>\$ 163,478.5</u>	<u>\$ 163,478.5</u>	<u>\$ -</u>

Table 6
City of Richmond's Long-Term Obligations
For the Fiscal Year Ended June 30, 2024
(In Thousands, rounded)

Primary Government - Business-Type Activities

	Balance July 1, 2024	Additions	Deletions	Balance June 30, 2025	Not Due Within One Year	Due Within One Year
General Obligation Bonds:						
Utilities						
General Obligation Bonds	\$ 36,588.3	\$ -	\$ 390.0	\$ 36,198.3	\$ 34,846.5	\$ 1,351.8
General Obligation Bond - Direct Borrowing	1,571.2	-	112.8	1,458.5	1,345.7	112.8
Total Utilities General Obligation Debt	<u>38,159.6</u>	<u>-</u>	<u>502.8</u>	<u>37,656.8</u>	<u>36,192.2</u>	<u>1,464.6</u>
Non-Major Enterprise Funds						
General Obligation Bonds	34,143.7	-	3,700.0	30,443.8	26,592.0	3,851.8
General Obligation Bond - Direct Borrowing	-	-	-	-	-	-
Premium on Non-Major Debt, Net	602.1	-	140.7	461.4	338.0	123.4
Total Non-Major Enterprise Funds General Obligation Debt	<u>34,745.7</u>	<u>-</u>	<u>3,840.6</u>	<u>30,905.2</u>	<u>26,930.0</u>	<u>3,975.2</u>
Total General Obligation Debt	72,905.3	-	4,343.4	68,562.0	63,122.3	5,439.8
Revenue Bonds:						
Public Utility Revenue Bonds	761,550.0	-	32,650.0	728,900.0	695,195.0	33,705.0
Public Utility Revenue Bond - Direct Borrowing	53,448.3	9,356.1	5,699.5	57,104.9	51,380.4	5,724.5
Premium on Public Utility Debt, Net	53,157.4	-	5,131.5	48,025.9	43,133.7	4,892.2
Total Revenue Bonded Debt	<u>868,155.8</u>	<u>9,356.1</u>	<u>43,481.0</u>	<u>834,030.8</u>	<u>789,709.0</u>	<u>44,321.5</u>
Total Bonded Debt	<u>\$ 941,061.1</u>	<u>\$ 9,356.1</u>	<u>\$ 47,824.4</u>	<u>\$ 902,592.8</u>	<u>\$ 852,831.3</u>	<u>\$ 49,761.3</u>
Compensated Absences:						
Gas	\$ 1,332.3	\$ 277.5	\$ -	\$ 1,609.8	\$ 1,108.5	\$ 501.3
Water	986.3	(330.5)	-	655.7	485.9	169.8
Wastewater	959.0	(417.0)	-	542.0	360.5	181.5
Storm water	275.9	100.4	-	376.3	266.6	109.7
Stores Operating Fund	24.3	(4.3)	-	20.0	14.4	5.6
Cemeteries	59.1	(24.4)	-	34.7	23.3	11.5
Other Non-major Enterprise Funds	127.2	(35.2)	-	92.0	64.6	27.5
Total Compensated Absences	<u>\$ 3,764.0</u>	<u>\$ (433.5)</u>	<u>\$ -</u>	<u>\$ 3,330.4</u>	<u>\$ 2,323.8</u>	<u>\$ 1,006.8</u>
Net Other Post Employment Benefit Obligations	<u>\$ (229.6)</u>	<u>\$ 134.7</u>	<u>\$ 356.2</u>	<u>\$ (451.0)</u>	<u>\$ (451.0)</u>	<u>\$ -</u>
Net Pension Liability	<u>\$ 48,823.3</u>	<u>\$ 13,234.6</u>	<u>\$ 37,645.3</u>	<u>\$ 24,412.7</u>	<u>\$ 24,412.7</u>	<u>\$ -</u>

ECONOMIC FACTORS

The City of Richmond's employment market is a broadly diverse mix of business types that includes manufacturing and construction, healthcare, financial, legal, professional, and other business services. Being the capital of the Commonwealth of Virginia, the City also benefits from a large and growing number of Federal and State jobs based in the City. Key private sector employers within the City include the three Fortune 1000 headquarters of Dominion Energy, Universal Corporation, and New Market Corporation. The largest private employers in the greater Richmond metropolitan area include Capital One Financial Corporation, VCU Health System, HCA Health System, Dominion Energy, Truist Financial Corporation, Amazon.com, and the Federal Reserve Bank of Richmond. Major colleges and universities found within Richmond include Virginia Commonwealth University, University of Richmond, Virginia Union University, and Reynolds Community College, which provide a steady stream of talented graduates to support the growth of local businesses.

The City's population has grown since 2014, reaching 229,395 in 2022 according to the U.S. Census Bureau's American Community Survey 2022 1-year estimates. The overall Richmond metropolitan region now includes a population of more than 1.3 million in central Virginia. The City of Richmond's unemployment rate has improved, closing out at 3.1 percent in June 2024 compared to 3.4 percent in June 2023. The City's current unemployment rate is slightly below the national average. The assessed values of Richmond's taxable real estate reported strong growth over the fiscal year. The assessed value of taxable real estate in the City grew 7.2 percent in FY

2025, from \$14.6 billion to \$44.6 billion. Current and Delinquent Real Estate tax collections grew from \$452.9 million to \$483.2 million during the fiscal year.

In December of 2021 issued a Request for Interest for the Diamond District Project which seeks to redevelop 67.57 acres of under-developed, publicly-owned property along the I-95 east coast corridor into a mixed-use, mixed-income entertainment destination. The City has been preparing for a redevelopment of this strategic site for a number of years and, in the process, has relocated city functions, demolished buildings, and remediated the site with the exception of the baseball stadium and the Arthur Ashe Junior Athletic Center. The City has selected RVA Diamond Partners LLC as the development team to partner with the City to fulfill the vision for the Diamond District. During fiscal year 2024, the City's Economic Development Authority issued \$33.7 million of Revenue Bonds in connection to the initial phase of this project.

In May of 2022, the City of Richmond adopted the Strategic Plan for Equitable Economic Development (SPEED). SPEED focuses on community, innovation, and industry. The plan outlines tangible steps toward addressing long-standing inequities that have only been exacerbated by the COVID-19 pandemic, including racial disparities in education, poverty, housing, and health. Each of the plan's initiatives are designed to build a more equitable, inclusive, and sustainable economy for Richmond. The plan establishes five aggressive economic development goals through Fiscal Year 2026: \$3 billion in capital investment for economic development projects; 3,000 announced new jobs with annual salaries at or about \$52,000; reduce the poverty rate by 5 percentage points; public and private sector real estate development activities that generate \$25 million in annual real estate tax revenue; and 2,500 postsecondary credentials awarded to Richmond residents.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide City residents, taxpayers, customers, investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the funds it receives and disburses. Questions concerning this report or requests for additional financial information should be directed to the Director of Finance, City of Richmond, 900 East Broad Street, 10th floor Suite 1003, Richmond, Virginia 23219.

BASIC FINANCIAL



STATEMENTS

CITY OF RICHMOND, VIRGINIA
STATEMENT OF NET POSITION
June 30, 2025

Exhibit A, Continued

	Primary Government		Total	Component Units
	Governmental Activities	Business-type Activities		
Assets				
Current Assets:				
Cash and Cash Equivalents (Note 3)	\$ 323,449,098	\$ 214,226,103	\$ 537,675,201	\$ 99,825,341
Receivables (Net of Allowance for Doubtful Accounts):				
Taxes and Licenses	132,635,339	-	132,635,339	-
Accounts Receivable	31,048,271	93,819,374	124,867,645	22,823,429
Leases Receivable	574,996	492,750	1,067,746	-
Internal Balances, Net	2,980,801	(2,980,801)	-	-
Due from Other Funds	-	1,547,591	1,547,591	-
Due From Primary Government	-	-	-	6,804,467
Due From Other Governments (Note 5)	7,971,773	32,518,353	40,490,126	178,679,685
Investments	231,240,594	-	231,240,594	-
Inventories of Materials and Supplies	287,769	20,010,015	20,297,784	1,635,711
Prepaid Assets	1,139,074	8,322,097	9,461,171	87,261,652
Total Current Assets	731,327,715	367,955,482	1,099,283,197	397,030,285
Non-Current Assets:				
Restricted Assets - Cash and Investments (Note 3)	17,825,546	35,775,451	53,600,997	92,287,004
Lease Receivable	7,209,423	-	7,209,423	-
Capital Assets, Net (Note 6):				
Land, Land Improvement and Works of Art/Historical	118,018,699	41,327,879	159,346,578	10,895,490
Infrastructure, Net	394,212,134	1,187,795,372	1,582,007,506	-
Buildings, Structures, Improvements, and Equipment, Net	657,301,749	318,587,684	975,889,433	106,219,299
Construction in Progress	451,326,356	238,192,091	689,518,447	87,276,500
Right of Use Assets, Net	26,807,734	14,916,190	41,723,924	27,055,863
Total Capital Assets, Net	1,647,666,672	1,800,819,216	3,448,485,888	231,447,152
Total Non-Current Assets	1,672,701,641	1,836,594,667	3,509,296,308	323,734,156
Total Assets	2,404,029,356	2,204,550,149	4,608,579,505	720,764,441
Deferred Outflows of Resources				
Deferred Losses on Refunding	12,350,822	7,921,377	20,272,199	-
Pension/OPEB Related Activities (Note 11 and 12)	214,191,976	28,551,747	242,743,723	98,420,416
Total Deferred Outflows of Resources	\$ 226,542,798	\$ 36,473,124	\$ 263,015,922	\$ 98,420,416
Liabilities				
Current Liabilities:				
Combined RPS City Withholding	\$ 5,259,136	\$ -	\$ 5,259,136	\$ -
Accounts Payable	79,808,851	53,168,404	132,977,255	24,966,114
Accrued Liabilities	863,516	9,462,548	10,326,064	43,366,566
Right of Use Liabilities	3,629,595	353,183	3,982,778	-
Due To Component Units - Schools	43,364,032	-	43,364,032	-
Due To Other Governments	44,207	-	44,207	3,967,962
Due to Component Units - Other	-	-	-	14,205
Accrued Interest on Bonds and Notes Payable	14,632,898	15,675,292	30,308,190	-
Unearned Revenues	52,338,698	22,389	52,361,087	61,702,609
General Obligation Bonds,				
Serial Notes Payable (Note 7)	227,828,517	39,118,763	266,947,280	-
Revenue Bonds Payable (Note 7)	-	44,321,718	44,321,718	-
Compensated Absences (Note 7)	7,698,080	1,006,650	8,704,730	5,088,578
Other Liabilities and Claims Payable	23,893,150	2,187,425	26,080,575	11,298,972
Total Current Liabilities	459,360,680	165,316,372	624,677,052	150,405,006

CITY OF RICHMOND, VIRGINIA
STATEMENT OF NET POSITION
June 30, 2025

Exhibit A, Concluded

	Primary Government		Total	Component Units
	Governmental Activities	Business-type Activities		
Non-Current Liabilities				
Customers' Deposits	-	9,621,657	9,621,657	583,271
Right of use liabilities	23,967,698	13,924,984	37,892,682	2,513,825
General Obligation Bonds, Serial Notes Payable (Note 7)	895,117,722	81,233,031	976,350,753	310,179,481
Revenue Bonds Payable (Note 7)	-	789,709,111	789,709,111	-
Compensated Absences (Note 7)	15,001,478	2,323,760	17,325,238	-
Other Liabilities and Claims Payable (Note 9)	33,595,353	3,624,026	37,219,379	60,457,241
Net Pension and OPEB Liability	162,881,209	24,700,108	187,581,317	7,449,221
Total Non-Current Liabilities	<u>1,130,563,460</u>	<u>925,136,677</u>	<u>2,055,700,137</u>	<u>381,183,039</u>
Total Liabilities	<u>1,589,924,140</u>	<u>1,090,453,049</u>	<u>2,680,377,189</u>	<u>531,588,045</u>
Deferred Inflows of Resources				
Unavailable Revenues	160,258,008	-	160,258,008	-
Prepaid Taxes	56,559	-	56,559	-
Deferred Inflow - Leases	7,554,673	475,208	8,029,881	-
Pension/OPEB Related Activities (Note 11 and 12)	38,112,539	4,742,764	42,855,303	69,556,734
Total Deferred Inflows of Resources	<u>205,981,779</u>	<u>5,217,972</u>	<u>211,199,751</u>	<u>69,556,734</u>
Net Position				
Net Investment in Capital Assets	593,490,321	898,896,313	1,492,386,634	196,232,945
Restricted for (Note 8):				
Capital Projects	175,040,916	-	175,040,916	-
Grants funded projects	58,293,458	-	58,293,458	-
Restricted for Debt Service	19,423,429	35,775,451	55,198,880	-
Nonspendable	1,139,074	-	1,139,074	-
Restricted for OPEB benefits	597,263	-	597,263	-
Unrestricted	(13,318,226)	210,680,488	197,362,262	21,807,133
Total Net Position	<u>\$ 834,666,235</u>	<u>\$ 1,145,352,252</u>	<u>\$ 1,980,018,487</u>	<u>\$ 218,040,078</u>

The accompanying notes are an integral part of the financial statements.

CITY OF RICHMOND, VIRGINIA
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2025

Functions/Program Activities	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental:				
General Government	\$ 193,115,960	\$ 164,564,912	\$ 8,884,139	\$ -
Public Safety and Judiciary	301,810,945	32,784,827	13,035,094	-
Highways, Streets, Sanitation and Refuse	116,354,421	97,550,542	24,278,683	21,385,670
Human Services	101,597,604	63,757,973	1,593,935	-
Culture and Recreation	43,603,340	1,646,206	1,115,256	-
Education	246,402,831	-	-	-
Transportation	9,271,982	-	-	-
Interest and Fiscal Charges	100,840,957	3,468,671	2,802,708	496,521
Total Governmental Activities	<u>1,112,998,040</u>	<u>363,773,131</u>	<u>51,709,815</u>	<u>21,882,191</u>
Business-type:				
Gas	\$ 190,463,515	\$ 206,522,153	\$ -	\$ 1,642,833
Water	91,723,192	89,504,888	551,957	18,453,725
Wastewater	94,600,073	109,952,620	-	39,275,877
Stormwater	21,241,169	17,626,895	796,753	11,722,915
Cemeteries	2,548,664	1,545,685	-	-
Parking	10,775,325	19,569,622	-	-
Total Business-type Activities	<u>411,351,938</u>	<u>444,721,863</u>	<u>1,348,710</u>	<u>71,095,350</u>
Total Primary Government	<u>\$ 1,524,349,978</u>	<u>\$ 808,494,994</u>	<u>\$ 53,058,525</u>	<u>\$ 92,977,541</u>
Component Units:				
School Board	601,361,553	579,291	172,128,450	5,219,908
Richmond Economic Development Authority	1,351,163	685,427	-	-
Richmond Ambulance Authority	23,867,699	17,056,699	116,527	-
Richmond Behavioral Health Authority	104,292,278	25,442,536	-	-
Richmond Redevelopment and Housing Authority	103,770,181	14,220,368	79,689,558	6,667,229
Total Component Units	<u>\$ 834,642,874</u>	<u>\$ 57,984,321</u>	<u>\$ 251,934,535</u>	<u>\$ 11,887,137</u>
General Revenues:				
City Taxes				
Real Estate				
Sales Tax				
Personal Property				
Machinery and Tools				
General Utility Sales				
State Communication Taxes				
Bank Stock				
Prepared Food				
Cigarette Tax				
Lodging Tax				
Admissions				
Real Estate Taxes - Delinquent				
Personal Property Taxes - Delinquent				
Penalties and Interest				
Property Rental 1%				
Vehicle Rental Tax				
Telephone Commissions				
Total City Taxes				
Intergovernmental Revenue				
Payment From Primary Government - Unrestricted				
Investment Earnings				
Miscellaneous				
Transfers				
Total General Revenues and Transfers				
Changes in Net Position				
Net Position - Beginning of Year - as reported				
Accounting Changes and Error Correction				
Net Position, Beginning of Year, as restated				
Net Position - End of Year				

The accompanying notes are in integral part of the financial statements.

Net (Expenses) Revenues and Changes in Net Position

Governmental Activities	Business-type Activities	Totals	Component Units
\$ (19,666,909)	\$ -	\$ (19,666,909)	\$ -
(255,991,024)	-	(255,991,024)	-
26,860,474	-	26,860,474	-
(36,245,696)	-	(36,245,696)	-
(40,841,878)	-	(40,841,878)	-
(246,402,831)	-	(246,402,831)	-
(9,271,982)	-	(9,271,982)	-
(94,073,057)	-	(94,073,057)	-
<u>(675,632,903)</u>	<u>-</u>	<u>(675,632,903)</u>	<u>-</u>
\$ -	\$ 17,701,471	\$ 17,701,471	\$ -
-	16,787,378	16,787,378	-
-	54,628,424	54,628,424	-
-	8,905,394	8,905,394	-
-	(1,002,979)	(1,002,979)	-
-	8,794,297	8,794,297	-
-	<u>105,813,985</u>	<u>105,813,985</u>	-
<u>\$ (675,632,903)</u>	<u>\$ 105,813,985</u>	<u>\$ (569,818,918)</u>	<u>\$ -</u>
-	-	-	(423,433,904)
-	-	-	(665,736)
-	-	-	(6,694,473)
-	-	-	(78,849,742)
-	-	-	(3,193,026)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(512,836,881)</u>
437,735,197	-	437,735,197	-
53,791,456	-	53,791,456	-
84,576,011	-	84,576,011	-
14,409,565	-	14,409,565	-
19,234,925	-	19,234,925	-
9,982,147	-	9,982,147	-
11,855,628	-	11,855,628	-
54,775,430	-	54,775,430	-
1,861,047	-	1,861,047	-
10,581,812	-	10,581,812	-
3,667,248	-	3,667,248	-
13,081,886	-	13,081,886	-
6,447,733	-	6,447,733	-
3,722,549	-	3,722,549	-
333,430	-	333,430	-
1,250,981	-	1,250,981	-
281,607	-	281,607	-
<u>727,588,652</u>	<u>-</u>	<u>727,588,652</u>	<u>-</u>
-	-	-	312,906,102
-	-	-	158,618,509
6,211,397	10,529,788	16,741,185	4,672,203
29,104,435	(5,882,262)	23,222,173	14,683,259
32,339,551	(33,388,830)	(1,049,279)	-
<u>795,244,035</u>	<u>(28,741,304)</u>	<u>766,502,731</u>	<u>490,880,073</u>
119,611,132	77,072,681	196,683,813	(21,956,808)
715,055,103	1,068,279,571	1,783,334,674	240,145,509
-	-	-	(148,623)
<u>715,055,103</u>	<u>1,068,279,571</u>	<u>1,783,334,674</u>	<u>239,996,886</u>
<u>\$ 834,666,235</u>	<u>\$ 1,145,352,252</u>	<u>\$ 1,980,018,487</u>	<u>\$ 218,040,078</u>

**CITY OF RICHMOND, VIRGINIA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2025**

EXHIBIT C, Continued

	General	Debt Service	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and Cash Equivalents (Note 3)	\$ 190,892,244	\$ 87,156	\$ 9,242,173	\$ 59,938,701	\$ 260,160,274
Receivables (Net of Allowance for Doubtful Accounts):					
Taxes and Licenses	132,635,339	-	-	-	132,635,339
Accounts Receivable, Net	18,605,005	1,825,000	-	7,123,480	27,553,485
Account Receivable - Leases	7,784,418	-	-	-	7,784,418
Due From Other Funds (Note 4)	8,199,882	-	-	3,804,791	12,004,673
Due From Other Governments (Note 5)	96,694	-	3,823,141	4,051,938	7,971,773
Investments	220,033,600	-	11,206,994	-	231,240,594
Prepaid Assets	1,139,074	-	-	-	1,139,074
Restricted Assets - Cash and Investments (Note 3)	-	17,761,527	-	64,019	17,825,546
Total Assets	579,386,256	19,673,683	24,272,308	74,982,929	698,315,176
Liabilities:					
Accounts Payable	25,876,866	250,254	26,170,632	6,691,763	58,989,515
Accrued Liabilities	477,252	-	-	-	477,252
Accrued Wages	10,033,272	-	50,081	1,444,933	11,528,286
Due To Component Units - Schools	43,364,032	-	-	-	43,364,032
Due To Other Governments	44,204	-	-	-	44,204
Due To Other Funds (Note 4)	32,794,215	-	-	589,981	33,384,196
Unearned Revenue	38,519,346	-	8,536,358	5,282,994	52,338,698
Total Liabilities	151,109,187	250,254	34,757,071	14,009,671	200,126,183
Deferred Inflows of Resources					
Unavailable Revenue - Property Taxes	150,209,651	-	-	-	150,209,651
Unavailable Revenue - Opioid Settlement	-	-	-	135,321	135,321
Prepaid Taxes	56,559	-	-	-	56,559
Deferred Inflow - Leases	7,554,673	-	-	-	7,554,673
Total Deferred Inflows of Resources	157,820,883	-	-	135,321	157,956,204
Fund Balances (Note 8):					
Nonspendable	1,139,074	-	-	-	1,139,074
Restricted	-	19,423,429	175,040,916	62,098,249	256,562,594
Committed	34,130,899	-	-	-	34,130,899
Assigned	94,507,298	-	-	-	94,507,298
Unassigned	140,678,915	-	(185,525,679)	(1,260,312)	(46,107,076)
Total Fund Balances	270,456,186	19,423,429	(10,484,763)	60,837,937	340,232,789
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 579,386,256	\$ 19,673,683	\$ 24,272,308	\$ 74,982,929	\$ 698,315,176

The accompanying notes are an integral part of the financial statements.

**CITY OF RICHMOND, VIRGINIA
RECONCILIATION OF THE STATEMENT OF NET POSITION GOVERNMENTAL
ACTIVITIES TO THE BALANCE SHEET OF GOVERNMENTAL FUNDS**

June 30, 2025

EXHIBIT C, Concluded

Total Fund Balances for Governmental Funds	\$	340,232,789
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Amounts reported for Governmental Activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Those assets consist of:

Land, Works of Art/Historical Treasures	117,655,310	
Infrastructure, net	394,212,134	
Buildings, structures, improvements, and equipment, net	631,754,552	
Construction in progress	450,912,730	
Right of use assets	25,596,653	1,620,131,379

Other Assets used in governmental activities are not considered current financial resources and, therefore, are not reported in the governmental funds

Deferred loss on refunding debt	12,350,822	
Deferred Outflows Pension and OPEB	<u>207,275,023</u>	219,625,845

Some of the City's assets will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and, therefore, are reported as unavailable revenue in the funds.

Taxes	(10,048,357)	(10,048,357)
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Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds. Those liabilities consist of:

Accrued Interest	(14,576,626)	
Right of use liabilities	(26,386,212)	
Governmental bonds, notes payable, and line of credit	(1,118,253,889)	
Compensated Absences	(21,696,682)	
Pension and OPEB related - Deferred Inflow of Resources	(36,936,246)	
Pension and OPEB related - Net Pension Liability	<u>(156,949,702)</u>	(1,374,799,357)

Internal service funds are used by the City to charge costs of certain activities to individual funds. The net position of the internal service funds are reported as components of Governmental Activities

		<u>39,523,936</u>
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Net Position of Governmental Activities	\$	<u><u>834,666,235</u></u>
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CITY OF RICHMOND, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2025

EXHIBIT D, Continued

	General	Debt Service	Capital Projects Fund	Other Governmental Funds	Total
Revenues					
City Taxes					
Real Estate	\$ 470,100,109	\$ -	\$ -	\$ -	\$ 470,100,109
Sales Tax	53,791,456	-	-	-	53,791,456
Personal Property	90,676,870	-	-	-	90,676,870
Machinery and Tools	15,448,994	-	-	-	15,448,994
Utility Sales Tax Gas	5,162,697	-	-	-	5,162,697
Utility Sales Tax Electric	14,875,560	-	-	-	14,875,560
State Communications Taxes	9,982,147	-	-	-	9,982,147
Bank Stock	11,855,628	-	-	-	11,855,628
Prepared Food	58,726,635	-	-	-	58,726,635
Cigarette Tax	1,861,047	-	-	-	1,861,047
Lodging Tax	11,345,127	-	-	-	11,345,127
Admission	3,931,784	-	-	-	3,931,784
Real Estate Taxes - Delinquent	13,081,886	-	-	-	13,081,886
Personal Property Taxes - Delinquent	6,447,733	-	-	-	6,447,733
Penalties and Interest	5,163,967	-	-	-	5,163,967
Property Rental 1%	333,430	-	-	-	333,430
Vehicle Rental Tax	1,250,981	-	-	-	1,250,981
Telephone Commissions	281,607	-	-	-	281,607
Total City Taxes	774,317,658	-	-	-	774,317,658
Licenses, Permits and Privilege Fees	53,712,068	-	-	-	53,712,068
Intergovernmental	154,656,973	496,521	21,385,670	102,082,701	278,621,865
Service Charges	37,412,874	-	-	3,298,103	40,710,977
Fines and Forfeitures	7,388,452	-	-	264,329	7,652,781
Utility Payments	24,754,852	-	-	-	24,754,852
Investment Income	13,634,751	708,289	4,861,494	357,366	19,561,900
Lease Revenue	-	-	-	745,701	745,701
Miscellaneous	12,358,072	-	72,393	10,444,332	22,874,797
Total Revenues	1,078,235,700	1,204,810	26,319,557	117,192,532	1,222,952,599
Expenditures					
Current:					
General Government	111,409,567	-	-	20,048,160	131,457,727
Public Safety and Judiciary	271,519,587	-	-	18,103,832	289,623,419
Highways, Streets, Sanitation and Refuse	48,123,827	-	567	63,457,094	111,581,488
Human Services	73,680,576	-	-	26,672,936	100,353,512
Culture and Recreation	41,141,128	-	-	1,964,337	43,105,465
Education	239,280,792	-	-	-	239,280,792
Non-Departmental	127,425,959	-	-	-	127,425,959
Capital Outlay	6,419,561	-	255,907,008	-	262,326,569
Debt Service:					
Principal Retirement	-	53,340,000	-	-	53,340,000
Interest Payments	-	37,398,956	-	-	37,398,956
Debt Issuance costs	-	1,370,193	-	-	1,370,193
Total Expenditures	919,000,997	92,109,149	255,907,575	130,246,359	1,397,264,080
Excess (Deficiency) of Revenues Over (Under) Expenditures	159,234,703	(90,904,339)	(229,588,018)	(13,053,827)	(174,311,481)
Other Financing Sources and Uses					
Issuance of Bonds and Notes	-	-	124,000,000	-	124,000,000
Issuance of Refunding Bonds	-	134,051,652	-	-	134,051,652
Receipts from EDA	-	1,836,935	-	-	1,836,935
Transfers In - Other Funds	11,562,318	87,899,033	173,619,663	14,278,825	287,359,839
Transfers Out - Other Funds	(168,965,878)	(132,851,652)	(55,036,193)	(1,421,878)	(358,275,601)
Total Other Financing Sources, Net	(157,403,560)	90,935,968	242,583,470	12,856,947	188,972,825
Net Change in Fund Balances	1,831,143	31,629	12,995,452	(196,880)	14,661,344
Fund Balances - Beginning of Year, as originally reported	268,625,043	56,226,020	(23,480,215)	61,034,817	362,405,665
Error Correction	-	(36,834,220)	-	-	(36,834,220)
Fund Balances - Beginning of Year, as fully adjusted	<u>268,625,043</u>	<u>19,391,800</u>	<u>(23,480,215)</u>	<u>61,034,817</u>	<u>325,571,445</u>
Fund Balances - End of Year	<u>\$ 270,456,186</u>	<u>\$ 19,423,429</u>	<u>\$ (10,484,763)</u>	<u>\$ 60,837,937</u>	<u>\$ 340,232,789</u>

The accompanying notes are an integral part of the financial statements.

CITY OF RICHMOND, VIRGINIA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN THE FUND BALANCES
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2025

EXHIBIT D, Concluded

Net change in Fund Balances - Total Governmental Funds \$ 14,661,344

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.

Purchase/Disposal of Assets	262,136,684	
Depreciation expense	<u>(67,074,023)</u>	195,062,661

The issuance of long term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. These amounts are the net effect of these differences in the treatment of long-term debt and related items.

Proceeds from borrowing, net of escrow payments	(258,051,652)	
Principal payments of bonds, net of payments on behalf of Component Units	58,299,519	
Amortization of bond premiums and refunding	<u>2,583,831</u>	(197,168,302)

Some revenues in the Statement of Activities do not provide of current financial resources and, therefore, are not reported as revenues in the governmental funds.

Change in Unavailable Tax Revenue	(44,484,256)	(44,484,256)
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Some expenditures in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Change in Accrued Interest	(3,078,965)	
Change in Compensated Absences	3,324,887	
Change in Net Pension and OPEB Obligations	<u>120,592,604</u>	120,838,526

Internal Service Funds are used by the City to charge costs of certain activities to individual funds. The net revenue of Internal Service Funds is reported as a component of Governmental Activities.

30,701,159

Change in Net Position of Governmental Activities	<u>\$ 119,611,132</u>
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CITY OF RICHMOND, VIRGINIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2025

EXHIBIT E-1

	Enterprise Funds					Total	Internal Service Funds
	Gas	Water	Wastewater	Stormwater	Other		
Assets							
Current Assets:							
Cash and Cash Equivalents (Note 3)	\$ -	\$ 54,689,697	\$ 138,815,967	\$ -	\$ 18,788,889	\$ 212,294,553	\$ 63,288,824
Accounts Receivables (Net of Allowance for Doubtful Accounts)	26,564,145	36,155,978	26,353,730	4,745,521	-	93,819,374	3,494,786
Account Receivable - Leases	-	-	-	492,750	-	492,750	-
Due From Other Funds (Note 4)	2,338,715	5,542,377	19,378,603	-	-	27,259,695	27,441,832
Due From Other Governments (Note 5)	74,798	13,367,178	17,480,495	1,595,882	-	32,518,353	-
Inventories of Materials and Supplies	6,308,291	-	-	-	-	6,308,291	13,989,493
Prepaid Expenses and Other Current Assets	2,504,646	2,637,299	2,913,058	-	-	8,055,003	267,094
Total Current Assets	37,790,595	112,392,529	204,941,853	6,834,153	18,788,889	380,748,019	108,482,029
Noncurrent Assets:							
Restricted Cash	11,581,693	8,744,219	15,449,539	1,931,550	-	37,707,001	-
Capital Assets (Note 6):							
Land	219,200	878,307	1,101,261	14,985,624	22,456,955	39,641,347	2,049,921
Buildings and Structures	781,251,143	667,806,560	878,413,445	54,420,691	36,230,569	2,418,122,408	60,489,374
Equipment and Other Assets	53,089,962	145,854,942	84,587,026	61,563,598	3,818,791	348,914,319	109,378,228
Construction in Progress	18,090,671	13,967,072	182,779,280	23,355,068	-	238,192,091	413,626
Less: Accumulated Depreciation	(410,824,381)	(337,103,186)	(471,963,476)	(20,047,407)	(21,141,005)	(1,261,079,455)	(143,894,621)
ROU Assets Land & Land Rights	-	-	-	-	15,344,991	15,344,991	-
ROU Assets-Equip & Other Assets	-	-	-	-	966,026	966,026	1,567,894
Less: Accumulated amortization	-	-	-	-	(1,394,827)	(1,394,827)	(356,813)
Total capital assets, net accumulated depreciation and amortization	441,826,595	491,403,695	674,917,536	134,277,574	56,281,500	1,798,706,900	29,647,609
Total Noncurrent Assets	453,408,288	500,147,914	690,367,075	136,209,124	56,281,500	1,836,413,901	29,647,609
Total Assets	491,198,883	612,540,443	895,308,928	143,043,277	75,070,389	2,217,161,920	138,129,638
Deferred Outflows of Resources							
Losses on Refunding of Debt	3,150,574	1,614,729	3,156,074	-	-	7,921,377	-
Pension / OPEB Related Activities (Note 11 and 12)	10,101,382	7,294,073	7,929,034	2,253,528	689,682	28,267,699	7,201,001
Total Deferred Outflows of Resources	13,251,956	8,908,802	11,085,108	2,253,528	689,682	36,189,076	7,201,001
Liabilities							
Current Liabilities:							
Combined RPS City Withholding	-	-	-	-	-	-	5,259,136
Accounts Payable	16,821,736	14,203,664	16,950,230	5,116,227	867,073	53,958,930	11,301,921
Accrued Liabilities	5,976,911	1,280,691	3,327,107	193,677	79,310	10,857,696	5,002,317
Right of Use Liability	-	-	-	-	353,183	353,183	1,232,923
Due To Other Funds (Note 4)	10,991,671	108,424	180,265	7,411,950	2,692,112	21,384,422	11,937,582
Accrued Interest on Bonds Payable	4,994,305	3,722,712	6,136,284	368,247	453,744	15,675,292	56,272
General Obligation Bonds and Notes Payable (Note 7)	15,566	145,563	149,940	34,832,518	3,975,176	39,118,763	1,895,122
Revenue Bonds Payable (Note 7)	14,112,719	10,638,618	19,570,381	-	-	44,321,718	-
Compensated Absences (Note 7)	501,273	169,799	181,464	109,689	38,819	1,001,044	299,417
Other Liabilities & Claims Payable	-	-	-	2,187,425	22,389	2,209,814	15,014,742
Total Current Liabilities	53,414,181	30,269,471	46,495,671	50,219,733	8,481,806	188,880,862	51,999,432
Noncurrent Liabilities:							
Right of Use Liability	-	-	-	-	13,924,984	13,924,984	-
Customers' Deposits	6,974,389	2,647,268	-	-	-	9,621,657	-
General Obligation Bonds and Notes Payable (Note 7)	5,884,621	4,246,033	4,373,703	39,798,629	26,930,045	81,233,031	3,872,992
Revenue Bonds Payable (Note 7)	240,880,089	180,879,585	367,949,437	-	-	789,709,111	-
Compensated Absences (Note 7)	1,108,492	485,942	360,510	266,602	87,831	2,309,377	723,447
Net Pension and OPEB Liability	8,380,833	6,616,871	6,013,738	2,097,117	1,304,094	24,412,653	6,218,962
Other Liabilities & Claims Payable	147,127	233,668	528,526	-	-	909,321	33,595,353
Total Noncurrent Liabilities	263,375,551	195,109,367	379,225,914	42,162,348	42,246,954	922,120,134	44,410,754
Total Liabilities	316,789,732	225,378,838	425,721,585	92,382,081	50,728,760	1,111,000,996	96,410,186
Deferred Inflows of Resources							
Pension & OPEB Related Activities (Note 11 and 12)	1,641,537	1,080,158	1,348,268	403,916	268,885	4,742,764	1,176,293
Deferred Inflow - Leases	-	-	-	475,208	-	475,208	-
Total Deferred Inflows of Resources	1,641,537	1,080,158	1,348,268	879,124	268,885	5,217,972	1,176,293
Net Position							
Net Investment in Capital Assets	203,923,325	327,564,887	305,741,615	48,275,899	11,278,271	896,783,997	25,571,698
Restricted - Debt Service	11,581,693	8,744,219	15,449,539	-	-	35,775,451	-
Unrestricted	(29,485,448)	58,681,143	158,133,029	3,759,701	13,484,155	204,572,580	22,172,462
Total Net Position	\$ 186,019,570	\$ 394,909,249	\$ 479,324,183	\$ 52,035,600	\$ 24,762,426	\$ 1,137,132,028	\$ 47,744,160

The accompanying notes are an integral part of the financial statements.

