AlexRenew Rate Adjustment and FY2024 Budget Review

Public Hearing

May 20, 2023

Presentation outline

- AlexRenew Overview

- Proposed FY2024 Operating and Capital Budget

- 10-Year Capital Improvement Program

- Proposed FY2024 and FY2025 Rate Recommendation

- Public Comment Period

AlexRenew's 2040 Vision is to effectively partner with watershed stakeholders to:

Enable local citizens the opportunity to embrace the best use of water resources and **establish a personal connection** with local waterways.

Create a **healthy environment** and improve our quality of life through the exceptional reclamation of used water resources.
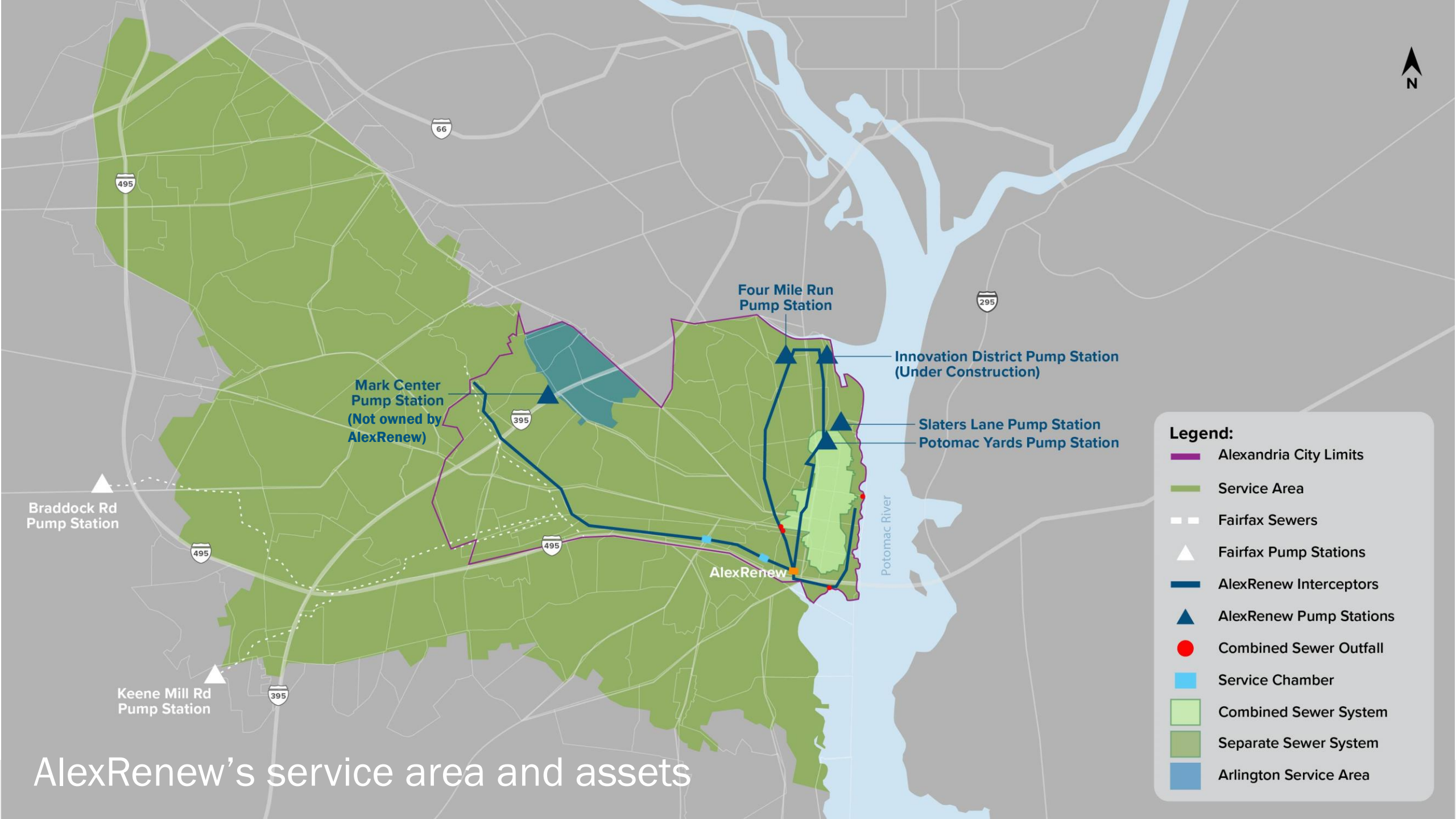
Sustainably manage water as a single resource through the entire water cycle.

Maximize use of multiple financial options to continue our **fiscal stability**.

AlexRenew

– Purifies 13 billion gallons of wastewater at its facility each year

– Serves over 300,000 customers in Alexandria and Fairfax County

– Invests over $50M annually to protect waterways and the Chesapeake Bay

– Independent political subdivision

– Governed by a 5-member citizen Board

AlexRenew's service area and assets

Four Mile Run Pump Station

Innovation District Pump Station (Under Construction)

Mark Center Pump Station (Not owned by AlexRenew)

Slaters Lane Pump Station

Potomac Yards Pump Station

Braddock Rd Pump Station

Keene Mill Rd Pump Station

AlexRenew

Potomac River

Legend:
- ▬ Alexandria City Limits
- ▬ Service Area
- ▪▪▪ Fairfax Sewers
- △ Fairfax Pump Stations
- ▬ AlexRenew Interceptors
- ▲ AlexRenew Pump Stations
- ● Combined Sewer Outfall
- ▪ Service Chamber
- ▬ Combined Sewer System
- ▬ Separate Sewer System
- ▬ Arlington Service Area

AlexRenew has sound financial policies guiding its future

Debt Service Coverage
- Based on Master Indenture of Trust
- Current minimum target set at 1.5×

Minimum Reserves
- 120 days of operating expenses

PayGo
- Fund a minimum of 15 percent of 10-year Capital Improvement Program from cash
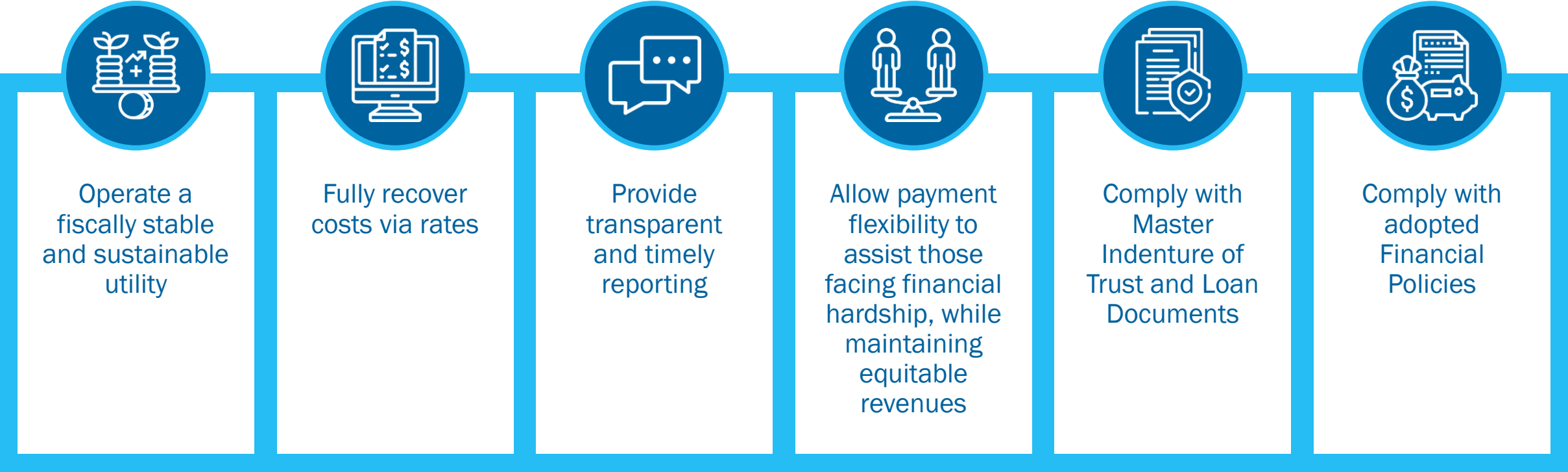
Budget
- Submit 10-year Capital Improvement Program and minimum of 3-year budget

