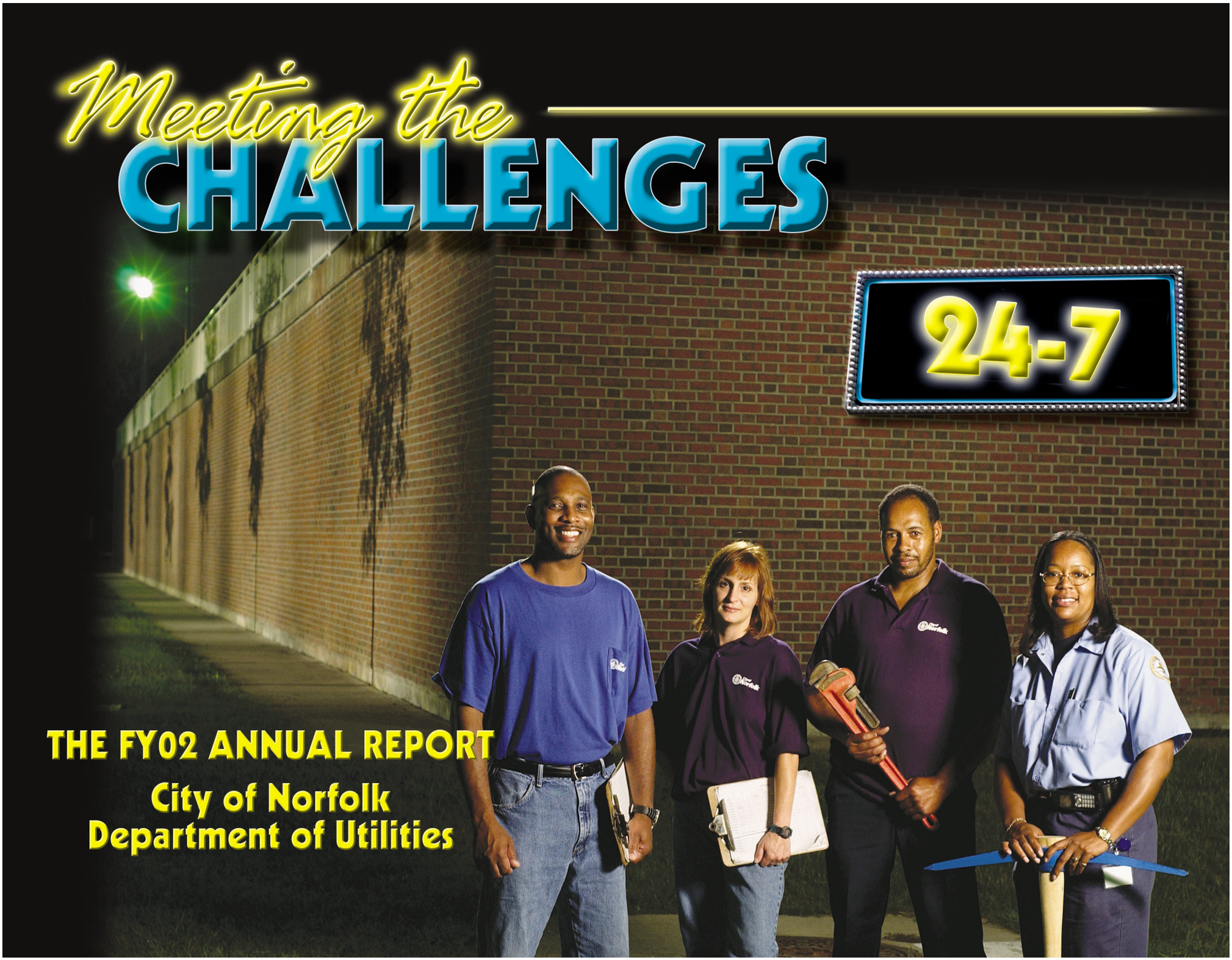
Meeting the CHALLENGES

24-7



THE FY02 ANNUAL REPORT

City of Norfolk
Department of Utilities

0802-356 Annual Report 02 MTC 12/11/02 1:35 PM Page 1

MEETING THE CHALLENGES

A message from the Director

It is my pleasure to present the Norfolk Department of Utilities Fiscal Year 2002 Annual Report. This report outlines some of the highlights of the past year. The Utilities team is proud of these accomplishments and of our contribution to the quality of life enjoyed by the residents of Norfolk and South Hampton Roads.