Reconciliation of Enterprise Funds

Net Position to Business-Type of Net Position

Net Position as Shown on Statement of Net Position - Proprietary Fund 1,137,132,028

The Stores and Transportation Division Internal Service Fund as it Relates to Business-Type Activities 8,220,224

Net Position Shown on Government-Wide Statement of Net Position \$ 1,145,352,252

CITY OF RICHMOND, VIRGINIA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN THE NET POSITION
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2025

EXHIBIT E-2

	Enterprise Funds					Total	Internal Service Funds
	Gas	Water	Wastewater	Stormwater	Other		
Operating Revenues							
Charges for Goods and Services	\$ 206,037,964	\$ 89,970,386	\$ 109,981,998	\$ 17,569,315	\$ 21,115,307	\$ 444,674,970	\$ 154,752,443
Operating Expenses							
Purchased Gas	95,717,915	-	-	-	-	95,717,915	-
Intragovernmental Goods and Services Sold	-	-	-	-	-	-	12,853,872
Salaries and Wages and Benefits	11,658,177	13,064,027	9,626,953	3,286,886	1,097,576	38,733,619	8,282,740
Data Processing	-	-	-	-	147,237	147,237	14,230,056
Materials and Supplies	2,536,639	4,152,590	1,218,897	176,574	81,704	8,166,404	1,902,006
Rents and Utilities	449,560	5,882,735	6,666,319	100,685	766,957	13,866,256	3,416,030
Maintenance and Repairs	21,778,134	15,616,914	9,354,794	7,800,737	1,117,200	55,667,779	2,936,840
Depreciation and Amortization	26,040,955	22,292,826	24,766,353	3,223,116	1,476,713	77,799,963	3,462,261
Claims and Settlements	-	-	-	-	21,342	21,342	89,070,033
Uncollectible Expense	8,589,450	5,546,425	8,585,755	2,050,114	-	24,771,744	16,374
Miscellaneous Operating Expenses	19,841,140	24,644,634	30,396,323	2,302,889	7,760,451	84,945,437	14,944,668
Total Operating Expenses	<u>186,611,970</u>	<u>91,200,151</u>	<u>90,615,394</u>	<u>18,941,001</u>	<u>12,469,180</u>	<u>399,837,696</u>	<u>151,114,880</u>
Operating Income (Loss)	<u>19,425,994</u>	<u>(1,229,765)</u>	<u>19,366,604</u>	<u>(1,371,686)</u>	<u>8,646,127</u>	<u>44,837,274</u>	<u>3,637,563</u>
Non-Operating Revenues (Expenses)							
Interest on Long-Term Debt	(9,833,117)	(7,373,461)	(11,999,377)	(2,299,427)	(854,809)	(32,360,191)	(209,457)
Interest Income	749,032	2,901,116	6,877,991	1,649	-	10,529,788	-
Interest Expense	(36,136)	(12,234)	-	-	-	(48,370)	-
Miscellaneous Revenues (Expenses)	(6,405,807)	(1,066,212)	293,127	949,848	-	(6,229,044)	10,164
Total Non-Operating Revenues (Expenses), Net	<u>(15,526,028)</u>	<u>(5,550,791)</u>	<u>(4,828,259)</u>	<u>(1,347,930)</u>	<u>(854,809)</u>	<u>(28,107,817)</u>	<u>(199,293)</u>
Net Income Before Contributions and Transfers	<u>3,899,966</u>	<u>(6,780,556)</u>	<u>14,538,345</u>	<u>(2,719,616)</u>	<u>7,791,318</u>	<u>16,729,457</u>	<u>3,438,270</u>
Capital Contributions	1,642,833	18,453,725	39,275,877	11,722,915	-	71,095,350	28,073,026
Transfers Out - Other Funds	(1,542,928)	(3,744,805)	(6,274,530)	-	-	(11,562,263)	-
Change in Net Position	<u>3,999,871</u>	<u>7,928,364</u>	<u>47,539,692</u>	<u>9,003,299</u>	<u>7,791,318</u>	<u>76,262,544</u>	<u>31,511,296</u>
Net Position - Beginning of Year	<u>182,019,699</u>	<u>387,061,885</u>	<u>431,784,491</u>	<u>43,032,301</u>	<u>16,971,108</u>	<u>1,060,869,484</u>	<u>16,232,864</u>
Net Position - End of Year	<u>\$ 186,019,570</u>	<u>\$ 394,990,249</u>	<u>\$ 479,324,183</u>	<u>\$ 52,035,600</u>	<u>\$ 24,762,426</u>	<u>\$ 1,137,132,028</u>	<u>\$ 47,744,160</u>

The accompanying notes are an integral part of the financial statements.

Reconciliation of Enterprise Funds Change in Net Position per statement above to the Statement of Activities change in net position for Business-Type Activities

Changes in net position as Shown on Statement of Net Position - Proprietary Funds 76,262,544

The Stores and Transportation Division Internal Service Fund as it Relates to Business-Type Activities 810,137

Change in Net Position as Shown on Government-Wide Statement of Activities \$ 77,072,681

CITY OF RICHMOND, VIRGINIA
STATEMENTS OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2025

EXHIBIT E-3

	Enterprise Funds					Total	Internal Service Funds
	Gas	Water	Wastewater	Stormwater	Other		
Cash Flows from Operating Activities							
Receipts from Customers	\$ 193,239,624	\$ 82,573,634	\$ 102,118,582	\$ 16,050,228	\$ 21,115,305	\$ 415,097,373	\$ 154,759,877
Payments to Suppliers	(124,443,578)	(43,369,428)	(39,695,452)	(9,589,420)	(11,535,769)	(228,633,647)	(138,981,105)
Payments to Employees	(18,625,546)	(18,366,955)	(16,022,818)	(4,406,051)	(2,408,834)	(59,830,204)	(21,049,864)
Payments to Other Funds	(6,228,461)	(6,981,661)	(7,992,595)	-	-	(21,202,717)	(472,850)
Receipts from Other Funds	-	-	-	-	-	-	-
Other Receipts or (Payments)	(6,519,710)	639,854	324,969	939,056	-	(4,615,831)	10,901
Net Cash Provided By Operating Activities	<u>37,422,329</u>	<u>14,495,444</u>	<u>38,732,686</u>	<u>2,993,813</u>	<u>7,170,702</u>	<u>100,814,974</u>	<u>(5,733,041)</u>
Cash Flows from Noncapital Financing Activities							
Transfers Out - Other Funds	(1,542,928)	(3,744,805)	(6,274,530)	-	-	(11,562,263)	-
Due From Other Funds	-	(1,183,750)	(14,335,913)	-	(1,584,181)	(17,103,844)	3,327,311
Due to Other Funds	12,270,429	-	-	(974,625)	-	11,295,804	(259,945)
Net Cash Provided By (Used In) Noncapital Financing Activities	<u>10,727,501</u>	<u>(4,928,555)</u>	<u>(20,610,443)</u>	<u>(974,625)</u>	<u>(1,584,181)</u>	<u>(17,370,303)</u>	<u>3,067,366</u>
Cash Flows from Capital and Related Financing Activities							
Acquisition of Capital Assets/ROU Assets	(43,503,463)	(64,939,349)	(104,928,370)	(27,589,707)	(98,840)	(241,059,729)	(1,350,049)
Proceeds from Bond Sale	-	-	9,356,117	18,688,200	-	28,044,317	-
Capital Grants and Contributions	1,568,035	21,525,585	39,069,930	10,130,038	-	-	631,194
Repayments of Revenue Bonds, General Obligation Bonds	(11,915,374)	(9,102,083)	(17,332,022)	(1,069,766)	(3,700,000)	(43,119,245)	(2,548,000)
Repayments of Notes Payables	-	-	-	-	-	-	-
Interest Paid on Long-Term Debt	(11,304,308)	(8,409,159)	(13,833,336)	(2,382,572)	(1,025,471)	(36,954,846)	(209,458)
Net Cash Used in Capital and Related Financing Activities	<u>(65,155,110)</u>	<u>(60,925,006)</u>	<u>(87,667,681)</u>	<u>(2,223,807)</u>	<u>(4,824,311)</u>	<u>(293,089,503)</u>	<u>(3,476,313)</u>
Cash Flows from Investing Activities							
Interest Earned on Operating Funds	749,032	3,009,539	7,058,256	1,649	-	10,818,476	-
Interest Paid on Customers' Deposits	(36,136)	(12,234)	-	-	-	(48,370)	-
Net Cash Provided By Investing Activities	<u>712,896</u>	<u>2,997,305</u>	<u>7,058,256</u>	<u>1,649</u>	<u>-</u>	<u>10,770,106</u>	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(16,292,384)	(48,360,812)	(62,487,182)	(202,970)	762,210	(126,581,138)	(6,141,988)
Cash and Cash Equivalents at July 1, 2024	27,874,077	111,794,728	216,752,688	2,134,520	18,026,679	376,582,692	69,430,812
Cash and Cash Equivalents at June 30, 2025	<u>\$ 11,581,693</u>	<u>\$ 63,433,916</u>	<u>\$ 154,265,506</u>	<u>\$ 1,931,550</u>	<u>\$ 18,788,889</u>	<u>\$ 250,001,554</u>	<u>\$ 63,288,824</u>
Reconciliation of Operating Income							
To Net Cash Provided by Operating Activities							
Operating Income	\$ 19,425,994	\$ (1,229,765)	\$ 19,366,604	\$ (1,371,686)	\$ 8,646,127	\$ 44,837,274	\$ 3,637,563
Adjustment to Reconcile Operating Income to Net Cash Provided by Operating Activities:							
Depreciation and amortization	26,040,955	22,292,826	24,766,353	3,223,116	1,476,713	77,799,963	3,462,261
Gain/(Loss) on Disposal of Capital Assets	-	-	-	-	-	-	-
Pension Expense	(7,337,012)	(5,092,149)	(6,082,592)	(1,261,834)	(2,205,064)	(21,978,651)	(10,954,047)
Miscellaneous Revenues (Expenses)	(6,333,391)	574,656	324,963	939,056	-	(4,494,716)	220,359
(Increase) Decrease in Assets and Increase (Decrease) in Liabilities:							
Accounts Receivable	(4,208,891)	(1,850,324)	722,339	531,026	-	(4,805,850)	23,807
Inventories of Material and Supplies	(1,223,256)	-	-	-	-	(1,223,256)	(3,356,926)
Prepaid Expenses	84,260	(155,993)	(18,333)	-	-	(90,066)	(61,338)
Accounts Payable	5,732,763	147,938	(33,374)	207,304	(692,288)	5,362,343	1,112,724
Accrued Liabilities	5,149,759	73,567	103,754	42,244	4,797	5,374,121	219,810
Customers' Deposits	(186,318)	65,199	-	-	-	(121,119)	-
Compensated Absences	277,466	(330,511)	(417,028)	100,424	(59,583)	(429,232)	(37,254)
Other Liabilities	-	-	-	584,163	-	584,163	-
Total Adjustments	<u>17,996,335</u>	<u>15,725,209</u>	<u>19,366,082</u>	<u>4,365,499</u>	<u>(1,475,425)</u>	<u>55,977,700</u>	<u>(9,370,604)</u>
Net Cash Provided by Operating Activities	<u>\$ 37,422,329</u>	<u>\$ 14,495,444</u>	<u>\$ 38,732,686</u>	<u>\$ 2,993,813</u>	<u>\$ 7,170,702</u>	<u>\$ 100,814,974</u>	<u>\$ (5,733,041)</u>

The accompanying notes are an integral part of the basic financial statements

CITY OF RICHMOND, VIRGINIA
STATEMENT OF FIDUCIARY NET POSITION
June 30, 2025

EXHIBIT F-1

	Pension & Other Employee Benefit Trust Funds	Social Welfare Private-Purpose Trust Fund	Custodial Funds
Assets			
Cash and Cash Equivalents	\$ 4,274,609	\$ 2,746,113	\$ 33,617,997
Receivables:			
Accounts Receivable	2,118,590	-	-
Total Cash and Receivables	6,393,199		-
Investments at fair value:			
US Equities	200,134,893	-	-
International Equities	162,312,217	-	-
Fixed Income	280,694,161	-	-
Real Estate	57,876,997	-	-
Diversifying Assets	59,629,250	-	-
Private Debt	56,552,382	-	-
Private Equity	79,791,628	-	-
Pooled Investment Funds	12,249,659	-	-
Total investments	909,241,187	-	-
Other Assets	11,294	-	-
Total Assets	\$ 915,645,680	\$ 2,746,113	\$ 33,617,997
Liabilities			
DROP Payable	\$ 16,344,851	\$ -	\$ -
Accounts Payable	2,456,758	-	280,610
Investment Expense Payable	330,000	-	-
Retirement & Death Benefit Payable	414,867	-	-
Due To Other Governments	-	-	39,497
Due to Others	-	2,746,113	478,900
Total Liabilities	19,546,476	2,746,113	799,007
Net Position			
Restricted for:			
Pensions	883,849,545	-	-
Postemployment benefits, Other Than Pensions	12,249,659	-	-
Individuals, Organizations, Other governments	-	-	32,818,990
Total Net Position	\$ 896,099,204	\$ -	\$ 32,818,990

The accompanying notes are an integral part of the basic financial statements.

CITY OF RICHMOND, VIRGINIA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
For the Fiscal Year Ended June 30, 2025

EXHIBIT F-2

	Pension & Other Employee Benefit Trust Funds	Social Welfare Private-Purpose Trust Fund	Custodial Funds
Additions			
Contributions:			
Individuals	\$ 6,111,922	\$ -	\$ 562,727
City of Richmond	50,983,640	-	-
RBHA	1,038,933	-	-
Other	-	-	-
Total Contributions	58,134,495	-	562,727
Investment earnings/(loss):			
Net increase in fair value of investments	74,306,843	-	-
Interest, dividends, other	14,900,276	-	-
Total Investment Earnings	89,207,119	-	-
Less Investment Costs			
Investment activity costs	1,558,977	-	-
Net Investment Earnings	87,648,142	-	-
License and fees collected for State	-	-	14,849
Miscellaneous	-	134,050	-
Total Additions	145,782,637	134,050	577,576
Deductions			
Benefits paid to participants or beneficiaries	77,957,642	-	4,709,511
Refunds of member contributions	358,109	-	-
Payments to state	-	-	-
Administrative expense	1,746,292	134,050	-
Other	66,135	-	-
Total Deductions	80,128,178	134,050	4,709,511
Change in Net Position			
Net Position - July 1, 2024, as previously reported	65,654,459	-	(4,131,935)
Error correction	830,444,745	-	116,705
Net Position - July 1, 2024, as fully adjusted	-	-	36,834,220
Net Position - July 1, 2024, as fully adjusted	830,444,745	-	36,950,925
Net Position - June 30, 2025	\$ 896,099,204	\$ -	\$ 32,818,990

The accompanying notes are an integral part of the basic financial statements.

**CITY OF RICHMOND, VIRGINIA
STATEMENT OF NET POSITION
COMPONENT UNITS
6/30/2025**

EXHIBIT G-1

	School Board	Richmond Economic Development Authority	Richmond Ambulance Authority	Richmond Behavioral Health Authority	Richmond Redevelopment and Housing Authority	Total
Assets						
Cash and Cash Equivalents	\$ 40,119,263	\$ 62,037,988	\$ 354	\$ 29,845,250	\$ 34,684,132	\$ 166,686,987
Due From Primary Government	-	6,804,467	-	-	-	6,804,467
Due From Other Governments	175,748,078	-	-	2,931,607	-	178,679,685
Accounts Receivable	4,522,259	77,027	5,849,336	4,132,427	8,242,380	22,823,429
Other Current Assets	-	1,240,605	-	-	-	1,240,605
Financed purchase notes receivable current portion	-	632,395	-	-	-	632,395
Inventories of Materials and Supplies	398,170	-	282,309	-	955,232	1,635,711
Prepaid Expenses and Other Current Assets	25,400	11,271	770,297	663,506	767,639	2,238,113
Investments	2,050,420	-	3,773,543	-	-	5,823,963
Net Pension Asset	281,478	-	-	-	-	281,478
Property held for sale	-	13,817,438	-	-	5,783,957	19,601,395
Financed purchase notes receivable, less current portion	-	17,452,081	-	-	-	17,452,081
Lease receivable, less current portion	-	-	-	-	55,563,759	55,563,759
Loans receivable, net	-	7,669,756	-	-	-	7,669,756
Accrued interest receivable	-	2,183,465	-	-	-	2,183,465
Land	-	1,612,388	-	1,378,964	7,904,138	10,895,490
Construction in Progress	-	62,810,811	-	-	24,465,689	87,276,500
Buildings and Structures	-	17,610,428	1,038,872	20,393,220	143,304,087	182,346,607
Leasehold Improvements	-	-	-	4,079,503	-	4,079,503
Website	-	126,895	-	-	-	126,895
Equipment	105,935,244	-	7,014,945	8,379,216	29,788,221	151,117,626
Less: Accumulated Depreciation	(76,160,103)	(17,605,956)	(7,296,113)	(12,990,143)	(117,399,017)	(231,451,332)
Right to Use Assets	2,453,016	-	4,466,390	23,769,072	6,697,766	37,386,244
Less: Accumulated Depreciation	(1,655,528)	-	(913,015)	(7,761,838)	-	(10,330,381)
Leased capital asset, net	-	-	-	-	-	-
Total Capital Assets	30,572,629	64,554,566	4,311,079	37,247,994	94,760,884	231,447,152
Total Assets	253,717,697	176,481,059	14,986,918	74,820,784	200,757,983	720,764,441
Deferred Outflows of Resources						
Deferrals related to OPEB	9,079,512	-	-	2,633,249	199,702	11,912,463
Deferrals related to Pension	81,406,954	-	-	262,057	4,838,942	86,507,953
Total Deferred Outflows of Resources	90,486,466	-	-	2,895,306	5,038,644	98,420,416
Liabilities						
Accounts Payable	9,148,449	6,829,596	1,691,073	1,803,677	5,493,319	24,966,114
Accrued Liabilities	32,195,501	-	855,095	3,574,725	1,866,231	38,491,552
Accrued Interest	-	-	-	17,477	-	17,477
Due To Primary Government	-	14,205	-	-	-	14,205
Due To Other Governments	2,403,829	-	-	-	1,564,133	3,967,962
Unearned Revenues	18,955,692	416,188	6,062	40,806,762	1,517,905	61,702,609
Current portion of long-term liabilities	-	-	-	2,765,803	765,000	3,530,803
Customers' Deposits	-	-	-	-	583,271	583,271
Bonds, Notes Payable and Leases	-	3,089,220	-	-	624,109	3,713,329
Current portion of recoverable Grant Payable	-	795,000	-	-	-	795,000
Interfund balances	-	1,240,605	-	-	-	1,240,605
Accrued Interest Payable	-	188,689	-	-	-	188,689
Maintenance reserve	-	142,691	-	-	-	142,691
Other Current Liabilities	-	-	361,091	-	-	361,091
Compensated Absences	-	-	-	4,137,692	950,886	5,088,578
Accrued healthcare claims	4,668,848	-	-	-	-	4,668,848
Non-Current Liabilities:						
Due within one year	4,604,673	-	-	-	-	4,604,673
Due in more than one year	273,345,261	-	-	15,615,224	11,148,987	300,109,472
Bonds, Notes Payable and Leases	-	33,745,000	-	-	-	33,745,000
Other Noncurrent Liabilities	-	-	-	-	17,628,030	17,628,030
Net Other Postemployment Benefit Obligations	-	-	-	4,087,472	462,379	4,549,851
Net Pension Liability	-	-	-	1,378,794	1,520,576	2,899,370
Lease Payable	-	-	2,513,825	-	-	2,513,825
Recoverable grants payable	-	16,065,000	-	-	-	16,065,000
Total Liabilities	345,322,253	62,526,194	5,427,146	74,187,626	44,124,826	531,588,045
Deferred Inflow of Resources						
Deferrals related to OPEB	17,043,651	-	-	1,489,669	136,523	18,669,843
Deferrals related to Pension	39,868,286	-	-	5,710,702	5,307,903	50,886,891
Total Deferred Inflows of Resources	56,911,937	-	-	7,200,371	5,444,426	69,556,734
Net Position						
Net Investment in Capital Assets	29,599,350	57,750,069	942,159	18,641,437	89,299,930	196,232,945
Restricted for:						
Capital Projects	134,785,128	10,495,069	-	-	10,914,286	156,194,483
Permanent Funds:	1,645,603	-	-	-	-	1,645,603
Special Revenue Projects:	4,782,702	-	-	-	-	4,782,702
Nutrition Service funds	3,005,136	-	-	-	-	3,005,136
Net Pension Asset	281,478	-	-	-	-	281,478
Unrestricted	(232,129,424)	45,709,727	8,617,613	(22,313,344)	56,013,159	(144,102,269)
Total Net Position	\$ (58,030,027)	\$ 113,954,865	\$ 9,559,772	\$ (3,671,907)	\$ 156,227,375	\$ 218,040,078

The accompanying notes are an integral part of the basic financial statements.

**CITY OF RICHMOND, VIRGINIA
STATEMENT OF ACTIVITIES
COMPONENT UNITS
For the Fiscal Year Ended June 30, 2025**

Functions/Program Activities	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
School Board	\$ 601,361,553	\$ 579,291	\$ 172,128,450	\$ 5,219,908
Richmond Economic Development Authority	1,351,163	685,427		-
Richmond Ambulance Authority	23,867,699	17,056,699	116,527	-
Richmond Behavioral Health Authority	104,292,278	25,442,536	-	-
Richmond Redevelopment and Housing Authority	103,770,181	14,220,368	79,689,558	6,667,229
Total Component Units	<u>\$ 834,642,874</u>	<u>\$ 57,984,321</u>	<u>\$ 251,934,535</u>	<u>\$ 11,887,137</u>

General Revenues:

Payment From Primary Government	
Intergovernmental Revenue Not Restricted to Specific Programs	
Investment Earnings	
Gain/(loss) on Disposal of Assets	
Miscellaneous Other Income	
Miscellaneous Capital Grants	-
Interest Expense	
Loss or Disposal of capital assets	
Interest Income	
Total General Revenues	

Changes in Net Position

Net Position - Beginning of Year - as reported
Accounting Change
Net Position - Beginning of Year - as restated
Net Position - End of Year

The accompanying notes are an integral part of the basic financial statements.

EXHIBIT G-2

Net (Expenses) Revenues and Changes in Net Position

School Board	Richmond Economic Development Authority	Richmond Ambulance Authority	Richmond Behavioral Health Authority	Richmond Redevelopment and Housing Authority	Total
\$ (423,433,904)	\$ -	\$ -	\$ -	\$ -	\$ (423,433,904)
-	(665,736)	-	-	-	(665,736)
-	-	(6,694,473)	-	-	(6,694,473)
-	-	-	(78,849,742)	-	(78,849,742)
-	-	-	-	(3,193,026)	(3,193,026)
<u>\$ (423,433,904)</u>	<u>\$ (665,736)</u>	<u>\$ (6,694,473)</u>	<u>\$ (78,849,742)</u>	<u>\$ (3,193,026)</u>	<u>\$ (512,836,881)</u>
239,280,792	59,005,612	7,139,121	7,480,577	-	312,906,102
97,862,855	-	-	60,755,654	-	158,618,509
174,881	-	-	-	586,988	761,869
-	9,886,439	(94,784)	-	-	9,791,655
5,754,715	(3,465,083)	25,940	635,208	-	2,950,780
-	4,580,333	-	-	(38,871)	4,541,462
-	(2,311,717)	(8,755)	(280,166)	-	(2,600,638)
-	-	-	-	-	-
-	2,879,590	136,823	893,921	-	3,910,334
<u>343,073,243</u>	<u>70,575,174</u>	<u>7,198,345</u>	<u>69,485,194</u>	<u>548,117</u>	<u>490,880,073</u>
(80,360,661)	69,909,438	503,872	(9,364,548)	(2,644,909)	(21,956,808)
<u>22,479,257</u>	<u>44,045,427</u>	<u>9,055,900</u>	<u>5,692,641</u>	<u>158,872,284</u>	<u>240,145,509</u>
<u>(148,623)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(148,623)</u>
<u>22,330,634</u>	<u>44,045,427</u>	<u>9,055,900</u>	<u>5,692,641</u>	<u>158,872,284</u>	<u>239,996,886</u>
<u>\$ (58,030,027)</u>	<u>\$ 113,954,865</u>	<u>\$ 9,559,772</u>	<u>\$ (3,671,907)</u>	<u>\$ 156,227,375</u>	<u>\$ 218,040,078</u>

**CITY OF RICHMOND, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Richmond, Virginia (City) was founded by William Byrd in 1737, established as a town in May 1742, and incorporated as a City on July 19, 1782. The City operates on a Mayoral-Council form of government and provides all municipal services to its residents. The more significant of the City's accounting policies are described below.

A. Financial Reporting Entity

The City's financial statements are prepared in conformity with Generally Accepted Accounting Principles (GAAP) in the United States of America as applicable to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The City's financial reporting entity is defined and its financial statements are presented in accordance with GAAP, which defines the distinction between the City as a Primary Government and its related entities. Accordingly, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable, hereafter referred to as the reporting entity. The City has two types of Component Units – Blended and Discretely. The Blended Component Units are separate legal entities, in substance, that are part of the City's operations; thus, financial data from these units are combined with that of the City and reported in the appropriate fund type. Each Blended Component Unit has a June 30 fiscal year-end. The Discretely presented Component Units, on the other hand, are reported in a separate column in the Government-Wide financial statements to emphasize that they are legally separate from the primary government. Each Discretely presented Component Unit has a June 30 fiscal year-end, except for the Richmond Redevelopment and Housing Authority, which has a September 30 fiscal year-end.

Blended Component Units

The City reports one Blended Component Unit, the Richmond Retirement System (RRS) which is reported as a Fiduciary Pension Trust Fund.

The Richmond Retirement System (RRS)

The purpose of the RRS is to manage retirement plans for the City. RRS is fiscally dependent upon the City and provides services primarily to the City's employees. RRS issues a publicly available annual financial report that includes financial statements and required supplementary information. That report can be requested at 900 East Broad Street, Richmond, VA 23219 or may be accessed on the RRS website at the following address:

<http://www.rva.gov/retirement-system/annual-reports>.

Discretely Presented Component Units

The Component Unit column in the Government-Wide financial statements comprises financial data on the City's Discretely presented Component Units. The governing bodies of all Component Units are appointed by the City Council, except the School Board of the City of Richmond, which is elected. The following Component Units are included in the reporting entity because they are financially accountable to the City and there is a financial burden and/or a benefit relationship between the City and the Component Unit.

The School Board of the City of Richmond (School Board)

The School Board administers the Richmond Public School system. The City Council approves the School Board's annual operating budget and provides a major portion of the funding through annual appropriations. Complete financial statements of the School Board may be obtained from the administrative offices located at 301 North Ninth Street, Richmond, VA 23219.

**CITY OF RICHMOND, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

Proprietary Component Units

Economic Development Authority of the City of Richmond, Virginia (EDA)

The EDA promotes industry and develops trade by inducing entities to locate in or remain in the City. The City annually provides significant operating subsidies to the EDA, thus, a financial burden/benefit relationship exists between the entities. Complete financial statements for EDA may be requested at 501 E. Franklin Street, Richmond, VA 23219.

Richmond Ambulance Authority (RAA)

RAA provides emergency and non-emergency medical care and transportation services for the community. The City annually provides significant operating subsidies to RAA, thus, a financial burden relationship exists between the City and RAA. Complete financial statements for RAA may be requested at Post Office Box 26286, Richmond, VA 23260.

Richmond Behavioral Health Authority (RBHA)

RBHA provides behavioral health services to residents of the City under Sections 15.1-1676 of the *Code of Virginia* (1950), as amended. The City annually provides significant operating subsidies to RBHA, thus, a financial burden relationship exists between the City and RBHA. Complete financial statements for RBHA may be obtained from the administrative offices located at 107 S. 5th Street, Richmond, VA 23219.

Richmond Redevelopment and Housing Authority (RRHA)

RRHA is responsible for operating a low-income housing program, which provides housing for eligible families, for operating redevelopment and conservation programs in accordance with the City's Master Plan, and for the delivery of services to citizens of low-income housing and urban renewal areas through the encouragement and development of social and economic opportunities. The City Council appoints the Commissioners of RRHA and is financially accountable for RRHA's operations. RRHA's September 30 fiscal year-end Audited Financial Statements are included in the City's Component Unit combining financial statements. Complete financial statements for RRHA may be obtained from the administrative offices located at 901 Chamberlayne Avenue, Richmond, VA 23220.

RRHA and the City have different fiscal years, which can result in timing differences in transactions between RRHA and the City as noted in the basic financial statement balances for Due To and From Primary Government and Component Units.

Joint Ventures

Greater Richmond Transit Company (GRTC)

The City retains an ongoing financial responsibility for the Greater Richmond Transit Company, which under a joint venture agreement between the City and the County of Chesterfield, Virginia, provides mass transportation for passengers on a regional basis and associated para-transit service mandated by the Americans with Disabilities Act for the purposes of providing continuous service within and between the jurisdictions of the City, Chesterfield County and Henrico County. Greater Richmond Transit Company, a public service corporation incorporated on April 12, 1973, is governed by a six-member board of directors; three of which are appointed by the City and three by the County of Chesterfield. MV Contract Transportation Inc., is under contract with the Greater Richmond Transit Company to provide the executive management team that manages the operations of the 100 percent owned subsidiary, Old Dominion Transit Management Company, which does business as GRTC Transit System.

CITY OF RICHMOND, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

Fare revenues and route subsidies pay all costs associated with each locality utilizing the GRTC Transit System services only to the extent that each locality operates routes within their jurisdiction. The City expended 9,271,981 for operating subsidies for bus routes and para-transit services within the City for the year ended June 30, 2025.. Complete financial statements for the Greater Richmond Transit Company can be obtained from the Finance Department, GRTC Transit System, 301 East Belt Boulevard, Richmond, VA 23224.

Jointly Governed Organizations

Capital Region Airport Commission (Commission) was created in 1975 under Chapter 380 (as amended by Chapter 410) of the *Code of Virginia* (Code) when the City and the County of Henrico adopted a resolution declaring a need for the Commission. Since that time, the Counties of Chesterfield and Hanover have become Commission participants.

The Commission is comprised of a fourteen-member board of directors, with four members each appointed by the City, County of Henrico and County of Chesterfield and two members appointed by the County of Hanover. The Commission generates its revenues from service charges to users of the Airport facilities to recover the costs of maintaining, repairing and operating the Airport. Virginia law requires that the Commission submit an annual budget showing estimated revenues and estimated expenditures to the governing bodies. If the Commission's budget contains estimated expenditures which exceed estimated revenues, the governing bodies are required to fund the deficit in proportion to their financial interest in the Commission. If, however, actual revenues are less than estimated revenues identified in the budget (resulting in a deficit), the City and Counties may, at their discretion, appropriate funds necessary to fund the deficit. The City did not provide funding to the Commission during the fiscal year ended June 30, 2025.

Central Virginia Transportation Authority (CVTA) was created by the 2020 Virginia General Assembly (Code of Virginia Chapter 33.2-3702) to serve the following Richmond metropolitan jurisdictions: Town of Ashland, Charles City, Chesterfield, Goochland, Hanover, Henrico, New Kent, Powhatan, and City of Richmond. The purpose of the CVTA is to administer transportation funding generated through the imposition of an addition regional 0.7 percent of state sales and use tax, and wholesale gas tax of 7.6 cents per gallon for gasoline and 7.7 cents per gallon of diesel fuel. Funds received through the Authority are used to address transportation-related purposes that benefit localities in the Richmond Region. CVTA funds are allocated with 35% retained by the Authority for large regional projects, 15% to the Greater Richmond Transit Authority (GRTC) to provide transit services for the region and 50% returned, proportionally, to each locality to address local transportation needs. The City received \$18,952,254 in funding for City transportation capital projects from the CVTA during the fiscal year ended June 30, 2025.

