



District of Columbia  
Water and Sewer Authority

Submitted October 26, 2006

Glenn S. Gerstell, *Chairman*  
Jerry N. Johnson, *General Manager*

# Revised FY 2007 And Proposed FY 2008 Operating Budgets





## **WASA'S VISION**

WASA provides world-class water and wastewater services as a leading environmental steward.

## **WASA's MISSION**

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

## **WASA's VALUES**

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

*(Adopted by the WASA Board of Directors on December 1, 2005)*



## BOARD OF DIRECTORS' STRATEGIC PLAN GOALS

- **Customer and Community Service**  
WASA is committed to understanding, serving, and responding to the needs of its diverse customers and stakeholders. WASA will utilize state-of-the-art technology to monitor, measure and manage customer expectations, and reach out to improve relationships with stakeholders and the public.
- **Organizational Effectiveness**  
WASA will ensure the effectiveness of the organization by creating and maintaining a safe, productive, highly competent, diverse workforce. WASA will through partnerships with stakeholders maintain a professional, high-functioning, ethical work environment and culture.
- **Environmental Quality and Operations**  
WASA will provide excellent environmental stewardship, meet and surpass regulatory standards and manage the Authority's infrastructure effectively.
- **Finance and Budget**  
WASA will maintain a sound financial position by optimizing operational and capital programs and exploring additional revenue sources, while maintaining fair and equitable rates.

*(Adopted by the WASA Board of Directors on December 1, 2005)*



## **BOARD OF DIRECTORS**

(As of October 31, 2006)

### **District of Columbia**

Glenn S. Gerstell, Chairman

David J. Bardin, Principal  
Vacant, Principal  
Vacant, Principal  
Lisa Morgan, Principal  
F. Alexis H. Roberson, Principal

Joseph Cotruvo, Alternate  
Kenneth Davis, Alternate  
Howard Gibbs, Alternate  
Steven McLendon, Alternate  
Brenda Richardson, Alternate  
Vacant, Alternate

### **Fairfax County**

Anthony H. Griffin, Principal  
Robert A. Stalzer, Alternate

### **Montgomery County**

Bruce F. Romer, Vice Chairman  
James Caldwell, Principal  
Paul E. Folkers, Alternate  
David Lake, Alternate

### **Prince George's County**

David Byrd, Principal  
Dr. Jacqueline Brown, Principal  
Paivi Spoon, Alternate  
Chris Akinbobola, Alternate

Linda R. Manley, Board Secretary



## **ACKNOWLEDGEMENTS**

### **PRINCIPAL STAFF MEMBERS**

#### **General Manager**

Jerry N. Johnson

#### **General Manager's Staff**

Johnnie R. Hemphill, Jr., Chief of Staff

Michael Hunter, Internal Auditor

Mujib Lodhi, Chief Information Officer

Linda R. Manley, Board Secretary

Michele Quander-Collins, Public Affairs, Director

Avis Marie Russell, General Counsel

#### **Office of the Chief Financial Officer**

Olu Adebo, Acting Chief Financial Officer/Finance and Budget, Acting Director

Yvonne Reid, Acting Controller

Tanya L. DeLeon, Risk Management, Manager

#### **Operations**

John Dunn, Deputy General Manager/Chief Engineer

Leonard Benson, Engineering and Technical Services, Director

Walter M. Bailey, Wastewater Treatment, Director

R. Wayne Raither, Maintenance Services, Director

Charles Kiely, Assistant General Manager, Consumer Services

Cuthbert Braveboy, Sewer Services, Director

Louis Jarvis, Water Services, Director

Eva Liggins, Customer Service, Director

#### **Support Services**

Barbara Grier, Assistant General Manager/ Procurement and Materiel Management, Acting Director

Katrina Wiggins, Human Resources, Director

O.Z. Fuller, Fleet Management, Director

James McQueen, Facilities and Security, Director

Everett Lallis, Occupational Health and Safety, Director



## ACKNOWLEDGEMENTS

### Budget and Finance Staff

Gail Alexander-Reeves

Anil Bansal

Deborah Cole

Kimberly Engram

Annie Fulton

Walter Goodwill

Robert Hunt

Delwyn Kamara

Syed Khalil

Yvonne Reid

Sylvia Riley

Pade Zuokemefa

*The Office of Budget and Finance 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**

**District of Columbia**

For the Fiscal Year Beginning

**October 1, 2006**

President

Executive Director

## TABLE OF CONTENTS

<p><b>Section I. General Manager’s Message</b>.....I-2  Proposed Book – October 26, 2006</p> <p><b>Section II. Summary Information</b></p> <p>WASA Key Facts..... II-2  WASA Service Area Map ..... II-3  WASA Organization Chart ..... II-4  Performance Measures and Targets..... II-5  Operating and Capital Expenditures ..... II-8  FY 2008 Proposed Budget..... II-9  FY 2005 - FY 2008 Comparative Expenditures ..... II-10  WASA Statement of Cash Flows ..... II-11  Accounting and Budget Processes ..... II-12  WASA History &amp; Governance ..... II-13  Budget Calendar ..... II-14</p> <p><b>Section III. FY 2006 – FY 2015 Financial Plan</b></p> <p>WASA Key Financial Policies..... III-2  FY 2006 – FY 2015 Financial Plan ..... III-3</p> <p><b>Section IV. Rates and Revenue</b></p> <p>Historical and Projected Cash Receipts ..... IV-2  Historical and Projected Billed Consumption ..... IV-4  Recent &amp; Proposed Rate &amp; Fee Changes ..... IV-6  Projected Retail Rate Increases..... IV-7  Potential Impact of CSO LTCP on Rates ..... IV-10  Why Rate Increases are Needed ..... IV-12  Residential Monthly Bill Comparison..... IV-15</p> <p><b>Section V. FY 2006 – FY 2015 Capital Program</b></p> <p>Capital Improvement Program By Category ..... V-2  Capital Improvement Program Overview ..... V-3  Historical and Projected Capital Spending ..... V-10  FY 2006 – FY 2015 CIP – Disbursements Basis ... V-11</p>	<p>FY 2007 &amp; FY 2008 Capital Equipment Disbursements  ..... V-12  FY 2006 – FY 2015 CIP – Lifetime Budgets..... V-16  FY 2008 Capital Authority Request ..... V-18</p> <p><b>Section VI. Capital Financing Cash and Debt</b></p> <p>FY 2006 – 2015 Sources of Capital Financing ..... VI-2  FY 2006 – 2008 Sources &amp; Uses of Funds ..... VI-3  Statement of Cash Reserves ..... VI-4  Major Highlights &amp; Issues in Debt..... VI-5  Outstanding Debt ..... VI-6  Senior Debt Service Coverage ..... VI-7  Outstanding &amp; Proposed Debt Service FY 2006 - 2015  ..... VI-8  Debt Service as Percentage of Total Oper. Expend.  ..... VI-9  Outstanding &amp; Proposed Debt Service FY 2006 - 2015  ..... VI-10  Total Principal Outstanding ..... VI-11  Debt vs. Fixed Assets..... VI-12  Debt to Net Fixed Assets Ratio ..... VI-13</p> <p><b>Section VII. Departmental Summaries</b></p> <p>FY 2005 - 2008 Operating Expenditures ..... VII-2  FY 2007 &amp; FY 2008 Operating Expend. by Type ... VII-3  FY 2005 – 2008 Operating Expenditures ..... VII-4  FY 2006 – 2008 Oper. Expend. by Department ..... VII-5  FY 2007 Oper. Expend. by Department by Type ... VII-6  FY 2008 Oper. Expend. by Department by Type ... VII-7  Authorized Positions..... VII-8  Filled vs. Vacant Positions ..... VII-9  FY 2007 &amp; FY 2008 Position Request..... VII-10  Overtime..... VII-11</p>
--	---



## TABLE OF CONTENTS

WASA Organization Chart .....	VII-14
Operating Departments:	
Wastewater Treatment .....	VII-16
Water Services .....	VII-24
Sewer Services .....	VII-30
Maintenance Services .....	VII-34
Engineering and Technical Services .....	VII-38
Customer Service .....	VII-42
Administrative Departments:	
Office of the Secretary to the Board .....	VII-46
General Manager .....	VII-50
General Counsel .....	VII-54
Public Affairs .....	VII-58
Internal Audit .....	VII-62
Finance and Budget .....	VII-66
Information Technology .....	VII-70
Risk Management .....	VII-74
Assistant General Manager .....	VII-78
Facilities and Security .....	VII-82
Occupational Safety and Health .....	VII-86
Procurement and Materiel Management ..	VII-90
Fleet Management .....	VII-94
Human Resources .....	VII-98
Lead Abatement Program .....	VII-108

### **Section VIII. Glossary**

Glossary .....	VIII-2
----------------	--------

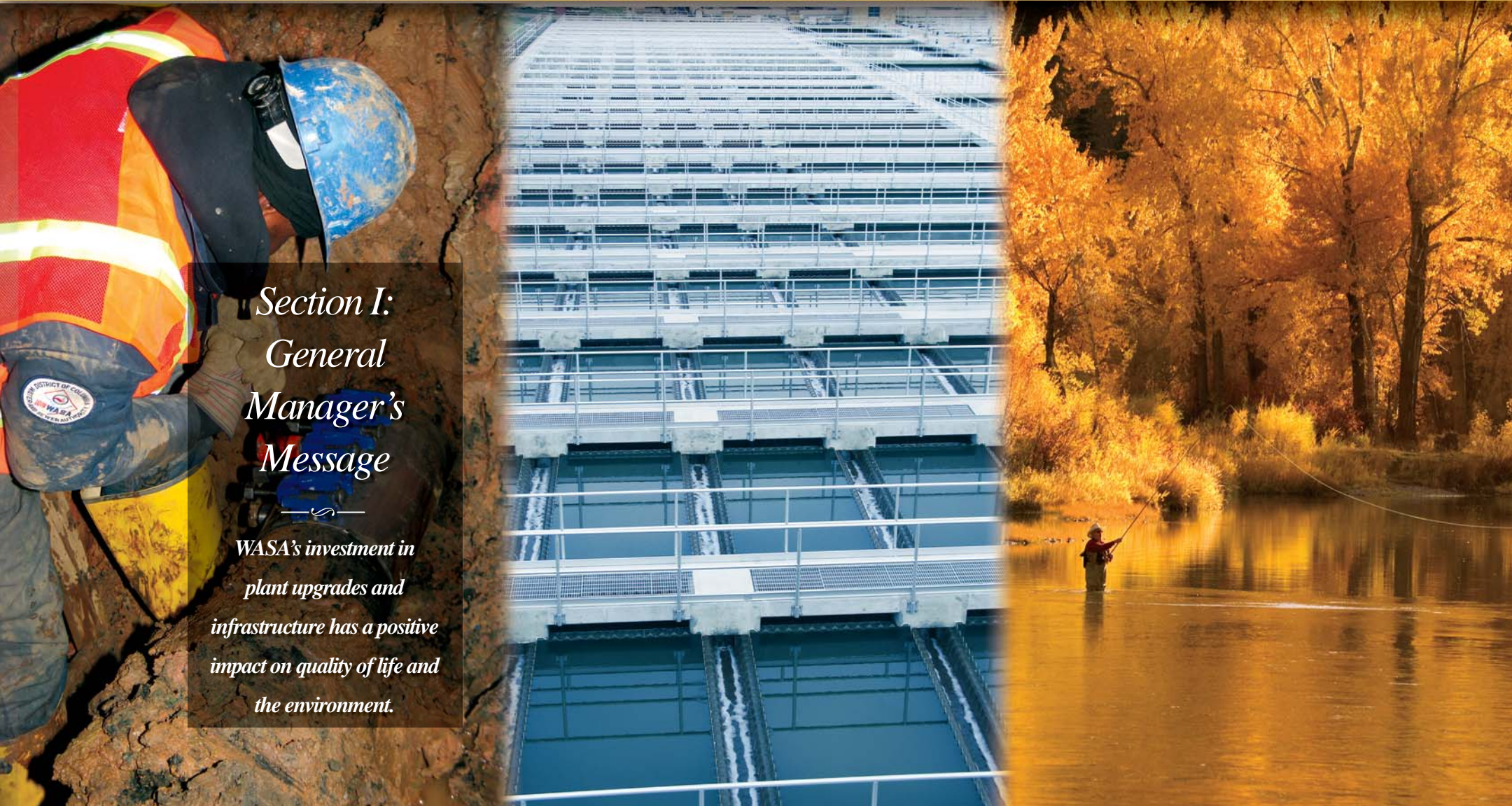


District of Columbia  
Water and Sewer Authority

Submitted October 26, 2006

Glenn S. Gerstell, *Chairman*  
Jerry N. Johnson, *General Manager*

# Revised FY 2007 And Proposed FY 2008 Operating Budgets



*Section I:  
General  
Manager's  
Message*

*WASA's investment in  
plant upgrades and  
infrastructure has a positive  
impact on quality of life and  
the environment.*



# DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY

5000 OVERLOOK AVENUE, S.W., WASHINGTON, D.C. 20032

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

October 26, 2006

Dear Chairman Gerstell and WASA Board Members:

I am pleased to present the District of Columbia Water and Sewer Authority's (WASA) revised FY 2007 and proposed FY 2008 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..."

We continue our quest for world-class status. Every activity that WASA undertakes is in some way related to improving service to our customers or safeguarding the environment. Whether it's using automated meter reading technology to make online account information more accessible to our customers; or using new technologies to construct and repair our infrastructure; or building miles of underground storage tunnels to eliminate sewer overflows into our local rivers, our achievements in these and related areas will continually lift WASA to the next level among the best utilities worldwide.

The roadmap to meeting these achievements is the Board's current strategic plan which uses the four strategic goals as the framework. The budgets presented to you today contain the resources needed to fulfill the Board's current strategic plan. Over the next two years, WASA will continue to implement long-term plans and projects that will improve service to our District and regional customers and fulfill our commitments to a clean environment, including:

- Initial phases of the Combined Sewer Overflow Long-Term Control Plan (CSO LTCP)
- A more holistic approach to WASA's water quality efforts that will address infrastructure improvements while continuing WASA's very successful lead service line replacement program

- Use of technology to improve all of our processes and the delivery of services to our customers
- Support of the District's Anacostia River development efforts through the CSO LTCP, operational relocations and other facilities changes
- Implementation of the \$2.2 billion capital improvement program at the Blue Plains Wastewater Treatment Plant and various locations throughout the District and region.

I discuss each of these activities in extensive detail in this document.

## **OPERATING BUDGET SUMMARY**

As discussed in more detail below under "Strategic Goal – Financial Stability," our revised FY 2007 operating budget totals \$311.2 million, \$0.5 million less than the approved FY 2007 budget. The proposed FY 2008 budget totals \$341.1 million, a \$30 million increase over the revised FY 2007 budget. As in prior years, the majority of this increase is due to additional debt service as the capital program progresses. In addition, we increased our utilities budget to accommodate electrical energy costs consistent with market trends and pricing. We also increased the budget to provide for enhancements to various enterprise systems. The budget also provides for hardware and software maintenance needs that impact the entire organization. The following discussion provides details on the major initiatives and budgetary changes.

## **STRATEGIC GOAL AREA – CUSTOMER & COMMUNITY SERVICES**

This strategic area focuses on service delivery to our retail and wholesale customers, as well as our obligations to other stakeholders in the District and the greater Washington area.

### **CUSTOMER SERVICE INITIATIVES**

In FY 2006, we continued to make investments in our employees, process improvements and technology, all to ensure better service delivery to customers. These improvements include the following:

***New Interactive Voice Response (IVR) Technology*** – Last year we implemented improvements to the IVR system, which takes advantage of newer voice technologies that allow customers to perform many self-service applications through voice communications available 24-hours a day, including bill payment, water usage information, bill payment arrangements and other services. Two years ago, we added automated work zone information online. In FY 2006, we began to provide this information by phone to ensure that if there is emergency work in a customer's neighborhood the information is readily available.

***New Language Line*** – In FY 2006, we implemented WASA’s first language line service which provides over 90 languages and billing information to WASA’s diverse customer base. We continue to look for better ways to communicate and further assist all of our customers.

***Meter Reading and Customer Service through Automated Meter Reading Technology (AMR)*** – The AMR project is 96 percent complete with approximately 119,000 meters installed throughout the District. AMR has enabled WASA to bill most customers for actual usage, virtually eliminating estimated billings. Prior to AMR, most customer contacts were for high bill complaints due in part to incorrect meter readings and estimates. Since implementing AMR, we are better equipped to identify potential metering problems and to quickly resolve our customers’ concerns. Our innovative use of AMR technology better equips us with the tools needed to research and communicate with customers about their accounts. We are also able to help our customers pinpoint why their consumption increased or decreased, thereby avoiding costly field investigations. Over 80 percent of FY 2006 billings were billed via AMR meters. We retained a new contractor in FY 2006 to finish installing the remaining meters, the majority of which are either indoors or are very difficult to access. We expect to complete the remaining AMR installations by late July 2007.

***Automatic Notification of High Usage*** – Two years ago, we implemented a “first-in-the-nation” consumption analysis tool that allows customers to access their daily, monthly and annual meter reading data. This feature capitalizes on the automated meter reading (AMR) technology that we have been installing throughout the District. Once they sign up for the service, customers can access this data through the web at [www.dcwasa.com](http://www.dcwasa.com). In addition, we provide graphical illustrations of the AMR data that allows customers to pinpoint high usage on the exact day it occurred. We implemented a new tool in FY 2006 that sends an email alert and phone calls to customers if their usage spikes beyond a normal level. This helps customers manage their water consumption through conservation measures and leak detection before a bill is rendered. This initiative places WASA at the forefront of leak detection in the water industry.

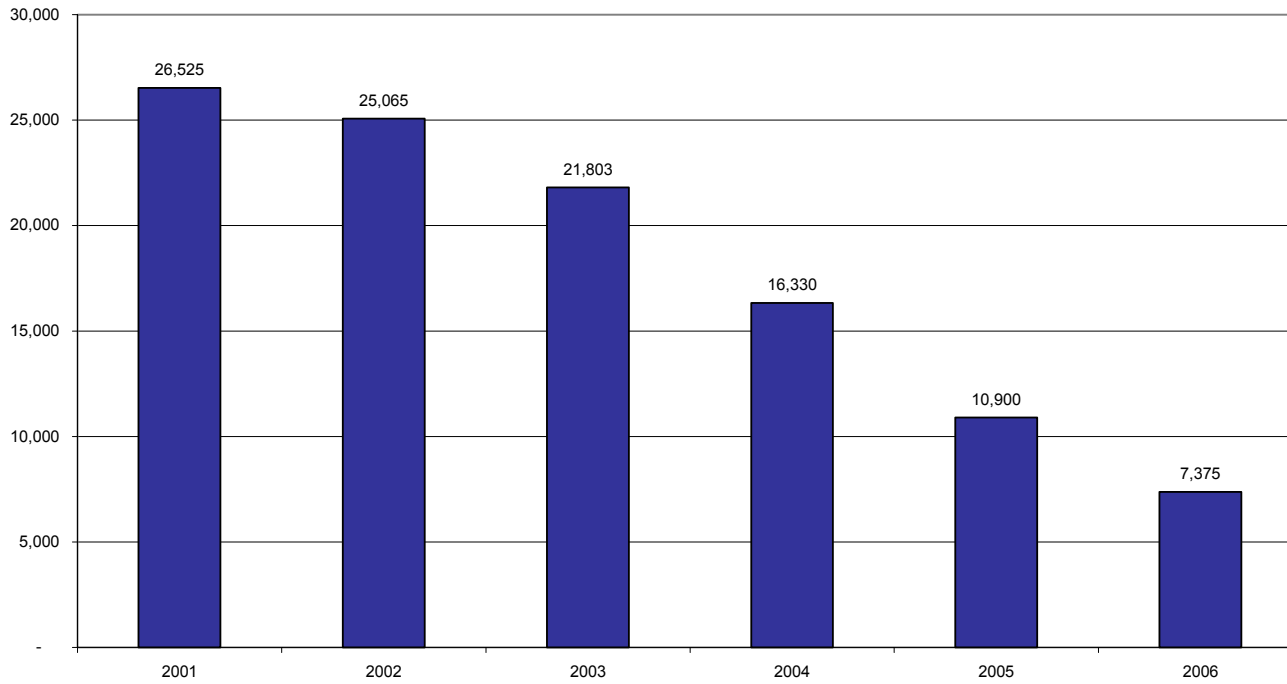
***Customer Assistance Program (CAP)*** – We are aggressively reaching out to the community through various customer assistance programs and volunteer initiatives to help improve the quality of life for residents. Through our CAP program, for example, we provide eligible customers a discount of 4 Ccfs per month on their water and sewer bills. Since it began, participation in the CAP program has continued to increase. As of September 2006, we had 4,172 of our customers receiving a discount on their bills.

Another program that provides assistance to our customers is our S.P.L.A.S.H. program (Serving the Public by Lending a Supporting Hand). The S.P.L.A.S.H. program has grown tremendously, 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. FY 2006 SPLASH contributions totaled \$66,186, far exceeding our goal of \$45,000.

