



District of Columbia Water and Sewer Authority
OPERATING BUDGETS
REVISED FY 2010 and APPROVED FY 2011

Adopted February 4, 2010

William M. Walker, Chairman of the Board
George S. Hawkins, General Manager
Olu Adebo, Chief Financial Officer



SUSTAINABILITY — MANAGING AGING ASSETS DURING CHALLENGING ECONOMIC TIMES



DC WASA'S VISION

Provide world-class water and wastewater services as a leading steward of the environment.

DC WASA's MISSION

Serve all its customers with outstanding service by providing reliable and cost-effective water and wastewater services in accordance with best practices.

DC WASA's VALUES

- Respectful, responsive, and sensitive to the needs of our customers and employees
- Ethical and professional conduct
- Vigilant to ensure optimal health, safety, and environmental outcomes
- Dedicated to teamwork and cooperation
- Committed to equity, trust, and integrity in all that we do

(Adopted by the DC WASA Board of Directors on July 3, 2008)



DC WASA's CRITICAL SUCCESS FACTORS

“Critical Success Factors and Objectives represent the most significant aspects of the Authority’s ability to execute its mission and achieve its world-class performance. These factors provide the basis for the refinement of concrete metrics, targets, and accountabilities for improvement.”

- **Environmental Stewardship**
Design and implement environmentally responsible policies, programs, and technologies that protect our region’s waterways, air, and lands.
- **Customer Confidence and Communications**
Effectively anticipate, respond in a timely manner to, and communicate about the needs of our customers, the public, and other regional stakeholders with honesty, respect and transparency.
- **Operating Excellency**
Excel in all aspects of water delivery, wastewater collection and treatment, and customer service.
- **Financial Integrity**
Plan and control all financial resources in a manner faithful to our customers, bondholders, and suppliers.
- **High Performing Workforce**
Attract, develop and retain staff required to sustain our values, achieve our vision, and execute our mission.

(Adopted by the DC WASA Board of Directors on July 3, 2008)



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(As of February 4, 2010)

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ACKNOWLEDGEMENTS

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ACKNOWLEDGEMENTS

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The Finance and Budget Department would like to extend its appreciation to all the departmental staff members whose hard work and dedication helped make this document possible.



GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished
Budget Presentation
Award*

PRESENTED TO

District of Columbia Water & Sewer Authority

For the Fiscal Year Beginning

October 1, 2009

President

Executive Director

TABLE OF CONTENTS

Section I. General Manager’s Message

.....	1
.....	I-1

Section II. Budget Overview and Performance

Budget Overview and Performance	II-1
DC WASA Performance Measures and Targets.....	II-52

Section III. Summary Information

DC WASA Key Facts.....	III-2
DC WASA Service Area Map	III-3
DC WASA Organization Chart.....	III-4
Key Facts Regional Macro-Economics	III-5
Operating and Capital Expenditures	III-8
FY 2010 Revised Budget.....	III-9
FY 2011 Approved Budget	III-10
FY 2008 - FY 2011 Comparative Expenditures	III-11
DC WASA Statement of Cash Flows	III-12
Accounting and Budget Processes	III-13
DC WASA History & Governance	III-14
Budget Calendar	III-15

Section IV. FY 2009 – FY 2018 Financial Plan

DC WASA Key Financial Policies	IV-2
FY 2009 – FY 2018 Financial Plan	IV-3

Section V. Rates and Revenue

Historical and Projected Cash Receipts.....	V-2
Historical and Projected Billed Consumption	V-4
Recent & Proposed Rate & Fee Changes	V-6
Potential Impact of CSO LTCP on Rates.....	V-18
Why Rate Increases are Needed.....	V-19
Retail Rates Compared To Other Utilities	V-23

Section VI. FY 2009 – FY 2018 Capital Program

Capital Improvement Program by Category	VI-2
Capital Improvement Program Overview	VI-3
Historical and Projected Capital Spending	VI-14
FY 2009 – FY 2018 CIP – Disbursements Basis... ..	VI-15
FY 2010 & FY 2011 Capital Equipment Disbursements	VI-16
FY 2009 – FY 2018 CIP – Lifetime Budgets.....	VI-20
FY 2011 Capital Authority Request.....	VI-22

Section VII. Capital Financing Cash and Debt

FY 2009 – 2018 Sources of Capital Financing	VII-2
FY 2009 – 2011 Sources & Uses of Funds	VII-3
Statement of Cash Reserves	VII-4
Major Highlights & Issues in Debt	VII-5
Outstanding Debt.....	VII-6
Senior Debt Service Coverage.....	VII-7
Outstanding & Proposed Debt Service FY 2009 - 2018	VII-8
Debt Service as Percentage of Total Oper. Expend.	VII-9
Outstanding & Proposed Debt Service FY 2009 - 2047	VII-10
Total Principal Outstanding.....	VII-11
Debt vs. Fixed Assets	VII-12
Debt to Net Fixed Assets Ratio	VII-13

Section VIII. Departmental Summaries

FY 2008 – 2011 Operating Expenditures	VIII-2
FY 2010 & FY 2011 Operating Expend. by Type ..	VIII-3
FY 2008 – 2011 Operating Expenditures	VIII-4
FY 2009 – 2011 Oper. Expend. by Department	VIII-5

TABLE OF CONTENTS

FY 2010 Oper. Expend. by Department by Type ..	VIII-6
FY 2011 Oper. Expend. by Department by Type ..	VIII-7
Authorized Positions.....	VIII-8
Filled vs. Vacant Positions.....	VIII-9
FY 2010 & FY 2011 Position Request	VIII-10
Overtime	VIII-11
DC WASA Organization Chart.....	VIII-14
Wastewater Treatment.....	VIII-16
Water Services	VIII-24
Sewer Services.....	VIII-30
Maintenance Services.....	VIII-34
Water/Sewer Pumping Maintenance.....	VIII-38
Engineering and Technical Services	VIII-42
Combine Sewer Overflow Long Term Control Plan (CSO LTCP).....	VIII-46
Permit Operation.....	VIII-50
Customer Service	VIII-54
General Manager.....	VIII-58
Office of the Secretary to the Board	VIII-62
Internal Audit	VIII-66
Finance and Budget.....	VIII-70
Risk Management.....	VIII-74
General Counsel.....	VIII-77
Public Affairs.....	VIII-80
Information Technology	VIII-84
Asst. Gen. Mgr. – Support Services	VIII-90
Human Resources	VIII-94
Facilities Management.....	VIII-104
Procurement and Materiel Management.....	VIII-108
Safety and Security.....	VIII-112
Fleet Management.....	VIII-116

Section IX. Glossary and Acronyms

Glossary and Acronyms	IX -2
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District of Columbia Water and Sewer Authority
OPERATING BUDGETS
REVISED FY 2010 and APPROVED FY 2011



Section I

GENERAL MANAGER'S MESSAGE

The Blue Plains Advanced Wastewater Plant, the largest facility of its kind in the country, on a 150-acre site along the Potomac River. Blue Plains is recognized as an industry leader in operations and research.





DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY
5000 OVERLOOK AVENUE, S.W., WASHINGTON, D.C. 20032

February 4, 2010

Mr. William Walker
Chairman
And Members, Board of Directors
District of Columbia Water and Sewer Authority
5000 Overlook Avenue SW
Washington DC 20032

Dear Chairman Walker and DC WASA Board Members:

It is with great pleasure that I present to you the approved District of Columbia Water and Sewer Authority (DC WASA) revised FY 2010 and approved FY 2011 budgets. These approved budgets can now be submitted, as mandated by District of Columbia Law 11-111, to the Mayor for inclusion in the annual District budget. DC WASA will also begin the public process of establishing water and sewer rates for the coming fiscal year.

These budgets have evolved tremendously since I joined DC WASA in October 2009. Since that time, the Board has reviewed three separate alternatives, seeking to balance the significant needs of the agency with current economic realities. As a relative newcomer to the enterprise, I can think of no better introduction than this year's budget process to DC WASA and the importance of its services. Inherent in the budget formation is a delicate balancing act of mandates, priorities, the clear commitment to providing excellent services to our customers and acting as a steward for the environment, all while considering the financial impact for each jurisdiction and our ratepayers. This is no easy feat. However, I am confident that with this budget, the Board has ensured that we are actively investing in DC WASA's future.

The Evolution of the Budget

The initial proposed FY 2011 budget, presented to the Board in October 2009, allowed DC WASA to meet all regulatory requirements and maintain current service levels while holding water and sewer rate increases to 13 percent. In developing that budget, tough

choices were made that deferred critical infrastructure improvements, but maintained a policy of gradual rate increases. It appeared, given the state of the economy and the numerous challenges facing the organization, that a fundamental trade-off existed between funding our priorities and maintaining affordability for our customers.

In recognition of this dichotomy, the staff put forth two alternatives to the Board in December 2009. The first alternative would have fully funded all priority needs, but at a total retail rate increase of 21 percent and significantly increased capital costs to wholesale customers. The second alternative maintained the deferrals made in the October proposed budget. After presenting each option to the relevant Committees, Board members grappled with competing budgetary pressures and provided guidance on policy options that would lessen the impact on ratepayers and wholesale customers. Throughout the process, both the Board and staff remained cognizant of the regional economic climate and the ongoing public service sacrifices undertaken in many of the surrounding jurisdictions. This discussion period greatly informed our determination to find a creative compromise, which would preserve a moderate rate increase while still allowing the Authority to go beyond simply meeting its legal obligations.

Revised FY 2010 and Approved FY 2011 Operating and Capital Budgets

In January 2010, taking heed of the Board's feedback, DC WASA presented the January 2010 General Manager's Budget Request. This proposal reversed the previous conflict that seemingly existed between meeting FY 2011 program needs and maintaining affordability. Instead, the proposal included new operating cost reductions, took advantage of cost-savings offered by recent economic shifts and market opportunities and incorporated new financing assumptions and policies. As a result, the January proposal allows DC WASA to meet both its legal requirements, important operating initiatives and most critical infrastructure needs, while preserving a lower water and sewer rate increase and minimizing impacts to wholesale customers. The request did not change the revised FY 2010 budget from that proposed in October. The Board approved the General Manager's request in February, 2010.

The major changes to the approved FY 2011 budget over the October 2009 proposal are:

- A \$5.6 million reduction in operating costs, achieved through non-union personnel merit freezes, exercising an option to lock in electricity prices and reductions in certain discretionary spending.
- A policy move toward minimal use of PAYGO financing, resulting in savings of \$5.5 million.
- A reduction on anticipated capital spending
 - Lower than expected bid prices
 - Reductions from design and schedule revisions to certain capital

The approved budget allows DC WASA to:

- Comply with all federal mandates and requirements while also undertaking non-regulatory projects.
- Continue moving forward on the largest capital undertakings, the Long-Term Control Plan, Total Nitrogen Removal and the digester project.

- Increase the rate of main replacement to one percent per year, an engineering best practice that will strengthen our underground infrastructure.
- Gain long-term cost efficiencies through increased in-house design

The approved FY 2011 budget assumes increases of water and sewer rates from \$6.12 per 100 cubic feet (Ccfs) to \$6.89 (or \$0.77 per 100 cubic feet). This is still less than a penny for a gallon of water! In addition, the monthly impervious area charge is proposed to increase from \$2.20 per equivalent residential unit (ERU) to \$3.45 per ERU and the average residential customer's metering fee would increase from \$2.01 to \$3.86 per month under the current proposed rate adjustments. For the average residential customer, the charges on the monthly bill will increase by \$8.66 per month. For low-income customers in the District, the Board has proposed expansion of the Customer Assistance Program to include a discount on the DC volumetric PILOT and ROW charges appearing on the bill. If approved, the total impact to the monthly bill of the average low-income customer using 6.69 Ccfs would be \$3.06.

A Budget to Build for the Future

The economic climate has provided both opportunities and challenges. As rates have fallen and cost estimates have decreased, DC WASA has positioned itself to take advantage and secure real savings for our customers. However, the economy has also had a significant impact on our ratepayers and the surrounding jurisdictions that form our customer base. As such, we must continue to make choices that provide exceptional service, but are of good value as well. This includes continuing to assess our internal costs and processes and make adjustments where possible, choosing projects that offer a positive return on investment, and proactively maintaining those assets that are most critical to the services that we provide.

In addition, this budget lays the foundation for strategies that will enhance our region for decades to come. In committing to the Long-Term Control Plan and aggressively moving forward, we will take a crucial step in restoring the Anacostia and meeting water quality standards. By funding the digester project, DC WASA will be at the forefront of alternative energy solutions, part of our long-term climate change reduction strategy. The increase in the pace of main replacements will help curb main breaks and improve the reliability of the distribution system for millions of customers and end-users. Finally, the implementation of Total Nitrogen Removal project brings DC WASA to the very limits of technology in treating our water and taking further steps to heal the Chesapeake Bay, a regional and national treasure.

I look forward to leading DC WASA as we continue to improve performance and provide services that benefit residents and the environment. Since my arrival almost five months ago, it's become apparent that our greatest asset is "WASA Blue", the men and women who carry out our daily work, under all conditions and in response to whatever challenges may arise. In approving this budget, the Board has provided the resources they need to continue carrying out that work to the highest standards. I would like to thank the Board for its support and able stewardship throughout this long process. I would also like to offer tremendous gratitude to the Finance and Budget staff, which developed innovative and forward-thinking solutions in response to the challenges that were

presented. Finally, I look forward to working with everyone connected to DC WASA, from the Board, to our employees, to community stakeholders, to our customers, in order to ensure that our commitment to serving the public and protecting the environment is fulfilled.

Sincerely,



George S. Hawkins
General Manager



DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY
5000 OVERLOOK AVENUE, S.W., WASHINGTON, D.C. 20032

October 15, 2009

Mr. William Walker
Chairman
and Members, Board of Directors
District of Columbia Water and Sewer Authority
5000 Overlook Avenue, S.W.
Washington, D.C. 20032

Dear Chairman Walker and DC WASA Board Members:

I am pleased to present the District of Columbia Water and Sewer Authority's (DC WASA or Authority) revised FY 2010 and proposed FY 2011 budgets for your consideration. These budgets are intended to meet the mandate provided for in District of Columbia Law 11-111, which specifies that "...WASA shall prepare and submit to the Mayor, for inclusion in the annual budget, annual estimates of the expenditures and appropriations necessary for the operation of the Authority for the year..." Preparation of DC WASA's budget documents, which includes the operating budgets, ten-year plan, and capital improvement program, began in May 2009. The proposed budgets are submitted for Board review in October, with final Board action planned for January 2010.

Let me express my appreciation for the magnitude of the responsibility entrusted to me when you selected me to serve as Interim General Manager following the departure of the former General Manager (GM), Jerry N. Johnson in July 2009. Mr. Johnson, who served as General Manager for 12 years, has built a strong foundation and has left a tremendous legacy. Serving as Interim GM, has heightened my appreciation for the enormity of the obligations we have to our customers as we provide safe drinking water to their homes and businesses daily; the dedication of our employees who serve, with professionalism and a firm commitment to our customers, under challenging circumstances; and the daily effort to maintain our vast infrastructure, while managing scarce resources and impacts on the environment.

The management and employees of DC WASA applaud the Board's commitment to ensure continuing stability of the Authority as evidenced by your prompt appointment of former alternate Board Member, George S. Hawkins, as General Manager beginning October 19, 2009. We welcome Mr. Hawkins, who has received much acclaim as the first Director of the District of Columbia Department of the Environment.

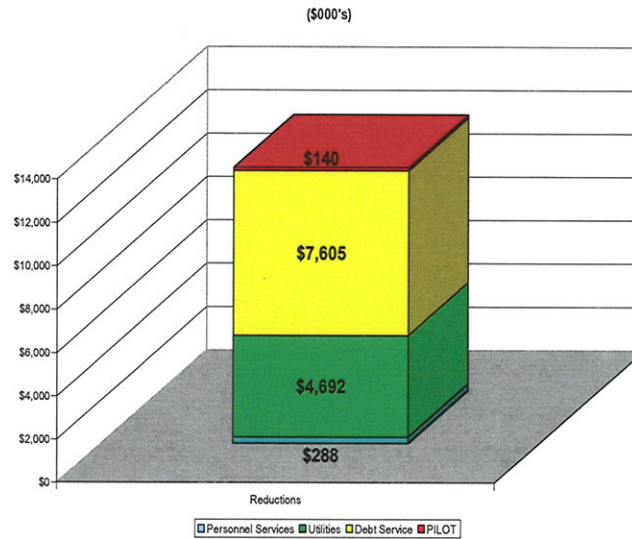
A Challenging Budget Framework

Last year, the Board approved a FY 2010 Operating budget of \$393.6 million, which reflected an increase of \$30.4 million or 8.4 percent over the FY 2009 budget. Half of this budget increase or \$14.0 million was for debt service to finance the on-going and increasing cost of our Capital Improvement Program. The other half was to pay for increased cost of operations, including personnel cost increases primarily driven by previously negotiated wage increases; chemical and electricity cost increases, primarily at the Washington Aqueduct Water Treatment Plant and the Blue Plains Wastewater Treatment Plant; contractual services cost increases, primarily to support several major Information Technology initiatives anticipated to go live; DC WASA's share of increased cost of the District of Columbia's (District) stormwater management program (reimbursed from the District's stormwater fee); and, increased cost of the Payment In Lieu of Taxes, a fee assessed on the Authority by the District government.

The revised FY 2010 and proposed FY 2011 Operating and Capital Improvement Budgets were developed in a challenging fiscal environment. Faced with total department requests, including debt service for FY 2011 totaling \$415.0 million; a precipitous decline in consumption; a fast depleting Rate Stabilization Fund; an economic recession; and the Board's desire to keep rate increases to a minimum, we had to make some difficult choices. Approving the FY 2011 requests, while also proceeding with the approved level of spending for FY 2010 would have necessitated a retail rate increase of about 21 percent over the FY 2010 rates or an increase of approximately \$13.13/month or \$157.56/year for the average customer. These requests all have merit and would ensure that we continue to pay for the infrastructure improvements needed to meet regulatory requirements, sustain our aging infrastructure, and continue to provide excellent customer service. However, to meet the Board's goal of ensuring gradual and predictable retail rate increases, difficult choices and tradeoffs were required to balance this year's budget.

These tradeoffs included elimination or deferral of several initiatives, prioritization and placing a cap on hiring, deferral of certain capital projects and a change in practice from Pay-Go financing of capital equipment and Washington Aqueduct costs. To reduce rate impacts, the FY 2010 budget was reduced as shown in the graph, which follows.

FY 2010 Budget Major Reductions



Revised FY 2010 and Proposed FY 2011 Operating and Capital Budgets

The revised FY 2010 Operating Budget totals \$382.3 million or \$11.3 million less than the Board-approved FY 2010 budget. This reduction was necessary to meet the budgeted expenditures for the proposed 2011 budget. For FY 2011, the operating budget request totals \$412.2 million, an increase of \$30.0 million. The proposed FY 2011 budget includes increases of \$14.2 million in debt service for the Authority's Capital Improvement Program; \$3.3 million for increased costs of operations at the Washington Aqueduct Water Treatment Plant; \$7.3 million in Personnel services cost; and an increase of \$2.0 million for the Payment in Lieu of Taxes (PILOT) to the District of Columbia. The PILOT increases at the same rate as DC WASA's water rate increases, in accordance with the memorandum of understanding with the District.

Our Ten-Year CIP budget (disbursements) totals \$3.8 billion or approximately \$600 million more than last year's approved CIP of \$3.2 billion. This increase funds about \$300 million more in costs for the Combined Sewer Overflow-Long Term Control Plan (CSO LTCP), driven by updated costs estimates from the project's recently completed facility plan, and reallocation of costs for certain projects previously allocated to Blue Plains Total Nitrogen Removal plan to the CSO LTCP. Another major driver of the increase in our CIP, in the latter half of the plan, is the addition of over \$300 million in facility projects in our Water and Sewer service area to fund both high priority water and sewer main projects and a service life restoration program aimed at ensuring sustainability of our

underground infrastructure by implementing a program that replaces approximately one percent of the pipes annually. The amount of these increases was offset by \$86 million in savings from the reduced Lead Service Replacement program.

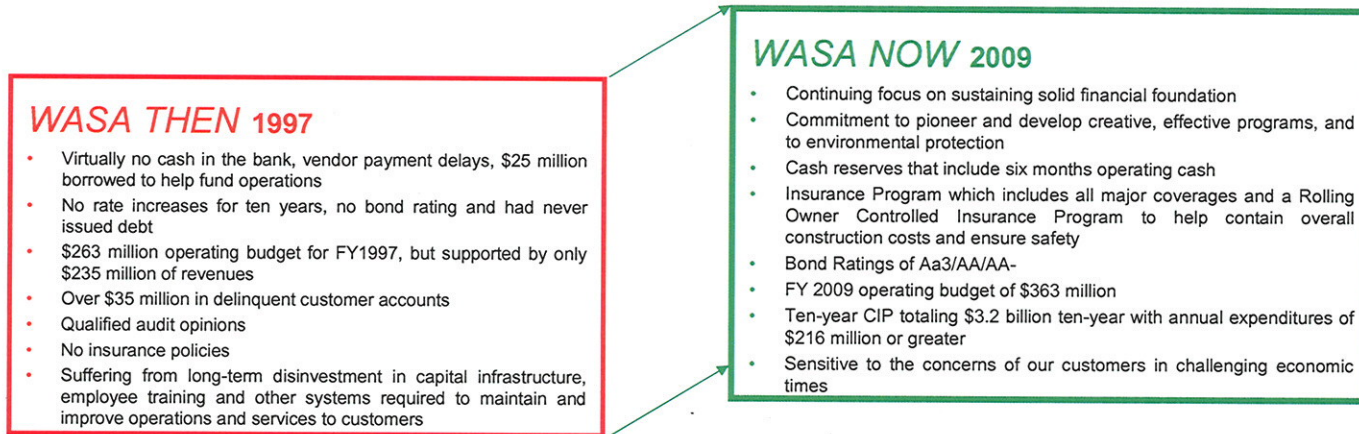
Sustainability – Managing Aging Assets During Challenging Economic Times

As a water distributor and wastewater treatment operator, we provide essential services and ensure protection of public health and the environment. The District, like many older cities, have underground pipes that are more than 75 years old on average and nearing or at the end of their projected life span. A recent study by the US EPA concluded that “Much of the drinking water and wastewater infrastructure in the U.S. was built 30 years following World War II, mirroring the increase in population and that the U.S. population today benefits from the investments that were made over the past several decades to build our nation’s water infrastructure”. Nationally, utility budgets will have to adapt to the fact that pipe networks that have never before required significant upgrades or replacement will now require a growing demand on financial resources. Ignoring this need could put our nation’s waters and public health at risk. As demonstrated in Bethesda, MD on River Road and in Dundalk, MD most recently, failure to plan for and replace aging infrastructure can have catastrophic results on customers and property. As communities across the nation review these issues, there will be a growing tension between the need to replace worn-out infrastructure and the need to invest in compliance with new and increasingly stringent regulatory standards. This budget emphasizes our clear commitment to sustainable infrastructure in the long term. It is an acknowledgement to our customers and stakeholders of the extent of the decaying infrastructure we have inherited, and shows that we plan to take steps to reduce the financial burden to future generations to address the replacement of aging infrastructure. It also provides resources for priority initiatives that ensure good utility management practices, efficient water use, fair and equitable rates that reflect the full cost of services provided, and planned infrastructure upgrades and replacement.

As an environmental steward, DC WASA recognizes the importance of leading the way on environmentally friendly improvements or green initiatives. This budget emphasizes our commitment to green initiatives by allocating billions of dollars in resources. We are committed to being energy efficient and making choices to promote green initiatives. The ten-year Capital Improvement Program includes over \$1 billion in Combined Sewer Overflow Long Term Control projects and \$900 million in the Blue Plains Total Nitrogen project, both of which help improve the health of our surrounding waterways. Also over the next four years, we will invest about \$400 million in building a digestion facility. Once completed, this facility will significantly reduce DC WASA’s carbon footprint by producing Class A biosolids, reducing biosolids production by half, and generating 10 MW of green energy annually. Other priority green initiatives funded through this budget include a comprehensive energy audit of all our facilities, the first of its kind since the organization’s inception; the continuation of an organizational wide recycling program; purchase of two additional Hybrid-electric vehicles (Sedans) and replacement of 20 gasoline carts with electric carts, thereby improving fuel economy and helping to minimize pollution. However, *green* comes at a cost. The needed funds to address these operational and infrastructure challenges require careful and prioritized trade-offs given DC WASA’s commitment to keep water and sewer rates affordable.

A Strong Track Record of Capital Improvement, Operational and Financial Performance

Since DC WASA's inception, just over 13 years ago, we have made over \$1.7 billion investment in our infrastructure to reverse deterioration that existed prior to the creation of DC WASA and to stabilize much of the water, sewer and wastewater treatment systems, while enhancing our capacity to deliver higher quality services that are the foundation for building customer confidence. As the tables below summarize, that work consisted of building a solid financial foundation, implementing accounting and management systems, overcoming years of infrastructure disinvestment, and effective use of technology to improve work processes and greatly improve service to our customers.



In order to ensure continuing progress, DC WASA must continue to make infrastructure improvements, fund environmental initiatives while improving efficiency and effectiveness of operations to produce high quality service to our customers. This is a challenge as the Board and management continue to grapple with the current economic climate and the increasing costs of regulatory mandates.

Performance, Services and Revenues

DC WASA develops its budget using a ten-year planning horizon that includes input ranging from regulatory requirements; infrastructure needs determined by various facility master plans for major systems; Board-determined priorities; and funding and rate adjustments affecting our customers. The Revised Fiscal Year 2010 and Proposed Fiscal Year 2011 budgets as presented provides resources needed to meet all regulatory requirements and support some initiatives to provide maintenance of the water, sewer and wastewater systems. This budget will enable us to provide the necessary service to our more than 2 million customers throughout the DC Metropolitan region, while maintaining our commitment to good environmental stewardship, and sustainable infrastructure.

Over the ten year period, this proposal will provide funding for priority initiatives such as:

- Continued implementation of state of the art Asset Management Systems – Maintenance Management (Maximo), Geographic Information System (GIS) and Document Management, for managing infrastructure assets to minimize the total cost of owning and operating them, while delivering the service levels customer's desire.
- Water and Sewer service life restoration program, aimed at inspecting/replacing one percent of our piping and underground infrastructure annually – including providing internal staff resources to support the program.
- Implementation of various Board Strategic Plan initiatives.
- Continued improvements in our processes to ensure accurate and timely responses to our customers, the media and other stakeholders.
- Improved customer service in a reorganized and more efficient DC WASA construction permit application and approval process.
- Succession planning to identify future organizational leadership.
- Re-alignment of personnel and inventory to enhance operational performance and provide opportunities for future savings
- Continuing upgrades at the Blue Plains Wastewater Treatment Plant.
- Fire hydrants upgrade program and the joint DC WASA and Fire and EMS fire hydrant inspection program – these costs are fully reimbursable from the District government.
- Implementation of a multi-tier residential IAC.

To fully implement some of the initiatives listed above and to begin various activities that are desired , it would cost the average residential rate payer an additional \$34 a year in FY 2011, (or approximately \$6 million more in the operating budget). These deferred items include services and projects such as:

- A rebranding campaign delayed to FY 2012
- Beginning in FY 2012 rather than FY 2010, the ramp up of replacement of the water and sewer infrastructure to the recommended rate of 1 percent of replacements per year
- Delaying staffing levels for the CSO LTCP, water and sewer infrastructure projects and the permit office
- Delaying practically all non-regulatory capital projects (excluding the digesters and partial implementation of the \$74 million facility master plan)

If approved by the Board, beginning October 1, 2010, our revised FY 2010 and proposed FY 2011 Operating Budgets would increase volumetric water and sewer rates from the current combined rate of \$6.12 per 100 cubic gallons to \$6.92 (or \$6.66 a month on the average residential customer's monthly bill), adjust the monthly impervious area charge from \$2.20/per equivalent residential unit (ERU) to \$3.45 and the customer metering fee on the average residential customer from \$2.01 per month to \$3.86 per month.

Budgeting for Performance - Ensuring Sustainability

Last year, as part of the effort to implement the Board's 2008-2013 Strategic Plan we established a "design team" that began to embark on an intensive effort to develop clear performance measures that management and the Board will use to assess progress in achieving the Strategic Plan objectives by establishing measures and creating performance targets. These concrete objectives, and new measures and targets will enable us to set annual and longer term priorities, assist in determining how to best allocate resources through the ten-year financial plan and develop the operating and capital budgets we need to sustain and improve services. These measures will be used by DC WASA's management to assess and improve work processes while monitoring performance on a monthly, quarterly and annual basis. Formal deployment of the performance measurement and process improvement system is planned for FY 2010.

Throughout the rest of this document, you will find additional information about the organization, including a discussion and overview of DC WASA's budget and some of our achievements and challenges.

It has been a great honor and pleasure to serve as Interim General Manager during this period of transition as the Board, management and staff sought to maintain DC WASA's ongoing commitment to high quality and cost effective delivery of services to our customers. I extend a special thanks to the Finance and Budget staff who worked arduously to produce this document and to the DC WASA departments whose efforts were key to its development. I am sincerely grateful to my colleagues for their full cooperation and support during my tenure as Interim General Manager. I would like to take this opportunity to thank the Board for the support and encouragement you have given to me and the continued service you each make to the Authority on behalf of those you represent. In the brief period of his tenure, Chairman Walker has exhibited dedication to the Authority and provided strong leadership. Chairman Walker has made an enormous investment of time and energy to the Board while providing effective guidance to management. In the coming months of the budget process, I will provide the incoming General Manager Hawkins, Chairman Walker, the Board and the Chief Financial Officer and his staff assistance where needed as we continue to demonstrate our commitment to serve the public and protect the environment.

Sincerely,



Avis Marie Russell
Interim General Manager

District of Columbia Water and Sewer Authority
OPERATING BUDGETS
REVISED FY 2010 and APPROVED FY 2011



Section II

BUDGET OVERVIEW & PERFORMANCE

The Central Control Room at Blue Plains is where vital aspects of the treatment process and related equipment are monitored and controlled 24 hours a day.



BUDGET OVERVIEW AND PERFORMANCE

DC WASA successfully completed another year of operations by meeting several key milestones, while also dealing with our share of challenges, as we pursued our mission of serving all our customers with outstanding service. The Board has adopted a spending plan for FY 2011 that addresses their priorities for critical infrastructure improvements and environmental protection projects. Cognizant of tough economic times, the Board made every effort to minimize rate increases and impacts to our wholesale customers. The following discussion provides highlights of our FY 2009 performance and a summary of the revised FY 2010 and approved FY 2011 budgets. This information is presented within the context of the DC WASA Board of Director's 2008 – 2013 Strategic Plan, "A Guide for Measureable Progress and Achievement." We provide more detailed information throughout the remainder of this document.

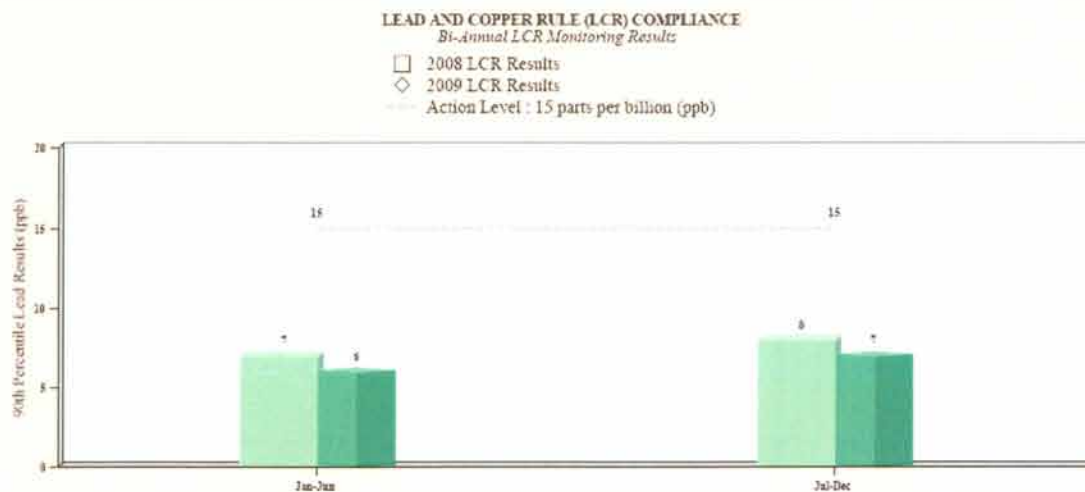
STRATEGIC PLAN CRITICAL SUCCESS FACTOR – CUSTOMER CONFIDENCE & COMMUNICATIONS

This Strategic Plan Critical Success Factor requires us to effectively anticipate, respond in a timely manner to, and communicate about the needs of our customers, the public, and other regional stakeholders with honesty, respect and transparency. The Board also identified a number of objectives under each critical success factor.

CONSISTENTLY DELIVER SAFE DRINKING WATER

Although we work in a highly regulated environment and we are committed to meeting or exceeding all regulatory mandates. Compliance in the water system is especially more challenging because water treatment and distribution systems are by their nature very dynamic. The Washington Aqueduct's treatment regimen and DC WASA's commitment to simultaneously comply with many federal drinking water standards is challenging because it requires continual monitoring, research and operational readiness in managing the complex treatment and distribution systems. Since 2004, the Authority has fully complied with all water quality standards, meeting all of the strict requirements of the Safe Drinking Water Act, inclusive of our compliance with federal standards under the U.S. Environmental Protection Agency's Lead and Copper Rule. A report on water quality and DC WASA's compliance with federal and regulatory requirements is published annual and available on the website www.dcwasa.com. The FY 2010 and FY 2011 operating budgets and ten-year capital program reflect our continued commitment to providing clean and safe drinking water that our customers can rely upon. These budgets provide for significant water and sewer system capital and operational improvements that help us maintain and enhance water quality and system reliability.

DRINKING WATER QUALITY



Lead levels for Jul-Dec 2009 were below Action Level by 8 ppb - (193 samples)

EXCEED EXPECTATIONS REGARDING TIMELY AND ACCURATE RESPONSES TO CUSTOMERS AND OTHER STAKEHOLDERS

In FY 2009, we continued to make investments in our employees, process improvements, technology and training, to ensure better service delivery to our customers. These improvements in FY 2009 and our plans are detailed below.

Customer Survey – In FY 2006 DC WASA conducted a Gallup, Inc. survey. Respondents to the survey rated DC WASA highly in several areas (e.g., overall customer satisfaction, easy and accurate billing, courteous and knowledgeable customer service representatives, the On Tap customer newsletter and the DC WASA website, www.dcwasa.com). In FY 2009, DC WASA conducted a brief customer survey and follow up focus group. The information gathered from that process has been reviewed and the comments and feedback will be used to provide customer outreach and enhanced communications.

Meter Reading and Customer Service through Automated Meter Reading Technology (AMR) – At the end of FY 2009, the AMR program was 99 percent complete with just under 582 residential and commercial meters remaining for conversion. The Customer Service Department began the upgrade to the Automated Meter Reading (AMR) program in FY 2009. This is the first upgrade since the AMR meter initial installations in March 2002.

High Use Notification Application (HUNA) – We are proud of this advance in customer service, which allows our customers to use this powerful application tool developed here at DC WASA. Customers can register on line and access this data through the web at www.dcwasa.com. HUNA analyzes daily consumption and provides monthly and yearly averages on an account level. This feature is available on the web for customer use as well and daily meter readings are available with a simple click of the mouse. HUNA's alert feature notifies customers of metering anomalies as they happen. HUNA is an example of how DC WASA continues to capitalize on the initial investments in AMR technology; voice and data technology, and web-enabled tools to lead the industry with technology that supports excellent customer service at minimal cost to our ratepayers.

First Call Resolution – FY 2009, in an effort to deliver the best service possible, the Customer Service Department developed a tracking mechanism for first call resolution. This process allows us to determine how many customer inquiries were resolved with the initial contact. While this effort has focused on telephone calls first, additional outreach will include other mediums such as emails and correspondence received from customers.

Maintain a Transparent Rate Setting Process, Maximum Public Understanding And Involvement

DC WASA strives to maintain a transparent rate setting process and invites input and feedback into the final decision making process. With this in mind, various principles and timelines have been established to provided the greatest amount of review by both the Board of Directors and the general public. The entire rate making process is generally scheduled for a year-long review to maximize public involvement.

Proposed retail rates and fees are developed based on the actual and projected costs to deliver each service, to meet all bond covenants and in accordance with the annually updated ten-year financial plan. A recommendation of retail rates is included within each annual budget proposal to the Board of Directors in October of each year. After review, the DC members of the Board of Directors approve a recommended rate proposal for public review and hearing under DC ratemaking regulations. In addition to publication in the DC Register and various news outlet's in the District of Columbia, a public hearing is scheduled for customers to come and discuss the proposed rates with the DC members of the Board of Directors. In addition, DC WASA has held public meetings and attended a variety of community or association meetings prior to the public hearing date in order to increase greater understanding among customers of the proposal and answer questions so that residents and the business community can be better prepared for their participation in the public hearing.

Once the public hearing is held, the Retail Rates Committee, (consisting of DC members of the Board only) meet in mid-summer to review the feedback received from the public, analyze any updated financial information and make a recommendation to the full Board. In September of each year, the DC members of the full Board take final action on any rate or fee adjustments for implementation on October 1 of the same year.

A large amount of activity regarding rates occurred in FY 2009 including rulemaking adjustments and three (3) public hearings held throughout the fiscal year. The first public hearing in FY 2009 was on the expansion of the customer assistance program that provides discounts to eligible low-income customers. While this did not change the FY 2009 retail rates, it did represent a change to the policies and practices for future rate consideration and, therefore, was debated in an open, transparent process.

An additional public hearing was held on the proposed impervious area charge (IAC) that had been in development for almost 15 months prior to the actual public hearing. In both FY 2008 and FY 2009, extensive outreach and communication was held to ensure the greatest amount of public understanding. In addition to numerous meetings with Advisory Neighborhood Commissions (ANCs), Civic Associations, environmental groups, all members of the City Council, various business and trade associations, universities, hospitals, church associations, Amtrak and Metro, numerous articles were included in the monthly newsletter inserts with the customer bills, frequently asked questions and special information on IAC were developed and placed on the website and notices were sent repeatedly to a variety of listservs. In FY 2009 alone, 25 public meetings were held on the topic of IAC. The required legal publications were also provided. A variety of public witnesses attended the public hearing representing ANCs, environmental groups and other organizations or individuals. The proposal was covered by local and national TV, radio and news media. The IAC implemented on May 1, 2009, included both the introduction of a new, separate charge and the reduction of the existing sewer retail rate so that overall, there was not revenue increase for DC WASA; merely a shift in how the revenue is collected and used.

The final public hearing was held in June 2009 on the proposed retail rates fee increases for FY 2010. After the fall 2008 review of the proposed rates, the DC WASA Board submitted the recommendation for public review and comment. The public hearing was published in the April 24, 2009 DC Register, The Washington Post, Washington Times, Washington Informer, Northwest Current, Afro-American, Hill Rag, El-Tiempo Latino and a wide variety of listserv notifications. DC WASA held four public meetings, (one in each quadrant), that were publicized in the various newspapers throughout the City and participated in additional community meetings leading up to the public hearing. A variety of community members testified at the June 2009 public hearing representing individuals, environmental groups, ANCs, and tenant groups. The Retail Rates Committee of the Board met on two subsequent occasions to review the proposal and public feedback and identify every opportunity to reduce the rate impact to the retail customer. In September 2009, the Board of Directors approved a 9 percent increase retail rate increase and an IAC rate of \$2.20 to be effective October 1, 2009. This final approval reduced the recommended retail rate increase by 1 percent (from 10 to 9 percent).

ESTABLISH EFFECTIVE SYSTEMS AND NETWORKS TO INCREASE TIMELY SHARING OF INFORMATION AND PROCESSING OF SELF-SERVICE TRANSACTIONS

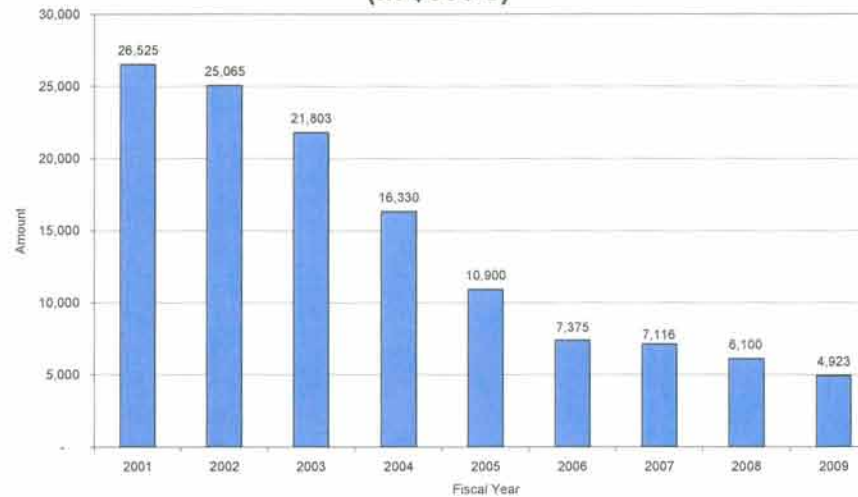
eCheck – With the support of our vendor, we implemented an additional self-service option, (e-check). This option provides yet, another convenient way for customers to pay their bills without incurring any charge. DC WASA already offers several convenient payment options including postal mail, credit card on line and by telephone, walk-In at the customer service center on First St, NW, automatic bank or credit card account deduction, on line using your check account, or at several bank branches.

PCI Standards – DC WASA implemented the Payment Card Industry (PCI) compliance standards to provide additional security to customers that use electronic payment options.

Improved Arrears Management Program – We continue our efforts to improve our collection rate on delinquent accounts and to ensure that convenient payment alternatives assist in reducing arrearages. In addition to the “Process Notification Outbound Calling Program”, coupled with our “Dialing for Dollars Program”, we again participated in the Districts annual tax sale. We now accept checks via the web and IVR at no cost to the customer (most organizations charge for this feature). In addition, our budget-billing feature enables customers to normalize billing and monthly payments.

- **Process Notification Program** – This program provides a friendly reminder phone call to customers when their payments are past due. This program has enabled us to better manage our customer receivables. Initially, we used the program for our residential customers only. As a result of this program, we have reduced our accounts receivable 90-days and greater to all-time low of \$4.9 million in September 2009.

**Retail Accounts Receivable Over 90 Days
As of September 30, 2009
(In \$000's)**



Technology Initiatives

At DC WASA, we focus all of our technology initiatives on improving both the quality of services we provide to our customers and organizational effectiveness. We have received recognition in this area from several prestigious organizations. In 2008 and 2009, we received the prestigious Chief Information Officer (CIO) 100 Award. This award is given to the top 100 companies that demonstrates excellence and achievement in information technology. Also, in 2009 we received National recognition from the Environmental Research Institute (ESRI), a global leader in Geographic Information System (GIS) solutions, for innovative implementations of (GIS). This recognition was for our work in using GIS to track the fire hydrant infrastructure.

We are leading a collaboration group for CIO's and Information Technology executives within the utilities industry enabling us to reduce risk while employing innovation. These activities have situated us at the same table with numerous multi-national organizations and governmental entities providing truth to the statement that DC WASA is a world class organization.

Our work during FY 2009 and planned investments in technology over the next several years are further evidence of our commitment.

Technology Strategic Plan – We continue to focus on implementing the Information Technology Strategic Plan, most recently revised in FY 2005. This Plan outlines a vision for the delivery of information technology services at DC WASA, and a methodology for prioritization of all technology projects (which includes an assessment of cost savings and productivity growth). Information Technology investments include those that focus on improvements in Information security, infrastructure and the use of IT throughout DC WASA to improve the delivery of services to our customers and operational efficiency.

In FY 2009, we focused our efforts on continuing to improve our operations by better integrating people and processes through technology and creating new business values through innovative solution. A few key examples of this effort that are already underway or will begin in the near future are:

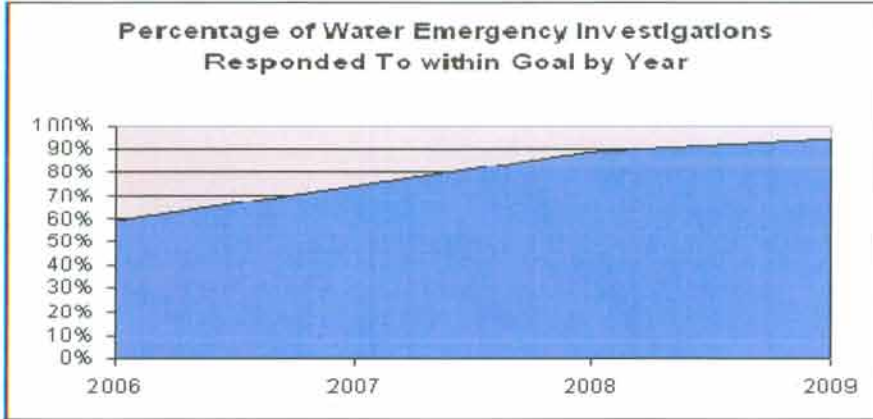
Platform for Spatio-Temporal Analysis and Reasoning: A First of A Kind Project (FOAK) - In FY 2010, DC WASA and International Business Machines Corporation ("IBM") are embarking on a collaborative research project, first of a kind project for a "Platform for Spatio-Temporal Analysis and Reasoning (PSTAR). DC WASA and IBM will develop and apply data analytics technology to DC WASA TEAMS-Maximo data (work orders, asset defect reports, meter readings, etc.) and other data (SCADA, etc.). The project may yield insights to DC WASA, which can lead to business value through enhanced customer service, improved preventive maintenance, reduced cost, etc. IBM expects to develop technology that is applicable towards its Smarter Cities effort through this collaboration with DC WASA.

Website Enhancements – Continuing to build on the past success of our website, www.dcwasa.com, we implemented multiple enhancements during FY 2009. Through our continuous website improvement cycle, a new general site design structure went live on January 5, 2009, which provides visitors streamlined access to information regarding DC WASA. These improvements have generated an extremely positive response from our website audience. Additional improvements included an Avatar-based Bill Tour, Board of Directors meeting live-video streaming and an Impervious Area Surface Charge Calculator. Continuing with the website improvement life cycle during FY 2010, the Authority will implement additional customer outreach functionality, including online permit status updates, a Water Quality Avatar Tour, a General Manager live 'chat' feature, Board of Directors (BOD) Strategic Plan e-scorecard, and e-Board room as part of our green initiatives.

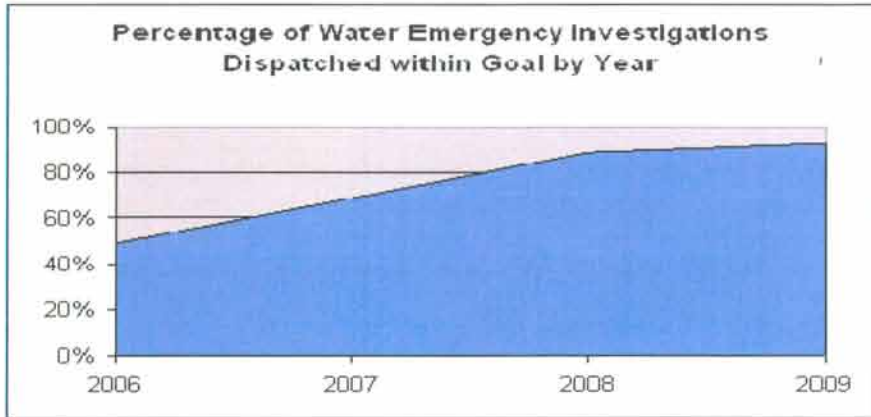


Interactive Voice Response – DC WASA's enhanced interactive voice response system (IVR) provides our customers with multiple tools related to communication with the Authority, including the ability to pay their bill or report a problem. In FY 2009, the IVR system was enhanced to support recently implemented Impervious Area Surface Charges, providing an expedited path for communication related to these inquiries and an automated set of Frequently Asked Questions, to resolve any inquiries in an efficient manner. IVR also implemented a customer service survey and an outgoing call campaign to inform targeted customers of the need to implement Automated Meter Reading functionality at their premise. During FY 2010, enhancements to the IVR will include interfacing with the DC WASA Voice Over Internet Protocol to improve Customer Service processes and reporting, as well as an outgoing call campaign for customers impacted by lead service line replacements, reminding them about the service and to flush their lines.

Total Enterprise Asset Management System (TEAMS-Maximo) – During FY 2009, we committed a substantial amount of time and effort to upgrading TEAMS-Maximo to the most current version. This is set to "go-live" sometime in early FY 2010 and will provide DC WASA with much more flexibility to support asset and work management needs, provide a much better platform for integrating with other programs and allow for substantially better integration between Maximo and GIS. All of these improvements will help DC WASA staff to more effectively plan and execute work.



Since implementing Maximo for the Water/Sewer Pumping Services department, the percentage of Department of Water Service's emergency investigations responded to within the 45 minute goal parameter has increased from 59% in September 2006, 89% in September 2008, and to 94% September 2009.

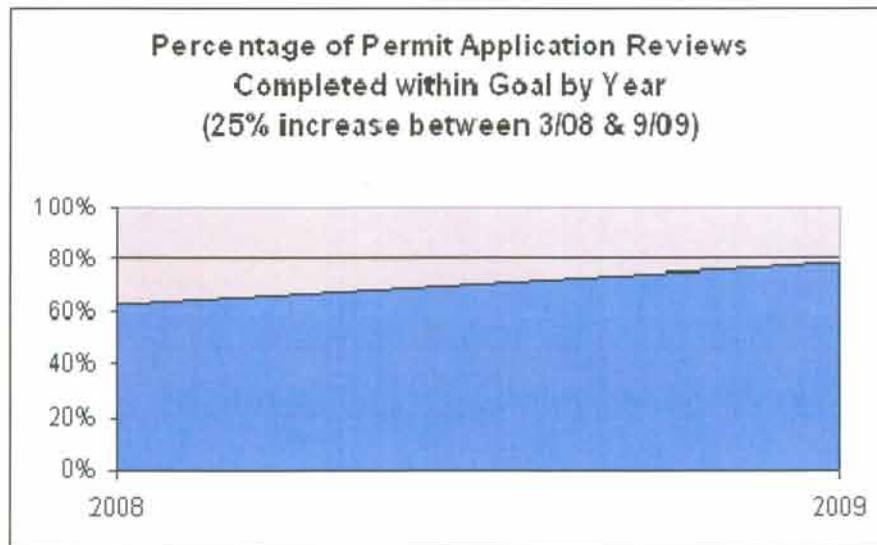


Since implementing Maximo for the Water/Sewer Pumping Services department the percentage of Department of Water Service's emergency investigations dispatched within the 10 minute goal parameter has increased from 49% in September 2006, 89% in September 2008, and to 93% in September 2009.

- **TEAMS-Maximo Supporting Fleet Management** - In FY 2009, we started the planning phase for the integration of fleet management into TEAMS-Maximo which will increase staff and contractor efficiency, reduce fleet cost-of-ownership, extend the life of assets and allow for performance evaluation and trending and analysis. We will continue this effort in FY 2010.
- **TEAMS-Maximo Supporting Tracking Private Backflow Prevention Assemblies** - DC WASA's Cross-Connection Control Program is a regulated program under the DC Code with a primary goal to protect District residents and DC WASA's distribution system from accidental and intentional cross contamination. An essential component of the regulatory program is the ability to track the installation and testing of backflow prevention assemblies (BPA's) in every commercial building in the

District. In FY 2009, we commenced developing functionality in Maximo to accommodate the tracking of BPA's and the annual testing of these assemblies. This is set to "go-live" sometime in FY 2010.

- **TEAMS-Maximo Enhanced Integration with GIS** – In FY 2010, we intend to develop additional integration between Maximo and GIS. This will enhance the ability of Water Services and Sewer Services to plan and execute investigations and repairs as work in the same proximity will be shown graphically on a map. This will result in more investigations and repairs being completed per day. As well, map-based work assignment routing will be deployed to increase field staff efficiency and allow more maintenance to be performed per day.
- **Permitting Application Tracking System (PATS-Maximo)** – Since implementing Maximo for permit management in early 2008, the percentage of application reviews completed within the goal parameters has increased from 63 percent in March 2008, to 79 percent in September 2009 (see chart below) During FY 2009, we developed functionality to allow customers to look-up, view and track information regarding their permit applications. This includes the status of the application, the scheduled completion date, design review comments, etc. The new functionality will "go-live" in early FY 2010. This additional form of "customer communications" is part of DC WASA's continuing effort to provide meaningful and better customer service.



Since implementing Maximo for permit management in early 2008, the percentage of application reviews completed within the goal parameters has gone from 63% in March 2008, to 79% in September 2009.

- **Enterprise Geographical Information System (GIS)** – DC WASA's GIS is a valuable tool that enables employees to look-up information, via the intranet, on our infrastructure; e.g., the exact location of the infrastructure, corresponding street and premise data. This saves time as employees can locate buildings, roads, sidewalks, parks, and assist our field crews and others in locating infrastructure assets. In FY 2009, DC WASA's vision, leadership, and innovative use of ESRI's geographic information system (GIS) technology was recognized by being awarded the Special Achievement in GIS Award from ESRI. DC WASA was selected from more than 300,000 organizations worldwide and recognized for making extraordinary contributions to our global society.

In FY 2009, we completed the Water Network Data conversion project and published a first version of this comprehensive dataset for use by our work crews and DC Fire and Emergency Medical Services. We also improved the overall integration of the FEMS Mobile Fire Hydrant Inspection in the business processes to reduce the amount of manual work required to capture, dispatch and track the repairs identified by the survey. In FY 2010, the focus will be to have more customer facing applications leveraging the information collected in our online systems.

- **Impervious Surface Area Charge System (IACS)** – In May 2009, we successfully went live with the IACS, which provided the tools required to determine the amount of impervious area on individual properties. Premise spatial data derived from implementing IACS also allowed us to perform an independent propagation study for the Automated Meter Reading System (AMR) upgrade project resulting in substantial cost saving. In the future, the system will allow us to support new map-centric dashboards for AMR, route-planning tools to help reduce fuel costs, and many other business processes with respect to organization efficiency.

Enterprise Records and Document Management System (ERDMS) –In FY 2009, we continued enterprise-wide implementation of Knowledge Link with Document Libraries for eight additional groups. The 24 hour, 7 days a week accessible and searchable online Document Libraries enable quick and easy search and retrieval of records, as well as protecting the safety, security and integrity of the loaded documents. The FY 2009 projects included:

- Customer Service Library for Call Center Lead Service Replacement files and Collections files
- Biosolids Program Documents Library to assist the Biosolids Division in meeting the rigorous document control requirements of their third party Environmental Management System Certification
- Risk Management Library for Workers Compensation, Property/Auto/Liability (PAL), Rolling Owner-Controlled Insurance Program (ROCIP) Workers Compensation, ROCIP General Liability, Insurance Policies, Reports, and General Documents
- Fleet Management Library for Title and Registration, Acquisition Information, Work Order and Miscellaneous documents for Vehicles, Carts, Small Equipment and Non-tag Inventory Units managed by the Fleet Department
- Safety and Security Library for documents related to the Comprehensive Safety Program, the Comprehensive Security Program, Emergency Management and Response, Investigations, and Hazard Communications
- Performance Measures Library for documents related to the Board Strategic Plan, Performance Measures Communications and Departmental and Enterprise Scorecards

- Water Quality Library, to be deployed shortly, includes documents such as Consumer Confidence Reports, Plumbing Surveys, Lead Profiles, Disinfection/Disinfectants Byproducts Rule (DBPR), Total Coliform Rule (TCR), and various other Water Quality reports and documents
- Government Relations Library, in the final stages of development, for documents such as Budget and Appropriations, Legislation, Issues and Initiatives

In FY 2010, we plan to continue enterprise-wide implementation of Knowledge Link with the deployment of new departmental projects, such as Water/Sewer service maps.

Supervisory Control and Data Acquisition (SCADA) – In FY 2007, the Authority embarked an initiative to replace its 20 year old SCADA. Our main objectives were to address reliability concerns, improve operational efficiency and securing sensitive data.

In FY 2009 we have successfully completed the upgrade of the legacy system with the state-of-the-art SCADA solution. The Authority can control and monitor all remote nodes without compromising security while having the added benefit of sharing information between various users of the data. The architecture is highly secure, fault tolerant for real time transmission of command and control data. In FY 2010, we plan to continue with the integration of SCADA system with facilities coming online as part of the capital improvement program.

Information Security Program – In FY 2009, we completed a comprehensive Risk Management process for the identification, analysis, and management of business risk according to information asset value. The Information Security Strategic Plan (2009-2013) was developed to define the Authority's long-term plan for improving its security posture to meet the challenges of evolving technology and the changing threat landscape. Safeguards for the Authority's new SCADA system are almost complete to ensure system reliability and protection of our critical assets. This effort will continue as the system continues to expand to meet new business challenges, including controlled information sharing with other DC WASA business systems. We have developed a Security Awareness and Education Program to ensure users are an active and integral part of our Information Security Program .

Field Service Management System (Mobile Computing) – In FY 2008, we successfully deployed a mobile solution for hydrant inspections for DC Federal Emergency Management Services (FEMS). Based on the lessons learned in this project and experiences throughout FY 2009, we will be designing similar applications for the Department of Water Services crews for various core service groups such as the valve crews and the hydrant crews. In 2010, we plan to extend our pilot program to deploy the existing GIS viewer. In addition, we intend to deploy TEAMS-Maximo to the field staff in support of Water Services and Sewer Services investigation, maintenance and repair operations. This will help DC WASA capture information regarding work on the infrastructure more timely and more accurately and will provide critical data to the field so that personnel can make more informed and better decisions regarding the work. Also, field captured data will provide more complete information to office staff for trending and analysis.

Telephone System Upgrade – In FY 2009, DC WASA started the implementation of our next generation telephone system to replace the aging legacy phone system. The implementation of the new phone system was completed, in early FY 2010. The new Alcatel-Lucent solution utilizes a single infrastructure for voice, data, and video offering greater mobility, advance applications in the areas of customer service and safety as well as system redundancy. Advance applications provide real time agent reporting, skills based routing and advanced agent supervision via Customer Contact application.

Over the next two years, we will continue to focus our efforts on the Board's Strategic Plan to ensure that our use of technology ensures even better service to our customers.

INSPIRE CONFIDENCE AND ENHANCE OUR IMAGE THROUGH OUR ACTIONS

DC WASA has initiated a number of effective programs and projects to support the Board's commitment to ensuring a well-informed workforce and public and inspire confidence through education and commitment to the community. Employees throughout the Authority are credited for the progress made over the year in communicating with the public on infrastructure improvements and sometimes difficult and complex issues as well as a better understanding of various services DC WASA performs for the public and to the environment. Our accomplishments for FY 2009 and planning for FY 2010 include the following:

- As previously noted, enhancement and expansion of our website, www.dcwasa.com, in FY 2009 with a dynamic homepage including revolving headline stories. The website now includes content updates, alerts, work zone activity, press releases, features and customer service options and much more.
- We developed specialized customer and stakeholder communications for dissemination to the media and public addressing a number of high-profile issues and projects including DC WASA-hosted meetings on rate proposals; pharmaceuticals in the nation's water supply and other drinking water quality issues; the fire hydrant upgrade program; modification to the Lead Service Line Replacement program; major infrastructure construction projects; a high-profile fire; We communicated with the media and the general public regarding the River Road water main break, the new impervious surface structure; and infrastructure condition awareness. Communication plans for FY 2010 include further IAC communications, marketing and awareness campaigns for our customer assistance programs; new web site offerings; fire hydrant inspection program and upgrade program; rate proposals; St. Elizabeth's water tower and continuation of Combined Sewer Overflow Long Term Control Plan (CSO LTCP) communications.
- The monthly customer newsletter, What's on Tap, is an effective, widely read publication with "news-you-can-use" about DC WASA's water, sewer and customer service's major infrastructure projects and activities, utility rates, environmental and conservation programs, drinking water quality, District government services and a variety of other subjects.
- Our Annual Report, the Consumer Confidence Report and numerous publications and presentations have served to increase customer and stakeholder awareness and understanding of the operations and issues associated with the critically important

services we provide. In FY 2010, we will actively market our customer assistance programs and implement a media relations strategy to raise awareness of infrastructure needs and projects; the CSO LTCP, Fire Hydrant Upgrade Program and other projects.

- During FY 2009, we sponsored over 46 presentations and guided tours of Blue Plains and other Plant facilities to various groups including Congressional staff, foreign delegations, industry professionals, media representatives, schools, environmental groups and others. We expect to increase this level of activity in FY 2010.
- In FY 2009, at the direction of the Board, DC WASA began video production and webcasting services in an effort to significantly expand communications, while generating interest and raising awareness about DC WASA programs and services.
- The Authority routinely participates in media relations covering a number of national and regional issues such as water quality, pharmaceuticals in tap water, the nation's aging infrastructure and nutrient removal in wastewater treatment processes. This year, the NBC Network and Voice of America worked closely with DC WASA for upcoming productions on the Chesapeake Bay Program. In addition, National Geographic filmed a tunnel inspection using a robotic device for a future episode on robotics uses.
- Another of our publications, The Focus newsletter, provides employees information about all aspects of the organization. It focuses on organizational goals, policies, and our Strategic Plan. Each month, readers can find a variety of interesting stories and topics on carpooling, worksite security and safety, employee recognition, employee career development and training, health and financial benefit options, personal contributions and community volunteers, and a monthly "All in a Day's Work" series which spotlights employees at work. Our Employee Wellness Program is also included. In order to ensure that all DC WASA employees and visitors are aware of current information and events, video monitors at our major facilities provide a tool for continuous communications.

We have consciously sought to cultivate the growth of a culture of volunteer service in which contributing to our community becomes commonplace. Given the challenging economic times, we find it most essential to extend a helping hand to our community. While we believe we are doing a great job in these areas, there is always room for improvement. DC WASA continues to host community outreach events through existing programs and new ones. The following list provides voluntary service activities, in which DC WASA participated:

Joint Utility Discount Day – In September 2009, more than 100 DC WASA employees participated in the annual Joint Utility Discount Day (JUDD) at the Washington Convention Center. More than 6,000 District residents applied for discounts on their water, electricity, gas and telephone bills. DC WASA staff helped customers attending JUDD complete applications for the discount, provided information, and conducted demonstrations on water use and conservation in the home.

DC Public Schools – DC WASA also provided lessons in Sewer Science to more than 400 District students in FY 2009. Sewer Science is an interactive mini-wastewater treatment plant model used to teach the processes involved in treating wastewater and how it is recycled back into area rivers. The lab is free of charge and all materials, including workbooks, are included. Over the last year, DC WASA delivered the Sewer Science program to School Without Walls, Duke Ellington School of the Arts, Wilson High School, Young America Works Public Charter School, McKinley Tech, Gonzaga College High School and Anacostia High School. We also displayed the program at events like the Washington Suburban Sanitary Commission (WSSC) Children's Water Festival, the DC Environmental Education Consortium Teacher's Night and the Nation's River Bass Tournament, the District Department of Environment (DDOE) Anacostia Environmental Education Fair and Living Classrooms of the National Capital Region event.

For a Better Home – For a Better Community (Latino event) – At the second annual Hispanic outreach event, DC WASA provided information on water related issues, including water quality and water conservation to customers. Additionally, the event, which promoted green and healthy living, included a number of exhibits and District agency participation, promoted green and healthy living. More than 275 members of the community attended this event, hosted by DC WASA and the Mayor's Office on Latino Affairs (OLA) held at the All Souls Church in the Columbia Heights neighborhood. Twenty-four vendors participated and provided bilingual literature and personnel for the event. DC WASA developed fact sheets and other information in Spanish.

Bread for the Soul – Employees along with family and friends, participated in the 7th Annual Bread for the Soul campaign by donating hundreds of toys and books and \$8,845 in cash donations. DC WASA employees and other volunteers also assembled and delivered food baskets to 85 families living with HIV/AIDS in the District of Columbia.

One Fund – Each year, our employees continue to give generously to the DC One Fund, the District's charitable fundraiser that supports a range of non-profit organizations in the Washington, DC area. In FY 2009, our employees contributed \$32,256 toward this worthy cause.

4th Annual Nation's Triathlon – DC WASA sponsored this event providing tap water to thirsty athletes and volunteering at the aid station. To ensure a clean swim course, skimmer boat crews cleaned the Potomac River swim course throughout the weekend.

Susan G. Komen Breast Cancer Walk – In June 2009, approximately 175 DC WASA employees collaborated with the Susan G. Komen Foundation by participating in an annual 5K walk to support the fight against breast cancer. DC WASA raised approximately \$3,979 in donations.

AIDS Walk Washington – DC WASA supported the annual AIDS Walk Washington on October 4, 2008 by sending a team of walkers and raising donations for the fundraiser. The walk benefits HIV/AIDS services for the Whitman-Walker Clinic, which serves more than 8,000 clients per year. This is the sixth year that DC WASA has supported this event.

Boys Town of Washington, DC – During 2009, DC WASA summer college interns painted the family center interior, removed shrubs, provided landscaping and trash collection services. Also, for the fourth year in a row, a DC WASA staff member served as Santa for the children.

ACHIEVE REASONABLE RATES INCLUDING RELIEF FOR THOSE LEAST ABLE TO PAY

Retail Rates and Fees - In 1997, shortly after DC WASA's creation, the Board eliminated all discounted and free service and adopted a 42 percent rate increase to compensate for ten years without any increase and the resulting lack of maintenance and investment in an aging and deteriorating water and sewer infrastructure. Since that time, there have been gradual increases in retail rates – ranging from 2.5 to 9.5 percent. This is a continued reflection of the Board's policy to keep rates reasonable and affordable in order to minimize the impact on retail customers. Additionally, since DC WASA does not make a profit, in years of better than expected performance, any excess revenues that are generated above the system need, are placed in a Rate Stabilization Fund (RSF) or are used to fund capital projects, both of which lower customer rate increases in the future. However, the RSF has been drawn down by approximately \$25 million in both FY 2008 and 2009 and it is anticipated that additional draw downs will be made in FY 2010 leaving very little to underwrite rates in FY 2011. The use of the RSF in FY 2008 and 2009 reduced needed rate increases by approximately 9.5% and helped to avoid rate shock in those years.

We have carefully reviewed our Ten-Year Financial Plan and near-term rate increases required to provide sufficient revenues to cover our capital program and resulting debt service costs over the same period. Our budget proposal includes use of \$2.6 million from the RSF in FY 2011, a \$0.77 per Ccf combined retail water and sewer rate increase in FY 2011, following a 9.0 percent increase approved in FY 2010, an increase to the Customer Metering Fee of \$1.85 per month and an increase to the IAC of \$1.24 per monthly ERU. With these proposed changes in FY 2011, the monthly impact to the average residential customer will be \$8.66; about the average cost of one lunch at a sandwich shop in downtown DC.

DC WASA's proposed rate increases are primarily required to collect the revenues previously under collected due to the existence of a large rate stabilization fund, adjust for revised trends in consumption and to pay for increasing debt service costs, which will rise from approximately 24 percent of the FY 2010 budget to 26 percent of the FY 2011 operating expenses. These debt service costs finance the District's share of DC WASA's proposed \$3.8 billion capital program, which is discussed in more detail later in this book.

In addition to the proposed retail rate increases, we are proposing an approximate \$0.06 per Ccf increase in the PILOT fees alone to ensure that we fully recover the costs of this District of Columbia fee. This fee represents costs assessed by the District of Columbia since 1997 and rise in accordance with increases in the volumetric retail rates. Through FY 2009, DC WASA has paid over \$153.1 million in the PILOT fee. The ten-year plan projects annual increases to the PILOT fees between \$0.8 million to \$1.9 million.

DC WASA's current and proposed rates and fees remain very competitive with other water and wastewater providers in the mid-Atlantic and the eastern United States. In fact, the FY 2008 independent comprehensive budget review noted that DC WASA's recent rate increases have been much lower than other similar utilities. DC WASA's proposed monthly residential bill (including the IAC,

customer metering fee, the District's stormwater rate, PILOT and ROW fees) is slightly less than the average of other utilities in DC WASA's benchmark group. Without the stormwater and the PILOT and ROW fees, DC WASA's proposed average monthly residential bill is \$2.44 or 4.4 percent less than the average for comparable utilities. The proposed future rate increases over the ten-year planning period are also consistent with the infrastructure needs identified by regional and national providers. Our rates remain very competitive with other regional and national providers of similar services.

Comparison of DC WASA's Rates with Other Service Providers

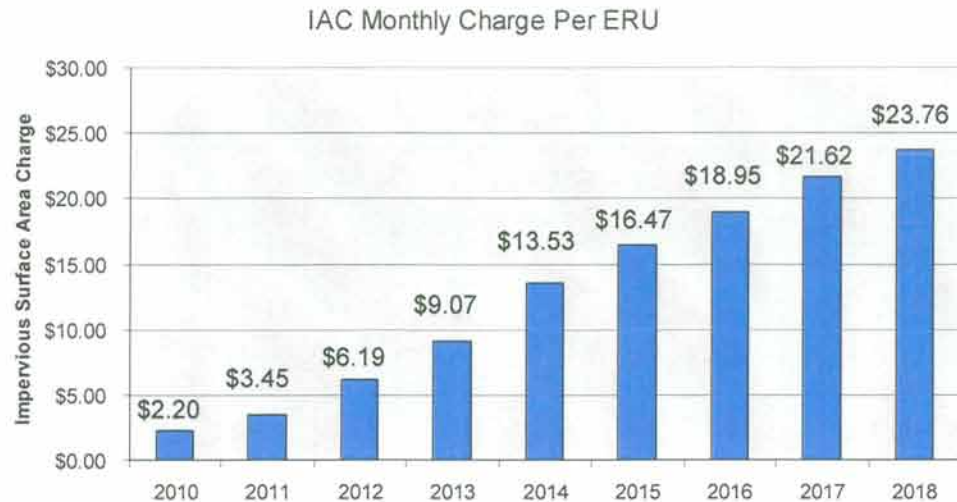
Large CSO Communities	2003	2004	2005	2006	2007	2008	2009	2010
New York City Dept. of Environmental Protection	6.60%	5.60%	5.10%	3.10%	9.80%	11.50%	14.30%	14.00%
Boston Water and Sewer Commission	12.80%	5.80%	0.00%	9.85%	9.25%	5.60%	3.48%	6.65%
City of Atlanta Dept. of Watershed Management (Inside-City)	0.00%	22.00%	1.00%	4.40%	10.00%	10.00%	27.50%	12.50%
Chicago Metropolitan Water Reclamation District*	4.00%	3.00%	3.00%	0.00%	0.00%	15.00%	15.00%	14.00%
DC WASA	-5.25%	2.50%	5.00%	5.50%	5.00%	5.50%	7.50%	9.00%

* Chicago Metropolitan Water Reclamation District does not have special charges to recover LTCP specific costs. These costs are recovered based on property taxes (for all services).

Proposed Rate Increases Comparison of Last Year's Board-Adopted Plan vs. Approved Plan FY 2009 – FY 2018



Impervious Surface Area Charge (IAC) – In FY 2009, we implemented an IAC applicable to all customers who own property in the District of Columbia. This charge will assist DC WASA with meeting the cost associated with implementation of the federally mandated combined sewer overflow long term control plan. The new charge was developed using a methodology that more equitably distributes the cost of protecting the area waterways because impervious surface contributes to the volume of rainwater runoff into the District's sewer system.



Rate Stabilization Fund - Consistent with Board policy, in years where our financial performance is better than projected, we set aside additional funds that we use in future years where capital spending and debt service peak, helping to avoid “spikes” in rate increases for our retail customers. At the end of FY 2009, the Rate Stabilization Fund (RSF) balance totaled \$28.6 million.

The RSF is in addition to the Board-required 120 calendar days of budgeted operations and maintenance reserve. Additional contributions will be determined each year based on actual financial performance, and only if all other Board policy and indenture requirements are met. The FY 2011 budget projects full utilization of the RSF by the end of the fiscal year.

Customer Assistance Program (CAP) Discount – We are continuing our commitment to help improve the quality of life for those of our customers who are least able to pay, by providing relief through our customer assistance programs (CAP). Since 2001, we have provided eligible customers a discount of 4 Ccfs per month on their water bills. In FY 2009, DC WASA’s Board of Directors approved the expansion of the Customer Assistance Program (CAP) to provide a discount on sewer charges in addition to the discount currently provided on water. In FY 2010, DC WASA’s Board of Directors approved advertisement of a proposal to expand the Customer Assistance Program (CAP) to provide a discount on PILOT/ROW fees effective FY 2011. If adopted in September 2010, this discount would be in addition to the current discount provided on water and sewer. In FY 2009, this discount provided up to \$277 in annual discounts to income eligible customers. In FY 2009, DC WASA provided discounts to 6,458 customers representing \$903,915 through September 2009. The District Department of Environment, Office of Energy, administers this program for the Authority and several other local utilities.

Customer Assistance Program (CAP)			
	Planned number of Customers to Assist	Actual Number of Customers Assisted	Actual Discounts Provided
FY 2008	6,000	5,814	\$ 344,090
FY 2009	6,000	6,458	\$ 903,915

Serving People By Lending A Helping Hand Program (SPLASH) – We further assist our customers through our SPLASH program. Contributions to this program have grown due to the convenience of the bill round-up feature which enables customers to make donations with their payments to assist other customers in paying their water and sewer bills. DC WASA continues to sponsor the SPLASH Program. In FY 2009, we received more than \$95,162 in contributions from our caring customers, which enabled us to assist approximately 348 income eligible customers through September 2009. The Greater Washington Urban League administers this program for the Authority.

COORDINATE CLOSELY WITH OTHER UNITS OF THE GOVERNMENT

DC WASA continues to strengthen its relationships at all levels of government and across the Washington Metropolitan community. In addition to legislative and regulatory bodies, we also work with national trade organizations through committee participation and conference calls on matters that potentially affect DC WASA, its operations and stakeholders.

DC WASA was proud to participate, once again, in the preparations of the inauguration of the 44th President of the United States, Barack Obama. Given the magnitude of this particular inauguration, and the high volume of visitors to the Nation's Capital requiring the use of water and sewage services, DC WASA security, command center and operations teams worked around the clock to ensure reliable service and appropriate security for one of the most remarkable events in American history.

The financing of environmental initiatives continues to be one of the Authority's highest priorities. For the past five years, we have worked very closely with the Mayor and the Council of the District of Columbia, the Office of Management and Budget within the Executive Office of the President and the House and Senate Appropriations Committees and Congresswoman Eleanor Holmes Norton to secure additional federal funding for DC WASA efforts to reduce combined sewer overflows. In FY 2009 and 2010, we received \$16.4 and \$20 million respectively in federal appropriations for this purpose.

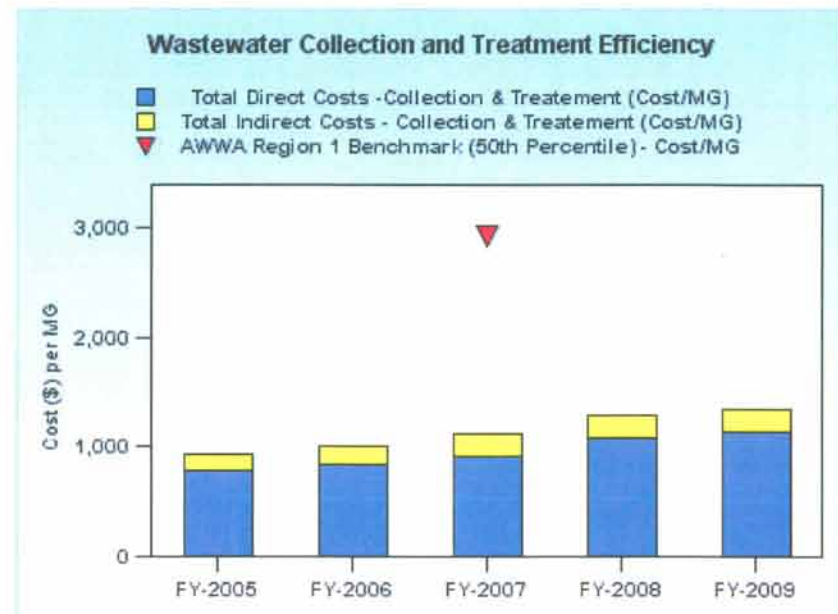
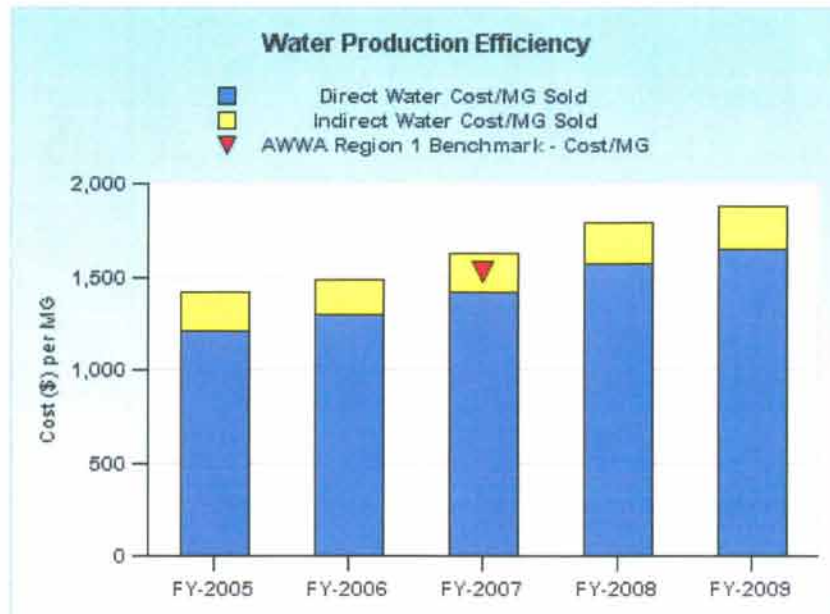
STRATEGIC PLAN CRITICAL SUCCESS FACTOR – FINANCIAL INTEGRITY

This Strategic Plan Critical Success Factor focuses on planning and control of all financial resources in a manner faithful to our customers, bondholders, and suppliers. In order to sustain sound financial performance, DC WASA seeks to:

- Ensure operational efficiency throughout the enterprise
- Maintain a strong credit rating
- Ensure cost effectiveness of all major capital projects
- Deliver clean audit opinions with no reportable conditions or weaknesses

Ensure Operational Efficiency Throughout the Enterprise

To ensure operational efficiencies, DC WASA, through its enterprise balance scorecard initiatives, has identified several performance measures and targets for measuring operational efficiency. Some targeted areas include: Water production and Wastewater collection and treatment as shown in the charts below:



As DC WASA continues to efficiently deliver excellent services, our costs per million gallons continue to measure well for all services. When compared against FY 2007 industry benchmarks (the last period available for this data), DC WASA matched the water costs for similar sized utilities and far surpassed the average costs for collection and treatment against the same sample group.

FY 2009 Financial Performance

As of September 30, 2009
(\$ in millions)

	Annual Budget	Actual (Oct - Sept)	Variance	
			Favorable (Unfavorable)	
Revenues (Receipts)	\$352.9	\$341.4	(\$11.5)	-3.3%
Expenditures	\$363.2	\$336.6	\$26.6	7.3%
Capital Disbursements	\$265.9	\$254.6	\$11.3	4.2%

In FY 2009, DC WASA experienced a shortfall in revenues and managed expenditures within budget, to end the year in positive position.

Revised FY 2010 and Approved FY 2011 Operating and Capital Budgets

As shown on the following table, our revised FY 2010 operating budget of \$382.3 million is \$11.3 million below the Board-approved FY 2010 budget. The approved FY 2011 operating budget totals \$408.1 million, an increase of \$25.8 million over the revised FY 2010 budget.

Our ten-year Capital Improvement Program (CIP) budget (disbursements) totals \$3.8 billion; an increase of approximately \$0.6 billion from last year's approved CIP budget of \$3.2 billion.

**FY 2010 & FY 2011 Operating Budgets
(In 000's)**

	FY 2009 Approved	FY 2009 Revised	Increase / (Decrease)	Percentage Change	FY 2010 Approved	FY 2010 Revised	Increase / (Decrease)	Percentage Change	FY 2011 Approved	Increase / (Decrease)	Percentage Change
Operations & Maintenance Expenditures	252,683	259,811	7,128	2.8%	274,746	271,148	(3,598)	-1.3%	282,374	11,226	4.1%
Payment in Lieu of Taxes	14,210	14,079	(131)	-0.9%	15,487	15,347	(140)	-0.9%	17,265	1,918	12.5%
Right of Way Fee	5,100	5,100	-	0.0%	5,100	5,100	-	0.0%	5,100	-	0.0%
Debt Service	91,240	84,244	(6,996)	-7.7%	98,290	90,685	(7,605)	-7.7%	103,354	12,669	14.0%
Total Operating Budget	\$ 363,233	\$ 363,234	\$ 0	0.0%	\$ 393,623	\$ 382,280	\$(11,344)	-2.9%	\$ 408,094	\$ 25,813	6.8%
Personnel Services	92,235	92,917	682	0.7%	96,493	96,205	(288)	-0.3%	104,422	8,217	8.5%
Authorized Positions	1,124	1,124	-	0.0%	1,124	1,124	-	0.0%	1,165	41	3.6%

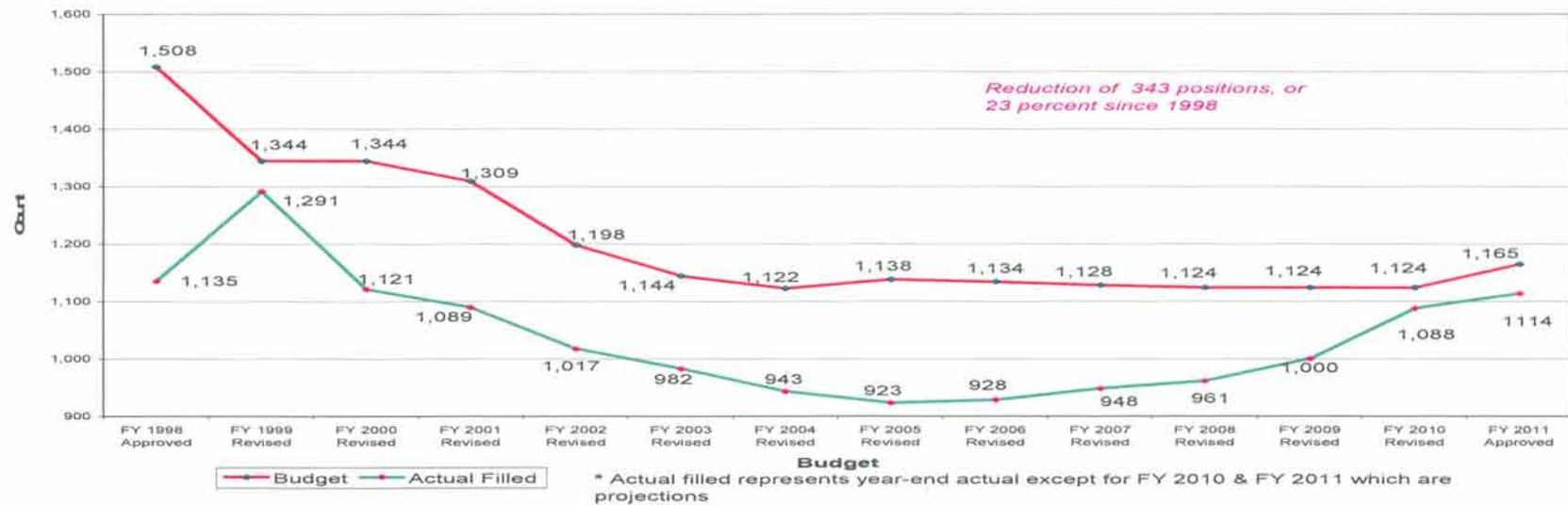
The budget funds major initiatives to ensure that DC WASA continues to invest in those services and functions that will best serve our customers and the public. The reduction of \$11.3 million from the Board-approved FY 2010 budget is mainly from utilities, arising from lower electricity and gas prices experienced during FY 2009, and debt service savings tied to the success of the FY 2009 issuance.

The increase of \$25.8 million in our approved FY 2011 budget is primarily driven by 14 percent increase in debt service cost tied to planned issuance of new debt in FY 2011 to support the Authority's Capital Improvement Plan (CIP); escalating costs of water purchase, and increase in personnel services cost. The approved FY 2011 budget also accommodates an increase of \$1.9 million, for the Payment in Lieu of Taxes (PILOT) to the District of Columbia, which totals \$17.3 million. (PILOT increases at the same rate as DC WASA's volumetric retail rate increases, in accordance with the memorandum of understanding with the District). The Right of Way Fee remains at \$5.1 million, the same as the revised FY 2010 budget. The budget proposals are reviewed in more detail to ensure operational efficiencies and cost effectiveness, while maintaining a high level of performance.

Staffing

Since FY 1998, the Authority's approved position level has decreased by approximately 25 percent from 1,508 to 1,124 positions in FY 2010. (See chart, which follows).

**Fulltime Position History
Budget vs Actual
FY 1998 - FY 2011**

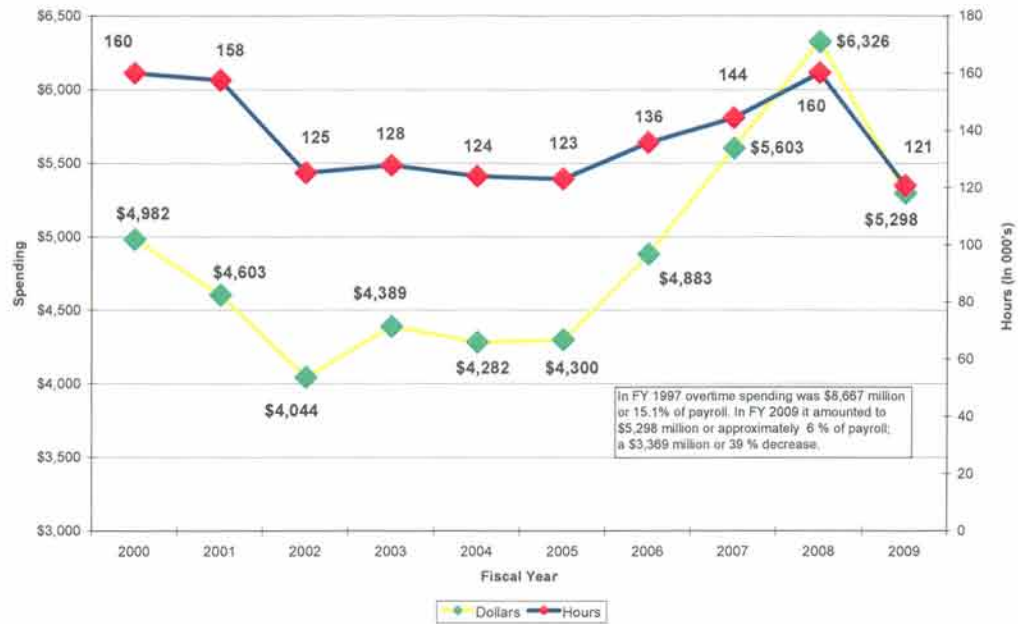


This planned reduction was a result of our various internal improvement plans implemented at the Authority since FY 2000. These plans were designed to ensure a more competitive and efficient organization. We continue to focus on automation and technology to achieve these goals. However, future staffing adjustments are necessary as we review our organizational structure, capital project delivery methods and business process improvements to ensure the most cost effective management of our capital programs and service delivery.

Overtime

From fiscal years 2002 through 2006, the Authority kept overtime costs steady at an all time low. Beginning in FY 2007 and following in FY 2008, we experienced higher than expected vacancy rates coupled with emergency response to infrastructure repairs. We also experienced increased overtime because of activity related to fire hydrant inspections consistent with the Memorandum of Understanding with the District's Fire and Emergency Medical Services (FEMS). However, in FY 2009, overtime spending decreased significantly because of improved and effective monitoring by the various departments. DC WASA continues to review opportunities to better control costs by reengineering some of our processes and continuing our efforts to fill vacant positions in critical areas. In some areas, new evening shifts will be created to improve the efficiency of our response to customers, while reducing the need for overtime use to respond to after-hours emergencies and work in progress.

Overtime History
Dollars and Hours
FY 2000 -FY 2009
(In 000's)



Revenues

Our revenue budget totals \$378.2 million in FY 2010 and is projected to increase to \$396.0 million in FY 2011. These projections reflect an FY 2010 Board-approved 9 percent combined water and sewer rate increase, a FY 2010 \$0.06 per Ccf increase in PILOT fees, and a FY 2011 proposed 12.5 percent combined water and sewer rate increase. Additionally, a proposed increase of \$0.06 in the PILOT fees with no change in the Right of Way will recover the full amount charged to DC WASA by the District.

Maintain A Strong Credit Rating

Bond Ratings

DC WASA's record of sound financial operations was rewarded in January 2009 for its excellent performance and planning, when Fitch Rating Services assigned a Positive Outlook to our "AA-" senior level bonds. This rating helps to reduce the interest rates we

pay on our debt borrowings, resulting in lower customer bills. DC WASA's ratings for Moody's, Standard & Poor's and Fitch rating agencies remained at the double "AA" level, the second highest rating category available to state and local issuers.