AlexRenew Financial Policy was developed in 2010 and last endorsed by the AlexRenew Board in 2021
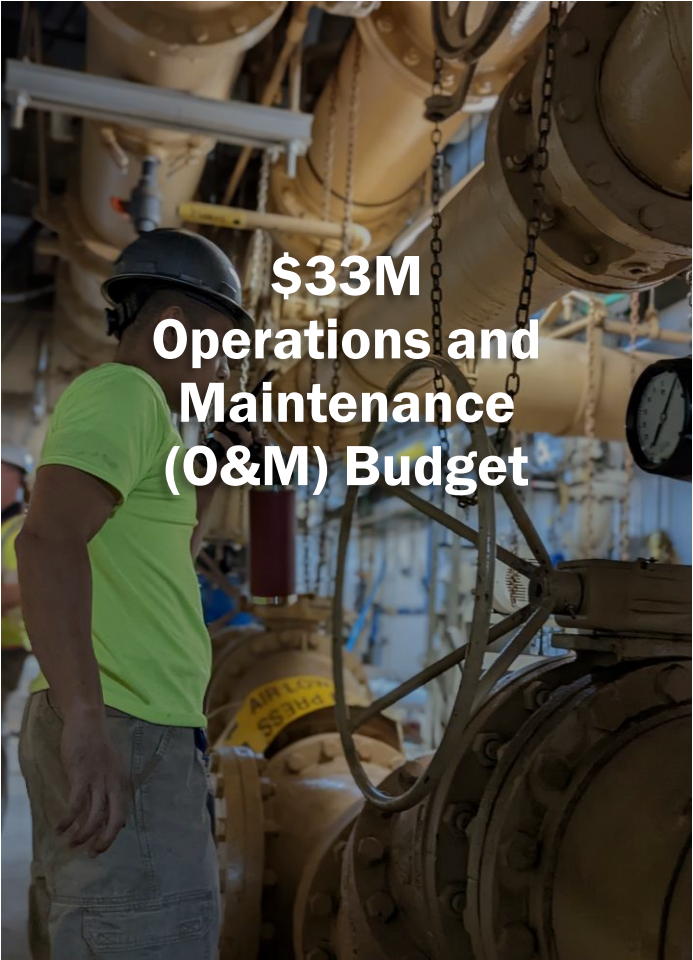
AlexRenew has three service agreements that support our budget

Item	Fairfax County	Arlington County	City of Alexandria
Original date	1973	1977	1954
Last amendment	1998	1994	2018
Capacity	32.4 MGD to WRRF	3.0 MGD to Arlington WPCP	21.6 MGD to WRRF
Billing	Fairfax pays AlexRenew for wholesale wastewater treatment services	AlexRenew pays Arlington for wholesale wastewater treatment services for small portion of City flows to WPCP	Alexandria customers pay AlexRenew via wastewater rates: • **Volumetric charge** based on monthly water use • **Base charge** based on maintenance of assets and debt
Operating expenses	Share proportionate to actual flows to the WRRF	Share proportionate to actual flows to the WPCP	
Capital costs	Share based on service agreement and project-specific agreements	Share based on service agreement	

AlexRenew's fiscal principles guide the rate setting process to maintain a strong fiscal position and stable adjustments to our customers


Operate a fiscally stable and sustainable utility

Fully recover costs via rates

Provide transparent and timely reporting

Allow payment flexibility to assist those facing financial hardship, while maintaining equitable revenues

