

MEMORANDUM

TO: Justin Carl, General Manager and CEO

FROM: Mark Jinks, Chair, Finance and Audit Committee, AlexRenew

CC: AlexRenew Board Chair and Members

DATE: April 21 & 28, 2025

SUBJECT: Finance & Audit Committee Questions on *FY2026 Budget and Staff Responses*

As part of the due diligence required in a governing body's consideration of its chief executive's budget, I have reviewed the proposed FY 2026 Operating and Capital Budget, as well as the 10-year Capital Improvement Program. My questions and comments are outlined below. While my review last year focused mostly on the expenditure side of the budget, this year I have primarily focused on the funding and interfund relationships of AlexRenew's complex financial structure.

Operating Budget Questions from April 21, 2025

1. (p2) The text in the last paragraph of ES.2 indicates that \$40.9 million will be "transferred to reserves." The \$40.9 million represents (table 3.3) \$38.4 million in operating expenses plus \$2.5 million for unforeseen events. Is it correct that \$40.9 will be transferred from the Revenue Fund to the Operating Fund (Table B.1) with \$2.5 million of that amount then being the only amount transferred to reserves (until needed if unforeseen events occur)?

Staff response:

Correct, \$40.9 million will be transferred to the Operating Fund from the Revenue Fund. This accounts for \$38.4 million in operating expenses and the transfer of \$2.5 million to reserves for unforeseen events.

We propose to revise the paragraph as follows in the next draft of the budget:

"The FY2026 operating expenses are \$40.9 million, representing a 16.0 percent year-over-year increase. The increase in expenses is largely driven by the anticipated 6.5 percent investment in total personnel costs due to the addition of staff and a 16.1 percent year-over-year increase in chemicals due to rising costs. The increase also includes a \$2.5 million transfer to reserves 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)."

2. Given that the \$2.5 million is intended to cover both an unforeseen expense or revenue shortfall and likely be of an ongoing fiscal impact, should that amount or a smaller amount be reflected in

the FY 2027 and FY 2028 financial projections? The FY 2027 budget projection is important as it forms the basis for the second year of the customer rate increase, which the Board will approve at the same time it adopts the FY 2026 budget in June.

Staff response:

Yes, staff is updating the Fiscal Years 2027 and 2028 projected budgets to reflect a \$2.5 million transfer to reserves in each year to account for unforeseen expenses. These transfers will be reflected in the tables shown in Section 4 and Appendix B in the next draft of the budget.

3. (p10) What does the FY 2026 budget allocate by fund in regard to interest earnings? How does that compare with FY2025's expected interest rate earnings? What interest rate assumptions were assumed for FY 2026 (compared to today's market rates)? Also, it appears that \$1.7 million in FY 2026 projected interest for the Operating, Debt Service and Capital Funds has all been rolled up and labeled on Table 3.1 as General Capital Proceeds when it in fact appears allocated in part to several non-capital funds.

Staff response:

The Fiscal Year 2026 Budget interest earnings of \$1.7 million are allocated by fund as follows:

- *Operating Fund projected interest earnings: \$85,000;*
- *Debt Service Fund projected interest earnings: \$340,000; and*
- *General (Capital) Fund projected interest earnings \$1.3 million.*

The table below shows Fiscal Year 2025's expected interest earnings compared to Fiscal Year 2026's estimated interest earnings:

	FY2025 Projected	FY2026 Estimated
Interest earnings	\$1.8 million	\$1.7 million

The Fiscal Year 2026 interest earnings assume a blended 2.0% interest rate.

The term "General Capital Proceeds" was initially used to match the terms used in the Annual Report. The term will be updated to be "Debt Proceeds and Other Funding Sources" in the next draft of the budget.

4. What is the intended use/allocation of the projected FY 2025 surplus? At the April 15 Board meeting, on page 5 of the Monthly Report a revenue surplus of about \$2.3 million was shown along with a \$1.9 million under-expenditure in debt service. This creates at least a \$4.2 million surplus. Increased interest earnings above the FY 2025 budgeted amount would add to this.

Staff response:

Any revenue (including higher-than-budgeted revenues) that is not used for either O&M expenses or debt service payments is used to pay for capital expenses. These revenues would reduce the use of cash from AlexRenew's general fund.

