



# Alexandria Renew Enterprises Rate Adjustment and FY 2022 Budget Review

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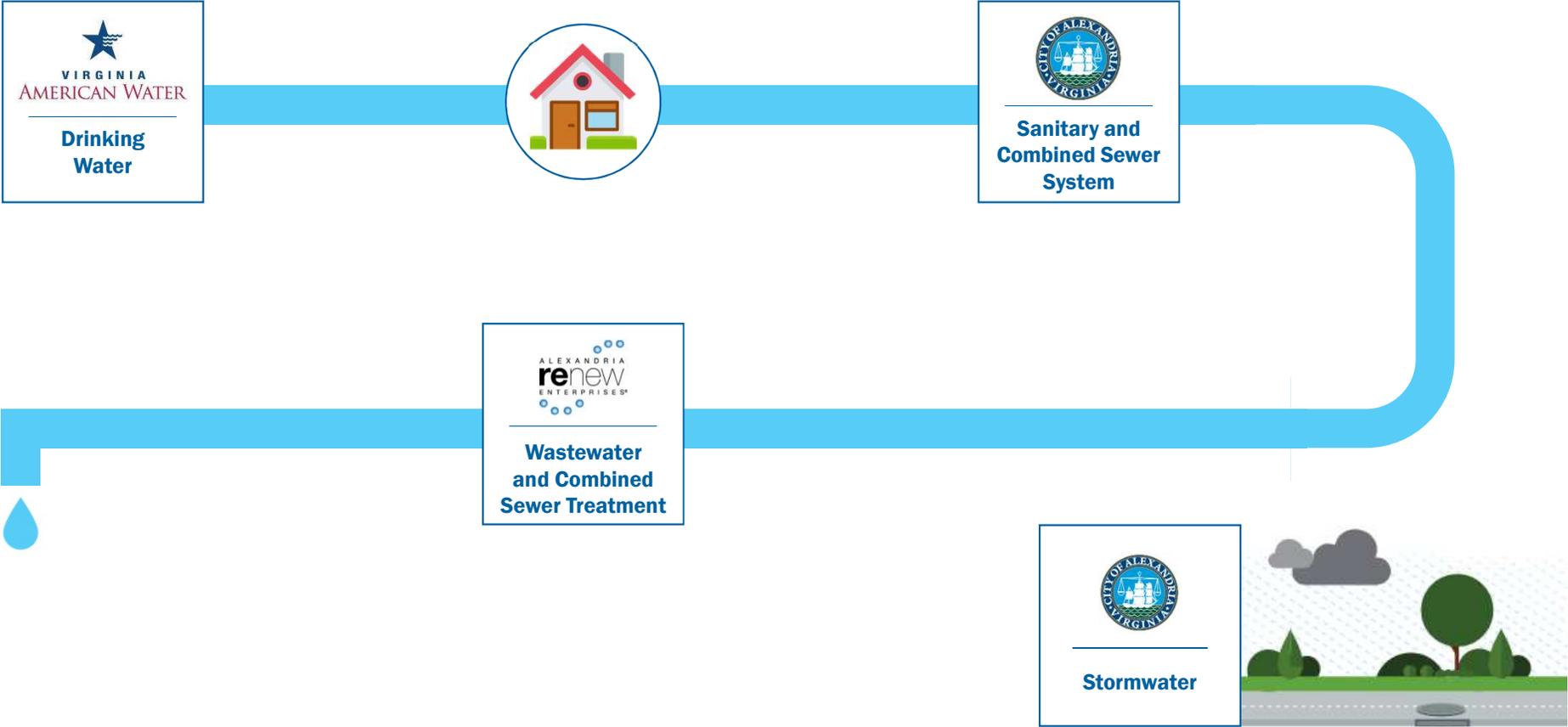
**Public Hearing**

**May 22, 2021**

## Presentation Outline

- How Water Works in Alexandria
- AlexRenew Operating Profile
- AlexRenew Capital Improvement Program
- Fiscal Year 2022 Proposed Operating and Capital Budget
- Fiscal Years 2022-2023 Rate Adjustment Proposal
- Public Comment Period

# How Water Works in the City of Alexandria

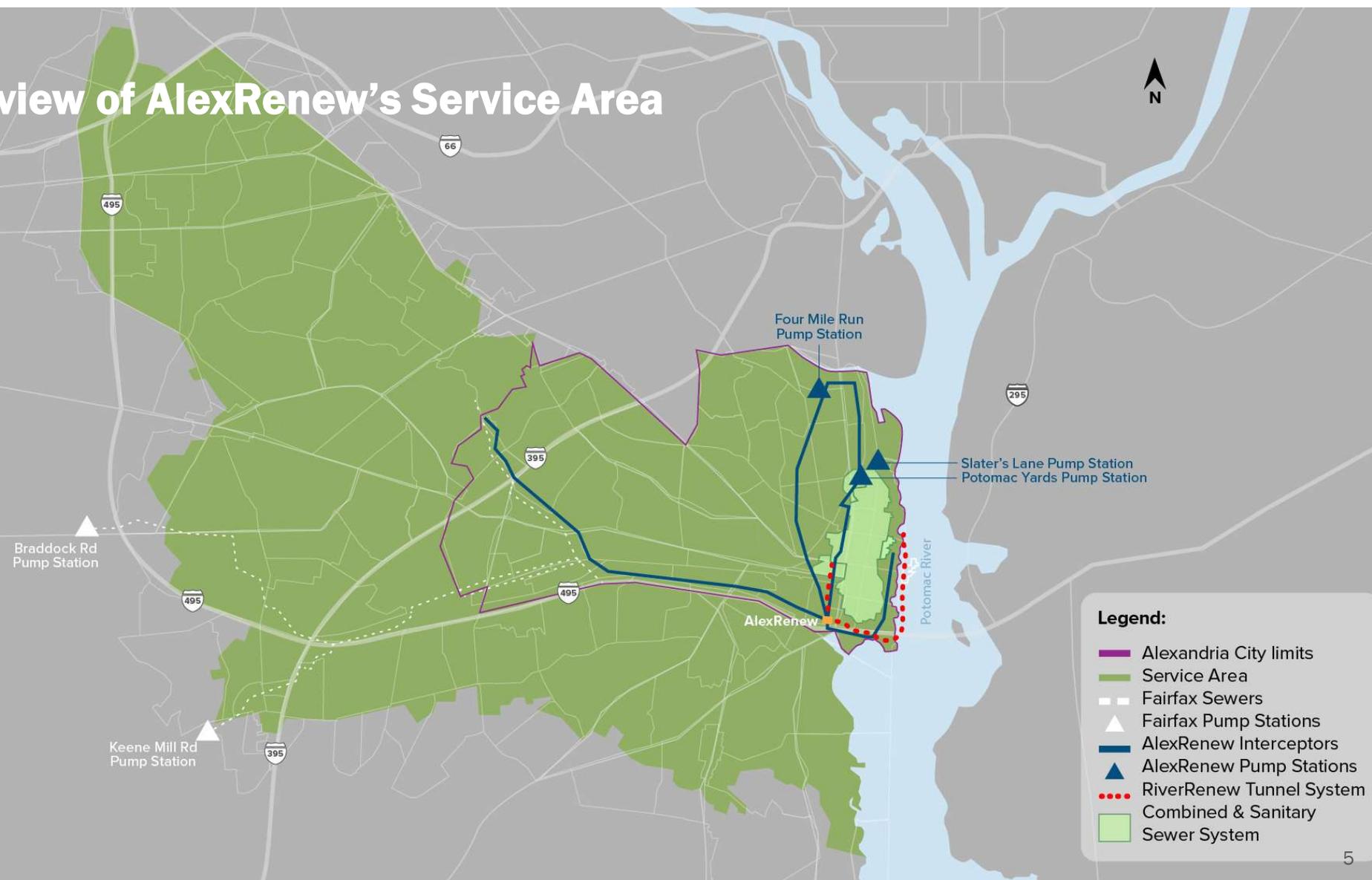


## AlexRenew is Alexandria's Wastewater Authority

- Political subdivision of the Commonwealth
- Created and governed by Virginia Water and Waste Authorities Act
- Chartered in 1952 by Alexandria City Council
- Led by a 5-member citizen board
- Treats an average of 38 MGD of wastewater to near drinking water standards at Water Resources Recovery Facility (WRRF)
- Serves more than 300,000 customers in Alexandria and Fairfax County



