



# PROPOSED FISCAL YEAR 2026 BUDGET AND RATE RECOMMENDATION

PUBLIC HEARING | MAY 17, 2025



# AlexRenew OVERVIEW

- Purifies 13 billion gallons of wastewater each year
- Serves 300,000 people in Alexandria and portions of Fairfax County
- Established in 1952 as an independent, public authority
- Governed by a 5-member citizen Board
- Sole source of funding is through sewer rates



# AlexRenew's Operating and Capital Budgets

## Operating Budget

---

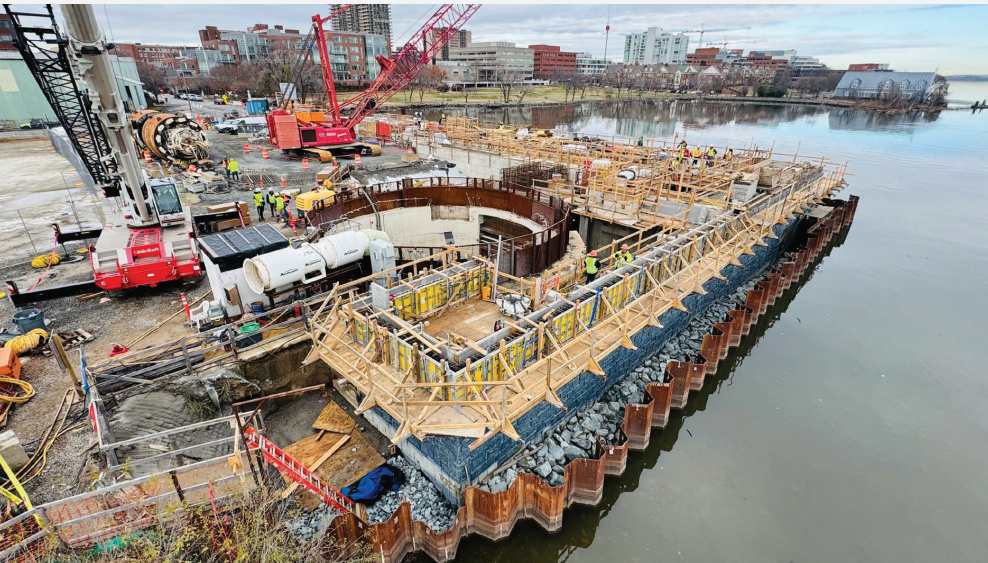
Includes costs associated with day-to-day operation of wastewater treatment and other facilities. It is funded primarily by rates collected from Alexandria customers and payments from Fairfax County.



## Capital Budget

---

Funds new projects and improvements to AlexRenew infrastructure. It is based on the first year of a 10-year Capital Improvement Program. The Capital Budget is supported through multiple funding sources, including operating revenues, debt (loans and bonds), grants, contributions from Fairfax County, and cash.







FISCAL YEAR 2026

## PROPOSED BUDGET

AlexRenew's proposed capital and operating budget is guided by our ongoing investments in Alexandria's future and the health of its waterways.

**\$258.3  
MILLION**



**\$39.0  
MILLION**

PEOPLE, UTILITIES,  
AND CONSUMABLES

- Operating Expenses
- Capital Expenses
- Debt Service



**\$1.9  
MILLION**  
**\$5.3  
MILLION**

WASTEWATER SERVICES  
FOR ARLINGTON COUNTY

**\$9.0  
MILLION**

COLLECTION  
SYSTEM IMPROVEMENTS

**\$96.0  
MILLION**

RIVERRENEW

**\$20.7  
MILLION**

HEADWORKS RENEWAL

WASTEWATER TREATMENT IMPROVEMENTS

**\$38.5  
MILLION**

Primary Settling

Biological Nutrient  
Removal and  
Secondary Settling

Tertiary Settling  
and Filtration

UV Disinfection

**\$2.5  
MILLION**

NUTRIENT REMOVAL

**\$20.2  
MILLION**

PROPOSED BUDGET ALSO INCLUDES  
EXPENDITURES FOR DEBT REPAYMENT

Values reflective of FY2026 budget only.



