

FY2024 AlexRenew Draft Budget and Rates Presentation

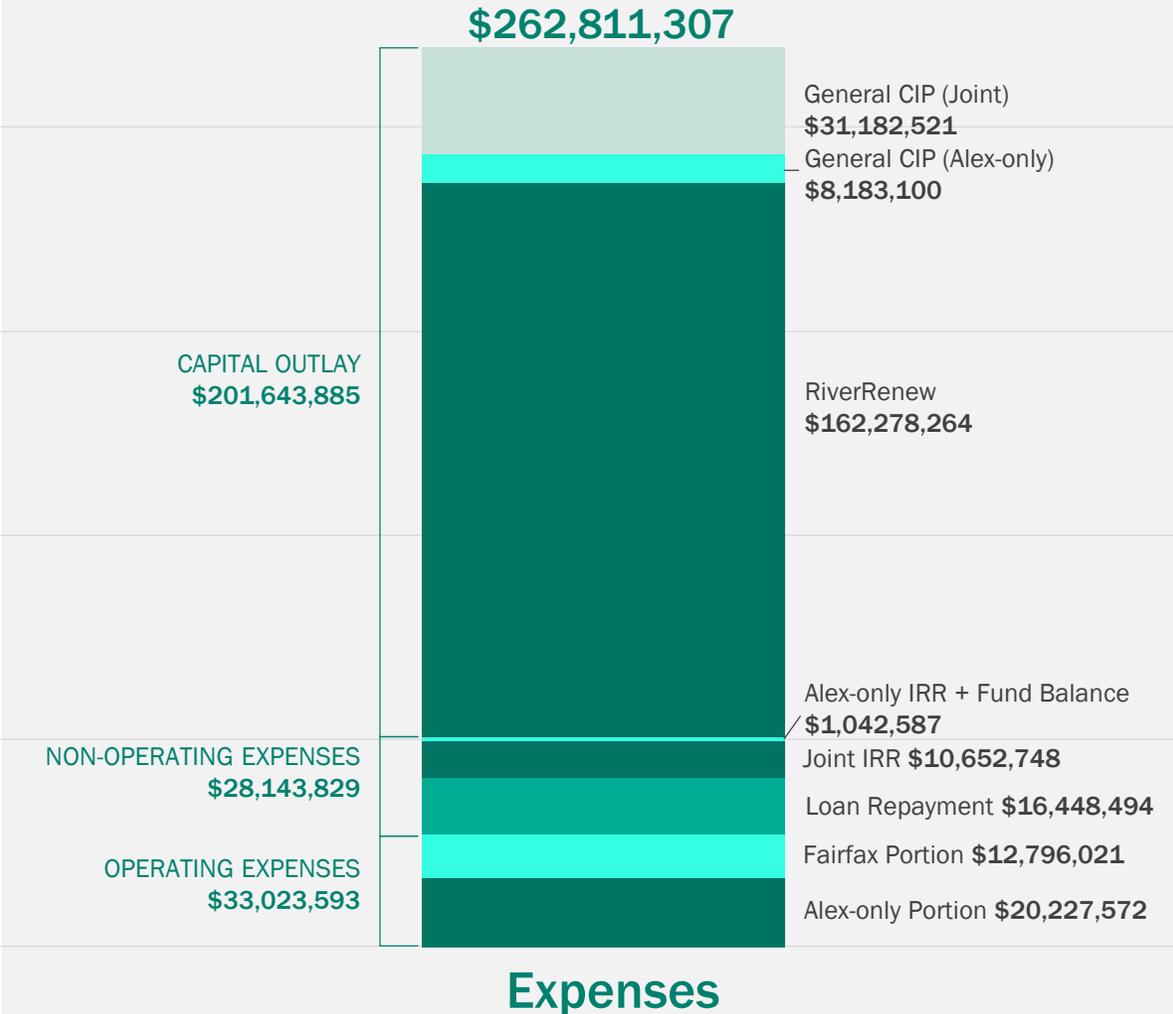
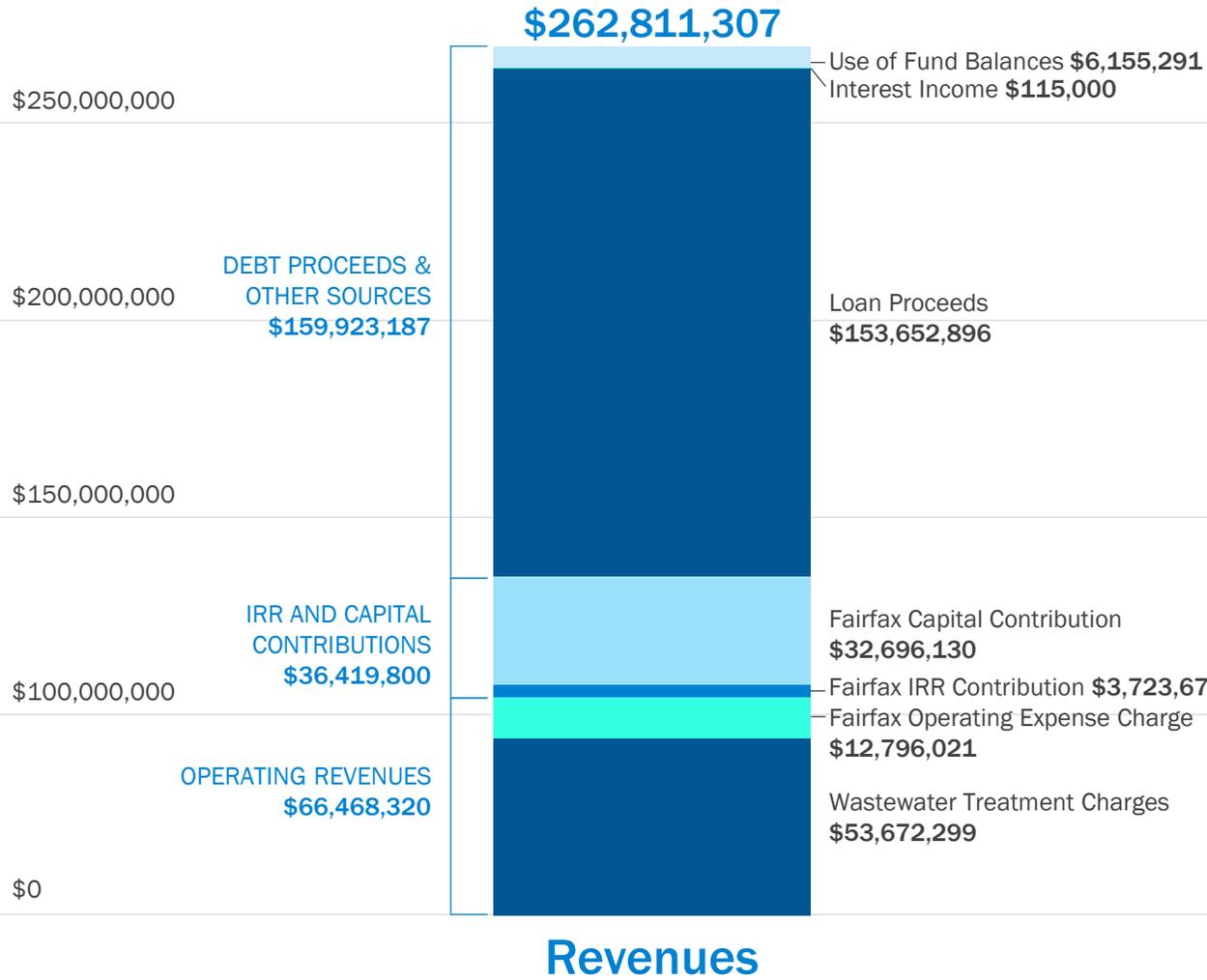
Finance and Audit Committee Meeting

