



# Alexandria Renew Enterprises

## FY 2018 Budget Presentation

to the

**Board of Directors**  
**September 19, 2017**





# FY 2018 Proposed Budget

# FY 2018 Budget Goals

- Align w/2040 Vision and Strategic Outcomes
  - Sustain Operational Efficiency and Security
  - Build Strong Watershed Partnerships
  - Champion Community Education and Advocacy
  - Bolster Financial Strength and Resiliency
  - Pursue Opportunities to Innovate

# FY 2018 Investment Priorities



- Regulatory Compliance
- Operational Efficiency
- Business Resiliency
- Fiscal Stability
- Community Education and Advocacy

# FY 2018 Wastewater Service Rates



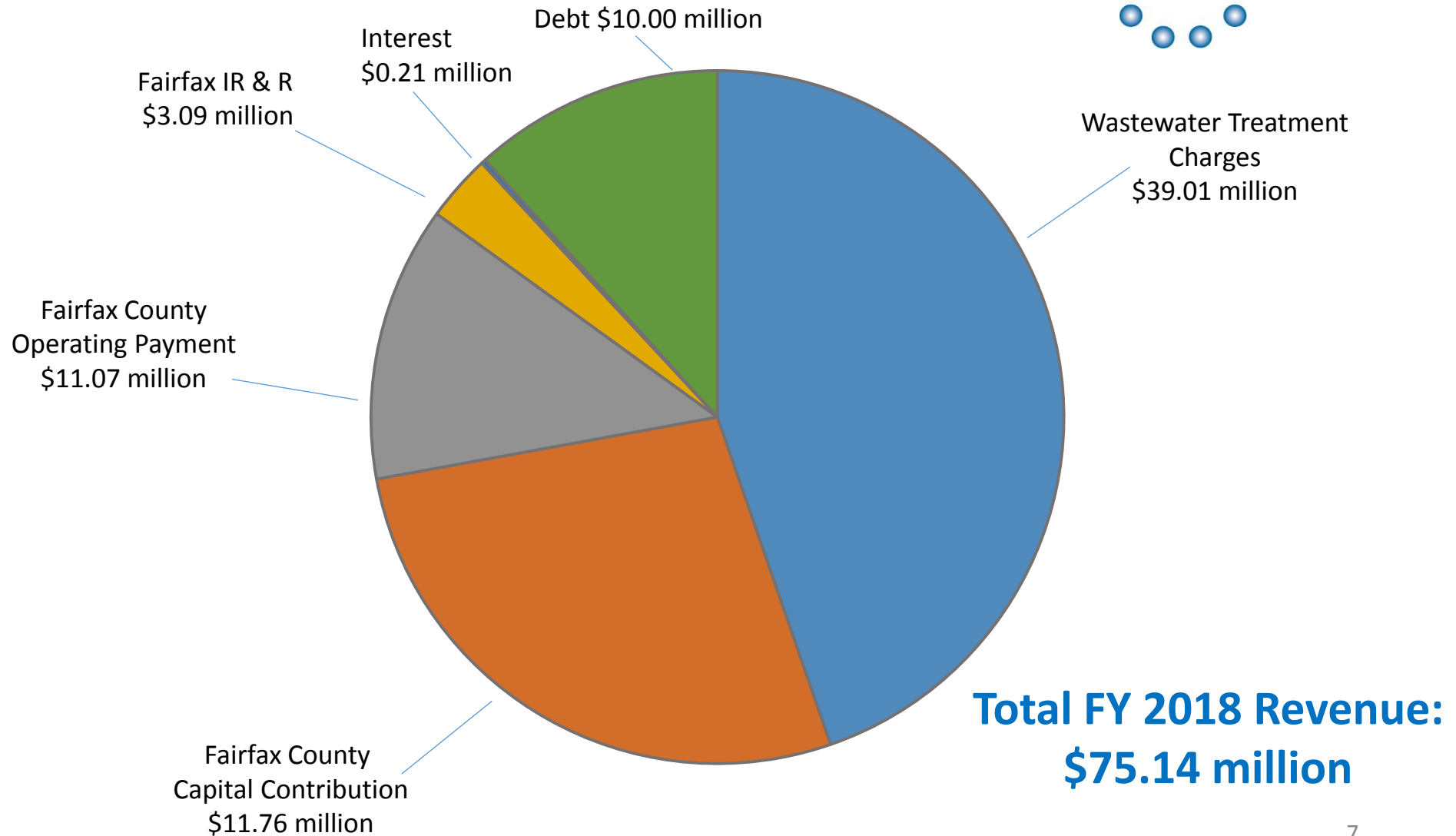
- AlexRenew Rates for Service
  - Support wastewater collection, treatment and disposal
  - Reviewed, established and approved by Board of Directors
  - Includes a Base Charge and a Treatment Charge
  - Base Charge Increase Approved by the Board, Sept - 2016
  - For all Residential Customers:
    - Increased \$0.61 to \$8.99 effective 10/1/2016
    - Increased \$0.62 to \$9.61 effective 10/1/2017
  - For all Commercial Customers:
    - Increase based on meter size
    - Schedule of Charges available at the link below:  
[https://alexrenew.com/system/files/filedepot/4/alexrenew\\_rates\\_rules\\_and\\_regulations.pdf](https://alexrenew.com/system/files/filedepot/4/alexrenew_rates_rules_and_regulations.pdf)