Rating Agency	Senior Rating
Moody's Investors Service	Aa3 Stable Outlook
Standard & Poor's	AA Stable Outlook
Fitch Ratings	AA - Positive Outlook

Capital Financing Plans and Debt Issuance

Implementation of our capital-financing plan continues as planned and meets the dual objectives of providing maximum flexibility while resulting in as low a cost of capital as possible. Specifically, this plan includes three primary components:

- **Pay-As-You-Go financing** –we use "Pay-Go" to pay down higher cost debt or reduce future debt issuances.
- **Interim Financing Program** – in early FY 2002, we developed a \$100 million commercial paper program for this purpose, which has been extremely successful. Based on current capital spending projections, we believe that a large portion of the balance - \$25 million of our remaining \$72 million in commercial paper financing will be utilized in FY 2010 and another \$30 million required for FY 2011 prior to the permanent financing anticipated for early FY 2011.
- **Permanent Financing** – we successfully issued \$300 million of tax-exempt senior lien fixed rate revenue bonds in January 2009. The bonds were issued to fund \$235 million in new capital projects, take-out \$50 million tax-exempt and \$15 million taxable commercial paper. We envision issuing our next permanent financing in late 2010. In order to yield the best possible interest rate savings, we evaluate our debt portfolio on a regular basis. We anticipate using some traditional and innovative bonding options to include a rate neutral impact from the digester projects during the period prior to the start of operational cost savings.

Cash Reserves

In FY 2009, we completed a study of the operating cash reserve balances and liquidity requirements and initiated deliberate discussions with the Board of Directors over the appropriate levels and limits. After months of discussion and consultation with our financial management consultants, the DC WASA Board financial policy was revised to require maintaining cash equivalent to 120 days of operating costs rather than six months; but no less than a cash balance of \$125.5 million. The FY 2009 actual daily average is shown below.

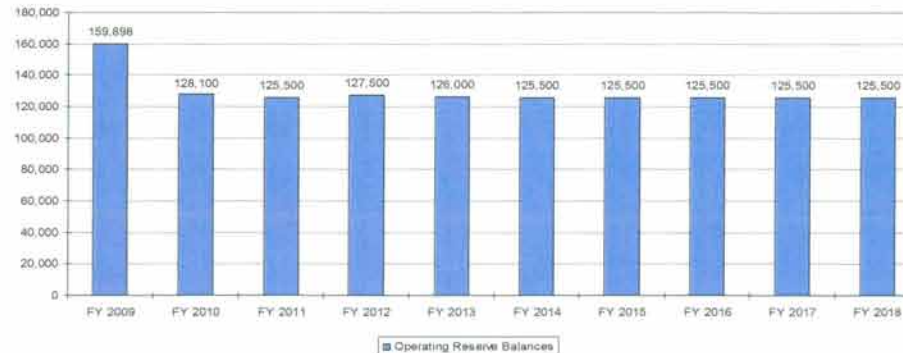
180-day Operating Reserve Analysis (\$ in millions)

FY 2009 180-day Operating Reserve Objective	\$125.5
Actual Average Daily Balances	\$131.3
Difference	\$5.8

(Rate Stabilization Fund Not Included)

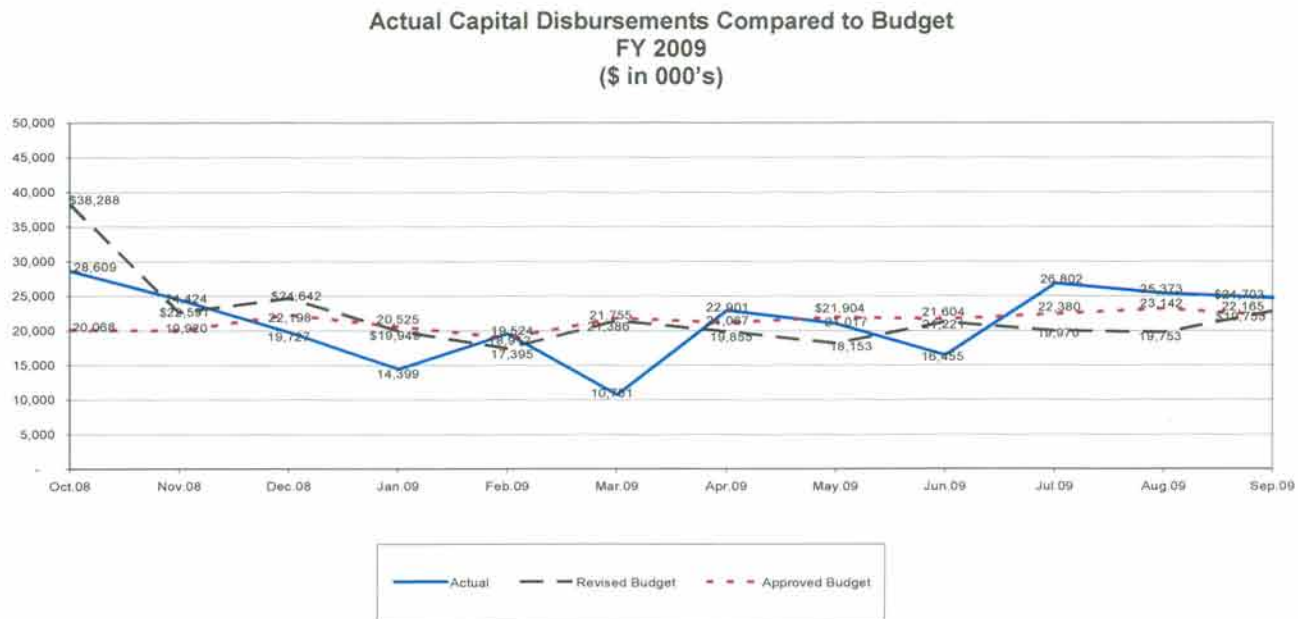
The approved ten-year plan reflects continued maintenance of the reserve level as revised. As our operations and maintenance budgets grow, our required operating and maintenance reserve levels adjust when the 120-calendar day threshold exceeds the \$125.5 million minimum, which is currently targeted in FY 2018.

Operating Cash Reserve Balances By Fiscal Year (\$000's)



Ensure Cost Effectiveness of All Major Capital Projects

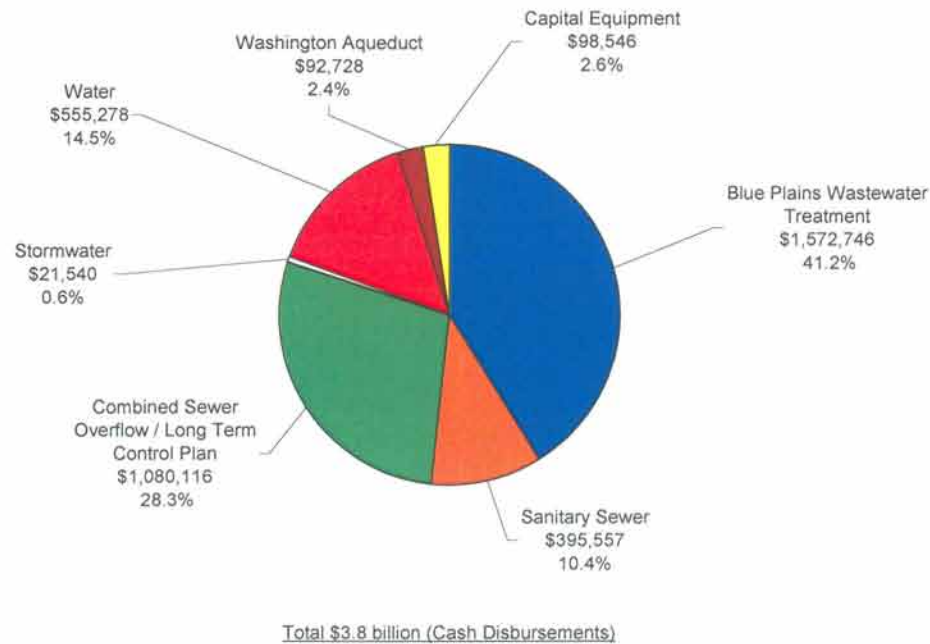
DC WASA has faithfully executed the capital program throughout FY 2009. As shown in the chart below, capital expenditures were 96 percent of anticipated spending. The activities undertaken include water and sewer infrastructure replacements, (inclusive of lead service lines), completion of the facilities plans for the LTCP CSO and review and approval of the procurement methodologies and packages, development of design packages for the BTN and digester programs and continued construction of the residuals facility at the Washington Aqueduct. Projects under construction are on target to complete within their available budget and resources. Throughout the design process, our experienced management and technical experts continue to review the proposed project scopes and cost effectiveness of all projects.



UPDATED CAPITAL IMPROVEMENT PROGRAM

DC WASA's ten-year capital improvement program (CIP) totals \$3.8 billion (cash disbursements basis), approximately \$0.6 billion more than last year's plan, attributable primarily to additional funding of \$300 million for the Combined Sewer Overflow Long Term Control Plan (CSO LTCP), addition of high priority water and sewer infrastructure projects (approximately \$300 million) offset by \$80.3 million savings from the revised Lead Service Replacement program and required electrical upgrades throughout the wastewater treatment plant at Blue Plains. These changes will be described in more detail within Section VI of this book.

FY 2009 – 2018 CAPITAL IMPROVEMENT PROGRAM (In \$000's)



Deliver Clean Audit Opinions With No Reportable Conditions or Weaknesses

External Audit – FY 2008 marked our twelfth consecutive unqualified audit opinion on our audited financial statements, and the eleventh consecutive year that the Comprehensive Annual Financial Report received the Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association (GFOA). We have submitted application for consideration for a similar award for FY 2009. We also received the Distinguished Budget Presentation Award for our FY 2009 Budget document.

Other Financial Accomplishments to Plan and Control Our Financial Resources Faithfully

Cost of Service Study - A Cost of Service Study (COS) was conducted in FY 2009 in accordance with DC WASA policy. The study reviewed revenue sufficiency, rate equity, analysis of alternative rate structures and miscellaneous charges. While the study indicated that the existing retail rate structure scored well on most pricing objectives, several recommendations were made that have been evaluated by DC WASA and are either included later within this proposal or will be studied further for future recommendations.

Insurance Review – In FY 2009, we successfully renewed all of our insurance coverage at essentially the same coverage and terms, with slightly higher costs than last year. Our use of multiple, qualified brokers last year improved competition and rendered favorable results in the cost of our property and associated insurance coverage. Total insurance costs for the 2009/2010 insurance year including the additional terrorism charge and all broker fees are 4 percent higher than prior-year actual costs.

Rolling Owner-Controlled Insurance Program II (ROCIP II) – In FY 2004 and FY 2005, we implemented another “industry-best practice” with our ROCIP program, under which DC WASA procures broad insurance coverage for most construction contractors. The result is substantially higher insurance coverage levels for all contracts; the ability to qualify more small, LSDBE, MBE/WBE contractors and subcontractors who may have trouble obtaining insurance at levels required by DC WASA; potential cost savings; and implementation of a uniformly strong safety program for all DC WASA contractors. At the end of FY 2009, 68 projects, and 217 contractors had been enrolled in the ROCIP program (including most of the lead service line replacement contracts), and preliminary savings estimates exceed \$1 million. As of FY 2009, the dollar value for all ROCIP contracts totaled \$595 million. Twenty-six of 58 prime contractors are MBE/LSDBE participants. Over the five-year program, DC WASA anticipates an estimated savings in the \$4 to \$5 million range.

Given the success of the first ROCIP, DC WASA moved forward with a second ROCIP beginning October 15, 2009. The ROCIP II is a three year insurance program that will support \$1.3 billion of planned construction completion. We anticipate similar results with this new program.

Internal Audit - During FY 2009, Internal Audit Office set out to continue its focus for carrying out of its Annual Audit Plan as approved by the Board’s Audit Committee. The Office completed the following two reviews:

- **Local and Minority Business Review** - to assess both DC WASA's performance and level of compliance under Board Resolution #00-84, to set annual goals designed to promote participation of Local, Small and Disadvantaged Business Enterprises (LSDBEs) in procurements funded by "discretionary spending."
- **Purchasing Card Program Review** - to assess the program's policies and procedures, ensure that they are properly issued; adequately controlled for authorized purchases; transactions and payments are processed efficiently; and to ensure that appropriate safeguards over the purchase cards exist.

During FY 2009, the Audit Committee, based on a recommendation by the General Manager, approved the reorganization of the Internal Audit function to use an outsourced model. Starting FY 2010, DC WASA would use an outside independent accounting firm to provide DC WASA with a broader range and depth of resources as opposed to having to intermittently hire resources. The selected firm is responsible for increasing the operational efficiency and effectiveness of the auditing functions. The firm will be expected to work interactively with DC WASA management to ensure that best business practices prevail that make the best use of the resources available to DC WASA.

STRATEGIC PLAN CRITICAL SUCCESS FACTOR – ENVIRONMENTAL STEWARDSHIP AND OPERATING EXCELLENCE

This Strategic Plan Critical Success Factor focuses on designing and implementing environmentally responsible policies, programs, and technologies that protect our region's waterways, air, and lands. Our commitment is to excel in all aspects of water delivery, wastewater collection and treatment and customer service. To achieve these objectives, DC WASA will strive to:

- Deliver continuous, adequate water flows for fire fighting and retail customer uses
- Improve the integrity of our water distribution, and wastewater collection and treatment system
- Implement best-in-class asset management practices
- Minimize disruption to our neighborhoods and the environment
- Excel in all aspects of capital project planning and management
- Reduce the impact of our wastewater system on our local water ways
- Minimize nuisance odors
- Reduce carbon footprint
- Beneficially use biosolids and wastewater
- Provide support to the District of Columbia's stormwater management responsibilities

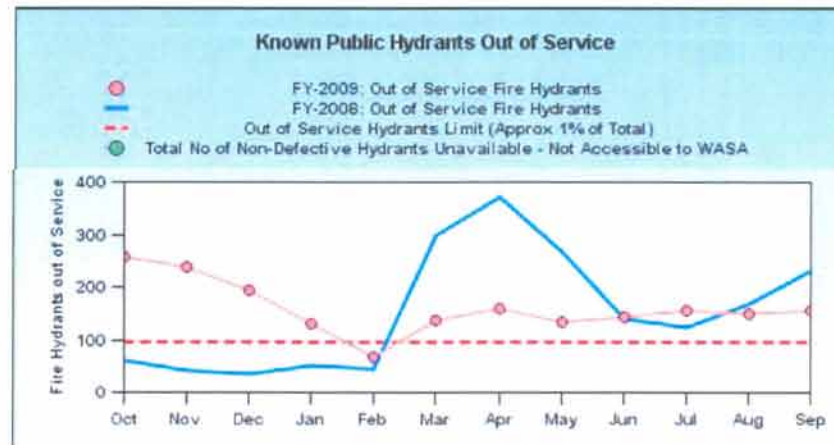
WATER SYSTEM INITIATIVES

In light of significantly reduced lead levels achieved through the application of an "optimal corrosion control treatment", the DC WASA Board of Directors has reexamined the "Lead Service Line Replacement Program" and has adopted a different strategy. The implementation plan for this modified program is under development. DC WASA will of course continue to focus on water quality and make improvements to ensure that our systems are both effective and reliable. As evidence of that commitment, our CIP includes over \$500 million (cash disbursements basis) for water distribution system improvements. Following are some of the major investments we are making in the water system.

- Initiated an effort to convert the water system hydraulic model to GIS and recalibrate the model using hydrant flow test results.
- The Water System Facilities Plan Update was completed and briefings provided to DC WASA management and the Board of Directors.
- Design was completed for the small diameter water main program projects scheduled for construction in FY 2010.

Fire Hydrants - DC WASA initiated a fire hydrant replacement program in October 2005 and committed \$26.5 million to fund replacement/upgrade of up to 3,000 hydrants for the District of Columbia by 2011. In October 2007, DC WASA and Federal Emergency Management Services (FEMS) entered into an agreement that established a regular inspection program and five-year

target for replacement of non-standard fire hydrants. As of September 2009, we have replaced over 3,800 fire hydrants in public space, exceeding our target of 3,000 for FY 2009. This capital budget includes a proposal for Phase II of the DC WASA Hydrant Upgrade/Replacement Program for approximately \$30 million in additional funding to replace over 3,000 additional fire hydrants by FY 2015. This proposal was submitted to FEMS and DC government officials in FY 2009 for their review and acceptance. If approved by DC, Phase II would begin in FY 2010. Identification of all public hydrants and their availability status has been provided to both FEMS and the general public through the use of GIS technology and GoogleEarth. While some hydrants are inaccessible to DC WASA and FEMS due to physical obstructions (such as construction fence sites), it is our goal to ensure that 99 percent of the public hydrants are in service and available for fire fighters based upon the regular inspection program. As depicted in the chart below, DC WASA was at 98.5% as of August 2009.



Water System Facilities Planning

DC WASA began work on its first Water System Facilities Plan in 1998 which was completed in September 2000. This Facilities Plan evaluated the existing system and provided an assessment of improvements needed. Specifically, the 2000 Facilities Plan identified fourteen major projects and a small diameter water main rehabilitation program to be included in the CIP at a ten-year cost of approximately \$300 million. At this time, 10 of the 14 projects included in the Facilities Plan have been completed and are under construction or have been accomplished through other programmed projects.

DC WASA began updating the 2000 Facility Plan in 2007 and completed the update in 2009. Key Findings of the 2009 Water Facilities Plan Update include:

- Major infrastructure – storage, pumping stations, transmission mains – can meet current and future water demands; however, continued investment in upgrades to major infrastructure elements is needed.
- Based on current water quality testing, DC WASA is fully compliant with water quality regulations; however, tuberculation, which is characteristic in old, unlined pipes, can result in discolored water, taste and odor problems, turbidity, low chlorine residual and increases in potential for biofilms.
- The current median age of small diameter water mains is 74 years old, and 180 miles of pipe is greater than 100 years old.
- Unlined cast iron pipe accounts for 740 miles. In 2008 dollars, this will require over \$2.6 billion to replace/rehabilitate.
- Currently, DC WASA is replacing small mains at a renewal rate of 0.35% per year or about 4 miles per year. This needs to be increased to a minimum replacement rate of 1% or about 11 miles per year at a cost of at least \$30 million annually.

Key Recommendations of 2009 Water Facilities Plan Update include:

- Continue a two-pronged, parallel approach to the CIP program – implement identified projects resulting from ongoing system condition and needs assessment and increase and continue an annual water main renewal program. Based on a 20-year planning horizon, this will require over a \$900 million increase (2008 dollars) in capital spending to address currently identified projects (\$217 million) and a minimum recommended water main renewal (1% replacement/rehab) program (\$700 million).
- Plan work holistically, e.g., plan valve, fire hydrant and lead service replacements in conjunction with location-specific water main replacements as well as sewer needs and the work of outside agencies working in public space.

Water Main Management Program

DC WASA's water system contains approximately 1,300 miles of pipe, of which, approximately 1,060 miles are 12-inches in diameter and smaller. Small diameter water mains account for over 80 percent of the pipes in the system. Currently, DC WASA has a program to replace pipe when the condition warrants replacement, or to clean and line unlined cast iron pipe provided the pipe is in serviceable condition. Also included is the replacement of appurtenances, such as large and small valves, fire hydrants and house service lines in public space.

In light of concerns expressed regarding fire suppression at the beginning of FY 2008, the Board directed the General Manager to study the small mains. A study, Evaluation of Small Diameter Water Mains-Fire Flow Analysis, was completed in November 2007. The study identified three areas where fire flows could not meet identified criteria. However, only one of these locations is a populated area, Mayfair Parkside in Northeast, DC. To correct this deficiency, DC WASA expedited the design and construction of a replacement water main. Construction was completed in FY 2008 and the new water main is in service. Fire flows now exceed requirements. DC WASA's water main replacement program will serve to gradually replace pipe that has exceeded the useful service life, improve available fire flows, and remove corrosion by-products in order to improve water quality. This year, DC WASA continued on-going coordination with Fire and EMS on the water system hydraulic capacity. Monthly technical committee meetings are held to provide FEMS with the best available information that FEMS can use for pre-fire water supply planning for all areas within the District.

Improvements East of the Anacostia River

DC WASA continues to invest in water system improvements East of the Anacostia River. Following the 2000 Systems Facilities Plan, several of the projects that we are implementing will resolve low-pressure issues that historically have been a problem in the southern portion of the Anacostia First High Service Area including areas near Specialty Hospital of Washington – Hadley, Greater Southeast Hospital, Saint Elizabeth's Hospital, and Congress Heights. The result will be a new service area with higher normal operating pressures in the southern portion of the Anacostia First High Service area. In FY 2009, the Anacostia pumping station replacement was completed and replaced with a fully automated pumping at the same site. This will greatly improve service reliability in the area.

Work continues on the new elevated water storage facility at St. Elizabeth's Hospital Campus. This will improve water line pressure and reliability in the southern portion of the service area. We are continuing to work with District authorities to complete the requisite historic review and to obtain zoning approvals. The construction of this elevated storage facility is dependent on the schedule for this historic review, which is now underway. The zoning/permitting process for the new 2 million gallon elevated storage towers for the proposed Anacostia 2nd high pressure zone continued. The new water tower is to be located on the St. Elizabeth's East Campus. DC WASA has been designated the lead agency for the Section 106 historic review process which is necessary as the entire St. Elizabeth's Campus is both listed in the National Register of Historic Places (1979) and designated a National Historic Landmark (1990). Two consulting party meetings were held in furtherance of the 106 process and one Zoning Commission hearing. The facility is estimated to be in service in FY 2013.

In addition, the following water main projects are underway:

- A major transmission main project will provide additional transmission capacity and redundancy is underway and scheduled for completion in FY 2010. We will also replace mains that cannot withstand the increased pressure created by other system improvements.
- A small diameter main replacement project is under construction and is schedule to for completion in FY 2010. These new mains replace local distribution mains that cannot withstand the increased pressure created by the new pressure zone.
- While we are making small diameter main replacement in Anacostia, we will also complete lead service line replacements so that neighborhood disruption will be minimized.

As part of this project, we are making special outreach efforts to our customers to keep them informed of project progress and the impact the project has on their daily water service.

Water Audit - Between FY 2003 and FY 2007, DC WASA's sold vs. pumped water ratio continued to climb even as we improved our response to broken mains and service lines while continuing to improve our metering to customers. Although AMR technology has helped improve the accuracy of metered consumption to our customers, we remain committed to improving both the tracking and reporting of water losses. To begin to address this issue, during the latter part of FY 2007, we implemented a water audit program.

This program helped to establish a new methodology for tracking and reporting water losses consistent with the American Water Works Association (AWWA) standards. We are reviewing strategies for reducing water loss and will look to implement many, if not all of them over the next several years if funding is available.

Watts Branch Park Renovations - DC WASA has successfully collaborated with the US Fish and Wildlife Service and the District of Columbia Department of the Environment in a combined stream restoration and sewer rehabilitation project that will serve as the nexus for community revitalization. When the stream restoration project was first conceived, DC WASA was consulted to perform a routine identification of the sewers and water mains that would be impacted by the stream work. To respond, DC WASA performed an assessment of the condition of the infrastructure in the area of the stream restoration. This assessment identified work needed for sewer pipes within the stream and deteriorated storm water outfalls. DC WASA's goal is to rehabilitate the sewers and water mains within Watts Branch and Marvin Gaye Park for a 50+ year useful life such that future disturbances would not be needed for sewer repairs.

The total cost of this project is estimated to be \$5.6 million. The Office of the Deputy Mayor for Planning and Economic Development has agreed to fund one-half, or approximately \$2.8 million of the cost. Construction began in FY 2009 and is planned for completion in FY 2010. This project has been deemed eligible for full ARRA funding as a Green Reserve Project due to its potential for reducing inflow and infiltration in the sewer system.

SEWER SYSTEM INITIATIVES

Combined Sewer Overflow Long-Term Control Plan (CSO LTCP)

The CSO LTCP is being implemented on a schedule included in a consent decree between the United States, the District government and DC WASA. The decree was entered by the Court on March 23, 2005, and calls for DC WASA to complete the CSO LTCP over a twenty-year period. CSO LTCP projects at the top of the list are those that will serve to reduce overflows to the Anacostia River.

The benefits of our twenty-year plan are significant. When fully implemented, combined sewer overflows will be reduced by a projected 96 percent (98 percent on the Anacostia River), resulting in improved water quality and a significant reduction in locally generated debris from the combined sewer system in our local waterways. In addition, our clean-up efforts on the Anacostia River are a cornerstone of the District's redevelopment initiatives including commercial, residential and other development projects.

DC WASA made great progress on its plan over the last two years. We have completed and met consent decree deadlines for most projects that were included in the settlement of a lawsuit against DC WASA regarding implementation of the federal CSO Nine Minimum Controls program. These projects, which were budgeted and planned by DC WASA prior to the lawsuit, are projected to reduce combined sewer overflows by 40 percent. We estimate that work completed to date have reduced combined sewer overflows by 36 percent. We are also underway with engineering design and construction work to separate additional combined sewer areas in

Anacostia and Rock Creek Park, and we have submitted a plan to EPA and constructed, Low Impact Development (LID) projects at various DC WASA facilities.

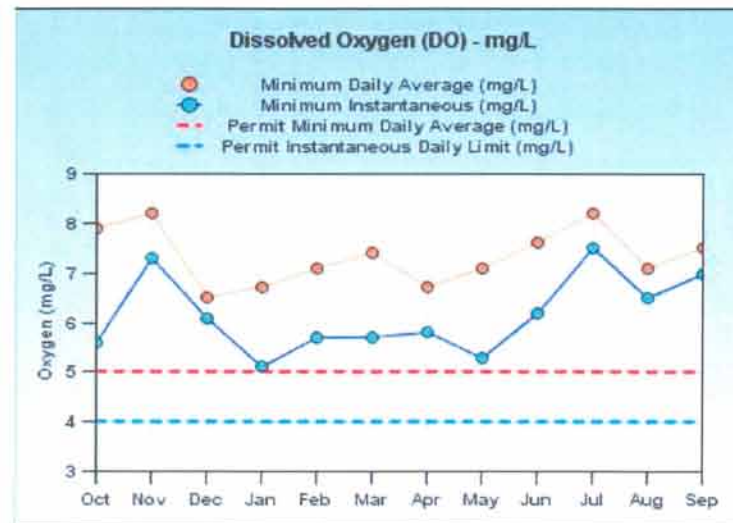
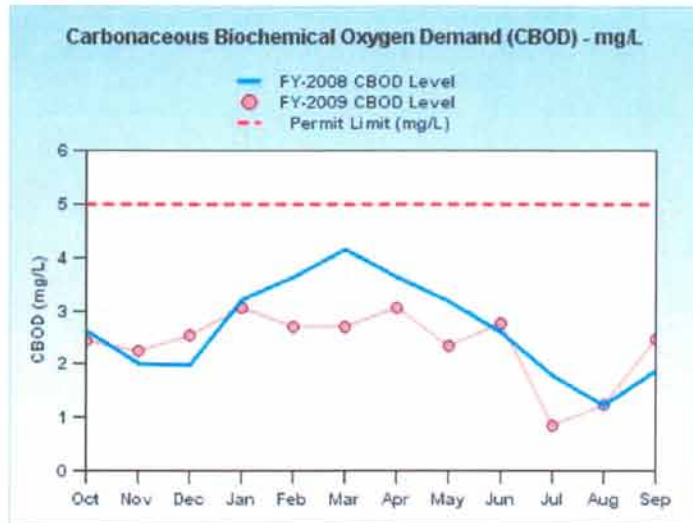
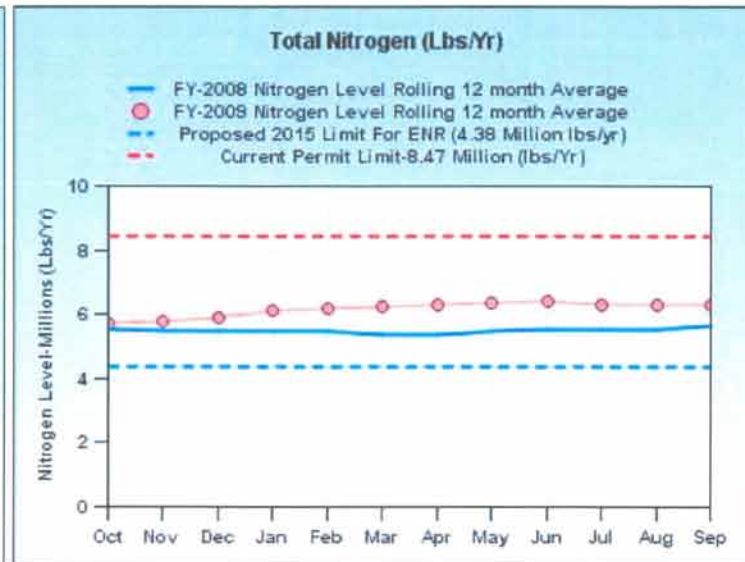
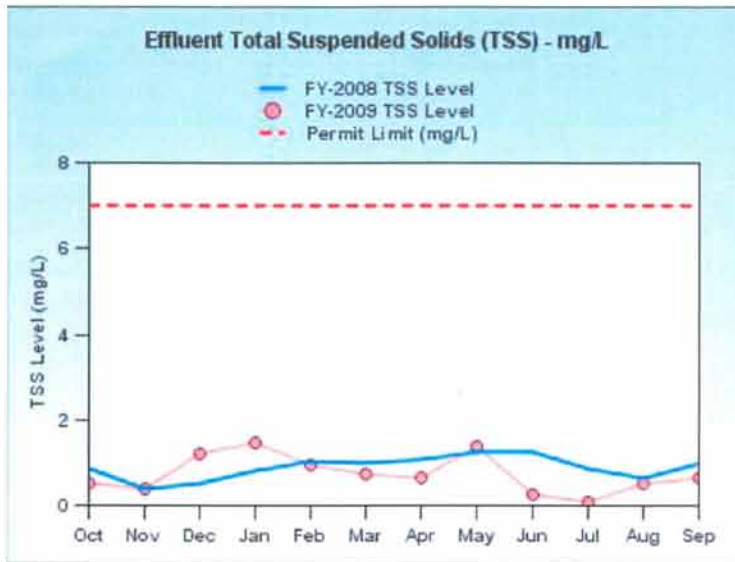
At this time, we have completed a final draft of a Facility Plan for the Anacostia River CSO projects. The Facility Plan includes a Summary Report and detailed implementation schedule. Under the consent decree, it was submitted to the Environmental Protection Agency (EPA) in September 2008, and we are moving the Anacostia River CSO projects into design and construction in accordance with the detailed schedule in the Summary Report.

Stormwater System and Management

Stormwater in the District of Columbia remains a challenge for District policymakers and for the agencies with the responsibility for managing an array of program activities as well as maintaining and improving the infrastructure (catch basins, underground facilities, pump stations, etc.), some of which are over 100 years old. DC WASA management and staff have been engaged in extensive discussions with the District over the last several years regarding how responsibilities for a variety of storm water-related functions are divided among District agencies. DC WASA no longer serves as Administrator for the District's municipal separate storm sewer system (MS4) NPDES permit fund. This was transferred to the D.C. Department of the Environment (DDOE) in FY 2007. DC WASA, however, does continue to collect the MS4 fees and transfers those funds to the District on a quarterly basis. Under an MOU with DDOE, DC WASA also cleans catch basins once a year.

BLUE PLAINS INITIATIVES

At Blue Plains, we provide wastewater treatment services to approximately two million people in our service area, including residents of the District of Columbia and significant portions of Montgomery and Prince George's counties in Maryland, and Fairfax and Loudoun counties in Virginia. Wastewater treatment includes liquid process facilities that provide treatment for both sanitary wastewater flows and peak storm flows originating in the sanitary and combined sewer systems, respectively, along with solids processing facilities that treat the residual solids removed by the liquid process facilities. Blue Plains is rated for an average flow of 370 million gallons per day (MGD), and is required by its National Pollutant Discharge Elimination System (NPDES) permit to treat a peak flow rate of 740 MGD through the complete treatment process for up to four hours, and continuous peak complete treatment flows of 511 MGD thereafter. The Plant treats these flows to a level that meets one of the most stringent NPDES discharge permits in the United States. Additionally, up to a 336 MGD stormwater flow must receive partial treatment, resulting in a total plant capacity of 1,076 MGD. A few key areas of measurement for the treatment process are provided below and demonstrate that DC WASA exceeded all regulatory requirements in FY 2009.



Since FY 2000, DC WASA has been removing nitrogen in its Biological Nutrient Removal process and has consistently met the NPDES permit goal of 7.5 mg/l of total nitrogen. In June 2007, the United States Environmental Protection Agency (EPA) issued a

modification to the permit reducing the total nitrogen effluent limit to 4.7 million pounds per year (equivalent to 4.2 mg/l at 370 mgd average annual flow). The capital projects required for Blue Plains to achieve the new permit limit are included in the proposed Capital Improvement Program. DC WASA has initiated final design of the Blue Plains Total Nitrogen Project. Construction for the new projects, required for nitrogen removal and wet weather flow treatment, is scheduled to be completed in FY 2014 and FY 2018, respectively.

The National Association of Clean Water Agencies (NACWA) has lauded Blue Plains on several occasions for its efficient wastewater treatment plant operations. Our work in this area is noted because of DC WASA's excellent record of compliance with federal regulations – a result of optimized operations and maintenance practices. In addition, DC WASA has been, and will continue to collaborate with a number of national and international research foundations, other wastewater treatment plant operators and universities on wastewater and biosolids management research projects designed to answer operational questions and improve existing or develop new processes. These collaborative projects allow DC WASA to expand its research capabilities and to foster peer-reviewed research. This research also contributes to the development of the next generation of wastewater treatment engineers and environmental scientists. An extensive discussion of our continuing research and partnerships is provided later in this document.

Biosolids Management Program

DC WASA's 2008 Biosolids Management Plan that was approved by the Board of Directors in December 2008 hinges on the construction of the digestion facilities. The benefits of implementing the plan include producing a Class A biosolids product which can be more widely disposed of and actually be developed into a marketable product; the carbon footprint of the existing lime stabilization process will be reduced as there will be more than a 40-60% reduction in biosolids volume leaving the plant; and the facility will produce an estimated 13 MW of power that can easily be utilized on site. Efforts in FY 2009 have focused on incorporating new biosolids production numbers for up-coming unit process changes; finalizing the site layout and design criteria; and determining the delivery method(s) of the biosolids management plan by early 2014. Specific objectives accomplished in FY 2009 include:

- Finalizing the delivery method and contracting mechanism for the Cambi™ thermal hydrolysis process
- Review and update of the project economics. Once the system is operating on biogas from the digesters, it is anticipated DC WASA would save over \$25 million per year compared to the existing lime stabilization system.
- A greenhouse gas study was conducted that evaluated the carbon footprint of DC WASA. This study showed the biosolids management plan would significantly reduce DC WASA produced greenhouse gases.

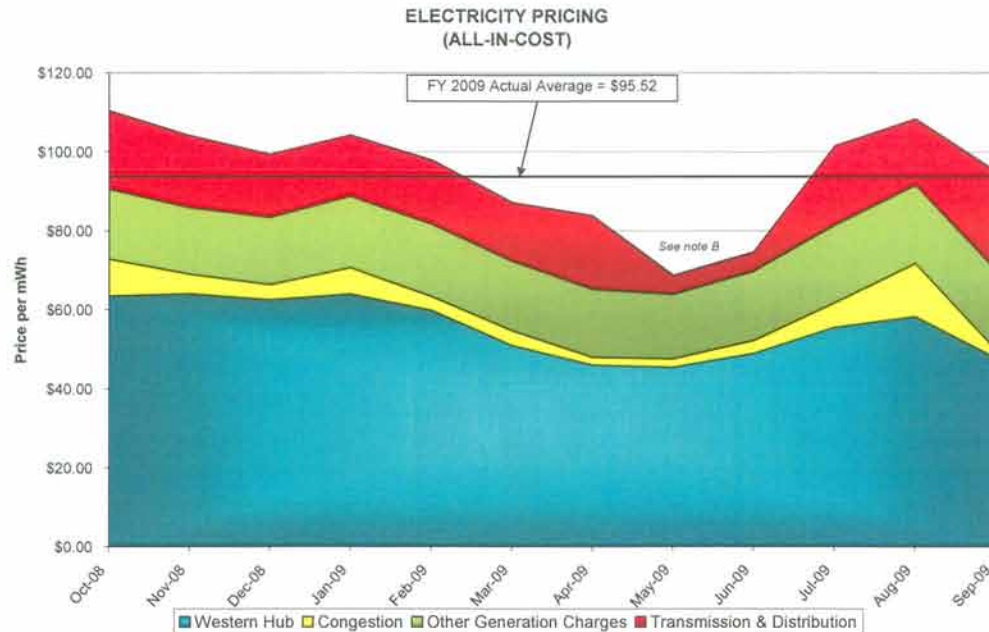
Energy Management & Conservation Initiatives – Electricity continues to remain a major portion of the operating costs for DC WASA. Budgeted at \$29.3 million, or 11 percent of our \$271.1 million revised FY 2010 operations and maintenance budget, this fiscal year did yield some price softening due to national economic conditions and international energy commodity prices. The expenditure for FY 2009 was \$26.7 million as compared to \$32.1 million for FY 2008. As the graph below depicts, electricity pricing has shown its first decline since its continuous rise from 2005 to 2008. Our view is that the slight decline in electricity prices is

temporary because the underlining drivers of price (deregulated market, rising oil prices tied to global economic recovery and the associated demand for natural gas and oil, increasing extremes in weather patterns and a pending tariff rate case to increase local and regional transmission and grid charges) remain intact.

FY 2006 - FY 2009 Electricity Comparative Pricing
 Standard Offer Service (S.O.S.) Market, DC WASA Strategy and Spot Market
 (Unit Prices)

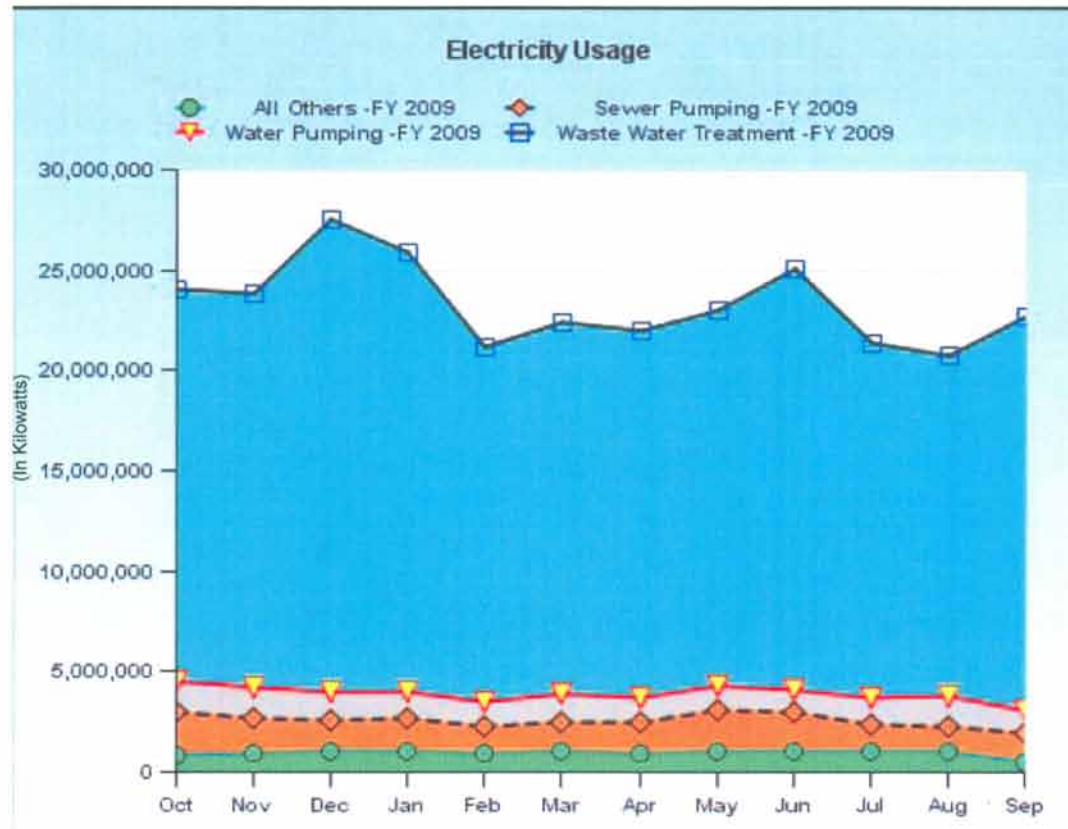


Since entering into its first five-year electricity contract for generation services in the deregulated environment DC WASA has employed the flexibility to lock in blocks of power at a fixed price when futures pricing meets budget targets and to supplement additional electricity needs at the wholesale market clearing price. Utilizing this contract for electricity generation services, DC WASA was successful in purchasing its electricity for an average cost of \$95.52 per megawatt hour versus an estimated average cost of \$142.3 per megawatt hour had the Authority acquired its electricity through the PEPCO Standard Offer Service (SOS). This represented an estimated savings of approximately \$13.1 million in FY 2009.



Notes: A) Other generation charges include the capacity charges, loss factor adjustments, ancillary costs, and other adder (administrative) fees associated with electricity procurement over the spot market
 B) Lower transmission & distribution price due to approximately \$640K Divestiture Credit received from PEPCO in May & June 2009

We will continue to mitigate the Authority's exposure from higher energy prices that occur during peak demand periods by periodically locking in portions of our electricity load, especially for the summer and winter periods. In FY 2011, we will lock the majority of our electricity load in order to provide price stability and reduce the potential budget risks. Working with our electric energy service company, we continue to monitor the electricity market on a continuing basis and explore alternatives that could yield additional cost savings. A complete energy audit is now underway and will be completed by the end FY 2010.



As a part of the energy management strategy the Department of Engineering and Technical Services has confirmed its initial evaluation of the economic and carbon footprint benefits of on-site generation of power with a combined heat cycle in conjunction with the biosolids management technologies being considered. As noted in the chart above, the majority of our power use is at the Blue Plains, so those activities that can help reduce electric consumption on the Plant will produce significant impacts on the reduction of our carbon footprint.

DC WASA continues its environmental stewardship implementing environmentally responsive and responsible policies and programs. These actions protect the region's waterways, air, and land. In FY 2009, DC WASA established a Carbon_e Footprint Steering Committee and an Energy Steering Team each led by the Energy Manager. The Carbon Footprint Steering Committee was established to formulate and provide guidance for the Authority's carbon footprint (greenhouse gases) inventory and reduction objectives and to serve as a resource in evaluating opportunities and challenges associated with evolving federal and regional

carbon footprint legislation and regulation. At the end of FY 2009, DC WASA has completed its carbon footprint inventory as a part of the District of Columbia governmental sector carbon footprint inventory using 2006 as the base year. Additionally, DC WASA has completed its carbon footprint inventories for 2007 and 2008, respectively, in compliance with The Climate Registry's General Reporting Protocol. These inventories will serve as the baseline in establishing carbon footprint reduction goals, a specific Board strategic critical success factor. The Energy Steering Team provides input into the development of a ten-year energy management plan and will play a vital role in the conduct of DC WASA's comprehensive energy audit planned for completion in FY 2010. The energy audit will provide a technical energy savings analysis of DC WASA assets, development of a methodology for measurement and verification of savings projections and evaluation of cost/benefit of implementation of recommendations. Additionally, the Authority will seek and analyze opportunities to engage in peak load curtailment and load shedding programs through PJM (Pennsylvania, Jersey and Maryland) to reduce cost and earn payment for such actions.

Sewer System Facility Plan

During FY 2009, DC WASA completed a Sewer System Facility assessment. This document culminated a five year effort involving sewer inspection and condition assessment, development of a sewer GIS and database, hydraulic monitoring and modeling to assess system capacity and the development of a prioritized activities for system improvement. This Sewer System Facility assessment identified approximately \$537 million (lifetime funding) for sewer infrastructure improvements. As recommended in the assessment, the current CIP includes funds for an ongoing, annual sewer inspection program, which may identify the need for additional work.

Key Findings of the 2009 Sewer Facilities Plan:

- Generally speaking, major sewer pipe infrastructure can meet current and future population needs; however, continued investment in upgrades to major infrastructure elements is needed.
- 88% of the sewers inspected had some defects, 60% of which could be addressed using localized repair and the remaining require mainly lining.
- 94% of the manholes inspected were found to have one or more defects.
- The number and severity of pipe defects indicates an expected increase in problems in pipes greater than 75 years old. Older pipes can be in good condition (and younger ones can be in poor condition), but at the 75 year mark, DC WASA can assume more extensive and frequent inspection is needed.
- There are approximately 210 miles of sewers in stream valleys and about 12.3 miles of these sewers were found to need some type of repair.
- There are about 364,000 linear feet of sewers with some portion under buildings; of those inspected, a preliminary list was been developed of buildings over sewers found to have multiple and/or significant defects warranting rehabilitation or replacement.

Key Recommendation of 2009 Sewer Facilities Plan:

- Continue a two-pronged, parallel approach to the CIP program – implement identified projects resulting from ongoing system condition and needs assessment and increase and continue an annual sewer pipe renewal program. Based on a 20-year planning outlook, this will require a \$1.2 billion increase (2008 dollars) in capital spending to address currently identified projects (\$536 million) and a sewer pipe renewal program (\$664 million).

Intermunicipal Agreement Negotiations

In 1985, the District signed the Blue Plains Intermunicipal Agreement (the IMA) with the “Users” of the Blue Plains Wastewater Treatment Plant facilities. The User signatories consist of the District of Columbia, Fairfax County in Virginia, and Montgomery and Prince George’s counties in Maryland and the Washington Suburban Sanitary Commission. The IMA outlines terms relating to facility location, sizing, capacity allocations and funding, long-term management of the wastewater treatment and disposal process; the Agreement also establishes a uniform payment basis for facilities and future improvements. IMA signatories share the cost of operations, maintenance and the capital program at the Blue Plains facility. The three surrounding counties comprise approximately 60 percent of the Blue Plains capacity. Negotiations continue on amendments and updates to the Agreement. In FY 2009, the chief administrative officers agreed in concept to inclusion of the CSO-LTCP as a joint-use facility and the applicable cost sharing for that large, environmental 20-year program. The assumptions outlined from this discussion are included within the Financial Planning section of this budget proposal.

Funding for Chesapeake Bay Restoration Initiatives

In the case of our partners in Virginia and Maryland, the state of Maryland has a flush tax to offset ratepayer costs and Virginia has a special appropriation through the General Assembly. District of Columbia residents/customers bear the full cost of these mandated projects through retail rates.

Fleet Management

Although cost and usage efficiency are important to us, the environment and safety are also of utmost importance. Our fleet program has had another successful year due to significant capital investments in our fleet, which totals 540 vehicles, at an average life of seven years. Through our structured preventive maintenance program, we were successful in reducing vehicle and equipment downtime through more effective diagnostics and timely repairs and servicing. During FY 2010, we will continue our efforts to explore ways to be more efficient in our use of vehicles and equipment.

Given the current price fluctuations, we are constantly examining automotive fuel purchasing options. The District’s fueling services currently offers the most beneficial fuel pricing. We are also focusing on ways to better measure and control usage, including:

- **Automated Fuel Tracking** – to facilitate accurate reporting of fuel utilization, we continue our installation of automatic fuel tracking computers and fueling rings on all of DC WASA vehicles. To date, we have installed these devices in 96 percent of our fleet.
- **Protecting the Environment** - A number of our vehicles use alternative fuels such as E85, natural gas, and electricity. With the introduction of Ultra Low Sulfur Diesel (ULSD) in 2006, we have reduced diesel powered vehicle emissions. As we replace our vehicles, we plan to increase the number hybrid and other clean burning vehicles in the fleet. We will also be examining other options such as biofuels.
- **Right sizing** – annually, we examine our fleet to ensure the right mix of vehicles for efficient delivery of services.

Other improvements and accomplishments include:

- Replacing gasoline vehicles and carts with zero-emission electric vehicles where applicable - This year, ten gasoline carts and one full size pickup were replaced with electric vehicles.
- Fuel Efficient Vehicles - Fleet has reduced the number of full-size vehicles with smaller, fuel-efficient vehicles.
- Vehicle Appearance Program - we take pride in the appearance of our vehicles and continue to ensure that they are properly maintained. In addition to the vehicle wash program, Fleet has sandblasted and painted vehicles with excessive rust and damage. This extends the life, and improves the appearance of these vehicles.
- Fleet Management assumed responsibility of the cart shop. This transfer has not only improved cart maintenance, but allowed fleet to repair other small equipment that would normally be transported to the main shop. In addition, technicians at the cart shop are performing road service, quick fixes, and light duty repair services on all vehicles located at the Blue Plains Plant.

Facilities Management

We completed various renovations in the Central Operations Facility (COF) at a total cost of \$2.1 million. This included office additions and renovations of the Finance and Procurement departments, replacements of window blind systems for on several floors and roof replacements at the COF and the Central Maintenance Facility (CMF). We also made improvements to signs and fencing at our Bryant Street location.

Over the next several years, we will spend almost \$5 million, continuing our efforts to retrofit buildings and bathrooms throughout the Authority to make them accessible to the disabled. We will also finish installation of a comprehensive fire suppression system, within the plant, and complete renovations needed at the CMF. As part of our ongoing maintenance efforts, we will be repaving roadways and replacing roofs at various pumping stations and other locations. Through DC WASA's comprehensive space assessment, which is now underway, we will begin to plan and address both short and long-term space needs and to prepare for several large projects planned for the Blue Plains Plant (Long Term Control Plan, Digesters, and Nitrogen Removal Projects).

DC WASA Recycles

DC WASA's continues its commitment to improving the environment around us through our DC WASA-wide Recycling Program. During FY 2009, the "I'm Recycling DC WASA – Office Recycling Program" was launched by the Authority as part of its commitment to making our business operations environmentally sustainable and involves all employees throughout DC WASA. The theme of the program, "Reduce, Reuse, Recycle!" encourages the recycling of office products and use of recycled office products such as papers, plastic, cans and glass; and supports the "Green DC" revolution in the District.

EMERGING ISSUES

When reviewing our current Ten-Year Plan, it should be remembered that there are a number of important issues and strategic goals that we continue to review and study as we maintain and build the infrastructure necessary to support an excellent organization. Currently, there are a number of important emerging issues that we are closely monitoring to ensure that we maintain reliable and efficient service to our customers. We continue to broaden our planning horizon for projects or operational changes that may be necessary to address regulatory as well as other emerging issues.

Our updated CIP involved great consideration given to important needs that management and staff believe cannot be deferred, balanced against the current economic conditions and the impact of our capital program upon our retail and wholesale customers. It must be recognized that local and federal officials have understood the importance of safe drinking water and reliable sewer and wastewater treatment throughout the Washington metropolitan region for many years. The recent bond rating upgrade by Moody's was due, in part, to the recognition that DC WASA has continually re-invested in the infrastructure of an aging and complex system to meet the critical water and sanitary needs throughout our service area. Research by the American Water Works Association

(AWWA) verifies that the growing re-investment needs of water and sewerage utilities is significant throughout the nation and provides the potential for economic challenges as agencies may need to grapple with replacement needs against the need to comply with more stringent regulatory standards for safe drinking water and environmental improvements. Many cities like Washington, DC have miles and miles of pipes that were buried 100 years ago or more and which must be replaced over the next few decades. AWWA refers to this as “the dawn of the replacement era”. They estimate that \$250 billion nationally may be required over the next 30 years for water infrastructure replacement alone. Ultimately, the utility ratepayers must finance these needs and their associated costs where other sources of funds are unavailable.

Capital Improvement Program Inflationary Increases

The economic recession that has been and continues to be experienced by all industries has had an impact on all aspects of construction. Energy costs have materially retreated from their highs of only a few years ago. Major development projects have also fallen to record lows due to the lack of available financing. Unemployment is at record highs. How all of this will impact the future costs of our CIP is yet to be determined. While these are very uncertain economic times, we recognize the magnitude of the multiple challenges facing us and our customers as we attempt to maintain our infrastructure and meet the requirements of the regulatory and government mandates. We will continue to monitor the complex environment we are operating in and assess its impact on our CIP planning and budget.

Anacostia Waterfront Development

The Office of the Deputy Mayor for Planning and Economic Development has expressed a desire to redevelop the area immediately surrounding the new ballpark to take advantage of the momentum and potential for the area. The DC WASA Departments of Sewer Services, Fleet Management and related facilities are directly across from the new stadium, and we have continued to negotiate with the relevant parties on the potential relocation of our facilities. In the prior year’s budget, we included \$42.5 million to cover the estimated costs of relocation and development of a new site. We anticipate no impact on DC WASA ratepayers as these costs are expected to be fully reimbursed by the District. This budget has been rolled over into the current CIP and we will continue to ensure that all appropriate steps are taken to protect the essential public services and assets that are located in the vicinity and to ensure that any potential relocation will not interrupt vital services.

North of Massachusetts Avenue (NoMA) Development

One rapidly developing area of the District of Columbia is NoMA, the area west of Union Station to New York and New Jersey Avenues and from Massachusetts to Florida Avenues. Many construction projects in this area are underway with many more planned over the next several years. The area is characterized by very old water and sewer infrastructure that needs to be replaced and/or rehabilitated to reliably support the planned development.

In the past few months, we have worked with the Office of the Deputy Mayor for Planning and Economic Development (DMPED) to identify the infrastructure needs. Construction of the water and sewer rehabilitation/improvements is estimated to cost approximately \$15,000,000. The plan is for DC WASA to review and approve all designs, and for developers to construct all necessary infrastructures, for the construction to be funded with either DC WASA or District Revenue Bonds, and for the District to create a special tax assessment district to pay for the construction over a 30-year period.

NoMA represents the second area of the City where DC WASA has worked with District to develop an alternative financing structure for needed area-wide water and sewer improvements; the first was the National's ballpark area. We have focused on developing a model framework that can be used for future redevelopment areas whereby alternative financing is obtained for water and sewer improvements without placing any burden on the ratepayers.

STRATEGIC PLAN CRITICAL SUCCESS FACTOR – HIGH PERFORMING WORKFORCE

This Strategic Plan Critical Success Factor focuses on attracting, developing and retaining staff required to sustain DC WASA's values, achieve our vision, and execute our mission by ensuring top management and technical talent in place for all key positions; achieving local and national reputation as an employer of choice; and maintaining a safe and secure work environment.

Employees and Human Resources

The Human Resources Department continues to implement new and innovative incentives in an effort to recruit and retain employees, in this very competitive job market. We will continue to invest in our employees, our most valuable assets, who are vital to attaining our mission and the Board's strategic goals. Human Resources will continue to provide our managers the training and tools to lead their departments and employees. In FY 2010, DC WASA will continue its efforts towards becoming recognized as a workplace of choice.

Personnel Policies & Procedures – We completed our new personnel regulations in FY 2008. Following in FY 2009, the Human Resources department continued to update personnel policies and procedures to reflect changes to the regulations, current laws, industry changes and best practices.

Wastewater Treatment Incentive Plan for Foremen – During FY 2009, this plan was approved and implemented. Under the plan WWT foremen are eligible to receive additional compensation for hours worked and for successfully increasing their knowledge, skills and ability to perform in all of the process areas. The incentive pay program consists of two components – (1) professional certification, for which the employee receives additional pay per hour for attaining Level IV WWT operator certification, and (2) process area proficiency, for which the employee receives additional pay per hour for attaining proficiency in each of two additional wastewater treatment process areas.

Total Rewards Statements – During FY 2009, for the fourth consecutive year, Total Rewards Statements were prepared and issued to all WASA employees to provide a summary of their compensation and benefits that were provided annually by DC WASA on their behalf.

Employee Benefits – DC WASA will continue to provide competitive benefits with other employers in the region and pursue innovative ways of addressing increasing health care premiums. The greatest challenge is keeping the rising cost of health care as low as possible for our employees and the Authority.

Wellness Program - In FY 2008, the Benefits Branch developed and communicated a calendar of Wellness events to employees. These programs continued throughout FY 2009. The Wellness calendar featured additional topics such as Dental Hygiene, Child Wellness and Healthy Heart Seminars. Technicians went to different sites to offer blood pressure and cholesterol screenings and to provide flu shots.

The Wellness program also featured an internal Fitness Program “WASA Fit Program”. The program challenged DC WASA employees to walk a minimum of 5,000 steps a day for 12 weeks. A total of 100 employees participated in the fitness program, which required that they maintain a regular exercise regimen. Participants received individual and group prizes at the end of the program.

Training – We continue to invest in our employees by funding training and development classes and programs that provide skills training in the areas of safety, technology, government regulations, and professional and career development. DC WASA remains committed to ensuring a skilled, safe and competent workforce that is fully capable of supporting our customers’ service delivery needs.

In support of various internal improvement program efforts, we continued certification training in the departments of Maintenance, Water and Sewer Services. In FY 2009, we also focused on the following training initiatives:

- Offered basic skills, technical training classes, and our adult literacy program using the results from the previously conducted employee skills needs assessment.
- Enhanced the self-managed career development program to include a more robust web-site, additional workshops and new online assessments.
- Continued the wastewater treatment operator trainee and engineering management training programs to develop a pool of candidates for hard-to-fill positions and expand the diversity of candidates in supervisory positions.
- Provided refresher training on Authority policies to ensure a safe work environment and provide quality services to our customers.
- Continued with the implementation of the maintenance certification training program.

- Developed a succession planning and executive development program for executive and key senior staff consistent with the Governance Study recommendations.
- Implemented a certification program for our water distribution and collections systems departments focused specifically on the pumping branches.

Other salient accomplishments include:

Internship and Youth Programs - DC WASA remains firmly committed to supporting and encouraging the educational goals of college students. Our internship program exposes students to careers in wastewater collection and treatment, and water distribution. Participants in the program work closely with diverse groups of professionals and perform critical tasks that are required to operate a large utility. Exposure to careers and opportunities at DC WASA help the interns make conscious decisions about their academic and career choices. In FY 2009, 57 students from 38 different colleges and universities from as far away as Texas participated in the program. In addition, there are twelve year-round interns. The interns completed challenging work assignments, underwent professional development training, participated in environmental tours, and performed community service activities.

In addition to our internship program, during FY 2009 we hired five summer workers from the Covenant House of Washington to work in our Facilities Department, one of which was hired as a full-time employee. The Covenant House is a community youth advocacy organization which provides a variety of special services to assist young adults.

Engineering Management Training Program - To ensure a pool of qualified and diverse candidates are available for future vacancies in the Department of Engineering and Technical Services, the Authority continued to implement the Engineering Management Training Program. Six graduates from Howard University, the University of Virginia, and the University of Pennsylvania with majors in civil, mechanical and environmental engineering began projects in the operations departments to gain hands-on experience. Participants received classroom training on organizational structure and supervisory and interpersonal skills. One candidate obtained his engineering-in-training (EIT) certification.

Succession Planning/Executive Development Programs - To ensure continuity in leadership for executive and key senior staff positions, the Authority completed a draft design of the succession planning and executive development program. Another component was added to the program that involved the identification of critical failure positions. These are positions that, if left vacant for an extended period would result in a grave impact on Authority operations, the environment and services to the customer. Elements of the succession planning program will cascade down and will be used to ensure adequate staffing is maintained for the critical failure positions.

As part of its succession planning effort, the Authority continued with its knowledge capture workshops. These workshops capture tacit knowledge of critical processes from employees who are eligible to retire and identify competences that are essential for effective management of the processes. Knowledge capture workshops were completed in the departments of Water, Wastewater and Engineering and Technical Services.

People Working Together to Make A Difference – During FY 2009, Human Resources unveiled a new slogan to define DC WASA's culture and deliver our message to prospective employees. The new slogan "People Working Together to Make a Difference", defines how DC WASA employees currently function and the goal is to ensure that new employees understand DC WASA's values, embrace its culture and share a commitment to courteous customer service.

eRecruiter, Ceridian Recruiting Solutions Applicant Tracking System - This Applicant Tracking System was implemented to streamline, expedite and enhance the recruitment process at DC WASA. eRecruiter automates the entire recruitment process and streamlines a recruiter's interaction with departments and managers throughout the recruitment process. eRecruiter is linked to the DC WASA web site allowing for better management of jobs and candidates directly from the system.

During FY 2009, Directors, Managers, Supervisors and Executive Assistants received training in the use of eRecruiter and ongoing assistance is available through one-on-one training sessions on an as needed basis.

Spot Awards – In FY 2009, the Human Resources Department established criteria and implemented the DC WASA Spot Award to show immediate and spontaneous appreciation and recognition for exceptional contribution of individuals or teams. Managers, supervisors and co-workers typically recommend Spot Awards based on direct observation and feedback for exceptional efforts or exceptional results. All full-time employees below the department head level are eligible for this award.

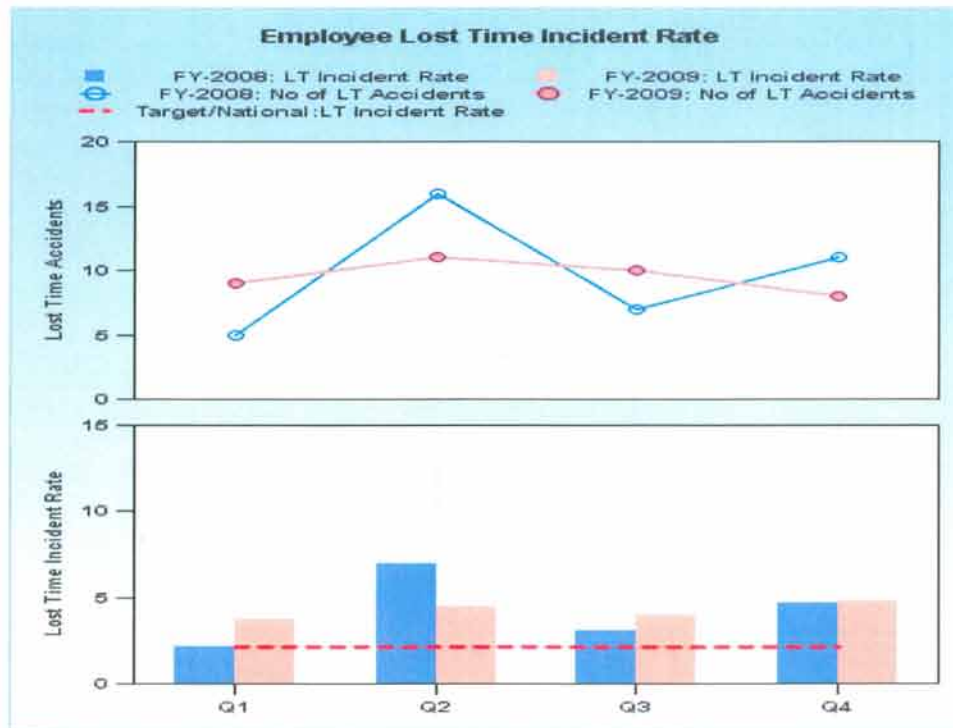
SAFETY and SECURITY

We remain committed to providing our employees, contractors, visitors and the public a safe and healthy work environment. To ensure greater coordination and integration of our safety and security efforts, during FY 2008, we transferred our security functions to the Department of Occupational Safety and Health and created a Department of Safety and Security. During FY 2009, we focused on ways to better measure our performance, and implemented training to enhance our security program. We will continue this work into FY 2010, with the development of a Comprehensive Security Plan and Strategy. Additionally, the DC WASA staff will actively work with the District of Columbia, Homeland Security Emergency Management Agency, Department of Homeland Security and the Metropolitan Police to comply with the nationally developed Infrastructure Protection Guidelines.

Comprehensive Safety Plan – Since the development of our first Comprehensive Safety Plan in July 2001, the Board and management have closely monitored DC WASA's progress. The plan includes a substantial agenda that includes training, inspections, investigations, and other related proactive safety strategies. This budget provides approximately \$5.7 million to support this commitment during FY 2010, with dedicated resources throughout FY 2011. The result of consistent implementation of this plan throughout the organization has resulted in many positive benefits, including:

- Employees are embracing our safety culture
- Workers compensation costs continue to decline

- Continuing improvement in injuries and accidents measures within the range of national trends
- Development of a comprehensive safety database that helps identify areas for improvements and preventive safety initiatives
- Emergency Response Planning and related activities has become an important component of our Safety Program. We are working to develop emergency response procedures consistent with the national standards, commonly referred to as the National Incident Management System (NIMS). We have trained all management officials and most of our employees on the NIMS concepts. We are also working with the District of Columbia and regional officials in expanding our overall planning and preparation for emergency events.



Employee Lost Time incidents have been decreasing over the last several fiscal years. The rate for FY 2009 continues to demonstrate improvement.

Contractor Safety – Our Rolling Owner Controlled Insurance Program (ROCIP) augments our standard provisions and further enhances contractor safety. We require all contractors who bid on capital projects to participate in the ROCIP. Each ROCIP contractor receives guidelines for developing and maintaining a safety program through their contract with DC WASA. As part of our safety monitoring process, an independent safety consultant, assigned to the Department of Safety and Security inspects all ROCIP contractor jobsites on a regular basis. The consultant assesses his inspection findings and with the assistance of our Safety and Security and Engineering Departments' preventive measures are developed to improve or enhance existing contractor safety.

DC WASA's contractor lost workday case incidence rate has been consistently below the national performance, based on the Bureau of Labor Statistics - for the number of lost work day injuries for every 200,000 hours worked.

Homeland Security – Emergency response planning and participation in various drills, is a priority for DC WASA. We regularly work with the District of Columbia's Homeland Security Emergency Management Agency (HSEMA) on planning, drills and responding to actual emergencies. Pandemic Flu emergency planning is a priority for this fiscal year. In preparation of the predicted Pandemic Flu emergency, we have and will continue to stress Pandemic Flu emergency preparation and response planning. DC WASA's Pandemic planning is consistent with the District of Columbia City-wide planning. Our Pandemic action planning includes the following:

- Implementation of DC WASA wide Pandemic Coordinator and a Response Team Program;
- Identification of critical mission functions and responsibilities for the organization and respective departments;
- Establishment of a delegation of authority and orders of succession, that will be two deep within each department for all managers and key supervisory personnel;
- Review and establishment of alternative work strategies;
- Implementation of cross training strategies; and
- Monitoring employee absenteeism - for early warning signs of work areas affected by a Pandemic emergency event.

DC WASA has continued its excellent record of performance. The following sections of this budget document provide further detail of the challenges we face, our activities moving forward and the resources allocated to do them.

PRIMARY WASA PERFORMANCE MEASURES & TARGETS

Description	Performance Target	FY 2009 Actual Performance	FY 2010 Target
Customer Service <ul style="list-style-type: none"> • Meter Reading Accuracy Rate • Calls Answered on Non-Peak Days 	<ul style="list-style-type: none"> • 99.9% for AMR meters • 97% serviced in 2 minutes • 85% serviced in 40 seconds 	<ul style="list-style-type: none"> • 97% for AMR meters • 95% serviced in 2 minutes • 90% serviced in 40 seconds 	<ul style="list-style-type: none"> • 99.9% for AMR meters • 85% serviced in 40 seconds
Water System <ul style="list-style-type: none"> • Drinking Water Quality • Response Time for Water Main Breaks • Percent of Known Fire Hydrants in Service 	<ul style="list-style-type: none"> • Meet or surpass EPA requirements • Respond to 95% in less than 45 minutes • Repaired 84% of mains within ten days • 99% 	<ul style="list-style-type: none"> • Below action level on Lead and Copper Rule in January through June period; on track to be below action level for July to December period • Responded to 1,072 emergency service orders, of which 1,031 (96%) were responded to within 45 minutes • Repaired 489 leaking mains, of which 362 (76%) were repaired within 10 days • 98% 	<ul style="list-style-type: none"> • Continue compliance with all EPA drinking water requirements • Respond to 95% within 45 minutes • Repair 85% in ten days • 99%
Wastewater System <ul style="list-style-type: none"> • EPA Wastewater Quality Standards • Catch Basin Cleaning 	<ul style="list-style-type: none"> • 100% compliance with EPA wastewater quality standards • 25,000 per year 	<ul style="list-style-type: none"> • 100 % compliance with EPA wastewater quality standards • 28,341 per year 	<ul style="list-style-type: none"> • 100% compliance with EPA wastewater quality standards • 28,000 per year
Financial <ul style="list-style-type: none"> • Senior Debt Service Coverage • Operating Cash Reserves • Investment Performance 	<ul style="list-style-type: none"> • 140% Board policy • 6 months Operations & Maintenance (O&M) expenses – Board policy – \$111.3 million – FY 2007 target • Exceed three months Treasury Bill rate by at least 15 basis points 	<ul style="list-style-type: none"> • 297% • \$125.5 million • Exceeded by 60 basis points 	<ul style="list-style-type: none"> • 140% Board Policy • \$125.5 million – Board Policy • Exceed Merrill Lynch 3 month and 1-3 year US Treasury Index by at least 25 basis points

District of Columbia Water and Sewer Authority
OPERATING BUDGETS
REVISED FY 2010 and APPROVED FY 2011



Section III **KEY FACTS & SUMMARY INFORMATION**

To ensure safe drinking water quality, DC WASA's team of water quality technicians conduct hundreds of tests on various points of the District's water distribution system.



KEY FACTS



Service Area and Operations:

Date Established: October 1, 1996

Service Area: Approximately 725 square miles

Retail water and wastewater service provided to the District of Columbia

Wholesale wastewater treatment service provided to Montgomery County and Prince George's County in Maryland (through Washington Suburban Sanitary Commission), and Fairfax and Loudoun Counties in Virginia

Blue Plains: The largest advanced wastewater treatment facility in the world

Population Served: 592,000 in the District of Columbia (2008)
16.6 million annual visitors
Over 1.6 million in Maryland and Virginia

Operation and Facilities:

No. of Positions: 1,124 (FY 2010 Revised)

1,165 (FY 2011 Approved)

Water Pumped: 110.4 million gallons per day average (FY 2009)

Treated Water Storage: 61.7 million gallons / 5 reservoirs and 3 tanks

Miles of Water Lines: 1,300 miles

Wastewater Treated: 297 million gallons per day average (FY 2009)

Wastewater Capacity: 370 million gallons per day (permitted)

Miles of Sewer Lines: 1,800 miles

Financial Information:

Bond Rating: Aa3/AA/AA-

FY 2010 Revenue: \$378.2 million (cash receipts)

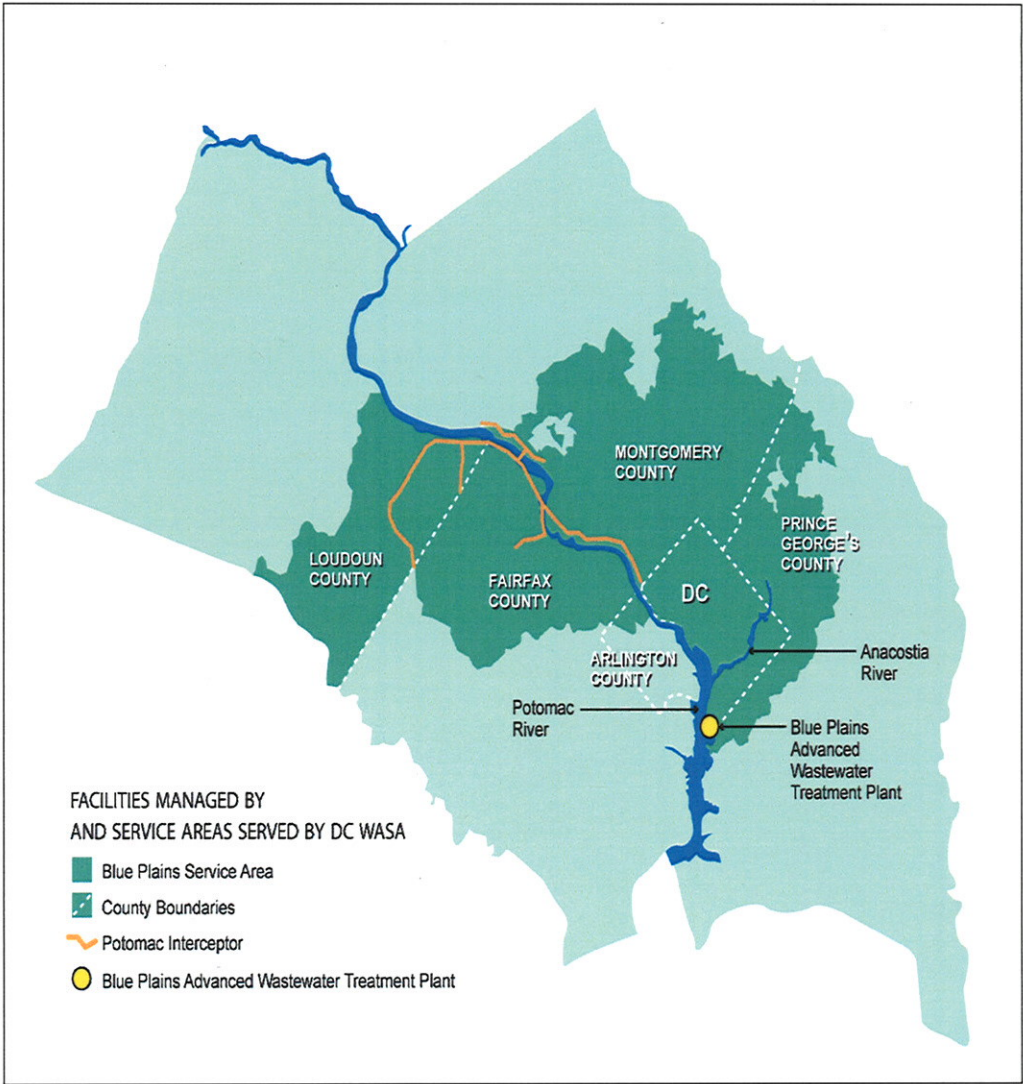
FY 2010 Operating Budget: \$382.3 million

FY 2010 Capital Budget: \$302.5 million

District of Columbia Water and Sewer Authority (DC WASA)



Service Area



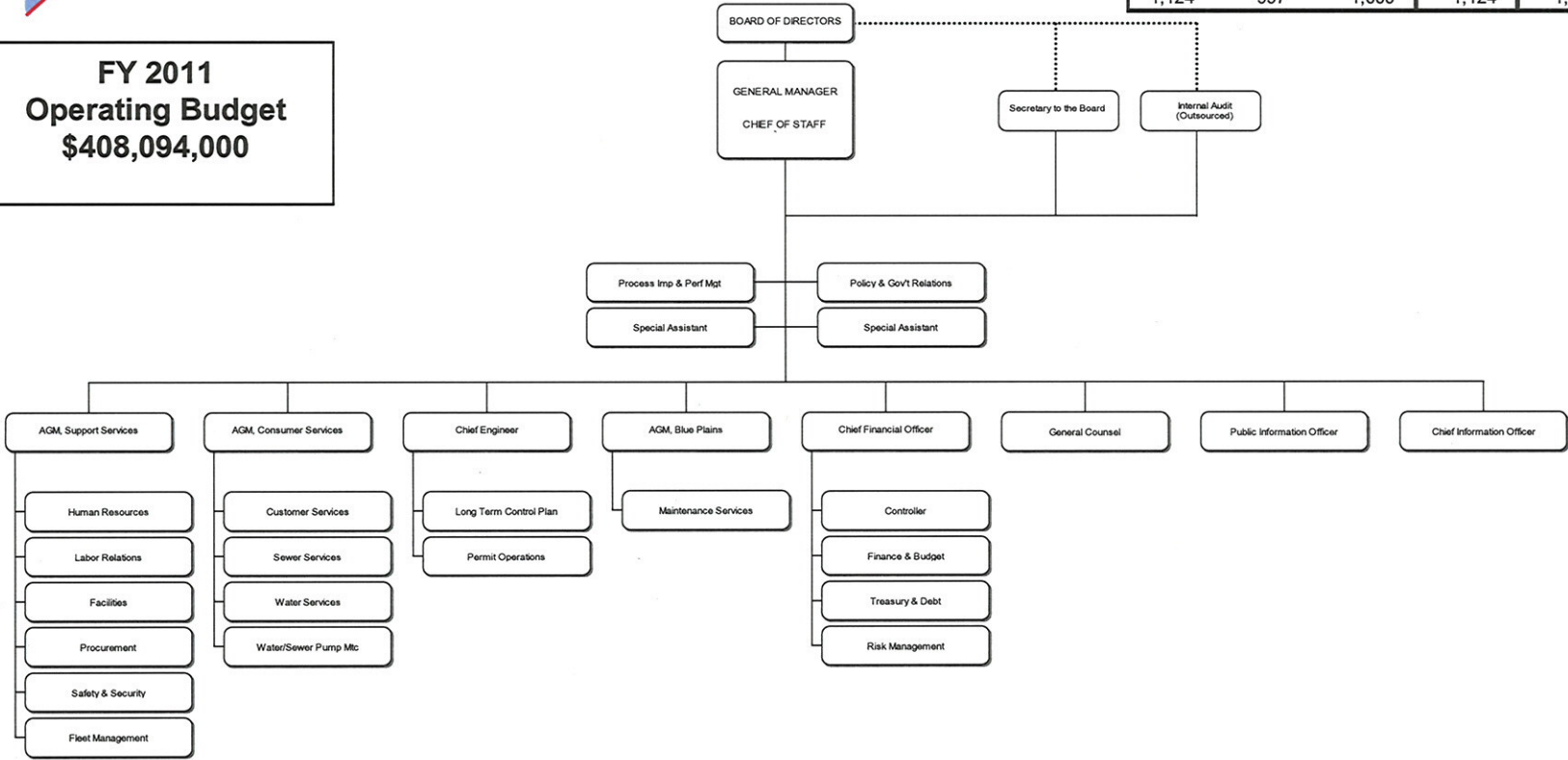
Note: DC WASA's service area covers the District of Columbia and portions of Montgomery and Prince George's Counties in Maryland, and Fairfax and Loudoun Counties in Virginia.



**FY 2011
Operating Budget
\$408,094,000**

**D. C. Water & Sewer Authority
Organization Chart**

POSITIONS				
FY 2009			FY 2010	FY 2011
Authorized	Average Positions Filled	Year-End Positions Filled		
1,124	997	1,000	1,124	1,165



KEY FACTS

Regional Macro-Economics

DC WASA's top priority is to provide safe portable drinking water and environmentally friendly wastewater treatment to our retail and wholesale customers in the District of Columbia metropolitan area, Montgomery County and Prince Georges County in Maryland (through Washington Suburban Sanitary Commission), and Fairfax and Loudoun Counties in Virginia. DC WASA's retail customers include 'Residential, Commercial and Multifamily', (which is the largest base), Federal Government', DC Government', and the 'DC Housing Authority.' There are slightly more than 590,000 residents in the District of Columbia living in approximately 284,000 households and merely 134,000 customers with the responsibility to pay for the majority of operations, maintenance and replacement of the water and sewer infrastructure throughout Washington, DC. Compared to the additional 1.5 million living throughout the DC WASA service area and using a small portion of the wastewater collection and a larger portion of the treatment facilities, there are fewer customers to share the burden of the aging infrastructure assets serving the residents, visitors and governmental entities in Washington DC.

The economic downturn has impacted all customer sectors, demonstrated through above average unemployment rates in the District and surrounding jurisdictions, and local government layoffs and commercial closings throughout FY 2009. In addition, approximately 15.7% of the families in Washington DC live at or below the poverty level. While the Census Bureau recently noted that the DC metropolitan region had several jurisdictions in the top 10 wealthiest communities in 2008 in the United States, unemployment continues to rise. During this same time period, water and sewer consumption fell below the anticipated one percent resulting in reduced receipts.

At DC WASA we believe that identifying and understanding customer requirements is a strategic component of our planning process. Therefore, the rate setting process must be sensitive to the local economy in terms of socio-political and macro-economic trends. This is manifested in trends such as lower metro rail ridership (less employees coming into the City for jobs), and higher commercial leased vacancy rates. However, tourism appears stable as demonstrated by strong hotel vacancy rates and solid restaurant patronage in downtown Washington, DC. According to the Greater Washington Initiative, the region's job sector includes 12% of the work force in the federal government, 10% state and local government, and 23% professional services and spending from the federal government represents 33% of the regional economy. This federal spending supports a large portion of the professional services business in the area. Analysts at George Mason University predicted that the region will end 2009 with a net job loss. However, projections of federal hiring of up to 120,000 employees over the next few years may signal a faster rebound for the region than in most of the nation.

As we review our strategic goals and revise our short and long range planning documents, we will continue to review and analyze the economic, political and demographic signals and trends in the region, as illustrated in the key facts and summary in the following pages. The number of customers and their ability to pay plays a significant part in the sizing of services, improvements and revenue/rate expectations.

KEY FACTS

Area Characteristics: Urban tourist, educational center. A vibrant business and commercial hub in the east coast. The nerve center of the Federal government and a strong local government presence. Diverse cultures including major national and international theaters and attractions.

Climate and Weather: Average Temperature:
 Winter – 37 degrees F
 Spring – 56 degrees F
 Fall – 60 degrees F

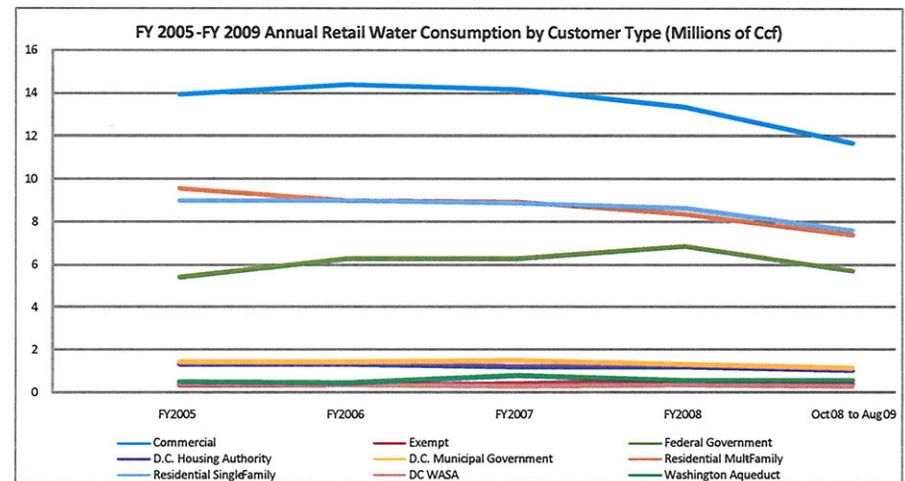
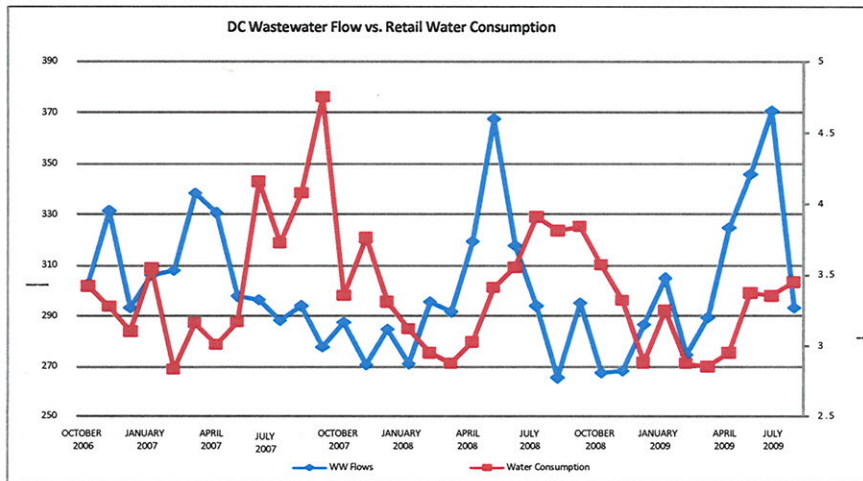
Median Household Income: 2007 - \$54,317

Median House Value: 2007 - \$450,900

Historically DC WASA has experienced an average 1% decline in water consumption. However, the FY 2009 results show a 4% decline. This corresponds to regional declines experienced by other water utilities, such as:

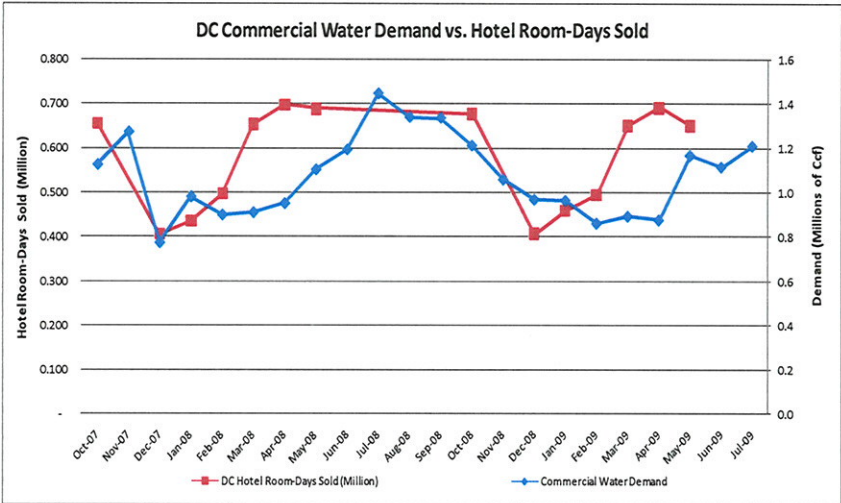
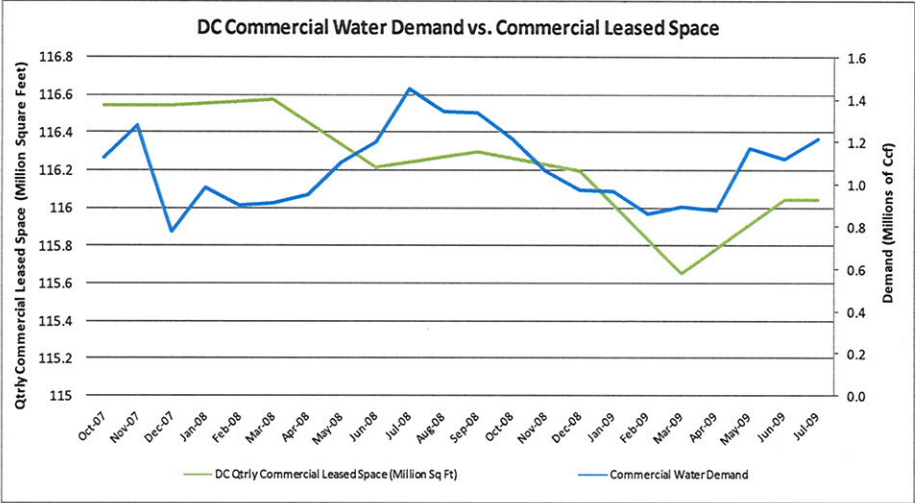
- Washington Suburban Sanitary Commission (WSSC) declined 3.5% in 2009
- Arlington County declined 2.3% in 2009
- Loudoun County water declined 7% in 2009
- Fairfax County water declined 5% in 2009

The chart below shows wastewater flows and declines in consumption by customer type.

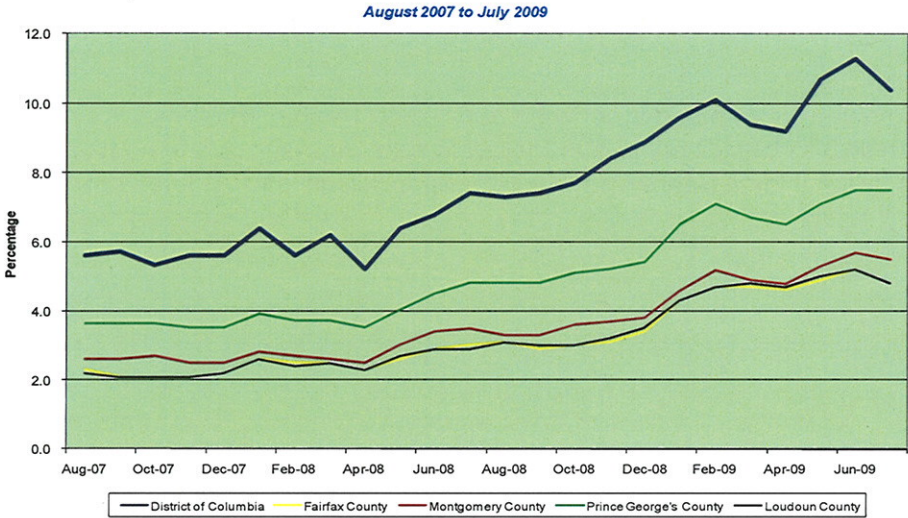


KEY FACTS

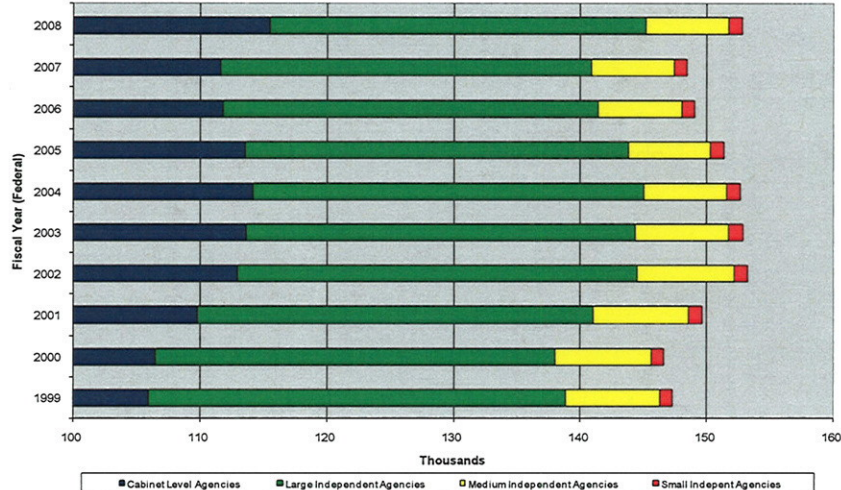
There appears to be a direct correlation between the economic downturn and declines in water consumption. The economic downturn including an above average unemployment rate in the District of Columbia from May 2008 to July 2009 and other comparable large cities appear to demonstrate similar pattern. However Federal employment, a major economic driver in the region, is trending upwards.