March 27, 2023

Presentation outline

- Proposed FY2024 Budget
- Proposed FY2024 and FY2025 Rate Recommendation
- Delinquency Overview
- Questions and Discussion

FY2024 AlexRenew budget summary



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

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
Total	\$221.4M	\$262.8M	

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

Comparison of FY2023 and FY2024 Personnel Costs

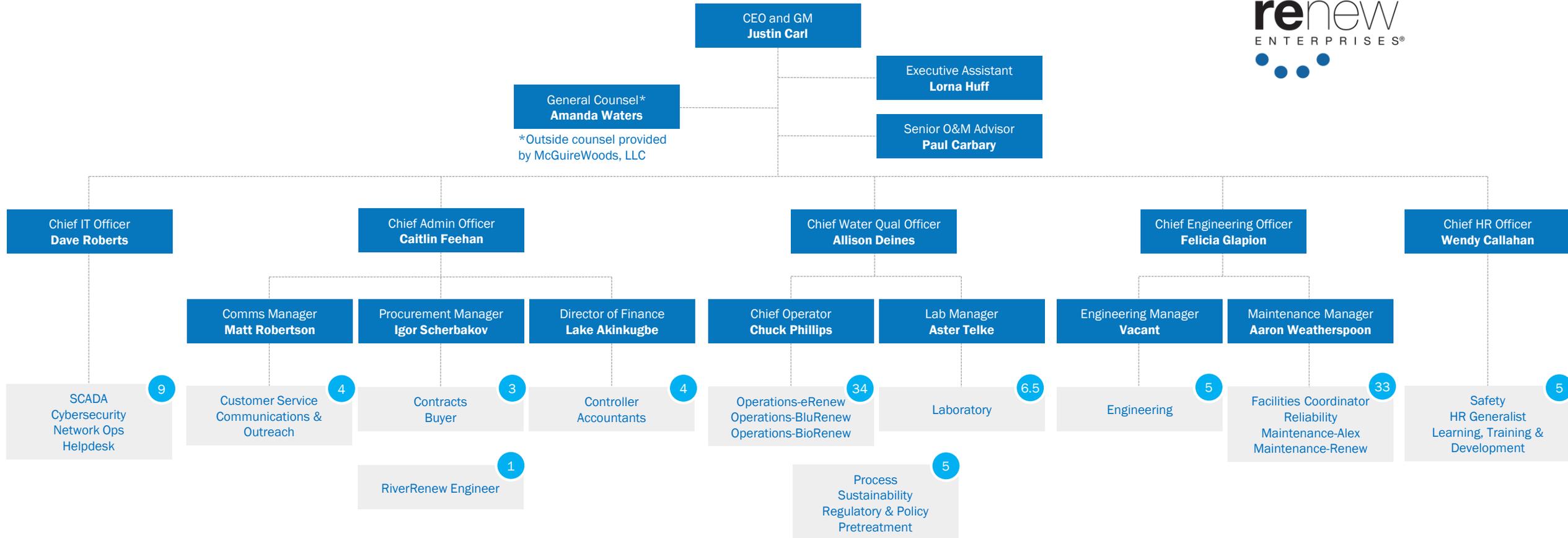
Personal Category	FY2023 Budget	FY2024 Budget
Full Time Equivalent (FTE)	122.5	124.5
Salaries and Wages	\$10.3M	\$12.2M
Fringe Benefits		
Health & Wellness	\$1.7M	\$1.9M
Life	\$0.02M	\$0.04M
Retirement	\$1.0M	\$1.1M
FICA	\$0.8	\$0.9M
Total Fringe Benefits	\$3.6M	\$3.9M
Total Personnel Costs	\$13.9M	\$16.1M