# FY 2018 Proposed Revenue Budget



• <b><u>AlexRenew Revenues</u></b>	
• Wastewater Treatment Charges	\$39.01 million
• Investment Income	<u>\$00.21 million</u>
• <i>Total AlexRenew Revenues</i>	<b>\$39.22 million</b>
• <b><u>Fairfax County Contributions</u></b>	
• Operating Expense Charge	\$11.07 million
• IR&R Contribution	\$ 3.09 million
• Capital Contribution	<u>\$11.76 million</u>
• <i>Total Fairfax Revenues</i>	<b>\$25.92 million</b>
• <b><u>Total Revenues</u></b>	<b><u>\$65.14 million</u></b>
• <b><u>AlexRenew Debt Financing</u></b>	<b>\$10.00 million</b>

# FY 2018 Proposed Revenue - Overview

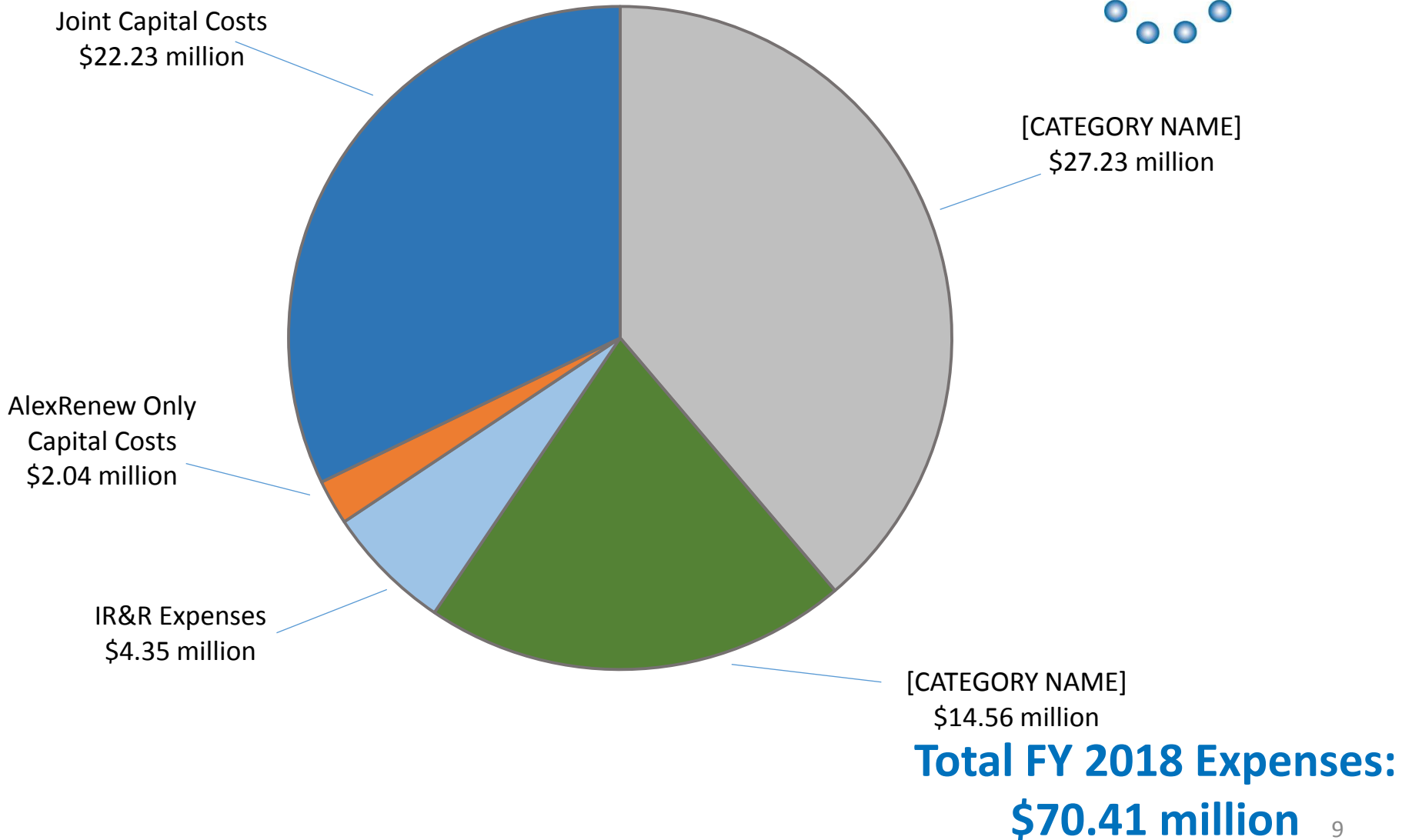


# FY 2018 Proposed Expense Budget

<ul style="list-style-type: none"> <li>• <b><u>Operating Expenses &amp; Debt Service</u></b> <ul style="list-style-type: none"> <li>• Operating Expenses \$27.23 million</li> <li>• Debt Service Payments <u>\$14.56 million</u></li> <li>• <i>Total O&amp;M Expenses</i> <b>\$41.79 million</b></li> </ul> </li> </ul>	
<ul style="list-style-type: none"> <li>• <b><u>Capital Costs</u></b> <ul style="list-style-type: none"> <li>• AlexRenew-Only IR&amp;R Costs \$ 0.35 million</li> <li>• Joint IR&amp;R Costs \$ 4.00 million</li> <li>• AlexRenew-Only Capital Costs \$ 2.04 million</li> <li>• Joint Capital Costs <u>\$22.23 million</u></li> <li>• <i>Total Capital Costs</i> <b>\$28.62 million</b></li> </ul> </li> </ul>	
