

Minutes of the 844th Meeting
“Celebrating Over 60 Years of Continuous Environmental Excellence”
Alexandria Renew Enterprises
6:00 p.m., Tuesday, May 16th, 2017

On Tuesday, May 16th, 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
Mr. Stephen Schemmel, Chief of Finance and Administration
Ms. Lisa Van Riper, Director of Enterprise Communications
Ms. Lisa Reynolds, Director of Engineering and Planning
Mr. Hans Bailey, Senior Customer Service Manager
Ms. Lorna Huff, Secretary to the Board

Counsel: Mr. Jonathan Rak
McGuireWoods, LLP

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

City Representative: Mr. Lalit Sharma
Office of Environmental Quality

Consultant: Mr. Rob Ori, Principal, PRMG
Mr. Thierry Boveri, Associate, PRMG
Ms. Loveenia Gulati, Analyst, PRMG

Guest: Mayor Allison Silberberg
Nick Kuttner, Potomac River Keepers

Call to Order

The Chairman called the meeting to order at 6:04 p.m.

Approval of the Agenda

The Chairman reviewed the agenda and requested a motion to approve. Mr. Dickinson moved approval and Mr. Beall seconded. The Board unanimously approved the Agenda.

Public Comment

There were no members of the public in attendance and the Chairman closed the public comment period.

The Chairman recognized Ms. Pallansch who introduced a video produced by the City of Alexandria on the Combined Sewer Outfall (CSO) issue. The video explained Alexandria's combined sewer system, the problems associated with it, and the steps the City is taking to mitigate the issue.

Educational Discussion – Financial Investment Review

The Chairman recognized Ms. Pallansch, Mr. Ori, Mr. Boveri and Ms. Gulati from the PRMG team. Ms. Pallansch opened her discussion with a history of AlexRenew's wet weather program and model. She reviewed AlexRenew's service area, interceptor system, the original time line, and task orders associated with the project. Members inquired about the AlexRenew service chambers and interceptors, and the status of the Long Term Control Plan (LTCP). Ms. Pallansch reported that the service chambers are similar to small pump stations to prevent overflows into basements and homes. The interceptors were built at the time of plant construction in 1956. The Virginia Department of Environmental Quality (DEQ) has requested additional work on the LTCP. It has not been approved.

Mr. Ori followed up with a review of AlexRenew's financial policy relative to increased cash reserves over what is required in the Master Trust Indenture. The additional cash reserve promotes sound financial policies, and provides business guidance, fiscal responsibility and financial stability for the organization, making it very credit worthy.

Mr. Ori then reviewed AlexRenew's current rate structure which has a built-in 1.5% increase per year on the base charge for FY 2017 and FY 2018. He reviewed the Capital Plan over 10 years and the current forecast highlighting existing debt. He discussed scenarios for funding wet weather management strategies that will impact AlexRenew rates and financial position. Members inquired about interest rates on bonds and inquired on AlexRenew's eligibility for Virginia Resources Authority (VRA) funding for the project. Mr. Ori reported that interest rates could be anywhere from 3.5% to 4.5% on a 30 year bond and it is possible that AlexRenew would have to issue bonds itself for the projects.

Ms. Pallansch and Mr. Ori then reviewed financial risks such as market and demographic changes, and organizational risks such as constructability and timeline issues, and resource and regulatory challenges associated with the scenarios. Ms. Pallansch further noted that the figures for CSO construction are best estimates and other factors both known and unknown will have an effect on the final numbers. The Chairman thanked Mr. Ori and Ms. Pallansch for their presentation.

At 7:44 p.m., the Chairman requested a brief recess.

At 8:02 p.m., the meeting reconvened and the Chairman moved to the Board Reports.

Board Reports

A. Chairman's Report

Nothing to report.

B. Vice Chairman's

Nothing to report.

C. Finance Committee Report

Nothing to report.

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

The Chairman recognized the Chief Executive Officer who reported on Governor McAuliffe's visit to AlexRenew to announce an initiative on climate change, greenhouse gases and carbon emissions, and to sign an executive directive. Attendees included Delegate Mark Levine, Natural Resources Secretary Molly Ward, and members of the Sierra Club. Several members of the media were also in attendance.

A. Consideration of April 2017 Financial Report

Mr. Hill reported that cash reserves are steady. Mr. Johnson also reported that the debt service coverage is good.

B. CEO Monthly Report (April)

There were no questions regarding the April CEO Report. The Chairman moved to the Consent Docket.

Consent Docket

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

A. Minutes of the April 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. Presentation of the Preliminary FY18 Capital and Operating Budget and Alternate

The Chairman recognized Ms. Pallansch who provided a presentation on the AlexRenew FY18 Capital and

Operating Budget. The presentation provided information on two proposed budgets. The first budget is \$70.4 million with 22.24 million in infrastructure investment and a proposed increase of 2.2% in operating expenses.

Highlights in the budget include: \$5.4 million for Operational Excellence, \$1.79 million for Community Benefit, \$14.2 million under Organizational Competency and approximately \$640,000 for New Ideas and Innovation. Capital Improvement Program (CIP) priorities in the FY 18 budget are wet weather management with the construction for the remediation of CSOs 003 and 004, preliminary and primary plant improvements, process control system upgrades, and facility master plan projects.

Ms. Pallansch then reviewed the alternate budget which also includes a wet weather management strategy. This budget includes construction for the remediation of CSOs 001 and 002 in addition to CSOs 003 and 004. This budget is \$77.3 million with \$28.2 million in infrastructure. She reviewed the Budget development process and dates, noting that the next Board meeting will contain a detailed review and discussion of the documents.

Members inquired about AlexRenew's healthcare program for retirees, staffing assumptions if a decision is made to take responsibility for constructing CSOs 001 through 004, and the timing for making a decision on the construction. Ms. Pallansch reported that AlexRenew does not provide health insurance for retirees and that current staff have a choice of a regular health insurance plan and a high deductible health care savings account plan. AlexRenew will use outside consultants and current employees to staff the CSO construction.

There being no additional questions or comments, the Chairman convened a closed session.

B. Investing of public funds where competition or bargaining is involved, where, if made public initially, the financial interest of the governmental unit would be adversely affected.

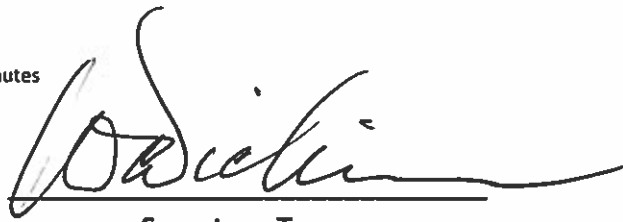
At 8:45 p.m., the Chairman convened a closed session to discuss agreements related to the disposition of publicly held real property pursuant to Virginia Code Section 2.2-3711.A.(3)

At 9:45 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. Dickinson and seconded by Ms. Turner. All Members present voted via roll call:

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

There being no additional questions or comments, the Chairman requested a motion to adjourn. Mr. Beall moved and Mr. Dickinson provided the second. The Board unanimously approved. The meeting adjourned at 9:47 p.m.

APPROVED:

A handwritten signature in black ink, appearing to read "D. Dickson", written over a horizontal line.

Secretary-Treasurer