Salaries and Wages	FY2024 Budget Increase
Previously Capitalized Salaries	\$0.8M
Merit Adjustment (4.6%)	\$0.4M
Market Adjustment (7.5%)	\$0.6M
Additional FTEs (2)	\$0.2M
Other - Turnover	(\$0.1M)
Salaries and Wages Increase	\$1.9M

Fringe Benefits	FY2024 Budget Increase
Fringe Benefits Increase	\$0.3M

AlexRenew Organizational Chart

Updated March 2023



Utility Costs

Utilities	FY2023 Budget	FY2023 Actual*/Projection	% Change FY2023 Budget vs Act./Proj.	FY2024 Budget
Electricity (Dominion Energy)	\$2,867,250	\$3,262,058	13.8%	\$3,600,000
Gas (Washington Gas)	\$318,000	\$324,125	1.9%	\$330,000
Water (American Water)	\$145,000	\$124,622	-14.1%	\$130,000
Telecommunications	\$247,335	\$195,125	-21.1%	\$178,000
Total Utilities	\$3,577,585	\$3,905,930	9.2%	\$4,238,000

Chemical Costs

Chemicals	FY2023 Budget	FY2023 Actual*/Projection	% Change FY2023 Budget vs Act./Proj.	FY2024 Budget
Methanol	\$725,000	\$771,863	6.5%	\$800,000
Ferric Chloride	\$675,000	\$1,052,725	56.0%	\$1,100,000
Alum	\$425,000	\$445,225	4.8%	\$475,000
Polymer	\$422,550	\$525,122	24.3%	\$585,000
Sodium Hydroxide	\$115,000	\$145,275	26.3%	\$170,000
Sodium Hypochlorite	\$70,000	\$121,675	73.8%	\$130,000
Lab Chemicals/Defoamer	\$91,600	\$87,125	-4.9%	\$87,201
Total Chemicals	\$2,524,150	\$3,149,010	24.8%	\$3,347,501

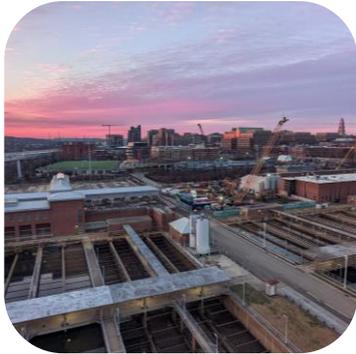
Sludge Hauling Costs

Sludge Hauling	FY2023 Budget	FY2023 Actual/Projection	% Change FY2023 Budget vs Act./Proj.	FY2024 Budget
Grit Removal	\$38,000	\$35,880	-5.6%	\$38,000
Coarse Screening	\$38,000	\$53,500	40.8%	\$60,000
Fine Screening/Sludge Hauling/Other	\$1,041,930	\$1,125,665	8.0%	\$1,200,000
Total Chemicals	\$1,117,930	\$1,215,045	8.7%	\$1,298,000

General, Admin, Customer Service and Other (Main Drivers)

Expense Type	FY2023 Budget	FY2024 Budget	Reduction
Customer Billing System	\$1,203,835	\$650,000	(\$553,835)
Technology/Network Improvement	\$948,327	\$408,050	(\$540,277)
Administrative Engineering & Planning Support	\$440,000	\$195,000	(\$245,000)
Legal Counsel	\$315,000	\$270,000	(\$45,000)