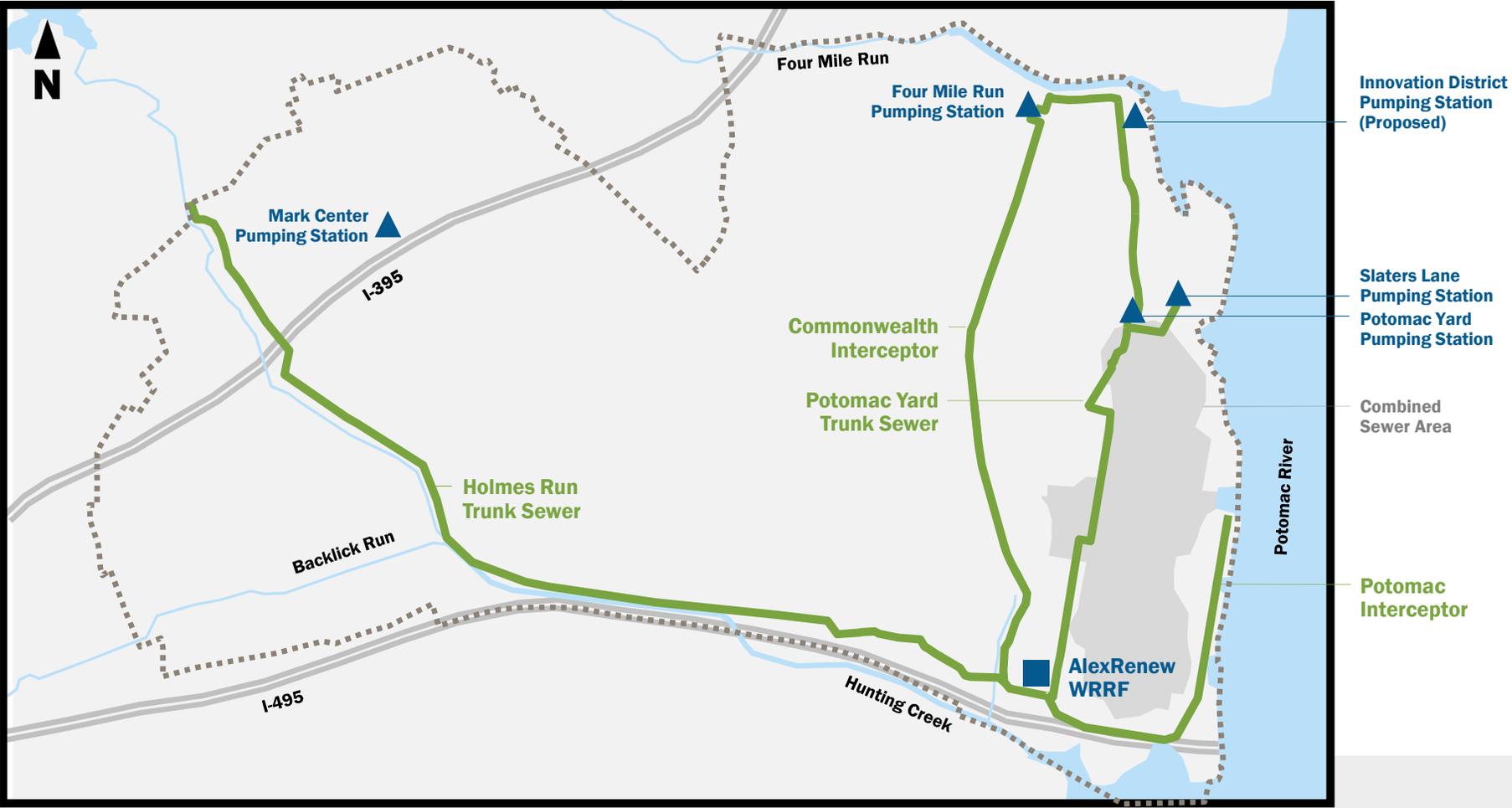
# Overview of AlexRenew's Service Area



**Legend:**

- Alexandria City limits
- Service Area
- Fairfax Sewers
- Fairfax Pump Stations
- AlexRenew Interceptors
- AlexRenew Pump Stations
- RiverRenew Tunnel System
- Combined & Sanitary Sewer System

# Nearly \$1 billion In System Assets Including Interceptors, Pump Stations and Water Resource Recovery Facility



## AlexRenew Has Three Service Agreements That Impact Its Budget

- City of Alexandria customers pay AlexRenew via wastewater rates
- Fairfax County pays AlexRenew for wholesale wastewater treatment services
- AlexRenew pays Arlington County to provide wastewater service small portion of the City where wastewater flows to Arlington's plant

| Counterparty       | Original Date | Last Amendment | Capacity Rights |
|--------------------|---------------|----------------|-----------------|
| Fairfax County     | 1973          | 1998           | 32.4 MGD        |
| City of Alexandria | 1954          | 2018           | 21.6 MGD        |
| Arlington County   | 1977          | 1994           | 3.0 MGD         |

- Operating expenses are shared between AlexRenew and Fairfax county proportionate to actual flows to the plant
- Capital costs are shared based on service agreement and project-specific MOUs

## AlexRenew's Mission Expanded in 2018 with the Transfer of Ownership of 4 Combined Sewer Outfalls and the RiverRenew Program

- 2017 General Assembly Bill SB 828 (Stuart)
- Required City of Alexandria to plan, design, and construct a solution to bring four existing combined sewer outfalls into Federal and State compliance
- Construction must be complete by July 1, 2025
- On July 2, 2018, the City of Alexandria transferred the four existing outfalls and RiverRenew ownership to AlexRenew



