

# FY2024 AlexRenew Draft Budget and Rates Presentation

Briefing for AlexRenew Board of Directors

March 21, 2023

# Presentation outline

- Background
- Highlights of Proposed FY2024 Budget and FY2024 and FY2025 Rate Recommendation
- Proposed FY2024 Budget
- 10-year Capital Improvement Program
- Proposed FY2024 and FY2025 Rate Recommendation
- Financial Assistance Programs
- Next Steps for Budget and Rate Process
- Questions and Discussion

# Background

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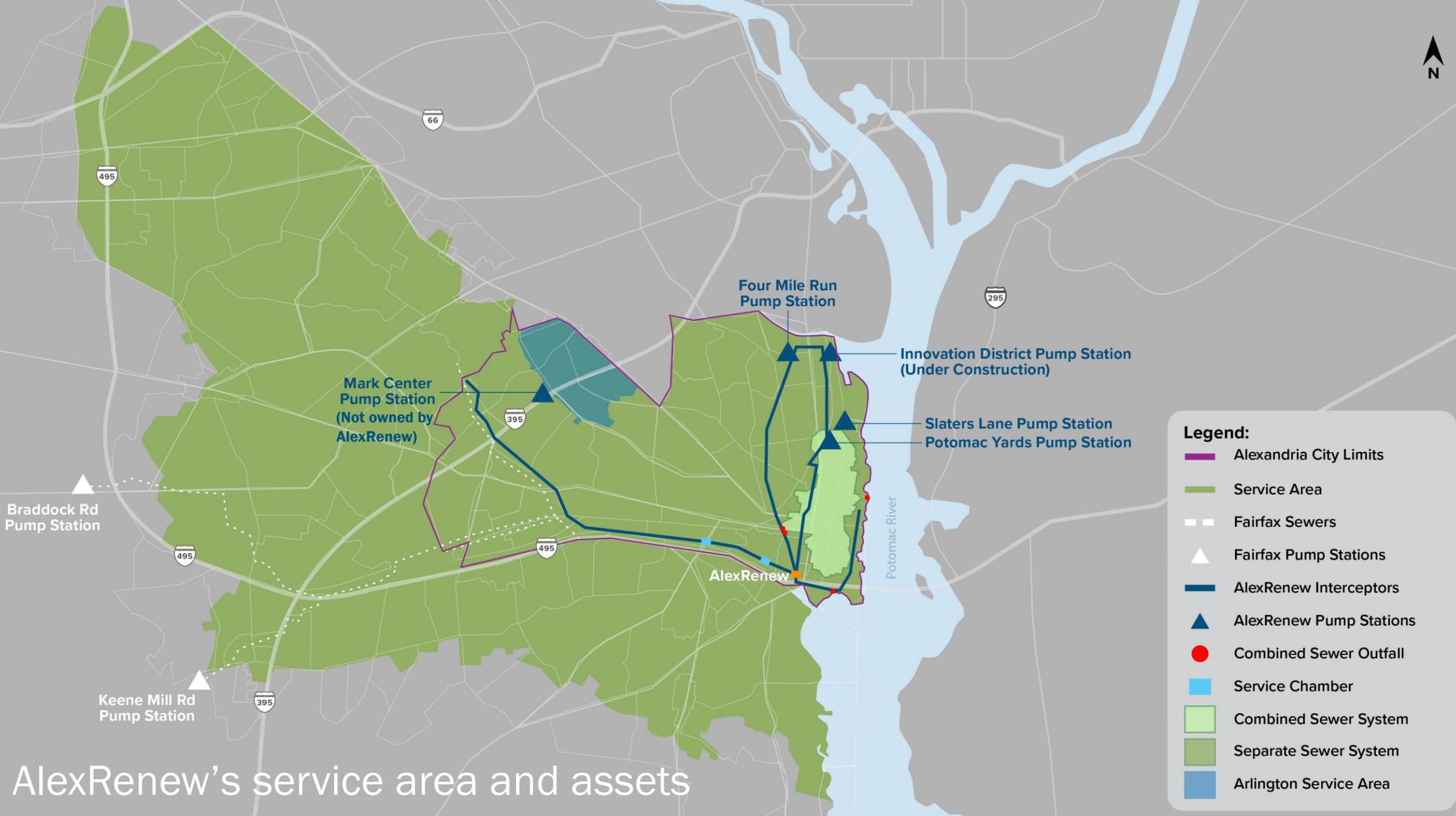
# AlexRenew's 2040 Vision is to effectively partner with watershed stakeholders to:

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**.

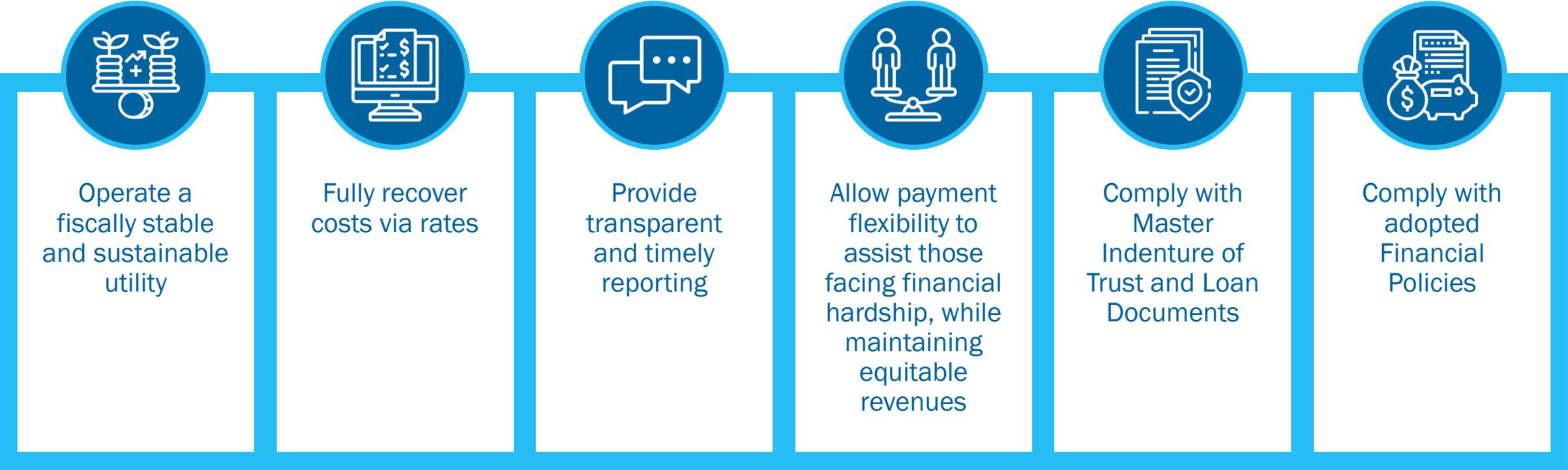


**Legend:**

- 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's service area and assets