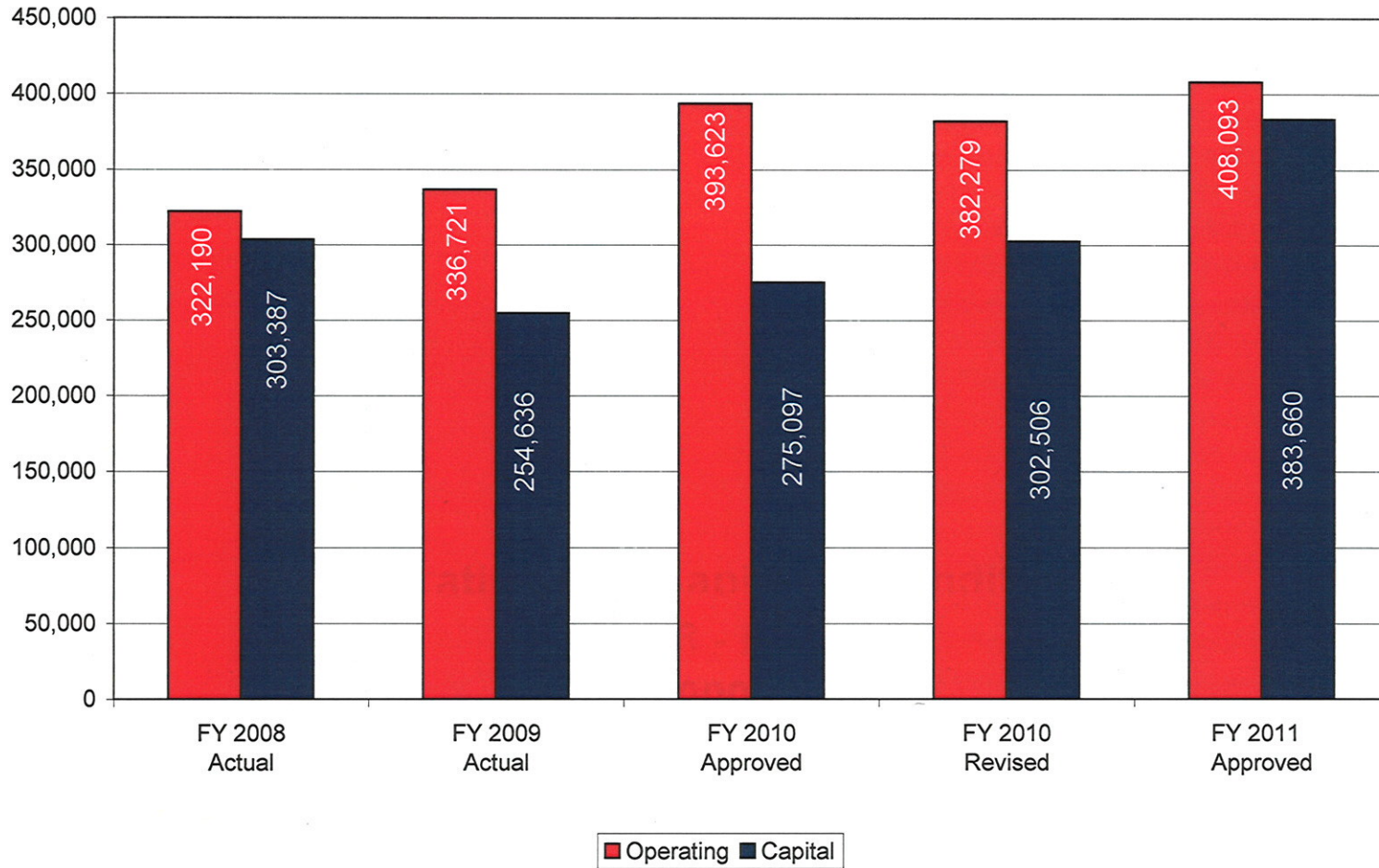
Unemployment Rates in DC WASA Service Area



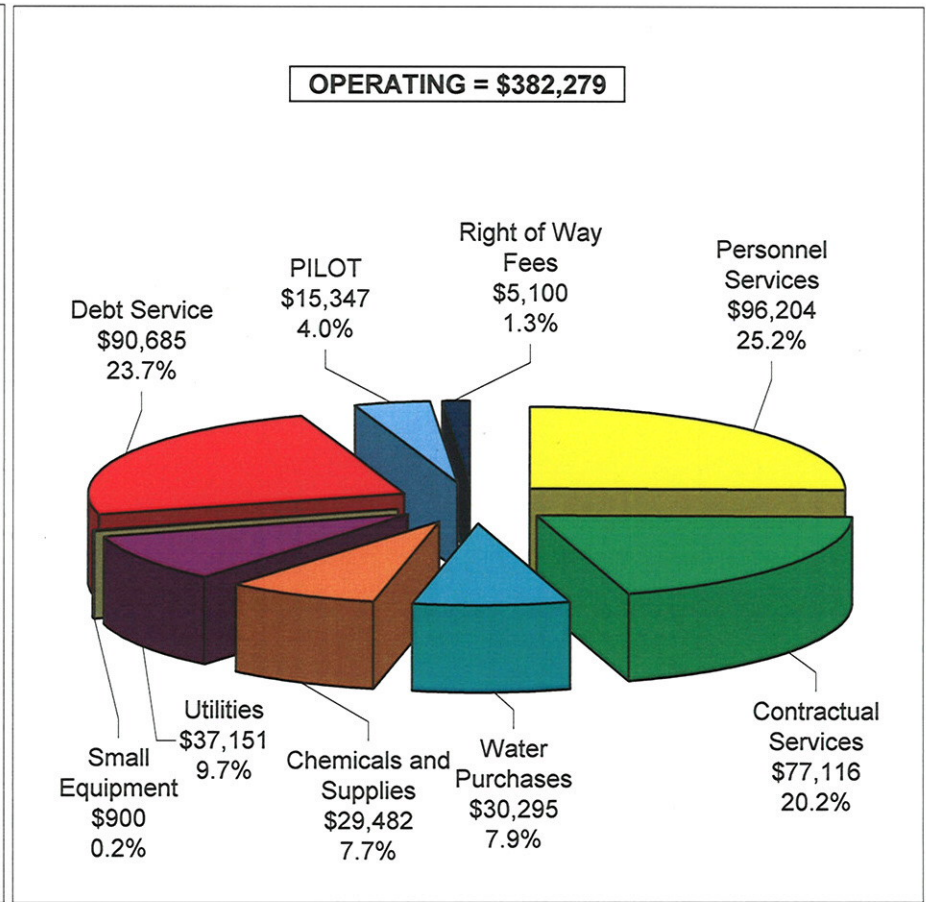
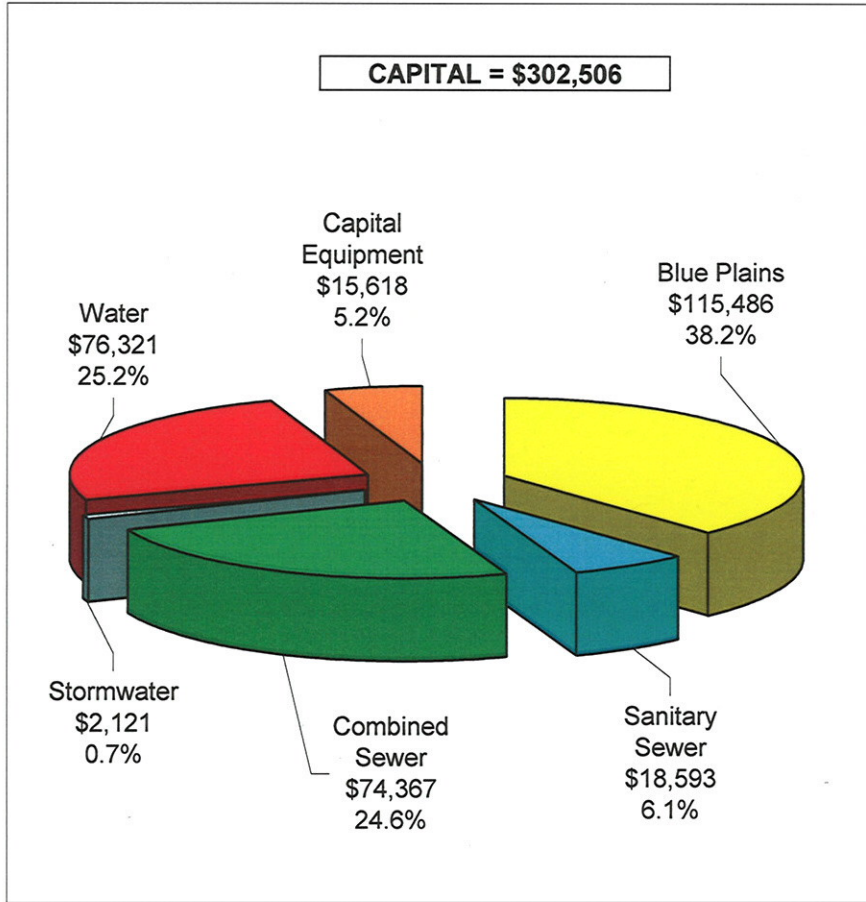
Federal Employment in the District



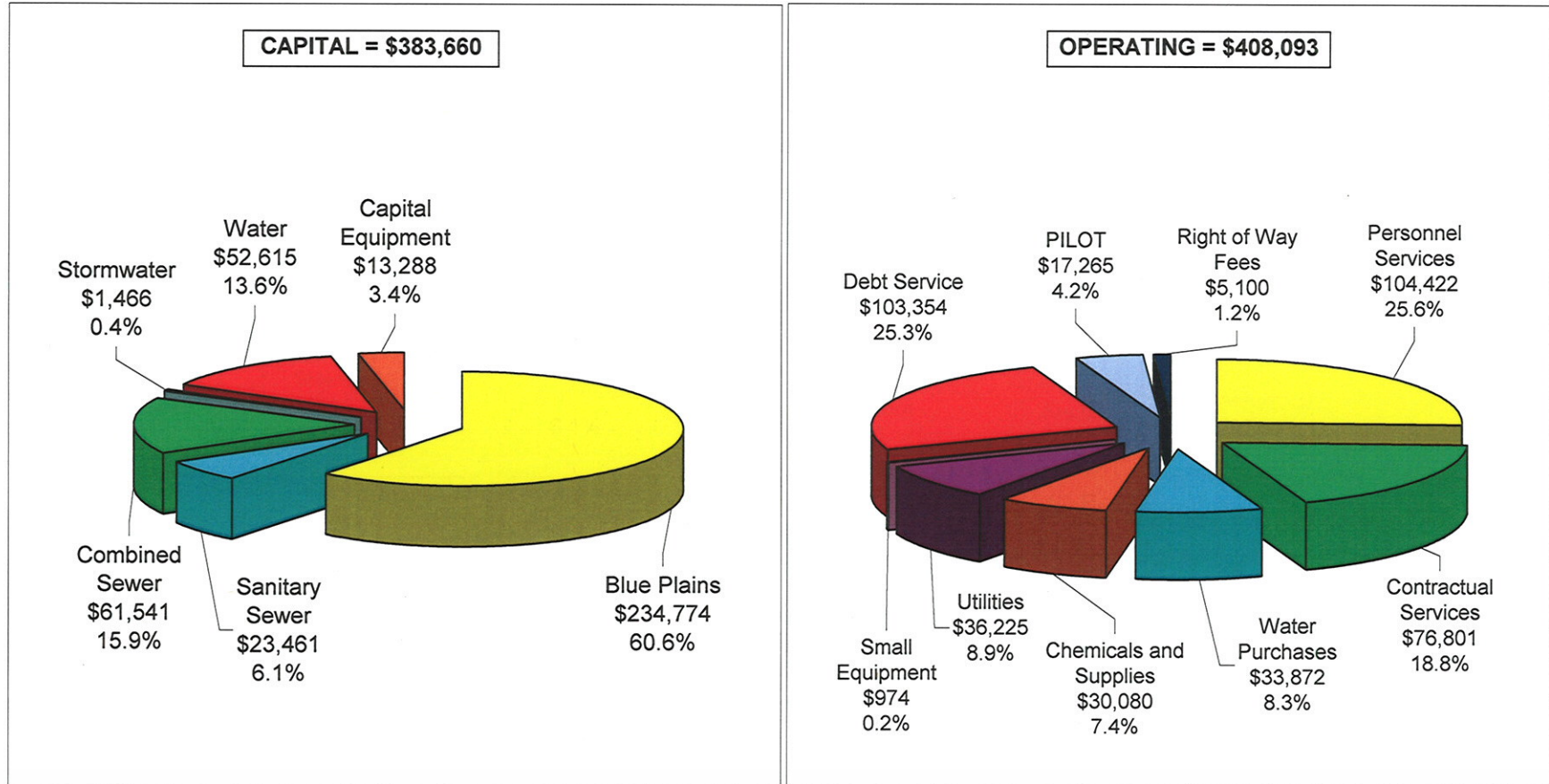
Operating and Capital Expenditures FY 2008 - FY 2011 (\$000's)



FY 2010 Revised Budget (\$000's)



FY 2011 Approved Budget (\$000's)



Comparative Expenditures
(\$000's)

	<u>FY 2008</u> <u>ACTUAL</u>	<u>FY 2009</u> <u>ACTUAL</u>	<u>FY 2010</u> <u>APPROVED</u>	<u>FY 2010</u> <u>REVISED</u>	<u>FY 2011</u> <u>APPROVED</u>
<u>CAPITAL (Cash Disbursements Basis)</u>					
Blue Plains	85,275	102,253	105,914	115,486	204,079
Sanitary Sewer	15,773	21,541	21,974	18,593	47,585
Combined Sewer	24,933	19,007	49,606	46,986	14,444
Combined Sewer Overflow Long Term Control Plan	13,691	11,904	22,937	27,381	38,684
Stormwater	2,531	1,378	2,160	2,121	3,599
Water	146,554	84,670	56,720	76,321	61,981
Capital Equipment	14,630	13,883	15,788	15,618	13,288
Total Capital	<u>303,387</u>	<u>254,636</u>	<u>275,097</u>	<u>302,506</u>	<u>383,660</u>
<u>OPERATING</u>					
Personnel Services	84,518	91,757	96,493	96,204	104,422
Contractual Services	58,199	64,513	77,053	77,116	76,801
Water Purchases	25,746	25,371	29,395	30,295	33,872
Chemicals and Supplies	27,821	27,781	29,172	29,482	30,080
Utilities	37,843	32,813	41,842	37,151	36,225
Small Equipment	676	526	791	900	974
Lead Abatement Program	531	-	-	-	-
Total O&M	<u>235,335</u>	<u>242,761</u>	<u>274,746</u>	<u>271,148</u>	<u>282,374</u>
Debt Service	69,330	74,777	98,290	90,685	103,354
Payment in Lieu of Taxes	12,425	14,083	15,487	15,347	17,265
Right of Way Fees	5,100	5,100	5,100	5,100	5,100
Subtotal Operating	<u>322,190</u>	<u>336,721</u>	<u>393,623</u>	<u>382,279</u>	<u>408,093</u>
Personnel Services charged to Capital Projects	(8,681)	(9,509)	(8,400)	(9,300)	(10,000)
Total Operating	<u>313,510</u>	<u>327,212</u>	<u>385,223</u>	<u>372,979</u>	<u>398,093</u>

CASH FLOW SUMMARY

(\$000's)

	FY 2009 Actual	FY 2010 Approved Budget	FY 2010 Revised Budget	FY 2011 Approved Budget
OPERATING BUDGET				
Operating Receipts:				
Residential, Commercial & Multi-Family	\$ 166,125	\$ 194,339	\$ 172,971	\$ 192,300
Federal	33,299	41,441	36,453	42,311
Municipal	6,947	9,459	7,693	8,568
D.C. Housing Authority	6,153	7,307	6,499	7,239
Groundwater		5	5	5
Metering Fee	5,471	5,500	5,500	10,776
Right of Way Fee	18,629	20,587	20,446	22,365
IAB CSO Revenue	-	-	11,336	16,777
<i>Subtotal Retail</i>	\$ 236,624	\$ 278,638	\$ 260,903	\$ 300,340
<i>Wholesale</i>	65,680	68,577	68,577	70,634
<i>Other Operating Receipts (1)</i>	38,838	41,646	48,378	24,283
Total Operating Receipts	\$ 341,142	\$ 388,861	\$ 377,858	\$ 395,257
Operating Disbursements				
Personnel Services	83,199	88,093	89,158	94,422
Contractual Services	65,995	77,053	77,896	76,801
Chemicals & Supplies	29,985	29,172	29,132	30,080
Utilities & Rent	31,777	41,842	38,307	36,225
Water Purchases	23,324	29,395	30,295	33,872
Small Equipment	780	791	899	974
<i>Subtotal Operations & Maintenance</i>	\$ 235,060	\$ 266,346	\$ 265,687	\$ 272,374
Payment in Lieu of Taxes / Right of Way Fee	17,514	20,587	22,794	22,365
Debt Service	74,777	92,729	88,494	101,044
Total Operating Disbursements	\$ 327,351	\$ 379,662	\$ 376,975	\$ 395,783
Operating Surplus	\$ 13,791	\$ 9,199	\$ 883	\$ (526)
CAPITAL BUDGET (See Section 6 for more details)				
Sources of Capital Funds	\$ 385,897	\$ 161,052	\$ 164,553	\$ 503,816
Uses of Capital Funds	254,636	275,098	302,508	383,659
Pay-As-You-Go Financing	\$ 131,261	\$ (114,046)	\$ (137,955)	\$ 120,157
CASH RESERVES:				
Beginning O&M Reserve Balance (Net of Rate Stabilization Fund)	\$ 139,050	\$ 131,298	\$ 131,298	\$ 125,500
Operating Surplus	13,791	9,199	883	(526)
Wholesale Customer Refunds/Payments for Prior Years	4,483	568	(3,511)	(53)
Transfer to Rate Stabilization Fund (1)	(10,000)	-	(2,000)	-
Prior Year Right of Way Payment	-	-	-	-
Prior Year Federal Billing Reconciliation	(982)	(838)	(839)	1,669
Interest Earned from Bond Reserve	294	918	323	703
Pay-As-You-Go Capital Financing	(15,338)	(2,387)	(654)	(1,793)
Ending O&M Reserve Balance (Net of Rate Stabilization Fund)	\$ 131,298	\$ 138,758	\$ 125,500	\$ 125,500
Rate Stabilization Fund	\$ 28,600	\$ 4,000	\$ 2,600	\$ -

(1) FY 2009 includes \$25 million transfer from Rate Stabilization Fund and \$10 million transfer to Rate Stabilization Fund
FY 2010 includes \$28 million transfer from Rate Stabilization fund and \$2 million transfer to Rate Stabilization Fund
FY 2011 includes \$2.6 million transfer from Rate Stabilization Fund

ACCOUNTING AND BUDGET PROCESSES

Basis of Accounting

DC WASA is a single enterprise fund and maintains accounting records using the accrual basis of accounting in accordance with Generally Accepted Accounting Principles (GAAP). Under this basis of accounting, revenues are recorded when earned, and expenses are recorded when goods and services are received. DC WASA expenditure budget is prepared on a comparable basis to GAAP, with the exception of debt service (including principal and interest) that is budgeted in full when due. Depreciation and interest expense are recorded as expenses for financial statement purposes. (Depreciation is not budgeted.)

Annual Budget Process

The general framework for the operating and capital budget development, along with specific dates for the presentation of several phases of the budget, is illustrated in the following budget calendar. The budgetary process is an integrated approach that links the operating and capital budgets with the ten-year financial plan. Preparation of DC WASA's budget begins in spring with development of the ten-year financial plan. Based on the financial framework laid out in the ten-year plan, departments develop individual operating budgets, and management reviews these submissions over the summer. These budgets cover a two-year period, including a revised budget for the immediate ensuing fiscal year (e.g., beginning October 1, 2010) and a approved budget for the next fiscal year (e.g., beginning October 1, 2011). Concurrent with the operating budget process, the Authority's ten-year capital program is developed and reviewed by management. In October, management presents the operating budgets, ten-year plan, and capital improvement program to the Board's Environmental Quality and Operations and Finance & Budget Committees for their review. The Committees complete their review from October through December. The operating budgets, capital improvement program, and ten-year plan are then forwarded to the full Board for its consideration in January.

After adoption by the Board of Directors, the Authority is required to submit its annual operating and capital budgets to the Mayor and Council of the District of Columbia for its review and comment; however, neither has power to change the annual budgets of the Authority. The District then includes the Authority's budgets as an enterprise fund in the fiscal year budget it sends to the U.S. Congress for approval. Any increases to the Authority's approved budget must receive approval from the U.S. Congress.

Budgetary Control

After the U.S. Congress approves the budget, the operating and capital budgets are loaded into the DC WASA's financial management system, which prevents overspending without appropriate approvals. The Department of Finance and Budget prepares daily and monthly management reports for each operating unit, management staff, the Board of Directors and its various committees. The reports are consistently reviewed each month to ensure the Authority complies with its authorized budget levels.

DC WASA HISTORY & GOVERNANCE

The District of Columbia Water and Sewer Authority (DC WASA) was created in April 1996 and began operating October 1, 1996 under and pursuant to an act of The Council of the District of Columbia and an act of the United States Congress. Previously, the Water and Sewer Utility Administration, a division of the District's Department of Public Works, performed DC WASA's operations. Since 1996, the Authority has met its mission of providing clean drinking water to residents of the District of Columbia and wastewater conveyance and treatment services to both residents of the District and wholesale customers in Maryland and Virginia.

A Board of Directors consisting of eleven principal and eleven alternate members who represent the District of Columbia, Montgomery and Prince George's Counties in Maryland and Fairfax County in Virginia govern DC WASA. The Mayor of the District of Columbia appoints, and the Council confirms, all District Board members, including the Chairperson. In addition, the Mayor appoints the five principal and five alternate members who represent the surrounding jurisdictions based on submissions from those jurisdictions. All members serve four-year terms. The DC WASA may only take action on policy matters after it receives a favorable vote of no less than six members of the Board of Directors. All Board members participate in decisions directly affecting the general management of joint-use facilities (such as projects at the Blue Plains Advanced Wastewater Treatment Plant), and only the District of Columbia members participate in decisions for those matters that affect only District ratepayers. Rates setting authority resides solely with the Board of Directors, and is a non-joint use matter.

FY 2011 Budget Calendar

Month	Event
May 21	General Manager's Budget Kickoff Meeting
May 21	Distribute budget manual and other preparation materials
May/June	Executive Management Strategic Organizational Planning
June 5	Revised FY 2010 & Proposed FY 2011 Operating Budget Submission due to Budget Office
June 12	FY 2009 – FY 2018 Proposed Capital Budget Submission due to Budget Office
June 8 - 19	Departmental meetings with Finance and Budget Staff
July - August	Begin 10-year Financial plan update based on new capital numbers CFO Budget review meetings with departments
August - September	Budget Review with General Manager FY 2011 Final Budget Decision Process Completed
October 13	Budget due to printer
October 15	Submit Revised FY 2010 & Proposed FY 2011 Budget to: <ul style="list-style-type: none"> • Finance and Budget Committee • Environmental Quality & Operations Committee • Retail Rates Committee • Retail Services Committee
October – November	Board Committees Conduct In-depth Review of Budget Proposal <ul style="list-style-type: none"> ▪ Joint Environmental Quality & Operations, Retail Services, Retail Rates and Finance and Budget Committees Review(s)
November	
December – January	
February 2010	<ul style="list-style-type: none"> ▪ Board Adoption ▪ Submission to District

District of Columbia Water and Sewer Authority
OPERATING BUDGETS
REVISED FY 2010 and APPROVED FY 2011



Section IV

FINANCIAL PLAN

DC WASA continues to invest in its employees by funding training and development activities to build skills in operations, safety, and technology. Through the Operation Trainee Program, employees receive classroom and on-the-job training in the wastewater treatment field in preparation for certification testing.





WASA KEY FINANCIAL POLICIES

- **DEBT SERVICE COVERAGE** – DC WASA will set rates and develop operating and capital budgets that ensure **senior debt service coverage of 140 percent**
 - This coverage level exceeds DC WASA’s bond indenture requirement of 120 percent senior debt service coverage
- **CASH RESERVES** – DC WASA will maintain **cash reserves equivalent to 120 days of budgeted operations and maintenance with the objective of maintaining at least \$125.5 million** in operating reserves.
- **PAY-GO FINANCING OF CAPITAL** -- WASA will finance a portion of its capital program on a **pay-go basis from cash balances that exceed the operating & maintenance reserve level.**
- **RATE-SETTING PRINCIPLES**
 - DC WASA’s rates and fees will be based on the **actual cost to deliver each service.**
 - Rate increases will be implemented in a **gradual and predictable** manner, avoiding large one-time rate increases.
- **RATE STABILIZATION FUND** -- Once DC WASA achieves its required level of cash reserves, a **rate stabilization fund** will be established **to avoid “rate shock.”** At the end of FY 2009, DC WASA’s rate stabilization fund totaled \$28.6 million.

FY 2009 - 2018 FINANCIAL PLAN

Overview

DC WASA's strong financial performance and its success in achieving and maintaining strong "Aa3 / AA / AA-" category bond ratings has been in large part due to the annual development of and adherence to a ten-year strategic financial plan. This commitment to sound financial and business planning resulted in an unsolicited bond upgrade by Standard and Poor's in FY 2008 and in 2009 Fitch Ratings revised the rating outlook to Positive from Stable. This financial plan serves as one of management's key tools to monitor progress in meeting financial goals and to proactively address future financial and operational issues. During FY 2009, DC WASA met or exceeded the goals set by Board policy and the FY 2008 - 2017 ten-year plan. This budget includes DC WASA's thirteenth comprehensive ten-year financial plan, covering FY 2009 – 2018.

The necessity of a ten-year financial plan is clear:

1. DC WASA operates under a regulatory and capital project-driven environment that requires a longer term ten-year planning horizon. In order to provide our customers with the best service possible and with gradual and predictable rate increases, DC WASA must plan for all projects on a long-term and integrated basis, including both capital and operating requirements. A five-year, capital-only financial plan would insufficiently prepare DC WASA to address the major regulatory, operational and capital project issues that will impact service, operations, and rates over the next five to ten years.
2. In accordance with Board policy, DC WASA will set rates so that each customer will be charged for the actual cost to provide each service, and rate increases will be gradual and predictable. Since proposed future rate increases are driven by financing of DC WASA's capital program and full utilization of the rate stabilization fund, the development of a ten-year financial plan allows DC WASA to meet these key goals of full cost recovery and predictability.
3. The Board has directed DC WASA management to undertake internal improvements that will significantly lower operating costs over a ten-year period. A ten-year plan is required to bridge current operations and related capital and operating budgets with these longer term cost reduction goals.

Board policies, strategic plan, priorities and guidance in several key financial areas drive the development of the FY 2009 - 2018 financial plan. Given DC WASA's substantial borrowing needs over the next ten years, adherence to these Board policies is crucial in order to cost-effectively access the capital markets and retain our credibility with customers and regulators. Key Board policies are summarized in the following pages.

Financing and Reserve Policies

In FY 2004 and FY 2008, the Board completed a review of its existing financing policies, reaffirming the core policies. Two modifications were made to the reserves policy: 1) Changing the timing of when DC WASA is required to meet its overall operations and maintenance reserve requirement from September 1 to an average daily balance basis, resulting in a more conservative calculation; and 2) revising the indenture-required renewal and replacement reserve requirement from two percent of original plant in service to \$35 million, with a requirement to revisit this reserve level every five years in conjunction with the indenture-required system assessment prepared by DC WASA's independent rate consultants. The assessment was last performed in 2008.

In FY 2009, the Board adopted further revisions which modified the operating reserve policy and under Resolution #09-86 revised the DC WASA's Statement of Financial Policies as follows:

1. DC WASA will maintain financial practices and policies that result in high quality investment grade bond ratings so as to ensure the lowest practical cost of debt necessary to finance DC WASA's long-term capital program.
2. DC WASA will maintain strong levels of operating cash reserves, equivalent to 120 days of budgeted operations and maintenance costs, calculated on an average daily balance basis, with the objective of maintaining at least \$125.5 million in operating reserves. The annual reserve amount will be formally approved by the Board as part of its annual approval of the operating and capital budgets and ten-year plan. The operating reserve requirement will be evaluated every five years by DC WASA's independent rate consultant in conjunction with the Indenture-required system assessment.
3. The operating reserve will, at a minimum, include any reserve requirements contained in DC WASA's Master Indenture of Trust, excluding any debt service reserve funds and the rate stabilization fund, as follows:
 - *Operating Reserve* – equivalent to sixty days' operating costs
 - *Renewal & Replacement Reserve* - \$35 million.
 - *District of Columbia General Obligation Debt Reserve* – equivalent to ten percent of DC WASA's share of subsequent year's District general obligation bond debt service
4. DC WASA will maintain senior debt service coverage of 140 percent, in excess of DC WASA's indenture requirement of 120 percent. Senior debt service coverage will be calculated in accordance with DC WASA's indenture.
5. In general, DC WASA will utilize operating cash in excess of the Board's reserve requirement and any other significant one-time cash infusions for capital financing or for repayment of higher cost debt.
6. DC WASA will whenever possible use the least costly type of financing for capital projects, based on a careful evaluation of DC WASA's capital and operating requirements and financial position for each year.
7. DC WASA will attempt to match the period of debt repayment, in total, with the lives of the assets financed by any such debt.

Rate Setting and Budgetary Policies

DC WASA's rate-setting policies are based on the following principles:

1. Rates and fees will be based on the actual cost to deliver each service.
2. Current rates must be sufficient to cover current costs and to meet all bond covenants.
3. Rates will be based on an annually updated ten-year financial plan (both operating and capital).
4. Rate increases will be implemented in a gradual and predictable manner, avoiding large one-time rate increases.
5. Contributions to and usage of a rate stabilization fund as needed to avoid "rate shock." Each year, after reviewing pay-go financing and any other non-recurring financing uses of excess operating cash, the annual rate stabilization fund deposit, if any, is determined. Transfers into the rate stabilization fund will be approved by the Board at the end of each fiscal year. This fund was established in FY 2000 and its balance at the end of FY 2009 was \$28.6 million.

Cash Management and Investment Policies

In September 2007, the board adopted a new "Statement of Investment Policy." This policy is designed to ensure the prudent management of Authority funds, the availability of operating and capital funds when needed, and an investment return competitive with comparable funds and financial market indices. The investment portfolio shall be managed to accomplish the following hierarchy of objectives:

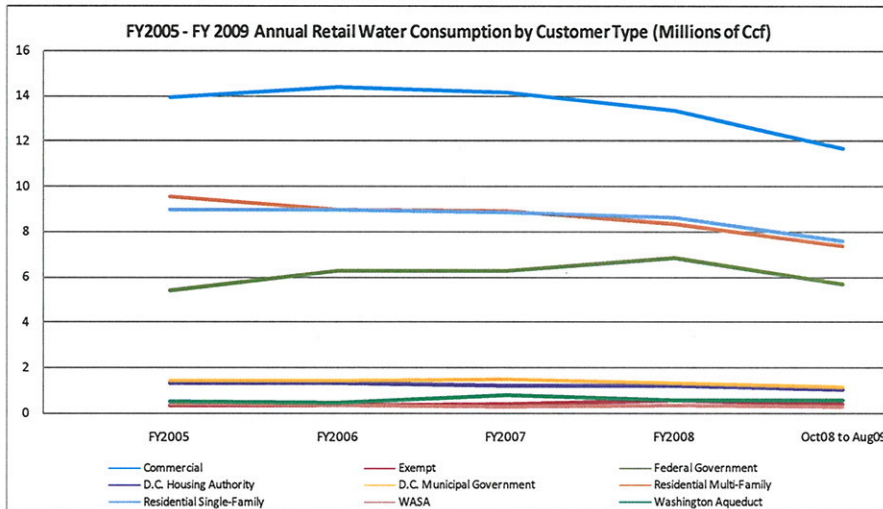
1. Safety
2. Liquidity
3. Return on investment
4. Diversity

In FY 2009 the Board initiated a review of the Statement of Investment Policy adopted in October 2007. The review concentrated on the development of an investment strategy to cope with the current financial markets while achieving the stated objectives of safety, liquidity, return on investment and diversity. The portfolio was segregated into short-term and core investments based on liquidity needs. The core funds investment extends the duration period for the core funds. The Merrill Lynch 3-Month and 1-3 Year U.S. Treasury Index were established as the new performance benchmarks to align with the new investment strategy.

Customer Demand and Demographics - In light of the 2008 national economic slow down and the reduced consumption experience in FY 2009, management conducted a review in FY 2009 of water and sewer regional consumption and demographic trends. The review examined the various factors affecting water demand and the underlying demographics in the District and the region to assess whether there was a corresponding effect on water demand and identify the experiences of similar eastern U.S. systems. While there are various factors that may impact water demand, we reviewed a few of them as highlighted below.

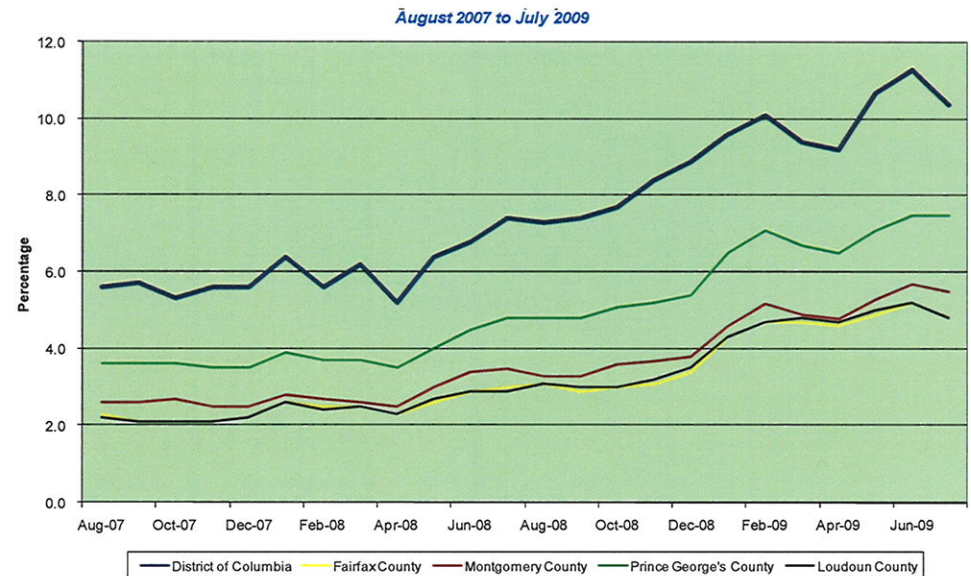
Factor	How it Affects Water Demand
Population served	More people, more demand – fewer people, less demand
People per dwelling unit	As the number of people per dwelling unit goes up, per capita demand generally declines
Average age of customers	As the average age of adults goes up, per capita demand generally declines
Percentage of served population that is school age	Higher percentage of population that is school age, the lower the average age. The lower the average age, the higher the per capital consumption.
Percentage of dwellings that are single family dwellings	Single family dwellings tend to use more water per dwelling unit than multi-family dwellings
Bill affordability	As bills become less affordable, demand declines
Work day population	The higher the work day population (as a result of net trips into the District to work) the higher the water demand
Unemployment rate	As the economy gets worse (and water/wastewater service becomes less affordable as income declines), demand declines
Available office space and vacancy rates	A proxy for working day population served and general economic conditions
Hotel room-days	A proxy for economic conditions
Restaurant traffic	A proxy for economic conditions and work day population
Number of Federal jobs in the District	More employees should equal more usage, all other things being equal
Total number of job holders in the District	More employees should equal more usage, all other things being equal
Weather	Water demand is likely to be lower when the spring/summer weather is wet and cool

While the District of Columbia metropolitan region has a high median income, the regional unemployment rate has been rising. Our review indicates that the District, as the largest job center in the region, will be affected by economic declines (i.e., less water used during the working day by fewer workers coming from outside the District to work). Reviewing commercial space and hotel vacancies against water demands supports such trends. The demand decline experienced by DC WASA is similar to that experienced by other regional water systems.



Retail Water Consumption decrease in FY 2009 4 percent

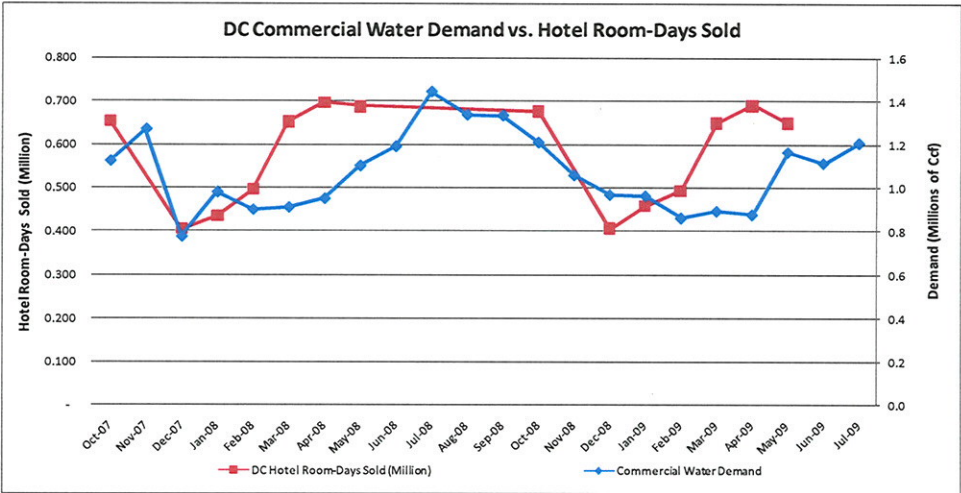
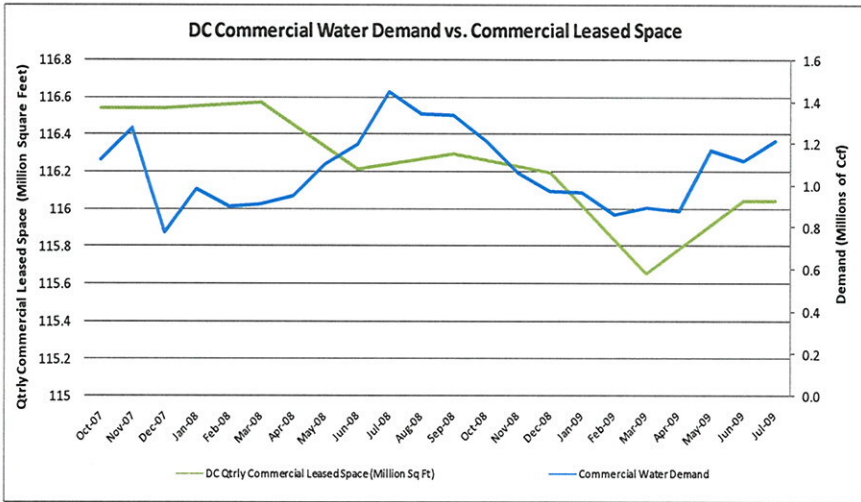
- FY 2005 – FY 2008 average annual rate of change in aggregate demand: - 0.6%
- The decline in 2008 and 2009 is greater than long-term trend
- FY 2005 – FY 2008 average annual rate of change in demand for the 4 largest customer classes: Commercial: -1.4%; Single-Family Residential: -1.2%; Multi-Family Residential: -4.4%; & Federal Gov't: 8.2%



Unemployment Rates (%) Have Increased in the Region Since May 2008

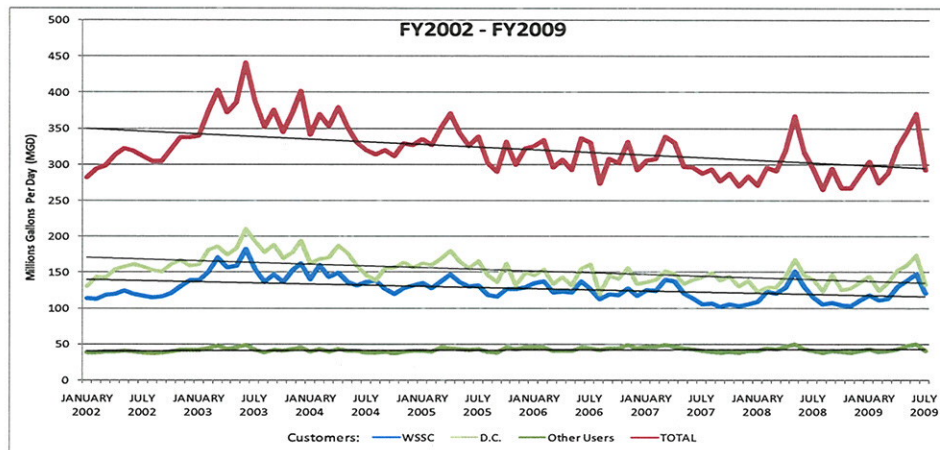
Observation:

- From August 2007 to July 2009 the relative changes in unemployment rates have been similar throughout the region.



Commercial water use responds somewhat to economic conditions (tempered by the large Federal presence).

Long-Term Wastewater Flows by Customers



Observation: Long term wastewater flow decline is similar among customers; (however, flow strength is changing)

Recent economic projections of the DC economy from various expert sources vary. However, the presence of the federal government along with announcements of new offices and projections for an increase in the federal workforce help to mitigate the loss of commercial and District government customers.

Major Accomplishments

The FY 2009 - 2018 financial plan and Board policy set out several financial and organizational goals to be accomplished in FY 2009. During FY 2009, DC WASA met or exceeded the financial goals set out by the Board and the FY 2008 - 2017 financial plan. Senior debt service coverage, reserve levels, and budget performance met or surpassed Board policies, as discussed in more detail below.

- * DC WASA Board policy requires senior debt service coverage of at least 140 percent, greater than the indenture requirement of 120 percent. ***DC WASA's senior debt service coverage in FY 2009 was at 297 percent***, reflecting implementation of the Board's policy of gradual and predictable rate increases and lower than projected capital spending. Senior debt service coverage will decline to 148 percent in FY 2018 as capital spending and related debt issuance increase. Subordinate debt service coverage (subordinate debt service includes DC WASA's subordinated lien revenue bonds, DC WASA's share of the District of Columbia general obligation debt, Little Seneca Reservoir debt, and Jennings Randolph Reservoir debt) in FY 2009 was at 161 percent. DC WASA is required to have 100 percent coverage of subordinate debt service. Combined debt service coverage was at 134 percent in FY 2009.
- * ***DC WASA utilized \$25 million of the rate stabilization fund in FY 2009***, leaving a remaining balance of \$28.6 million in the fund. This utilization of RSF reduced the FY 2009 DC retail rate increase by approximately 9.5 percent.
- * DC WASA Board undertook an in-depth review of the size of the existing operating reserve to ensure strong levels of operating cash to provide emergency contingency funds and liquidity, while maintaining DC WASA's strong credit rating. The Board concluded that the appropriate level of operating reserve should be 120 days of budgeted operations and maintenance costs. In FY 2009 the DC WASA Board approved revised financial policies requiring cash reserves (excluding the rate stabilization fund) to be the greater of to 120 days' operating and maintenance expenses or \$125.5 million. ***DC WASA consistently met this goal during FY 2009, with an average daily balance during the year of \$130.7 million, \$5.2 million greater than the Board's policy.***
- * ***DC WASA continued its strong operating budget performance in FY 2009.*** Operating cash receipts were below budget by \$11.5 million, or 3.3 percent; operating expenditures are \$25.4 million, or 7.0 percent, less than the Board-revised budget. During FY 2009, DC WASA experienced lower than anticipated costs for electricity and chemicals driven by the decline in market prices

and implementation of successful procurement strategies. DC WASA also had significant savings in debt service costs related to lower than expected financing costs on the new debt successfully issued in February 2009 in a turbulent financial market.

- * Overtime spending was reduced from a high of \$8.7 million in FY 1997 (or 15 percent of payroll) to \$5.1million in FY 2009, or 10 percent.
- * The Impervious Surface Area Charge (IAC) was implemented in May 2009 to recover the cost of the Combined Sewer Overflow Long-Term Control Plan (CSO LTCP). The twenty-year CSO LTCP, whose terms are outlined in a consent decree executed in March 2005, is projected to cost \$2.2 billion. See “Combined Sewer Overflow Long-Term Control Plan” in Section V, Rates and Revenues for additional details on the projected rate impact of the plan.
 - The IAC is a more equitable rate structure because it provides a better allocation of cost responsibility, relating the costs to the proportionate contribution of each customer (or the amount of the runoff).
 - Prior to implementation of the IAC an extensive outreach and education campaign was completed to improve understanding of the environmental impacts of wet weather runoff and the importance of the CSO LTCP.
- * DC WASA implemented a retail water and sewer rate increase of 7.5 percent in FY 2009 to recover increase revenue requirements of \$20.9 million. Even with this change, an additional \$25 million in revenues was required and available due to the existence to the rate stabilization fund. As noted earlier, and this fund helped to mitigate rate shock and reduced the needed retail rate increase by approximately 9.5 percent in FY 2009. In addition, the Board approved a retail water and sewer rate increase of 9.0 percent effective October 1, 2010 as well as an increase in the Right of Way and PILOT fees to recover the full costs of these fees charged to DC WASA by the District of Columbia government. The rate changes are mainly due to the increase in debt service cost to finance the capital improvement plan. An additional use of \$28.0 million from the rate stabilization is anticipated in FY 2010, avoiding an additional retail rate increase of approximately 11 percent.
- * For the ninth consecutive year, DC WASA received the Government Finance Officers’ Award for Distinguished Budget Presentation for its FY 2010 budget submission. DC WASA also received its twelfth unqualified audit opinion for the fiscal year ended September 30, 2008 and received the twelfth GFOA Certificate of Achievement for Excellence in Financial Reporting.
- * Given that the District Drinking water is compliant with federal standards for lead and there are competing essential infrastructure needs throughout the District, in FY 2009 the Board made changes to the Lead Service Replacement (LSR) Program. We have established a management approach and structure that allow us to continue to replace lead service lines in conjunction with DC WASA ongoing water main the District Department of Transportation (DDOT) projects, while also ensuring customer participation. We will also continue to monitor the performance of the program to determine if any adjustments are warranted. Through FY

2009, over 17,500 public lines have been replaced to date, as well as approximately 57,745 feet from 2,830 services in private space. The ten-year plan includes capital disbursement costs for this program, estimated at \$58 million.

- * In FY 2009, we successfully renewed all of our insurance policies at essentially the same coverage and terms at 4 percent higher costs than previous year. There were improvements in coverage amid increases in property values, payroll and revenue.
- * DC WASA completed its fifth year of the rolling owner-controlled insurance program (ROCIP) under which DC WASA procures insurance coverage for the majority of our construction contractors. The result is substantially higher insurance coverage levels for all contracts and significant cost savings. At the end of FY 2009, 68 projects, and 217 contractors had been enrolled in the ROCIP I program, and preliminary savings estimates in the \$4 to \$5 million range. A major reason for the cost savings is the implementation of a uniformly strong safety program for all contractors. Given the success of ROCIP I, DC WASA plans to move forward with the second ROCIP. The ROCIP II is a three year insurance program that will support an estimated \$688 million of planned construction completion.
- * DC WASA continued to build on the significant improvements made in the Department of Customer Service over the last few years, which have resulted in greatly improved service to DC WASA customers. Major accomplishments over the last year include:
 - Improved collections efforts, which have resulted in a reduction of delinquent retail accounts receivable over 90 days from \$26.5 million in September 2001 to \$4.9 million in September 2009.
 - DC WASA's Board of Directors approved the expansion of the Customer Assistance Program (CAP) to provide a discount on sewer charges in addition to the discount currently provided on water. This discount resulted in an annual discount of approximately \$277.00 to income eligible customers in FY 2009. DC WASA provided discounts to more than 6,000 customers in FY 2009.

In an effort to deliver the best service possible, the Customer Service Department developed a tracking mechanism for first call resolution. This process allows us to determine how many customer inquiries were resolved with the initial contact. While this effort has focused on telephone calls first, it will be followed with other mediums such emails and letters/correspondence received from customers.

We implemented an additional self service payment option, (e-check). This option provides yet, another convenient way for customers to pay their bills without incurring any charge.

Enhance security standards were implemented. The PCI (Payment Card Industry) compliance standards provide additional security to customers that use electronic payment options.

- DC WASA changed banks on September 1, 2009. Customers may now make payments at any Adams National Bank and TD Bank within the metropolitan area. TD Bank is available 24 hours a day and open 7 days a week to serve customers.
- * Fire Hydrant Program – Beginning FY 2004, DC WASA began upgrading and replacement of aging fire hydrants throughout the City. In October 2005, DC WASA initiated a formal fire hydrant replacement program and committed \$26.5 million to fund replacement/upgrade of up to 3,000 hydrants for the District of Columbia by 2011. In October 2007, DC WASA and FEMS entered into a Memorandum of Understanding (MOU) that established a regular inspection program and five-year target for replacement of fire hydrants. As of September 2009, we have replaced over 3,800 fire hydrants in public space and have exceeded our target of 3,000. In the FY 2009-2018 CIP, an additional \$30 million in projects was proposed for Phase II of the MOU to replace an additional 3,000 fire hydrants by FY 2015 on behalf of the Government of the District of Columbia. This proposal is under review by the District government. This work has no impact on the retail rate payers as it is reimbursed by the District. A cost of service study acknowledging the higher level of investment required under the 2007 MOU was completed in FY 2009, reviewed by the Board and distributed to the DC Chief Financial Officer.
- * Cost of Service Study – DC WASA management has undertaken a thorough Cost of Service Study (COS) in accordance with DC WASA policy. The COS objectives included four specific deliverables: revenue sufficiency model, cost of service/rate equity analysis, alternative rate structure analysis, and miscellaneous charge analysis. The consultants found that the existing retail rate structure scores well on most of the pricing objectives identified however there is a need to re-sync the ratio between the volumetric water and sewer rates due to higher capital costs from the Washington Aqueduct and the creation of the IAC. As a result of this study, several revisions to the rate structure will be proposed for implementation in FY 2011 and other areas of opportunity will require additional analysis in FY 2010 before recommendation or implementation.

Future Goals

The proposed FY 2009 - 2018 financial plan includes the resources necessary to accomplish critical financial and operational goals over the coming years, as summarized below.

- * Continue adherence to the Board's financial, investment, rate-setting and long-term planning policies; includes deferral of many items to FY 2013 and beyond, (including deferral of some projects).
- * Continue implementation of the ten-year \$3.8 billion capital improvement program.
- * Continue implementation of the twenty-year, \$2.7 billion CSO Long-Term Control Plan, including rate structure changes.

- * Continue implementation of internal improvement plan across DC WASA.
- * Continue implementation of major improvements in customer service, including:
 - Complete AMR/meter replacement program.
 - Offer blind or vision-impaired customers the option of receiving bills in either Braille or large print.
 - Provide customers with the opportunity to communicate with customer care associates via on-line chat.
- * Successfully implement key information technology initiatives, including:
 - Implementation of the *process computer control system (PCCS)* at Blue Plains similar to the water and sewer operations, which will automate a substantial number of Plant processes and is critical to achieving Blue Plain's internal improvement goals. Initial planning and design for this system began in FY 2002.
 - On going implementation of a new *asset management system*. By integrating DC WASA's existing customer information, maintenance management, PCCS/SCADA and other systems, it will help us better track specific asset performance and perform more preventive maintenance, particularly in the water and sewer systems.
- * Development of performance targets - As part of the effort to implement the Strategic Plan we have established a “design team” that has embarked on an intensive effort to develop clear performance measures that management and the Board will use to assess progress in achieving the Strategic Plan objectives. This initiative is on-going and will not only establish measures, it will also create performance targets to help us set longer term and annual priorities to help us determine how we allocate resources through the ten-year financial plan and develop the operating and capital budgets we need to sustain and improve services. Formal deployment of the performance measurement and process improvement system is planned for 2010.
- * Energy Conservation - Electricity continues to represent a significant portion of DC WASA's operating costs, budgeted at \$29.3 million, or 11 percent of our \$271.1 million revised FY 2010 operations and maintenance budget. This is due, in part, to several factors that include deregulation in the District, rising oil prices, changes in inclement weather patterns, record global demand for power and oil, and regional transmission and grid changes. DC WASA has hired an Energy Manager to promote conservation and efficient use of electricity. An energy audit is underway and will be concluded in FY 2010.

Rates

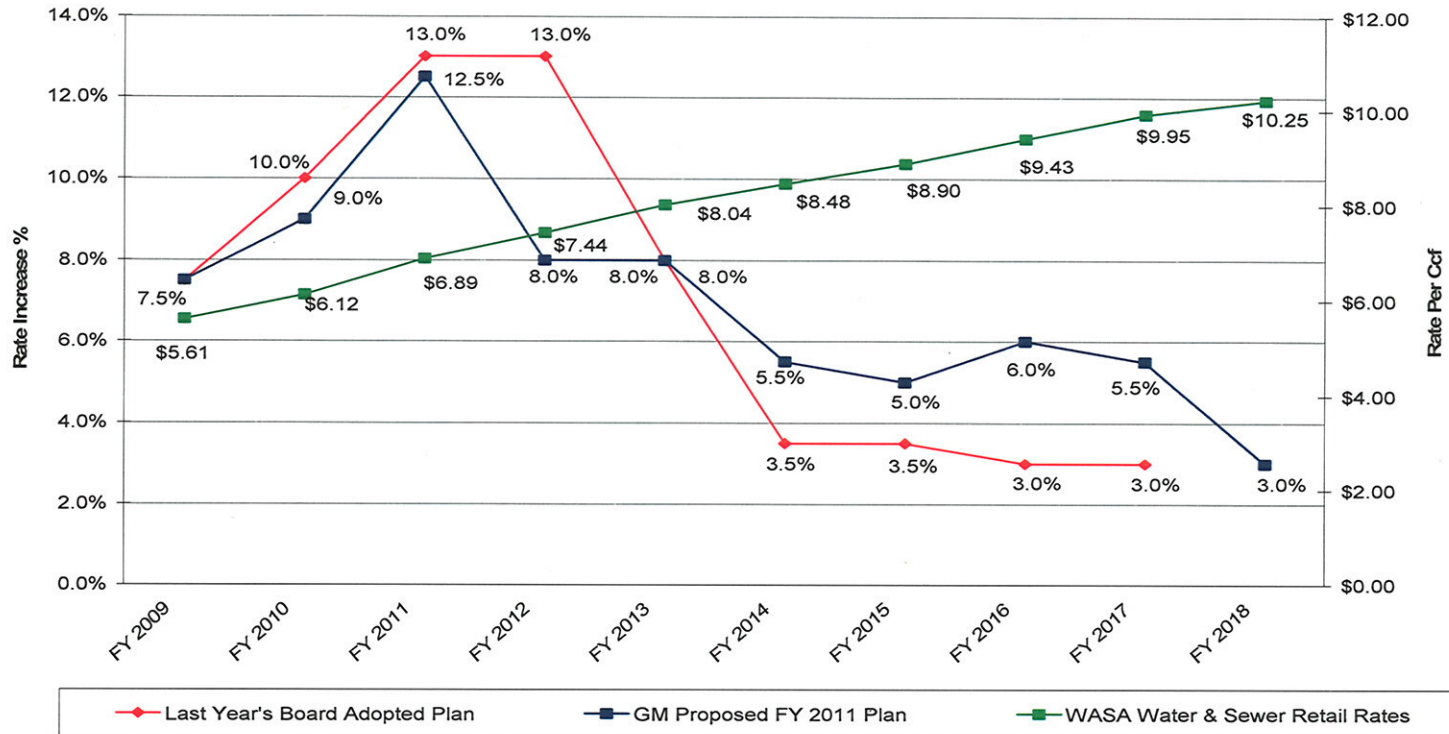
The proposed rate and fee adjustments included in the FY 2009 – 2018 financial plan are driven by the following trends and initiatives:

- * Retail water consumption decreased in FY 2009 by 4 percent instead of the 1 percent assumed last year
- * Increasing debt service expenditures, driven by DC WASA's \$3.8 billion capital improvement program (cash disbursements basis), which increases on average by 15.5 percent over the ten-year planning period
- * Use of short-term financing for capital equipment in FY 2010 and 2011 instead of PAYGO to align financing with anticipated life of the asset
- * An increase in the lifetime budget of the CSO LTCP is due to IMA CAO discussions that reassign activities between the BTN and the CSO LTCP, as well as revised engineering estimates from identification of clearer design criteria
- * Evaluated financing alternatives for the Biosolids Management Plan (BMP) to reduce rate impacts during project years of high capital disbursement
- * Internal improvement programs – Operating budget savings at Blue Plains beginning in FY 2014 due to the operation of a combined heat and power plant under the digester project
- * Implementation of a new six - tier structure under the IAC for residential customers
- * In consideration of the recommendations from the 2008 Independent Comprehensive Budget Review, revised the existing metering fee to incorporate additional components of the customer user fixed costs providing long term improvement to revenue stability
- * Initiate priority projects under the DC WASA Master Land Use Facilities Plan to optimize efficient use of DC WASA land and facilities
- * Operation and maintenance increase on average of 3.0 percent annually over ten year period
 - Increasing operating expenditures, driven primarily by increases in chemical cost, electricity and personnel
 - Initiation of in-house design resources
 - Full utilization of available GIS technology
 - Enhanced service to the development community through improved permitting operations
 - DC WASA branding activities

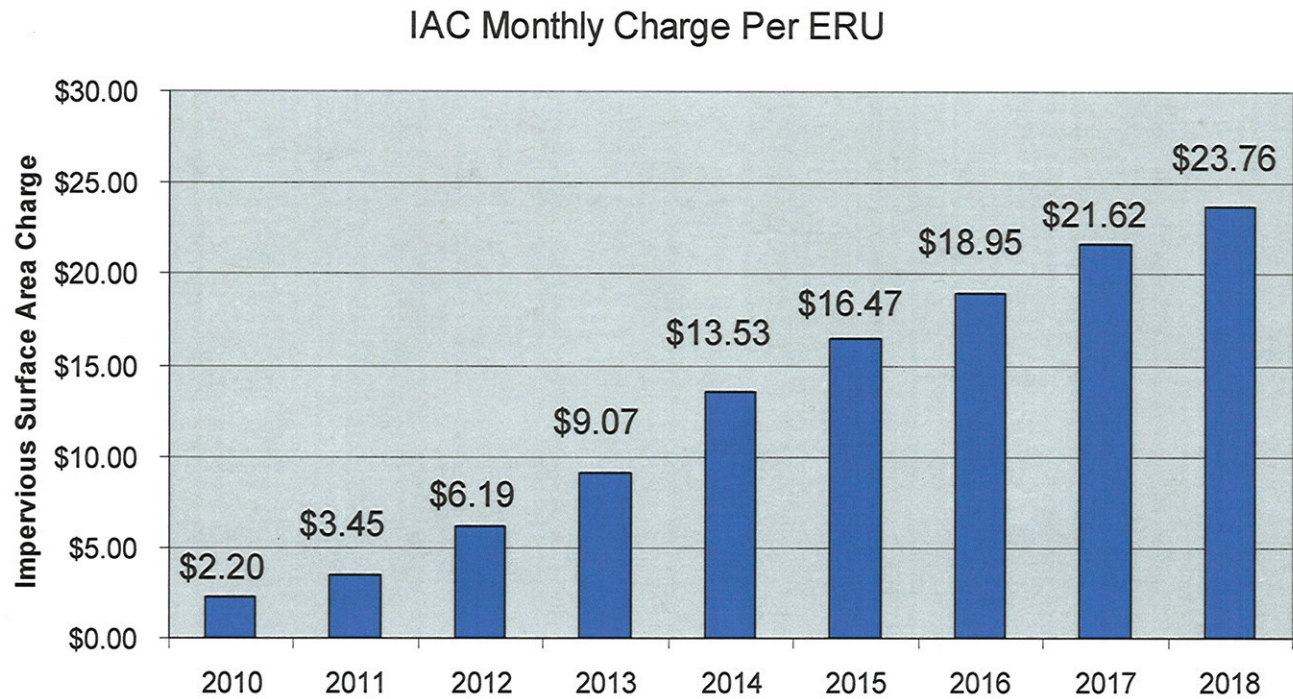
Due to these ongoing and new initiatives, from FY 2009 – FY 2018, DC WASA's water and sewer volumetric retail rates are projected to increase by a combined rate of \$0.30 to \$0.77 per 100 cubic feet annually as shown in the chart below. Cumulative rate increases would total 70 percent over the ten year period compared with 70 percent projected from last year's ten-year plan.

The proposed retail water and sewer combined rate for FY 2011 is \$6.89 per Ccf (\$3.10 water and \$3.79 sewer); an increase of \$0.77 per Ccf. In addition, the proposed increase in the combined Right-of-Way and Pilot fees is \$.06 per Ccf or 10.5 percent, to recover the full amount charged to DC WASA by the District.

Proposed FY 2011 Rate & Fee Increase & Structure Changes Projected Retail Rate Increases FY 2009 – FY 2018



The proposed monthly IAC charge for FY 2011 is \$3.45 per ERU (Equivalent Residential Unit); an increase of \$1.25 over the proposed FY 2010 charge.



Impervious Surface Area Charge Residential Six-tier Rate Structure

In line with DC WASA’s Board Resolution #08-37 and Policy #3 on Impervious Surface Area Charge, a review of the data and rate options to consider a multi-tier rate structure was completed. The review took into consideration impacts from a technical, data completeness, revenue sufficiency, and legal perspective. The Board asked management to develop a residential multi – tier rate structure to replace the original methodology of 1 ERU for all residential properties based on property size and equity. Currently, the number of ERUs billed to residential customers totals 104,483. After analysis and review of several billing options, a six-tier billing structure for residential customers has been recommended and incorporated within the currently proposed financial plan update beginning with FY 2011. This tier structure would increase the total number of billed residential ERUs to approximately 113,471. The following table demonstrates the distribution of the residential ERUs by tiers and size. If approved, approximately 74 percent of the residential customers will see no change in the ERU quantity on their monthly bill; and approximately 18 percent will pay slightly less.

Tiers	Size of Impervious Area (Square Feet)	ERU	# of Properties
Tier 1	100 – 600	0.6	18,563
Tier 2	700 – 2,000	1.0	77,514
Tier 3	2,100 – 3,000	2.4	5,736
Tier 4	3,100 – 7,000	3.8	2,499
Tier 5	7,100 – 11,000	8.6	124
Tier 6	11,100 – and more	13.5	47

Impervious Surface Area Charge Credit Program

In line with DC WASA’s Board Resolution #08-37 and Policy #3 on Impervious Surface Area Charge, Authority Equitable Ratemaking Amendment Act of 2008 and the District of Columbia Comprehensive Stormwater Management Enhancement Amendment Act of 2008, DC WASA is working in coordination with the District Department of Environment (DDOE) to review data and create a credit program that will provide incentives to DC property owners to implement Best Management Practices (BMP) as may be defined

under the program by DDOE and to mitigate wet weather runoff. In anticipation of a future recommendation in FY 2010, a budget of \$500,000 for a credit program has been considered within the IAC for projections.

Customer Metering Fee

In the FY 2009 Cost of Service (COS) study there were several alternative rate structural conceptual recommendations. One alternative was that DC WASA management will consider expansion of the meter fee. The concept of increased fixed components of the retail bill was previously recommended under the 2006 cost of service study and again in the 2008 Independent Budget Review. Many utilities have “uncoupled” their rates and increased the fixed portion of their costs that are not variable and must be covered so that the utility is “ready to serve.” The current proposal includes the expansion of the base customer charge related to meters to include all operating expenditures related to meter maintenance, which are estimated to be approximately 35 percent of the customer service costs. While the base charge often includes other capital costs that have been incurred to build a system that provides water and sewer services regardless of whether an individual customer uses the water, it is not currently recommended that allocation of such additional costs be incorporated at this time. We will continue to analyze the cost drivers and economics, with an eye to future determination of the most favorable adjustments.

Rate Comparisons to Other Utilities

DC WASA's current and proposed rates and fees remain very competitive with other water and wastewater providers in the mid-Atlantic and the eastern United States. In fact, the FY 2008 independent budget review noted that DC WASA's recent rate increases have been much lower than other similar utilities. As shown in the charts in Section V 23,24 & 25, DC WASA's proposed monthly residential bill (including the IAC, customer metering fee, the District's stormwater rate, PILOT and ROW fees) is slightly higher than the average of other utilities in DC WASA's benchmark group. Without the stormwater and the PILOT and ROW fees, DC WASA's proposed average monthly residential bill is \$3.42 or 6.6 percent less than the average of other utilities. The proposed future rate increases over the ten-year planning period are also consistent with the infrastructure needs identified by regional and national providers.

Customer Assistance Programs

As required by Under the “Water and Sewer Authority Equitable Ratemaking Amendment Act of 2008 Bill 17-935” the District of Columbia Water and Sewer Authority provided a report to the Council of the District of Columbia detailing the number of low-income residents affected by increases in retail water and sewer rates and strategies that will significantly increase enrollment in the existing discount program available to low-income ratepayers. DC WASA teamed with the District's Department of Health and Human Services (DHHS) to match databases and identify needy residents in the District who were not participating in the CAP program. Report findings estimate that DC WASA is reaching 85 percent of potential eligible low-income residents in the District of Columbia

under the program by DDOE and to mitigate wet weather runoff. In anticipation of a future recommendation in FY 2010, a budget of \$500,000 for a credit program has been considered within the IAC for projections.

Customer Metering Fee

In the FY 2009 Cost of Service (COS) study there were several alternative rate structural conceptual recommendations. One alternative was that DC WASA management will consider expansion of the meter fee. The concept of increased fixed components of the retail bill was previously recommended under the 2006 cost of service study and again in the 2008 Independent Budget Review. Many utilities have “uncoupled” their rates and increased the fixed portion of their costs that are not variable and must be covered so that the utility is “ready to serve.” The current proposal includes the expansion of the base customer charge related to meters to include all operating expenditures related to meter maintenance, which are estimated to be approximately 35 percent of the customer service costs. While the base charge often includes other capital costs that have been incurred to build a system that provides water and sewer services regardless of whether an individual customer uses the water, it is not currently recommended that allocation of such additional costs be incorporated at this time. We will continue to analyze the cost drivers and economics, with an eye to future determination of the most favorable adjustments.

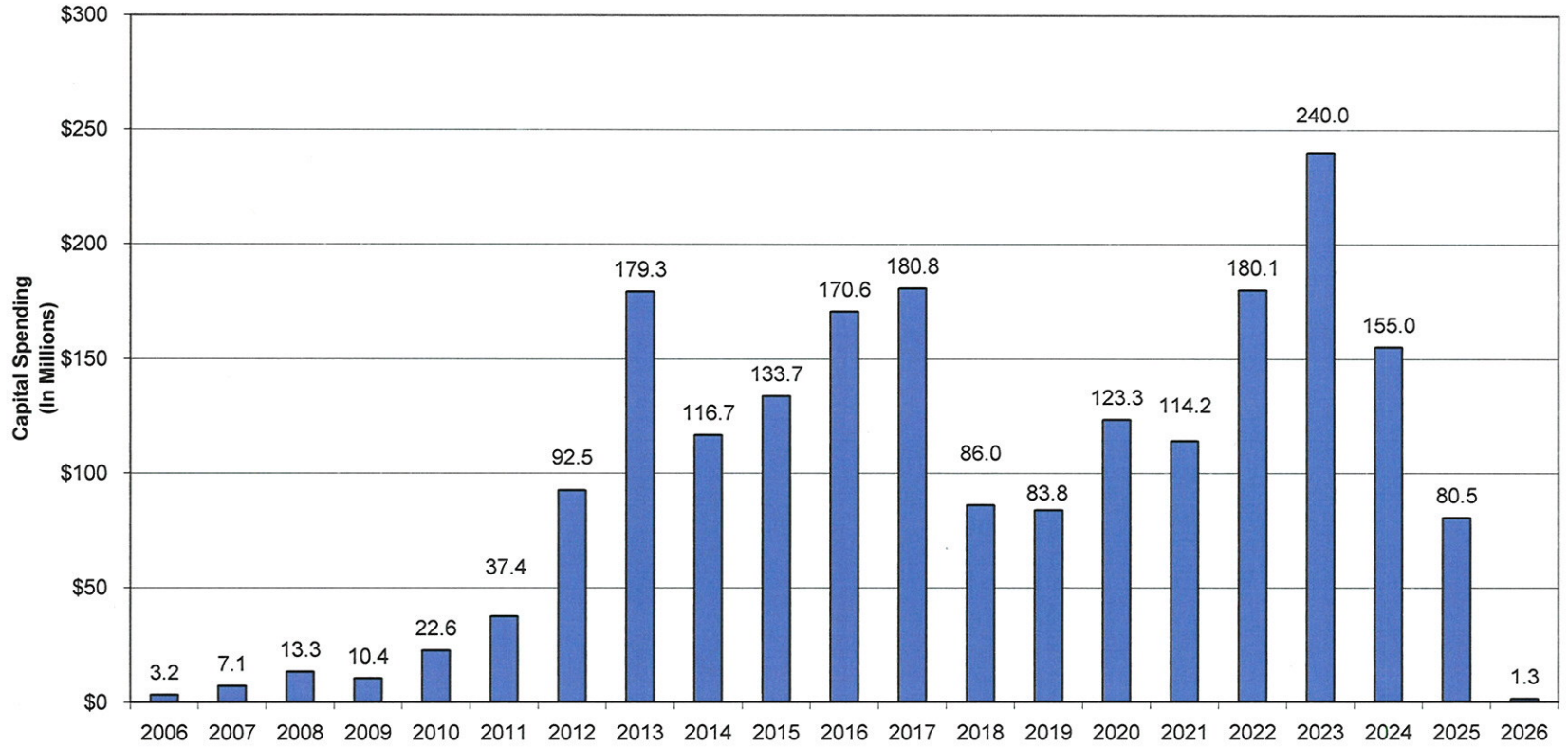
Rate Comparisons to Other Utilities

DC WASA's current and proposed rates and fees remain very competitive with other water and wastewater providers in the mid-Atlantic and the eastern United States. In fact, the FY 2008 independent budget review noted that DC WASA's recent rate increases have been much lower than other similar utilities. As shown in the charts in Section V 23,24 & 25, DC WASA's proposed monthly residential bill (including the IAC, customer metering fee, the District's stormwater rate, PILOT and ROW fees) is slightly higher than the average of other utilities in DC WASA's benchmark group. Without the stormwater and the PILOT and ROW fees, DC WASA's proposed average monthly residential bill is \$3.42 or 6.6 percent less than the average of other utilities. The proposed future rate increases over the ten-year planning period are also consistent with the infrastructure needs identified by regional and national providers.

Customer Assistance Programs

As required by Under the “Water and Sewer Authority Equitable Ratemaking Amendment Act of 2008 Bill 17-935” the District of Columbia Water and Sewer Authority provided a report to the Council of the District of Columbia detailing the number of low-income residents affected by increases in retail water and sewer rates and strategies that will significantly increase enrollment in the existing discount program available to low-income ratepayers. DC WASA teamed with the District's Department of Health and Human Services (DHHS) to match databases and identify needy residents in the District who were not participating in the CAP program. Report findings estimate that DC WASA is reaching 85 percent of potential eligible low-income residents in the District of Columbia

CSO LTCP Spending by Year



- Capital costs for this twenty-year plan does not include contingencies.

Revenues

The proposed FY 2010 receipts projection totals \$378.2 million, an increase of \$36.7 million, or 10.8 percent over actual FY 2009 receipts:

1. *Residential, commercial and multi-family receipts* are projected to increase by approximately \$15.1 million, or 9.1 percent, due to the Board-approved 9.0 percent rate increase
2. *Federal revenues* are projected to increase by \$5.3 million or 15.9 percent
3. *Wholesale receipts* are projected to increase by \$2.9 million, or 4.4 percent, reflecting higher budgeted costs at Blue Plains due primarily to electricity and chemicals price increases
4. *Projected utilization of \$28.0 million in rate stabilization fund balances*

Other revenues are projected to increase by \$8.4 million, mainly due to \$4.2 million increase in projected DC fire protection fee.

Total Revenue Contribution from Impervious Surface Area Charge

5. Residential, commercial and multi-family receipts are projected to be \$8.3 million
6. Federal revenues are projected to be \$2.1 million
7. Municipal revenues are projected to be \$0.8 million
8. District of Columbia Housing Authority revenues are projected to be \$0.1 million

The proposed FY 2011 receipts projection totals \$396.0 million, approximately \$17.8 million, or 4.7 percent, higher than revised FY 2010 projections. This increase is due primarily to:

9. Proposed water and sewer rate increase of \$0.77 per Ccf from combined \$6.12 to \$6.89 per Ccf. Water rates increase by \$0.59 from \$2.51 to \$3.10 per Ccf and sewer rates increase by \$0.18 from \$3.61 to \$3.79 per Ccf
10. Proposed Impervious Area Surface Charge increased by \$1.25 from \$2.20 per ERU to \$3.45 per ERU
11. Proposed utilization of \$2.6 million in rate stabilization fund balances
12. Proposed increase of 10.5 percent in the Right of Way (ROW) and PILOT fees: 13.9 percent increase in PILOT and no increase for ROW
13. Projected consumption decline, conservatively estimated at one percent annually from FY 2009 actual consumption

14. Projected decrease in IAC revenues due to the proposed adoption of a credit program with DDOE
15. Proposed increase in customer metering fees due to adoption of alternative methodology as recommended by 2009 cost of service study

Additional details on revenue projections for each class of customers are described below.

Residential, Commercial & Multi-Family - FY 2010 projections reflect an increase of \$15.1 million or 9.1 percent from FY 2009, due primarily to the following reasons.

- In FY 2009, DC WASA's collections on its retail receivables was very strong, with accounts receivable over 90 days declining from \$6.1 million on October 1, 2008 to \$4.9 million as of September 30, 2009. DC WASA will continue its aggressive collection efforts and have conservatively assumed no additional increase in cash receipts due to improved collections performance in 2010.
- Board-approved retail rate increase of 9.0 percent effective October 1, 2009.
- Board approved IAC rate change from \$1.24 to \$2.20 per ERU per month
- Expansion of the customer assistance program, which reduces projected revenues by approximately \$1.5 million.

Proposed FY 2011 receipt projections reflect an increase of \$23.3 million, or 12.9 percent, due to the following reasons:

- Proposed retail water and sewer combined rate for FY 2011 is \$6.89 per Ccf (\$3.10 water and \$3.79 sewer); an increase of \$0.77 per Ccf
- One percent decrease in consumption due to conservation
- Continued implementation of the customer assistance program, which reduces projected revenues by approximately \$2.0 million.
- Proposed IAC increase from \$2.20 to \$3.45
- Proposed customer metering fee from \$2.01 to \$3.86

Rate Stabilization Fund Utilization – The ten-year plan and near-term revenue projections assume utilization of \$28.0 million in FY 2010 and \$2.6 million in FY 2011 of rate stabilization fund balances. Prior years' plans also assumed the use of these funds which is necessary as DC WASA reaches its peak years of spending in the CIP. Utilization of RSF monies allows DC WASA to implement future rate increases in a gradual and predictable manner while still meeting Board and indenture policies on cash reserves and debt service coverage.

Federal - Revised FY 2010 federal revenues are projected to total \$38.6 million, an increase of \$5.3 million, or 15.9 percent over FY 2009. Under existing federal billing legislation, federal billings are prepared on an estimated basis eighteen months in advance of the start of the fiscal year (e.g., the FY 2010 billing was prepared in April 2008), and are based on then-current consumption estimates and projected rate increases as included in the then-current ten year plan. These estimates are then reconciled with actual

consumption and rate increases, and an adjustment is made in the subsequent year's billing (e.g., the reconciliation of FY 2010 estimated vs. actual consumption and rate increases will be included in the FY 2013 billing, prepared in April 2011). Federal revenues in the ten year plan are presented on a revenue basis, net of any adjustments for prior year reconciliations which are accounted for as reserve items. Consistent with this methodology, revised FY 2010, federal revenues reflect the final billing sent to the federal government in April 2008, net of the adjustment for the prior year (FY 2007) reconciliation. In FY 2011, federal revenues are projected to be \$45.5 million, or 17.8 percent increase over FY 2010.

Municipal & D.C. Housing Authority – FY 2010 receipts from the District of Columbia government and the District of Columbia Housing Authority are projected at \$15.1 million, an increase of \$2.0 million. In FY 2011, receipts from these organizations are projected to total \$17.1 million, an increase of \$2.1 million, or 13.6 percent, due to the proposed combined retail rate increase and continued conservation. This increase does not include the customer metering fee.

Customer Metering Fee – Metering fee collections totaled \$5.5 million in FY 2009, and are expected to remain stable in FY 2010. In FY 2011 the proposed customer metering fee is expected to double due to capital cost that have been incurred to build a system that provides water and sewer service to customers. It recovers the costs associated with installing, operating, maintaining and replacing meters, and is charged to all retail customers (including federal and municipal customers). The fee varies based on meter size, with monthly fees ranging from \$3.86 for a 5/8 inch meter (typical size of a residential customer meter) to \$349.06 for larger meters (typically used for large commercial customers). The proposed customer fees are noted below by meter size.

Meter Size:	5/8"	3/4"	1"	1x1.25"	1.5"	1x1.5"	2"	2x1.2"	2x5/8"	3"	3x5/8"	3x1"	3x3/4"	4"	4x3/4"	4x1"	4x1.5"	4x2"	4x2 5/8"	6"	6 x 1"	6 x 1 x 1/2"	6x1.5"	6x3"	6x3x1/2"	6x3 3/4"	8"	8x2"	8x4x1"	8x4x3/4"	10"	10x6"	10x6x1"	10x2"	12"	12x6"	16"	
Proposed Customer Metering Fee	\$ 3.86	\$ 4.06	\$ 4.56	\$ 4.83	\$ 6.88	\$ 6.88	\$ 7.54	\$ 8.00	\$ 8.00	\$ 76.98	\$ 77.94	\$ 77.94	\$ 77.94	\$ 137.37	\$ 138.15	\$ 138.15	\$ 138.15	\$ 138.15	\$ 161.04	\$ 268.14	\$ 272.70	\$ 323.09	\$ 323.09	\$ 323.09	\$ 323.09	\$ 323.09	\$ 323.09	\$ 323.29	\$ 323.29	\$ 358.26	\$ 358.26	\$ 317.91	\$ 403.62	\$ 403.62	\$ 403.62	\$ 329.66	\$ 329.66	\$ 349.45

Right of Way and Payment In Lieu of Taxes (PILOT) Pass-Through Fees – Similar to other Washington area utilities, DC WASA has implemented fees that pass through the costs of the District's Right of Way fee (ROW) and Payment in Lieu of Taxes (PILOT) as separate line items on its bill. In FY 2010, these fees increase by \$1.8 million, or 9.7 percent to \$20.4 million due to the Board's approval of an increase to recover the full cost of the payments DC WASA makes to the District. The total fee of \$20.4 million comprises of PILOT fee of \$15.3 million and Right-of-Way \$5.1 million. In FY 2011, the Board will be considering a proposed 13.9 percent PILOT, and no increase in ROW fee.

Wholesale - DC WASA's wholesale customers are responsible for a proportionate share of operating and maintenance expenses (associated only with shared facilities primarily at Blue Plains) based on their respective share of wastewater volume discharged. In addition, each user is responsible for a proportionate share of related indirect costs. FY 2010 wholesale revenues are projected at \$68.6 million an increase of \$2.9 million over FY 2009. In FY 2011 wholesale revenues are projected to increase by \$2.1 million to \$70.6 million.

Stormwater – DC WASA's FY 2010 and FY 2011 receipts include \$1.5 million from the District's stormwater rate that will be used to fund DC WASA's services provided on behalf of the District's stormwater permit compliance activities. The stormwater rate was implemented in July 2001, and appears as a separate line item on DC WASA's retail customers' bills. In FY 2004, the District received a new stormwater permit which has significantly increased compliance costs for all participating agencies. In November 2008 the District's -Department of the Environment (DDOE) implemented a new stormwater rate to cover the compliance costs. In FY 2009 this District fee converted to the impervious area structure and currently has a rate of \$2.57 per ERU. This fee increased to ensure that the District of Columbia can comply with the separate storm sewer system (MS4) permit issued by the U.S. Environmental Protection Agency (US EPA). The FY 2009 – 2018 financial plan assumes that all incremental costs borne by DC WASA for stormwater permit compliance activities will be covered by the stormwater rate, and that no DC WASA funds will be advanced to pay for these activities.

Other major assumptions underlying the revenue projections contained in the FY 2009 - 2018 financial plan include:

- From FY 2009 – FY 2018, actuals (which were 3% below estimates) to a one percent reduction in water sales is assumed for all customer categories, based on historical trends in consumption levels and a review of the regional economic forecast and employment trends.
- Two percent average revenue increase between FY 2009 and 2013 from wholesale customers, in line with operating and maintenance expense increases for joint use facilities.
- Based on the current interest rate environment, interest projections conservatively assume a 0.410 percent and 2.31 percent earnings rate in FY 2010 and FY 2011 respectively on operating funds. Interest rate for FY 2012 and FY 2013 is assumed to be 4.0 percent. Beyond FY 2013 interest rates are assumed at 5.0 percent.
- The majority of other non-operating revenues, totaling \$19.8 million in FY 2010, are projected to increase within the ten year plan, and include such items as:
 - ★ Reimbursement from Arlington County and Falls Church for debt service issued for pre-1997 Washington Aqueduct capital improvements - \$0.4 million

- * DC WASA's share of the District's stormwater fee - \$1.5 million
- * In FY 2009 the Cost of Service Study recommended an alternative miscellaneous fire protection fee for the demand customers place on the system and any usage through their connections. Currently, fire protection charges to the District of Columbia will match the actual cost of debt for capital and operating expenses per independent cost of service study. The Fire Protection Fee for FY 2010 is projected at \$6.1 million
- * Recovery of indirect costs from DC WASA's IMA partners – \$3.5 million - this reflects recovery of indirect costs on capital projects (e.g., costs for Finance and Budget, General Counsel, and Human Resources functions)
- * Other miscellaneous fees and charges, including service line replacements, developer-related fees, etc. - \$8.3 million

Operating Expenditures

As in past years, debt service continues to be the fastest growing expenditure in the ten-year financial plan as a result of DC WASA's \$3.8 billion capital improvement program, growing at an average annual rate of 15.5 percent, from 22.8 percent of total operating expenditures in FY 2009 to 43.6 percent in FY 2018. All other operating expenses are projected to grow at an average annual rate of 3.0 percent, due to continue implementation of the internal improvement plans that are projected to result in operating savings. The following chart provides detail for the FY 2010 and FY 2011 operating budgets.

COMPARISON OF FY 2010 & FY 2011 OPERATING BUDGETS (In \$000's)

	FY 2010 APPROVED	FY 2010 REVISED	Percent Change	FY 2011 APPROVED	Percent Change
Personnel Services	96,493	96,205	-0.3%	104,422	8.5%
Contractual Services	77,053	77,116	0.1%	76,801	-0.4%
Water Purchases	29,395	30,295	3.1%	33,872	11.8%
Chemicals & Supplies	29,172	29,482	1.1%	30,080	2.0%
Utilities	41,842	37,151	-11.2%	36,225	-2.5%
Small Equipment	791	900	13.8%	974	8.2%
Subtotal Operations & Maintenance	274,746	271,148	-1.3%	282,374	4.1%
Debt Service	98,290	90,685	-7.7%	103,354	14.0%
PILOT	15,487	15,347	-0.9%	17,265	12.5%
Right Of Way Fee	5,100	5,100	0.0%	5,100	0.0%
Subtotal Debt Service & PILOT / ROW	118,877	111,132	-6.5%	125,719	13.1%
TOTAL OPERATING	393,623	382,280	-2.9%	408,094	6.8%
Less Personnel Services Charged to Capital Projects	(8,400)	(9,300)	10.7%	(10,000)	7.5%
Total Net Operating	385,223	372,980	-3.2%	398,094	6.7%

The revised FY 2010 budget totals \$382.3 million which is below the Board-approved FY 2010 budget. While operations and maintenance expenditures reduced by 1.3 percent, debt service costs were reduced by 7.7 percent, due to successful refinancing in

FY 2009. The commercial paper program will be increased to over \$100 million in FY 2011. A description of the assumptions and major issues in each major expenditure category follows.

- **Personnel service expenditures** are \$0.3 million, or 0.3 percent below the approved FY 2010 budget. This decrease is attributable to lower vacancy rates as filled positions have increased in recent years. Fringe benefits were adjusted based on current market rates.
- **Contractual service expenditures** increase by \$0.1 million, or 0.1 percent, over the approved FY 2010 budget due primarily to funding for various contractual services throughout the organization. Funding was also added to improve water main infrastructure repair/replacement needs and for professional services to maximize our new business processes, such as MAXIMO.
- **Water purchase expenditures** increase by \$0.9 million or 3.1 percent over the approved FY 2010 budget. This directly relates to operating cost increases for the Washington Aqueduct's budget.
- **Chemicals and supplies expenditures** increase by \$0.03 million, or 1.1 percent, from the approved FY 2010 budget.
- **Utilities expenditures** decrease by \$4.7 million, or 11.2 percent, primarily due to lower anticipated electricity costs. Electricity, budgeted at \$29.3 million, or 11 percent of the revised FY 2010 budget, continues to be the largest portion of the Authority's utilities budget. Electricity prices have been extremely volatile for the past several years, due to rising oil prices, heavy global demand for power and oil, and the after effects of Hurricanes Katrina and Rita in FY 2005. We continue to utilize the five-year electricity contract entered in FY 2005 for electricity generation. In FY 2009, DC WASA was successful in purchasing its electricity for an average cost of \$95.52 per megawatt hour compared to an estimated average cost of \$142.3 per megawatt hour had DC WASA acquired its electricity through the PEPCO Standard Offer Service (SOS). This represented an estimated savings of \$13.1 million in FY 2009. We continue to mitigate the Authority's exposure from higher energy prices that occur during peak demand periods by periodically locking in portions of our electricity load, especially for the summer and winter periods. Working with our electric energy service company, we continue to monitor the electricity market on a continuing basis and explore alternatives that could yield additional cost savings. In FY 2011, we will lock the majority of our electricity load; thus reducing potential budget exposure by \$3 million.

DC WASA continues its environmental stewardship implementing environmentally responsive and responsible policies and programs. These actions protect the region's waterways, air, and land. In FY 2009, DCWASA established a Carbon Footprint Steering Committee and an Energy Steering Team each led by the Energy Manager. The Carbon Footprint Steering Committee was established to formulate and provide guidance for the Authority's carbon footprint (greenhouse gases) inventory and reduction objectives and to serve as a resource in evaluating opportunities and challenges associated with evolving federal and regional carbon footprint legislation and regulation. At the end of FY 2009, DC WASA has completed its carbon footprint inventory as a part of

the District of Columbia governmental sector carbon footprint inventory using 2006 as the base year. Additionally, DC WASA has completed its carbon footprint inventories for 2007 and 2008, respectively, in compliance with The Climate Registry's General Reporting Protocol. These inventories will serve as the baseline in establishing carbon footprint reduction goals, a specific Board strategic critical success factor. The Energy Steering Team provides input into the development of a ten-year energy management plan and will play a vital role in the conduct of DC WASA's comprehensive energy audit planned for completion in FY2010. The energy audit will provide a technical energy savings analysis of DC WASA assets, development of a methodology for measurement and verification of savings projections and evaluation of cost/benefit of implementation of recommendations. Additionally, the Authority will seek and analyze opportunities to engage in peak load curtailment and load shedding programs through PJM (Pennsylvania, Jersey and Maryland) to reduce cost and earn payment for such actions.

The proposed FY 2011 budget totals \$408.1 million, a 6.8 percent increase over the revised FY 2010 budget. This increase is primarily due to increasing debt service costs associated with DC WASA's capital improvement program. The FY 2011 operations and maintenance budget (net of debt service, PILOT/ROW fee) increases by 4.1 percent, due primarily to projected increases in water purchases (driven by additional costs to operate the new residuals processes), utilities (driven by electricity), and personnel services cost. Specific information regarding each department is included in Section VII.

Beginning in FY 2010, the ten-year financial plan reflects the following major assumptions:

- One to three percent increase over approved FY 2010 levels in most expense categories, reflecting implementation of the Blue Plains and other departmental internal improvement programs
 - Beginning in FY 2014, operating expenses are projected to decrease by two point six zero percent, reflecting completion of the digester facility. This facility is expected to provide operating and maintenance savings
- Three percent increase in water purchase costs, based on historical Washington Aqueduct budget trends
- Payment in lieu of taxes (PILOT) to the District of Columbia increases at the same rate as DC WASA retail rate increases, in accordance with the memorandum of understanding with the District
- The net right of way payment to the District of Columbia stays level at \$5.1 million through FY 2013 consistent with the memorandum of understanding with the District

Capital Financing Program, Cash Position, & Long-Term Debt

The FY 2009 - 2018 financial plan anticipates capital disbursements of \$3.8 billion. The financing of DC WASA's capital program comes from four primary sources, as more fully described below. The amount of EPA grant funding is defined by annual federal appropriations, while jurisdictional capital contributions are based on a fixed percentage of Blue Plains and other shared facilities. The remainder of the program is funded with DC WASA debt and PAYGO financing from operations. The amount of PAYGO financing is equal to the amount available after fully funding the operating reserve and meeting Board policies on the level and timing of rate increases and debt service coverage.

During FY 1999, DC WASA developed a comprehensive financing plan with the dual goals of 1) securing the lowest cost of capital possible, and 2) maximizing administrative and operating flexibility. The plan includes the following components through evaluating financing options:

- Resize *interim financing program* – In FY 2010, DC WASA plans to use commercial paper to finance capital equipment and it's share of Washington Aqueduct improvements (see Section VII for further discussion) In early FY 2010 DC WASA began evaluating resizing the commercial paper program with the intent of increasing the amount to be more in line with the CIP.
- Issue *permanent financing* every twelve to 18 months to take out interim financing proceeds.
- Utilize *pay-go financing*

Additional details on each financing source are described below.