The Fiscal Year 2025 budget assumed \$5.3 million in cash funding for the capital budget. If budget projections presented at the April Board meeting hold true, the cash funding would be reduced by \$4.2 million to \$1.1 million. The Fiscal Year 2025 surplus will be factored into the rate model for consideration as we project future rate needs.

5. Of the FY 2025 revenue surplus, staff indicated at the April 7 Board meeting that some \$1.1 million was due to the re-implementation of the late fee policy during FY 2025. Does the FY 2026 budget reflect this new source of revenue, and if it does not, should some amount be added for FY 2026 late fee revenues? That same question would apply to FY 2027 and FY 2028 budget projections (p15).

Staff response:

The Fiscal Year 2026 Budget that was posted for public notice does not currently reflect the higher than projected revenues from late fees. Staff is updating the proposed Fiscal Year 2026 budget and projected Fiscal Years 2027 and 2028 budgets to show an increase in revenues of \$1.5 million per year to reflect higher late fee revenue projections. The \$1.5 million per year is based on current trends from Fiscal Year 2025 to-date.

6. In regard to the late fee policy, is there a detailed implementation document that explains when and how the late fees are applied? The Board's adopted Financial Policy document is silent on such a policy, and the Board's adopted Rates, Rules and Regulations policy only has one sentence (11e) that "A late payment charge of ten percent of the unpaid balance on accounts not paid within 21 days of their billing date may be charged and collected by AlexRenew." Specifically, I am interested when the 10% is applied: (a) to just the month due? (b) to all amounts due (current and previously late)? (c) to amounts under payment plans? Is there any interest charge added in subsequent billing periods after the levying of a late fee? If so how much? I am also interested in how the 10%, as well as the details of these late fee policies compare to the VA American Water, Fairfax Water, and the Fairfax County sewer charges. Late fees are a useful payment incentive tool, but they can also be usurious and have a disproportionate impact on those households who least can afford to pay them. In recent years many governments have revised their late fees by lowering them (or in the case of some public libraries eliminating late fees).

Staff response:

In accordance with its adopted Rates, Rules, and Regulations, AlexRenew assesses a late fee of ten percent on accounts with balances not paid within 21 days of their billing date. AlexRenew implements several additional customer service best practices, that are not specifically outlined in the Rates, Rules, and Regulation, including the following:

- *AlexRenew provides a 6-day grace period before assessing late fees*
- *Late fees are assessed using only the current charges on a past-due account*
- *Late fees are not assessed a previous balance, and are not compounding over time*
- *No additional interest is charged by AlexRenew over time*

For comparison, Fairfax Water and DC Water assesses a similar 10% charge after 30 days. Virginia American water charges a 1.5% per billing period on amounts not paid when due, with a max of 18% per year if not paid. WSSC assesses a 5% late fee on customer bills if not paid within 30 calendar days from the bill generation date.

Staff agrees that late fees are a useful incentive tool as we address a significant number of customer delinquencies that have accumulated as a result of COVID-19. Staff is planning to present an overview of its late fees at the May Board meeting.

7. (p10) What is the basis for increasing the utility budget by 10.3% for FY 2026? Are Dominion rates increasing?

Staff response:

The basis for increasing the utility budget by 10.3% includes rate increases for Dominion (3.5% increase), Virginia American Water (10% increase), and Washington Gas (10% increase). Additionally, actual usage from Fiscal Year 2024 was higher than projected for Fiscal Year 2025 and is therefore used to project usage for the Fiscal Year 2026 Budget. One reason for these increases in usage can be attributed to the operation of the Innovation District Pumping Station, which was transferred to AlexRenew in Fall 2024.

8. (p10) For the major chemicals that AlexRenew purchases, what are the increases that are projected for FY 2026? Has any progress been made in utilizing COG's multi-jurisdictional cooperative purchasing program?

Staff response:

The table below shows the increases for each of the major chemicals that AlexRenew purchases as compared to the Fiscal Year 2025 Budget. The increases are primarily driven by projecting similar usage to the actual chemical usage observed in Fiscal Year 2024, which was higher than the budgeted usage for Fiscal Year 2025.