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



# 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

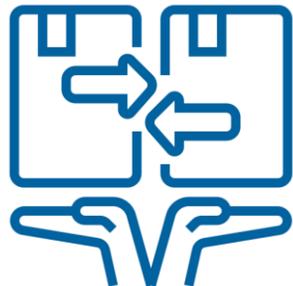


## Budget

- 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

# Our Board Compensation Policy forms the basis for our compensation to be fair and equitable to all employees



Commits to maintain **comparability to other jurisdictions**



Targets between **90-110% of respective salary range** for each employee salary



Commits to conduct a **market study every two years** to benchmark positions

	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024
Average Merit Adjustments	2.6%	1%	0%	2.5%	4.6%	4.2%
Average Market Rate Adjustments	0%	–	0%	–	7.5%	–

# AlexRenew employee benefits program

## Medical

- United Healthcare
- High Deductible Plan with a Health Savings Account
- Fully-insured
- Cost share is approximately 85% for all tiers of coverage
- Embedded deductible

## Dental

- Delta Dental
- Cost share is 85% for all tiers of coverage

## Vision

- United Healthcare
- Cost share is 100% for all tiers of coverage

## Life and Disability

- 1.5x salary max \$250,000 benefit
- Cost share is 100% for short and long-term disability premiums

## Annual Benefits Cost

FY2021

\$2.2M

FY2022

\$2.4M

FY2023

\$2.8M

projected

FY2024

\$3.2M

budgeted

## Retirement (VRS 457)

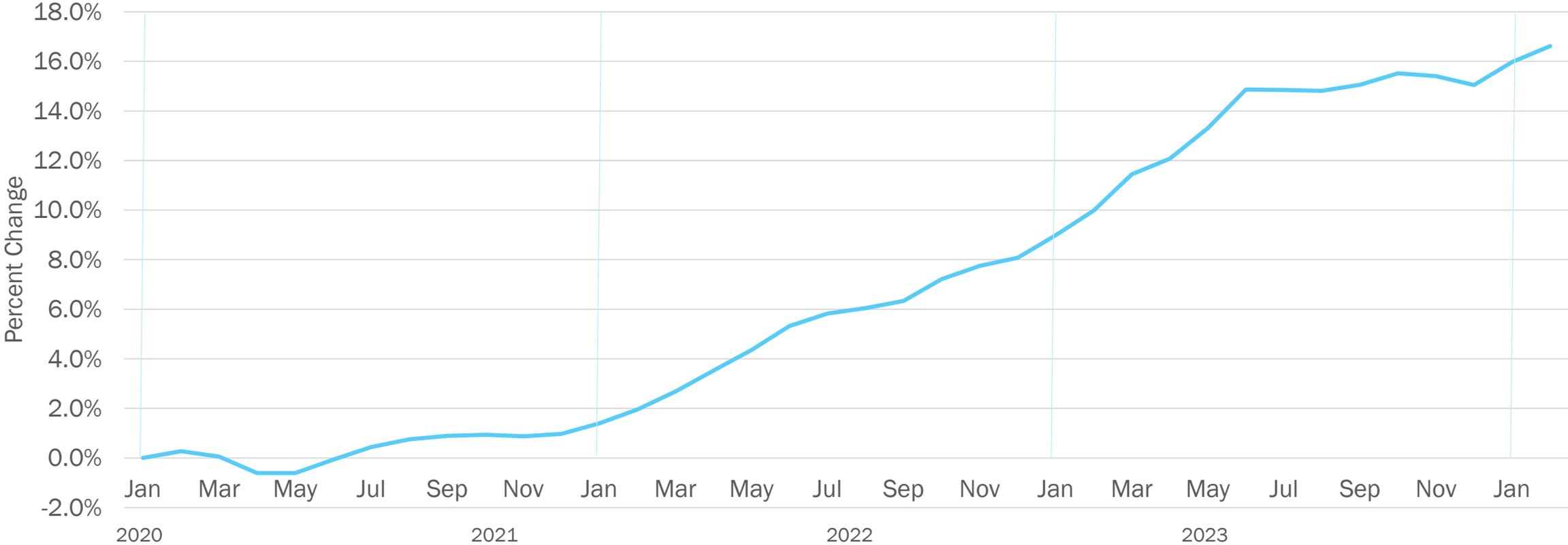
- VRS employer contribution changes each even fiscal year
- FY2023 is rate to 8.19%
- 457b AlexRenew match is 1.0 – 2.5% based on employee contribution up to 4.0%

# **Highlights of Proposed FY2024 Budget and FY2024 and FY2025 Rate Recommendation**

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# Unprecedented inflation has impacted our region over the last two years

Percent Change in Consumer Price Index for Washington-Arlington-Alexandria  
January 2020 - 2023



