

Minutes of the 904<sup>th</sup> Meeting  
“Celebrating Over 60 Years of Continuous Environmental Excellence”  
Alexandria Renew Enterprises  
6:00 p.m., Tuesday, February 21, 2023

On Tuesday, February 21, 2023, the Alexandria Renew Enterprises Board of Directors held its regular Board of Directors meeting in the Edward Semonian Board Room at 1800 Limerick Street, with the following present:

Members: Mr. John Hill, Chairman  
Mr. James Beall, Vice Chairman  
Mr. William Dickinson, Secretary-Treasurer  
Mr. Mark Jinks, Member

Excused: Ms. Adriana Caldarelli, Member

Staff: Mr. Justin Carl, General Manager/Chief Executive Officer  
Ms. Caitlin Feehan, Chief Administrative Officer  
Ms. Felicia Glapion, Chief Engineering Officer  
Mr. Lake Akinkugbe, Director of Finance  
Mr. Matt Robertson, Communications and Outreach Manager  
Ms. Lorna Huff, Secretary to the Board

Counsel: Ms. Amanda Waters, General Counsel,  
McGuireWoods LLP

Fairfax County  
Representative: Mr. Shahram Mohsenin, Division Director  
Wastewater Planning & Monitoring Division

City Representative: Ms. Erin Bevis-Carver, Division Chief  
T&ES/Sanitary Sewer Infrastructure Division

Consultants: Mr. Rob Ori, Raftelis  
Mr. Thierry Boveri, Raftelis

Call to Order

The Chairman called the meeting to order at 6:01 p.m. He noted that this was Mr. Carl’s first meeting and congratulated him on being AlexRenew’s fifth Chief Executive Officer.

Approval of Agenda

The Chairman requested that members review and approve the agenda. Mr. Dickinson moved, and Mr. Jinks seconded. The Board unanimously approved.

Public Comment Period

There being no members of the public in attendance and wishing to speak, the Chairman closed the public comment period.

### Consent Agenda

The Chairman requested members review the Consent Agenda which contained the Minutes of the January 17, 2023, meeting. There being no changes to the Minutes, Mr. Beall moved approval and Mr. Dickinson seconded. The Board unanimously approved

### Unfinished Business

A. None

### New Business

A. Rates and History Presentation

The Chairman recognized Mr. Carl who introduced Mr. Ori and Mr. Boveri from Raftelis. Mr. Carl gave a presentation (see attached) on AlexRenew's Rate History and Background, noting that AlexRenew's Vision and Values align with the organization's budget and rate setting process. AlexRenew serves 300,000 customers in Alexandria and parts of Fairfax County. The organization treats approximately 1.3 billion gallons of water annually.

AlexRenew's has Board adopted financial policies for debt service coverage based on the Master Indenture of Trust which includes requirements of minimum cash reserves, and a Paygo funding minimum requirement of 15 percent of the Capital Improvement Program (CIP) from cash. AlexRenew has service agreements with Fairfax County, the City of Alexandria and Arlington County that support the budget process. Capital costs are based on these service agreements unless separate project specific agreements are in place. The last service agreement to be updated was the transfer of the City Outfalls to AlexRenew in 2018.

AlexRenew received a AAA credit rating from S&P in 2020 to secure loan funding through Water Infrastructure Finance and Innovation Act (WIFIA).

AlexRenew's Board approved fiscal principals recover costs through rates while being fiscally responsible and sensitive to economic pressures affecting rate payers. In 2020, AlexRenew adopted two, two-year rate adjustments to fund AlexRenew revenue requirements and the initiation of the RiverRenew program.

Mr. Carl discussed the decisions that staff made relative to implementing the RiverRenew plan and how to leverage the necessary increases. After reviewing many scenarios, the Board opted for a gradual rate increase to ensure revenue stability and predictability for rate payers.

The Chairman commended Mr. Carl and the team on a clear, concise and well done presentation. Mr. Carl reviewed next steps including presentation of the FY24 draft budget book and rate proposal at the next meeting, the March 27 Finance and Audit Committee meeting to review the budget and rate proposal in detail, and adoption of the preliminary budget and rate proposal for public notice and set the public hearing at the April meeting. If an additional Finance & Audit Committee is required, one is tentatively scheduled for May. There will also be an additional posting of the May 20 public hearing notice in the Alexandria Gazette.

Members discussed AlexRenew's AAA credit rating, customer delinquencies, and revisiting the minimum monthly threshold to confirm equity for rate payers. Mr. Boveri and Mr. Ori explained the history of the minimum threshold and how AlexRenew arrived at its base charge. Mr. Hill suggested that staff run a rate scenario regarding the winter quarter cap.

B. Review and Approve Policy of Contractor Prequalification for Construction Projects

Discussion

The Chairman recognized Mr. Carl, who referred to the two-step process used for the RiverRenew tunnel procurement. First, the prequalification to bid, Second, the qualification based on price. Staff currently solicits most construction projects through an Invitation to Bid (ITB) in accordance with Section §2.2-4302.1 of VPPA. The addition of a prequalification step on selected projects allows AlexRenew to procure contractors with experience and a proven track-record to perform work. Mr. Carl reported that this policy would be for more complex and specialized projects. The policy was drafted by counsel in accordance with Virginia Public Procurement Act (VPPA). Mr. Dickinson inquired about how staff would apply the qualification, does the process reduce competition, and how to ensure contractor qualification. Mr. Carl reported that the point of a prequalification process is not to limit competition. The policy complies with VPPA guidelines for competition and contractors sign a disclosure notice for the RFQ.

The Chairman inquired on the number of firms that would end up on the list. Mr. Carl reported that it is project specific. There were no additional questions to the board the Chairman requested a motion to approve. Mr. Beall moved and Mr. Jinks seconded. The Board unanimously approved.

C. Request for Board Participation on Ellen Pickering Environmental Award Selection Committee

Discussion

The Chairman noted that many of the Board members have participated on this committee. Mr. Carl provided critical dates and deadlines for the Awards selection committee. Applications application opened today with a March 17 deadline for submissions. The AlexRenew Board representative will be joining a member of the Pickering family, and a member of the EPC. Ms. Feehan reported the expected dates for judging will take place between March 17 and early April. The date of the actual award ceremony has not been determined. Mr. Dickinson inquired about the number of submissions from the prior year and current marketing efforts. The Committee received approximately 6 entries. AlexRenew marketing includes a press release and announcements on social media. The City also advertises. Mr. Jinks is not available after March 29<sup>th</sup>. Mr. Dickinson agreed to serve on this year's Ellen Pickering Environmental Excellence Award Selection Committee.