Like other municipal utilities across the country, we face the many challenges of a post-September 11th America. At the same time we continue to meet water and wastewater regulatory requirements while keeping our infrastructure strong in today's vulnerable economic climate.

Today it is our responsibility to meet the needs of a varied customer base. Our water treatment facilities serve about a half-million people in Norfolk, Virginia Beach and parts of Chesapeake. And we are vital to the national defense, as our water serves the local military installations and goes out to sea with U.S. Navy ships.

Within Norfolk's city lines, more than 230,000 customers rely on the Department of Utilities to carry the wastewater away from their homes and businesses. The water and wastewater systems are underground and out of sight. We're nearly invisible, but we are there - for your health, safety, and quality of life.

These are the challenges and responsibilities of your Department of Utilities, and we are there to meet them for you – 24/7.

Kristen M. Lentz

Director of Utilities

Kristen M. Lentz, P.E., Director of Utilities

TABLE OF CONTENTS

- Maintaining dependable service page 1
- No compromising on quality page 2-3
- Exceeding customer expectations page 4-5
- Valuing accuracy, fairness, and stewardship page 6
- Water fund financial statistics page 7
- Wastewater fund financial statistics page 8
- When every dollar counts, value is priceless page 9

Around the clock our wastewater employees are busy

MAINTAINING DEPENDABLE SERVICE

Wastewater Repair Crew

Norfolk's wastewater system is a major protector of public health, and the sanitary sewer service is one of the city's oldest public services. It is essential, and ensuring its reliability is a 24-hour-a-day job.

In FY02, Utilities wastewater employees:

- Responded to 14,473 service requests.
- Completed 2,158 sewer main and pump station repairs.
- Cleaned 63,385 linear feet of sewer main lines.
- Inspected 1,580 manholes.
- Serviced 224 wet wells.

The City of Norfolk is in the second year of its Sanitary Sewer Evaluation Study (SSES), a comprehensive program to evaluate the condition of the wastewater system. The data gathered in the two-year study will be used to identify, analyze, and prioritize projects that will improve sanitary sewer service in the city's neighborhoods.

Smoke testing was the part of the SSES most visible to Norfolk residents. Because of the nature of smoke testing and its close association with parts of the community, a cross section of residents from each ward was invited to provide input on the clarity of communication materials and recommend appropriate notification methods. The workshop provided an opportunity for the Department of Utilities to work with its customers and tailor the program to their needs.

Troy Holloway & Chris Carter, Pump Station Mechanics

Eugene Mason, Closed Circuit TV Technician

Always on the job

Ensuring the flow of wastewater through the city's 125 pump stations, each of which serves thousands of Norfolk residents, is constant. A sophisticated 24-hour alarm system alerts employees to necessary maintenance on any of the pump stations. We are currently upgrading this system, and future plans include integrated monitoring of both drinking water and wastewater operations.

Since Norfolk began providing water to its customers, there has been

NO COMPROMISING ON QUALITY

The Norfolk Department of Utilities is dedicated to providing Norfolk and its wholesale customers with an abundant supply of safe, high-quality drinking water. Providing quality water also means ensuring its delivery to our customers and maintaining the distribution system.

In FY02, the Department of Utilities:

- Treated more than 25 billion gallons of drinking water.
- Ran 22,500 raw untreated water tests.
- Performed 52,500 tests on treated water.
- Distributed 103,000 water quality reports.
- Surveyed 679,930 feet of water lines.
- Repaired 177 water mains.
- Inspected 973 fire hydrants.

Lack of rainfall and the subsequent drought conditions were among the many challenges of FY02. Since Hurricane Floyd in 1999, rainfall has been below average. All the municipalities in Virginia, including Norfolk, felt the effects of the drought. Because of our varied water sources, and the management of those sources, Norfolk's reservoirs remained stable through the end of the fiscal year.

Throughout FY02 Norfolk Utilities continued the project to upgrade the chemical handling facilities and the electrical power at 37th Street Water Treatment Plant. With one year left of construction, the project is 75% complete, under budget and ahead of schedule. Upgrading the 37th Street Water Treatment Plant will ensure that the City of Norfolk continues to meet all drinking water quality standards, efficiently and cost-effectively, while assuring the security and safety of the drinking water produced for the residents of Norfolk.