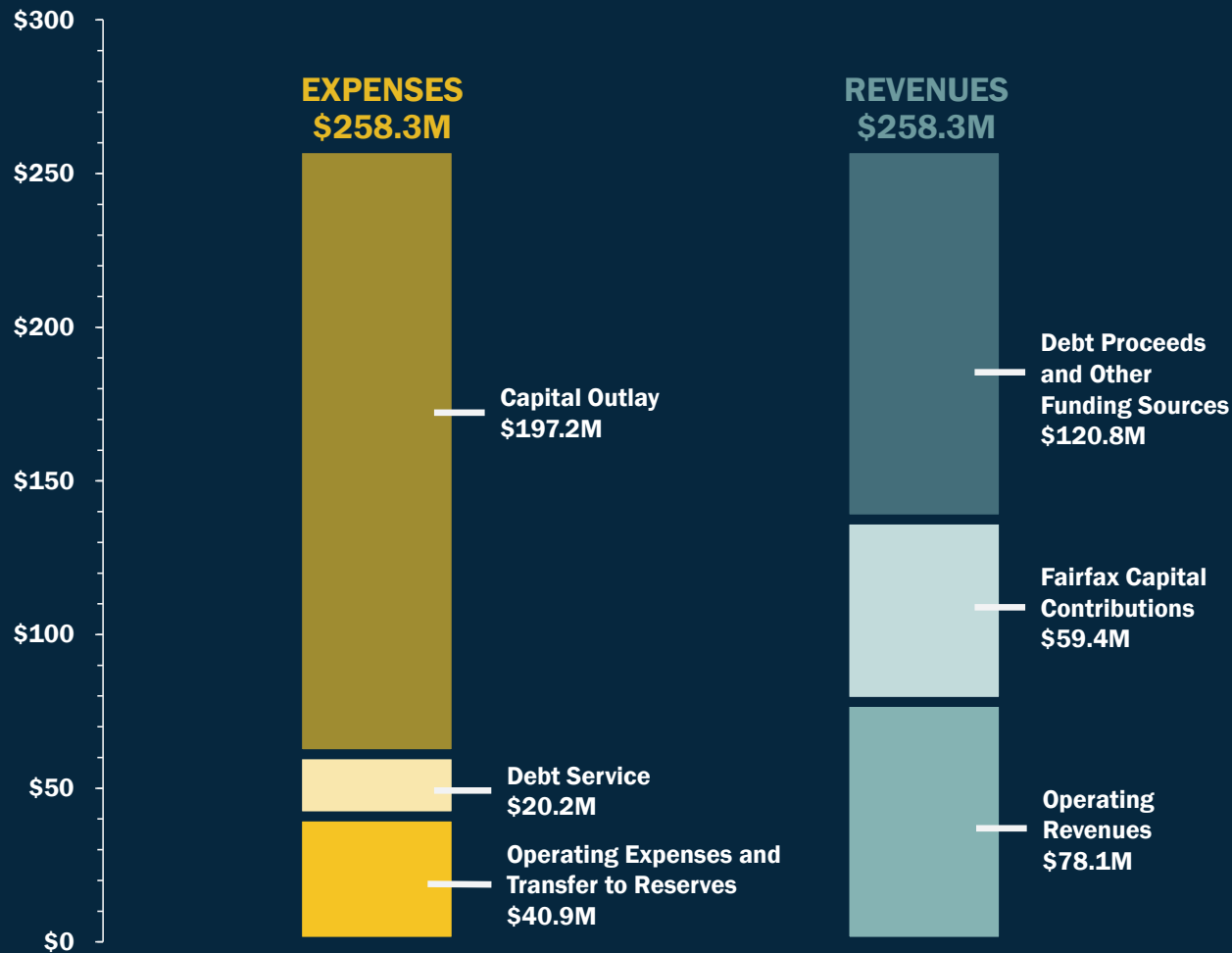
# Fiscal Year 2026 Budget Breakdown

## **\$258.3 million Operating and Capital Budget**


- Over 75% of the budget is capital spending (infrastructure construction, improvements, and upgrades)
- \$100 million of capital spending is associated with RiverRenew – the largest infrastructure project in Alexandria’s history

## **Proposed FY2026 rate increase of 5.0% (\$2.76 per month) and FY2027 rate increase of 5.7% (\$3.31 per month)**

- RiverRenew accounts for over 60% of the rate increases
- RiverRenew bill impacts are on the lower end of the original April 2018 projection




# Fiscal Year 2026 Priorities



Continue capital investments to achieve our core mission of managing and treating wastewater



Maintain 'AAA' financial rating



Implement rate adjustment to pay debt incurred by RiverRenew and support day-to-day operations



Continue to engage with stakeholders and peer utilities to promote initiatives that are beneficial to the community



Continue to cultivate a diverse and healthy work environment through workforce development, upskilling, and retention efforts



# RiverRenew Overview

- Four legacy outfalls dating to the 19th century overflow about **70** times each year, resulting in **140 million gallons** of combined sewage entering our waterways
- **State-mandated** by a law passed by the Virginia General Assembly in April 2017
- **\$615 million** capital investment (2018-2026)
- \$500 million spent to date – 80% complete