CEO Monthly Outcome Reports

Mr. Carl referenced a paragraph under Finance to review the Low Income Household Water Assistance Program (LIHWAP) in Alexandria. LIHWAP is a Federally funded program that is administered through the State. It started in October 2022 and will run until funds are exhausted or through September 1, 2023. Virginia has used \$8 million with \$33,000 distributed to 45 customers in Alexandria as of today. The PromisePay network has worked to reach out to eligible customers who must apply and meet certain criteria to receive funds. Mr. Carl reported that staff is working to bring this information to customers with a bill stuffer and digital advertising in both English and Spanish. Mr. Carl also reported that delinquencies will be brought to the Board in late Spring or early Summer after the rate setting process and new customer service billing system comes online. Customer shut-offs will not occur until after the new billing system is implemented and the status of current customer account numbers is resolved.

Members inquired about the new system and the time frame for beginning shutoffs. It was reported that the new system is "off the shelf" and that shut offs will not begin until the end of 2023 and beginning of 2024.

#### RiverRenew Dashboard

Mr. Carl referenced page 3 of the RiverRenew dashboard under Pendleton Street noting that pile driving is anticipated to begin next week. Shaft excavation was completed last week as have mobilization of the hydraulic hammer to drive those piles. Outreach has already begun with most customer feedback concerning vibrations. Hazel has mined 800 feet and all trailing gear has been installed. Vertical and horizontal conveyor systems are being installed to enter full production mining. Mining is expected to take 6 weeks. Tunnel boring will begin again at the end of March or in early April. Duke Street work to get out of the AVR by the Marriott Hotel has a March 9 deadline. Contractors are working extended hours in the construction staging area to accomplish this. Page 6 of the Dashboard notes the upcoming Community Listening Sessions on March 6 (Pendleton Street), March 7 (Hooffs Run) and March 9 (Royal Street). The Hooffs Run session will include information on the Commonwealth Interceptor and a member of City staff will also be present to discuss the stormwater program.

Tunnel tours are scheduled for May 6. Staff can accommodate 120 participants. Staff will inform the Board, Council Board Workgroup and SAG when outreach begins. Mr. Dickinson inquired about construction complaints. Mr. Carl reported very few complaints since initial outreach. Members inquired about the effect of the work on Shiloh church. Mr. Carl reported that staff has been communicating with Shiloh and ensuring they know in advance about lane closures.

The Chairman noted the updated Civic Association and Homeowners Association calendar and requested that staff be strategic and consider which organizations to engage in view of AlexRenew and City construction. Mr. Dickinson reviewed the list and provided changes to the Board Secretary.

Mr. Carl reported that he would review changes and add to next month's Board Package under the Info Section tab.

#### Closed Session

At 7:31 p.m., the Chairman, Pursuant to Section 2.2-3711 of the Code of Virginia, moved the Board into a closed session to discuss a personnel matter regarding the employee incentive program. Mr. Dickinson seconded. The Board unanimously approved.

At 7:41 p.m. the meeting returned to open session, and the following certification was unanimously adopted by the members: "Pursuant to 2.2-3712(D) of the Virginia Freedom of Information Act, it is hereby certified that to the best of each Member's knowledge, (1) only public business matters lawfully exempted from the open meeting requirements of the Act, and (2) only public business matters identified in the motion by which this closed meeting was convened were heard, discussed, or considered by Alexandria Renew Enterprises."

Mr. Beall moved, and Mr. Dickinson seconded. All Members present voted via roll call:

Mr. Hill	Aye
Mr. Beall	Aye
Mr. Dickinson	Aye
Mr. Jinks	Aye

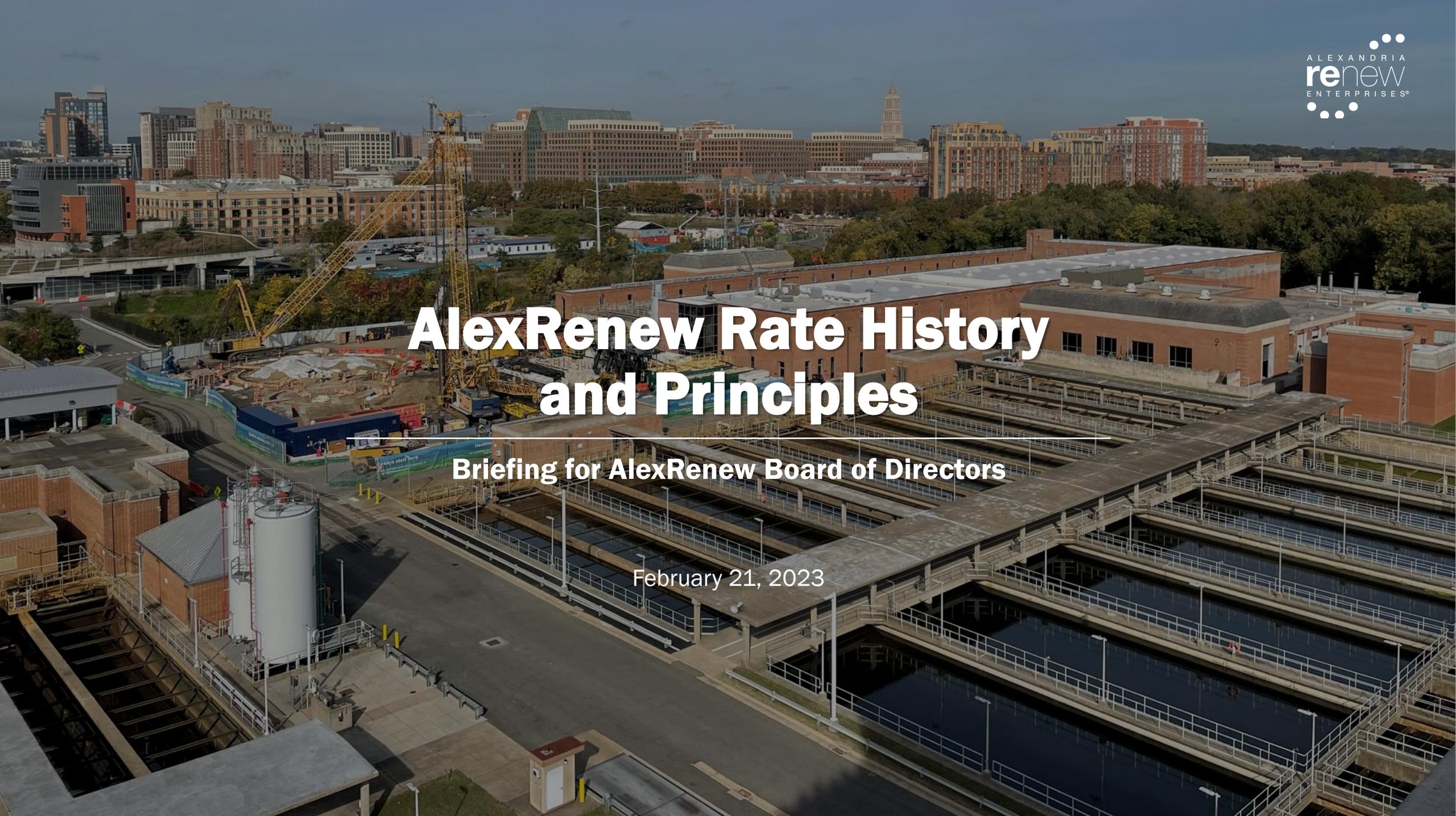
The Chairman motioned to approve the resolution discussed in closed session. Mr. Beall seconded. The Board unanimously approved.