Central Virginia Waste Management Authority (CVWMA) was created pursuant to the Virginia Water and Waste Authorities Act (Chapter 51, Title 15.2 of the Code of Virginia (1950), as amended). CVWMA's purpose is to plan, acquire, construct, reconstruct, improve, extend, operate, contract for and maintain any garbage and refuse collection, transfer and disposal program or system, including waste reduction, waste material recovery, recycling as mandated by law or otherwise, resource recovery, waste incineration, landfill operation, ash management, sludge disposal from water and wastewater treatment facilities, household hazardous waste management and disposal, and similar programs within one or more political subdivisions which are members of the CVWMA. The City is a member of the CVWMA. The CVWMA is governed by a Board of Directors consisting of one or more representatives appointed by each of the thirteen member cities, town and counties. The City appointed three of the twenty-member board of directors. The City provided \$3,546,980 in funding to CVWMA for the fiscal year ended June 30, 2025.

The *Greater Richmond Partnership* (GRP) is comprised of members from the City and the counties of Chesterfield, Hanover, and Henrico. Together in partnership with the business leadership of the area, the GRP's purpose is to further economic development of the metropolitan Richmond area. The City has one member on the board that is an elected official and one alternate member. The City provided \$385,000 in funding to GRP for the year ended June 30, 2025.

CITY OF RICHMOND, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

The *Richmond Metropolitan Convention and Visitors Bureau (RMCVB)* – also “DBA” Richmond Region Tourism - serves the City and the Counties of Chesterfield, Hanover, Henrico and New Kent by promoting conventions, tourism and development in the Metropolitan Richmond area in order to increase revenues, provide increased employment and improve the economic health of all jurisdictions involved. The City has three representatives serving on the RMCVB Board of Directors. The City contributed \$4,782,747 to RMCVB for the year ended June 30, 2025.

The *Richmond Regional Planning District Commission (RRPDC)* is comprised of representatives from nine local jurisdictions which include Counties of Charles City, Chesterfield, Goochland, Hanover, Henrico, New Kent, Powhatan, the City of Richmond, and the Town of Ashland. The major functions of the RRPDC are to promote regional cooperation; coordinate the activities and policies of local member governments; resolve service delivery challenges involving more than one government within the region; and provide planning assistance to local governments. The City has seven representatives serving on the RRPDC. The City provided funding to RRPDC in the amount of \$136,180 for the year ended June 30, 2025.

The *Greater Richmond Convention Center Authority (GRCCA)*, a political subdivision of the Commonwealth of Virginia, was created on January 9, 1998 pursuant to the Public Recreational Facilities Authority Act, Chapter 56 of Title 15.2, *Code of Virginia*. The GRCCA was created to acquire, finance, expand, renovate, construct, lease, operate, and maintain the facility and grounds of a visitors and convention center. The political subdivisions participating in the incorporation of the GRCCA are the City and the Counties of Chesterfield, Hanover and Henrico. The GRCCA is governed by a five-member commission comprised of the chief administrative officer of each of the four incorporating political subdivisions and the President/CEO of the Retail Merchants Association of Counties of Chesterfield, Hanover and Henrico. The City contributed \$11,492,535 in transient occupancy tax revenue for the year ending June 30, 2025.

B. Basis of Presentation

Government-Wide and Fund Financial Statements

The basic financial statements include both Government-Wide (based on the City as a whole) and the Fund financial statements, including the major individual funds of the Governmental Funds (General, Capital Projects and Debt Service Funds) and Proprietary Funds (Gas, Water, Wastewater and Storm water), as well as the Fiduciary Funds and the Component Units. Both the Government-Wide and fund financial statements categorize primary activities as either governmental or business-type. In the Government-Wide Statement of Net Position, both the governmental and business-type activities columns are presented on an aggregated basis by column and are reflected on a full accrual, economic resource measurement focus basis, which incorporates long-term assets and receivables as well as long-term debt and obligations. Each presentation provides valuable information that can be analyzed and compared (between years and between governments) to enhance the usefulness of the information.

The Government-Wide Statement of Activities reflects both the gross and net cost per functional category (e.g. Public Safety, Public Works, Human Services, etc.) that are otherwise being supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by directly related program revenues, operating and capital grants, and contributions. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function and grants and contributions that are restricted to meeting the operation or capital requirements of a particular function or segment. Taxes and other items not specifically restricted to the various programs are reported as general revenues. Operating grants presented include operating-specific and discretionary (either operating or capital) grants, while the capital grants column reflects capital-specific grants.

In the Fund financial statements, financial transactions, and accounts of the City are organized on the basis of funds. The operation of each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts recording cash and/or other financial resources together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations and restrictions, or limitations. GAAP sets forth minimum criteria (percentage of the assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The Non-Major Funds are combined in a single column in the fund financial statements and detailed in the combining statements. The Governmental Fund financial statements are

CITY OF RICHMOND, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

presented on current financial resources measurement focus and modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. Since the Governmental Fund financial statements are presented on a different measurement focus and basis of accounting than the Government-Wide financial statements' governmental activities column, a reconciliation is presented, which briefly explains the adjustments necessary to reconcile the fund financial statements to the governmental activities column of the Government-Wide financial statements.

Internal Service Funds of the City, which traditionally provide services primarily to other funds of the government, are presented in summary form as part of the Proprietary Fund financial statements. In the Government-Wide financial statements, assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenses of the funds are allocated to either the governmental or business-type activities, based on their predominate use of the fund's services. To the extent possible, the costs of these services are reflected in the appropriate functional activity (e.g., Public Safety and Judiciary, Human Services, etc.). See Exhibits E-1 and E-2 for specific allocation of the Stores and Transportation Division Internal Service Fund results to the business-type activities.

The City's Fiduciary Funds are presented in the fund financial statements by type. Since by definition these assets are being held for the benefit of a third party (e.g. private parties, pension participants, etc.) and cannot be used to address activities or obligations of the City, these funds are not incorporated into the Government-Wide financial statements.

The following is a brief description of the specific funds used by the City:

Governmental Funds

Governmental Funds are those through which most governmental functions typically are financed. The City reports the following Governmental Funds:

- *General Fund (Major Fund)* – The General Fund is the City's primary operating fund. It accounts for and reports all financial resources of the City's general government not accounted for and reported in another fund.
- *Debt Service Fund (Major Fund)* – The Debt Service Fund accounts for and reports the accumulation of resources for and the payment of principal and interest and fiscal charges not being financed by proprietary funds or financial resources that are restricted, committed, or assigned to expenditures for principal and interest. The Debt Service Fund reports resources if legally mandated. Financial resources that are being accumulated for principal and interest maturing in future years also are reported in the Debt Service Fund.
- *Capital Projects Fund (Major Fund)* – The Capital Projects Fund is used to account for and report financial resources that are restricted, committed, or assigned for capital outlays, including the acquisition or construction of capital facilities and other capital assets approved by City Council. The Capital Projects Fund excludes those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments. Its principal source of funding is the sale of General Obligation Bonds.
- *Special Revenue Funds* – Special Revenue Funds are used to account for and report the proceeds of specific revenue sources (other than expendable trust or major capital projects) that are legally restricted, committed, or assigned to expenditures for specified purposes other than debt service or capital projects. Each fund is established on a functional basis and may include one or more grants or other funding sources.
- *Permanent Funds* – Permanent Funds are used to account for and report resources that are restricted to the extent that only earnings, not principal, may be used for purposes that support the City programs, that is, for the benefit of the government or its citizenry.

Proprietary Funds

Proprietary Funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The City reports the following Proprietary Funds:

- *Enterprise Funds* - Enterprise Funds are used to report activities for which a fee is charged to external users for goods and services. The City maintains seven Enterprise Funds consisting of the Gas, Water, Wastewater

CITY OF RICHMOND, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

and Storm water (all of which are considered Major Funds), Cemeteries, and Parking Enterprise (which are combined into a single, aggregated presentation as Non-Major Proprietary Funds).

A description of the major Enterprise Utility Funds are as follows:

- *Gas* – The Gas Utility provides natural gas service to the City and surrounding counties. Operation of the Gas Utility is designed to be self-supporting through user charges.
- *Water* – The Water Utility provides retail water service to the City and surrounding counties. Operation of the Water Utility is designed to be self-supporting through user charges.
- *Wastewater* – The Wastewater Utility provides wastewater service to the City and portions of the surrounding counties. Operation of the Wastewater Utility is designed to be self-supporting through user charges.
- *Stormwater Utility* – The Stormwater Utility provides storm water service to the City. Operation of the Storm water Utility is designed to be self-supporting through user charges.
- *Internal Service Funds* - Internal Service Funds account for operations that provide services to City departments/agencies on a cost reimbursement basis. The city maintains eight Internal Service Funds consisting of Fleet Management, Radio Management, Health Self-Insurance, Information Technology, Risk Management, Electric Utility, and Stores and Transportation, which exclusively serves the City's Major Proprietary Funds.
- *Fiduciary Funds* - Fiduciary Funds account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations or other governments.
 - *Pension Trust Funds* – For accounting measurement purposes, the Pension Trust Funds are accounted for in essentially the same manner as Proprietary Funds. The Trust Funds consist of the City's Retirement Plan and OPEB Trust.
 - *Private-Purpose Trust Fund* - Reports trust arrangements, other than pension and investment trusts, under which principal and income benefit individuals, private organizations, or other governments.
 - *Custodial Funds* – Reports fiduciary activity resources that are not held in a trust agreement or equivalent arrangement that meets specific criteria.

Reconciliation of Government-Wide and Fund Financial Statements

A summary reconciliation of the difference between total fund balances, as reflected on the Governmental Funds' Balance Sheet, and total net position for governmental activities, as shown on the Government-Wide Statement of Net Position, is presented in a schedule accompanying the Governmental Funds' Balance Sheet. The assets and deferred outflows of resources and liabilities and deferred inflows of resources elements, which comprise the reconciliation differences, stem from Governmental Funds, using the current financial resources measurement focus and the modified accrual basis of accounting, while the government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting. A summary reconciliation of the differences between net change in total fund balances as reflected on the Governmental Funds' Statement of Revenues, Expenditures, and Changes in Fund Balances and the change in net position for governmental activities, as shown on the Government-Wide Statement of Activities, is presented in a schedule accompanying the Governmental Funds' Statement of Revenues, Expenditures, and Changes in Fund Balances. The revenue and expense elements, which comprise the reconciliation differences, stem from the governmental funds using the current financial resources measurement focus and the modified accrual basis of accounting, while the Government-Wide financial statements use the economic resources measurement focus and the accrual basis of accounting.

C. Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All Governmental Funds are accounted for using the current financial resources measurement focus wherein only current assets and current liabilities are included on the Balance Sheet in the fund statements whereas long-term assets and long-term liabilities are included in the Government-Wide statements. Operating statements of the Governmental Funds present increases (e.g. revenues and other financial sources) and decreases (e.g. expenditures and other financing uses) in fund balances.

CITY OF RICHMOND, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

Revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the fiscal period. Revenues from taxes are generally considered available if received within two months after the fiscal year end. Revenue from categorical and other grants are generally considered available when all eligibility criteria have been met and if received within one year. Expenditures are recorded when the related liability is incurred and payment is due, except for principal and interest on long-term debt, and compensated absences and claims.

The Government-Wide financial statements are reported and accounted for on the economic resources measurement focus and the accrual basis of accounting, which include all assets and deferred outflows of resources and liabilities and deferred inflows of resources associated with governmental and business-type activities. Assets and liabilities associated with fiduciary activities are included in the Statement of Fiduciary Net Position. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the City either gives or receives value without directly receiving or giving equal value in exchange, include sales and income taxes, real estate and personal property taxes, grants, entitlements, and donations. On an accrual basis, revenue from sales taxes are recognized when the underlying exchange transaction takes place. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Operating revenues and expenses in the Proprietary Funds result from providing goods and services in connection with their principal ongoing operations (e.g., charges for services). Operating expenses for the Enterprise and Internal Service Funds include the cost of services, administrative expenses, contractual services, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The Pension Trust Funds' contributions from members, recorded under the full accrual basis of accounting, are recorded when the employer makes payroll payments on behalf of Plan members. The Custodial Funds use the full accrual basis of accounting and do not measure the results of operations.

D. Cash and Cash Equivalents

Cash and cash equivalents are stated at cost, which approximates fair value. Cash and cash equivalents include cash on hand, checking and savings accounts, and short-term investments, with original maturities of one year or less from the date of acquisition. For the purpose of the Statement of Cash Flows, the City considers cash and highly liquid investments, including restricted assets, with a maturity of three months or less, as cash and cash equivalents.

E. Investments

Investments are reported at fair value, which is based on quotations obtained from readily available sources.

F. Allowances for Doubtful Accounts

The City calculates its allowances for doubtful accounts using historical collection data, specific account analysis, and management's judgment.

Allowances for doubtful accounts at June 30, 2025, were as follows:

General Fund and Governmental Activities	\$ 11,160,715
Enterprise Funds	51,639,475
Total Allowances for Doubtful Accounts	<u>\$ 62,800,190</u>

CITY OF RICHMOND, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

G. Inventories

Inventories on hand at June 30, 2025, have been reported on the Government-Wide Statement of Net Position. Inventories of consumable supplies are recorded at cost determined on a first in, first out basis. Inventories in the Proprietary Funds are accounted for under the lower of cost, determined by using weighted average cost or first-in, first-out methods, or market.

H. Capital Assets

Capital assets and improvements include substantially all land and works of art/historical treasures, buildings, equipment, water distribution and sewage collection systems, and other elements of the City's infrastructure having a minimum useful life of greater than one year and having an initial cost of more than \$5,000. Capital assets, which are used for general governmental purposes and are not available for expenditure, are accounted for and reported in the government-wide financial statements. Infrastructure elements include the roads, bridges, curbs and gutters, streets and sidewalks, park land, and improvements.

Capital assets are stated at historical cost or estimated historical cost based on appraisals or on other acceptable methods when historical cost is not available. Donated capital assets are stated at their acquisition value as of the date of the donation. Accumulated depreciation and amortization are reported as reductions of capital assets.

Capital asset depreciation has been provided over the estimated useful lives using the straight-line method as follows:

Governmental:	
Infrastructure	20 to 50 years
Buildings and structures	20 to 50 years
Equipment and other assets	2 to 20 years
Enterprise Funds:	
Gas production, distribution, equipment	17 to 34 years
Water pumping, treatment, distribution, equipment	20 to 50 years
Sewage gathering and treatment equipment	20 to 50 years
Cemeteries	2 to 20 years
Buildings and structures	20 to 60 years
Equipment and other assets	2 to 20 years

Right-to-use lease assets are initially measured at the present value of payments expected to be made during the lease term, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. The leased assets are amortized using the straight-line method over the shorter of the lease term or the underlying asset. Right-to-use leased assets are recorded if the lease term is greater than 12 months and the calculated value is \$50,000 or greater.

Subscription Based Information Technology Arrangements (SBITA) assets are initially measured at the sum of the present value of payments expected to be made during the subscription term, payments associated with the SBITA contract made to the SBITA vendor at the commencement of the subscription term, when applicable, and capitalized implementation costs, less any SBITA vendor incentives received from the SBITA vendor at the commencement of the SBITA term. SBITA assets are amortized using the straight-line method over the shorter of the subscription term or useful life of the underlying IT asset. SBITA assets are recorded if the term is greater than 12 months and the determined value is \$5,000 or greater.

I. Construction Period Interest

The City records interest cost incurred before the end of a construction period as a current period expenditure, consistent with governmental fund accounting principles.

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J. Compensated Absences

The liability for compensated absences reported in the government-wide and proprietary fund statements consists of leave that has not been used that is attributable to services already rendered, accumulates and is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Based on the criteria listed, one type of leave qualify for liability recognition for compensated absences – Vacation Leave and Sick Leave. The liability for compensated absences is reported as incurred in government-wide and proprietary fund financial statements. A liability for compensated absences is recorded in the governmental funds only if the liability has matured because of employee resignations or retirements.

The liability also includes amounts for leave that has been used for time off but has not yet been paid in cash or settled through noncash means and certain other types of leave. This liability is recorded in government-wide, governmental fund and proprietary fund financials statements within salaries and wages payable.

The liabilities for compensated absences include salary-related benefits, where applicable.

a. Vacation Leave

The City’s general employees earn vacation pay in varying amounts and can accumulate vacation pay based on length of service. Sworn officers earn both vacation pay and sick pay based on length of service and employment date.

b. - Sick Leave

All general employees earn sick pay at the same rate regardless of the length of service. Sworn officers earn both vacation pay and sick pay based on length of service and employment date.

Earning rates for vacation pay and sick pay and maximum vacation accumulation hours are as follows:

	Vacation Pay Bi-weekly Earning Rate Min-Max Hours	Sick Pay Bi-weekly Earning Rate Hours	Maximum Vacation Accumulation Hours
General Employees	3.7 - 7.4	3.7	192.0 - 384.0
Sworn Shift Employees	5.2 - 11.1	5.2 - 7.4	268.0 - 576.0

Maximum vacation accumulated hours is payable at the date of separation. Employees leaving City employment are paid all accumulated unused vacation pay up to the maximum limit. The unused balance of sick leave is not paid at the date of separation.

The current portions of the Governmental Activities' compensated absences liabilities are recorded as accrued liabilities when they are expected to be liquidated within the next year. The current and noncurrent portions are recorded in the Government-Wide financial statements. The amount of vacation recognized as expense is the amount earned during the year. Compensated absences are reported in the Governmental Funds only if they have matured, for example, as a result of employee resignations and retirements.

K. Judgment and Claims

The City is self-insured with respect to risks including, but not limited to, property damage and personal injury. The City is self-insured with respect to payments for workers’ compensation, general liability, automobile liability, public officials or police professional liability claims. The City also carries commercial insurance in a number of smaller more defined risk areas such as employees’ faithful performance, money and securities, unmanned aerial vehicles, cyber insurance and medical professional liability. In the fund financial statements, expenditures for judgments and claims, including estimates of claims that have been incurred but not reported, are recorded in the Risk Management agency within the

CITY OF RICHMOND, VIRGINIA
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Internal Services Fund. The City is self-insured with respect to payments for health care and is reported in the Health Self-Insurance Internal Service Fund (ISF).

L. Deferred Outflows and Inflows of Resources

In addition to assets, the Balance Sheet and Statement of Net Position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and, therefore, will not be recognized as an outflow of resources (expense/expenditure) until then. The City has deferred outflows of resources related to pensions and OPEB related activities and the unamortized losses on refunding of debt, resulting from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the Balance Sheet and Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and, therefore, will not be recognized as an inflow of resources (revenues) until that time. The City has deferred inflows of resources related to unavailable revenues, pensions, prepaid taxes, and others reported under the modified accrual basis of accounting in the Governmental Funds' Balance Sheet. The Governmental Funds report unavailable revenues from property taxes, from federal and state governments, and other sources as appropriate. These amounts are deferred and recognized as revenues in the period the amounts become available or earned.

M. Restricted Assets

In accordance with applicable covenants of certain Enterprise Fund bond issues, cash and other assets have been appropriately restricted. Cash has also been restricted to the extent of customers' deposits, unexpended bond proceeds or by grantor's requirements. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first and then unrestricted resources, as they are needed.

N. Categories of Fund Balance

GAAP establishes the categories state and local governments must use to categorize fund balance, as follows:

Nonspendable – Amounts that cannot be spent due to either their physical form or as a result of a legal or contractual obligation (such as inventory or the corpus of an endowment fund).

Restricted – Amounts constrained to specific purposes by either a third party (such as grantors, bondholders, or creditors) or by law through constitutional provisions or enabling legislation.

Committed – Amounts constrained to specific purposes by formal action (adoption of an ordinance) by the government's highest level of decision-making authority (City Council). Committed amounts do not lapse nor can they be used for any other purpose unless the government takes the same level of action (adoption of another ordinance) to remove or change the constraint.

City Council, through Ordinance No. 2010-181-163 adopted September 27, 2010, created a new reservation of fund balance called the Revenue Stabilization Fund for the purpose of helping the City manage through the immediate effects of economic factors including, but not limited to, revenue reductions and unanticipated cuts in state funding, and to set aside \$2 million in Fiscal Year 2010 as a reservation of fund balance. During 2012, City Council adopted Resolution No. 2012-R41-69, which amended the policy. To state, "The Mayor will prepare and administer General Fund budgets such that funding will be budgeted annually for a Revenue Stabilization and Contingency Fund (the "RSCF") until the RSCF reaches a minimum of \$10,000,000. On December 11, 2017, the City Council further strengthened this policy by adopting Ordinance No. 2017-215 which sets the target balance of the Committed RSCF to 3.0 percent of budgeted General Fund expenditures. Accordingly, an appropriation from the RSCF cannot be proposed unless; (a) projected general fund revenue reflects a 0.5 percent or greater decrease from current year's authorized budget due to a catastrophic, unforeseen or unavoidable event or (b) expenses increase by 0.5 percent or greater over the current year's authorization due to a catastrophic, unforeseen or unavoidable event. These events must be quantifiable and distinguishable from other events that may occur during the normal course of government operations. If funds are withdrawn from the RSCF, a plan must be put in place within 60 days to replenish

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the fund to the required minimum level. The City shall dedicate up to one half of any year end surplus or other one time revenue toward reaching the targeted goal.

Assigned – Amounts constrained by the City's expressed intent to use resources for specific purposes. Intent can be expressed by the governing body or by an official or body to which the governing body has delegated the authority. Resolution No. 2011-65-69 and Chapter 8 of the City Charter provided that the Director of Finance is in charge of the financial affairs of the City, and to that end, he/she shall have authority and shall be responsible for the management of City finances in a professionally accountable and responsible manner. In order for assigned funds to be expended for the assigned purpose, an ordinance would need to be adopted by City Council. Assigned funds lapse at the end of the fiscal year in which they were assigned. With the exception of the General Fund, this is the residual fund balance of the classification of all Governmental Funds with positive balances.

Unassigned – Amounts that are available for any purpose. These amounts are reported only in the General Fund, although unassigned fund balance may be expressed as a negative amount in the other governmental funds.

As required by GAAP, the City has adopted a spending policy indicating that when multiple categories of fund resources are available, they will be expended in a specific order beginning first with restricted resources and continuing in a descending order using unassigned resources last. On December 11, 2017, City Council adopted Ordinance No. 2017-215, which amended the fund balance policy, to further increase the required level of unassigned fund balance from 10.00 percent to 13.67 percent of budgeted General Fund expenditures.

O. Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net position is comprised of three components:

Net Investment in Capital Assets – Consists of the historical cost of capital assets net of any accumulated depreciation and outstanding debt which was used to finance those assets.

Restricted – Consists of assets where limitations are imposed on their use through enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, or the laws and regulations of other governments.

Unrestricted – Net position not reported as net investment in capital assets or restricted assets.

P. Internal and Intra-entity Activity

In the process of aggregating data for the Statement of Net Position and the Statement of Activities, some amounts reported as interfund activity and balances in the funds have been eliminated or reclassified. Eliminations are made in the Statement of Net Position to minimize the *grossing-up* effect on assets and liabilities within the governmental and business-type activities columns of the Primary Government. Amounts reported in the funds as interfund receivables and payables are eliminated in the governmental and business-type activities columns of the government-wide financial statements, except for net residual amounts due between governmental and business type activities, which are presented as internal balances. Also, eliminations are made in the Statement of Activities to remove the *doubling-up* effect of Internal Service Fund activity.

Payments from a fund receiving revenue to a fund through which the revenue is to be expended are reported as operating transfers. Such payments include transfers for debt service and capital construction. In the Government-Wide financial statements, resource flows between the Primary Government and the Discretely presented Component Units are reported as if they were external transactions.

Q. Advances to Other Funds

Movement of money representing a loan extending beyond one year are recorded as advances to other funds.

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R. Estimates and Assumptions

A number of estimates and assumptions relating to the reporting of revenues, expenditures, assets, liabilities, and the disclosure of contingent liabilities were used to prepare these basic financial statements in conformity with GAAP. Actual results could differ from those estimates.

S. Identification of Major Revenue Sources Susceptible to Accrual

In the Governmental Funds, property taxes, sales taxes, franchise taxes, licenses, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when the City receives cash.

T. Permanent Funds

Principal portion of permanent funds are reported as nonspendable while the net revenue of Permanent Funds is available for expenditure. Authorization for spending the investment income is derived from the specifications as prescribed by the donor.

U. Unearned Revenues

Unearned revenue represents a liability related to amounts received but not yet earned or an asset for which an enforceable lien is in place but the tax has not been received. At the government-wide level, unearned revenue is primarily comprised of money received from federal and/or state grants in advance of services to be provided. At the fund level, unearned revenue is primarily comprised of taxes with an enforceable lien but not available, prepaid taxes and money received from federal and/or state grants in advance of services to be provided.

V. Leases

The City, acting as a lessor, leases various assets throughout the city. These leases are recorded at the present value of future payments to be received over the term of the lease, plus certain initial payments received at the initiation of the lease. The amount of future lease payments to be received is recognized in the deferred inflow section of the Statement of Net Position and amortized using the straight-line method over the term of the lease.

W. Pollution Remediation

Pollution remediation obligations related to pollution remediation are recognized by The City as a liability once the City knows or reasonably believes that a site is polluted and commences cleanup activities, or legally obligates itself by entering into a contract to assess and commence work for cleanup services such as asbestos and lead abatement and storm sewer management. A liability for pollution remediation is recorded in the government-wide statement of net position.

X. Adoption of New Accounting Pronouncements

During the year ended June 30, 2025, the City implemented the provisions of the following GASB statements:

In June 2022, **GASB Statement No. 101 - Compensated Absences** was issued. This pronouncement better meets the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. This is achieved by aligning the recognition and measurement guidance under a unified model and amending certain previously required disclosures. The adoption of this statements did not result in a significant impact to the City.

In June 2023, **GASB Statement No. 102 - Certain Risk Disclosures** was issued. This pronouncement provides users of government financial statements with essential information about risks related to a governments vulnerabilities due to certain concentrations or constraints. The adoption of this statement did not have a significant effect on the City.

CITY OF RICHMOND, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

Y. Future Accounting Pronouncements

In April 2024, **GASB Statement No. 103 - Financial Reporting Model Improvements** was issued. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. The key components include Management's Discussion and Analysis, Unusual or Infrequent Items, Presentation of the Propriety Fund Statement of Revenue, Expense, and Change in Fund Net Position, Major Component Unit Information, and Budgetary Comparison Information. The City will implement this statement in fiscal year 2026.

In September 2024 **GASB Statement No. 104 - Disclosure of Certain Capital Assets** was issued. The objective of this Statement is to provide users of governmental financial statements with essential information about certain types of capital assets. This statement requires certain types of capital assets to be disclosed separately in the capital asset note disclosure required by GASB Statement No. 34. It also requires additional disclosures for capital assets held for sale. The City will implement this statement in fiscal year 2026.

In December 2025 **GASB Statement No. 105 - Subsequent Events** was issued. The objective of this Statement is to improve the financial reporting requirements for subsequent events and enhancing consistency in their application by clarifying the subsequent events that constitute recognized and nonrecognized subsequent events. The City will implement this statement in fiscal year 2027.

2. REAL AND PERSONAL PROPERTY TAXES

Real and personal property taxes are levied on a calendar year basis on January 1, the assessment date, with an assessed value as of that date. Real property taxes become a lien on the property as of assessment. Personal property tax on motor vehicles acquiring or losing situs (location where property is principally parked or garaged) throughout the year are prorated on a monthly basis. For partial months in situs, assessments, abatement, and refunds are rounded to the nearest full month.

Personal property taxes may be paid without penalty and interest on or before June 5 or 60 days from the date the vehicle acquired situs in Richmond. Effective January 1, 2011, real estate taxes are billed on a semi-annual basis. These taxes may be paid without penalty and interest on or before January 14 and June 14. Penalty for late payment is 10 percent or \$10, whichever is greater not to exceed the full amount of the tax. In 2024, the interest rate for unpaid taxes was 10 percent.

The City bills and collects its own property taxes. Delinquent property taxes may be sent to collection services. Property taxes levied January 1, 2025, are intended to finance operations of the fiscal year ended June 30, 2025. The real estate taxes assessed and due on January 14, 2025, and June 14, 2025, are intended to finance operations of the fiscal year ended June 30, 2025.

3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

A. Cash and Cash Equivalents – Primary Government

At June 30, 2025, cash and cash equivalents, which include cash on hand, demand deposit accounts, savings accounts, time certificates of deposits, petty cash and liquid money market funds totaled approximately \$94,977,136. The City's deposits were covered by federal depository insurance or insured in accordance with provisions of the Virginia Security for Public Deposit Act (The Act). This Act requires financial institutions holding public deposits in excess of amounts covered by federal insurance to pledge collateral in the amount of 50 percent of excess deposits, while savings and loans are required to collateralize 100 percent of excess deposits. The State Treasury Board can assess additional collateral from participating financial institutions to cover collateral shortfalls in the event of default and is responsible for monitoring compliance with the collateralization and reporting requirements of the Act and for notifying local governments of compliance by financial institutions. All funds, unless otherwise classified as restricted, are deposited into pooled bank accounts; the major account defined as the General Fund concentration account. As disbursements are made from the payroll, budget and social services bank accounts, funds from the general fund concentration account are automatically transferred to those bank accounts to cover those disbursements on a daily basis. All cash classified as restricted are related to grantor or debtor requirements.

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All cash of the City is maintained in accounts collateralize in accordance with the Virginia Security for Public Deposits Act (The Act), Section 2.2-4400 et. Seq. of the Code of Virginia or covered by Federal Depository Insurance Corporation (FDIC). Under the Act, banks holding public deposits in excess of the amounts insured by the FDIC must pledge collateral of 50 percent of the excess deposits to a collateral pool in the name of the State Treasury Board. Savings and loan institutions are required to collateralize 100 percent of deposits in excess of the FDIC limits and are considered insured

B. Investments

Investment Policy:

City policy is consistent with the statutes of the Commonwealth of Virginia governing investment, wherein permissible investments include obligations of the Commonwealth, the United States, its agencies and instrumentality's, time certificates of deposit, bankers' acceptances, repurchase agreements, demand notes, commercial paper, the State Treasurer's Local Government Investments Pool (The Virginia LGIP), and the State Non-Arbitrage Program (SNAP). As of June 30, 2025, most non-RRS investments were in either LGIP, or SNAP, which were both rated AAA, and the length of the investments for both programs was less than 90 days.

As of June 30, 2025, any non-RRS investments not held in LGIP or SNAP, were held in the name of the City, in safekeeping by a third -party custodian in compliance with Section 2.2-4515 of the Code of Virginia.

The City maintains a pooled cash and investment portfolio for the purpose of maximizing investment earnings. The pool is managed by the City's finance department in accordance with the City's Investment Policy Statement and applicable state statutes. The General Fund holds legal title to the pooled investments. Other funds, including the Enterprise Fund, participate in the pool through interfund receivable and payables balances. Funds participating in the pooled investment portfolio have their share of investment earnings and unrealized gains and losses allocated based on their relative participation in the pool. Cash and investments are recorded at fair value. Investment earnings, including interest, dividends, and changes in fair value are recognized in the period earned and allocated to participating funds on a consistent and systematic basis.

On July 30, 2024, the City issued \$129,725,000 of General Obligation Public Improvement Bonds (Tax-Exempt), Series 2024C, dated July 30, 2024. During the fiscal year ended June 30, 2025, the City invested the long term portion of these bond proceeds, in accordance with bond covenants, applicable laws, and the City's Investment Policy Statement. The long term portion of bond proceeds invested are held in the name of the City, with the third party custodian, with maturities aligned with expected cash needs for project expenditures and debt service obligations. These investments are classified as restricted assets on the statement of net position because their use is legally restricted for the specified purposes above.

A summary of deposits and investments held by the Government-Wide at June 30, 2025, is as follows:

	<u>Government-Wide</u>
Cash & cash equivalents	\$ 94,977,136
Investments	
LGIP	468,165,922
Trusts	19,709,476
Fixed income securities	\$ 239,664,258
Total cash, cash equivalents, and investments	<u>\$ 822,516,792</u>

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Reconciliation of Cash Schedule to Statements of Net Position:

	Government-Wide	Fiduciary Funds Statement of Net Position			Total
	Statement of Net Position	Pension and Other Employee Benefit Trust	Social Welfare Private Purpose Trust	Custodial Funds	
Cash, cash equivalents, LGIP, Trusts	\$ 527,596,038	\$ 4,274,609	\$ 2,746,113	\$ 25,194,334	\$ 559,811,094
Investments- Unrestricted	231,240,594	909,241,187	-	-	1,140,481,781
Restricted assets	63,680,160	-	-	8,423,663	72,103,823
Total	<u>\$ 822,516,792</u>	<u>\$ 913,515,796</u>	<u>\$ 2,746,113</u>	<u>\$ 33,617,997</u>	<u>\$ 1,772,396,698</u>

Additionally, the City is authorized to place investments of the Richmond Retirement System (RRS) in common stocks, corporate debt securities, U.S. Government and Agency Securities, international stocks and bonds, money market, and mutual funds. At no time, shall more than 35 percent of the portfolio be invested in commercial paper. No more than 5 percent of the portfolio shall be invested in the commercial paper of a single entity.