Comply with Master Indenture of Trust and Loan Documents

Comply with adopted Financial Policies

AlexRenew's FY2024 budget overview

$33M Operations and Maintenance (O&M) Budget

Operation of utility and routine maintenance to efficiently and effectively achieve our mission
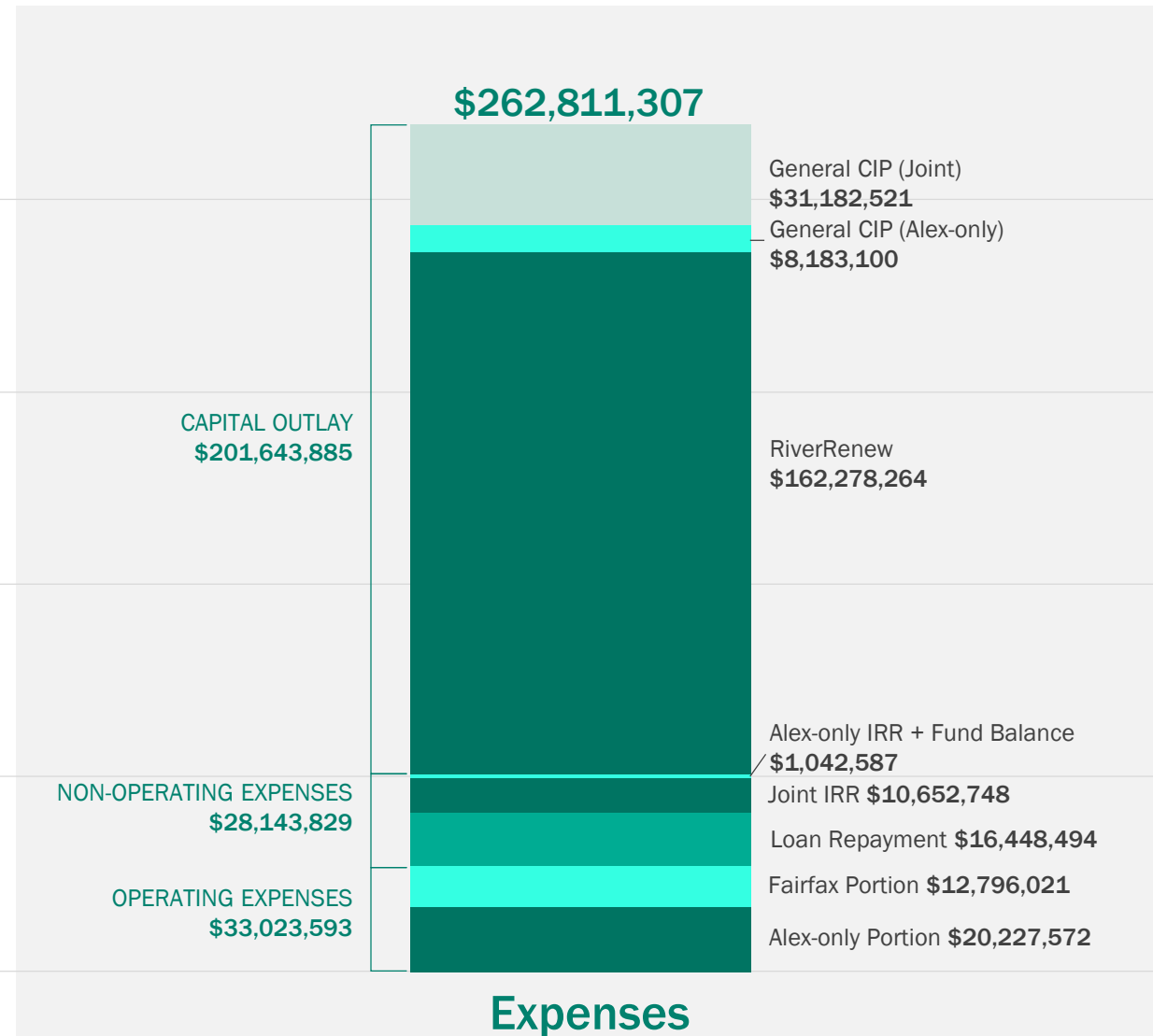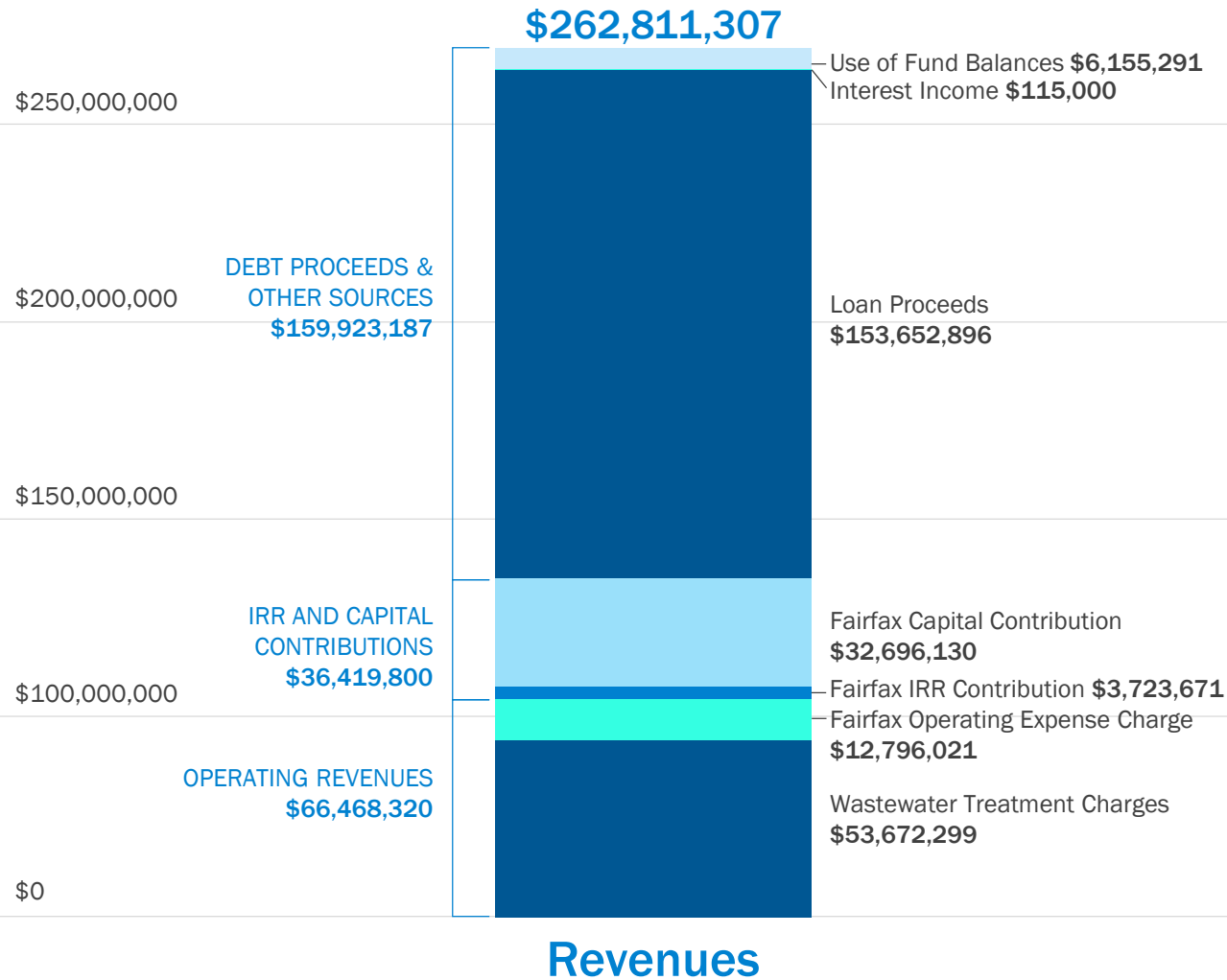

$11M Improvement, Renewal, and Replacement (IRR) Budget

Projects that improve, renew, or replace existing assets for unit processes, facilities, business support, and infrastructure

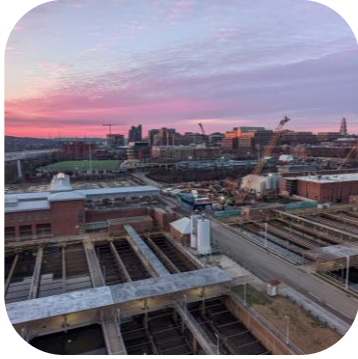**$202M Capital Improvement Budget**
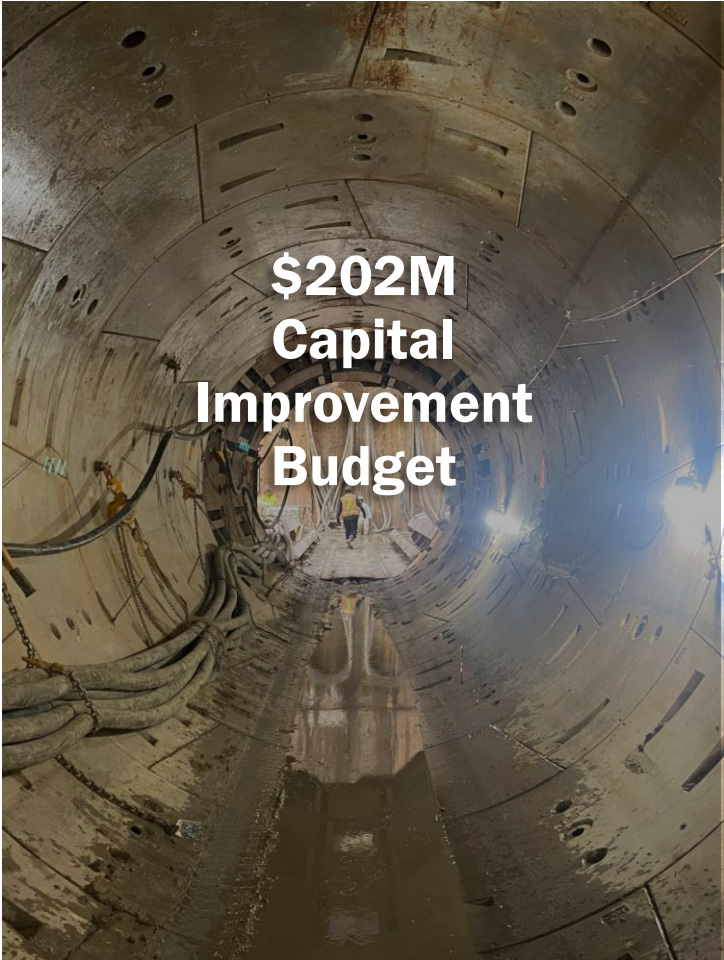
Major non-recurring projects that add to or replace existing unit processes, facilities, business support, and infrastructure