	FY2009 - 2018 PLAN	Percent
	TOTAL	of Total
EPA Grants / CSO Appropriations	\$ 292,249,207	7.7%
Wholesale Capital Payments	1,032,522,147	27.0%
Revenue Bonds / Commercial Paper	2,364,753,668	61.9%
PAYGO Financing	107,957,166	2.8%
Interest Income on Bond Proceeds	21,289,321	0.6%
TOTAL SOURCES	\$ 3,818,771,509	100.0%

- **EPA Grants** - DC WASA currently receives 55 - 80 percent EPA grant funding for certain eligible projects under the Clean Water and Safe Drinking Water Acts. In general, the District of Columbia projects carried out by DC WASA are supported by approximately one percent of the available annual funding through revolving fund programs associated with the Clean Water and Safe Drinking Water Acts. In addition, DC WASA has received \$122.0 million in
- Congressional appropriations for the CSO LTCP.

- **Wholesale Capital Payments** - Approximately 60 percent of the capacity of DC WASA's wastewater treatment facilities are contractually committed to provide wholesale service to suburban jurisdictions under various contracts. Montgomery and Prince George's Counties (through the Washington Suburban Sanitary Commission (WSSC)), Fairfax County, and the Loudoun County Sanitation Authority pay a proportionate share of capital-related costs equal to their share of contracted capacity at Blue Plains.
- **Revenue Bonds/ Commercial Paper** – Debt issuance represents 62 percent of funding for the ten-year capital program. A common ratio used by the rating agencies to measure leverage and debt burden is the ratio of debt to net fixed assets (Plant). In FY 1999, DC WASA's debt to Plant ratio was 36 percent, and, based on the current capital improvement program, is projected to increase to 57 percent through FY 2018. In addition, debt service as a percentage of total operating expenditures is 23 to 44 percent through the ten-year planning period, even with substantial new debt issuance projected during this period.
- **PAYGO (Internal) Financing** - The amount transferred from operations to the capital program each year is equal to the amount remaining in cash reserves after the four month operating and maintenance reserve and rate stabilization fund goals have been satisfied. Approximately 2.8 percent of total funding for the FY 2009 - 2018 plan is projected to come from PAYGO financing, which strikes an appropriate balance between maintaining moderate debt levels and financing provided by current ratepayers. PAYGO funds will be used in a manner consistent with our financial policies: 1) to fund items with shorter useful lives where bond financing is less appropriate, such as capital equipment; and 2) to achieve the lowest cost of capital possible, including using pay-go funds to reduce higher cost debt.

FY 2010 & 2011 Debt Issuance Plans & Debt Service Assumptions

Permanent Financing – we successfully issued \$300 million of tax-exempt senior lien fixed rate revenue bonds in January 2009. The proceeds were used to fund new capital projects, refund \$50 million tax-exempt commercial paper and \$14.8 million in taxable paper. Taxable commercial paper was issued to refund \$44 million of the 2007B bonds. Based on current capital spending projections, we plan to issue commercial paper in the fourth quarter of FY 2010 and permanent financing in the first quarter of FY 2011. In order to yield the best possible interest rate savings, our debt portfolio is evaluated on a regular basis.

Our interest rate assumption on new bond issues in FY 2010 and 2011 is 6 percent, in line with historical interest rate trends. The ten-year plan assumes interest rates of 3.25 percent in FY 2010 and 1.75 percent in FY 2011 for variable rate debt. The remaining years of the plan assumes an interest rate of 3.25 percent, plus ongoing fiscal charges for broker-dealers, ratings, etc. This assumption is based on average short-term rates since 1998. For appropriations purposes, we have assumed higher interest rates on variable rate debt than in the ten-year plan in order to provide us with sufficient flexibility to address short-term peaks in interest rates, if required, without going through the Congressional approval process, which can be lengthy.

Cash Position & Reserves

Cash balances totaled \$233.7 million at the end of FY 2009. As described below, this includes \$28.6 million for rate stabilization and \$73.8 million for the special Congressional appropriation DC WASA received in FY 2003 through FY 2009 for the CSO LTCP, net of reimbursements to date. Over the next ten years, cash balances are projected to remain close to the Board-required reserve level, of 120 calendar day of operating and maintenance budget or no less than \$125.5 million.

DC WASA's operating reserve includes the following components:

FY 2009 YEAR-END CASH RESERVES (1) (In \$000's)

BOARD-ADOPTED OPERATING RESERVE (180 Days O&M)	
60 Day Operating Reserve (Indenture-Required)	\$ 37,828
Renewal & Replacement Reserve (Indenture-Required)	35,000
District of Columbia General Obligation Reserve	404
Undesignated Reserve	<u>52,222</u>
TOTAL OPERATING RESERVE	\$ 125,454
Reserve for Rate Stabilization Fund	\$ 28,600
DC Insurance Reserve	<u>1,000</u>
TOTAL OTHER RESERVES	\$ 29,600
TOTAL CASH RESERVES	<u>\$ 155,054</u>

(1) Excludes special CSO LTCP funding & debt service reserve funds

Indenture-Required Operating Reserve - This reserve is required by DC WASA's bond indenture and is equivalent to two months' operations and maintenance expenses from the prior year, or approximately \$37.8 million in FY 2009.

Renewal & Replacement Reserve - This reserve is funded at \$35.0 million based on the revisions approved by the Board to the financing policies in 2004 and 2008. As noted above, the level of this reserve will be reviewed every five years by DC WASA's independent rate consultants in conjunction with the indenture-required assessment of the physical condition of the system.

District of Columbia General Obligation Bond Reserve - This reserve is required under DC WASA's memorandum of understanding with the District of Columbia regarding payment of District general obligation bonds that DC WASA is responsible for. This reserve is equal to ten percent of the subsequent fiscal year's debt service, or \$0.4 million in September 2009.

Undesignated Reserve - After allocating portions of the operating and maintenance reserve to the reserves listed above, the amount that remains (approximately \$52.2 million projected for FY 2009) is DC WASA's undesignated reserve, and is available for other contingencies.

DC WASA has other reserves that are available for very specific circumstances:

Rate Stabilization Fund - Consistent with the Board's financial policies and as envisioned in the bond indenture, this fund is to be established to mitigate large annual rate increases. At the end of FY 2009, the balance in this fund totaled \$28.6 million. Future deposits to the rate stabilization fund will be determined annually based on financial performance in that fiscal year and updated ten-year capital and operating forecasts. The current plan anticipates \$2.6 million available at the end of FY 2010 for use in FY 2011.

Debt Service Reserve Funds - The supplemental bond indenture associated with each bond issue require DC WASA to maintain a debt service reserve fund for its Series 1998 senior lien bonds and its Series 2003 subordinated lien revenue bonds. The Series 1998 was funded with bond proceeds; the Series 2003 reserve was funded through the purchase of a surety bond. This reserve which is in addition to the 120 day operating and maintenance reserve, is held by DC WASA's trustee and can only be used in the event that net revenues are insufficient to meet the next debt service payment. DC WASA earns interest on this reserve that is included in other operating revenue and is used to offset annual debt service payments. The amount of interest earnings that DC WASA can retain on the debt service reserve fund is limited by federal arbitrage restrictions.

Long-Term Operational and Financial Issues

Currently, there are a number of important emerging issues that we are closely monitoring to ensure reliable and efficient service to our customers. We continue to broaden our planning horizon for projects or operational changes that may be necessary to address regulatory as well as other emerging issues.

Capital Improvement Program Inflationary Increases

The economic recession that has been and continues to be experienced by all industries has had an impact on all aspects of construction. Energy costs have materially retreated from their highs of only a few years ago. Major development projects have also fallen to record lows due to lack of available financing. Unemployment is at record highs. How all of this will impact the future costs of our CIP is yet to be determined. While these are challenging times, we recognize the magnitude of the multiple challenges facing us and our customers as we attempt to maintain our infrastructure and meet the requirements of the regulatory and government mandates. We will continue to monitor the complex environment we are operating in and assess its impact on our CIP planning and budget.

Funding for Chesapeake Bay Restoration Initiatives

The Virginia and Maryland Legislatures have provided revenues to support nutrient removal. In the State of Maryland, the Bay Restoration Fund was established through a tax on each water, sewer and septic bill which raises approximately \$66 million a year. The General Assembly of Commonwealth of Virginia provides grants through a State Water Quality Improvement Fund to support environmental projects for nutrient control costs, and has dedicated \$50 million a year for the fund. The General Assembly of the Commonwealth of Pennsylvania recently passed a bond referendum which provides \$400 million in bond issuance to support various water, sewer and wastewater investments throughout the Commonwealth. Several environmental, Fairfax, Virginia, Montgomery and Prince George's Counties of Maryland, as well as other organizations have supported federal funding for Blue Plains Nitrogen Removal project. DC WSA will continue to work with these groups to get additional federal funding for Blue Plains for FY 2011. We will also continue to support and urge the District of Columbia Government to provide similar local mechanisms as our neighboring states to assist the DC retail ratepayers in keeping their rates down.

Water and Sewer System Facility Planning

In 2009, DC WASA completed two very significant infrastructure assessment and planning efforts. The first, the Water System Facility Plan, assessed all water system infrastructures and made prioritized recommendations for improvements to the water pumping, transmission, storage and distribution systems. This document provided the basis for a ramp up, beginning in FY 2010, of the replacement of one percent of the water infrastructure per year. The second, the Sewer System Facility Plan culminated a five year effort involving sewer inspection and condition assessment, development of a sewer GIS and database, hydraulic monitoring and modeling to assess system capacity and the development of prioritized activities for system improvement. This Sewer System Facilities Plan identified a significant increase in funding needed for sewer infrastructure improvements. This increased funding will ramp up beginning in FY 2010 with full program implementation in FY 2015.

DISTRICT OF COLUMBIA WATER & SEWER AUTHORITY
FY 2009 - 2018 FINANCIAL PLAN
(In 000's)

OPERATING	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Retail *	236,625	260,904	300,340	332,937	367,491	403,829	431,480	460,773	490,083	508,411
Wholesale *	65,680	68,577	70,634	72,047	73,488	61,194	62,892	64,682	66,474	68,365
Other	39,132	48,701	24,986	22,159	24,922	26,620	28,079	29,236	30,570	31,957
Operating Receipts (1)	\$ 341,437	\$ 378,182	\$ 395,960	\$ 427,143	\$ 465,901	\$ 491,643	\$ 522,451	\$ 554,691	\$ 587,127	\$ 608,733
Operating Expenses	\$ (252,574)	\$ (288,481)	\$ (294,739)	\$ (304,250)	\$ (313,426)	\$ (296,380)	\$ (305,190)	\$ (314,589)	\$ (324,092)	\$ (327,747)
Debt Service	\$ (74,777)	\$ (88,494)	\$ (101,044)	\$ (115,238)	\$ (148,538)	\$ (185,381)	\$ (203,885)	\$ (223,923)	\$ (244,357)	\$ (257,457)
Net Revenues After Debt Service	\$ 14,086	\$ 1,207	\$ 177	\$ 7,655	\$ 3,937	\$ 9,882	\$ 13,376	\$ 16,179	\$ 18,678	\$ 23,529
Operating Reserve-Beg Balance	139,050	131,298	125,500	125,500	125,500	125,500	125,500	125,500	125,500	125,500
Other Misc (Disbursements)/Receipts										
Wholesale/Federal True Up	3,500	(4,350)	1,616	\$ (1,065)						
Transfers To RSF	\$ (10,000)	(2,000)	-	(2,000)						
Pay-Go Financing	\$ (15,338)	\$ (655)	\$ (1,793)	\$ (4,590)	\$ (3,937)	\$ (9,882)	\$ (13,376)	\$ (16,179)	\$ (18,678)	\$ (23,529)
Operating Reserve - Ending Balance	\$ 131,298	\$ 125,500	\$ 125,500	\$ 125,500	\$ 125,500	\$ 125,500	\$ 125,500	\$ 125,500	\$ 125,500	\$ 125,500
Rate Stabilization Fund(RSF) (2)	\$ (28,600)	\$ (2,600)	\$ -	\$ (2,000)	\$ (500)	\$ -	\$ -	\$ -	\$ -	\$ -
Senior Debt Service Coverage	297%	253%	238%	230%	191%	173%	165%	156%	150%	148%
Combined Debt Service Coverage	134%	120%	124%	125%	120%	120%	120%	120%	120%	121%
Proposed Water/Sewer Rate Increases	7.5%	9.0%	12.5%	8.0%	8.0%	5.5%	5.0%	6.0%	5.5%	3.0%
Operating Receipts % Increase/Decrease *										
Retail	9.2%	10.3%	15.1%	10.9%	10.4%	9.9%	6.8%	6.8%	6.4%	3.7%
Wholesale	4.5%	4.4%	3.0%	2.0%	2.0%	-16.7%	2.8%	2.8%	2.8%	2.8%

(1) Includes interest earnings on senior lien revenue bonds' debt service reserve fund

(2) FY2009 utilization of \$25 million of Rate Stabilization Fund brought the total fund balance to \$28.6 million

and a possible 2,215 customers were identified through the data coordination that might be eligible to receive CAP assistance but are not currently receiving the discount. DC WASA coordinated a special mailing to these 2,215 households and at the end of FY 2009, a total of 6,458 customers had received a discount on their bills. We are continuing our commitment to help improve the quality of life for those of our customers who are least able to pay, by providing relief through our customer assistance programs (CAP). Through CAP, we provide eligible customers a discount of 4 Ccfs per month on their water and sewer bills. Since it began, participation in CAP has continued to increase. In February 2010 the Board presented and adopted a resolution to expand CAP discount of the first 4 Ccf's of Payment in Lieu of Taxes (PILOT) and Right of Way (ROW) to qualifying low-income customers effective from October 1, 2010. The District Department of Environment, Office of Energy, administers this program for the Authority and several other utilities in the area.

Rate Stabilization Fund

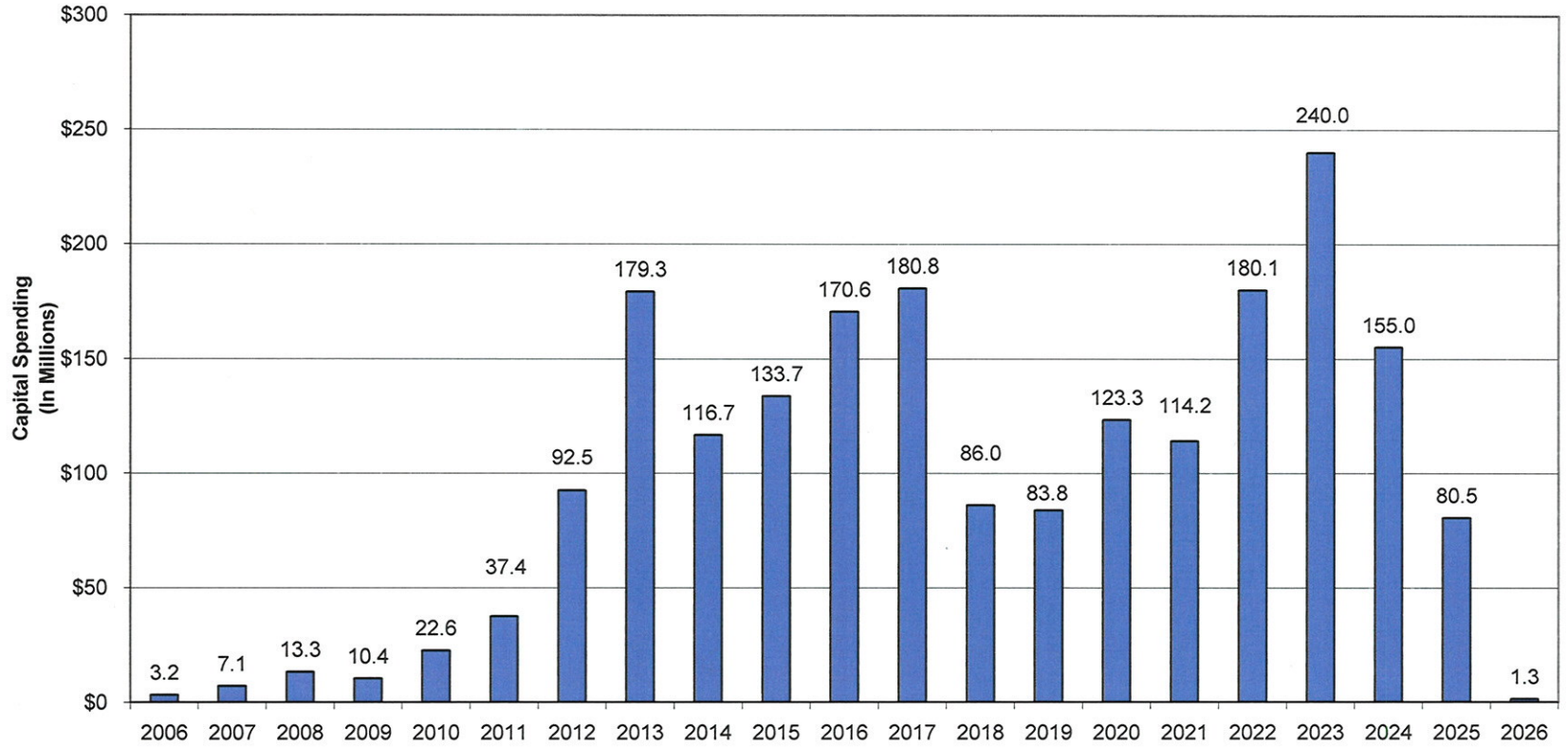
This year's plan reflects continued use of the rate stabilization fund, which totaled \$28.6 million as of October 2009. The fund is projected to be fully utilized between FY 2009 through FY 2014 to help level out proposed rate increases in those years. Additional contributions to the rate stabilization fund are determined each year based on actual financial performance and the latest ten-year plan.

Combined Sewer Overflow Long-Term Control Plan

In December 2004, the Board reached agreement with the federal government on the proposed CSO LTCP and entered into a related consent decree. Life time capital costs for this plan total approximately \$2.7 billion, and this year's proposed ten-year plan includes \$1.1 billion of projected CSO LTCP disbursements. Projected CSO LTCP project spending by fiscal year is shown in the next chart.

In FY 2009 DC WASA received federal funding of \$16 million for the Combined Sewer Overflow Long term Control Plan and \$20.0 million has been proposed for FY 2010. However, as the total project estimates increase, so do the projected IAC. If additional federal assistance is provided, the IAC increases would be lower than the ten-year plan assumes. As noted earlier, this plan assumes jurisdictional contributions to the CSO LTCP under the IMA of 7.1 percent beginning in FY 2011.

CSO LTCP Spending by Year



- Capital costs for this twenty-year plan does not include contingencies.

Revenues

The proposed FY 2010 receipts projection totals \$378.2 million, an increase of \$36.7 million, or 10.8 percent over actual FY 2009 receipts:

1. *Residential, commercial and multi-family receipts* are projected to increase by approximately \$15.1 million, or 9.1 percent, due to the Board-approved 9.0 percent rate increase
2. *Federal revenues* are projected to increase by \$5.3 million or 15.9 percent
3. *Wholesale receipts* are projected to increase by \$2.9 million, or 4.4 percent, reflecting higher budgeted costs at Blue Plains due primarily to electricity and chemicals price increases
4. *Projected utilization of \$28.0 million in rate stabilization fund balances*

Other revenues are projected to increase by \$8.4 million, mainly due to \$4.2 million increase in projected DC fire protection fee.

Total Revenue Contribution from Impervious Surface Area Charge

5. Residential, commercial and multi-family receipts are projected to be \$8.3 million
6. Federal revenues are projected to be \$2.1 million
7. Municipal revenues are projected to be \$0.8 million
8. District of Columbia Housing Authority revenues are projected to be \$0.1 million

The proposed FY 2011 receipts projection totals \$396.0 million, approximately \$17.8 million, or 4.7 percent, higher than revised FY 2010 projections. This increase is due primarily to:

9. Proposed water and sewer rate increase of \$0.77 per Ccf from combined \$6.12 to \$6.89 per Ccf. Water rates increase by \$0.59 from \$2.51 to \$3.10 per Ccf and sewer rates increase by \$0.18 from \$3.61 to \$3.79 per Ccf
10. Proposed Impervious Area Surface Charge increased by \$1.25 from \$2.20 per ERU to \$3.45 per ERU
11. Proposed utilization of \$2.6 million in rate stabilization fund balances
12. Proposed increase of 10.5 percent in the Right of Way (ROW) and PILOT fees: 13.9 percent increase in PILOT and no increase for ROW
13. Projected consumption decline, conservatively estimated at one percent annually from FY 2009 actual consumption

14. Projected decrease in IAC revenues due to the proposed adoption of a credit program with DDOE
15. Proposed increase in customer metering fees due to adoption of alternative methodology as recommended by 2009 cost of service study

Additional details on revenue projections for each class of customers are described below.

Residential, Commercial & Multi-Family - FY 2010 projections reflect an increase of \$15.1 million or 9.1 percent from FY 2009, due primarily to the following reasons.

- In FY 2009, DC WASA's collections on its retail receivables was very strong, with accounts receivable over 90 days declining from \$6.1 million on October 1, 2008 to \$4.9 million as of September 30, 2009. DC WASA will continue its aggressive collection efforts and have conservatively assumed no additional increase in cash receipts due to improved collections performance in 2010.
- Board-approved retail rate increase of 9.0 percent effective October 1, 2009.
- Board approved IAC rate change from \$1.24 to \$2.20 per ERU per month
- Expansion of the customer assistance program, which reduces projected revenues by approximately \$1.5 million.

Proposed FY 2011 receipt projections reflect an increase of \$23.3 million, or 12.9 percent, due to the following reasons:

- Proposed retail water and sewer combined rate for FY 2011 is \$6.89 per Ccf (\$3.10 water and \$3.79 sewer); an increase of \$0.77 per Ccf
- One percent decrease in consumption due to conservation
- Continued implementation of the customer assistance program, which reduces projected revenues by approximately \$2.0 million.
- Proposed IAC increase from \$2.20 to \$3.45
- Proposed customer metering fee from \$2.01 to \$3.86

Rate Stabilization Fund Utilization – The ten-year plan and near-term revenue projections assume utilization of \$28.0 million in FY 2010 and \$2.6 million in FY 2011 of rate stabilization fund balances. Prior years' plans also assumed the use of these funds which is necessary as DC WASA reaches its peak years of spending in the CIP. Utilization of RSF monies allows DC WASA to implement future rate increases in a gradual and predictable manner while still meeting Board and indenture policies on cash reserves and debt service coverage.

Federal - Revised FY 2010 federal revenues are projected to total \$38.6 million, an increase of \$5.3 million, or 15.9 percent over FY 2009. Under existing federal billing legislation, federal billings are prepared on an estimated basis eighteen months in advance of the start of the fiscal year (e.g., the FY 2010 billing was prepared in April 2008), and are based on then-current consumption estimates and projected rate increases as included in the then-current ten year plan. These estimates are then reconciled with actual

consumption and rate increases, and an adjustment is made in the subsequent year's billing (e.g., the reconciliation of FY 2010 estimated vs. actual consumption and rate increases will be included in the FY 2013 billing, prepared in April 2011). Federal revenues in the ten year plan are presented on a revenue basis, net of any adjustments for prior year reconciliations which are accounted for as reserve items. Consistent with this methodology, revised FY 2010, federal revenues reflect the final billing sent to the federal government in April 2008, net of the adjustment for the prior year (FY 2007) reconciliation. In FY 2011, federal revenues are projected to be \$45.5 million, or 17.8 percent increase over FY 2010.

Municipal & D.C. Housing Authority – FY 2010 receipts from the District of Columbia government and the District of Columbia Housing Authority are projected at \$15.1 million, an increase of \$2.0 million. In FY 2011, receipts from these organizations are projected to total \$17.1 million, an increase of \$2.1 million, or 13.6 percent, due to the proposed combined retail rate increase and continued conservation. This increase does not include the customer metering fee.

Customer Metering Fee – Metering fee collections totaled \$5.5 million in FY 2009, and are expected to remain stable in FY 2010. In FY 2011 the proposed customer metering fee is expected to double due to capital cost that have been incurred to build a system that provides water and sewer service to customers. It recovers the costs associated with installing, operating, maintaining and replacing meters, and is charged to all retail customers (including federal and municipal customers). The fee varies based on meter size, with monthly fees ranging from \$3.86 for a 5/8 inch meter (typical size of a residential customer meter) to \$349.06 for larger meters (typically used for large commercial customers). The proposed customer fees are noted below by meter size.

Meter Size:	5/8"	3/4"	1"	1x1.25"	1.5"	1x1.5"	2"	2x1.2"	2x5/8"	3"	3x5/8"	3x1"	3x3/4"	4"	4x3/4"	4x1"	4x1.5"	4x2"	4x2 5/8"	6"	6 x 1"	6 x 1 x 1/2"	6x1.5"	6x3"	6x3x1/2"	6x3 3/4"	8"	8x2"	8x4x1"	8x4x3/4"	10"	10x6"	10x6x1"	10x2"	12"	12x6"	16"	
Proposed Customer Metering Fee	\$ 3.86	\$ 4.06	\$ 4.56	\$ 4.83	\$ 6.88	\$ 6.88	\$ 7.54	\$ 8.00	\$ 8.00	\$ 76.98	\$ 77.94	\$ 77.94	\$ 77.94	\$ 137.37	\$ 138.15	\$ 138.15	\$ 138.15	\$ 138.15	\$ 161.04	\$ 268.14	\$ 272.70	\$ 323.09	\$ 323.09	\$ 323.09	\$ 323.09	\$ 323.09	\$ 323.09	\$ 323.29	\$ 323.29	\$ 358.26	\$ 358.26	\$ 317.91	\$ 403.62	\$ 403.62	\$ 403.62	\$ 329.66	\$ 329.66	\$ 349.45

Right of Way and Payment In Lieu of Taxes (PILOT) Pass-Through Fees – Similar to other Washington area utilities, DC WASA has implemented fees that pass through the costs of the District's Right of Way fee (ROW) and Payment in Lieu of Taxes (PILOT) as separate line items on its bill. In FY 2010, these fees increase by \$1.8 million, or 9.7 percent to \$20.4 million due to the Board's approval of an increase to recover the full cost of the payments DC WASA makes to the District. The total fee of \$20.4 million comprises of PILOT fee of \$15.3 million and Right-of-Way \$5.1 million. In FY 2011, the Board will be considering a proposed 13.9 percent PILOT, and no increase in ROW fee.

Wholesale - DC WASA's wholesale customers are responsible for a proportionate share of operating and maintenance expenses (associated only with shared facilities primarily at Blue Plains) based on their respective share of wastewater volume discharged. In addition, each user is responsible for a proportionate share of related indirect costs. FY 2010 wholesale revenues are projected at \$68.6 million an increase of \$2.9 million over FY 2009. In FY 2011 wholesale revenues are projected to increase by \$2.1 million to \$70.6 million.

Stormwater – DC WASA's FY 2010 and FY 2011 receipts include \$1.5 million from the District's stormwater rate that will be used to fund DC WASA's services provided on behalf of the District's stormwater permit compliance activities. The stormwater rate was implemented in July 2001, and appears as a separate line item on DC WASA's retail customers' bills. In FY 2004, the District received a new stormwater permit which has significantly increased compliance costs for all participating agencies. In November 2008 the District's -Department of the Environment (DDOE) implemented a new stormwater rate to cover the compliance costs. In FY 2009 this District fee converted to the impervious area structure and currently has a rate of \$2.57 per ERU. This fee increased to ensure that the District of Columbia can comply with the separate storm sewer system (MS4) permit issued by the U.S. Environmental Protection Agency (US EPA). The FY 2009 – 2018 financial plan assumes that all incremental costs borne by DC WASA for stormwater permit compliance activities will be covered by the stormwater rate, and that no DC WASA funds will be advanced to pay for these activities.

Other major assumptions underlying the revenue projections contained in the FY 2009 - 2018 financial plan include:

- From FY 2009 – FY 2018, actuals (which were 3% below estimates) to a one percent reduction in water sales is assumed for all customer categories, based on historical trends in consumption levels and a review of the regional economic forecast and employment trends.
- Two percent average revenue increase between FY 2009 and 2013 from wholesale customers, in line with operating and maintenance expense increases for joint use facilities.
- Based on the current interest rate environment, interest projections conservatively assume a 0.410 percent and 2.31 percent earnings rate in FY 2010 and FY 2011 respectively on operating funds. Interest rate for FY 2012 and FY 2013 is assumed to be 4.0 percent. Beyond FY 2013 interest rates are assumed at 5.0 percent.
- The majority of other non-operating revenues, totaling \$19.8 million in FY 2010, are projected to increase within the ten year plan, and include such items as:
 - ★ Reimbursement from Arlington County and Falls Church for debt service issued for pre-1997 Washington Aqueduct capital improvements - \$0.4 million

- * DC WASA's share of the District's stormwater fee - \$1.5 million
- * In FY 2009 the Cost of Service Study recommended an alternative miscellaneous fire protection fee for the demand customers place on the system and any usage through their connections. Currently, fire protection charges to the District of Columbia will match the actual cost of debt for capital and operating expenses per independent cost of service study. The Fire Protection Fee for FY 2010 is projected at \$6.1 million
- * Recovery of indirect costs from DC WASA's IMA partners – \$3.5 million - this reflects recovery of indirect costs on capital projects (e.g., costs for Finance and Budget, General Counsel, and Human Resources functions)
- * Other miscellaneous fees and charges, including service line replacements, developer-related fees, etc. - \$8.3 million

Operating Expenditures

As in past years, debt service continues to be the fastest growing expenditure in the ten-year financial plan as a result of DC WASA's \$3.8 billion capital improvement program, growing at an average annual rate of 15.5 percent, from 22.8 percent of total operating expenditures in FY 2009 to 43.6 percent in FY 2018. All other operating expenses are projected to grow at an average annual rate of 3.0 percent, due to continue implementation of the internal improvement plans that are projected to result in operating savings. The following chart provides detail for the FY 2010 and FY 2011 operating budgets.

COMPARISON OF FY 2010 & FY 2011 OPERATING BUDGETS (In \$000's)

	FY 2010 APPROVED	FY 2010 REVISED	Percent Change	FY 2011 APPROVED	Percent Change
Personnel Services	96,493	96,205	-0.3%	104,422	8.5%
Contractual Services	77,053	77,116	0.1%	76,801	-0.4%
Water Purchases	29,395	30,295	3.1%	33,872	11.8%
Chemicals & Supplies	29,172	29,482	1.1%	30,080	2.0%
Utilities	41,842	37,151	-11.2%	36,225	-2.5%
Small Equipment	791	900	13.8%	974	8.2%
Subtotal Operations & Maintenance	274,746	271,148	-1.3%	282,374	4.1%
Debt Service	98,290	90,685	-7.7%	103,354	14.0%
PILOT	15,487	15,347	-0.9%	17,265	12.5%
Right Of Way Fee	5,100	5,100	0.0%	5,100	0.0%
Subtotal Debt Service & PILOT / ROW	118,877	111,132	-6.5%	125,719	13.1%
TOTAL OPERATING	393,623	382,280	-2.9%	408,094	6.8%
Less Personnel Services Charged to Capital Projects	(8,400)	(9,300)	10.7%	(10,000)	7.5%
Total Net Operating	385,223	372,980	-3.2%	398,094	6.7%

The revised FY 2010 budget totals \$382.3 million which is below the Board-approved FY 2010 budget. While operations and maintenance expenditures reduced by 1.3 percent, debt service costs were reduced by 7.7 percent, due to successful refinancing in

FY 2009. The commercial paper program will be increased to over \$100 million in FY 2011. A description of the assumptions and major issues in each major expenditure category follows.

- **Personnel service expenditures** are \$0.3 million, or 0.3 percent below the approved FY 2010 budget. This decrease is attributable to lower vacancy rates as filled positions have increased in recent years. Fringe benefits were adjusted based on current market rates.
- **Contractual service expenditures** increase by \$0.1 million, or 0.1 percent, over the approved FY 2010 budget due primarily to funding for various contractual services throughout the organization. Funding was also added to improve water main infrastructure repair/replacement needs and for professional services to maximize our new business processes, such as MAXIMO.
- **Water purchase expenditures** increase by \$0.9 million or 3.1 percent over the approved FY 2010 budget. This directly relates to operating cost increases for the Washington Aqueduct's budget.
- **Chemicals and supplies expenditures** increase by \$0.03 million, or 1.1 percent, from the approved FY 2010 budget.
- **Utilities expenditures** decrease by \$4.7 million, or 11.2 percent, primarily due to lower anticipated electricity costs. Electricity, budgeted at \$29.3 million, or 11 percent of the revised FY 2010 budget, continues to be the largest portion of the Authority's utilities budget. Electricity prices have been extremely volatile for the past several years, due to rising oil prices, heavy global demand for power and oil, and the after effects of Hurricanes Katrina and Rita in FY 2005. We continue to utilize the five-year electricity contract entered in FY 2005 for electricity generation. In FY 2009, DC WASA was successful in purchasing its electricity for an average cost of \$95.52 per megawatt hour compared to an estimated average cost of \$142.3 per megawatt hour had DC WASA acquired its electricity through the PEPCO Standard Offer Service (SOS). This represented an estimated savings of \$13.1 million in FY 2009. We continue to mitigate the Authority's exposure from higher energy prices that occur during peak demand periods by periodically locking in portions of our electricity load, especially for the summer and winter periods. Working with our electric energy service company, we continue to monitor the electricity market on a continuing basis and explore alternatives that could yield additional cost savings. In FY 2011, we will lock the majority of our electricity load; thus reducing potential budget exposure by \$3 million.

DC WASA continues its environmental stewardship implementing environmentally responsive and responsible policies and programs. These actions protect the region's waterways, air, and land. In FY 2009, DCWASA established a Carbon Footprint Steering Committee and an Energy Steering Team each led by the Energy Manager. The Carbon Footprint Steering Committee was established to formulate and provide guidance for the Authority's carbon footprint (greenhouse gases) inventory and reduction objectives and to serve as a resource in evaluating opportunities and challenges associated with evolving federal and regional carbon footprint legislation and regulation. At the end of FY 2009, DC WASA has completed its carbon footprint inventory as a part of

the District of Columbia governmental sector carbon footprint inventory using 2006 as the base year. Additionally, DC WASA has completed its carbon footprint inventories for 2007 and 2008, respectively, in compliance with The Climate Registry's General Reporting Protocol. These inventories will serve as the baseline in establishing carbon footprint reduction goals, a specific Board strategic critical success factor. The Energy Steering Team provides input into the development of a ten-year energy management plan and will play a vital role in the conduct of DC WASA's comprehensive energy audit planned for completion in FY2010. The energy audit will provide a technical energy savings analysis of DC WASA assets, development of a methodology for measurement and verification of savings projections and evaluation of cost/benefit of implementation of recommendations. Additionally, the Authority will seek and analyze opportunities to engage in peak load curtailment and load shedding programs through PJM (Pennsylvania, Jersey and Maryland) to reduce cost and earn payment for such actions.

The proposed FY 2011 budget totals \$408.1 million, a 6.8 percent increase over the revised FY 2010 budget. This increase is primarily due to increasing debt service costs associated with DC WASA's capital improvement program. The FY 2011 operations and maintenance budget (net of debt service, PILOT/ROW fee) increases by 4.1 percent, due primarily to projected increases in water purchases (driven by additional costs to operate the new residuals processes), utilities (driven by electricity), and personnel services cost. Specific information regarding each department is included in Section VII.

Beginning in FY 2010, the ten-year financial plan reflects the following major assumptions:

- One to three percent increase over approved FY 2010 levels in most expense categories, reflecting implementation of the Blue Plains and other departmental internal improvement programs
 - Beginning in FY 2014, operating expenses are projected to decrease by two point six zero percent, reflecting completion of the digester facility. This facility is expected to provide operating and maintenance savings
- Three percent increase in water purchase costs, based on historical Washington Aqueduct budget trends
- Payment in lieu of taxes (PILOT) to the District of Columbia increases at the same rate as DC WASA retail rate increases, in accordance with the memorandum of understanding with the District
- The net right of way payment to the District of Columbia stays level at \$5.1 million through FY 2013 consistent with the memorandum of understanding with the District

Capital Financing Program, Cash Position, & Long-Term Debt

The FY 2009 - 2018 financial plan anticipates capital disbursements of \$3.8 billion. The financing of DC WASA's capital program comes from four primary sources, as more fully described below. The amount of EPA grant funding is defined by annual federal appropriations, while jurisdictional capital contributions are based on a fixed percentage of Blue Plains and other shared facilities. The remainder of the program is funded with DC WASA debt and PAYGO financing from operations. The amount of PAYGO financing is equal to the amount available after fully funding the operating reserve and meeting Board policies on the level and timing of rate increases and debt service coverage.

During FY 1999, DC WASA developed a comprehensive financing plan with the dual goals of 1) securing the lowest cost of capital possible, and 2) maximizing administrative and operating flexibility. The plan includes the following components through evaluating financing options:

- Resize *interim financing program* – In FY 2010, DC WASA plans to use commercial paper to finance capital equipment and it's share of Washington Aqueduct improvements (see Section VII for further discussion) In early FY 2010 DC WASA began evaluating resizing the commercial paper program with the intent of increasing the amount to be more in line with the CIP.
- Issue *permanent financing* every twelve to 18 months to take out interim financing proceeds.
- Utilize *pay-go financing*

Additional details on each financing source are described below.

	FY2009 - 2018 PLAN	Percent
	TOTAL	of Total
EPA Grants / CSO Appropriations	\$ 292,249,207	7.7%
Wholesale Capital Payments	1,032,522,147	27.0%
Revenue Bonds / Commercial Paper	2,364,753,668	61.9%
PAYGO Financing	107,957,166	2.8%
Interest Income on Bond Proceeds	21,289,321	0.6%
TOTAL SOURCES	\$ 3,818,771,509	100.0%

- **EPA Grants** - DC WASA currently receives 55 - 80 percent EPA grant funding for certain eligible projects under the Clean Water and Safe Drinking Water Acts. In general, the District of Columbia projects carried out by DC WASA are supported by approximately one percent of the available annual funding through revolving fund programs associated with the Clean Water and Safe Drinking Water Acts. In addition, DC WASA has received \$122.0 million in
- Congressional appropriations for the CSO LTCP.

- **Wholesale Capital Payments** - Approximately 60 percent of the capacity of DC WASA's wastewater treatment facilities are contractually committed to provide wholesale service to suburban jurisdictions under various contracts. Montgomery and Prince George's Counties (through the Washington Suburban Sanitary Commission (WSSC)), Fairfax County, and the Loudoun County Sanitation Authority pay a proportionate share of capital-related costs equal to their share of contracted capacity at Blue Plains.
- **Revenue Bonds/ Commercial Paper** – Debt issuance represents 62 percent of funding for the ten-year capital program. A common ratio used by the rating agencies to measure leverage and debt burden is the ratio of debt to net fixed assets (Plant). In FY 1999, DC WASA's debt to Plant ratio was 36 percent, and, based on the current capital improvement program, is projected to increase to 57 percent through FY 2018. In addition, debt service as a percentage of total operating expenditures is 23 to 44 percent through the ten-year planning period, even with substantial new debt issuance projected during this period.
- **PAYGO (Internal) Financing** - The amount transferred from operations to the capital program each year is equal to the amount remaining in cash reserves after the four month operating and maintenance reserve and rate stabilization fund goals have been satisfied. Approximately 2.8 percent of total funding for the FY 2009 - 2018 plan is projected to come from PAYGO financing, which strikes an appropriate balance between maintaining moderate debt levels and financing provided by current ratepayers. PAYGO funds will be used in a manner consistent with our financial policies: 1) to fund items with shorter useful lives where bond financing is less appropriate, such as capital equipment; and 2) to achieve the lowest cost of capital possible, including using pay-go funds to reduce higher cost debt.

FY 2010 & 2011 Debt Issuance Plans & Debt Service Assumptions

Permanent Financing – we successfully issued \$300 million of tax-exempt senior lien fixed rate revenue bonds in January 2009. The proceeds were used to fund new capital projects, refund \$50 million tax-exempt commercial paper and \$14.8 million in taxable paper. Taxable commercial paper was issued to refund \$44 million of the 2007B bonds. Based on current capital spending projections, we plan to issue commercial paper in the fourth quarter of FY 2010 and permanent financing in the first quarter of FY 2011. In order to yield the best possible interest rate savings, our debt portfolio is evaluated on a regular basis.

Our interest rate assumption on new bond issues in FY 2010 and 2011 is 6 percent, in line with historical interest rate trends. The ten-year plan assumes interest rates of 3.25 percent in FY 2010 and 1.75 percent in FY 2011 for variable rate debt. The remaining years of the plan assumes an interest rate of 3.25 percent, plus ongoing fiscal charges for broker-dealers, ratings, etc. This assumption is based on average short-term rates since 1998. For appropriations purposes, we have assumed higher interest rates on variable rate debt than in the ten-year plan in order to provide us with sufficient flexibility to address short-term peaks in interest rates, if required, without going through the Congressional approval process, which can be lengthy.

Cash Position & Reserves

Cash balances totaled \$233.7 million at the end of FY 2009. As described below, this includes \$28.6 million for rate stabilization and \$73.8 million for the special Congressional appropriation DC WASA received in FY 2003 through FY 2009 for the CSO LTCP, net of reimbursements to date. Over the next ten years, cash balances are projected to remain close to the Board-required reserve level, of 120 calendar day of operating and maintenance budget or no less than \$125.5 million.

DC WASA's operating reserve includes the following components:

FY 2009 YEAR-END CASH RESERVES (1) (In \$000's)

BOARD-ADOPTED OPERATING RESERVE (180 Days O&M)	
60 Day Operating Reserve (Indenture-Required)	\$ 37,828
Renewal & Replacement Reserve (Indenture-Required)	35,000
District of Columbia General Obligation Reserve	404
Undesignated Reserve	<u>52,222</u>
TOTAL OPERATING RESERVE	\$ 125,454
Reserve for Rate Stabilization Fund	\$ 28,600
DC Insurance Reserve	<u>1,000</u>
TOTAL OTHER RESERVES	\$ 29,600
TOTAL CASH RESERVES	<u>\$ 155,054</u>

(1) Excludes special CSO LTCP funding & debt service reserve funds

Indenture-Required Operating Reserve - This reserve is required by DC WASA's bond indenture and is equivalent to two months' operations and maintenance expenses from the prior year, or approximately \$37.8 million in FY 2009.

Renewal & Replacement Reserve - This reserve is funded at \$35.0 million based on the revisions approved by the Board to the financing policies in 2004 and 2008. As noted above, the level of this reserve will be reviewed every five years by DC WASA's independent rate consultants in conjunction with the indenture-required assessment of the physical condition of the system.

District of Columbia General Obligation Bond Reserve - This reserve is required under DC WASA's memorandum of understanding with the District of Columbia regarding payment of District general obligation bonds that DC WASA is responsible for. This reserve is equal to ten percent of the subsequent fiscal year's debt service, or \$0.4 million in September 2009.

Undesignated Reserve - After allocating portions of the operating and maintenance reserve to the reserves listed above, the amount that remains (approximately \$52.2 million projected for FY 2009) is DC WASA's undesignated reserve, and is available for other contingencies.

DC WASA has other reserves that are available for very specific circumstances:

Rate Stabilization Fund - Consistent with the Board's financial policies and as envisioned in the bond indenture, this fund is to be established to mitigate large annual rate increases. At the end of FY 2009, the balance in this fund totaled \$28.6 million. Future deposits to the rate stabilization fund will be determined annually based on financial performance in that fiscal year and updated ten-year capital and operating forecasts. The current plan anticipates \$2.6 million available at the end of FY 2010 for use in FY 2011.

Debt Service Reserve Funds - The supplemental bond indenture associated with each bond issue require DC WASA to maintain a debt service reserve fund for its Series 1998 senior lien bonds and its Series 2003 subordinated lien revenue bonds. The Series 1998 was funded with bond proceeds; the Series 2003 reserve was funded through the purchase of a surety bond. This reserve which is in addition to the 120 day operating and maintenance reserve, is held by DC WASA's trustee and can only be used in the event that net revenues are insufficient to meet the next debt service payment. DC WASA earns interest on this reserve that is included in other operating revenue and is used to offset annual debt service payments. The amount of interest earnings that DC WASA can retain on the debt service reserve fund is limited by federal arbitrage restrictions.

Long-Term Operational and Financial Issues

Currently, there are a number of important emerging issues that we are closely monitoring to ensure reliable and efficient service to our customers. We continue to broaden our planning horizon for projects or operational changes that may be necessary to address regulatory as well as other emerging issues.

Capital Improvement Program Inflationary Increases

The economic recession that has been and continues to be experienced by all industries has had an impact on all aspects of construction. Energy costs have materially retreated from their highs of only a few years ago. Major development projects have also fallen to record lows due to lack of available financing. Unemployment is at record highs. How all of this will impact the future costs of our CIP is yet to be determined. While these are challenging times, we recognize the magnitude of the multiple challenges facing us and our customers as we attempt to maintain our infrastructure and meet the requirements of the regulatory and government mandates. We will continue to monitor the complex environment we are operating in and assess its impact on our CIP planning and budget.

Funding for Chesapeake Bay Restoration Initiatives

The Virginia and Maryland Legislatures have provided revenues to support nutrient removal. In the State of Maryland, the Bay Restoration Fund was established through a tax on each water, sewer and septic bill which raises approximately \$66 million a year. The General Assembly of Commonwealth of Virginia provides grants through a State Water Quality Improvement Fund to support environmental projects for nutrient control costs, and has dedicated \$50 million a year for the fund. The General Assembly of the Commonwealth of Pennsylvania recently passed a bond referendum which provides \$400 million in bond issuance to support various water, sewer and wastewater investments throughout the Commonwealth. Several environmental, Fairfax, Virginia, Montgomery and Prince George's Counties of Maryland, as well as other organizations have supported federal funding for Blue Plains Nitrogen Removal project. DC WSA will continue to work with these groups to get additional federal funding for Blue Plains for FY 2011. We will also continue to support and urge the District of Columbia Government to provide similar local mechanisms as our neighboring states to assist the DC retail ratepayers in keeping their rates down.

Water and Sewer System Facility Planning

In 2009, DC WASA completed two very significant infrastructure assessment and planning efforts. The first, the Water System Facility Plan, assessed all water system infrastructures and made prioritized recommendations for improvements to the water pumping, transmission, storage and distribution systems. This document provided the basis for a ramp up, beginning in FY 2010, of the replacement of one percent of the water infrastructure per year. The second, the Sewer System Facility Plan culminated a five year effort involving sewer inspection and condition assessment, development of a sewer GIS and database, hydraulic monitoring and modeling to assess system capacity and the development of prioritized activities for system improvement. This Sewer System Facilities Plan identified a significant increase in funding needed for sewer infrastructure improvements. This increased funding will ramp up beginning in FY 2010 with full program implementation in FY 2015.

DISTRICT OF COLUMBIA WATER & SEWER AUTHORITY
FY 2009 - 2018 FINANCIAL PLAN
(In 000's)

OPERATING	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Retail *	236,625	260,904	300,340	332,937	367,491	403,829	431,480	460,773	490,083	508,411
Wholesale *	65,680	68,577	70,634	72,047	73,488	61,194	62,892	64,682	66,474	68,365
Other	39,132	48,701	24,986	22,159	24,922	26,620	28,079	29,236	30,570	31,957
Operating Receipts (1)	\$ 341,437	\$ 378,182	\$ 395,960	\$ 427,143	\$ 465,901	\$ 491,643	\$ 522,451	\$ 554,691	\$ 587,127	\$ 608,733
Operating Expenses	\$ (252,574)	\$ (288,481)	\$ (294,739)	\$ (304,250)	\$ (313,426)	\$ (296,380)	\$ (305,190)	\$ (314,589)	\$ (324,092)	\$ (327,747)
Debt Service	\$ (74,777)	\$ (88,494)	\$ (101,044)	\$ (115,238)	\$ (148,538)	\$ (185,381)	\$ (203,885)	\$ (223,923)	\$ (244,357)	\$ (257,457)
Net Revenues After Debt Service	\$ 14,086	\$ 1,207	\$ 177	\$ 7,655	\$ 3,937	\$ 9,882	\$ 13,376	\$ 16,179	\$ 18,678	\$ 23,529
Operating Reserve-Beg Balance	139,050	131,298	125,500	125,500	125,500	125,500	125,500	125,500	125,500	125,500
Other Misc (Disbursements)/Receipts										
Wholesale/Federal True Up	3,500	(4,350)	1,616	\$ (1,065)						
Transfers To RSF	\$ (10,000)	(2,000)	-	(2,000)						
Pay-Go Financing	\$ (15,338)	\$ (655)	\$ (1,793)	\$ (4,590)	\$ (3,937)	\$ (9,882)	\$ (13,376)	\$ (16,179)	\$ (18,678)	\$ (23,529)
Operating Reserve - Ending Balance	\$ 131,298	\$ 125,500	\$ 125,500	\$ 125,500	\$ 125,500	\$ 125,500	\$ 125,500	\$ 125,500	\$ 125,500	\$ 125,500
Rate Stabilization Fund(RSF) (2)	\$ (28,600)	\$ (2,600)	\$ -	\$ (2,000)	\$ (500)	\$ -	\$ -	\$ -	\$ -	\$ -
Senior Debt Service Coverage	297%	253%	238%	230%	191%	173%	165%	156%	150%	148%
Combined Debt Service Coverage	134%	120%	124%	125%	120%	120%	120%	120%	120%	121%
Proposed Water/Sewer Rate Increases	7.5%	9.0%	12.5%	8.0%	8.0%	5.5%	5.0%	6.0%	5.5%	3.0%
Operating Receipts % Increase/Decrease *										
Retail	9.2%	10.3%	15.1%	10.9%	10.4%	9.9%	6.8%	6.8%	6.4%	3.7%
Wholesale	4.5%	4.4%	3.0%	2.0%	2.0%	-16.7%	2.8%	2.8%	2.8%	2.8%

(1) Includes interest earnings on senior lien revenue bonds' debt service reserve fund

(2) FY2009 utilization of \$25 million of Rate Stabilization Fund brought the total fund balance to \$28.6 million

District of Columbia Water and Sewer Authority
OPERATING BUDGETS
REVISED FY 2010 and APPROVED FY 2011



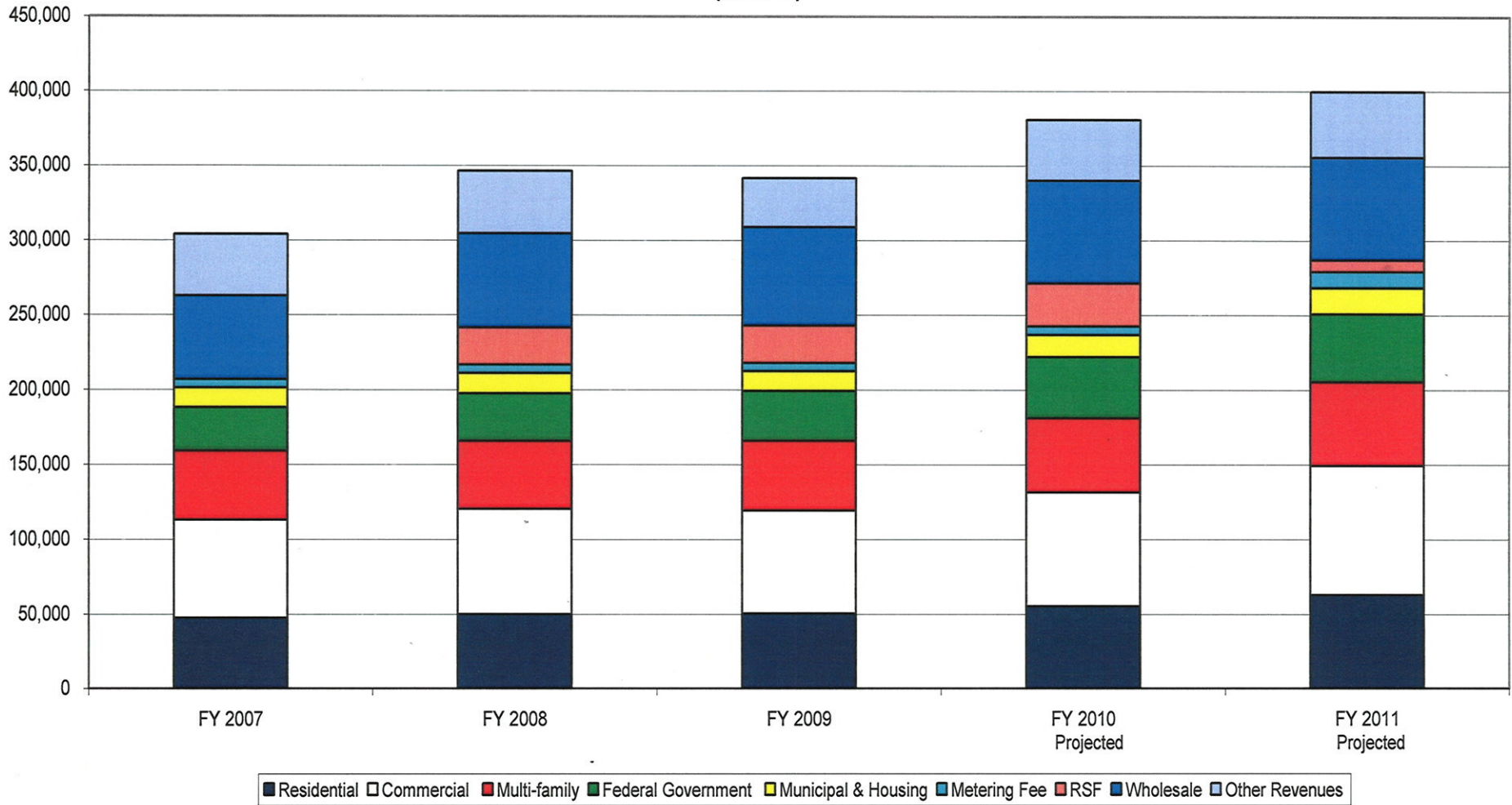
Section V

RATES AND REVENUES

Information meeting for professional Engineering services providers on the Long Term Combined Sewer Overflow Control Plan.



Historical & Projected Cash Receipts (\$000's)



Historical and Projected Operating Cash Receipts

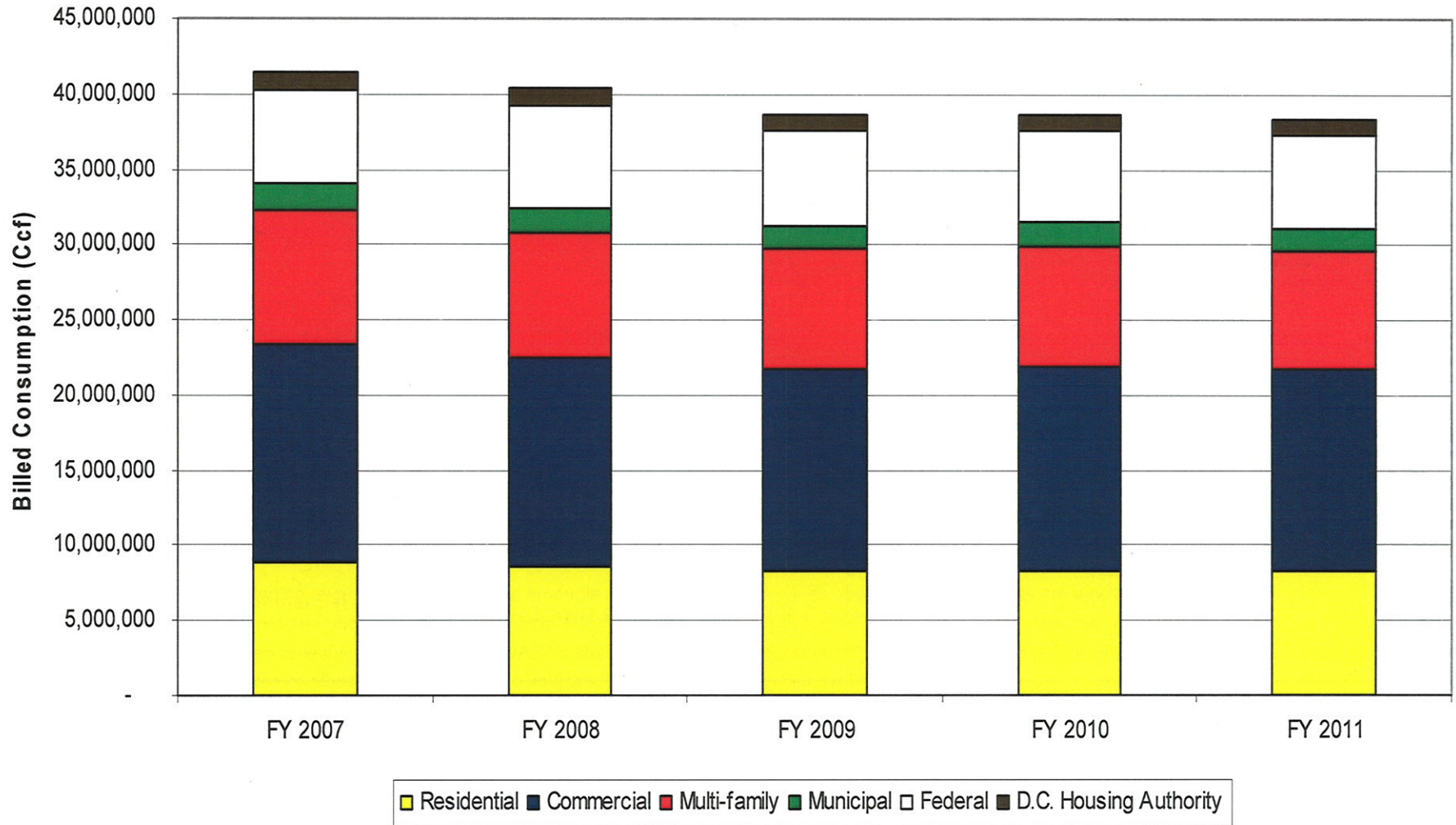
(\$ 000's)

	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
	Actual	Actual	Actual	Revised	Approved
Residential	47,550	50,028	50,435	55,377	62,650
Commercial	65,851	70,492	69,152	76,151	86,164
Multi-family	45,747	45,406	46,539	49,723	55,738
Sub-Total Residential, Commercial and Multi-family	159,147	165,926	166,125	181,251	204,552
Federal Government (1)	29,193	31,556	33,299	38,607	45,498
District Government	6,869	7,466	6,947	8,486	9,742
D.C. Housing Authority	6,090	6,204	6,153	6,613	7,407
Transfer from Rate Stabilization Fund	-	24,900	25,000	28,000	2,600
Metering Fee	5,633	5,531	5,471	5,500	10,776
Total Retail	206,932	241,584	242,995	268,457	280,575
IMA Wastewater Charges	50,851	55,560	59,584	61,133	62,967
Potomac Interceptor Wastewater Charges	4,893	7,282	6,096	7,443	7,666
Total Wholesale	55,745	62,841	65,680	68,577	70,634
District Stormwater Revenue (2)	1,028	430	592	1,515	1,530
Misc. Rev. (e.g. water tap installation, fire hydrant usage, etc.)	10,315	15,866	11,141	17,848	17,848
Washington Aqueduct Debt Service Revenue for Falls Church & Arlington	787	552	477	423	313
Interest Income (including interest on Bond Debt Service Reserve Fund)	12,195	7,434	1,922	915	2,695
Right-of-Way Fee	4,874	4,943	4,954	5,100	5,100
PILOT Fee	11,864	12,693	13,676	15,346	17,265
Total Other	41,064	41,918	32,761	41,147	44,751
Total Operating Cash Receipts	303,740	346,343	341,437	378,181	395,960

(1) Historical actuals are presented on revenue basis. Projected amounts shown are billed revenues. Actual Federal receipts are a combination of current year projected revenues and prior year adjustments, which are presented as reserve items. See Section 3 for further explanation.

(2) Reflects District stormwater fee revenue that will fund DC WASA's share of District stormwater permit compliance activities, and will not be funded through WASA's retail rates or other DC WASA revenue sources. See Section 3 for further explanation.

Historical and Projected Billed Consumption (Ccf)



Historical and Projected Billed Consumption (Ccf) ⁽³⁾

	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Projected	FY 2011 Projected
Residential	8,842,249	8,593,597	8,300,625	8,316,000	8,233,000
Commercial (1)	14,504,310	13,870,657	13,425,781	13,593,000	13,457,000
Multi-family	8,900,824	8,341,244	8,011,934	8,019,000	7,939,000
Municipal (2)	1,754,828	1,572,641	1,541,454	1,543,000	1,527,000
Federal	6,241,415	6,840,619	6,301,792	6,164,000	6,102,000
D.C. Housing Authority	<u>1,198,440</u>	<u>1,156,775</u>	<u>1,072,888</u>	<u>1,062,000</u>	<u>1,051,000</u>
Total Retail	41,442,066	40,375,533	38,654,474	38,697,000	38,309,000

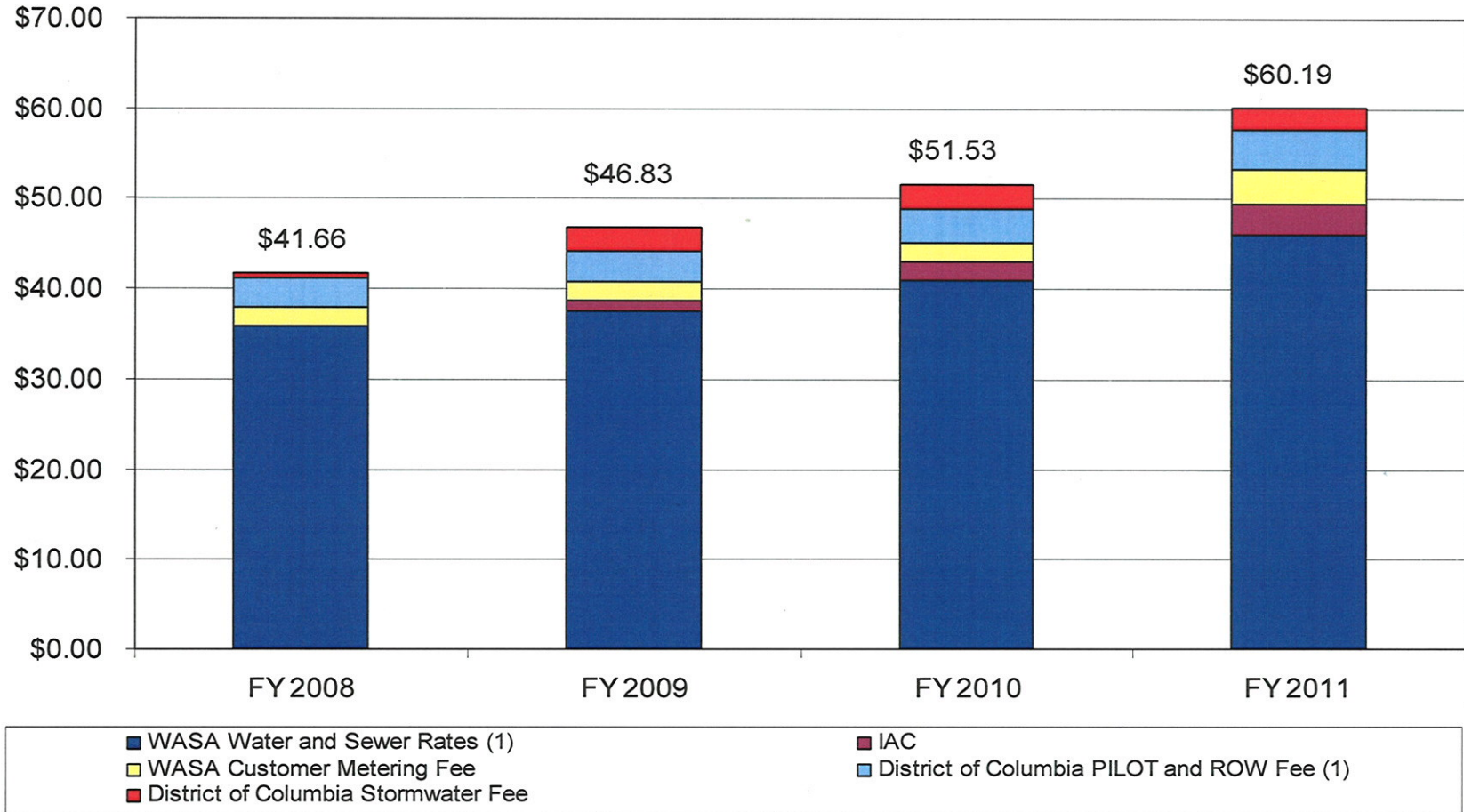
(1) Reflects consumption at Commercial facilities and selected facilities at Howard University and Soldiers' Home

(2) Reflects consumption at District of Columbia Government facilities and DC WASA facilities

(3) Ccf - hundred cubic feet or 748 gallons

RECENT & PROPOSED RATE & FEE CHANGES

AVERAGE RESIDENTIAL MONTHLY BILL FY 2008 – FY 2011



1) Assumes average monthly consumption of 6.69 Ccf, or 5,004 gallons
 - FY 2010 cost per gallon is \$0.008 (water and sewer rates only)

RECENT & PROPOSED RATE & FEE CHANGES, cont.

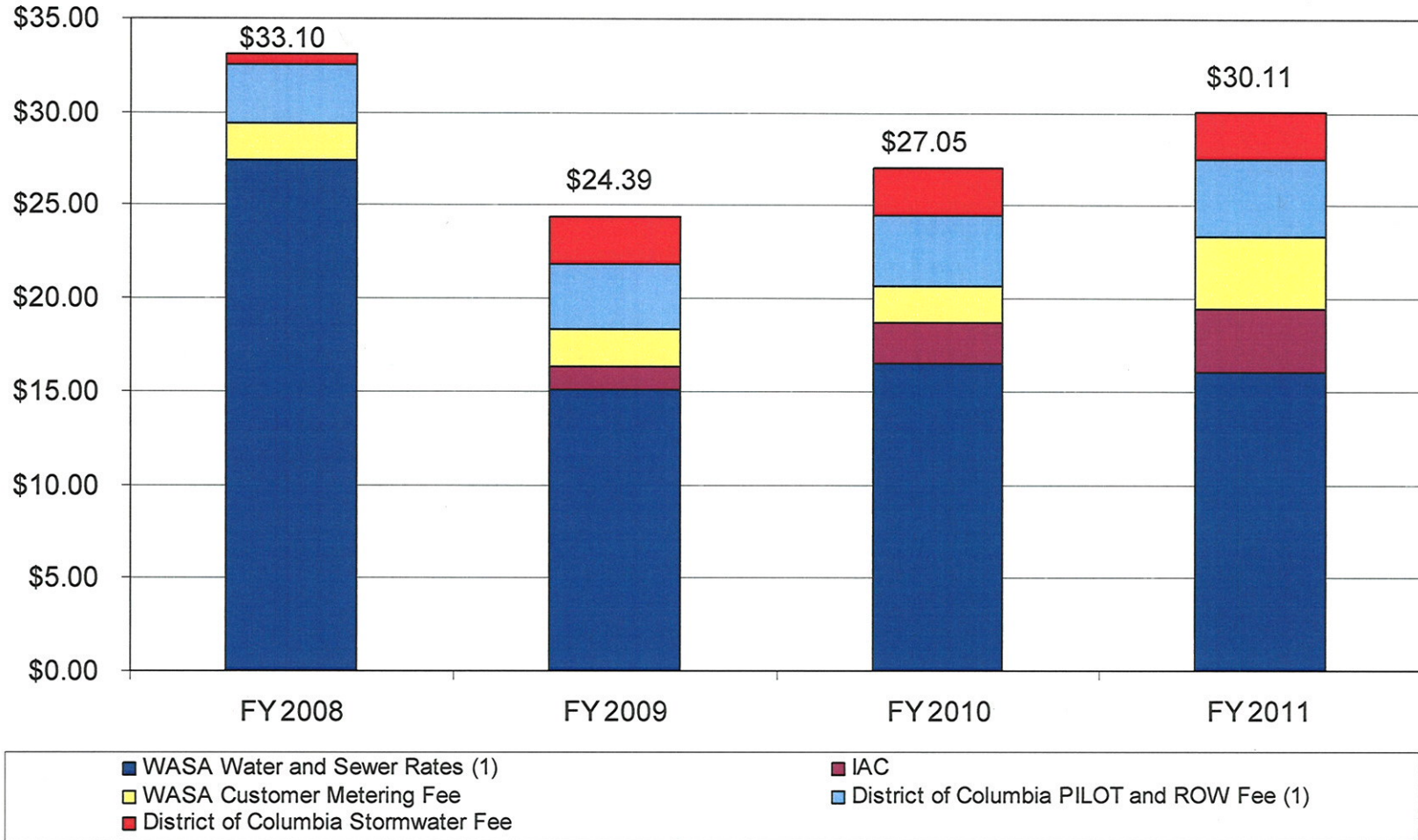
AVERAGE RESIDENTIAL MONTHLY BILL

FY 2008 – FY 2011

	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>
DC WASA Retail Rates (1)	35.93	37.53	40.94	46.09
DC WASA IAC	-	1.24	2.20	3.45
DC WASA Customer Metering Fee	2.01	2.01	2.01	3.86
Subtotal DC WASA Rates & Charges	\$ 37.94	\$ 40.78	\$ 45.15	\$ 53.40
Increase / Decrease	\$ 1.88	\$ 2.84	\$ 4.37	\$ 8.25
Percent Increase in DC WASA Portion of Bill	5.2%	7.5%	10.7%	18.3%
District of Columbia PILOT (1)	\$ 2.27	\$ 2.61	\$ 2.87	\$ 3.28
District of Columbia Right of Way Fee (1)	0.87	0.87	0.94	0.94
District of Columbia Stormwater Fee	0.58	2.57	2.57	2.57
Subtotal District of Columbia Charges	\$ 3.72	\$ 6.05	\$ 6.38	\$ 6.79
Total Amount Appearing on DC WASA Bill	\$ 41.66	\$ 46.83	\$ 51.53	\$ 60.19
Increase / Decrease Over Prior Year	\$ 2.08	\$ 5.17	\$ 4.70	\$ 8.66
Percent Increase in Total Bill	5.3%	12.4%	10.0%	16.8%

(1) Assumes average monthly consumption of 6.69 Ccf, or 5,004 gallons.

AVERAGE CAP CUSTOMER MONTHLY BILL FY 2008 – FY 2011



1) Assumes average monthly consumption of 6.69 Ccf, or 5,004 gallons
 – FY 2010 cost per gallon is \$0.008 (water and sewer rates only)

RECENT & PROPOSED RATE & FEE CHANGES, cont.

AVERAGE CAP CUSTOMER MONTHLY BILL

	FY 2008	FY 2009	FY 2010	FY 2011
DC WASA Retail Rates (1)	35.93	37.53	40.94	46.09
DC WASA IAC	-	1.24	2.20	3.45
DC WASA Customer Metering Fee	2.01	2.01	2.01	3.86
Subtotal DC WASA Rates & Charges	\$ 37.94	\$ 40.78	\$ 45.15	\$ 53.40
Increase / Decrease	\$ 1.88	\$ 2.84	\$ 4.37	\$ 8.25
Percent Increase in DC WASA Portion of Bill	5.2%	7.5%	10.7%	18.3%
District of Columbia PILOT (1)	\$ 2.27	\$ 2.61	\$ 2.87	\$ 3.28
District of Columbia Right of Way Fee (1)	\$ 0.87	\$ 0.87	\$ 0.94	\$ 0.94
District of Columbia Stormwater Fee	0.58	2.57	2.57	2.57
Subtotal District of Columbia Charges	\$ 3.72	\$ 6.05	\$ 6.38	\$ 6.79
Total Amount	\$ 41.66	\$ 46.83	\$ 51.53	\$ 60.19
Less: CAP Discount (4 Ccf per month) (2), (3)	(8.56)	(22.44)	(24.48)	(30.08)
Total Amount Appearing on DC WASA Bill	\$ 33.10	\$ 24.39	\$ 27.05	\$ 30.11
Increase / Decrease Over Prior Year	1.64	(\$8.71)	\$2.66	\$3.06
CAP Customer Discount as a Percent of Total Bill	-20.5%	-47.9%	-47.5%	-50.0%

(1) Assumes average monthly consumption of 6.69 Ccf, or 5,004 gallons

(2) Extension of CAP program to first 4 Ccf of sewer services became effective in FY 2009

(3) In FY 2011 Board approved extension of CAP program to first 4 Ccf of PILOT and ROW in FY 2011

RECENT & PROPOSED RATE & FEE CHANGES, cont.

FY 2010 RATE & FEE CHANGES

Effective October 2009 the Board increased rates and fees as follows:

- Water and Sewer consumption rate increased by 9%.
 - Water rate increase by \$0.21 per Ccf from \$2.30 per Ccf to \$2.51 per Ccf
 - Sewer rate increased by \$0.30 per Ccf from \$3.31 per Ccf to \$3.61 per Ccf
- Monthly Impervious Area Surface Charge increased by \$0.96 from \$1.24 per ERU to \$2.20 per ERU
- Right of Way and PILOT fee – These fees increased to recover the full cost of the Right of Way and PILOT fees charged to DC WASA by the District of Columbia.
 - Increase of 9.6 percent in the Right of Way and PILOT fees: 10.3 percent PILOT & 7.7 percent for ROW.
- These changes increased the typical residential customer's total monthly bill by \$4.70 or 10.0 percent.

PROPOSED FY 2011 RATE & FEE CHANGES

Included in FY 2011 rate proposal is a planned implementation of a multi-tier rate structure as shown in the table below.

Range	Total Monthly bill with 1 ERU	Total Monthly bill with tiered ERU	Difference compared to 1 ERU method
100 – 600 sq ft = 0.6 ERU	\$60.19	\$57.78	\$- 2.41
700 – 2,000 = 1.0 ERU	\$60.19	\$60.19	\$0.00
2,100 – 3,000 = 2.4 ERU	\$60.19	\$68.62	\$8.43
3,100 – 7,000 = 3.8 ERU	\$60.19	\$77.05	\$16.86
7,100 – 11,000 = 8.6 ERU	\$60.19	\$105.94	\$45.75
11,100 and more = 13.5 ERU	\$60.19	\$135.44	\$75.25

RECENT & PROPOSED RATE & FEE CHANGES, cont.

The FY 2011 budget and ten-year plan include the following proposed changes:

- Proposed combined water and sewer rate increase of \$0.77 per Ccf from \$6.12 to \$6.89
 - Water from \$2.51 per Ccf to \$3.10 per Ccf
 - Sewer from \$3.61 per Ccf to \$3.79 per Ccf
- Proposed impervious surface area charge (IAC) will increase from a monthly fee of \$2.20 to \$3.45 per ERU
- Customer Metering Fee increase of \$1.85 from \$2.01 to \$3.86 per month
- District of Columbia PILOT fee increase of \$0.06 from \$0.43 per Ccf to \$0.49 per Ccf
- District of Columbia Right-of-Way fee remains same at \$0.14 per Ccf

The ten year projected water and sewer rate increases under this year's plan total 70.0 percent: driven primarily by capital spending for DC WASA's \$3.8 billion capital improvement program.

Primary spending in the ten-year capital plan includes: initial phases of the Combined Sewer Overflow Long Term Control Plan (CSO LTCP), the Blue Plains Total Nitrogen Program (BTN), digesters, various water and sewer investments recommended by the facility assessments and continued compliance with Board policies on debt service coverage and reserve levels.

The public comment process for the FY 2011 rate proposal will occur over the five month period of April through September. If approved, these changes will increase the typical residential customer's monthly bill by \$8.66 or 16.8 percent.

RECENT & PROPOSED RATE & FEE CHANGES, cont.

COST OF SERVICE STUDY & CSO LTCP COST RECOVERY

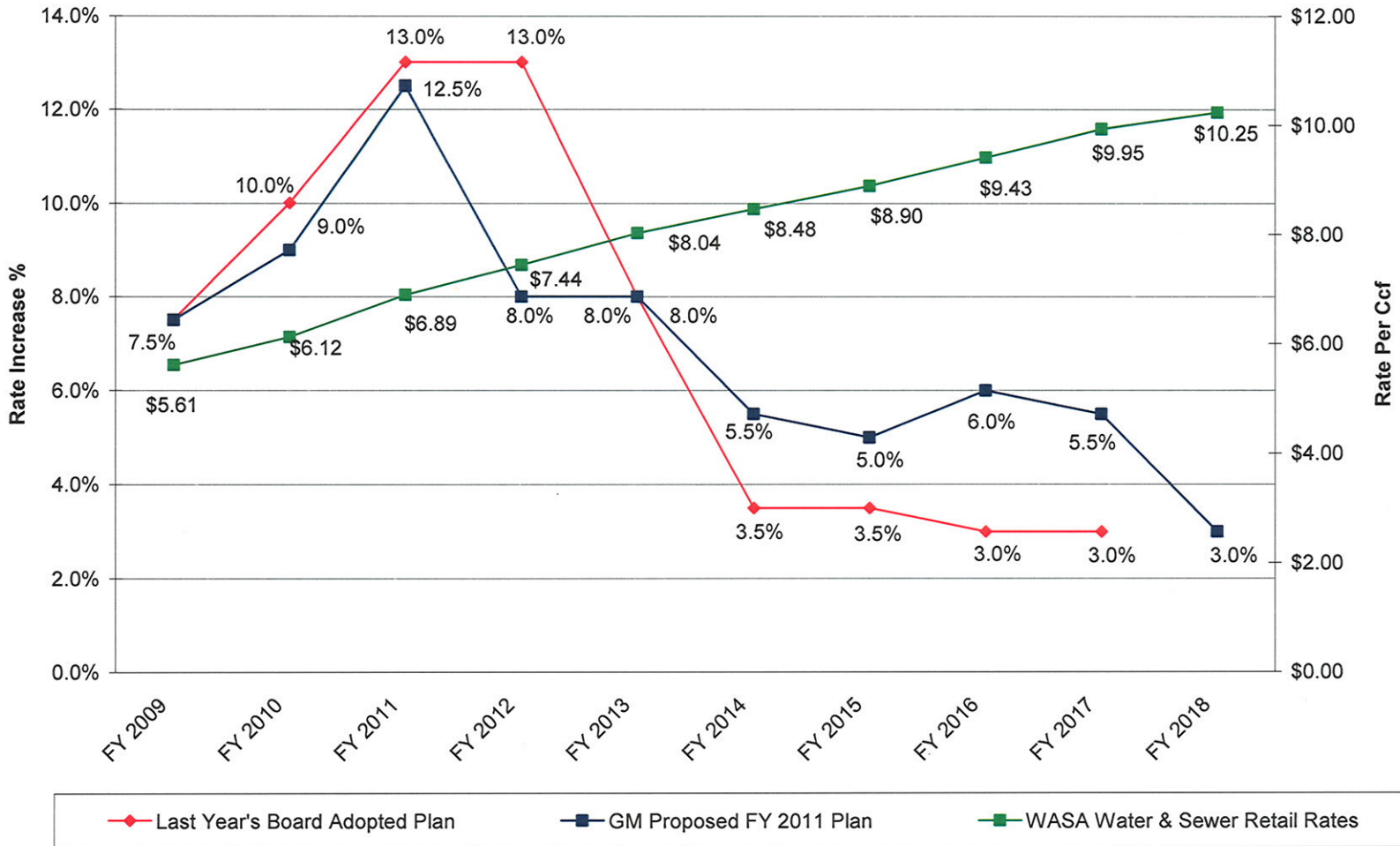
In FY 2009, WASA successfully completed the Cost of Service Study (COS). The study evaluated:

- Revenue sufficiency of existing and proposed rates of the Authority; and
- Alternate rate structures to ensure:
 - Equity and fairness of rates
 - Adequate and stable revenues
 - Price signals
 - Minimize rate shock

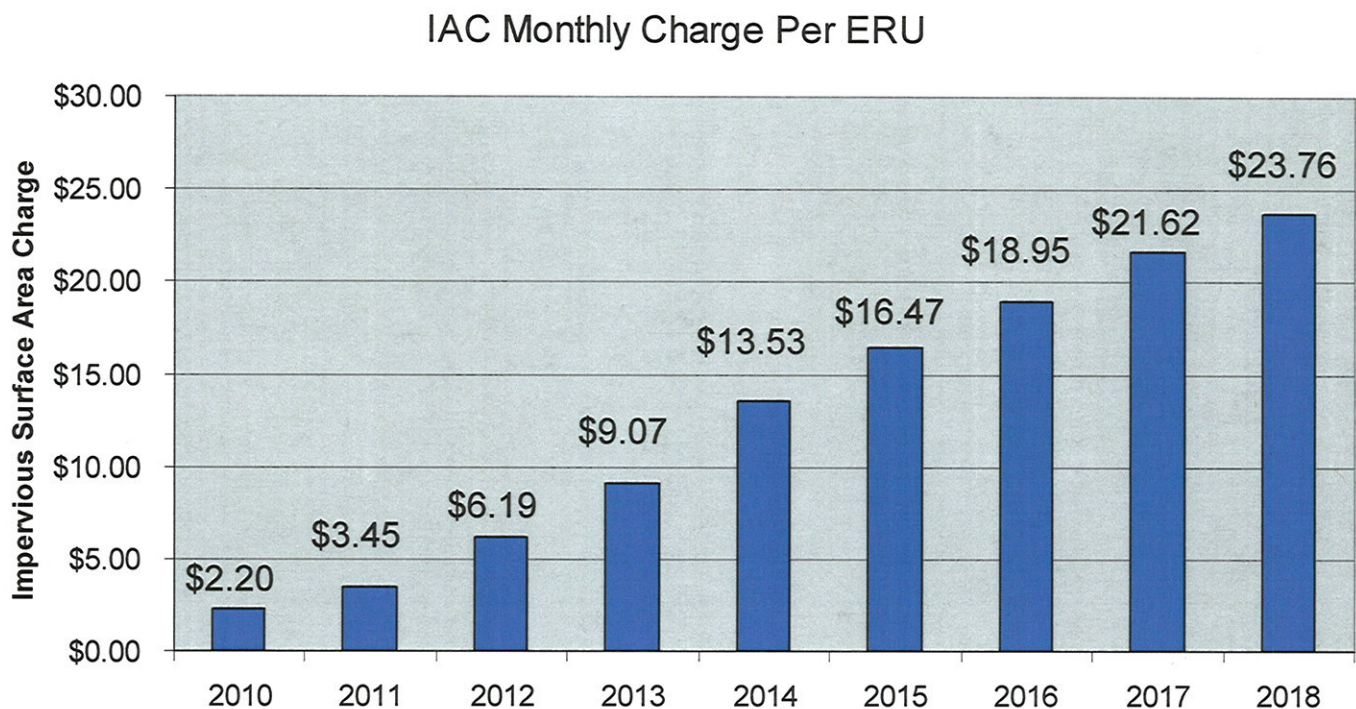
As a result of this study, several revisions to the rate structure will be proposed for implementation in FY 2011 and other areas of opportunity will require additional analysis in FY 2010 before recommendation or implementation.

- Based on the FY 2009 Cost of Service (COS) study our consultants recommended a shift in the water and wastewater volumetric rates due to higher capital costs in the water service area. In FY 2011 DC WASA will propose to re-sync the water and sewer volumetric rates from the current allocation of 41/59 percent to 45/55 percent accordingly.
- In FY 2009 the Cost of Service (COS) study recommended several alternative rate structure conceptual options. One option that DC WASA management will consider is to expand the meter fee concept to include cost recovery for these customer service fixed cost components in FY 2011.

FY 2009 – FY 2018 FINANCIAL PLAN
PROJECTED WATER & SEWER RETAIL RATE & FEE CHANGES
 FY 2009 – FY 2018 PROJECTED RATE INCREASES



FY 2009 – FY 2018 FINANCIAL PLAN
PROJECTED IMPERVIOUS SURFACE AREA CHARGE (IAC) CHANGES
 FY 2009 – FY 2018 PROJECTED RATE INCREASES, cont.

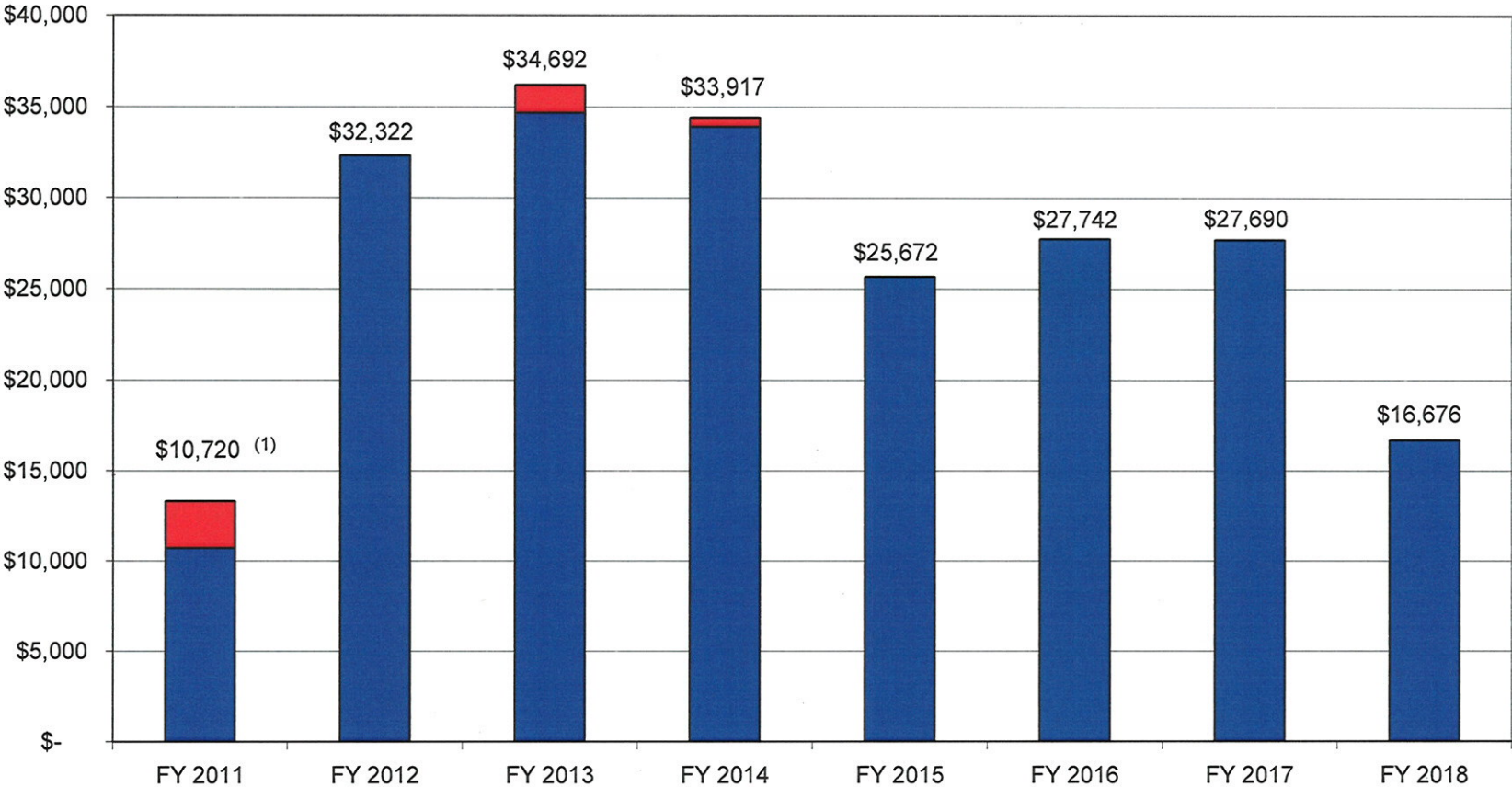


- The projected charges displayed in the chart above are primarily driven by anticipated debt service costs necessary to support the twenty year \$2.7 billion, federally mandated CSO LTCP.

If all projected rate increases are implemented as planned, the average residential customer's bill will increase from \$51.53 in FY2010 to \$105.06 in FY 2018.