Custodial Credit Risk for Deposits:

At June 30, 2025, the City did not have any deposits that were not covered by depository insurance or collateralized under the Virginia Security for Public Deposits Act. The City's Investment Policy limits investments to securities with high credit quality.

Custodial Credit Risk for Investments:

Custodial credit risk is the risk that, in the event of failure by a counter party, the City will not be able to recover the value of its investments or collateralized securities held in custody by an outside party. The City's investment policy requires that all securities be clearly held in the name of the City and held in safekeeping by a third-party in compliance with Section 2.2-4515 of the Code of Virginia. As of June 30, 2025, the City holds its investment securities in external investment pools, and in safekeeping by a third party, and thus has no custodial credit risk.

The City's Investment Policy Statement requires minimizing credit risk and interest rate risk. Credit risk is mitigated by investing primarily in high rated securities. Interest rate risk is mitigated by matching investment maturities with cash flow needs.

Certain investment held by the entity may be classified as non-rated or may have their ratings withdrawn by credit rating agencies, as noted above in the chart. It is important to understand that these classifications do not indicate that the investments are of poor credit quality or present undue risk.

Non-rated investment may include securities issued by entities that do not seek ratings due to their strong market reputation, limited issuance size, or other strategic reasons. These investments are often subject to rigorous internal credit analysis and oversight.

Withdrawn ratings typically occur when a rating agency no longer maintains coverage of a particular security or issuer, not due to the deterioration in creditworthiness. The City's Investment Policy includes due diligence and risk management practices to ensure that all investments, regardless of rating status, meet the safety, liquidity and return objectives appropriate for public funds.

As of June 30, 2025, the non-RRS investments held in the name of the City, in safekeeping by a third party custodian were rated as follows, in accordance with the City's Investment Policy Statement:

	Fair Value	A1	Aa1	Aa2	Aaa	Not Rated	WTHDRWN
Corporate bonds	\$ 17,125,639	\$ 4,188,794	\$ 2,924,280	\$ -	\$ 7,020,525	\$ 3,062,040	\$ -
Government agency	176,640,145	-	152,735,543	-	8,008,440	13,384,863	13,674,671
Municipal bonds	37,474,810	-	8,513,286	16,904,740	1,899,400	5,045,750	-
Total	<u>\$ 231,240,594</u>	<u>\$ 4,188,794</u>	<u>\$ 164,173,109</u>	<u>\$ 16,904,740</u>	<u>\$ 16,928,365</u>	<u>\$ 21,492,653</u>	<u>\$ 13,674,671</u>
	<u>100.00%</u>	<u>2%</u>	<u>72%</u>	<u>7%</u>	<u>7%</u>	<u>9%</u>	<u>6%</u>

CITY OF RICHMOND, VIRGINIA
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Concentration Risk:

As of June 30, 2025, the City does not have concentration of credit risk, as no investments were with any one issuer representing more than 5 percent of total investments.

Foreign Currency Risk

The risk that changes in exchange rates will adversely affect investment values. The City's Investment Pool does not invest in foreign currency denominated investments.

Interest Rate Risk:

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City's investment policy statement states that the City shall minimize the risk that the market value of securities in the portfolio will fall due to changes in general interest rates by limiting the maximum maturity of the overall portfolio to five years.

The City mitigates this risk by structuring the portfolio to meet anticipated liquidity needs.

As of June 30, 2025, the weighted average maturity of the non-RRS fixed income portfolio is three years. The RRS investment policy statement outlines specific maturities for RRS investments.

The RRS does not have a specific investment policy governing interest rate risk.

As of June 30, 2025, the non-RRS fixed income investments held in the name of the City, in safe-keeping by a third party custodian, were as follows:

Asset Class	Less Than 1 Year	1-2 Years	3-5 Years	More Than 5 Years	Total Fair Value
Gov't Agency	\$ 47,172,524	\$ 40,725,887	\$ 88,328,837	\$ 8,836,559	\$ 185,063,807
Municipal	-	-	-	-	-
Bonds	-	11,941,530	25,533,281	-	37,474,811
Corporate	-	-	-	-	-
Bonds	-	3,949,440	13,176,199	-	17,125,639
	<u>\$ 47,172,524</u>	<u>\$ 56,616,857</u>	<u>\$ 127,038,317</u>	<u>\$ 8,836,559</u>	<u>\$ 239,664,257</u>

The City and Richmond Retirement System (RRS) categorizes the fair value measurements of its assets within the fair value hierarchy.

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The following table shows the City and RRS fair value measurements as of June 30, 2025.

Investments Measured at Fair Value

	Fair Value at June 30, 2025	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
U.S. Equities				
Consumer Spending	\$ 12,289,388	\$ 12,289,388	\$ -	\$ -
Energy and Industrials	16,321,324	16,321,324	-	-
Information Technology	7,797,741	7,797,741	-	-
Financials	17,669,295	17,669,295	-	-
Healthcare	10,670,390	10,670,390	-	-
Other	6,102,820	6,102,820	-	-
Total U.S Equities	<u>70,850,958</u>	<u>70,850,958</u>	<u>-</u>	<u>-</u>
International Equities	80,437,102	-	-	80,437,102
US Fixed Income				
Government & Agency Bonds	222,538,619	222,538,619	-	-
Corporate Bonds	17,125,639	17,125,639	-	-
Real Estate	16,102,683	-	-	16,102,683
Diversifying Assets	32,006,571	-	-	32,006,571
Private Debt	56,552,382	-	-	56,552,382
Private Equity	79,791,628	-	-	79,791,628
Total US Fixed Income	<u>424,117,522</u>	<u>239,664,258</u>	<u>-</u>	<u>184,453,264</u>
Total Investments Measured at Fair Value	<u>\$ 575,405,582</u>	<u>\$ 310,515,216</u>	<u>\$ -</u>	<u>\$ 264,890,366</u>

	Fair Value	Unfunded Commitments	Redemption Frequency	Required Redemption Notice
Investments Measured at Net Asset Value (NAV)				
Investment Pool (OPEB)	12,249,658	\$ -	Daily	0 - 5 days
US Equity Funds	129,283,935	-	Daily	0 - 5 days
International Equities	81,875,115	-	Daily	1 - 30 days
Global Fixed Income	280,694,161	-	Daily	1 - 10 days
Real Estate Investment Trusts and Funds	41,774,314	-	Daily, Quarterly	7 - 45 days
Diversifying Assets	27,622,679	-	Daily, Quarterly	1 - 95 days
Total Investments Measured at Net Asset Value (NAV)	<u>\$ 573,499,862</u>			
Total Investments at Fair Value	<u>\$ 1,148,905,444</u>			

Level 1 investments are valued at active market quoted prices.

Level 2 fixed income investments are valued using a pricing model that utilizes observed market inputs in determining the fair value as well as matrix yield curves.

Level 3 investments are valued by market assumptions that are based on unobservable inputs.

1. U.S. Equities — Shares held in common stock and mutual funds are classified in Level 1 of the fair value hierarchy and valued using price quotes on active markets for those securities. Units held in commingled funds are valued using the NAV practical expedient of the commingled fund as reported by the investment managers. The NAV practical expedient is based on the fair value of the underlying assets owned by the fund minus its liabilities and then divided by the number of units outstanding.

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2. International Equities — International Equities include units in commingled funds that hold investments in securities of international issuers and emerging markets. Units held in these funds are valued using the NAV practical expedient as reported by the investment managers.

3. U.S. Fixed Income — Domestic fixed-income securities include investments in corporate bonds, U.S. Treasury obligations, mortgage-backed securities issued by federal agencies and collateralized mortgage obligations, and mutual funds with underlying investments in fixed-income securities. Investments in corporate bonds, mutual funds, and U.S. Treasury obligations are classified in Level 1 of the fair value hierarchy and valued using prices quoted on active markets for those securities.

Investments in mortgage-backed securities and other fixed-income investments are valued using pricing models maximizing the use of observable inputs for similar securities which includes basing value on yields currently available on comparable securities of issuers with similar credit ratings and are classified in Level 2 of the fair value hierarchy.

4. Global Fixed Income — Global Fixed Income securities include mutual funds invested in fixed-income securities of international issuers, mutual funds and commingled trusts invested in global fixed income securities. Investment managers have the ability to invest in a variety of industry spaces, such as government and corporate bonds, and across a multitude of countries, both developed and emerging markets. Investments in corporate bonds and mutual funds are classified in Level 1 of the fair value hierarchy and valued using prices quoted on active markets for those securities. Units held in commingled funds are valued using the NAV practical expedient of the commingled fund as reported by the investment managers.

5. Real Estate Investment Trusts and Funds — This category includes investments in real estate investment trusts (REITs) and real estate funds that invest in residential, office, retail, and industrial real estate or debt related to real estate acquisitions. Investments in REITs are classified in Level 1 of the fair value hierarchy and valued using prices quoted on active markets for those securities. Units held in real estate funds are valued using the NAV practical expedient of the commingled fund as reported by the investment managers. Real estate funds that are not valued at NAV practical expedient include significant unobservable inputs and are classified in Level 3 of the fair value hierarchy.

6. Diversifying Assets — This category consists of investments in fund of funds-of-funds and direct investments. Investment managers in the fund-of-funds category have the ability to invest in underlying managers that focus on a variety of different strategies such as long/short, event-driven, leveraging, and other derivative instruments. The RRS's direct fund managers focus on a global macro approach. Units held in investments valued using the NAV practical expedient are excluded from the fair value hierarchy and reported at the NAV provided by the investment managers. Investments in limited partnerships that are not valued at NAV are classified in Level 3 of the fair value hierarchy.

7. Private Debt and Private Equity — Private debt includes investments in limited partnerships and portfolios focused on direct, distressed or mezzanine lending as governed by their respective investment agreements. Private equity includes limited partnerships and portfolios focused on small buyouts, secondary acquisitions, distressed companies, or sector focused investments. Investments in private debt and private equity represent partnership interests and capital investments and are valued as limited partnership ownership interests based on investment statements and other information provided by each investment manager. Investments in private debt are classified in Level 3 of the fair value hierarchy and private equity is classified in Level 3 with the exception of one fund classified as NAV practicable expedient.

Participation in External Investment Pools

The City of Richmond has invested bond proceeds subject to rebate of arbitrage earnings in the Virginia State Non-Arbitrage Program ("SNAP"). SNAP is designed to assist local governments in complying with the arbitrage rebate requirements of the Tax Reform Act of 1986. These programs provide comprehensive investment management, accounting and arbitrage rebate calculation services for proceeds of general obligation and revenue tax-exempt bond financing of Virginia cities, counties and towns. As of June 30, 2025, the City had \$10,079,161 in the SNAP short-term investment. SNAP is administered by the Commonwealth of Virginia Treasury Board. The Board is committed to

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managing certain risk limiting provisions to maintain a stable net asset value (NAV) at \$1.00 per share, which is determined at the close of each business day. The goal of maintaining NAV is facilitated as follows:

- a) SNAP is rated 'AAAm' by Standard & Poor's and managed in a manner to comply with their 'AAAm' rating requirements.
- b) The portfolio securities are valued by the amortized cost method, and on a daily basis this valuation is compared to the current market to monitor any variance.
- c) Investments are limited to short-term, high-quality credits that can be readily converted into cash with limited price variation.

The City is a participant in the Local Government Investment Pool (LGIP) which is administered by the Commonwealth of Virginia Department of Treasury. As of June 30, 2025, the City had \$468,165,922 in LGIP short-term investments. The Commonwealth's Department of Treasury is committed to managing certain risk limiting provisions to maintain a stable net asset value (NAV) at \$1.00 per share, which is determined at the close of each business day. The goal of maintaining NAV is facilitated as follows:

- a) The LGIP is rated 'AAAm' by Standard & Poor's and managed in a manner to comply with their 'AAAm' rating requirements.
- b) The portfolio securities are valued using the amortized cost method, and on a weekly basis this valuation is compared to the current market to monitor any variance.
- c) Investments are limited to short-term, high-quality credits that can be readily converted into cash with limited price variation.

Healthcare OPEB Trust Plan Investment

The City has invested funds with the Virginia Pooled OPEB Trust Fund (the "OPEB Trust Fund"), which was established to assist Virginia local governments in funding their future OPEB healthcare liabilities. The OPEB Trust Fund was established by the Virginia Association of Counties and the Virginia Municipal League and is an Internal Revenue Code, Section 115, governmental trust, offered to local governments to help defray future healthcare related expenses. The OPEB Trust Fund held total pooled investments of Virginia local governments, which makes it one of the largest pooled OPEB trust in the United States.

The primary benefits of participation in the trust include access to institutional investment fund managers offered through two diversified portfolios, the guidance of an investment consultant, economies of scale through pooling, and administrative services. Participants hold individual trust accounts wherein they can monitor the performance of their investments. As of June 30, 2025, the City of Richmond's investments in the OPEB Trust Fund had a market value of \$12,249,659. The OPEB Trust Fund issues a separate audited financial report which may be obtained by visiting the website: valocalfinance.org/opeb/ or by contacting the VML/VACo Finance, 8 East Canal Street, Suite 100, Richmond, VA 23219.

4. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The City reports inter-fund balances among many of its funds, as follows:

		Due From										
		General	Non Major Governmental	Non Major Proprietary	Gas	Water	Wastewater	Stormwater	Internal Service	Total		
Due To	General	\$ -	\$ 589,981	\$ 2,692,112	\$ -	\$ 108,424	\$ 180,265	\$ -	\$ 4,629,100	\$ 8,199,882		
	Gas	-	-	-	-	-	-	-	2,338,715	2,338,715		
	Water	572,610	-	-	-	-	-	-	4,969,767	5,542,377		
	Wastewater	974,982	-	-	10,991,671	-	-	7,411,950	-	19,378,603		
	Non-Major Governmental	3,804,791	-	-	-	-	-	-	-	3,804,791		
	Internal Svc	27,441,832	-	-	-	-	-	-	-	27,441,832		
	Total	\$ 32,794,215	\$ 589,981	\$ 2,692,112	\$ 10,991,671	\$ 108,424	\$ 180,265	\$ 7,411,950	\$ 11,937,582	\$ 66,706,200		

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The balances resulted from the time lag between the dates that inter-fund goods and services are provided or reimbursable expenditures occur and payments among funds are made. The City reports inter-fund transfers among many of its funds. Inter-fund transfers for the year ended June 30, 2024, consisted of the following:

Transfers are used to 1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, 2) move receipts restricted to debt service from the funds collecting the receipts to the Debt Service Fund as debt service payments become due or 3) to use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

The City reports inter-fund transfers among many of its funds. Inter-fund transfers for the year ended June 30, 2024, consisted of the following:

	Transfer From							Total
	General Fund	Debt Service	Cap Projects	Gas	Water	Wastewater	Non Major Governmental	
General Fund	\$ -	\$ -	\$ -	\$ 1,542,928	\$ 3,744,805	\$ 6,274,530	\$ 55	\$ 11,562,318
Debt Service	86,933,260	-	-	-	-	-	965,773	87,899,033
Capital Projects	40,768,011	132,851,652	-	-	-	-	-	173,619,663
Non-Major Governmental	13,822,775	-	-	-	-	-	456,050	14,278,825
Internal Service *	27,441,832	-	-	-	-	-	-	27,441,832
EDA - Component Unit	-	-	55,036,193	-	-	-	-	55,036,193
Total	\$ 168,965,878	\$ 132,851,652	\$ 55,036,193	\$ 1,542,928	\$ 3,744,805	\$ 6,274,530	\$ 1,421,878	\$ 369,837,864

* The \$27,441,832 transferred from the General Fund to the Internal Service Fund is part of the Capital Contribution shown on Exhibit E-2.

5. DUE FROM OTHER GOVERNMENTS

Amounts due from other governments at June 30, 2025 are as follows:

Primary Government	Federal	State	Other Localities	Total
General Fund	\$ -	\$ 96,694	\$ -	\$ 96,694
Capital Projects Fund	3,723,157	99,984	-	3,823,141
Non-Major Governmental Funds	3,990,704	61,234	-	4,051,938
Gas Fund	74,798	-	-	74,798
Water Fund	-	545,066	12,822,112	13,367,178
Wastewater Fund	16,929,273	-	551,222	17,480,495
Stormwater Fund	-	1,595,882	-	1,595,882
	\$ 24,717,932	\$ 2,398,860	\$ 13,373,334	\$ 40,490,126

**CITY OF RICHMOND, VIRGINIA
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6. CAPITAL ASSETS

Primary Government – Governmental Activities

	Balance July 1, 2024	Additions	Deletions	Transfers	Balance June 30, 2025
Capital Assets, Not Being Depreciated:					
Land and Land Improvements	\$ 107,745,307	\$ -	\$ -	\$ 2,022,012	\$ 109,767,319
Construction in Progress	236,434,945	256,864,120	232,751	(41,739,958)	451,326,356
Works of Art/Historical Treasures	8,101,380	-	-	150,000	8,251,380
Total Capital Assets, not being depreciated	<u>352,281,632</u>	<u>256,864,120</u>	<u>232,751</u>	<u>(39,567,946)</u>	<u>569,345,055</u>
Capital Assets, Being Depreciated/Amortized					
Infrastructure	1,129,756,014	-	-	23,837,615	1,153,593,629
Building and Structures	1,117,399,452	113,307	-	6,279,993	1,123,792,752
Right of Use Assets/SBITA Assets	40,669,598	2,066,009	691,720	-	42,043,887
Equipment	166,699,861	2,485,894	1,141,450	8,221,931	176,266,236
Improvements Other Than Buildings	35,111,256	7,847	-	1,228,407	36,347,510
Total Capital Assets, being depreciated/amortized	<u>2,489,636,181</u>	<u>4,673,057</u>	<u>1,833,170</u>	<u>39,567,946</u>	<u>2,532,044,014</u>
Less Accumulated Depreciation/Amortized For:					
Infrastructure	732,137,382	27,244,113	-	-	759,381,495
Building and Structures	501,625,279	23,727,931	-	-	525,353,210
Right of Use Assets /SBITA Assets	9,894,263	5,370,712	28,822	-	15,236,153
Equipment	122,887,863	10,497,247	1,140,710	-	132,244,400
Improvements Other Than Buildings	20,103,587	1,403,552	-	-	21,507,139
Total Accumulated Depreciation/Amortized	<u>1,386,648,374</u>	<u>68,243,555</u>	<u>1,169,532</u>	<u>-</u>	<u>1,453,722,397</u>
Total Capital Assets, Being Depreciated, Net	<u>1,102,987,807</u>	<u>(63,570,498)</u>	<u>663,638</u>	<u>39,567,946</u>	<u>1,078,321,617</u>
Governmental Activities, Capital Assets, Net	<u>\$ 1,455,269,439</u>	<u>\$ 193,293,622</u>	<u>\$ 896,389</u>	<u>\$ -</u>	<u>\$ 1,647,666,672</u>

Depreciation was charged to functions as follows:

General Government	\$ 25,450,896
Public Safety and Judiciary	1,928,034
Highways, Streets, Sanitation, and Refuse	32,652,587
Human Services	61,653
Culture and Recreation	2,734,313
Educational	2,013,660
Subtotal	<u>64,841,143</u>
Allocation Related to Internal Service Funds excluding stores	3,402,412
Total	<u>\$ 68,243,555</u>

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Primary Government – Business-Type Activities

	Balance July 1, 2024	Additions	Deletions	Transfers	Balance June 30, 2025
Gas Utility					
Capital Assets, Not Being Depreciated:					
Land	\$ 219,200	\$ -	\$ -	\$ -	\$ 219,200
Construction in Progress	5,078,009	44,856,698	31,844,036	-	18,090,671
Total Capital Assets, not being depreciated	<u>5,297,209</u>	<u>44,856,698</u>	<u>31,844,036</u>	<u>-</u>	<u>18,309,871</u>
Capital Assets, Being Depreciated					
Plant-in-service	806,269,540	31,844,036	3,772,336	(135)	834,341,105
Total Capital Assets, being depreciated	<u>806,269,540</u>	<u>31,844,036</u>	<u>3,772,336</u>	<u>(135)</u>	<u>834,341,105</u>
Less Accumulated Depreciation For:					
Plant-in-service	388,478,637	26,040,955	3,695,211	-	410,824,381
Total Accumulated Depreciation	<u>388,478,637</u>	<u>26,040,955</u>	<u>3,695,211</u>	<u>-</u>	<u>410,824,381</u>
Total Capital Assets, Being Depreciated, Net	417,790,903	5,803,081	77,125	(135)	423,516,724
Gas Utility Capital Assets, Net	<u>\$ 423,088,112</u>	<u>\$ 50,659,779</u>	<u>\$ 31,921,161</u>	<u>\$ (135)</u>	<u>\$ 441,826,595</u>
Water Utility					
Capital Assets, Not Being Depreciated:					
Land	\$ 878,307	\$ -	\$ -	\$ -	\$ 878,307
Construction in Progress	12,359,397	69,027,209	67,419,534	-	13,967,072
Total Capital Assets, not being depreciated	<u>13,237,704</u>	<u>69,027,209</u>	<u>67,419,534</u>	<u>-</u>	<u>14,845,379</u>
Capital Assets, Being Depreciated					
Plant-in-service	751,126,653	67,419,534	4,884,754	69	813,661,502
Total Capital Assets, being depreciated	<u>751,126,653</u>	<u>67,419,534</u>	<u>4,884,754</u>	<u>69</u>	<u>813,661,502</u>
Less Accumulated Depreciation For:					
Plant-in-service	318,054,245	22,292,826	3,243,885	-	337,103,186
Total Accumulated Depreciation	<u>318,054,245</u>	<u>22,292,826</u>	<u>3,243,885</u>	<u>-</u>	<u>337,103,186</u>
Total Capital Assets, Being Depreciated, Net	433,072,408	45,126,708	1,640,869	69	476,558,316
Water Utility Capital Assets, Net	<u>\$ 446,310,112</u>	<u>\$ 114,153,917</u>	<u>\$ 69,060,403</u>	<u>\$ 69</u>	<u>\$ 491,403,695</u>
Wastewater Utility					
Capital Assets, Not Being Depreciated:					
Land	\$ 1,101,261	\$ -	\$ -	\$ -	\$ 1,101,261
Construction in Progress	102,917,769	103,105,051	23,243,540	-	182,779,280
Total Capital Assets, not being depreciated	<u>104,019,030</u>	<u>103,105,051</u>	<u>23,243,540</u>	<u>-</u>	<u>183,880,541</u>
Capital Assets, Being Depreciated					
Plant-in-service	941,888,583	23,243,540	2,131,718	66	963,000,471
Total Capital Assets Being Depreciated	<u>941,888,583</u>	<u>23,243,540</u>	<u>2,131,718</u>	<u>66</u>	<u>963,000,471</u>
Less Accumulated Depreciation For:					
Plant-in-service	449,296,986	24,766,353	2,099,863	-	471,963,476
Total Accumulated Depreciation	<u>449,296,986</u>	<u>24,766,353</u>	<u>2,099,863</u>	<u>-</u>	<u>471,963,476</u>
Total Capital Assets, Being Depreciated, Net	492,591,597	(1,522,813)	31,855	66	491,036,995
Wastewater Utility Capital Assets, Net	<u>\$ 596,610,627</u>	<u>\$ 101,582,238</u>	<u>\$ 23,275,395</u>	<u>\$ 66</u>	<u>\$ 674,917,536</u>

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	Balance July 1, 2024	Additions	Deletions	Transfers	Balance June 30, 2025
Stormwater Utility					
Capital Assets, Not Being Depreciated:					
Land and Land Improvements	\$ 14,985,624	\$ -	\$ -	\$ -	\$ 14,985,624
Construction in Progress	5,819,869	28,240,000	10,704,801	-	23,355,068
Total Capital Assets, not being depreciated	<u>20,805,493</u>	<u>28,240,000</u>	<u>10,704,801</u>	<u>-</u>	<u>38,340,692</u>
Capital Assets, Being Depreciated					
Plant-in-service	105,344,468	10,704,801	64,980	-	115,984,289
Total Capital Assets, being depreciated	<u>105,344,468</u>	<u>10,704,801</u>	<u>64,980</u>	<u>-</u>	<u>115,984,289</u>
Less Accumulated Depreciation For:					
Plant-in-service	16,887,800	3,223,116	63,509	-	20,047,407
Total Accumulated Depreciation	<u>16,887,800</u>	<u>3,223,116</u>	<u>63,509</u>	<u>-</u>	<u>20,047,407</u>
Total Capital Assets, Being Depreciated, Net	88,456,668	7,481,685	1,471	-	95,936,882
Storm water Utility Capital Assets, Net	<u>\$ 109,262,161</u>	<u>\$ 35,721,685</u>	<u>\$ 10,706,272</u>	<u>\$ -</u>	<u>\$ 134,277,574</u>
Other Business-Type Activity:					
Capital Assets, Not Being Depreciated:					
Land and Land Improvements	\$ 22,456,955	\$ -	\$ -	\$ -	\$ 22,456,955
Total Capital Assets, not being depreciated	<u>22,456,955</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,456,955</u>
Capital Assets, Being Depreciated/Amortized					
Buildings and Structures	36,131,729	98,840	-	-	36,230,569
Equipment and Other Capital Assets	3,818,791	-	-	-	3,818,791
Right of Use Land , Land Rights and SBITA Assets	16,162,750	148,267	-	-	16,311,017
Total Capital Assets, being depreciated/amortized	<u>56,113,270</u>	<u>247,107</u>	<u>-</u>	<u>-</u>	<u>56,360,377</u>
Less-Accumulated Depreciation/Amortization For:					
Buildings and Structures	17,126,263	954,664	39,833	-	18,041,094
Equipment and Other Capital Assets	2,955,976	104,102	-	-	3,099,911
Right of Use Land , Land Rights and SBITA Assets	976,880	417,947	-	-	1,394,827
Total Accumulated Depreciation/Amortization	<u>21,059,119</u>	<u>1,476,713</u>	<u>39,833</u>	<u>-</u>	<u>22,535,832</u>
Total Capital Assets, Being Depreciated/Amortized, Net	35,054,151	(1,229,606)	(39,833)	-	33,824,545
Other Business-Type Activity Capital Assets, Net	<u>\$ 57,511,106</u>	<u>\$ (1,229,606)</u>	<u>\$ (39,833)</u>	<u>\$ -</u>	<u>\$ 56,281,500</u>
Enterprise Funds Capital Assets, Net	<u>\$ 1,632,782,118</u>	<u>\$ 300,888,013</u>	<u>\$ 134,923,398</u>	<u>\$ -</u>	<u>\$ 1,798,706,900</u>
Internal Service Fund - Stores Utility, Net	<u>\$ 2,172,167</u>	<u>\$ (59,849)</u>	<u>\$ 2</u>	<u>\$ -</u>	<u>\$ 2,112,316</u>
Business-Type Activities, Capital Assets, Net	<u>\$ 1,634,954,285</u>	<u>\$ 300,828,164</u>	<u>\$ 134,923,400</u>	<u>\$ -</u>	<u>\$ 1,800,819,216</u>

7. OBLIGATIONS

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period, and accordingly, are not reported as fund liabilities in the governmental funds. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.

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The following is a summary of the changes in the City's long-term liabilities, including net pension and other post-employment benefits ("OPEB") liabilities for the fiscal year ending on June 30, 2025:

Primary Government – Governmental Activities

	Balance		Deletions	Balance	Not Due Within	Due Within
	July 1, 2024 Restated	As				
General Obligation Bonds	\$ 822,927,899	\$ 129,725,000	\$ 53,040,000	\$ 899,612,899	\$ 845,492,938	\$ 54,119,961
General Obligation Bond - Direct Borrowing	-	-	-	-	-	-
Total General Obligation Bonds	<u>822,927,899</u>	<u>129,725,000</u>	<u>53,040,000</u>	<u>899,612,899</u>	<u>845,492,938</u>	<u>54,119,961</u>
Line of Credit (BAN) - 2022A/B & 2023A/B	39,600,000	124,000,000	-	163,600,000	-	163,600,000
General Obligation Serial Equipment Notes	4,997,000	-	2,123,000	2,874,000	1,456,000	1,418,000
Total General Obligation Notes	<u>\$ 44,597,000</u>	<u>124,000,000</u>	<u>2,123,000</u>	<u>166,474,000</u>	<u>1,456,000</u>	<u>165,018,000</u>
HUD Section 108 Notes	7,715,000	-	725,000	6,990,000	6,250,000	740,000
Premium on Debt Issued	54,401,904	4,390,156	8,922,721	49,869,339	41,918,783	7,950,556
Total Obligations	<u>\$ 929,641,803</u>	<u>\$ 258,115,156</u>	<u>\$ 64,810,721</u>	<u>\$ 1,122,946,238</u>	<u>\$ 895,117,722</u>	<u>\$ 227,828,517</u>
Compensated Absences	26,061,703	(3,362,145)	-	22,699,558	15,001,478	7,698,080
Right of Use Liability	29,645,506	2,066,009	4,114,222	27,597,293	23,967,698	3,629,595
Net Other Post Employment Benefit Liability (Asset)	<u>\$ (1,413,040)</u>	<u>\$ 4,680,958</u>	<u>\$ 3,865,181</u>	<u>\$ (597,263)</u>	<u>\$ (597,263)</u>	<u>\$ -</u>
Net Pension Liability	<u>\$ 290,843,809</u>	<u>\$ 14,637,359</u>	<u>\$ 142,002,696</u>	<u>\$ 163,478,472</u>	<u>\$ 163,478,472</u>	<u>\$ -</u>

Note: Compensated Absences are shown on a net basis

As of June 30, 2025, the City's Primary Government has total outstanding general obligation bonds and notes of \$1,122,946,238 which consists of \$899,612,899 in general obligation bonds, \$166,474,000 in general obligation notes, \$6,990,000 HUD Section 108 Notes and \$49,869,339 in unamortized premiums. Total principal payments were \$53,040,000 for the General Obligation Bonds, \$2,123,000 for the General Obligation serial Equipment Notes and \$725,000 for the HUD Section 108 Notes.

Debt issued under governmental activities during the fiscal year ending on June 30, 2025

On July 30, 2024, the City issued its \$129,725,000 of General Obligation Public Improvement Bonds (Tax-Exempt), Series 2024C, dated July 30, 2024. Total premium received was \$4,390,156. The proceeds of the Series 2024C bonds, together with other available funds, will be used to (a) finance the cost of the design, acquisition, construction and equipping of a new baseball stadium to be developed in connection with the redevelopment of the area known as the "Diamond District" and (b) to pay the issuance and financing costs incurred in connection with the 2024C Bonds (including, but not limited to, certain capitalized interest on the 2024C Bonds). The Series 2024C Bonds have a coupon interest rate ranging from 4.00%-5.00% with a semi-annual interest payable on March 1 and September 1 of each year, commencing March 1, 2030, with a final maturity of March 1, 2057. At the time of the competitive sale, Moody's, Standard & Poor's ('S&P'), and Fitch affirmed their Aa1 ("Stable Outlook"), AA+ ("Positive Outlook"), and AAA ("Stable Outlook") credit ratings, respectively, for the City.

On December 20, 2023, the City established its \$250,000,000 General Obligation Line of Credit Bond Anticipation Note ("BAN"), Series 2023A, with a commercial bank. By the end of the fiscal year 2025, the City cumulatively drew \$191,900,000 on the Line of Credit to finance ongoing capital improvement projects, as outlined in the City's Five Year Adopted Capital Improvement Plan for both the City and the City's Stormwater Utility System. The City pays monthly variable rate interest on the Line of Credit borrowings priced with a SOFR index. The Line of Credit has a final maturity of December 18, 2026, and the City anticipates refinancing this debt into a long-term general obligation bond in the future.

On December 21, 2022, the City established its \$10,000,000 General Obligation Line of Credit Bond Anticipation Note (Tax-Exempt), Series 2022B, with a commercial bank. By the end of the fiscal year 2025, the City cumulatively drew \$5,000,000

**CITY OF RICHMOND, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025**

on the Line of Credit to finance ongoing capital improvement projects within the City. The City pays monthly variable rate interest on the Line of Credit borrowings priced with a SOFR index. The Line of Credit has a final maturity of December 1, 2025 and the City anticipates refinancing this debt into a long-term general obligation bond in the future.