▲ Julie Gilliam, Water Chemist

Even before the events of September 11th, security played an important role in the department's operations. Throughout the years, new construction and renovation of facilities have included modernization of security systems. Recently, the department received $115,000.00 from the United States Environmental Protection Agency (USEPA) in federal grant money to complete its vulnerability assessment. The study will evaluate areas in which the system can be strengthened against possible terrorist attacks.

0802-356 Annual Report 02 MTC 12/11/02 1:35 PM Page 3

NO COMPROMISING ON QUALITY

Full-time alert

These are some, but not all, of the highlights of Department of Utilities security enhancements:

- Reviewed lock-down procedures for all facilities.
- Inspected all storage areas to ensure secure storage and identification.
- Coordinated security response with the region's municipalities and military establishments.
- Issued photo ID badges to all employees.
- Restricted guest access.
- Hired 24-hour security for the water treatment plants.
- Enhanced regular security training for all employees.

Scott Justis, Waterworks Operator

Water Distribution Repair Crew

Sherman Duncan, 37th Street Water Treatment Plant Maintenance Mechanic

The ultimate goal of customer service is

EXCEEDING CUSTOMER EXPECTATIONS

Norfolk Utilities continually strives to enhance customer service in business practices and field operations. This year the department improved the physical layout of its customer lobby, made bill assistance more obtainable, installed drop boxes for remote bill payments, and accelerated its meter replacement program to ensure accurate measurement of household water use.

In FY02, Department of Utilities employees:

- Read the meters for 67,000 water accounts each month.
- Assisted 6,434 walk-in customers.
- Processed 104,568 walk-in payments.
- Received 99,204 telephone calls.
- Completed 1,024 service work orders.

Improvements to the lobby of the Granby Street office now give customers a bright, spacious, professional area to conduct their business. The business office provides the customer privacy for transactions, additional payment windows to save time, a special representative for bill assistance, and a receptionist for help and information.

In a joint venture with the Department of Human Services and Hampton Roads Sanitation District (HRSD), Utilities revised Lifeline, one of the two bill assistance programs offered to Norfolk water customers. The revision increases the benefit level, created less stringent eligibility criteria, improved advertising, and added staff.

Freddie Davis & Tim Cottle, Water Meter Mechanics

H2O, a regional program, offers one-time utility bill assistance to people in crisis. H2O is community-based, supported through personal donations and administered by the Salvation Army. Twenty Norfolk customers received a total of $2,561.69 in benefits, which helped them retain their water and wastewater services.

EXCEEDING CUSTOMER EXPECTATIONS

For increased customer convenience, the department installed five payment drop boxes throughout the city. The drop boxes are remodeled fire hydrants located outside four Norfolk fire stations and in the parking lot of the Little Creek Multi-service Activities Center. The drop boxes save customers a trip to Granby Street and the cost of postage required to mail HRUBS payments. In FY02 payments made through use of the drop boxes totaled 4,500.

The meter replacement program was accelerated to ensure continued accuracy in the measurement of the household water use for Norfolk's water customers. The program began in the last months of FY02, and, as a result of the hard work demonstrated by the meter replacement teams, 498 meters were replaced by June 30th.

Sharon Cason, Customer Service Representative

Open all night

- Even after business hours, Department of Utilities customers can make payment arrangements, check account balances, and verify current amounts due – by telephone. Using a touch-tone phone, customers can call a special customer service number, enter their account numbers and conduct their business.
- TASCO (Telephone Answering Service Company) works in conjunction with Norfolk Utilities to provide customers with around-the-clock service. Through the night, emergency calls are received by TASCO and routed to the water and wastewater divisions for immediate response.

Per Arellano, Water Account Service Representative

The financial management of Norfolk Department of Utilities has been steadfast in

VALUING ACCURACY, FAIRNESS, AND STEWARDSHIP

We make sure information is timely and accurate, allowing management to make sound financial decisions and strategically position the city for the future. Our customers can rest with the satisfaction of knowing fees paid for services are properly managed.

The department has achieved considerable milestones during fiscal year 2002:

- Implemented reporting phase of GASB 34 (Governmental Accounting Standards Board, 34th Standard).
- Developed a 5-year financial planning model, including regulatory and operational impacts.
- Instituted team participation in making decisions impacting the financial health of the department and the city.