**FY 2009 – FY 2018 FINANCIAL PLAN
PROJECTED RETAIL RATE, & FEE CHANGES.**

**Incremental Increase In Revenues ⁽¹⁾
FY 2011 – FY 2018
(In \$000's)**



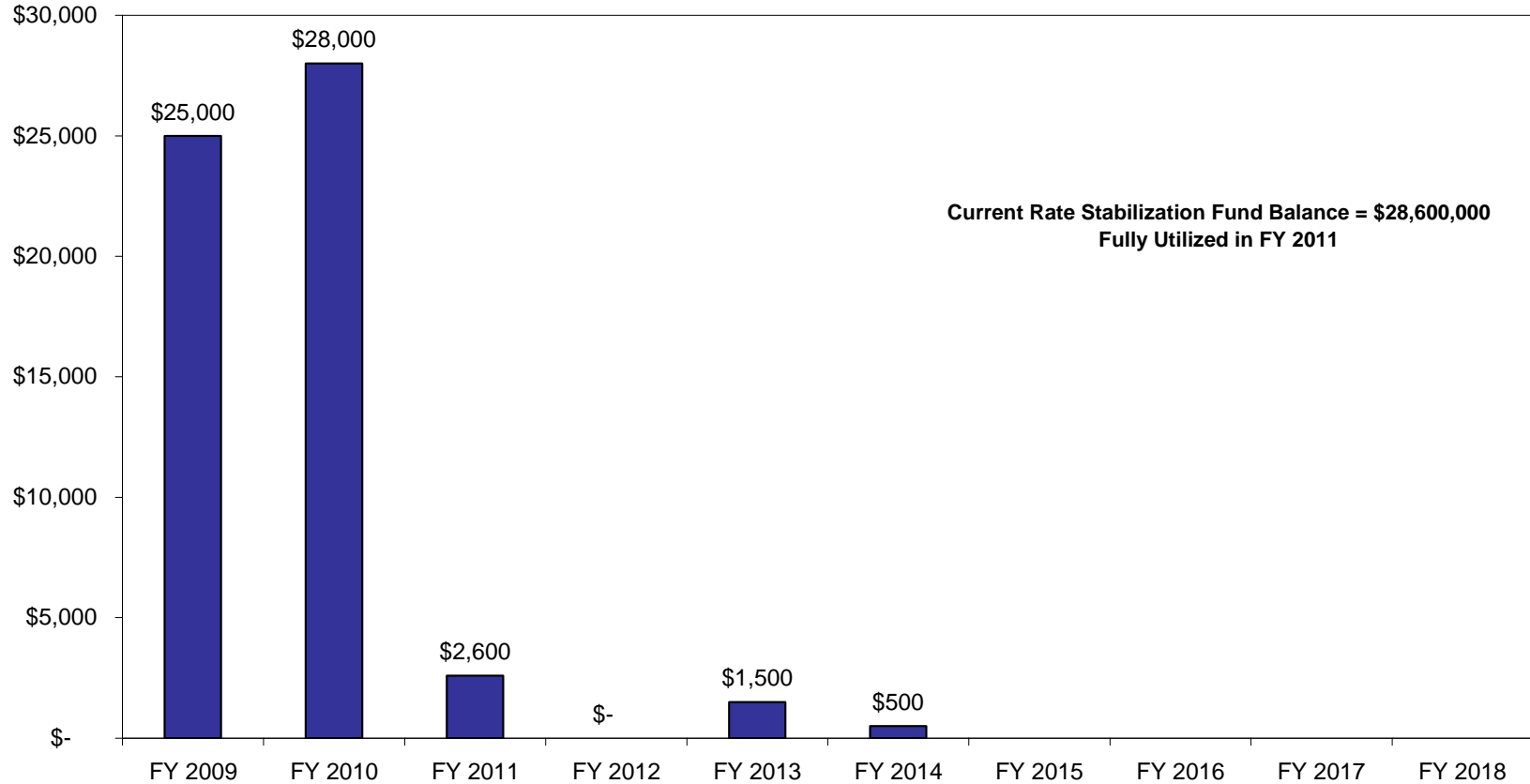
(1) Includes transfers in from the Rate Stabilization Fund highlighted in red.

FY 2010 – FY 2018 FINANCIAL PLAN

PROJECTED RETAIL RATE, & FEE CHANGES, cont.

- As shown in the chart above, incremental increases in revenues are projected to range from \$10.7 million to \$34.7 million in FY 2010 – FY 2018, due to:
 - Average annual debt service increase of 15.5 percent
 - Average annual O/M increase of 3.0 percent
- These costs would be recovered through:
 - Proposed water and sewer rate increases ranging from 3.0 percent to 12.5 percent
 - Proposed FY 2010 to 2018 Impervious Surface Area Charge revenues ranging from \$2.20 to \$23.76 per ERU per month.

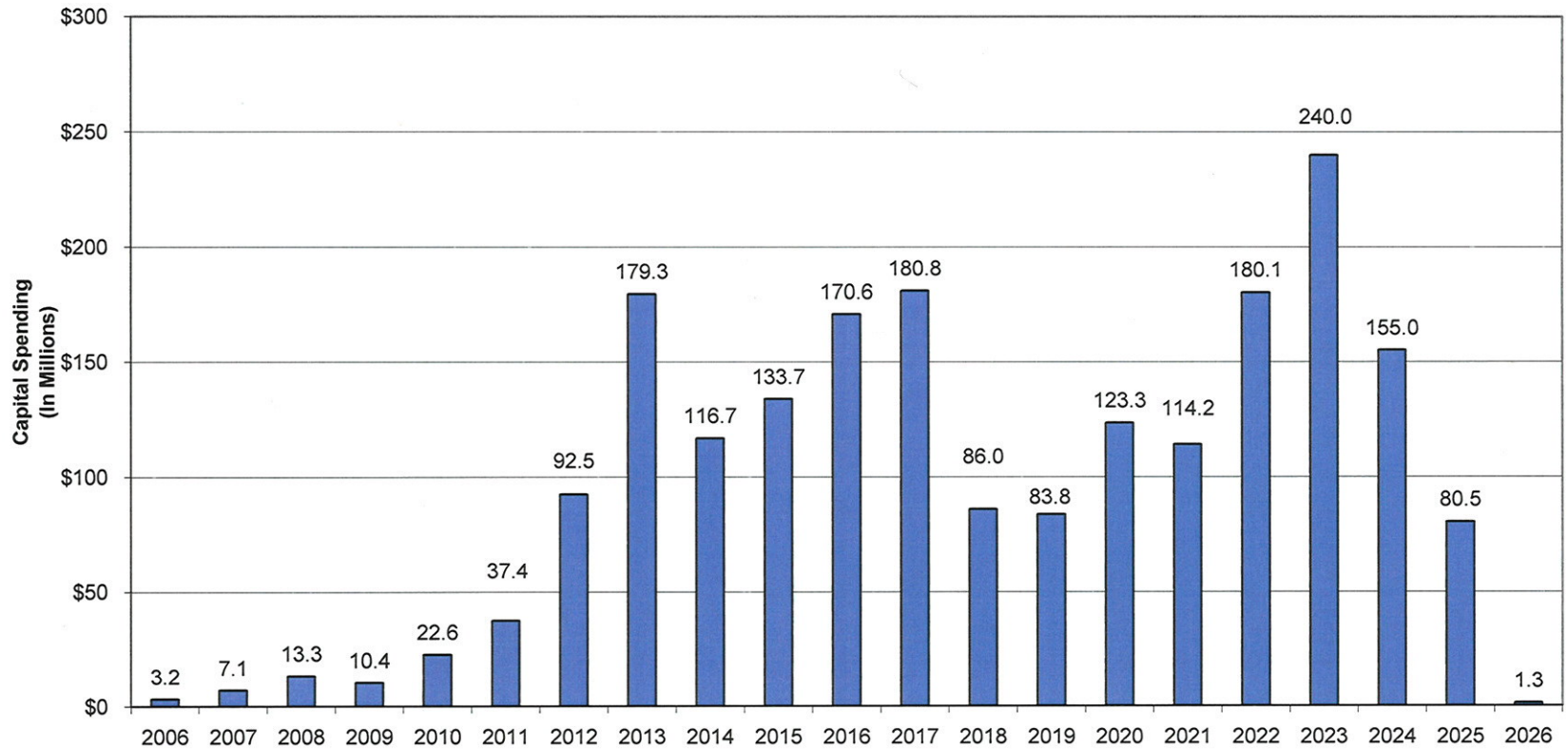
FY 2010 – FY 2018 FINANCIAL PLAN
PROJECTED RETAIL RATE, & FEE CHANGES, cont.
RATE STABILIZATION FUND USAGE
FY 2009 – FY 2018
(In \$000's)



- At the end of FY 2009, DC WASA's rate stabilization fund balance was \$28.6 million. The proposal calls for use of \$28.0 million in FY 2010 and \$2.6 million for use in FY 2011. It will be fully utilized by FY 2014, as shown in the chart above.

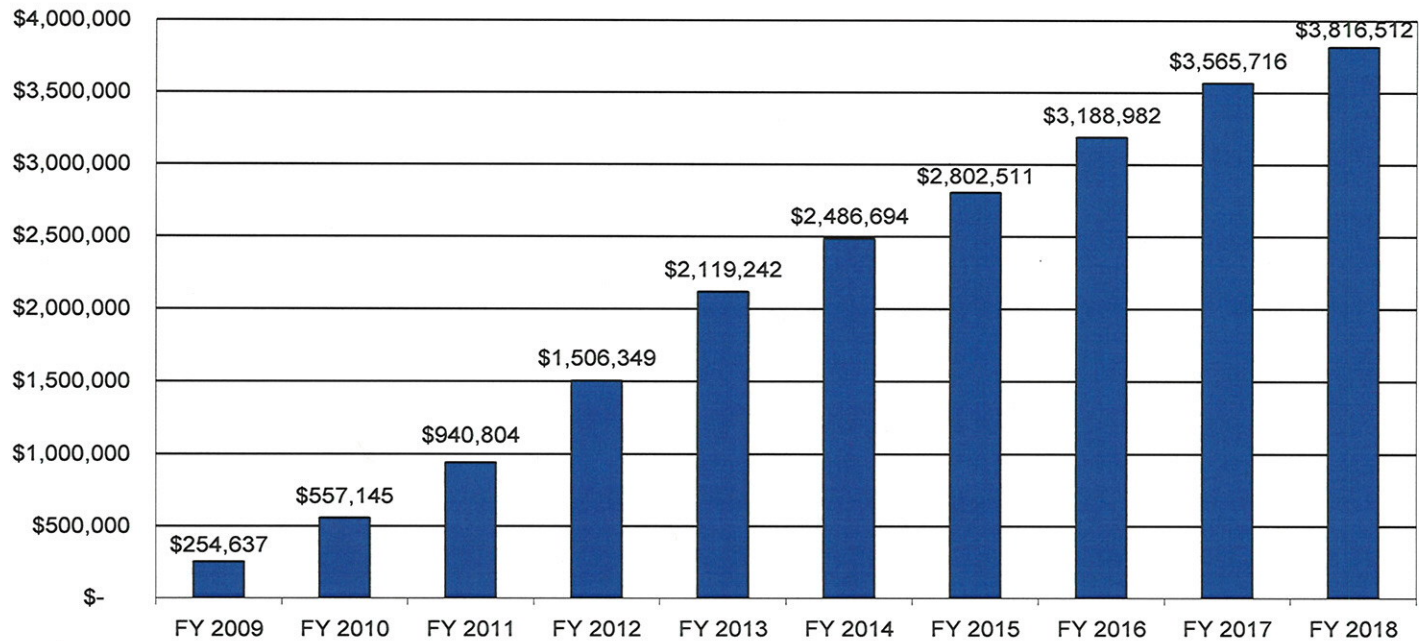
POTENTIAL IMPACT OF CSO LONG-TERM CONTROL PLAN ON RATES

CSO LTCP Spending by Year



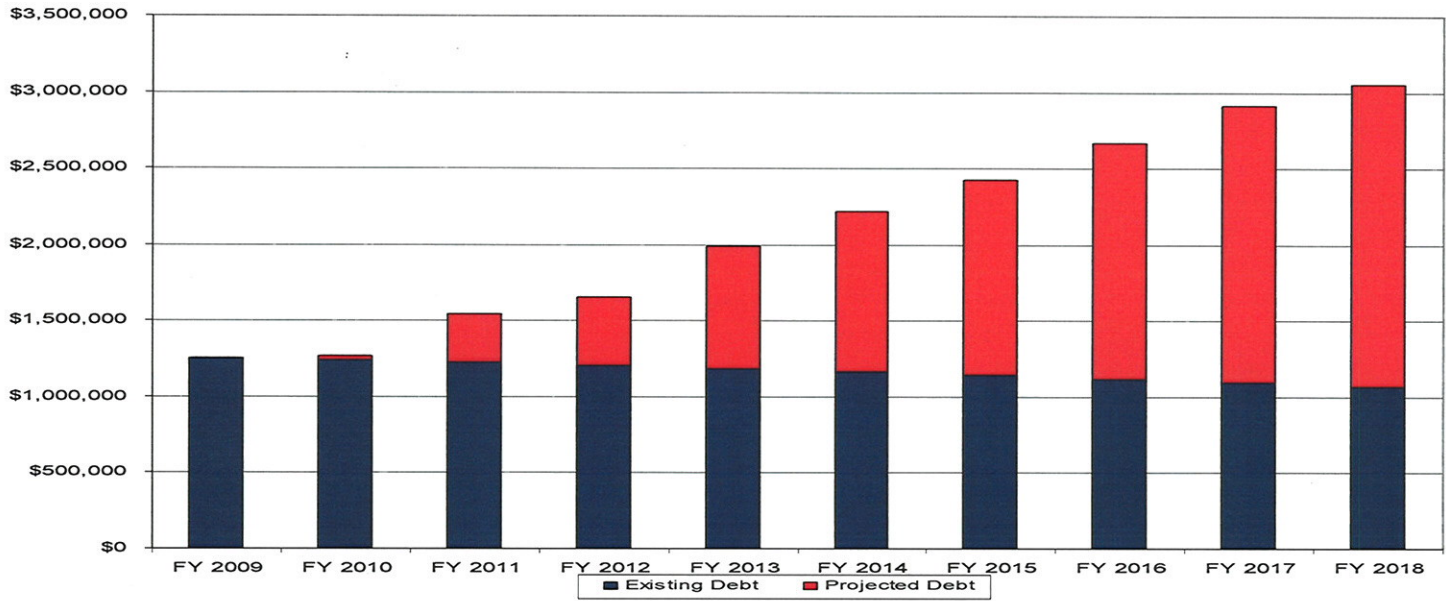
In December 2004, the Board reached agreement with the federal government on the CSO LTCP and entered into a related consent decree. Capital costs for this twenty-year plan are currently estimated at \$2.2 billion. Projected spending by fiscal year is shown in the chart above and is the driver for changes in the IAC over the ten-year plan.

WHY RATE INCREASES ARE NEEDED
CUMULATIVE CAPITAL SPENDING
FY 2009 – FY 2018
(In \$000's)



- DC WASA's ten-year capital improvement program totals \$3.8 billion, with annual spending ranging from \$251 million to \$613 million.
- Once completed, the ten-year capital improvement project will double the book value of DC WASA's infrastructure.
- The ten-year plan includes the ten years of the Board-approved twenty-year CSO LTCP, totaling \$847 million. The balance of the \$2.2 billion CSO LTCP, falls in the years beyond the current ten-year planning period. In addition, \$87 million in priority Combined Sewer Overflow projects is included within this ten year plan, for a total spending of \$1.1 billion in the CSO service area.
- Water and sewer infrastructure is what drives the ten year Capital Improvement Plan from FY 2009 through FY 2018. Water and sewer facility projects increased by approximately \$300 million, including \$80 million decrease in Lead Service Program.

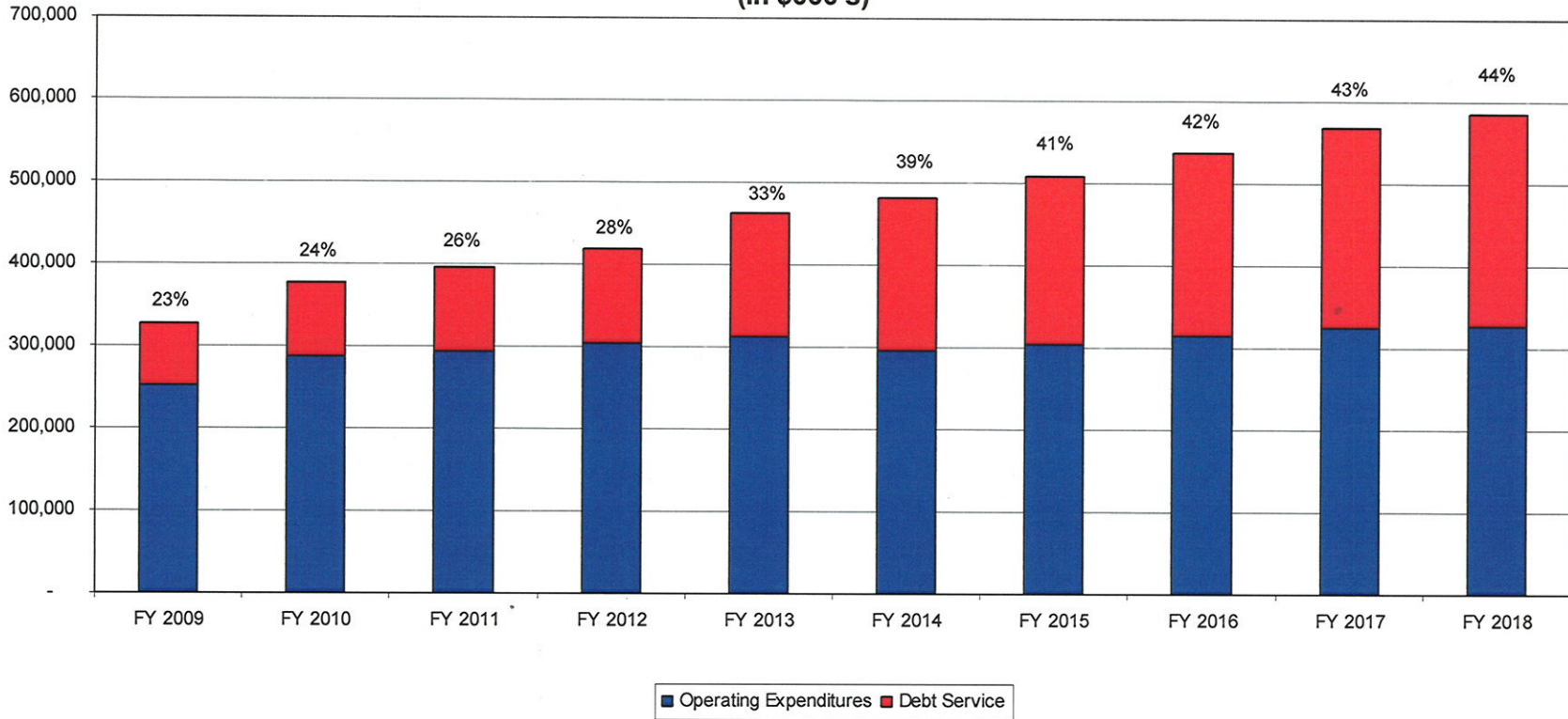
WHY RATE INCREASES ARE NEEDED, cont.
NEW & EXISTING DEBT OUTSTANDING
FY 2009 – FY 2018
(In \$000's)



- The largest source of funding for DC WASA's capital program is debt.
- Over the next ten years, DC WASA will issue approximately \$2.1 billion in new debt (which includes the funding of reserves and costs of issuance), increasing total debt outstanding from \$1.3 billion at the end of FY 2010 to almost \$3.1 billion at the end of FY 2018.

WHY RATE INCREASES ARE NEEDED, cont.

DEBT SERVICE AS PERCENTAGE OF TOTAL OPERATING EXPENDITURES
Based on FY 2009 - 2018 Financial Plan
(In \$000's)



WHY RATE INCREASES ARE NEEDED, cont.

**OPERATING & DEBT SERVICE EXPENDITURES
FY 2009 – FY 2018**

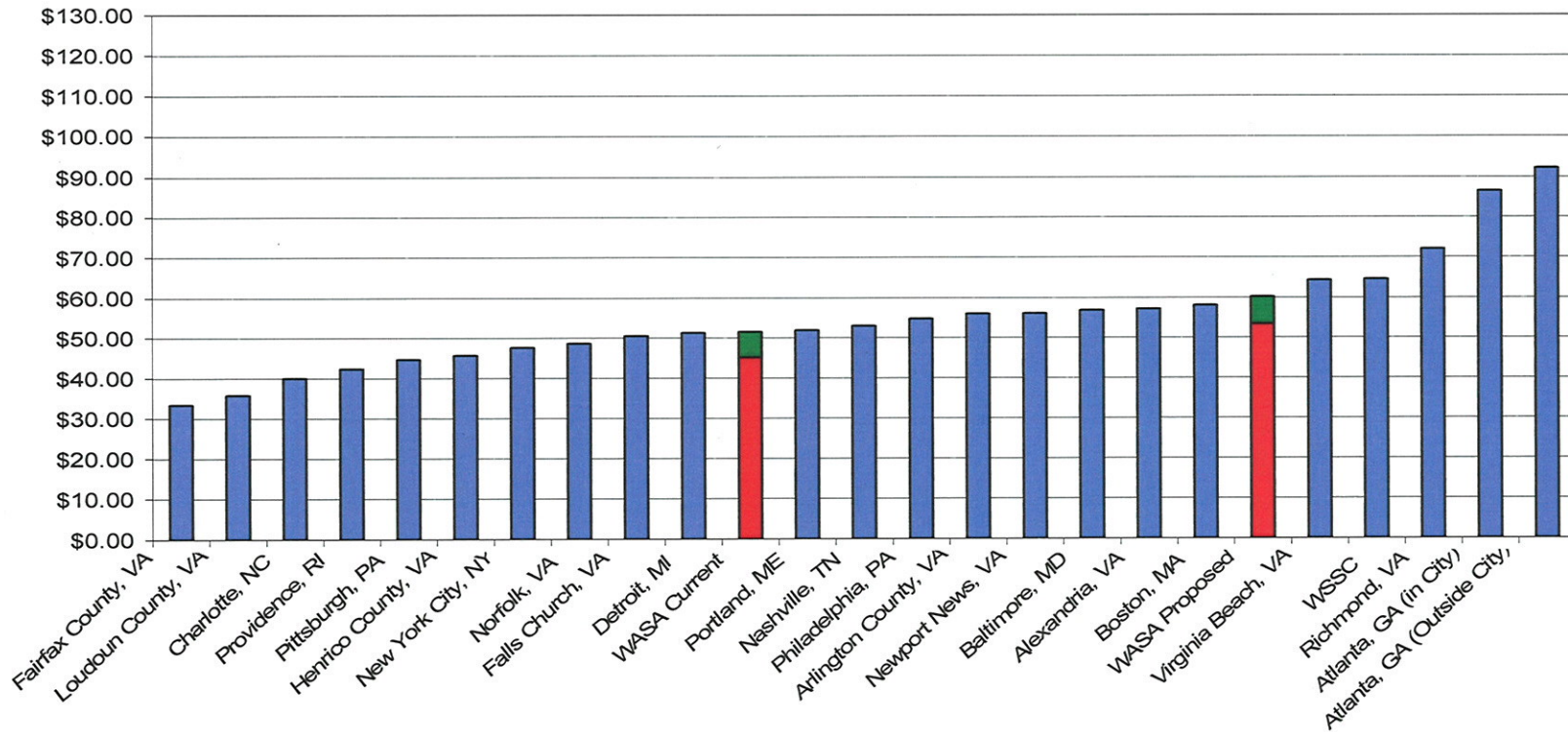
Over the ten-year period, total expenditures increase on average by 7.0 percent annually.

DC WASA's proposed rate increases are primarily required to fund increasing debt service costs.

- Operations and maintenance expenditures (excluding the payment in lieu of taxes and right of way fee) increase on average by only 3.0 percent annually.
- Debt service expenditures grow at an annual average rate of 15.5 percent.
- This year's ten-year financial plan reflects anticipated operating cost savings at Blue Plains beginning in FY 2014 due to the implementation of the digester/cambi biosolids management project.

DC WASA'S RETAIL RATES ARE COMPARABLE TO OTHER UTILITIES

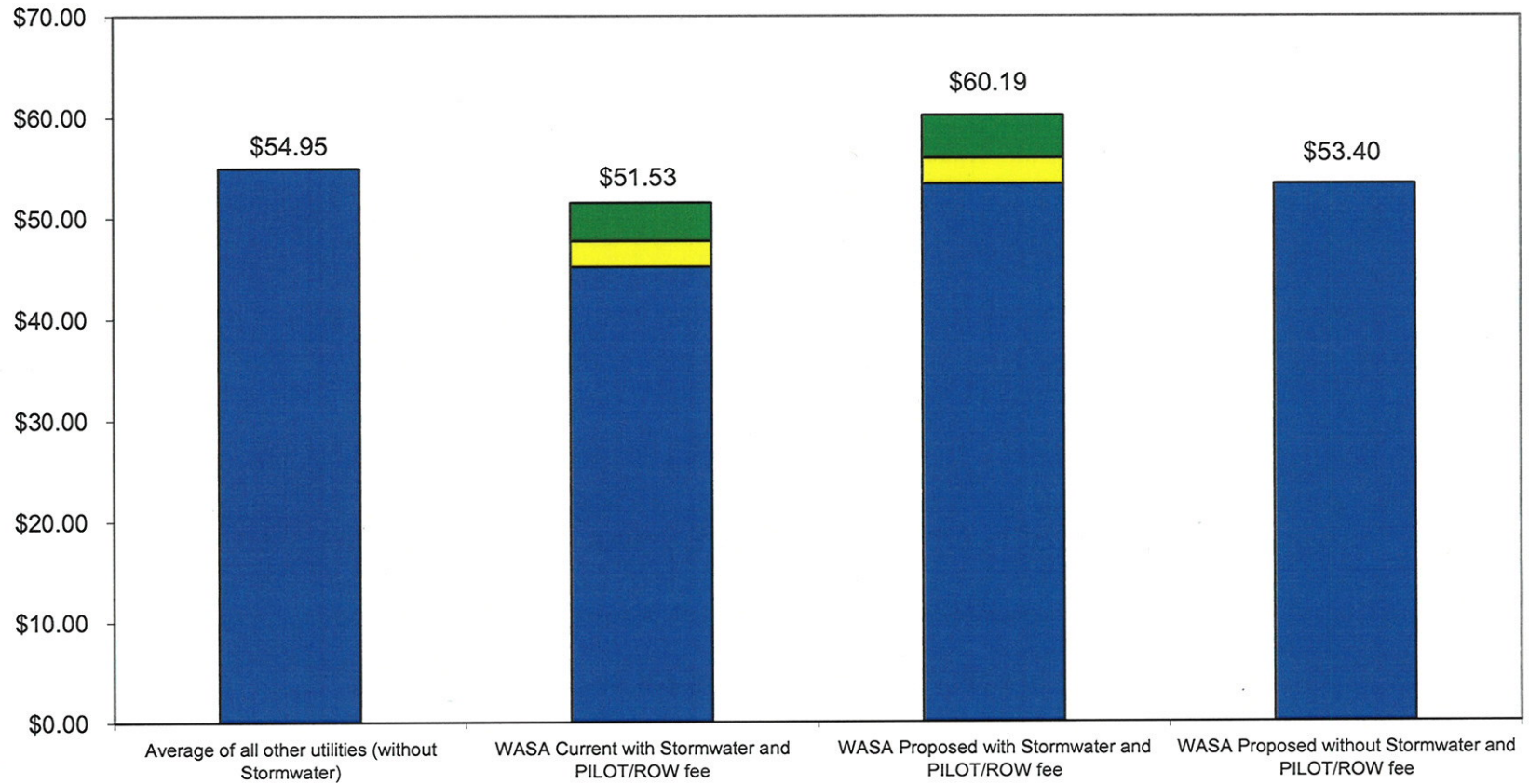
**Average Monthly Residential Bill Comparison
(Based on Fall 2009 Rates)**



- (1) Assumes average residential consumption of 6.69 Ccf, or 5,004 gallons, per month. Ccf = hundred cubic feet, or 748 gallons.
- (2) Reflects DC WASA's proposed rate and fee changes in FY 2010 while other utilities' rates are as of summer / fall 2009. However, during this period, it is anticipated that many utilities will take rate actions. The green area indicates the pass-through of the District's right of way and PILOT fees, totaling \$3.81 per month (projected FY 2010) and the DDOE revised residential stormwater rate of \$2.57 per month.

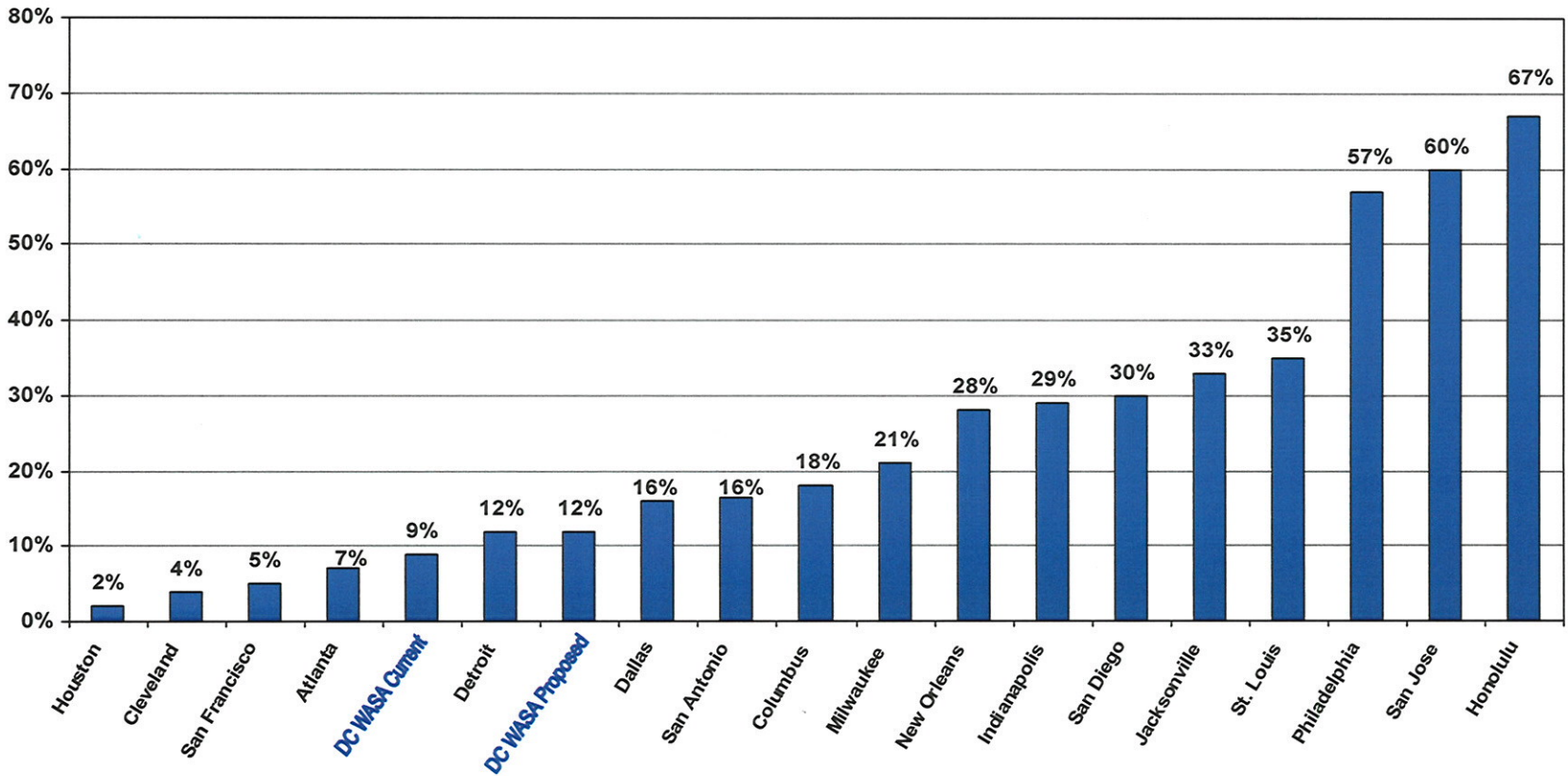
WASA'S RETAIL RATES ARE COMPARABLE TO OTHER UTILITIES, cont.

**WASA's Current & Proposed Monthly Residential Bill
vs.
Average Monthly Bill of Other Utilities**



DC WASA'S RETAIL RATES ARE COMPARABLE TO OTHER UTILITIES, cont.

Fixed Charge as % of Total Single-Family Residential Bills in Large Cities



* User Charges are based upon information provided by the identified cities and standardize assumptions regarding water consumption, wastewater discharge, stormwater drainage area and other factors.

* DC WASA rate schedule was effective October 1, 2009. Whereas, charges for all cities reflect rate schedules in effect on February 15, 2009.

DC WASA'S RETAIL RATES ARE COMPARABLE TO OTHER UTILITIES, cont.

Large CSO Communities	2003	2004	2005	2006	2007	2008	2009	2010
New York City Dept. of Environmental Protection	6.60%	5.60%	5.10%	3.10%	9.80%	11.50%	14.30%	14.00%
Boston Water and Sewer Commission	12.80%	5.80%	0.00%	9.85%	9.25%	5.60%	3.48%	6.65%
City of Atlanta Dept. of Watershed Management (Inside-City)	0.00%	22.00%	1.00%	4.40%	10.00%	10.00%	27.50%	12.50%
Chicago Metropolitan Water Reclamation District	4.00%	3.00%	3.00%	0.00%	0.00%	15.00%	15.00%	14.00%
DC WASA	-5.25%	2.50%	5.00%	5.50%	5.00%	5.50%	7.50%	9.00%

- Most CSO communities have implemented double digit rate increases to recover CSO LTCP costs.
- Increases do not reflect other available dedicated taxes or state funding potentially available to some agencies.

District of Columbia Water and Sewer Authority
OPERATING BUDGETS
REVISED FY 2010 and APPROVED FY 2011

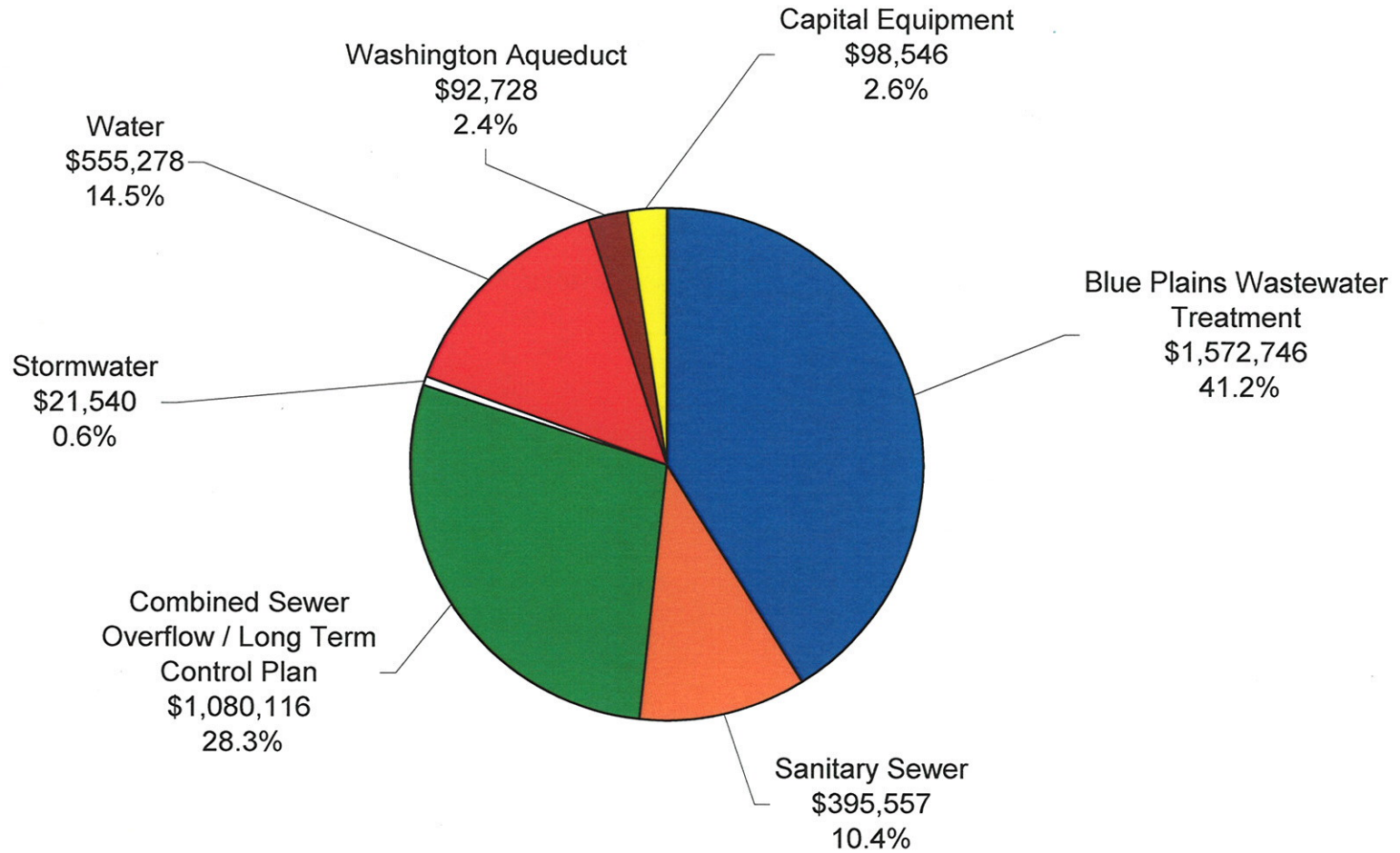


Section VI CAPITAL PROGRAM

Over the past 10 years, more than \$1 billion has been spent modernizing the Blue Plains plant with state-of-the-art technology and automation. These upgrades were designed to improve plant efficiency and staff productivity.



FY 2009 - FY 2018 Capital Improvement Program (\$ in 000's)



Total \$3.8 billion (Cash Disbursements)

FY 2009 – 2018 CAPITAL IMPROVEMENT PROGRAM OVERVIEW

District of Columbia Water and Sewer Authority's (DC WASA / Authority) ten-year capital improvement program (CIP) totals \$3.8 billion (cash disbursements basis), approximately \$600 million more than last year's plan. As mentioned in Section I and discussed in more detail later throughout this document, the major drivers of this increase are in the Combined Sewer Overflow-Long Term Control Plan (CSO-LTCP) and the Water and Sewer Service Areas of approximately \$300 million each. The increases in the CSO-LTCP are driven by the updated cost estimates from the recently completed facility plan for this project, and approximately \$100 million worth of projects that were transferred from the Total Nitrogen Removal Program (under the Wastewater Service Area). The higher costs in the Water and Sewer Service Areas, after an offsetting decrease in the Lead Service Replacement Program disbursements of approximately \$80.3 million, were a result of including several high priority water and sewer facility improvement projects and a service life restoration program in the current CIP. Also included in the proposed CIP is \$75.6 million for the Land-Use Facility Plan that provides for a new Warehouse at Blue Plains, Office facilities for the new CSO-LTCP project team, and relocation of Customer Services personnel, among others.

Included within the proposed ten-year CIP is implementation of the Biosolids Management Plan including the costs of construction of the Combine Heat and Power plant (CHP) and Digesters with estimated completion in FY 2014. An interim method of financing the digesters has been utilized in this plan for two primary reasons: first, to mitigate the impact of such a large capital addition on our customer's rates; and second, to match the financing costs with the benefits that will accrue to the Authority over the life of these facilities.

The following sections summarize major projects and changes in each service area, with additional details for each project included in each service area section. Please note that all dollar amounts are presented on a project lifetime basis, except where noted otherwise.

WASTEWATER TREATMENT

The lifetime budget for the Wastewater Treatment Service Area is \$2.6 billion dollars, an increase of \$147.2 million from last year's budget. This net increase reflects the transfer of \$100 million from the Blue Plains Total Nitrogen Removal Plan to the CSO LTCP. Other major costs drivers in this area include: Electrical Power Systems Switch Gear Upgrades (\$29.0 million); improvements to the Solid Processing Building and Dewatered Sludge Loading Facility (\$12.2 million); Secondary Treatment Upgrades for the Total Nitrogen Program (\$59.9 million); Blue Plains Tunnel Dewatering Pump Station (\$27.0 million); and, Bolling Overflow and Diversion Project (\$25.0 million).

Also, this Area reflects the implementation of the Biosolids Management Plan including the costs of construction of the CHP and Digesters with estimated completion in FY 2014. The benefits of this plan include producing a Class A biosolids product which can be

more widely disposed of at reduced costs; reduction in the carbon footprint of the existing lime stabilization process; and, the production of an estimated 10MW of power that can be utilized on site. The reduced costs associated with this project should help provide some of the necessary long term funding needed for the improvements to the sewer and water infrastructure identified by the respective facility plans.

Other long-term upgrade projects now under construction include:

- Nitrification-Denitrification Facilities Upgrade - to upgrade the process and/or replace equipment that are at the end of their useful lives.
- Raw Wastewater Pump Station 1 - Upgrade to the Raw Wastewater Pump Station to replace equipments that are at the end of their useful lives, and improve reliability.
- Process Control System – will provide automated monitoring and control for the nitrification-denitrification process that will improve treatment, control and optimize chemical and power costs, and increase reliability of the facilities.
- Biological Sludge Thickening Facilities- will upgrade the existing dissolved air floatation thickening units to restore integrity to this system and reduce sludge processing and chemical costs through improved efficiency.

COMBINED SEWER

The lifetime budget for the Combined Sewer Service Overflow (CSO) Service Area is \$2.7 billion, which includes the twenty-year CSO Long Term Control Plan (CSO-LTCP). The benefits of this plan are significant. When fully implemented, combined sewer overflows will be reduced by a projected 96 percent (98 percent on the Anacostia River), resulting in improved water quality. The more than \$400 million increase to this service area's lifetime budget is attributable to two items. First, \$300 million related to the following: updated costs estimates of the recently completed facility plan of the project and transfer of certain projects from the Blue Plains Total Nitrogen program under the Wastewater service area; and, second approximately \$100 million associated with the Northeast Boundary Sewer Project (\$18.5million), Tiber Creek Sewer Lining Project (\$16.5 million) and an increase in the costs for the Combined Sewers Under Buildings (\$60.1 million). The latter are projects recommended under the sewer facility plan and not related to the CSO-LTCP.

It should be noted that additional risks and contingencies associated with the twenty-year LTCP program exist and will be evaluated over time. Given the long timeframe of this project and the uncertainties associated with tunneling projects, we will continue to monitor the costs and risks with the expectation of updating the projections when certain milestones have been reached. We have recommended the current change to the program budget based upon completion of one of the major milestones - the facilities plan for the Anacostia Tunnel. There will be similar milestones for the other portions of the CSO-LTCP in future years that will provide information that may require re-evaluation of future risks and costs associated with this project.

STORMWATER

The lifetime budget for the Stormwater Service Area is \$58.7 million, an increase of \$14.8 million from last year primarily due to an increase of \$12 million in the Local Drainage area associated with recommended sanitary sewer facility improvements. As in last year's budget, we have not included funding for stormwater pumping rehabilitation projects. Over the past few years, extensive dialogue among stormwater task force members resulted in a better definition of roles, responsibilities and funding sources for the activities required to enhance DC stormwater management. The DC Department of the Environment (DDOE) entered into agreements with various offices to provide services in support of the District's MS4 permit in accordance with funding availability from the Enterprise Fund. DC WASA provides for the maintenance and replacement of certain public facilities that convey stormwater runoff to the Anacostia and Potomac Rivers, Rock Creek and other receiving streams within certain areas of the District of Columbia, specifically the areas of the District served by combined sewers. Various other agencies have responsibility for a variety of other stormwater activities. Discussion of other matters, such as the turnover of stormwater pumping facility maintenance and planned capital replacement of infrastructure in areas managed by the District under the MS4 permit continues. DDOE maintains the central responsibility for managing stormwater activities under the MS4 permit and has worked to coordinate with all agencies, activities and funding mechanisms necessary to ensure full compliance.

While DC WASA has a long-term control plan to address these issues within the combined sewer areas, DC WASA's staff continues to participate in the MS4 task force and to monitor the impact of other MS4 NPDES requirements on DC WASA and its ratepayers. Significant progress has been made throughout the District of Columbia. Since 2001, DC WASA collected the MS4 stormwater fees on behalf of the District, and acted as the Stormwater Administrator until the creation of DDOE and the transfer of duties in early 2007. DC WASA continues to collect those fees on behalf of the District of Columbia and transfer them to DDOE quarterly. In FY 2009, we worked closely with DDOE to share our impervious surface area database. Along with DC WASA, DDOE believes that this new rate structure can help to equitably allocate costs to the cost causers and influence future behavior through education.

SANITARY SEWER

A majority of the sewers in the DC WASA system were constructed more than one hundred years ago and are still in operation. Aging infrastructure is a national issue and can impact the condition and performance of the system. DC WASA is responsible for wastewater collection and transmission in the District of Columbia, including operation and maintenance of the sanitary sewer system. DC WASA's sanitary sewer system includes approximately 600 miles of large interceptor sewers and smaller gravity collection sewers. DC WASA is also responsible for sewer lateral connections from the sewer mains to the property lines of residential, government, and commercial properties. In addition, DC WASA is responsible for the 50 mile long Potomac Interceptor System under an agreement with the participating jurisdiction. This provides conveyance of wastewater from areas in Virginia and Maryland to Blue Plains. The existing sanitary sewer system in the District of Columbia dates back to 1810, and includes a variety of materials such as brick and concrete, vitrified clay, reinforced concrete, ductile iron, plastic, steel, brick, cast iron, cast in place concrete, and even fiberglass.

During FY 2009, DC WASA completed a Sewer System Assessment and the Water Facility Plan ("Study"). This document culminated a five-year effort involving sewer inspection and condition assessment, development of a sewer GIS and database, hydraulic monitoring and modeling to assess system capacity and the development of a prioritized activities for system improvement. This Study identified a significant increase in funding needed for sewer infrastructure improvements. As recommended by the Study, the current CIP includes funds for an ongoing, annual sewer inspection program, which may identify the need for additional work. Key Findings of the 2009 Sewer Facilities Plan:

- Generally speaking, major sewer pipe infrastructure can meet current and future population needs; however, continued investment in upgrades to major infrastructure elements is needed.
- 88% of the sewers inspected had some defects, 60% of which could be addressed using localized repair and the remaining require, mainly, lining.
- 94% of the manholes inspected were found to have one or more defects
- The number and severity of pipe defects indicates an expected increase in problems in pipes greater than 75 years old. Older pipes can be in good condition (and younger ones can be in poor condition), but at the 75 year mark, DC WASA can assume that more extensive and frequent inspection is needed.
- There are approximately 210 miles of sewers in stream valleys and about 12.3 miles of these sewers were found to need some type of repair.
- There are about 316,000 linear feet of sewers with some portion under buildings. Of those inspected, a preliminary list has been developed, and approximately 7,000 linear feet of sewers were found to have multiple and/or significant defects, warranting rehabilitation or replacement.

Key Recommendation of 2009 Sewer Facilities Plan: continue a two-pronged, parallel approach to the CIP program

- Implement identified projects resulting from ongoing system condition and needs assessment, and an increase in the continued annual sewer pipe renewal program.
- Based on a twenty-year planning outlook, this will require a \$1.2 billion increase (2008 dollars) in capital spending to address currently identified projects (\$536 million) and a sewer pipe renewal program (\$664 million).

The lifetime budget in this area has increased by more than \$400 million from last year's estimate and the proposed ten-year CIP has been increased by more than \$240 million to reflect these recommendations. Most of the increased spending planned in the sewer area begins in FY 2011 and averages more than \$40.0 million per year through FY 2018.

WATER

The lifetime budget for the Water Service Area (including Meter Replacement/AMR installation) is \$1.2 billion, an increase of \$192 million from last year's CIP. This is primarily driven by the increase of more than \$300 million associated with the Water Facility Plan Update that was completed in FY 2009, offset by a reduction of \$97 million from the Lead Service Line Replacement Program. This document provided the basis for a ramp up, beginning in FY 2010 with an increase of \$14.5 million, of the replacement of one percent of the water infrastructure per year.

Key Findings of the 2009 Water Facilities Plan Update:

- Major infrastructure – storage, pumping stations, and transmission mains can meet current and future water demands; however, continued investment in upgrades to major infrastructure elements is needed.
- Based on current water quality testing, DC WASA is fully compliant with water quality regulations; however, tuberculation, which is characteristic in old, unlined pipes, can result in discolored water, taste and odor problems, turbidity, low chlorine residual and increases in potential for biofilms.
- The current median age of small diameter water mains is 74 years old, and 180 miles of pipe are greater than 100 years old.
- Unlined cast iron pipe accounts for 740 miles. In 2008 dollars, this will require over \$2.6 billion to replace/rehabilitate.
- Currently, DC WASA is replacing small mains at a renewal rate of 0.35% per year or about 4 miles per year. This needs to be increased to a minimum replacement rate of 1% or about 11 miles per year at a cost of at least \$30 million annually.

Key Recommendations of 2009 Water Facilities Plan Update:

- Continue a two-pronged, parallel approach to the CIP program – implement identified projects resulting from ongoing system condition and needs assessment and increase and continue an annual water main renewal program. Based on a 20-year planning horizon, this will require over a \$900 million increase (2008 dollars) in capital spending to address currently identified projects (\$217 million) and a minimum recommended water main renewal (1% replacement/rehab) program (\$700 million).
- Plan work holistically, e.g., plan valve, fire hydrant and lead service replacements in conjunction with location-specific water main replacements as well as sewer needs and the work of outside agencies working in public space.

Another area worth noting is our current Automated Meter Reading (AMR) system. The batteries of these units are rapidly approaching the end of their useful life and the units will need to be replaced beginning in FY 2012. The total costs associated with this new program have not been completely identified in the ten-year CIP program at this time. This is due to the fact that the overlapping lives of the water meters and AMR units (residential meters accuracy begins to diminish after about 12 – 15 years) provide us with an opportunity to analyze the most cost effective manner in which to provide our customers with bills based on actual reads as well as ones that reflect actual usage. While this CIP includes over \$17 million over the next ten years for future meter replacement, the estimated costs may increase depending on the outcome of the analysis to replace both the meters and the AMR units.

WASHINGTON AQUEDUCT

The Washington Aqueduct (Aqueduct), managed by the U.S. Army Corps of Engineers, provides water, in wholesale, to DC WASA and its partners in Northern Virginia, Arlington County and Falls Church. DC WASA purchases approximately 75 percent of the water produced by the Aqueduct's two treatment facilities, the Dalecarlia and McMillan treatment plants, and thus is responsible for 75 percent of the Aqueduct's operating and capital costs. Under federal legislation and a memorandum of understanding enacted in 1997, DC WASA and its Northern Virginia partners have a much greater role in oversight of the Aqueduct's operations and its capital improvement program.

The proposed lifetime budget for DC WASA's share of Washington Aqueduct projects totals \$186.6 million or \$9.8 million less than last year's ten-year plan of \$196.4 million.

CAPITAL EQUIPMENT

DC WASA's Capital Equipment budget totals approximately \$98.5 million for FY 2009 – FY 2018 plan, a decrease of approximately \$6 million compared to the last ten-year plan. Almost fifty-five percent of spending in the capital equipment area continues to be on major information technology projects, including the document management system (budget of \$2 million) and the asset management system (budget of \$6.2 million). DC WASA continues its commitment to scheduled replacement of its vehicle fleet with a budget of \$13.7 million, representing almost fourteen percent of the ten-year plan. Finally, maintenance of large equipment totals \$11.8 million, or twelve percent of the ten-year plan. Other equipment including hydrant and valve equipment necessary for the maintenance of the District's public fire system totals \$10.9 million, or eleven percent of the ten-year plan.

The revised FY 2010 budget at \$15.6 million is \$0.17 million lower than the FY 2010 approved budget. This variance is primarily attributable to decreases in disbursement budgets for the Maintenance, Wastewater, Facilities, and the Sewer Services departments. These were partly offset by the increased disbursements across other departments, namely, Information Technology and Fleet Management.

CIP DEVELOPMENT AND APPROVAL PROCESS

DC WASA's capital budget review process begins each year in the Spring, as part of both our capital and operating budget review process. This process includes a review of major accomplishments, priorities, status of major projects and emerging regulatory and related issues impacting the capital program. Projections of changes in project lifetime budgets are also included. The review process involves the DC WASA departments with responsibility for managing the capital projects as well as finance and budget staff and executive management. The CIP is integrated into DC WASA's ten-year financial plan; because of its size, it is the primary driver of DC WASA's projected rate increases over the current ten-year planning period.

This review process lasts over several months and culminates with the presentation of the updated CIP to DC WASA's Board of Directors' Environmental Quality & Operations, Retail Services and Finance and Budget Committees in October. The Committees complete their review from October through December. The operating budgets, capital improvement program, and ten-year financial plan are then forwarded to the full Board for its consideration in late winter; usually January. This year, the Board delayed final review and adoption of a new budget until February due to the extraordinary regional economic challenges and rigorous re-investment requirements necessary to maintain safe, reliable services.

After adoption by the Board of Directors, DC WASA is required to submit its annual operating and capital budgets to the Mayor and the District of Columbia Council for its review and comment; however, neither has power to change DC WASA's annual budgets. Final operating and capital budget numbers, along with the capital authority request will be forwarded to the District for inclusion in the District of Columbia's budget submission to Congress. DC WASA's request for capital authority is ultimately made to and approved by the U.S. Congress.

DISBURSEMENTS AND PROJECT LIFETIME BUDGETS

As in the past, we have presented the CIP on both a project lifetime basis and cash disbursement basis. During the CIP review process, we perform an extensive review of the total project, or "lifetime" budgets, which also reflect historical spending prior to the current ten-year period, projected spending beyond the current ten-year period and project contingencies. Project lifetime budgets are our primary area of focus in budget development and day-to-day monitoring. In addition to lifetime budgets, we also develop cash disbursements forecast. Actual cash disbursements are critical to forecasting the anticipated level of rate increases and the amount and timing of capital financings. While cash disbursements are a function of project lifetime budgets, they reflect a more realistic projection of actual "cash out the door" excluding contingencies and taking into account historical and projected completion rates.

As in prior years, the budget document includes a comparison of this year's vs. last year's lifetime project budgets by program area for the Board's review. Changes have been made to some of the project lifetime budgets approved from last year due to a change in project scope, engineering cost estimates, site changes and other related issues. In addition, some projects are either closed or dropped from the CIP. Projects for which all activities have been completed during a given fiscal year are listed as 'Closed' during that fiscal year; these same projects are, then, listed as 'Dropped' in the immediately following fiscal year.

CAPITAL AUTHORITY

As part of DC WASA's enabling legislation, Congressional appropriation authority is required before any capital design or construction contract can be entered into. The FY 2011 request totals \$382.3 million, and reflects the following:

- Remaining authority from prior years' appropriations;
- Projected commitments in FY 2010 and FY 2011;
- Planned FY 2012 and FY 2013 commitments, to ensure adequate authority exists, in the event that any projects are accelerated.

Due to the timing of the Congressional appropriations process, authority requests must be made well in advance of commitment execution. Including projected FY 2012 and FY 2013 commitments (a 24-month 'look ahead') allows us adequate flexibility to continue with contract commitments in the event that the U.S Congress delays budget approval and allows us to quickly accelerate or reprioritize projects into earlier years as approved by the Board. While this gives us flexibility to reprioritize projects, it should be noted that such changes and execution of any contract still require General Manager's approval, with major projects and contracts requiring Board approval.

MAJOR ASSUMPTIONS

Inflation: All project costs are typically inflated at three percent annually to the mid-point of construction.

Contingency: DC WASA capital projects include project contingencies ranging from five to fifteen percent, based on the size of the project.

PROJECT PAGES

This document contains individual sections for each of DC WASA's seven service areas. Each service area is made up of specific projects. Within each service area section in this document, there are individual project sheets for each current capital project in that section. The capital project sheets contain general information for each project. The following information is included:

Service Area Title – currently, there are seven defined project service areas in DC WASA's CIP. The seven service areas include: Wastewater Treatment, Combined Sewer Overflow/LTCP, Stormwater, Sanitary Sewer, Water, Washington Aqueduct and Capital Equipment. The service area categorization groups together similar projects based on facility location and type of work being done in the project. Congressional capital authority is requested at this level.

Program Title – is a further categorization within the Service Area and groups projects by type of process. For example, in the Wastewater Treatment Service Area, there are three programs: Liquid Processing, Plantwide projects and Solids Processing.

Activity Group/Project Title – The activity group is the level at which DC WASA manages and monitors projects, including in the financial system and project management system. The project title reflects the descriptive name given to the project.

Service Area Manager – lists which department or organization manages the project. The majority of the projects in DC WASA's CIP are managed by an internal DC WASA operating department. DC WASA's CIP also includes some projects which are managed by outside organizations. It is advantageous for DC WASA to coordinate some of its capital work on the water and sewer infrastructure with the District's Department of Transportation (DDOT). The funding required for DC WASA's work is included in the CIP, but those projects are managed by DDOT. Approximately 75 percent of the Washington Aqueduct's capital program is funded by DC WASA, but the U.S. Army Corps of Engineers actually manages those projects.

Priority – DC WASA engages in and prioritizes capital projects based on specific criteria. A project comprises of one or more jobs which, in turn, have individual priorities. The Priority mentioned on the capital project-sheets (listed in different sections of this book) is the one that has the largest budgeted dollars associated with it. The following is a list of definitions of the priorities shown on the individual project sheets:

1A. Court Ordered, Stipulated Agreements, Etc.

These are the projects that are undertaken to comply with court orders, stipulated agreements, regulatory issues, and the National Pollutant Discharge Elimination Permit (NPDES).

2A. Health Safety

These are projects that are required to eliminate or mitigate impact on public health or safety. These projects are also required to ensure that there is no failure to comply with DC WASA's NPDES permit requirements.

2B. Board Policy, DC WASA's commitment to outside agencies

These are projects that are undertaken to comply with a policy that the Board may adopt as a result of its commitment to outside Agencies.

2C. Potential Failure/Ability to continue meeting permit requirement

These are projects that are undertaken to construct or rehabilitate Facilities or Equipment that is in danger of failing, and that such failure may potentially endanger DC WASA's ability to continue meeting permit requirements.

2D. High Profile, Good Neighbor Policy

These are projects that are undertaken to remediate concerns expressed by Citizens or Public Officials.

3A. Good Engineering, High pay back, Mission / Function

This category includes projects that are needed for rehabilitation and upgrading of facilities and infrastructure required for DC WASA to fulfill its mission and function, as well as projects needed to resolve operational issues and inefficiencies. This category also recognizes cost savings in operation and maintenance.

3B. Good Engineering, Low, M&F over long term

This category includes projects that are needed for rehabilitation and upgrading of facilities and infrastructure, but have a lower priority than projects in 3A above, yet help DC WASA to fulfill its mission over the long term.

Project Description – general description of the work to be done within the project.

Impact on Operations – describes the anticipated impact on DC WASA's operations when the project is completed.

Design / Construction / Project Completion Dates— anticipated dates are shown.

Funding by User – lists the anticipated project funding, by source and is based on the current Intermunicipal Agreement (IMA) and anticipates EPA funding where grants have been previously approved or in anticipation of that approval.

Lifetime Budget – the full project budget is approved and reviewed each year by DC WASA's Board of Directors. Proposed increases or decreases to the total project life budget are shown, if applicable. Lifetime budgets for program management have been reduced, and project budgets increased, to reflect the allocation of costs for program management services at the conclusion of the prior fiscal year.

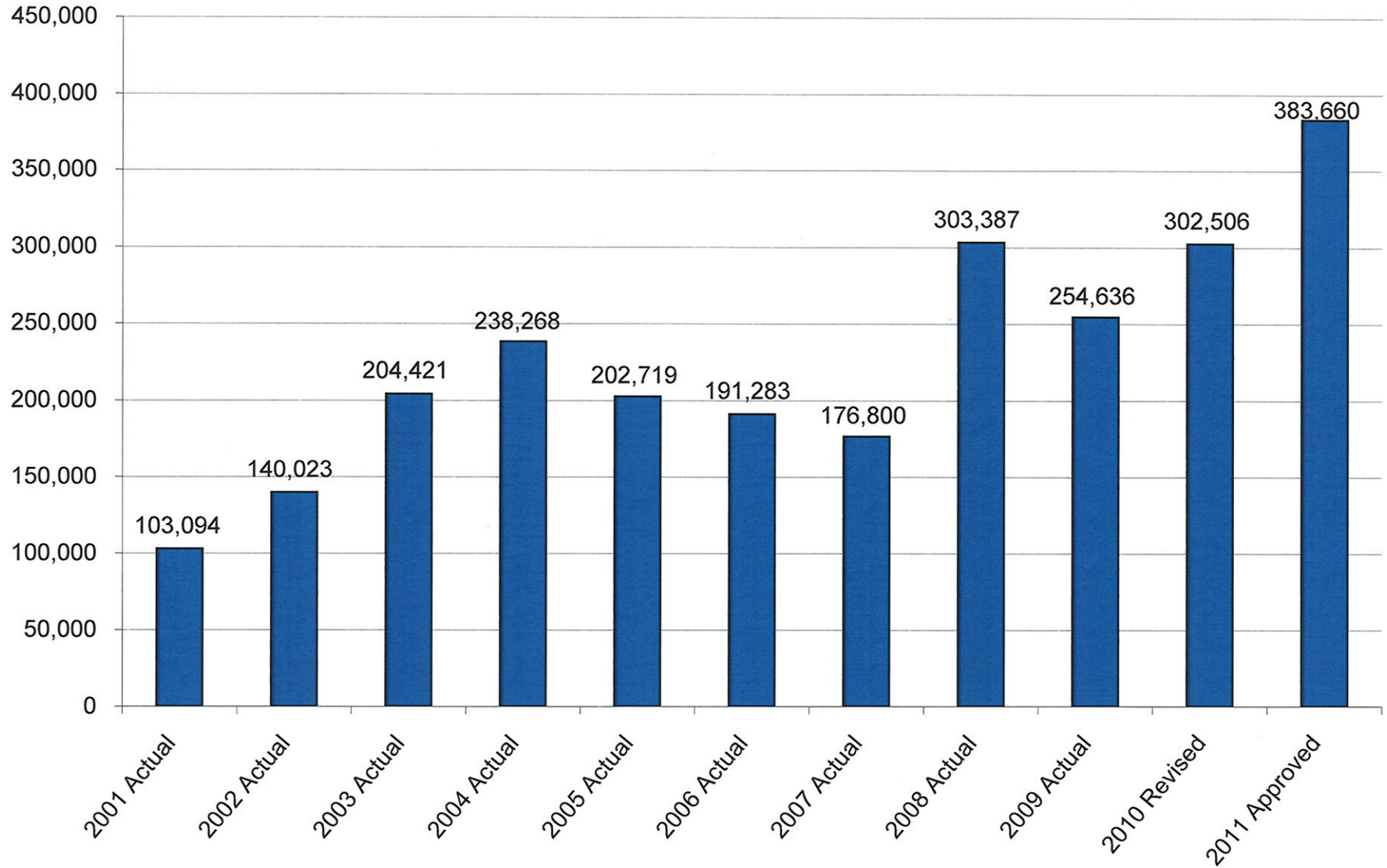
Disbursements/Commitments Budgets – projected disbursements and commitments for various projects are shown by fiscal year in which they are anticipated. Commitments budgets are based on total project budgets, which reflect the fully loaded, anticipated costs of a project, including project contingencies. Contingencies are not included when calculating disbursement budgets.

CAPITALIZATION POLICY

DC WASA's capitalization policy determines how expenditures will be recognized and accounted for. Because we also match the financing to the projected useful life of the item, it also determines how projects will be financed. The following guidelines are used to categorize items as capital, capital equipment or operating (maintenance):

- Maintenance related items – are routine, cost under \$5,000, and do not extend the life of the item more than 3 years.
- Capital Equipment – has a life of at least 3 years, a cost exceeding \$5,000 and is financed with short-term debt or cash.
- Capital Project – has a long life (average of 30 years), a minimum cost of \$500,000, and is financed with 30-year bonds.

Historical and Projected Capital Spending FY 2001 - FY 2011 (\$ in 000's)

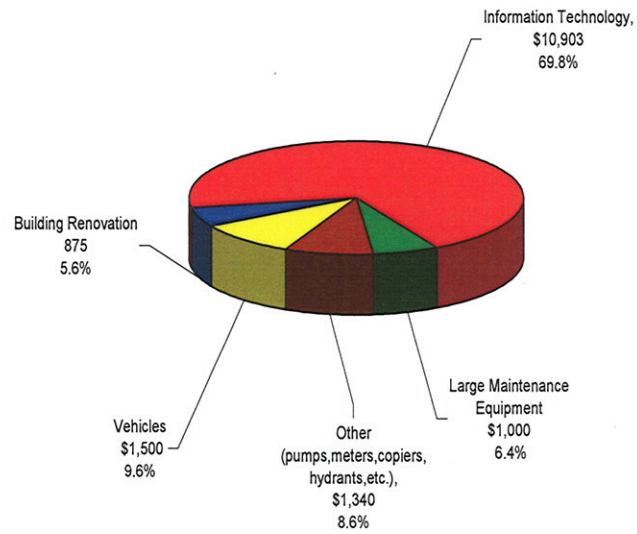


FY 2009 - FY 2018 PROJECTED CAPITAL IMPROVEMENT PLAN - DISBURSEMENTS BASIS (\$ in 000's)

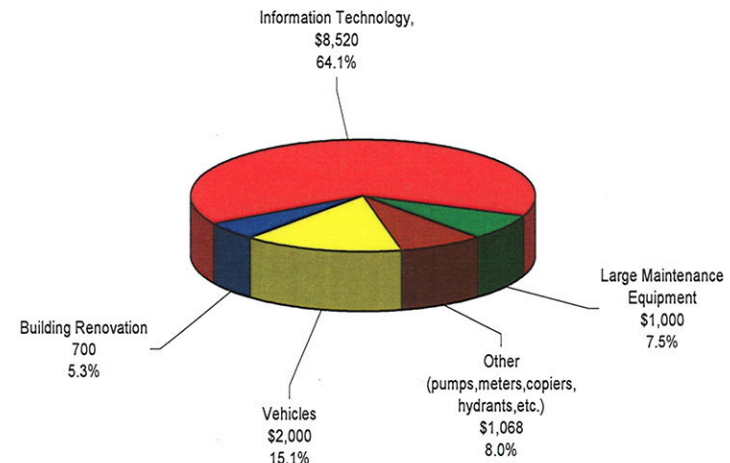
	FY 2009 Actuals	FY 2010 Revised	FY 2011 Approved	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	Total FY '09 -'18
Wastewater Treatment											
Liquid Processing Projects	\$67,598	\$43,970	\$22,774	\$37,428	\$12,820	\$7,241	\$1,623	\$1,755	\$1,540	\$1,594	\$198,342
Plantwide Projects	12,344	18,932	25,702	17,102	16,970	11,084	3,073	6,668	4,914	10,326	127,116
Solids Processing Projects	11,694	33,153	67,674	174,020	144,672	31,926	6,226	6,536	1,248	161	477,310
BTN - Total Nitrogen Program	10,617	19,431	87,929	136,980	160,751	77,864	69,331	98,306	77,728	31,043	769,978
Sub-total	102,253	115,486	204,079	365,530	335,213	128,115	80,253	113,264	85,430	43,124	1,572,746
Sanitary Sewer											
Sanitary Collection Sewers	61	441	3,265	4,883	11,217	10,345	3,792	4,733	6,867	8,754	54,357
Sanitary On-Going Projects	9,222	7,369	10,508	9,226	7,429	7,566	7,814	8,032	8,242	8,512	83,920
Sanitary Pumping Facilities	7,759	3,371	1,012	813	530	530	-	-	-	-	14,014
Sanitary Sewer Projects Program Management	2,541	3,698	4,083	3,627	4,299	5,353	5,171	5,312	5,968	6,911	46,964
Sanitary Interceptor/Trunk Force Sewers	1,958	3,714	28,717	18,105	20,786	31,837	27,511	21,828	22,510	19,336	196,302
Sub-total	21,541	18,593	47,584	36,654	44,260	55,631	44,288	39,904	43,587	43,513	395,557
Combined Sewer Overflow / Long Term Control Plan											
CSO Program Management	1,164	3,067	3,333	2,348	2,026	2,464	1,976	1,666	1,787	2,441	22,272
Combined Sewer Projects:Nine Minimum Controls	19,007	46,986	14,444	4,544	1,521	482	8	-	-	-	86,992
Combined Sewer Projects:Others	338	2,337	7,598	10,629	14,177	7,797	13,208	30,744	22,392	14,249	123,469
Long-Term Control Plan-											
Anacostia Tunnel	10,402	21,977	27,753	74,638	146,131	97,909	107,881	133,962	141,825	61,346	823,824
Potomac Tunnel	-	-	-	-	-	-	1,619	5,381	5,484	9,187	21,671
Rock Creek Tunnel	-	-	-	-	-	-	-	243	808	837	1,888
Sub-total	30,911	74,367	53,128	92,159	163,855	108,652	124,692	171,996	172,296	88,060	1,080,116
Stormwater											
Stormwater Local Drainage	-	64	1,047	401	309	494	692	830	916	955	5,708
Stormwater On-Going Program	207	506	445	278	283	297	308	359	326	338	3,347
Stormwater Pumping Facilities	-	-	-	-	-	-	-	-	-	-	-
DDOT Stormwater Program	-	49	140	86	88	92	193	110	90	99	946
Stormwater Research and Program Management	1,105	1,023	793	257	229	278	223	187	196	267	4,558
Stormwater Trunk/Force Sewers	66	479	1,174	2,467	1,860	930	5	-	-	-	6,980
Sub-total	1,378	2,122	3,600	3,488	2,770	2,091	1,420	1,487	1,527	1,658	21,539
Water											
Water Distribution Systems	33,065	33,574	25,185	24,193	26,558	31,177	27,345	26,497	34,110	35,886	297,590
Water On-Going Projects	10,394	6,301	5,183	2,876	3,211	3,552	3,635	3,833	4,950	4,109	48,043
Water Pumping Facilities	5,505	7,293	8,952	8,755	3,981	1,018	237	1,776	5,107	3,805	46,430
DDOT Water Projects	705	2,381	2,243	1,189	1,188	1,248	1,290	1,284	1,323	1,386	14,238
Water Storage Facilities	716	144	1,611	1,425	5,830	10,915	6,609	814	2,616	3,165	33,845
Water Projects Program Management	2,663	2,657	3,248	3,092	3,080	3,109	3,953	3,851	3,845	3,897	33,394
Water Lead Program	10,470	11,461	4,141	4,751	5,494	5,816	5,603	5,511	5,658	5,555	64,461
Meter Replacement /AMR Installation	2,556	1,876	3,498	1,294	1,301	1,309	1,317	1,326	1,334	1,467	17,278
Sub-total	66,074	65,688	54,060	47,576	50,643	58,145	49,989	44,892	58,941	59,270	555,279
Washington Aqueduct	18,596	10,634	7,920	7,500	8,055	8,023	8,000	8,000	8,000	8,000	92,728
Capital Equipment	13,883	15,618	13,288	12,638	8,097	6,795	7,175	6,928	6,953	7,172	98,546
Total FY 2011 WASA Capital Improvement Program	\$254,636	\$302,508	\$383,659	\$565,545	\$612,893	\$367,452	\$315,817	\$386,471	\$376,734	\$250,797	\$3,816,511

CAPITAL EQUIPMENT DISBURSEMENTS BY MAJOR EXPENDITURE CATEGORIES
FY 2010 Revised vs. FY 2011 Approved
 (\$ in 000's)

2010 Revised



FY 2011 Approved



FY 2010 Revised = \$15,618
 FY 2011 Approved = \$13,288

FY 2009 - FY 2018 Capital Equipment Disbursements
(\$ in 000's)

Equipment Type	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY '09 - FY	
	Actuals	Revised	Proposed								'18	
											Total	
<u>Wastewater Treatment</u>												
Safety Equipment	\$0	\$15	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$15
General Equipment	-	16	-	-	-	-	-	-	-	-	-	16
Lab Equipment	-	23	30	30	30	30	30	30	30	30	30	263
Metering & Recording Devices	-	9	-	-	-	-	-	-	-	-	-	9
Total	\$0	\$62	\$30	\$30	\$30	\$30	\$30	\$30	\$30	\$30	\$30	\$302
<u>Water Services</u>												
Water Service Replacement	\$328	\$400	\$260	\$260	\$260	\$260	\$260	\$260	\$260	\$260	\$260	\$2,808
System Valve Replacements	144	270	225	225	225	225	225	225	225	225	225	2,214
Fire Hydrant Replacements	258	290	300	300	300	300	300	300	300	300	300	2,948
Total	\$730	\$960	\$785	\$785	\$785	\$785	\$785	\$785	\$785	\$785	\$785	\$7,970
<u>Sewer Services</u>												
Sewer Pipes/Fittings	\$20	\$30	\$30	\$30	\$30	\$30	\$30	\$30	\$30	\$30	\$30	\$290
Manhole Covers/Frames	22	33	33	33	33	33	33	33	33	33	33	319
Regulator and Gate Rehabilitation	7	10	10	10	10	10	10	10	10	10	10	97
Sewer Cleaning and Repair Equipment	37	55	55	55	55	55	55	55	55	55	55	532
Portable Pumps	20	30	20	20	20	20	75	20	20	20	20	265
Flow Meters/Sensor Replacements	33	50	75	75	75	100	100	100	100	100	100	808
Catch Basin Tops/Frames/Covers	20	\$60	30	30	30	30	30	30	30	30	30	320
Total	\$158	\$268	\$253	\$253	\$253	\$278	\$333	\$278	\$278	\$278	\$278	\$2,630
<u>Fleet Management</u>												
Vehicles	\$2,500	\$1,500	\$2,000	\$1,100	\$1,100	\$1,100	\$1,100	\$1,100	\$1,100	\$1,100	\$1,100	\$13,699
Total	\$2,500	\$1,500	\$2,000	\$1,100	\$1,100	\$1,100	\$1,100	\$1,100	\$1,100	\$1,100	\$1,100	\$13,699
<u>Safety and Security</u>												
Modular Hazardous Mat. Storage Bldg.	-	\$50	-	-	-	-	-	-	-	-	-	\$50
Total	\$0	\$50	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$50
<u>Facilities</u>												
HVAC at Various Locations	\$60	\$225	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$1,085
Photocopier Purchase	265	100	200	600	200	200	200	200	200	200	500	2,665

FY 2009 - FY 2018 Capital Equipment Disbursements
(\$ in 000's)

Equipment Type	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY '09 - FY
	Actuals	Revised	Proposed								'18
WASA-wide fire suppress/detecti	302	25	75	75	75	75	75	75	75	75	927
Plumbing at Various Locations	251	50	25	25	25	25	25	25	25	25	501
Furniture and Fixtures	94	200	150	200	150	150	150	150	150	150	1,544
Facilities Improvements	125	200	150	200	150	150	150	150	150	150	1,575
Rollup Doors	63	50	-	-	-	-	-	-	-	-	113
WASA-wide Fencing	16	25	-	-	-	-	-	-	-	-	41
Total	1,176	875	700	1,200	700	700	700	700	\$700	1,000	8,451

Information Technology

Desktop Replacements	\$627	\$610	\$550	\$550	\$559	\$672	\$562	\$565	\$550	\$559	\$5,804
Cable Renewal	144	175	175	150	150	150	150	150	150	150	1,544
Telephone System Renewal/Repl	737	308	100	100	100	100	100	100	100	100	1,845
Software Applications/Licenses	200	225	200	130	130	130	130	130	130	130	1,535
Messaging Services	15	50	225	10	10	50	225	10	10	50	655
Windows 2003 Migration/ Upgrad	11	180	30	30	30	30	30	30	30	30	431
Radios	-	610	900	30	30	30	30	30	30	30	1,720
Redundant Data Center	192	435	60	60	500	200	60	60	500	200	2,267
Network System Renewal	472	600	815	815	600	600	600	765	600	600	6,467
Audio Visual System - IT	50	70	60	60	25	30	60	25	30	60	470
Interactive Voice Response	69	50	60	20	20	20	20	20	20	20	319
EMAP Phases I and II	31	163	-	-	-	-	-	-	-	-	194
SQL Upgrade	119	130	175	10	10	10	10	10	10	10	494
Enterprise File System Archiving	-	100	10	10	250	150	10	10	150	10	700
Network Storage System Renewa	650	163	75	125	125	125	425	525	125	125	2,463
ERP System	-	500	1,000	2,450	-	-	-	-	-	-	3,950
Succession Planning	-	50	30	30	-	-	-	-	-	-	110
AMR Enhancements	75	500	50	200	50	50	50	50	50	50	1,125
E Contract/Procurement Mgt Syst	0	100	100	200	-	-	-	-	-	-	400
Network Systems Security	34	75	50	50	30	30	50	30	50	30	429
Intranet	60	189	75	75	75	75	75	75	75	75	849
Handheld Inventory	29	150	50	50	50	50	50	50	50	50	579
Enterprise Backup Solution	100	100	350	450	100	100	100	100	100	100	1,600
Video Conferencing	0	10	10	10	10	10	200	10	10	10	280
Field Services Mgmt System (Aut	500	500	500	600	685	50	50	50	50	50	3,035
Web-Site Development	199	290	125	125	75	75	75	75	75	75	1,189
Financial Management System	261	545	-	-	-	-	-	-	-	-	806
Customer Information & Billing Sy	257	360	100	100	-	-	-	-	-	-	817
Payroll/HR System	-	115	30	30	30	30	30	30	30	30	355
Document Management System	489	650	513	300	50	50	50	50	50	50	2,252

FY 2009 - FY 2018 Capital Equipment Disbursements
(\$ in 000's)

Equipment Type	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY '09 - FY
	Actuals	Revised	Proposed								'18
											Total
Asset Management System (Maximo +GIS)	1,194	1,300	1,502	1,300	535	85	85	85	85	85	6,256
Fleet Management System	-	100	-	-	-	-	-	-	-	-	100
Automated Security - Visitor Access System	-	100	-	-	-	-	-	-	-	-	100
Web EOC	-	50	50	-	-	-	-	-	-	-	100
Oracle Upgrade	-	40	200	200	-	-	-	-	-	-	440
AutoCAD	-	20	-	-	-	-	-	-	-	-	20
AutoCAD Lite	-	20	-	-	-	-	-	-	-	-	20
CIP Planner	-	510	-	-	-	-	-	-	-	-	510
Sewer and Water Gem	-	45	-	-	-	-	-	-	-	-	45
IBM Watson Research	-	150	-	-	-	-	-	-	-	-	150
Optimization- Pilot: Daily Fleet Operations	-	300	100	-	-	-	-	-	-	-	400
Water and Sewer SCADA	-	100	100	-	-	-	-	-	-	300	500
Board e-book	-	60	-	-	-	-	-	-	-	-	60
Permits Relocation	-	105	-	-	-	-	-	-	-	-	105
Energy Management	-	-	150	-	-	-	-	-	-	-	150
Total	\$ 6,517	\$10,903	\$ 8,520	\$ 8,270	\$ 4,229	\$ 2,902	\$ 3,227	\$ 3,035	\$ 3,060	\$ 2,979	\$ 53,643
<u>Maintenance Services</u>											
Shop Equipment and Plant Lighting	\$49	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$49
Major Pump Rebuild/Replacement	1,000	500	300	300	300	300	300	300	300	300	3,900
Large Electric Motors	407	300	200	200	200	200	200	200	200	200	2,307
High Priority Rehab Program	746	-	-	-	-	-	-	-	-	-	746
Centrifuge Rebuild / Replace	600	-	-	-	-	-	-	-	-	-	600
Total	\$2,802	\$800	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$7,602
<u>Sewer and Water Pumping</u>											
Major Pump Rebuild/Replacement	\$0	\$0	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$2,400
Large Electric Motors	-	200	200	200	200	200	200	200	200	200	1,800
	\$0	\$200	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$4,200
Total Capital Equipment	\$13,883	\$15,618	\$13,288	\$12,638	\$8,097	\$6,795	\$7,175	\$6,928	\$6,953	\$7,172	\$98,546

FY 2009 - FY 2018 Capital Improvement Plan

Project Lifetime Budgets by Program Area (\$ 000's)

	FY 2010 Approved	FY 2010 Revised / FY 2011 Approved	Variance
<u>Wastewater Treatment</u>			
Liquid Processing Projects	573,746	588,541	14,795
Plantwide Projects	259,325	339,356	80,031
Solids Processing Projects	664,612	689,665	25,053
Blue Plains Total Nitrogen Removal (BTN)	950,000	977,333	27,333
Sub-total	2,447,683	2,594,895	147,212
<u>Sanitary Sewer</u>			
Sanitary Collection Sewers	10,966	115,686	104,720
Sanitary On-Going Projects	89,295	129,867	40,572
Sanitary Pumping Facilities	22,999	25,898	2,899
Sanitary Sewer Projects Program Management	39,045	100,235	61,190
Sanitary Interceptor/Trunk Force Sewers	125,666	328,671	203,005
Sub-total	287,971	700,357	412,386
<u>Combined Sewer Overflow</u>			
CSO Program Management	24,199	55,239	31,040
Combined Sewer Projects	383,097	478,663	95,566
Long-Term Control Plan- Total			
Anacostia Tunnel	1,372,545	1,673,325	300,780
Potomac Tunnel	418,700	418,700	-
Rock Creek Tunnel	70,342	70,342	-
Sub-total	2,268,883	2,696,269	427,386
<u>Stormwater</u>			
Stormwater Extensions/Local Drainage	4,026	15,799	11,773
Stormwater On-Going Program	8,093	8,863	770
Stormwater Pumping Facilities	1,173	0	(1,173)
DDOT Stormwater Program	4,631	4,846	215
Stormwater Projects Program Management	7,630	10,630	3,000
Stormwater Trunk/Force Sewers	18,405	18,605	200
Sub-total	43,958	58,743	14,785

FY 2009 - FY 2018 Capital Improvement Plan

Project Lifetime Budgets by Program Area (\$ 000's)

	FY 2010 Approved	FY 2010 Revised / FY 2011 Approved	Variance
<u>Water</u>			
Water Distribution Systems	369,634	618,425	248,791
Water Lead Program	297,000	200,000	(97,000)
Water On-Going Projects	74,158	68,432	(5,726)
Water Pumping Facilities	116,143	133,342	17,199
DDOT Water Projects	37,111	39,222	2,111
Water Storage Facilities	33,999	49,562	15,563
Water Projects Program Management	23,342	51,107	27,765
Meter Replacement /AMR Installation	59,638	42,833	(16,805)
Sub-total	1,011,025	1,202,923	191,898
Washington Aqueduct	196,474	186,634	(9,840)
Capital Equipment	104,633	98,546	(6,087)
Total WASA CIP Lifetime (see notes)	6,360,627	7,538,367	1,177,740

Notes:

1 Lifetime budgets shown here represent total budgets for projects that are active during the current 10-year CIP. Lifetime budgets include historical spending prior to the beginning of the current 10-year plan, spending during the 10-year plan, and projected spending beyond the current 10-year plan. Projects completed in FY 2009 will be dropped from the CIP next year.

2 These budgets do not include inhouse labor costs, which historically have averaged \$7 to \$8 million annually and are applicable to, primarily, the time charged to capital projects by employees in the Departments of Engineering, Sewer Services, and Water Services.

Fiscal Year 2011 Capital Authority Request
(\$ 000's)

<u>Service Areas</u>	<u>Fiscal Year 2011 Capital Authority Request</u>
Blue Plains Wastewater Treatment	\$22,968
Sanitary Sewer System	142,591
Combined Sewer Overflow	201,666
Stormwater	4,328
Water System ¹	0
Washington Aqueduct (WASA share)	5,108
Capital Equipment	<u>5,606</u>
Total	<u>\$382,267</u>

¹ The authority request is zero, as, existing (currently available) capital authority in this service area is in excess of projected commitments in FY 2010, FY 2011, FY 2012 and FY 2013.

District of Columbia Water and Sewer Authority
OPERATING BUDGETS
REVISED FY 2010 and APPROVED FY 2011



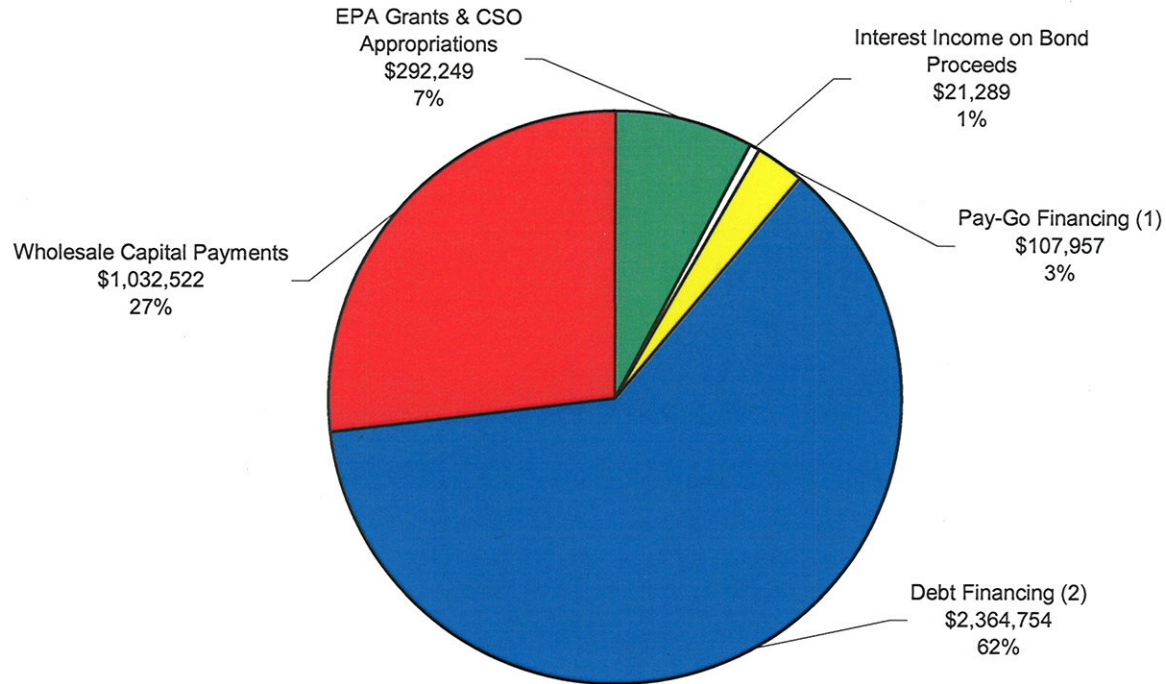
Section VII

CAPITAL FINANCING, CASH & DEBT

DC WASA continues to help protect and sustain the health of our local waterways by operating skimmer boats, which capture and remove an average of 400 tons of trash and debris annually from the Anacostia and Potomac rivers.



FY 2009 - 2018 CAPITAL IMPROVEMENT PROGRAM
Sources of Funds
(In \$000's)



(1) Pay-go financing is any funds available after funding the greater of 120 day or \$125.5 million operating and maintenance reserve, approximately \$125.5 million in FY 2010. This will reduce the amount of new debt issuance.

(2) Debt financing refers to the borrowing of funds through revenue bonds, commercial paper and other short-term notes.

CAPITAL IMPROVEMENT PROGRAM
FY 2009 - 2011
SOURCES & USES
(In \$000's)

SOURCES	FY 2009 Actual	FY 2010 Revised	FY 2011 Approved
Commercial Paper / New Debt Proceeds (1)	\$ 151,974	\$ 155,829	\$ 175,025
Capital Equipment (2)	-	15,618	13,288
Pay-Go Financing (3)	15,338	654	1,793
EPA Grants	17,656	19,040	31,040
CSO Appropriations (4)	7,379	22,735	17,488
Wholesale Customer Capital Payments	62,138	88,003	143,610
Interest Income	152	629	1,414
TOTAL SOURCES	\$ 254,637	\$ 302,508	\$ 383,659
USES			
Water Projects	\$ 63,518	\$ 63,812	\$ 50,562
Blue Plains Projects	102,253	115,486	204,079
Sanitary Sewer Projects	21,541	18,593	47,584
Combined Sewer & LTCP Projects	30,911	74,367	53,128
Stormwater Projects	1,378	2,122	3,600
Washington Aqueduct	18,597	10,634	7,920
Capital Equipment	13,883	15,618	13,288
Meter Replacement AMR	2,556	1,876	3,498
TOTAL USES	\$ 254,637	\$ 302,508	\$ 383,659

- (1) Use the remaining balance of the 2009A bond proceeds in 3rd quarter FY 2010 and draw down commercial paper 4th quarter FY 2010
- (2) Use short term notes to finance the Capital Equipment and Washington Aqueduct FY 2010 and 2011.
- (3) Pay-go financing is cash available after meeting the six month operating reserve requirement, which totals \$125.4 million in FY 2010.
- (4) Reflects spend down of a portion of already-received FY 2003 - FY 2009 Congressional appropriations for the CSO LTCP.

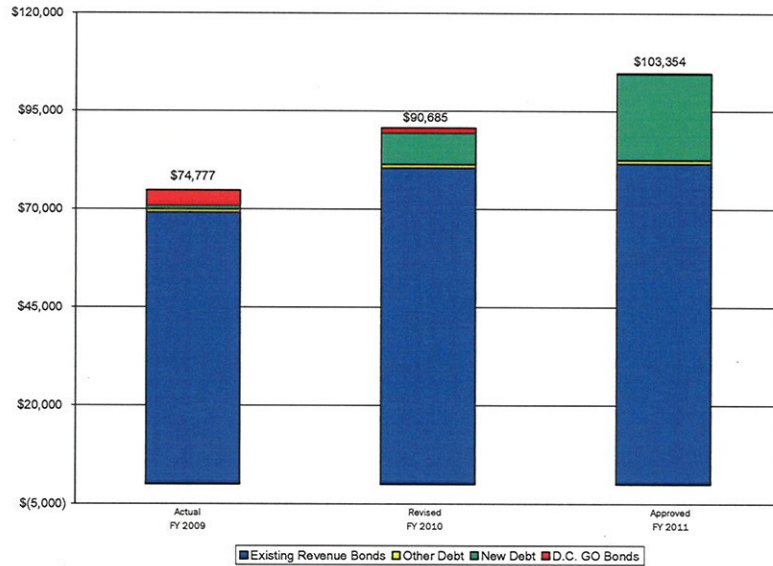
CASH RESERVES SUMMARY

(In \$000's)

	FY 2009 Actual	FY 2010 Approved Budget	FY 2010 Revised Budget	FY 2011 Approved Budget
Beginning O&M Reserve Balance (Net of Rate Stabilization Fund)	\$ 139,050	\$ 131,188	\$ 131,298	\$ 125,500
Operating Surplus	13,791	9,199	883	(526)
Wholesale Customer Refunds/Payments for Prior Years	4,483	-	(3,511)	(53)
Transfer to Rate Stabilization Fund (1)	(10,000)	-	(2,000)	-
Prior Year Right of Way Payment	-	-	-	-
Prior Year Federal Billing Reconciliation	(982)	(838)	(839)	1,669
Prepayment of Aqueduct Treasury Loans	294	918	323	703
Pay-As-You-Go Capital Financing	(15,338)	(2,387)	(654)	(1,793)
Ending O&M Reserve Balance (Net of Rate Stabilization Fund)	\$ 131,298	\$ 138,758	\$ 125,500	\$ 125,500
 Rate Stabilization Fund	 \$ 28,600	 \$ 4,000	 \$ 2,600	 \$ -

MAJOR HIGHLIGHTS & ISSUES IN DEBT IN FY 2009 - 2011

**DEBT SERVICE
FY 2009 – 2011
(In \$000's)**



DEBT SERVICE

Debt service is the fastest growing area of the operating budget due to DC WASA's \$3.8 billion CIP (cash disbursements basis).