Source: U.S. Bureau of Labor Statistics

# AlexRenew's FY2024 budget overview



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

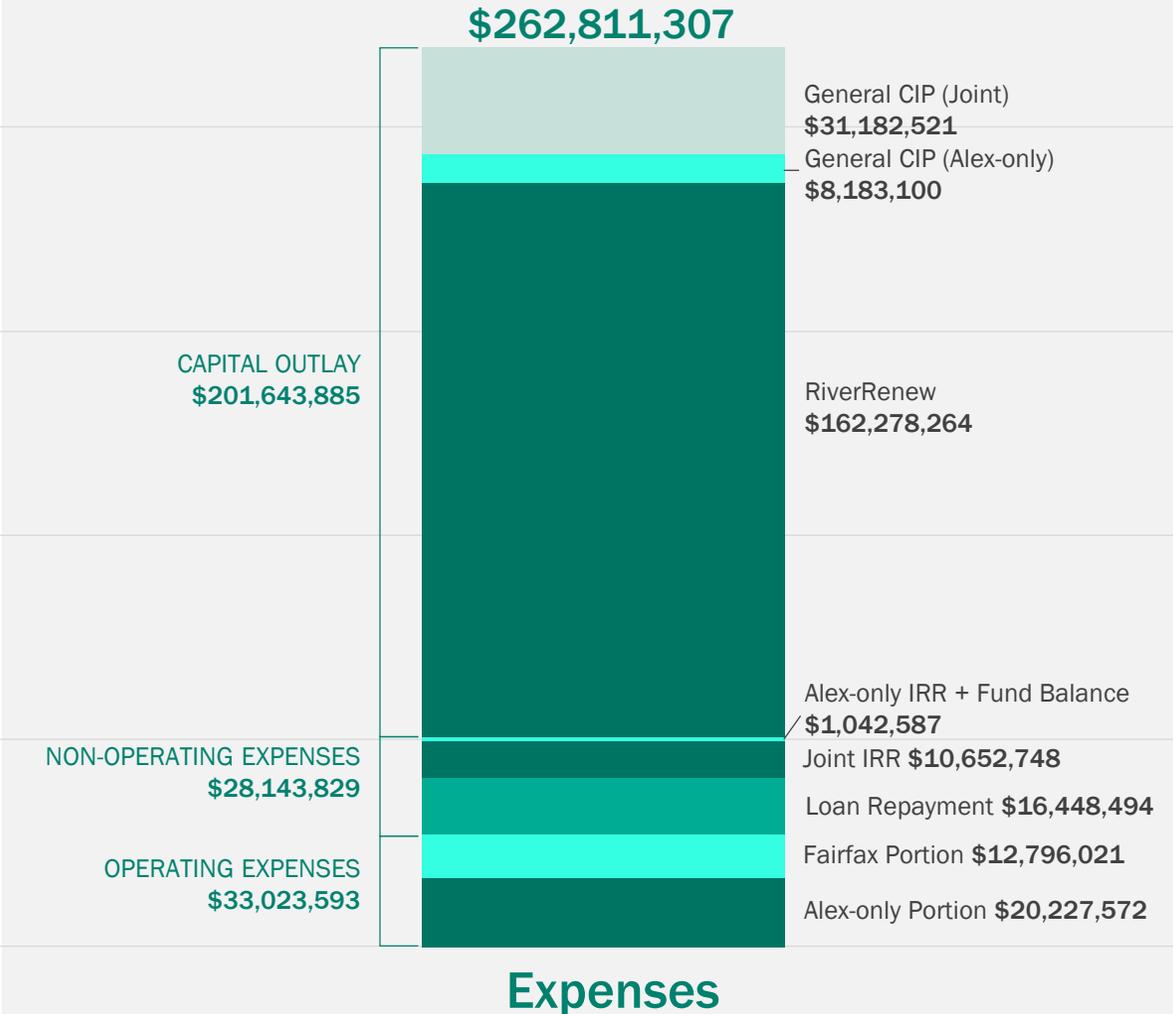
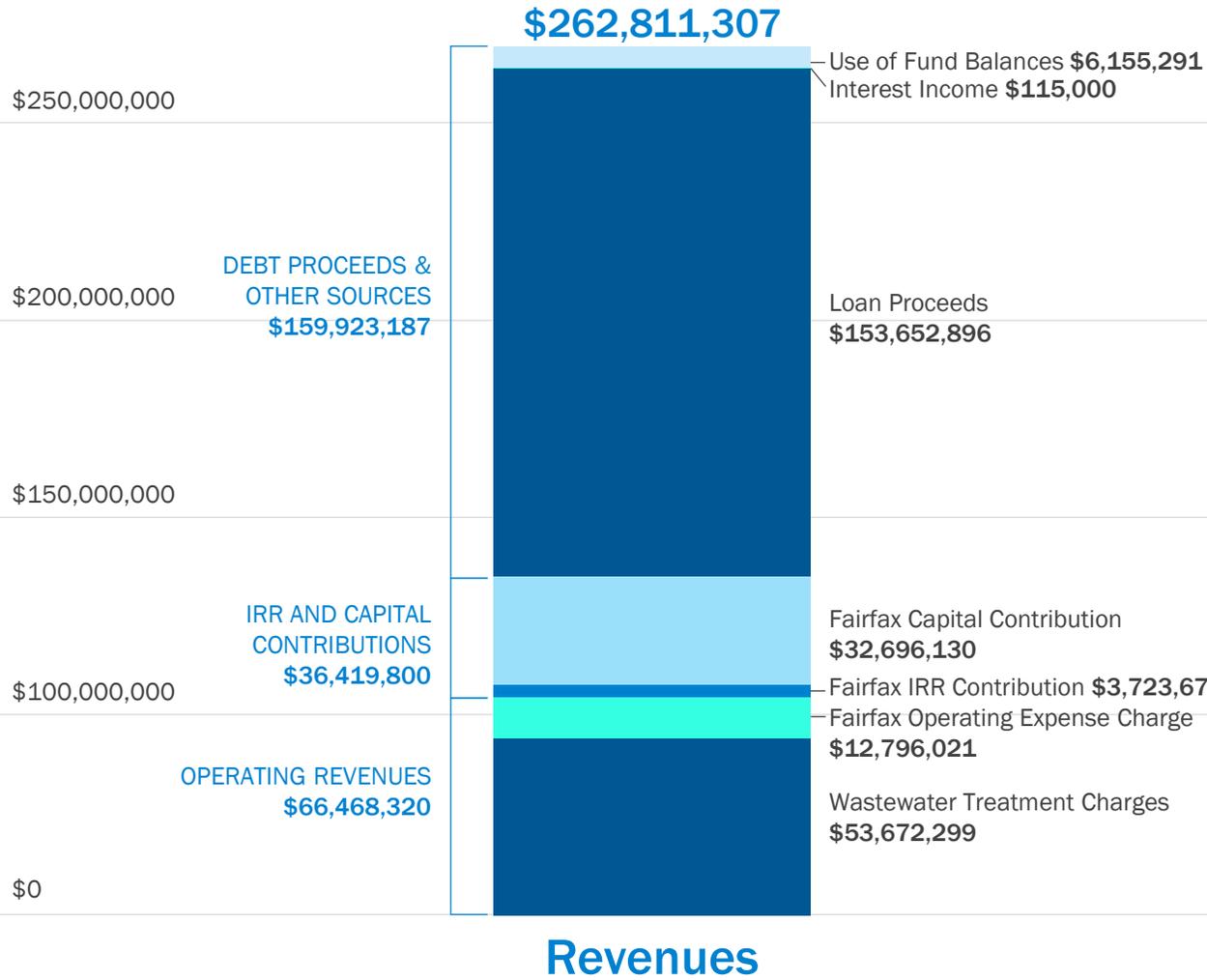


Projects that improve, renew, or replace existing assets for unit processes, facilities, business support, and infrastructure



Major non-recurring projects that add to or replace existing unit processes, facilities, business support, and infrastructure

# FY2024 AlexRenew budget summary



To help fund RiverRenew, the staff is proposing a 5.4% rate increase in FY2024 and a 5.1% rate increase in FY2025



FY2024



FY2025

# **Proposed FY2024 Budget**

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# Revenues are primarily driven by debt to support RiverRenew peak spending

Revenues	FY2023	FY2024	FY2024 Revenue Drivers
Operating Revenues	\$62.6M	\$66.4M	✓ Rate adjustment increase and Fairfax contributions
Fairfax IR&R and Capital Contributions	\$34.1M	\$36.4M	✓ Supports RiverRenew peak spending
Debt Proceeds and Other Sources	\$124.6M	\$159.9M	✓ Supports RiverRenew peak spending
<b>Total</b>	<b>\$221.4M</b>	<b>\$262.8M</b>	