FY2024 AlexRenew budget summary

$262,811,307

$250,000,000
$200,000,000
$150,000,000
$100,000,000
$0

Use of Fund Balances **$6,155,291**
Interest Income **$115,000**

DEBT PROCEEDS & OTHER SOURCES
$159,923,187

Loan Proceeds
$153,652,896

IRR AND CAPITAL CONTRIBUTIONS
$36,419,800

Fairfax Capital Contribution
$32,696,130

Fairfax IRR Contribution **$3,723,671**
Fairfax Operating Expense Charge
$12,796,021

OPERATING REVENUES
$66,468,320

Wastewater Treatment Charges
$53,672,299

Revenues

$262,811,307

General CIP (Joint)
$31,182,521
General CIP (Alex-only)
$8,183,100

CAPITAL OUTLAY
$201,643,885

RiverRenew
$162,278,264

Alex-only IRR + Fund Balance
$1,042,587

NON-OPERATING EXPENSES
$28,143,829

Joint IRR **$10,652,748**
Loan Repayment **$16,448,494**

OPERATING EXPENSES
$33,023,593

Fairfax Portion **$12,796,021**

Alex-only Portion **$20,227,572**

Expenses

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Major FY2024 AlexRenew Improvement, Renewal, & Replacement (IRR) initiatives

Campus-Wide Projects (Joint Use)
FY2024 Budget – $2.4M*
Replace vehicles, repair reclaimed water piping for irrigation, and repair HVAC

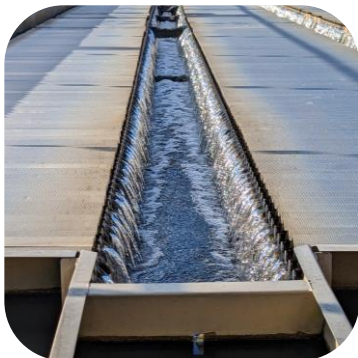**West Campus Projects**
FY2024 Budget – $1M*
Repair fountain and repair/replace lighting and doors

Secondary Infrastructure
FY2024 Budget – $2M*
Replace biological reactor basin (BRB) mixers and instruments

Tertiary Infrastructure
FY2024 Budget – $2.25M*
Repair/replace equipment (instruments, motors, and pumps)

Solids Infrastructure
FY2024 Budget – $1M*
Repair/clean digesters and repair flare system

WRRF Safety and Security
FY2024 Budget – $1.1M*
Assess/repair fire protection system components and implement safety committee recommendations

*Proposed budget for FY2024

Major FY2024 AlexRenew capital projects

RiverRenew Tunnel Project
FY2024 Phase: Construction
FY2024 Spend: $162.3 M*

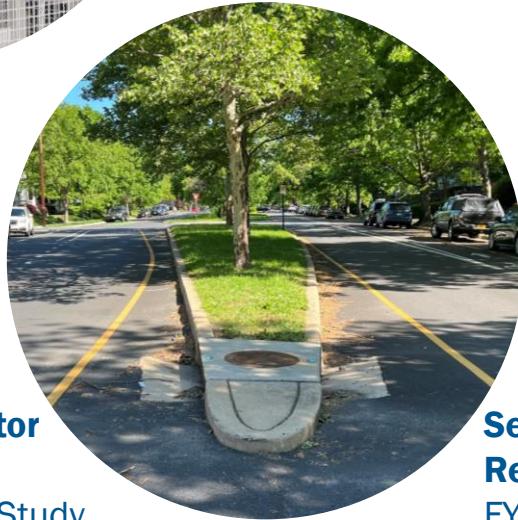**Preliminary/Primary System Upgrades Project**
FY2024 Phase: Design
FY2024 Spend: $3M*

Solids Process Upgrades Master Plan
FY2024 Phase: Planning
FY2024 Spend: $4M*

Commonwealth Interceptor Upgrade Project
FY2024 Phase: Planning/Study
FY2024 Spend: $3.2M*

Secondary Settling Tank Refurbishment Project
FY2024 Phase: Construction
FY2024 Spend: $2M*