Chemical	Variance (%) from FY2025 Budget	Variance (\$) from FY2025 Budget
Sodium Hypochlorite	31%	\$45,000
Methanol	0%	-
Ferric Chloride	6.3%	\$75,000
Alum	18.8%	\$75,000
Sodium Hydroxide / Caustic	100%	\$180,000
Polymer	16.9%	\$110,000

Fairfax Water recently led a cooperative procurement for water treatment chemicals in collaboration with other utilities and in coordination with COG, which resulted in contracts executed in January 2025. AlexRenew collaborated with Fairfax Water on this procurement. Based on the bids received, the rates for methanol and alum are higher than AlexRenew's current contract. We'll continue to work with our partners at COG on cooperative procurements.

9. (p10) What is driving up the cost of Operations and Maintenance costs by 23.1%?

Staff response:

The increase in Operations and Maintenance costs of 23.1% is primarily driven by the following:

Expense	Increase (\$)	Detail
Apprenticeship Training	\$34K	Over the next several years, AlexRenew is anticipating a number of retirements. In Fiscal Year 2026, AlexRenew plans to hire five (5) maintenance apprentices. This program will support the apprentices with classroom training.
Boiler Maintenance	\$110K	Over the past several fiscal years, AlexRenew has expended more than anticipated on boiler system maintenance due to their 25-year age. The budget number has been revised to reflect actual spending on boiler system maintenance, including the steam distribution system. A study is underway to develop a plan for boiler system upgrades and improvements.
Generator Maintenance	\$18K	Item that was previously carried in a different budget and reclassified under maintenance budget
Gravity Thickener Maintenance	\$75K	Over the last two years, AlexRenew has made repairs on gravity thickeners to get to redundant units. With redundancy underway, it is anticipated that the remaining gravity thickeners will be taken off-line for maintenance.
Facilities Maintenance	\$62K	With the increased construction traffic over the last several years, security gates and garage doors have required additional maintenance. Amounts have been increased for landscaping and security gate/garage door maintenance to reflect actual costs from previous years.
Maintenance Contracts	\$64K	Anticipated increases on various maintenance contracts including pest removal, elevator maintenance, facilities cleaning, and CSO outfall cleaning.

10. (p10) Are there new operating expense increases budgeted for FY 2026 to operate River Renew? If so, what is that estimated cost? How will these ongoing operating costs be shared with Fairfax?

Staff response:

RiverRenew is under contractor control until substantial completion on July 1, 2026. Any operating costs for RiverRenew are anticipated to be carried by the contractor until then.

Operating Expenses related to the joint use facilities will be shared with Fairfax based on the ratio of wastewater flows from Fairfax received at the WRRF compared to total WRRF flows. Operating Expenses related to Alexandria-only facilities will be solely funded by AlexRenew.

11. What rate increase is expected in health care costs for FY 2026?

Staff response:

The health care costs (medical, vision, etc.) are updated on an annual basis by calendar year. The current calendar year 2026 health care costs are not yet known and are typically received in September of each year. The Fiscal Year 2026 Budget assumed an increase of 5% for healthcare costs for calendar year 2026.

12. (p17) It may be useful to add in writing to the eventually adopted FY 2026 budget document, as well as in the Rates, Rules and Regulations document, that AlexRenew is currently studying its rate structure for possible major revisions possibly as early as FY 2027, but would only do so after undertaking a community education and feedback process.

Staff response:

Staff is in agreement with the suggestion and the following language is proposed to be added to the Fiscal Year 2026 Budget under Section 5 and to the Rates, Rules, and Regulations document under the Base Charge section:

“AlexRenew is currently studying its rate structure for possible major revisions as early as Fiscal Year 2027. As part of the Board’s consideration of any proposed changes to AlexRenew’s rate structure, AlexRenew will undertake a public input and feedback process, conducted in accordance with §15.2-5136 of Virginia Code for public notice and public hearing procedures.”

13. I have attempted to develop a crosswalk to better understand the sources and flows of budget funding for each of AlexRenew’s funds. I was partially successful, but I could not get the Capital Funding to fully tie to all of the other fund statements nor the capital budget pages. I think such a crosswalk (sources and uses listed vertically and then each fund listed horizontally with transfers out of funds and transfers into funds listed) would be a valuable chart to include in the budget document. I assume that staff has prepared such a chart for the FY 2026 budget and it would be helpful to see that to better understand the flow of funds and status of each fund. Having an overall Capital Fund statement (besides the two IRR statements in the budget document) would also be useful as that is the largest expenditure source, and the only major expenditure category without a fund statement in the budget document. Such a document would list all sources of funds then compared with proposed expenditure and transfer uses (including inter-fund transfers).