- FY 2010 revised debt service is \$15.9 million higher than FY 2009 actual debt service due to full year debt service payments on Series 2009A.
- Assumes increasing commercial paper program to a minimum of \$200 million
- FY 2011 approved debt service is \$12.7 million higher than FY 2010 revised primarily due to planned issuance of new debt.

CAPITAL FINANCING PLAN

DC WASA's comprehensive capital financing plan contains two key goals: 1) minimize DC WASA's cost of capital and 2) increase operational flexibility through:

- Interim financing
- Permanent bond financing
- Pay-go financing

INTEREST RATE ASSUMPTIONS

Future interest rate assumptions for ten year plan purposes are:

- Variable rate
 - 3.25% (FY 2010) and 1.75% (FY 2011) plus fees
- Fixed rate
 - 6.0% (FY 2010 and FY 2011) plus fees
- For appropriations purposes, higher interest rates are assumed, as discussed in Section IV.

BOND RATINGS

- Moody's Aa3 Stable Outlook
- Standard & Poor's AA Stable Outlook
- Fitch Ratings AA- Positive Outlook

	REVISED FY 2010			APPROVED FY 2011		
	Principal	Interest	Total	Principal	Interest	Total
Existing Revenue Bonds						
Series 1998 - Senior	9,955	13,416	23,371	10,500	12,868	23,368
Series 2003 - Subordinate	-	8,890	8,890	-	8,890	8,890
Series 2007A - Subordinate	-	11,351	11,351	-	11,351	11,351
Series 2008A - Subordinate	4,460	14,450	18,910	5,585	14,249	19,834
Series 2009A - Senior	1,775	16,176	17,951	2,020	16,123	18,143
Subtotal	16,190	64,282	80,472	18,105	63,481	81,586
District of Columbia GO Bonds	1,245	87	1,332	245	48	293
Other Debt						
Jennings Randolph	310	496	805	320	485	805
Little Seneca	37	12	48	39	9	48
Subtotal	346	507	853	359	494	853
Projected New Debt						
Capital Equipment	-	1,930	1,930	-	5,502	5,502
Commercial Paper	-	6,097	6,097	-	4,060	4,060
Bonds	-	-	-	-	11,059	11,059
Subtotal	-	8,028	8,028	-	20,621	20,621
Total	17,781	72,904	90,685	18,709	84,644	103,353

OUTSTANDING DEBT

DEBT OUTSTANDING AS OF SEPTEMBER 30, 2009

SENIOR DEBT	INTEREST RATES	FINAL MATURITY	AMOUNT OUTSTANDING
Public Utility Revenue Bonds, Series 1998	5.50% - 6.00%	2029	248,705
Public Utility Revenue Bonds, Series 2009A	3.00% - 6.00%	2039	300,000
TOTAL SENIOR DEBT			\$ 548,705
SUBORDINATE DEBT			
Public Utility Subordinated Lien Revenue Bonds, Series 2003	6.0% - 5.25%	2033	176,220
Public Utility Subordinated Lien Revenue Bonds, Series 2007A	4.75% - 5.50%	2042	218,715
Public Utility Subordinated Lien Taxable Revenue Bonds, Series 2008A	4.00% - 5.00%	2035	290,375
Notes Payable to the Federal Government for Jennings Randolph Reservoir	3.25%	2041	15,232
Notes Payable to WSSC for Little Seneca Reservoir	5.98% - 6.60%	2014	179
District of Columbia General Obligation Bonds	4.55% - 6.75%	2012	5,180
Commercial Paper, Series A-1 (taxable)	2.45% - 12.00%	2013	29,200
TOTAL SUBORDINATE DEBT			735,101
TOTAL DEBT OUTSTANDING			\$ 1,283,806

LEGAL DEBT LIMIT: DC WASA is not subject to any legal debt limitations.

PUBLIC UTILITY REVENUE BONDS (Senior Lien): Senior lien debt issued under DC WASA's master trust indenture; Series 1998 fixed rate debt, insured and rated Aaa/AAA/AAA. Series 2009A fixed rate debt issued without bond insurance and rated Aa3/AA-/AA.

PUBLIC UTILITY REVENUE BONDS (Subordinated Lien): Subordinate lien debt issued under DC WASA's master trust indenture; Series 2003, Series 2007A and Series 2008A. Each series is issued as fixed rate debt, insured and rated Aaa/AAA/AAA.

REFUNDING (Subordinated Lien): DC WASA refunded two subordinate series to date: 1) Series 2004 originally issued as auction rate securities and refunded by issuing Series 2008A, and 2) Series 2007B originally issued as taxable auction rate securities for improvements to the Washington Aqueduct was refunded by issuing Series A-1 taxable commercial paper in FY 2008. DC WASA will evaluate each new issuance to determine the most cost effective way to reduce the amount of taxable commercial paper.

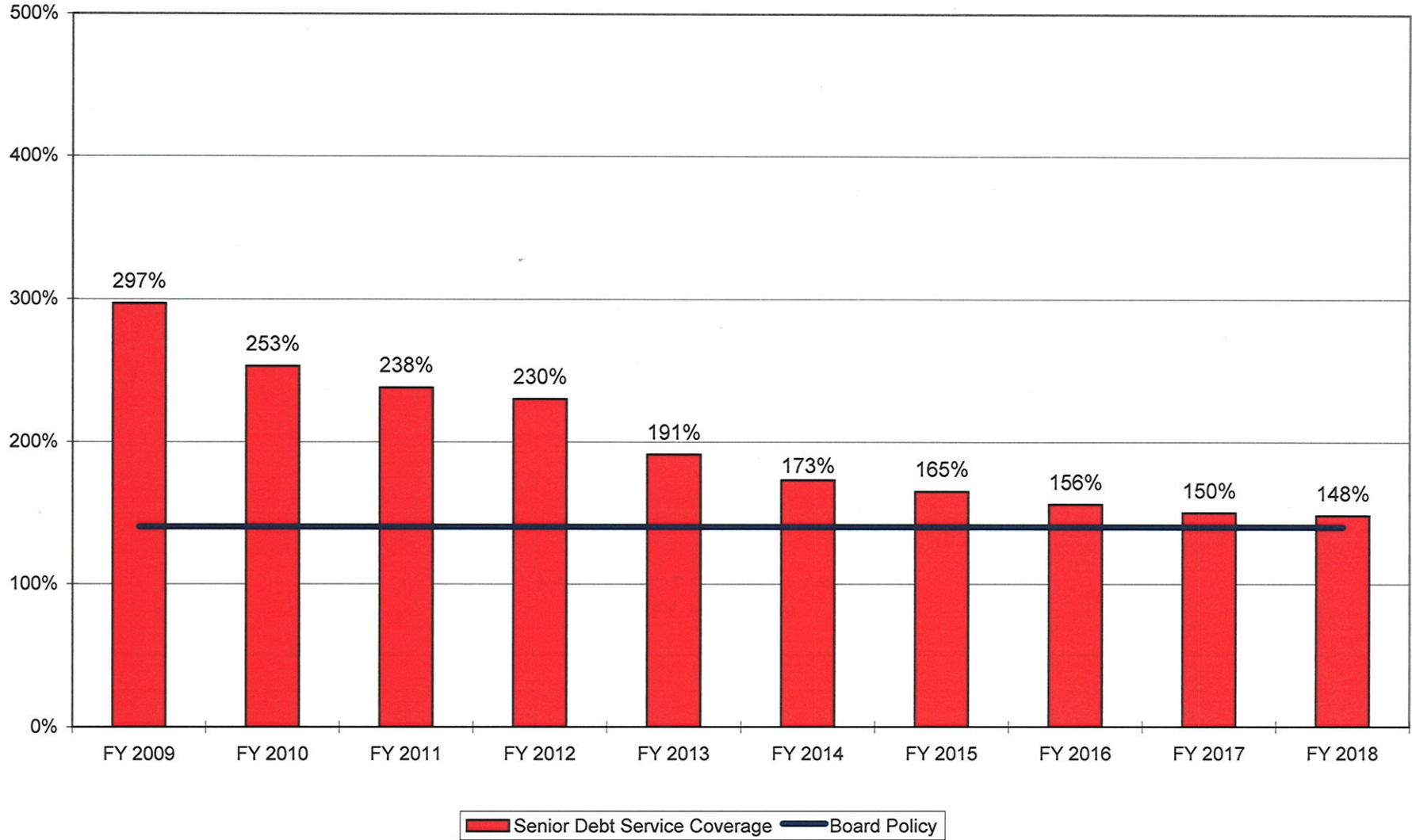
DISTRICT GENERAL OBLIGATION BONDS: This debt was assumed at DC WASA's creation and issued by the District of Columbia government (DC WASA's predecessor agency) for capital improvements. This debt is treated as subordinate under DC WASA's master indenture of trust. Under a 1998 MOU with the District, DC WASA prepays the next fiscal year's debt service each September, e.g., in September 2009, DC WASA prepaid FY 2010 debt service.

NOTES FOR JENNINGS RANDOLPH RESERVOIR: Debt issued by the federal government for construction of the backup water supply facility; DC WASA's share of operating and capital cost is 30 percent.

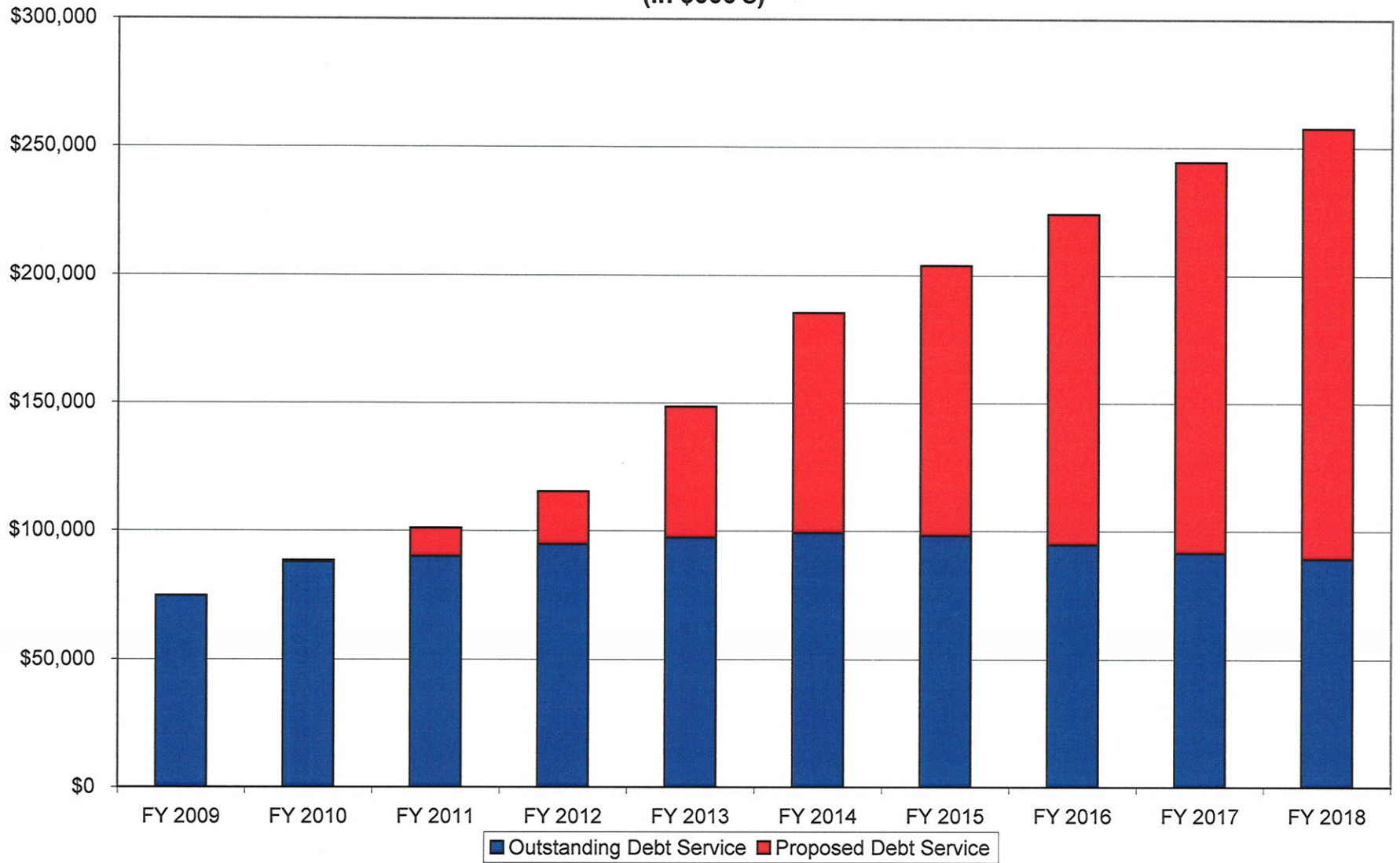
NOTES FOR LITTLE SENECA RESERVOIR: Debt issued by the Washington Suburban Sanitary Commission (WSSC) for construction of this backup water supply facility; DC WASA's share of operating and capital costs is 40 percent.

COMMERCIAL PAPER: As described in Section IV, DC WASA developed this program in early FY 2002. All notes are issued on a subordinate basis. The commercial paper program is utilized for interim bond financing, including the Washington Aqueduct and capital equipment. DC WASA's commercial paper program is issued in increments with maturities less than 270 days. Normal market conditions carries significantly lower interest rates than long-term debt. DC WASA's commercial paper program is backed by a direct pay letter of credit issued by Westdeutsche Landesbank Girozentrale (WestLB). In FY 2010, DC WASA's \$100 million program is being evaluated to determine the appropriate size given the \$3.8 billion CIP program.

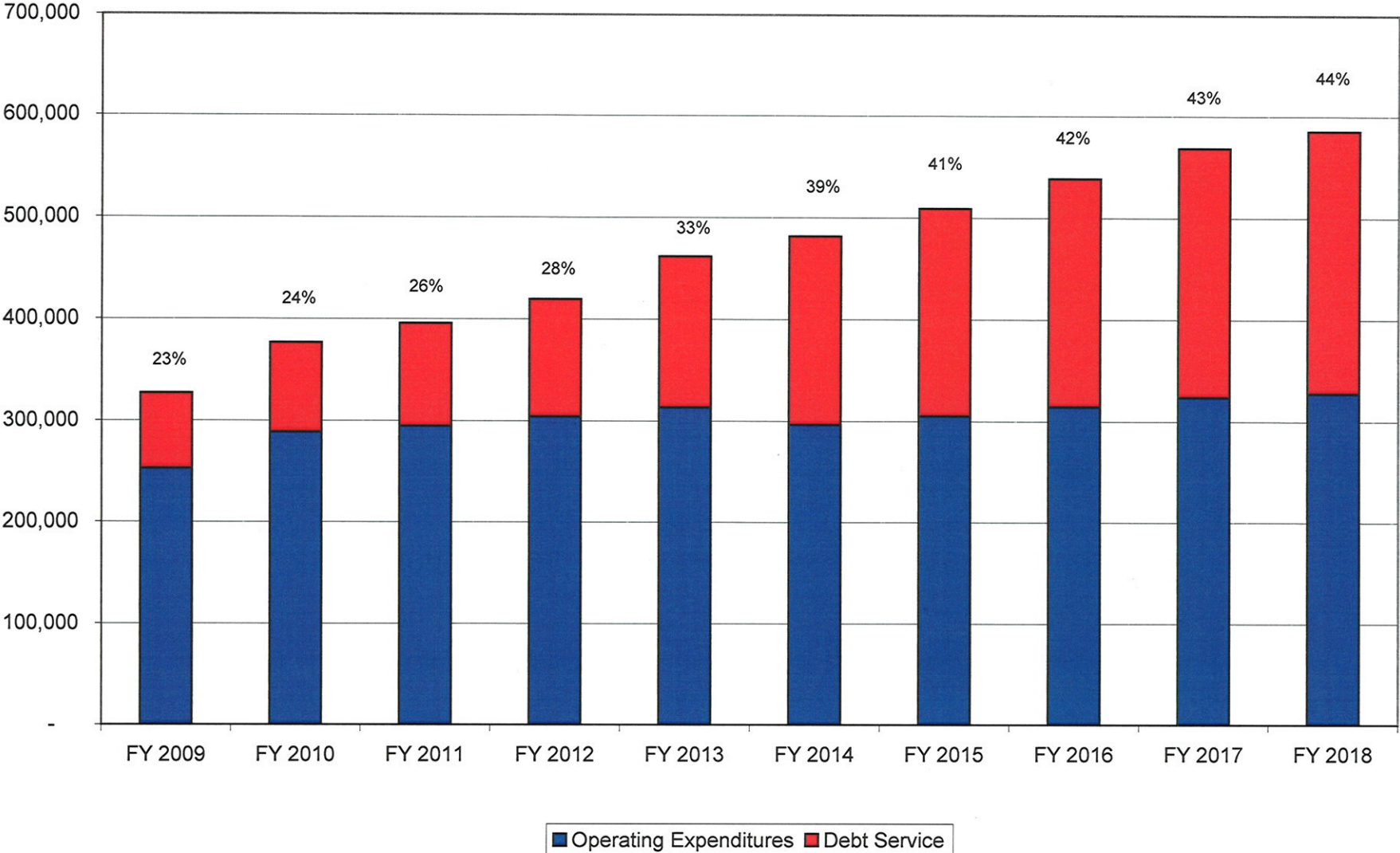
**SENIOR DEBT SERVICE COVERAGE
FY 2009 - 2018**



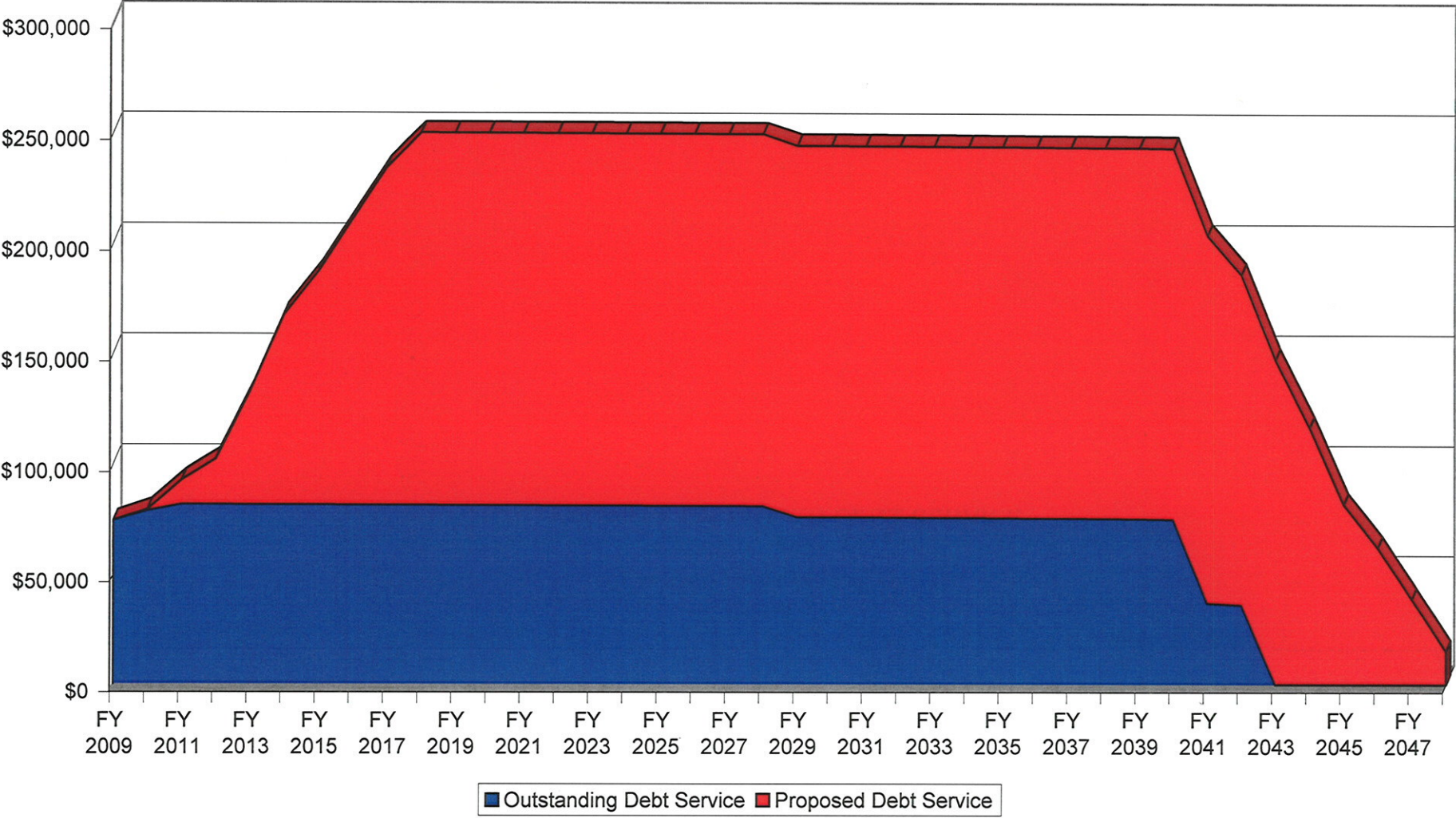
OUTSTANDING & PROPOSED DEBT SERVICE
Based on FY 2009 - 2018 Financial Plan
(In \$000's)



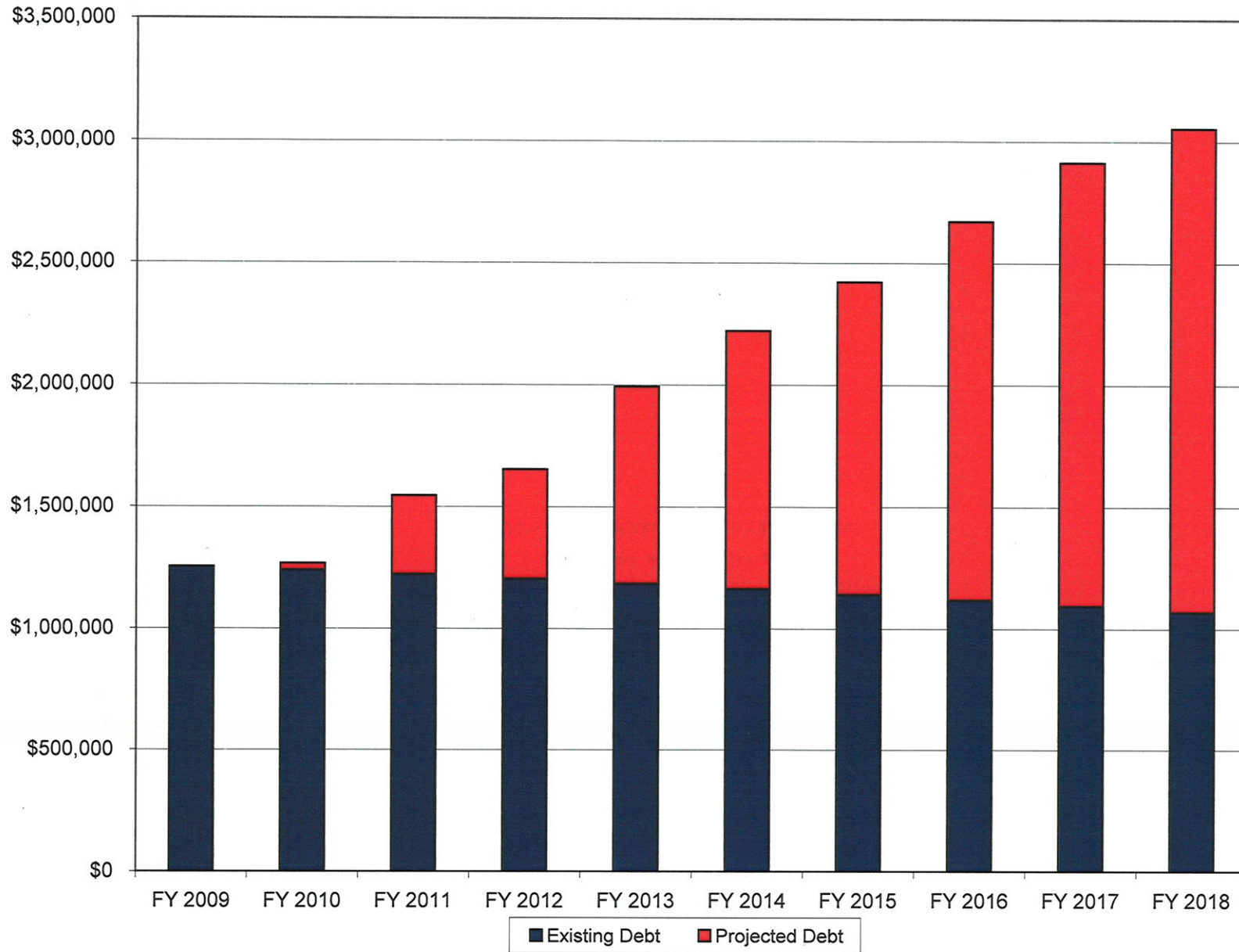
DEBT SERVICE AS PERCENTAGE OF TOTAL OPERATING EXPENDITURES
Based on FY 2009 - 2018 Financial Plan
(In \$000's)



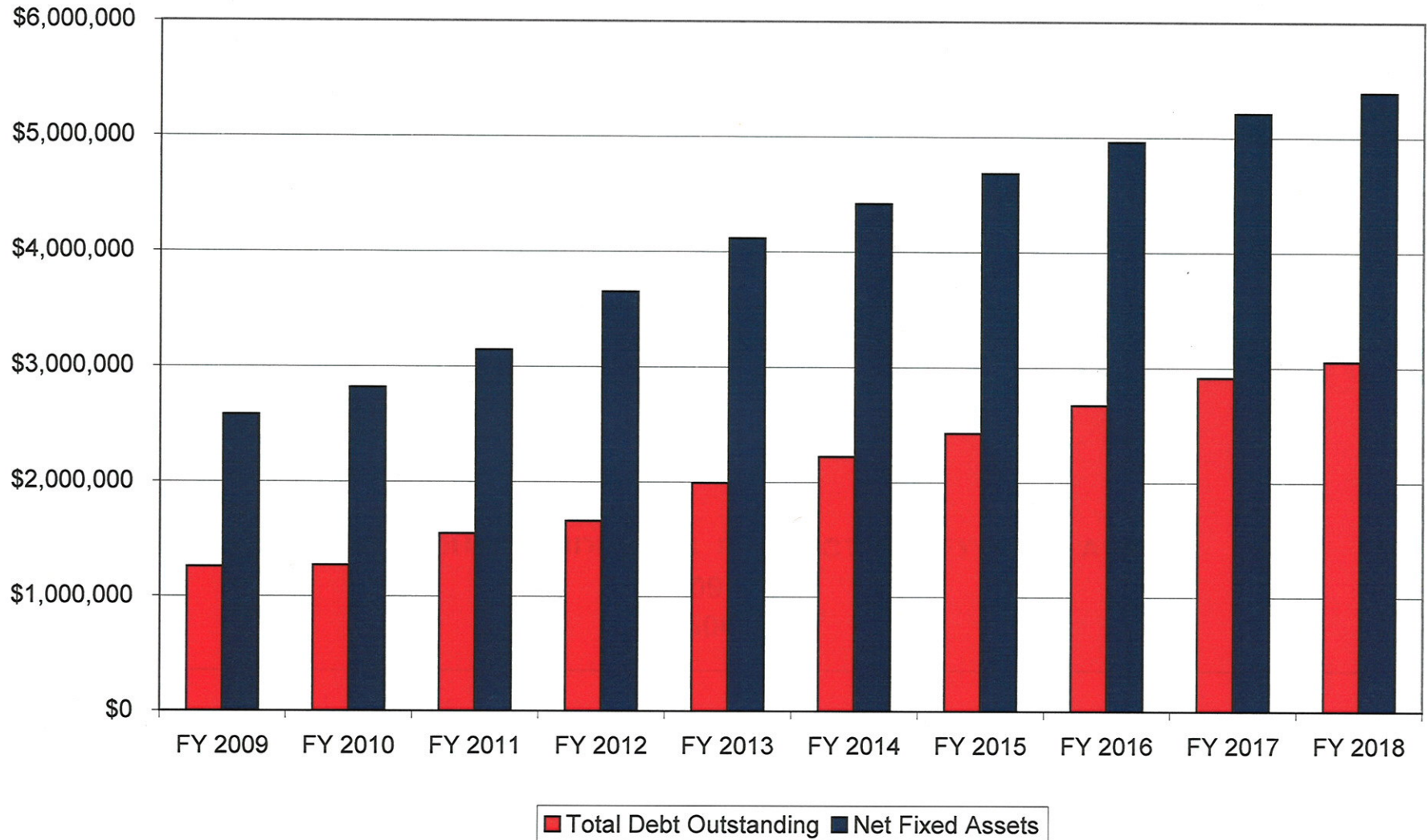
OUTSTANDING & PROPOSED DEBT SERVICE
FY 2009 - 2047
 Based on Financial Plan
 (In \$000's)



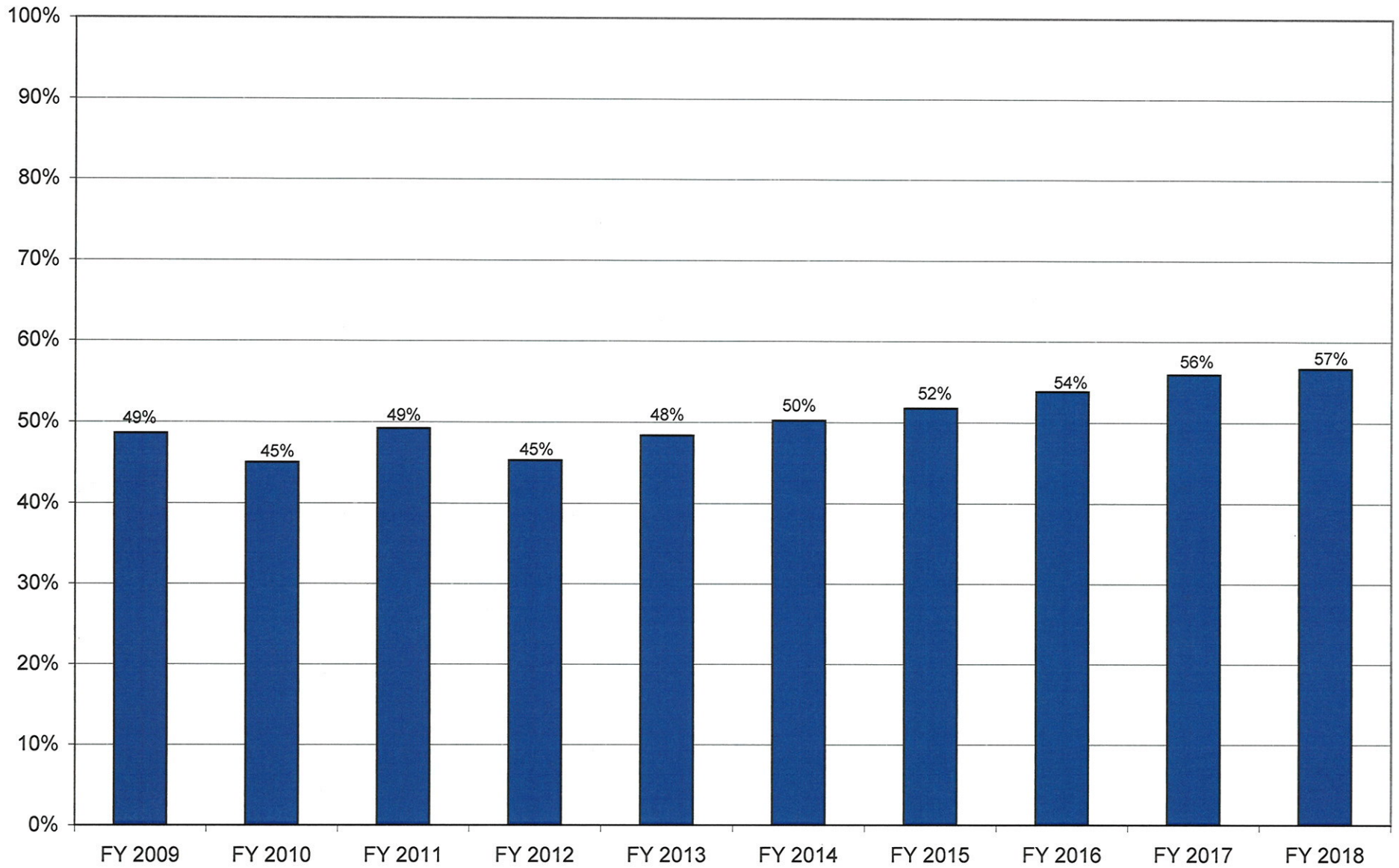
TOTAL PRINCIPAL OUTSTANDING
Existing and Projected
Based on FY 2009 - 2018 Financial Plan
(In \$000's)



**TOTAL DEBT OUTSTANDING VS. PROJECTED NET FIXED ASSETS
FY 2009 - 2018
(In \$000's)**



**DEBT TO NET FIXED ASSETS RATIO
FY 2009 - 2018**



District of Columbia Water and Sewer Authority
OPERATING BUDGETS
REVISED FY 2010 and APPROVED FY 2011



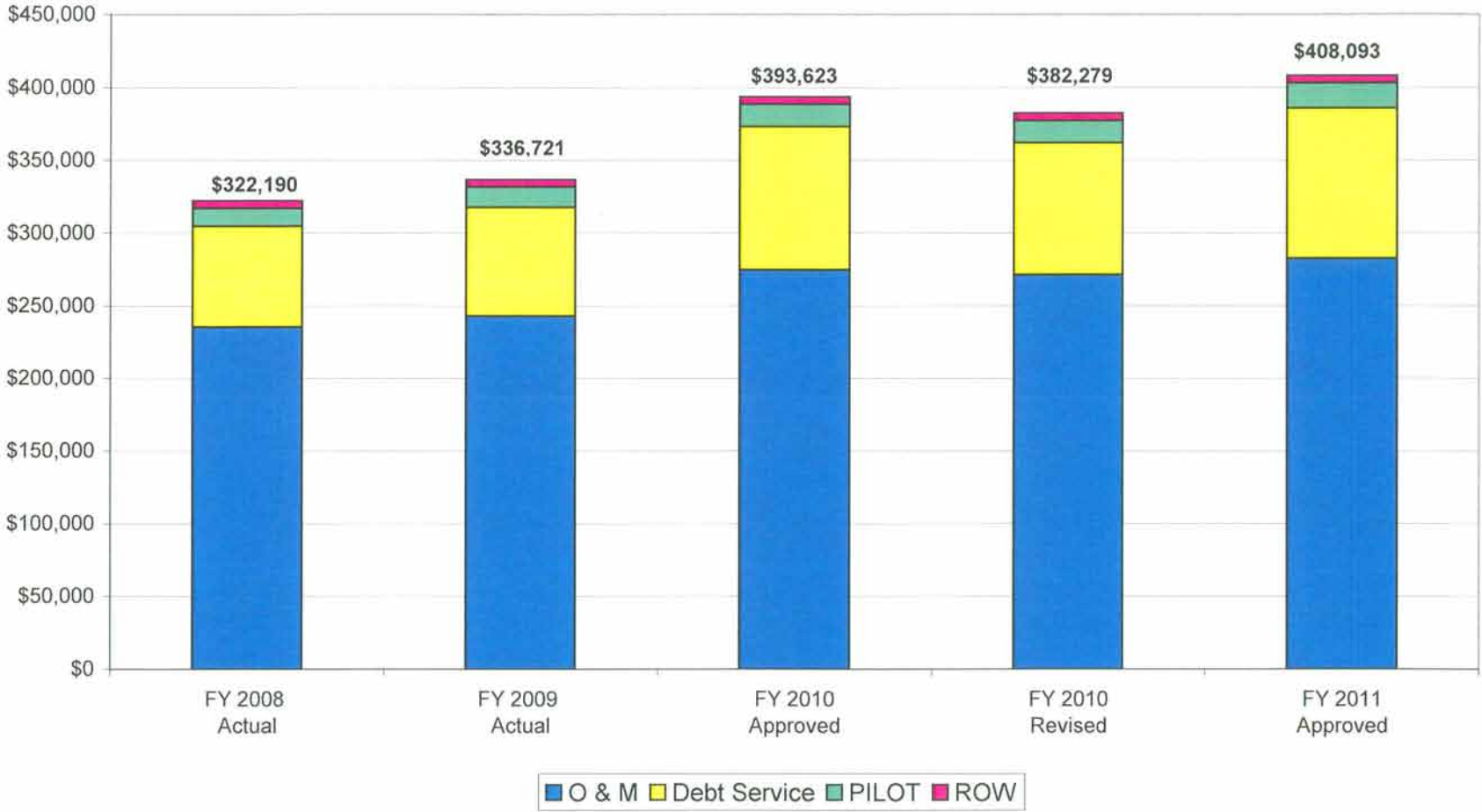
Section VIII

DEPARTMENTAL SUMMARIES

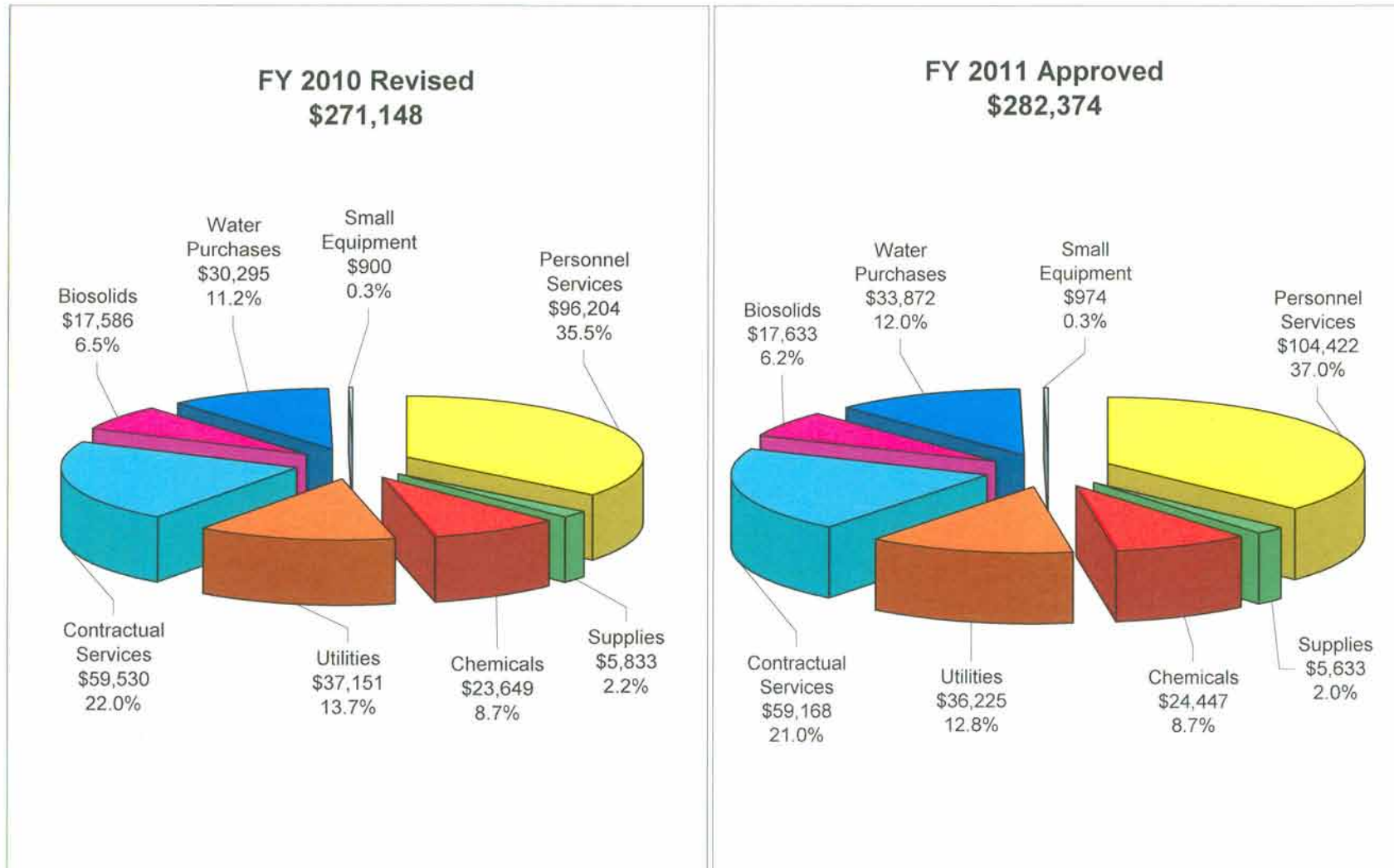
With a sewer system dating back to 1810, DC WASA's sewer services crews routinely inspect and clean the sewer system to improve performance. On average, crews clean more than 28,000 catch basins annually.



Comparative Operating Expenditure Budgets FY 2008 - FY 2011 (\$000's)



Operations & Maintenance Expenditures By Category (\$000's)



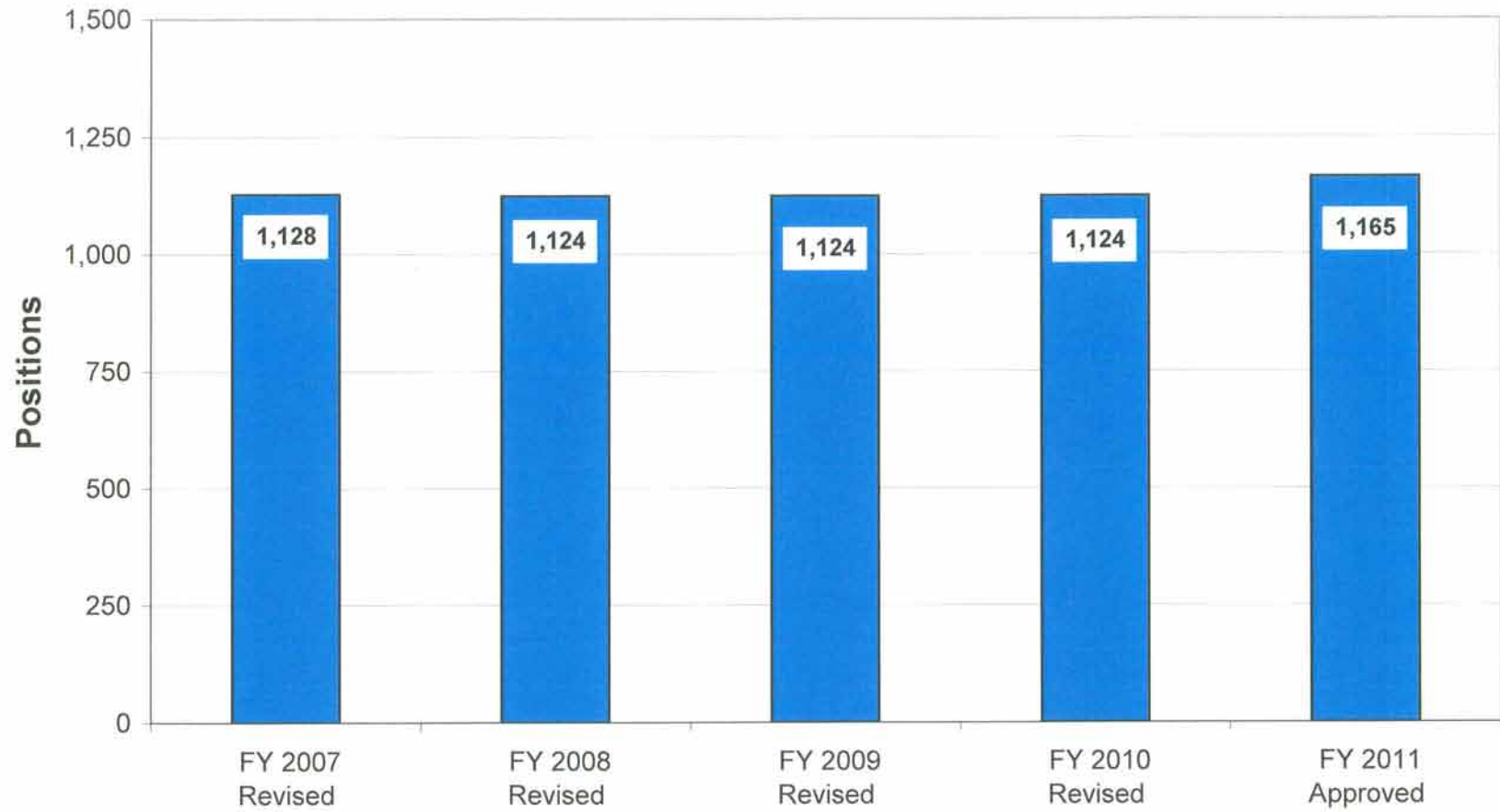
Comparative Operating Expenditure Budgets
(\$000's)

	<u>FY 2008 ACTUAL</u>	<u>FY 2009 ACTUAL</u>	<u>FY 2010 APPROVED</u>	<u>FY 2010 REVISED</u>	<u>FY 2011 APPROVED</u>
<u>OPERATING</u>					
Personnel Services	84,518	91,757	96,493	96,204	104,422
Contractual Services	58,199	64,513	77,053	77,116	76,801
Water Purchases	25,746	25,371	29,395	30,295	33,872
Chemicals and Supplies	27,821	27,781	29,172	29,482	30,080
Utilities	37,843	32,813	41,842	37,151	36,225
Small Equipment	676	526	791	900	974
Lead Abatement Program	531	-	-	-	-
Subtotal O & M Expenditures	<u>235,335</u>	<u>242,761</u>	<u>274,746</u>	<u>271,148</u>	<u>282,374</u>
Debt Service	69,330	74,777	98,290	90,685	103,354
Payment in Lieu of Taxes	12,425	14,083	15,487	15,347	17,265
Right of Way Fees	5,100	5,100	5,100	5,100	5,100
Total Operating Expenditures	<u>322,190</u>	<u>336,721</u>	<u>393,623</u>	<u>382,279</u>	<u>408,093</u>
Personnel Services charged to Capital Projects	(8,681)	(9,509)	(8,400)	(9,300)	(10,000)
Total Net Operating Expenditures	<u>313,510</u>	<u>327,212</u>	<u>385,223</u>	<u>372,979</u>	<u>398,093</u>

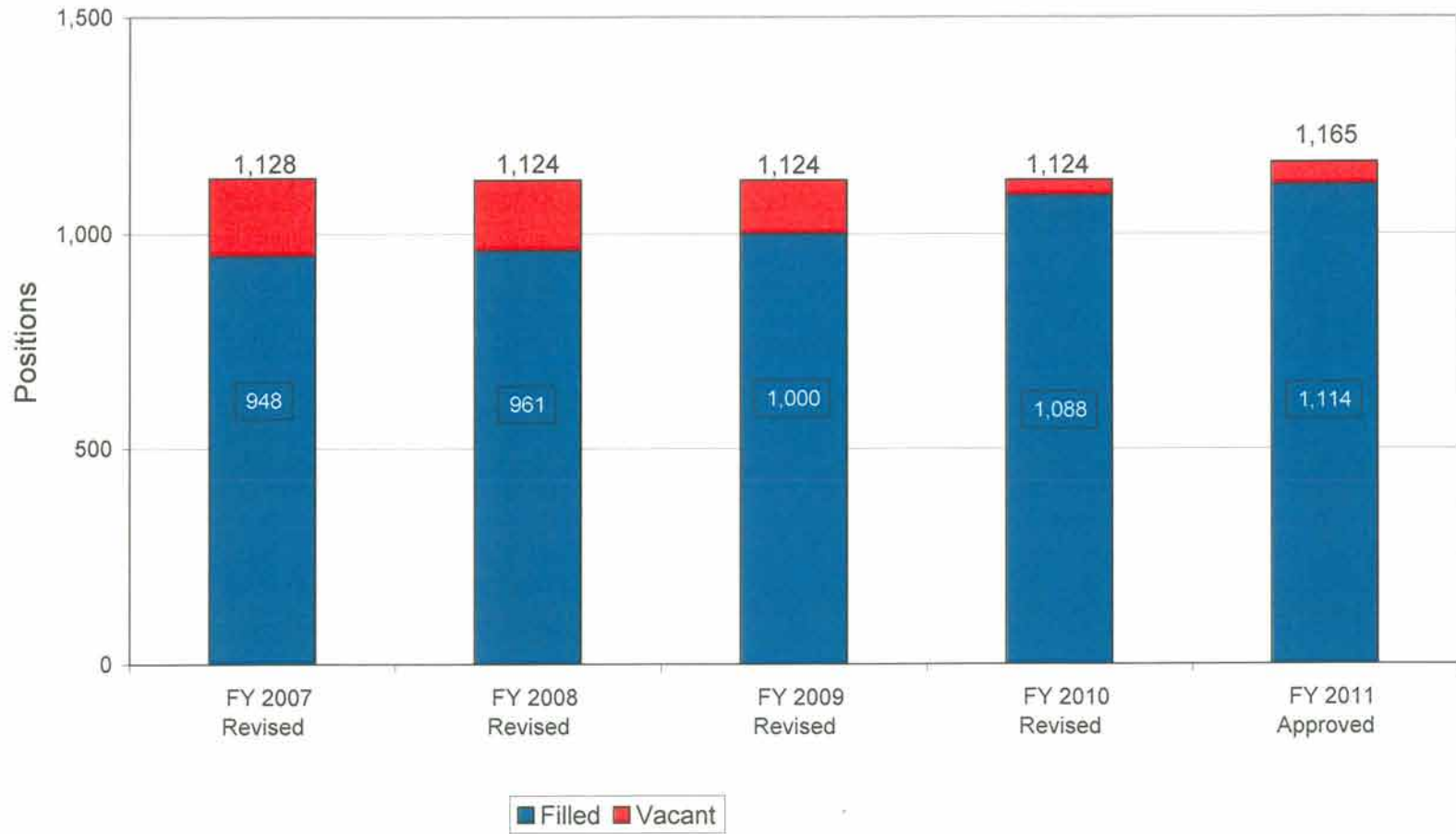
**Comparative Operating Expenditures by Department by Category
FY 2010 Revised Budget
(\$000's)**

	Auth Pos	Pay	Fringe	Overtime	Total PS	Supplies	Chemicals	Utilities	Contract	BioSolids	Water Purchases	Small Equipment	Total NPS	TOTAL Dept.
O														
Wastewater Treatment	125	7,494	1,859	956	10,309	454	23,343	26,003	4,675	17,586	-	62	72,123	82,432
Water Services	173	9,929	2,462	1,000	13,392	913	115	4,468	4,792	-	30,295	100	40,683	54,075
Sewer Services	159	9,211	2,284	900	12,395	432	191	3,279	3,402	-	-	50	7,354	19,750
Maintenance Services	139	8,605	2,134	800	11,540	2,190	-	124	5,030	-	-	193	7,537	19,076
Water & Sewer Pumping Services	33	1,974	490	200	2,663	613	-	24	1,301	-	-	96	2,034	4,697
Engineering and Tech. Services	125	10,005	2,481	500	12,986	103	-	208	1,402	-	-	19	1,732	14,717
Long Term Control Plan	4	271	67	1	339	5	-	-	59	-	-	-	64	403
Permits	3	184	46	1	231	5	-	50	514	-	-	-	569	800
Customer Service	123	6,978	1,731	260	8,969	179	-	1,772	3,944	-	-	56	5,951	14,919
Subtotal Operations	884	54,652	13,554	4,618	72,823	4,894	23,649	35,928	25,119	17,586	30,295	576	138,047	210,870
A														
General Manager	10	1,264	313	20	1,597	15	-	30	1,994	-	-	-	2,038	3,636
Office of the Secretary	2	180	45	3	228	18	-	5	355	-	-	1	379	607
Internal Audit	0	-	-	-	-	-	-	1	782	-	-	-	783	783
Finance and Budget	43	3,726	924	35	4,686	15	-	72	2,568	-	-	2	2,657	7,343
Risk Management	3	240	60	1	301	8	-	6	6,163	-	-	-	6,177	6,478
General Counsel	14	1,095	272	2	1,369	20	-	19	3,670	-	-	-	3,709	5,078
Public Affairs	8	692	172	2	866	30	-	19	519	-	-	-	567	1,433
Information Technology	20	1,688	419	25	2,132	199	-	152	6,884	-	-	147	7,381	9,513
Asst. Gen. Mgr. - Support Services	2	257	64	1	321	1	-	7	71	-	-	-	79	400
Human Resources	23	1,969	488	10	2,467	35	-	32	2,117	-	-	2	2,186	4,653
Facilities Management	58	3,273	812	150	4,234	457	-	105	1,419	-	-	63	2,044	6,278
Procurement and Materiel Mgt	38	2,581	640	40	3,262	54	-	61	826	-	-	15	957	4,218
Safety and Security	13	1,047	260	2	1,309	78	-	20	4,299	-	-	20	4,417	5,726
Fleet Management	6	487	121	1	608	9	-	694	2,743	-	-	75	3,522	4,130
Subtotal Administration	240	18,500	4,588	292	23,381	939	-	1,223	34,411	-	-	325	36,897	60,277
Subtotal O & M Expenditures	1,124	73,152	18,142	4,910	96,204	5,833	23,649	37,151	59,530	17,586	30,295	900	174,943	271,148
Debt Service														90,685
Payment in Lieu of Taxes														15,347
Right of Way														5,100
Total O & M Expenditures														382,279
Personnel Services charged to Capital Projects														(9,300)
Total Net Operating Expenditures														372,979

Authorized Positions FY 2007 - FY 2011



Filled vs. Vacant Positions FY 2007 - FY 2011



* Filled count represents year-end actual except for FY 2010 and FY 2011 which are budgeted filled numbers

FY 2010 Revised and FY 2011 Approved Position Request

	Fiscal Year 2008			FY 2008	Fiscal Year 2009			FY 2009	Fiscal Year 2010		Fiscal Year 2011
	Authorized	Average Filled	Average Vacant	Year-End Filled	Authorized	Average Filled	Average Vacant	Year-End Filled	Authorized	Revised	Approved
Operations											
Wastewater Treatment	125	106	19	106	125	109	16	107	125	125	125
Water Services	166	147	19	149	170	152	18	156	170	173	173
Sewer Services	159	140	19	143	159	147	12	149	159	159	159
Maintenance Services	177	153	24	151	144	136	8	126	178	139	139
Water / Sewer Pump Maintenance	-	-	-	-	33	28	5	29	-	33	33
Engineering and Technical Services	125	101	24	104	122	108	14	110	122	125	147
Long Term Control Plan	-	-	-	-	-	-	-	-	-	4	10
Permits	-	-	-	-	-	-	-	-	-	3	3
Customer Service	122	106	16	105	124	111	14	113	123	123	123
Subtotal	874	753	121	758	877	791	86	790	877	884	912
Administration											
General Manager	9	7	3	7	9	7	2	6	9	10	12
Secretary to the Board of Directors	2	2	-	2	2	2	-	2	2	2	2
Internal Audit	4	3	1	3	4	2	2	1	4	-	-
Finance and Budget	43	35	8	36	43	38	5	41	43	43	45
Risk Management	3	3	-	3	3	3	-	3	3	3	4
General Counsel	14	7	7	7	14	8	6	10	14	14	14
Public Affairs	9	8	1	7	8	8	-	8	8	8	9
Information Technology	27	13	14	13	24	12	12	12	24	20	24
Asst. Gen. Mgr. - Support Services	3	2	1	2	3	2	1	2	3	2	2
Human Resources	22	21	1	20	23	22	1	21	23	23	24
Facilities Management	58	53	5	55	57	55	2	56	58	58	59
Procurement and Materiel Management	38	30	8	31	38	32	6	33	38	38	38
Safety and Security	13	12	1	12	13	10	3	10	13	13	14
Fleet Management	5	5	-	5	6	5	1	5	5	6	6
Subtotal	250	200	50	203	247	205	42	210	247	240	253
Total Positions	1,124	953	171	961	1,124	997	127	1,000	1,124	1,124	1,165

Overtime
FY 2008 - FY 2011
(\$000's)



OVERTIME BY DEPARTMENT
FY 2008 - FY 2011
(\$000's)

Department	FY 2008 Actual	FY 2009 Actual	FY 2009 Revised	FY 2010 Approved	FY 2010 Revised	FY 2011 Approved
Wastewater Treatment	1,063	968	1,000	1,000	956	956
Water Services	1,519	1,309	1,500	1,500	1,000	1,000
Sewer Services	1,201	814	920	920	900	900
Maintenance Services	1,331	1,099	1,187	1,187	800	800
Water / Sewer Pump Maintenance	-	52	13	13	200	200
Engineering and Technical Services	573	520	400	400	500	500
Long-Term Control Plan	-	-	-	-	1	1
Permits	-	-	-	-	1	1
Customer Service	333	315	260	260	260	260
General Manager	31	13	25	25	20	20
Secretary to the Board of Directors	3	4	4	4	4	4
Internal Audit	1	0	-	-	-	-
Finance and Budget	30	15	40	40	35	35
Risk Management	0	0	1	1	1	1
General Counsel	2	5	2	2	2	2
Public Affairs	0	1	2	2	2	2
Information Technology	35	28	30	30	25	25
Assistant General Manager - Support Services	2	1	1	1	1	1
Human Resources	5	9	10	10	10	10
Facilities Management	148	130	150	150	150	150
Procurement and Materiel Management	45	13	50	50	40	40
Safety and Security	2	1	1	1	2	2
Fleet Management	1	1	1	1	1	1
Total	6,326	5,298	5,597	5,597	4,911	4,911

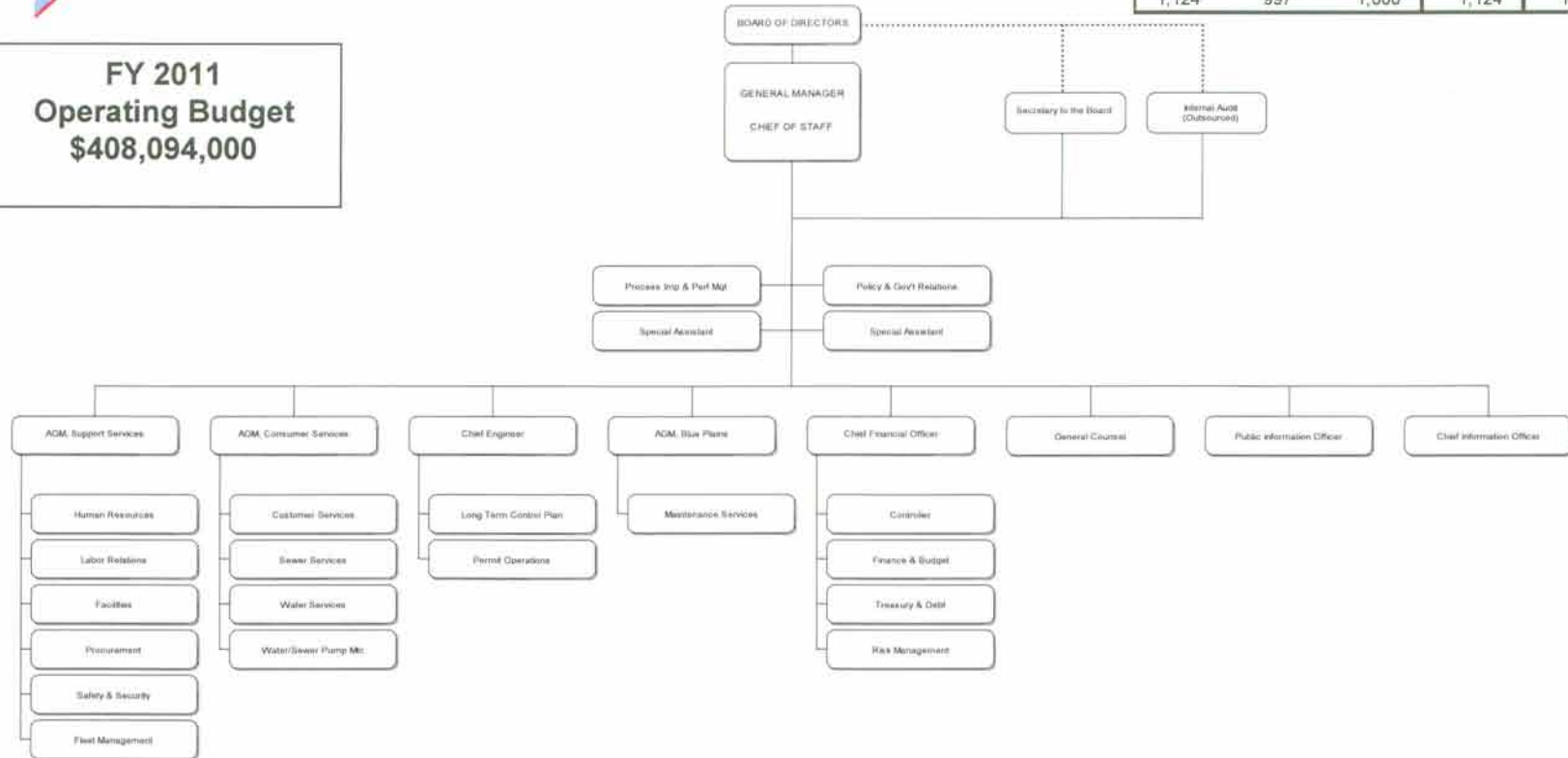
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**FY 2011
Operating Budget
\$408,094,000**

**D. C. Water & Sewer Authority
Organization Chart**

POSITIONS				
FY 2009			FY 2010	FY 2011
Authorized	Average Positions Filled	Year-End Positions Filled		
1,124	997	1,000	1,124	1,165



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**ASST. GEN. MGR.
Blue Plains**

			POSITIONS	
Authorized	CURRENT		FY 2010	FY 2011
	Average Positions Filled	Year-End Positions Filled		
125	109	107	125	125

**FY 2011 Budget
\$82,776,000**

**WASTEWATER
TREATMENT
2 - Positions**

**Administrative
Support
2 - Positions**

**Process Engineering
Branch
12 - Positions**

FUNCTIONS

- Wastewater and biosolids treatment process control support
- Plant automation support

**Wastewater
Treatment
Branch
90 - Positions**

FUNCTIONS

- Treat influent wastewater to remove pollutants and meet National Pollutant Discharge Elimination System Permit (NPDES) requirements
- Biosolids conditioning, thickening, dewatering and stabilization

**Biosolids
Management
Branch
7 - Positions**

FUNCTIONS

- Biosolids storage, loading, hauling and utilization/disposal

**Research,
Laboratory &
Pretreatment
Branch
12 - Positions**

FUNCTIONS

- Physical, chemical and biological analysis of wastewater and biosolids used for process control and permit reporting
- Industrial discharge monitoring
- Treatment process R&D

WASTEWATER TREATMENT

MISSION: To treat wastewater delivered to Blue Plains from the collection system of the District of Columbia and surrounding jurisdictions in Maryland and Virginia, ensuring that effluent is in compliance with the Clean Water Act.

BUDGET OVERVIEW: The FY 2010 revised budget decreases by approximately \$4 million below the FY 2010 approved budget primarily due to reduction in funding for utilities (electricity), tied to market trends in unit pricing of electricity. The FY 2011 approved budget increases by \$0.3 million over the FY 2010 revised budget due to projected increase in personnel service costs, which is offset in part by reductions in utilities (electricity) costs.

	FY 2009 Actual	FY 2010 Approved	FY 2010 Revised	FY 2011 Approved
Positions: (FTE's)				
Number of authorized positions	125	125	125	125
Average number of positions filled				
Operating Expenses				
Personnel Services including Overtime	10,951	10,934	10,309	11,280
Overtime	968	950	956	956
Non-Personnel Services:				
Chemicals & Supplies	22,656	24,166	23,797	24,628
Utilities	24,248	29,754	26,003	24,810
Contractual Services, etc.	3,389	4,621	4,675	4,363
Biosolids	17,746	17,336	17,586	17,633
Small Equipment	1	62	62	62
Total Non-Personnel Services	68,039	75,939	72,123	71,496
Total Operations	78,990	86,873	82,432	82,776
Capital Equipment	-	285	62	30

Targeted Performance Measures	FY 2009 Actual	FY 2010 Budget	FY 2010 Projection	FY 2011 Projection
Achieve NACWA Award Status	Gold	Gold	Gold	Gold
Compliance with disposal of biosolids regulations (100%)	100 % Compliance	100 % Compliance	100 % Compliance	100 % Compliance
Inspection and Sampling of Pretreatment Permittees (100%)	103 % Complete	104 % Complete	104 % Complete	104 % Complete
Obtain 90% acceptable results on discharge monitoring report quality assurance samples	90% Acceptable results	90% Acceptable results	90% Acceptable results	90% Acceptable results

Note: EPA 503 (i.e., Title 40 of the Code of Federal Regulations, Part 503) regulates the use or disposal of sewage sludge or biosolids
 EPA DMR QA (i.e., Discharge Monitoring Report Quality Assurance) is conducted on wastewater samples used for permit compliance reports.
 Achieving acceptable results for at least 90% of samples will minimize the potential for EPA to audit the laboratory.

WASTEWATER TREATMENT

OVERVIEW

FY 2010 Major Recommended Activities and Changes

- Maintain full compliance with the National Pollutant Discharge Elimination Systems (NPDES) permit
- Actively participate in chemicals procurement to ensure lowest cost
- Continue to minimize Plant and biosolids odor
- Continue implementation of operator cross training and wastewater treatment operator trainee programs
- Continue implementation of High Priority Rehabilitation Program to ensure critical process equipment remains in service
- Continue operation of treatment facilities during construction of the following Capital Improvement Program (CIP) projects:
 - Filtration & Disinfection Facilities Upgrade Phase II – scheduled for completion in calendar year 2010
 - Process Control Computer System (PCCS) – partially operational since FY 2005
 - Raw Wastewater Pump Stations I – scheduled for completion in FY 2010
 - Nitrification/Denitrification Facilities Upgrade – scheduled for completion in 2011
 - Biological Sludge Thickening – scheduled for completion in 2012
 - Digester Demolition and Site Preparation – scheduled for completion in 2011
- Continue to conduct wastewater treatment process research and development in various areas including:
 - Optimization of chemical phosphorus removal
 - Digestion process hydrolysis
 - Side-stream treatment for nitrogen removal
 - Biosolids product quality improvement
- Continue to work with surrounding jurisdictions (Maryland and Virginia) on regulatory requirements for biosolids and land applications

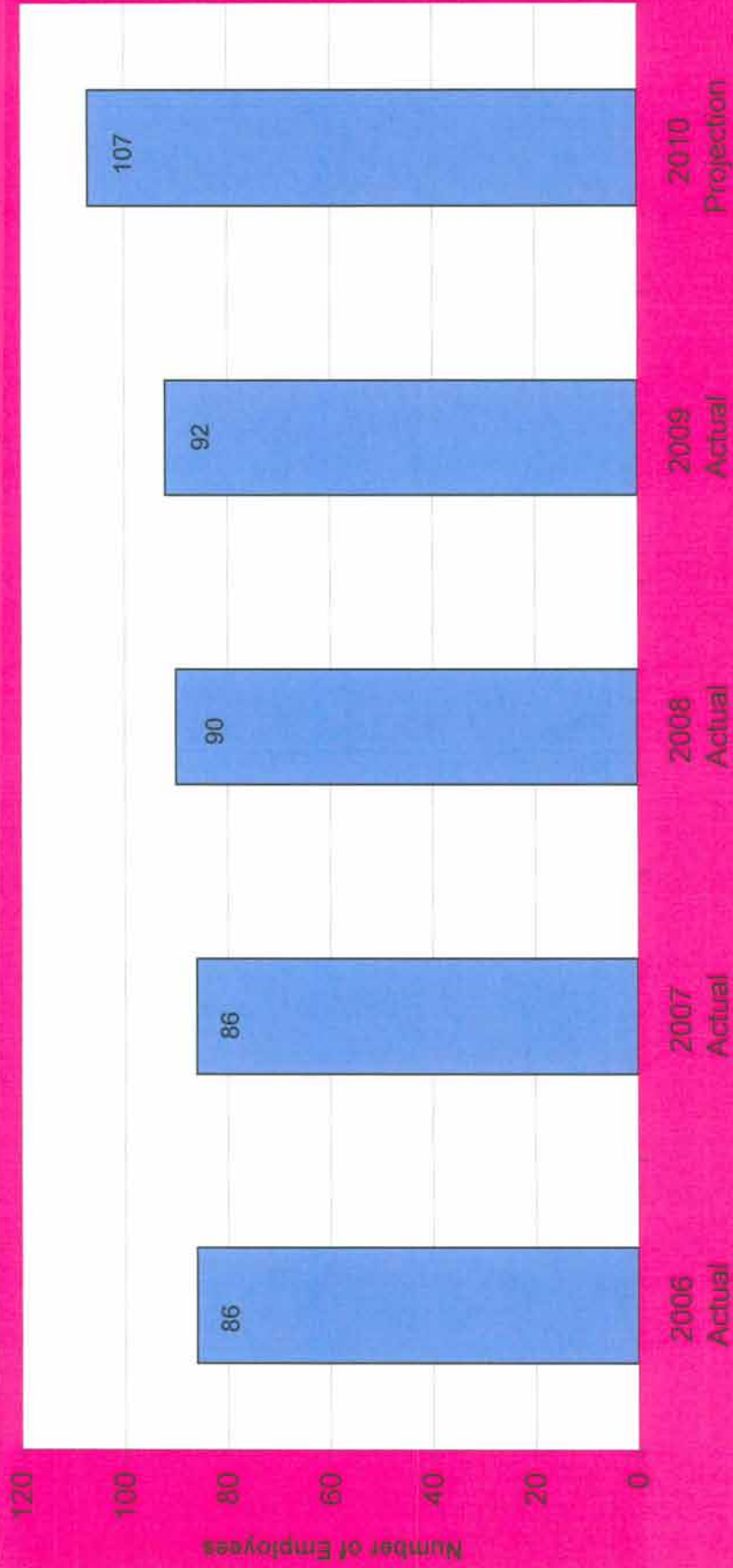
FY 2011 Major Recommended Activities and Changes

- Continue to implement the IIP recommendations to improve Plant efficiency and effectiveness
- Continue operation of treatment facilities during construction of the following CIP projects:
 - Process Control Computer System
 - Nitrification/Denitrification Facilities Upgrades – scheduled for completion in 2011
- Continue to conduct wastewater treatment process research and development

Impact of Capital Projects on FY 2010 and FY 2011 Operating Expenditures

- Full implementation of dissolved oxygen (DO) control in secondary treatment will reduce energy consumption
- Fine bubble aeration in the nitrification process will enhance aeration process efficiency and reduce energy consumption

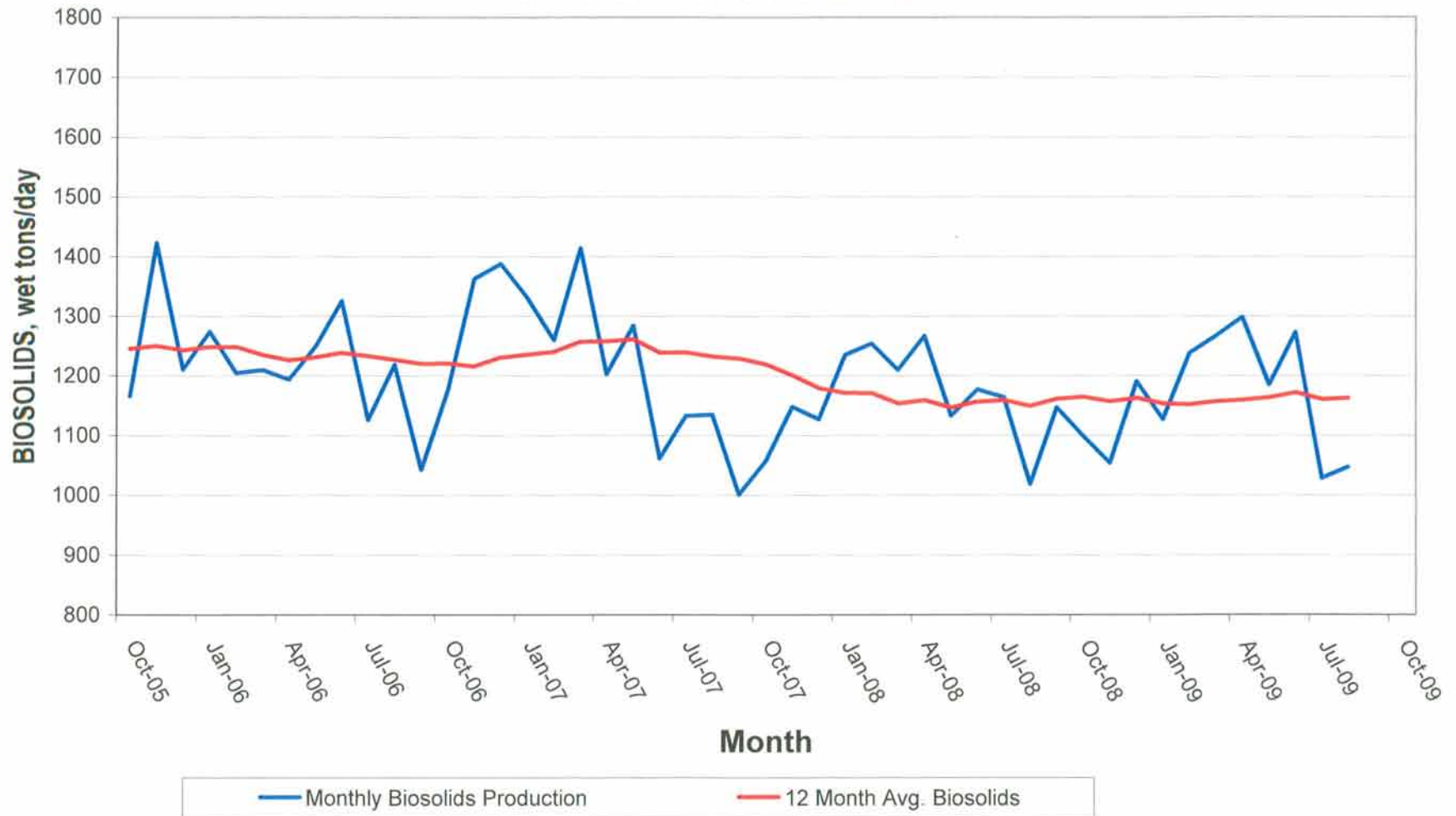
WASTEWATER TREATMENT CERTIFIED OPERATORS
FY 2006 - FY 2010



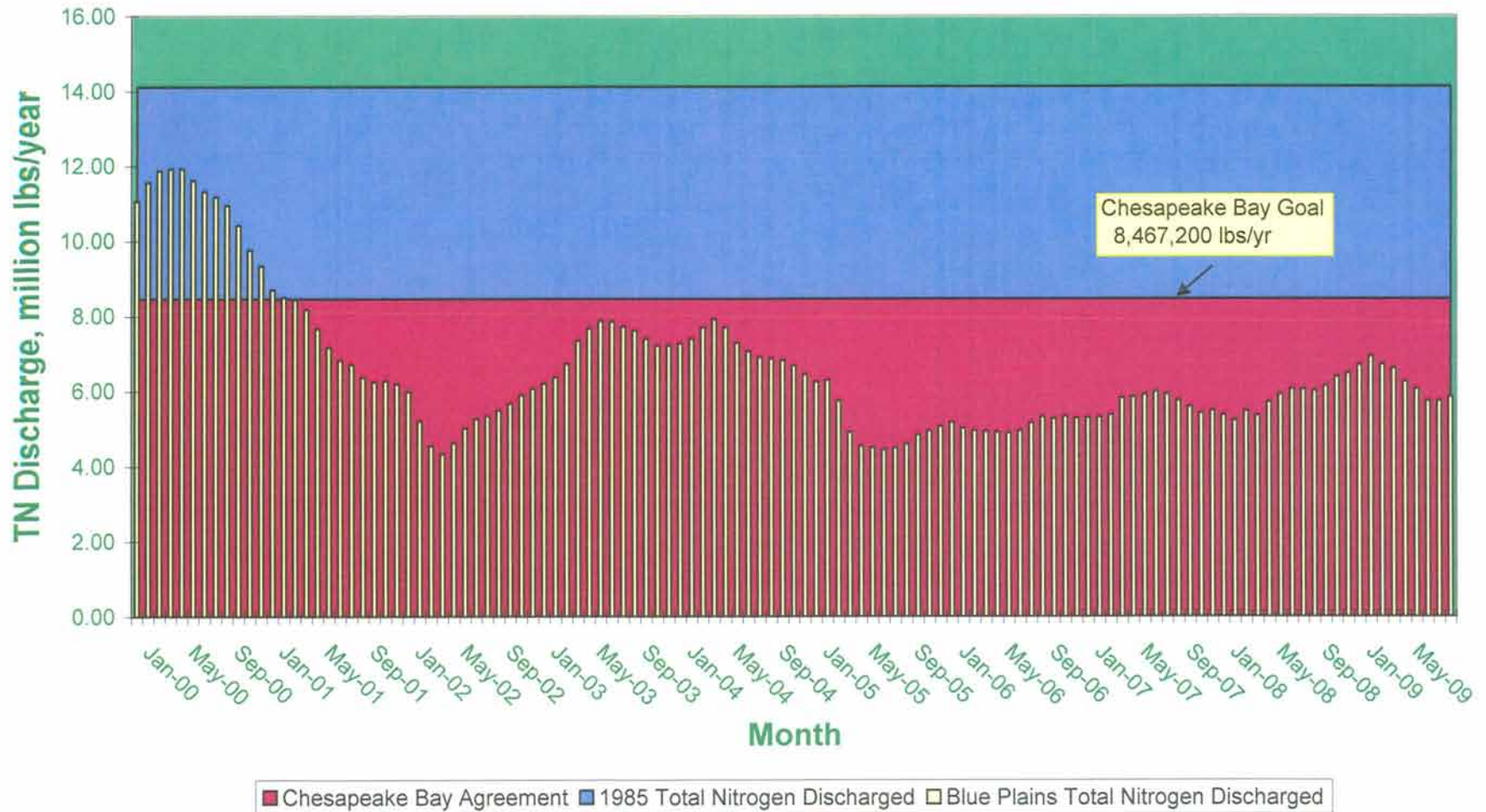
BLUE PLAINS WASTEWATER TREATMENT PLANT
PLANT EFFLUENT FLOW
OCTOBER 2005 - OCTOBER 2009



**BLUE PLAINS WASTEWATER TREATMENT PLANT
BIOSOLIDS PRODUCTION
OCTOBER 2005 - OCTOBER 2009**



BLUE PLAINS WASTEWATER TREATMENT PLANT ANNUAL TOTAL NITROGEN LOAD DECEMBER 1999 - AUGUST 2009



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**FY 2011 Budget
\$58,307,000**

**ASS. GEN. MGR.
CONSUMER
SERVICES**

**WATER
SERVICES
3 - Positions**

		POSITIONS		
		CURRENT		
Authorized	Average Positions Filled	Year-End Positions Filled	FY 2010	FY 2011
170	162	166	173	173

**Productivity Unit
2 – Positions**

**Pumping
Operations
13 – Positions**

- FUNCTIONS**
- Operate and maintain pumping stations & water storage facilities
 - Monitor and maintain appropriate pressure in the distribution system
 - Coordinate pumping operations with the Washington Aqueduct Treatment Plant
 - Perform preventive maintenance on pumping operations assets
 - Perform field sampling of water storage facilities

**Systems Repair
58 - Positions**

- FUNCTIONS**
- Repair and replace water main service lines
 - Replace valves and hydrants
 - Taps Abandonment
 - Support lead replacement program
 - Assist Investigation as first responder during emergencies
 - Manage ordering of materials and inventory
 - Administer Public Space Restoration Program and associated contracts

**Fire Hydrant &
Service
Replacement
Program
18 - Positions**

- FUNCTIONS**
- Develop and administer comprehensive fire hydrant program
 - Inspect, exercise and perform preventive maintenance on all the hydrants in the system
 - Monitor and track inventory level of fire hydrants and fire hydrant parts
 - Respond to all fire hydrant inquiries
 - Establish/maintain interaction & communications with DC FEMS
 - Respond to all fires equal to or greater than a 2 Alarm fire
 - Manage Lead Service Program and associated contracts

**Investigation, Valve
and Flushing
Operations
56 - Positions**

- FUNCTIONS**
- Inspect, exercise and perform preventative maintenance on the 40,000 system valves
 - Perform minor valve leak repairs
 - Administer the Flushing Program
 - Provide support for CIP projects
 - Respond to and perform investigations of customer complaints
 - Inspect construction projects
 - Manage the Valve Coordination Control program
 - Test valve shutdown plans for construction of CIP projects
 - Perform fire flow tests
 - Perform scheduled and emergency shuts

**Technical
Support
Services
10 - Positions**

- FUNCTIONS**
- Establish and administer a comprehensive asset management program for both water and sewer systems
 - Provide business process evaluation and direct process improvement efforts both within the Department and across Departments
 - Evaluate engineering design and construction documents
 - Maintain quality control of all asset inventory data
 - Update asset inventory data & perform QA/QC analysis
 - Manage and direct CIP Budget
 - Support departmental safety efforts

**Water Quality
13 – Positions**

- FUNCTIONS**
- Monitor the Environmental Protection Agency (EPA) compliance
 - Control and monitor corrosion in the water distribution system
 - Monitor chlorination treatment
 - Administer lead and copper program
 - Direct flushing activities
 - Manage water conservation outreach program
 - Administer an effective cross-connection program
 - Respond to customer complaints and resolve water quality issues
 - Conduct routine water quality analysis and issue public notifications when necessary
 - Prepare and publish Annual Consumer Confidence report

WATER SERVICES

MISSION: To operate and maintain a potable water transmission and distribution system, which delivers high quality water to DC WASA's customers. Water Services will ensure that water distribution meets or exceeds the applicable water quality regulations promulgated by the Safe Water Drinking Act and is provided in a reliable manner.

BUDGET OVERVIEW: The revised FY 2010 operating budget is approximately \$1million higher, compared to the approved FY 2010 operating budget. This change is mainly due to increased funding for water purchases, contractual services costs escalations, and projected increases in personnel services costs - including three positions transferred from the Department of Engineering and Technical Services. The increase of approximately \$4.2 million from the approved FY 2011 operating budget is mainly related to increased funding for water purchases, and funding for anticipated increases in personnel services costs.

	FY 2009 Actual	FY 2010 Approved	FY 2010 Revised	FY 2011 Approved
Positions: (FTE's)				
Number of authorized positions	170	170	173	173
Average number of positions filled	152			
Operating Expenses				
Personnel Services including Overtime	12,840	13,278	13,392	14,075
Overtime	1,309	1,000	1,000	1,000
Non-personnel Services:				
Chemicals and Supplies	1,091	1,072	1,028	1,028
Utilities	3,585	4,913	4,468	4,538
Contractual Services, etc.	4,117	4,343	4,792	4,623
Water Purchases	25,371	29,395	30,295	33,872
Small Equipment	170	100	100	172
Total Non-Personnel Services	34,335	39,823	40,683	44,232
Total Operations & Maintenance	47,175	53,101	54,075	58,307
Capital Equipment	730	830	960	785

Targeted Performance Measures	FY 2009 Actual	FY 2010 Budget	FY 2010 Projection	FY 2011 Projection
Maintain full compliance with Safe Drinking Water Act standards for positive coliform results (less than 5%)	0.4%	<5%	<5%	<5%
Flush at least 50% of the 1,300 miles of pipe in the distribution system annually	50%	50%	50%	50%
Exercise 18,000 - 23,000 valves annually	31,016	25,000	25,000	25,000
Maintain a 99% fire hydrant operational rate	98%	99%	99%	99%
Respond to 95% of all emergency service orders in less than 45 minutes	96%	97%	97%	97%
Repair 90% of reported main leaks within 10 days	82%	90%	90%	90%

WATER SERVICES

OVERVIEW

FY 2010 Major Recommended Activities and Changes

- Review overall strategy on water distribution infrastructure improvements – water main, fire hydrants repair and replacement program
- Upgrade the Valve Exercise Program
 - Exercise all critical valves annually and all non-critical valves every three years
 - Capture valve characteristics and on-time operational information
- Reclassify field job descriptions to merge similar functions and establish three job categories for all field operations
 - Create a pool of workers to undertake multiple tasks
 - Establish skills set and develop a training plan
 - Implement certification and licensing requirements
- Upgrade the Fire Hydrant Program
 - Perform preventive maintenance on fire hydrants – each fire hydrant will be calibrated within a three year cycle
 - Emergency Repairs – all faulty fire hydrants will be repaired within five days or replaced if necessary
 - Capital Improvement – forty percent of the fire hydrants are scheduled to be replaced over a five year period
 - Retrofit hydrants with National Standard Threads (NST)
- Water Quality operations will continue to focus on:
 - Regulatory Compliance
 - Maintaining high water quality standards
 - On-line water security monitoring
 - Reservoir profile analysis
 - School and daycare monitoring
 - Cross Connection program
 - Water conservation initiative and outreach
- The Asset Management Program will:
 - Establish a construction contract management program
 - Refine quality control program for asset management data
- The Pumping Division will undertake or continue with the following initiatives:
 - Initiate a certification and training program for all existing operators and facilities inspectors
 - Continue with Cleaning and Disinfection program for all water storage facilities
 - Develop standard operating procedures and provide training for new and existing modules
 - Contract Pumping Machinery to monitor pump performance for all water facilities
 - Update and revise Supervisory Control and Data Acquisition (SCADA) system to reflect current system configuration
 - Institute a corrosion control cathodic protection services for existing water distribution system

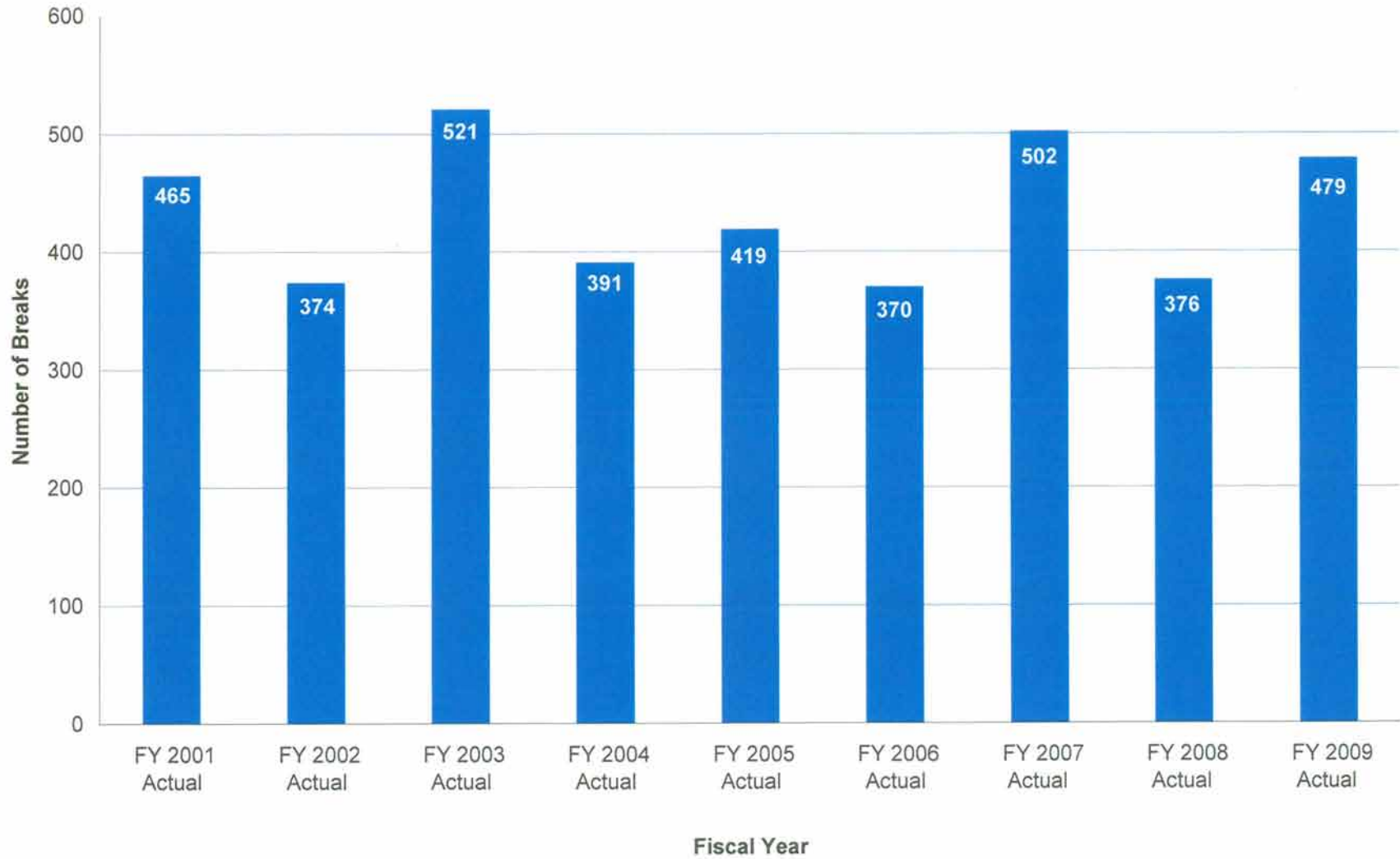
FY 2011 Major Recommended Activities and Changes

- Continue reorganization of department
- Continue training and certification programs

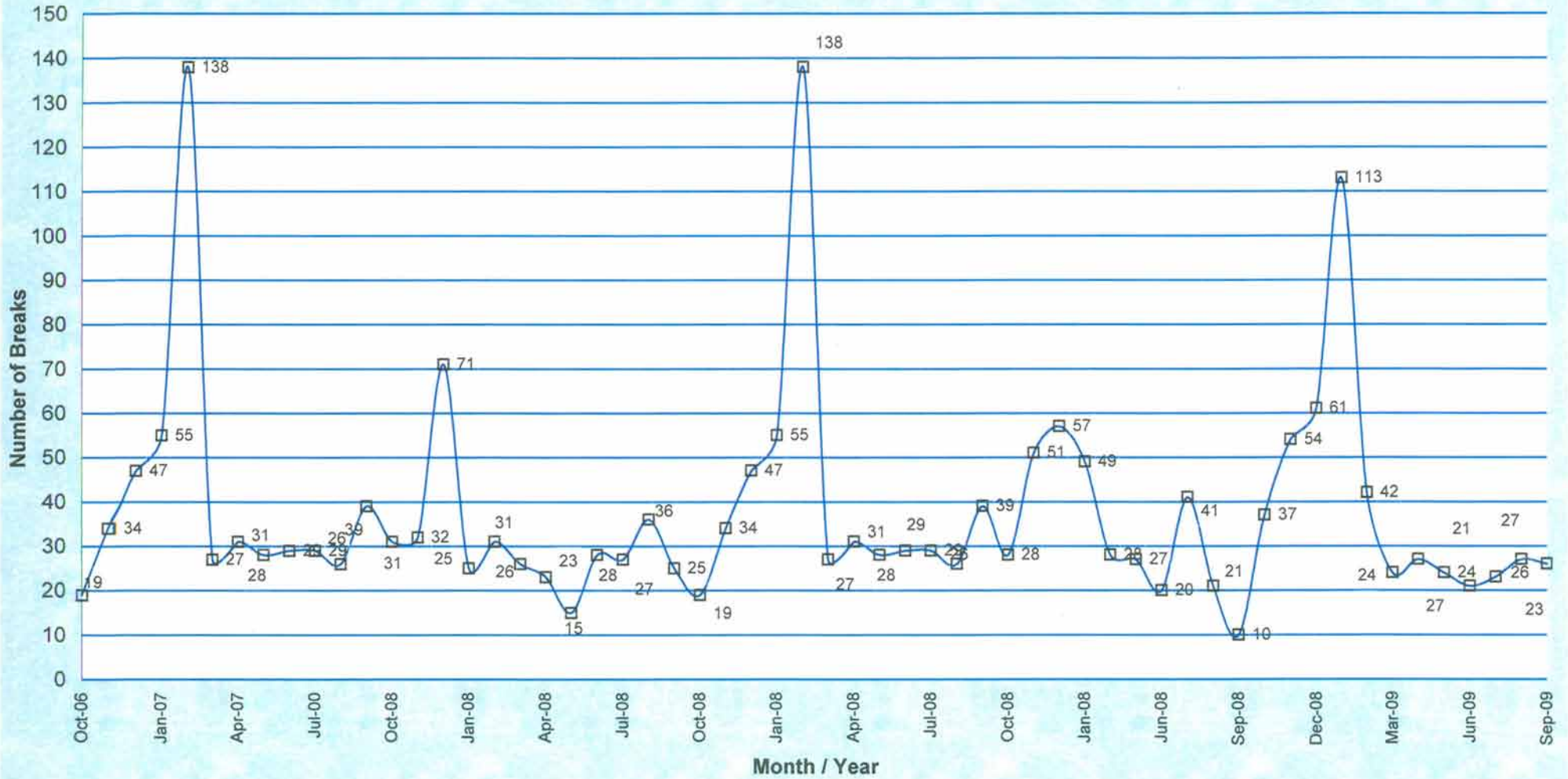
Impact of Capital Projects on FY 2010 and FY 2011 Operating Expenditures

Capital projects in the Water Service area are designed to maintain safe, adequate and reliable potable water supply to customers and for fire protection. Categories of projects include the rehabilitation and replacement of water mains, storage facilities, pumping stations, and water service line and meter replacements. Some of these projects do have a direct or indirect impact on operating expenditures. For example, replacements of fire hydrants would reduce the number of service calls, water main breaks would require repaving and emergency repairs, etc.