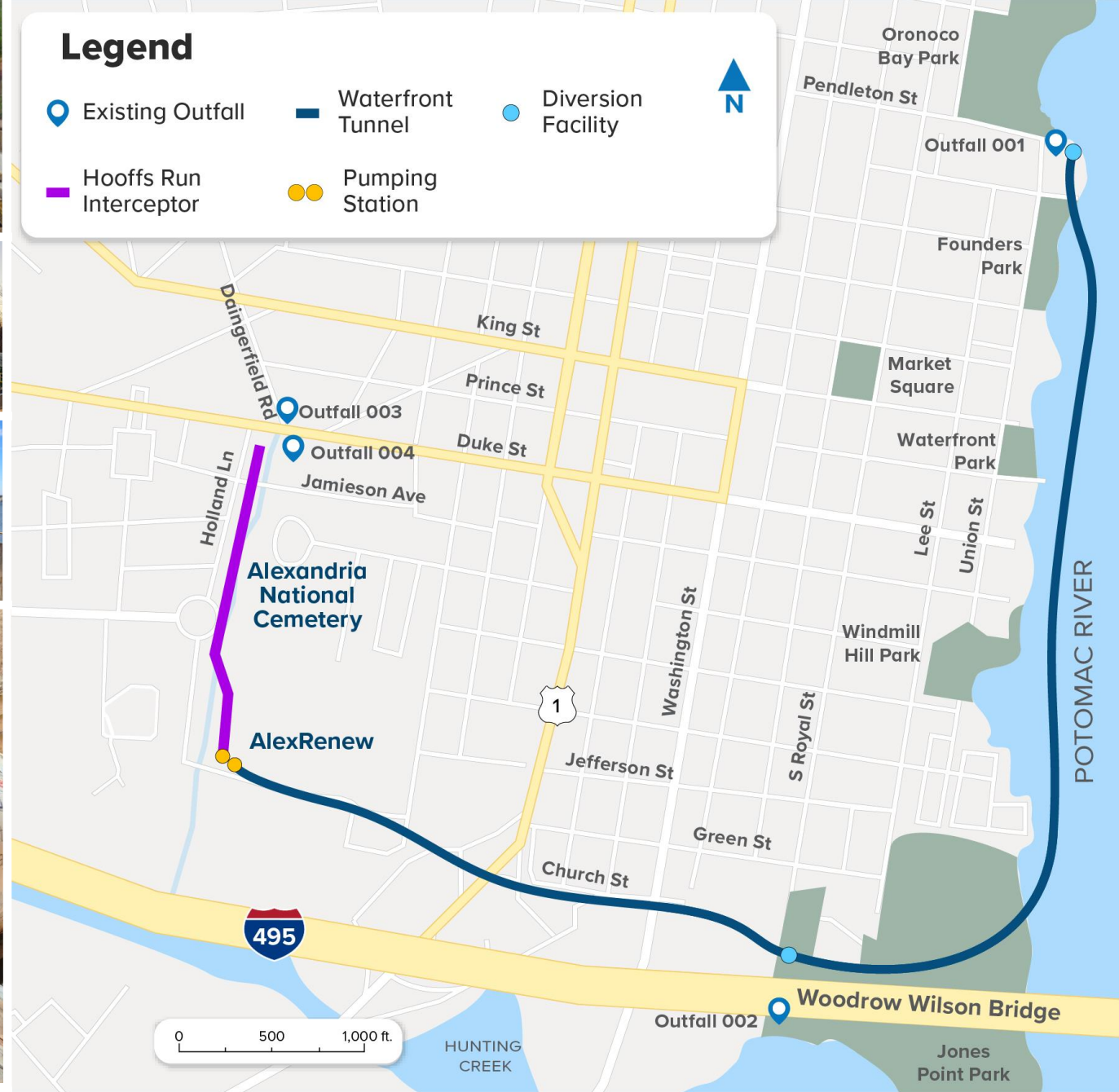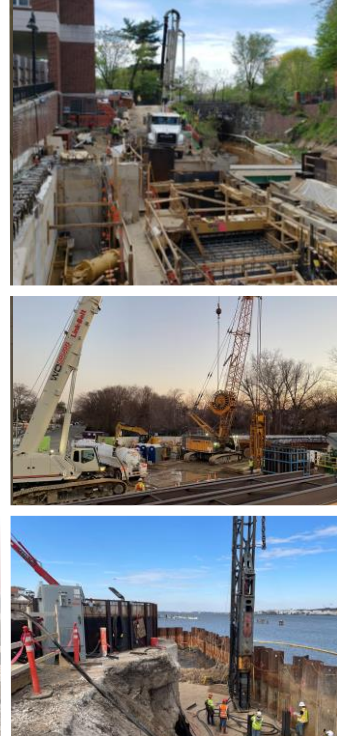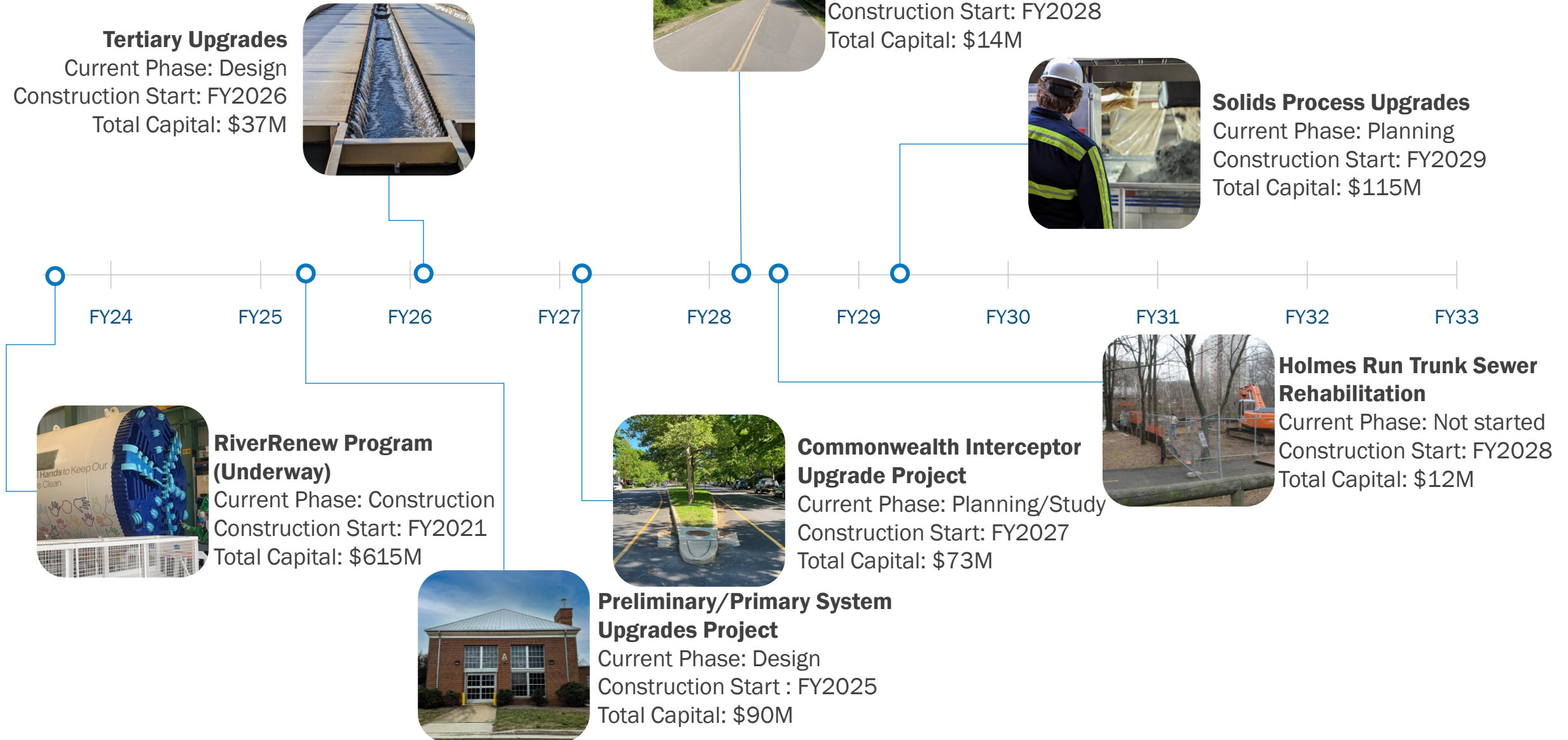**IT Infrastructure Upgrades**
FY2024 Phase: Various
FY2024 Spend: $7M*

RiverRenew capital spend projected to be $162 million in FY2024

10-year CIP Timeline

Tertiary Upgrades
Current Phase: Design
Construction Start: FY2026
Total Capital: $37M

Potomac Interceptor Rehabilitation
Current Phase: Not started
Construction Start: FY2028
Total Capital: $14M

Solids Process Upgrades
Current Phase: Planning
Construction Start: FY2029
Total Capital: $115M