# Operating Budget increases are proposed to support our personnel and address inflationary impacts for chemicals and utilities

Operating Budget	FY2023	FY2024	%Var	FY24 Operating Budget Increase Drivers
Personnel	\$13.9M*	\$16.1M	16.1%	<ul style="list-style-type: none"> <li>Increased primarily due to merit and market adjustments</li> </ul>
Utilities	\$3.6M	\$4.2M	18.5%	<ul style="list-style-type: none"> <li>Largely driven by electricity due to increase in fuel surcharge rates</li> </ul>
Chemicals	\$2.5M	\$3.3M	32.6%	<ul style="list-style-type: none"> <li>Chemical cost increases driven by inflation and supply chain challenges</li> </ul>
Operation Maintenance	\$1.1M	\$1.1M	0.6%	<ul style="list-style-type: none"> <li>Remains largely the same as prior year's budget</li> </ul>
Arlington Sewage Disposal	\$1.4M	\$1.5M	12.4%	<ul style="list-style-type: none"> <li>Increase due a higher operating budget from Arlington</li> </ul>
Sludge Disposal	\$1.1M	\$1.3M	16.1%	<ul style="list-style-type: none"> <li>Sludge disposal increases driven by inflation</li> </ul>
General, Admin, Customer Service and Other	\$6.7M	\$5.4M	-21.8%	<ul style="list-style-type: none"> <li>Overhaul of the Customer Billing and Collection Systems, streamlining Legal, Engineering &amp; Planning and General Support costs</li> </ul>
<b>Total</b>	<b>\$30.4M</b>	<b>\$33.0M</b>	<b>8.5%</b>	

# 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: Design

FY2024 Spend: \$3.2M\*



## Secondary Settling Tank Refurbishment Project

FY2024 Phase: Construction

FY2024 Spend: \$2M\*



## IT Infrastructure Upgrades

FY2024 Phase: Various

FY2024 Spend: \$7M\*



# **10-year Capital Improvement Program**

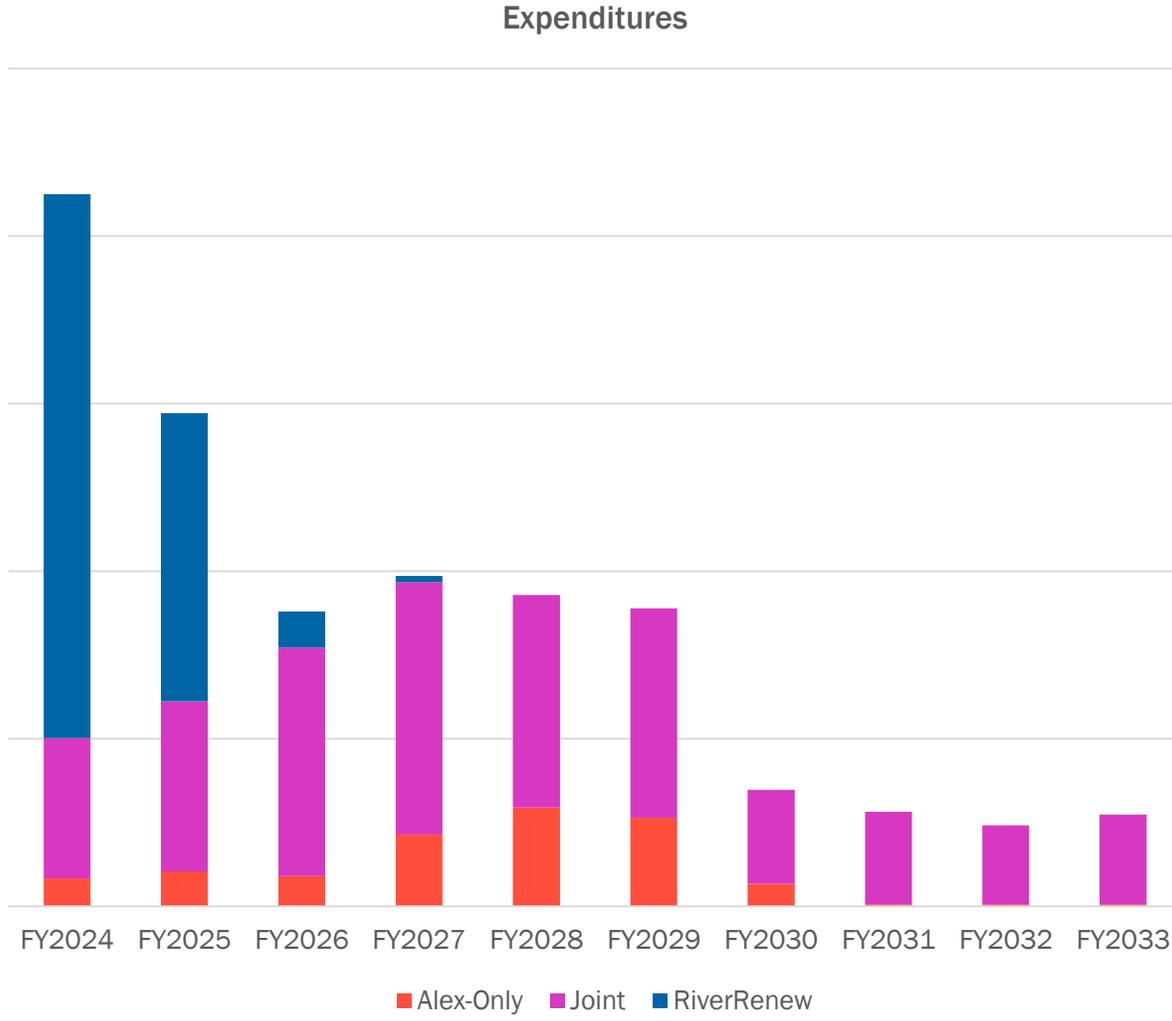
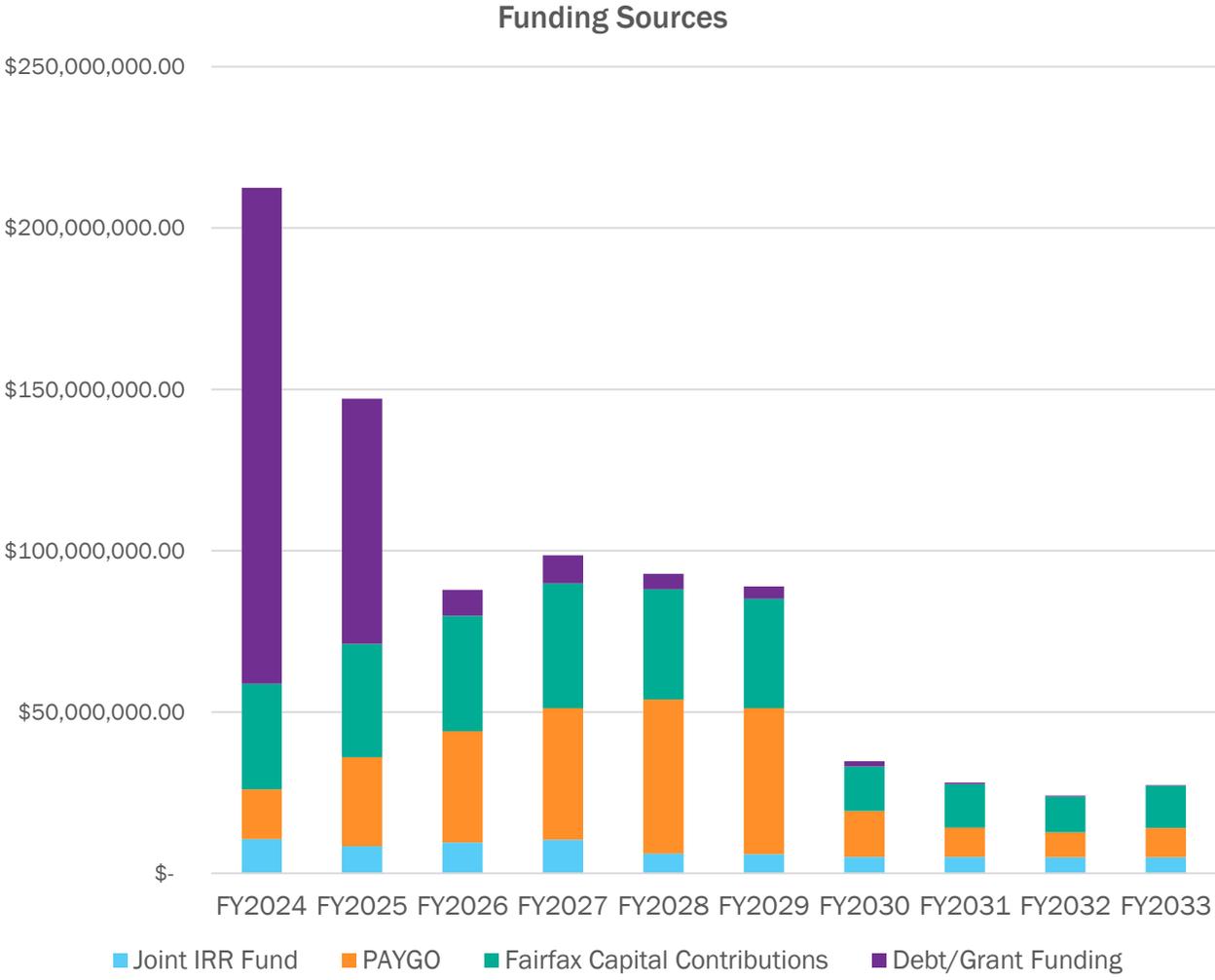
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# 10-year CIP Timeline