# RiverRenew At-a-Glance

## Projects:



**Tunnel Project**



**Building J Facilities Relocation and Decommissioning Project**



**108 to 116 Million Gallons per Day Project**



**Site Security and Access Project**

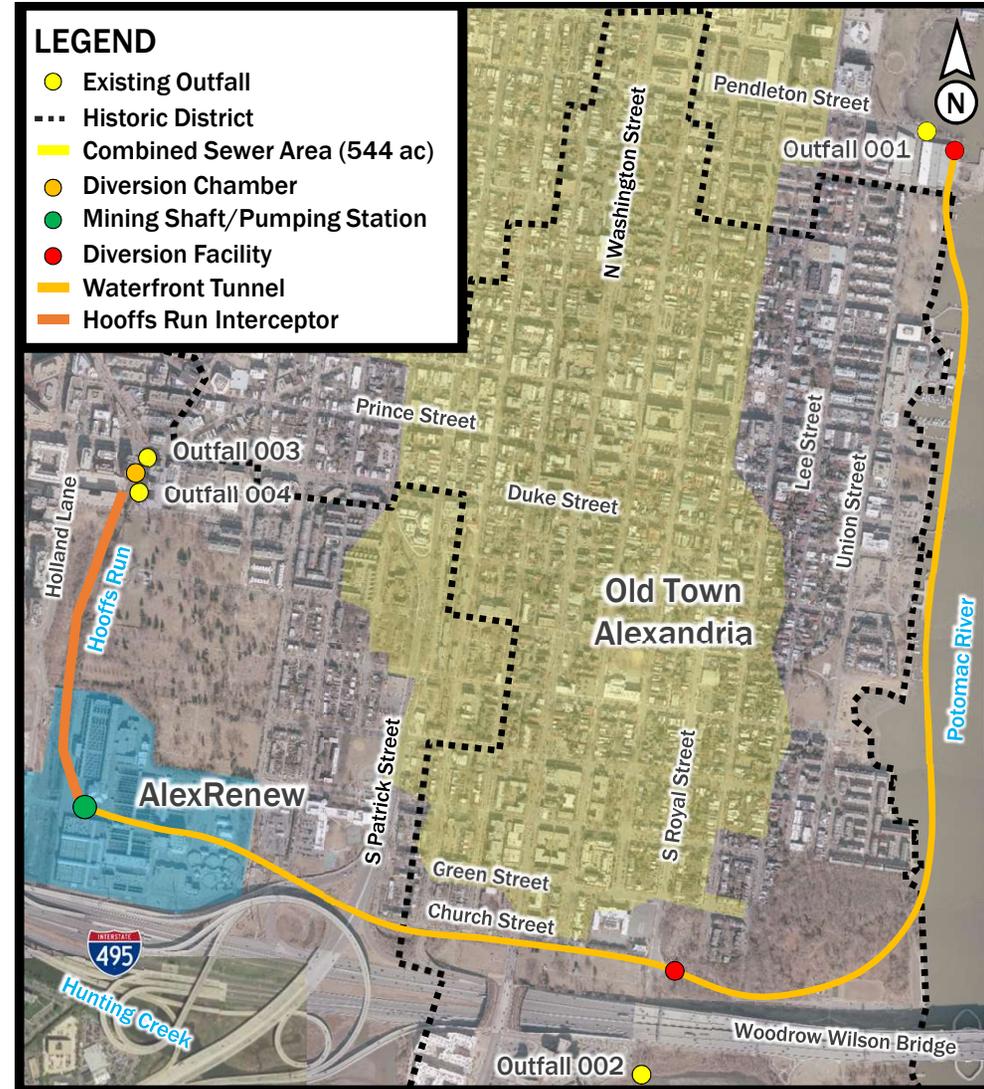
@ AlexRenew



**Capital Cost of \$615 million**



**Schedule: July 2018 to July 2025**



# **FY22 Proposed Operating and Capital Budget**

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# Guiding Fiscal Principles

Operate a  
Fiscally Stable  
and  
Sustainable  
Utility

Fully Recover  
Costs Via  
Rates

Maintain  
Compliance  
with Master  
Indenture of  
Trust and Loan  
Documents

Maintain  
Compliance  
with Adopted  
Financial  
Policies

## AlexRenew's Financial Policies

### **AlexRenew Financial Policies**

#### **Minimum Debt Service Coverage**

- Based on Master Trust Indenture and Financial Advisor Advice
- Currently Minimum Target Set at 1.5x

#### **Minimum Reserves**

- 120 Days of Operating Expenses

#### **PayGo**

- Fund at least 15% of Total Capital Program (from Cash Flow and Reserves)

# Major FY 2022 Budget Drivers



Estimated **increases** in chemical and biosolids costs of **~1%**



**Energy costs** anticipated to be **neutral**



Employee **benefit** costs **steady**



Employee pay and hiring **freezes lifted**



Significant increase in use of **debt proceeds** to **fund capital work**

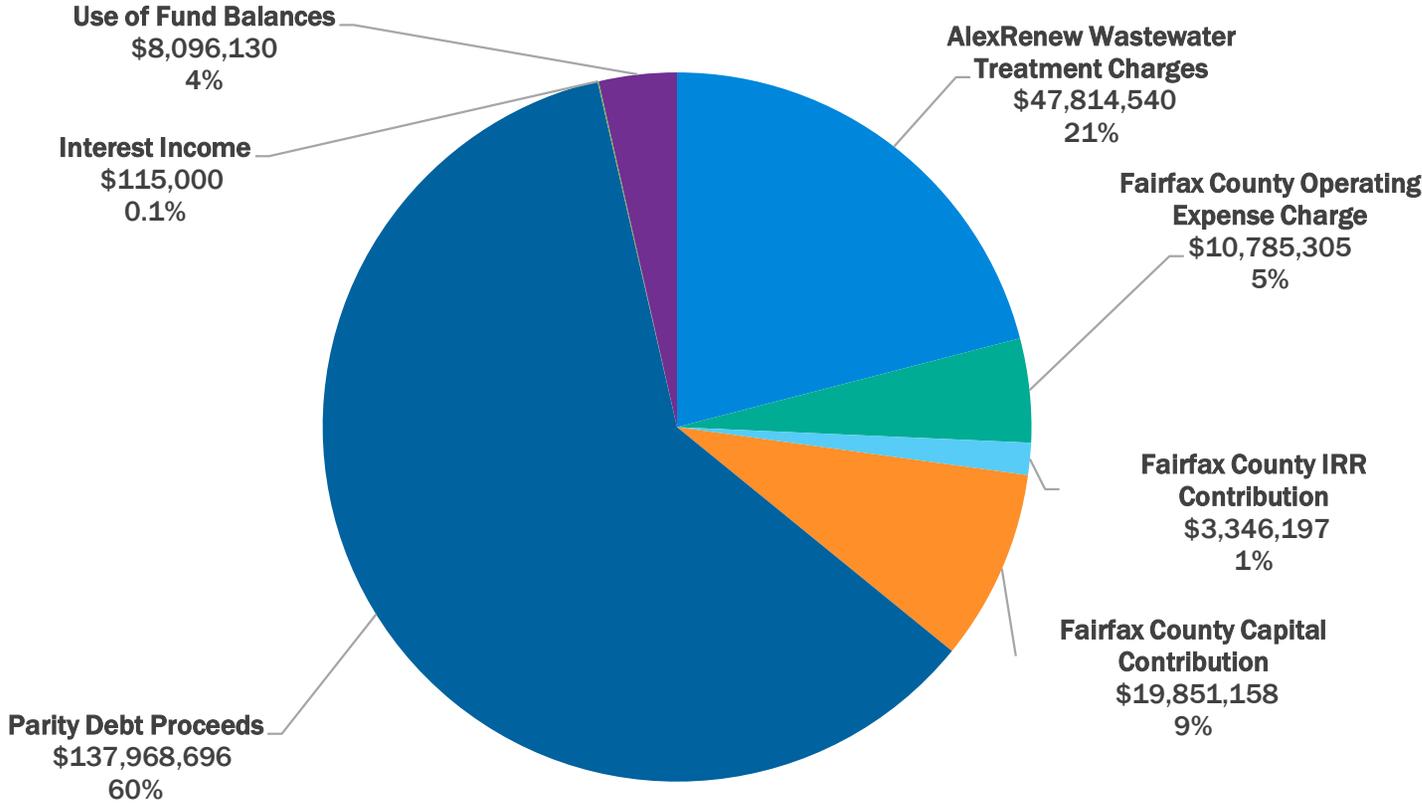


Significant increase in **capital spend** for some General Capital Projects but primarily **RiverRenew Tunnel Project**