Staff response:

To better illustrate the flow of funds across various funds, staff have developed the table included in Attachment A. The General Fund table (Table B.7) was previously only showing the Alex-only General Capital Expenses. Staff has updated Table B.7 to reflect all capital (non-IRR) funding sources and uses, as shown below. This update will be reflected in the next draft of the budget.

General Fund	Adopted FY2025	Proposed FY2026	Var %	Estimated FY2027	Estimated FY2028
Revenues					
Revenue Fund Transfer	\$ 11,971,472	\$ 11,282,778	-5.8%	\$ 12,601,483	\$ 14,830,914
Fairfax Contribution	\$ 36,851,776	\$ 54,313,129	47.4%	\$ 67,890,000	\$ 62,430,000
Debt Proceeds	\$ 112,618,224	\$ 113,393,095	0.7%	\$ 42,000,000	\$ 27,000,000
Cash	\$ 5,266,179	\$ 4,243,222	-19.4%	\$ 4,283,517	\$ 5,114,086
Interest Income	75,000	1,275,000	1600.0%	1,275,000	1,275,000
Total Revenues	\$ 166,782,651	\$ 184,507,223	10.6%	\$ 128,050,000	\$ 110,650,000
Expenses					
Alex-only General Capital Expenses	\$ 10,844,400	\$ 13,900,000	28.2%	\$ 14,900,000	\$ 6,600,000
Joint General Capital Expenses	\$ 152,610,000	\$ 170,607,223		\$ 113,150,000	\$ 104,050,000
Total Expenses	\$ 163,454,400	\$ 184,507,223	12.9%	\$ 128,050,000	\$ 110,650,000
Fund Balance Increase (Decrease)	\$ 3,328,251	\$ -		\$ -	\$ -
Fund Balance - Beginning	\$ 66,695,928	\$ 70,024,180		\$ 70,024,180	\$ 70,024,180
Fund Balance - Ending	\$ 70,024,180	\$ 70,024,180		\$ 70,024,180	\$ 70,024,180
General Reserve sub-Fund ¹	\$ (5,802,015)	\$ (6,727,521)		\$ (7,043,349)	\$ (7,374,969)
Available Balance	\$ 64,222,164	\$ 63,296,658	-1.4%	\$ 62,980,830	\$ 62,649,211

¹ Additional Operating Reserve Requirement of 60 days cash per Board-approved financial policy

14. I penciled out (my digital spreadsheet skills are too rusty) a rough All Funds crosswalk showing revenues, transfers and expenditures for the Revenue Fund, Operating Fund and Debt Service Fund, and the General Fund. Finding the two-hop transfer of \$4.7 million from the Revenue Fund to the General Fund and then to the Capital Budget Fund helped answer some of my questions. However, based on the information in the proposed FY 2026 Operating Budget and CIP, I was unable to get the Capital funding sources (as listed on p. 11 Table 3.5) to tie to the General Fund statement p. B-9). Specifically, the FY 2026 General Fund Statement shows a \$13.9 million line for FY 2026 General Capital Expenses. The Capital funding source chart does not show a \$13.9 million amount, but does show a \$5.7 million Cash amount. Can staff please explain these two different numbers and how to reconcile the Expenses/Transfers of the General Fund with the overall AlexRenew budget?

Staff response:

To clarify how capital funding sources tie to the General Fund statement, Table B.7 was updated to include all funding sources for General Capital Expenses.

15. The IRR fund statement (Table B.5) shows the FY 2026 \$5.1 million Fairfax County IRR contribution as a revenue and then near the end of the chart shows exactly to the dollar the \$5.1 million Fairfax contribution amount listed as "Excess" for FY 2026 and not spent. Table 3.1 shows the \$5.1 million as an FY 2026 revenue and as a funding source for the FY 2026 capital budget. Can an explanation be provided about this \$5.1 million? Also it appears that the Fairfax IRR and Fairfax Capital contribution titles on Table 6.1 are reversed, with the much larger Fairfax Capital Contribution showing for all 10 years of the CIP as IRR contributions.