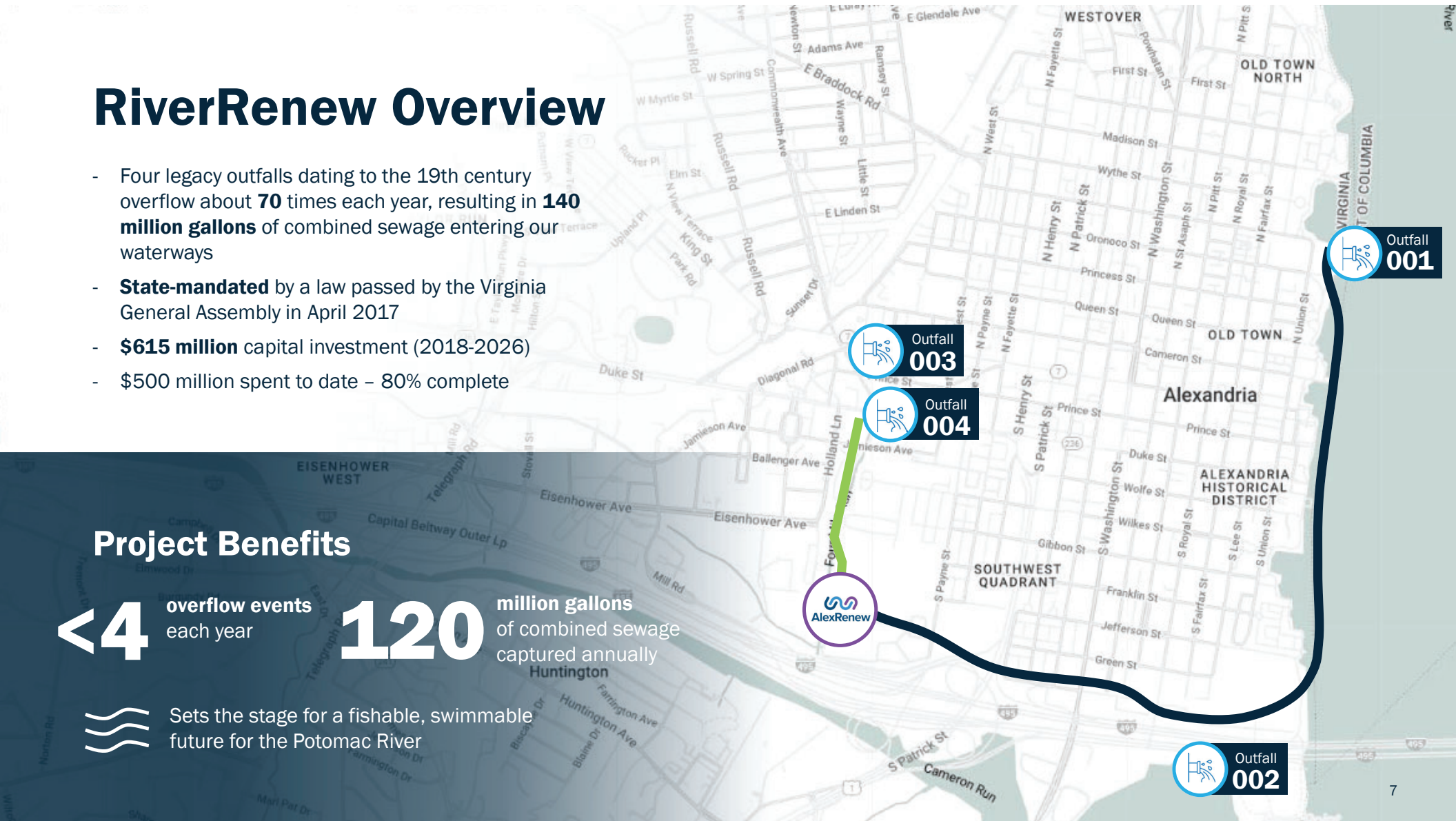
## Project Benefits

**<4** overflow events each year

**120** million gallons of combined sewage captured annually

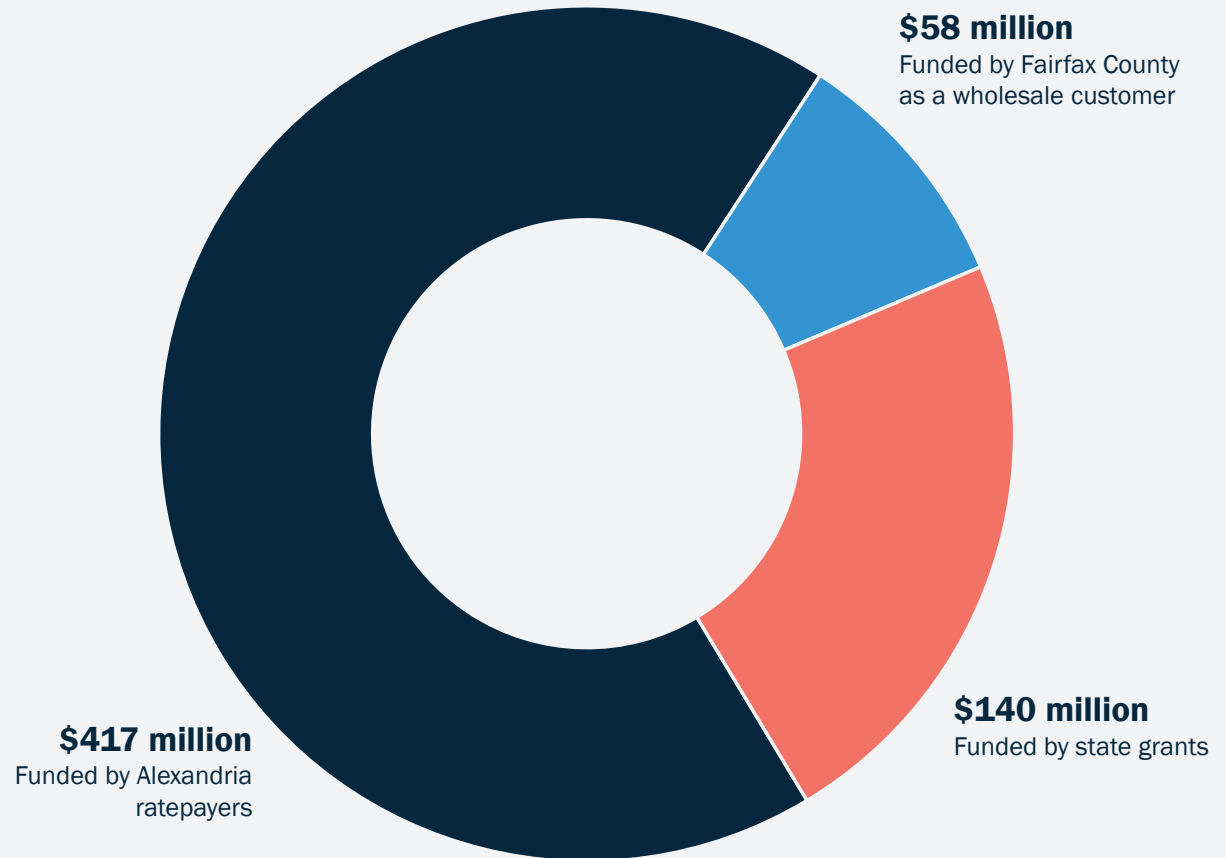


Sets the stage for a fishable, swimmable future for the Potomac River



# RiverRenew Funding Breakdown

RiverRenew is primarily funded by debt incurred by AlexRenew through state and federal loans. This debt, totaling about \$30 million annually, will be repaid by ratepayers through 2054.