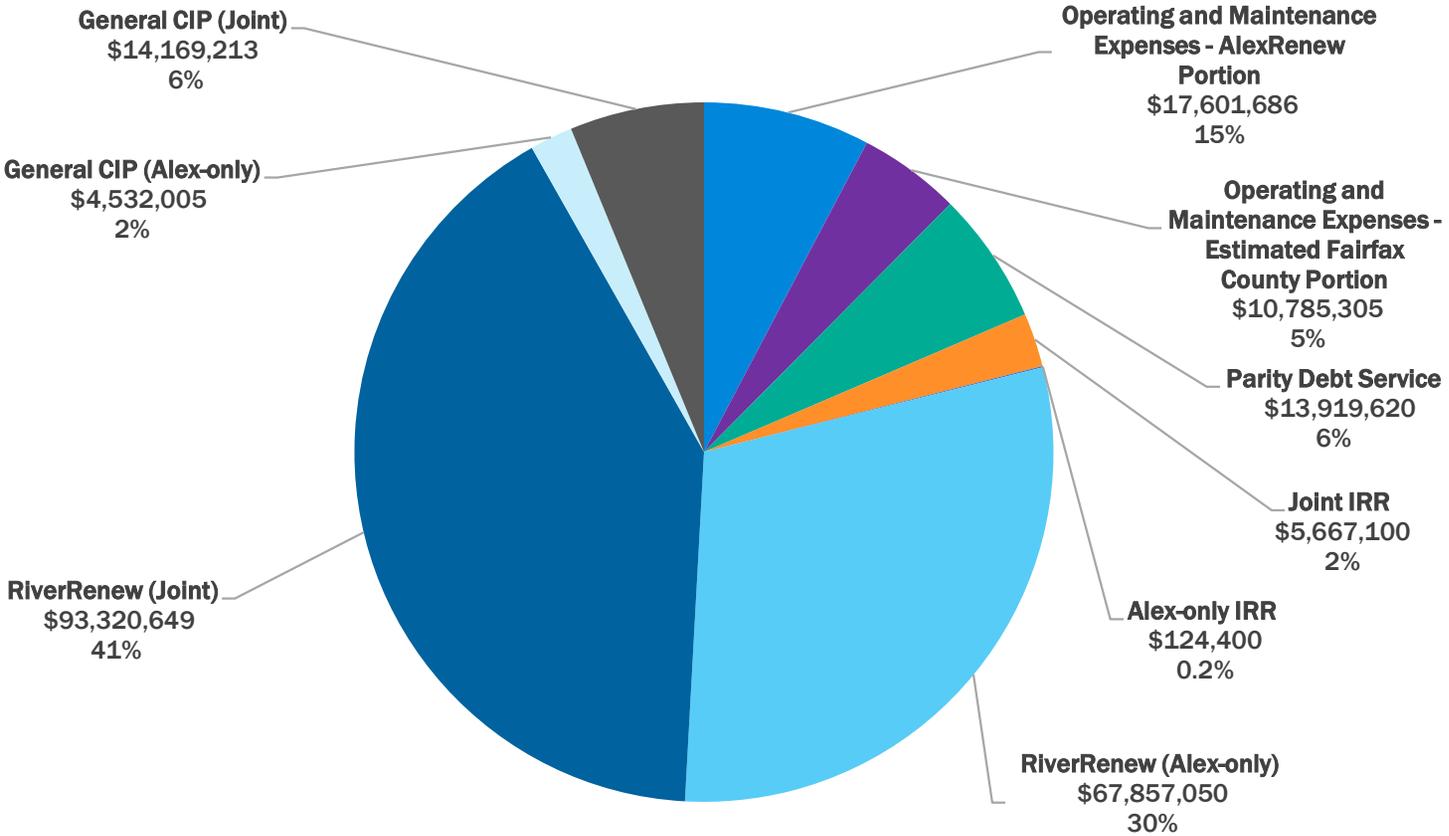
## Proposed FY 2022 Budget – Summary Annual Comparison

|  | Adopted FY 2021        | Proposed FY 2022       | Year-over-Year Change |
|--|------------------------|------------------------|-----------------------|
| Operating Revenues (From City Customers) | \$39.4 million         | \$47.8 million         | + 21%                 |
| Fairfax County Operating Contributions   | \$11.2 million         | \$10.7 million         | - 4%                  |
| Fairfax County IRR Contributions         | \$3.2 million          | \$3.3 million          | + 4%                  |
| Fairfax County Capital Contributions     | \$14.1 million         | \$19.8 million         | + 40%                 |
| Debt Proceeds                            | \$39.7 million         | \$137.9 million        | + 247%                |
| Use of Interest Income and Fund Balance  | \$8.0 million          | \$8.2 million          | + 2%                  |
| <b>TOTAL FUNDING SOURCES</b>             | <b>\$115.9 million</b> | <b>\$227.9 million</b> | <b>+ 97%</b>          |
| Operating Expenses                       | \$28.3 million         | \$28.3 million         | 0%                    |
| Debt Service Payments                    | \$14.1 million         | \$13.9 million         | - 1%                  |
| IRR Expenses                             | \$5.8 million          | \$5.8 million          | 0%                    |
| Capital Expenses                         | \$63.1 million         | \$179.8 million        | + 185%                |
| Additions to Fund Balance                | \$4.4 million          | -                      | - 100%                |
| <b>TOTAL EXPENSES AND CAPITAL OUTLAY</b> | <b>\$115.9 million</b> | <b>\$227.9 million</b> | <b>+ 97%</b>          |

# Overview of Proposed FY 2022 Revenue



# Overview of Proposed FY 2022 Expenses



# FY 2022 Budget Highlights



## Debt

- Interest rates on new debt locked in
- 1.88% on \$321M WIFIA
- 1.35% on \$185M CWRLF



## Staffing

- Benefits costs constant
- Lift pay freeze
- Lift hiring freeze
- Merit increases included for eligible employees