Primary Government – Business-Type Activities

	Balance July 1, 2024	Additions	Deletions	Balance June 30, 2025	Not Due Within One Year	Due Within One Year
Utilities - General Obligation Bonds	\$ 36,588,313	\$ -	\$ 390,000	\$ 36,198,313	\$ 34,846,498	\$ 1,351,815
Utilities - General Obligation Bonds - Direct Borrowing	1,571,249	-	112,767	1,458,482	1,345,715	112,767
Utilities - General Obligation BAN - Direct Borrowing	-	16,588,200	-	16,588,200	16,588,200	-
Utilities- General Oblig Equip. Notes - Direct Borrowing	1,120,000	-	567,000	553,000	278,000	275,000
Utilities - Line of Credit (BAN) - Series 2023A - Direct Borrowing	31,200,000	2,100,000	-	33,300,000	-	33,300,000
Premium on General Obligation Bonds, Net	1,459,675	-	111,097	1,348,578	1,244,573	104,005
Total Utilities General Obligation Bonds & Notes	<u>71,939,237</u>	<u>18,688,200</u>	<u>1,180,864</u>	<u>89,446,573</u>	<u>54,302,986</u>	<u>35,143,587</u>
Non-Major Enterprise Funds Bonds	34,143,789	-	3,700,000	30,443,789	26,592,009	3,851,780
Premium on Non Major Debt, Net	602,084	-	140,652	461,432	338,036	123,396
Total Non-Major Enterprise Funds Bonds	<u>34,745,873</u>	<u>-</u>	<u>3,840,652</u>	<u>30,905,221</u>	<u>26,930,045</u>	<u>3,975,176</u>
Total Business-Type General Obligation Bonds	<u>106,685,110</u>	<u>18,688,200</u>	<u>5,021,516</u>	<u>120,351,794</u>	<u>81,233,031</u>	<u>39,118,763</u>
Public Utility Revenue Bonds	761,550,000	-	32,650,000	728,900,000	695,195,000	33,705,000
Public Utility Revenue Bond - Direct Borrowing	53,448,326	9,356,117	5,699,478	57,104,965	51,380,404	5,724,561
Public Utility Premium on Revenue Bond Debt, Net	53,157,363	-	5,131,499	48,025,864	43,133,707	4,892,157
Total Revenue Bonded Debt	<u>868,155,689</u>	<u>9,356,117</u>	<u>43,480,977</u>	<u>834,030,829</u>	<u>789,709,111</u>	<u>44,321,718</u>
Total Obligations	<u>\$ 974,840,799</u>	<u>\$ 28,044,317</u>	<u>\$ 48,502,493</u>	<u>\$ 954,382,623</u>	<u>\$ 870,942,142</u>	<u>\$ 83,440,481</u>
Compensated Absences						
Gas	\$ 1,332,298	\$ 277,467	-	\$ 1,609,765	\$ 1,108,492	\$ 501,273
Water	986,251	(330,510)	-	655,741	485,942	169,799
Wastewater	959,000	(417,026)	-	541,974	360,510	181,464
Stormwater	275,866	100,425	-	376,291	266,602	109,689
Stores Operating Fund	24,265	(4,276)	-	19,989	14,383	5,606
Cemeteries	59,029	(24,403)	-	34,626	23,272	11,354
Parking Garages	127,205	(35,181)	-	92,024	64,559	27,465
Total Compensated Absences	<u>\$ 3,763,914</u>	<u>\$ (433,504)</u>	<u>\$ -</u>	<u>\$ 3,330,410</u>	<u>\$ 2,323,760</u>	<u>\$ 1,006,650</u>
Right-of-Use Liabilities	\$ 14,413,474	\$ -	\$ 135,307	\$ 14,278,167	\$ 13,924,984	\$ 353,183
Pollution Remediation	\$ -	\$ 6,336,028	\$ 1,299,658	\$ 5,036,370	\$ -	\$ 5,036,370
Other Post Employment Benefit Liability	\$ (229,626)	\$ 134,797	\$ 356,184	\$ (451,013)	\$ (451,013)	\$ -
Net Pension Liability	\$ 48,823,334	\$ 13,234,627	\$ 37,645,308	\$ 24,412,653	\$ 24,412,653	\$ -

Note: Compensated Absences are shown on a net basis.

As of June 30, 2025, the outstanding debt of the City's Business-Type Activities (Enterprise Funds) totaled \$954,382,623 including \$845,377,976 of publicly issued bonds and premiums and \$109,004,647 of direct borrowings from the Commonwealth of Virginia's Virginia Resources Authority (VRA) and other commercial banks.

Debt issued under Business-Type Activities during the fiscal year ending on June 30, 2025

On June 24, 2025, the City's Department of Public Utilities ("DPU") established it's \$16,588,200 General Obligation Bond Anticipation Note, Series 2025A, to Atlantic Union Public Finance, Inc. to finance the costs of certain stormwater utility capital improvement projects. The Series 2025A BAN bears interest on the unpaid principal at a rate of 3.436% per year, payable semi-annually on each June 1 and December 1, commencing December 1, 2025, until final payment. Principal of the Series 2025A BAN is payable on June 1, 2027.

On March 30, 2023, the City has issued its \$14,693,793 Public Utility Revenue Bond, Series 2023A (the "Bonds") to evidence a loan made to the City by the Virginia Resources Authority. The proceeds of this Bond issue will be used to finance a capital project of the City's Department of Public Utilities' Wastewater Utility. The bond issue is priced with a zero percent interest rate, with semi-annual principal payments of \$367,344.83 due on July 15th and January 15th, with a final maturity on January 15, 2044. Total amount drawn in fiscal year 2025 is \$9,356,117.

**CITY OF RICHMOND, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025**

Details of Bonds and Notes Outstanding

	Interest Rates	Issue Date	Maturity Date	Original Issue	Balance at June 30, 2025		
					Governmental Activities	Enterprise Funds	
General Obligation Bonds							
Public Improvement Bonds 2010B (QSCB)	5.27%	11/16/2010	11/1/2029	\$ 14,980,000	\$ 14,980,000	\$ -	
Public Improvement Bonds 2011A (VRA)	0.00%	6/1/2011	1/15/2032	225,000	-	78,750	
Public Improvement Bonds 2012D (QSCB)	4.15%	6/28/2012	1/15/2033	7,500,000	7,500,000	-	
Public Improvement Bonds 2013B	3.00% - 4.80%	9/26/2013	3/1/2033	11,295,000	5,965,000	-	
Public Improvement Refunding Bonds 2014B	5.00%	12/23/2014	7/15/2026	25,605,000	13,260,000	-	
Public Improvement Bonds 2015B	3.00% - 5.00%	12/8/2015	3/1/2038	62,795,000	42,040,000	-	
Public Improvement Bonds 2015C	3.00% - 4.00%	12/8/2015	6/1/2041	23,000,000	16,860,000	-	
Public Improvement Bonds 2017A (VRA)	0.00%	3/30/2017	7/15/2037	1,310,278	-	665,234	
Public Improvement Refunding Bonds 2017B	3.00% - 5.00%	7/14/2017	7/15/2037	185,070,000	114,215,000	5,445,000	
Public Improvement Refunding Bonds 2017C	1.15% - 3.13%	7/14/2017	7/15/2031	43,965,000	-	24,040,000	
Public Improvement Refunding Bonds 2017D	4.00% - 5.00%	12/21/2017	3/1/2033	118,535,000	94,235,000	-	
Public Improvement Bonds 2018A	2.00% - 5.00%	8/15/2018	3/1/2041	46,890,000	37,005,000	-	
Public Improvement Refunding Bonds 2018B	3.45% - 3.75%	8/15/2018	3/1/2033	8,310,000	5,020,000	-	
Public Improvement Refunding Bonds 2019A	2.60% - 5.00%	10/23/2019	7/15/2039	132,885,000	98,955,000	-	
Public Improvement Refunding Bonds 2020A	2.00% - 5.00%	12/10/2020	7/15/2040	102,130,000	82,800,000	-	
Public Improvement Refunding Bonds 2020B	0.95% - 2.00%	12/10/2020	7/15/2034	51,020,000	40,450,000	-	
Public Improvement Bonds 2021A (VRA)	0.00%	6/24/2021	1/15/2040	874,400	-	714,499	
Public Improvement Bonds 2022A	4.00% - 5.00%	9/8/2022	3/1/2042	57,990,000	44,910,000	5,975,000	
Public Improvement Bonds 2024A	4.00% - 5.00%	2/1/2024	9/1/2053	63,500,000	47,910,000	14,135,000	
Public Improvement Bonds 2024B	4.55% - 5.12%	6/18/2024	7/15/2043	120,830,000	103,782,899	17,047,101	
Public Improvement Bonds 2024C	2.84% - 4.18%	7/30/2024	3/1/2057	129,725,000	129,725,000	-	
General Obligation Notes							
Equipment Note - Series 2020A	1.11%	6/17/2020	6/1/2025	4,960,000	572,000	553,000	
Equipment Note - Series 2021	0.99%	6/10/2021	6/1/2028	6,730,000	2,302,000	-	
Line of Credit BAN - Series 2022B	Variable	12/6/2022	12/1/2025	10,000,000	5,000,000	-	
Line of Credit BAN - Series 2023A	Variable	12/20/2023	12/20/2026	250,000,000	158,600,000	33,300,000	
Line of Credit BAN - Series 2023B	Variable	12/20/2023	12/20/2028	10,000,000	-	-	
Bond Anticipation Note - Series 2025A	3.44%	6/24/2025	6/1/2027	16,588,200	-	16,588,200	
HUD Section 108 Notes							
HUD Section 108 Note Series 2015A	0.83% - 3.60%	5/28/2015	8/1/2032	10,125,000	5,165,000	-	
HUD Section 108 Note Series 2019A	2.54% - 3.64%	3/28/2019	8/1/2038	2,607,000	1,825,000	-	
Revenue Bonds							
Public Utility Revenue Bonds 2006A (VRA)	2.20%	6/29/2006	1/15/2028	11,000,000	-	2,065,952	
Public Utility Revenue Bonds 2008A (VRA)	2.52%	6/27/2008	1/15/2029	6,900,000	-	1,657,541	
Public Utility Revenue Bonds 2009B (VRA)	0.00%	6/24/2009	7/15/2030	32,000,000	-	8,800,000	
Public Utility Revenue Bonds 2010A (VRA)	0.00%	2/3/2010	7/15/2040	188,218	-	97,526	
Public Utility Revenue Bonds 2012A (VRA)	0.00%	4/17/2012	1/15/2035	23,289,955	-	11,644,977	
Public Utility Revenue Bonds 2015A (VRA)	0.00%	3/5/2015	1/15/2036	2,600,000	-	787,716	
Public Utility Revenue Refunding Bonds 2016A	4.00% - 5.00%	12/7/2016	1/15/2046	502,260,000	-	174,020,000	
Public Utility Revenue Bonds 2020A	2.81% - 5.00%	4/15/2020	1/15/2050	135,445,000	-	127,725,000	
Public Utility Revenue Refunding Bonds 2020B	1.63% - 3.54%	4/15/2020	1/15/2043	180,000,000	-	107,825,000	
Public Utility Revenue Bonds 2021A (VRA)	0.00%	6/24/2021	7/15/2041	20,343,302	-	18,305,095	
Public Utility Revenue Bonds 2023A (VRA)	0.00%	3/30/2023	1/15/2044	14,693,793	-	13,746,158	
Public Utility Revenue Refunding Bonds 2023B	5.04%	9/28/2023	1/15/2035	209,705,000	-	209,705,000	
Public Utility Revenue Refunding Bonds 2023C	4.00% - 5.00%	9/28/2023	1/15/2023	110,970,000	-	109,625,000	
Premiums on Debt Issued						49,869,339	49,835,874
Total Bonds and Notes						<u>\$ 1,122,946,238</u>	<u>\$ 954,382,623</u>

CITY OF RICHMOND, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

A. General Obligation Bonds

The City has traditionally issued general obligation bonds to provide funds for the construction and acquisition of major capital facilities of the primary government and including those used by the School Board component unit. General obligation bonds are direct obligations and secured by the full faith and credit of the City and are payable from taxes levied on properties located within the City. General obligation bonds have been issued for both governmental and business-type activities.

From time to time, the City has borrowed directly from the Virginia Resources Authority (“VRA”) for qualifying capital projects of the Stormwater Utility System. The Stormwater Utility Fund was created on July 1, 2009 to maintain and operate the City’s stormwater infrastructure by charging user fees to property owners based on the impervious area of a parcel. While the stormwater utility is an enterprise fund managed by the Department of Public Utilities, it is not part of the System as defined by the Master Indenture of Trust dated April 1, 1998. As a result, the City has been issuing general obligation bonds to provide funding for stormwater utility capital projects.

Qualified School Construction Bonds (“QSCB”) was a program introduced by the American Recovery and Reinvestment Act of 2009. The act provides Federal Government funded cash rebates and tax credits to bond investors, designed to lower the “all-in” borrowing costs of qualifying bond issues and stimulate the United States economy. The QSCB program is targeted to finance school construction projects. As such, the bond proceeds must be spent on qualifying school projects within three years of issuance and can only be used for financing new construction or renovation. It cannot be used to refinance existing debts. Under this program, the City has issued general obligation bonds of \$14,980,000 in 2010 and \$7,500,000 in 2012. The bond proceeds from Series 2010B were used to finance the construction of Broad Rock Elementary School and Series 2012D were used to finance the expansion and renovation of Martin Luther King Jr. Middle School. As of June 30, 2025, the outstanding principal balance on the City’s QSCB bonds, Series 2010D and 2012B, is \$14,980,000 and \$7,500,000 respectively.

B. General Obligation Notes

The City utilizes general obligation notes to meet financing requirements for the acquisition, planning, and construction of current and ongoing major capital improvement projects for the benefit of the City and the City’s Stormwater Utility System. All general obligation notes are direct borrowings that pledge the full faith and credit of the City, payable from the City’s General Fund. Equipment Notes were issued to purchase vehicles for the fleet team. The City issued Equipment Notes to finance the acquisition of vehicles for the benefit of the Fleet Management Non-Major Enterprise Fund. Line of Credit Bond Anticipation Notes (“BAN”) meet the current financing requirements of capital projects, where the City will refund the outstanding principal of the issue with a general obligation bond issuance in the future.

C. Housing & Urban Development (“HUD”) Section 108 Notes

Housing & Urban Development (“HUD”) Section 108 Notes is a financing alternative to address gap financing for qualified projects of scale utilized by the City’s Department of Economic and Community Development.

On May 28, 2015, the City converted \$10,125,000 of outstanding HUD Section 108 variable rate notes to fixed rate notes, known as Series 2015A. The City had originally issued this debt on September 26, 2012 to fund an economic development loan program. The Series 2015A HUD Notes are repayable over 17 years with the final maturity due August 1, 2032. As of June 30, 2025, outstanding principal balance is \$5,165,000 for this issuance.

On March 28, 2018, the City issued \$2,607,000 of General Obligation HUD Section 108 Notes, Series 2019A. The proceeds of this financing were used to finance a portion of the City’s contribution to an economic development housing project. The Series 2019A HUD Notes are repayable over 20 years with the final maturity due August 1, 2038. As of June 30, 2025, outstanding principal balance is \$1,825,000 for this issuance.

D. Revenue Bonds

Revenue Bonds are limited liability obligations where revenues derived from the respective acquired or constructed assets are pledged to pay debt service. The City’s Department of Public Utilities utilizes revenue bonds to finance expenditures for

CITY OF RICHMOND, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

improvement and expansions of the Gas, Water and Wastewater Enterprise Funds. Additionally, the City's Economic Development Authority ("EDA") can also issue tax-exempt bonds to acquire, construct, lease, remodel, renovate and equip public infrastructure within the City.

The annual requirements to amortize to maturity all long-term debt outstanding (General Obligation Bonds, General Obligation Serial Equipment Notes, Public Utility Revenue Bonds, and Section 108 Promissory Notes) including interest payable is as follows:

Governmental Activities:

<u>Fiscal Year</u>	(In Thousands)					
	<u>General Obligation Bonds (Bonds)</u>		<u>General Obligation Bonds (Direct Borrowing)</u>		<u>General Obligation Equip Notes (Direct Borrowing)</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2026	54,120	36,474	-	-	1,418	30
2027	53,292	33,852	-	-	869	15
2028	53,307	31,259	-	-	587	6
2029	55,498	28,644	-	-	-	-
2030	71,112	25,588	-	-	-	-
2031 - 2035	258,071	93,325	-	-	-	-
2036 - 2040	194,886	51,854	-	-	-	-
2041 - 2045	84,252	22,759	-	-	-	-
2046 - 2050	27,175	12,727	-	-	-	-
2051 - 2055	32,845	7,055	-	-	-	-
2056 - 2060	15,055	909	-	-	-	-
Subtotal	899,613	344,446	-	-	2,874	51
Premium	49,869	-	-	-	-	-
Total	<u>\$ 949,482</u>	<u>\$ 344,446</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,874</u>	<u>\$ 51</u>

<u>Fiscal Year</u>	(In Thousands)			
	<u>HUD Section 108 Notes (Direct borrowing)</u>		<u>Line of Credit Bond Anticipation Notes (Direct Borrowing)</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2026	740	220	163,600	-
2027	751	198	-	-
2028	760	174	-	-
2029	771	150	-	-
2030	780	125	-	-
2031 - 2035	2,667	257	-	-
2036 - 2040	521	37	-	-
2041 - 2045	-	-	-	-
2046 - 2050	-	-	-	-
2051 - 2055	-	-	-	-
2056 - 2060	-	-	-	-
Total	<u>\$ 6,990</u>	<u>\$ 1,161</u>	<u>\$ 163,600</u>	<u>\$ -</u>

**CITY OF RICHMOND, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025**

Business-Type Activities:

(In Thousands)

Fiscal Year	General Obligation Bonds (Bonds)		General Obligation Bonds & Notes (Direct Borrowing)		Line of Credit Bond Anticipation Notes (Direct Borrowing)	
	Principal	Interest	Principal	Interest	Principal	Interest
2026	4,850	2,592	388	540	33,300	-
2027	5,023	2,419	16,979	573	-	-
2028	5,203	2,238	113	-	-	-
2029	5,397	2,048	113	-	-	-
2030	5,593	1,852	113	-	-	-
2031 - 2035	16,354	6,748	530	-	-	-
2036 - 2040	9,189	4,492	365	-	-	-
2041 - 2045	8,633	2,144	-	-	-	-
2046 - 2050	3,275	963	-	-	-	-
2051 - 2055	3,125	256	-	-	-	-
Subtotal	66,642	25,751	18,600	1,113	33,300	-
Premium	1,810	-	-	-	-	-
Total	<u>\$ 68,452</u>	<u>\$ 25,751</u>	<u>\$ 18,600</u>	<u>\$ 1,113</u>	<u>\$ 33,300</u>	<u>\$ -</u>

(In Thousands)

Fiscal Year	Utility Revenue Bonds (Bonds)		Utility Revenue Bonds (Direct Borrowing)	
	Principal	Interest	Principal	Interest
2026	33,705	31,593	5,725	83
2027	35,850	30,130	5,750	57
2028	36,535	28,556	5,777	31
2029	38,305	26,935	5,083	8
2030	39,715	25,226	4,653	-
2031 - 2035	199,845	96,680	15,551	-
2036 - 2040	124,335	56,199	8,791	-
2041 - 2045	150,760	30,699	5,777	-
2046 - 2050	57,185	9,247	-	-
2051 - 2055	12,665	1,091	-	-
Subtotal	728,900	336,356	57,105	179
Premium	48,026	-	-	-
Total	<u>\$ 776,926</u>	<u>\$ 336,356</u>	<u>\$ 57,105</u>	<u>\$ 179</u>

Defeasance of Debt

On September 28, 2023, the City had purchased US Government Securities with proceeds of the City's Public Utility Revenue Refunding Bonds, Series 2023B (Federally Taxable) to advance refund the stated maturities on January 15, 2028 through 2035 of the City's Public Utility Revenue and Refunding Bonds, Series 2016A on January 15, 2026. The related refunded bonds are still outstanding as of June 30, 2025.

CITY OF RICHMOND, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

<u>Year</u>	<u>Amount</u>	<u>Rate</u>	<u>CUSIP</u>
1/15/2028	\$ 26,080,000	5.000%	765433KF3
1/15/2029	27,830,000	5.000%	765433KG1
1/15/2030	29,230,000	5.000%	765433KH9
1/15/2031	30,690,000	5.000%	765433KJ5
1/15/2032	32,225,000	5.000%	765433KK2
1/15/2033	33,835,000	5.000%	765433KL0
1/15/2034	13,980,000	5.000%	765433KM8
1/15/2035	14,685,000	5.000%	765433KN6

Also, on September 28, 2023, the City had purchased US Government Securities with proceeds of the City's Public Utility Revenue and Refunding Bonds, 2023C to advance refund a stated maturity on January 15, 2031 through 2035 of the City's Public Utility Revenue Refunding Bonds, 2020B (Federally Taxable). The related refunded bonds are still outstanding as of June 30, 2025.

<u>Year</u>	<u>Amount</u>	<u>Rate</u>	<u>CUSIP</u>
1/15/2028	\$ 26,080,000	5.000%	765433KF3
1/15/2029	27,830,000	5.000%	765433KG1
1/15/2030	29,230,000	5.000%	765433KH9
1/15/2031	30,690,000	5.000%	765433KJ5
1/15/2032	32,225,000	5.000%	765433KK2
1/15/2033	33,835,000	5.000%	765433KL0
1/15/2034	13,980,000	5.000%	765433KM8
1/15/2035	14,685,000	5.000%	765433KN6

These US Government Securities were deposited into an irrevocable trust with an escrow agent to provide all future debt service payments due in the refunded bonds. Accordingly, the trust account's assets and liabilities for the defeasance of bonds are not included in the City's financial statements.

Legal Debt Limit

Article VII, Section 10 of the Constitution of Virginia provides that the legal debt limit for cities for issuing General Obligation debt is ten (10.0) percent of the last preceding assessment for real estate taxes. As of June 30, 2025, the City had a legal debt limit of \$4,122,752,200 (10.0 percent of the taxable real estate value in the City). The City's outstanding balance of debt applicable to the debt margin is \$1,191,618,683, leaving the statutory capacity to issue additional General Obligation debt of approximately \$2,931,133,517 (remaining legal debt margin).

Authority to Issue Debt

As of June 30, 2025, the City had a total of \$764,257,022 of additional general obligation and revenue bonds authorized, but not issued, for funding capital improvement projects and the acquisition of equipment. Of these authorized, but not issued bonds and notes, \$457,975,639 is earmarked for self-supporting Public Utility Revenue Bond funded projects; \$60,191,102 for Stormwater Utility capital improvement projects and acquisition of equipment; \$238,710,281 for various General Fund supported capital projects and \$7,380,000 for funding of equipment purchases.

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Bond Ratings

The City of Richmond periodically has three bond rating firms provide credit evaluations of the City's outstanding General Obligation and Public Utility Revenue bond debt.

The current bond rating of the City's outstanding bond debt by each firm is as follows:

General Obligation Bonds

Moody's	Aa1	(Stable Outlook)
Standard & Poor's ("S&P")	AA+	(Positive Outlook)
Fitch Ratings	AAA	(Stable Outlook)

Public Utility Revenue Bonds

Moody's	Aa1	(Stable Outlook)
Standard & Poor's ("S&P")	AA	(Stable Outlook)
Fitch Ratings	AA	(Stable Outlook)

Pollution Remediation

In fiscal year 2025, The City's Department of Public Utilities (DPU) began remediation of contaminated soil on a 8-acre parcel of land that was the former site of Fulton Gas Works. The City identified the contamination as heavy metals and residual petrochemicals, and while the City was not under an order to clean up the site by any federal, state, or local authorities, the City has voluntarily initiated remediation. This action establishes a legal obligation because the City has legally committed itself to begin cleanup activities.

The City's DPU, in consultation with an independent environmental consultant, developed a remediation plan. The estimated outlays for the cleanup were measured using an expected outlays technique, reflecting the current estimate to complete the remediation.

The liability for the remediation is currently estimated at \$5,000,000 and is reported in the government-wide statement of net position and the proprietary statement of net position. This estimate is based on existing regulations and current technology and is subject to potential change. Adjustments to the liability will be made if new information indicates increases or decreases in estimated costs. The remediation is expected to be completed within the next 12 months.

The city has not identified any potentially responsible parties for this contamination. No recoveries from insurance or other parties have been recognized to reduce the measurement of this liability.

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8. FUND BALANCES

Fund balances have been classified to reflect the limitations and restrictions placed on the respective funds. Fund balances at June 30, 2025, are composed of the following:

	<u>General Fund</u>	<u>Debt Service</u>	<u>Capital Projects Fund</u>	<u>Other Non-Major Governmental Funds</u>
Nonspendable:				
Prepaid	\$ 1,139,074	\$ -	\$ -	\$ -
Total Nonspendable	<u>1,139,074</u>	<u>-</u>	<u>-</u>	<u>-</u>
Restricted To:				
Capital Projects	-	19,423,429	175,040,916	-
NM Governmental Funds	-	-	-	62,098,249
Total Restricted	<u>-</u>	<u>19,423,429</u>	<u>175,040,916</u>	<u>62,098,249</u>
Committed To:				
Budget and Revenue Stabilization Contingency	34,021,864	-	-	-
School Board Operations	109,035	-	-	-
Total Committed	<u>34,130,899</u>	<u>-</u>	<u>-</u>	<u>-</u>
Assigned To:				
Encumbrance Roll Forward	40,773,011	-	-	-
Capital Reserve	8,872,577	-	-	-
Percent for the Arts	254,396	-	-	-
School Facilities	9,762,339	-	-	-
Unspent Building Code Fees	6,909,995	-	-	-
COVID-19 Contingencies	547,557	-	-	-
Special Purpose	1,267,472	-	-	-
Employee Compensation Reserve	6,000,000	-	-	-
Unfunded Liability	1,796,612	-	-	-
Revolving Land Acquisition	1,750,000	-	-	-
Radio Shop Reserve	3,787,046	-	-	-
Risk Reserve	12,786,293	-	-	-
Total Assigned	<u>94,507,298</u>	<u>-</u>	<u>-</u>	<u>-</u>
Unassigned:				
Total Unassigned	140,678,915	-	(185,525,679)	(1,260,312)
Total Fund Balances	<u>\$ 270,456,186</u>	<u>\$ 19,423,429</u>	<u>\$ (10,484,763)</u>	<u>\$ 60,837,937</u>

9. RISK MANAGEMENT

The City's non-health care related risk management activities are conducted through the Self Insurance agency within General Fund and have been accounted for in accordance with GAAP.

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. For all retained risks, claim expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. There have been no significant reductions in insurance coverage since the prior year, and settled claims have not exceeded the amount of insurance coverage in any of the past three fiscal years.

For workers' compensation claims, the City assumes the first \$2,000,000 for Heart, Lung and Cancer presumptive claims for Public Safety Officer and \$2,000,000 for all other employees and non-presumptive claims for Public Safety Officers. The City pays claims filed directly from appropriations to various agencies. Excess workers' compensation coverage provides protection for accidents exceeding the self-insured retentions noted above. Claims for indemnity benefits may be paid over a maximum period of 500 weeks with the exception of certain legally defined cases, which may be paid for the lifetime of the claimant.

CITY OF RICHMOND, VIRGINIA
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The City is self-insured for the first \$1,500,000 of any general liability, automobile liability, public officials or police professional liability claim. The City has purchased \$20,000,000 in excess liability coverage over a \$1,500,000 self-insured retention from Virginia Association of Counties Risk Group (VACorp). Claims under the \$1,500,000 self-insured retention are paid by the Risk Management agency within the General Fund.

The City's Department of Public Utilities (DPU) is a member of the Associated Electric Gas and Insurance Services, Ltd., a member-owned company based in New Jersey. In exchange for an annual premium, the utilities are provided insurance coverage to a limit of \$35,000,000 per occurrence for excess liability with self-insured retention of \$1,000,000 per occurrence for General and Employers' Liability, and \$1,000,000 per occurrence for Pollution Liability. DPU is also a member of Energy Insurance Mutual Ltd., which provides excess liability coverage with limits of \$100,000,000 in excess of the \$35,000,000 underlying coverage.

The City also carries commercial insurance in a number of smaller, more defined risk areas such as employees' faithful performance, money and securities, and medical professional liability. The Risk Management Bureau continues to the necessary Fiduciary coverage for the Richmond Retirement System Fund and Malicious Acts coverage for the City.

During the fiscal year ended June 30, 2025, premiums for excess coverage and claims paid for self-insured coverage were recognized as revenue and recorded as expenditures or expenses in the appropriate Governmental and Proprietary Funds, respectively.

The City's aggregate actuarially determined liability for uninsured workers' compensation, general liability, and automobile liability at June 30, 2025, was \$47,864,378 (undiscounted) and \$47,004,002 (discounted at 3.50 percent). Changes in the aggregate for these liabilities for FY2024 and FY2025 were:

<u>Fiscal Year</u>	<u>Fiscal Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claims and Premium Payments</u>	<u>Balance at Fiscal Year End</u>
2024	\$ 41,560,137	\$ 11,050,000	\$ (9,034,095)	\$ 43,576,042
2025	\$ 43,576,042	\$ 9,950,000	\$ (6,522,040)	\$ 47,004,002

Workers' compensation, general liability, and automobile liability future payment projections for fiscal period July 1, 2025, through June 30, 2026, are as follows:

<u>Probability Level</u>	<u>Discounted</u>	<u>Undiscounted</u>
90.00%	\$ 14,532,758	\$ 14,784,894
75.00%	\$ 12,956,315	\$ 13,181,100
Central Estimate	\$ 11,602,714	\$ 11,804,015

10. HEALTH CARE PLAN

On July 1, 2010, the City began to self-insure health care for all eligible employees and retirees by contracting with providers for administrative services only. Services under these contracts include claims adjudication, disease management, lifestyle programs, and wellness initiatives. The Department of Human Resources manages the plan, ensures statutory compliance and makes recommendations to City Council, which has the authority to modify the provisions of the City's active and post-employment benefits program. In accordance with the Affordable Care Act (ACA), any employee who works an average of twenty (20) or more hours within a designated "measurement period" will be eligible to enroll in the City-sponsored health care (with the exception of Seasonal Employees).

Retiree Eligibility

Employees who retire as an active member in the Richmond Retirement Plan's Defined Benefit Plan and Enhanced Defined Benefit Plan and Constitutional employees are eligible for health insurance. Employees must:

- Be under age 65
- Have worked for the City for 15 years or more

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- Have worked for the City for 10 or more years with 5 years of continuous participation on the health insurance program immediately prior to retirement

City Subsidy

The amount of subsidy is determined on a yearly basis and based on length of active service. There are four levels of subsidy:

<u>Years of Active Service</u>	<u>Monthly Health Assessment Subsidy</u>	<u>Monthly No Health Assessment Subsidy</u>
25 +	\$ 425.00	\$ 400.00
20 to 24	\$ 325.00	\$ 300.00
15 to 19	\$ 225.00	\$ 200.00
10 to 14	\$ 125.00	\$ 100.00
Less than 10	\$ 0.00	\$ 0.00

Benefits

CIGNA Healthcare is contracted as the third-party administrator for the medical plans. The City offers three medical plan options: Plan 1 HDHP, Plan 2 (formerly Classic) and Plan 3 (formerly Premier). In-network services for the Plan 1 HDHP are covered at 80 percent after the calendar year deductible is met. In-network services for the Plan 2 are covered at 80 percent with a \$25 office visit co-pay for Primary Care Physicians, and a \$50 office visit co-pay for Specialists. In-network services for the Plan 3 are covered at 90 percent with a \$20 office visit co-pay for Primary Care Physicians, and a \$40 office visit co-pay for Specialists. Out-of-network providers are covered at 50 percent. Wellness checkups and services are covered at 100 percent. Prescription drug coverage is included with all medical plans, utilizing a four-tier co-pay structure and optional mail order to refill prescriptions. Retirees are only allowed to enroll in the Plan 1 HDHP or Plan 2 as of January 2022. The City pays the full cost of the coverage for life for Line of Service Retirees.

The City purchases specific stop-loss insurance from Connecticut General Life Insurance Company (CIGNA) limiting claims against the self-insurance program to \$300,000 per occurrence for individual claims, and an additional 125 percent aggregate stop loss limitation that has been subsequently canceled effective as of August 2014, for the City. The following table shows the amounts that have been accrued as a liability within the self-insurance fund based upon an estimate from the City's outside actuary, USI.

	Health Insurance Primary Government	
	<u>Fiscal Year 2025</u>	<u>Fiscal Year 2024</u>
Unpaid Claims Beginning of Fiscal Year	\$ 4,202,000	\$ 3,411,000
Incurred Claims (including IBNR)	57,600,803	50,358,338
Claim Payments	(57,529,803)	(49,567,338)
Unpaid Claims End of Fiscal Year	<u>\$ 4,273,000</u>	<u>\$ 4,202,000</u>

11. RETIREMENT PLANS

Richmond Retirement System (RRS)

Defined Benefit Plan

A. Plan Description

The RRS was established by action of the Richmond City Council on February 1, 1945. The City Council appoints five members and the Mayor appoints two members of the Board of Trustees to administer the RRS. However, City Council retains the authority to establish or amend benefit provisions. The RRS is currently not subject to the provisions of the Employee Retirement Income Security Act of 1974.

The RRS is a single-employer Defined Benefit Plan. The RRS has one participating employer, the City, including its component unit Richmond Behavioral Health Authority and a small portion of Richmond Public Schools. The plan covers all full-time permanent employees, with the exception of those elected officials and persons eligible for membership in the Judicial Retirement System and the Virginia Retirement System. A majority of the employees of the School Board participate in the Virginia Retirement System (VRS), which offers both agent and cost sharing multiple-employer retirement plan options to Virginia localities and acts as a common investment and administrative agent for certain political subdivisions in the Commonwealth of Virginia. Members are vested after five years of creditable service or at their normal retirement age (age 65 for General Employees; age 60 for Public Safety Employees). The plan is now closed to new hires with the exception of elected officials.

B. Contribution Policy

The City Code of 1993, as amended, requires the City to contribute to the RRS, annually, an amount as determined by the actuarial, expressed as a percentage of payroll, equal to the sum of the normal contribution and the actuarial determined contribution.

The actuarial determined contribution is the amount necessary to amortize the unfunded actuarial liability and any increase or decrease in the unfunded actuarial liability in future years due to changes in actuarial assumptions, changes in RRS provisions, including the granting of ad hoc COLA increases, or actuarial gains or losses amortized over a closed period not to exceed 30 years.