# Major Fiscal Year 2026 Capital Investments



## **Biosolids Diversification Project** **\$25.2M**

- Continue construction of short-term upgrades to improve reliability
- Continue design of medium-term upgrades to reduce the volume of biosolids



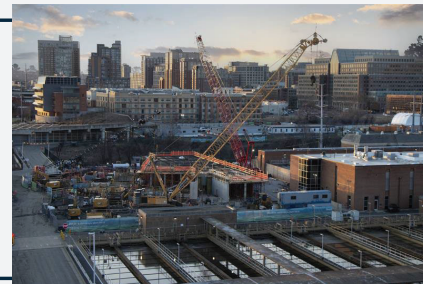
## **Headworks Renewal Project** **\$20.7M**

- Finalize design and start construction on primary settling systems



## **Nutrient Reduction Project** **\$2.5M**

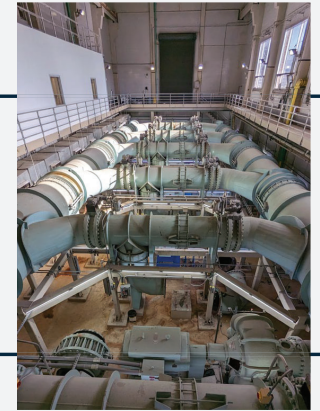
- Procure design-builder and begin final design



## **RiverRenew Tunnel Project\*** **\$96.0M**

- Finalize construction of pumping stations and diversion facilities
- Test and commission system
- Train staff
- Place system into operation

**\*Note:** Previous RiverRenew projections reallocated to accommodate project deadline delay, which was signed into law in March 2024



## **IRR Program** **\$12.7M**

- Continue routine investments to maintain and repair equipment – funds capital improvements under \$1 million and not part of major upgrade projects

Design input session for AlexRenew operations and maintenance staff



## Green Bond Update

In June 2024, AlexRenew received **\$50 million** of green bond proceeds to finance its Biosolids Diversification, Headworks Renewal, and Nutrient Reduction projects. Key updates include:

- Began construction on short-term biosolids improvements – issued \$18 million in contracts
  - to improve system reliability
- Developed preliminary design for solids dryer to prepare for future regulations, reduce biosolids volume, and support greenhouse gas emission goals – \$20 million design contract
- Advanced concepts and procured an Owner's Advisor to support capacity expansion for city growth and meet current nutrient reduction limits
- Finalized key design packages to advance headworks renewal construction