There being no additional business, the Chairman requested a motion to adjourn. Mr. Dickinson moved and Mr. Beall seconded. The Board unanimously approved.

APPROVED:



Secretary-Treasurer



# AlexRenew Rate History and Principles

Briefing for AlexRenew Board of Directors

February 21, 2023

# Presentation outline

- AlexRenew's vision and values
- Who AlexRenew serves
- AlexRenew financial policies and covenants
- AlexRenew rate setting principles and board guidance
- Overview of rate adjustments associated with RiverRenew
- Next steps for FY2024 AlexRenew budget and rate adjustment

# 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**.

# In support of AlexRenew's 2040 Vision, our Strategic Outcomes set organizational objectives and budget



## Operational Excellence

Continually enhance water resource and recovery procedures to provide exceptional quality products.



## Public Engagement and Trust

Engage our community to help them become informed consumers and supporters of clean water.



## Watershed Stewardship

Facilitate collaboration to collectively manage and improve water resources.



## Adaptive Culture

Establish an organization-wide commitment to exceptional outcomes through an enthusiasm for learning, adapting, and solving problems to achieve clean water.



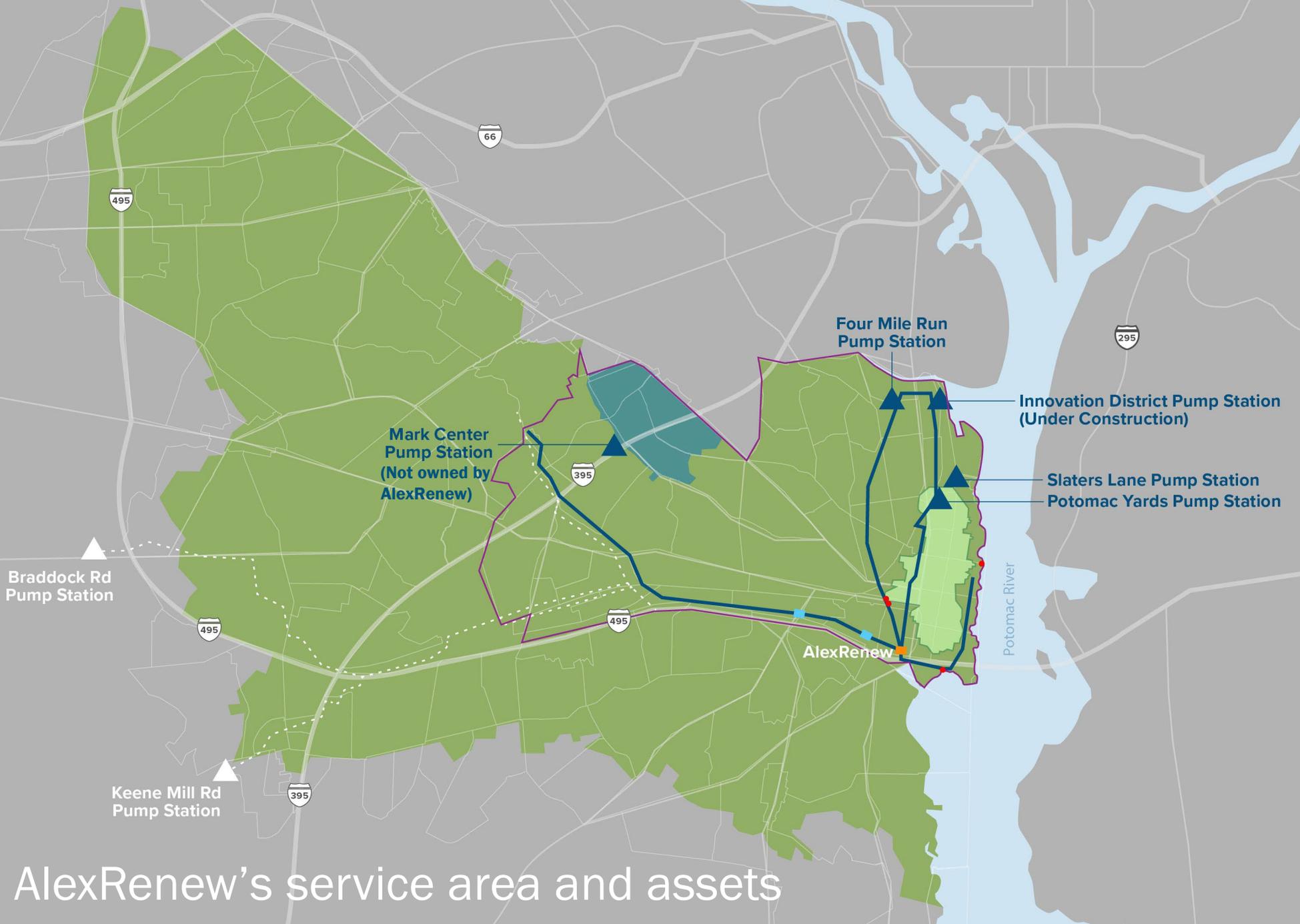
## Financial Resilience

Manage our financial resources to create an efficient and resilient organization that contributes to the health of the local economy.