***Improved Arrears Management Program*** – WASA’s accounts receivable over 90 days continues to decline from a high of \$34 million when WASA was established in 1996 to \$7.4 million at the end of FY 2006. Much of this reduction is attributable to the development and implementation of a comprehensive Arrears Management Program that emphasizes improved performance in the daily administration of accounts receivable management. Since effective arrears management is not the sole responsibility of the

Customer Service Collections unit, the overall arrears management plan reinforces the need to integrate different areas of WASA within the collection cycle. In FY 2006, we piloted a notification program that makes automated calls to customers as a friendly reminder for past due bills to ensure that customers have an additional opportunity to prevent collections activities or service interruption.

**RETAIL ACCOUNTS RECEIVABLE OVER 90 DAYS**  
**(In \$000's)**



(1) Data as of September 30 for each year depicted.

The overall plan continues to focus on data integrity, controls, training and cross training initiatives, the receivership program, “dialing for dollars campaign”, service level agreements, the expansion of outbound calling efforts to include automated collections calls to delinquent customers, and participation in the District’s delinquent tax sale. In FY 2007, we will explore other collection strategies such as amnesty programs to enable delinquent customers to pay their bills and redeem the liens on their property, and continued marketing of our budget billing program to help customers normalize billing and monthly payments. We will also explore further

broadening of our electronic payment options through acceptance of “Check Free” payment options, which will enable customers to use their personal checks to make payments on the web or telephone.

***Decline in Administrative Hearings*** – The implementation of our new, state-of-the-art customer information and billing system has allowed us to better manage customer accounts. Our fixed network AMR (Automatic Meter Reading) system provides daily usage information to customers via the web, giving them the ability to manage consumption. We can now identify service related problems quicker, which gives our customers the opportunity to correct them sooner. The implementation of a High Use Notification Application - first of its kind in the water utility business - allows customers to be notified via the telephone or web regarding potential leaks. These system enhancements and improvements have directly contributed to the decline in requests by customers for administrative hearings.

***Customer Survey*** – In FY 2006, WASA commissioned a Gallup, Inc. survey of our residential and commercial customers to evaluate customer satisfaction, as well as attitudes and perceptions about WASA as an organization and the services it provides. Respondents to the survey rated WASA highly in several areas (e.g., overall customer satisfaction, easy and accurate billing, courteous and knowledgeable customer service representatives, the *What’s On Tap* customer newsletter and the WASA website, www.dcwasa.com). Work continues into FY 2007 on action steps to address the concerns expressed over the perception of lead in the drinking water, the permitting process and water distribution system reliability. We value our customers’ opinions and considered the survey results in developing this year’s budget and work plans.

***New FY 2007 & FY 2008 Initiatives*** – Our customer service improvement efforts will continue over the next two years with the following initiatives:

***Asset Management System*** – In FY 2007, we will continue the implementation of our new asset management system (AMS), which will include geographic information system functionality. This system, which will integrate our existing customer information, maintenance management, process computer control system (PCCS) / supervisory control and data acquisition system (SCADA), and other systems, will assist WASA in better managing our water and sewer infrastructure. It will allow us to better track specific asset performance and related repairs, and perform more preventive maintenance. For our customers, it will mean better work order scheduling to improve service call response times, and ultimately fewer service calls as preventive maintenance activities reduce the number of service issues.

#### ***Initiatives in Water & Sewer Services to Customers***

We have also begun significant initiatives to improve service to our customers on water and sewer service issues, including the following in the water system:

- **Fire Hydrant Program** – WASA is responsible for operating and maintaining approximately 9,000 fire hydrants throughout the distribution system. This multi-faceted program focuses on infrastructure improvement, model standardization, preventive maintenance and minor repairs of fire hydrants. Over the next several years, we will implement a multi-year, \$25 million capital project to replace outmoded or defective hydrants. The overall intent of the fire hydrant program is to cost effectively and efficiently improve the condition of the District’s fire hydrants to a “best in class” level for the benefit and protection of the District of Columbia.
- **Valve Exercise Program** – There are approximately 40,000 valves in the water distribution system. Our valve exercise program is designed to exercise all critical valves (approximately 2,700) annually and all non-critical valves (approximately 38,000) once every three years. The Valve Exercise Program (VEP) will also incorporate and accurately account for all valve activity that occurs through Department of Water Services (DWS) daily operational activities. Daily operational activities that will be incorporated in the VEP include flushing, test and construction shutdowns in support of the CIP, emergency shutdowns for main, service and hydrant repair/replacement work, test and construction shutdowns for new connections and valve installations.
- **Distribution Branch Improvements** – In FY 2006, we continued to improve our distribution branch to ensure maximum flexibility in managing crew assignments. The distribution branch is now better structured to handle emergency repair work and to focus on preventive maintenance. We will continue to review our distribution branch to ensure continuing water quality improvements and responsiveness to our customers.

While we implement these programs, we continue performing day-to-day activities that ensure reliable water supply to our customers:

- Repaired 392 water mains and 275 service leaks
- Replaced 187 fire hydrants and repaired 595, returning them to full service
- Flushed 439 miles of water mains

We also have several significant initiatives that will improve our sewer system, including:

- **Sewer System Assessment** – In FY 2003, we initiated our first comprehensive assessment of the sewer system. The purpose of the assessment is to inspect approximately 4 percent of the sewer system and 80 percent of all high priority sewers. The results of this study, projected to be complete in FY 2007, will allow us to identify specific projects and priorities as well as develop a spending plan for improvements to the sewer system. Based on the study to date, we have programmed a major rehabilitation of the outfall sewers (major sewers that convey wastewater from the major pumping stations to Blue Plains). Our budget includes \$30 million for these improvements; we will also identify and correct several other deficiencies to ensure that we will meet the 1,076 million gallons a day compliance requirement.

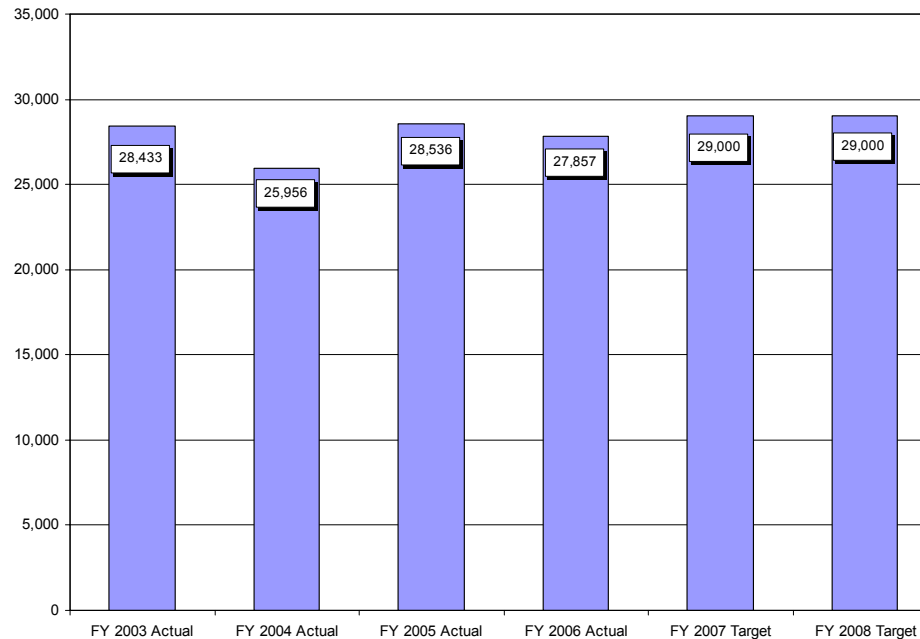


- **Sewer System Improvements** – This year’s CIP budget includes funds for major system improvements. For example, we will replace a 70-year old sanitary sewer - the Upper Anacostia Main Interceptor (UAMI) Relief Sewer. UAMI is a sewer that serves many of our customers in the Northeast quadrant of the District of Columbia. Our budget includes over \$2 million for installation of this sewer, which is necessary for system reliability and to provide service growth capacity through FY 2030. In addition to this project, we will be replacing sewer laterals as needed, performing major cleaning, repairs and other improvements identified in the sewer system assessment; these improvements will affect a variety of neighborhoods.

As this study and related capital projects continue, we remain focused on system operation and maintenance tasks, including the following accomplishments in FY 2006:

- Cleaned 27,857 catch basins, exceeding our target of 25,000
- Cleaned 135 miles of sewer lines
- Repaired or replaced 419 sewer laterals
- Collected 570 tons of floatable debris from the Anacostia and Potomac Rivers

**Actual and Projected Catch Basins Cleaned  
FY 2003 – FY 2008**



## INTERNAL & EXTERNAL COMMUNICATIONS

Our website, [www.dcwasa.com](http://www.dcwasa.com), has become a valuable resource tool for customers especially with the addition of the High Usage Notification Application (HUNA) in FY 2006. HUNA allows WASA to alert customers to unusually high water usage and the possibility of a leak or other problems. The website is scheduled for a redesign in FY 2007. In the interim, WASA has continuously improved the look of the site and added additional content and features. Our monthly newsletter, *What's on Tap*, is an effective, direct-mail communication tool with useful information and features for our customers and other external audiences. We have also provided extensive specialized customer and stakeholder communications for a number of high-profile projects underway, including the CSO LTCP, the lead service line replacement program, and numerous water and sewer system improvements throughout the District. Individual customer mailings were provided for these programs and public meetings were held for the CSO LTCP, lead service line replacement program, the Northeast Boundary Sewer upgrade project and water system infrastructure improvements in Anacostia. We plan to use similar approaches for other major projects in the future. WASA also has gained national and international recognition for its capital projects through articles in industry publications, broadcast documentaries and newscasts. "Water Is Life – Use It Wisely," a WASA-scripted video on conservation, goes into production in early FY 2007. In FY 2006, WASA published its annual *Consumer Confidence Report* on water quality and distributed it to every address in the District. The bi-annual CSO LTCP Update, an information guide on efforts to control overflows in local waterways, has been provided to customers and marine operators.

Communicating with customers, citizens and other stakeholders in the community continues to be a strong and essential focus area for WASA. Community outreach over the year has included numerous presentations and mailings to community groups and customers on retail rates and major capital improvements, such as lead service line replacement, and its impact on neighborhoods and services. A number of District public and charter schools are participating in WASA's new Sewer Science Program – a three-day mini-wastewater treatment laboratory exercise for high school students. WASA continues to host meetings and work with local media on high profile projects like CSO control and water quality improvements. WASA takes advantage of a host of events and opportunities during the year to provide information to customers, assemble model demonstrations and encourage employee volunteerism. During FY 2006, among the events in which WASA participated were conservation, environmental, and health exhibits, senior fairs, GreenDC Week, Earth Day, Walk For The Cure, and the Greater Washington AIDS Walk.

WASA continues to improve the quality and expand the number of customer communications including newsletters, annual reports, exhibits, presentations, and service guides. In FY 2006, WASA received awards for creativity and style, and national recognition for both our annual report of highlighted achievements and our radio public service announcement on keeping catch basins clean.

Internally, we continue to enhance the look and editorial content of *Focus*, the newsletter for and about employees. We strive to keep employees informed and engaged through other forms of communication including meetings, surveys, recognition events and individual mailings to employees' homes on wellness health and safety, security, maintenance, special issues of interest to the public and employee relations.

## **GOVERNMENT RELATIONS**

We are committed to strengthening our critical federal, local and community relationships. Through our work in this area, we are continually looking for ways to create opportunities for solid, strategic alliances with other units of government at the local, state and federal levels and with regulators, elected officials and customers. Through these efforts, we worked with local elected officials, customers, and supporters at the federal level, in Congress and the Administration, to secure over \$91 million to date in federal funding for the CSO LTCP.

Every year since 2002, the Authority has worked to impress upon the Executive Office of the Mayor, the White House Office of Management and Budget, and the House and Senate Appropriations Committees the importance of a continuing federal financial contribution toward local efforts to reduce combined sewer overflows. For FY 2006, these efforts resulted in continued progress. In February, the President's Budget Request to the Congress included \$7 million for this major environmental initiative. In the summer, the House and Senate Appropriations Committees have since taken initial steps to appropriate these funds to the Authority. We continue to work with the Committees on final approval before the end of the calendar year.

We have worked successfully with the U.S. Congress, White House staff and several federal agencies over many months to resolve issues pertaining to Washington Aqueduct projects financing. Later in this letter, I provide additional information concerning this matter.

## **COMMUNITY & PUBLIC SERVICE EFFORTS**

As part of our strong emphasis on serving our customers, we strive to extend a helping hand to our community. Among the community service activities that WASA participates in are:

**Joint Utility Discount Day** – In October 2006, over 100 WASA employees participated in the annual Joint Utility Discount Day (JUDD) at the Washington Convention Center. Approximately 5,000 District residents attended the event to apply for discounts on their water, electricity, gas and telephone bills. WASA's program offers a monthly discount on water bills for the first four Ccfs of consumption, which amounts to approximately \$84 annually, to customers who qualify (based on federal income guidelines). Our staff helped customers attending JUDD complete applications for the discount, and provided information and demonstrations about water use and conservation in the home. This year WASA will serve as lead host for this event.

**Martin Luther King, Jr. Parade** – In April 2006, WASA staff passed out water bottles and Black History fact cards to attendees of the Martin Luther King, Jr. Annual Parade in the Anacostia section of Washington.

**GreenDC Week** - WASA participates in GreenDC week, the District's version of the national Earth Day celebration in April. In 2006, WASA representatives participated in a daylong Water Day activity held at locations throughout the District, focusing on environmental issues and conservation. In addition, WASA participated in Anacostia River cleanup efforts that weekend by providing the skimmer boat and a dumpster.

**Bread for the Soul** – WASA employees participated in the 7<sup>th</sup> Annual Bread for the Soul campaign by donating more than 350 toys and books. WASA employees also assembled and delivered food baskets to 62 families living with HIV/AIDS in the District of Columbia. In addition, WASA employees donated over \$2,500 in cash, including \$500 from the Labor-Management Partnership in our Facilities Department.

**DC Public Schools** – WASA also provided lessons in *Sewer Science* to District high school students in 2006. *Sewer Science* is an interactive mini wastewater treatment plant model used to teach about wastewater, the processes involved in treating it and how it is recycled back into area rivers. WASA plans to continue to provide the *Sewer Science* laboratory each month during the FY 2007 school year to interested schools throughout the District. The lab is free of charge and all materials, including workbooks, are included.

**One Fund** – WASA raised over \$30,000 for One Fund, the District's only charitable fundraiser that supports a range of non-profit organizations in the Washington, DC area.

**Susan G. Komen Breast Cancer Walk** – In June 2006, approximately 40 WASA employees partnered with the Susan G. Komen Foundation by participating in an annual 5K walk to support the fight against breast cancer. In the weeks leading up to the walk WASA raised over \$1,000 in donations.

**AIDS Walk Washington** – In October 2005, WASA participated in the 2005 AIDS Walk Washington. The Whitman-Walker Clinic produces and benefits from this annual 5k walkathon. Forty-six WASA employees contributed more than \$1,800, and 25 WASA employees and family members participated in the walk.

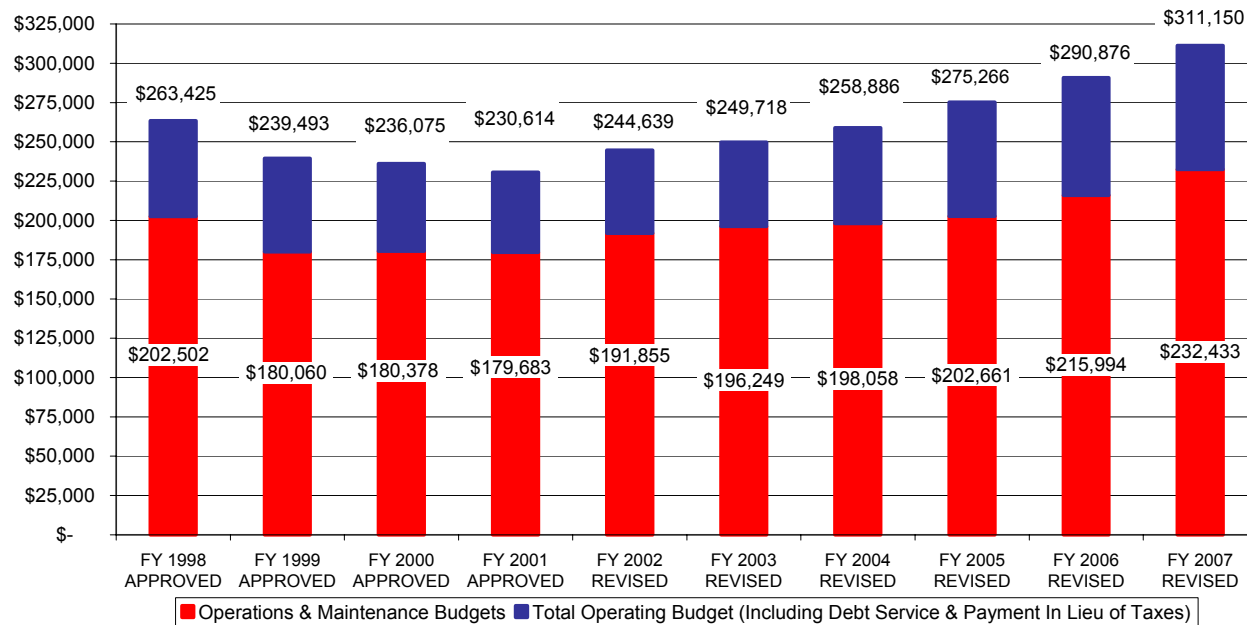
**Girls and Boys Town of Washington** – This year, WASA staff and the summer interns, painted the boy's floor of the Girls and Boys Town emergency foster care shelter and also provided landscaping materials and greenery to beautify the campus.

## STRATEGIC GOAL AREA – FINANCIAL STABILITY

### Operating Budget

As shown in the following chart, our revised FY 2007 proposed operating budget totals \$311.2 million, a \$0.5 million decrease from the Board-approved FY 2007 budget.

**OPERATING BUDGET HISTORY**  
**FY 1998 – FY 2007**  
**(In 000's)**



The decrease in the revised FY 2007 budget is due primarily to lower debt service costs resulting from lower capital spending in FY 2006. While the FY 2007 operations and maintenance budget (excluding debt service and the PILOT / ROW fee) remain within the original amounts approved by the Board, the budget includes significant increases for electricity and chemical costs, due primarily to

rising fuel prices and other economic factors. (See “Energy Management” later in this document.) This increase has been offset by savings in other areas, including lower personnel service costs resulting from more realistic vacancy rates.

**FY 2007 & FY 2008 Operating Budgets  
(In 000’s)**

	FY 2007 Approved	FY 2007 Revised	Increase / (Decrease)	Percentage Change	FY 2008 Proposed	Increase / (Decrease)	Percentage Change
Operations & Maintenance Expenditures	\$ 220,802	\$ 232,433	\$ 11,631	5.3%	\$ 240,679	\$ 8,246	3.5%
Payment in Lieu of Taxes / Right of Way Fee	17,751	17,514	(237)	-1.3%	18,569	1,055	6.0%
Debt Service	73,090	61,203	(11,887)	-16.3%	81,938	20,735	33.9%
<b>Total Operating Budget</b>	<b>\$ 311,642</b>	<b>\$ 311,150</b>	<b>\$ (493)</b>	<b>-0.2%</b>	<b>\$ 341,186</b>	<b>\$ 30,036</b>	<b>9.7%</b>

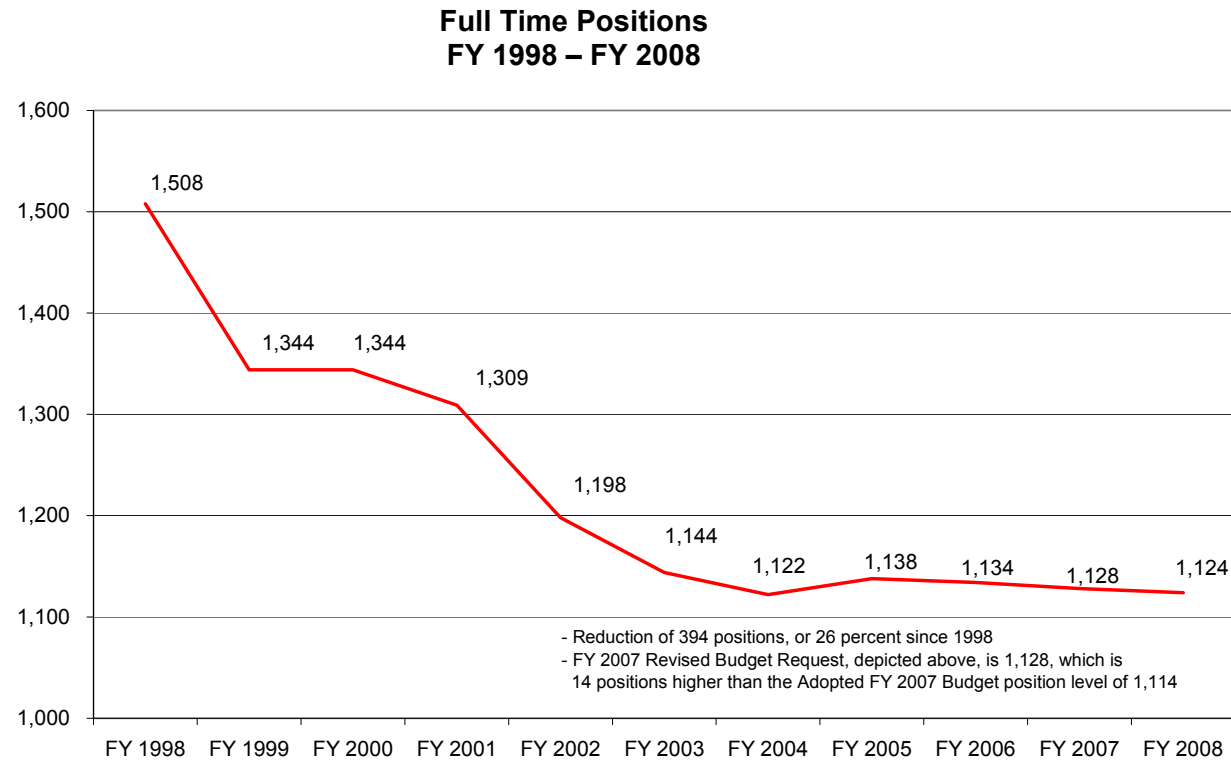
The proposed FY 2008 budget totals \$341.2 million, a \$30 million increase over the revised FY 2007 budget. As shown in the chart above, a significant portion of this increase is additional debt service as the capital program progresses. Our operations and maintenance budget (i.e., total operating budget less debt service, the Payment in Lieu of Taxes, and the District’s Right-of-Way fee) totals \$240.7 million, an \$8.2 million, or 3.5 percent increase over the revised FY 2007 budget. This increase is due primarily to projected compensation increases for WASA’s employees, coupled with increases for electricity and chemical cost projections.