3D rendering of biosolids drying facility at AlexRenew

Site tour for Nutrient Reduction Project

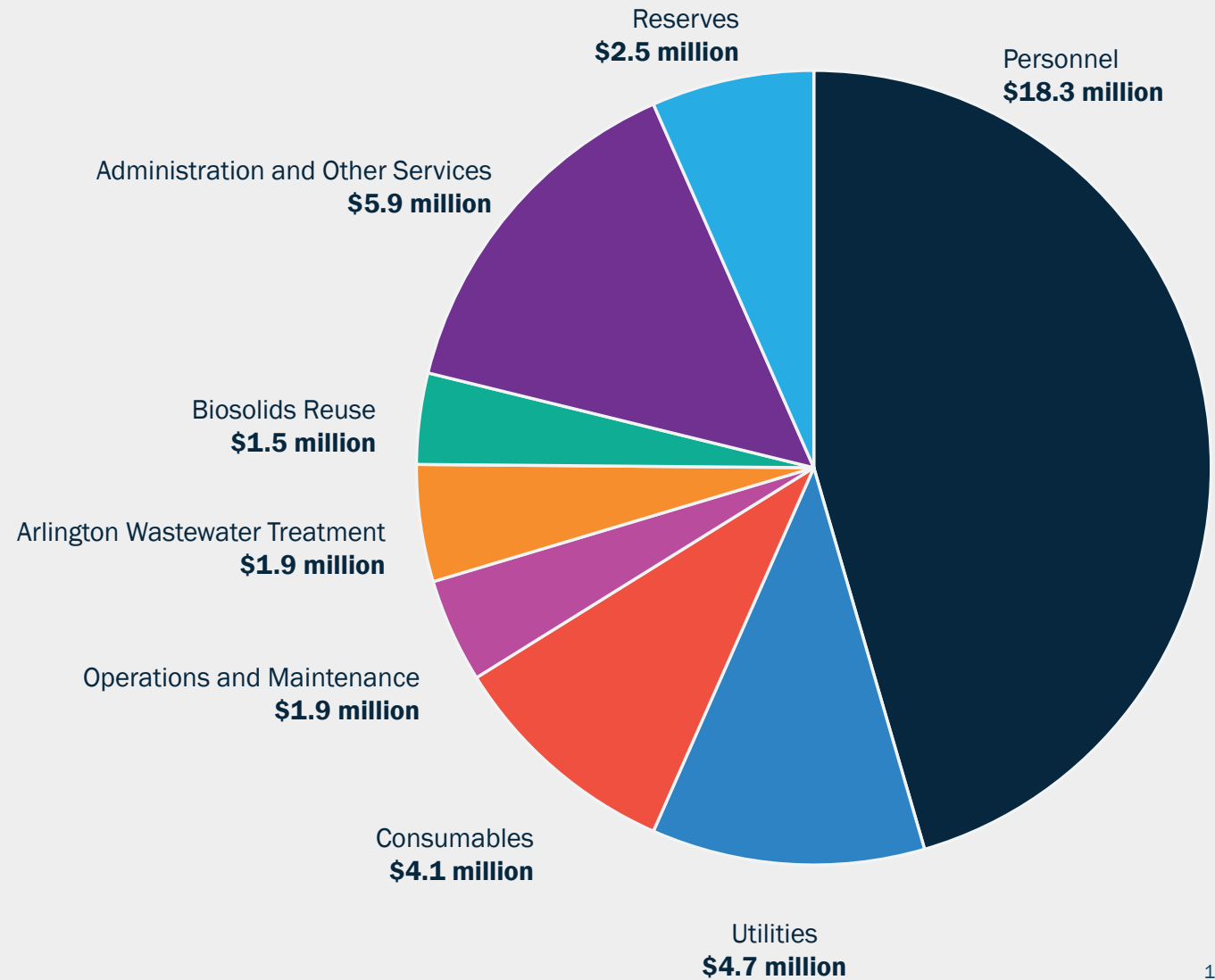




# Fiscal Year 2026 Operating Expenses

The proposed Fiscal Year 2026  
Operating Expenses total **\$40.9 million**.  
Major drivers include:

- Addition of maintenance apprentices to prepare for upcoming retirements and train the next generation of water professionals (6.5% increase)
- Additional reserves to account for unforeseen regulatory events and emergencies
- Increase in utilities (10.3% increase) and consumables (16.1% increase) to account for cost increases associated with inflation



# Fiscal Year 2026 Budget Summary

The consolidated budget summarizes AlexRenew's proposed operating, debt service, and capital expenses for Fiscal Year 2026. It also illustrates the revenues that fund each expense category following the flow of funds in accordance with AlexRenew's financial policies.

## Fiscal Year 2026 Consolidated Budget

		Adopted FY2025	Proposed FY2026	\$ Variance	% Variance
Operating	Wastewater Treatment Revenues	60.4	63.4	3.0	
	Fairfax County Operating Charge	12.8	14.7	1.8	
	Interest Income	0.1	0.1	-	
	<b>Total Operating Revenue</b>	<b>73.4</b>	<b>78.2</b>	<b>4.8</b>	<b>6.6%</b>
	Operating Expenses and Transfer to Reserves (2)	35.3	40.9	5.3	
	Transfers to Debt Service and Capital	38.1	37.3	(0.8)	
	<b>Total Operating Expenses and Transfers</b>	<b>73.4</b>	<b>78.2</b>	<b>4.8</b>	<b>6.6%</b>
Debt Service	Transfer From Operating Fund	21.6	19.9	(1.7)	
	Interest Income	0.7	0.3	(0.4)	
	<b>Total Debt Service Revenue</b>	<b>22.3</b>	<b>20.2</b>	<b>(2.1)</b>	<b>(9.3%)</b>
	Principal	13.8	11.0	(2.8)	
	Interest	8.5	9.2	0.7	
	<b>Total Debt Service Expense</b>	<b>22.3</b>	<b>20.2</b>	<b>(2.1)</b>	<b>(9.3%)</b>
Capital	Transfer From Operating Fund	16.5	17.4	0.9	
	Fairfax Capital Contributions	40.8	59.4	18.6	
	Interest Income	0.1	1.3	1.2	
	Debt Proceeds	112.6	113.4	0.8	
	Cash	5.3	5.7	0.5	
	<b>Total Capital Revenue</b>	<b>175.2</b>	<b>197.2</b>	<b>22.0</b>	<b>12.5%</b>
	<b>Total Capital Expense</b>	<b>175.2</b>	<b>197.2</b>	<b>22.0</b>	<b>12.5%</b>