**HISTORICAL WATER MAIN BREAKS
FY 2001 - FY 2009**



HISTORICAL MONTHLY MAIN BREAKS October 2006 - September 2009



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**FY 2011 Budget
\$20,854,000**

**ASSISTANT
GENERAL
MANAGER
Consumer Services**

**SEWER SERVICES
5 - Positions**

POSITIONS				
CURRENT			FY 2010	FY 2011
Authorized	Average Position s Filled	Year-End Positions Filled		
159	147	149	159	159

**Sewage Pumping
36 - Positions**

FUNCTIONS

- Operate Sanitary and Stormwater Pumping Stations
- Operate Combined Sewer System Controls
 - Swirl Concentrator
 - Fabridams

**Inspection & Maintenance
68- Positions**

FUNCTIONS

- Investigate public sewers
- Investigate sewer laterals
- Clean sewers and inlet /outlet structures
- Operate and maintain sewer regulator structures
- Clean catch basins
- Remove floatable debris

**Construction & Repair
46- Positions**

FUNCTIONS

- Install and repair sewer mains
- Replace and repair sewer laterals
- Manage construction contracts
- Install and repair catch basins
- Manage and inspect CIP in-house projects
- Coordinate work orders

**Potomac Interceptor
4 - Positions**

FUNCTIONS

- Operate and maintain PI flow meters
- Perform manhole inspections
- Inspect contractor operations
- Operate & maintain Potomac Interceptor Sewer
- Operate and maintain related Odor control facilities and manholes
- Right-of-Way maintenance

SEWER SERVICES

MISSION: To provide for the operation and maintenance of the sewer system which collects and transports wastewater and stormwater flows to treatment and authorized discharge points.

BUDGET OVERVIEW: The revised FY 2010 budget is lower than the approved FY 2010 budget by approximately \$0.9 million primarily due to projected decreases in electricity cost. The approved FY 2011 budget reflects increases of approximately \$1.1 million over the revised FY 2010 budget due to increase funding for personnel services and contract costs for cleaning of water quality catch basins.

	FY 2009 Actual	FY 2010 Approved	FY 2010 Revised	FY 2011 Approved
Positions: (FTE's)				
Number of authorized positions	159	159	159	159
Average number of positions filled	147			
Operating Expenses				
Personnel Services including Overtime	11,960	12,697	12,395	13,002
Overtime	814	920	900	900
Non-Personnel Services:				
Chemicals & Supplies	414	623	623	624
Utilities	2,562	3,365	3,279	3,383
Contractual Services, etc.	2,060	3,888	3,402	3,795
Small Equipment	25	50	50	50
Total Non-Personnel Services	5,061	7,926	7,354	7,852
Total Operations & Maintenance	17,021	20,622	19,750	20,854
Capital Equipment/Projects:	158	293	268	253

Targeted Performance Measures	FY 2009 Actual	FY 2010 Budget	FY 2010 Projection	FY 2011 Projection
Catch basins cleaned annually	29,047	27,500	27,500	27,500
Laterals investigated/relieved annually	2,316	2,000	2,000	2,000
Floatable debris tonnage removed from rivers	390	400	400	400
Sewer laterals repaired/replaced annually	405	350	350	350
Sewer main and lining footage repaired/replaced annually	988	1,000	1,000	1,000
Number of inspections completed on Potomac Interceptor meters	421	400	400	400

SEWER SERVICES

OVERVIEW

FY 2010 Major Recommended Activities and Changes

- Implementation of the Sonar Inspection Project along the Potomac Interceptor
- Support MS4 Permit as required. Secure independent contract to clean water quality catch basins in the District.
- Continue implementation of Potomac Interceptor Interim Odor Control
- Work with the Department of Engineering & Technical Services (DETS) on detailed design and permitting requirements for the Potomac Interceptor Long-Term Odor Abatement Program sites
- Begin design phase for the rehabilitation of several outfall sewers and control structures
- Administer construction contract for sewer main rehabilitation – relining contract
- Expand testing of alternative means to controlling Fat, Oil, and Grease (FOG) and Roots in Collection System
- Begin construction to separate the combined sewers areas
- Start detailed design for Control structure renovation recommended in the Sewer Assessment Plan
- Work with DETS on rehabilitation of Potomac Interceptor structures
- Continue working on the final phase for rehabilitation of 5,300-foot segment of the Potomac Interceptor with DETS
- Administer construction contract to reduce backlog of defective sewer laterals
- Continue cleaning retrofitted catch basins and catch basins on Federal Highways

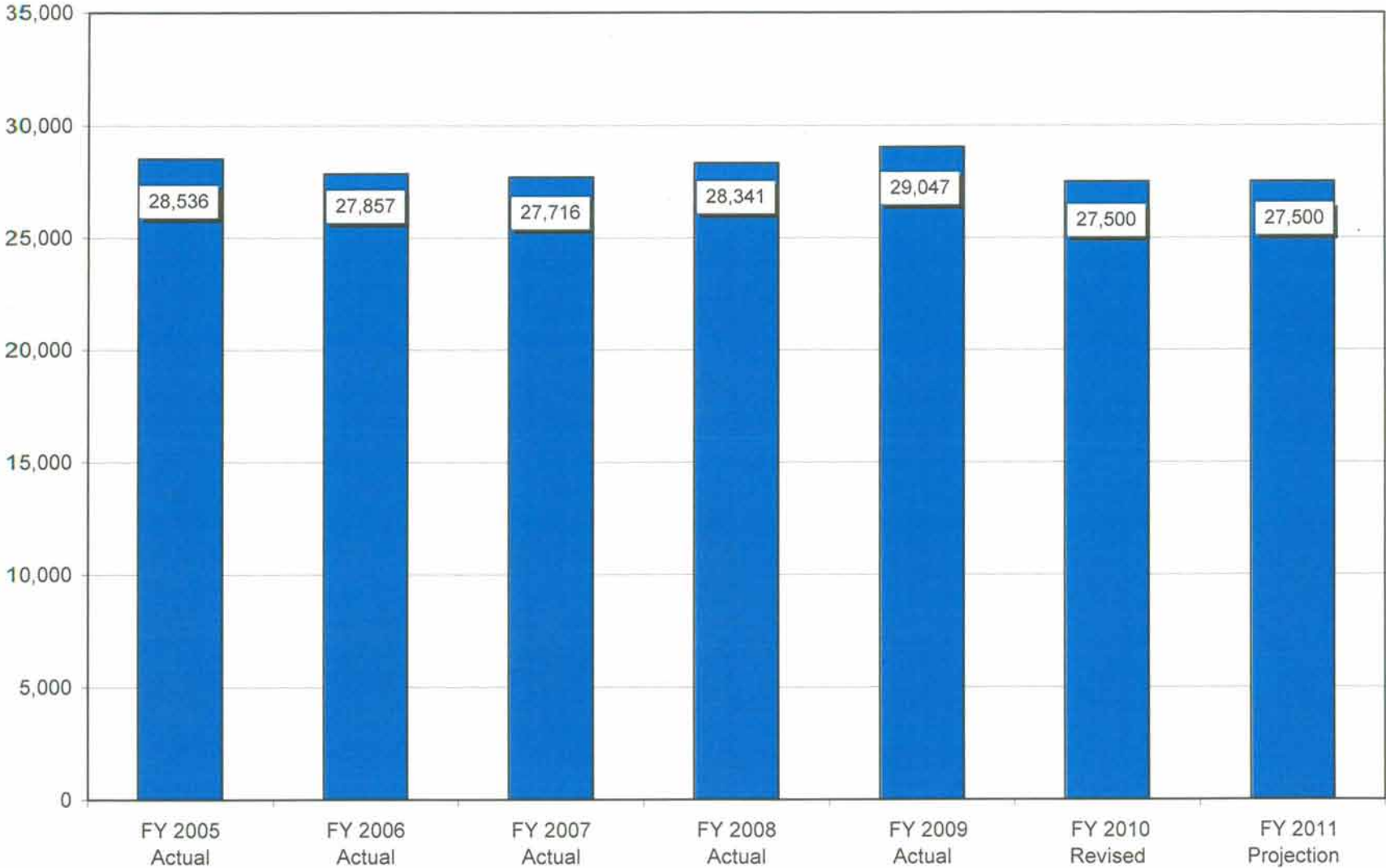
FY 2011 Major Recommended Activities and Changes

- Begin Erosion Control Study for the Potomac Interceptor
- Continue implementation of the Sonar Inspection Project along the Potomac Interceptor Pipeline
- Work with DETS on implementation of construction for the rehabilitation of Potomac Interceptor Structures
- Coordinate rehabilitation of Outfall sewer with the operation of Main and O Street Pumping Stations
- Continue working with DETS to rehabilitate Upper Potomac Interceptor Sewer segment that is currently out of service
- Rehabilitation of critical easement access roadways along Potomac Interceptor
- Work with DETS on construction phase for rehabilitation of the 1,800 foot and 5,300-foot segment of the Potomac Interceptor in Virginia
- Work with DETS to finalize Statement of Work for critical access road improvements on the Potomac Interceptor
- Continue the implementation of an asset management strategy and system for water and sewer infrastructure in conjunction with Department of Water Services

Impact of Capital Projects on FY 2010 and FY 2011 Operating Expenditures

- As pumping stations are rehabilitated, there is a potential requirement for additional screenings that will increase costs associated with disposal of debris.
- The rehabilitated pumping stations will have odor scrubbers that utilize carbon canisters. The canisters useful life is less than a year, thus the department of Sewer Services will potential face increasing cost for chemicals.
- The FOG management program is intended to reduce odors, sewer backups, corrosion in pipes and excessive wear on pumps.

FY 2005 - FY 2011 Catch Basins Cleaned





**ASST. GEN. MGR.
Blue Plains**

			POSITIONS	
CURRENT			FY 2010	FY 2011
Authorized	Average Positions Filled	Year-End Positions Filled		
144	136	126	139	139

**FY 2011 Budget
\$19,739,000**

**MAINTENANCE
SERVICES**

**Electrical
Maintenance
40- Positions**

**Mechanical
Maintenance
65 - Positions**

**Maintenance
Management
12 - Positions**

**Instrumentation
22 - Positions**

FUNCTIONS

- Maintain electrical process control systems, equipment, and components for Blue Plains Advanced Wastewater Treatment Plant
- Operate and maintain electrical power distribution and control systems for process equipment and facilities Authority wide
- Plan and schedule work

FUNCTIONS

- Maintain mechanical process systems and equipment for the Blue Plains Advanced Wastewater Treatment Plant
- Plan, schedule, and perform condition monitoring for process equipment Authority wide
- Plan and schedule work

FUNCTIONS

- Plan and coordinate all activities for corrective, preventive, and predictive maintenance
- Plan and operate support systems to manage maintenance by planning, estimating, inspecting, and scheduling maintenance activities
- Coordinate work through operations and engineering

FUNCTIONS

- Maintain electronic process control systems, flow measurement, metering and recording equipment for the Blue Plains Advanced Wastewater Treatment Plant
- Plan and schedule work

MAINTENANCE SERVICES

MISSION: To economically maintain DC WASA's process equipment and facilities, ensuring that the operational and customer service objectives of the Authority are achieved.

BUDGET OVERVIEW: The FY 2010 revised budget decreases by approximately \$4.2 million below the FY 2010 approved budget primarily due to reorganization of maintenance services into Blue Plains Maintenance and Water/Sewer Pumping Maintenance. Thirty-three (33) FTEs were moved from Blue Plains Maintenance to Water/Sewer Pumping Maintenance. Additionally, six (6) positions were reduced as a result of transfer of the electric cart maintenance function from Maintenance to the Fleet Department. The FY 2011 approved budget increases by \$0.7 million over the FY 2010 revised budget primarily due to projected compensation increases.

	FY 2009 Actual	FY 2010 Approved	FY 2010 Revised	FY 2011 Approved
Positions: (FTE's)				
Number of authorized positions	178	178	139	139
Average number of positions filled				
Operating Expenses				
Personnel Services including Overtime	13,405	14,514	11,540	12,133
Overtime	1,099	1,000	800	800
Non-Personnel Services:				
Chemicals and Supplies	2,700	2,077	2,190	2,277
Utilities	113	90	124	123
Contractual Services, etc.	6,358	6,388	5,030	5,013
Small Equipment	27	215	193	193
Total Non-Personnel Services	9,198	8,770	7,537	7,606
Total Operations & Maintenance	22,603	23,284	19,076	19,739
Capital Equipment	2,802	1,900	800	500
Targeted Performance Measures				
	FY 2009 Actual	FY 2010 Budget	FY 2010 Projection	FY 2011 Projection
Critical Equipment Availability (97%)	98%	98%	98%	98%

MAINTENANCE SERVICES

OVERVIEW

FY 2010 Major Recommended Activities and Changes

- Continue maintenance on the Solids Processing Building
- Continue maintenance training and certification program
- Continue the High Priority Rehabilitation Program for Blue Plains
- Support the Process Computer Control System (PCCS) and Supervisory Control And Data Acquisition (SCADA) projects
- Continue predictive maintenance/condition monitoring program to improve equipment reliability
- Continue Maximo business process improvements
- Implement major critical equipment maintenance initiative in Preliminary Treatment
- Implement unit shelf replacement (spare parts) program
- Implement lubrication technician program within the equipment reliability group
- Provide High Voltage and Predictive Maintenance support for Water and Sewer Pumping Maintenance
- Continue to establish and maintain critical spare parts inventory for process equipment
 - Filtration and Disinfection Facilities Upgrades
 - Grit and Screen Facilities Upgrades
 - PCCS

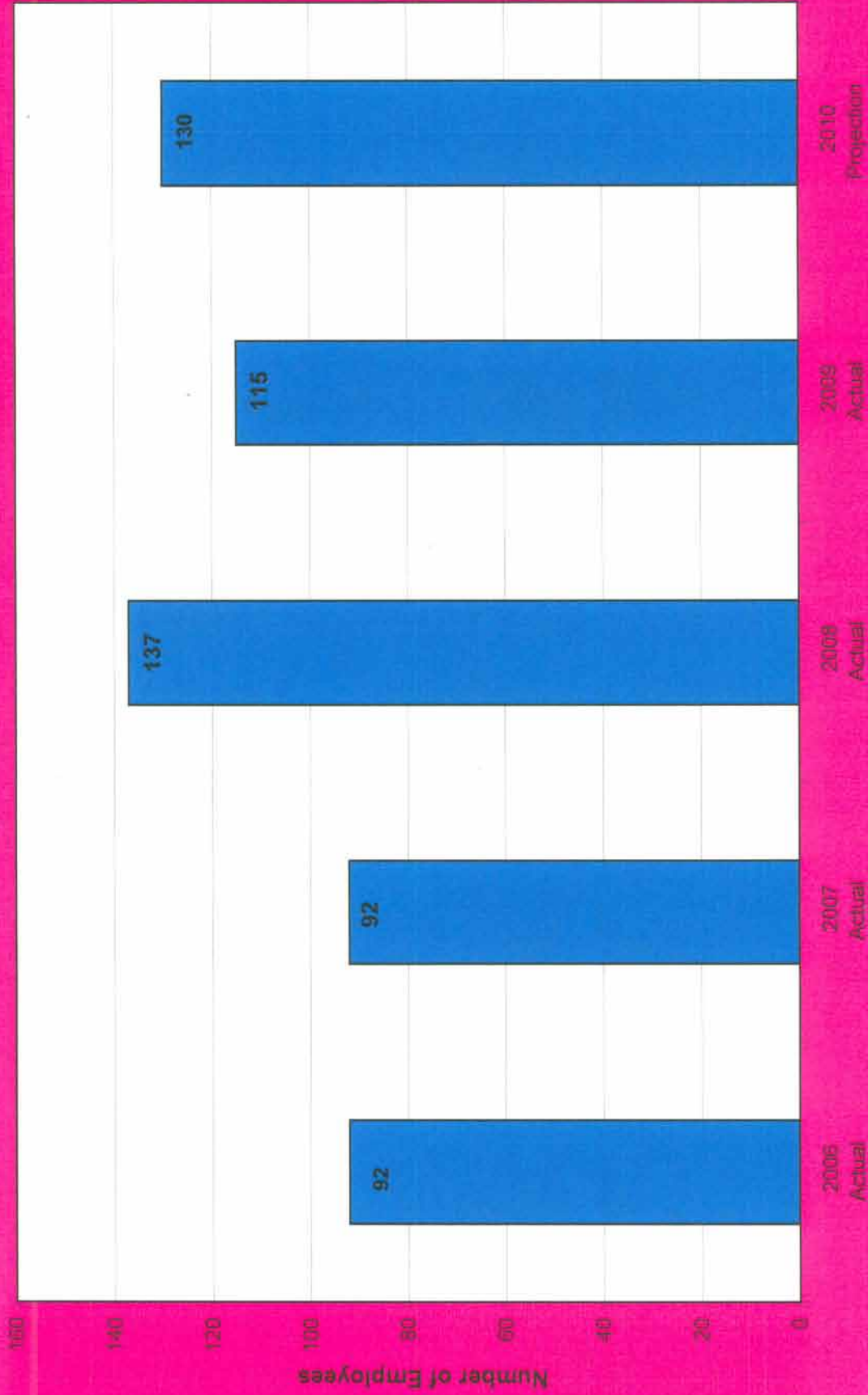
FY 2011 Major Recommended Activities and Changes

- Continue maintenance on the Solids Processing Building
- Continue maintenance training and certification program
- Continue the High Priority Rehabilitation Program
- Support the PCCS and SCADA projects
- Continue predictive maintenance/condition monitoring program to improve equipment reliability
- Continue major critical equipment maintenance initiative in Preliminary Treatment
- Continue to Provide High Voltage and Predictive Maintenance support for Water and Sewer Pumping Maintenance

Impact of Capital Projects on FY 2010 and FY 2011 Operating Expenditures

- PCCS maintenance and field instrument maintenance for air controls in the Nitrification/Denitrification project would improve nitrogen removal in the treatment process and also reduce energy consumption in Blue Plains

**MAINTENANCE OPERATOR CERTIFICATION
FY 2006 - FY 2010**





**ASS. GEN. MGR.
CONSUMER
SERVICES**

			POSITIONS	
CURRENT			FY 2010	FY 2011
Authorized	Average Positions Filled	Year-End Positions Filled		
33	28	29	33	33

**FY 2011 Budget
\$4,715,000**

**WATER/SEWER
PUMPING
MAINTENANCE
1 - Position**

**Productivity Unit
2 - Positions**

**Electrical
Maintenance
9 - Positions**

**Mechanical
Maintenance
15 - Positions**

**Instrumentation
6 - Positions**

FUNCTIONS

- Maintain electrical process control systems, equipment, and components for DC WASA Collection and Distribution Systems
- Operate and maintain electrical power distribution and electrical control systems for process equipment and facilities

FUNCTIONS

- Maintain mechanical process systems and equipment for the DC WASA Collection and Distribution Systems

FUNCTIONS

- Maintain electronic process control systems, flow measurement, metering and recording equipment for the DC WASA Collection and Distribution Systems

WATER/SEWER PUMPING MAINTENANCE

MISSION: To economically maintain DC WASA's process equipment and facilities external to Blue Plains, ensuring that the operational and customer service objectives of the Authority are achieved.

BUDGET OVERVIEW: The FY 2011 approved budget is relatively flat, compared to the FY2010 revised budget.

	FY 2009 Actual	FY 2010 Approved	FY 2010 Revised	FY 2011 Approved
Positions: (FTE's)				
Number of authorized positions	33	-	33	33
Average number of positions filled				
Operating Expenses				
Personnel Services including Overtime	847	-	2,663	2,918
Overtime	52	-	200	200
Non-Personnel Services:				
Chemicals and Supplies	-	-	613	272
Utilities	-	-	24	19
Contractual Services, etc.	-	-	1,301	1,409
Small Equipment	-	-	96	96
Total Non-Personnel Services	-	-	2,034	1,796
Total Operations & Maintenance	847	-	4,697	4,715
Capital Equipment	-	-	200	500
Targeted Performance Measures				
	FY 2009 Actual	FY 2010 Budget	FY 2010 Projection	FY 2011 Projection
Critical Equipment Availability (97%)	98%	98%	98%	98%

WATER /SEWER PUMPING MAINTENANCE

OVERVIEW

FY 2010 Major Recommended Activities and Changes

- Continue maintenance on pumping stations and storage facilities
- Continue maintenance training and certification program
- Continue diver services program
- Continue the High Priority Rehabilitation Program
- Support the Supervisory Control and Data Acquisition (SCADA) project
- Continue predictive maintenance program/condition monitoring program to improve equipment reliability
- Continue to establish critical spare parts inventory for process equipment
- Support Water & Sewer Pumping Stations Upgrades – operational in FY 2010
- Support SCADA System - partially operational since FY 2005
- Continue Emergency Generator Critical Services Program
- Repair two (2) large pumps for Water Services
- Repair two (2) large pumps for Sewer Services

FY 2011 Major Recommended Activities and Changes

- Continue maintenance on the pumping stations and storage facilities
- Continue maintenance training and certification program
- Continue diver services program
- Continue the High Priority Rehabilitation Program
- Support the SCADA project
- Continue predictive maintenance program / condition monitoring program to improve equipment reliability
- Continue to establish critical spare parts inventory for process equipment
- Support Water and Sewer Pumping Stations Upgrades – operational in FY 2010
- Support SCADA System - partially operational since FY 2005
- Continue Emergency Generator Critical Services Program
- Repair two (2) large pump Rotating Elements, Water Services
- Repair two (2) large pump rotating elements, Sewer Services

Impact of Capital Projects on FY 2010 and FY 2011 Operating Expenditures

- PCCS maintenance and field instrument maintenance for air controls in the Nitrification/Denitrification project would improve nitrogen removal in the treatment process and also reduce energy consumption in Blue Plains.

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**FY 2011 Budget
\$16,806,000**

**CHIEF ENGINEER
Deputy General Manager**

**ENGINEERING
and TECHNICAL
SERVICES
3 - Positions**

			POSITIONS	
Authorized	CURRENT		FY 2010	FY 2011
	Average Positions Filled	Year-End Positions Filled		
122	108	110	125	147

**Program
Management
Branch
9 - Positions**

FUNCTIONS

- Develop and maintain long-term facility planning process
- Generate bid documents for construction and rehabilitation projects
- Provide engineering data for production of the Capital Improvement Plan (CIP)
- Technical and policy coordination with other jurisdictions and federal agencies
- Manage outside professional engineering firms
- Provide coordination and other related services in support of the District of Columbia's storm water permit and in conjunction with the Departments of Health, Public Works, and Transportation

**Planning and
Design
Branch
62 - Positions**

FUNCTIONS

- Perform system and facilitate planning for the water, sewer, and storm sewer system
- Review, create and maintain standards to ensure technical adequacy
- Accomplish water and sewer pipeline design and facility design
- Maintain engineering records of the water and sewer system and provide for customer access
- Review and issue permits for all new sewer and water connections and other construction affecting DC WASA facilities
- Perform sewer and water system capacity and conditional assessments and manage resultant CIP projects

**Engineering
Management
Services Branch
18 - Positions**

FUNCTIONS

- Develop and maintain contract specifications and solicitations
- Ensure DETS contract documents complies with DC WASA and EPA Procurement Regulations
- Recommend all contract awards
- Ensures DC WASA design consultant and construction contractors comply with LSDBE and MBE/WBE requirements
- Manage and track the CIP
- Manage and track EPA Grants
- Develop, prepare and coordinate DETS operating budget
- Manage DETS engineering systems hardware/software

**Water and Sewer
Construction
Branch
47 - Positions**

FUNCTIONS

- Administer contracts for new construction, major repairs, and modifications to water and sewer systems
- Inspect construction of DC WASA facilities by contractors, other District agencies and private developers

**Blue Plains
Project
Branch
8 - Positions**

FUNCTIONS

- Administer contracts for construction management, new construction, major repairs, modifications and start-up to the Blue Plains Advanced Wastewater Treatment Plant
- Perform design reviews and coordinate construction work with other departments at Blue Plains

ENGINEERING AND TECHNICAL SERVICES

MISSION: To perform engineering planning, design, and construction management necessary to execute the DC WASA's capital improvement program (CIP); to provide assistance and advice to operating departments and management on engineering aspects of the Authority's operation and facilities. To develop and maintain engineering documentation of the Authority's facilities and systems; and, to assist the Authority with environmental policy.

BUDGET OVERVIEW: There is relatively no change between the FY 2010 revised and FY 2010 approved budgets. The Lead Service Program was transferred to the Water Services Department while twelve (12) additional FTEs were added to support management of the increased capital improvement program. The FY 2011 approved budget increases by approximately \$2.1 million over the FY 2010 revised budget due to anticipated increase in personnel services, which include 22 additional positions in support of DC WASA's CIP.

	FY 2009 Actual	FY 2010 Approved	FY 2010 Revised	FY 2011 Approved
Positions: (FTE's)				
Number of authorized positions	122	122	125	147
Average number of positions filled				
Operating Expenses				
Personnel Services including Overtime	12,664	12,937	12,986	15,147
Overtime	520	500	500	500
Non-Personnel Services:				
Chemical and Supplies	67	90	103	105
Utilities	152	164	208	203
Contractual Services, etc.	1,153	1,264	1,402	1,333
Small Equipment	15	19	19	19
Total Non-Personnel Services	1,386	1,537	1,732	1,659
Total Operations & Maintenance	14,051	14,474	14,717	16,806
Capital Equipment	85	100	858	-
Targeted Performance Measures				
	FY 2009 Actual	FY 2010 Budget	FY 2010 Projection	FY 2011 Projection
Fewer than 5% change orders to capital contracts	95%	95%	95%	95%
Use 100% of Clean Water Act grant funds	100%	100%	100%	100%
Use 100% of Safe Drinking Water Act grant funds	100%	100%	100%	100%

ENGINEERING & TECHNICAL SERVICES

OVERVIEW

FY 2010 Major Recommended Activities and Changes

- Lead, manage timely, and ensure in-budget implementation of the Capital Improvement Program (CIP)
- Continue development of Engineering Standards
- Continue High Priority Rehabilitation Program for Blue Plains
- Continue development of Standard Operating Procedures (SOP's)
- Continue design of Total Nitrogen (TN) project at Blue Plains
- Continue design of Biosolids Management Plan projects
- Implement in-house management of the Geographic Information System (GIS)
- Begin implementation of increased design capability in-house
- Develop terms and conditions for Design-Build contracts
- Implement upgraded project portfolio management system
- Ensure EPA Fair Share Objectives are met or exceeded
- Submit DC WASA's availability analysis to EPA for determination of Fair Share Objectives for FY 2010 through FY 2013
- Ensure all grant funding is obligated in accordance with grant requirements
- Meet all required ARRA (Stimulus) project requirements

FY 2011 Major Recommended Activities and Changes

- Continue to lead, manage timely, and ensure in-budget implementation of the CIP
- Maintain as-built and mapping system with in-house staff
- Begin implementation of the projects resulting from the sewer system condition assessment program.
- Continue implementation of TN project at Blue Plains
- Continue implementation of Biosolids Management Plan projects
- Continue to grow in-house design capability

Impact of Capital Projects on FY 2010 and FY 2011 Operating Expenditures

- Additional staffing to support the \$3.8 billion CIP for FY 2009 - 2018

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**CHIEF ENGINEER
Deputy General
Manager**

			POSITIONS	
CURRENT			FY 2010	FY 2011
Authorized	Average Positions Filled	Year-End Positions Filled		
1	1	1	4	10

**FY 2011 Budget
\$583,000**

**CSO LONG TERM
CONTROL PLAN
2 - Positions**

**CSO Planning and
Design Branch
5 - Position**

**CSO Construction
Branch
3 - Position**

FUNCTIONS

- Management and oversight of the planning and design phase of the \$2.4 billion, 20 year, CSO LTCP
- Oversee the program consultants' management of design contracts, consent decree driven schedules, budgets and program planning
- Ensure adherence to all design related consent decree milestones
- Oversee and guide value engineering efforts to improve the quality and cost effectiveness of designs
- Coordinate the interaction between the CSO LTCP Department and other departments within DC WASA
- Review, oversee and ensure compliance with quality assurance/quality control procedures
- Develop risk mitigation strategies for all CSO LTCP projects, with emphasis on bringing quality projects online, on time and within budget

FUNCTIONS

- Manage and oversee the construction phase of the 20 year, CSO LTCP
- Ensure adherence to all construction related consent decree requirements
- Guide constructability review efforts
- Identify and mitigate potential sources of project delay and scope growth
- Develop risk mitigation strategies for all CSO LTCP projects
- Inspect tunnel construction and other CSO abatement facilities
- Review, oversee and ensure compliance with quality assurance/quality control procedures

LONG TERM CONTROL PLAN

MISSION: To develop, design, construct and implement the Authority's 20 year Combined Sewer Overflow - Long Term Control Plan (CSO LTCP) that includes Federally enforceable consent decree driven milestones.

BUDGET OVERVIEW: The revised FY 2010 budget provides four (4) positions and supplies to manage the Long Term Control Plan. The approved FY 2011 budget increases by approximately \$180k to meet anticipated personnel services costs for six (6) additional positions.

	FY 2009 Actual	FY 2010 Approved	FY 2010 Revised	FY 2011 Approved
Positions: (FTE's)				
Number of authorized positions	-	-	4	10
Average number of positions filled				
Operating Expenses				
Personnel Services including Overtime	-	-	339	519
Overtime	-	-	1	1
Non-Personnel Services:				
Chemical and Supplies	-	-	5	5
Utilities	-	-	-	-
Contractual Services, etc.	-	-	59	59
Small Equipment	-	-	-	-
Total Non-Personnel Services	-	-	64	64
Total Operations & Maintenance	-	-	403	583
Capital Equipment				
Targeted Performance Measures	FY 2009 Actual	FY 2010 Budget	FY 2010 Projection	FY 2011 Projection
Meet all CSO LTCP consent decree milestones			100%	100%

LONG TERM CONTROL PLAN

OVERVIEW

FY 2010 Major Recommended Activities and Changes

- Continue design and implementation of the 20 year Combined Sewer Overflow - Long Term Control Plan (CSO LTCP)
- Develop Blue Plains Tunnel design report for use by design-build team
- Complete design and begin construction of the Blue Plains tunnel site preparation at the Blue Plains facility
- Secure engineering and construction services for the Blue Plains tunnel through design-build service delivery
- Begin design of new CSO 19 outfall structure near RFK stadium that will handle excess flow from the new Northeast Boundary Tunnel
- Develop design-build procurement procedures and qualifications protocol for DC WASA projects
- Develop and make recommendation for risk allocation for design-build contracts
- Begin design of CSO at M Street near the Navy Yard area and Southside of the Anacostia River

FY 2011 Major Recommended Activities and Changes

- Continue design and implementation of the 20 year CSO LTCP
- Complete construction of the Blue Plains Tunnel Site Preparation project at the Blue Plains facility
- Begin construction of the Blue Plains tunnel that is approximately 4 miles long and 23 feet inside diameter. The tunnel will extend from Blue Plains Wastewater Treatment Facility to the Main Street Pumping Station near the Washington Nationals Stadium
- Secure engineering and construction services for the Blue Plains Tunnel through design-build service delivery
- Complete design for new CSO 19 outfall structure near RFK stadium to handle excess flow from the new North East Boundary Tunnel
- Complete design of CSO at M Street near the Navy Yard area and Southside of the Anacostia River

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**CHIEF ENGINEER
Deputy General
Manager**

**PERMIT
OPERATIONS
3 - Positions**

**FY 2011 Budget
\$704,000**

			POSITIONS	
Authorized	CURRENT		FY 2010	FY 2011
	Average Positions Filled	Year-End Positions Filled		
			3	3

FUNCTIONS

- Manage DC WASA's permit functions
- Perform engineering review of major development projects from conception to construction
- Coordinate with DCRA in support of the District's permit operations
- Collaborate with DETS on modifications to the Authority's design standards
- Review and approve water and sewer availability certificates
- Coordinate construction with DETS Water and Sewer Construction Branch

PERMIT OPERATIONS

MISSION: To manage DC WASA's development and permit services

BUDGET OVERVIEW: Funding is allocated in this new department for three (3) FTEs and consulting services to identify improvements needed to ensure a more efficient operation that helps our customers.

	FY 2009 Actual	FY 2010 Approved	FY 2010 Revised	FY 2011 Approved
Positions: (FTE's)				
Number of authorized positions			3	3
Average number of positions filled				
Operating Expenses				
Personnel Services including Overtime			231	399
Overtime			1	1
Non-Personnel Services:				
Chemical and Supplies			5	5
Utilities			50	100
Contractual Services, etc.			514	200
Small Equipment			-	-
Total Non-Personnel Services	-	-	569	305
Total Operations & Maintenance	-	-	800	704
Capital Equipment	-	-	-	-

PERMIT OPERATIONS

OVERVIEW

FY 2010 Major Recommended Activities and Changes

- Develop implementation plan and schedule for permit operations
- Develop staffing plan, establish required position descriptions
- Develop budget for FY 2010 and FY 2011
- Coordinate space needs at the Department of Consumer and Regulatory Affairs (DCRA) Headquarters
- Develop and implement standard operating procedures
- Determine where Permit Operations will be located
- Continue to provide permit services throughout transition

FY 2011 Major Recommended Activities and Changes

- Staff department as recommended in transition plan
- Continue development of standard procedures
- Meet goals for review cycle times, as defined in standard procedures

Impact of Capital Projects on FY 2010 and FY 2011 Operating Expenditures

- Increase in the FY 2009 – FY 2018 CIP would result increase staff time to review and process needed permit applications

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**ASST. GEN. MGR.
CONSUMER
SERVICES**

**CUSTOMER
SERVICE
Office of the
Director
6 - Positions**

**FY 2011 Budget
\$15,342,000**

POSITIONS				
Authorized	CURRENT		FY 2010	FY 2011
	Average Positions Filled	Year-End Positions Filled		
123	111	113	123	123

**Customer Care
44 - Positions**

FUNCTIONS

- Respond to customer calls and correspondence
- Assist customers in Business Office
- Respond to all requests received via internet

**Credit and
Collections
12 - Positions**

FUNCTIONS

- Manage receivables and collections process on delinquent accounts, including multi-family service termination, property lien filing, dunning process and receivership
- Manage Customer Assistance Program

**Billing Services
and Control
18 - Positions**

FUNCTIONS

- Manage billing process and improvement of customer information and billing system
- Monitor and assist large accounts
- Provide planning and project management for future systems implementations

**Meter and
Field
Services
43 - Positions**

FUNCTIONS

- Maintain, install, test, repair and replace meters
- Manage meter replacement/automated meter reading project
- Perform interior inspections
- Perform terminations of service for non-payment of bills

CUSTOMER SERVICE

MISSION: To provide superior, equitable and responsive customer service to the diverse community that we serve.

BUDGET OVERVIEW: The FY 2010 revised budget is relatively flat compared to the approved FY2010 budget. The FY 2011 approved budget increases by \$0.5 million due to projected compensation increases.

	FY 2009 Actual	FY 2010 Approved	FY 2010 Revised	FY 2011 Approved
Positions: (FTE's)				
Number of authorized positions	123	123	123	123
Average number of positions filled				
Operating Expenses				
Personnel Services including Overtime	8,544	8,615	8,969	9,410
Overtime	315	260	260	260
Non-personnel Services:				
Chemicals and Supplies	118	179	179	183
Utilities	1,226	1,907	1,772	1,776
Contractual Services, etc.	3,234	4,205	3,944	3,917
Small Equipment	59	56	56	56
Total Non-Personnel Services	4,638	6,347	5,951	5,932
Total Operations & Maintenance	13,182	14,962	14,919	15,342
Capital Equipment	401	300	910	210

Targeted Performance Measures	FY 2009 Actual	FY 2010 Budget	FY 2010 Projection	FY 2011 Projection
Calls answered within 40 seconds	90%	85%	85%	85%
Percentage of AMR Meters Read	97%	99%	99%	99%
Reduce Retail 90-day receivable balance (not including IAC)	\$4.9 Million	\$5.5 Million	\$5.5 Million	\$5.5 Million
Top 100 Accounts Billed as Scheduled	98%	98%	98%	98%

CUSTOMER SERVICE

OVERVIEW

FY 2010 Major Recommended Activities and Changes

- Complete large meter installation/Automated Meter Reading (AMR) project
- Exercise option to extend the Customer Information System (CIS) contract for two years
- Review existing self service applications for process improvements and updates
- Review functionality of MAXIMO application for process improvements and updates
- Implement a First Call Resolution in Call and Command Centers
- Make improvements to the Walk-In Customer Service Center and Customer Service business offices
- Develop as required, multi-tiered residential impervious area charges
- Begin Automated Meter Reading (AMR) upgrade

FY 2011 Major Recommended Activities and Changes

- Continue to review existing possible synergies among water and sewer customers which allows us to continue to streamline operations and improve service delivery
- Implement as required, multi-tiered residential impervious area charges
- Continue Automated Meter Reading (AMR) upgrade
- Evaluate options to relocate Customer Service business offices

Impact of Capital Projects on FY 2010 and FY 2011 Operating Expenditures

- On-going semi annual testing of large meters
- Automated Meter Reading (AMR) upgrade

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**FY 2011 Budget
\$3,715,000**

**BOARD
OF
DIRECTORS**



**GENERAL
MANAGER
12 - Positions**

			POSITIONS	
Authorized	CURRENT		FY 2010	FY 2011
	Average Positions Filled	Year-End Positions Filled		
9	7	6	10	12

FUNCTIONS

- Provide overall operational and policy direction in support of the Board of Directors' Strategic Plan
- Direct Authority's productivity analysis and planning group

GENERAL MANAGER

MISSION: The General Manager's Office administers, plans, organizes, and directs the operations of the Authority.

BUDGET OVERVIEW: The revised FY 2010 operating budget is relatively flat compared to the FY 2010 approved budget. Increases of approximately \$79 thousand to the FY 2011 approved operating budget reflect funding for increased personnel services costs.

	FY 2009 Actual	FY 2010 Approved	FY 2010 Revised	FY 2011 Approved
Positions: (FTE's)				
Number of authorized positions	9	9	10	12
Average number of positions filled	7			
Operating Expenses				
Personnel Services including Overtime	1,334	1,406	1,597	1,851
Overtime	13	25	20	20
Non-Personnel Services:				
Chemicals and Supplies	24	15	15	15
Utilities	10	20	30	30
Contractual Services, etc.	515	2,267	1,994	1,819
Small Equipment	0	-	-	-
Total Non-Personnel Services	551	2,302	2,038	1,864
Total Operations & Maintenance	1,884	3,708	3,636	3,715
Capital Equipment	-	-		
Targeted Performance Measures				
Implement all policies and directives of the Board of Directors				

GENERAL MANAGER

OVERVIEW

FY 2010 Major Recommended Activities and Changes

- Oversee implementation of the Board's Strategic Plan and governance study recommendations as adopted by the Board of Directors
- Oversee development and implementation of key initiatives
 - Combined Sewer Overflow (CSO) Long-Term Control Plan (LTCP) and Nine Minimum Controls consent decree
 - Capital Improvement Program
 - Operating Budget
- Continue to evaluate and refine Authority's organizational structure
- Develop and manage implementation of a Master Facility Plan
- Enhance and maintain Authority relationships with customers, and the public and affiliations with industry, management and government professional organizations
- Oversee implementation of the Authority's performance measurement and process improvement program
- Direct the Authority's productivity analysis and planning group, to include internal improvement planning

FY 2011 Major Recommended Activities and Changes

- No major changes anticipated

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**BOARD
OF
DIRECTORS**

POSITIONS				
CURRENT			FY 2010	FY 2011
Authorized	Average Positions Filled	Year-End Positions Filled		
2	2	2	2	2

**FY 2011 Budget
\$594,000**

**OFFICE OF
THE
SECRETARY (BOARD)
2 - Positions**

**GENERAL
MANAGER**

FUNCTIONS

- Manage logistics for Board of Directors and Committee meetings, Public Hearings, Workshops, Strategic Planning Process and all other business activities of the Board
- Manage and oversee the day-to-day operations of the Board of Directors
- Administer the subpoena process for the Authority
- Maintain custodian of all books, records and official documents of the Board
- Provide Notary Service for the Authority

OFFICE OF THE SECRETARY

MISSION: To support the Board of Directors in developing and reviewing the Authority's strategic goals, providing executive level assistance in planning, coordinating and executing assignments, and ensuring that the Board's business and activities are effectively managed.

BUDGET OVERVIEW: The FY 2010 revised budget increases slightly over the FY 2010 approved budget due to increase in contractual services to support the Board's e-Book Program. The FY 2011 approved budget is relatively flat compared to the FY 2010 revised budget.

	FY 2009 Actual	FY 2010 Approved	FY 2010 Revised	FY 2011 Approved
Positions: (FTE's)				
Number of authorized positions	2	2	2	2
Average number of positions filled				
Operating Expenses				
Personnel Services including Overtime	238	220	228	238
Overtime		4		
Non-Personnel Services:				
Chemicals and Supplies	18	18	18	18
Utilities	5	4	5	5
Contractual Services, etc.	333	312	355	333
Small Equipment	1	1	1	1
Total Non-Personnel Services	357	334	379	357
Total Operations & Maintenance	594	554	607	594
Capital Equipment	-	-	60	-

Targeted Performance Measures	FY 2009 Actual	FY 2010 Budget	FY 2010 Projection	FY 2011 Projection
Provide timely and accurate Board and Committee agendas, reports and minutes	100%	100%		
Follow-up and complete Board actions	100%	100%		

OFFICE OF THE SECRETARY

OVERVIEW

FY 2010 Major Recommended Activities and Changes

- Coordinate logistics for Board's Strategic Planning Session
- Initiate and coordinate a process to fill expired and/or vacant Board appointments
- Assist Board Committees in monitoring Committee Work Plan performance measures and governance initiatives
- Continue to effectively monitor follow-up requests from the Board and Committees to ensure timely responses
- Continue to enhance data dissemination process for the Board, DC WASA employees, the general public, and stakeholders by use of state-of-the-art technology that supports the Board's strategic plan
- Support Board e-Book program implementation

FY 2011 Major Recommended Activities and Changes

- No major changes anticipated

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**FY 2011 Budget
\$790,000**

**GENERAL
MANAGER**

**INTERNAL
AUDIT
(Outsourced Function)**

			POSITIONS	
CURRENT			FY 2010	FY 2011
Authorized	Average Positions Filled	Year-End Positions Filled		
4	2	1	0	0

FUNCTIONS

Oversight:

- Conduct periodical audits
- Conduct audits requested by the Board of Directors and/or the General Manager
- Review of corporate governance

FUNCTIONS

Insight:

- Assess programs and policies
- Share best practices and benchmarking information
- Provide ongoing feedback for re-engineering management practices and policies

FUNCTIONS

Foresight:

- Perform enterprise-wide risk assessment
- Identify trends and challenges before they become crises
- Identify risks and opportunities
- Risk-based auditing

INTERNAL AUDIT

MISSION: The mission of internal audit is to provide independent, objective assurance and consulting activity that is guided by a philosophy of adding value to improve the operations of DC WASA. It assists the organization in accomplishing its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of the organization's risk management, control, and governance processes.

BUDGET OVERVIEW: The FY 2010 revised budget is slightly lower than the approved FY 2010 budget due to outsourcing of the Internal Audit function. There are no budgeted positions within the department. The approved FY 2011 operating budget is relatively flat compared to the revised FY 2010 operating budget.

	FY 2009 Actual	FY 2010 Approved	FY 2010 Revised	FY 2011 Approved
Positions: (FTE's)				
Number of authorized positions	4	4	-	-
Average number of positions filled	2			
Operating Expenses				
Personnel Services including Overtime	221	468	-	-
Overtime	-	-		
Non-Personnel Services:				
Chemicals and Supplies	-	9	-	-
Utilities	5	6	1	1
Contractual Services, etc.	219	352	782	789
Small Equipment	-	-	-	-
Total Non-Personnel Services	223	367	783	790
Total Operations & Maintenance	444	835	783	790
Capital Equipment	-	-	-	-
Targeted Performance Measures				
	FY 2009 Actual	FY 2010 Budget	FY 2010 Projection	FY 2011 Projection
Internal Audit Reviews	12	13	13	13

INTERNAL AUDIT

OVERVIEW

FY 2010 Major Recommended Activities and Changes

- Contract with an outside Certified Public Accounting firm to perform outsourced Internal Audit function
- Provide management with an independent assessment of DC WASA's management practices, compliance with established policies and procedures
- Report to management any significant deficiencies and/or key areas of risk exposure to fraud identified via the audit and assessment process

FY 2011 Major Recommended Activities and Changes

- No major changes anticipated

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**FY 2011 Budget
\$7,631,000**

**CHIEF FINANCIAL
OFFICER
45 - Positions**

**FINANCE
AND
BUDGET
2 - Positions**

			POSITIONS	
Authorized	CURRENT		FY 2010	FY 2011
	Average Positions Filled	Year-End Positions Filled		
43	37	41	44	45

**Office of the Controller
23 - Positions**

**Treasury and Debt
7 - Positions**

**Finance and Budget
13 - Positions**

FUNCTIONS

Manage accounting and financial reporting functions of the organization to include:

- Prepare Comprehensive Annual Financial Report (CAFR)
 - Record and report financial transactions
 - Maintain financial records and an effective internal control structure
 - Establish accounting and reporting policies
- Coordinate annual audit
- Vendor payment operations
- Payroll operations
- Grants and county billing operations
- Financial aspects of Inter-Municipal Agreement (IMA)
- Asset management process

FUNCTIONS

Manage and oversee Treasury and Debt function of the organization to include:

- Debt portfolio
- Investment portfolio
- Banking services operations
- Financial security and risk assessment
- Liquidity risks
- Business Office - Cashiering

FUNCTIONS

Manage the budget and financial planning activities of the organization to include:

- Short and long-range financial planning
- Prepare and monitor operating and capital budgets
- Committee reporting process
- Revenue forecasting and monitoring process
- Rate-setting processes
- Financial relationship with the Washington Aqueduct
- Assistance on special projects, e.g. federal billing issues

FINANCE AND BUDGET

MISSION: Manage all of DC WASA's financial activities to maintain sound financial condition; and, to ensure performance that meets the expectations of the Board, stakeholders and the broader financial community.

BUDGET OVERVIEW: The revised FY 2011 operating budget is approximately \$0.4 million higher compared to the approved FY 2010 operating budget. This increase is mostly related to funding for personnel services costs, banking fees and other service costs. One new position was also added to the revised FY 2010 budget. The increases \$0.3 million in the FY 2011 approved operating budget compared to the FY 2010 revised operating budget is mainly due to funding for anticipated personnel services costs.

	FY 2009 Actual	FY 2010 Approved	FY 2010 Revised	FY 2011 Approved
Positions: (FTE's)				
Number of authorized positions	43	43	43	45
Average number of positions filled	41			
Operating Expenses				
Personnel Services including Overtime	4,200	4,543	4,686	4,964
Overtime	15	40	35	35
Non-Personnel Services:				
Chemical and Supplies	13	20	15	20
Utilities	43	59	72	72
Contractual Services, etc.	1,973	2,364	2,568	2,570
Small Equipment	-	4	2	4
Total Non-Personnel Services	2,029	2,448	2,657	2,667
Total Operations & Maintenance	6,230	6,991	7,343	7,631
Capital Equipment		180	660	30

Targeted Performance Measures	FY 2009 Actual	FY 2010 Budget	FY 2010 Projection	FY 2011 Projection
Manage Authority's financial operations to ensure revenue is within 99% of projections and expenditures are within budget.	Revenue - 99% Expenditures - 93%	Revenue - 99% Expenditures - 93%	Revenue - 99% Expenditures - 93%	Revenue - 99% Expenditures - 93%
Comply with the Board's investment policy and exceed the three-month Treasury bill rate by 15 basis points	60 basis points	50 basis points	50 basis points	50 basis points
Manage Authority's financial operations to ensure 140% debt service coverage.	297%	253%	252%	244%
Meet or exceed the 120 day operating and maintenance expense with the objective of maintaining at least \$125.5 million in operating reserves as set by Board policy.	130.7million	125.5million	125.5million	125.5million
Issue Comprehensive Annual Financial Report (CAFR) in February.	February	February	February	February
Pay 97% of all undisputed invoices within 30 days.	92%	97%	97%	97%

FINANCE AND BUDGET

OVERVIEW

FY 2010 Major Recommended Activities and Changes

Office of the Controller:

- Internal Control Improvements
 - Control Activities Documentation
 - Internal Control Monitoring
 - Internal Control Framework Integration
- HR/Payroll System Upgrade
- Financial System Upgrade
- Accounts Payable Transition to ACH
- Payroll
 - Implement employee debit card
 - Time & Attendance & Self-Service Training
 - Implement paper reduction initiative - paystubs elimination / reduction/New Hire Direct Deposit Requirement
- Grants / IMA
 - Improved coordination with Department of Engineering and Technical Services (DETS) on cost allocation
 - 2010 operating settlement for wholesale customer cost
- Document Grant and IMA Billing

Finance and Budget:

Ensure operational efficiency:

- Ongoing financial management of critical programs
 - Incorporate new performance measures into resource allocation process
 - Continue monitoring of key financial performance targets
- Continue Water Balance monitoring
- Implement multi-tier residential IAC structure and develop incentive program

Review revenues and rate structure for opportunities to improve:

- Rates
 - Review proposal for alternate rate structures including enhanced revenue stability
 - Investigate feasibility for revisions to miscellaneous fee schedule as suggested by Cost of Service study
 - Continue to monitor economic conditions and affordability
- Continue to monitor consumption trends and regional economic indicators
- Continue review of PILOT with District's Chief Financial Officer, if appropriate

Aggressively pursue billing dispute with Howard University / Soldiers Home

FINANCE AND BUDGET (continued)

FY 2010 Major Recommended Activities and Changes (continued)

Treasury / Debt

- Evaluate timing of bond issuances to take advantage of Build America Bonds (BABs)
- Continue to develop/formalize post issuance compliance program
- Evaluate investment portfolio strategy / performance
- Review Letter of Credit for Commercial Paper Program

FY 2011 Major Recommended Activities and Changes

- Revise and update reporting and budgeting process
- Look for revenue generating activities
- New bond issuance

Impact of Capital Projects on FY 2010 and FY 2011 Operating Expenditures

- Optimization of the Financial Management System has a \$545k budget in FY 2010. It is expected that this project would facilitate operating efficiencies in the financial management system that would result in overall operating costs savings.
- There is \$115,000 and \$30,000 in the FY 2010 and FY 2011 operating budgets respectively for Payroll/HR System update.
- This involves re-engineering of on-line forms, and updates and enhancements to the systems that would result in operating efficiencies and overall costs savings.



**FY 2011 Budget
\$6,444,000**

**CHIEF FINANCIAL
OFFICER**

**RISK
MANAGEMENT
4 - Positions**

			POSITIONS	
			CURRENT	
Authorized	Average Positions Filled	Year-End Positions Filled	FY 2010	FY 2011
3	3	3	3	4

Risk Management

- Administer all aspects of insurance and risk management, including: securing and safeguarding companywide insurance policies managing insurance claims and loss control maintaining databases of losses/claims and insurance procedures, and assisting senior management with enterprise risk management
- Ensure compliance with legislation, industry practice and market requirements
- Organize underwriting data requests, complete insurance applications and create underwriting submissions for all major Authority insurance renewals

Claims Management

- Manage all claims, including workers compensation and tort claims for Authority Operations for the Rolling Owner Controlled Insurance Program (ROCIP)
- Ensure adequate insurance reserve levels
- Coordinates communication and investigation activities between departments and the insurance administrator
- Manage subrogation and negotiate settlements
- Conduct internal investigations for general liability claims

Loss Prevention/Risk Mitigation

- Identify and evaluate risks
- Perform ongoing risk assessments of operations
- Assist with the coordination and facilitation of addressing loss prevention recommendations from DC WASA's insurance carrier
- Perform loss analysis and issue reports to division management
- Identify trends and work with our third party administrator DCWASA Safety Office and others to create solutions for improvement on consistent basis

RISK MANAGEMENT

MISSION: To manage and coordinate all risk management programs to reduce and cost effectively transfer the Authority's financial risk, protect its assets and reduce financial loss.

BUDGET OVERVIEW: The revised FY 2010 operating budget is lower than the approved FY 2010 operating budget primarily due to anticipated reduction in both insurance premiums and claims cost. The approved FY 2011 budget is relatively flat.

	FY 2009 Actual	FY 2010 Approved	FY 2010 Revised	FY 2011 Approved
Positions: (FTE's)				
Number of authorized positions	3	3	3	4
Average number of positions filled	3			
Operating Expenses				
Personnel Services including Overtime	300	289	301	313
Overtime	-	1	1	1
Non-personnel Services:				
Chemicals and Supplies	3	8	8	9
Utilities	8	5	6	6
Contractual Services, etc.	3,584	6,424	6,163	6,116
Small Equipment		-		
Total Non-Personnel Services	3,595	6,437	6,177	6,131
Total Operations & Maintenance	3,895	6,726	6,478	6,444
Capital Equipment	-	-		-
Targeted Performance Measures				
	FY 2009 Actual	FY 2010 Budget	FY 2010 Projection	FY 2011 Projection
Reduction of workers compensation cost by 10%	30%	10%	5%	5%
Meet workers compensation filing requirements within 14 days	6	14	14	14

RISK MANAGEMENT

OVERVIEW

FY 2010 Major Recommended Activities and Changes

- Improve methods for capturing claims data in order to better evaluate claims trends, opportunities for cost recovery and ensure accurate and timely Medicaid/Medicare reporting.
- Continue management of the Rolling Owner Controlled Insurance Program (ROCIP) renewal and management (Capital).
- Utilized the services of an independent claims adjuster to immediately respond to customer losses, assess damages to customer and DC WASA property and manage our subrogation program (Customer & Community Service).
- Continue management of the ROCIP program for capital projects.
- Continue campaign to encourage customers on the need to protect the sewer system to prevent sewer back ups and flooding.
- Continue to establish a formal expense recovery/subrogation process relating to third party damages to DC WASA property

FY 2011 Major Recommended Activities and Changes

- Explore additional insurance options (ROCIP) to address new and upcoming capital projects (tunneling and digester).
- Continue management of the Rolling Owner Controlled Insurance Program (ROCIP) renewal and management (Capital).
- Continue campaign to encourage customers on the need to protect the sewer system to prevent sewer back ups and flooding.

Impact of Capital Projects on FY 2010 and FY 2011 Operating Expenditures

- Increased activities and support in the (ROCIP) program for capital projects



**FY 2011 Budget
\$5,523,000**

**GENERAL
MANAGER**

**GENERAL
COUNSEL
14 - Positions**

			POSITIONS	
CURRENT			FY 2010	FY 2011
Authorized	Average Positions Filled	Year-End Positions Filled		
14	8	10	14	14

Litigation

FUNCTIONS

- Appellate
- Bankruptcy
- Contract
- Construction
- Environmental
- Procurement
- Tort
- Receivership
- Employment
- Foreclosure

**Administrative
Law**

FUNCTIONS

- Board of Directors support
- Contract review and advise
- Clean Water Act compliance
- Clean Air Act compliance
- Construction claims
- Safe Drinking Water Act compliance
- Employment law matters
- Intra-governmental and Inter-jurisdictional agreements
- Legislation review and support
- Municipal law matters
- Pretreatment enforcement support
- Procurement protests, claims, and internal appeals
- Real property matters
- Regulatory compliance support
- Draft and review Authority Policies

GENERAL COUNSEL

MISSION: To support the Authority's mission by providing legal advice and services to the Board of Directors, the General Manager and the Authority's departments.

BUDGET OVERVIEW: The revised FY 2010 operating budget is relatively flat compared to the approved FY 2010 operating budget. The approved FY 2011 operating budget increase of \$0.5 million is due primarily to projected compensation and litigation services increases.

	FY 2009 Actual	FY 2010 Approved	FY 2010 Revised	FY 2011 Proposed
Positions: (FTE's)				
Number of authorized positions	14	14	14	14
Average number of positions filled				
Operating Expenses				
Personnel Services including Overtime	1,001	1,467	1,369	1,584
Overtime	5	2	2	2
Non-personnel Services:				
Chemicals and Supplies	6	20	20	20
Utilities	13	15	19	19
Contractual Services, etc.	4,540	3,634	3,670	3,900
Small Equipment				
Total Non-Personnel Services	4,559	3,669	3,709	3,939
Total Operations & Maintenance	5,560	5,136	5,078	5,523
Capital Equipment	-	-		-
Targeted Performance Measures				
	FY 2009 Actual	FY 2010 Budget	FY 2010 Projection	FY 2011 Projection
Hours of employee time spent on direct work 1,400	1,400	1,800	1,800	1,800

GENERAL COUNSEL

OVERVIEW

FY 2010 Major Recommended Activities and Changes

- Increase in-house litigation
- Increase compliance support
- Management of major litigation

FY 2011 Major Recommended Activities and Changes

- Increase in-house litigation
- Increase compliance support
- Management of major litigation

Impact of Capital Projects on FY 2010 and FY 2011 Operating Expenditures

- Increase in Environmental permit and compliance issues
- Support in obtaining construction permits and required approvals



**FY 2011 Budget
\$1,771,000**

**GENERAL
MANAGER**

**PUBLIC
AFFAIRS
8 - Positions**

			POSITIONS	
Authorized	CURRENT		FY 2010	FY 2011
	Average Positions Filled	Year-End Positions Filled		
8	8	8	8	9

**DC WASA
Communications**

FUNCTIONS

- Produce newsletters, brochures, annual report, and public information/marketing materials, videos
- Prepare speeches, editorials, special reports and stakeholder presentations
- Respond to local/national media inquiries
- Prepare editorial board presentations and editorial responses
- Develop and distribute news releases, PSA's materials, DC WASA exhibits, etc.
- Produce special high-profile project communication materials and exhibits
- Manage website content
- Provide editing/design support for other departmental communications projects
- Produce live and archived webcasts board meetings

**Community
Outreach**

FUNCTIONS

- Partner on specific project/programs with neighborhood commissions, business, civic and environmental groups and organizations, and schools
- Manage Speakers Bureau
- Facilitate communications training for employees (e.g. media and speakers bureau)
- Develop and coordinate community service and customer outreach activities
- Coordinate stakeholder presentations and community plant tours
- Conduct Sewer Science and other public school programs

PUBLIC AFFAIRS

MISSION: To provide information about DC WASA services and programs and to raise awareness about DC WASA efforts and achievements to improve the quality of life in the region by protecting the environment in which it operates and supporting the community it serves.

BUDGET OVERVIEW: The revised FY 2010 is slightly lower than the approved FY 2010 budget by approximately \$0.1 million primarily due to a reduction in contractual services. The approved FY 2011 operating budget reflects increases in contractual services to support the new branding initiatives.

	FY 2009 Actual	FY 2010 Approved	FY 2010 Revised	FY 2011 Approved
Positions: (FTE's)				
Number of authorized positions	8	8	8	9
Average number of positions filled	8			
Operating Expenses				
Personnel Services including Overtime	799	889	866	973
Overtime	1	2	2	2
Non-Personnel Services:				
Chemical and Supplies	20	30	30	30
Utilities	16	16	19	16
Contractual Services, etc.	536	594	519	752
Small Equipment		-		
Total Non-Personnel Services	572	640	567	798
Total Operations & Maintenance	1,372	1,529	1,433	1,771
Capital Equipment	-	-		-

Targeted Performance Measures	FY 2009 Actual	FY 2010 Budget	FY 2010 Projection	FY 2011 Projection
Publication of WASA Annual Report-1	1	1	1	1
Publication of "What's on Tap" customer newsletter-10	10	10	10	10
Publication of "CSO Update"-2	2	2	2	2
Publication of Employee Focus newsletter-12	12	12	12	12
Publication of CCR (water quality report)-1	1	1	1	1
Special event orchestration/coordination-2	3	2	2	2
Senior speech and presentation development-8	11	8	8	8
Media Interaction/responses, releases, pitches, conferences-75	286	75	75	75
Community meetings/outreach re: lead, rates, CSO/CIP projects, etc.-25	65	25	25	25

PUBLIC AFFAIRS

OVERVIEW

FY 2010 Major Recommended Activities and Changes

- Expand the department's aggressive community and stakeholder communications and outreach/education programs, with emphasis on infrastructure improvements, water pollution control activities e.g., Enhanced Nitrogen Removal and Long Term Control Plan), drinking water quality, and activities to improve the quality of life in the communities served
- Create and take advantage of opportunities to educate the media and the public about DC WASA's environmental stewardship
- Expanding DC WASA's use of communications technology for "live" Internet broadcasts of board meetings and monthly online chats with DC WASA officials – both features accessed from the DC WASA home page
- Launch of a substantial and comprehensive community education campaign to re-brand DC WASA beyond perceptions shaped by the media

FY 2011 Major Recommended Activities and Changes

- Performance evaluation for FY2010 communications objectives assessed by measure of output and outcomes
- Implement DC WASA branding initiatives

Impact of Capital Projects on FY 2010 and FY 2011 Operating Expenditures

- Increased community outreach and awareness for the CSO-LTCP
- Additional campaign initiatives for Water Quality Catch Basin awareness

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**GENERAL
MANAGER**

**INFORMATION
TECHNOLOGY
Office of the
Chief Information Officer
3 - positions**

**FY 2011 Budget
\$9,817,000**

			POSITIONS	
CURRENT			FY 2010	FY 2011
Authorized	Average Positions Filled	Year-End Positions Filled		
24	12	12	20	24

**E-Business
5 - positions**

**Project
Management
Office
1 - positions**

**Systems and
Operations
6 - positions**

**SCADA
3 - positions**

**Enterprise
Document
Management
1 - position**

**Geographic
Information
System
1 - Position**

FUNCTIONS

- Integrate and provide product support for the financial, payroll, maintenance and customer information and billing, AMR, IVR, AM systems
- Design and maintain DCWASA's website to allow customer e-business access
- Database administration
- Develop and support DC WASA's intranet

FUNCTIONS

- Ensure successful project implementations
- Manage project prioritization process
- Support project planning, management, and implementation
- Business Process Improvement
- Develop and provide standards for System Architecture/Integration
- Independent Verification and Validation (IVAV)

FUNCTIONS

- Manage daily operations of central and remote systems sites
- Maintain DC WASA's technology standards
- Manage the Solutions Center (help desk)
- Install, operate, maintain and support new and existing Network, Data Center, telecommunication infrastructure and equipment
- Install, operate, and maintain audio/video systems and equipment
- Implement and support radio systems

FUNCTIONS

- Project Management/Implement upgrade Distribution & Collection (D&C) SCADA system
- Provide support for SCADA and other D&C related automated system
- Maintain and Supports PLCs hardware and Software
- Manage/support SCADA Communication and Control Networks including PLC Programming
- Provide development and Programming Support to end-users
- Responsible for configuration and Change Management

FUNCTIONS

- Provide enterprise content, document, and record Management system support
- Business process integration
- Application development
- System administration

FUNCTIONS

- Provide GIS/IAB support
- System administration
- Application development

INFORMATION TECHNOLOGY

MISSION: To ensure that the Authority's mission is supported by state-of-the-art technology with an infrastructure capable of accommodating all traffic and connectivity demands, and a computing environment that encourages development of efficient business processes to serve internal and external customers.

BUDGET OVERVIEW: The FY 2010 revised budget is lower than the approved FY 2010 budget by approximately \$0.4 million primarily due to decreases in various contractual services. The approved FY 2011 budget reflects increases of approximately \$0.3 million primarily due to anticipated increasing costs for professional services to support various enterprise systems.

	FY 2009 Actual	FY 2010 Approved	FY 2010 Revised	FY 2011 Approved
Positions: (FTE's)				
Number of authorized positions	24	24	20	24
Average number of positions filled	12			
Operating Expenses				
Personnel Services including Overtime	1,506	1,891	2,132	2,305
Overtime	28	30	25	25
Non-personnel Services:				
Chemicals and Supplies	155	199	199	199
Utilities	70	124	152	152
Contractual Services, etc.	5,179	7,552	6,884	7,015
Small Equipment	87	147	147	147
Total Non-Personnel Services	5,490	8,021	7,381	7,512
Total Operations & Maintenance	6,996	9,912	9,513	9,817
Capital Equipment	5,824	9,520	8,078	7,800
Targeted Performance Measures				
Targeted Performance Measures	FY 2009 Actual	FY 2010 Budget	FY 2010 Projection	FY 2011 Projection
98% Network uptime during peak hours	99.8%	99.8%	99.8%	99.8%
95% Network uptime during non-peak hours	99.8%	99.8%	99.8%	99.8%
96% of all high priority tickets completed within 4 hours	96.0%	96.0%	96.0%	96.0%

INFORMATION TECHNOLOGY

OVERVIEW

FY 2010 Major Recommended Activities and Changes

- Continue implementation of handheld inventory system (RFID)
- Begin implementation of the permanent Redundant Data Center (Main and O Street)
- Begin Business Requirements Specification process for Customer Information System (CIS)
- Begin development of business case for Fleet Management System
- Begin concept design (High level business requirements) for route optimization
- Begin Business Requirements Specification Process for Energy Management Information System
- Begin Portfolio Management for CIP (Implementation)
- Begin WASA Financial System Upgrade (Phase II)
- Begin implementation of BOD E-Book
- Continue implementation of the following key projects:
 - Asset management system (TEAMS-MAXIMO) - Upgrade and GIS
 - Document management system
 - Supervisory Control and Data Acquisition (SCADA) system
 - AMR Upgrade
 - Board Of Director dashboard
- Continue to ensure IT infrastructure reliability and upgrades consistent with Authority Technology lifecycle and capacity Management Planning:
 - Network System Renewal and Network Storage System Renewal
 - Enterprise Backup System
 - Oracle/SQL Upgrade
 - Network System Security Upgrade
 - Assessment – Radio System - Plant Wide
- Continue Implementation of Business Process Improvements and technology solution for:
 - Telephone System (VOIP)
 - Permitting process Phase III
 - Telecommunications integration, networking, and audio visual support
 - Field Service Management

INFORAMTION TECHNOLOGY (continued)

FY 2010 Major Recommended Activities and Changes (continued)

- Assume additional operation support of the following key systems:
 - Asset management system(TEAMS-MAXIMO/Upgrade) and GIS - Addition Application Development, Enterprise
 - Integration, Field Service Management
 - Enterprise Document Management System
 - Supervisory Control And Data Acquisition (SCADA) system
 - Impervious Area Charge (IAC)

FY 2011 Major Recommended Activities and Changes

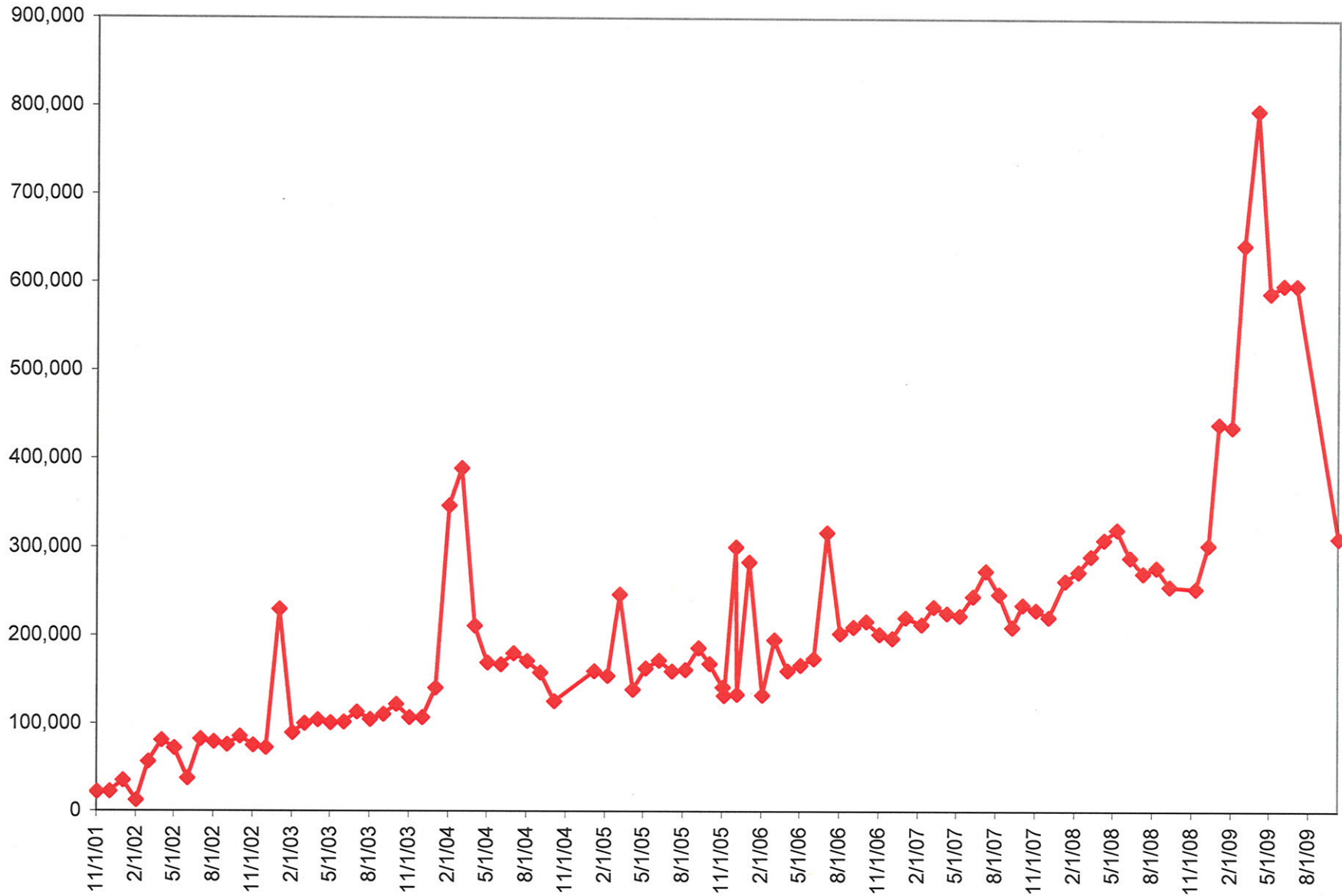
- Continue integration of engineering and plant related technologies with enterprise IT functions and systems
- Begin implementation of new Customer Information System
- Begin implementation of Meter Management-(TEAMS)
- IT Asset Management (TEAMS)
- Continue operation support of the following key projects:
 - Asset management system(TEAMS MAXIMO-GIS) GIS - Addition Application Development, Maximo Upgrade, and Enterprise Integration
 - Enterprise Document Management System
 - Field Service Management
 - CIP Project Management System
 - Energy Management Information System
- Continue to ensure IT infrastructure reliability and upgrades consistent with Authority Technology Life-cycle and capacity Management Planning:
 - Network infrastructure
 - SCADA communication & Control Systems
 - Redundant Data Center
 - Telephone system
 - Field Service Management system
 - Radio System-Plant Wide

Impact of Capital Projects on FY 2010 and FY 2011 Operating Expenditures

- Additional operating maintenance costs for software and hardware purchases

VISITORS TO DC WASA'S WEBSITE (WWW.DCWASA.COM)

NOVEMBER 2001 - JULY 2009



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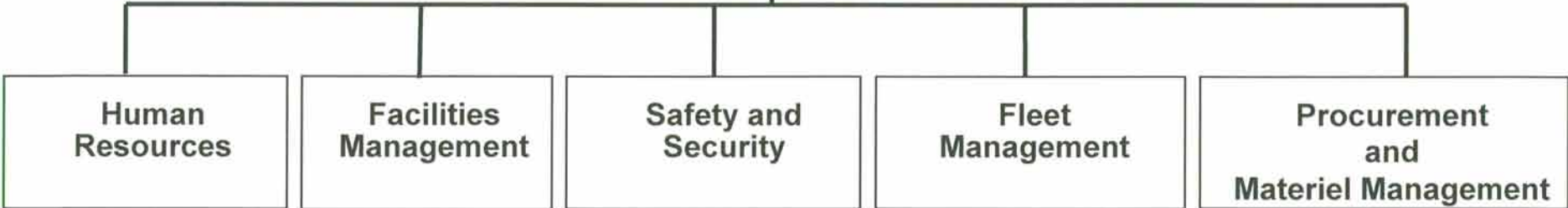


FY 2011 Budget
\$414,000

**GENERAL
MANAGER**

**ASSISTANT GENERAL
MANAGER**
Support Services
2 - Positions

POSITIONS				
Authorized	CURRENT		FY 2010	FY 2011
	Average Positions Filled	Year-End Positions Filled		
3	2	2	2	2



FUNCTIONS

- Oversee and direct the Departments of Human Resources, Facilities Management, Safety and Security, Fleet Management, and Procurement
- Develop and direct the strategic objectives of the Authority's support services divisions

ASSISTANT GENERAL MANAGER - SUPPORT SERVICES

MISSION: To oversee and direct the management of administrative and support services provided by the departments of Human Resources, Facilities Management, Fleet Management, Safety and Security, and Procurement and Materiel Management.

BUDGET OVERVIEW: The revised FY 2010 operating budget is \$0.080 million less than the approved budget. This change is related to a decrease in personnel services funding due to the elimination of one position. The approved FY 2011 operating budget is \$0.014 million more than the revised FY 2010 operating budget due to funding for anticipated personnel services costs increases.

	FY 2009 Actual	FY 2010 Approved	FY 2010 Revised	FY 2011 Approved
Positions: (FTE's)				
Number of authorized positions	3	3	2	2
Average number of positions filled	2			
Operating Expenses				
Personnel Services including Overtime	192	400	321	334
Overtime	1	1	1	1
Non-Personnel Services:				
Chemicals and Supplies	-	2	1	1
Utilities	4	5	7	7
Contractual Services, etc.	2	73	71	72
Small Equipment	-	-	-	-
Total Non-Personnel Services	6	80	79	80
Total Operations & Maintenance	199	480	400	414
Capital Equipment	-	-	-	-

Targeted Performance Measures	FY 2009 Actual	FY 2010 Budget	FY 2010 Projection	FY 2011 Projection
Planning Meetings with directors of supporting departments:				
Facilities Management 4	4	4	4	4
Fleet Management 4	4	4	4	4
Human Resources 4	4	4	4	4
Procurement Services 4	4	4	4	4
Safety & Security 4	4	4	4	4

ASSISTANT GENERAL MANAGER – SUPPORT SERVICES

OVERVIEW

FY 2010 Major Recommended Activities and Changes

- Develop and direct the strategic objectives of the Authority's support services divisions
- Develop management reports that will facilitate overall efficiency and effectiveness in support services departments
- Continue to utilize administrative techniques that will enhance sustainable efficiency in the Fleet Management, Safety and Security, Human Resources, Facilities Management and Procurement and Materiel Management departments

FY 2011 Major Recommended Activities and Changes

- No major changes anticipated

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**ASSISTANT
GENERAL
MANAGER**
Support Services

			POSITIONS	
CURRENT			FY 2010	FY 2011
Authorized	Average Positions Filled	Year-End Positions Filled		
23	22	21	23	24

FY 2011 Budget
\$4,936,000

**HUMAN
RESOURCES**
3 - Positions

Employment
5 - Positions

Compensation
5 - Positions

Benefits
3 - Positions

Labor Relations
5 - Positions

Training
3 - Positions

FUNCTIONS

- Recruitment and Hiring
- Employee Relations
- Employment Forecasting and Planning
- Unemployment Compensation
- Skills Assessment and Testing

FUNCTIONS

- Compensation Program
- Job Evaluation Program
- Pay Incentive Programs
- Performance Management
- Records Management
- HR Information Systems

FUNCTIONS

- Health and Welfare Benefits Administration
- Pension Benefits Administration
- Employee Assistance Program
- Drug & Alcohol Testing
- Wellness Program
- Fit for Duty
- Americans with Disabilities Act (ADA) Compliance
- Leave Administration

FUNCTIONS

- Labor Relations
- Employee Counseling
- Employee Grievances / Complaints
- Affirmative Action Program
- Equal Employment Opportunity Commission (EEOC)
- Disciplinary Actions
- Arbitration

FUNCTIONS

- Management Training
- Employee Training
- Internship Program
- Education Reimbursement
- Service Awards
- Employee Recognition Awards

HUMAN RESOURCES

MISSION: To deliver high quality, innovative, valued and timely human resource services that are responsive to the needs of employees and the departments of the Authority and enable them to reach their individual and organizational goals.

BUDGET OVERVIEW: There is relatively no change between the approved FY 2010 and revised FY 2010 budgets. The approved FY 2011 budget increases by approximately \$0.2 million over the FY 2010 revised budget due to anticipated personnel services increases, which include one additional position.

	FY 2009 Actual	FY 2010 Approved	FY 2010 Revised	FY 2011 Approved
Positions: (FTE's)				
Number of authorized positions	23	23	23	24
Average number of positions filled				
Operating Expenses				
Personnel Services including Overtime	2,425	2,519	2,467	2,782
Overtime	9	10	10	10
Non-personnel Services:				
Chemicals and Supplies	27	35	35	35
Utilities	33	27	32	32
Contractual Services, etc.	1,607	2,080	2,117	2,084
Small Equipment	-	2	2	2
Total Non-Personnel Services	1,667	2,144	2,186	2,153
Total Operations & Maintenance	4,092	4,663	4,653	4,936
Capital Equipment		50	50	30
Targeted Performance Measures				
	FY 2009 Actual	FY 2010 Budget	FY 2010 Projection	FY 2011 Projection
90 days from job posting to hire	220	90	90	90
10 days to initiate disciplinary action	7	10	10	10

HUMAN RESOURCES

OVERVIEW

FY 2010 Major Recommended Activities and Changes

- Design health benefit plan changes
- Implement Succession Planning Program for key executive and critical failure positions
- Implement an Executive Development Program for Succession Planning feeder groups
- Support the Authority's Performance Measurement initiatives – to ensure top management and technical talent is in place for all key positions and achieve local & national reputation as an employer of choice and one of the best places to work
- Continue basic skills training classes as addition to the DC WASA Reads Program and leadership competencies training classes fro leadership personnel
- Continue to provide support to organizational changes and realignments

FY 2011 Major Recommended Activities and Changes

- Begin negotiations with five DC WASA Unions
- No other major changes anticipated

FY 2010 AND FY 2011 TRAINING PLAN

TRAINING OVERVIEW

During FY 2009, the Authority continued to offer training programs and classes that provided the knowledge and skills that are essential for employees to complete their jobs in a competent manner while meeting customer expectations. The Authority budgeted \$2 million for training or approximately \$2,006 per employee which is twice the average national expenditure. Employees attended approximately 13 hours of training during the fiscal year on various work skill improvement areas and information on the Authority's policies and regulations. Training included regulatory, safety, technical, basic skills and literacy classes. All training supported the Authority's internal improvement, safety and security and succession and knowledge management programs as well as new equipment and technology.

Categories of training classes offered at the Authority are as follows:

Contractual Training – primarily technical classes that support the Authority's internal improvement program. This training also includes classes on occupational safety and security and the installation and operation of new equipment and processes.

In-house Training – classes and courses designed and implemented by the Authority's training personnel. In-house training focuses on providing non-technical mandatory courses, basic skills development, skill enhancement courses, literacy and general instruction on standard software applications. These courses involve all or a large number of the Authority's employees.

Outside Training – classes and programs that support individual employee training and development needs and requirements, not implemented by the Authority's training personnel. This is an effective means of providing highly specialized or special focus training to individuals or a small group of employees. The Authority's education reimbursement program is included in the outside training category.

On-Line Training - web-based courses offered by colleges, universities, and professional organizations.

FY 2009 ACCOMPLISHMENTS

In FY 2009, the Authority offered core training classes and programs to support its mission and the Strategic Plan. Programs and classes focused on safety, leadership and supervision, customer service, and communication. To ensure the well-being of the general workforce, the Authority also continued the implementation of its action plan to improve communication. Effective two-way communication classes continued to be offered at all employee levels to improve knowledge sharing throughout the organization.

As part of the succession planning program, the Authority identified key components for implementation. The components included fast tracking current vacant senior management positions, establishing briefing books for executive and director levels, and piloting the succession planning model in a maximum of two departments. This will ensure that qualified members of the organization are available to fill critical vacancies on an interim basis. For the executive development program component of succession management, the Authority identified programs offered at major universities as a tool to ensure competent skills level for executives.

To ensure a qualified pool of candidates for hard-to-fill jobs, the Authority continued its two-year Wastewater Treatment Operator Trainee Program. The trainees received their Association of Boards of Certification (ABC) level II operator-in-training certificates and continued the shift rotations for on-the-job training for the final year of the program. Once the third year of on-the-job training is completed, the trainees will become fully certified operators who can work independently to perform the functions of the position.

To ensure that the undocumented knowledge of long-term employees is retained, the Authority continued its knowledge capture workshops as part of succession management. The workshops identify critical processes and key competences required to manage the processes. Workshops in FY 2009 focused on water shutdown processes in the Department of Water Services and the construction development process for the Department of Engineering and Technical Services. This information will be retained for use in the event the incumbent employee retires and when job descriptions and standard operating procedures are revised.

Executive staff, directors, managers, and supervisors received training on the H1N1 virus, Homeland Security issues surrounding the presidential inaugurations and bomb awareness. Directors, managers, and supervisors also attended classes on media relations, the newly negotiated collective bargaining agreements, National Associations of Sewer Service Companies (NASSCO) certification, performance management, electronic business communication (risk, rules,

and regulations for using electronic media), effective two-way communication, eRecruit (new staff sourcing tool), diversity and equal employment opportunity (EEO).

In FY 2009, the Authority continued the safe driving program to reduce the Authority's liability for preventable accidents and to ensure that employees who drive Authority vehicles as a primary job responsibility learn best practices. The program comprises three components: defensive driving; attitudinal dynamics classes; and the smith systems on-the-road driving practical. The smith systems approach is considered one of the best training programs in the transportation industry.

The Authority continued its self-managed career development program in FY 2009. Supervisors and managers attended workshops and completed online assessments to gain an understanding of how to manage employee career development and the necessity for effective coaching and mentoring. Employees attended orientation sessions, completed online assessments, one-on-one counseling sessions and workshops to provide insight into their individual skills and abilities. In FY 2009, career exploration was added to the program as a new feature that provided guidance on how to effect career development in a progressively, step-by-step manner when considering, researching and answering questions to make the best career decisions.

Other professional development training classes offered to employees included grammar and business writing, introductory Spanish, workforce diversity, equal employment opportunity, National Associations of Sewer Service Companies certification, supervisory skills for non-supervisors, communicating with difficult people, customer service, and ethics in the workplace. Employees also learned skills and competencies for Microsoft office software such as Outlook and Project.

Specialized classes were also provided for departments with unique skill needs. In the operations departments, employees attended classes on mechanical screens, MAXIMO maintenance management system, scum pumps, actuators, drywall, basic plumbing, landscaping, introduction to electricity, and nitrification/denitrification facilities upgrade. To ensure maximum efficiency of its workforce, the Department of Wastewater Treatment continued to offer duty station training for wastewater treatment operators. Employees completed self-study and classroom training on 60 duty stations to become competent in all three process areas.

In support of the Authority's comprehensive safety program, the Authority continued to offer safety training to meet regulatory and job-specific needs. Employees attended classes on CPR/First-Aid with emphasis on using the Automated External Defibrillator (AED), work zone safety/traffic control, confined space, mobile crane operations, forklift certification,

excavation and trenching, and bloodborne pathogens. Mandatory training classes for newly hired and promoted managers and supervisors in the operations departments on CDL operations were also held.

As part of its ongoing certification efforts, the Authority funded certification training classes for employees in the Department of Maintenance Services provided by the International Maintenance Institute (IMI), a nationally recognized certifying agency for maintenance employees. Employees attended 16-weeks of training to pursue the certification. Employees in the Department of Sewer Services also obtained a level I collections systems certification from the Association of Boards of Certification (ABC). This certification is recognized by utilities nationwide.

The Authority continued to offer training opportunities to employees with unique skill needs via external training resources. In FY 2009, the Authority spent \$133,732 for 139 employees to outside training at an average cost of \$962 per employee. Classes attended by employees included VMware infrastructure, inventory management techniques, labor law and arbitration, equal employment opportunity, property management for custodial officers and leadership. The graph below provides a breakdown of outside training by department.



To support employees' educational and career goals, the Authority continued to offer the education reimbursement program and WASA Reads, its literacy program. The education reimbursement program offers assistance to employees who are pursuing college degrees or professional license or certifications. In FY 2009, the Authority provided \$3,811 in education reimbursement expenses. The WASA Reads program provides basic skills training in reading, writing and arithmetic, and computer literacy. Employees attended this training on a shared-time basis. The Authority also offers a 10-week mathematics preparation course as part of WASA Reads to assist employees who aspire to become supervisors with the skills test for promotions. This 10-week writing workshop was added to the program this year to assist supervisors with improving their written communication skills.