Major FY2024 AlexRenew IRR work



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

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

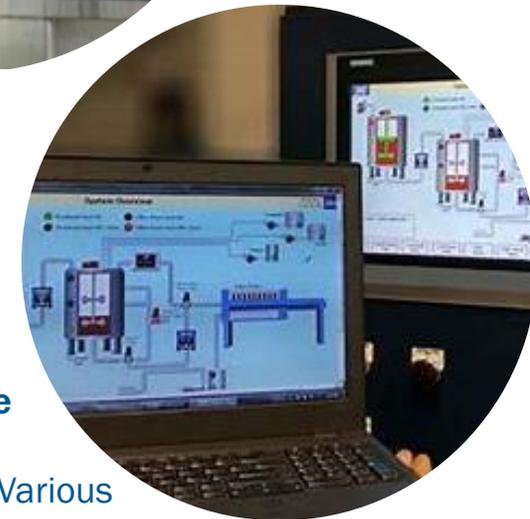
FY2024 Spend: \$2M*



IT Infrastructure Upgrades

FY2024 Phase: Various

FY2024 Spend: \$7M*

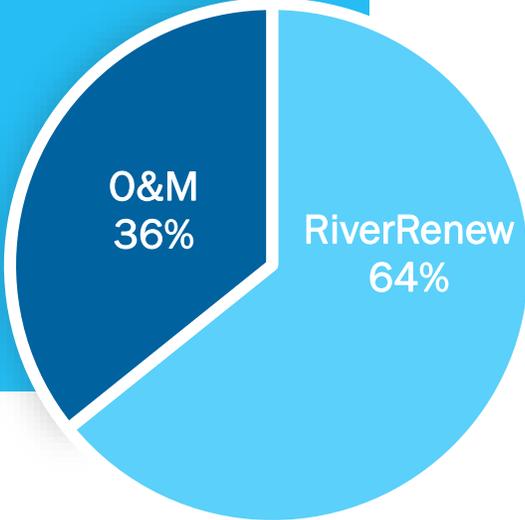


Staff recommends adopting a rate adjustment for the next two fiscal years

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

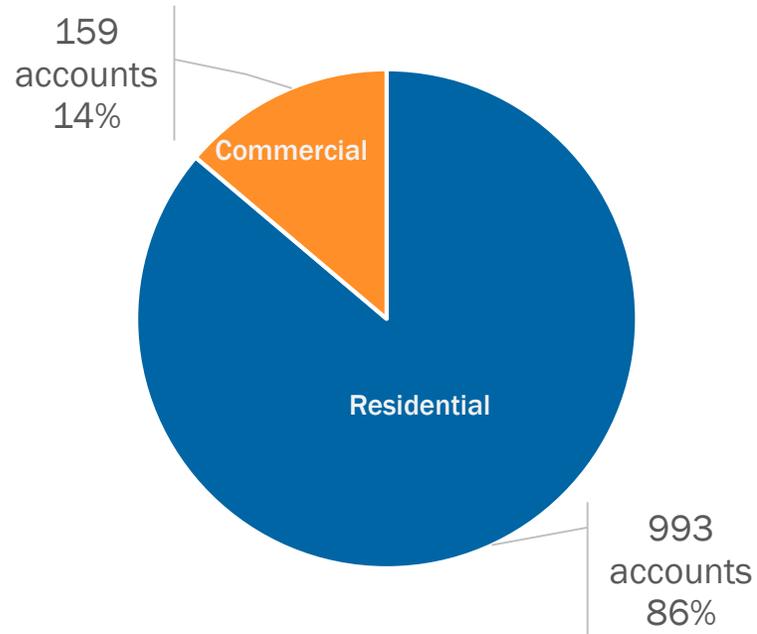
Benefits of a Two Year-Year Rate Adjustment:

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

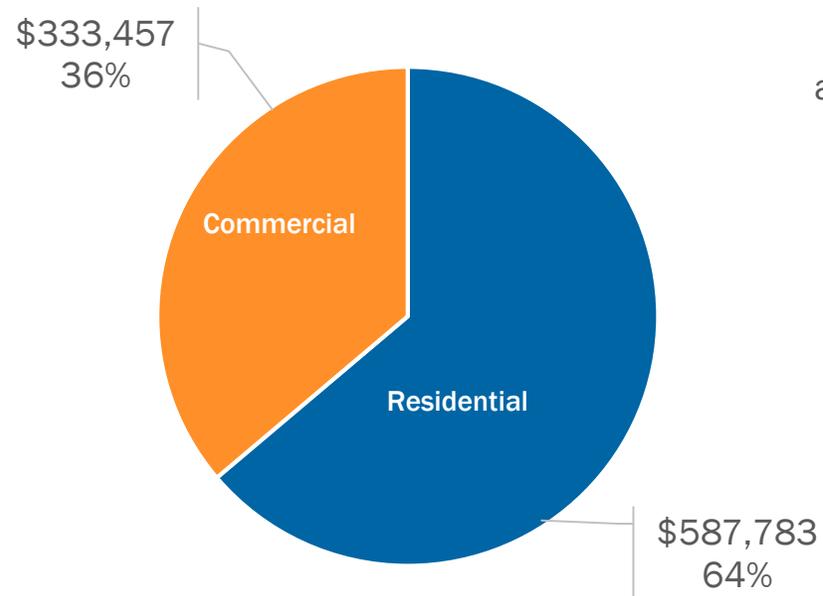


AlexRenew Customer Delinquency Overview

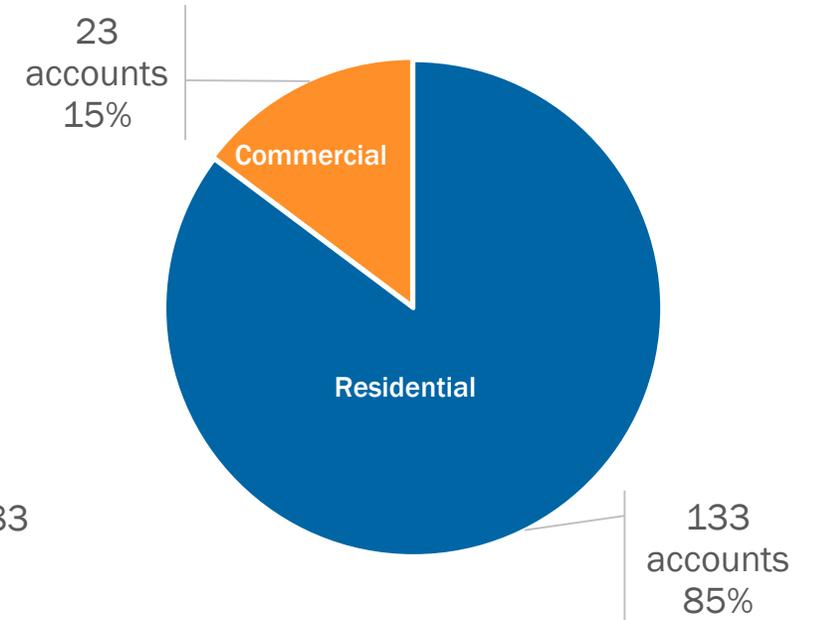
Accounts with Past Due Balances Over 60 Days