### Notes:

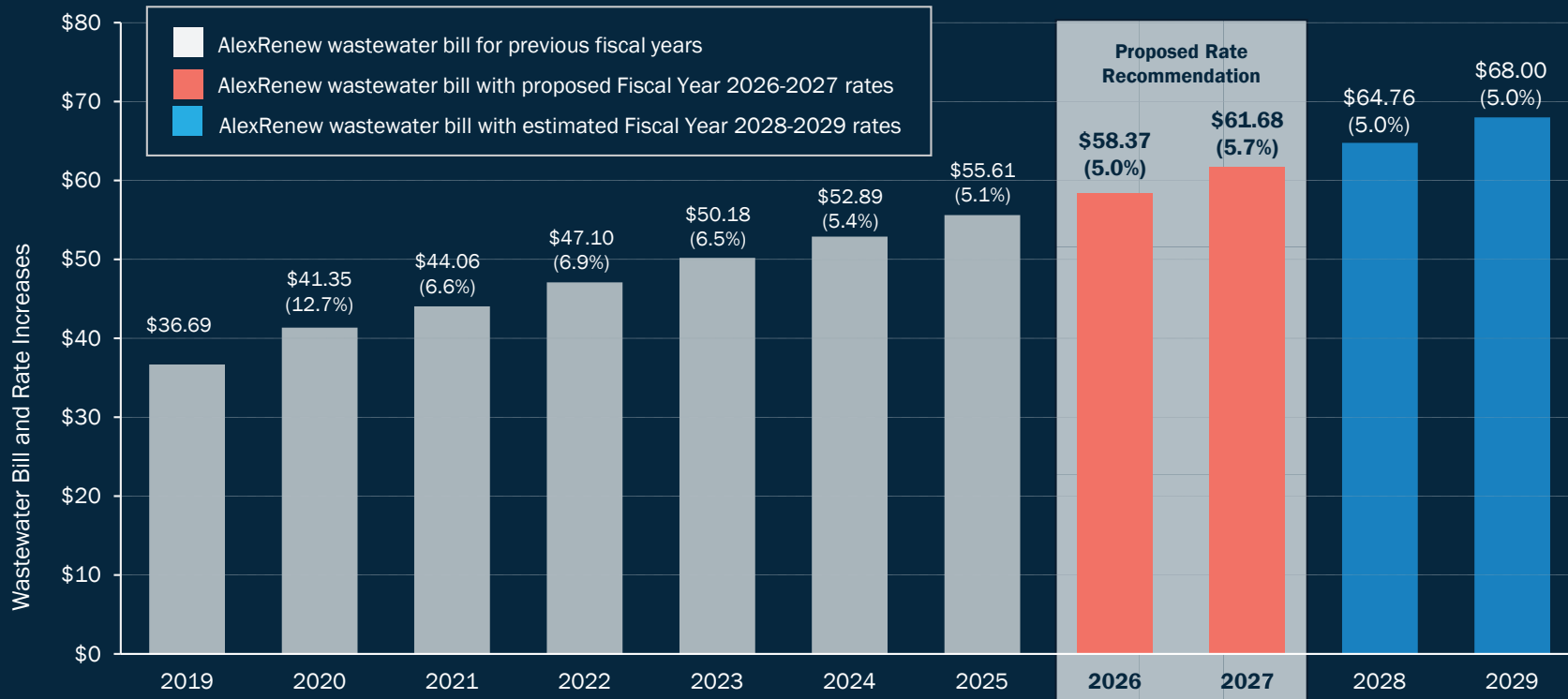
- (1) Values may vary slightly due to rounding.
- (2) \$2.5M in reserves is to account for unforeseen events and emergencies (i.e. possible changes in regulations, impacts of federal layoffs on customer rate payments or other operating costs).



# FY2026 and FY2027 Rate Recommendation

## Notes:

- (1) Data represents the average monthly bill based on 4,000 gallons of use
- (2) Data excludes City of Alexandria sanitary sewer charge
- (3) The FY2027 rate adjustment assumes a similar rate structure to the current rate structure. However, AlexRenew is considering alternate rate structures and reserves the right to adjust the rate structure for FY2027 at a later time.



Rate adjustments projected during the FY2024 budget process included:

- / FY2026: 5.0%
- / FY2027: 5.7%
- / FY2028: 5.4%
- / FY2029: 4.3%

Across the U.S., the cost of water and sewer services has increased by about 5 percent annually since 2022, according to the U.S Bureau of Labor Statistics' Water and Sewer Maintenance Index. AlexRenew has managed to stay within this range, even while implementing the largest infrastructure project in Alexandria's history.

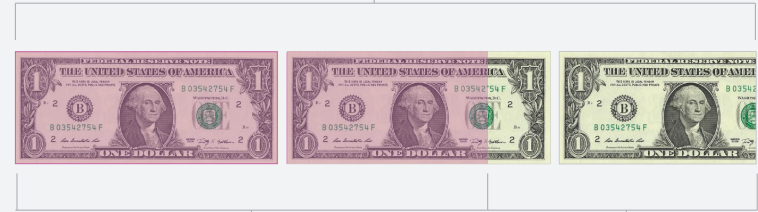
# Fiscal Year 2026 and 2027 Proposed Rate Adjustment Breakdown

Capital spending on the \$615 million RiverRenew program continues to be a primary rate driver for AlexRenew, accounting for over 60% of the rate increase through Fiscal Year 2029.

**Notes:**

- (1) Data represents the average monthly bill based on 4,000 gallons of use
- (2) The FY2027 rate adjustment assumes a similar rate structure to the current rate structure. However, AlexRenew is considering alternate rate structures and reserves the right to adjust the rate structure for FY2027 at a later time.