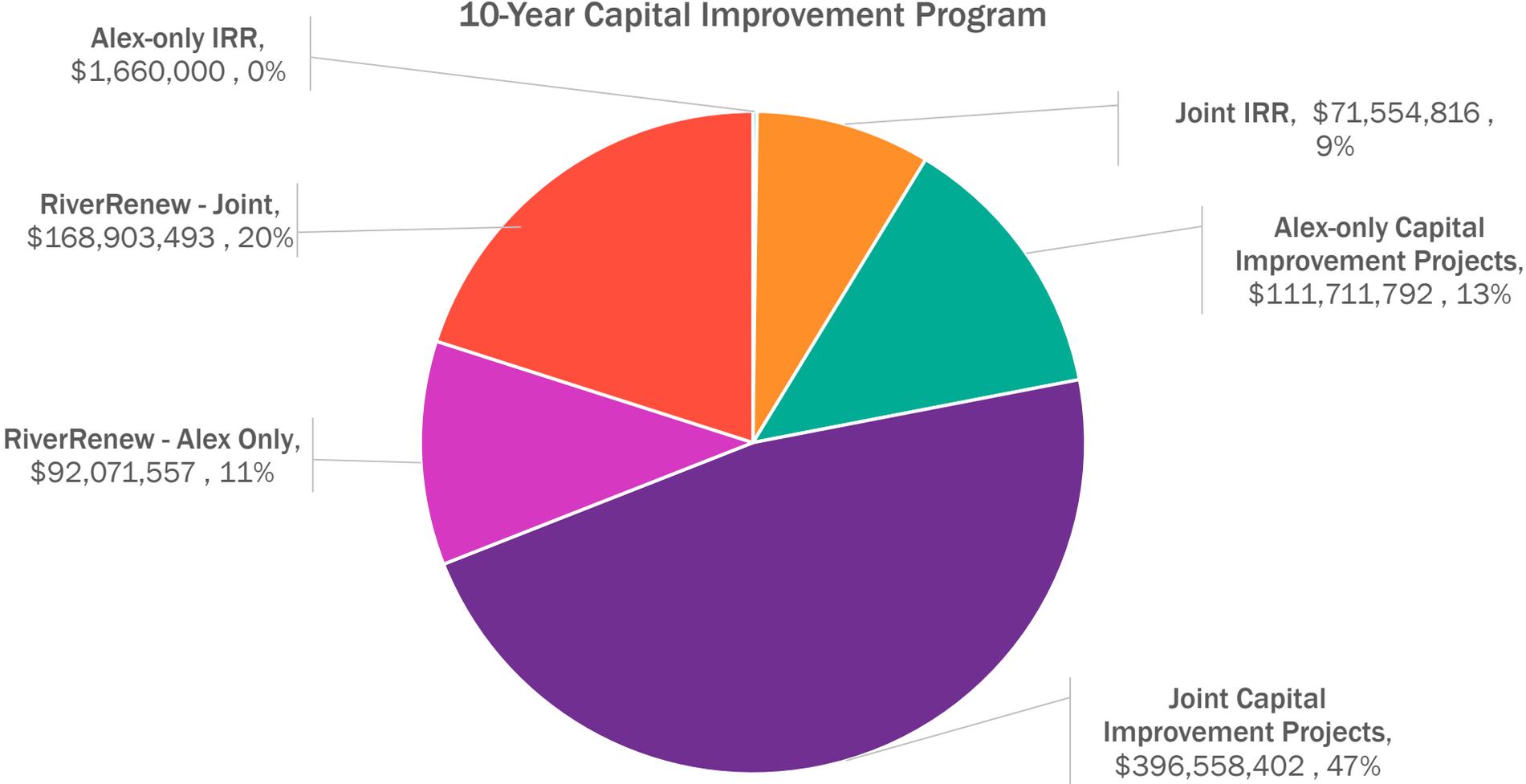


Note: Construction start dates are estimated and subject to change. 20

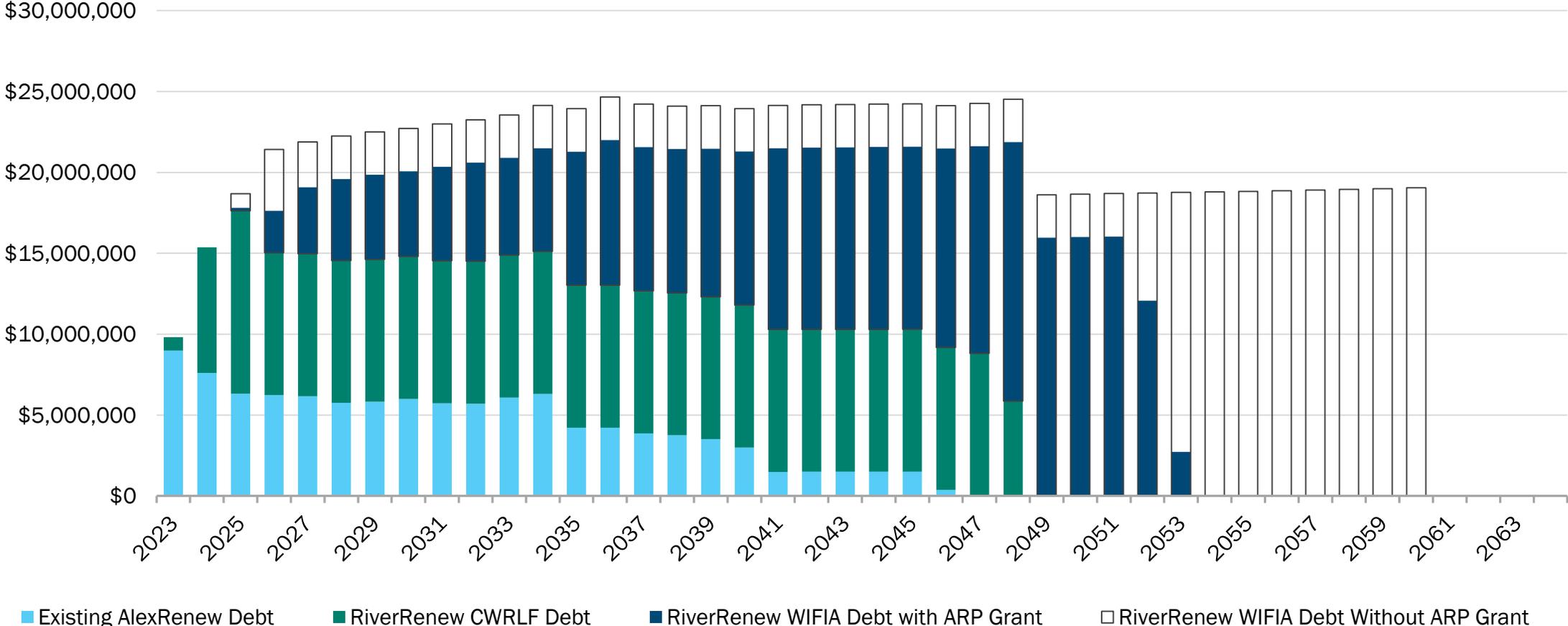
# Projected 10-year Capital Funding Sources vs Expenditures



# Summary of Total 10-year Capital Expenditures



# The significant debt service AlexRenew is incurring to implement RiverRenew will be reduced through application of the \$90M ARP grant



# **Proposed FY2024 and FY2025 Rate Adjustment Recommendation**

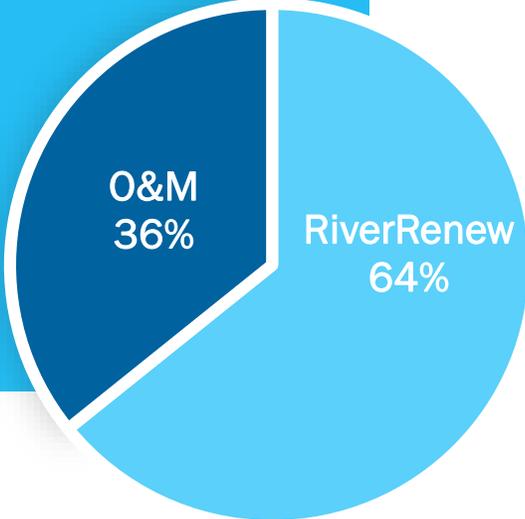