## Capitals and Renewals

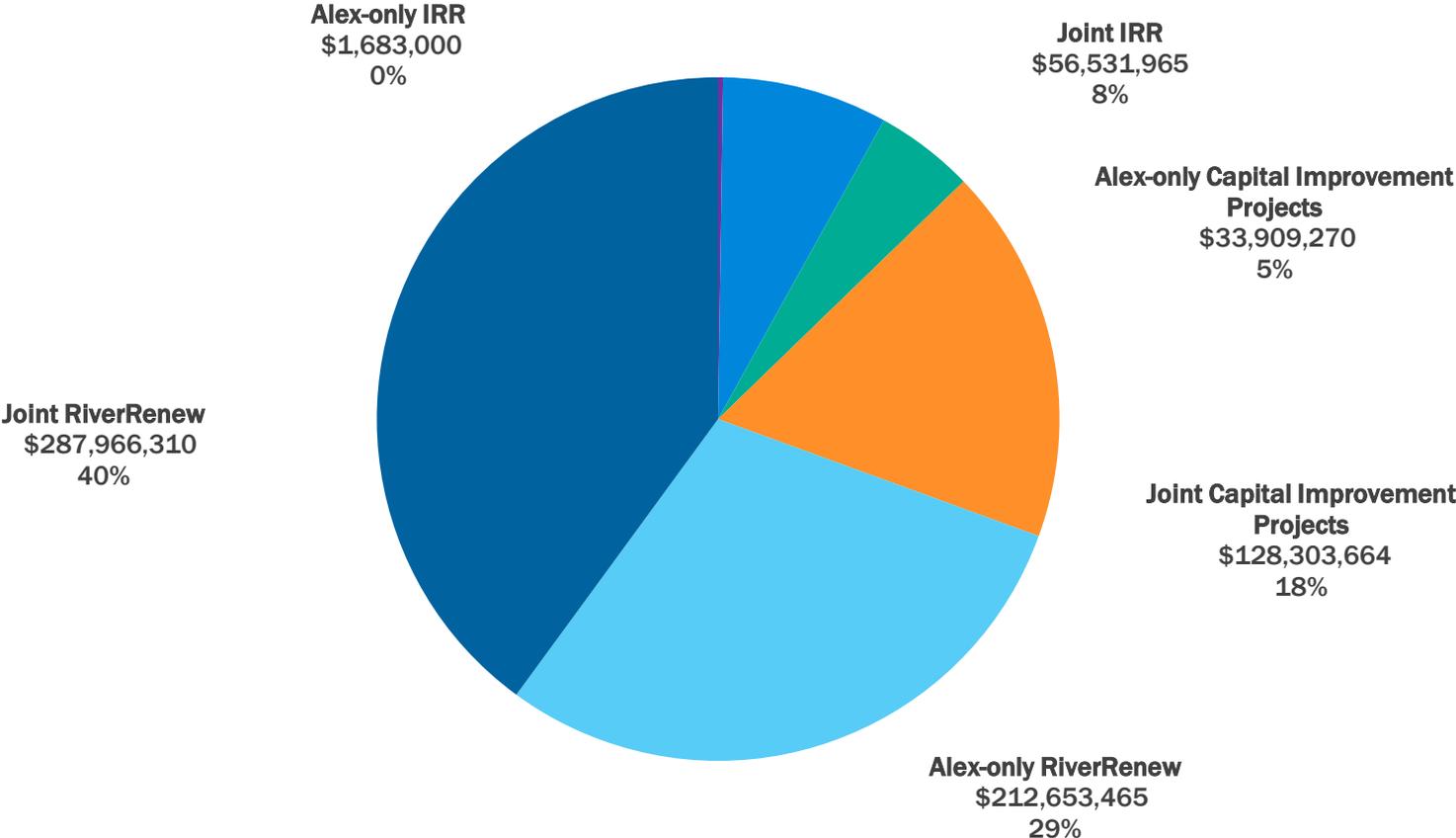
- Total 10-year spend of \$721 million
- First year of peak in tunnel spending
- \$185 million requested for FY 2022



## Operations

- Commodity cost increases
  - Chemicals
  - Biosolids
- Investments in technology and customer outreach
- Resources needed to continue to adapt to COVID

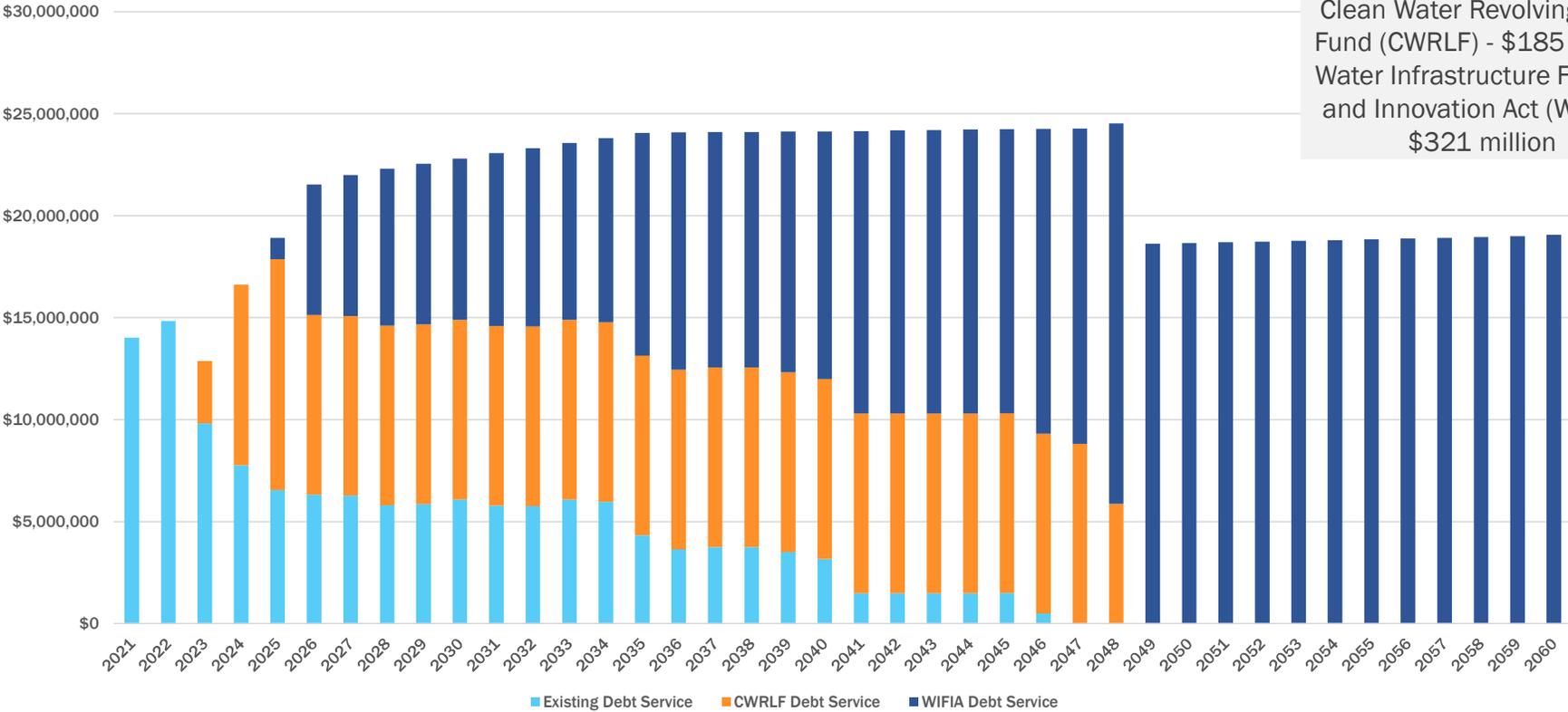
# Summary of Total 10-year Capital Expenditures



# Debt Service Payments Increase Gradually To Ease Rate Impacts

**AlexRenew Projected Debt Service Repayment Schedule**

Series 2021 Debt Issuances  
 Clean Water Revolving Loan Fund (CWRLF) - \$185 million  
 Water Infrastructure Finance and Innovation Act (WIFIA) - \$321 million



# **FY 2022-2023 Rate Adjustment Proposal**

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# AlexRenew is Proposing a Rate Adjustment for the Next Two Fiscal Years

