

AlexRenew Board of Directors
Minutes of the Finance and Audit Committee
Tuesday, March 11, 2025

On Tuesday, March 11, 2025, the AlexRenew Board of Directors held a Finance and Audit Committee meeting at 1800 Limerick Street, and broadcast via Microsoft Teams, with the following present:

Members: Mr. Mark Jinks, Finance and Audit Chair (Chair)
Dr. Moussa Wone, Finance and Audit Member
Mr. John Hill, Chair Ex. Officio
Mr. James Beall, Board Vice Chair
Ms. Rebecca Hammer, Board Member

Staff: Mr. Justin Carl, CEO/GM
Ms. Caitlin Feehan, Chief Administrative Officer
Mr. Lake Akinkugbe, Director of Finance
Mr. Jason Moore, Finance Manager
Ms. Shawnette Hurley, Senior Accounting Technician
Ms. Lorna Huff, Executive Assistant to the Board

1. Call to Order

The Chair called the meeting to order at 5:32 p.m.

2. Approval of the Agenda

There being no changes to the Agenda, the Chair moved to approve the agenda. Dr. Wone seconded. The Committee unanimously approved.

3. Public Comment Period

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

4. Consent Agenda

The Committee reviewed the Consent Agenda which contained the Minutes of the November 11, 2024, Finance and Audit Committee meeting. The Chair requested a motion to approve the Consent Agenda. Dr. Wone moved to approve. The Chair seconded with an edit to the first line to correct a typo in the words "Bond Buyer", Item 6.A. The Committee unanimously approved.

5. New Business

- a. Presentation on Fiscal Year (FY) 2026 Preliminary Draft Operating and Capital Budget and Fiscal Year 2026 and Fiscal 2027 Rate Recommendations

Staff Introductions

Ms. Shawnette Hurley, Senior Account, Ms. Barbara Reeve, Accounts Payable Technician, and Mr. Kas Kelkay, Staff Accountant from AlexRenew's Finance Department introduced themselves.

Mr. Carl noted that in addition to the FY2026 Operating and Capital Budget, AlexRenew is setting rates for FY2026 and FY2027. Ms. Feehan thanked committee members for their participation in the Budget presentation development and highlighted expenses and revenues from the Operating, Debt Service, and Capital Budgets. Noting additions to AlexRenew full-time employees (FTEs) of an Asset Manager, five maintenance apprentices are projected to be hired to offset anticipated retirements, and a technical trainer. Staff anticipates debt service payments for capital loans and bonds and continued major investments in RiverRenew, biosolids diversification, headworks renewal, and nutrient reduction projects.

The FY2026 Operating and Capital Budget is \$258.3 million which includes an expected capital outlay of \$197.2 million, debt service payments of \$20.2 million, and operating expenses of \$ 40.9 million. For revenue, staff projects \$120.8 million of general capital proceeds, \$59.4 million in Fairfax capital contributions and operating revenue of \$78.1 million. Ms. Feehan discussed AlexRenew's debt service and reported that staff had requisitioned \$109 million from WIFIA. Ms. Hammer and Mr. Jinks asked about the effects of a government shutdown on the ability to requisition from WIFIA. Mr. Carl reported that in the event of a shutdown, staff will use AlexRenew's line of credit until the government reopens. Mr. Jinks asked about the impact of using the public bond market in the place of WIFIA. Ms. Feehan reported at the current interest rate of 4.2 percent, over time this would increase the overall costs by approximately \$50 million.

Ms. Feehan then discussed a proposed rate increase of 5.0% for FY2026, and 5.7% for FY2027 largely being driven by investments in RiverRenew and noted the 2018 projected increases vs the actual increases are lower. Staff is considering alternative rate structures as presented at the January Board Retreat. A larger sample size will be used to evaluate the impact of using an Equivalent Residential Unit (ERU) for customers and changes will be phased in over 3 to 5 years if implemented.

Ms. Feehan recognized Mr. Akinkugbe who discussed AlexRenew's expense budget noting that the Capital Outlay represents approximately 76% of total expenses, debt service represents approximately 8% of total expenses, and operating expenses represent approximately 16% of total expenses. For FY2026, Mr. Akinkugbe provided a greater breakdown of operating expenses. Mr. Jinks asked about the anticipated apprenticeship program and the use of local high schools in recruiting. Mr. Carl reported on AlexRenew's recruiting efforts in the local high schools, colleges, and cited the Concerned Citizens Network of Alexandria (CCNA) as resources. Dr. Wone asked about the notice to proceed for the headworks project. Mr. Carl reported that the contract was issued as a Construction Manager At-Risk (CMAR) with the notice happening in July 2024. Staff will come to the Board with contract amendments over the coming months.

Mr. Akinkugbe then reviewed the FY2026 Consolidated budget from the flow of funds in compliance with what is in the Master Trust Indenture of Trust and Financial Policy. He reviewed the budget schedule through June 17, 2025 for Board approval.

The Chair recognized Mr. Hill who reported that the budget documents improve every year and noted that he appreciated the clarity of the documents. He requested changes to the Budget presentation on slide 3 (Infographic) and the addition of a summary page to include that AlexRenew is a capital-intensive business and rate increases are used to support capital projects.

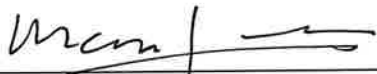
Mr. Carl noted that the Budget is included as Tab 3. Mr. Jinks requested that Board members

review and return comments to Mr. Carl directly. Mr. Carl reported that the Rates, Rules and Regulations are also included as Tab 4.

Mr. Carl reported on a recommended change to AlexRenew's Financial Policy that includes an additional Days Cash on Hand metric that aligns with S&P's rating criteria.

There being no additional business, the Chair made a motion to adjourn. Dr. Wone seconded. The Committee unanimously approved. The meeting adjourned at 6:43 p.m.

APPROVED



Finance and Audit Committee Chair