# AlexRenew

- Purifies 13 billion gallons of wastewater at its Water Resource Recovery Facility each year
- Serves over 300,000 customers in Alexandria and Fairfax County
- Independent political subdivision
- Invests over \$50M annually to protect waterways and the Chesapeake Bay
- Governed by a 5-member citizen Board



**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 treats about 13 billion gallons of wastewater each year from residential, commercial, and industrial customers

Customer Class	 Accounts	 Billed Flow* (kgal/yr)
 <b>Residential Single Family.</b> Designed for living, includes single family homes, some townhouses	<b>23,908</b>	<b>987,647</b>
 <b>Commercial.</b> Not designed for living, business related units	<b>3,439</b>	<b>3,269,387</b>
 <b>Multi-Family.</b> Designed for living, includes apartments and townhomes greater than 4 units	<b>3,439</b>	<b>3,269,387</b>
 <b>Industrial / Other Public Agencies.</b> Industrial business units, schools, government agencies	<b>172</b>	<b>146,315</b>
 <b>Fairfax County.</b> Wholesale customer	<b>N/A</b>	<b>6,204,234</b>

\*Amounts shown reflect billed flows based on metered flows for the Fiscal Year 2022.

# The Master Indenture of Trust represents the legal covenant between AlexRenew and bond holders

## Provisions and covenants of the Master Indenture of Trust

- Authorizes issuance of outstanding debt
- Level of rates/rate covenant
- New debt
- Minimum cash reserves
- Flow of funds
- No free service
- Annual budget
- Audit
- Sale of property >\$250k

## Flow of funds



<b>Revenue Fund</b>	Revenues are initially deposited to the Revenue Fund and then transferred to other funds
<b>Operating Fund</b>	Revenues are first deposited to the Operating Fund to pay operating expenses
<b>Bond Fund</b>	Revenues are then deposited to the Bond Fund in order to pay debt service payments
<b>Debt Service Reserve Fund</b>	Any required transfers to the debt service reserve account must be made
<b>Joint IRR Fund</b>	Revenues then deposited to the Joint IRR Fund to meet required Joint IRR transfers per Fairfax Agreement
<b>General IRR Fund</b>	Revenues then deposited to the General IRR Fund to meet required Alex-only specific IRR needs
<b>General Fund</b>	Any remaining revenues deposited within the General Fund

# AlexRenew's budget categories to fund peak performance of our facilities



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

# AlexRenew has sound financial policies guiding its future



## Debt Service Coverage

- Based on Master Indenture of Trust
- Current minimum target set at 1.5x



## Minimum Reserves

- 120 days of operating expenses



## PayGo

- Fund a minimum of 15 percent of 10-year Capital Improvement Program from cash



## Budget

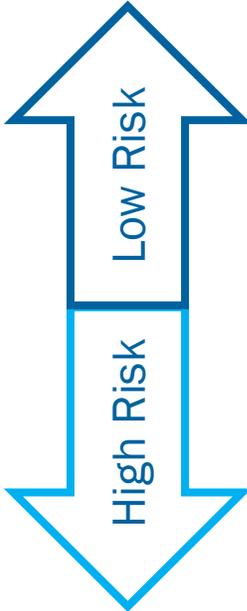
- Submit 10-year Capital Improvement Program and minimum of 3-year budget

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

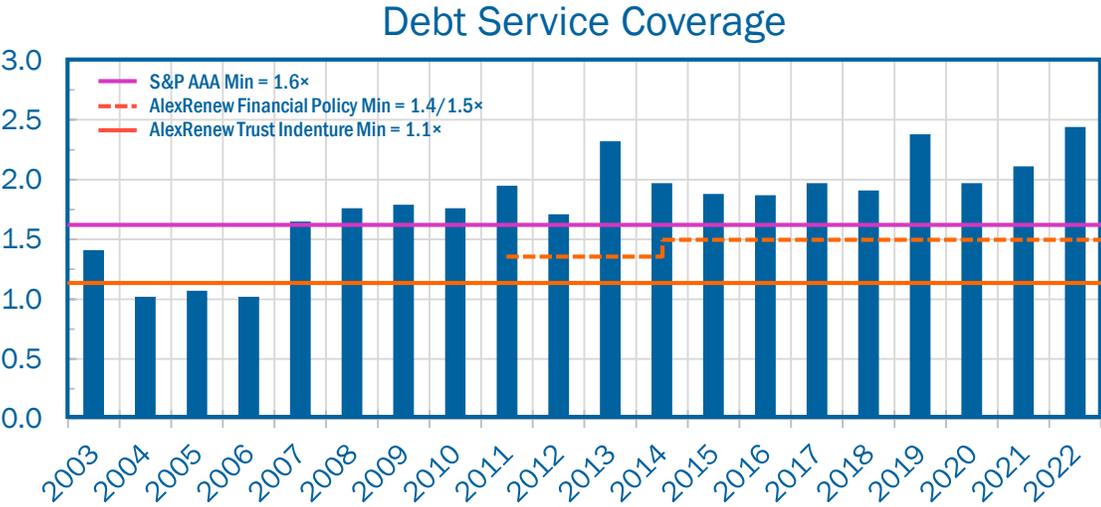
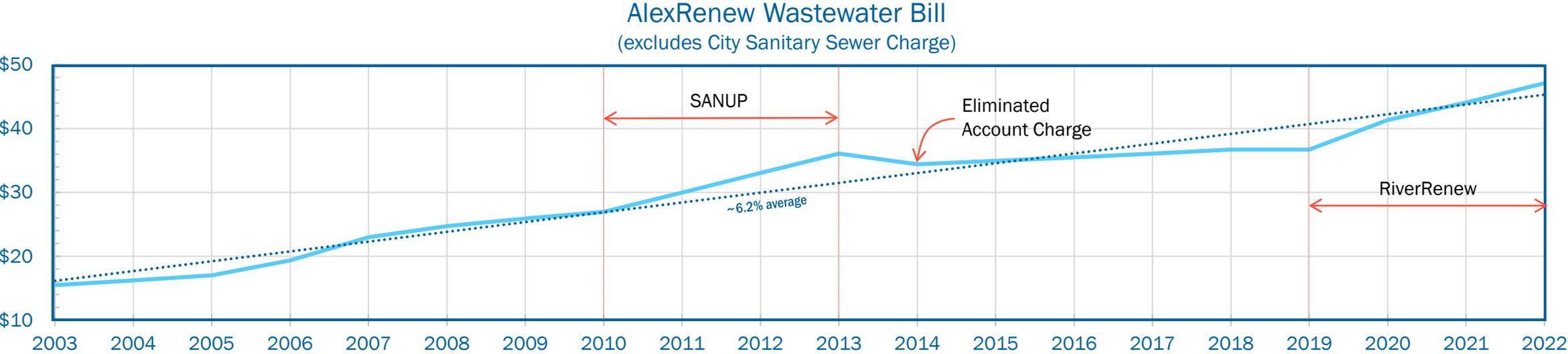
Item	Fairfax County	Arlington County	City of Alexandria
Original date	1973	1977	1954
Last amendment	1998	1994	2018
Capacity	32.4 MGD to WRRF	3.0 MGD to Arlington WPCP	21.6 MGD to WRRF
Billing	Fairfax pays AlexRenew for wholesale wastewater treatment services	AlexRenew pays Arlington for wholesale wastewater treatment services for small portion of City flows to WPCP	Alexandria customers pay AlexRenew via wastewater rates: <ul style="list-style-type: none"> <li>• <b>Volumetric charge</b> based on monthly water use</li> <li>• <b>Base charge</b> based on maintenance of assets and debt</li> </ul>
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 received a AAA credit rating from S&P as part of securing a WIFIA loan for RiverRenew