**Staffing**

The commitments we have made through our various Internal Improvement Plans (IIP) across WASA designed to make WASA more competitive and efficient in all areas, coupled with automation and technology improvements, have resulted in a steady reduction in the organization’s overall staffing levels. As shown in the chart below, in FY 1998, our approved position level totaled 1,508 positions. Our FY 2007 revised position level will total 1,128; representing a 25 percent reduction since WASA was created. It is worth noting that we have adjusted our position requirement for FY 2007 upward by 14 positions from last year’s budget. Based on our current assessment of staffing needs we are adding thirteen positions to our wastewater treatment operations. As part of our replacement planning and succession planning initiatives, WASA will implement a Wastewater Treatment Operator Trainee Program to fill critical operator vacancies in the Department of Wastewater Treatment. Participants in the program will be required to have an interest in the field of wastewater treatment, and must also have an aptitude for chemistry, biology, and mathematics. The two-year program will comprise both classroom and on-the-job training and will prepare the trainees to treat and process wastewater in accordance with federal regulations and WASA guidelines. Participants who successfully complete the program will potentially be hired as full-time regular employees.

Also in FY 2007, we have added one position which will focus on coordinating WASA's emergency preparedness and response activities.

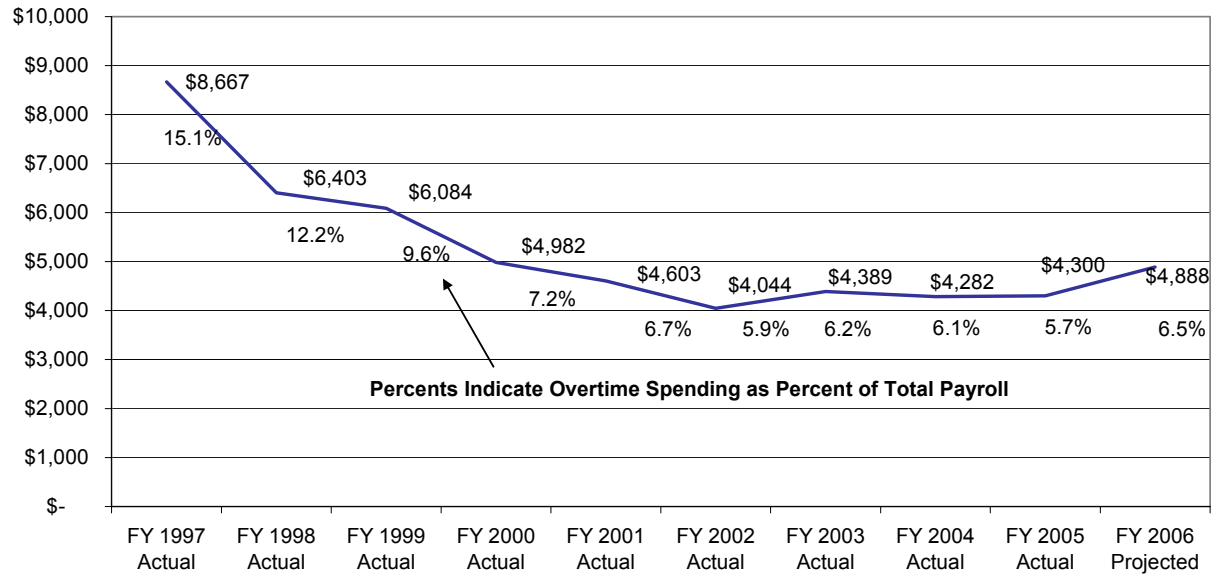
During FY 2008, we plan to reduce four positions from our wastewater treatment operations as we complete additional Plant automation processes.



**Overtime**

WASA has significantly reduced its usage of overtime primarily through better management. In WASA's first year of operation (FY 1997), overtime spending totaled \$8.7 million; in FY 2006, overtime spending is projected to total \$4.9 million, a reduction of 44 percent. Similarly, overtime as a percent of total payroll has been reduced from 15 percent in FY 1997 to a projected 6.7 percent in FY 2006. WASA projects budgeting at this level in the future to allow managerial flexibility for addressing emergency issues and peak staffing requirements in the most cost-effective manner.

**Overtime Spending  
FY 1997 – FY 2006  
(In 000's)**

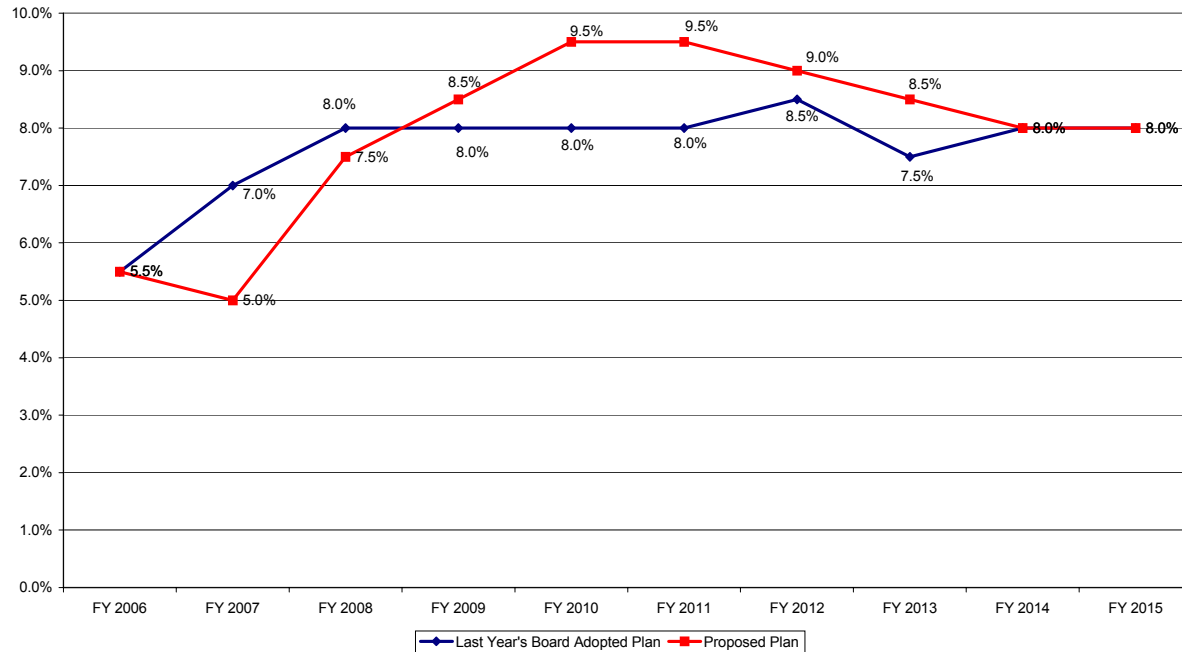




**Retail Rates and Fees**

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. As shown in the chart below, our budget proposal includes a 7.5 percent rate increase in FY 2008, or a 0.5 percent decrease from last year's plan with rate increases ranging from 8.5 percent to 9.5 percent and back to an 8 percent level in the out years of the ten-year plan. WASA's proposed rate increases are primarily required to fund increasing debt service costs. These debt service costs finance WASA's \$2.2 billion capital program which includes the extension of the lead service replacement program through 2014 and other capital projects, including the deferred digesters, the Washington Aqueduct residuals project, sewer system improvements and water quality projects. The proposed rate increase will result in the addition of approximately \$3.42, or 7 percent to the average residential customer's water and sewer bill.

**PROPOSED RATE INCREASES**  
**Comparison of Last Year's Board-Adopted Plan vs. Proposed Plan**  
**FY 2006 – FY 2015**



In addition to the proposed retail rate increase, we are proposing an approximate 6.8 percent increase, or \$0.03 Ccfs, in the PILOT/ROW fees to ensure that we fully recover the costs of this District of Columbia fee.

### ***Cost of Service Study***

During FY 2006, WASA conducted a cost of service study for our retail customers. The purpose of the study was to determine if projected revenues through proposed rates were sufficient to cover the actual cost of providing water and wastewater services to this customer group. The study also included a review of WASA's existing rate structure and analysis of alternate rate structures. An independent consulting group performed the study and concluded that WASA's proposed rates adequately reflect its cost of providing services. The study also concluded that WASA's existing rate structure, with the exception of recovering costs related to implementing the CSO LTCP and stormwater was in line with similar water utilities, and adequately meets the WASA Board's criteria for rate setting. The consultants recommended a change in WASA's metering fee to include the full cost of service and not just the cost of meter installations.

### ***Alternate Rate Structure***

Also in FY 2006, at the direction of the Board's Retail Rates Committee, we evaluated several retail rate structures and changes, including the following:

- **Land or Impervious Surface-Based Structures for CSO LTCP/Stormwater** – The Board conducted a review of the land or impervious surface-based structure for CSO LTCP and stormwater cost recovery. An impervious area rate offers the following advantages:
  - Provides a better allocation of cost responsibility than a water/sewer consumption rate relating to managing surface runoff.
  - Applying an impervious area rate structure for both programs in the same way on a citywide basis will improve understanding and sharpen incentives for low impact development.
  - Many cities have used impervious area rates for recovery of stormwater costs.

Based on their review, the Retail Rates Committee directed management to proceed with implementation of an impervious area surface rate for both CSO LTCP and stormwater cost recovery. The Board plans to implement the impervious area surface rate by October 2008.

- **Groundwater** – The Board and management will continue their review and consideration of a rate for recovery of groundwater costs in FY 2007.

For each cost recovery option, the Retail Rates Committee considered timelines and schedules for data analysis, public outreach, and implementation activities such as fieldwork and customer information system enhancements.

Our rates remain very competitive with other regional and national providers of similar services. WASA's current monthly residential bill (including the District's stormwater rate and the PILOT / ROW fee) is \$3.66, or approximately 7 percent, less than the average of other utilities in WASA's benchmark group. Without the stormwater and the PILOT/ROW fee, WASA's average monthly residential bill is \$6.85, or 15 percent less. Additionally, a recent survey by Global Water Intel, an independent entity, indicates that water rates in the District of Columbia were about in the middle of 150 cities surveyed world-wide.

### **Revenues**

We continue to build on the progress we have made over the last few years in revenue forecasting and monitoring. Investments in the customer information and billing system and the AMR program continue to yield great improvements, ensuring more accurate meter reads and consumption data and enhanced reporting and tracking functionality to better identify and address potential customer and business issues. In addition, the reorganization of our customer service department has also improved our collections and billing performance, specifically through the establishment of a "large accounts" group and enhanced collections efforts, including our "dialing for dollars" program for delinquent accounts, improved lien processing, and successful coordination efforts with other District agencies.

Our revised FY 2007 revenue budget totals \$305.0 million and is projected to grow to \$336.4 million in FY 2008. These projections reflect the Board-approved 5 percent water and sewer rate increase and increase in the PILOT/ROW fee in FY 2007, and a proposed 7.5 percent rate increase in FY 2008. In addition, these projections include a 5 percent increase in recorded consumption for the remaining large federal and commercial meters that will be installed as the meter replacement / AMR program is completed.

Consistent with the Board's policy of ensuring that all customers pay for the service they receive, and that our rates and fees keep up with the actual cost of providing service, we are addressing a number of revenue-related issues:

- **Howard University & Soldiers' Home** – The District of Columbia entered into agreements with Howard University around 1900, and the Soldiers' Home in 1929 to provide free water service to these institutions in exchange for use of their properties. Prior to WASA's formation in 1996, the District government also provided sewer service to both Howard University and the Soldiers' Home, although sewer service was not a part of either agreement. WASA's Board of Directors reviewed the agreements in 1996, and determined that sewer exemptions should be eliminated. As planned, bills for sewer, metering, and right-of-way fees were sent to both Howard University and the Soldiers' Home. In 2004, Howard University responded that they do not intend to pay their bill. Over the last two years, we have attempted to start discussions with Howard University but have received very limited response to our inquiries. We will more actively pursue resolution of this issue in FY 2007.

- **Potomac Interceptor** – WASA has separate agreements with each of the Potomac Interceptor users (the Town of Vienna, Metropolitan Washington Airports Authority (MWAA), National Park Service, and the Department of the Navy) which were initially executed by WASA’s predecessor agency in 1963 – 1964. These agreements provide for a consumption-based rate to recover the actual cost of providing service and periodic rate adjustments to recover underbillings, if any, and to set new rates based on current costs. In FY 2004, we completed a review of these rates, the first to be done since 1979, resulting in an overall rate increase of 90 percent going forward, and an estimated \$1.8 million in historical underbillings. In FY 2007, as allowed by the agreement, we plan to conduct another cost of service study, with adjusted rates to be effective October 1, 2008. We have reached agreement with all four entities on implementation of the new rates effective October 1, 2004. Two entities, MWAA and the Town of Vienna, recently notified us that they disagree with WASA’s request for back billing. We have contacted each entity and will begin discussions on their positions shortly. (It should be noted that the National Park Service has made payment in full on the back billing MWAA has made a \$250,000 initial payment on the back billing, although they indicate their belief that they should not be required to make additional payments.)

### **Cash Reserves**

WASA Board policy calls for cash reserves equivalent to approximately six months’ operating costs, or \$111.3 million in FY 2007. The ten-year plan reflects continued maintenance of this reserve level. As our operations and maintenance budgets grow, our required operating and maintenance reserve levels will grow as well, increasing at approximately 2.8 percent on average after FY 2007.

### **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 customers. At the end of FY 2006, the Rate Stabilization Fund amounted to \$58.5 million, including a contribution of \$27 million in FY 2006. This large contribution was due in part to settlement with one of WASA’s large wholesale customers, the Washington Suburban Sanitary Commission (WSSC), for repayment of a longstanding construction claim and agreement on several smaller cost allocation issues.

The Rate Stabilization Fund is in addition to the Board-required six-month operating 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. We currently project that the fund would be fully utilized in FY 2007 through FY 2012 under the proposed ten-year financial plan.

Based on the Board’s request, management will provide the Board with a policy proposal for adding to and using both the rate stabilization fund and the operating reserve during the budget review process.

### **Bond Ratings**

WASA's bond ratings remain at the "AA" level, the second highest rating category available to state and local issuers. This rating helps to reduce the interest rates we pay on our debt borrowings, resulting in lower customer bills.

<b>Rating Agency</b>	<b>Senior Rating</b>
Moody's Investors Service	Aa3 Stable Outlook
Standard & Poor's	AA- Stable Outlook
Fitch Ratings	AA - Stable 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:

- *Utilize available pay-as-you-go financing to pay down higher cost debt or reduce future debt issuances.*
- *Establish an interim financing program to finance construction* – In early FY 2002, we developed a \$100 million commercial paper program for this purpose which has been extremely successful. We expect to fully utilize the remaining Series 2004 proceeds during FY 2007 after which we will begin to utilize our commercial paper program.
- *Issue permanent financing in the third quarter of FY 2007* – We successfully issued \$295 million of subordinate lien revenue bonds in August 2004. These bonds were issued as auction rate securities which carry short-term variable rates. Through the end of September, the simple average interest rate was 2.65 percent, significantly less than fixed rate debt. Based on current capital spending projections, we believe that our commercial paper financing will last through spring 2007, after which we will issue our next permanent financing; we anticipate issuing senior lien, fixed rate revenue bonds. In order to yield the best possible interest rate savings, we evaluate our debt portfolio on a regular basis.

### ***Other Financial Accomplishments and Issues***

**Washington Aqueduct Residuals Project Financing** –The Assistant Secretary of the Army wrote to the Speaker of the US House of Representatives and the President of the US Senate in April 2006 to submit a legislative proposal regarding the financing of a capital project at the U.S. Army Corps of Engineers Washington Aqueduct. Specifically, the EPA has mandated that the Aqueduct eliminate the discharge of sediment and coagulant that is now discharged into the Potomac River as part of the drinking water treatment process. Our ratepayers finance 76 percent of the Aqueduct operating and capital costs, and current federal policy requires that the Aqueduct's customers deposit funds into the US Treasury to cover the full costs of making capital improvements before any obligation is incurred. The proposal would allow the Authority to deposit the full cost of its share of the project into interest bearing accounts in the US Treasury, with the funds to be withdrawn by the Aqueduct as needed, while allowing the Authority to earn interest on the unused balance. With the initial intervention of Congresswoman Eleanor Holmes Norton, the Bush Administration pledged to work with us for the past two years to address this challenge. Ultimately, the Authority successfully negotiated this precedent setting proposal with several federal agencies over many months, and we will work closely with Congresswoman Norton to win Congressional approval in 2007.

**Insurance Review** – In FY 2006, we successfully renewed all of our insurance policies at essentially the same coverage and terms at a net increase of 2 percent from the previous year, lower than anticipated market increase of 9 percent. We were able to accomplish this by increasing our deductible limit on our property insurance from \$250 thousand to \$1 million.

**Rolling Owner-Controlled Insurance Program (ROCIP)** – In FY 2004 and FY 2005, we implemented another “industry-best practice” with our ROCIP program, under which WASA procures most 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 WASA; and significant cost savings. We enrolled 26 construction contracts totaling \$137.8 million and 92 contractors in the ROCIP program through FY 2006; this includes most of the lead service line replacement contracts. Preliminary savings estimates for FY 2006 exceed \$600,000. Over the life of the five-year program, we anticipate enrolling 120 projects, with estimated savings in the \$4 to \$5 million range. A major reason for ROCIP cost savings is the implementation of a uniformly strong safety program for all contractors. Contractor safety has been a goal, and an effort that has been in progress with our existing safety program. These efforts are now being accelerated as part of ROCIP.

**Grants** – WASA continues its strong management of our grants program. In FY 2006, we received our fifth straight unqualified A-133 (grants) independent audit opinion. We also received \$12.5 million in EPA grant funding for certain eligible projects under the Clean Water and Safe Drinking Water Acts and \$7.0 million in additional Congressional appropriation for the CSO LTCP. In general, the District of Columbia projects carried out by WASA are supported by approximately one percent of the available annual federal funding through revolving fund programs associated with the Clean Water and Safe Drinking Water Acts. Approximately, \$167

million in a Revolving Fund grant program, or 8.0 percent of the capital revenue source is included in the proposed ten-year plan. In addition, WASA has received \$91 million in Congressional appropriations for the CSO LTCP.

It is worth noting that annual funding for the Clean Water State Revolving fund (CWSRF) is expected to continue to decline over the next several years. In fact, the President's FY 2007 budget request for the fund is about \$600 million less than the historic \$2 billion average. This projected decline has been included in our proposed ten-year plan.

**Federal Customer Issues and Status** – Collectively, federal government agencies are a significant part of the Authority's customer base, comprising 9.8 percent of the annual revenues in FY 2006. At the Authority's inception, many federal agencies were in arrears, and were relatively unresponsive to our efforts to collect on these accounts. Legislation enacted in 2001, however, required that the US Treasury pay these bills directly on behalf of federal customers, and that it take appropriate steps to ensure that bills and payments are regularly reconciled. The condition of these accounts and the relationship with federal customers has, as a result, markedly improved.

**External Audit** – FY 2005 marked our ninth consecutive unqualified audit opinion on our audited financial statements, and the ninth consecutive year that the Comprehensive Annual Financial Report received the Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association. We plan to submit our application for consideration for a similar award for FY 2006.