<ul style="list-style-type: none"> <li>• <b><u>Total Expenses</u></b> <b>\$70.41 million</b></li> </ul>	



# FY 2018 Expense Overview



# FY 2018 Budget by Fund Categories



EXPENSE SUMMARY	FY 2017	FY 2018	Var %
• Operating Fund	\$ 26.64	\$ 27.23	2.23
• Parity Debt Service Fund	13.49	14.56	7.93
• IR&R Fund			
• Joint Account	4.00	4.00	-
• AlexRenew-Only Account	0.325	0.35	7.69
• General Fund	3.09	2.04	(34.16)
• Project Fund	19.92	22.23	11.62
<b>Total Consolidated Expenses</b>	<b>\$ <u>67.47</u></b>	<b>\$ <u>70.41</u></b>	<b><u>4.37</u></b>

# FY 2018 Budget Factors

- \$70.41 million consolidated expense budget:
  - \$2.95 million or 4.4% increase year-over-year
    - 2.2% Operating Expense Increase
    - 7.9% Debt Service Increase
    - 11.6% Capital Cost Increase
    - Maintain Liquidity at 120 Days Expenses
    - All-In Debt Service Coverage at 1.57x
    - PayGo Funding maintained at ≤15%



# FY 2018 Proposed Operating Budget Detail



# FY 2018 Operating Budget



Expenses	FY 2017	Proposed FY 2018	\$ Change
Operational Excellence	\$ 5.44 M	\$5.44 M	\$0.00 M
Organizational Competency	\$14.10 M	\$14.22 M	+\$0.11 M
Watershed Partnerships	\$ 2.83 M	\$3.15 M	+\$0.32 M
Community Benefit	\$1.70 M	\$1.78 M	+\$0.08 M
Revenue Stewardship	\$ 2.00 M	\$2.00 M	\$0.00 M
New Ideas and Innovations	\$ 0.56 M	\$0.64 M	+\$0.08 M
<b>Total</b>	<b>\$26.64 M</b>	<b>\$27.23 M</b>	<b>+\$0.59 M</b>