C. Actuarial Methods and Assumptions Used to Determine Contribution Rates and Net Pension Liability (NPL)

Actuarial determined contribution rates and net pension liability (NPL) are calculated as of July 1 two years prior to the end of the fiscal year in which contributions are reported. The following assumptions were used to determine contribution rates and NPL:

- Actuarial cost method – Entry Age Normal
- Amortization method – Level percent of pay over a closed period not to exceed 30 years for Police and Fire Employees; level dollar amount over a closed period, not to exceed 30 years for general members.
- Remaining amortization period – 6 years for remaining unfunded accrued liability as of July 1, 2025; Other new bases are amortized over 20 years.
- Asset valuation method – Five-year spread of actual over expected investment earnings with the restriction that the resulting value must be within 90%-110% of market value.
- Inflation rate - 2.5 percent.
- Salary increases General Employees – 3.50 percent to 5.00 percent.
- Salary Increases – Police and Fire Employees from 3.00 percent to 5.50 percent.
- Investment rate of return – 6.75 percent.
- For the fiscal year ended June 30, 2025 and 2024, the annual money-weighted rates of return was 10.5%. Annual money-weighted rate of return is calculated net of all investment management expenses and additional plan investment-related expenses that are reported by the Plan's custodian or were provided to the investment consultant by the RRS. The methodology used to determine the money-weighted rate of return is different from the calculation of the fiscal year rate of return. Cash flows have a larger impact on the money-weighted rate of return than the fiscal year rate of return, which uses a time-weighted calculation.
- For purposes of determining contribution rates, the difference between actual investment earnings and expected investment earnings is recognized over a five-year period, with the restriction that the actuarial asset value cannot be less than 90.00 percent or more than 110.00 percent of market value. This smoothing method is utilized in order to minimize the impact of short term market fluctuations on the RRS contribution rates and funded status. Fair market value of investments was used to determine NPL.

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D. Plan Membership

As of June 30, 2025, membership in the RRS was comprised as follows:

Active vested Plan members	1,000
Active Non-vested Plan members	55
401 (a) defined contribution plan members	97
Virginia Retirement System plan members	142
Terminated Vested Plan members	1,464
Retirees and beneficiaries receiving benefits	4,051
Total	6,809

E. Net Pension Liability

A detailed schedule of changes in the net pension liability is presented under required supplementary information. This information is intended to help users assess the extent of the City's obligation to the Defined Benefit Plan. The net pension liability of the City at June 30, 2025, for the RRS was as follows.

Total pension liability (TPL)	\$ 1,005,143,217
Plan fiduciary net position	813,332,472
City's net pension liability (NPL)	<u>\$ 191,810,745</u>
Plan fiduciary net position as a percentage of the total pension liability	80.92%
Covered payroll	\$ 105,262,306
City's net pension liability as a percentage of covered payroll	182.22%

The City's net pension liability is calculated based on a measurement date of June 30, 2024.

Expected Rate of Return and Target allocation

The long-term expected rate of return on RRS investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (e.g., expected returns, net of pension plan 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 percentage and by adding expected inflation. The target asset allocation identifies the optimal asset mix strategy for the RRS. To ensure compliance with the policy, a rebalancing strategy is used. RRS is in the multiyear process of phasing in its asset allocation. Best estimates of geometric return for each major asset class included in the pension plan's target asset allocation as of June 30, 2025 are summarized in the table below:

Asset Class	10-Yr. Assumptions Geometric Return	Target Asset Allocation
Broad U.S. equities	7.35%	24.00%
International equities	7.25%	16.00%
Diversifying assets	5.70%	6.00%
Private equity	8.50%	9.00%
Fixed income	4.75%	34.00%
Private Debt	7.25%	6.00%
Real estate (core)	6.25%	5.00%

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F. Sensitivity of the Net Pension Liability

Changes in the discount rate affect the measurement of pension liabilities; therefore, a small change in the discount rate could result in a significant change in the NPL. As an illustration, the following table present the NPL for the RRS, calculated using the discount rate of 7.00 percent, as well as, what the City's NPL would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current rate:

	Sensitivity of the NPL to Changes in the Discount Rate		
	1.00% Decrease	Current Discount Rate	1.00% Increase
	6.00%	7.00%	8.00%
Plan Net Pension Liability	\$ 286,181,248	\$ 191,810,745	\$ 110,378,259

G. Summary of Deferred Outflows and Inflows of Resources

The City reports new deferred outflows of resources and deferred inflows of resources on its Statement of Net Position as a result of pension related activities required under GAAP. Deferred outflows of resources represent a consumption of net position that is applied to future periods and, thus, is not recognized as an outflow of resources or expense until a later year. Deferred inflows of resources are an acquisition of net position that is not recognized in the current year but are recognized as an inflow of resources or revenue in a future year. The component makes up of deferred inflows of resources and deferred outflows of resources is as follows:

Summary of Deferred Outflows and Inflows of Resources - RRS		
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ -
Net difference between expected and actual investment earnings	4,461,882	-
Change in assumptions	34,263,083	-
Employer contributions subsequent to the measurement date	186,341,015	-
Total	\$ 225,065,980	\$ -

Deferred outflows of resources for contributions subsequent to measurement date will be recognized in net pension liability in fiscal year ended 2026. The other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions are amortized over specific years and recognized in pension expense in future years as shown below:

Amortization Schedule of Deferred Outflows and Inflows of Resources		
Year Ended June 30,		
2026	\$	10,351,470
2027	\$	29,018,081
2028	\$	3,756,377
2029	\$	<u>(4,400,963)</u>
Total	\$	38,724,965

For the year ended June 30, 2025, the City recognized RRS pension expense of \$46,903,494.

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The components of this pension expense include the following:

PENSION EXPENSE - RRS	
Service Cost	\$ 12,131,222
Interest Cost	65,848,080
Benefit Changes	-
Experience Loss/(Gain)	3,851,080
Contribution Employee	(4,415,496)
Change in Assumption	2,709,125
Net Investment Income	
Expected Return on Investments	(44,247,444)
Investment Gain or Loss Expensed	(4,400,963)
Administrative Expense	1,747,478
Amortization	13,680,412
Pension Expense	<u>\$ 46,903,494</u>

The Defined Benefit Plan is considered part of the City financial reporting entity and is included in the financial statements as a Pension Trust Fund.

Defined Contribution Plan

The RRS also offers a Defined Contribution 401(a) Plan as another retirement option to the City and RBHA. This plan is mandatory for general employees hired on/or after July 1, 2006, and optional for senior executives and public safety officers. The RRS is the administrator for this plan and has contracted with an independent, not-for-profit financial services organization to be the record keeper of the plan. The City contributes a percentage of an employee's creditable compensation, based on years of service, to a portable account for investment by the employee. This plan is non-contributory for employees. There are 1,850 city employees currently enrolled in the plan.

The Defined Contribution Plan is a 401(a) account which grows through contributions from the participating employers and investment earnings. The Defined Contribution Plan is funded entirely by employer contributions, and no employee contributions are required. Participating employers contribute a percentage of the member's salary to an account each pay period in accordance with the following schedule, which is based on years of creditable service:

- Less than 10 years of service 1.00 percent
- 10 to 15 years of service 3.00 percent
- 15 or more years of service 5.00 percent

The contribution to the RRS plan by the City is determined and approved annually by the RRS' Board of Trustees. RRS' Financial can be accessed at: www.rva.gov/retirementsystem/retirement-plan-information

Virginia Retirement System (VRS)

A. Plan Description

The City contributes to the Virginia Retirement System (VRS), an agent multiple-employer defined benefit pension plan administered by the VRS. All full-time salaried employees, including those in constitutional positions within the offices of the Sheriff, Courts, Registrar, Treasurer, and Commonwealth Attorney are eligible. Benefits vest after five years of service credit. Members earn one month of service credit for each month they are employed and their employer is paying into the VRS. Members are eligible to purchase prior public service, active-duty military service, certain periods of leave and previously refunded VRS service as credit in their plan. There are three defined benefit plans for local government employees – Plan 1 and Plan 2 and Hybrid Plan.

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- Members hired before July 1, 2010, and who were vested as of January 1, 2013, are covered under Plan 1. Non-hazardous duty members are eligible for an unreduced retirement benefit beginning at age 65 with at least five years of service credit or age 50 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.
- Members hired or rehired on or after July 1, 2010, and who were not vested on January 1, 2013, are covered under Plan 2. 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 hired on or after January 1, 2014, are covered under the Hybrid Plan. The VRS Hybrid Retirement Plan combines features of a defined benefit and a defined contribution plan. Employees covered under the VRS Hybrid Plan are eligible for an unreduced benefit when they reach their normal Social Security retirement age or when their age and service equal the sum of 90. Benefits are payable monthly for life in an amount equal to 1.00 percent of their Average Final Salary (AFS) for each year of credited service. Hybrid members make mandatory contributions to the defined contribution component of the plan and may make additional voluntary contributions to the plan, which the employer is required to match. Employees vest in the matching employer contributions based upon a tiered schedule. Employees are 100.00 percent vested in all matching employer contributions upon reaching 4 years of creditable service.

The VRS Basic Benefit 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, average final compensation is the average of the member's 60 consecutive months of highest compensation. The retirement multiplier for non-hazardous duty members is 1.70 percent. The retirement multiplier for sheriffs and regional jail superintendents is 1.85 percent. The retirement multiplier for eligible political subdivision hazardous duty employees other than sheriffs and jail superintendents is 1.70 percent or 1.85 percent as elected by the employer. The multiplier for Plan 2 members was reduced to 1.65 percent effective January 1, 2013, unless they are hazardous duty employees and their employer has elected the enhanced retirement multiplier. 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.

Eligible hazardous duty members in Plan 1 and Plan 2 are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. These members include sheriffs, deputy sheriffs and hazardous duty employees of political subdivisions that have elected to provide enhanced coverage for hazardous duty service. They may retire with a reduced benefit as early as age 50 with at least five years of service credit. All other provisions of the member's plan apply.

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 5.00 percent; under Plan 2, the COLA cannot exceed 3.00 percent. During years of no inflation or deflation, the COLA is 0.00 percent. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

VRS issues a publicly available Comprehensive Annual Financial Report that includes financial statements and required supplementary information for the plans administered by VRS. A copy of the report may be obtained from the VRS website located <http://www.varetire.org/publications/index.asp> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

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B. Contribution Policy

The contribution requirement for active employees is governed by Section 51.1-145 of the Code of Virginia (1950), as amended, but may be impacted as a result of funding options provided by the Virginia General Assembly. Employees are required to contribute 5.00 percent of their compensation toward their retirement. Prior to July 1, 2012, all or part of the 5.0 percent member contribution may have been assumed by the employer. Beginning July 1, 2012, new employees were required to pay the 5.00 percent member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5.00 percent member contribution.

The City's contractually required contribution rate for the year ended June 30, 2025, was 14.71 percent of covered employee compensation. This rate was based on an actuarial determined rate from an actuarial valuation of June 30, 2023. This rate, when combined with employee contributions, is expected to finance the costs of benefits earned by the employee during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan for the years ended June 30, 2025, were \$11,012,496.

C. Plan Membership

At June 30, 2023, the valuation date, City membership in the VRS was comprised as follows:

Active members	403
Long-Term Disability	1
Members and their beneficiaries receiving benefits	551
Members active elsewhere in VRS	285
Inactive Non-vested members	217
Inactive Vested members	150
Total	1,607

D. Net Pension Liability

For the City of Richmond, 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 July 1, 2023. A detailed schedule of changes in the net pension liability is presented under required supplementary information. This information is intended to help users assess the extent of the City's obligation to the Defined Benefit Plan. The net pension liability of the City at June 30, 2025, was as follows:

Total Pension Liability	\$ 166,453,427
VRS Fiduciary Net Position	169,634,579
Net Pension Liability/Asset	<u>\$ (3,181,152)</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	101.91%
Covered Payroll	\$ 58,834,023
City's Net Pension Liability as a Percentage of Covered Payroll	(5.41)%

E. Actuarial Methods and Assumptions

The City's 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, 2021, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all period included in the measurement and rolled forward to the measurement date of June 30, 2024.

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Actuarial Assumptions for General Employees

The actuarial valuation used the Entry Age Normal actuarial cost method and the following assumptions.

- Inflation 2.50 percent
- Salary Increase 3.50 percent to 5.35 percent
- Investment Rate of Return net of pension plan investment expense 6.75 percent
- RP-2014 Mortality rate tables were used projected to 2020

Actuarial Assumptions for Public Safety Employees

The actuarial valuation used the Entry Age Normal actuarial cost method and the following assumptions.

- Inflation 2.50 percent
- Salary Increase 3.50 percent to 4.75 percent
- Investment Rate of Return net of pension plan investment expense 6.75 percent
- PUB-2010 Mortality rate tables (amount weighted) with fully generational mortality improvements projected using 75% of the MP-2020 projected scale.

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 future 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:

Long Term Expected Rate of Return			
	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)%
	<u>100.00%</u>		<u>7.07%</u>
		*Expected arithmetic nominal return	7.07%

* The above allocation provides a one-year return of 7.07 percent (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%.

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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 member contributions will be made per the VRS statutes, and the employer contribution 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. From July 1, 2024, on, participating VRS employers are assumed to contribute 100.00 percent of the actuarial determined contribution rates. Based on these 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.

	Total Pension Liability (a)	Total Fiduciary Net Pension (b)	Net Pension Liability/(Asset) (a)-(b)
Balance as of June 30, 2023	155,141,231	153,368,291	1,772,940
Change for the year:			
Service Cost	3,498,397	-	3,498,397
Interest	10,386,727	-	10,386,727
Change in Benefit Terms	-	-	-
Change in Assumptions	-	-	-
Difference Between Expected and Actual Experience	6,951,452	-	6,951,452
Contributions - Employer	-	8,123,794	(8,123,794.00)
Contributions - Employee	-	2,888,702	(2,888,702)
Net Investment Income	-	14,871,596	(14,871,596)
Benefit Payments, Including Refunds of Employee Contributions	(9,524,380)	(9,524,380)	-
Pension Plan Administrative Expense	-	(96,485)	96,485
Other Changes	-	3,061	(3,061)
Net Changes	11,312,196	16,266,288	(4,954,092)
Balance as of June 30, 2024	166,453,427	169,634,579	(3,181,152)

F. Summary of Deferred Outflows and Inflows of Resources VRS

The schedules presented below reflect information required under GAAP and were prepared using an actuarial valuation performed as of June 30, 2023. The valuation was based upon data furnished by the VRS staff concerning active, retired and inactive members, along with pertinent financial information. The projected cash flows used to determine the discount rate assumed that plan member contributions will be made per the VRS statutes, and the employer contributions will be made in accordance with the policies established by VRS at rates equal to the difference between actuarial determined contribution rates adopted by the VRS board and the member rate.

Deferred outflows of resources represent a consumption of net position that is applied to future periods and thus is not recognized as an outflow of resources or expense until a later year. Deferred inflows of resources are an acquisition of net position that is not recognized in the current year but are recognized as an inflow of resources or revenue in a future year. The component makes up of deferred inflows of resources and deferred outflows of resources is as follows:

Summary of Deferred Outflows and Inflows of Resources-VRS

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 3,510,139	\$ 96,586
Changes in assumptions	-	-
Net difference between projected and actual earnings on plan investments	-	4,259,054
Employer contribution subsequent to the measurement date	11,012,496	-
Total	\$ 14,522,635	\$ 4,355,640

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The deferred inflows of the VRS are amortized over a period of 4 years and are presented below to show the amount to be recognized in pension expense in future years. The deferred outflows made subsequent to the measurement date are not amortized. The \$14,522,635 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the Fiscal Year ending June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Amortization Schedule of Deferred Outflows and Inflows of Resources		
Year Ended June 30,		
2026	\$	(447,371)
2027		1,310,045
2028		(813,742)
2029		(894,433)
Total	\$	(845,501)

Changes in the discount rate affect the measurement of pension liabilities; therefore, a small change in the discount rate could result in a significant change in the NPL. To show the impact of a 1 percent change in the discount rate the following table is presented with a rate of 5.75 percent and 7.75 percent comparing the total change in the NPL for a 1 percentage increase or decrease.

	Sensitivity of the NPL to Changes in Discount Rate		
	1.00% Decrease	Current Discount Rate	1.00% Increase
	5.75%	6.75%	7.75%
Plan Net Pension Liability	\$ 16,242,291	\$ (3,181,152)	\$ (19,173,827)

For the year ended June 30, 2025, the City recognized VRS pension expense of \$872,404. The components of this pension expense include the following:

PENSION EXPENSE - VRS	
Service Costs	\$ 3,498,397
Interest on the total pension liability	10,386,727
Expensed portion of current-period difference between expected and actual experience in the total pension liability	3,441,313
Expensed portion of current period changes in assumptions	-
Member contributions	(2,888,702)
Projected earning on plan investments	(10,399,431)
Expensed portion of current-period differences between actual and projected earnings on plan investments	(894,433)
Administrative expenses	96,485
Other	(3,061)
Recognition of beginning deferred outflows of resources as pension expense	3,323,050
Recognition of beginning deferred inflows of resources as pension expense	(5,687,941)
Pension Expense	<u>\$ 872,404</u>

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Aggregated Pension Expense

For the year ended June 30, 2025, the City recognized total pension expense of \$47,775,898 RRS accounted for \$46,903,494 of the total and VRS accounted for the remainder of \$872,404.

	Pension Plans			OPEB Plans		
	RRS	VRS	Total	City	VRS	Total
Net Pension/OPEB Liability	\$ 191,810,744	\$ (3,181,152)	\$ 188,629,592	\$ (3,610,321)	\$ 2,562,046	\$ (1,048,275)
Deferred Outflows of Resources	\$ 225,065,980	\$ 14,522,635	\$ 239,588,615	\$ 1,214,363	\$ 1,940,745	\$ 3,155,108
Deferred Inflows of Resources	\$ -	\$ 4,355,640	\$ 4,355,640	\$ 37,965,396	\$ 534,267	\$ 38,499,663
Pension/OPEB Expense	\$ 46,903,494	\$ 872,404	\$ 47,775,898	\$ (2,116,909)	\$ (248,752)	\$ (2,365,661)

12. OTHER POSTEMPLOYMENT BENEFITS

From an accrual accounting perspective, the cost of postemployment healthcare benefits, like the cost of pension benefits, generally should be associated with the periods in which the cost occurs, rather than in the future year when it will be paid. In accordance with GAAP, the City recognizes the cost of postemployment healthcare in the year when the employee services are received, reports the accumulated liability from prior years, and provides information useful in assessing potential demands on the City's future cash flows. The City has employees participating in one of two OPEB Plans, The City of Richmond OPEB Plan and the Virginia Retirement System (VRS) OPEB Plan.

Other Post Employment Benefit Plans

A. City of Richmond OPEB Plan Description

The City provides continuous medical insurance coverage for some full-time employees who retire directly from the City, have continuously been enrolled in the health plans for 5 years prior to retirement, and are eligible to receive an early or regular retirement benefit from the City. In addition, they must be employed with the City for at least 10 years of creditable service at retirement. Dental insurance also continues after retirement at the retiree rate. The plan has been changed to only value participants who are currently retired and active members that were hired prior to July 1, 2006. Sworn Police, Sworn Fire, Sworn VRS, and Executives currently not in the defined contribution group are also able to participate in the post- retirement medical coverage even if they were hired after July 1, 2006. All other members hired after this date are assumed to pay the full cost of the program with no implicit rate subsidy and, therefore, have no liability reported under GAAP.

Retirees that become Medicare eligible are no longer eligible for the City retiree medical plan. Surviving spouses of retirees may elect to remain in the deceased member's health insurance plan for up to 36 months after the death of the member paying the same rate as the retiree, but without the City's contribution.

Currently the plans offered to retirees provided by the Connecticut General Life Insurance Co. are Choice Fund Open Access Plus HSA Plan Healthcare Plan 1 and the Open Access Plus Plan Healthcare Plan 2. Retirees that become Medicare Eligible are no longer eligible for the City of Richmond retiree medical plan..

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For pre-Medicare coverage, retirees pay a portion of the early retiree rates based on years of service at retirement. The City pays a subsidy of premiums based on length of active service. This subsidy is determined on an annual basis. There are four levels of City subsidy.

<u>Years of Active Service</u>	<u>Monthly Subsidy</u>
25+	\$ 400
20 to 24	\$ 300
15 to 19	\$ 200
10 to 14	\$ 100
Less than 10	\$ 0

Disabled participants are provided coverage under the same benefit terms and eligibility as non-disabled participants

Employees may retire under the City of Richmond Retirement Plan with an unreduced pension benefit under the following age and service requirements based on the category of employee:

- General employees are eligible at age 65, with no service requirement
- General employees are eligible with 30 years of service regardless of age
- Police officers and firefighters are eligible at age 60, with no service requirement
- Police officers and firefighters are eligible with 25 years of service regardless of age

Employees may retire with a reduced pension benefit under the RRS under the following age and service requirements based on the category of employee:

- General employees are eligible at age 55, with five years of service
- Police officers and firefighters are eligible at age 50, with five years of service

The number of employee participants as of June 30, 2025, the effective date of the biennial OPEB valuation, follows. There have been no significant changes in the number covered or the type of coverage since that date.

Active Employees	1,285
Retired Employees	<u>60</u>
Total	1,345

Pre-Medicare retirees who participate in the plan pay the full active rate less the contribution from the City of Richmond if they are eligible for the subsidy. Below are the full cost of the monthly premium rates projected at 7.50% of the valuation year:

	OPEB Classic Plan	High Deductible Plan
Retiree Only	\$1,350	\$1,108
Retiree + Spouse	\$2,720	\$2,236

a. Funding Policy

The City currently pays for post-employment healthcare benefits on a pay-as-you-go basis. The City funds on a cash basis as benefits are paid. In February 2019, the City began participating in the Virginia Pooled OPEB Trust Fund, an irrevocable trust. The City began making contributions to the trust for investment purposes. In Fiscal Year 2025, there was not a contribution to this pooled investment trust and the assets of the trust have been segregated or restricted to provide for other post-retirement benefits in the future.

b. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. Most included coverage is community-rated and annual premiums for community-rated coverage's were used as a proxy for claims costs without age adjustment.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined, regarding the funded status of the plan and the annual required contributions of the employer, are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The required schedule of funding progress presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time, relative to the actuarial accrued liability for benefits.

These estimates reflect the potential impact of the Patient Protection and Affordable Care Act (PPACA).

The assumptions used in the basis of the June 30, 2025 valuation include:

- Salary Increases – Not applicable
- Discount Rate – The discount rate is 6.75 percent per annum as of June 30, 2025 compared to the prior discount rate of 6.75 percent as of June 30, 2024.
- Valuation Date - June 30, 2025
- Expected Long – Term Rate of Return on Plan Assets – Not applicable
- Plan Participation – 10.00 percent of employees will elect coverage at retirement.
- Dependent Coverage – 30.00 percent of retirees who elect coverage at retirement will also cover their spouse at retirement.
- Administrative Expenses - The weighted average admin expense based on current retiree enrollment between plan designs is \$76.00 per annum.
- Investment Policy - Not Applicable
- Coordination with Medicare - Not Applicable
- Age Variance - the medical claims aging table was updated to be based on the aging factors in the Dale Yamamoto study released by the Society of Actuaries in June 2013.

Actuarial Methods:

- Actuarial Method - Retiree postemployment benefit expenses are determined under the Entry Age Normal cost method.
- Asset Valuation Method – Market Value of Assets
- Amortization Period - For Statement 75 contribution calculations: 20 years (closed) beginning July 1, 2017 For Statement No. 75: Experience gains or losses are amortized over the average working lifetime of all participants which for the current period is 9 years. Plan amendments are recognized immediately. Investment gains or losses are amortized over a 5 year period. Changes in actuarial assumptions are amortized over the average working lifetime of all participants.
- Mortality Rates - were based on the PUB-2010 General Government Healthy, Disabled and Contingent Survivor Headcount Weighted Tables. Future mortality improvement to be generational with 75% MP-2021 Improvement Scale. These Mortality assumptions were chosen to match the mortality assumptions used in the June 30, 2021 Comprehensive Annual Financial Report for the Virginia Retirement System.
- The actuarial projections are based on established patterns of practice as promulgated by the Actuarial Standards Board.

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c. Annual Per Capita Healthcare Cost

Effective for the July 1, 2025 actuarial valuation, an analysis of the City's claims experience was performed for the purposes of setting the retiree medical claims cost. The main purpose is to project the expected annual claims cost for current retirees and future retirees who are currently active.

Benefits are not provided to retirees eligible for Medicare. The annual projected medical claims costs were spread across the active and early retiree population using generally accepted actuarial judgment. It has been assumed that individuals will continue with coverage under their current plan design upon retirement. Furthermore, children and their associated costs have been excluded for purposes of the calculation because generally, retirees do not provide continued coverage to children.

July 1 2025 annual per capita claim	<u>Medical/RX*</u>
Retiree Age 65 Pre-Medicare	\$24,260
Spouse Age 65 Pre-Medicare	\$24,260

This claim is for a male at age 65. Medical claims are assumed to increase at the medical health care cost trend. The cost trend if 7.50% in 2025 grading uniformly to 6.60% over 3 years and following the Getzen Model thereafter until reaching an ultimate rate of 4.04% in the year 2075.

Net OPEB Liability

The cost trend rate which is 7.50% grading uniformly to 6.60% over a 3 year period. The following table shows the components of City's annual OPEB liability at June 30, 2025 using a measurement date as of June 30, 2025.

Total OPEB Liability	\$ 8,639,338
Plan Fiduciary Net Position	(12,249,659)
Net OPEB Liability - June 30	\$ (3,610,321)
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	141.79%
Covered Payroll	\$ 112,341,226
Net OPEB Liability as a Percent of Covered Payroll	(3.21)%

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The table below shows the Net OPEB Liability measured as of June 30, 2025, which totals \$(3,610,321). The total OPEB Liability of \$8,639,338 when combined with the Fiduciary Net Position of the OPEB Pooled Trust Assets \$12,249,659 generates a \$(3,610,321) Net OPEB Liability. While the plan has been a pay-as-you-go plan, in 2019 the City began to invest Assets in a Pooled Investment Trust for the purpose of accumulating Assets to pay OPEB expenses.

	Total OPEB Liability (a)	Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances as of June 30, 2024	\$ 8,294,048	\$ 11,265,793	\$ (2,971,745)
Changes for the Year			
Service Cost	192,586	-	192,586
Interest on Total OPEB Liability	523,915	-	523,915
Benefit changes	-	-	-
Experience Losses (Gains)	63,895	-	63,895
Changes in Assumptions	289,821	-	289,821
Contributions - Employer	-	724,927	(724,927)
Contributions - Members	-	-	-
Net Investment Income	-	992,689	(992,689)
Benefits Paid	(724,927)	(724,927)	-
Administrative Expenses	-	(8,823)	8,823
Recognition of Prior Post-measurement Contribution	-	-	-
Other Changes	-	-	-
Amortization of or Change in Beginning Balances	-	-	-
Net Changes	345,290	983,866	(638,576)
Balances as of June 30, 2025	<u>\$ 8,639,338</u>	<u>\$ 12,249,659</u>	<u>\$ (3,610,321)</u>

The Sensitivity of Net OPEB Liability to Changes in the Discount Rate

The following table represents the net OPEB liability calculated using the stated discount rate of 6.75%, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the assumed trend rate.

Sensitivity of NOL to Change in Discount Rate			
	1.00% Decrease	Current Discount Rate	1.00% Increase
Net OPEB Liability	\$ (4,222,996)	\$ (3,610,321)	\$ (2,898,118)

d. Sensitivity of Net OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following table represents the net OPEB liability calculated using the stated health care cost trend assumption, as well as what the OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower or 1 percentage point higher than the assumed trend rate.

Sensitivity of NOL to Change in Healthcare Cost Trend Rate			
	1.00% Decrease	Current Trend Rate	1.00% Increase
	5.75%	6.75%	7.75%
Net OPEB Liability	\$ (2,876,611)	\$ (3,610,321)	\$ (4,264,570)

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e. Summary of Deferred Inflows and Outflows of Resources for Richmond OPEB Plan

Summary of Deferred Outflows and Inflows of Resources - City of Richmond		
	Deferred Outflows of Resources	Deferred Inflows of Resources
Experience Losses	\$ 631,044	\$ 22,098,162
Change of Assumptions	372,633	15,388,630
Investment Losses *	210,686	478,604
Total	\$ 1,214,363	\$ 37,965,396
* Added as a reduction in subsequent year to total deferred resources		

The amounts reported as deferred outflows (inflows) of resources related to OPEBs will be recognized in OPEB expense and are amortized as follows:

Amortization of Deferred Inflows & Deferred Outflows of Resources		
Year Ending June 30:		
2026	\$	(7,449,437)
2027		(7,449,436)
2028		(7,387,430)
2029		(7,331,242)
2030		(2,461,156)
Thereafter		(4,883,018)
Total	\$	(36,961,719)

Note: Investment losses of \$210,686 added as a reduction in subsequent year in above chart

The City does not issue a separate OPEB financial statement for its OPEB plan.

For the year ended June 30, 2025 the City recognized OPEB expense of \$(2,116,909). The components of this OPEB expense include the following:

OPEB EXPENSE		
Service Cost	\$	192,586
Interest Cost		523,915
Benefit Changes		-
Experience Loss/(Gain)		7,099
Contribution Employee		-
Change in Assumptions		32,202
Net Investment Income		-
Expected Return on Investments		(760,148)
Current Expense of Asset (Gain/Loss)		(46,508)
Administrative Expense		8,823
Amortization		(2,074,878)
Pension Expense	\$	(2,116,909)

B. Virginia Retirement System Group Life Insurance Other Post-Employment Benefits (VRS GLI OPEB)

a. VRS Plan Description

The Virginia Retirement System (VRS) Group Life Insurance Program (GLI) is a multiple employer, cost-sharing plan and provides coverage to state employees, teachers, and employees of participating political subdivisions. For the City of Richmond these eligible employees include Constitutional Officer Employees only.

The Group Life Insurance Program was established in July 1, 1960 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 Group Life Insurance 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 Group Life Insurance Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the Group Life Insurance Program OPEB, and Group Life Insurance Program OPEB expense, information about the fiduciary net position of the Virginia Retirement System (VRS) Group Life Insurance program OPEB and the additions to/deductions from the VRS Group Life Insurance Program OPEB's net fiduciary 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.

Eligible Employees

Basic group life insurance coverage is automatic upon employment for constitutional employees that elect the program. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their member contributions and accrued interest.

Benefit Amounts

The benefits payable under the Group Life Insurance 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
 - Safety belt benefit
 - Repatriation benefit
 - Felonious assault benefit
 - Accelerated death benefit option

Reduction in Benefit Amounts

The benefit amounts provided to members covered under the Group Life Insurance 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 creditable service, 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 amount is increased annually based on the VRS Plan 2 cost-of-living adjustment and is currently \$9,532 as of June 30, 2025.

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b. Contributions

The contribution requirements for the Group Life Insurance 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 Group Life Insurance Program was 1.34 percent of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.80 percent (1.34% X 60%) and the employer component was 0.54 percent (1.34% X 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. The City of Richmond's contractually required employer contribution rate for the year ended June 30, 2024 was 0.54 percent of covered employee compensation. This rate was based on an actuarial determined rate from an actuarial valuation as of June 30, 2021. The actuarial 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 Group Life Insurance Program from the City were \$318,335 for the year ended June 30, 2025.

c. Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2021, 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.

Inflation	2.50 percent
Salary increases, including inflation –	
General state employees	3.50 percent to 5.35 percent
VaLORS employees	3.50 percent to 4.75 percent
Locality – General employees	3.50 percent to 5.35 percent
Locality – Hazardous Duty employees	3.50 percent to 4.75 percent
Investment rate of return	6.75 percent, net of investment expenses, including inflation*

Net Group Life Insurance (GLI) OPEB Liability

The net OPEB liability (NOL) for the Group Life Insurance Program 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 date June 30, 2024, Net OPEB Liability (NOL) for the Group Life Insurance Program is as follows:

	Group Life Insurance
	<u>OPEB Program</u>
Total GLI OPEB Liability	\$ 9,633,722
Plan Fiduciary Net Position	<u>7,071,676</u>
Employers' Net GLI OPEB Liability	<u>\$ 2,562,046</u>
Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability	73.41%

At June 30, 2025, the City of Richmond reported a liability of \$ 2,562,046 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 as of June 30, 2023. The City's proportion of the Net GLI OPEB Liability was based on the City's actuarial determined employer contributions to the Group Life Insurance Program for the year ended June 30, 2024 relative to the total of the actuarial determined employer contributions for all participating employers. At June 30, 2024, the City of Richmond proportion was 0.22959 percent as compared to 0.11082 percent at June 30, 2023.

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For the year ended June 30, 2025, the City recognized GLI OPEB expense of \$(248,752). 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.

d. Deferred Inflows and Outflows

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

Summary of Deferred Outflows and Inflows of Resources - VRS GLI		
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 404,093	\$ 62,582
Net difference between projected and actual earnings on GLI OPEB program investments	-	215,954
Change of assumptions	14,604	126,970
Changes in proportionate share	1,203,712	128,761
Employer Contributions subsequent to the measurement date	318,336	-
Total	\$ 1,940,745	\$ 534,267

The \$318,336 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the Fiscal Year ending June 30, 2026. 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:

Amortization of Deferred Inflows & Deferred Outflows of Resources		
Year ended June 30,		
2026	\$	84,848
2027		256,955
2028		224,510
2029		266,999
2030		254,831
Thereafter		-
Total	\$	1,088,143

CITY OF RICHMOND, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 6.75 percent.

Sensitivity of Net Group Life OPEB Liability to Changes in the Discount Rate

The following table represents the VRS net OPEB liability calculated using the stated discount rate, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the assumed trend rate.