## **STRATEGIC GOAL AREA – ENVIRONMENTAL QUALITY**

The FY 2007 and FY 2008 operating budgets and ten-year capital program reflect our continued commitment to meeting this goal, with significant initiatives in water quality, combined sewer overflow reduction, and other wastewater-related projects. These initiatives are described in more detail below.

### **REGULATORY COMPLIANCE & PUBLIC HEALTH**

Compliance in the water system is made especially challenging due to the dynamic nature of our water system, the Aqueduct's treatment regimen, and the necessity of ensuring that we simultaneously comply with many drinking water standards that can create unknown technical challenges. We have found that where the Aqueduct or WASA proactively take action to comply with one regulation, it often results in unanticipated results in other regulatory areas. An example is the Aqueduct's conversion from free chlorine to chloramines to comply with the EPA Disinfection By-Product Rule. Subsequently, this change resulted in the violation of the Lead and Copper Rule. Because of this experience, a primary area of concentration over the last year (and in coming years) has been on "simultaneous compliance", where we analyze the impacts that certain water chemistry or operations changes made for regulatory reasons have on other aspects of the system. These efforts include the development of a special working group made up of experts in water quality and regulatory compliance and continued participation in the EPA-led working group that focuses on lead.

We will continue to urge the federal government and other national industry groups to undertake more research on water quality and “simultaneous compliance” issues.

Joint efforts with the Aqueduct have resulted in dramatic reductions in the lead concentrations in the District's drinking water. The District drinking water has tested well below the "lead action" level for over a year. The reporting and other mandates required under the Administrative Order negotiated between the Authority and the EPA is no longer in effect, but in our quest to exceed the requirements of the Safe Drinking Water Act and EPA regulations, we continue our expanded water quality monitoring program. Finally, as previously discussed, as part of the Board's Governance Study recommendations (completed in FY 2006) we are looking at ways to better integrate water production and distribution in the District of Columbia, to potentially help address some of these challenges.

## **WATER SYSTEM INITIATIVES**

Although there has been a recent focus on lead, WASA has long been and will continue to focus on water quality. As evidence of that commitment, we have budgeted over \$663 million (cash disbursements basis) for water distribution system improvements (including lead) in the ten year plan, a substantial portion of which are for water quality-related initiatives. Following are some of the major investments we are making in the water system.

### ***Improvements East of the Anacostia River***

We are investing over \$70 million in water system improvements east of the Anacostia River to improve water pressures, replace old cast iron water mains with new ductile iron pipe, replace an old water pumping station originally constructed in 1913, construct a new elevated water storage facility and replace lead water services with new copper pipe. The end result will be improved water reliability and quality. Some of this work has already been completed including:

- Rehabilitation of the two existing Anacostia elevated water tanks;
- Replacement of a 12-inch main along Livingston Road;
- Improvements to the two Ft. Stanton underground reservoirs; and
- Replacement of a twenty-inch water main along Martin Luther King Boulevard.

Two major elements to improve the water pressure and reliability are the replacement of Anacostia Pumping Station and construction of an elevated water storage facility. The existing 1913 vintage Anacostia Pumping Station will be replaced with a new fully automated pumping station at the same site. Detailed design documents for the pumping station replacement were prepared and the construction contract was bid in late FY 2006 with construction scheduled to be completed in FY 2008. The new elevated water storage facility at St. Elizabeth's Hospital Campus will improve water line pressure and reliability in the southern portion of the service



area. We are continuing to work with District authorities to obtain zoning approvals, and construction is scheduled to be completed in FY 2010.

In addition, a major transmission main project with nearly 15,000 feet of 20, 24 and 30-inch main replacements / installations is scheduled to start construction in early FY 2007. These major mains provide additional transmission capacity and redundancy. In addition, we will replace mains that cannot withstand the increased pressure created by the other improvements. Also, a project that includes over 30,000 feet of small diameter main replacements is scheduled to start construction in early FY 2007. These new mains replace local distribution mains that cannot withstand the increased pressure created by the new pressure zone. Another project includes small diameter main replacements in the Anacostia Gateway corridor that will be performed under the same contract as the CSO sewer separation in that area. While we are making these improvements in Anacostia, we will also complete lead service line replacements so that neighborhood disruption will only occur once.

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.

### ***Holistic Approach***

Starting in FY 2005, Lead Service Replacement (LSR) contracts included the replacement of broken or defective hydrants, valves and sewer laterals. This approach results in the replacement of critical components of the water and sewer system. In 2005, planning commenced for small diameter main replacements for construction to begin in FY 2007. Starting in FY 2007, we will coordinate replacement of these small diameter water mains with the LSR work, utilizing a more holistic approach to water infrastructure work.

### ***Lead Program***

This year's ten-year CIP includes \$360.8 million (cash disbursements basis) to continue the lead service replacement program. WASA has committed to replace all of the known lead service line pipes that are in public space. On February 1, 2006, the Board approved Resolution 06-27, which reaffirms its original goal of replacing approximately 23,000 lead water service lines by FY 2010 and committed to replacing any additional lead water service lines above its original goal of 23,000 as soon as practical and by no later than FY 2016. The following is additional information related to the lead program:

- In FY 2006, WASA achieved its annual goal and replaced over 4,000 lead services in public space. Through FY 2006, WASA has replaced approximately 10,500 lead service lines in public space, as a result of expediting its efforts in implementing the policy adopted by the Board in FY 2004.

- WASA has improved service while minimizing costs to ratepayers and disruption to neighborhoods by developing and implementing comprehensive programs. These programs combine replacement of lead service lines in public space with other needed repairs and replacement of the water supply infrastructure, such as addressing deteriorated mains, valves, and fire hydrants.
- As a result of the test pitting program, strong statistical inference indicates that the final number of lead service lines identified in the District may be between 33,000 and 35,000 once all the unknown services are identified.
- To ensure a well-coordinated project, WASA hired a dedicated manager and staff for the lead service replacement work.

The portion of the water service pipe on private property is the responsibility of the property owner, and we continue to encourage our customers to replace their lead pipes while WASA continues to replace all lead pipes in public space throughout the District. It is disappointing that to date only about 3,700 customers have signed up to replace their portion of the service line. However, WASA will continue its partnerships with Wachovia Bank and the District's Department of Housing and Community Development in their programs to assist low-income property owners in financing the lead service line replacement work. We will also continue to aggressively encourage property owners to replace the private portion of the service lines.

Last year we began staffing-up our Water Quality unit and added technical resources. In FY 2007 and 2008 we will continue to work closely with the Washington Aqueduct to monitor any planned changes to the water supply. We will also continue our ongoing relationship with the District's Department of Health and with expert public health advisors from the George Washington University School of Public Health.

### ***Water Quality Efforts***

WASA's continuing and strong focus on water quality is demonstrated in the following updates on three major programs related to improving water quality:

- *Elimination of Dead Ends* – In FY 2005, we accelerated our efforts to eliminate dead ends, and expect to complete this work by FY 2007 (total cost of \$16 million since we began this work in FY 1998).
- *Cleaning & Lining & Replacement of Water Mains* – As many of the unlined cast iron mains may be reaching the end of their useful lives, it will be determined if replacement is more economical than cleaning and lining.
- *Valve Replacement* – Broken valves can create unknown dead ends as well as delay critical capital and repair projects that improve water quality. Since 2001, almost \$33 million has been programmed for large valve replacement. During the same period, approximately \$4 million has been allocated for small valve replacements.

*Washington Aqueduct:* Currently, solids that settle out from the water treatment process at the Dalecarlia Treatment Plant and Georgetown Reservoir are periodically discharged to the Potomac River during high river flow conditions. Under the Aqueduct's NPDES permit and a related Federal Facilities Compliance Agreement, the Aqueduct is required to remove 85 percent of incoming sediments and not return them to the Potomac River. The Aqueduct has developed a proposed plan to build new dewatering facilities on site at its Dalecarlia treatment plant, and truck the dewatered sediments to land application sites. This project is currently under design. Construction is scheduled to start in FY 2008, with completion in FY 2009.

The projected cost of these facilities is significant, with current estimates ranging from \$90 million to \$117 million (all wholesale customers' cost). Due to increasing steel and concrete prices, we have included in our CIP WASA's share of \$95 million, a \$13 million increase over the prior year budget. WASA and its partners in Northern Virginia have been actively involved in reviewing this budget and will participate in the review of design and construction bid documents and contractor selection.

#### ***“Sold vs. Pumped” Ratio & Water Audit Results***

In FY 2006, our sold vs. pumped ratio increased to 75.81 percent, from a previous five year range of 66 to 69 percent. Unlike many other utilities, we do not modify the ratio to reflect normal uses of water for activities such as firefighting, street cleaning, and system maintenance (including flushing, cleaning and lining). We have now installed over 119,000 AMR meters and we billed approximately 80 percent of revenues through the new meters. A portion of the increase recognized in the sold pumped ratio is attributable to new meters and we are projecting a five percent increase in billed consumption for the remaining large commercial and federal meters scheduled for installation over the next year. During FY 2007, we will continue to calculate the amount of water used for these purposes; taking into account the results of the various water programs we have underway, including the flushing program, as well as water audit recommendations. As part of the second phase of our customer service reorganization and IIP, we also plan to add an inspections function; staffed with two employees, whose principal job will be to continually canvass the District, to ensure metering and billing for all new construction and redevelopment activities and investigate aberrations in consumption by large customers. We are also continuing to strengthen our theft of service program, with a particular focus on illegal hydrant usage as well as unauthorized connections. This program has a financial impact and is a significant issue for safety and security as illegal usage can affect both water quality and fireflows.

#### ***Watts Branch Park Renovations***

The US Fish and Wildlife Service and the DC Department of Health will be restoring Watts Branch from Kenilworth Avenue eastward to the District - Prince George's County line. The restoration will involve rechanneling major streams as well as tree plantings and other improvements within the newly dedicated Marvin Gaye Park. This project is for the design and construction of necessary sanitary sewer infrastructure improvements. Design is scheduled to begin in early FY 2007, with construction to start in late FY 2007. We expect to complete WASA's portion of this work in FY 2009. We will rehabilitate or relocate approximately 2,800 feet of

sanitary sewers from streambeds at an estimated cost of \$5.6 million. Our budget includes \$2.9 million for WASA's share of the upgrades and the District government will fund the remaining \$2.7 million required.

WASA has identified approximately five miles of sewer within the limits of the project and we recognize that significant work on WASA facilities will be needed prior to the stream enhancements, an estimated \$5.6 million of sewer upgrades. Although some of the work was previously envisioned by WASA, this budget includes funds to further expedite work to avoid additional disruption to our customers in the renewed area. Approximately \$1.2 million is needed for the stream rechannelization that requires the extension or relocation of storm water outfalls. WASA has been working with the other team members to secure non-ratepayer funds for a portion of the expedited work and for the extension or relocation of outfalls. WASA has had extensive discussions with the District government and their representatives are actively seeking outside sources of funding.

### ***Wise Water Use***

"Wise Water Use" continues to be an area of renewed focus for us in FY 2007 with our goal to provide a customer-oriented program, focusing on daily activities customers can undertake to conserve water. Over the last year, we continued to provide water audits for both large and small customers, and have participated in various community events where we have given presentations on conservation and distributed conservation materials. Our largest outreach effort was the Joint Utility Discount Day at the Washington Convention Center. WASA staff presented daylong demonstrations of household conservation practices, and distributed conservation materials and water saving devices to approximately 7,000 District of Columbia residents who attended this event. In addition, we began sponsorship and participation in a regional water conservation campaign, *Water – Use It Wisely*.

### **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 WASA. The decree was entered by the Court on March 23, 2005, and calls for 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 debris on our national capital's waterways. In addition, our clean-up efforts on the Anacostia River are a cornerstone of the District's plan to redevelop both sides of the river, including the new baseball stadium, retail development, housing and other projects.

The \$2.2 billion plan includes a variety of improvements throughout the District:

- Three large storage tunnels which will allow the storage of flows from storm events until they can be conveyed to Blue Plains for treatment
- Pumping station improvements
- Rehabilitation of the inflatable dams
- Targeted separation of combined sewers in several sections of the District that include areas in Anacostia
- Consolidation and elimination of 14 of 59 outfalls, including 4 outfalls on the Anacostia River
- Funds for low impact development (LID) at WASA facilities and to encourage LID across the District

We made great progress on our plan over the last two years. We are well underway with approximately \$140 million of projects that were included in the settlement of a lawsuit against WASA regarding implementation of the federal CSO Nine Minimum Controls program. These projects, which were budgeted and planned by WASA prior to the lawsuit, are projected to reduce combined sewer overflows by 40 percent. Of these projects, rehabilitation in 2004 of twelve inflatable dams and other system improvements as well as the just completed Eastside Pump Station are expected to result in an approximately 30 percent reduction in overflows. We have experienced an over 40 percent reduction in floatable debris discharged into the Anacostia and Potomac Rivers.

Additionally, we are in design or construction on the rehabilitation of our larger pumping stations to increase their capacity, with work scheduled to be complete in FY 2008. We are also underway with engineering design and construction work to separate additional combined sewer areas in Anacostia and Rock Creek Park, and we are completing studies to add LID at several WASA facilities.

At this time, we are at about the mid-point in the development of a Facility Plan for the Anacostia River CSO LTCP projects. Geotechnical investigations and soil borings are underway, and the results will be used for the selection of the alignment and design of the tunnels. Hydraulic studies are also being conducted and are coordinated with other projects such as the South Capitol and 11<sup>th</sup> Street bridges and future development of Poplar Point pumping station. Our Facility Plan includes a strategy for public outreach to the appropriate parties on right-of-way and permitting requirements, waterfront development efforts, and neighborhood issues. An initial draft of the Facility Plan is scheduled to be submitted in December 2007 and the final Facility Plan is due for submission to EPA in September 2008.

The potential impact of the CSO LTCP on rates is great. If no additional federal assistance is provided, the typical residential customer's monthly wastewater bill will increase from \$26 to almost \$110 at the end of the twenty year plan, an increase of over 300 percent based on our current rate structure. Due to the efforts of a wide variety of WASA stakeholders, we have received over \$91 million in special CSO LTCP appropriations, and we will continue to urge the federal government to provide additional financing for this vital project in the District.

After evaluating several rate structures, WASA plans to implement an impervious rate structure effective FY 2009 for CSO LTCP cost recovery, and customer information system changes.

**Stormwater System and Management** – This year's lifetime budget for stormwater totals \$44.3 million, a \$1.3 million increase from last year. We have been engaged in extensive discussions with the District over the last two years regarding how responsibilities for a variety of stormwater-related functions are divided among District agencies. Our most significant role in stormwater management is serving as Administrator of the District's Stormwater Compliance Enterprise Fund. Although WASA is not responsible, it does work to help coordinate work among the District's Departments of Environment (formerly, part of the Department of Health), Transportation and Public Works to ensure compliance with the District's stormwater permit. The Administration and the Enterprise Fund were created by the District Council after the issuance of the first municipal separate storm sewer system (MS4) National Pollutant Elimination Discharge System (NPDES) permit by EPA Region III in 2000.

The agencies are moving ahead with implementation of the second MS4 NPDES permit, issued by the EPA in August 2004, but the permit is being challenged by environmental groups. In 2005, implementation plans for the Anacostia and Rock Creek watersheds were completed. These implementation plans include a variety of new tasks that are intended to directly reduce pollution, including additional stormwater facilities, deployment of a new generation of street sweepers, construction of a salt-truck washing facility and a pilot project for intensive catch basin cleaning. The addition of these new tasks has a direct impact on the stormwater enterprise fund budget, which increases from \$3.7 million in FY 2005 to \$6.7 million in FY 2006 and \$7 million in FY 2007.

The increased implementation costs will require a corresponding increase in the District's stormwater rate, which is set by Council but appears on WASA's water and sewer bill as a separate line item. This rate will need to approximately double by FY 2007 to cover total costs; because District agencies have underspent their budgets in prior years, the fund has sufficient balances to fund increased permit compliance costs in to FY 2007. Over the next year, we will work closely with the Council and participating District agencies in their efforts to increase this fee, building upon our work over the past three years. In July 2003, as required by the District's stormwater legislation, we completed an initial evaluation of potential impervious-surface based rate structures for stormwater cost recovery and forwarded this study to the Council in July 2003. As part of our work on the CSO LTCP rate structure, we have been evaluating a number of options that are relevant to the District's stormwater rate, and will use this analysis to develop rate increase proposals for the District's consideration. It is anticipated that any incremental requirements of WASA due to the new permit will be fully paid from proceeds of the stormwater fee or other outside sources, consistent with the provisions of the MOU with the District.

WASA already performs a number of stormwater management activities that are not funded by the stormwater fee, including catch basin cleaning in areas served by separate sewers, cleaning lateral drainage channels, and maintaining stormwater pumping stations, amounting to approximately \$3 to \$4 million annually. Over the last year, we have been discussing two specific issues with the District: 1) transferring the maintenance of stormwater pumping stations back to the District and 2) assigning responsibility for catch basin maintenance along federal thoroughfares, which previously had been performed by a District / federal contractor. While

no change in existing responsibilities occurred in FY 2006, we will continue discussions with the District for changes in FY 2007 or FY 2008. We project that the incremental cost of taking on catch basin maintenance on federal roads ranges from \$0.1 million to \$0.2 million annually, plus \$0.4 million in one-time new equipment costs.

In December 2006, the District created the “District Department of Environment (DOE) Establishment Act”. Section 103 E (2) of the Act provides for the transfer of the MS4 Administration from WASA to the District’s DOE within one year. WASA will continue to contribute towards storm water pollution control as the MS4 Administrator during this time and will remain engaged consistent with our responsibility after the transfer. WASA’s General Manager has already offered to assist DOE with the transition, and has received a communication from the City Administrator requesting that the transition begin immediately. After the transfer, WASA is expected to remain active in the Stormwater Task Force composed of the relevant agencies to ensure compliance with the MS4 NPDES permit. The legislation does not address the management of the Enterprise Fund, thus WASA will work with the District to determine how to address the transfer of this responsibility.

Our capital improvement program includes \$18 million (disbursements basis) for improvements to the separate stormwater collection system. Our CIP does not include stormwater pumping station rehabilitation costs, assuming that these facilities are taken over by the District or ultimately funded from the Stormwater Enterprise Fund.

## **BLUE PLAINS INITIATIVES**

Since 1996, Blue Plains has been lauded for its efficient wastewater treatment plant operations by the Association of Municipal Sewerage Agencies (AMSA), formerly the National Association of Clean Water Agencies (NACWA), among others internationally. Our work in this area is noted because of WASA’s excellent record of compliance with federal regulations—a result of optimized operations and maintenance practices. In addition, 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 WASA to expand its research capabilities and also foster peer review research. I provide a more extensive discussion of our continuing research and partnerships later in this letter. This research also contributes to the development of the next generation of wastewater treatment engineers and environmental scientists.

WASA continues its industry-leading role on wastewater and biosolids management research projects. The revised FY 2007 and proposed FY 2008 operating and capital budgets include funding for the following significant research efforts:

- Through our sponsorship of the Water Environment Research Foundation, WASA is participating in thirteen projects, including nutrient removal, disinfection, solids processing technologies, biosolids management, plant automation and plant security. WASA’s General Manager serves on WERF’s Board of Directors, and WASA staff serve on project advisory committees addressing health and safety and management issues.

- WASA, in cooperation with Howard University and utilities in Maryland and Virginia, is leading research to understand the bioavailability of organic nitrogen from wastewater effluents.
- Along with our research partners at the Virginia Polytechnic Institute and State University and George Washington University, WASA is conducting laboratory-scale testing of thermophilic digestion to understand methods to achieve Class A biosolids.
- WASA in cooperation with the New York City Department of Environmental Protection and the Alexandria Sanitation Authority is evaluating a new technology to efficiently treat and remove high strength ammonia from recycle streams without external carbon. Three pilot units are being used for testing in association with the University of Innsbruck, Virginia Tech, Columbia University and City College of New York.
- In cooperation with utilities in Maryland and Virginia, WASA is evaluating alternate carbon sources for denitrification. These carbon sources include methanol, ethanol, acetic acid, sugar, glycerol and proprietary chemicals. The testing is being coordinated through faculty and students from George Washington University, the University of Cincinnati and Virginia Military Institute.
- WASA is initiating large-scale pilots at Blue Plains to evaluate ballasted flocculation, a new technology for treatment of excess storm flows.
- WASA, in cooperation with the City of Toronto, is evaluating anaerobic digestion processes to enhance digester gas formation and reduce biosolids inventory.
- WASA ,in cooperation with several utilities in North America, is evaluating methods to more effectively destroy fecal coliforms from Class A and Class B anaerobic digestion.
- WASA, in cooperation with the City of Salzburg, Austria, is evaluating bioaugmentation of seed nitrification and denitrification organisms to more effectively use process capacity in a two-stage plant.
- Through the Washington Aqueduct, WASA provides support to the American Water Works Association Research Foundation, a national collaborative research effort involving over 1,000 utilities and other supporters around the world. Research projects address drinking water quality, operation and maintenance methods, health effects, and management issues. WASA is actively participating as a sponsoring utility on projects relating to the condition assessment of valves and other assets, continuity of system operations and the environmental impact of discharges of treated water during maintenance activities.