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# Staff recommends adopting a rate adjustment for the next two fiscal years

<b>Adopted Two-Year Rate Adjustment</b>	<b>Fiscal Year</b>	<b>Beginning on:</b>	<b>Maximum Rate Adjustment</b>
	<b>2024</b>	<b>July 1, 2023</b>	<b>5.4%</b>
	<b>2025</b>	<b>July 1, 2024</b>	<b>5.1%</b>

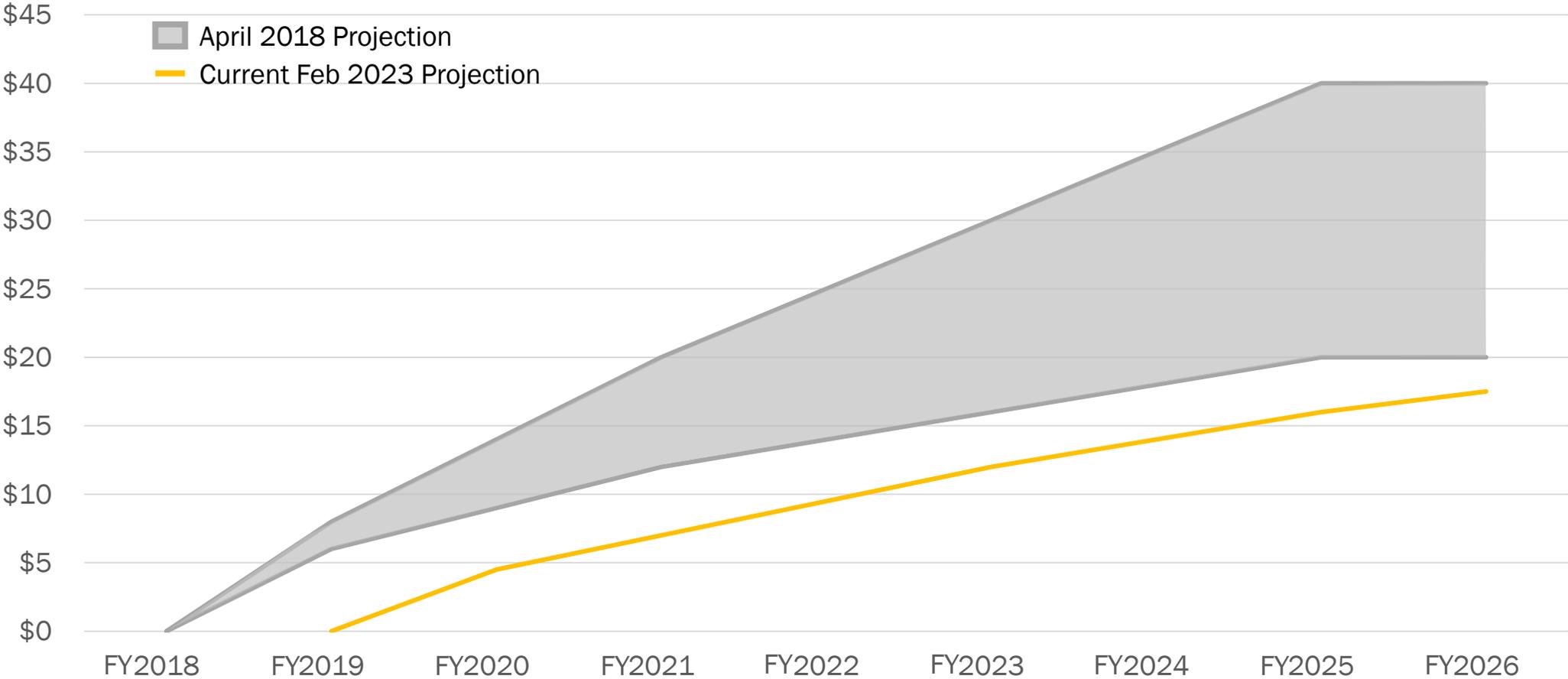
## Benefits of a Two Year-Year Rate Adjustment:

-  Promotes revenue predictability and stability
-  Allows for adjustment of rates as conditions evolve
-  Provides certainty for CIP funding (RiverRenew spending peaks)



# Current RiverRenew Fee Projections on Lower End of Original Projections

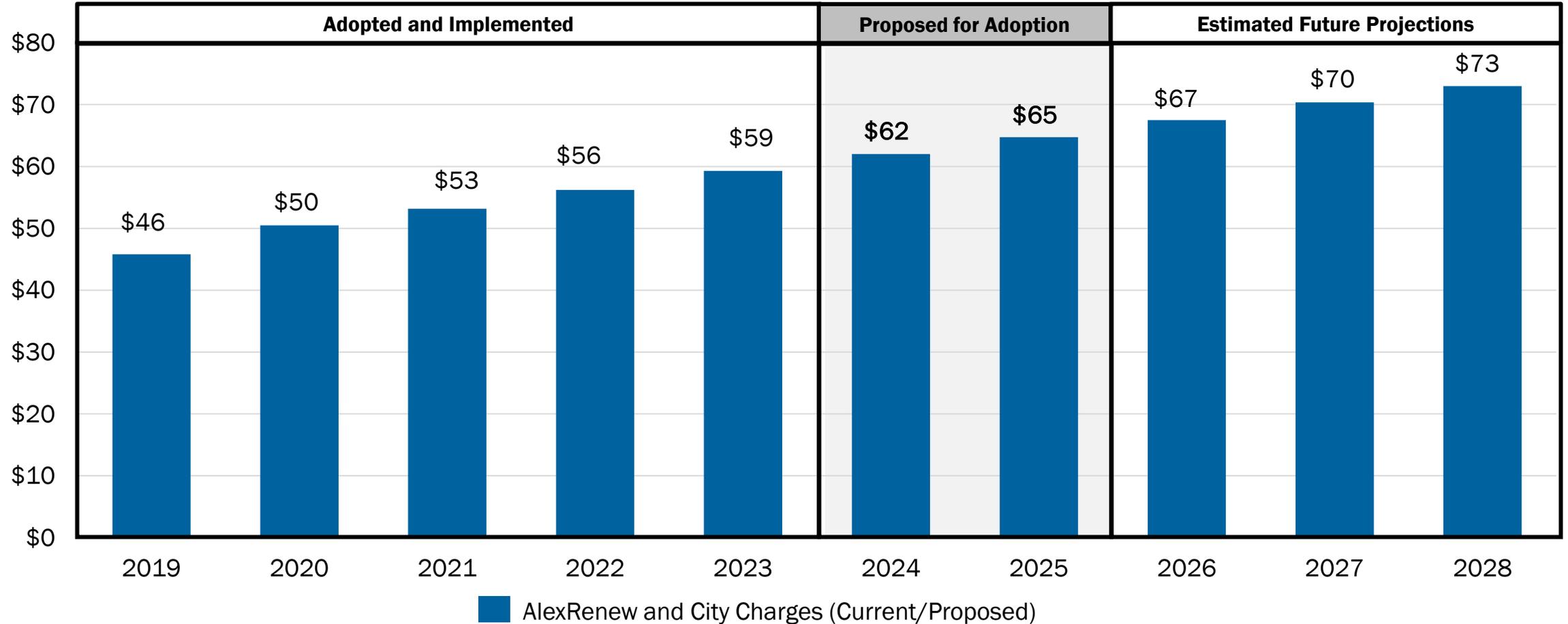
## Incremental Bill Impacts from RiverRenew



**NOTE: Based on 4,000 gallons consumption, excluding City charge**

# FY2024-25 Rate Recommendation and Estimated Future Projections

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



<sup>1</sup> Based on 4,000 gallons consumption, including estimated City charge as of January 2023