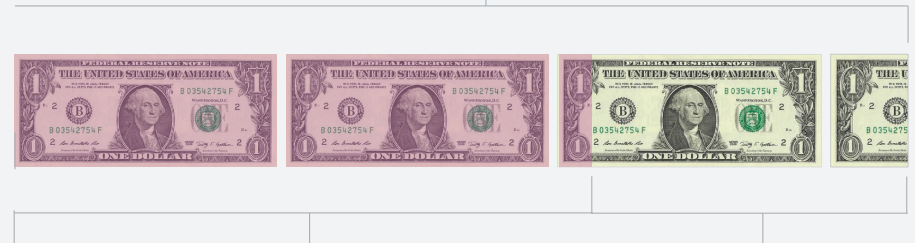
Fiscal Year 2026 monthly increase  
**5.0% (\$2.76)**



RiverRenew  
**64% (\$1.77)**

Operating expenses  
**36% (\$0.99)**

Fiscal Year 2027 monthly increase  
**5.7% (\$3.31)**



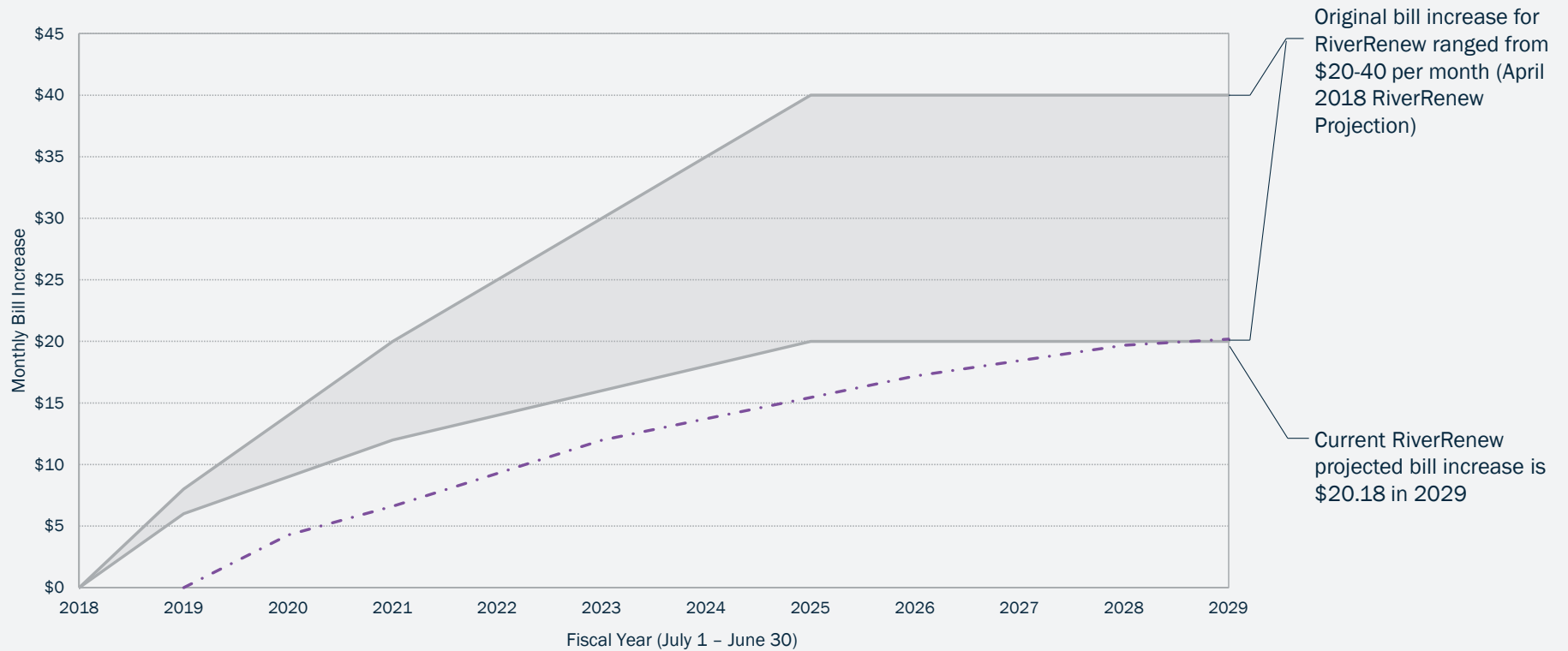
RiverRenew  
**63% (\$2.08)**

Operating expenses  
**37% (\$1.22)**



# RiverRenew Monthly Bill Impacts

*RiverRenew bill impacts are trending lower than originally anticipated when the project was at a conceptual level of design in April 2018.*



**Note:** Data represents the average monthly bill based on 4,000 gallons of use

# Proposed rates for Fiscal Years 2026-2027

The proposed 5.0% and 5.7% increases for FY2026 and FY2027, respectively, are applied uniformly across AlexRenew's Base and Wastewater Treatment Charges.

Monthly Charge	Meter Size	Existing	Proposed FY2026	Proposed FY2027
Residential Base	All meters	\$14.57	\$15.29	\$16.16
Commercial Base	5/8-inch	\$43.68	\$45.87	\$48.48
	3/4-inch	\$43.68	\$45.87	\$48.48
	1-inch	\$109.19	\$114.68	\$121.20
	1-1/2-inch	\$218.38	\$229.35	\$242.40
	2-inch	\$349.41	\$366.96	\$387.84
	3-inch	\$655.14	\$688.05	\$727.20
	4-inch	\$1,091.90	\$1,146.75	\$1,212.00
	6-inch	\$2,183.80	\$2,293.50	\$2,424.00
Wastewater Treatment (Residential and Commercial)	8-inch	\$3,494.08	\$3,669.60	\$3,878.40
	All meters	\$10.26 per 1,000 gallons	\$10.77 per 1,000 gallons	\$11.38 per 1,000 gallons

Note:

(1) Excludes City of Alexandria sanitary sewer charge

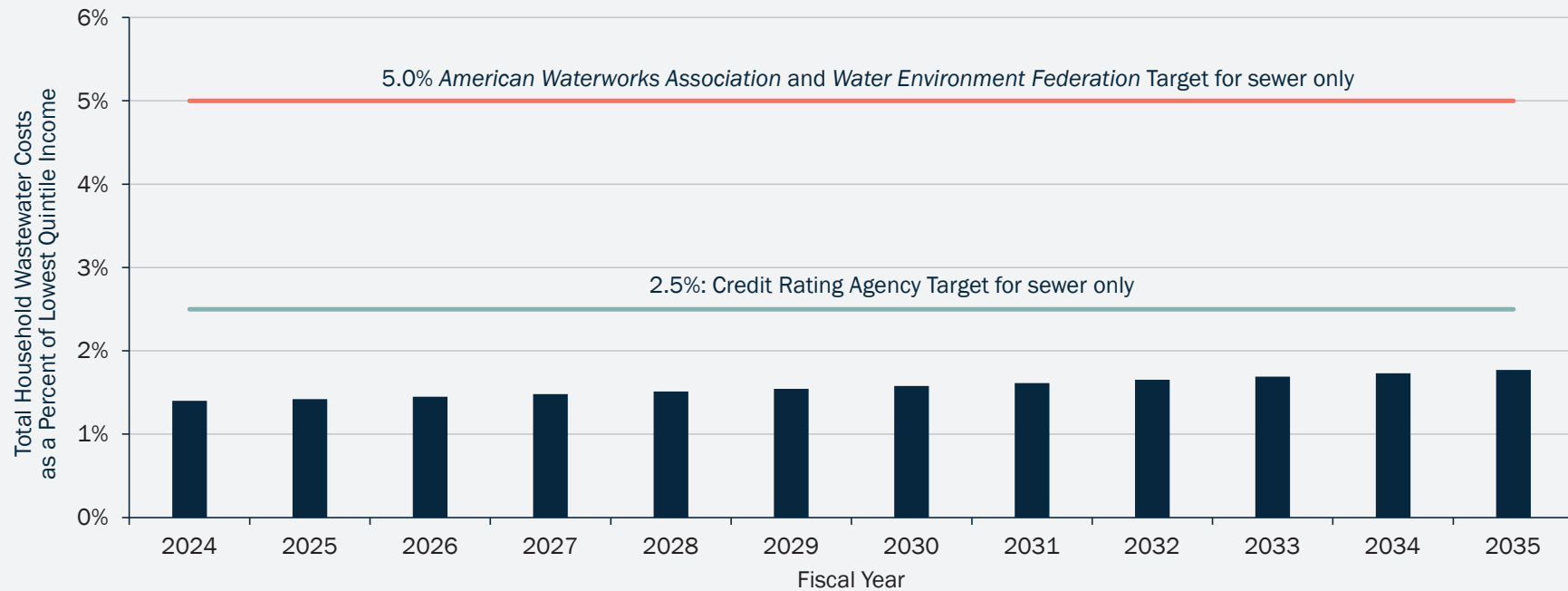


# Affordability Based on Lowest Quintile Income

AlexRenew's household wastewater costs as a percent of lowest quintile income range from 1.5 to 1.9 percent, indicating AlexRenew is below current targets set by rating agencies and the industry.

Alexandria Lowest Quintile Income (\$49,912)

Annual AlexRenew Wastewater Bill



# Helping Customers Get Back on Track



Through the Lifeline Emergency Assistance Program, AlexRenew offers assistance for residential customers having trouble paying their sewer bill.

- Any AlexRenew account holder with a past due balance is eligible to receive up to **\$1,000 per year**
- **Enroll** by calling (703) 721-3500 or email [billing@alexrenew.com](mailto:billing@alexrenew.com)
- **Donate** through our nonprofit partner: [dollarenergy.org/donation/alexrenew](https://dollarenergy.org/donation/alexrenew)

Additionally, customers can take advantage of interest-free flexible payment plans designed to keep their AlexRenew accounts in good standing and pay an existing balance over time. Customers can enroll in payment plans by calling (703) 721-3500 or email [billing@alexrenew.com](mailto:billing@alexrenew.com).

**\$60,000** distributed to over **80 customers** since July 2024





## Alternative Rate Structure Analysis

As part of the outcomes of the 2025 Board of Directors (Board) Retreat, AlexRenew staff are currently evaluating alternative rate structures/rate structure revisions and associated phasing plans for potential implementation as early as Fiscal Year 2027.

Potential revisions will be discussed at the monthly regular Board meetings and any proposed rate changes will be conducted in accordance with §15.2-5136 of Virginia Code for public notice and public hearing procedures.

# Fiscal Year 2026 Budget Schedule

**November 12, 2024**

Finance and Audit (F&A)  
Committee Meeting

*Presentation on FY2026 Budget  
Preview*

**March 18, 2025**

Board Meeting

*F&A presents Preliminary Draft  
Budget and Rate Recommendation  
for consideration*

**May 17, 2025**

Public Hearing

*Present Draft Budget and Rate  
Recommendation for Public  
Comment*



**March 11, 2025**

F&A Committee Meeting

*Presentation on Preliminary Draft  
Budget and Rate Recommendation*

**April 15, 2025**

Board Meeting

*Adopt Draft Budget and Rate  
Recommendation for Public Hearing*

**June 17, 2025**

Board Meeting

*Approve Budget and Fiscal  
Year 2026-2027 Rate  
Recommendation*



# PROTECTING THE WATERWAYS THAT CONNECT US