**Energy Management** – Electricity represents a significant portion of WASA’s operating costs, budgeted at \$28 million, or 9 percent of our \$311 million revised FY 2007 operating budget. Prices have risen significantly over the past couple of years, due to a combination of factors including deregulation in the District, rising oil prices, inclement weather, record global demand for power and oil, and regional transmission and grid changes.

In FY 2005, we entered into our first electricity contract for generation services in the deregulated environment. In summer 2005, WASA entered into a successor five-year contract for generation that allows WASA to lock in blocks of power at a fixed price when futures pricing meets budget targets. To the degree that WASA does not lock in blocks, pricing will be established each day at market rates with direct pass-through of all costs. The contract includes an enhanced process for block power purchases that gives WASA access to the wholesale market, and provides more transparency in reviewing the bids from wholesalers.

To mitigate our exposure from higher energy prices that occurred during the year, we locked in portions of our electricity load, especially for the summer period. We monitor the electricity market continuously and explore other cost avoidance alternatives in electricity procurement.

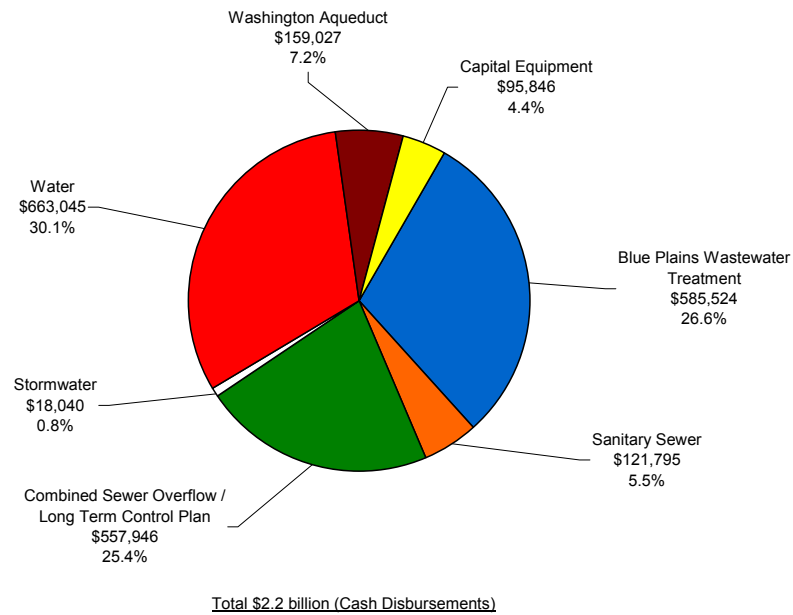
### **CAPITAL IMPROVEMENT PROGRAM**

This year’s ten-year capital program totals \$2.2 billion (cash disbursements basis), approximately \$22.2 million less than last year’s plan. The reduction is primarily due to:

- Reductions in projected disbursements in the Wastewater Service area as we approach the tail-end of the ten-year plan, reflecting of the completion of most of the major upgrade projects at the Blue Plains Plant
- Reductions in projected disbursements in the Water Service area as we approach the tail-end of the ten year plan, reflective of the planned completion of lead service line replacements in FY 2014

We provide more detail on our Capital Improvement Program in Section V of this book.

### FY 2006 – 2015 CAPITAL IMPROVEMENT PROGRAM (In 000's)



## **EMERGING ISSUES**

We closely monitor emerging issues, including regulatory and development-related issues, to gauge their impact on our operations, our Capital Improvement Program and our ratepayers. We also look beyond our current ten-year plan for projects or operational changes that may be necessary to ensure reliable service to our customers.

**Anacostia Waterfront Development & New Baseball Stadium** — The new Washington National's Baseball Stadium is under construction, and the "baseball district" encompasses critical portions of WASA's infrastructure, including a major pumping station, the Authority's Sewer and Fleet Operations and related facilities located at Main and O Street. WASA's sewer service and fleet operations, with over 150 employees and contractors and a significant portion of our 570-piece vehicle fleet, are headquartered at Main and O Streets, directly across from the location of the new stadium. Over the next few months, we will be evaluating the potential relocation of these facilities to other sites across the District and have included \$32.5 million in this year's budget to cover the estimated costs of at least a temporary relocation and the development of a new site. We expect full reimbursement for all related costs by the District, and expect no impact on WASA ratepayers.

The Authority has taken appropriate steps to protect these critical assets that are essential to the provision of public services. These steps include identifying alternative sites of operations, as well as securing and ensuring WASA access to physical assets that cannot be relocated. We have established a framework for discussions, and negotiations are well underway with relevant parties, including the Anacostia Waterfront Corporation and the Office of the Attorney General, and we routinely communicate with other stakeholders, including the Sports and Entertainment Commission, the Executive Office of the Mayor and the District Council. As we evaluate these options, we will work to ensure to the extent possible, the highest and best use of this property and that our ratepayers appropriately share in the revenue benefits. Additionally, we are exploring the option of constructing an office building, with a joint parking arrangement, at the O Street location to house several of our offices including our customer service staff currently located at 810 First Street.

**Egg-Shaped Digester Project** - After an extensive and rigorous evaluation, the WASA Board announced their decision to reject the single bid received on the construction phase of the Egg-Shaped Digester project. The bid received for that phase of the project was approximately 70 percent over WASA's FY 2006 construction budget for that contract. The total project cost has, in fact, continued to escalate from the originally budgeted \$148 million in FY 2000 to \$350 million in FY 2006, to an estimated \$600 million in FY 2007.

The use of egg-shaped digesters is a progressive and effective technology for handling biosolids (treated residue from the wastewater treatment process) generated at WASA's Blue Plains Advanced Wastewater Treatment Plant. Currently, more than 1,300 wet tons of biosolids are hauled each day from the 150-acre site for reuse as fertilizer.

The eight, 108-foot-tall egg-shaped digesters, at 4.5 million gallons each, represented the largest single installation of its type in the world. The technology would reduce biosolids volume by 50 percent and cut in half the 70 trucks a day used to haul biosolids to agricultural sites in surrounding areas. The first contract was scheduled to begin mid-2006 with the second contract to begin nine months later. The decision by the WASA Board of Directors to defer the project until market conditions improve was based on an independently conducted economic analysis and an internal cost-benefit evaluation. Both assessments concluded that the unusually tight construction market, an abnormal spike in material costs and the project length were major factors in limiting bids and doubling the cost. Moreover, an evaluation of bids on other heavy wastewater-related construction projects in the area show similar cost increases that are well above estimates.

As part of our ongoing biosolids management program, we will monitor the construction market, regulatory initiatives and evolving wastewater treatment technologies. With this and other information collected over the next three years, a revised strategy for long-term biosolids management will be developed, which may or may not include the digesters.

WASA's award-winning Biosolids Management Program has been recognized by the U.S. Environmental Protection Agency which gave its highest national award for biosolids management for our outstanding operations, technological advances, and promotion of the beneficial uses of municipal wastewater biosolids.

**Land Application of Biosolids** – Currently, biosolids generated at Blue Plains are land applied at farms, mine reclamation sites, forest land, and a tree farm. The majority of the sites are in Virginia, with a small percentage (~10 percent) in Maryland. In late FY 2003, the Commonwealth of Virginia adopted legislation allowing Virginia counties to impose a fee for biosolids land applied in the State. The annual cost of this fee, if fully implemented by all eligible Virginia counties, is projected at \$300,000. Maryland biosolids user fees amount to approximately \$100,000 annually. In addition, we continue to monitor other pending regulatory changes in Virginia that could limit our ability to land apply this product. In line with the Board's strategic goal of developing a state-of-the-art biosolids management program, we are pursuing a number of other alternative recycling solutions including geographical diversification to West Virginia and Pennsylvania, expanded use of biosolids in silviculture, mine reclamation and site restoration. We are also supporting research efforts that could help spur the use of biosolids as a product.

**Sanitary Sewer Overflows & CMOM** – The EPA is developing a sanitary sewer overflow (SSO) policy to regulate overflows of the sanitary sewer system, including dry weather overflows. A component of this policy is the development of minimum capacity, management, operation, and maintenance standards (CMOM) that potentially could be incorporated into NPDES permits. We are currently evaluating the proposed policy and potential impacts on WASA as part of our overall sewer system assessment.

**Capital Improvement Program Inflationary Increases** - Recently, several factors have arisen that impact the costs of our capital improvement program. These factors include extreme fluctuations in prices for certain commodities used predominantly in WASA capital projects such as steel, copper, aluminum, and cement. Additionally, there is a non-competitive contractor environment in

which contractors are more fully employed and bid on fewer select projects. An additional contributing factor is high inflation in energy prices and petroleum based products such as plastics, roofing products, and asphalt.

Another factor affecting project planning estimates is the more active role by the surety industry in risk assessment on the type of projects for which they will issue performance bonds resulting in placing more stringent conditions on project owners. We will continue to monitor these inflationary increases, and the bidding environment and assess their impact on our capital improvement program budget planning. There is also the possibility that following consultation with the Board, we may seek a legislative cure to the surety issues.

**Chesapeake Bay Initiative & New NPDES Permit** – The 1987 Chesapeake Bay Agreement called for a 40 percent voluntary nitrogen reduction by its signatories by 2000. The District of Columbia was the first signatory in the region to meet this voluntary commitment due to significant improvements by WASA at Blue Plains. The EPA Chesapeake Bay Program is currently in the process of setting new nutrient limits for all jurisdictions, and making these limits mandatory instead of voluntary by including these requirements in NPDES permits. The existing Blue Plains NPDES Permit expires in FY 2008 and has been reopened to include mandatory nutrient limits for the EPA Chesapeake Bay Program. The fact sheet issued from EPA with the new proposed permit identifies the final Blue Plains nitrogen allocation of 4,689,000 lbs. per year. This is equivalent to 4.2 mg/L at the design flow of 370 MGD. The draft permit also contains a schedule requiring WASA to develop a facility plan to achieve this final allocation. If implemented, WASA may be required to invest an estimated \$0.6 billion to \$1.2 billion in capital improvements at Blue Plains to meet the new targets.

**IMA 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 group consists of District of Columbia, Fairfax County in Virginia, and Montgomery and Prince George’s Counties in Maryland. 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.

Some of the terms in the 1985 IMA expire in 2010. For example, the IMA states that capacity allocations at 370 mgd (peak capacity) remain in effect until 2010. In order to allow ample time to renegotiate any User issues, the Users began negotiations during FY 2006 and will continue discussions until all parties reach a new agreement.

**TMDLs and Impact on CSO LTCP** – We are implementing our Combined Sewer Overflow Long Term Control Plan (CSO LTCP) consistent with the Total Maximum Daily Pollutant Loads (TMDL) developed by EPA for the Anacostia River. A recent U.S. Court of Appeals decision ruled that TMDLs should be implemented on a daily basis, not over a longer period; this contradicts the prior court decision which allows more flexible implementation of TMDLs. As a result of this decision WASA applied for a writ to the U.S.

Supreme Court regarding this matter. The short-term impact of this decision is possible delay in implementation of the CSO LTCP. WASA is actively seeking resolution of this issue to ensure that Anacostia water quality objectives will be met.

## **INTERNAL IMPROVEMENT PLANS**

We continue our organization-wide focus on improving service and reducing costs to our customers through the implementation of Internal Improvement Plans (IIP). Specific plans have been developed and are in the process of being implemented with details for most departments discussed in more detail below.

The impact of our efforts to date can be demonstrated by bottom-line results. Total staffing through FY 2007 has been reduced by 394 positions since the Congressionally-approved FY 1998 budget was adopted, a reduction of 25 percent. Even with these position reductions, WASA's service performance has improved across the organization.

It has been almost six years since we evaluated our progress on the largest of these plans, the Blue Plains IIP. In FY 2006, we began a process to review the original IIP, for example evaluating progress on capital projects that were critical to achieving cost savings.

### *Blue Plains – Wastewater Treatment & Maintenance Services*

The Blue Plains IIP, which was presented to the Board in March 2000, projected total position reductions of 228 at Blue Plains and annual cost savings of \$23 to \$24 million when fully implemented, with approximately half of the savings to be achieved due to new capital projects. In addition to WASA personnel reductions, the plan called for reducing the number of contractor full time equivalents (FTE) at the plant from 166 to 36. We will review the FTE contractor reductions with the Board during their budget review sessions. The results to date have been significant – by the end of FY 2007 we will have reduced a total of 160 positions since FY 2000, and at the same time, plant performance has improved and our regulatory requirements have been surpassed. We have also experienced some reductions in contractual services in Maintenance Services, with the phasing-out of small and medium process equipment maintenance, certain electrical maintenance functions, and chlorination/dechlorination maintenance as the new alternate disinfection facilities were brought on line. Similarly, in FY 2005, Wastewater Treatment phased out contract dewatering services as the new additional dewatering facilities and centrifuges were completed. Future reductions are in part contingent on the completion of a variety of capital projects, a number of which are underway. It is important to note that some of these projects will result in increased operating costs (e.g., chemical costs for alternate disinfection).

We have also undertaken a number of management initiatives to help us meet our IIP goals at Blue Plains, including a focus on cross-training for various positions and operator certification programs. We have incorporated new work rules changes into our collective bargaining agreement, and will continue to make progress in this area as part of the ongoing negotiations. Finally, the

introduction of new technology (including the maintenance management system and the process computer control system) will result in significant streamlining of our operations.

### *Customer Service*

We continue to reach Customer Service IIP milestones, including:

- The major reorganization of our Call Center, Billing and Collections operation, and a substantial investment in training for existing and new employees resulted in a reduction of 15 positions.
- The final phase of our Customer Service IIP, which began in FY 2003 concurrent with implementation of our new AMR technology, eliminates the need for manual meter reading. In FY 2004 we completed the reorganization of our customer service meter operations reflecting new work processes required to fully capitalize on the new technology's capabilities, and to provide customers a single point of contact for all of their questions. We added several new roles to better address unauthorized use of water, focusing on fire hydrant hook-ups and ensuring that all new construction and renovations are properly metered.
- Development of a command center in FY 2005 at no additional operating cost by transferring thirteen existing positions from Water and Sewer Services to Customer Service to staff this effort. Also that year, we implemented several new self-service applications on the WASA website and our telephone system, that effectively extended WASA's business hours to 24 hours, seven days a week for bill payments, service applications, payment plans, meter readings, consumption analysis and balance information. We leveraged our investments in our Customer Information System, Automated Meter Reading and Interactive Voice Response technologies to offer these applications to our customers at minimal cost to the Authority. Our new computer application, which is available on our website, allows us to graphically display customer daily usage and to pinpoint the exact day of any increases in usage. Now, our customers can download daily meter readings or simply track daily spikes, and implement conservation measures to help lower their water bills; the result is a reduced number of costly field investigations.
- In FY 2006, we implemented the language line, supporting about 93 different languages to help us communicate with our non-English speaking customers more easily. We also introduced a High Usage Notification Application, which sends email messages and/or telephone messages to customers that experience four successive days of high usage. This application is unique to the utility industry. To our knowledge, WASA is the only utility providing its customers with advance notice of what will eventually result in a high bill while there is still time for the customer to take remedial action. Our customer service initiatives have made us a leader in implementing customer service solutions that effectively leverage investments in AMR technology.

## *Water & Sewer Services*

In FY 2002, we completed an initial evaluation of our Water Services and Sewer Services operations. This analysis identified “benchmark” staffing levels approximately equal to the number of currently filled positions. It also outlined opportunities for cross-functional sharing of resources during peak service demand periods (specifically during winter months to deal with water main breaks, and support needed for the capital improvement program), and appropriate levels of equipment and parts to be provided to field crews. Since completing the IIP review, we have:

- Reduced 48 positions from these areas, based on implementation of improved work methods suggested by the plan.
- Completed the first phase of an enhanced training program for employees in these departments.
- Created a new technical services support branch within the revised position levels. This branch manages various capital projects (including valve operation and testing, and new projects such as the asset management system and WASA’s water conservation program).
- In FY 2006, we completed a reorganization of our distribution branch, dividing it into two units, enabling us to better focus on scheduling maintenance and responding more efficiently to customer service calls.

## **TECHNOLOGY INITIATIVES**

We focus all of our technology initiatives on improving the quality of service to our customers. Our website, [www.dcwasa.com](http://www.dcwasa.com), for example, has been a major success. The recently redesigned site provides a user interface that allows customers to more easily and quickly find information. In addition, the site includes [dcwasa.com](http://dcwasa.com) For Kids, which provides information to school-aged children regarding water usage and conservation. The Work Zones section of the website provides customers with updated information on work in their neighborhood. Our enhanced interactive voice response system (IVR) enables our customers to access many services outside of routine business hours. The IVR is also capable of speech recognition and supports our multi-lingual customers.

Our focus over the past few years has been on implementing the Board-approved Information Technology Strategic Plan. The plan, approved in FY 2002, lays out a vision for the delivery of information technology services at WASA, and a methodology for prioritization of all technology projects (which includes an assessment of cost savings and productivity growth). Technology projects include those that focus on improvements in network security, infrastructure and the use of systems and equipment throughout WASA to improve the delivery of services to our customers.

In FY 2006, we focused our efforts on continuing to improve our operations by better integrating our technology. A few key examples of this effort that are already underway or will begin in the near future include:

- Total Enterprise Asset Management System (TEAMS) – We continued implementation of TEAMS during FY 2006. Ultimately, TEAMS will integrate WASA’s systems and facilities for customer information, facility operations, finance, records and



document management and improve both the management and maintenance of our water and sewer infrastructure. This system is a significant leap in automation and business process improvements for the entire water infrastructure management and maintenance life cycle.

- *Geographical Information System (GIS)* – This tool will enable employees to look-up infrastructure asset data as well as corresponding street and premise data. Using the District’s GIS, employees will have the added benefit of locating buildings, roads, sidewalks, parks, which have been loaded to assist personnel in locating assets. We are integrating GIS and Maximo so that users can look-up an asset in Maximo and then view the geographical location of that asset with the click of a button. GIS implementation began in FY 2006 and we will complete the project during FY 2007.
- *Enterprise Records and Document Management System (ERDMS)* - In FY 2005, we initiated this system to assist with management of documents and records from creation, to capture, through retention and disposal. In FY 2006 we selected software and conducted an inventory assessment of old documents (we identified approximately 14,000 cubic feet of documents). This information was helpful in developing and recommending changes to improve our workflow and business processes. In FY 2007, we will initiate the following pilot project to the focus on the following:
  - *Engineering Document Management and Control (EDMC)* – This project addresses the key requirements associated with maintaining engineering documents and developing a repository and redesigned business processes associated with the life cycle of engineering documents (e.g. design documents, as-builts, etc.) related to our large facilities and equipment. This pilot program will inventory all documents generated by the Primary Sedimentation Tanks rehabilitation project, develop an enterprise-wide repository and search portal, with business processes that manage and control the life-cycle of records.
  - *Payables Document Management System (PDMS)* - to facilitate access to invoices images and supporting documents during the accounts payables workflow.
  - *Work flow and Business Process Improvements* – to securely streamline access to employee personnel by improving workflows and file repositories.
- *Interactive Voice Response (IVR) system* – In FY 2005 the Authority implemented a new and enhanced IVR system. The new IVR allows WASA’s customers to more efficiently get account information, pay their bills, request payment terms/extension and learn more information about the Authority’s services. Key features of the new system include: speech recognition, multi-lingual support, ability to request terms and payment extensions, ability to generate call campaigns based on need, and web site updates. In FY 2006, several new features were added to the IVR system, including the High Usage Notification Application (HUNA), Employment Opportunity Listings, Web Site Updates/Work Zone Notifications, and Out of Service

Notifications. Additionally, at the end of the first quarter in FY 2007, application for scheduling a tour of Blue Plains via the IVR system will be launched.

- *Payroll/HR System Enhancements* – In FY 2004, we completed enhancements to our time and attendance system. We also installed self-service kiosks, providing our employees at remote locations convenient access to their payroll records. In FY 2006 we began additional enhancements to the system that we will complete in FY 2007. These new enhancements provide real time access to employee's time worked and enable employees to make limited changes at the self-service kiosks.
- *Redundant Data Center* – We completed a disaster recovery analysis of our mission critical systems in FY 2003. Since that time we have begun to implement recommended solutions through our *Disaster Recovery and Business Continuity Plan (DRBCP)*. In response to the WASA DRBCP, we are designing a Redundant (back-up) Data Center for implementation at the Main & O Street site. To date we have completed redundancy for critical enterprise applications such as, Financial, Maximo, Process Control Historian (PCH), E-Mail system has been completed and tested. In FY 2007 we will provide the same level of redundancy for our Truck Scales system and GIS.
- *Process Computer Control System (PCCS)* - this project is critical to accomplishing the goals of the Blue Plains IIP and will result in better management of chemical usage, electricity consumption (minimizing peak demand usage), and other operating efficiencies. This project continues the Authority's effort to integrate information technology with operational functions. During fiscal year 2004, a new office and meeting room complex was completed and occupied by the Department of Wastewater Treatment. Process control implementation including fiber optic cable infrastructure has started in the primary, secondary, and the solids processing areas.