In September 2001, the Department of Utilities received one of the highest investment-grade quality ratings on its water revenue bonds. This rating was based on our broad service area, strong contacts with wholesale customers, and strong cash reserve and debt service coverage. This rating, coupled with post-September 11th economic conditions, kept the interest rate low for the $35 million water revenue bond.

In January 2002, almost $1 million in federal grant funds was awarded to the Department of Utilities for necessary water and sewer projects. A total of $985,000.00 will partially fund the renovations of sewer Pump Stations 51 and 52, located in the Norfolk Industrial Park, and the water distribution upgrade in the Haynes Tract neighborhood. Of the grant money, $485,000.00 is earmarked for the water project and $500,000.00 for the pump station upgrades. Remaining funds will come from a 45% match provided by the Department of Utilities.

Grace Taborn & Tanya Blowe, Accounting & Budget Team Members

Even after business hours

The financial activities of the Department of Utilities never stop. The city's computerized financial system (AFIN) is the pulse of the department. It runs continuously, summarizing the transactions that took place during the day and updating our financial picture. This assists staff in making day-to-day and long term decisions for the Department of Utilities. A healthy financial system ensures reliable services for Norfolk's customers.

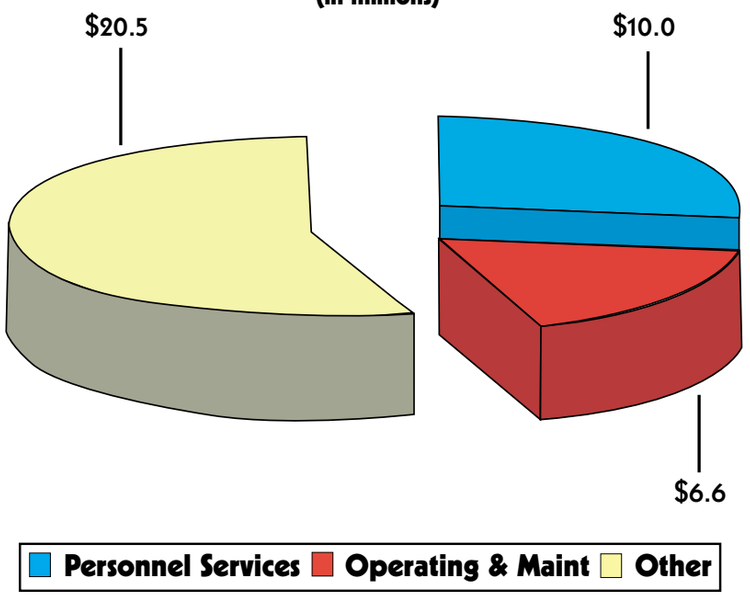
WATER FUND FINANCIAL HIGHLIGHTS

Fiscal Year 2002 operating revenues and expenses*

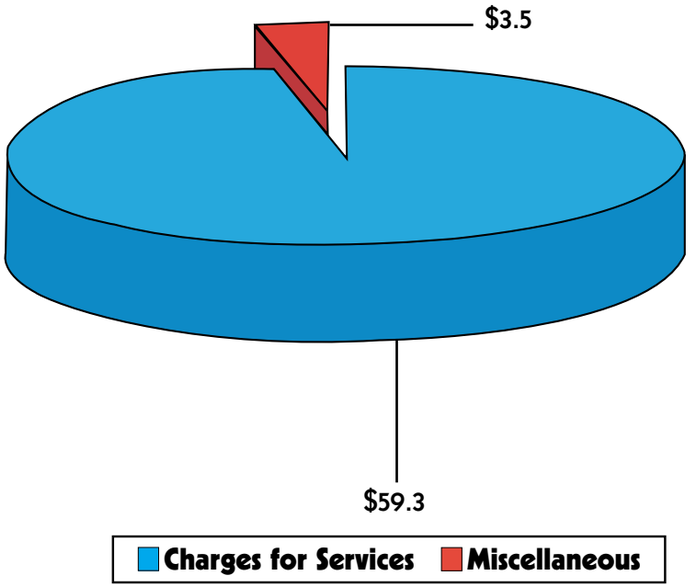
- Entered into an agreement with the City of Virginia Beach for the short-term sale of 10 mgd of unfinished water beginning December 2001.
- Received FEMA reimbursement for Hurricane Floyd damage recoveries.
- Saved on debt service due to decline in interest rates.
- Issued $35 million of water revenue bonds for construction of 37th street water production plant and other water related projects.
- Paid $7.1 million in general obligation bonds and $4.9 million in water revenue bonds.
- Refunded $23 million in water revenue bond anticipation notes.
- Received $ 470,500.00 grant for Haynes Tract water distribution upgrade.
- Received $115, 000 grant for Environmental Protection Agency reform vulnerability assessment.