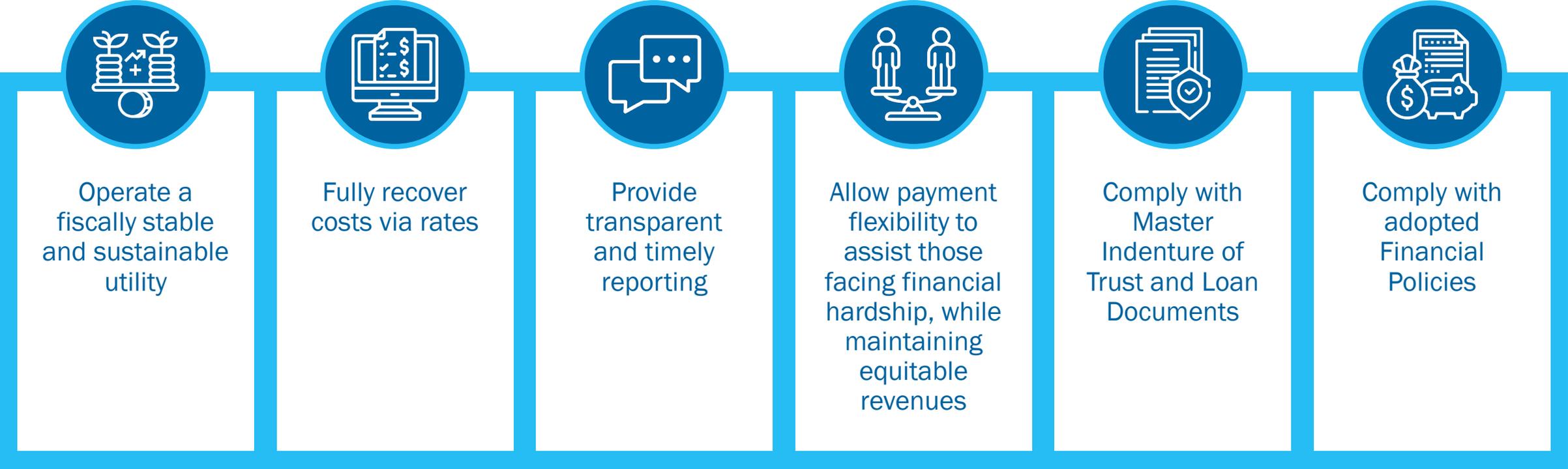


Grade	Moody's	S&P/Fitch/Kroll
Investment Grade	Aaa Aa A Baa	AAA AA A BBB
Non-Investment Grade	Ba B Caa Ca C	BB B CCC CC C

# AlexRenew historical trends for billing, debt service coverage, and minimum reserves



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



# AlexRenew's rates are designed to fully cover our expenditures and funding needs

Net Revenue Requirement

Rates must fully fund the total expenditures and funding needs



Full Cost of Service

Costs allocated to customer classes based on the treatment demands of the customer and nature of the expense

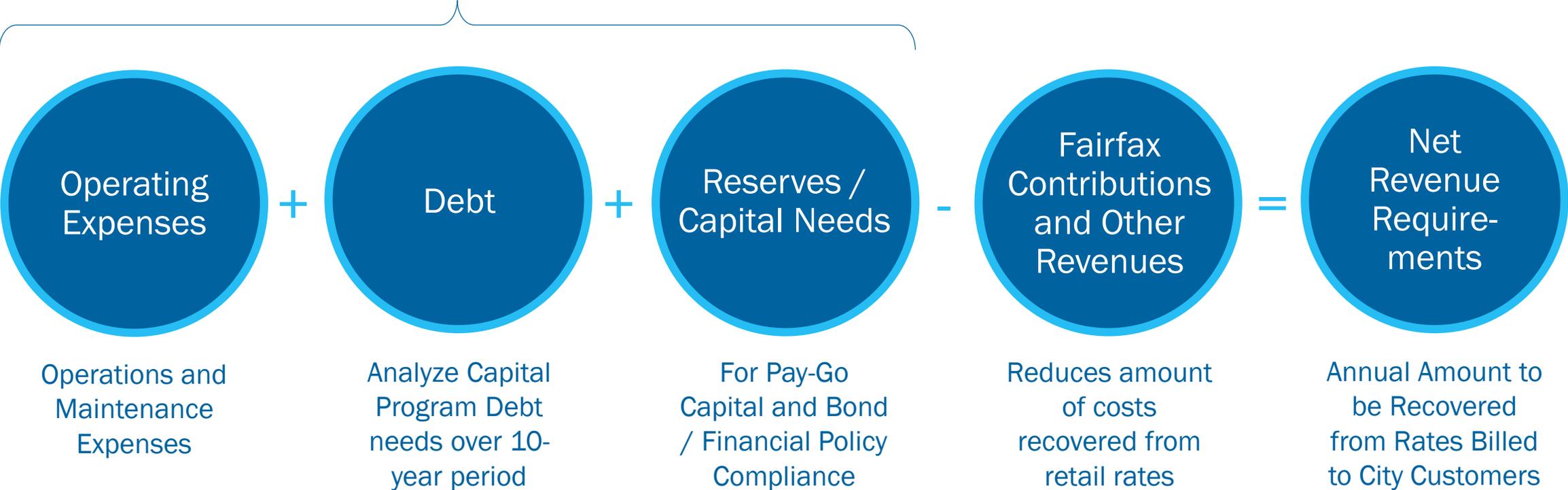


Rate Design

Rates must be designed to meet financial policies, applicable laws, financial metrics and any other rate requirements