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.

### ***Fleet Management***

The successful renegotiation of our fleet maintenance and parts contracts in FY 2006, and our continued robust commitment to a premier fleet operation has yielded great results - vehicles in our fleet are in service over 95 percent of the time. This success is the result of significant capital investments in our fleet, and a structured preventive maintenance program. We plan to continue this strategy, with over \$12 million budgeted for capital investment over the next ten years, and approximately \$1.2 million yearly for preventive maintenance. Our replacement plans are reevaluated in light of the organizational changes laid out by the IIP as well as the cost-benefit analysis of each individual vehicle replacement.

WASA is firmly committed to doing our share to protect the environment and our fleet management program is evidence of this commitment as some of our vehicles presently use alternative fuels like E85 (used in gasoline engines) and natural gas. This year's

budget also includes funds to ensure compliance with the Environment Protection Agency (EPA) mandates for the use of Ultra Low Sulfur Diesel (ULSD). This new EPA mandate requires the reduction of sulfur in diesel from the current 500 parts per million (ppm) to 15 ppm. The lowered sulfur content will reduce emissions of sulfur compounds in the environment (blamed for acid rain), and reduce emissions of oxides of nitrogen and particulates.

WASA is also a leader in the Washington area for use of keyless fuel monitoring systems and Vehicle Information Transmitter (VIT) technology. VIT is a state-of-the art ring technology that assists in monitoring fuel usage. Over the past three years, we installed 168 VIT units on our vehicles; this technology has resulted in more accurate vehicle fuel records, eliminating operator error and minimizing fuel theft. All of this means savings to our customers. Our FY 2007 budget includes funds for purchasing an additional 300 VIT units.

Another major activity in FY 2007 will be the evaluation of our fleet needs in light of the planned relocation of the current facility from the O Street site.

### ***Facilities and Security***

**Facilities** - Over the next two years, our efforts will focus on continued renovations of the Central Operations Facility (COF) and other Blue Plains buildings. This includes an active review of all building construction plans to ensure that they comply with all appropriate standards, and updating security features to coincide with building enhancements.

At the COF, we will complete the restroom renovations, begin renovations of the second and fifth floors, and begin an overhaul of the HVAC system. We will also be designing a new entrance to the COF building and beginning construction of a permanent entrance to Blue Plains. In addition to these improvements, we will retrofit our buildings throughout the Authority to make them accessible to the disabled.

Facilities along with Engineering Services will be actively involved with the planning efforts for the potential relocation of our fleet and sewer services operations from Main and O Streets due to the new baseball stadium and riverfront development. This process will include an assessment of Authority-wide needs based on current and projected staffing, work processes, and other components.

**Security** - In FY 2006 and 2007, we received a \$500,000 Homeland Security grant for pumping station monitoring, a sewer system assessment and security training for our employees. As in the past, all of our security activities are closely coordinated with the District of Columbia, including the Emergency Management Agency, Police and Fire Departments, as well as federal agencies such as Homeland Security, the Federal Bureau of Investigation and the Bureau of Alcohol, Tobacco and Firearms.

Ensuring security has always been a critical matter for WASA, particularly in light of our location in the nation's capital. We completed a significant upgrade of the security system at our water storage facilities and pumping stations. This project included, for

example, extensive electronic surveillance and remote monitoring devices, including cameras, automated gates, and intrusion detection devices among other improvements. We will continue upgrading our existing security system in FY 2007 including an installation of surveillance equipment along the shoreline of Blue Plains.

## **STRATEGIC GOAL AREA – ORGANIZATIONAL EFFECTIVENESS**

### **GOVERNANCE STUDY**

In 2005, the Board created a special ad hoc committee, the Governance Committee, to reexamine the issue of WASA's governance. This study is a follow-up to an initial study that was completed in December 2000; the Authority's enabling legislation required that it conduct a regionalization study to "determine the feasibility of establishing the Authority as an independent regional authority and to make recommendations for the ongoing relationship of user jurisdictions to the Authority." The conclusion of the 2000 study was that the Authority's then-current structure should be retained, but that the Board should revisit this issue.

In FY 2006, the Governance Committee engaged the services of a multi-disciplinary consulting team to examine a variety of issues concerning WASA's governance. Issues to be reviewed include effectiveness of the Board and its current structure and better integration of water treatment and distribution functions in the District of Columbia. The consulting team interviewed a wide variety of stakeholders in the District and across the region, and presented conclusions to the Board in March. The 2006 study endorsed the existing structure and suggested that the report should serve as a working document. As a result, the Board incorporated the study's recommendations into the various Board Committee work plans to allow for additional review and planning.

One of the major issues raised during the Governance Study was integration of the District's production, treatment and distribution of water. Over the next two years, the Board, through its designated committees will continue to discuss the multiple benefits and challenges related to this recommendation.

### **EMPLOYEES & HUMAN RESOURCES**

We continue to invest in our employees, who are our most valuable asset and vital to accomplishing our mission and the Board's strategic goals. Our Human Resources Department focuses on innovative programs to support all of our employees. The programs provide organization-wide leadership in training, labor relations, and performance management. We also give our managers the training and tools to lead their departments and employees.

**Labor Relations & Collective Bargaining Agreement** – Our current collective bargaining agreement will expire on September 30, 2007. Early in FY 2007, we will begin negotiations for our new agreement and we are optimistic that we will successfully reach an agreement that provides fair compensation and appropriate working conditions to our employees and which helps WASA meet the organizational challenges it faces over the next few years. Due to the elimination of the union coalition, there will be separate working condition negotiations conducted with each of the five local unions. Based on the extensive discussions of this past year, we believe that many outstanding issues are very close to resolution, so we will be starting from a basic understanding of one another's concerns.

**Personnel Policies & Procedures** – In our first years of existence as a separate organization from the District, we implemented personnel policies and procedures for the Authority. In FY 2006, our Human Resources Department reviewed and updated several policies. Going forward, we will continue to review and update all of our personnel policies and procedures to reflect current law and industry changes. Additionally, in FY 2007, a complete review and update of all personnel regulations will be undertaken.

**Labor-Management Partnerships** – WASA continues to participate in the Mayor's Labor-Management Partnership and we meet monthly on a variety of issues and initiatives. Currently, there are departmental labor-management partnerships in Maintenance Services, Sewer Services and Facilities and Security. The continuing focus is on improving productivity, developing on-the-job multi-skill training, and increasing the awareness of quality and the costs of operations. Multi-skill training benefits the employee who learns additional skills that could be useful for career advancement, and benefits our customers through the delivery of high quality services. As a result of partnering between labor and management, we continue to improve communications, operations and the workplace environment.

**Performance Management** – Our web-based performance management system for union and non-union performance management programs continues to improve and enhance the value of the performance evaluations for managers and employees. As we implement enhancements to the system, all supervisors, managers and directors receive training. To further strengthen communications throughout the organization, we have incorporated the Board's strategic plans and management work plan initiatives into each employee performance plan.

**Employee Benefits** – Over the last two years, WASA has introduced several new employee benefit programs:

- *Total Rewards Statements* – Beginning in FY 2005, WASA began issuing statements capturing total compensation (including pay and all categories of benefits) provided to each employee by WASA. This statement, which is based on the calendar year, is issued annually.
- *Wellness Program* – This on-going program includes seminars and workshops on a variety of health topics, various workplace health screenings and fitness tests, and opportunities to participate in exercise activities and programs.
- *Retirement Counseling* – This program provides counseling services on retirement planning for employees who are participants in the Civil Service Retirement System (CSRS).

- *Retirement health savings* – In FY 2007, we will consider implementation of a retirement health savings plan to be available for all our employees.
- *Investment Counseling* - This program provides counseling on investing retirement funds for employees in WASA's 401(K) plan.
- *Health Benefits* – In FY 2006, we rebid all our health insurance HMO and PPO contracts for Medical, Dental, Life and Disability Plans for the upcoming year. For the HMO and PPO plans, WASA will reduce rates over current premiums by \$450,000 in 2007 as a result of selecting a new medical vendor. This represents a 14 percent decrease in rates for these plans. In FY 2007, we will develop and implement a request for proposals for WASA's Vision program.

As part of WASA's concerted effort to provide competitive benefits with other employers in the region, WASA will continue to evaluate new proposals and recommend enhancements to existing benefit programs.

**Training** – We continue to invest in our employees by funding training and development efforts that provide skills training in the areas of safety, technology, government regulations, and professional and career development. In FY 2006, we budgeted \$1.7 million dollars for skills training. We will provide approximately the same level of resources for FY 2007 and FY 2008 to ensure 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 Services, Engineering and Technical Services, Facilities and Security, and Procurement Services. In FY 2007, we will focus on the following training initiatives:

- We will continue leadership competency training throughout the organization.
- We will continue basic skills training classes as an addition to the WASA Reads Program, and on-line skills improvement training to complement new skills development and refresher training.
- Continue to work on the Engineering management development program to ensure availability of a pool of competent internal candidates for management positions in technical areas.
- We will design and implement a Succession Planning Program for executive and senior staff consistent with the Governance Study recommendations.
- We will implement an executive development program, and we will implement performance-based interviewing training for managers and supervisors.

Other salient accomplishments include:

**Employee Climate Survey** – In FY 2006, we completed our first Employee Climate Survey. The purpose of this two-phased survey was to gauge the impact of organizational changes on operations and the workforce and to facilitate two-way communication between management and employees. An independent consultant collected data on individual values, commitment to the job, and satisfaction with various WASA programs. The survey results will help management better understand employees' perspectives and be responsive to the concerns of the workforce as WASA continues to move toward becoming a “world class” organization. We have undertaken a series of follow-up activities to address issues raised in the survey, and to reinforce many of the positive values expressed by employees.

**Internship Program** – WASA is firmly committed to supporting and encouraging the educational goals of college students, near and far, by exposing them to careers in wastewater treatment and water distribution through our internship programs. Participants in the program receive opportunities to work closely with diverse groups of professionals performing critical tasks that are required to operate a large utility. Exposure to careers and opportunities at the Authority help the interns make conscious decisions about their academic and career choices. In FY 2006, 36 interns participated in our program, including international students from Thailand, Ghana, Kenya, Serbia and China. Students in the program were in courses of study ranging from two-year undergraduates to PhD candidates. This program has also proven to be a successful recruitment tool for WASA.

In addition, WASA hired several summer workers from the Covenant House of Washington, a community youth advocacy organization which provides a variety of special services to assist young adults to meet some of their basic needs. These youth worked in the Facilities Department.

## **INTERNAL AUDIT**

WASA's Internal Audit Office continues to focus on implementation of its Annual Audit Plan, approved by the Board's Audit Committee. In FY 2006, we began a comprehensive follow-up program to track the disposition of all internal and external audit report recommendations. During FY 2006, ten audits were initiated and completed, centered on contractor billings, information technology projects, environmental compliance reviews, and contract compliance reviews.

For FY 2007, Internal Audit will work with management as it adopts the relevant sections of the Sarbanes-Oxley Act (SOX). SOX is a new set of standards for corporate governance and accountability. Although SOX does not apply to WASA, the requirements are consistent with best management practice, and as a result of the Board's Governance Study. WASA will voluntarily evaluate the applicability of these practices.

## **SAFETY**

WASA continues our commitment to the safety of our employees, contractors and neighbors budgeting approximately \$1.7 million annually to support this commitment.

WASA developed its first Comprehensive Safety Plan (CSP) in July 2001. Since that time, the Board and management have continued to monitor the implementation of our Comprehensive Safety Plan (CSP). The CSP includes a substantial agenda including training, inspections, investigations, and other related tools. The results of consistent implementation of this plan throughout the organization has resulted in many positive benefits for WASA, including:

- Employees have embraced our new safety culture.
- Worker compensation costs have declined.
- Safety performance as it relates to injuries and accidents has improved and is now within the range of national trends.
- Development of a comprehensive safety database, that aids in identifying problem areas and new safety initiatives.
- Emergency Response Planning and related activities has become an important part of our Safety Program during FY 2006. For FY 2007, we have added a full-time position to focus on this area.

Emergency response planning and participation in drills has become a major priority for WASA. We regularly work with the District of Columbia's Emergency Management Agency (EMA) on planning, drills and responding to actual emergencies. The District Emergency Response Plan identifies WASA as an Emergency Support Function (ESF) agency. This past year we participated in national, District and regional drills. For example, we were active participants in the Mayor's 2<sup>nd</sup> Annual Senior Level District-wide Drill, the Council of Governments (COG) regional water and wastewater plants drill, ESF #3 DC Department of Public Works tabletop drill, the Washington Aqueduct tabletop drill, National Top Off drill, the District of Columbia Department of Health Pandemic Flu Kick-off meeting.

Another high priority for WASA is contractor safety. In addition to our standard contractor safety initiatives, we are now in the second year of the Authority's Rolling Owner Controlled Insurance Program (ROCIP). The ROCIP program has both financial and safety benefits. All contractors bidding on capital projects are required to be participants in the ROCIP. As bidders and participants they are provided guidelines for developing and maintaining a safety program through their contract with WASA. A full time independent safety consultant conducts regular inspections of all ROCIP contractor jobsites and reports the findings to WASA's Occupational Safety and Health and Engineering Departments.

ROCIP contractors are insured by a WASA insurance company, so insurance reporting of losses, accidents and claims, with centralized reporting has provided us with an effective safety database for evaluating our contractor's overall safety performance.



The first two years of accident and injury data indicate our contractors are working safely and well below the relevant national OSHA incidence rate.

## **ACKNOWLEDGEMENTS**

WASA continues to thrive because our Board of Directors, under the leadership of Chairman Gerstell, has been dedicated to improve service quality for our customers. This level of commitment permeates through the Board's strategic policies, managers and employees at WASA. There has been measurable and continual progress since WASA's establishment and we look forward to even greater achievements in the coming years. I would like to extend a special thanks to Finance and Budget staff who worked many hours to produce this document and to all of the WASA departments whose efforts in developing these budgets were critical.

I welcome the opportunity to work with the Board in the coming weeks as we review this budget, a concrete demonstration of our commitment to our customers and our commitment to the environment.

Sincerely,

Jerry N. Johnson  
General Manager



District of Columbia  
Water and Sewer Authority

Submitted October 26, 2006

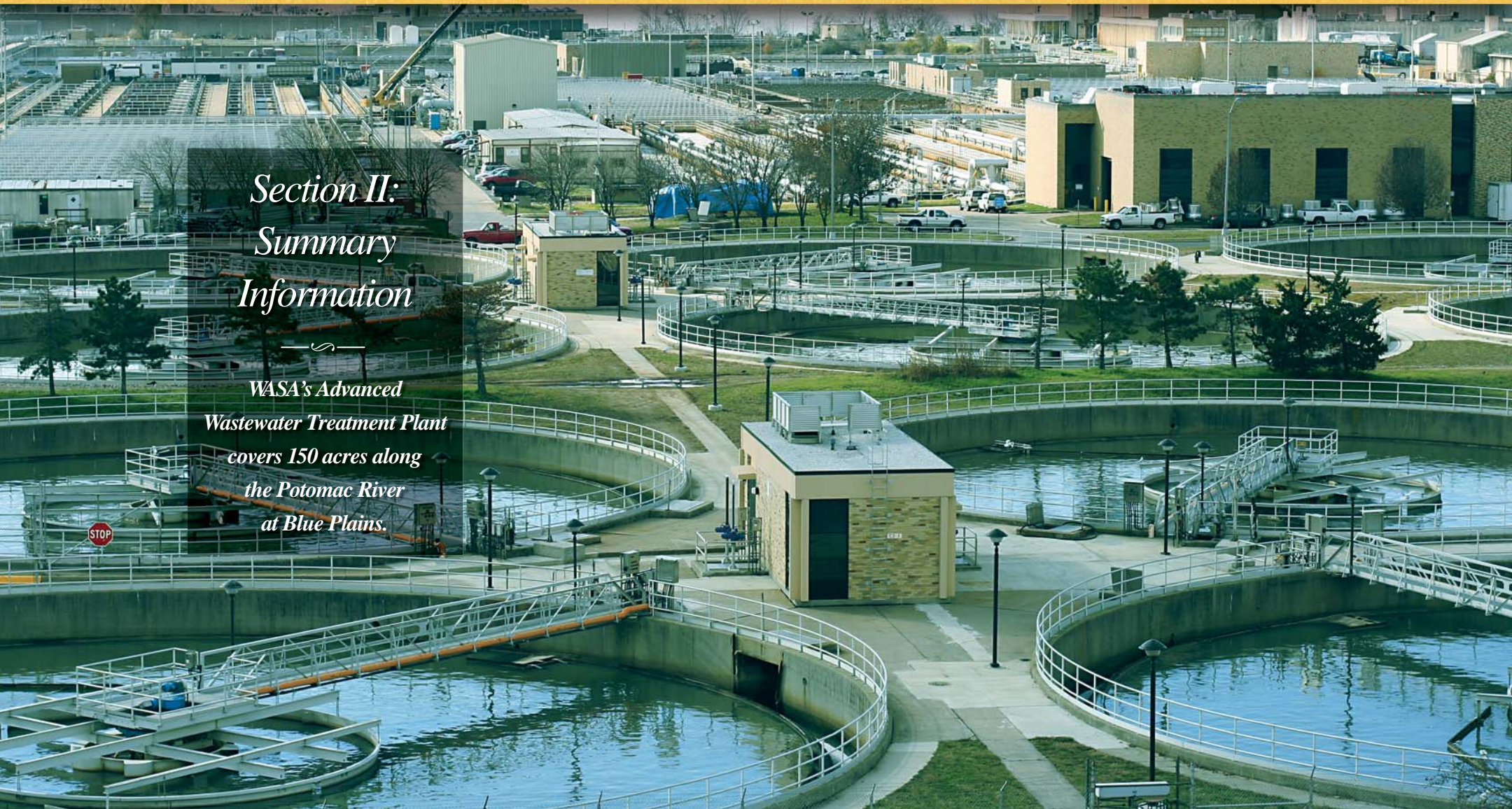
Glenn S. Gerstell, *Chairman*

Jerry N. Johnson, *General Manager*

# Revised FY 2007 And Proposed FY 2008 Operating Budgets

## *Section II: Summary Information*

*WASA's Advanced  
Wastewater Treatment Plant  
covers 150 acres along  
the Potomac River  
at Blue Plains.*



## 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:** 570, 000 in the District of Columbia (2003)  
Over 1.6 million in Maryland and Virginia

### Operation and Facilities:

**No. of Positions:** 1,128 (FY 2007 Revised)

1,124 (FY 2008 Proposed)

**Water Pumped:** 111.5 million gallons per day average (FY 2006)

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

**Miles of Water Lines:** 1,300 miles

**Wastewater Treated:** 311 million gallons per day average (FY 2006)

**Wastewater Capacity:** 370 million gallons per day (permitted)

**Miles of Sewer Lines:** 1,800 miles

### Financial Information:

**Bond Ratings:** Aa3/AA-/AA-

**FY 2007 Revenue:** \$305.0 million

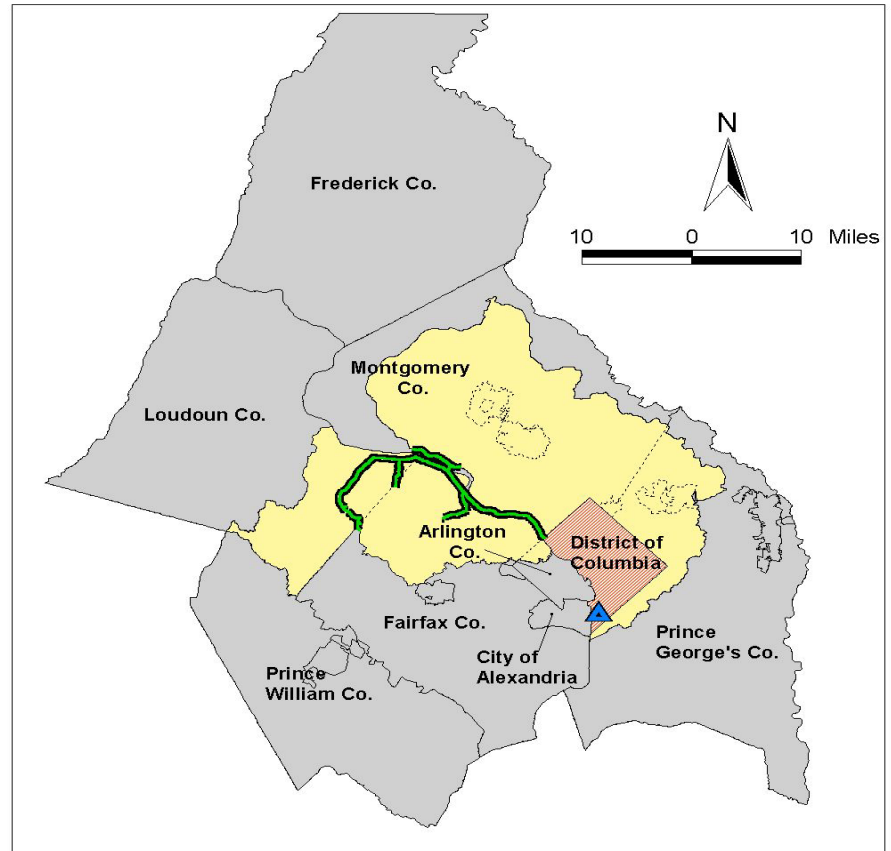
**FY 2007 Operating Budget:** \$311.2 million

**FY 2007 Capital Budget:** \$223.9 million



## Service Area

### District of Columbia-Water and Sewer Authority (DCWASA)



#### Legend Facilities managed by & Service Areas served by DCWASA

-  Blue Plains Wastewater Treatment Plant
-  Potomac Interceptor
-  Jurisdictional Boundaries
-  DC Water Distribution & Sewage Collection Systems
-  Blue Plains Service Area (suburban portion)
-  Blue Plains Service Area (DC portion)

Prepared for DCWASA by Department of Environmental Programs  
Metropolitan Washington Council of Governments  
Created on: February, 2001

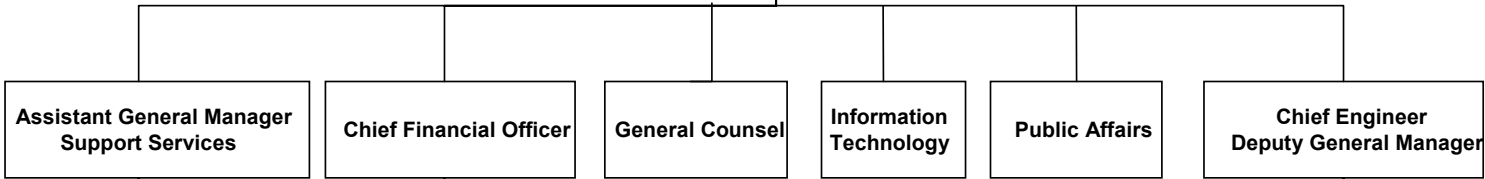
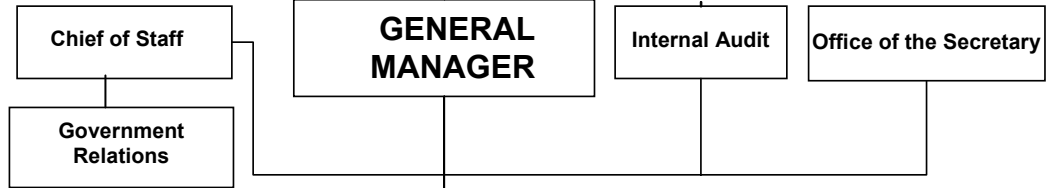
**Note:** WASA's service area covers the District of Columbia and portions of Montgomery and Prince George's Counties in Maryland, and Fairfax and Loudoun Counties in Virginia.