Staff response:

The transfer from the Revenue Fund to the Joint IRR Fund was higher than necessary to pay for anticipated Joint IRR costs. Staff is updating Table B.5 to show a transfer of \$6.6 million – the difference will be transferred to the General Fund. This updated table is shown below and will be reflected in the next draft of the budget.

IRR Fund - Joint Use Facilities Account	Adopted FY2025	Proposed FY2026	Var %	Estimated FY2027	Estimated FY2028
Revenues					
Revenue Fund Transfer	\$2,704,353	\$6,575,834	143.2%	\$6,002,012	\$5,654,381
Fairfax County Contribution	\$3,901,296	\$5,064,966	29.8%	\$5,242,592	\$5,494,683
Total Revenues	\$6,605,649	\$11,640,801	17.2%	\$11,244,604	\$11,149,065
Expenses					
Campus Wide Projects	\$2,500,000	\$3,000,000	20.0%	\$4,000,000	\$3,000,000
Collection System Projects	\$100,000	\$500,000	400.0%	\$366,640	\$403,304
Information Technology Projects	\$500,000	\$500,000	0.0%	\$500,000	\$550,000
Compliance Laboratory	\$10,000	\$10,800	8.0%	\$11,664	\$12,830
Preliminary / Primary Infrastructure	\$250,000	\$1,000,000	300.0%	\$291,600	\$ 320,760
Secondary Infrastructure	\$1,500,000	\$1,500,000	0.0%	\$1,620,000	\$1,782,000
Solids Infrastructure	\$1,000,000	\$1,000,000	0.0%	\$1,166,400	\$1,283,040
Tertiary Infrastructure	\$1,763,900	\$1,000,000	-43.3%	\$683,500	\$751,850
Odor Control System	\$500,000	\$500,000	0.0%	\$500,000	\$550,000
Power Distribution Monitors	\$30,000	\$100,000	233.3%	\$30,000	\$33,000
West Campus Projects	\$750,000	\$1,000,000	33.3%	\$874,800	\$962,280
Safety and Security	\$1,030,000	\$1,530,000	48.5%	\$1,200,000	\$1,500,000
Joint IRR Expenses	\$9,933,900	\$11,640,801	17.2%	\$11,244,604	\$11,149,065
Excess (Deficiency)	\$(3,328,251)	(\$1)		-	-
Fund Balance - Beginning	\$2,758,373	\$(569,878)		\$(569,878)	\$(569,878)
Fund Balance - Ending	\$(569,878)	\$(569,878)		\$(569,878)	\$(569,878)

The labels in Table 6.1 will be corrected in the next draft of the budget.

16. The summary Table 3.1 shows Debt Proceeds at \$113.4 million for FY2026. The CIP shows River Renew at a \$96 million expense for FY 2026. I assume that River Renew for FY 2026 less any Fairfax County share is all debt funded. How much of that \$113.4 million is for non-River Renew capital projects? Do these non-RiverRenew bond proceeds derive from AlexRenew's 2024 bond sale?

Staff response:

The Fiscal Year 2026 Budget estimates that approximately \$27 million of the \$113.4 million in debt proceeds is associated with non-RiverRenew capital projects. The \$27 million in non-RiverRenew debt proceeds is all derived from AlexRenew's 2024 green bond sale.

17. What is the explanation for the difference between the 16% calculation of the Fairfax RiverRenew Joint Capital contribution for FY 2026 shown in Table B-4 and the 60% Fairfax RiverRenew share shown on page C-51? I thought that the AlexRenew share was much larger than the Fairfax share. Can staff provide a funding chart which shows how the \$615 million estimated cost of RiverRenew will be paid (grants, Fairfax share, AlexRenew rate payers, and any other funding sources)?

Staff response:

The sheet shown on C-51 overstated Fairfax's contributions for Fiscal Year 2026. Table B.2 correctly projects Fairfax's contributions as \$9.6 million based on the cost share with Fairfax County. The sheet on C-51 will be updated to correctly state Fairfax's contributions in the next draft of the budget.

The table below shows the funding plan associated with the \$615 million estimated RiverRenew cost.