*Unaudited

Water Fund Operating Expenses - FY 2002
(in millions)



Water Fund Operating Revenues - FY 2002
(in millions)



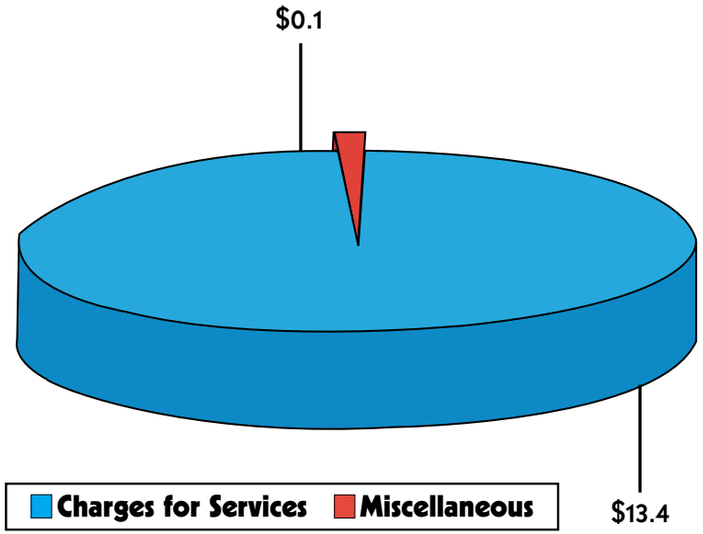
WASTEWATER FUND FINANCIAL HIGHLIGHTS

Fiscal Year 2002 operating revenues and expenses*

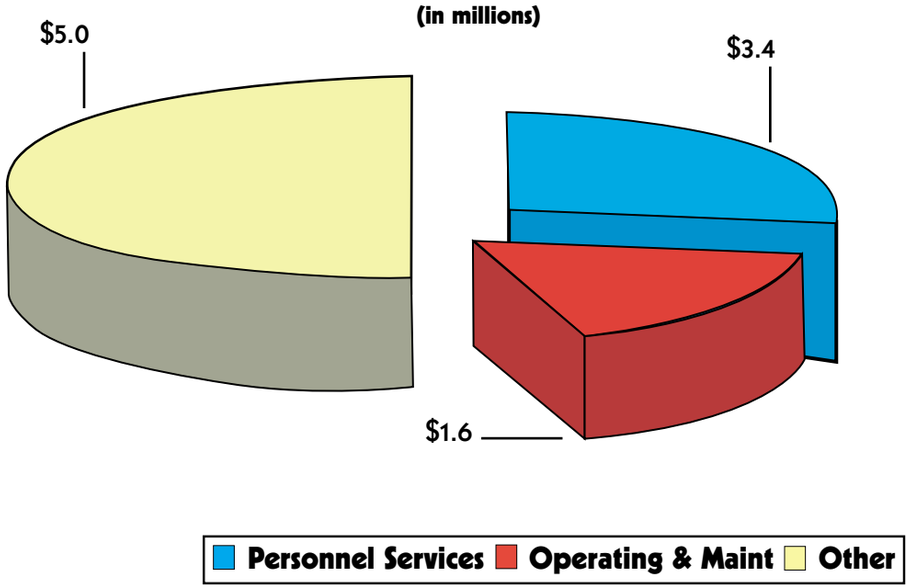
- Paid $3.5 million in general obligation bonds.
- Issued $10.5 million of general obligation bonds for wastewater infrastructure improvements.
- Received a $485,000.00 grant from the US Environmental Protection Agency for rehabilitation of two sewer pump stations.
- $1.5 million revenue increase covered operating and capital costs of sanitary sewer neighborhood projects.