FY24 FY25 FY26 FY27 FY28 FY29 FY30 FY31 FY32 FY33

RiverRenew Program (Underway)
Current Phase: Construction
Construction Start: FY2021
Total Capital: $615M

Commonwealth Interceptor Upgrade Project
Current Phase: Planning/Study
Construction Start: FY2027
Total Capital: $73M

Holmes Run Trunk Sewer Rehabilitation
Current Phase: Not started
Construction Start: FY2028
Total Capital: $12M

Preliminary/Primary System Upgrades Project
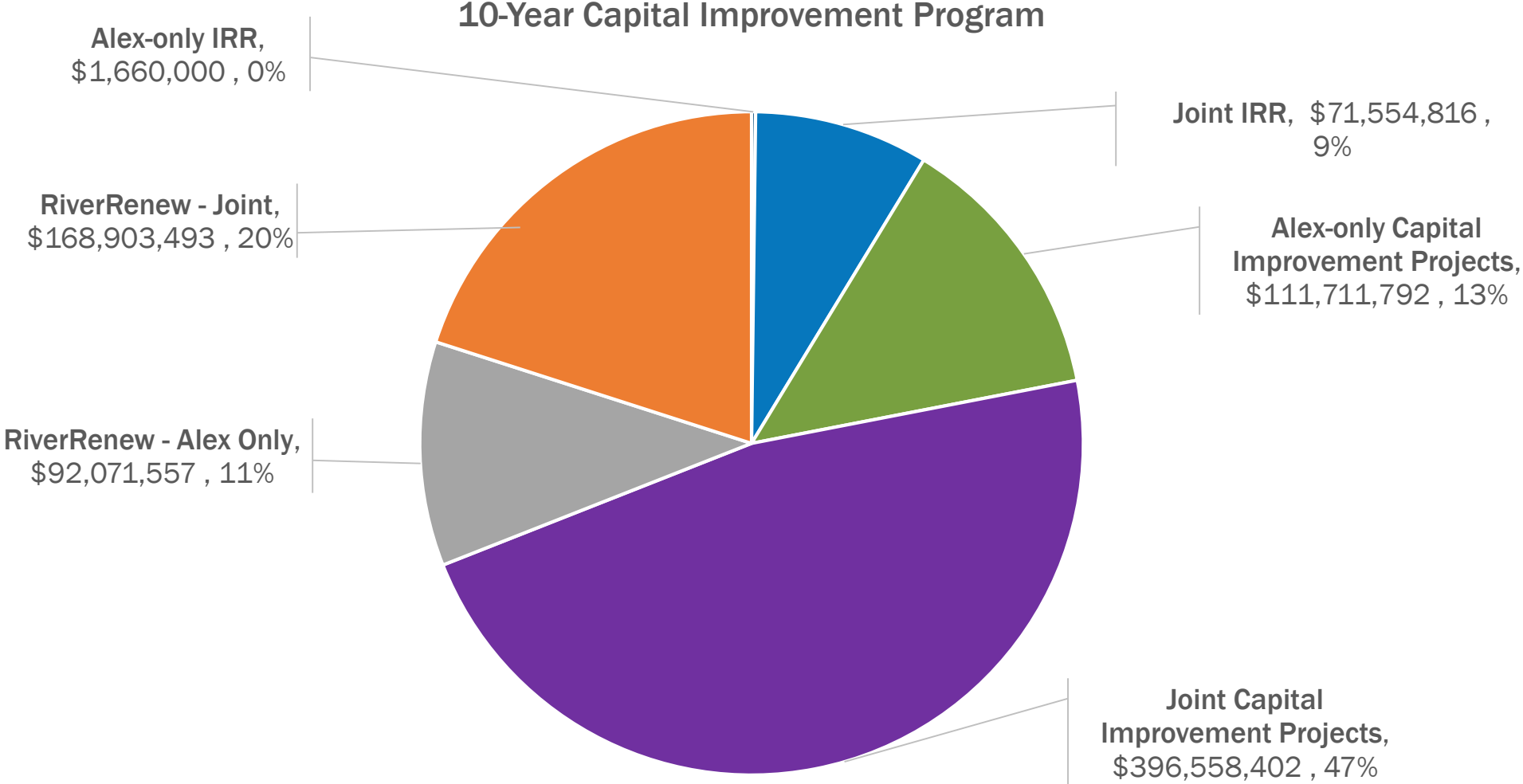Current Phase: Design
Construction Start : FY2025
Total Capital: $90M

Note: Construction start dates are estimated and subject to change.

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Summary of total 10-year capital expenditures

10-Year Capital Improvement Program

Alex-only IRR, $1,660,000 , 0%

RiverRenew - Joint, $168,903,493 , 20%

RiverRenew - Alex Only, $92,071,557 , 11%

Joint IRR, $71,554,816 , 9%

Alex-only Capital Improvement Projects, $111,711,792 , 13%

Joint Capital Improvement Projects, $396,558,402 , 47%

Starting in Fiscal Year 2020, AlexRenew has adopted two, two-year rate adjustments to fund AlexRenew revenue requirements including initiation of RiverRenew

Rate Adjustment	Fiscal Year	Beginning on:	Adopted Rate Adjustment	Estimated Monthly Bill Change [1]
First	2020	July 1, 2019	12.7%	$4.70
	2021	July 1, 2020	6.6% [2]	$2.70
Second	2022	July 1, 2021	6.9%	$3.00
	2023	July 1, 2022	6.5%	$3.00

Notes:

1. Based on 4,000 gallons consumption for average residential customer
2. Rate adjustment reduced from 11.4% due to COVID-19 pandemic