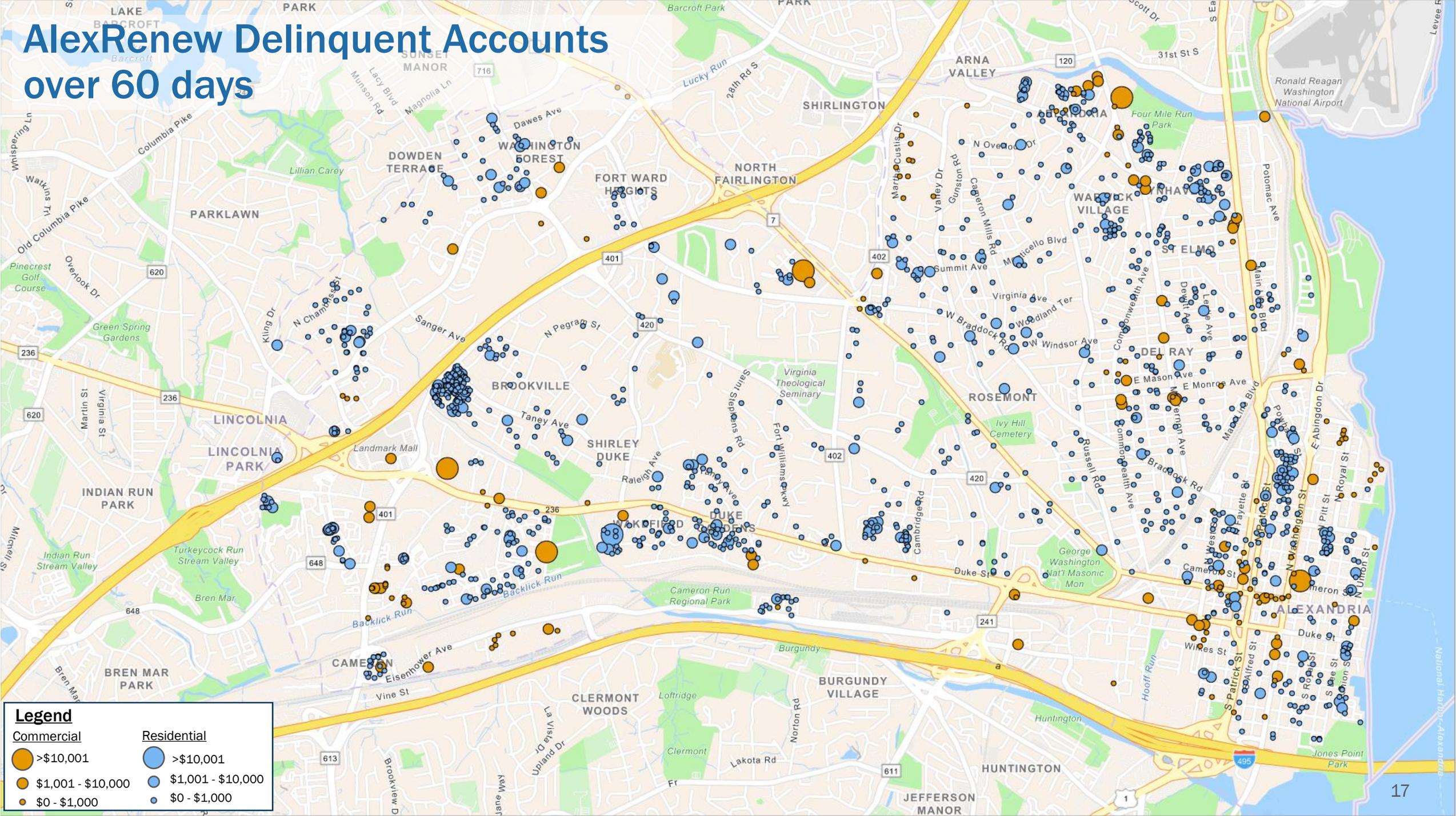
Amount Past Due



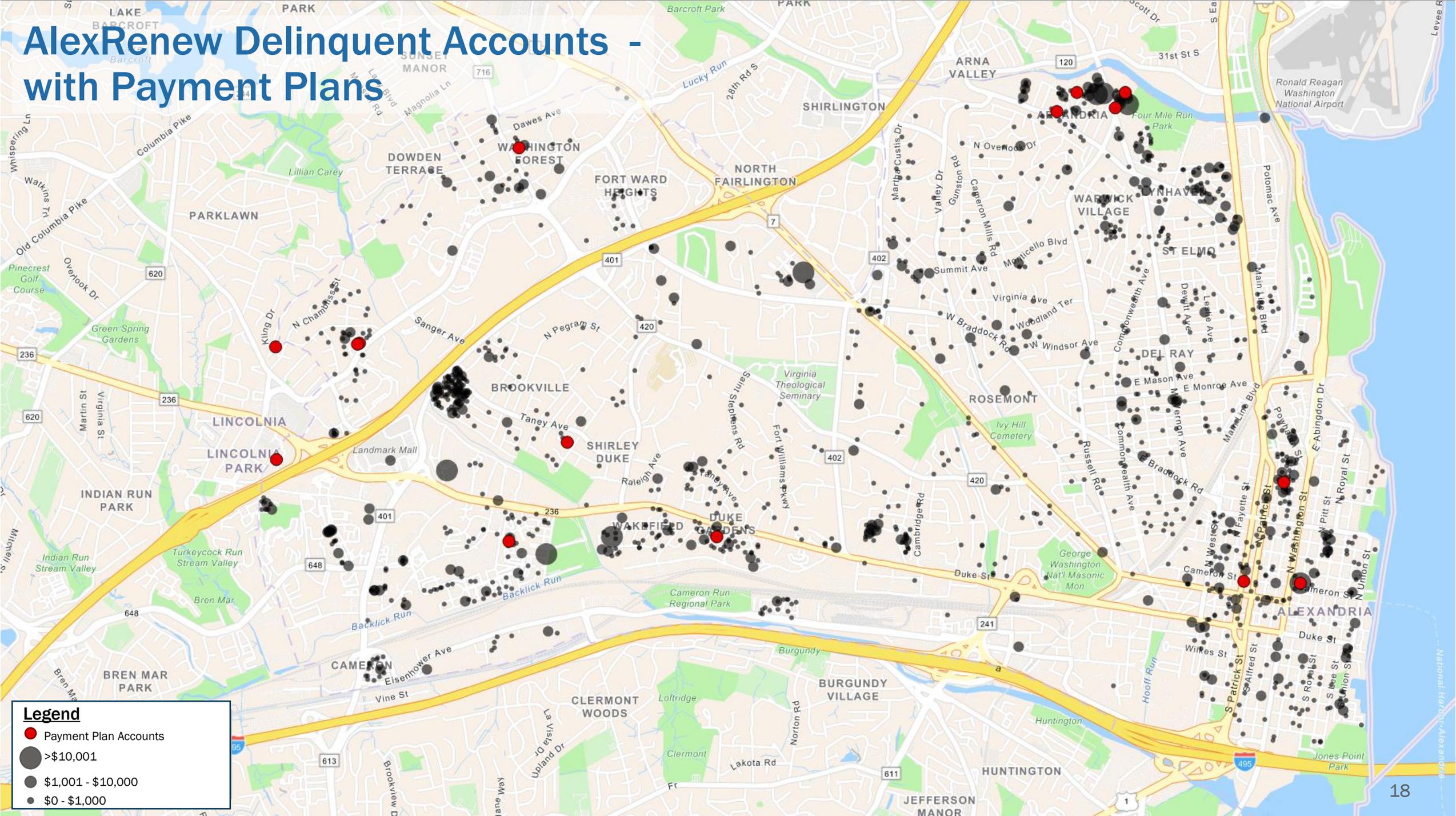