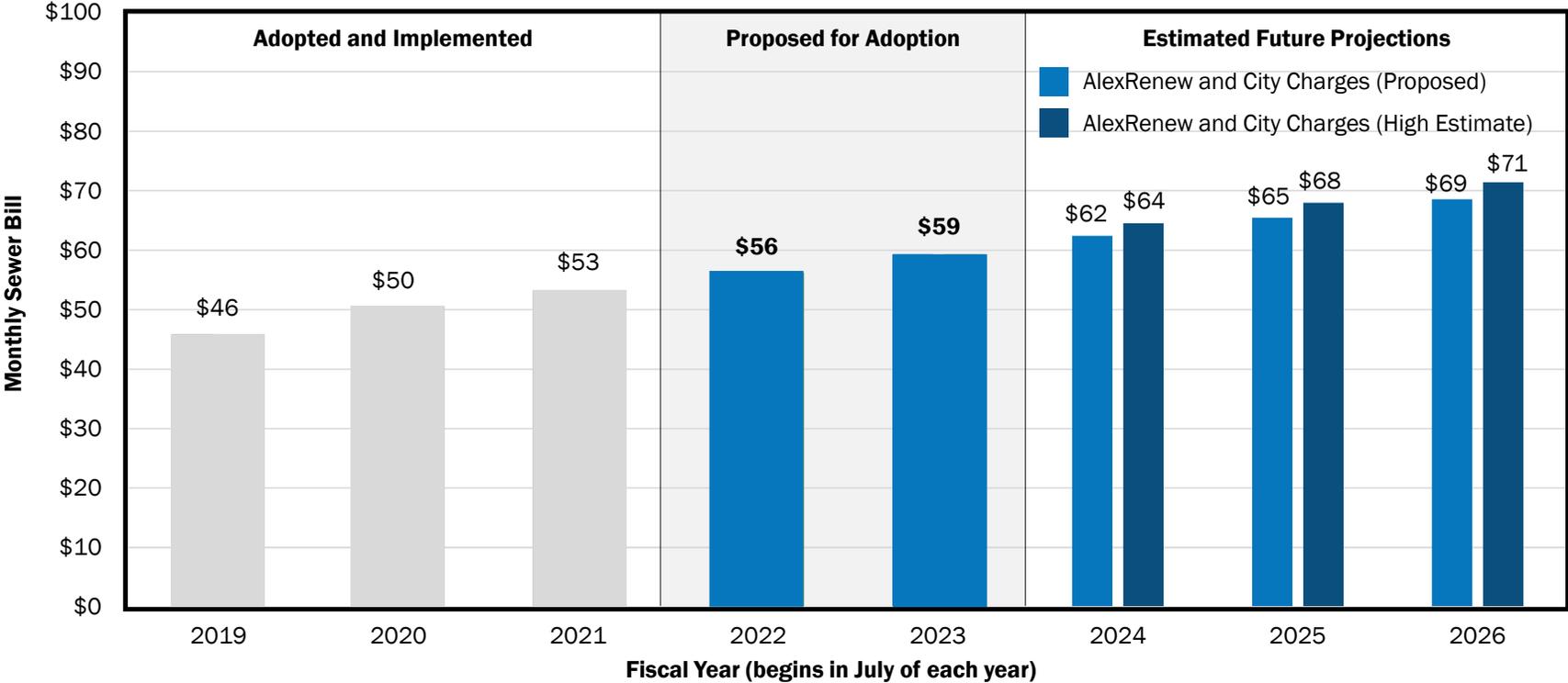
## Proposed Two-Year Rate Adjustment

| Fiscal Year | Beginning on: | Maximum Rate Adjustment |
|-------------|---------------|-------------------------|
| 2022        | July 1, 2021  | 6.9%                    |
| 2023        | July 1, 2022  | 6.5%                    |

### Benefits of a Two-Year Rate Adjustment:

-  **Maximizes efficiency** of staff and consultant time
-  **Allows for adjustment** of rates as conditions evolve
-  **Provides certainty** for CIP funding, particularly in FY 2022-23 when Tunnel Project spending peaks

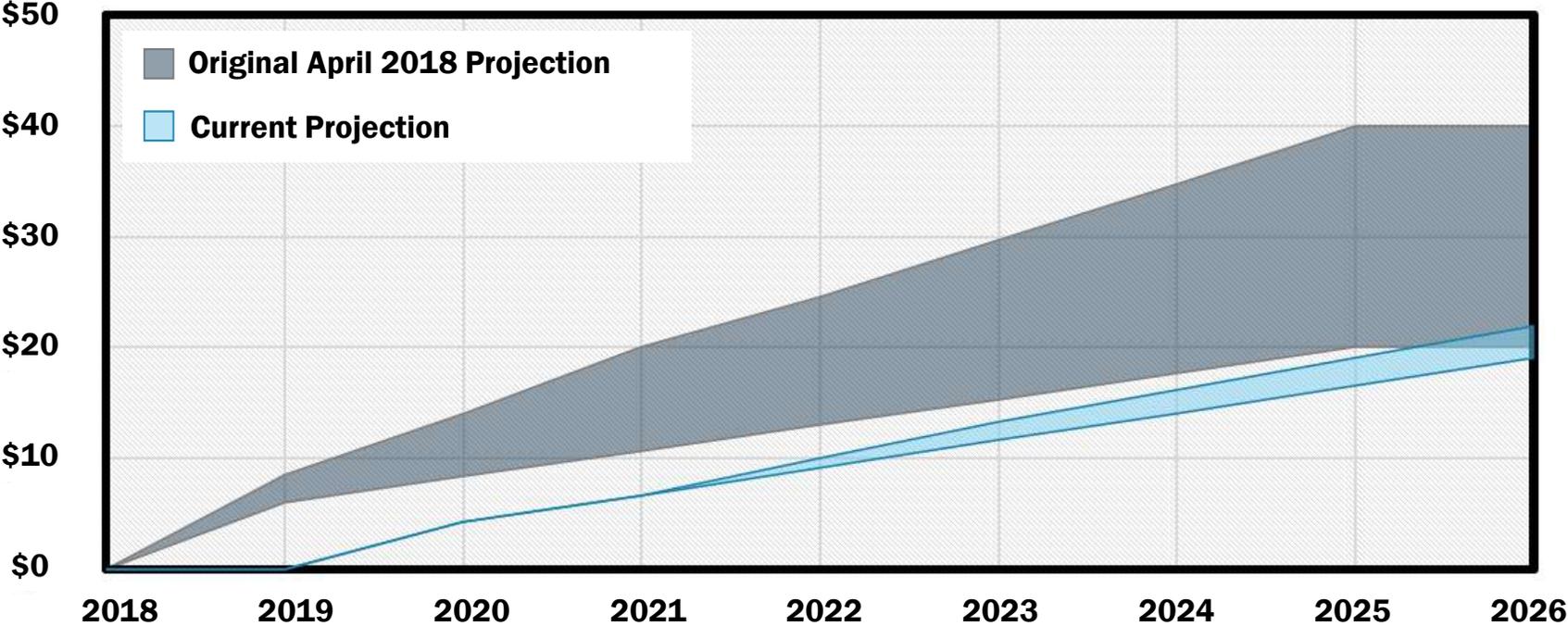
# Proposed Adjustments in Fiscal Years 2022 and 2023 and Future Estimated Rate Projections through RiverRenew Program



Note: Based on 4,000 gallons consumption, including estimated City charge as of January 2020; Assumes City sewer charge does not increase from its \$2.28 per KGAL.