The Authority's FY 2009 Summer Internship Program consisted of 57 interns from 38 different colleges and universities. Students from local colleges and universities and as far away as Louisiana, North Carolina, New Hampshire, Argentina, Brazil, Thailand, Nigeria, and China participated in the program. The interns completed specialized projects that related to their academic choices, participated in teambuilding and diversity training classes, and performed community service activities at the Capital Area Food Bank and the Boys and Girls Club of Washington. Interns also visited the Environmental Protection Agency and observed environmental issues that impact the Potomac River and the Chesapeake Bay. A total of 14 students continued in the year-round program. These students will conduct independent research and work on complex technical projects.

FY 2010 and FY 2011 Training Budgets

The revised FY 2010 and approved FY 2011 training budgets are summarized in the table below:

Training Type	(\$ in 000's)			
	FY 2010		FY 2011	
	Budget	Percent of Total Budget (%)	Budget	Percent of Total Budget (%)
Outside Training	1,178	64	868	63
In-House Training	239	13	243	17
Contractual Training	435	23	275	20
Total	1,852	100	1,386	100

In FY 2010, training will continue to center on regulatory and safety, technical, Authority policy, skills improvement courses and programs, and basic skills classes. Regulatory and safety training will focus on OSHA and the District of

Columbia Regulatory Agency mandated requirements, Homeland Security Emergency Response initiatives and the Center for Disease Control pandemic emergency efforts.

Training on the Authority's policies will be offered routinely as new policies and procedures are developed and existing ones are updated. Mandatory skills improvement training will continue to be offered to address performance improvement, new business initiatives, and compliance with federal, state, and local mandates. Executive and senior staff will receive training on succession management, executive development and performance measures and will participate in workshops on emergency response procedures. Managers and supervisors will participate in knowledge capture workshops, basic management skills, leadership training, and refresher training on the Authority's policies and procedures as new policies and procedures are revised or developed. These classes will be offered in addition to basic skills classes to address career development and other work needs.

To ensure an available pool of qualified candidates for future vacancies in hard-to-fill positions, the Authority will continue with on-the-job training for the wastewater treatment operator trainee program and the implementation of the engineering management training program. Certification training for FY 2010 will continue to focus on certification training for the pumping branches in the departments of water and sewer services to create a more cross-functional workforce.

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**FY 2011 Budget
\$6,517,000**

**ASSISTANT
GENERAL
MANAGER
Support Services**

**FACILITIES
MANAGEMENT
Office of the Director
7 - Positions**

POSITIONS				
Authorized	CURRENT		FY 2010	FY 2011
	Average Positions Filled	Year-End Positions Filled		
58	55	56	58	59

**Office Services
2 - Positions**

FUNCTIONS

- Mail, courier and freight services
- Motor pool services
- Manage DC WASA-wide recycling program (paper, cans, bottles)
- Facilities work order requests and surveys
- Vendor management
- WASA -wide copy services

**Facilities
Operations
38 - Positions**

FUNCTIONS

- Building operations/maintenance
- Coordinate workspace assignments and moves
- Janitorial service
- Landscaping
- Trash removal
- Procure and assign furniture
- Adequate ground direction and building signage
- Manage cafeteria operations
- Pest control
- Repair fences and rollup doors

**Mechanical
Services
12 - Positions**

FUNCTIONS

- Predictive/preventive maintenance
- Adequate indoor air quality
- Elevator maintenance
- Engage in major construction and renovation projects
- HVAC systems maintenance
- Fire suppression and detection
- Project management

FACILITIES MANAGEMENT

MISSION: Support the operations of the Authority through routine maintenance, custodial services, repair and improvement of its facilities, buildings, grounds and roadways for DC WASA's operations.

BUDGET OVERVIEW: The revised FY 2010 operating budget is relatively flat as compared to the the approved FY 2010 operating budget. The approved FY 2011 operating budget has increased by approximately \$0.2 million over the revised FY 2010 budget due to increased personnel services and contractual costs.

	FY 2009 Actual	FY 2010 Approved	FY 2010 Revised	FY 2011 Approved
Positions: (FTE's)				
Number of authorized positions	58	58	58	59
Average number of positions filled	55			
Operating Expenses				
Personnel Services including Overtime	4,175	4,084	153	308
Overtime	130	150	150	150
Non-Personnel Services:				
Chemical and Supplies	400	462	457	459
Utilities	98	108	105	109
Contractual Services, etc.	1,387	1,545	1,419	1,444
Small Equipment	49	62	63	63
Total Non-Personnel Services	1,933	2,177	2,044	2,075
Total Operations & Maintenance	6,108	6,261	6,278	6,517
Capital Equipment	1,176	970	875	700
Targeted Performance Measures				
	FY 2009 Actual	FY 2010 Budget	FY 2010 Projection	FY 2011 Projection
Annual work orders closed	1,874	1,525	2,500	2,500

FACILITIES MANAGEMENT

OVERVIEW

FY 2010 Major Recommended Activities and Changes

- Replace slate roofing for historic building at Fort Reno reservoir
- Roof Replacement for head houses and pumping stations
- Design, repair, and replace glass atrium at Central Maintenance Facilities
- Upgrade bathrooms in the Central Maintenance Facilities to ensure ADA compliance
- Heating, Ventilating, and Air Conditioning (HVAC) coil replacement of the Central Operation Facility

FY 2011 Major Recommended Activities and Changes

- Paint the Central Operation Facility
- Upgrade warehouse at Blue Plains

Impact of Capital Projects on FY 2010 and FY 2011 Operating Expenditures

- Ongoing maintenance costs for all major activities are anticipated to be reduced
- Energy and operational cost savings will be realized by the glass atrium and HVAC coil replacement

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**FY 2011 Budget
\$4,217,000**

**ASSISTANT
GENERAL
MANAGER
Support Services**

**PROCUREMENT SERVICES
Office of the Director
2 - Positions**

POSITIONS				
CURRENT			FY 2010	FY 2011
Authorized	Average Positions Filled	Year-End Positions Filled		
38	32	33	38	38

**Goods & Services
12 - Positions**

**Construction & A/E
Contracting
4 - Positions**

**Contract Support
4 - Positions**

**Logistics
16 - Positions**

FUNCTIONS

- Manage DC WASA's procurement process, including:
 - vendor bid listing
 - publicize and solicit proposals
 - negotiate contracts
 - award and administer contracts
- Manage DC WASA's Cooperative Program contracts
- Manage DC WASA's purchase and travel card programs
- Manage the post-award administration of the contract, including:
 - negotiation of changes
 - resolution of claims and disputes

FUNCTIONS

- Manage the procurement planning, formation, publicizing and award of construction and A/E contracts
- Manage the post-award administration of the contract, including:
 - negotiation of changes
 - resolution of claims and disputes

FUNCTIONS

- Implement/manage DC WASA's LBE/LSBE program
- Manage contract compliance program
- Maintain the department's web page
- Maintain Procurement Manual
- Develop training and departmental Standard Operating Procedures

FUNCTIONS

- Manage the warehouse and associated functions
- Administer the material control system and associated functions including:
 - Inventory reconciliation and closing process
- Provide direction and guidance on inventory policies and procedures
- Conduct spot, cycle and annual physical inventory
- Manage disposal of excess and obsolete inventory
- Manage Fixed Asset Program

PROCUREMENT SERVICES

MISSION: To procure, on time and within budget, the best value products and services, with the highest degree of procurement integrity, utilizing efficient and cost-effective methods, with a continuing focus on LSDBE contracting goals.

BUDGET OVERVIEW: The revised FY 2010 operating budget is approximately \$.01 million less than the approved FY 2010 operating budget. This change reflects a realignment of personnel services cost to contractual services in order to accommodate hard to fill positions. The approved FY 2011 operating budget is flat compared to the FY 2010 revised budget.

	FY 2009 Actual	FY 2010 Approved	FY 2010 Revised	FY 2011 Approved
Positions: (FTE's)				
Number of authorized positions	38	38	38	38
Average number of positions filled				
Operating Expenses				
Personnel Services including Overtime	2,686	3,562	3,262	3,582
Overtime	13	50	40	40
Non-Personnel Services:				
Chemicals and Supplies	44	58	54	59
Utilities	40	55	61	61
Contractual Services, etc.	390	642	826	499
Small Equipment	7	15	15	15
Total Non-Personnel Services	481	770	957	635
Total Operations & Maintenance	3,167	4,332	4,218	4,217

Capital Equipment	-	160	100	200
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Targeted Performance Measures	FY 2009 Actual	FY 2010 Budget	FY 2010 Projection	FY 2011 Projection
Award 50% of DCWASA actual operating discretionary spending to Local Small Disadvantage Business Enterprises	31%	50%	50%	50%
Issue Purchase Orders within 5 calendar days	90%	90%	90%	90%
Issue and award Request for Quotation (RFQ) \$100,000 or less within 10 calendar days	92%	90%	90%	90%
Issue Invitation for Bid (IFB) and award contracts within 90 calendar days	95%	90%	90%	90%
Issue Requests for Proposal (RFP) and award contracts within 120 days	90%	90%	90%	90%

PROCUREMENT

OVERVIEW

FY 2010 (Revised) Major Recommended Activities and Changes

- Implement new and revised Policies and Procedures (Procurement Manual) to supplement the revised Procurement Regulations
- Continue development of Terms and Conditions for different types of contracts
- Develop Procurement Operating Procedures (Desk Top Manual)
- Continue identification, acquisition, and initial implementation of an automated procurement management system

FY 2011 Major Recommended Activities and Changes

- Continue automation of the procurement functions
- Develop automated inventory management system
- Continue development of Procurement Policies and Procedures for internal use
- Complete the development of standard operating procedures (Desk Manual)
- Develop templates for different types of contracts

Impact of Capital Projects on FY 2010 and FY 2011 Operating Expenditures

- Increase in procurement regulation issues
- Additional support in developing templates for different types of contracts

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**ASSISTANT
GENERAL
MANAGER**

SAFETY AND SECURITY

**FY 2011 Budget
\$5,961,000**

POSITIONS				
Authorized	CURRENT		FY 2010	FY 2011
	Average Positions Filled	Year-End Positions Filled		
13	10	10	13	14

**Emergency Response
and Planning Program
1 - Position**

Functions

- Coordinate the emergency response and planning activities for all DC WASA operations
- Coordinate implementation of the National Incident Management System (NIMS)
- Coordinate DC WASA response activities with the District and Regional Authorities
- Develop guidelines for training, conducting drills and updating emergency response plans

**Security Program
6 - Positions**

Functions

- Provide overall security measures and guidance for all DC WASA facilities
- Develop and promote a Security Awareness Program for all levels of the organization
- Provide oversight of the guard services contract
- Develop and implement a security inspection program for all DC WASA facilities and conduct random inspections of jobsites to promote worker security and safety
- Develop a Comprehensive Security Program

**Occupational Safety and
Health Program
6 - Positions**

Functions

- Maintain an effective Accident Prevention Safety Awareness Program
- Conduct safety inspections of all DCW ASA facilities
- Develop and analyze safety statistics
- Investigate, evaluate and review all accident, injuries and incidents for effective preventive measures
- Maintain effective safety training guidelines and assistance to ensure DCW ASA compliance with mandated safety requirements
- Provide safety oversight of the Comprehensive Construction Safety Program and the Rolling Owner Controlled Insurance Program (ROCIP)

**Environmental Safety
Program
1 - Position**

Functions

- Ensure DC WASA's compliance with environmental safety regulations
- Provide oversight and guidance of DC WASA's Hazardous Waste Program
- Generate and provide required safety reports to regulatory agencies
- Provide oversight and management of aboveground and underground storage tanks

SAFETY AND SECURITY

MISSION: To provide technical services and support that ensures a safe and healthy work environment for all DC WASA employees.

BUDGET OVERVIEW: The revised FY 2010 budget increased slightly over the approved FY 2010 budget due primarily to additional funding to support an EPA Title V Air Quality Testing and Auditing Program. The approved FY 2011 budget increases by approximately \$0.2 million over the revised FY 2010 budget due to full funding for the Air Quality Testing and Auditing Program, coupled with projected personnel services increases.

	FY 2009 Actual	FY 2010 Approved	FY 2010 Revised	FY 2011 Approved
Positions: (FTE's)				
Number of authorized positions	13	13	13	14
Average number of positions filled				
Operating Expenses				
Personnel Services including Overtime	929	1,249	1,309	1,496
Overtime	1	1	2	2
Non-Personnel Services:				
Chemicals and Supplies	28	79	78	78
Utilities	12	25	20	20
Contractual Services, etc.	3,931	4,143	4,299	4,346
Small Equipment	1	19	20	20
Total Non-Personnel Services	3,972	4,267	4,417	4,464
Total Operations & Maintenance	4,901	5,516	5,726	5,961
Capital Equipment		-	50	-
Targeted Performance Measures				
	FY 2009 Actual	FY 2010 Budget	FY 2010 Projection	FY 2011 Projection
Safety inspections of facilities and crews (600)	630	640	640	650
Reduce DC WASA Incidence Rate for the Lost Work Day/No Lost Work Day incidents to the national level (4.6)	4.5	4.5	4.5	4.5
Reduce number of all reported injuries/preventative vehicle accidents by 10	86	76	66	56
Security Inspection of facilities and crews (25)	30	40	40	40

SAFETY AND SECURITY

OVERVIEW

FY 2010 Major Recommended Activities and Changes

- Implement the Comprehensive Security Program with improved services and activities to serve the Authority
- Continue to provide support to the Office of Risk Management in the oversight of the Rolling Owner-Controlled Insurance Program (ROCIP) and the Comprehensive Construction Safety Program
- Investigate, evaluate and analyze all accidents, occupational injuries and incidents to ensure that effective corrective and preventive measures are in place
- Ongoing development of management reporting of DC WASA safety performance and benchmarking against national peers and obtain compliance with the nationally recognized National Incident Management System (NIMS)
- Continue to coordinate all DC WASA's emergency response planning and related activities with the District of Columbia and the Metropolitan Washington Council of Government (COG) regional emergency planning teams
- Continue to provide safety guidance for capital improvement projects: review designs and perform safety inspections during project construction
- Continue to provide oversight for the driver training program
- Complete implementation of the automated security systems identified within DC WASA's Capital Improvement Program (CIP)
- Establish and implement a plan of action for the effective management, oversight and maintenance of existing and new security systems
- Continue to modify the security guard contract to better meet DC WASA's safety and security needs and objectives
- Finalize and implement a DC WASA Pandemic Flu Action Plan

FY 2011 Major Recommended Activities and Changes

- Continue to implement the Comprehensive Security Program with improved services and activities to serve the Authority
- Continue to provide support to the Office of Risk Management in the oversight of the ROCIP and the Comprehensive Construction Safety Program
- Continue to coordinate all DC WASA's emergency response planning and related activities with the District of Columbia and the Metropolitan Washington Council of Government (COG) regional emergency planning teams
- Continue to provide safety guidance for capital improvement projects: review designs and perform safety inspections during project construction

Impact of Capital Projects on FY 2010 and FY 2011 Operating Expenditures

- The addition of safety and security components to various capital projects in the CIP would require additional design reviews and safety inspections during projects construction

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**ASSISTANT
GENERAL
MANAGER**
Support Services

			POSITIONS	
CURRENT			FY 2010	FY 2011
Authorized	Average Positions Filled	Year-End Positions Filled		
6	5	5	6	6

FY 2011 Budget
\$4,214,000

**FLEET
MANAGEMENT**
3 - Positions

Maintenance
2 - Positions

Acquisition
1 - Position

FUNCTIONS

- Preventive and repair maintenance
- Management of vehicles, equipment, and parts
- Manage fleet maintenance contractor and vendors
- Provide fuel service

FUNCTIONS

- Purchase new vehicles/equipment
- Manage the intra-WASA loaner pool program
- Inventory control

FLEET MANAGEMENT

MISSION: To provide safe, reliable and cost effective vehicles and equipment to the Authority for use by all departments in performance of their missions.

BUDGET OVERVIEW: The FY 2010 revised operating budget is slightly lower than the approved FY 2010 operating budget primarily due to a decrease in projected fuel cost. The FY 2011 approved budget is relatively flat compared to the FY 2010 revised operating budget.

	FY 2009 Actual	FY 2010 Approved	FY 2010 Revised	FY 2011 Approved
Positions: (FTE's)				
Number of authorized positions	6	5	6	6
Average number of positions filled	5			
Operating Expenses				
Personnel Services including Overtime	559	531	608	671
Overtime	-	1	1	1
Non-personnel Services:				
Chemicals and Supplies	7	9	9	9
Utilities	571	1,180	694	744
Contractual Services, etc.	2,405	2,466	2,743	2,715
Small Equipment	83	40	75	75
Total Non-Personnel Services	3,066	3,695	3,522	3,543
Total Operations & Maintenance	3,625	4,227	4,130	4,214
Capital Equipment	2,500	1,100	1,500	2,000
Targeted Performance Measures				
	FY 2009 Actual	FY 2010 Budget	FY 2010 Projection	FY 2011 Projection
Preventive maintenance completed on schedule	95%	96%	96%	96%
Vehicles available for use	95%	96%	96%	96%

FLEET MANAGEMENT

OVERVIEW

FY 2010 Major Recommended Activities and Changes

- Purchase Electric vehicles
- Purchase fuel efficient vehicle/equipment
- Continue purchasing hybrid vehicles
- Continue to review DC WASA vehicle operators driving records' Endorsement program
- Continue the Vehicle Appearance Program
- Reduce fuel consumption
- Continue the "right sizing" program

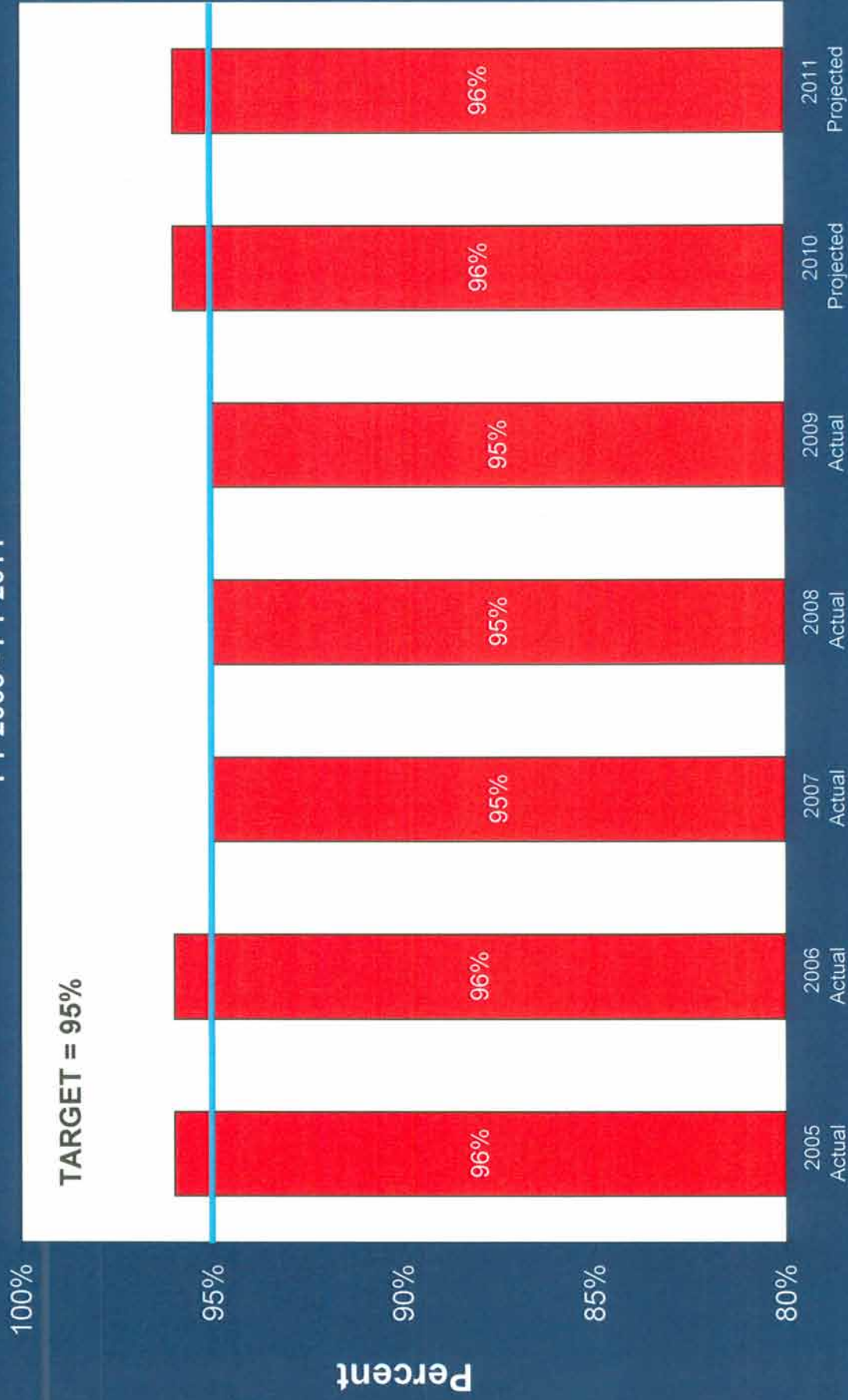
FY 2011 Major Recommended Activities and Changes

- Purchase Electric vehicles
- Continue to purchase fuel efficient vehicle equipment
- Continue to review DC WASA vehicle operators driving records' "W" Endorsement program
- Continue the Vehicle Appearance Program
- Continue to reduce fuel consumption
- Continue the "right sizing" program

Impact of Capital Projects on FY 2010 and FY 2011 Operating Expenditures

- Reduce vehicle and equipment downtime
- Reduce fuel usage
- Improve customer services

Vehicles In-Service Percentage FY 2005 - FY 2011



District of Columbia Water and Sewer Authority
OPERATING BUDGETS
REVISED FY 2010 and APPROVED FY 2011



Section IX GLOSSARY, ACRONYMS AND RESOLUTIONS

As a provider of critical public services in the nation's capital, DC WASA is committed to maintaining quality and reliable services. The replacement and rehabilitation of defective valves is essential in improving the reliability of the distribution system.



GLOSSARY

ACCRUAL BASIS: The method of accounting under which revenues are recorded when they are earned (whether or not cash is received at that time) and expenditures are recorded when goods and services are received (whether or not cash disbursements are made at that time).

A/E CONTRACT: Architectural and Engineering Contracts

AERATION: The process that forces compressed air into wastewater. The oxygen keeps the microorganisms alive and sets off a chain reaction; live, eat, and work. Oxygen is an essential ingredient in "activating" sludge.

ANAEROBIC DIGESTION: A biological process that uses microorganisms to reduce the volume of biosolids.

APPROPRIATION: An authorization by Congress, which permits officials to incur obligations and expend Authority resources. Appropriations are usually made for fixed amounts, which extend for a fiscal year. Appropriations for capital improvement projects, however, extend until completion, usually beyond the current fiscal year.

ARBITRAGE: The simultaneous purchase and selling of an asset in order to profit from a differential in the price. This usually takes place on different exchanges or marketplaces. Also known as a "riskless profit".

ASSETS: Property with monetary value owned by the Authority.

AUDIT: An independent systematic examination of resource utilization concluding in a written report. It is a test of management's internal accounting records. It also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements.

AUTOMATED METER READING (AMR): System that automatically read customers' meters using radio frequencies, allowing for more accurate and frequent meter readings and transfer of data to a central database for billing and analysis.

BALANCED BUDGET: A budget in which the income equals expenditure.

BIOCHEMICAL OXYGEN DEMAND (BOD): An indicator of the amount of biodegradable contaminants in wastewater.

BIOSOLIDS: Sludge that has been treated to reduce pathogens, organics, and odors, forming a reusable agricultural product.

BLUE PLAINS ADVANCED WASTEWATER TREATMENT PLANT: Located in Washington, DC, Blue Plains is the world's largest advanced wastewater treatment plant, and has a permitted capacity of 370 million gallons per day.

BOARD OF DIRECTORS: DC WASA's governing board (the Board), which includes 11 primary members, six members from the District of Columbia, two members each from Montgomery and Prince George's Counties in Maryland, and one member from Fairfax County, Virginia.

BOND: An obligation issued by DC WASA promising to pay a specified sum of money (called principal or face value) at a specified future date (called the maturity date) along with periodic interest paid at a specified percentage of the principal (interest rate). Bonds are typically issued to fund specific capital improvement expenditures.

BUDGET: A plan of financial operations including an estimate of proposed expenditures and revenues for a fiscal period. The budget establishes funding levels for continuing service programs, operation and maintenance of public facilities, and principal and interest payments on bonded indebtedness. Recurring replacement of capital outlay and minor new capital outlay items are included.

CAPACITY MANAGEMENT OPERATION and MAINTENANCE (CMOM): A standard framework for municipal sewer collection systems to identify and incorporate widely-accepted wastewater industry practices to meet regulatory compliance.

CAPITAL BUDGET: A plan for investment in long-term assets such as buildings, plant, and equipment. DC WASA's capital budget includes project schedules and funding needed to acquire, improve or construct properties or facilities to enhance water and sewer services to our customers.

CAPITAL EQUIPMENT: A capital asset with a useful life of at least 3 years, a cost exceeding \$5,000 and is financed with short-term debt or cash. Examples include rolling stock and computer equipment.

CAPITAL IMPROVEMENT PROGRAM (CIP): A plan, which identifies the nature, schedule and cost of long-term improvements to DC WASA's infrastructure.

CERIDIAN: DC WASA's fully integrated payroll and personnel system designed to accommodate a variety of pay, leave, and work rules and to provide a comprehensive set of human resource applications.

CHLORAMINATION: The process of adding chloramines to drinking water. Chloramine, a form of chlorine and ammonia, is used as a disinfectant by the Washington Aqueduct.

CLEAN WATER ACT (CWA): Act passed by the U.S. Congress in 1972 to control water pollution.

COMBINED SEWER OVERFLOWS (CSO): Discharge of untreated wastewater (a mixture of storm water and sanitary waste) directly to waterways during periods of significant rainfall.

COMBINED SEWER OVERFLOW LONG-TERM CONTROL PLAN (CSO LTCP): Draft plan prepared by DC WASA and to be submitted to the EPA to address CSOs.

COMBINED SEWER SYSTEM LONG-TERM CONTROL PLAN (CSS LTCP): Final plan submitted by DC WASA in July 2002 and approved by EPA in March 2005 to control Combined Sewer Overflow (CSO's) to the Districts waterways.

COMMERCIAL PAPER: Short-term (less than 270 days) notes issued by DC WASA to provide interim financing of its capital improvement program. Commercial paper typically carries lower interest rates than long-term debt and is issued on a subordinate basis.

CUSTOMER INFORMATION SYSTEM (CIS): System which DC WASA utilizes for customer billing and information and other related services.

DEBT RATING: An independent opinion, based on a comprehensive quantitative and qualitative evaluation, of a company's financial position, operating performance, business profile and management. Specifically, the debt rating reflects a company's ability to meet its obligations to repay interest and principal on outstanding obligations to investors. DC WASA's bond ratings provided by Moody's Investors Service, Standard & Poor's and Fitch Ratings are Aa3, AA-, AA-, respectively.

DEBT SERVICE: Amount of money necessary to pay principal and interest on senior outstanding notes and bonds in any given fiscal year.

DEBT SERVICE COVERAGE: Requirement of DC WASA's master trust indenture and Board policy that provides that annual revenue available to pay debt service must exceed annual debt service by a certain percentage. DC WASA's master trust indenture requires 120 percent senior debt service coverage; DC WASA Board policy requires 140 percent senior debt service coverage.

EGG SHAPED DIGESTER FACILITY (EDF): A new advanced digestion facility capable of anaerobically digesting all biosolids generated at the Blue Plains AWTP

EFFLUENT: Treated wastewater discharged from the Blue Plains Advanced Wastewater Treatment Plant.

ENABLING ACT: Legislation which established DC WASA and defined its purpose and authority. DC WASA's enabling legislation was initially enacted in 1996.

ENCUMBRANCES: Obligations in the form of purchase orders, contracts or salary commitments which are chargeable to an appropriation and for which a part of the appropriation is reserved. They cease to be encumbrances when paid or when an actual liability is released.

ENTERPRISE FUND: A fund established to finance and account for the acquisition, operation, and maintenance of governmental facilities and services, which are entirely or predominantly self-supporting by user charges. This type of fund uses the accrual basis of accounting. DC WASA is responsible for two enterprise funds:

- 1) Water and Sewer Enterprise Fund
- 2) The District of Columbia Stormwater Enterprise Fund

ENVIRONMENTAL PROTECTION AGENCY (EPA): Federal agency responsible for environmental regulations and enforcement.

EXPENDITURES: Payment for goods and services received.

FABRIDAM: A dynamic weir (or dam) that inflates and deflates depending on the structure set point. Set points vary from structure to structure.

FISCAL YEAR: The twelve-month period used by DC WASA which begins October 1 and ends September 30 of the following calendar year.

FIXED ASSET: Long-lived property owned by an entity that is used by an entity in the production of its income. Tangible fixed assets include real estate, plant, and equipment.

GENERAL OBLIGATION DEBT: This is money that DC WASA still owes the District of Columbia for bond issuance prior to the enabling act that created DC WASA.

IMPERVIOUS AREA CHARGE: DC WASA uses information contained in the District of Columbia's GIS plainmetric database, which includes tax and property records to determine impervious surface areas. (All surfaces are classified as either pervious or impervious). An impervious charge is billed to DC WASA customers based on Equivalent Residential Unit (ERU). This is the amount of impervious surface area measured in square feet based on a statistical median for a single family residential property.

IMPERVIOUS SURFACE: an area that impedes the percolation of water into the subsoil and impedes plant growth. Impervious surfaces include but are not limited to the following: roofprints, footprints of patios, driveways, private streets, other paved areas, tennis courts, and swimming pools, and any path or walkway that is covered by impervious material.

INFRASTRUCTURE: DC WASA's facilities, services, and installations needed for its functioning, such as its water, sewer and customer delivery systems.

INTER-MUNICIPAL AGREEMENT OF 1985 (IMA): This agreement outlines the operating and financial responsibilities for wholesale wastewater treatment services at Blue Plains. Signatories to the IMA include the District of Columbia, Montgomery and Prince George's Counties in Maryland, Fairfax County, Virginia, and the Washington Suburban Sanitary Commission.

INTERCEPTORS: The large pipes that convey wastewater from the collection system to DC WASA's wastewater treatment plant, Blue Plains.

INTERNAL IMPROVEMENT PLAN (IIP): Operational improvement plans for various operating departments across DC WASA that will result in improved service and cost savings to DC WASA's customers. Proposed improvements are a function of new capital projects, investments in technology, and new business processes. IIP's have been developed for the Departments of Wastewater Treatment, Maintenance Services, and Customer Service, and are in process for the Departments of Water and Sewer Services.

INVERTED BLOCK RATE STRUCTURES: Is a schedule of rates applicable to blocks of increasing usage in which the usage in each succeeding block is charged at a higher unit rate than in the previous blocks. Generally, each successive block rate may be applicable to a greater volume of water delivery than the preceding block(s).

JOINT USE SEWERAGE FACILITIES: A list of specific facilities identified in the DC Official Code, Section #34-2202.01(4).

LOW IMPACT DEVELOPMENT (LID): Integrates ecological and environmental considerations into all phases of urban planning, design and construction in order to avoid encroaching on environmentally fragile or valuable lands, and to decrease runoff volumes and peak flow impacts.

LOCAL SMALL DISADVANTAGED BUSINESS ENTERPRISE (LSDBE): Business entities that are encouraged to do business in the District through supportive legislation, business development programs, and agency and public/private contract compliance.

MASTER FACILITIES PLAN: A twenty-year plan that outlines proposed capital improvements across DC WASA. This plan is updated every three to five years.

MUNICIPAL SEPARATE STORM SEWER SYSTEM (MS4): A regulatory program for controlling stormwater pollution.

NATIONAL POLLUTANT DISCHARGE ELIMINATION SYSTEM (NPDES): A permit issued by the EPA that governs effluent discharges into various rivers and waterways by Blue Plains and DC WASA's sewer system.

NITRIFICATION: An aerobic process in which bacteria changes the ammonia and organic nitrogen in wastewater into oxidized nitrogen.

NINE MINIMUM CONTROLS (NMC): Nine EPA-designated activities that DC WASA must undertake to reduce CSO while implementing its LTCP.

OPERATING RESERVE: Reserve established by the Board of Directors equivalent to approximately 180 days' operating and maintenance expenses.

OPERATING BUDGET: The budget that encompasses the day-to-day activities for the Authority. The operating budget includes employee salaries, supplies, and other non-personnel items related to current activities. The operating budget also includes other costs including debt service and payment in lieu of taxes/right of way fees.

OPERATIONS & MAINTENANCE (O&M): The activities related to the performance of routine, preventive, and predictive, actions aimed at preventing DC WASA's equipment and infrastructure from failure or decline, with the goal of increasing efficiency, reliability, and safety.

OUTFALL: The place or structure where effluent is discharged into receiving waters.

PAYMENT IN LIEU of TAXES (PILOT): Amounts which DC WASA pays each fiscal year to the District and institutions in which its facilities are located. Consistent with the provisions of DC WASA's Enabling Act, these payments are to be based on services received and certified from the District of Columbia.

PLANT RESIDUALS: In 2003, the EPA issued a revised NPDES permit to the Washington Aqueduct (WAD) and entered into a Federal Facilities Compliance Agreement (the federal agency equivalent of an Administrative Order) requiring WAD, to have in operation, by Dec 31, 2009, a new process, which dewateres the residuals on site and trucks them off-site for disposal.

POTOMAC INTERCEPTOR: Fifty-mile interceptor that carries wastewater from Loudoun and Fairfax Counties in Virginia and Montgomery County in Maryland to Blue Plains.

PRIMARY TREATMENT: A wastewater treatment process that allows those substances in wastewater that readily settles or floats to be separated from the water being treated.

PRINCIPAL: The total amount of money being borrowed or lent

PROCESS COMPUTER CONTROL SYSTEM (PCCS): Electronically monitors and controls all treatment processes and facilities.

RATE STABILIZATION FUND: A fund established by the Board of Directors, which is used to implement rate increases on a gradual and predictable basis.

RESERVES: An accounting entry that properly reflects contingent liabilities.

REVENUE: An increase in (sources of) fund financial resources other than from inter-fund transfers and debt issue proceeds. Revenues should be classified by fund and source.

REVENUE BONDS: Bonds payable from specific source of revenue and which do not pledge the full faith and credit of the issuer.

RIGHT-OF-WAY FEE (ROW): A permit fee that the District of Columbia Government charges the Authority for water and sewer conduits that it occupies within the District of Columbia.

SAFE DRINKING WATER ACT (SDWA): Act passed by the U.S. Congress (most recently amended in 1996) to control drinking water quality.

SECONDARY TREATMENT: Usually following primary treatment, secondary treatment employs microorganisms to reduce the level of biochemical oxygen demand (BOD) in wastewater.

SENIOR DEBT: Debt whose terms in the event of bankruptcy require it to be repaid before subordinated debt receives any payment.

SLUDGE: Solid residue from wastewater treatment.

SUPPLEMENTAL ENVIRONMENTAL PROJECT (SEP): A project DC WASA is funding as part of its nine minimum control (NMC) CSO consent order.

SUBORDINATED DEBT: Debt over which senior debt takes priority. In the event of bankruptcy, subordinated debtholders receive payment only after senior debt claims are paid in full.

SUPERVISORY CONTROL AND DATA ACQUISITION (SCADA): Equipment and computer technology used to monitor and control the water distribution and wastewater conveyance systems.

WASHINGTON AQUEDUCT: A division of the U.S. Army Corps of Engineers which owns and operates the water treatment facilities for DC WASA and Arlington and Falls Church, Virginia. DC WASA purchases treated drinking water on a wholesale basis from the Washington Aqueduct, and is responsible for approximately 76 percent of the Aqueduct's costs.

ACRONYMS

ADA: AMERICANS WITH DISABILITY ACT	CSP: COMPREHENSIVE SAFETY PROGRAM
AMSA: ASSOCIATION OF METROPOLITAN SEWERAGE AGENCIES	CSRS: CIVIL SERVICE RETIREMENT SYSTEM
AMR: AUTOMATIC METER READING	CWA: CLEAN WATER ACT
ANC: ADVISORY NEIGHBORHOOD COMMISSION	CWSFR: CLEAN WATER STATE REVOLVING FUND
BOD: BIOCHEMICAL OXYGEN DEMAND	DDOE: DISTRICT DEPARTMENT OF ENVIRONMENT
CAFR: COMPREHENSIVE ANNUAL FINANCIAL REPORT	DETS: DEPARTMENT OF ENGINEERING AND TECHNICAL SERVICES
CAP: CUSTOMER ASSISTED PROGRAM	DRBCP: DISASTER RECOVERY AND BUSINESS CONTINUITY PLAN
CIP: CAPITAL IMPROVEMENT PROGRAM	DSS: DEPARTMENT OF SEWER SERVICES
CIS: CUSTOMER INFORMATION SYSTEM	DWS: DEPARTMENT OF WATER SERVICES
CMOM: CAPACITY MANAGEMENT OPERATION and MAINTENANCE	DWWT: DEPARTMENT OF WASTEWATER TREATMENT
COBRA: THE CONSOLIDATED OMNIBUS BUDGET RECONCILIATION ACT OF 1985	EBU: EQUIVALENT BILLING UNIT
COF: CENTRAL OPERATIONS FACILITY	EDF: EGG SHAPED DIGESTER FACILITY
COG: COUNCIL OF GOVERNMENT	EDMC: ENGINEERING DOCUMENT MANAGEMENT AND CONTROL
COTR: CONTRACTING OFFICER TECHNICAL REPRESENTATIVES	EEOC: EQUAL EMPLOYMENT OPPORTUNITY COMMISSION
CSO: COMBINED SEWER OVERFLOWS	EMA: EMERGENCY MANAGEMENT AGENCY
CSO LTCP: COMBINED SEWER OVERFLOW LONG-TERM CONTROL PLAN	EOC: EMERGENCY OPERATIONS CENTER

CSS LTCP: COMBINED SEWER SYSTEM LONG-TERM CONTROL PLAN

ERU: EQUIVALENT RESIDENTIAL UNIT

ESF: EMERGENCY SUPPORT FUNCTION

GFOA: GOVERNMENT FINANCE OFFICERS ASSOCIATION

GIS: GEOGRAPHICAL INFORMATION SYSTEM

HPRP: HIGH PRIORITY REHABILITATION PROGRAM

HUNA: HIGH USAGE NOTIFICATION APPLICATION

IAC: IMPERVIOUS AREA CHARGE

IFB: INVITATION FOR BID

IMA: INTER-MUNICIPAL AGREEMENT

IIP: INTERNAL IMPROVEMENT PLAN

IVR: INTERACTIVE VOICE RESPONSE

JUDD: JOINT UTILITY DISCOUNT DAY

LID: LOW IMPACT DEVELOPMENT

LSDBE: LOCAL SMALL DISADVANTAGED BUSINESS ENTERPRISE

LSR: LEAD SERVICE REPLACEMENT

LTCP: LONG TERM CONTROL PLAN

EPA: ENVIRONMENTAL PROTECTION AGENCY

ERDMS: ENTERPRISE RECORDS AND DOCUMENT MANAGEMENT SYSTEM

NMC: NINE MINIMUM CONTROLS

NPDES: NATIONAL POLLUTANT DISCHARGE ELIMINATION SYSTEM

OCIP: OWNER CONTROLLED INSURANCE PROGRAM

O&M: OPERATIONS & MAINTENANCE

PCCS: PROCESS COMPUTER CONTROL SYSTEM

PILOT: PAYMENT IN LIEU OF TAXES

PM: PREVENTIVE MAINTENANCE

PPM: PARTS PER MILLION

PSA: PUBLIC SERVICE ANNOUNCEMENT

PBS: PUBLIC BROADCASTING SERVICE

PDMS: PAYABLES DOCUMENT MANAGEMENT SYSTEMS

RFQ: REQUEST FOR QUOTATION

RFP: REQUEST FOR PROPOSAL

ROCIP: ROLLING OWNER CONTROLLED INSURANCE PROGRAM

MBE: MINORITY BUSINESS ENTERPRISE

MGD: MILLION GALLONS PER DAY

MOU: MEMORANDUM OF UNDERSTANDING

MS4: MUNICIPAL SEPARATE STORM SEWER SYSTEM

SPLASH: SERVING PEOPLE BY LENDING A SUPPORTING HAND

SSO: SANITARY SEWER OVERFLOW

TEAMS: TOTAL ENTERPRISE ASSET MANAGEMENT SYSTEM

TMDL: TOTAL MAXIMUM DAILY POLLUTANT LOADS

ULSD: ULTRA LOW SULFUR DIESEL

VEP: VALVE EXERCISE PROGRAM

VIT: VEHICLE INFORMATION TRANSMITTER

WBE: WOMEN BUSINESS ENTERPRISE

WSSC: WASHINGTON SUBURBAN SANITARY COMMISSION

WAD: WASHINGTON AQUEDUCT

RSF: RATE STABILIZATION FUND

SCADA: SUPERVISORY CONTROL AND DATA ACQUISITION

SDWA: SAFE DRINKING WATER ACT

SEP: SUPPLEMENTAL ENVIRONMENTAL PROJECT

SOX: SARBANES OXLEY ACT

Presented and Adopted: February 4, 2010
Subject: Approval of Revised Fiscal Year 2010 Operating Budget

#10-21
RESOLUTION
OF THE
BOARD OF DIRECTORS
OF THE
DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY

The Board of Directors (the "Board") of the District of Columbia Water and Sewer Authority, (the "Authority") at its meeting on February 4, 2010, upon consideration of a joint-use matter decided by a vote of eleven (11) in favor and none (0) opposed, to take the following action with respect to the Revised Fiscal Year 2010 Operating Budget.

WHEREAS, on October 15, 2009 the Interim General Manager submitted a Revised Fiscal Year 2010 Operating Budget to the Board that totaled \$382,280,000, which is below the FY 2010 budget approved by the Board in January 2009. The budget submission included the deferral of certain operating and capital costs in order to minimize customer rate impact; and

WHEREAS, on November 19, 2009, December 3, 2009 and December 17, 2009 the General Manager presented to various committees of the board, an alternative FY 2010 Operating budget proposal based on strategic budget choices, operational and other risk factors, and customer impacts; and

WHEREAS, the alternative to the Revised Fiscal Year 2010 Operating Budget, Alternative 1, fully funds the operational and capital organizational needs required to meet all strategic initiatives totals \$385,426,000; and

WHEREAS, the Revised Fiscal Year 2010 Operating Budget, Alternative 2, does not fully fund the operational and capital organizational needs required to meet all strategic initiatives and requires deferral of certain costs ; and

WHEREAS, during the months of October, November and December 2009 the various committees of the Board, including: Environmental Quality and Operations, Retail Services, Finance and Budget and Retail Rates, reviewed the budget proposals and discussed in detail the budget drivers, strategic budget decisions, budget assumptions, customer and operational impacts; and

WHEREAS, on December 17, 2009, the Environmental Quality and Operations Committee, and Retail Services Committees at their respective meetings recommended that the Board adopt a Capital Improvement Budget that is supported by the Revised FY 2010 Operating Budget that totaled \$385,426,000 (Alternative 1); and

WHEREAS, on December 18, 2009, the Finance and Budget Committee recommended that the Board adopt a Revised FY 2010 Operating Budget that totals \$382,280,000 (Alternative 2); and

WHEREAS, after extensive discussion at the January 7, 2010 meeting of the Board, the Chairman of the Board remanded certain budget issues to the Environmental Quality and Operations, Retail Services, Retail Rates and Finance and Budget Committees (jointly referred to as the "Committees") for further review and to give the General Manager an opportunity to analyze the budget based on the Board discussions; and

WHEREAS, during the January 2010 meetings of the Committees, the General Manager presented a revised FY 2010 Operating Budget totaling \$382,280,000 that incorporated feedback and input from the Board; and

WHEREAS, at the January meetings of the Committees the revised FY 2010 Operating Budget was reviewed and discussed; and

WHEREAS, the Committees recommended that the revised FY 2010 Operating Budget be adopted by the Board.

NOW THEREFORE BE IT RESOLVED THAT:

The Board hereby approves and adopts the District of Columbia Water and Sewer Authority's Fiscal Year 2010 Revised Operating Budget totaling \$382,280,000 and as further detailed in materials presented by the General Manager.

This resolution is effective immediately.


Secretary to the Board of Directors

Presented and Adopted: February 4, 2010
Subject: Approval of Fiscal Year 2011 Proposed Operating Budget

#10-22
RESOLUTION
OF THE
BOARD OF DIRECTORS
OF THE
DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY

The Board of Directors (the "Board") of the District of Columbia Water and Sewer Authority, (the "Authority") at its meeting on February 4, 2010, upon consideration of a joint-use matter decided by a vote of eleven (11) in favor and none (0) opposed, to take the following action with respect to the Proposed Fiscal Year 2011 Operating Budget.

WHEREAS, on October 15, 2009 the Interim General Manager submitted a Proposed Fiscal Year 2011 Operating Budget to the Board that totaled \$412,239,000. The budget submission included the deferral of certain operating and capital costs in order to minimize customer rate impact; and

WHEREAS, on November 19, 2009, December 3, 2009 and December 17, 2009 the General Manager presented to the various committees of the board, an alternative FY 2011 Operating budget proposal based on strategic budget choices, operational and other risk factors, and customer impacts; and

WHEREAS, the alternative to the Proposed FY 2011 Operating Budget, Alternative 1 fully funds the operational and capital organizational needs required to meet all strategic initiatives, proposal totals \$420,518,000; and

WHEREAS, the Proposed FY 2011 Operating Budget, Alternative 2, required deferral of certain costs and does not fully fund the operational and capital organizational needs required to meet all strategic initiatives; and

WHEREAS, during the months of October, November and December 2009 the various committees of the Board, including: Environmental Quality and Operations, Retail Services, Finance and Budget and Retail Rates, reviewed budget proposal alternatives and discussed in detail the budget drivers, strategic budget decisions, budget assumptions, customer and operational impacts; and

WHEREAS, after extensive discussion at the January 7, 2010 meeting of the Board, the Chairman of the Board remanded certain budget issues to the Environmental Quality and Operations, Retail Services, Retail Rates and Finance and Budget Committees (jointly referred to as the "Committees") for further review and to give the General Manager an opportunity to analyze the budget based on the Board discussions; and

WHEREAS, during the January 2010 meetings of the Committees, the General Manager presented a proposed FY 2011 Operating Budget totaling \$408,094,000 that incorporated feedback and input from the Board; and

WHEREAS, at the January meetings of the Committees the proposed FY 2011 Operating Budget was reviewed and discussed; and

WHEREAS, the Committees recommended that the proposed FY 2011 Operating Budget be adopted by the Board.

NOW THEREFORE BE IT RESOLVED THAT:

The Board hereby approves and adopts the District of Columbia Water and Sewer Authority's Fiscal Year 2011 Proposed Operating Budget totaling \$408,094,000 as further detailed in materials presented by the General Manager.

NOW THEREFORE BE IT FURTHER RESOLVED THAT:

The Board directs the General Manager to seek to reopen contracts with the labor unions to renegotiate compensation for 2011.

This resolution is effective immediately.


Secretary to the Board of Directors

Presented and Adopted: February 4, 2010
SUBJECT: Approval of Fiscal Year 2009-2018 Ten Year Financial Plan

#10-23
RESOLUTION
OF THE
BOARD OF DIRECTORS
OF THE
DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY

The Board of Directors ("Board") of the District of Columbia Water and Sewer Authority ("the Authority") at its meeting held on February 4, 2010 upon consideration of a joint-use matter decided by a vote of ___ () in favor and ___ () opposed, to take the following action with respect to the Fiscal Year 2009 – 2018 Financial Plan.

WHEREAS, prudent utility financial management requires a long-term financial plan that integrates common elements of the ten-year capital improvement program, future capital financing plans, projected operating and maintenance budgets, revenue requirements and projected rate increases to support long-term capital and operating needs; and

WHEREAS, the Board in Resolutions 09-86 and 97-124 has adopted a series of financial policies in the areas of capital financing, long-term financial planning, and rate-setting to assure the short-term and long-term financial health of the Authority; and

WHEREAS, these financial policies have allowed the Authority to receive strong bond ratings that will reduce debt service costs over the ten-year planning period; and

WHEREAS, on October 15, 2009 the Interim General Manager submitted a Revised FY 2010 and Proposed Fiscal Year 2011 Operating Budget to the Board. The budget submission included the deferral of certain operating and capital costs in order to minimize customer rate impact; and

WHEREAS, on November 19, 2009, December 3, 2009 and December 17, 2009 the General Manager presented to the various committees of the board, an alternative Revised FY 2010 and Proposed Fiscal Year 2011 Operating Budget proposal, Alternative 1, based on strategic budget choices, operational and other risk factors, and customer impacts; and

WHEREAS, after extensive discussion at the January 7, 2010 meeting of the Board the Chairman of the Board remanded certain budget issues to the Environmental Quality and Operations, Retail Services, Retail Rates and Finance

and Budget Committees (jointly referred to as the "Committees") for further review and to give the General Manager an opportunity to analyze the budget based on the Board discussions; and

WHEREAS, during the January 2010 meetings of the Retail Rates and Finance and Budget Committees, the General Manager presented a proposed ten year financial plan that incorporated feedback and input from the Board; and

WHEREAS, at the January meetings of the Retail Rates and Finance and Budget Committees an updated proposed ten year financial plan was reviewed and discussed; and

WHEREAS, the updated proposed ten-year financial plan included the following major assumptions:

1. Deferring debt service payments on the Digester Project costs during period of construction;
2. Limited use of Pay-Go financing in FY 2010 and 2011;
3. Reimbursement from the District for on-going Fire-hydrant Upgrade and maintenance costs; and

WHEREAS, the Committees recommended proposed ten year financial plan be adopted by the Board; and

WHEREAS, on January 26, 2010, both the Retail Rates and Finance and Budget committees at their respective meetings, reviewed and discussed the updated proposed ten-year financial plan and recommended that the Board adopt the plan as recommended by the General Manager.

NOW THEREFORE BE IT RESOLVED THAT:

1. The Board of Directors hereby approve and adopt the General Manager's proposed Fiscal Year 2009 – 2018 Financial Plan that is supported by the attached General Manager's Proposed Schedule and expressed in the proposed Fiscal Year 2011 Operating and Capital Budgets.
2. The Board further directs the General Manager to employ best efforts to achieve the results projected in the attached General Manager Proposed Schedule

This resolution is effective immediately.


Secretary to the Board of Directors

FY 2009 - 2018 FINANCIAL PLAN
(In 000's)

OPERATING	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Retail *	236,625	260,904	300,340	332,937	367,491	403,829	431,480	460,773	490,083	508,411
Wholesale *	65,680	68,577	70,634	72,047	73,488	61,194	62,892	64,682	66,474	68,365
Other	39,132	48,701	24,986	22,159	24,922	26,620	28,079	29,236	30,570	31,957
Operating Receipts (1)	\$ 341,437	\$ 378,182	\$ 395,960	\$ 427,143	\$ 465,901	\$ 491,643	\$ 522,451	\$ 554,691	\$ 587,127	\$ 608,733
Operating Expenses	\$ (252,574)	\$ (288,481)	\$ (294,739)	\$ (304,250)	\$ (313,426)	\$ (296,380)	\$ (305,190)	\$ (314,589)	\$ (324,092)	\$ (327,747)
Debt Service	\$ (74,777)	\$ (88,494)	\$ (101,044)	\$ (115,238)	\$ (148,538)	\$ (185,381)	\$ (203,885)	\$ (223,923)	\$ (244,357)	\$ (257,457)
Net Revenues After Debt Service	\$ 14,086	\$ 1,207	\$ 177	\$ 7,655	\$ 3,937	\$ 9,882	\$ 13,376	\$ 16,179	\$ 18,678	\$ 23,529
Operating Reserve-Beg Balance	139,050	131,298	125,500	125,500	125,500	125,500	125,500	125,500	125,500	125,500
Other Misc (Disbursements)/Receipts										
Wholesale/Federal True Up	3,500	(4,350)	1,616	(1,065)						
Transfers To RSF	\$ (10,000)	(2,000)	-	(2,000)						
Pay-Go Financing	\$ (15,338)	\$ (655)	\$ (1,793)	\$ (4,590)	\$ (3,937)	\$ (9,882)	\$ (13,376)	\$ (16,179)	\$ (18,678)	\$ (23,529)
Operating Reserve - Ending Balance	\$ 131,298	\$ 125,500	\$ 125,500	\$ 125,500	\$ 125,500	\$ 125,500	\$ 125,500	\$ 125,500	\$ 125,500	\$ 125,500
Rate Stabilization Fund(RSF) (2)	\$ (28,600)	\$ (2,600)	\$ -	\$ (2,000)	\$ (500)	\$ -	\$ -	\$ -	\$ -	\$ -
Senior Debt Service Coverage	297%	253%	238%	230%	191%	173%	165%	156%	150%	148%
Combined Debt Service Coverage	134%	120%	124%	125%	120%	120%	120%	120%	120%	121%
Proposed Water/Sewer Rate Increases	7.5%	9.0%	12.5%	8.0%	8.0%	5.5%	5.0%	6.0%	5.5%	3.0%
Operating Receipts % Increase/Decrease *										
Retail	9.2%	10.3%	15.1%	10.9%	10.4%	9.9%	6.8%	6.8%	6.4%	3.7%
Wholesale	4.5%	4.4%	3.0%	2.0%	2.0%	-16.7%	2.8%	2.8%	2.8%	2.8%

(1) Includes interest earnings on senior lien revenue bonds' debt service reserve fund

(2) FY2009 utilization of \$25 million of Rate Stabilization Fund brought the total fund balance to \$28.6 million

Capital Improvement Plan

Description	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
BEGINNING BALANCE	\$ 7,323,907	\$ 138,584,073	\$ 629,350	\$ 120,786,839	\$ 286,476	\$ 3,598,224	\$ 3,154,808	\$ 2,869,525	\$ 3,462,132	\$ 3,464,113
SOURCES OF FUNDS:										
Proceeds from Rev. Bonds*	\$ 283,233,760	\$ 17,873,865	\$ 244,918,899	\$ 28,647,557	\$ 359,822,421	\$ 252,384,755	\$ 229,561,969	\$ 276,970,591	\$ 277,129,028	\$ 180,686,916
Proceeds from Treasury Notes/Digesters Financing Option*	-	-	50,264,000	99,500,000	-	-	-	-	-	-
Capital Equipment Financing (for 5 yrs @ 7.5%)*	-	15,618,000	13,288,000	12,638,000	8,097,000	6,795,000	-	-	-	-
Transfer from Operations	15,338,274	654,062	1,793,183	4,589,604	3,937,103	9,882,021	13,375,223	16,178,884	18,678,840	23,529,972
EPA Grants /DC Reimbursement	17,655,958	19,040,000	31,040,000	32,040,000	15,040,000	11,040,000	14,690,000	15,962,000	19,171,000	15,491,000
CSO Grants	7,379,249	22,735,000	17,488,000	38,455,000	15,022,000	-	-	-	-	-
Wholesale Customer Capital Contributions	62,138,147	88,003,000	143,610,000	228,888,000	210,688,000	83,752,000	55,035,000	74,490,000	58,293,000	27,625,000
Interest Income	151,699	629,350	1,414,407	286,476	3,598,224	3,154,809	2,869,525	3,462,132	3,464,113	2,258,586
Total Sources	\$ 385,897,087	\$ 164,553,277	\$ 503,816,489	\$ 445,044,637	\$ 616,204,748	\$ 367,008,585	\$ 315,531,717	\$ 387,063,607	\$ 376,735,981	\$ 249,591,474
USES OF FUNDS:										
Water Projects	\$ 63,518,000	\$ 63,812,000	\$ 50,562,000	\$ 46,282,000	\$ 49,342,000	\$ 56,836,000	\$ 48,672,000	\$ 43,566,000	\$ 57,607,000	\$ 57,803,000
Blue Plains Projects	102,253,000	115,486,000	204,079,000	365,530,000	335,213,000	128,115,000	80,253,000	113,264,000	85,430,000	43,124,000
Sanitary Sewer Projects	21,541,000	18,593,000	47,584,000	36,654,000	44,260,000	55,631,000	44,288,000	39,904,000	43,587,000	43,513,000
Combined Sewer	20,509,000	52,390,000	25,375,000	17,521,000	17,724,000	10,743,000	15,192,000	32,410,000	24,179,000	16,690,000
Combined Sewer LTCP	10,402,000	21,977,000	27,753,000	74,638,000	146,131,000	97,909,000	109,500,000	139,586,000	148,117,000	71,370,000
Stormwater Projects	1,378,000	2,122,000	3,600,000	3,488,000	2,770,000	2,091,000	1,420,000	1,487,000	1,527,000	1,658,000
Washington Aqueduct Division Projects	18,596,921	10,634,000	7,920,000	7,500,000	8,055,000	8,023,000	8,000,000	8,000,000	8,000,000	8,000,000
Capital Equipment	13,883,000	15,618,000	13,288,000	12,638,000	8,097,000	6,795,000	7,175,000	6,928,000	6,953,000	7,172,000
Meter Replacement / AMR	2,556,000	1,876,000	3,498,000	1,294,000	1,301,000	1,309,000	1,317,000	1,326,000	1,334,000	1,467,000
Reimbursement for Prior Capital Expend.	-	-	-	-	-	-	-	-	-	-
Total Uses	\$ 254,636,921	\$ 302,508,000	\$ 383,659,000	\$ 565,545,000	\$ 612,893,000	\$ 367,452,000	\$ 315,817,000	\$ 386,471,000	\$ 376,734,000	\$ 250,797,000
SOURCES MINUS USES	131,260,166	(137,954,723)	120,157,489	(120,500,363)	3,311,748	(443,415)	(285,283)	592,607	1,981	(1,205,526)
ENDING BALANCE	\$ 138,584,073	\$ 629,350	\$ 120,786,839	\$ 286,476	\$ 3,598,224	\$ 3,154,809	\$ 2,869,525	\$ 3,462,132	\$ 3,464,113	\$ 2,258,586

* Sourced thru retail customer rates

Presented and Adopted: February 4, 2010
Subject: Approval of Fiscal Year 2009-2018 Capital Improvement Program

#10-24
RESOLUTION
OF THE
BOARD OF DIRECTORS
OF THE
DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY

The Board of Directors, (the "Board") of the District of Columbia Water and Sewer Authority, (the "Authority") at its meeting on February 4, 2010, upon consideration of a joint use matter, decided by a vote of eleven (11) in favor and none (0) opposed, to take the following action with respect to the Fiscal Year 2009–2018 Ten-Year Capital Improvement Program.

WHEREAS, the Board's financial policies require an annually updated Ten-Year Financial Plan, which includes a Ten-Year Capital Improvement Program; and

WHEREAS, on October 15, 2009 the Interim General Manager submitted a FY 2009–2018 Capital Improvement Program (CIP) that included the deferral of certain capital projects from FY 2010 and FY 2011 to later years in the CIP; and

WHEREAS, on November 19, 2009, December 3, 2009 and December 17, 2009 the General Manager presented to the various committees of the board, an alternative FY 2009–2018 Capital Improvement Program, Alternative 1, based on strategic budget choices, operational and other risk factors, and customer impacts; and

WHEREAS, Alternative 1 proposal recommended that the Board adopt a FY 2009–2018 Capital Improvement Program that projects disbursements totaling \$313,747,000 and \$459,987,000 in FY 2010 and FY 2011 respectively, which fully funds all regulatory and strategic capital program requirements, and limits operational and organizational risks associated with infrastructure failure; and

WHEREAS, the FY 2009–2018 Capital Improvement Program, Alternative 2, proposal totaling \$292,760,000 and \$387,145,000 in FY 2010 and FY 2011 respectively, requires deferral of certain costs and does not fully fund the operational and capital organizational needs required to meet all strategic initiatives; and

WHEREAS, during the months of October, November and December 2009 the various committees of the Board, including: Environmental Quality and Operations, Retail Services, Finance and Budget and Retail Rates, reviewed the budget proposals and discussed in detail the budget drivers, strategic budget decisions, budget assumptions, customer and operational impacts; and

WHEREAS, on December 17, 2009, the Environmental Quality and Operations, and Retail Services Committees met and recommended that the Board adopt the Alternative 1 FY 2009–2018 Capital Improvement Program; and

WHEREAS, on December 18, 2009, the Finance and Budget Committee met and recommended that the Board adopt the Alternative 2 FY 2009–2018 Capital Improvement Program; and

WHEREAS, after extensive discussion at the January 7, 2010 meeting of the Board the Chairman of the Board remanded certain budget issues to the Environmental Quality and Operations, Retail Services, Retail Rates and Finance and Budget Committees (jointly referred to as the “Committees”) for further review and to give the General Manager an opportunity to analyze the budget based on the Board discussions; and

WHEREAS, during the January 2010 meetings of the Environmental Quality and Operations and Finance and Budget Committees, the General Manager presented a revised FY 2009-2018 Capital Improvement Program that projects disbursements totaling \$302,508,000 and \$383,659,000 in FY 2010 and FY 2011 respectively, that incorporated feedback and input from the Board; and

WHEREAS, at the January meetings of the Committees the revised FY 2009–2018 Capital Improvement Program was reviewed and discussed; and

WHEREAS, the Committees recommended that the revised FY 2009–2018 Capital Improvement Program be adopted by the Board.

NOW THEREFORE, BE IT RESOLVED THAT:

The Board of Directors hereby approves and adopts the District of Columbia Water and Sewer Authority’s Fiscal Year 2009–2018 Capital Improvement Plan as reflected in the January 2010 General Manager’s Recommended Plan with a lifetime budget totaling \$ 7,538,367,000 (Attachment A) and related ten-year disbursements budget of \$3,816,511,000 (Attachment B) as further detailed in Attachment B presented by the General Manager.

This resolution is effective immediately.


Secretary to the Board of Directors

FY 2009 - FY 2018 Capital Improvement Plan

Project Lifetime Budgets by Program Area (\$ 000's)

	FY 2010 Approved	FY 2010 Revised / FY 2011 Proposed	Variance
<u>Wastewater Treatment</u>			
Liquid Processing Projects	573,746	588,541	14,795
Plantwide Projects	259,325	339,356	80,031
Solids Processing Projects	664,612	689,665	25,053
Blue Plains Total Nitrogen Removal (BTN)	950,000	977,333	27,333
Sub-total	2,447,683	2,594,895	147,212
<u>Sanitary Sewer</u>			
Sanitary Collection Sewers	10,966	115,686	104,720
Sanitary On-Going Projects	89,295	129,867	40,572
Sanitary Pumping Facilities	22,999	25,898	2,899
Sanitary Sewer Projects Program Management	39,045	100,235	61,190
Sanitary Interceptor/Trunk Force Sewers	125,666	328,671	203,005
Sub-total	287,971	700,357	412,386
<u>Combined Sewer Overflow</u>			
CSO Program Management	24,199	55,239	31,040
Combined Sewer Projects	383,097	478,663	95,566
Long-Term Control Plan- Total			
Anacostia Tunnel	1,372,545	1,673,325	300,780
Potomac Tunnel	418,700	418,700	-
Rock Creek Tunnel	70,342	70,342	-
Sub-total	2,268,883	2,696,269	427,386
<u>Stormwater</u>			
Stormwater Extensions/Local Drainage	4,026	15,799	11,773
Stormwater On-Going Program	8,093	8,863	770
Stormwater Pumping Facilities	1,173	0	(1,173)
DDOT Stormwater Program	4,631	4,846	215
Stormwater Projects Program Management	7,630	10,630	3,000
Stormwater Trunk/Force Sewers	18,405	18,605	200
Sub-total	43,958	58,743	14,785
<u>Water</u>			
Water Distribution Systems	369,634	618,425	248,791
Water Lead Program	297,000	200,000	(97,000)
Water On-Going Projects	74,158	68,432	(5,726)
Water Pumping Facilities	116,143	133,342	17,199
DDOT Water Projects	37,111	39,222	2,111
Water Storage Facilities	33,999	49,562	15,563
Water Projects Program Management	23,342	51,107	27,765
Meter Replacement /AMR Installation	59,638	42,833	(16,805)
Sub-total	1,011,025	1,202,923	191,898
Washington Aqueduct	196,474	186,634	(9,840)
Capital Equipment	104,633	98,546	(6,087)
Total WASA CIP Lifetime (see notes)	6,360,627	7,538,367	1,177,740

Notes:

1 Lifetime budgets shown here represent total budgets for projects that are active during the current 10-year CIP. Lifetime budgets include historical spending prior to the beginning of the current 10-year plan, spending during the 10-year plan, and projected spending beyond the current 10-year plan. Projects completed in FY 2009 will be dropped from the CIP next year.

2 These budgets do not include inhouse labor costs, which historically have averaged \$7 to \$8 million annually and are applicable to, primarily, the time charged to capital projects by employees in the Departments of Engineering, Sewer Services, and Water Services.

FY 2009 - FY 2018 PROJECTED CAPITAL IMPROVEMENT PLAN - DISBURSEMENTS BASIS (\$ in 000's)

	FY 2009 Actuals	FY 2010 Revised	FY 2011 Proposed	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	Total FY '09 -'18
Wastewater Treatment											
Liquid Processing Projects	\$67,598	\$43,970	\$22,774	\$37,428	\$12,820	\$7,241	\$1,623	\$1,755	\$1,540	\$1,594	\$198,342
Plantwide Projects	12,344	18,932	25,702	17,102	16,970	11,084	3,073	6,668	4,914	10,326	127,116
Solids Processing Projects	11,694	33,153	67,674	174,020	144,672	31,926	6,226	6,536	1,248	161	477,310
BTN - Total Nitrogen Program	10,617	19,431	87,929	136,980	160,751	77,884	69,331	98,306	77,728	31,043	769,978
Sub-total	102,253	115,486	204,079	365,530	335,213	128,115	80,253	113,264	85,430	43,124	1,572,746
Sanitary Sewer											
Sanitary Collection Sewers	61	441	3,269	4,883	11,217	10,345	3,792	4,733	6,867	8,754	54,357
Sanitary On-Going Projects	9,222	7,369	10,509	9,226	7,429	7,566	7,814	8,032	8,242	8,512	83,920
Sanitary Pumping Facilities	7,759	3,371	1,012	813	530	530	-	-	-	-	14,014
Sanitary Sewer Projects Program Management	2,541	3,698	4,083	3,627	4,299	5,353	5,171	5,312	5,968	6,911	46,964
Sanitary Interceptor/Trunk Force Sewers	1,958	3,714	28,717	18,105	20,786	31,837	27,511	21,828	22,510	19,336	196,302
Sub-total	21,541	18,593	47,584	36,654	44,260	65,631	44,288	39,904	43,587	43,513	395,557
Combined Sewer Overflow / Long Term Control Plan											
CSO Program Management	1,164	3,067	3,333	2,348	2,026	2,464	1,976	1,666	1,787	2,441	22,272
Combined Sewer Projects:Nine Minimum Controls	19,007	46,986	14,444	4,544	1,521	482	8	-	-	-	86,992
Combined Sewer Projects:Others	338	2,337	7,598	10,629	14,177	7,797	13,208	30,744	22,392	14,249	123,469
Long-Term Control Plan-											
Anacostia Tunnel	10,402	21,977	27,753	74,638	146,131	97,909	107,881	133,962	141,825	61,346	823,824
Potomac Tunnel	-	-	-	-	-	-	1,619	5,381	5,484	9,187	21,671
Rock Creek Tunnel	-	-	-	-	-	-	-	243	808	837	1,888
Sub-total	30,911	74,367	53,128	92,159	163,855	108,652	124,692	171,996	172,296	88,060	1,080,116
Stormwater											
Stormwater Local Drainage	-	64	1,047	401	309	494	692	830	916	955	5,708
Stormwater On-Going Program	207	506	445	278	283	297	308	359	326	338	3,347
Stormwater Pumping Facilities	-	-	-	-	-	-	-	-	-	-	-
DDOT Stormwater Program	-	49	140	86	88	92	193	110	90	99	946
Stormwater Research and Program Management	1,105	1,023	793	257	229	278	223	187	196	267	4,558
Stormwater Trunk/Force Sewers	66	479	1,174	2,467	1,860	930	5	-	-	-	6,980
Sub-total	1,378	2,122	3,600	3,488	2,770	2,091	1,420	1,487	1,527	1,658	21,539
Water											
Water Distribution Systems	33,065	33,574	25,185	24,193	26,558	31,177	27,345	26,497	34,110	35,886	297,590
Water On-Going Projects	10,394	6,301	5,183	2,876	3,211	3,552	3,635	3,833	4,950	4,109	48,043
Water Pumping Facilities	5,505	7,293	8,952	8,755	3,981	1,018	237	1,776	5,107	3,805	46,430
DDOT Water Projects	705	2,381	2,243	1,189	1,188	1,248	1,290	1,284	1,323	1,386	14,238
Water Storage Facilities	716	144	1,811	1,425	5,830	10,915	6,609	814	2,616	3,165	33,845
Water Projects Program Management	2,663	2,657	3,248	3,092	3,080	3,109	3,953	3,851	3,845	3,897	33,394
Water Lead Program	10,470	11,461	4,141	4,751	5,494	5,816	5,603	5,511	5,658	5,555	64,461
Meter Replacement /AMR Installation	2,556	1,876	3,498	1,294	1,301	1,309	1,317	1,326	1,334	1,467	17,278
Sub-total	66,074	65,688	54,060	47,576	50,643	58,145	49,989	44,892	58,941	59,270	555,279
Washington Aqueduct	18,596	10,634	7,920	7,500	8,055	8,023	8,000	8,000	8,000	8,000	92,728
Capital Equipment	13,883	15,618	13,288	12,638	8,097	6,795	7,175	6,928	6,953	7,172	98,546
Total FY 2011 WASA Capital Improvement Program	\$254,636	\$302,508	\$383,659	\$565,545	\$612,893	\$367,452	\$315,817	\$386,471	\$376,734	\$250,797	\$3,816,511

Presented and Adopted: February 4, 2010
Subject: Approval of Fiscal Year 2011 Capital Authority Request

#10-25
RESOLUTION
OF THE
BOARD OF DIRECTORS
OF THE
DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY

The Board of Directors, (the "Board") of the District of Columbia Water and Sewer Authority, (the "Authority") at its meeting on February 4, 2010, upon consideration of a joint-use matter, decided by a vote of eleven (11) in favor and none (0) opposed, to take the following action with respect to the Fiscal Year 2011 Capital Authority request which is to be submitted to the United States Congress.

WHEREAS, in October 2009, the Interim General Manager presented the FY 2011 Proposed Capital Authority request of \$310,117,000; and

WHEREAS, on December 17, 2009 the Environmental Quality and Operations and Retail Services Committees recommended that the Board adopt the Capital Authority request of \$310,117,000; and

WHEREAS, on December 18, 2009, the Finance and Budget Committee met and recommended that the Board adopt the Proposed Capital Authority request of \$310,117,000; and

WHEREAS, after extensive discussion at the January 7, 2010 meeting of the Board the Chairman of the Board remanded certain budget issues to the Environmental Quality and Operations, Retail Services, Retail Rates and Finance and Budget Committees (jointly referred to as the "Committees") for further review and to give the General Manager an opportunity to analyze the budget based on the Board discussions; and

WHEREAS, during the January 2010 meetings of the Committees, the General Manager presented a proposed FY 2011 Capital Authority request totaling \$382,267,000 that incorporated feedback and input from the Board; and

WHEREAS, at the January meetings of the Committees a proposed FY 2011 Capital Authority request was reviewed and discussed; and

WHEREAS, the Committees recommended a proposed FY 2011 Capital Authority request be adopted by the Board; and

WHEREAS, the request is to be submitted to the United States Congress.

NOW THEREFORE BE IT RESOLVED THAT:

The Board of Directors hereby approves and adopts the District of Columbia Water and Sewer Authority's Fiscal Year 2011 Capital Authority request totaling \$382,267,000 which is to be submitted to the United States Congress as shown in Attachment A to this resolution.

This resolution is effective immediately.


Secretary to the Board of Directors

**Fiscal Year 2011 Capital Authority Request
(\$ 000's)**

<u>Service Areas</u>	<u>Fiscal Year 2011 Capital Authority Request</u>
Blue Plains Wastewater Treatment	\$22,968
Sanitary Sewer System	142,591
Combined Sewer Overflow	201,666
Stormwater	4,328
Water System ¹	0
Washington Aqueduct (WASA share)	5,108
Capital Equipment	<u>5,606</u>
Total	<u>\$382,267</u>

¹ The authority request is zero, as, existing (currently available) capital authority in this service area is in excess of projected commitments in FY 2010, FY 2011, FY 2012 and FY 2013.

Presented and Adopted: February 4, 2010

**Subject: Publishing of Proposed Notice of Rulemaking to
Amend the District of Columbia Fire Protection Service
Fee**

**#10-26
RESOLUTION
OF THE
BOARD OF DIRECTORS
OF THE
DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY**

The District members of the Board of Directors ("Board") of the District of Columbia Water and Sewer Authority ("the Authority") at the Board meeting held on February 4, 2010 decided, in a non-joint use matter, by a vote of six (6) in favor and none (0) opposed, to take the following action with respect to the proposed Fire Protection Service Fee.

WHEREAS, the Retail Rates Committee met on November 24, 2009 to consider the proposed Fire Protection Service Fee increase; and

WHEREAS, the Retail Rates Committee took this fee increase under review as a result of the escalation in costs resulting from the Memorandum of Understanding between the Authority and the District of Columbia Fire and Emergency Services Department dated October 25, 2007 covering fire protection services, and the independent cost of service study entitled "Report Regarding Fire Service Charges", undertaken by the Authority dated January 22, 2009; and

WHEREAS, the Retail Rates Committee recommended that the Board consider for public comment an increase in the Fire Protection Service Fee from Two Hundred Seventeen Dollars (\$217.00) to Six Hundred Eighty Dollars and Forty-Eight Cents (\$680.48) per fire hydrant, per year; and

WHEREAS, the Board wishes to proceed with this amendment to Title 21 DCMR, Chapter 41 Retail Water and Sewer Rates, Section 4103, Fire Protection Service Fee.

NOW THEREFORE BE IT RESOLVED THAT:

1. The General Manager is authorized to publish the attached Notice of Proposed Rulemaking, in conformance with the requirements of the Office of Documents, in order to amend Title 21 DCMR, Chapter 41, Section 4103 as set out therein.
2. The General Manager is further authorized to publish notice of a public hearing to receive comments on the attached Notice of Proposed Rulemaking.

3. This resolution shall be effective immediately.


Secretary to the Board of Directors

Attachment

DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY

NOTICE OF PROPOSED RULEMAKING

The Board of Directors of the District of Columbia Water and Sewer Authority ("the Board"), pursuant to the authority set forth in Section 216 of the Water and Sewer Authority Establishment and Department of Public Works Reorganization Act of 1996, effective April 18, 1996 (D.C. Law 11-111, §§ 203(3), (11) and 216; D.C. Code §§ 34-2202.03(3), (11) and 34-2202.16, Section 6(a) of the District of Columbia Administrative Procedure Act, approved October 21, 1968 (82 Stat. 1206; D.C. Code § 2-505(a), and in accordance with 21 District of Columbia Municipal Regulations (DCMR) Chapter 40, hereby gives notice of its intention to amend Title 21 DCMR Water and Sanitation Regulations, Chapter 41, Retail Water and Sewer Rates, Section 4103, Fire Protection Service Fee.

The Board expressed its intention to amend the DCMR at its regularly scheduled Board meeting held February 4, 2010 pursuant to Board Resolution # 10-26. Final rulemaking action shall be taken in not less than thirty (30) days from the date of publication of this notice in the *D.C. Register*.

Comments on these proposed rules should be submitted, in writing, no later than thirty (30) days after the date of publication of this notice in the *D.C. Register* to, Linda R. Manley, Secretary to the Board, District of Columbia Water and Sewer Authority, 5000 Overlook Ave., S.W., Washington, D.C. 20032, or email Lmanley@dcwasa.com. Copies of these proposed rules may be obtained from the Authority at the same address.

In addition, the Board will also receive comments on these proposed rates at a public hearing at a later date. The public hearing notice will be published in subsequent edition of the District of Columbia Register.

I. Timing of Final Action on Proposed Rulemaking

No final action will be taken on the Rulemaking Proposal described in this notice until after each of the following events has occurred:

1. A public hearing is held to receive comments on the proposed rulemaking.
2. The public comment period on this rulemaking expires; and
3. The Board of Directors takes final action after public comments are considered.

II. Rulemaking Proposal

The following rulemaking action is proposed:

Title 21 DCMR, Chapter 41 RETAIL WATER AND SEWER RATES, Section 4103 FIRE PROTECTION SERVICE FEE, Subsection 4103.1 is amended to read as follows:

4103 FIRE PROTECTION SERVICE FEE

4103.1 The Charge to the District of Columbia (District) for fire protection service, including, but not limited to the delivery of water flows for firefighting as well as maintaining and upgrading public fire hydrants in the District of Columbia, (plus the cost of fire hydrant inspections performed by the DC Fire and Emergency Medical Services) shall be Six Hundred and Eighty Dollars and Forty Eight Cents (\$680.48) per fire hydrant, per year, effective April 12, 2010. The fee may be examined every three years to determine if the fee is sufficient to recoup the actual costs for providing this service. In the event the costs are not being recouped, the District shall pay the difference and the fee will be appropriately adjusted pursuant to the rulemaking process.

Presented and Adopted: February 4, 2010
Subject: Approval of "Plan for WASA Board's Low Impact Development Grant Initiative"

#10-27
RESOLUTION
OF THE
BOARD OF DIRECTORS
OF THE
DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY

The Board of Directors (the "Board") of the District of Columbia Water and Sewer Authority, (the "Authority") at its meeting on February 4, 2010, upon consideration of a non-joint-use matter, decided by a vote of six (6) in favor and none (0) opposed, to take the following action with respect to the "Plan for WASA Board's Low Impact Development Grant Initiative".

WHEREAS, the Board, in Resolution #07-17, directed management to include funding of one million dollars (\$1,000,000) to accommodate the Board's Low Impact Development Grant initiative said sum to remain available for expenditure beyond FY 2007 unless rescinded by action of the Board; and

WHEREAS, the Board required management to provide the Board, for approval, a comprehensive plan for the Low Impact Development Grant initiative; and

WHEREAS, management has presented the "Plan for WASA Board's Low Impact Development Grant Initiative" to the Retail Services Committee at its meeting on December 17, 2009; and

WHEREAS, the Retail Services Committee recommended that the Board approve the "Plan for WASA Board's Low Impact Development Grant Initiative".

NOW THEREFORE BE IT RESOLVED THAT:

The Board hereby adopts and approves the implementation of the "Plan for WASA Board's Low Impact Development Grant Initiative" submitted by the management as set forth in Attachment 1.

This resolution is effective immediately.


Secretary to the Board of Directors

Plan for WASA Board's Low Impact Development Grant Initiative

I. Introduction:

At its meeting of February 8, 2007, the Board of Directors (BOD) of the District of Columbia Water and Sewer Authority (DCWASA) adopted Resolution #07-17 approving the FY 2007 Operating Budget for DCWASA, and set aside funds to "... accommodate the Board's Low Impact Development Grant initiative (\$1 million)..." Also included in the resolution was the following: "... the Finance and Budget Committee also recommended that management provide to the Board for approval, a comprehensive plan for the Low Impact Development Grant initiative:"

The Office of the General Counsel has reviewed the issue of WASA providing Low Impact Development (LID) grants, and has advised that WASA would need to seek legislative authority to issue grants. Further, if WASA intends to provide grant funds to private persons or entities, revisions to the enabling legislation will be required.

In light of the above finding, it is recommended that the Board's LID initiative be aimed toward increasing the use of LID approaches in public space, through cooperative agreements with other District Agencies, such as the Departments of Environment and Transportation.

II. Plan for use of Board Approved LID Funds:

- (1) Purpose of these funds would be to encourage LID projects to demonstrate effectiveness of LID technologies in reducing combined sewer overflow (CSO).
- (2) Use of the Board approved LID funds will be confined to projects and related activities located in public space in the District of Columbia.
- (3) Before any portion of the funds is committed, WASA General Manager shall enter into a memorandum of understanding (MOU) with the appropriate District agencies initiating the undertaking (planning, design, construction, operation and maintenance) of the LID specifying the purpose, project description and scope of WASA's participation.
- (4) Under the MOU, WASA may undertake implementation of some or all of the proposed LID and related activities with its own staff or its contractors. In such cases, related costs of WASA activities shall be funded from the Board approved LID funds.
- (5) If the project requires transfer of funds to the District agency responsible for implementation of the proposed LID project and related activities, an Inter-Agency Memorandum of Understanding (MOU) shall be executed for this purpose.

III. Potential Projects

On June 17, 2009, WASA General Manager received a request from the Director, D.C. Department of Environment to provide funding for proposed inter-agency LID projects and related activities in public space at several locations in the Rock Creek watershed. It is proposed that WASA participate in this project and use the Board approved LID funds for this purpose.

The General Manager may participate in other such projects initiated by public agencies until the allocated funds are depleted.

IV. Report to the Board:

The General Manager shall report on the use of the Board Approved LID funds.

Presented and Adopted: February 4, 2010
Subject: Publishing of Proposed Notice of Rulemaking to
Expand the Customer Assistance Program (CAP)

#10-28
RESOLUTION
OF THE
BOARD OF DIRECTORS
OF THE
DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY

The District members of the Board of Directors ("Board") of the District of Columbia Water and Sewer Authority ("the Authority") at the Board meeting held on February 4, 2010 decided, in a non-joint use matter, by a vote of six (6) in favor and none (0) opposed, to take the following action with respect to expansion of the Customer Assistance Program (CAP).

WHEREAS, the Retail Rates Committee met on December 18, 2009 and January 26, 2010 to consider the proposed FY 2011 rate and fee changes and cost drivers; and

WHEREAS, the Retail Rates Committee recommended that the Board initiate rulemaking to expand the Customer Assistance Program (CAP) discount for qualifying low-income customers to exempt up to 4 Ccf per month from volumetric Payment in Lieu of Taxes (PILOT) and Right of Way (ROW) fees starting in FY 2011.

NOW THEREFORE BE IT RESOLVED THAT:

1. The General Manager shall amend the Customer Assistance Program (CAP) regulations to expand the CAP to qualifying low-income customers to exempt Payment in Lieu of Taxes (PILOT) and Right of Way (ROW) fees in the manner as the CAP is applied to water and sewer service charges, which shall contain the following revisions.

4102 CUSTOMER ASSISTANCE PROGRAM

4102.1 LIFELINE PROGRAM FOR HOUSEHOLDS AND TENANTS

- (a) Eligible households and tenants will receive an exemption from water service charges, sewer service charges, and Payment in Lieu of Taxes (PILOT) and Right of Way (ROW)

fees of the first Four Hundred Cubic Feet (4 Ccf) per month, of water consumption.

2. The General Manager is authorized to take all steps necessary in his judgment and as otherwise required, to publish a Notice of Proposed Rulemaking in the District of Columbia Register for the amendments to the Customer Assistance Program regulations and initiate the public process in the manner provided by 21 DCMR, Chapter 40 and the District of Columbia's Administrative Procedures.

This resolution shall be effective immediately.


Secretary to the Board of Directors

Presented and Adopted: February 4, 2010
SUBJECT: Proposed Water and Sewer Service Rates, Right-of-Way (ROW) and Payment in Lieu of Taxes (PILOT) Fee, Impervious Area Charge (IAC) and Customer Metering Fee for Fiscal Year 2011

#10-29
RESOLUTION
OF THE
BOARD OF DIRECTORS
OF THE
DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY

The District members of the Board of Directors ("Board") of the District of Columbia Water and Sewer Authority ("the Authority") at the Board meeting held on February 4, 2010 in a non-joint use matter, decided by a vote of six (6) in favor and none (0) opposed, to take the following action with respect to the proposed retail rates for water and sewer service, impervious area charge (IAC), the right of way occupancy fee pass through charge (ROW) and payment in lieu of taxes (PILOT) fee and customer metering fee.

WHEREAS, the Board has adopted a rate-setting policy that calls for implementation of retail rate increases in a gradual and predictable manner, avoiding large one-time rate increases; and

WHEREAS, the Board has adopted a ten year financial plan that requires annual rate increases to generate sufficient revenues to pay for the Authority's projected operating and capital expenses and will assure compliance with Board policies regarding maintenance of senior debt coverage and cash reserves; and

WHEREAS, the Retail Rates Committee met on December 18, 2009 to consider the proposed rate and fee changes and cost drivers; and

WHEREAS, after extensive discussion at the January 7, 2010 meeting of the Board the Chairman of the Board remanded certain budget issues to the Environmental Quality and Operations, Retail Services, Retail Rates and Finance and Budget Committees (jointly referred to as the "Committees") for further review and to give the General Manager an opportunity to analyze the budget based on the Board discussions; and

WHEREAS, the Retail Rates Committee met on January 26, 2010 to consider the January 2010 General Manager's proposed rate and fee changes; and

WHEREAS, the Retail Rates Committee recommended that the Board consider for public comment a combined retail water and sewer rate increase of \$0.77 per Ccf; and

WHEREAS, the increase in water and sewer rates would result in a combined water and sewer rate that approximates \$6.89 per One Hundred Cubic Feet ("Ccf") or \$0.92 per 100 gallons of metered water and sewer use; and

WHEREAS, the Retail Rates Committee recommended that the Board consider for public comment an increase in the impervious area charge of \$1.25 per Equivalent Residential Unit (ERU) to recover the \$2.7 billion costs of the Combined Sewer Overflow Long-Term Control Plan (CSO LTCP); and

WHEREAS, the Retail Rates Committee recommended that the Board in order to reduce the Authority's continued exposure to consumption fluctuation consider for public comment an increase in the fixed metering charge which previously only recovered costs for replacing meters, to now include costs for installing, operating and maintaining meters; and

WHEREAS, the Retail Rates Committee recommended that the Board consider for public comment an increase in the fixed customer metering charge based on meter size ranging from \$1.85 per month for a 5/8 inch meter (typical size for a residential customer meter) to \$167.69 per month for a 16 inch meter, to recover the costs of installing, operating, maintaining and replacing meters; and

WHEREAS, the Retail Rates Committee recommended that the Board consider for public comment an increase in the ROW / PILOT fee of \$0.06 per Ccf to recover the full cost of this District of Columbia government charges, pending approval of a PILOT certification of cost from the District of Columbia Chief Financial Officer (DC CFO); and

WHEREAS, the public comment and notification process of the proposed rate and fee increases will occur over the next several months and it is the intent of the Board to take final action on the proposed rate and fee increases at the conclusion of the notification and comment period; and

WHEREAS, adoption of these rates and fee changes would increase the monthly bill of the average residential customer using 6.69 Ccf approximately \$8.66 per month or \$103.92 per year; and

WHEREAS, the Authority's retail revenue projections for Fiscal Year 2011 reflect an approximate \$37.17 million increase due to the proposed \$24.67 million increase in retail water and sewer rates, an approximate \$1.9 million increase due to the proposed ROW / PILOT fee increase, and an approximate \$5.4 million increase due to the proposed IAC increase, and an approximate \$5.2 million increase due to the proposed customer metering fee increase.

NOW THEREFORE BE IT RESOLVED THAT:

1. The Board finds that the Authority's projected expenditures require that it propose, for public comment, the approximate rate and fee increases described below:

Water Service Rates

- a. An increase in the rate for retail metered water service from \$2.51 per One Hundred Cubic Feet ("Ccf"), to \$3.10 per Ccf, effective October 1, 2010

Sewer Service Rates

- b. An increase in the rate for retail sanitary sewer service from \$3.61 per One Hundred Cubic Feet ("Ccf") to \$3.79 per Ccf, effective October 1, 2010
- c. An increase in the annual Impervious Area Charge (IAC) from \$26.40 to \$41.40 per Equivalent Residential Unit (ERU). The charge per ERU will be billed monthly at \$3.45 for each ERU, effective October 1, 2010

Right of Way Occupancy Fee Pass Through Charge / PILOT Fee

- d. An increase in the ROW / PILOT fee from \$0.57 per Ccf to \$0.63 per Ccf, effective October 1, 2010 divided as follows:
 - i. District of Columbia Right of Way fee - \$0.14 per Ccf.
 - ii. Payment in Lieu of Taxes to the Office of the Chief Financial Officer (OCFO) of the District of Columbia - \$0.49 per Ccf; and

Customer Metering Fee

- e. An increase in the customer metering fee, based on meter size from, \$2.01 to \$3.86 for a 5/8 inch meter (typical residential customer meter.), Increases for other meter sizes as shown in the table of fees below, effective October 1, 2010

Meter Size:	5/8"	3/4"	1"	1x1.25	1x1.5	2"	2x1.2	3"	3x5/8	3x3/4	4"	4x3/4	4x1"	4x2"	4x2.5/8	6"	6X1"	6X1X1/2	6x1.5	6x3/4	8"	8x2"	8x4x1"	10"	10x6	10x2	12"	16"
Proposed Customer Metering Fee	\$ 3.86	\$ 4.06	\$ 4.56	\$ 4.83	\$ 6.88	\$ 7.54	\$ 8.00	\$ 76.98	\$ 77.94	\$ 77.94	\$ 137.37	\$ 138.15	\$ 138.15	\$ 138.15	\$ 181.04	\$ 288.14	\$ 272.70	\$ 325.09	\$ 323.09	\$ 323.09	\$ 323.29	\$ 325.29	\$ 358.26	\$ 317.91	\$ 403.62	\$ 403.62	\$ 328.66	\$ 348.45

2. The General Manager is authorized to take all steps necessary in his judgment and as otherwise required, to initiate the public comment process and shall provide notice of the proposed rate adjustments in the manner provided by 21 DCMR, Chapter 40 and the District of Columbia's Administrative Procedures.

This resolution is effective immediately.


Secretary to the Board of Directors