Accounts with Active Payment Plans



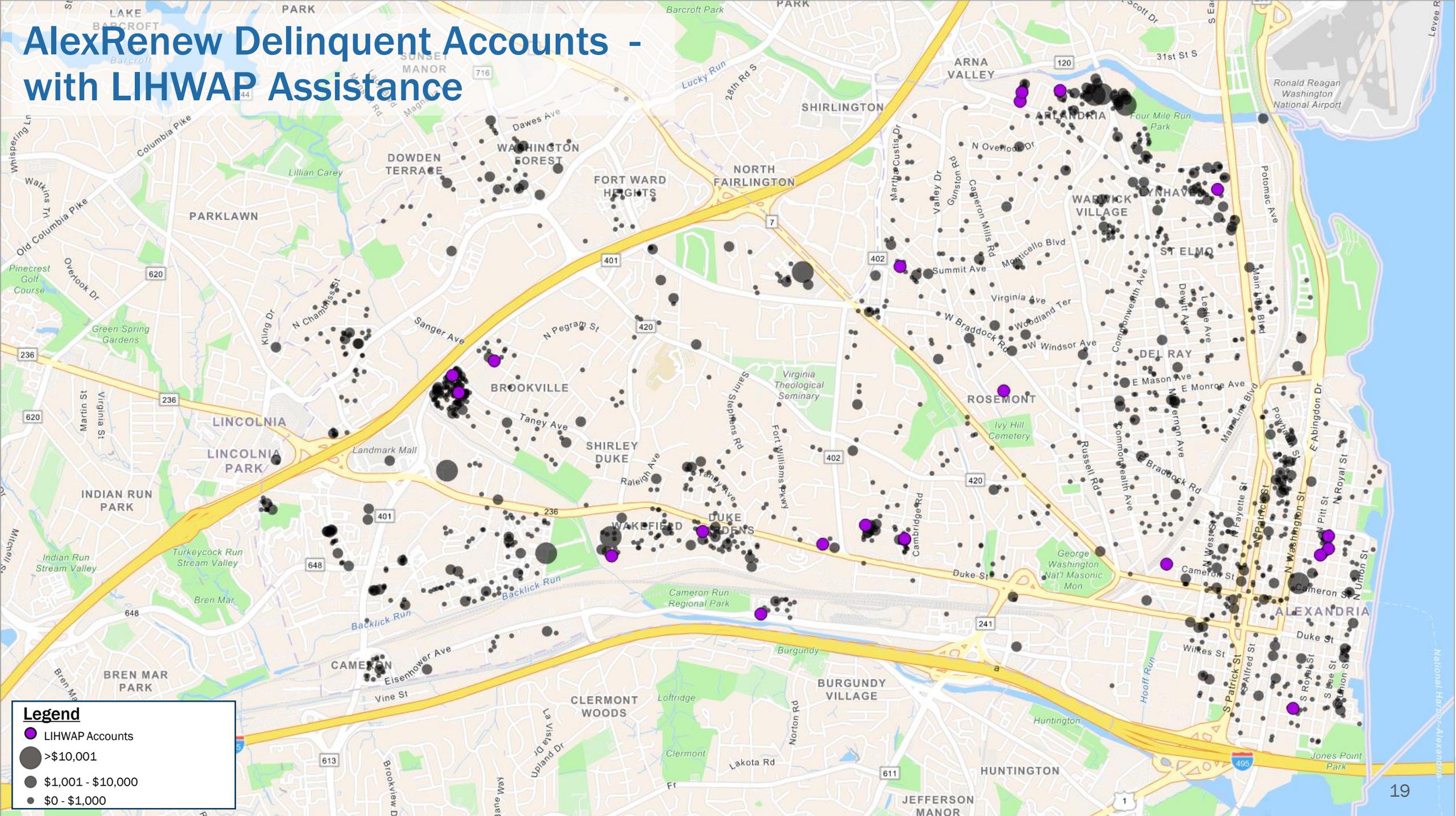
AlexRenew Delinquent Accounts over 60 days