# Current RiverRenew Fee Projections on Lower End of Original Projections from April 2018 Due to Locked-in Historic Low Interest Rates

Incremental Bill Impacts from RiverRenew



Note: Based on 4,000 gallons consumption, excluding City charge

## Rate Adjustment Chart for FY 2022-23

|   | Existing       | FY 2022        | FY 2023        |
|---|----------------|----------------|----------------|
| Base - Residential  | \$11.54        | \$12.34        | \$13.14        |
| Base - Commercial (Meter Size)  |                |                |                |
| 5/8"  | \$34.63        | \$37.02        | \$39.42        |
| 3/4"  | \$34.63        | \$37.02        | \$39.42        |
| 1"  | \$86.59        | \$92.55        | \$98.55        |
| 1-1/2"  | \$173.17       | \$185.10       | \$197.10       |
| 2"  | \$277.08       | \$296.16       | \$315.36       |
| 3"  | \$519.52       | \$555.30       | \$591.30       |
| 4"  | \$865.87       | \$925.50       | \$985.50       |
| 6"  | \$1,731.74     | \$1,851.00     | \$1,971.00     |
| 8"  | \$2,770.79     | \$2,961.60     | \$3,153.60     |
| Flow (per 1,000 gallons)  | \$8.13         | \$8.69         | \$9.26         |
| <b>AlexRenew Monthly Residential Bill, 4,000 gallons <sup>1</sup></b> | <b>\$44.08</b> | <b>\$47.10</b> | <b>\$50.18</b> |
| Change in \$  | \$2.73         | \$3.04         | \$3.08         |
| Change by %   | 6.6%           | 6.9%           | 6.5%           |

<sup>1</sup> Excludes City charge

# Estimated Cost of One Water in Alexandria, VA



**Drinking Water**




**Sanitary and Combined Sewer System**

| Current FY21 |        | Projected FY26 |        |
|--------------|--------|----------------|--------|
| Monthly      | Annual | Monthly        | Annual |
| \$22         | \$264  | \$24           | \$291  |

| Current FY21 |        | Projected FY26 |        |
|--------------|--------|----------------|--------|
| Monthly      | Annual | Monthly        | Annual |
| \$9          | \$109  | \$10           | \$121  |

Note: Sanitary Sewer Charge appears on AlexRenew Bill



**Wastewater and Combined Sewer Treatment**



**Stormwater**



| Current FY21 |         | Projected FY26 |         |
|--------------|---------|----------------|---------|
| Monthly      | Annual  | Monthly        | Annual  |
| \$87         | \$1,042 | \$117          | \$1,404 |

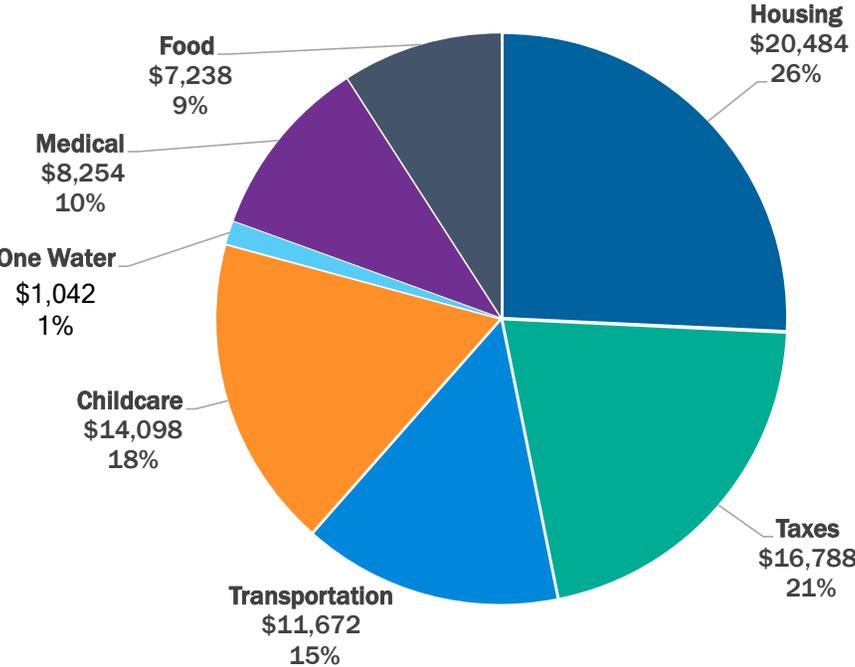
| Current FY21 |        | Projected FY26 |        |
|--------------|--------|----------------|--------|
| Monthly      | Annual | Monthly        | Annual |
| \$44         | \$528  | \$59           | \$713  |

| Current FY21 |        | Projected FY26 |        |
|--------------|--------|----------------|--------|
| Monthly      | Annual | Monthly        | Annual |
| \$12         | \$140  | \$24           | \$291  |

Note: Stormwater Fee appears on Real Estate Bill

Note: Based on known current increase projections from various Alexandria water entities

# Cost Impact to Various Household Incomes in Alexandria (Based on annual costs for a family of 2 adults and 1 child)



Sum of Basic Living Costs: \$79,578

Household Income

- 20th Percentile: \$52,600 <sup>1</sup>
- 40th Percentile: \$86,200 <sup>1</sup>
- Living Wage: \$87,235
- Poverty Wage: \$21,715

Median Household Income: \$100,939 <sup>2</sup>

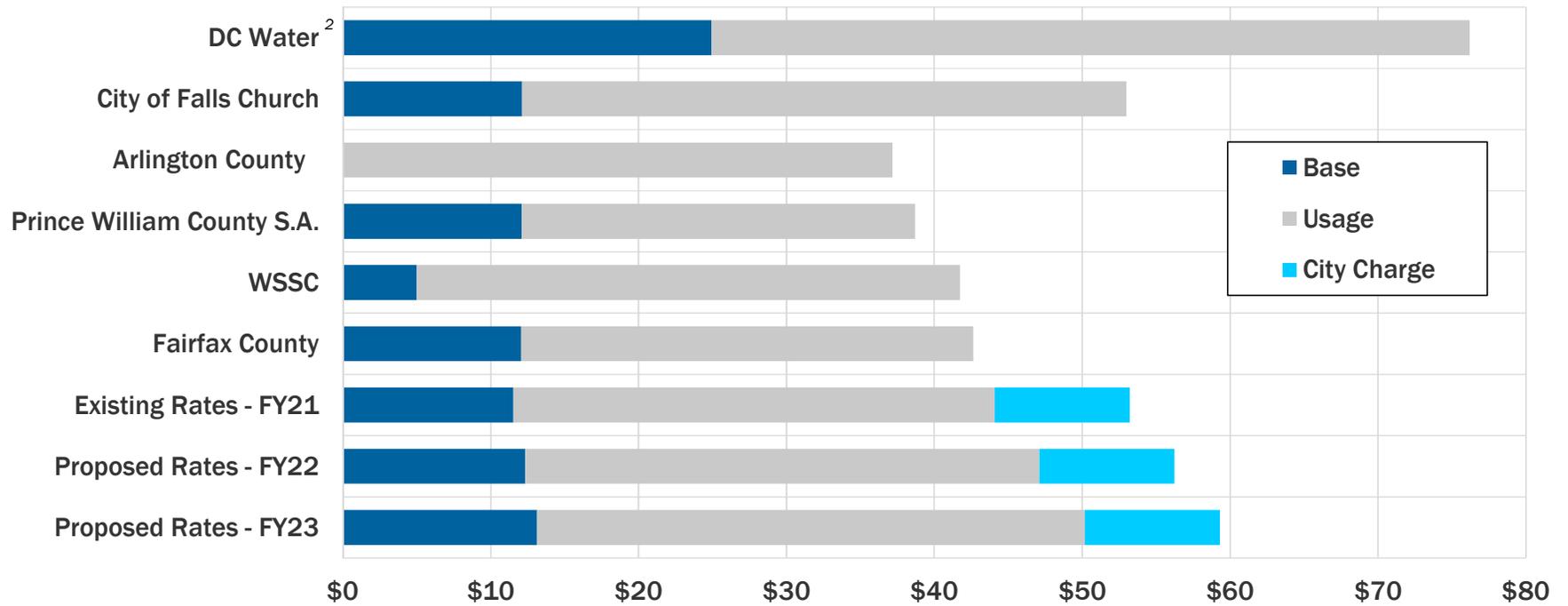
- % of Income Spent on Housing 20.1%
- 150% of the Federal Poverty Line: \$31,995