# Net revenue requirements are gross revenue requirements less revenues from sources other than the user fees

Annual amount to be recovered from rates billed to City customers



# In 2019, the AlexRenew Board adopted the approach to recover RiverRenew costs through combined base and flow charges.

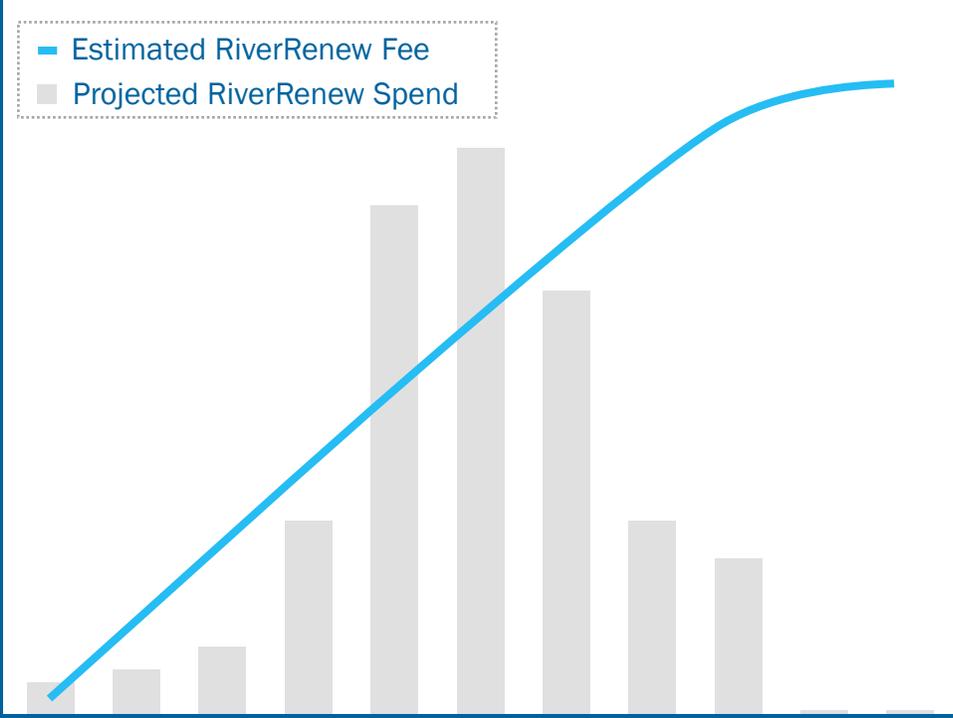
This approach ensures that all customers contribute equally based on need and it promotes predictability, consistency, and fairness.

Current Charges	Bill Date: Sep 15, 2022
Wastewater Treatment Charge	46.50
Base Charge	13.14
<i>Wastewater Treatment and Base Charges cover equipment, buildings and their major repair and replacement, and the water professionals, energy and other resources to make your used water useful</i>	
City Sanitary Sewer System Capital Investment and Maintenance Fee	11.40
<b>Current Charges</b>	<b>70.84</b>
<i>Find bill details on the back side of your statement</i>	

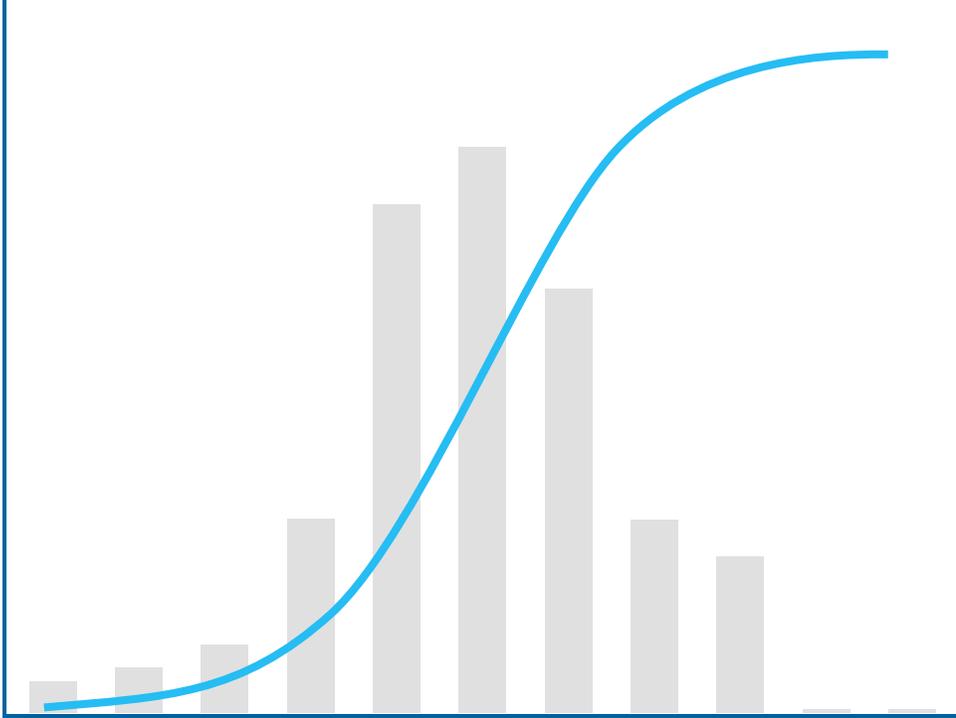
Customer Class	2019 Estimated Range of Rate Adjustment		
	Option 1 Recover 100% of costs in <u>base charge</u>	Option 2 Recover 100% of costs in <u>flow charge</u>	Option 3 Recover costs on <u>combined</u> base and flow charges
 <b>Residential Single Family User</b>	<b>73-106%</b>	<b>63-91%</b>	<b>65-94%</b>
 <b>Small Commercial Low Volume User</b>	<b>210-311%</b>	<b>22-29%</b>	<b>65-94%</b>
 <b>Small Commercial High Volume User</b>	<b>26-35%</b>	<b>77-112%</b>	<b>65-94%</b>
 <b>Large Commercial High Volume User</b>	<b>20-26%</b>	<b>79-115%</b>	<b>65-94%</b>

# AlexRenew's adopted rate setting plan for RiverRenew ensures rate consistency and predictability to our customers

✓ Consistent increase in rates each year



✗ Gradual increases to start, then steeper



Recommended rate adjustments were set over two-year periods to:

- Promote revenue predictability and stability
- Allow for adjustment of rates as conditions evolve
- Provide certainty for CIP funding (RiverRenew spending peaks)