AlexRenew Delinquent Accounts - with Payment Plans



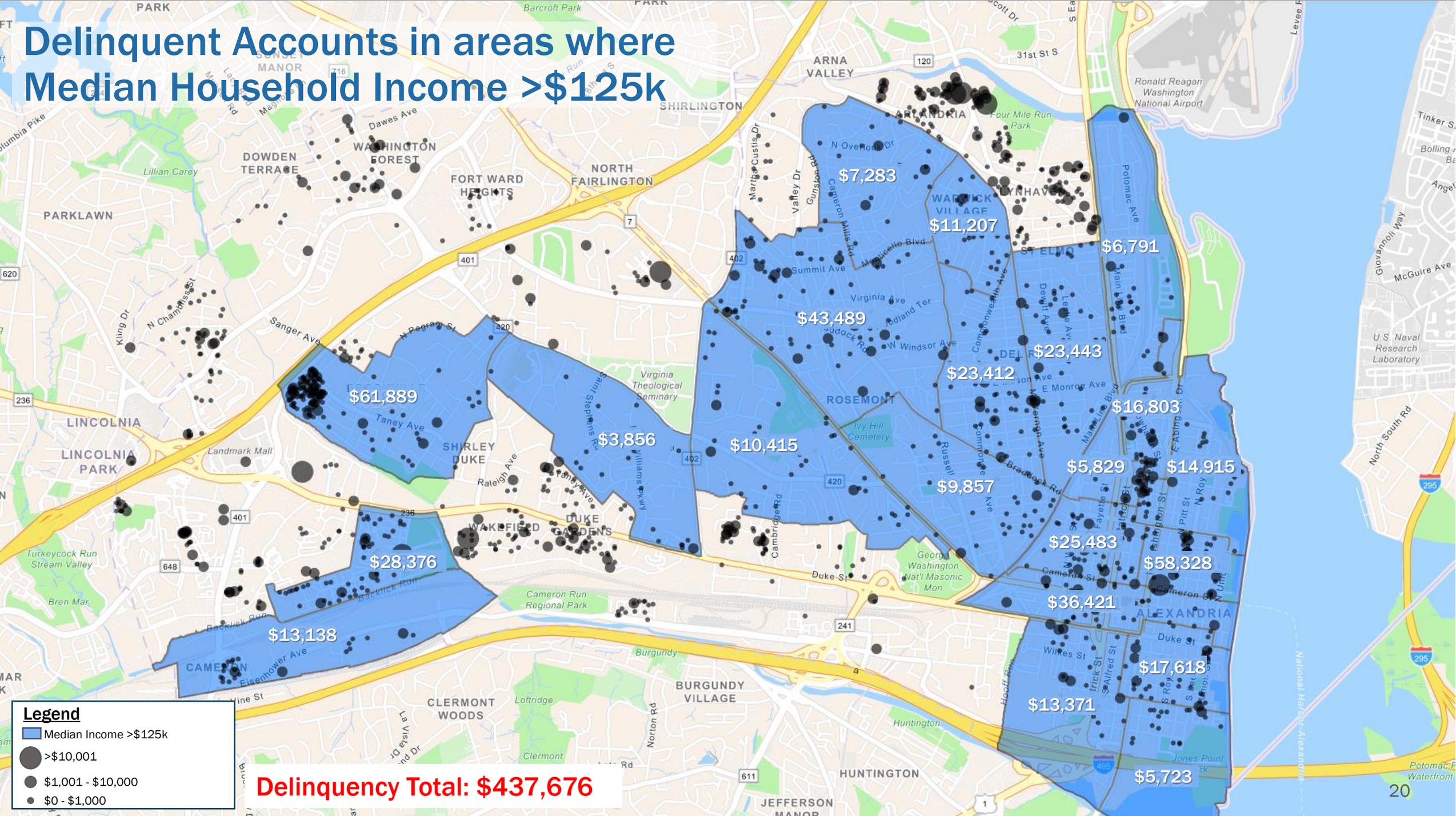
AlexRenew Delinquent Accounts - with LIHWAP Assistance



