

Minutes of the 841st Meeting
"Celebrating Over 60 Years of Continuous Environmental Excellence"
Alexandria Renew Enterprises
6:00 p.m., Tuesday, February 21st, 2017

On Tuesday, February 21st, at 6:00 p.m., the regular meeting of the Alexandria Renew Enterprises (AlexRenew) Board of Directors was held at Alexandria Renew Enterprises in the Ed Semonian Board Room at 1800 Limerick Street with the following present:

Members: Mr. John Hill, Chair
Mr. Bruce Johnson, Vice Chair
Mr. William Dickinson, Secretary-Treasurer
Mr. James Beall, Member
Ms. Patricia Turner, Member

Staff: Ms. Karen Pallansch, Chief Executive Officer
Mr. Charlie Logue, Chief of Production
Ms. Lisa Van Riper, Chief of Enterprise Communications
Mr. Sean Stephan, Chief of Sustainability
Ms. Lisa Reynolds, Chief of Engineering and Planning
Mr. Robert Oshode, Controller
Mr. Hans Bailey, Senior Customer Service Manager
Ms. Lorna Huff, Secretary to the Board

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

City Representative: Mr. Lalit Sharma
Office of Environmental Quality

Counsel: Mr. Jonathan Rak, McGuireWoods, LLP

Consultant: Mr. Nelson Bush, PFM
Consultant: Mr. Matt Heatwole, Brown Edwards, LLP

Call to Order

The Chairman called the meeting to order at 6:10 p.m.

Approval of the Agenda

The Chairman inquired whether members had changes to the agenda. There being none Mr. Dickinson moved approval and Mr. Johnson seconded. The Board unanimously approved.

Educational Discussion – AlexRenew Investment Portfolio

The Chairman recognized Mr. Nelson Bush from PFM to provide an overview of the current U.S. economy, AlexRenew's current investment status, and proposed investment strategies moving forward.

Mr. Bush discussed the current state of the U.S. economy. He reported on overall moderate growth, noting improvements in consumer confidence, job creation, new home and car sales, and decreases in

unemployment claims. He further discussed the new administration's focus on changes to fiscal, regulatory, monetary, immigration, and trade policies and the potential impact to the U.S. economy.

For the 4th quarter 2016, the core portfolio results showed a -0.71% return but outperformed the benchmark return of -0.75%. He discussed the upside opportunities and downside risks associated with the current fixed income outlook and reviewed the portfolio composition and credit quality. He presented two scenarios for the AlexRenew portfolio. The first scenario would maintain the current 1-3 year time horizon. The second would change our current time horizon to a 1-5 year time horizon. Board members discussed interest rate risks, the pros and cons of changing time horizons, and AlexRenew's short and long term money needs, noting that revenues are stable. The Board members also inquired about what other organizations similar to AlexRenew are doing. Mr. Bush noted that most clients are going with the shorter term 1-3 year investment horizon. Ms. Turner inquired about the Board's discretion in financial matters and rate sensitivity. Mr. Bush reported that the Virginia Code determines the types of securities for public entities and that AlexRenew operates under Board-adopted investment policies.

Mr. Bush reported that AlexRenew can review investments over the next quarter to better determine the effect of the new administration on investments. Mr. Hill asked about portfolio transaction costs. Mr. Bush reported that PFM could not trade to avoid costs. Mr. Hill requested members' recommendations. They came to a consensus to remain with the 1-3 year time horizon. If the portfolio experiences extreme fluctuations, the Board can re-evaluate or set a trigger.

The Chairman and Board complimented Mr. Bush on his presentation and thanked him for his participation. There being no additional questions or comments, the Chairman moved to the Board Reports.

Board Reports

A. Chairman's Report

The Chairman read a note from former Board member, Thomas Van Wagner, expressing appreciation for the time spent on the Board.

B. Vice Chairman's Report

Nothing to report.

C. Finance Committee

Mr. Johnson's financial report to the full Board discussed AlexRenew's FY16 financial audit and the Comprehensive Annual Financial Report (CAFR). The FY16 audit was completed two months earlier than the prior year and AlexRenew received a clean, unmodified opinion, which is the highest designation.

Mr. Johnson also reported on AlexRenew hiring Grant Thornton to review and make recommendations to improve accuracy and timeliness of Finance Department reporting. The recommendations were reviewed by the Finance and Audit Committee. Mr. Hill inquired about improvements in the financial area. Mr. Johnson reported on improvements and said the Committee was looking at one more financial cycle to determine success. Ms. Turner inquired on the number and frequency of auditor comments and the industry norm. Ms. Pallansch provided her perspective that AlexRenew is indeed making progress towards providing financial information in a more clear and timely fashion. The goal is to have no more than one or two auditor comments per year. AlexRenew is still working through prior

years comments that may appear on the next CAFR, but will drop off the following year. Mr. Hill reported to Ms. Turner that AlexRenew had recently hired Grant Thornton to provide an assessment of the Finance functions at AlexRenew, and the action plan that was developed based on their recommendations. Grant Thornton and Brown Edwards have recommended that the Finance Department perform more frequent reconciliations of assets.

Mr. Johnson then requested input from Mr. Matt Heatwole from Brown Edwards. Mr. Heatwole reported that good processes are now in place and that he expects improvements as more assets come online.