<sup>1</sup> Estimated based on US Census ACS income distribution 2019 survey

<sup>2</sup> US Census 2019 estimate

# AlexRenew Rates Compared to Regional Peer Rates

Monthly Sewer Charges For Single Family Residential Customers <sup>1</sup>

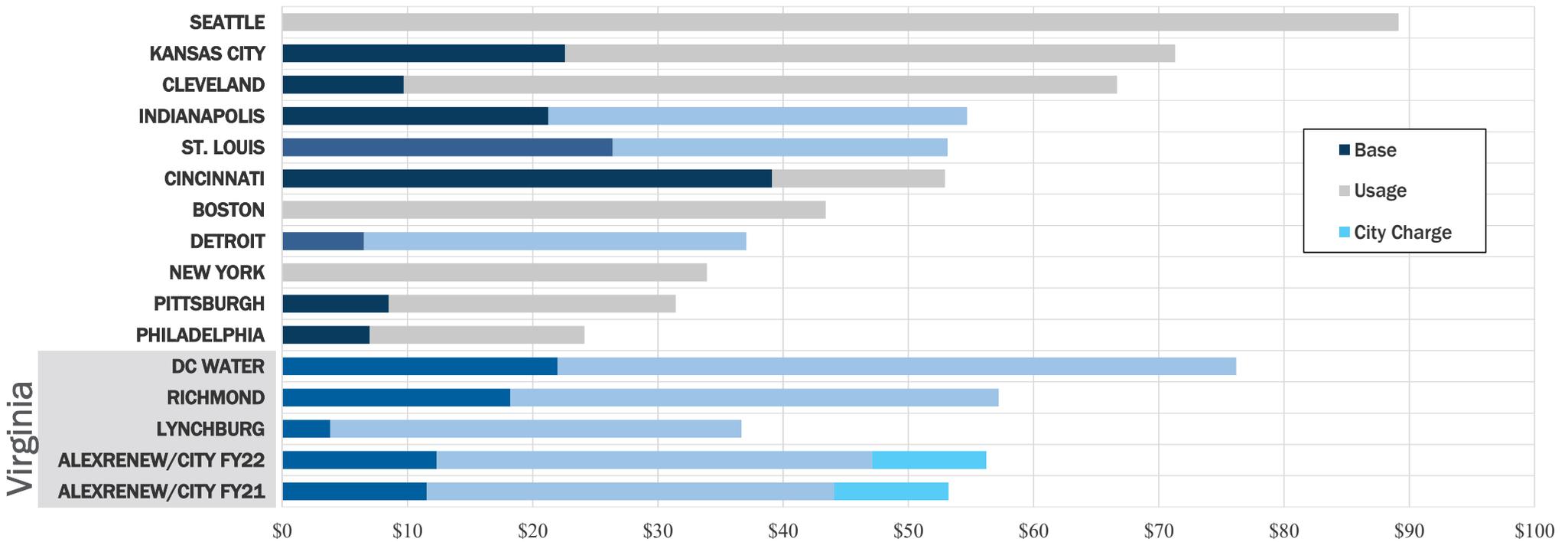


<sup>1</sup> Based on 4,000 gallons monthly usage

<sup>2</sup> DC Water is the only other local combined sewer community besides AlexRenew

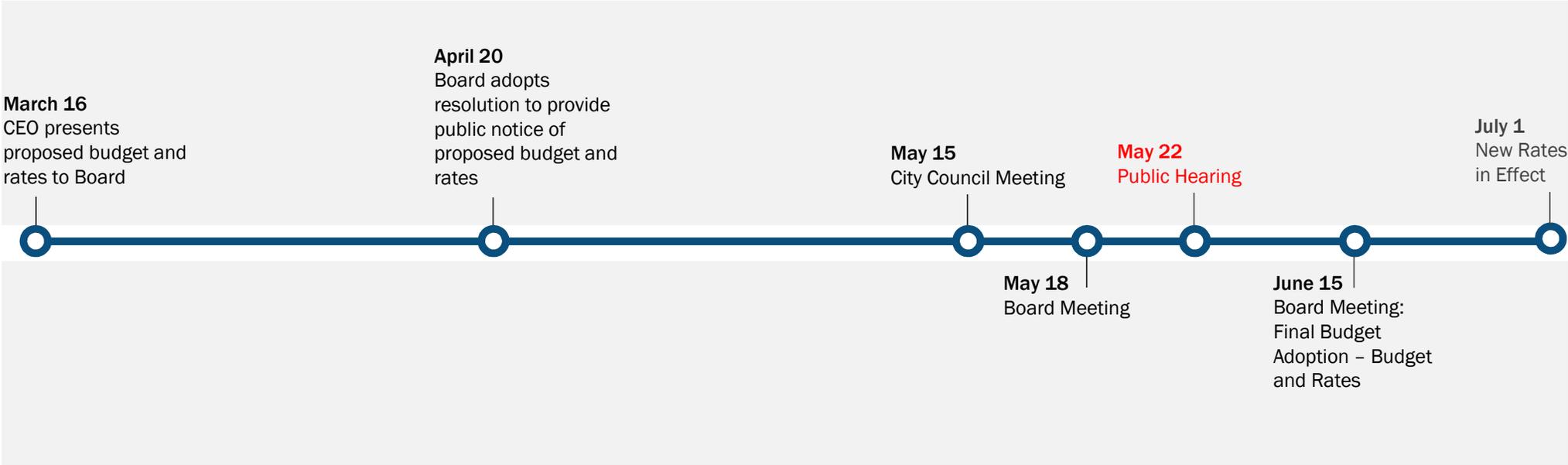
# AlexRenew Rates Compared to CSO Community Rates

Monthly Sewer Charges For Single Family Residential Customers <sup>1</sup>



<sup>1</sup> Based on 4,000 gallons monthly usage

# Fiscal Year 2022-2023 Rate Adjustment Timeline



# Community Outreach Used for Rate Adjustment



## Digital

- AlexRenew.com
- RiverRenew.com
- Social Media (Facebook, Twitter)



## Printed Materials

- Bill Stuffer



## Community Meetings

- RiverRenew Stakeholder Advisory Group
- Council-Board Workgroup



## Press and Media

- Press Release



## Paid Advertising

- Print Ads
- Digital Ads



To learn more, visit [www.alexrenew.com](http://www.alexrenew.com)