*Unaudited

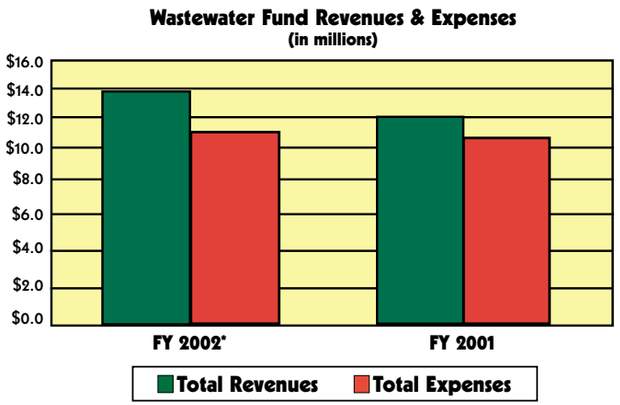
Wastewater Fund Operating Revenues - FY 2002
(in millions)

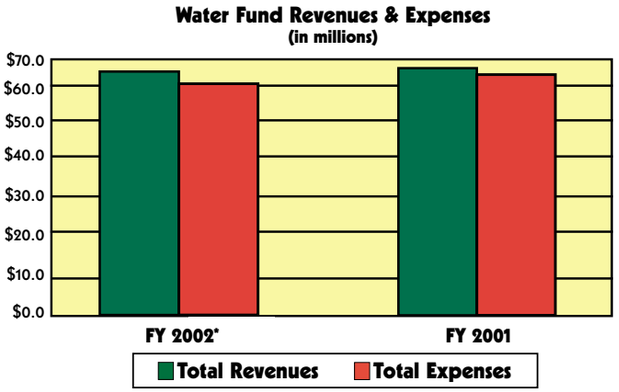


Wastewater Fund Operating Expenses - FY 2002
(in millions)



Fiscal Year 2002 operating revenues and expenses*





*Unaudited

	Water (in millions)		Wastewater (in millions)	
	FY 2002*	FY 2001	FY 2002*	FY 2001
Operating Revenues	$62.8	$62.1	$13.5	$12.1
Operating Expenses	36.9	37.9	8.9	8.2
Operating Income	25.7	24.2	3.5	3.9
Other Income & Expenses -				
Nonoperating Expenses	(23.3)	(26.4)	(1.3)	(2.8)
Miscellaneous Income	1.3	2.9	0.3	0.1
Total Other Income & Expenses	(22.0)	(23.5)	(1.0)	(2.7)
Net Income/(Loss)	$3.7	$0.7	$2.5	$1.2

*-Unaudited

	Water (in millions)		Wastewater (in millions)	
	FY 2002*	FY 2001	FY 2002*	FY 2001
ASSETS:				
Current Assets	$39.0	$46.5	$0.8	$1.6
Fixed Assets	460.5	450.6	107.0	96.8
Total Assets	$499.5	$497.1	$107.8	$98.4
LIABILITIES:				
Current Liabilities	$23.7	$42.9	$7.0	$6.9
Long-Term Liablilites	307.4	289.4	47.2	40.3
Total Liabilites	$331.0	$332.3	$54.1	$47.2
NET EQUITY	$168.5	$164.8	$53.7	$51.2

*-Unaudited

WHEN EVERY DOLLAR COUNTS, VALUE IS PRICELESS

The Department of Utilities is a model for excellence, providing our customers with the best possible services – 24/7. We pledge to preserve our drinking water resources, maintain the high quality of our drinking water and wastewater services, and continue doing our part to enhance the quality of life enjoyed by the residents of Norfolk and South Hampton Roads.

In this fiscally vulnerable economy, our department is facing changes and challenges while we continue to stay vigilant to our mission. We have built a direction and foundation for sustained change. Our team continuously reviews, retools, and revises technical procedures and business practices. They are dedicated to implementing the best course of action with decisiveness, speed, and efficiency. Norfolk ratepayers can rest assured that we are good stewards of their investments in the Norfolk water and wastewater systems.

Meeting the CHALLENGES

24-7

NORFOLK DEPARTMENT OF UTILITIES FY02 ANNUAL REPORT

Phone: (757) 664-6701
E-mail: www.city.norfolk.va.us/utilities/index.html

Editor: Peg Nelson / Assistant Editor: Latasha Allen
Photography: Rick Voight, RSVP Media
Printing: Liskey & Sons Printing, Inc.

QUALITY SERVICE
NORFOLK DEPT. OF UTILITIES

On the front cover: (left to right) Reggie Simpkins, Kara Harpham, Wesley Brinkley, Leatha Broadnax