AlexRenew is proposing a rate adjustment for the next two fiscal years to support RiverRenew and ongoing wastewater operations
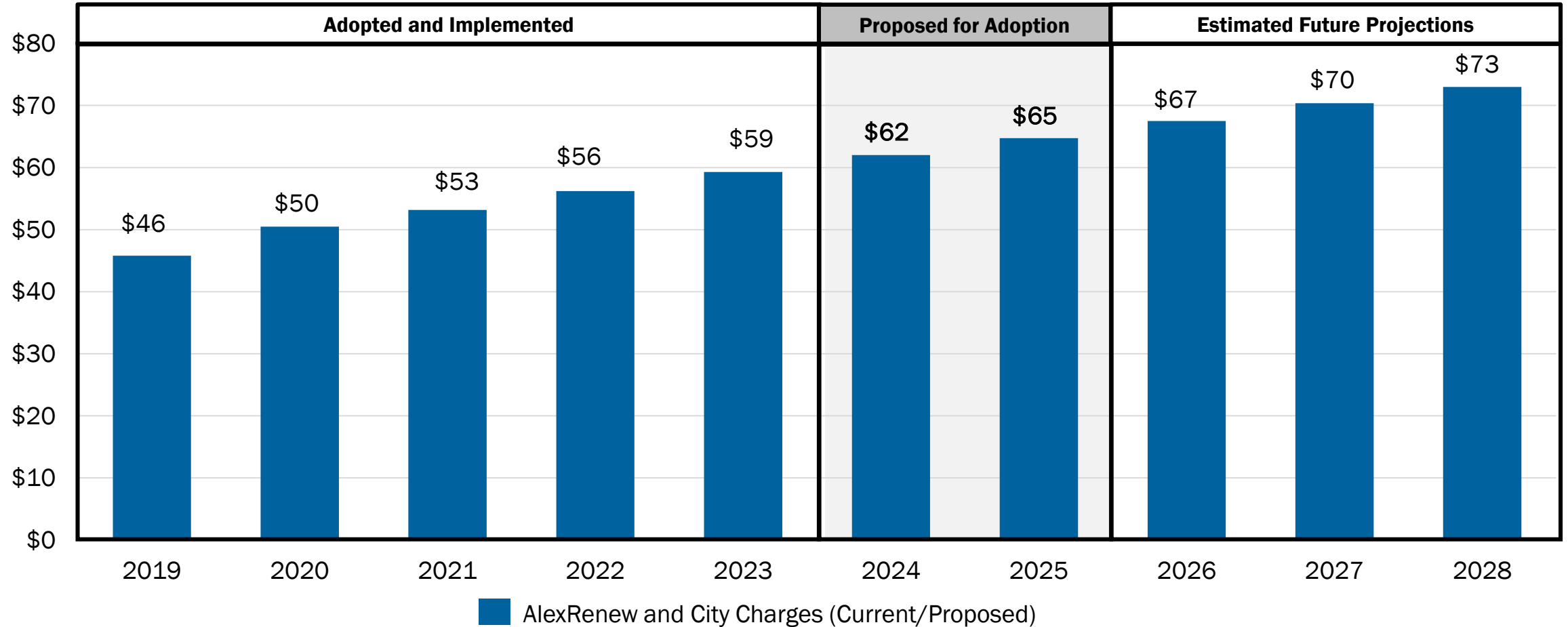
Adopted Two-Year Rate Adjustment	Fiscal Year	Beginning on:	Maximum Rate Adjustment
	2024	July 1, 2023	5.4% ($2.71)*
	2025	July 1, 2024	5.1% ($2.72)*

✓ **Promotes revenue predictability and stability**

✓ **Allows for adjustment of rates as conditions evolve**

✓ **Provides certainty for CIP funding (RiverRenew spending peaks)**

* Estimated monthly increase for average residential customer using 4,000 gallons/month

FY2024-25 rate recommendation and estimated future projections

Monthly Wastewater and City Sewer Residential Bill at 4,000 Gallons (1)

Chart columns:
- **Adopted and Implemented**: 2019 = $46, 2020 = $50, 2021 = $53, 2022 = $56, 2023 = $59
- **Proposed for Adoption**: 2024 = $62, 2025 = $65
- **Estimated Future Projections**: 2026 = $67, 2027 = $70, 2028 = $73

Legend: AlexRenew and City Charges (Current/Proposed)

[1] Based on 4,000 gallons consumption, including estimated City charge as of January 2023

Current RiverRenew fee projections on lower end of original projections

Incremental Bill Impacts from RiverRenew

April 2018 Projection
Current Feb 2023 Projection
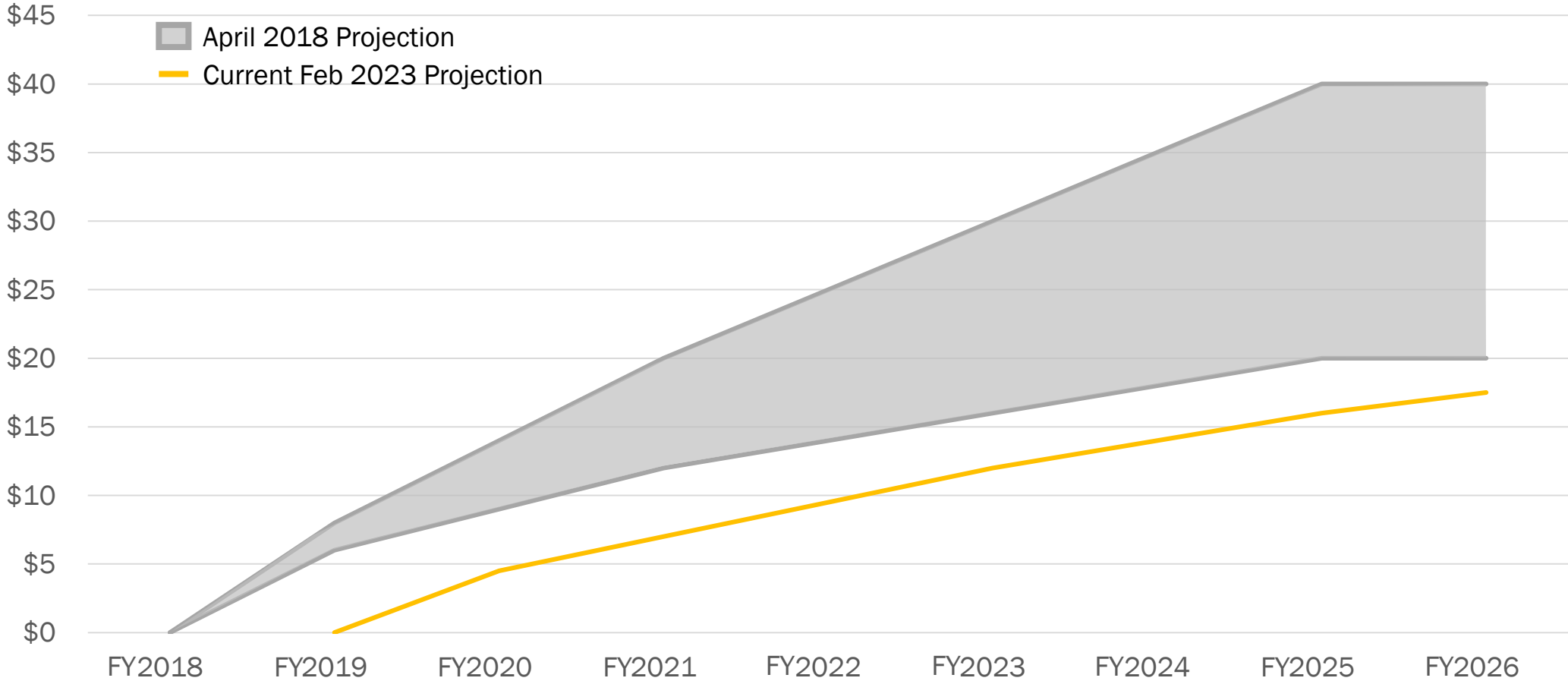
NOTE: Based on 4,000 gallons consumption, excluding City charge

FY2024-25 rate adjustment chart

Meter Size	Existing	FY2024	FY2025
Base - Residential	$13.14	$13.85	$14.57
Base - Commercial			
5/8"	$39.42	$41.55	$43.68
3/4"	$39.42	$41.55	$43.68
1"	$98.55	$103.87	$109.19
1-1/2"	$197.10	$207.74	$218.38
2"	$315.36	$332.39	$349.41
3"	$591.30	$623.23	$655.14
4"	$985.50	$1,038.72	$1,091.90
6"	$1,971.00	$2,077.43	$2,183.80
8"	$3,153.60	$3,323.89	$3,494.08
Flow	$9.26	$9.76	$10.26
AlexRenew Monthly Residential Bill, 4,000 gallons [1]	$50.18	$52.89	$55.61
Change in $	$3.08	$2.71	$2.72
Change by %	6.5%	5.4%	5.1%