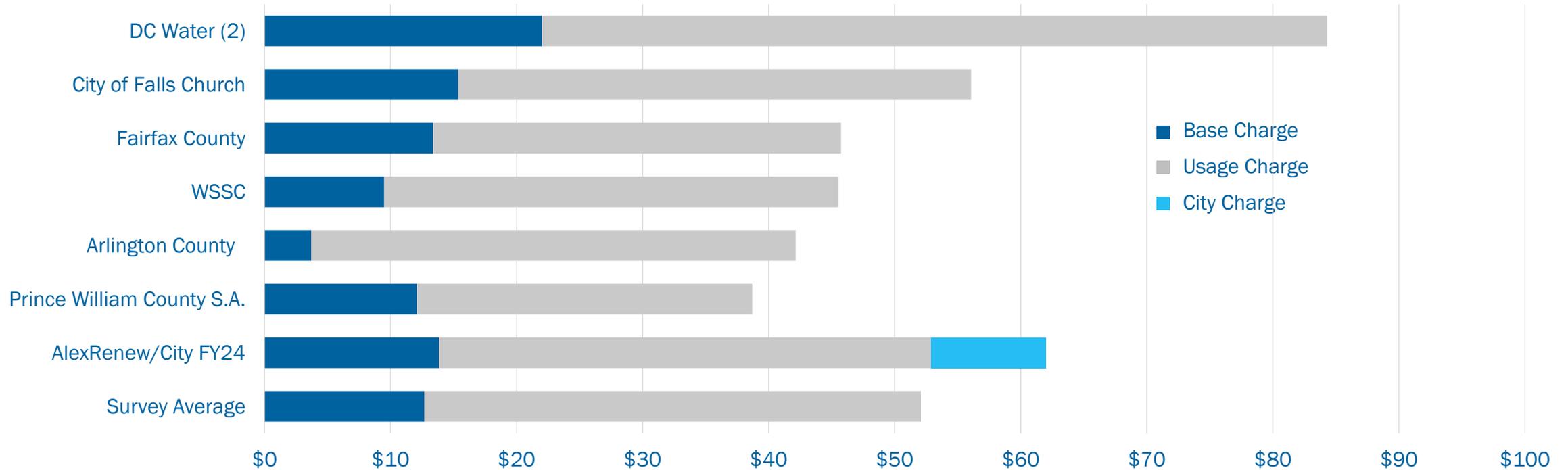
# FY2024-25 Rate Adjustment Chart

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
<b>AlexRenew Monthly Residential Bill, 4,000 gallons <sup>1</sup></b>	\$50.18	\$52.89	\$55.61
Change in \$	\$3.08	\$2.71	\$2.72
Change by %	6.5%	5.4%	5.1%

<sup>1</sup> Excludes City charge

# AlexRenew rates compared to regional wastewater rates

Monthly Sewer Charges For Single Family Residential Customers (1)



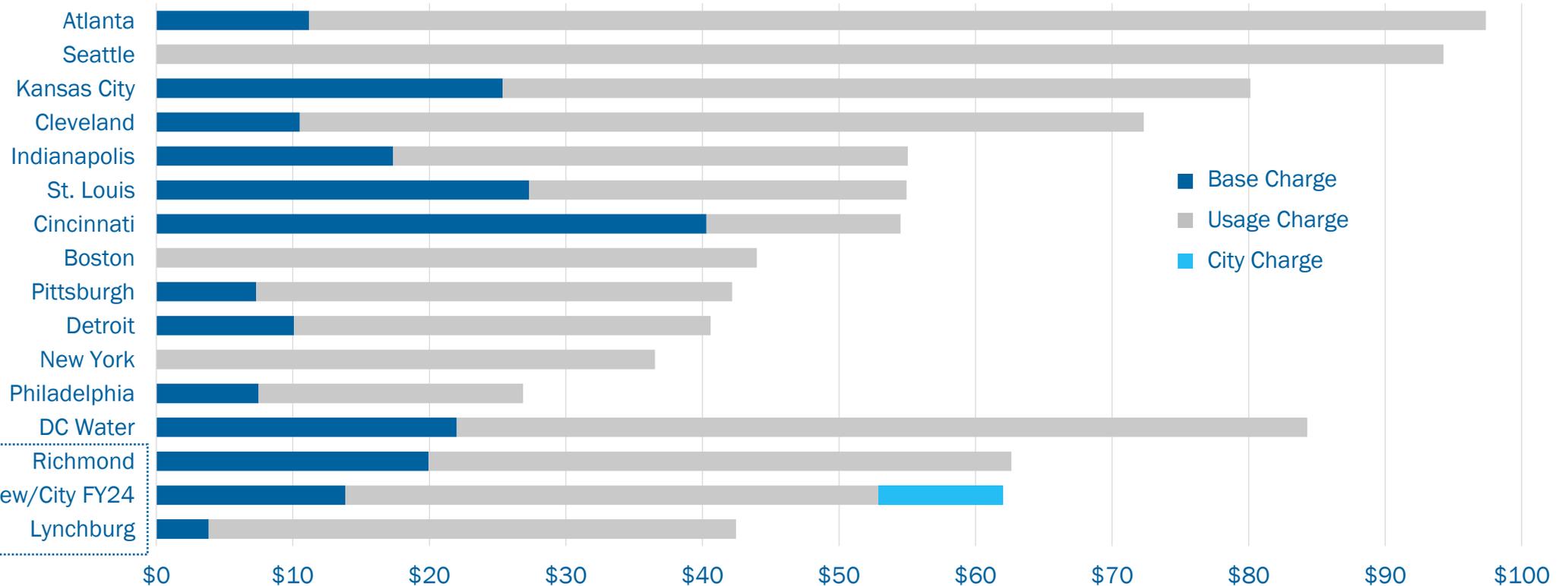
Notes:

(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)



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

Virginia

# **Financial Assistance Programs**

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# Overview of assistance programs to support AlexRenew customers

## Payment Plans

- Extended, flexible payment plans to help customers with past-due bills
- Started in 2016
- Currently administered through a partnership with Promise

## LIHWAP

- Low-Income Household Water Assistance Program
- Federally funded program
- Assists with water and wastewater bills
- Available Oct. 2022 through Sept. 1, 2023 or until funds are depleted
- Partnering with Promise for distribution

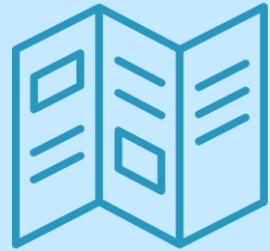
## WaterFund

- Funded through customer contributions, donations, and/or fundraising activities
- Endorsed by the AlexRenew Board in 2015
- Previously administered through United Way from 2016-2020
- To move forward, AlexRenew needs to partner with a 501(c)(3) or create one
- AlexRenew will absorb administrative costs of the program

# **Next Steps for Budget and Rate Process**

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# Community Engagement Strategy for Rate Adjustment



## **Printed Materials**

Bill Stuffer



## **Press and Media**

Press Release



## **Digital**

AlexRenew.com  
RiverRenew.com  
Social Media



## **Community Meetings**

Council-Board Workgroup  
RiverRenew Stakeholder  
Advisory Group



## **Paid Advertising**

Digital Ads  
Print Ads

# Next Steps for FY2024 AlexRenew budget and rate adjustment

Item	Feb	Mar	Apr	May	Jun	Jul
<b>Board Meeting</b>	<b>Feb 21.</b> Rate History and Principles Presentation	<b>Mar 21.</b> FY2024 Preliminary Budget and Rate Proposal Presentation	<b>Apr 18.</b> Adopt Draft Budget and Approve Resolution for Public Hearing		<b>Jun 20.</b> Approve FY2024 Budget and Rate Proposal	
<b>Finance &amp; Audit Committee Meeting</b>		<b>Mar 27.</b> Review Preliminary Budget and Rate Proposal		Tentative meeting in May		
<b>Public Notice</b>			<b>Apr 20 or 27.</b> Alexandria Gazette	<b>May 4.</b> Alexandria Gazette (if 1st posting Apr 27)		
<b>Draft Budget and Rate Hearing</b>				Sat., May 20 9 a.m.-12 p.m.		
<b>Rate Adjustment</b>						<b>Jul 1.</b> Implement Rate Adjustment

# Questions and Discussion

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