Sensitivity of NOL to Changes in Discount Rate			
	1.00% Decrease	Current Discount Rate	1.00% Increase
	5.75%	6.75%	7.75%
VRS Net Group Life OPEB Liability	\$ 3,984,313	\$ 2,562,045	\$ 1,413,040

e. Long-Term Expected Rate of Return

The long-term expected rate of return on the VRS 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 VRS 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:

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%
Diversity 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 return of 7.07 percent (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%.

VRS issues a publicly available comprehensive annual report that includes financial statements and OPEB information for the VRS Plan. A copy of the report can be obtained from the VRS website at <http://www.varetire.org/publications/2022-annual-report.pdf> or by writing to VRS Chief Financial Officer at P.O. Box 2500 Richmond, VA 23218-2500.

**CITY OF RICHMOND, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025**

13. DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan (the Plan) created in accordance with Internal Revenue Code (IRC) Section 457. The Plan is available to all City employees and permits deferral until future years of up to 100% of salary with a maximum deferral of \$23,500 for calendar year 2025, or \$31,000 for those ages 50 and over, whichever is less. The compensation deferred is not available to employees until termination, retirement, death, or an unforeseeable emergency. In accordance with the amended provisions of IRC Section 457, all assets and income of the plan were transferred to a trust and are held for the exclusive benefit of participants and their beneficiaries. Matrix Trust Company is the Trustee for the plan and the City has contracted with a nongovernmental third party administrator to administer the plan. This plan is reported in accordance with GAAP as an Other Employee Benefits Trust Fund.

The contributions to plan for the year ended June 30, 2025 and the fair value of the plan investments were \$9,712,539.55 and \$183,630,128, respectively.

Employees in the Virginia Retirement System Hybrid Plan have a deferred compensation component of their retirement plan. Employees contribute 1% of their base salary to that plan, and the City also contributes 1% of their salary to the plan. Employees have the option to contribute an additional 4% of their salary to a 457 account through Virginia Retirement System. When employees contribute to the 457 account, the City matches that contribution, up to 2.5%, based on the rates below.

Employee Voluntary Contribution	Employer Matching Contribution
0.00%	0.00%
0.50%	0.50%
1.00%	1.00%
1.50%	1.25%
2.00%	1.50%
2.50%	1.75%
3.00%	2.00%
3.50%	2.25%
4.00%	2.50%

14. RIGHT-OF-USE ASSETS

A. Leases

The Entity leases equipment as well as certain operating and office facilities for various terms under long-term, non-cancelable lease agreements. The leases expire at various dates through 2088, including any applicable renewal options.

CITY OF RICHMOND, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

Total future lease payments under lease agreements are as follows:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>
	Principal	Interest	Principal	Interest	
2026	\$ 1,130,812	\$ 415,586	\$ 77,275	\$ 424,795	2,048,468
2027	960,807	393,313	79,625	422,445	1,856,190
2028	1,012,604	375,574	82,047	420,023	1,890,248
2029	1,065,397	356,287	84,542	417,528	1,923,754
2030	1,073,571	335,396	87,114	414,956	1,911,037
2031-2035	2,778,069	1,376,520	476,963	2,033,387	6,664,939
2036 and thereafter	11,662,666	1,842,241	13,307,503	13,260,358	40,072,768
Total lease payments	\$ 19,683,926	\$ 5,094,917	\$ 14,195,069	\$ 17,393,492	\$ 56,367,404

Right-to-use assets acquired through outstanding leases are shown below, by underlying asset class.

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Equipment	\$ 2,008,929	\$ -
Buildings and structures	24,558,024	--
Land and land use	--	15,074,352
Less: accumulated amortization	9,381,618	879,289
	<u>\$ 17,185,335</u>	<u>\$ 14,195,069</u>

The City, acting as lessor, leases various land, buildings, and equipment under long-term, non-cancelable lease agreements. The leases expire at various dates through 2055, including any applicable renewal options. During the year ended June 30, 2025, the Entity recognized \$687,385 and \$216,646 in lease revenue and interest revenue, respectively, pursuant to these contracts.

	<u>Governmental Activities</u>		
	Principal	Interest	Total
2026	\$ 574,996	\$ 242,720	\$ 817,716
2027	484,411	224,317	708,728
2028	349,548	207,612	557,160
2029	305,963	196,741	502,704
2030	275,596	187,275	462,871
2031-2035	1,615,062	793,126	2,408,188
2036 and thereafter	4,178,843	1,142,696	5,321,539
Total lease payments	\$ 7,784,419	\$ 2,994,487	\$ 10,778,906

**CITY OF RICHMOND, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025**

B. Subscription-Based Information Technology Arrangements

The entity has entered into subscription-based information technology arrangements (SBITA's) for various software applications. The SBITA arrangements expire at various dates through 2030 and provide for renewal options.

As of June 30, 2025, SBITA assets and the related accumulated amortization totaled \$15,476,933 and \$5,854,534, respectively, for Governmental Type Activities and \$1,236,665 and \$515,544, respectively, for Business Type Activities.

The future subscription payments under SBITA agreements are as follows:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2026	\$ 2,498,783	\$ 279,647	\$ 127,486	\$ 23,765	2,929,681
2027	2,706,097	192,246	139,143	19,671	3,057,157
2028	2,700,964	81,326	151,552	15,203	2,949,045
2029	7,523	-	164,758	10,335	182,616
2030	-	-	159,588	5,043	164,631
2031 - 2035	-	-	-	-	-
2035 and thereafter	-	-	-	-	-
Total	\$ 7,913,367	\$ 553,219	\$ 742,527	\$ 74,017	9,283,130

15. CONTINGENCIES, COMMITMENTS AND OTHER MATTERS

A. Combined Sewer Overflow (CSO)

The City operates an advanced wastewater treatment facility with a service area of 81.3 square miles that collects and treats a dry weather flow up to 45 million gallons per day (MGD) and a combination of dry weather flow and combined storm water at flows up to 140 MGD. Within about 35% of the City's service area, the main lines and interceptor lines are combined sewers. A system of retention facilities, storage tunnels, intercepting and trunk sewers links the separate sanitary and combined systems with the wastewater treatment plant. There is a mechanical or hydraulic regulator structure at each of the twenty-five (25) CSO outfalls and each has the capacity to divert dry weather flow and some storm water flow to the wastewater treatment plant for treatment. Phases I and II of the City's CSO control plan are complete. Phase III began in 2006 and is currently being modified to comply with Acts of the Virginia General Assembly, Chpt. 634, 2020 Va. SB 1064, approved April 2, 2020 and made effective July 1, 2020 ("2020 CSO Law"). The 2020 CSO Law establishes specific timeframes for the development and implementation of Interim and Final Plans to address combined sewer overflows (CSOs). Also in 2020, the State Special Order by Consent issued in 2005 was amended to revise certain provisions of the 2005 Order to align with requirements in the 2020 CSO Law.

The City has been cooperating with the Virginia Department of Environmental Quality (DEQ) and the Virginia State Water Control Board (Board) since the mid-1970's to address combined sewer overflow impacts and the discharge of partially treated combined sewage on the James River during wet weather. The City developed a CSO control plan to meet CSO Policy in 1988 and updated that control plan in 2002 and again most recently in 2024. As noted earlier, the 2020 CSO Law requires the City to make changes to its CSO control program. Specifically, the City submitted, as required an Interim plan in July 2021 and the Plan included projects that can be initiated within one year and completed no later than July 2027. The City submitted a Final Plan to DEQ in June 2024 before the July 2024 deadline. The Final Plan includes projects that will be initiated by July 2025 and completed no later than July 2035 subject to sufficient available funding and financing. The Final Plan was approved by DEQ in August 2024.

CITY OF RICHMOND, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

The City CSO control plan was estimated at \$295 million in 1995 dollars. To date, the City has spent over \$350 million which inflated to today's costs would equate to roughly \$780 million. The new CSO Final Plan is estimated to cost \$575 million in future inflated dollars.. Funding for the past and future CSO control plan implementation is a combination of ratepayer dollars, state revolving loan fund debt, utility revenue bond debt and state and federal grants. Under the 2005 agreement with the Board, the City is required to raise revenue for implementation of its CSO Control Plan by raising and maintaining sewer rates such that the annual sewer bill for a typical residential customer will be at least 1.25% of the median household income (MHI) supplemented by the availability of federal and state grants. The City's sewer rates have exceeded the 1.25% of MHI requirement since July 2009 and are at 1.66% of MHI as of July 2025.

B. Grants

Federal grant programs in which the City participates are audited in accordance with the provisions of the Office of Management and Budget Circular A-133. Grant programs are subject to financial and compliance audits by the federal government, which may result in disallowed expenditures. Based on prior experience, City management believes such disallowances, if any, will be immaterial.

C. Gas Utility Enterprise Fund

To ensure the continuity of natural gas supplies and transmission facilities, the City's Gas Utility Enterprise Fund has entered into various long-term supply and transmission contracts through the year 2054. The aggregate commitments under these contracts amounted to approximately \$1.15 billion at June 30, 2025.

16. DISCONTINUED OPERATIONS

The City did not have any operations which were discontinued during Fiscal Year 2024-2025.

17. SUBSEQUENT EVENTS

On July 8, 2025, the City's Department of Public Utilities ("DPU") established its \$60,000,000 General Obligation Line of Credit Bond Anticipation Note ("BAN") (Tax Exempt), Series 2025B, to Wells Fargo Municipal Capital Strategies, LLC to finance ongoing stormwater utility capital improvement projects as outlined in the Fiscal Year 2025 Adopted Capital Improvement Plan. The BAN bears interest at a rate of 3.36% on the unpaid principal, payable semi-annually on each January 15 and July 15, beginning on January 15, 2026, until final payment. The BAN has a final maturity of July 14, 2028, and the City anticipates refinancing this debt into a long-term general obligation bond in the future.

On December 12, 2025, the City's Department of Public Utilities ("DPU") issued its \$28,500,000 Public Utility Revenue Bonds, Series 2025C, to the Virginia Resources Authority ("VRA") to finance capital projects of the City's Department of Public Utilities' Wastewater Utility. Interest on the Bonds is evaluated on the dispersed principal balance thereof from the date of each disbursement at the rate of 0.50% per year, due and payable on July 15, 2026. Commencing January 15, 2027, and continuing semi-annually thereafter on January 15 and July 15 in each year, principal and interest due on the Bond will be payable in equal installments of \$618,710.65 with a final installment due and payable on January 15, 2051.

On December 19, 2025, the City's Department of Public Utilities ("DPU") issued its \$2,622,500 Public Utility Revenue Bonds, Series 2025D, to the Virginia Resources Authority to finance capital projects of the City's Department of Public Utilities' Water Utility. Interest on the Bond is evaluated on the dispersed principal balance thereof from the date of each disbursement at the rate of 1.00% per year, due and payable on July 15, 2028. Commencing January 15, 2029, and continuing semi-annually thereafter on January 15 and July 15 in each year, principal and interest due on the Bond will be payable in equal installments of \$74,180.22 with a final installment due and payable on January 15, 2048.

On January 15, 2026, the City issued its \$209,705,000 Public Utility Revenue Refunding Bonds, Series 2026A, to evidence a loan made to the City by Wells Fargo Municipal Capital Strategies, LLC. The proceeds of the Bonds will be used to refund the

CITY OF RICHMOND, VIRGINIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

City's \$209,705,000 Public Utility Revenue Refunding Bonds, Series 2023B (Federally Taxable), pursuant to a resolution adopted on July 24, 2023, by the City Council of the City of Richmond, Virginia.

18. RESTATEMENTS

A. Error Corrections

During fiscal year 2024, the City of Richmond recorded \$36,834,220 of bonds issued on behalf of the Richmond Economic Development Authority for projects related to the Diamond District. During fiscal year 2025, it was determined that these bonds should not have been recorded by the City, resulting in a cash overstatement in fiscal year 2024. The following table presents a reconciliation of the beginning fund balance as a result of the correction.

	Debt Fund	Custodial Fund
Fund balance as 6/30/24, as previously reported	\$ 56,257,649	\$ 116,705
Error correction	(36,834,220)	36,834,220
As of 6/30/24, as fully adjusted	<u>\$ 19,423,429</u>	<u>\$ 36,950,925</u>

Because the Government-wide statements report on the full accrual basis, some activities are recorded on the Government-wide statements that are not recorded on the Governmental Activity statements. Because of this, the Government-wide statements do not have a change in Net Position from the correction. The following table presents a reconciliation of the government-wide changes as a result of the correction.

	Amount at 6/30/24, as previously reported	Error Correction	Amount at 6/30/24, as fully adjusted
Assets and Deferred Outflows	\$ 2,452,843,096	\$ (36,834,220)	\$ 2,416,008,876
Liabilities and Deferred Inflows	1,737,787,993	(36,834,220)	1,700,953,773
Net Position	<u>\$ 715,055,103</u>	<u>\$ -</u>	<u>\$ 715,055,103</u>

B. Change in Accounting Principle

The City implemented GASB Statement No. 101, which did not have a material impact on the City's beginning Net Position.

The Richmond Public School Board implemented GASB Statement No. 101, *Compensated Absences*, effective June 30, 2024, requiring a restatement of net position as of June 30, 2024. Calculating the compensated absence liability as of June 30, 2024 resulted in a decrease of \$148,623 to net position at June 30, 2024. The following table presents a reconciliation of net position impacted by implementing the new accounting standard:

	School Board Total Net Position
Net position at June 30, 2024, as previously reported	\$ 22,479,257
Change in Accounting Principle (Implementation of GASB 101)	<u>(148,623)</u>
As of June 30, 2024, as fully adjusted	<u><u>\$ 22,330,634</u></u>

REQUIRED SUPPLEMENTARY



INFORMATION

CITY OF RICHMOND, VIRGINIA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Fiscal Year Ended June 30, 2025

EXHIBIT H-1, Continued

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
City Taxes				
Real Estate	\$ 463,274,543	\$ 475,274,543	\$ 470,100,109	\$ (5,174,434)
Sales Tax	54,290,500	54,290,500	53,791,456	(499,044)
Personal Property	69,775,479	72,173,910	90,676,870	18,502,960
Machinery and Tools	15,608,065	15,608,065	15,448,994	(159,071)
Utility Sales Tax Gas	5,337,500	5,337,500	5,162,697	(174,803)
Utility Sales Tax Electric	14,513,862	14,513,862	14,875,560	361,698
State Communication Taxes	10,411,000	10,411,000	9,982,147	(428,853)
Bank Stock	11,000,000	11,000,000	11,855,628	855,628
Prepared Food	57,107,208	57,849,208	58,726,635	877,427
Cigarette Tax	1,670,000	1,862,000	1,861,047	(953)
Lodging Tax	9,562,000	8,450,000	11,345,127	2,895,127
Admission	3,540,500	3,540,500	3,931,784	391,284
Real Estate Taxes - Delinquent	13,573,175	13,573,175	13,081,886	(491,289)
Personal Property Taxes - Delinquent	11,054,439	11,054,439	6,447,733	(4,606,706)
Penalties and Interest	7,084,447	7,084,447	5,163,967	(1,920,480)
Titling Tax-Mobile Home	7,850	7,850	-	(7,850)
Property Rental 1%	109,867	109,867	333,430	223,563
Vehicle Rental Tax	1,190,000	1,190,000	1,250,981	60,981
Telephone Commissions	300,000	300,000	281,607	(18,393)
Total City Taxes	<u>749,410,435</u>	<u>763,630,866</u>	<u>774,317,658</u>	<u>10,686,792</u>
Licenses, Permits, and Privilege Fees				
Business and Professional	42,555,070	42,555,070	43,975,970	1,420,900
Vehicle	6,900,000	6,900,000	4,812,876	(2,087,124)
Transfers, Penalties, Interest & Delinquent Collections	32,704	32,704	3,159	(29,545)
Utilities Right of Way Fees	900,000	900,000	883,357	(16,643)
Other Licenses, Permits and Fees	4,378,207	4,378,207	4,036,706	(341,501)
Total Licenses, Permits and Privilege Fees	<u>54,765,981</u>	<u>54,765,981</u>	<u>53,712,068</u>	<u>(1,053,913)</u>
Intergovernmental				
State Shared Expense	26,620,098	26,620,098	27,983,379	1,363,281
Total State Block Grant	3,347,683	3,347,683	3,149,307	(198,376)
Department of Social Services	19,939,682	20,069,782	15,790,220	(4,279,562)
Federal Revenues	23,581,291	23,581,291	84,449,157	60,867,866
State Aid to Localities	17,702,373	17,702,373	18,508,308	805,935
Service Charges on Tax Exempt Property (State PILOT)	3,969,871	3,969,871	3,828,388	(141,483)
All Other Intergovernmental Revenues	1,011,814	1,011,814	948,454	(63,360)
Total Intergovernmental	<u>\$ 96,172,812</u>	<u>\$ 96,302,912</u>	<u>\$ 154,657,213</u>	<u>\$ 58,354,301</u>

CITY OF RICHMOND, VIRGINIA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Fiscal Year Ended June 30, 2025

EXHIBIT H-1, Continued

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Service Charges				
Refuse Collection Fees	\$ 17,592,941	\$ 17,592,941	\$ 17,398,602	\$ (194,339)
Safety Related Charges	351,000	351,000	283,463	(67,537)
Rental of Property	1,358,790	1,358,790	2,430,370	1,071,580
Building Service Charges	728,000	728,000	840,114	112,114
Inspection Fees	11,960,000	11,960,000	12,526,795	566,795
Recycling Proceeds	2,054,092	2,054,092	1,905,248	(148,844)
Health Related Charges	125,000	125,000	169,045	44,045
Other Sales - Income	37,335	37,335	30,163	(7,172)
Printing and Telecom Charges	9,331	9,331	9,191	(140)
Other Service Charges	2,114,825	2,114,825	1,819,883	(294,942)
Total Service Charges	<u>36,331,314</u>	<u>36,331,314</u>	<u>37,412,874</u>	<u>1,081,560</u>
Fines and Forfeitures				
Richmond Public Library	7,594	7,594	30,473	22,879
Circuit Court	43,260	43,260	50,519	7,259
Juvenile and Domestic Relations District Court	6,026,712	6,026,712	7,307,460	1,280,748
Total Fines and Forfeitures	<u>6,077,566</u>	<u>6,077,566</u>	<u>7,388,452</u>	<u>1,310,886</u>
Utility Payments				
Utility Pilot Payment	21,954,066	21,954,066	21,826,567	(127,499)
Utility Payment - City Services	2,638,030	2,638,030	2,651,467	13,437
Utilities Payment for Collection Service	-	-	276,818	276,818
Total Utility Payments	<u>24,592,096</u>	<u>24,592,096</u>	<u>24,754,852</u>	<u>162,756</u>
Miscellaneous Revenues				
Reimbursement of Interest on Long-term Debt	-	-	171,709	171,709
Miscellaneous Revenues	19,766,202	23,506,202	25,628,667	2,122,465
Lease Revenue	1,400,000	1,400,000	-	(1,400,000)
Other Payments to General Fund	510,000	510,000	192,207	(317,793)
Total Miscellaneous Revenues	<u>21,676,202</u>	<u>25,416,202</u>	<u>25,992,583</u>	<u>576,381</u>
Total General Fund Revenues	<u>\$ 989,026,406</u>	<u>\$ 1,007,116,937</u>	<u>\$ 1,078,235,700</u>	<u>\$ 71,118,763</u>

CITY OF RICHMOND, VIRGINIA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Fiscal Year Ended June 30, 2025

EXHIBIT H-1, Continued

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Expenditures				
Current				
General Government				
City Council	\$ 2,429,295	\$ 2,259,905	\$ 2,164,584	\$ 95,321
City Clerk	1,463,094	1,381,460	1,173,149	208,311
Planning and Development Review	15,558,669	18,736,651	15,922,074	2,814,577
Assessor of Real Estate	5,505,389	5,934,739	5,755,031	179,708
City Auditor	2,594,140	2,691,204	2,438,391	252,813
Department of Law	7,079,252	6,811,646	6,521,561	290,085
General Registrar	5,201,150	5,185,410	4,662,454	522,956
Inspector General	1,339,145	1,210,967	1,178,498	32,469
Chief Administrative Officer	7,064,426	6,896,442	6,609,107	287,335
Citizen Service and Response	3,515,803	3,409,892	3,088,529	321,363
Budget and Strategic Planning	2,502,068	2,431,257	2,156,316	274,941
Department of Human Resources	13,142,656	14,560,997	9,745,966	4,815,031
Department of Finance	18,410,456	27,465,939	21,422,677	6,043,262
Procurement Services	3,793,759	3,983,416	3,770,835	212,581
Office of Press Secretary to Mayor	-	-	86,457	(86,457)
City Treasurer	370,172	359,202	362,749	(3,547)
Economic/Community Development	5,722,405	7,814,862	5,730,446	2,084,416
Housing and Community Development	2,281,690	17,551,392	6,640,829	10,910,563
Council Chief of Staff	2,784,721	2,527,523	2,189,402	338,121
Minority Business Development	1,093,892	1,194,029	1,118,731	75,298
Office of Community Wealth Building	5,185,256	6,198,559	5,426,953	771,606
City Mayors Office	1,719,646	1,604,618	1,476,629	127,989
Total General Government	<u>108,757,084</u>	<u>140,210,110</u>	<u>109,641,368</u>	<u>30,568,742</u>
Public Safety and Judiciary				
Judiciary	15,646,304	15,743,557	15,825,643	(82,086)
Juvenile and Domestic Relations District Court	494,134	496,036	437,715	58,321
City Sheriff	47,959,844	49,714,517	49,649,845	64,672
Department of Police	116,800,030	121,637,281	119,920,562	1,716,719
Department of Emergency Communications	10,454,987	11,220,075	10,035,111	1,184,964
Department of Fire and Emergency Services	68,538,612	73,512,768	77,638,391	(4,125,623)
Animal Control	3,311,391	3,467,574	3,535,921	(68,347)
Total Public Safety and Judiciary	<u>263,205,302</u>	<u>275,791,808</u>	<u>277,043,188</u>	<u>(1,251,380)</u>
Highways, Streets, Sanitation and Refuse				
Department of Public Works	43,876,474	48,474,897	48,877,359	(402,462)
Human Services				
Office of DCAO for Human Services	7,986,520	8,728,843	6,981,566	1,747,277
Department of Social Services	57,736,510	57,147,361	50,396,782	6,750,579
Justice Services	11,764,335	12,263,734	12,247,317	16,417
Total Human Services	<u>77,487,365</u>	<u>78,139,938</u>	<u>69,625,665</u>	<u>8,514,273</u>
Culture and Recreation				
Richmond Public Library	8,924,201	9,773,785	9,802,465	(28,680)
Department of Parks, Recreation and Community Facilities	27,997,931	31,479,284	31,433,696	45,588
Total Culture and Recreation	<u>36,922,132</u>	<u>41,253,069</u>	<u>41,236,161</u>	<u>16,908</u>
Education				
Richmond Public Schools	239,280,792	239,280,792	239,280,792	-
Total Education	<u>\$ 239,280,792</u>	<u>\$ 239,280,792</u>	<u>\$ 239,280,792</u>	<u>\$ -</u>

CITY OF RICHMOND, VIRGINIA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Fiscal Year Ended June 30, 2025

EXHIBIT H-1, Continued

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Non-Departmental				
Payments to Other Government Agencies	\$ 681,608	\$ 681,608	\$ 595,424	\$ 86,184
Tax Relief	5,750,000	5,750,000	5,354,777	395,223
GRTC	9,275,625	9,275,625	9,271,982	3,643
RRS Contributions/Retiree's Health Care Program	1,000,000	1,000,000	259,875	740,125
Contributions	62,608,890	101,498,355	81,954,152	19,544,203
Total Non-Departmental	<u>79,316,123</u>	<u>118,205,588</u>	<u>97,436,210</u>	<u>20,769,378</u>
Total General Fund Expenditures	<u>848,845,272</u>	<u>941,356,202</u>	<u>883,140,743</u>	<u>58,215,459</u>
City Facility Maintenance & Improvements	1,724,399	1,383,535	1,218,178	165,357
Excess of Revenues Over Expenditures	<u>138,456,735</u>	<u>64,377,200</u>	<u>193,876,779</u>	<u>129,499,579</u>
Other Financing Sources				
Transfers In - Other Funds	12,862,263	28,862,263	11,562,263	(17,300,000)
Transfers Out - Other Funds	(151,318,998)	(151,606,881)	(203,607,899)	(52,001,018)
Total Other Financing Sources, Net	<u>(138,456,735)</u>	<u>(122,744,618)</u>	<u>(192,045,636)</u>	<u>(69,301,018)</u>
Change in fund balance before obligations	<u>-</u>	<u>(58,367,418)</u>	<u>1,831,143</u>	<u>60,198,561</u>
Fund Balance - Beginning of Year	<u>166,430,641</u>	<u>22,456,087</u>	<u>268,625,043</u>	<u>246,168,956</u>
Fund Balance - End of Year	<u>\$ 166,430,641</u>	<u>\$ (35,911,331)</u>	<u>\$ 270,456,186</u>	<u>\$ 306,367,517</u>

This schedule is prepared on the basis of Generally Accepted Accounting Principles.

CITY OF RICHMOND, VIRGINIA
NOTE TO BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Fiscal Year Ended June 30, 2025

The City follows these procedures, which comply with legal requirements, in establishing the annual budget.

- The General, Special Revenue, and Debt Service Funds have legally adopted annual budgets. The Capital Projects Fund has a five-year spending plan which is legally adopted on an annual basis. On a day to be fixed by the City Council, but in no case earlier than the second Monday of February or later than the seventh day of April each year, the Mayor shall submit to the Council separate current expense budgets for the general operation of the City government, for the public schools, for each utility and a capital budget for the fiscal year commencing to the following July 1. The operating budget includes proposed expenditures and the means for financing those expenditures. The Capital Projects and Special Revenue Funds consist of multiple funds; however, the funds are budgeted for in total rather than by individual funds. Public hearings are conducted to obtain taxpayer comments.
- Prior to May 31, the budget is legally enacted through passage of an ordinance.
- The level of budgetary control is the department level for the City. City Council approval is not needed to transfer budget amounts within departments in the City budget; however, any revisions that alter total expenditures of any department or agency must be approved by the City Council.
- Formal budgetary integration is employed as management control during the year for all funds.
- Budgets for the General Fund, Debt Service Funds, Special Revenue Funds, and Capital Projects Fund are principally prepared on the modified accrual basis of accounting.
- Project budgets are utilized in the Capital Projects Fund, except for the Capital Projects Fund and the Special Revenue Funds that extend beyond all appropriations not encumbered nor obligated lapse at year-end. Appropriations for the Capital Projects Fund are continued until completion of applicable projects, even when projects extend for more than one fiscal year, or until repealed.
- Budgeted amounts are as originally adopted or as amended by the City Council.
- The following departments' expenditures exceeded appropriations for the year June 30, 2025:

Office of Press Secretary to Mayor	86,457
City Treasurer	3,547
Judiciary	82,086
Department of Fire and Emergency Services	4,125,623
Animal Control	68,347
Department of Public Works	402,462
Richmond Public Library	28,680

Richmond Retirement System

Schedule of Changes in the Employers' Net Pension Liability and Related Ratios

For The Last Ten Fiscal Years*

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Total pension liability				
Service cost	\$ 9,243,126	\$ 10,158,640	\$ 9,996,926	\$ 10,079,515
Interest	60,070,179	59,552,622	60,018,265	60,860,936
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	(5,985,740)	1,248,504	6,436,861	7,857,057
Changes of assumptions	-	-	-	-
Benefit Payments, including refunds of member contributions	<u>(66,618,770)</u>	<u>(67,107,482)</u>	<u>(67,563,176)</u>	<u>(68,238,675)</u>
Net change in total pension liability	(3,291,205)	3,852,284	8,888,876	10,558,833
Total pension liability - beginning	831,809,634	828,518,429	833,414,411	842,303,287
Total pension liability - ending (a)	<u>\$ 828,518,429</u>	<u>\$ 832,370,713</u>	<u>\$ 842,303,287</u>	<u>\$ 852,862,120</u>
Plan fiduciary net position				
Contributions - employer	\$ 45,556,509	\$ 43,662,633	\$ 41,833,836	\$ 45,524,623
Contributions - member	2,290,451	1,920,452	2,096,642	1,919,758
Net investment income	15,263,407	(1,456,427)	61,263,751	37,988,323
Benefit payments, including refunds of member contributions	(66,618,770)	(67,107,482)	(67,563,176)	(68,238,657)
Administrative expense	(1,218,004)	(1,128,623)	(1,112,650)	(1,181,564)
Other	<u>(663,929)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in plan fiduciary net position	(5,390,336)	(24,109,447)	36,518,403	16,012,483
Plan fiduciary net position - beginning	530,568,957	526,409,589	502,318,862	538,837,265
Plan fiduciary net position - ending (b)	<u>\$ 525,178,621</u>	<u>\$ 502,300,142</u>	<u>\$ 538,837,265</u>	<u>\$ 554,849,748</u>
City's net pension liability - ending (a) - (b)	\$ 303,339,808	\$ 330,070,571	\$ 303,466,022	\$ 298,012,372
Plan fiduciary net position as a percentage of the total pension liability	63.39%	60.35%	63.97%	65.06%
Covered payroll	\$ 109,038,530	\$ 104,977,759	\$ 104,668,019	\$ 105,442,140
City's net pension liability as a percentage of covered payroll	278.20%	314.42%	289.93%	282.63%

Financial information is reported as of the measurement date which is one year prior to the statement date as required by GASB statement number 68.

* Note - The above schedules are presented to illustrate the requirement for information covering the last Ten Fiscal years.

	2020	2021	2022	2023	2024	2025
\$	10,463,956	\$ 11,953,421	\$ 11,422,056	\$ 10,740,313	\$ 10,664,621	\$ 12,131,222
	61,669,092	61,913,034	62,362,814	62,432,160	63,163,836	65,848,080
	-	14,745,118	465,126	-	-	-
	(1,093,201)	(1,054,083)	(1,634,203)	4,485,254	26,485,111	15,404,321
	60,156,926	-	-	-	-	10,836,501
	(69,249,672)	(70,847,439)	(72,431,409)	(73,170,570)	(74,115,540)	(78,204,854)
	61,947,101	16,710,051	184,384	4,487,157	26,198,028	26,015,270
	852,862,120	914,809,221	914,809,221	927,854,522	938,771,529	979,127,947
\$	914,809,221	\$ 931,519,272	\$ 926,684,922	\$ 932,341,679	\$ 964,969,557	\$ 1,005,143,217
\$	47,511,140	54,149,754	\$ 54,012,452	\$ 53,387,872	\$ 60,831,881	\$ 186,341,016
	1,894,851	1,941,132	1,751,556	1,727,540	1,995,910	4,415,496
	24,568,402	9,556,654	134,618,905	(44,808,582)	34,089,063	66,252,256
	(69,249,672)	(71,375,503)	(72,431,409)	(73,170,570)	(74,115,540)	(78,204,854)
	(1,250,142)	(1,309,142)	(1,511,623)	(1,536,064)	(1,575,248)	(1,747,478)
	(1,214,119)	-	-	-	-	-
	2,260,460	(7,037,105)	116,439,881	(64,399,804)	21,226,066	177,056,437
	538,837,265	557,110,208	548,819,972	666,099,499	605,849,289	636,276,035
\$	541,097,725	\$ 550,073,103	\$ 665,259,853	\$ 601,699,695	\$ 627,075,355	\$ 813,332,472
\$	373,711,496	\$ 381,446,168	\$ 261,425,069	\$ 330,641,984	\$ 337,894,202	\$ 191,810,745
	59.15%	59.05%	71.79%	64.54%	64.98%	80.92%
\$	106,031,020	\$ 101,964,037	\$ 93,295,563	\$ 93,869,387	\$ 92,777,107	\$ 101,438,654
	352.45%	374.10%	280.21%	352.24%	364.20%	189.09%

Richmond Retirement System Pension Plan

Schedule of Contributions

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Actuarially determined employer contribution	\$ 45,556,509	\$ 43,662,633	\$ 41,833,836	\$ 48,432,034	\$ 47,511,140
Employer contributions in relation to the actuary determined contribution	<u>45,556,509</u>	<u>43,662,633</u>	<u>41,833,836</u>	<u>45,524,623</u>	<u>48,394,653</u>
Excess (Deficiency)	-	-	-	(2,907,411)	883,513

Covered payroll	104,977,759	104,668,019	105,442,140	106,031,020	101,964,037
Contributions as a percentage of covered payroll	43.4%	41.7%	39.7%	45.7%	46.6%

	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Actuarially determined employer contribution	\$ 54,149,781	\$ 54,012,445	\$ 53,387,868	\$ 60,831,906	\$ 186,341,015
Employer contributions in relation to the actuary determined contribution	<u>54,149,781</u>	<u>54,012,445</u>	<u>53,387,868</u>	<u>60,831,906</u>	<u>186,341,015</u>
Excess (Deficiency)	-	-	-	-	-

Covered payroll	93,539,093	93,869,387	92,777,107	101,438,654	105,262,306
Contributions as a percentage of covered payroll	57.9%	57.5%	57.5%	60.0%	177.0%

**Richmond Retirement System
Schedule of Investment Returns**

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Annual money-weighted rate of return net of investment expense	(0.3)%	12.2%	7.1%	5.1%	-1.0%

	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Annual money-weighted rate of return net of investment expense	24.0%	-6.0%	5.8%	9.9%	10.5%

Notes to the Required Supplementary Pension Information

Richmond Retirement System Pension Plan

For the Year Ended June 30, 2025

Methods and Assumptions Used to Determine Contribution Rates:

The following changes were made to assumptions:

Remaining Amortization Period - Re-amortize unfunded liability over 6 years as of July 1, 2025. Cost of VRIP is amortized over 3 years. Other new bases are amortized over 20 years.