Legend

- LIHWAP Accounts
- >\$10,001
- \$1,001 - \$10,000
- \$0 - \$1,000

Delinquent Accounts in areas where Median Household Income >\$125k

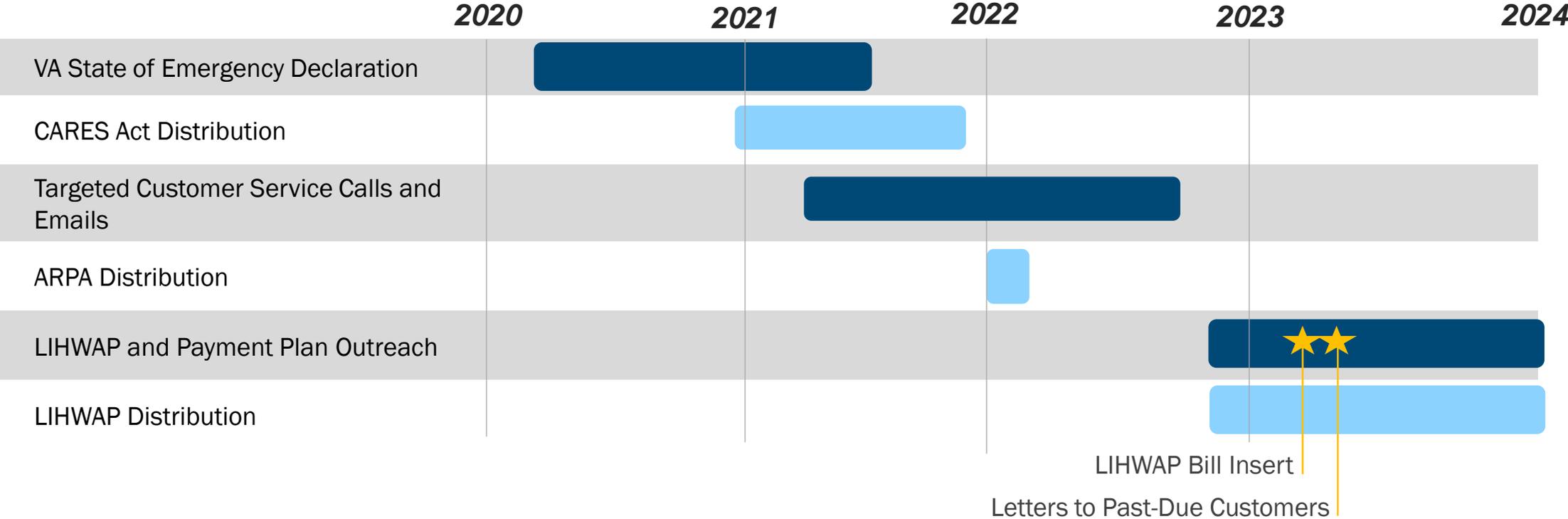


Delinquency Total: \$437,676

Legend

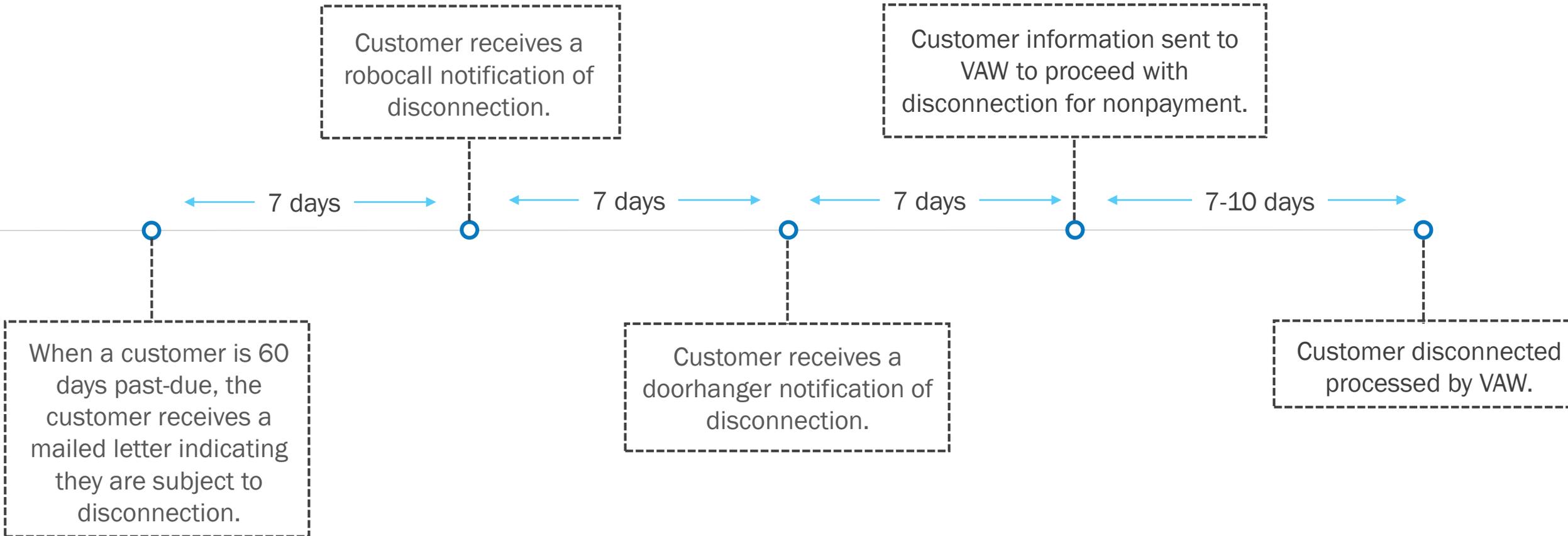
- Blue Area: Median Income >\$125k
- Large Black Circle: >\$10,001
- Medium Black Circle: \$1,001 - \$10,000
- Small Black Circle: \$0 - \$1,000

History of AlexRenew's Disconnections, Aid, & Payment Plans



Prior to 2020, disconnections were also suspended 2012-2016

Disconnection for Nonpayment (DNP) Process begins once a customer is 60 days past-due



Questions and Discussion



To learn more, visit www.alexrenew.com