POSITIONS				
FY 2006			FY 2007	FY 2008
Average Authorized	Year-End Positions Filled	Year-End Positions Filled		
1,134	924	933	1,128	1,124

**FY 2008  
Operating Budget  
\$341,186,000**

**BOARD OF DIRECTORS**

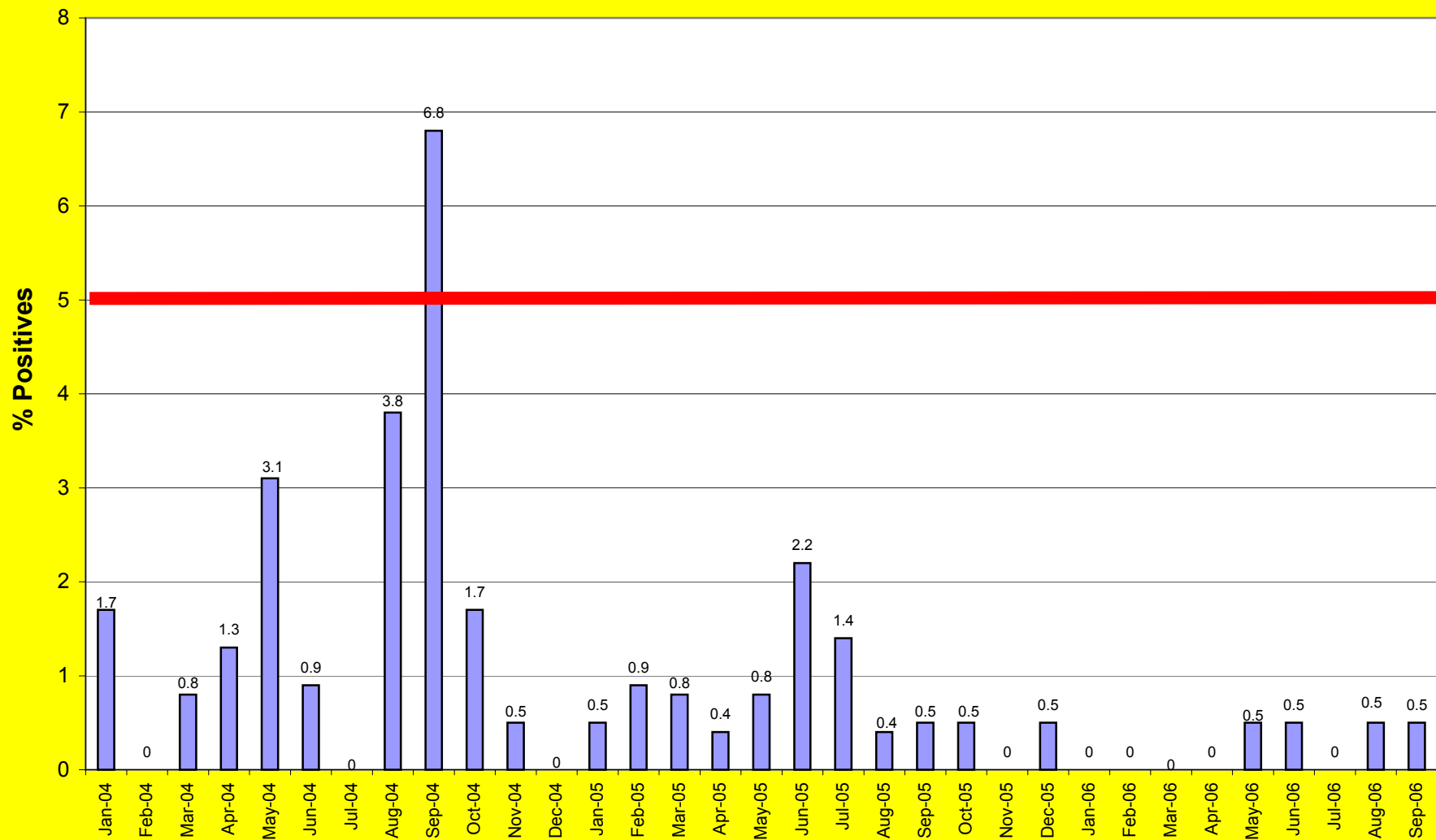


## PRIMARY WASA PERFORMANCE MEASURES & TARGETS

Description	Performance Target	FY 2006 Actual Performance	FY 2007 Target
<b>Customer Service</b> <ul style="list-style-type: none"> <li>• Meter Reading Accuracy Rate</li> <li>• Calls Answered on Non-Peak Days</li> </ul>	<ul style="list-style-type: none"> <li>• 99.9% for AMR meters</li> <li>• 97% serviced in 2 minutes</li> <li>• 85% serviced in 40 seconds</li> </ul>	<ul style="list-style-type: none"> <li>• 99.9% for AMR meters</li> <li>• 94% serviced in 2 minutes<sup>1</sup></li> <li>• 85% serviced in 40 seconds</li> </ul>	<ul style="list-style-type: none"> <li>• 99.9% for AMR meters</li> <li>• 97% serviced in 2 minutes</li> <li>• 85% serviced in 40 seconds</li> </ul>
<b>Water System</b> <ul style="list-style-type: none"> <li>• Drinking Water Quality</li> <li>• Response Time for Water Main Breaks</li> <li>• Percent of Fire Hydrants in Service</li> </ul>	<ul style="list-style-type: none"> <li>• Meet or surpass EPA requirements</li> <li>• Respond to 95% in less than 45 minutes and repair 90% in ten days</li> <li>Repaired 84% of mains within ten days</li> <li>• 99%</li> </ul>	<ul style="list-style-type: none"> <li>• 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 with 47% of results received</li> <li>• Responded to 4,401 EMERG service orders, of which 3,248 (74%) were responded to within 45 minutes</li> <li>• Repaired 380 leaking mains, of which 278 (73%) were repaired within 10 days</li> <li>• 99%</li> </ul>	<ul style="list-style-type: none"> <li>• Continue compliance with all EPA drinking water requirements</li> <li>• Respond to 95% within 45 minutes</li> <li>• Repair 90% in ten days</li> <li>• 99%</li> </ul>
<b>Wastewater System</b> <ul style="list-style-type: none"> <li>• EPA Wastewater Quality Standards</li> <li>• Catch Basin Cleaning</li> </ul>	<ul style="list-style-type: none"> <li>• 100% compliance with EPA wastewater quality standards</li> <li>• 25,000 per year</li> </ul>	<ul style="list-style-type: none"> <li>• 100 % compliance with EPA wastewater quality standards</li> <li>• 25,417 per year</li> </ul>	<ul style="list-style-type: none"> <li>• 100% compliance with EPA wastewater quality standards</li> <li>• 25,000 per year</li> </ul>
<b>Financial</b> <ul style="list-style-type: none"> <li>• Senior Debt Service Coverage</li> <li>• Operating Cash Reserves</li> <li>• Net Operating Results (Cash Basis)</li> </ul>	<ul style="list-style-type: none"> <li>• 140% Board policy                             <ul style="list-style-type: none"> <li>– 476% - 2006 projection</li> </ul> </li> <li>• 6 months O&amp;M expenses – Board policy                             <ul style="list-style-type: none"> <li>– \$97.7 million - 2005 projection</li> </ul> </li> <li>• Surpass budget                             <ul style="list-style-type: none"> <li>– \$8.7 million target – 2005 projection</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• 504% (after transfer to rate stabilization fund)</li> <li>• \$106.9 million – Board policy</li> <li>• \$20.2 million (cash basis). Surpassed budget</li> </ul>	<ul style="list-style-type: none"> <li>• 140% Board policy</li> <li>• \$111.3 million - Board policy</li> <li>• \$13.6 million target (surpass budget)</li> </ul>

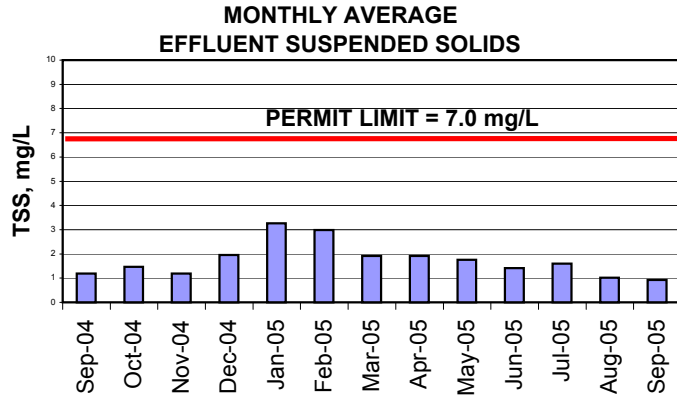
(1) The Call Center experienced a high vacancy rate during the beginning of the fiscal year due to attrition; at that time, recruitment efforts were underway for approximately 25 percent of the Call Center staff. Excluding October and November statistics, the response rate is 95 percent for the remaining months.

**DC DRINKING WATER TOTAL COLIFORM RESULTS  
2004 - 2006**  
EPA Maximum Contaminant Levels = 5% positives per month

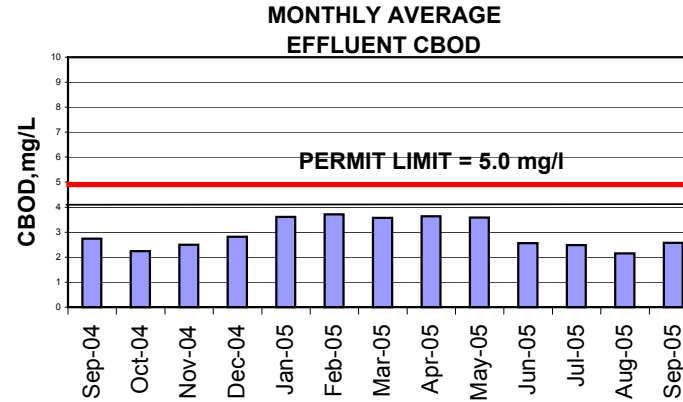


NOTE: The September 2004 exceedance appears to be related to the Aqueduct's addition of orthophosphate to address lead in drinking water issues.

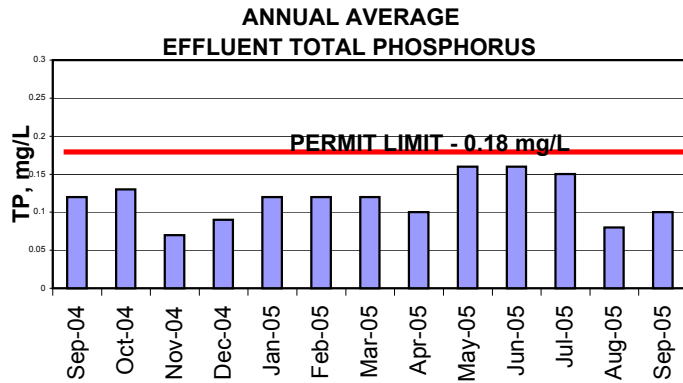
**BLUE PLAINS WASTEWATER TREATMENT PLANT  
PLANT EFFLUENT QUALITY  
SEPTEMBER 2005 - SEPTEMBER 2006**



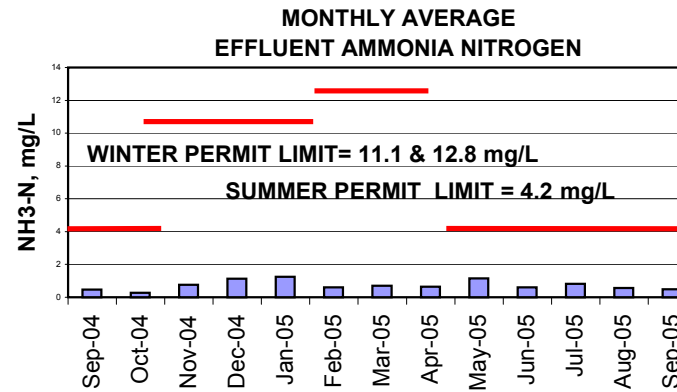
Effluent Total Suspended Solids (TSS) is a measure of the amount of solid materials that remains suspended after treatment.



Carbonaceous Biochemical Oxygen Demand (CBOD) is a measure of the amount of dissolved oxygen required for the decomposition of organic materials.



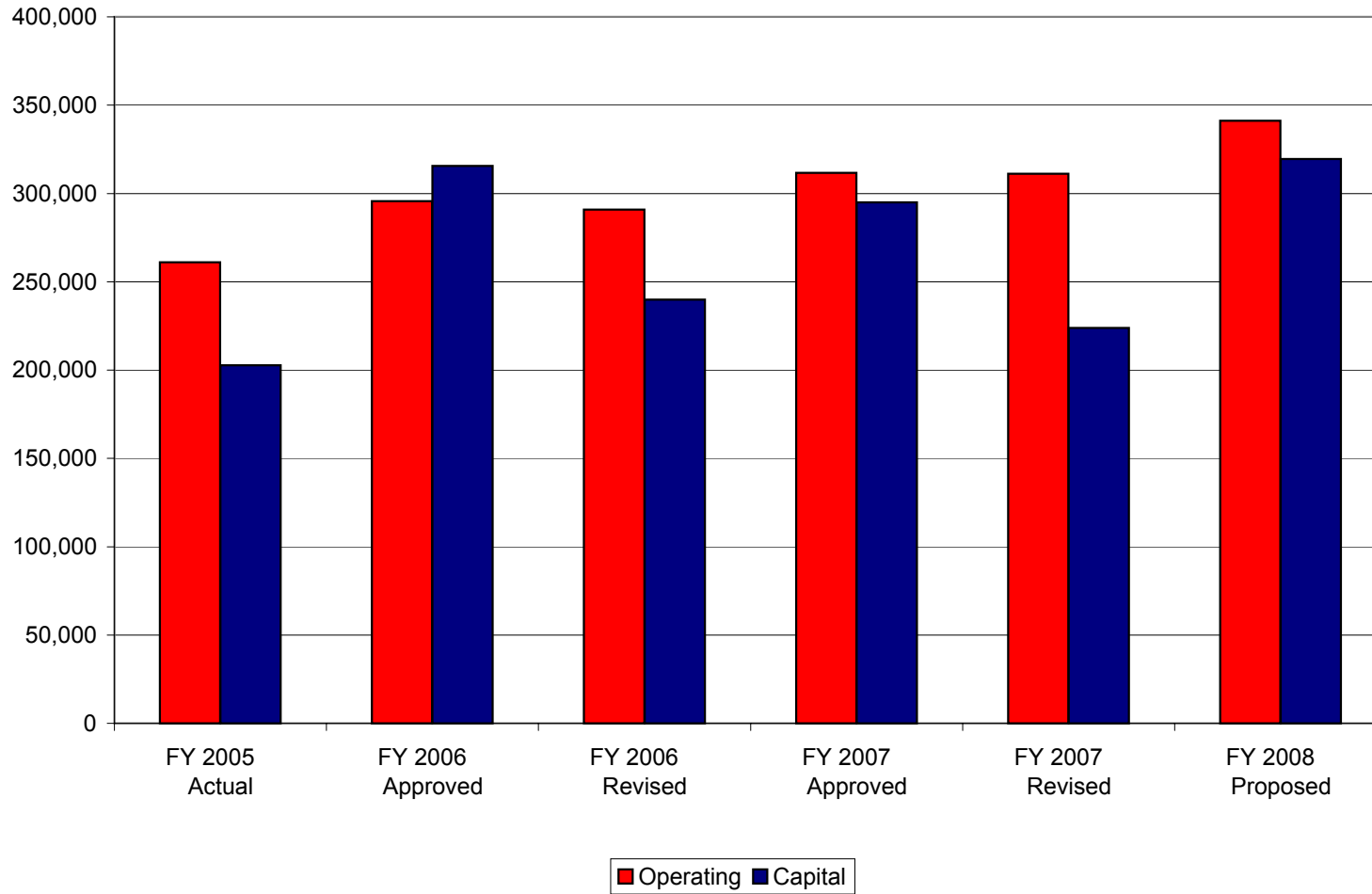
The total Phosphorus (TP) is a measure of the particulate and dissolved phosphorus in the effluent.



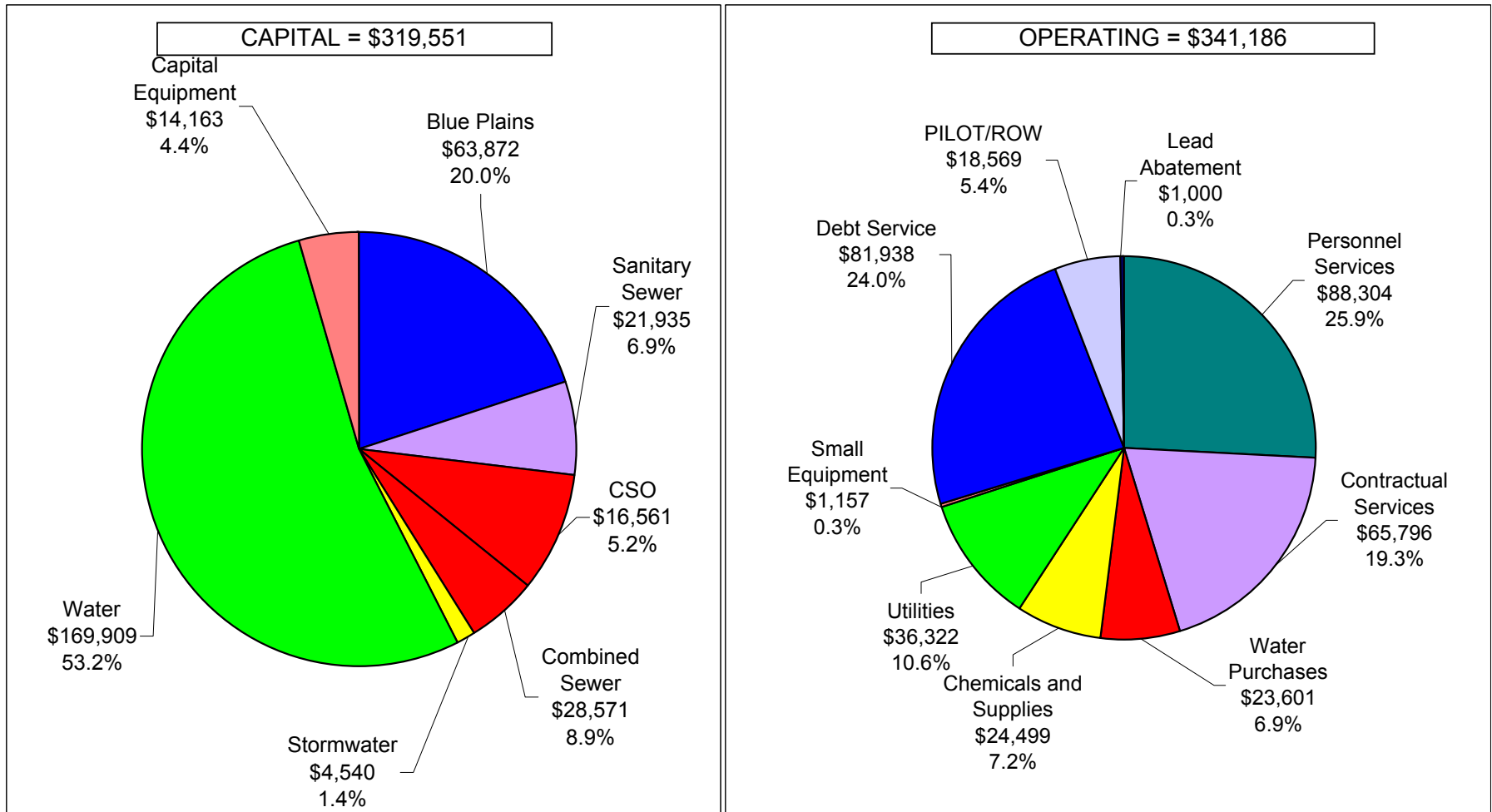
The Ammonia Nitrogen (NH<sub>3</sub>-N) is a measure of the nitrogen found in ammonia.