Funding Source	Anticipated Amount
Grants	\$140 million
Loans (Paid by AlexRenew's Ratepayers)	\$384.9 million
Fairfax Contributions	\$58 million
Cash	\$32.1 million
Total Funding Sources	\$615 million

Note the Fiscal Year 2026 Budget is carrying an additional \$15 million due to project delays. It is anticipated that should any additional funding be required, it would be drawn from the remaining loan proceeds.

Thanks for your attention to these questions. Please let me know if you need any clarification.

Follow-up Questions from April 28, 2025

The following questions were submitted by the Finance and Audit Committee on April 28, 2025 as follow-up to the staff responses to the questions submitted on April 21.

18. Follow-up to Question 1: OK except that I think the "transfers to reserves" phrase is not needed and could be replaced with just the word "reserve"

Staff response:

The following paragraph will be revised in the next draft of the budget: "The FY2026 operating expenses are \$40.9 million, representing a 16.0 percent year-over-year increase. The increase in expenses is largely driven by the anticipated 6.5 percent investment in total personnel costs due to the addition of staff and a 16.1 percent year-over-year increase in chemicals due to rising costs. The increase also includes \$2.5 million in reserves 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)."

19. Follow-up to Question 2: Will the addition of the \$2.5 million for FY27 (as well as the late fee addition of \$1.5 million change the prior rate increase calculation for FY27?

Staff response:

Should both the addition of \$2.5 million in reserves and an increase in revenues of \$1.5 million from late fees occur, staff anticipates that additional cash would be used to cover the \$1 million difference. There are no changes anticipated to the proposed rate adjustment for Fiscal Year 2027 from the addition of \$2.5 million in reserves and projected additional revenues from late fees.

20. Follow-up to Question 3: I would suggest that chart 3.1 have “Parity Debt Proceeds” broken into two lines: “WIFIA Loan Proceeds” and “Bond Proceeds”. I would drop the word “Parity” from use in the budget document in future years because it is a technical word that few understand.

Staff response:

Agreed. Table 3.1 will be updated to be broken into two lines – “WIFIA Loan Proceeds” and “Bond Proceeds” and the word “Parity” will be removed in the next draft of the budget.

21. Follow-up to Question 5: How will the addition of the \$1.5 million change the overall budget and rates for FY26 and FY27?

Staff response:

The addition of the projected \$1.5 million increase in revenues for the Fiscal Year 2027 Budget is anticipated to decrease the amount of cash used for capital funding. As the projected amount is not anticipated to be a dependable revenue stream nor is it anticipated to have a material impact on the needed rates for AlexRenew’s capital funding, no changes are recommended to the Fiscal Year 2027 rate adjustment from the additional \$1.5 million in revenues. In accordance with our Rate Setting Policy, staff will perform a revenue sufficiency analysis to confirm this assumption as part of the budget cycle.

22. Follow-up to Question 6: What is the late fee policy of the PWC Service Authority? I think that eventually that some sort of late fee language should eventually be incorporated into the Board Financial Policy document.

Staff response:

Similar to Fairfax Water and DC Water, Prince William Water assesses a 10% charge after 30 days. Staff agrees that late fee language should be incorporated into the Financial Policy or Rate Setting Policy (where other fees and charges are discussed).

23. Follow-up to Question 9: For the FY27 budget, I would recommend that the operating expense details explaining large increases be expanded to include some of the language in answers 7, 8 and 9.

Staff response:

The Fiscal Year 2027 Budget will include similar explanations for increases as explained in the responses to Questions 7, 8, and 9.

24. Follow-up to Question 13: In addition to this information on Page 12, in future budget documents having the revenue summary under all 10 years of the CIP (Table C-1) would be a good addition to the budget to show what the plan of finance of the CIP is for future years. I realize that it is speculative in nature, but I think key in the consideration and adoption of the Board of the 10-year CIP.

Staff response:

Table C.1 will be amended to show the funding sources summary across the 10-year CIP in the next draft of the budget.

25. Follow-up to Question 14: I have attached my primitive draft crosswalk. It differs from the draft attached to your response as it largely moves “Transfers” up into the “Sources” part of the crosswalk as the transfers are really the movement of revenues from the Revenue Fund to the funds where the revenues will be spent. I have also broken out the “Debt Proceeds” into two lines: “WIFIA Loan Proceeds” and “2024 Bond Proceeds” as the amounts are material and that breakout will make it easier for a layperson to understand what the sources of this major category are. I think that this crosswalk chart should be made a regular part of the budget document, as it explains AR’s complicated funding structure in one chart. I think that this crosswalk chart should be made a regular part of the budget document, as it explains AR’s complicated funding structure in one chart.