Mr. Johnson discussed the Finance and Audit Committee's Request to extend the contract of Brown Edwards, LLP to perform the FY2017 audit. Ms. Pallansch reported that good progress had been made towards the Finance Department providing accurate and timely financial reporting. Normal protocol is to hire an audit firm for no more than two consecutive three year periods. This one year extension would be outside the scope of normal policy.

Brown Edwards is working with AlexRenew to address various audit and internal financial review comments. Continuity with an established audit partner is critical at this juncture to ensure that processes currently being established are successful and sustainable. There being no further discussion, Mr. Hill moved approval with Mr. Johnson providing the second. The Board unanimously approved.

Be It Resolved That: the Board authorizes the CEO to extend the contract of Brown Edwards, LLP for professional audit services to May 2018 for the FY 2017 CAFR, review of pension journal entries and examination of the VRS.

There were no additional questions or comments and the Chairman moved to the Governance Committee report.

D. Governance Committee

Nothing to report.

The Chairman moved to the CEO Reports and Recommendations.

CEO's Reports and Recommendations

A. Consideration of January 2017 Financial Report

Mr. Hill observed that the cash reserves were tracking to budget. Mr. Dickinson inquired on AlexRenew debt collection efforts. Ms. Pallansch reported that significant progress had been made in decreasing the number of delinquent accounts and that water shut-offs had commenced. Customers who have difficulty paying their bills are put on a payment plan. She will provide an update at the next Board meeting.

B. CEO Monthly Report (January)

Ms. Pallansch noted her CEO report and inquired if members had questions or comments. There being none she reviewed the CEO Report updates.

Ms. Pallansch reviewed the agenda for the Board of Directors Retreat. The subject is "Shaping Alexandria's Water Future." Various speakers and representatives have been invited. She noted that as in years past, there will be a dinner the evening before between the Board and speakers at a restaurant as yet to be determined.

AlexRenew's 2016 Annual Report is complete and each Board member has been provided a copy. Ms. Pallansch reported that Siddall Inc. prepares the report with AlexRenew staff doing the writing. Several versions of the Report are reviewed and edited for the final product. The Report will be posted to the website within one week of the Board meeting.

Ms. Pallansch reported that the City of Alexandria was presenting their FY18 Draft budget at a City Council meeting tonight. The budget shows funding for all projects. She noted that a 20% to 30% rate increase over 10 years in sanitary sewer fees. Ms. Turner suggested a presentation to the Alexandria Chamber on this subject.

Ms. Pallansch reported that the March Educational Session will be with Mr. Karl Moritz, Planning Director for the City of Alexandria. The topic will be the City's 10 – 20 year plan.

Ms. Pallansch reported that the multi-purpose field had been turned over to the City. She further reported that the Fire and Police Departments are using AlexRenew facilities in J Building.

Mr. Johnson reported on two Combined Sewer Overflow (CSO) bills currently before the Virginia General Assembly. The House bill would require construction to begin in 2024. The Senate bill would begin construction in 2025. He noted that neither bill required penalties and that they would be reconciled.

There were no additional questions or comments. The Chairman moved to the Consent Docket.

Consent Docket

Mr. Hill inquired whether members had any questions or comments on the Minutes of the December meeting. The Board reviewed the Minutes and had no questions or comments. Mr. Johnson moved approval of the Minutes and Mr. Beall provided the second. The Board unanimously approved the Consent Agenda which contained:

A. Minutes of the January Board Meeting

There being no further questions, the Chairman moved to Unfinished Business.

Unfinished Business

A. None

There being no Unfinished Business, the Chairman moved to New Business.

New Business

A. Closed Session

At 7:50 p.m., the Chairman convened a closed session for "Discussion of a public contract involving the

expenditure of public funds, including interviews of bidders, offerors, and discussion of the terms or scope of a public contract, where discussion in an open session would adversely affect the bargaining position or negotiating strategy of the public body.” pursuant to 2.2-3711(A)3 of the Virginia Freedom of Information Act.

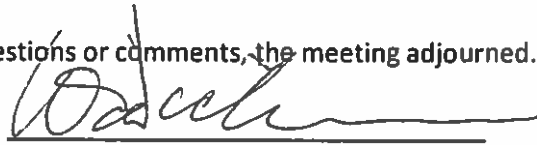
At 8:45 p.m., the meeting returned to open session and the following certification was unanimously adopted by the members: “Pursuant to 2.2-3712(D) of the Virginia Freedom of Information Act, it is hereby certified that to the best of each Member’s knowledge, (1) only public business matters lawfully 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 the Alexandria Renew Enterprises.” Motion was made by Mr. Beall and seconded by Mr. Dickinson. All Members present voted via roll call:

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| Mr. Hill | Aye |
| Mr. Johnson | Aye |
| Mr. Dickinson | Aye |
| Mr. Beall | Aye |
| Ms. Turner | Aye |

Mr. Johnson moved and Ms. Turner seconded a motion to defer the deadline for the first extension payment under the Development Rights Purchase Agreement between Carlyle Plaza, LLC and Alexandria Renew to December 15, 2017 when both the first and second payment will be due. The motion was approved unanimously.

There being no additional questions or comments, the meeting adjourned.

APPROVED:



Secretary-Treasurer