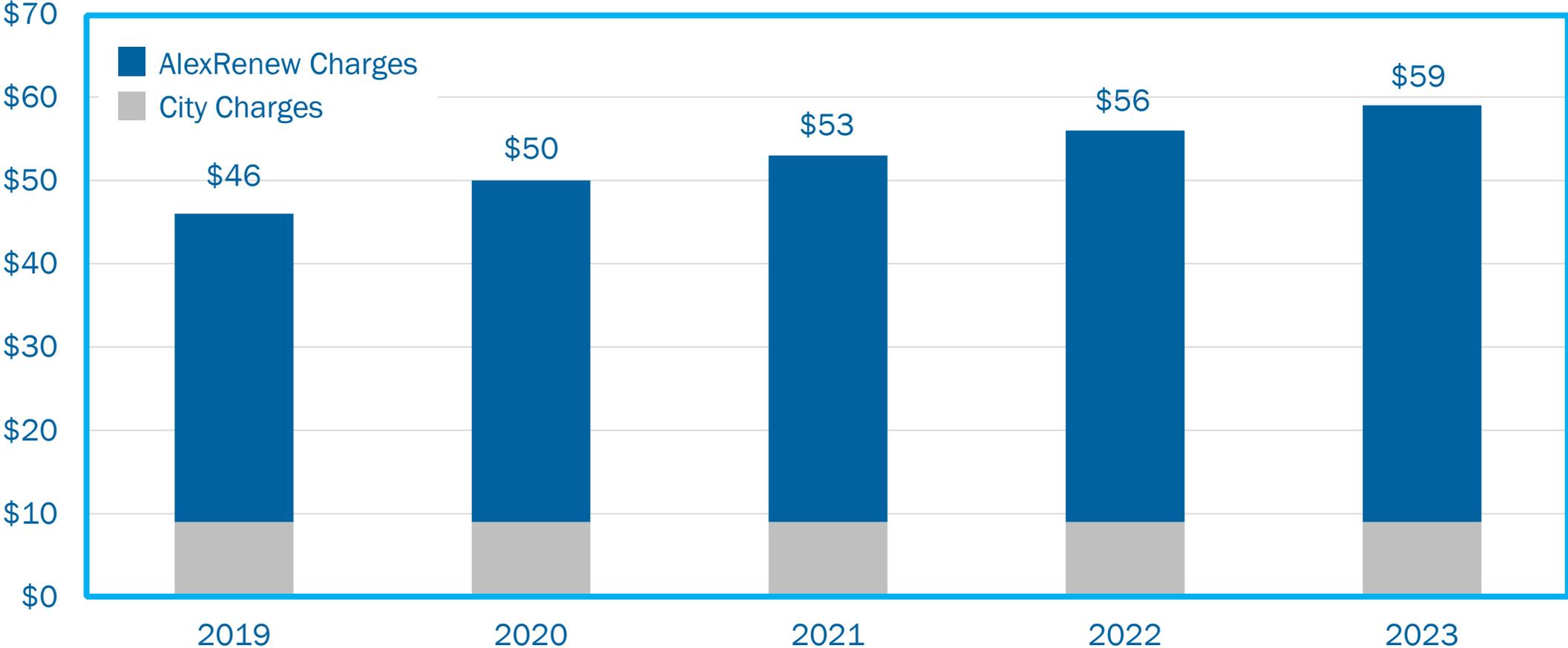
# Starting in Fiscal Year 2020, AlexRenew has adopted two, two-year rate adjustments to fund AlexRenew revenue requirements including initiation of RiverRenew

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

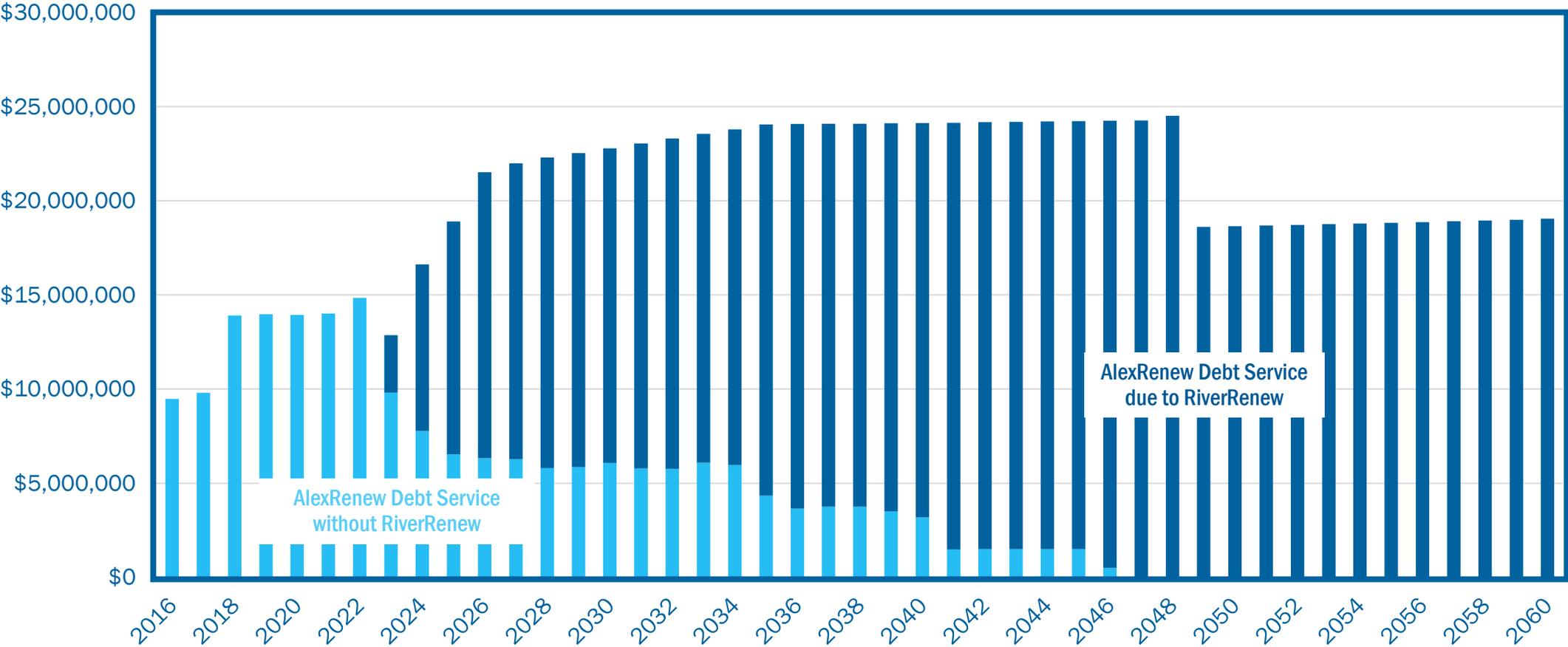
# Fiscal Year 2019-2023 monthly Wastewater and City Sewer Residential Bill at 4,000 gallons



Notes:

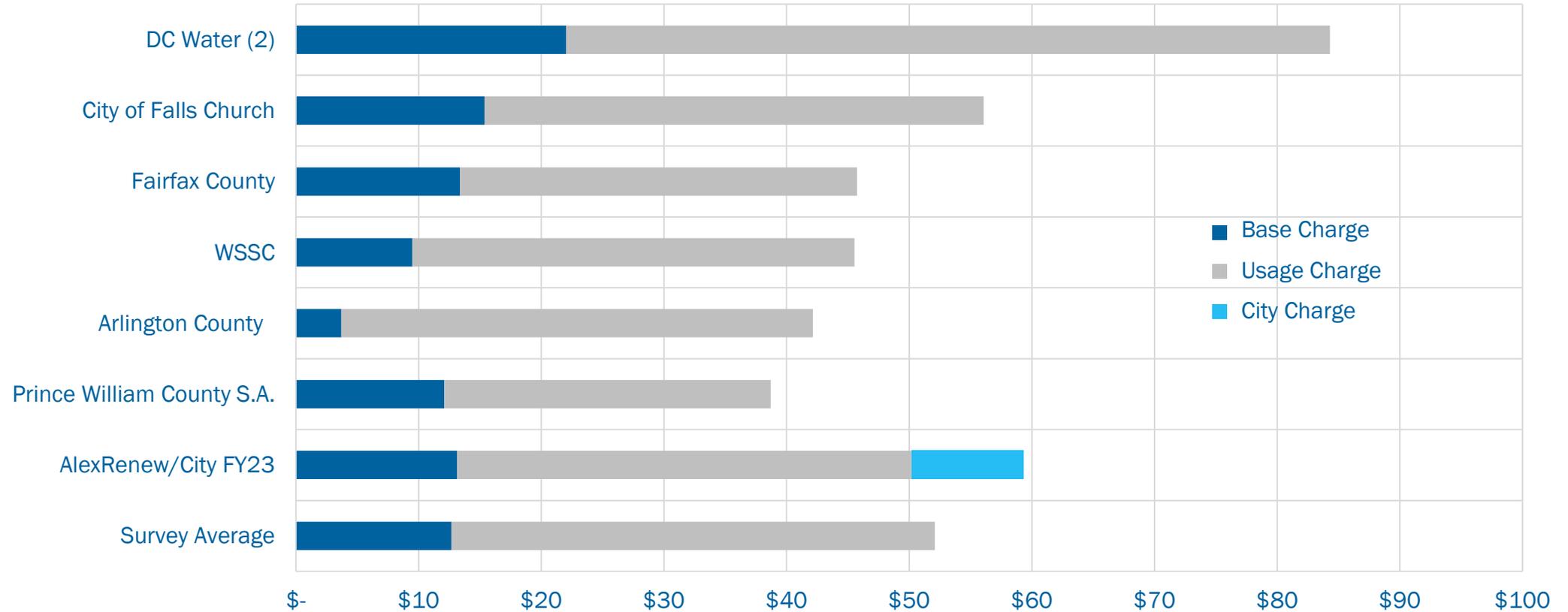
- Based on 4,000 gallons consumption, including City sewer charge of \$2.28 per kgal
- Includes previous rate adjustments associated with RiverRenew

# AlexRenew is funding RiverRenew primarily through State and Federal loan programs, which results in additional debt service through 2060



# AlexRenew rates compared to regional wastewater rates

Monthly Sewer Charges For Single Family Residential Customers (1)



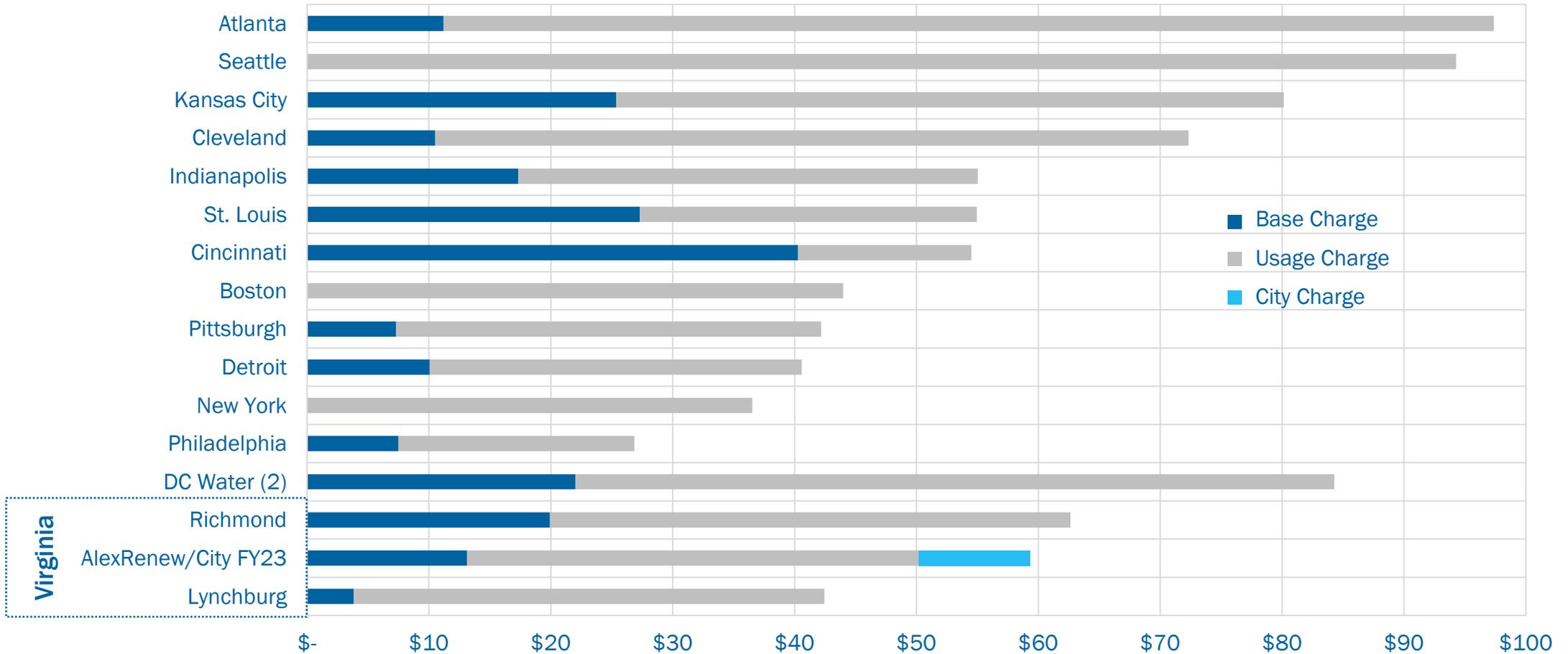
Notes:

(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

(2) DC Water is the only other local combined sewer community besides AlexRenew

Virginia

# 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



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