Inflation - 2.50%

Salary Increases - General Employees - 3.00% to 5.00%

Salary Increases - Police and Fire Employees - 3.00% to 5.50%

Investment Rate of Return - 7.00%

Retirement Age - General Employees - 20.00% in 1st year of unreduced retirement eligibility; 6.0% at age 55 increasing to 100.00% at age 75.

Retirement Age - Police and Fire Employees - 45.00% up to age 50, 40% after age 51 in 1st year of unreduced retirement eligibility; 10.00% at age 50 increasing to 100.00% at age 65.

Mortality-General Employees - Pub-2010 Below Median Income Table for General Employees

Mortality-Police and Fire Employees - Pub-2010 Below Median Income Table for Safety Employees

VRS Pension Plan
Schedule of Changes in the Employers' Net Pension Liability and Related Ratios

Measurement date: June 30,	2016	2017	2018	2019
Total pension liability				
Service cost	\$ 3,421,683	\$ 3,583,801	\$ 3,589,830	\$ 3,421,014
Interest	7,689,675	8,037,966	8,348,430	8,446,921
Differences between expected and actual expenses	110,367	(196,070)	(2,719,281)	(388,284)
Changes in assumptions	-	-	(1,083,113)	-
Deferred Inflow Expected vs Actual Experience	-	(496,058)	-	-
Benefit Payments, including refunds of member contributions	(6,085,126)	(6,407,155)	(6,581,717)	(6,875,986)
Changes in assumptions	-	-	-	-
Net change in total pension liability	<u>5,136,599</u>	<u>4,522,484</u>	<u>1,554,149</u>	<u>4,603,665</u>
Total pension liability - beginning	<u>112,895,060</u>	<u>118,031,659</u>	<u>122,554,143</u>	<u>124,108,292</u>
Total pension liability - ending (a)	<u>\$ 118,031,659</u>	<u>\$ 122,554,143</u>	<u>\$ 124,108,292</u>	<u>\$ 128,711,957</u>
Plan fiduciary net position				
Contributions - employer	\$ 3,471,373	\$ 3,621,503	\$ 3,219,694	\$ 3,176,521
Contributions - member	1,258,265	1,393,001	1,401,096	1,346,018
Net investment income	4,552,450	1,793,841	12,562,007	8,403,155
Benefit payments, including refunds of member contributions	(6,085,126)	(6,407,155)	(6,581,717)	(6,875,986)
Administrative expense	(62,657)	(64,054)	(72,905)	(72,921)
Other	(962)	(759)	(11,180)	(7,471)
Net change in plan fiduciary net position	<u>3,133,343</u>	<u>336,377</u>	<u>10,516,995</u>	<u>5,969,316</u>
Plan fiduciary net position - beginning	<u>100,409,862</u>	<u>103,543,205</u>	<u>103,879,582</u>	<u>114,396,577</u>
Plan fiduciary net position - ending (b)	<u>\$ 103,543,205</u>	<u>\$ 103,879,582</u>	<u>\$ 114,396,577</u>	<u>\$ 120,365,893</u>
City's net pension liability / (asset) - ending (a) minus (b)	<u>\$ 14,488,454</u>	<u>\$ 18,674,561</u>	<u>\$ 9,711,715</u>	<u>\$ 8,346,064</u>
Plan fiduciary net position as a percentage of the total pension liability	87.7%	84.8%	92.2%	93.5%
Covered payroll	\$ 25,093,420	\$ 25,652,406	\$ 25,351,280	\$ 26,179,060
City's net pension liability as a percentage of covered payroll	57.7%	72.8%	38.3%	31.9%

* Note - The above schedules are presented to illustrate the requirement for information covering the last Ten Fiscal years.

	2020	2021	2022	2023	2024	2025
\$	3,595,008	\$ 3,579,068	\$ 3,642,964	\$ 3,251,586	\$ 3,344,450	\$ 3,498,397
	8,750,975	9,045,496	9,285,395	9,947,561	10,152,900	10,386,727
	540,139	(733,288)	(1,930,566)	(1,341,387)	(869,276)	6,951,452
	3,837,631	-	4,218,199	-	-	-
	-	-	-	-	-	-
	(7,396,048)	(8,064,640)	(8,609,767)	(8,705,671)	(9,111,455)	(9,524,380)
	-	-	-	-	-	-
	9,327,705	3,826,636	6,606,225	3,152,089	3,516,619	11,312,196
	128,711,957	138,039,662	141,866,298	148,472,523	151,624,612	155,141,231
\$	138,039,662	\$ 141,866,298	\$ 148,472,523	\$ 151,624,612	\$ 155,141,231	\$ 166,453,427
\$	2,948,781	\$ 2,939,040	\$ 3,248,868	\$ 3,151,757	\$ 3,495,728	\$ 8,123,794
	1,301,296	1,312,202	1,282,683	1,336,414	1,321,631	2,888,702
	7,924,514	2,372,966	33,364,323	(111,554)	9,458,475	14,871,596
	(7,396,048)	(8,064,640)	(8,609,767)	(8,705,671)	(9,111,455)	(9,524,380)
	(79,792)	(82,204)	(84,660)	(95,550)	(95,632)	(96,485)
	(4,992)	(2,785)	(9,898)	(5,428)	3,796	3,061
	4,693,759	(1,525,421)	29,191,549	(4,430,032)	5,072,543	16,266,288
	120,365,893	125,059,652	123,534,231	152,725,780	148,295,748	153,368,291
\$	125,059,652	\$ 123,534,231	\$ 152,725,780	\$ 148,295,748	\$ 153,368,291	\$ 169,634,579
\$	12,980,010	\$ 18,332,067	\$ (4,253,257)	\$ 3,328,864	\$ 1,772,940	\$ (3,181,152)
	90.6%	87.1%	102.9%	97.8%	98.9%	101.9%
	26,924,568	\$ 27,187,437	\$ 24,088,930	\$ 26,194,267	\$ 25,970,460	\$ 58,834,023
	48.2%	67.4%	-17.7%	12.7%	6.8%	-5.4%

VRS Pension Plan
Schedule of Contributions
For the Last Ten Fiscal Years

VRS	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Actual and Contractually Required Contribution	\$ 3,471,373	\$ 4,547,035	\$ 4,807,272	\$ 4,702,343	\$ 4,555,329
Actuarially Determined Contribution	<u>3,471,373</u>	<u>3,621,503</u>	<u>3,219,694</u>	<u>3,176,521</u>	<u>3,027,531</u>
Excess (Deficiency)		925,532.00	1,587,578.00	1,525,822.00	1,527,797.71
 Covered Payroll	 \$ 25,093,420	 \$ 25,652,406	 \$ 25,351,280	 \$ 26,179,060	 \$ 26,924,568
Contributions as a percentage of covered payroll	13.8%	17.7%	12.7%	12.1%	11.2%
	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Contractually Required Contribution	\$ 4,538,543	\$ 4,531,551	\$ 4,488,171	\$ 4,817,359	\$ 11,012,496
Actuarially Determined Contribution	<u>3,301,487</u>	<u>3,331,911</u>	<u>3,493,027</u>	<u>8,652,252</u>	<u>21,451,753</u>
Excess (Deficiency)	\$ 1,237,056	\$ 1,199,640	\$ 995,144	\$ (3,834,893)	\$ (10,439,257)
 Covered Payroll	 \$ 27,187,437	 \$ 26,321,947	 \$ 26,194,267	 \$ 24,830,316	 \$ 25,970,460
Contributions as a percentage of covered payroll	12.1%	12.7%	13.3%	34.8%	82.6%

Notes to Required Supplementary Tables VRS Pension Plan

Changes in benefit terms - Since the prior actuarial valuation, there have not been any actuarially significant changes to the VRS benefit provisions or actuarial assumptions.

The years noted are the City's Fiscal Year. The Plan Year is one year earlier.

REQUIRED SUPPLEMENTARY INFORMATION

NET OPEB LIABILITY

CITY OF RICHMOND OPEB PLAN SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS

For The Last Ten Fiscal Years*

	2018	2019	2020
Total OPEB Liability			
Service cost	\$ 4,021,865	\$ 4,222,958	\$ 4,434,106
Interest	2,425,532	2,532,946	2,553,264
Change of Benefit Terms	-	-	24,431,269
Difference between expected and actual experience	-	-	6,508,726
Change in Assumptions	-	-	-
Benefit Payments/Refunds	<u>(2,958,026)</u>	<u>(3,194,668)</u>	<u>(6,313,741)</u>
Net Change in Total OPEB Liability	3,489,371	3,561,236	31,613,624
Total OPEB Liability - beginning	76,927,555	80,416,926	83,978,162
Total OPEB Liability - ending (a)	\$ 80,416,926	\$ 83,978,162	\$ 115,591,786
Plan Fiduciary Net Position			
Contributions - employer	\$ 2,958,026	\$ 3,194,668	\$ 6,313,741
Net Investment Income	-	-	-
Benefit Payments/Refunds	<u>(2,958,026)</u>	<u>(3,194,668)</u>	<u>(6,313,741)</u>
Administrative Expenses	-	-	-
Net Changes in Plan Fiduciary Net Position	\$ 2,958,026	\$ 3,194,668	-
Plan Fiduciary Net Position - beginning	-	-	-
Plan Fiduciary Net Position - ending (b)	-	-	-
Net OPEB Liability - ending (a) - (b)	\$ 80,416,926	\$ 83,978,162	\$ 115,591,786
Plan Fiduciary Net Position as a % of the Total OPEB Liability	0.00%	0.00%	0.00%
Covered payroll	\$ 107,395,730	\$ 100,320,588	\$ 99,822,621
City's Net OPEB liability as a percentage of covered payroll	74.88%	83.71%	115.80%

*Note - The above schedules are presented to illustrate the requirement for information covering the last Ten Fiscal Years.

However, 2018 was the first year OPEB had to be reported so only seven years are presented until a full ten years trend is compiled.

REQUIRED SUPPLEMENTARY INFORMATION

	2021	2022	2023	2024	2025
\$	5,702,876	\$ 5,854,572	\$ 2,653,431	\$ 219,802	\$ 192,586
	3,058,492	3,188,970	1,315,796	468,412	523,915
	-	(53,566,193)	-	-	-
	-	(28,201,247)	(1,773,421)	738,320	63,895
	-	(10,387,390)	(11,645,592)	147,876	289,821
	(6,313,741)	(4,007,890)	(1,402,608)	(777,970)	(724,927)
	2,447,627	(87,119,178)	(10,852,394)	796,440	345,290
	115,591,786	118,039,413	30,920,236	7,497,608	8,294,048
\$	118,039,413	\$ 30,920,235	\$ 20,067,842	\$ 8,294,048	\$ 8,639,338
\$	6,313,741	\$ 5,407,890	\$ 2,802,608	\$ 777,970	\$ 724,927
	-	(830,909)	675,005	975,860	992,689
	(6,313,741)	(4,007,890)	(1,402,608)	(777,970)	(724,927)
	-	(8,971)	(9,120)	(10,729)	(8,823)
	6,313,741	560,120	2,065,885	965,131	983,866
	-	7,674,657	8,234,777	10,300,662	11,265,793
	-	8,234,777	10,300,662	11,265,793	12,249,659
\$	118,039,413	\$ 22,685,458	\$ 9,767,180	\$ (2,971,745)	\$ (3,610,321)
	0.00%	36.30%	51.33%	135.83%	141.79%
\$	115,756,485	\$ 102,167,580	\$ 127,355,724	\$ 125,533,400	\$ 112,341,226
	101.97%	22.20%	7.67%	-2.37%	-3.21%

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF RICHMOND OPEB PLAN SCHEDULE OF CONTRIBUTIONS
For The Last Ten Fiscal Years**

Fiscal Year Ending June 30:

	2018	2019	2020	2021
Actuarially determined contribution	\$ 9,228,017	\$ 8,371,014	\$ 13,670,345	\$ 14,207,750
Contributions in relation to the actuarially determined contribution	2,958,026	3,194,668	6,313,741	6,313,741
Contribution deficiency (excess)	\$ 6,269,991	\$ 5,176,346	\$ 7,356,604	\$ 7,894,009
Covered payroll	\$ -	\$ 100,320,588	\$ 99,822,621	\$ 115,756,485
	2022	2023	2024	2025
Actuarially determined contribution	\$ 14,379,755	\$ 3,752,830	\$ -	\$ -
Contributions in relation to the actuarially determined contribution	5,407,890	2,802,608	777,970	724,927
Contribution deficiency (excess)	\$ 8,971,865	\$ 950,222	\$ (777,970)	\$ (724,927)
Covered payroll	\$ 102,167,580	\$ 87,509,297	\$ 127,355,724	\$ 125,533,400

**CITY OF RICHMOND OPEB PLAN SCHEDULE OF INVESTMENT RETURNS
For The Last Ten Fiscal Years**

	2018	2019	2020	2021	2022	2023	2024	2025
Annual money-weighted rate of return, net of investment expense	0.00%	0.00%	0.00%	0.00%	-10.19%	7.77%	9.78%	8.81%

*Note - The above schedules are presented to illustrate the requirement for information covering the last Ten Fiscal Years. However, until a full ten year trend is compiled, information is only presented for the years in which information is available.

REQUIRED SUPPLEMENTARY INFORMATION

Notes to Required Supplementary Information - City of Richmond OPEB Plan

Changes in plan actuarial assumptions and actuarial methods:

The discount rate stayed the same at 6.75% based on the S&P Municipal Bond 20 Year High Grade Rate Index as of June 30, 2024.

The medical claims aging table was updated to be based on the Yamamoto factors released in a study of the Society of Actuaries in June 2013.

The eligibility provisions were revised to include those employees hired between 1997 to 2006.

VRS Group Life OPEB Plan

SCHEDULE OF CITY OF RICHMOND SHARE OF NET OPEB LIABILITY

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
City of Richmond's Proportion % of the Net GLI OPEB Liability	0.14%	0.13%	0.13%	0.13%
City of Richmond's Proportionate Share of the NET GLI OPEB Liability	\$ 2,083,000	\$ 2,061,000	\$ 2,124,000	\$ 2,103,902
Covered Payroll	\$ 25,351,280	\$ 25,589,505	\$ 25,944,554	\$ 25,944,554
Employer's Proportionate Share of the NET GLI OPEB Liability as a Percentage of Covered Payroll	8.22%	8.05%	8.19%	8.11%
Plan Fiduciary Net Position as a Percentage of the total GLI OPEB Liability	48.86%	51.22%	51.22%	52.64%

	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
City of Richmond's Proportion % of the Net GLI OPEB Liability	0.12%	0.11%	0.11%	0.23%
City of Richmond's Proportionate Share of the NET GLI OPEB Liability	\$ 1,442,415	\$ 1,384,109	\$ 1,329,079	\$ 2,562,045
Covered Payroll	\$ 25,577,974	\$ 25,577,974	\$ 25,045,181	\$ 26,145,647
Employer's Proportionate Share of the NET GLI OPEB Liability as a Percentage of Covered Payroll	5.64%	5.41%	5.31%	9.80%
Plan Fiduciary Net Position as a Percentage of the total GLI OPEB Liability	67.45%	67.21%	69.30%	73.41%

*Note - The above schedule is presented to illustrate the requirement for information covering the last Ten Fiscal Years. However, until a full ten year trend is compiled, information is only presented for the years in which information is available.

REQUIRED SUPPLEMENTARY INFORMATION

**VRS OPEB GROUP LIFE PROGRAM
SCHEDULE OF EMPLOYER CONTRIBUTIONS-
For the Last Ten Fiscal Years***

Date	Contractually Required Contribution	Contribution in Relation to Contractually Required Contribution	Contribution Deficiency/(Excess)	Covered Payroll	Contributions as a % of Covered Payroll
2025	\$ 318,336	\$ 318,336	\$ -	\$ 59,048,593	0.54%
2024	140,965	140,965	-	26,145,647	0.54%
2023	135,019	135,019	-	25,045,181	0.54%
2022	138,121	138,121	-	25,577,974	0.54%
2021	138,121	138,121	-	25,577,974	0.54%
2020	134,912	134,912	-	25,944,554	0.52%
2019	133,065	133,065	-	25,589,505	0.52%
2018	133,566	132,787	779	25,351,280	0.52%
2017	131,119	130,880	239	25,215,255	0.52%
2016	120,448	121,276	(828)	25,093,420	0.48%

**Notes to Required Supplemental Information - VRS Group Life OPEB Plan
For the Year Ended June 30, 2025**

Changes in benefit terms - There have not been any significantly material actuarial changes to the VRS benefit provisions since the prior actuarial valuation

Changes in assumptions - Except for the discount rate, there have been no significant changes in actuarial assumptions made since June 30, 2016 the date of the most recent experience study of the VRS. 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%.

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APPENDIX G

FORM OF BOND COUNSEL OPINION



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Set forth below is the proposed form of opinion of Hunton Andrews Kurth LLP, Richmond, Virginia, Bond Counsel. It is preliminary and subject to change prior to delivery of the 2026B Bonds.

[Closing Date]

Mayor and City Council
City of Richmond
Richmond, Virginia

\$_[]

**City of Richmond, Virginia
Public Utility Revenue and Refunding Bonds,
Series 2026B**

Ladies and Gentlemen:

We have examined the applicable law and certified copies of proceedings and documents relating to the issuance and sale by the City of Richmond, Virginia (the “City”), of its \$[] Public Utility Revenue and Refunding Bonds, Series 2026B (the “2026B Bonds”). The 2026B Bonds are being issued to (a) to finance or reimburse expenditures for certain improvements to and expansions of the System, (b) to currently refund [a portion of] the City’s outstanding Public Utility Revenue and Refunding Bonds, Series 2016A (the “Refunded 2016A Bonds”), (c) to defease and advance refund [a portion of] the City’s outstanding Public Utility Revenue Refunding Bonds, Series 2020B (Federally Taxable) (the “Refunded 2020B Bonds”), (d) to currently refund [a portion of] the City’s outstanding Public Utility Revenue Refunding Bond, Series 2026A, and (e) to pay related costs of issuance and refunding. Reference is made to the form of the 2026B Bonds for information concerning their details, including payment and redemption provisions, and the proceedings pursuant to which they are issued.

The 2026B Bonds are issued under and are equally and ratably secured by a Master Indenture of Trust dated as of April 1, 1998 (the “Master Indenture”), between the City and U.S. Bank Trust Company, National Association (successor trustee to Crestar Bank and SunTrust Bank), Richmond, Virginia, as trustee (the “Trustee”), as previously supplemented and amended and as further supplemented and amended by a Twenty-Ninth Supplemental Indenture of Trust dated as of June 1, 2026 (the “Twenty-Ninth Supplemental Indenture”), between the City and the Trustee (collectively, the “Indenture of Trust”). The City is issuing the 2026B Bonds on a parity basis with certain outstanding revenue bonds previously issued by the City under the terms of the Indenture of Trust Agreement (collectively, the “Existing Parity Bonds”). The City may issue additional obligations secured on a parity with the 2026B Bonds and the Existing Parity Bonds under the terms of the Indenture of Trust. Capitalized terms used but not otherwise defined herein shall have the same meanings assigned to them in the Indenture of Trust.

Without undertaking to verify the same by independent investigation, we have relied on (a) computations provided to The Arbitrage Group, Inc., Tuscaloosa, Alabama, independent public accountants and consultants, the mathematical accuracy of which was verified by it, relating to (i) the sufficiency of the cash and investments in the escrow accounts established in connection with the refunding of the Refunded 2016A Bonds and the Refunded 2020B Bonds to pay when due the principal of and interest on such refunded bonds, (ii) the yield of the investments in such escrow accounts and (iii) the yield on the 2026B Bonds, and (b) certifications by representatives of the City as to certain facts relevant to both our opinion and the requirements of the Internal Revenue Code of 1986, as amended (the “Code”). The City has covenanted to comply with the current provisions of the Code regarding, among other matters, the use, expenditure and investment of the proceeds of the 2026B Bonds and the timely payment to the United States of any arbitrage rebate amounts with respect to the 2026B Bonds, all as set forth in the proceedings and documents relating to the issuance of the 2026B Bonds (the “Covenants”).

Based on the foregoing and in accordance with customary opinion practice, we are of the opinion that:

1. The issuance of the 2026B Bonds is permitted under the terms of the Indenture of Trust. The 2026B Bonds have been authorized and issued in accordance with the Constitution and statutes of the Commonwealth of Virginia, including the City Charter and the Public Finance Act of 1991, and constitute valid and binding limited obligations of the City payable solely from certain revenues and other moneys pledged by the Indenture of Trust to secure payment of the 2026B Bonds and are secured on a parity with the Existing Parity Bonds. The 2026B Bonds and the interest thereon do not constitute a pledge of the faith and credit of the Commonwealth of Virginia or of any political subdivision thereof, including the City.

2. The City is required to fix, charge and collect such rates, fees and other charges for the use of and for the services furnished or to be furnished by the System, and to revise from time to time such rates, fees and other charges, so as to produce in each Fiscal Year (a) Revenues sufficient to pay the actual Operating Expenses for such Fiscal Year, the amount required to be deposited in the Bond Fund for such Fiscal Year, the amount required to pay Annual Debt Service on Subordinate Debt in such Fiscal Year, and any amount necessary to be deposited in any Series Debt Service Reserve Account to restore the amount on deposit therein to the amount of the Series Debt Service Reserve Requirement, and (b) Net Revenues, together with all other balances available to pay debt service, equal to at least 115% of the Annual Debt Service with respect to the 2026B Bonds and the Existing Parity Bonds for such Fiscal Year, and 100% of Annual Debt Service with respect to Other System Indebtedness and Subordinate Debt for such Fiscal Year.

3. The Indenture of Trust has been duly authorized, executed and delivered by the City, and, assuming the due authorization, execution and delivery by the Trustee, constitutes a valid and binding agreement of the City enforceable against the City in accordance with its terms. The Indenture of Trust pledges as security for payment of the principal of and interest on the 2026B Bonds certain revenues derived from the ownership or operation of the System, moneys in certain funds created by the Indenture of Trust, income from investments and proceeds of insurance. The Twenty-Ninth Supplemental Indenture is authorized and permitted by the Master Indenture and complies with its terms.

4. The rights of the holders of the 2026B Bonds and the enforceability of such rights, including the enforcement by the Trustee of the obligations of the City under the Indenture of Trust, may be limited or otherwise affected by (a) bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other laws affecting the rights of creditors generally and (b) principles of equity, whether considered at law or in equity.

5. Under current law, interest[, including accrued original issue discount (“OID”),] on the 2026B Bonds (a) is not included in gross income for federal income tax purposes, (b) is not an item of tax preference for purposes of the federal alternative minimum tax, and (c) is taken into account in determining adjusted financial statement income for applicable corporations (as defined in Section 59(k) of the Code) for the alternative minimum tax imposed on such corporations. The opinions in clauses (a) and (b) of the preceding sentence are subject to the condition that there is compliance subsequent to the issuance of the 2026B Bonds with all requirements of the Code that must be satisfied in order that interest[, including accrued OID,] on the 2026B Bonds not be included in gross income for federal income tax purposes. Failure by the City to comply with the Covenants, among other things, could cause interest[, including accrued OID,] on the 2026B Bonds to be included in gross income for federal income tax purposes retroactively to their date of issue. The City may in its discretion, but has not covenanted to, take any and all such actions as may be required by future changes in the Code and applicable regulations in order that interest[, including accrued OID,] on the 2026B Bonds remain excludable from gross income for federal income tax purposes. [In the case of the 2026B Bonds maturing in the years [] through [] (the “OID Bonds”), the difference between (i) the stated principal amount of each maturity of the OID Bonds and (ii) the initial offering price to the public (excluding bond houses and brokers) at which a substantial amount of each such maturity of the OID Bonds is sold will constitute OID; OID will accrue for federal income tax purposes on a constant-yield-to-maturity method based on regular compounding; and a holder’s basis in such an OID Bond will be increased by the amount of OID treated for federal income tax purposes as having accrued on the OID Bond while the holder holds the OID Bond.] We express no opinion regarding other federal tax consequences of the ownership of or receipt or accrual of interest[, including accrued OID,] on the 2026B Bonds.

6. Under current law, interest[, including accrued OID], on the 2026B Bonds is exempt from income taxation by the Commonwealth of Virginia.

The opinions set forth above are based on current law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. Our services as bond counsel to the City have been limited to delivering the foregoing opinions based on our review of such proceedings and documents as we deem necessary to approve the validity of the 2026B Bonds and the tax-exempt status of the interest thereon. Our services have not included any financial or other non-legal advice. We express no opinion herein as to the financial resources of the City, its ability to provide for payment of the 2026B Bonds or the accuracy or completeness of any information, including the City's Preliminary Official Statement dated May 13, 2026, and its Official Statement dated May [], 2026, that may have been relied upon by anyone in making the decision to purchase 2026B Bonds. We assume no duty to update or supplement these opinions to reflect any facts or circumstances that may hereafter come to our attention or to reflect any changes in any law or the interpretation thereof that may hereafter occur or become effective.

Very truly yours,

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APPENDIX H

FORM OF CONTINUING DISCLOSURE AGREEMENT



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APPENDIX H

FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the “Disclosure Agreement”) is executed and delivered by the City of Richmond, Virginia (the “City”), in connection with the issuance by the City of its \$[] Public Utility Revenue and Refunding Bonds, Series 2026B (the “2026B Bonds”), pursuant to Article VII of the Constitution of Virginia, the Public Finance Act of 1991 (Chapter 26, Title 15.2, Code of Virginia of 1950, as amended), Ordinance No. 2025-062 adopted by the City Council on May 12, 2025, Resolution No. 2026-R012 adopted by the City Council on February 23, 2026, and Resolution No. 2026-R017 adopted by the City Council on April 27, 2026.

This Disclosure Agreement is being executed and delivered by the City for the benefit of the holders of the Bonds and in order to assist Wells Fargo Bank, National Association, as representative of the underwriters (the “Underwriters”) in complying with the provisions of Section (b)(5)(i) of Rule 15c2-12 (the “Rule”), promulgated by the Securities and Exchanges Commission (the “SEC”) under the Securities Exchange Act of 1934, as amended, by providing certain annual financial information and material event notices required by the Rule. The City hereby covenants and agrees as follows:

(A) **Annual Disclosure.** (1) The City shall provide annually certain financial information and operating data in accordance with the provisions of Section (b)(5)(i) of the Rule, as follows:

- (a) financial statements, prepared in accordance with generally accepted accounting principles; and
- (b) the operating data for the most recent fiscal year with respect to the City generally of the type appearing in portions of the City’s Official Statement under the following headings or captions:
 - (i) Operational Summary and Asset Evaluation Natural Gas, Water & Wastewater System;
 - (ii) Natural Gas Utility Statistical Summary;
 - (iii) Water Utility Statistical Summary;
 - (iv) Wastewater Utility Statistical Summary;
 - (v) Results of Operations;
 - (vi) Statement of Historical Debt Service Coverage;
 - (vii) Average Monthly Bill Comparisons: Natural Gas Utility Comparisons; Water Utility Comparisons, and Wastewater Utility Comparisons; and
 - (viii) Debt Service Requirements for System Supported Long-Term Outstanding Indebtedness.

If the financial statements filed pursuant to subsection (A)(1)(a) are not audited, the City shall file such statements as audited when available.

(2) The City shall annually provide the financial information and operating data described in subsection (1) above (the “Continuing Disclosure”) within 220 days after the end of the City’s fiscal year,

commencing with the City's fiscal year in which the 2026B Bonds are issued, to the Municipal Securities Rulemaking Board (the "MSRB") for publication in its Electronic Municipal Market Access ("EMMA") System, or as otherwise designated by the Rule and to the appropriate state information depository if any then exists ("SID").

(3) Any of the Continuing Disclosure may be included by specific reference to other documents previously provided to the MSRB and to the SID, if any, or filed with the SEC; provided, however, that any final official statement incorporated by reference must be available from the MSRB.

(4) The City shall provide in a timely manner to the MSRB and to the SID, if any, notice specifying any failure of the City to provide the Continuing Disclosure by the date specified.

If the City fails to comply with any covenant or obligation specified in this Section (A), any holder (within the meaning of the Rule) of 2026B Bonds then outstanding may, by notice to the City, proceed to protect and enforce its rights and the rights of the holders by an action for specific performance of the City's covenant to provide financial information and operating data.

(B) **Event Disclosure.** The City shall provide in a timely manner not in excess of ten (10) business days to the MSRB and to the SID, if any, notice of the occurrence of any of the following events with respect to the 2026B Bonds:

- (1) Principal and interest payment delinquencies;
- (2) Non-payment related defaults, if material;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancement reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers, or their failure to perform;
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the 2026B Bonds, or other material events affecting the tax-exempt status of the 2026B Bonds;
- (7) Modifications to rights of holders of the 2026B Bonds, if material;
- (8) 2026B Bond calls, if material, and tender offers;
- (9) Defeasance of all or any portion of the 2026B Bonds;
- (10) Release, substitution, or sale of property securing repayment of the 2026B Bonds, if material;
- (11) Rating changes;
- (12) Bankruptcy, insolvency, receivership or similar event of the City;
- (13) The consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (15) Incurrence of a financial obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the City, any of which affect holders of the 2026B Bonds, if material; and
- (16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the City, any of which reflect financial difficulties.

(C) **Termination.** The covenants and obligations of the City specified in Sections (A) and (B) shall terminate upon the redemption, defeasance (within the meaning of the Rule) or payment in full of all the 2026B Bonds.

(D) **Amendment.** The City reserves the right to modify its obligations specified in Sections (A) and (B) without the consent of the holders of the 2026B Bonds, provided that such modification is permitted by and complies with the Rule as it exists at the time of modification.

(E) **Additional Disclosure.** The City may from time to time disclose certain information and data in addition to the Continuing Disclosure. Notwithstanding anything herein to the contrary, the City shall not incur any obligation to continue to provide, or to update, such additional information or data.

(F) **Counterparts.** This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

(G) **Governing Law.** This Disclosure Agreement will be construed and enforced in accordance with the laws of the Commonwealth of Virginia.

Dated: June __, 2026

CITY OF RICHMOND, VIRGINIA

By: _____
Director of Finance

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APPENDIX I

BOOK-ENTRY ONLY SYSTEM



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INFORMATION REGARDING THE DEPOSITORY TRUST COMPANY AND ITS BOOK-ENTRY SYSTEM

The description that follows of the procedures and recordkeeping with respect to beneficial ownership interests in the 2026B Bonds, payments of principal of and premium, if any, and interest on the 2026B Bonds to The Depository Trust Company, New York, New York (“DTC”), its nominee, Participants or Beneficial Owners (each as hereinafter defined), confirmation and transfer of beneficial ownership interests in the 2026B Bonds and other Bond-related transactions by and between DTC, Participants and Beneficial Owners is based solely on information furnished by DTC.

DTC will act as securities depository for the 2026B Bonds. The 2026B Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the 2026B Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues and money market instruments (from over 100 countries) that DTC’s participants (the “Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others, such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (the “Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Direct and Indirect Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of the 2026B Bonds under the DTC system must be made by or through the Direct Participants, which will receive a credit for the 2026B Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (the “Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. The Beneficial Owners will not receive written confirmation from DTC of their purchase. The Beneficial Owners, however, are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2026B Bonds are to be accomplished by entries made on the books of the Direct or Indirect Participants acting on behalf of the Beneficial Owners. The Beneficial Owners will not receive certificates representing their ownership interests in the 2026B Bonds, except in the event that use of the book-entry system for the 2026B Bonds is discontinued.

To facilitate subsequent transfers, all 2026B Bonds deposited by the Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the 2026B Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2026B Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such 2026B Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holding on behalf of their customers.

Conveyance of notices and other communications by DTC to the Direct Participants, by the Direct Participants to the Indirect Participants, and by the Direct and Indirect Participants to the Beneficial Owners will be

governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the 2026B Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the 2026B Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City or the Trustee as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the 2026B Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal of and interest on the 2026B Bonds will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit the Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Trustee on payable date in accordance with their respective holdings shown on DTC's records. Payments by the Direct and Indirect Participants to the Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the City or the Trustee, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments of principal of and interest on the 2026B Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Trustee, disbursement of such payments to the Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of the Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the 2026B Bonds at any time by giving reasonable notice to the City or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, 2026B Bond certificates will be printed and delivered.

The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, 2026B Bond certificates will be printed and delivered.

The information in this Appendix I concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

Neither the City nor the Trustee has any responsibility or obligation to the Direct or Indirect Participants or the Beneficial Owners with respect to: (a) the accuracy of any records maintained by DTC or any Direct or Indirect Participant; (b) the payment by any Direct or Indirect Participant of any amount due to any Beneficial Owner in respect of the principal of and interest on the 2026B Bonds; (c) the delivery or timeliness of delivery by any Direct or Indirect Participant of any notice to any Beneficial Owner that is required or permitted under the terms of the Indenture of Trust to be given to Bondholders; or (d) any other action taken by DTC, or its nominee, Cede & Co., as Bondholder, including the effectiveness of any action taken pursuant to an Omnibus Proxy.

So long as Cede & Co. is the registered owner of the 2026B Bonds, as nominee of DTC, references in this Official Statement to the Owners of the 2026B Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners, and Cede & Co. will be treated as the only holder of 2026B Bonds for all purposes under the Indenture of Trust.

The City may enter into amendments to the agreement with DTC or successor agreements with a successor securities depository, relating to the book-entry system to be maintained with respect to the 2026B Bonds without the consent of the Beneficial Owners or Bondholders.

