

Minutes of the Public Hearing on FY23 Operating and Capital Budget
Saturday, May 7, 2022
Alexandria Renew Enterprises Board of Directors

On Saturday, May 7, 2022, the Alexandria Renew Enterprises Board of Directors held a public hearing to receive comments on the proposed FY23 Operating & Capital Budget in the Edward Semonian Board Room at 1800 Limerick Street. The hearing was livestreamed on the Alexandria Renew YouTube channel and a recording will be posted on the Alexandria Renew Enterprises website.

The following were in attendance:

Members: Mr. John Hill, Chair
Mr. James Beall, Vice Chair
Mr. William Dickinson, Secretary-Treasurer
Ms. Adriana Caldarelli, Member
Mr. Kerry Donley, Member

Staff: Ms. Karen Pallansch, Chief Executive Officer
Ms. Christine McIntyre, Chief Financial Officer
Ms. Allison Deines, Director of Strategy & Policy
Ms. Caitlin Feehan, RiverRenew Program Director
Ms. Lorna Huff, Secretary to the Board

Counsel: Mr. Jonathan Rak, McGuireWoods LLP

Consultant: Mr. Justin Carl, Owner's Advisor
Brown & Caldwell

Call to Order

The Chairman called the meeting to order at 9:31 a.m.

Staff Presentation

The Chairman recognized Ms. Pallansch who reported that Ms. McIntyre would be providing the presentation for today's public hearing. Ms. Pallansch reported that due to the pressures of inflation, supply chain issues, and labor shortages, maintaining 0% growth in the operations budget is no longer sustainable.

Ms. McIntyre reviewed Alexandria's One Water System and the roles played by Alexandria Renew, Virginia American Water (VAW) and the City of Alexandria. She reviewed the AlexRenew 2040 vision to partner with all watershed stakeholders, so the community benefits from the use of a well-managed water system.

AlexRenew revenue sources come primarily from rates and Fairfax contributions to both the capital and operating budgets. Rates are structured to fully recover the cost of providing service. AlexRenew has various covenants and agreements to be compliant with, including The Master Trust Indenture which governs issuance of debt and determines how incoming revenue is distributed through its flow of funds.

The board has adopted a set of financial policies regarding debt service coverage, cash reserves and pay as you go funding for capital projects. Discretionary spending is limited due to the highly capitalized nature of the business. Staff recently completed a compensation study and incorporated those recommendations into the FY2023 Budget.

A board approved 6.5% rate increase begins on July 1, 2022. Staff is working to minimize rate shock by applying for grants. Eighty percent of AlexRenew's budget is capital investment and staff takes a long-term approach as reflected in the 10-year Capital Improvement Plan (CIP). The budget is organized based on five

strategic outcomes of Operational excellence, Public Trust, Watershed Stewardship, Adaptive Culture, and Financial Resilience.

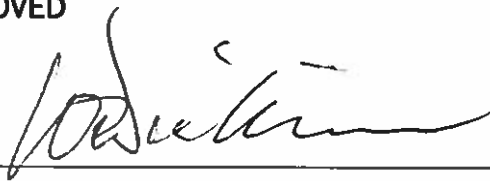
The FY2023 proposed Operating & Capital budget is \$221,419,313 with the Fairfax capital contribution at \$30,6 million. Fairfax Improvement Renewal and Replacement (IRR) at \$3.4 million and operating expense contribution at \$11.6 million. Loan proceeds are expected at \$118 million. Staff expects \$50 million in rate revenue. Operating expenses are \$30 million which is a 7% increase over last year.

Ms. McIntyre completed her comments and inquired if members had questions or comments.

Mr. Donley commended Ms. McIntyre on a good presentation highlighting the organization's, goals and objectives that explains how AlexRenew dollars are allocated while maintaining compliance with all financial policies and regulatory requirements. Members concurred.

There being no additional questions or comments, the Chairman requested a motion to adjourn. Ms. Caldarelli moved, and Mr. Dickinson seconded, the Board unanimously approved. The meeting adjourned at 10:06 a.m.

APPROVED



Secretary-Treasurer