Staff response:

An updated crosswalk is included as Attachment B in this document. The crosswalk will be added as Table 3.6 in the next draft of the budget.

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Attachment A**Summary of Sources and Uses for Each AlexRenew Fund**

Sources	Revenue Fund	Operating Fund	Parity Fund	Joint IRR Fund	General IRR Fund	General Fund
AlexRenew Wastewater Treatment Charges	\$64,941,337.05					
Fairfax County Operating Charge	\$14,662,764.49					
Fairfax County IRR Contributions				\$5,064,966.10		\$54,313,128.70
Fairfax County Capital Contributions						
Interest Income		\$85,000.00	\$340,000.00			\$1,275,000.00
Transfer from Revenue Fund		\$40,840,755.00	\$19,880,974.79	\$6,575,833.90	\$1,023,760.00	\$11,282,777.84
Transfer from General Fund						
Debt Proceeds						\$113,393,095
Cash						\$4,243,222.16
Total	\$79,604,101.54	\$40,925,755.00	\$20,220,974.79	\$11,640,800.00	\$1,023,760.00	\$184,507,223.28
Uses	Revenue Fund	Operating Fund	Parity Fund	Joint IRR Fund	General IRR Fund	General Fund
Transfer to Operating Fund ¹	\$40,840,755.00					
Transfer to Parity Debt Service Fund	\$19,880,974.79					
Transfer to IRR Fund - Joint Use Facilities Account	\$6,575,833.90					
Transfer to IRR Fund - General Account	\$1,023,760.00					
Transfer to General Fund	\$11,282,777.84					
Transfer to General Reserve Subfund						
Transfer to Construction Fund						
O&M Expenses		\$40,925,755.00				
Debt Service			\$20,220,974.79			
Joint IRR Expenses				\$11,640,801.00		
Alex-Only IRR Expenses					\$1,023,760.00	
Alex-Only CIP Expenses						\$13,900,000.00
Joint CIP Expenses						\$170,607,223.28
Excess (Deficiency)						
Total	\$79,604,101.54	\$40,925,755.00	\$20,220,974.79	\$11,640,801.00	\$1,023,760.00	\$184,507,223.28

Attachment B

All Funds Sources and Uses for the FY2026 Proposed Operating and Capital Budget

Sources	Revenue Fund	General Fund	Operating Fund	Debt Service Fund	Joint IRR Fund	General IRR Fund	All Funds
AlexRenew Wastewater Treatment Charges	\$64,941,337						\$64,941,337
Fairfax County Operating Charge	\$14,662,764						\$14,662,765
Fairfax County IRR Contributions					\$5,064,965		\$5,064,965
Fairfax County Capital Contributions		\$54,313,129					\$54,313,129
Interest Income		\$1,275,000	\$85,000	\$340,000			\$1,700,000
Interfund Transfers	\$(79,604,102)	\$11,282,778	\$40,840,755	\$19,880,975	\$6,575,835	\$1,023,760	\$0
WIFIA Proceeds		\$86,393,095					\$86,393,095
2024 Bond Proceeds		\$27,000,000					\$27,000,000
Cash		\$4,243,222					\$4,243,222
Total	\$0	\$184,507,223	\$40,925,755	\$20,220,975	\$11,640,800	\$1,023,760	\$258,318,513
Uses	Revenue Fund	General Fund	Operating Fund	Debt Service Fund	Joint IRR Fund	General IRR Fund	All Funds
Operating Expenses			\$40,925,755				\$40,925,755
Debt Service				\$20,220,975			\$20,220,975
Joint IRR Expenses					\$11,640,800		\$11,640,800
Alex-Only IRR Expenses						\$1,023,760	\$1,023,760
Alex-Only CIP Expenses		\$13,900,000					\$13,900,000
Joint CIP Expenses		\$170,607,223					\$170,607,223
Total	\$0	\$184,507,223	\$40,925,755	\$20,220,975	\$11,640,800	\$1,023,760	\$258,318,513