[1] Excludes City charge

AlexRenew rates compared to regional wastewater rates

Monthly Sewer Charges For Single Family Residential Customers (1)

Legend:
- Base Charge
- Usage Charge
- City Charge

Categories (top to bottom):
- DC Water (2)
- City of Falls Church
- Fairfax County
- WSSC
- Arlington County
- Prince William County S.A.
- AlexRenew/City FY24
- Survey Average

X-axis: $0, $10, $20, $30, $40, $50, $60, $70, $80, $90, $100
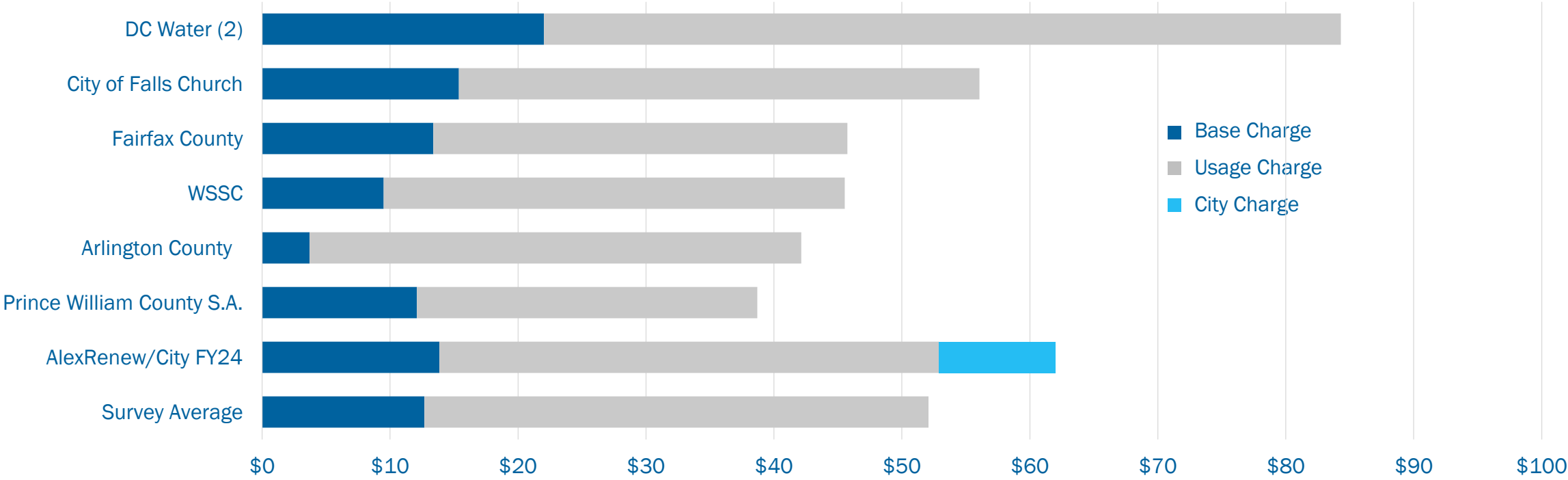
Notes:
(1) Based on 4,000 gallons monthly usage
(2) DC Water is the only other local combined sewer community besides AlexRenew

AlexRenew rates compared to other combined sewer community rates

Monthly Sewer Charges For Single Family Residential Customers (1)

Legend:
- Base Charge (dark blue)
- Usage Charge (gray)
- City Charge (light blue)

Cities (top to bottom): Atlanta, Seattle, Kansas City, Cleveland, Indianapolis, St. Louis, Cincinnati, Boston, Pittsburgh, Detroit, New York, Philadelphia, DC Water

Virginia: Richmond, AlexRenew/City FY24, Lynchburg

Notes:
(1) Based on 4,000 gallons monthly usage

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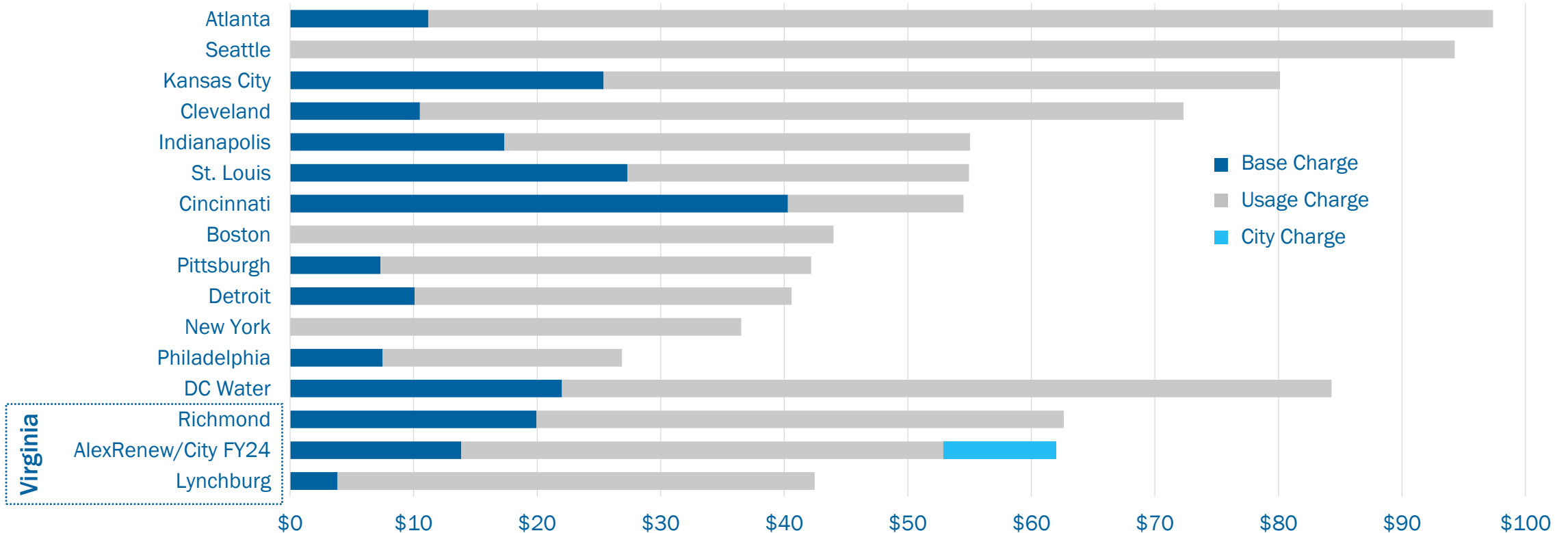
Next steps for FY2024 AlexRenew budget and FY2024-25 rate adjustment

June 20, 2023.   AlexRenew Board of Directors Meeting to Approve FY2024 Budget and FY2024-25 Rate Adjustment

July 1, 2023.   New rates take effect

Learn more at: alexrenew.com/news/know-your-rates

Public Comment Period

To learn more, visit www.alexrenew.com