# Operational Excellence

- Component Costs:
  - Power – Electricity, Natural Gas
  - Production Process Chemicals and Water
  - Bio Solids Handling and Recycling
  - SCADA Service Contract
- FY 2018 Budget: \$5.44 million
- FY 2017 Budget: \$5.44 million
- Budget Variance: NA

# Organizational Competency

- Cost Components:
  - Salary and Benefits
  - Uniforms and Licenses
  - Professional Training and Development
  - Recruiting
- FY 2018 Budget: \$14.22 million
- FY 2017 Budget: \$14.10 million
- Budget Variance: \$0.12 million or 0.9% increase
- Primarily reflects net salary and benefits adjustments

# Employee Compensation

## ➤ Board approved Compensation Philosophy

- Merit Pool: \$325,000
- Virginia Retirement System: \$828,000
  - 8.95% Increase (7/1/17 - 6/30/2018)
- Health Insurance:
  - 85/15 AlexRenew/Employee Cost Share
- FY 2018 Staffing Level: 116 FTE's
- Bi-Annual Compensation Survey to be Conducted in 2018



# Watershed Partnerships

- Cost Components:
  - Financial Services
  - Legal Services
  - Other Professional Services
  - Payment to Arlington County for Sewer Flow
- FY 2018 Budget: \$3.15 million
- FY 2017 Budget: \$2.83 million
- Budget Variance: \$0.32 million or 11.5% increase
- Reflects increased payment to Arlington County

# Community Benefit

- Cost Components:
  - Customer Billing and Collection
  - Community Outreach, Public Relations, Branding
- FY 2018 Budget: \$1.78 million
- FY 2017 Budget: \$1.70 million
- Budget Variance: \$0.08 million or 5.0% increase
- Reflects escalated billing and collection costs per approved contract

# Revenue Stewardship

- Cost Components:
  - General Maintenance
  - Property and Liability Insurance
  - General Contract Services (janitorial, security)
  - IT Contract Services
- FY 2018 Budget: \$2.00 million
- FY 2017 Budget: \$2.00 million
- Budget Variance: NA

# New Ideas and Innovation

- Cost Components:
  - Engineering Support
  - Lab Chemicals and Supplies
  - Permit Management
  - Sustainability Initiatives
- FY 2018 Budget: \$0.64 million
- FY 2017 Budget: \$0.56 million
- Budget Variance: \$0.08 million or 10% increase
- Reflects increase in quality control requirements



# FY 2018 Proposed Capital Investment Program

## FY 2018 Proposed Renewal & Replacement Budget



Expenses	FY 2017	Proposed FY 2018	\$ Change
AlexRenew-Only IR&R	\$0.325 M	\$0.35 M	+\$0.025 M
Joint IR&R	<u>\$4.00 M</u>	<u>\$4.00 M</u>	<u>\$0.00 M</u>
<b>Total</b>	<b>\$4.325 M</b>	<b>\$4.350 M</b>	<b>\$0.025 M</b>

# FY 2018 AlexRenew - Only Capital Projects



Project	AlexRenew-Only	Strategic Outcome
Potomac Interceptor Rehab	\$0.30 M	Operational Excellence
Slater's Lane Pump Station Upgrade	\$0.05 M	Operational Excellence
Environmental Center Lobby	\$0.15 M	Community Benefit
Arlington County Capital Contribution	<u>\$1.05 M</u>	Watershed Partnerships
<b>Total</b>	<b>\$1.55 M</b>	

# Proposed FY 2018 Joint Capital Projects



Project	Total Cost
Joint Wet Weather Solution (003/004)	\$6.0 M
Deck Connector	\$0.45 M
Preliminary and Primary Improvements	\$4.4 M
Pre-pasteurization System Improvements	\$0.50 M
Process Optimization Program	\$1.4 M
Solids / Carbon Management Program	\$0.25 M
Odor Control System Upgrade	\$0.25 M
Campus-wide Electrical Upgrade Program	\$1.45 M
Process Control System Upgrade	\$3.19 M
Resiliency Program	\$1.2 M
Information Technology	\$0.35 M
Facility Master Plan and Associated Projects	\$1.25 M
Main Plant Storm water System Rehabilitation Program	\$0.675 M
Main Plant Tunnel Improvements	\$0.50 M
Security during Construction	<u>\$0.37 M</u>
<b>Total</b>	<b>\$22.23 M</b>





# Board Questions and Discussion