# Operating and Capital Expenditures FY 2005 - FY 2008 (\$000's)



## FY 2008 Proposed Budget (\$000's)



**Comparative Expenditures**  
(\$000's)

	<b><u>FY 2005 ACTUAL</u></b>	<b><u>FY 2006 APPROVED</u></b>	<b><u>FY 2006 REVISED</u></b>	<b><u>FY 2007 APPROVED</u></b>	<b><u>FY 2007 REVISED</u></b>	<b><u>FY 2008 PROPOSED</u></b>
<b><u>CAPITAL (Cash Disbursements Basis)</u></b>						
Blue Plains	92,690	104,170	86,338	103,199	50,978	63,872
Sanitary Sewer	8,767	42,749	17,974	28,651	11,037	21,935
Combined Sewer	13,621	40,691	21,213	24,069	23,303	28,571
Combined Sewer Overflow Long Term Control Plan	-	5,170	9,750	15,060	16,935	16,561
Stormwater	2,059	4,574	1,800	4,481	3,277	4,540
Water	76,222	105,886	88,196	106,351	99,740	169,909
Capital Equipment	9,360	12,443	14,543	13,097	18,659	14,163
<b>Total Capital</b>	<b><u>202,719</u></b>	<b><u>315,683</u></b>	<b><u>239,814</u></b>	<b><u>294,909</u></b>	<b><u>223,929</u></b>	<b><u>319,551</u></b>
<b><u>OPERATING</u></b>						
Personnel Services	71,720	81,751	80,955	85,233	83,516	88,304
Contractual Services	57,184	62,306	62,177	63,400	64,330	65,796
Water Purchases	19,625	18,916	19,413	19,995	23,601	23,601
Chemicals and Supplies	20,038	18,592	20,606	20,688	23,316	24,499
Utilities	25,555	28,316	30,161	30,383	34,988	36,322
Small Equipment	448	970	982	1,102	981	1,157
Lead Abatement	2,111	5,301	1,700	-	1,700	1,000
Total O&M	196,683	216,152	215,994	220,802	232,433	240,679
Debt Service	48,085	62,579	57,959	73,090	61,203	81,938
Payment in Lieu of Taxes/ Right of Way	16,307	16,979	16,923	17,751	17,514	18,569
Subtotal Operating	261,074	295,710	290,876	311,643	311,150	341,186
Personnel Services charged to Capital Projects	(7,683)	(9,349)	(9,349)	(9,816)	(8,000)	(8,400)
<b>Total Operating</b>	<b><u>253,392</u></b>	<b><u>286,361</u></b>	<b><u>281,527</u></b>	<b><u>301,826</u></b>	<b><u>303,150</u></b>	<b><u>332,786</u></b>

# CASH FLOW SUMMARY

(\$000's)

	FY 2006 Actual	FY 2007 Approved Budget	FY 2007 Revised Budget	FY 2008 Proposed Budget
<b>OPERATING BUDGET</b>				
<b>Operating Receipts:</b>				
Residential, Commercial & Multi-Family	\$ 159,535	\$ 163,167	\$ 162,170	\$ 172,583
Federal	28,966	29,246	29,246	31,634
Municipal	6,653	7,111	7,167	7,627
D.C. Housing Authority	6,172	6,532	6,607	7,031
Metering Fee	5,316	5,300	5,300	5,300
Transfer in from Rate Stabilization Fund		4,000	2,500	17,800
<i>Subtotal Retail</i>	\$ 206,642	\$ 215,356	\$ 212,990	\$ 241,975
<i>Wholesale</i>	49,694	54,323	55,778	57,246
<i>Other Operating Receipts</i>	39,902	35,995	36,241	37,134
<b>Total Operating Receipts</b>	\$ 296,238	\$ 305,674	\$ 305,009	\$ 336,355
<b>Operating Disbursements</b>				
Personnel Services	\$ 69,059	\$ 75,884	\$ 75,516	\$ 79,904
Contractual Services	48,677	63,399	66,031	66,796
Chemicals & Supplies	24,759	20,688	23,315	24,498
Utilities & Rent	28,181	30,383	34,988	36,322
Water Purchases	21,105	19,995	23,601	23,601
Small Equipment	893	1,102	981	1,157
<i>Subtotal Operations &amp; Maintenance</i>	\$ 192,674	\$ 211,451	\$ 224,432	\$ 232,278
Payment in Lieu of Taxes / Right of Way Fee	16,923	17,751	17,514	18,445
Debt Service	43,587	61,977	58,658	73,885
<b>Total Operating Disbursements</b>	\$ 253,184	\$ 291,179	\$ 300,604	\$ 324,608
<b>Operating Surplus (Cash)</b>	\$ 43,054	\$ 14,495	\$ 4,405	\$ 11,747
<b>CAPITAL BUDGET (See Section 6 for more details)</b>				
Sources of Capital Funds	\$ 171,070	\$ 283,940	\$ 210,323	\$ 317,668
Uses of Capital Funds	191,283	294,909	223,929	319,551
<b>Pay-As-You-Go Financing</b>	\$ (20,213)	\$ (10,969)	\$ (13,606)	\$ (1,883)
<b>CASH RESERVES:</b>				
<b>Beginning O&amp;M Reserve Balance (Net of Rate Stabilization Fund)</b>	\$ 116,268	\$ 128,424	\$ 128,424	\$ 111,315
Operating Surplus	43,054	14,495	4,405	11,747
Wholesale Customer Refunds/Payments for Prior Years	23,202	-	(3,483)	-
Transfer to Rate Stabilization Fund	(27,000)	-	-	-
Prior Year Right of Way Payment	-	-	-	-
Prior Year Federal Billing Reconciliation	(6,887)	(1,918)	(4,425)	(5,386)
Pay-As-You-Go Capital Financing	(20,213)	(10,969)	(13,606)	(1,883)
<b>Ending O&amp;M Reserve Balance (Net of Rate Stabilization Fund)</b>	\$ 128,424	\$ 130,032	\$ 111,315	\$ 115,793
<b>Rate Stabilization Fund (Year-End Balance)</b>	\$ 58,500	\$ 27,500	\$ 56,000	\$ 38,200

## **ACCOUNTING AND BUDGET PROCESSES**

### **Basis of Accounting**

The Authority 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. The Authority's expenditure budget is prepared on a comparable basis to GAAP, with the exception of debt service that is budgeted in full when due, including principal and interest (depreciation is not budgeted.) Depreciation and interest expense are recorded as expenses for financial statement purposes.

### **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 the Authority'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, 2006) and a proposed budget for the next fiscal year (e.g., beginning October 1, 2007). 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 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 Authority'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.

## **WASA HISTORY & GOVERNANCE**

The District of Columbia Water and Sewer Authority (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 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 the Authority. 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 Authority 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 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 2008 Budget Calendar

Month	Event
May 2	Distribute budget preparation materials
May 31	<p><b>FY 2007 – FY 2015 Final Capital Budget Submission due to Budget Office Update on capital program from DETS</b></p> <p><b>Revised FY 2007 &amp; Proposed FY 2008 Operating Budget Submission due to Budget Office</b></p> <p><b>Business Planning</b></p> <ul style="list-style-type: none"> <li>▪ 10-year plan update based on new capital numbers</li> </ul>
June 5 - 16	<b>Departmental meetings with Budget &amp; Finance Staff</b>
June – August	<p><b>General Manager’s Budget Reviews</b></p> <ul style="list-style-type: none"> <li>• Departmental and CIP meetings with General Manager</li> </ul>
August 28 – August 31	<ul style="list-style-type: none"> <li>• Final meetings and General Manager’s budget decisions</li> </ul>
September 8	<b>FY 2008 Budget Decision Process Completed</b>
October 11	<b>Budget due to printer</b>
October 19	<p><b>Submit Revised FY 2007 &amp; Proposed FY 2008 Budget to:</b></p> <ul style="list-style-type: none"> <li>• Finance and Budget Committee</li> <li>• Environmental Quality and Operations Committee</li> </ul>
January	<ul style="list-style-type: none"> <li>• <b>Board Adoption</b></li> <li>• <b>Submission to District</b></li> </ul>
June	<b>District Submission to Congress</b>



District of Columbia  
Water and Sewer Authority

Submitted October 26, 2006

Glenn S. Gerstell, *Chairman*

Jerry N. Johnson, *General Manager*

# Revised FY 2007 And Proposed FY 2008 Operating Budgets

*Section III:  
FY 2006–FY 2015*

*Financial  
Plan*

*Operators in WASA's central  
control facility can monitor  
and control virtually all plant  
operations at Blue Plains.*







## WASA KEY FINANCIAL POLICIES

- **DEBT SERVICE COVERAGE** -- WASA will set rates and develop operating and capital budgets that ensure **senior debt service coverage of 140 percent**
  - This coverage level exceeds WASA’s bond indenture requirement of 120 percent senior debt service coverage
- **CASH RESERVES** -- WASA will maintain **cash reserves approximately equivalent to six months’ operating and maintenance expenses**, approximately \$111.3 million in FY 2007.
- **PAY-GO FINANCING OF CAPITAL** -- WASA will finance a portion of its capital program on a **pay-go basis from cash reserves that exceed the operating & maintenance reserve level**.
- **RATE-SETTING PRINCIPLES**
  - 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 WASA achieves its required level of cash reserves, a **rate stabilization fund** will be established **to avoid “rate shock.”** At the end of FY 2006, WASA’s rate stabilization fund totaled \$58.5 million.

# FY 2006 - 2015 FINANCIAL PLAN

## **Overview**

WASA's strong financial performance and its success in achieving and maintaining strong "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 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 2006, WASA met or exceeded the goals set by Board policy and the FY 2005 - 2014 ten-year plan. This budget includes WASA's tenth comprehensive ten-year financial plan, covering FY 2006 – 2015.

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

1. WASA operates under a regulatory and capital project-driven environment that requires a minimum ten-year planning horizon. In order to provide our customers with the best service possible and with gradual and predictable rate increases, 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 WASA to address the major regulatory and capital project issues that will impact service, operations, and rates over the next five to ten years.
2. In accordance with Board policy, 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. Because proposed future rate increases are due primarily to WASA's capital program and the Combined Sewer Overflow Long-Term Control Plan, the development of a ten-year financial plan allows WASA to meet these key goals of full cost recovery and predictability.
3. The Board has directed 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 and guidance in several key financial areas drive the development of the FY 2006 - 2015 financial plan. Given 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 below.

### *Financing and Reserve Policies*

In FY 2004, the Board completed a review of its existing financing policies, reaffirming the core policies. Two modifications were made to the reserves policy, both in accordance with WASA's master trust indenture: 1) Changing the timing of when 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 that also more realistically reflects WASA's annual reserve levels; 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 WASA's independent rate consultants. These changes were reviewed and endorsed by WASA's bond counsel, financial advisors, and rate consultants.

WASA's financing policies are as follows:

1. 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 WASA's long-term capital program.
2. WASA will maintain strong levels of operating cash reserves, equivalent to approximately six months of budgeted operations and maintenance costs, calculated on an average daily balance basis. 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 will, at a minimum, include any reserve requirements contained in WASA's master trust indenture as follows, excluding any debt service reserve funds and the rate stabilization fund:
  - *Operating Reserve* – equivalent to sixty days' operating costs
  - *Renewal & Replacement Reserve* - \$35 million. This reserve requirement will be evaluated every five years by WASA's independent rate consultant in conjunction with the indenture-required system assessment. The next assessment will be performed in 2008.
  - *District of Columbia General Obligation Debt Reserve* – equivalent to ten percent of WASA's share of subsequent year's District general obligation bond debt service
3. WASA will maintain senior debt service coverage of 140 percent, in excess of WASA's indenture requirement of 120 percent. Senior debt service coverage will be calculated in accordance with WASA's indenture.
4. In general, 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.
5. WASA will whenever possible use the least costly type of financing for capital projects, based on a careful evaluation of WASA's capital and operating requirements and financial position for each year.
6. 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*

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. This fund was established in FY 2000 and its balance at the end of FY 2006 was \$58.5 million.

### *Cash Management and Investment Policies*

In December 1997, the Board adopted comprehensive cash management and investment policies. These policies specified the amount of the portfolio allowed in each type of investment and also specified the following investment objectives, in priority order:

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

### ***Major Accomplishments***

The FY 2005 - 2014 financial plan and Board policy set out several financial and organizational goals to be accomplished in FY 2006. *During FY 2006, WASA met or exceeded the financial goals set out by the Board and the FY 2005 - 2014 financial plan.* Senior debt service coverage, reserve levels, and budget performance all met or surpassed Board policies, as discussed in more detail below.

- ★ Implementation of the CSO Long-Term Control Plan (CSO LTCP) began in earnest in 2006 with the Retail Rates Committee endorsement of a new rate structure (impervious rate structure) to fund the LTCP as well as the selection of a program manager and the start of facilities planning and geotechnical work. The twenty-year plan, whose terms are outlined in a consent decree executed in March 2005, is projected to cost \$1.9 billion. See "Combined Sewer Overflow Long-Term Control Plan" for additional details on the projected rate impact of the plan.

- ★ In FY 2006, WASA's Retail Rates committee endorsed a plan to implement an impervious rate structure for CSO and Stormwater cost recovery in FY 2009. An impervious area rate offers the following advantages:
  - Provides a better allocation of cost responsibility than a water/sewer consumption rate relating to managing surface runoff.
  - Applying an impervious area rate structure for both programs in the same way on a citywide basis will improve understanding and sharpen incentives for low impact development.
  
- ★ WASA Board policy requires senior debt service coverage of at least 140 percent, greater than the indenture requirement of 120 percent. **WASA's senior debt service coverage in FY 2006 is projected at 624 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 the Board's 140 percent policy level as capital spending and related debt issuance increase. Subordinate debt service coverage (subordinate debt service includes WASA's subordinated lien revenue bonds, WASA's share of District of Columbia general obligation debt, Little Seneca Reservoir debt, and Jennings Randolph Reservoir debt) in FY 2006 is projected at 272 percent. WASA is required to have 100 percent coverage of subordinate debt service. Combined debt service coverage is projected at 213 percent.
  
- ★ **WASA contributed an additional \$27.0 million to the rate stabilization fund in FY 2006**, raising the balance in this fund to \$58.5 million. This large contribution was due in part to settlement with one of WASA's large wholesale customers, Washington Suburban Sanitary Commission (WSSC) for repayment of a longstanding construction claim and agreement on several smaller cost allocation issues.
  
- ★ WASA Board policy calls for cash reserves (excluding the rate stabilization fund) equivalent to 180 days' operating and maintenance expenses, or approximately \$102.4 million in FY 2006, based on the Board-revised budget. **WASA consistently met this goal during FY 2006, with an average daily balance during the year of \$118.3 million, \$15.9 million greater than the Board's policy.** This year's plan provides for an increase in this reserve to \$111.3 million in FY 2007, in line with the revised FY 2007 operations and maintenance budget.
  
- ★ **WASA continued its strong operating budget performance in FY 2006.** Operating cash receipts surpassed budget by \$6.4 million, or 2.2 percent; operating expenditures are projected at \$13.4 million, or 4.8 percent, less than the Board-revised budget. Although in FY 2006 WASA experienced higher than anticipated (budgeted) costs for electricity and chemicals used for operations driven by rising fuel costs and other market factors, WASA also had significant savings in debt service costs related to lower than anticipated financing cost on the variable rate debt and also a delay of planned debt issuance in FY 2006 to FY 2007.

- ★ Overtime spending was reduced from a high of \$8.7 million in FY 1997 to a projected \$4.9 million in FY 2006, or 6.7 percent of payroll. This reduction continues a trend of significant reductions in overtime costs, from a rate of 23 percent of payroll in the months before WASA was formed.
- ★ WASA implemented a water and sewer rate increase of 5.5 percent in FY 2006. In addition, the Board approved a retail rate increase of 5.0 percent effective October 1, 2006 as well as an increase in the right of way / PILOT fee to recover the full costs of this fee charged to WASA by the District of Columbia government.
- ★ For the fourth consecutive year, WASA received the Government Finance Officers' Award for Distinguished Budget Presentation for its FY 2006 budget submission. WASA also received its ninth unqualified audit opinion for the fiscal year ended September 30, 2005 and anticipates receiving GFOA's Certificate of Achievement for Excellence in Financial Reporting.
- ★ The administrative order on high lead concentrations in drinking water was lifted in 2006 as the change in water treatment process at the Washington Aqueduct has been successful. Implementation of the lead service line replacement program continues, with over 10,500 public lines replaced to date out of an estimated 33,000 – 35,000 total. The ten-year plan includes capital costs for this program, estimated at \$438 million.
- ★ WASA's Board of Directors commissioned an independent consultant to look at governance issues for the Authority. This study was completed in 2006, and noted that the current structure has generally worked well. The study identified certain areas that should be studied further, including control of potable water production (currently managed by the Army Corp of Engineers), stormwater responsibilities, succession planning, and executive development, among others.
- ★ In FY 2006, we successfully renewed all of our insurance policies at essentially the same coverage and terms at a net increase of 2 percent from the previous year, lower than anticipated market increase of 9 percent. We were able to accomplish this by increasing our deductible limit on our property insurance from \$250 thousand to \$1 million.
- ★ WASA completed its second year of the rolling owner-controlled insurance program (ROCIP), under which WASA procures most insurance coverage for most construction contractors. The result is substantially higher insurance coverage levels for all contracts and significant cost savings. At the end of FY 2006, 26 construction contracts and 92 contractors had been enrolled in the ROCIP program (including most of the lead service line replacement contracts), and preliminary savings estimates exceed \$600,000. Over the five year program, WASA anticipates enrolling 120 projects, with estimated savings 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.
- ★ WASA concluded arbitration proceedings on the compensation portion of its collective bargaining agreement in May 2006. This resulted in wage increases as follows:

- FY 2004 – 3%
  - FY 2005 – 3%
  - FY 2006 – 3% plus lump sum merit bonus of 1-2% depending on performance
  - FY 2007 – 3% plus lump sum merit bonus of 1-2% depending on performance
- ★ 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 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 \$7.4 million in September 2006.
  - Implementation of the meter replacement / automated meter reading (AMR) program. WASA is nearing completion of this project, with over 119,000 new meters, or 95 percent of all meters, installed as of September 2006. We retained another contractor in FY 2006 to finish installing the remaining meters, the majority of which are either indoors or are very difficult to access, such as those on federal properties. Over 81 percent of FY 2006 billings were billed via AMR meters.
  - In FY 2006, we implemented the language line, supporting about 93 different languages, which help us communicate with our non- English speaking customers. We also introduced a High Usage Notification Application, which sends email messages and/or telephone messages to customers that experience four successive days of high usage.
- ★ During FY 2006, WASA conducted a cost of service study for our retail customers. The purpose of the study was to determine if projected revenues through proposed rates were sufficient to cover the actual cost of providing water and wastewater services to this customer group. The study conducted by an independent consulting group concluded that WASA's proposed rates adequately reflect its cost of providing services. The study also concluded that WASA's existing rate structure, with the exception of recovering costs related to the implementing of the LTCP and Stormwater, was in line with similar water utilities and adequately meets most of the WASA Board's criteria for rate setting. The consultants recommended a future change in WASA's metering fee to include the full cost of customer service and not just the cost of meter installations.
- ★ IMA renegotiation - 1985, the District signed the Blue Plains Intermunicipal Agreement (the IMA) with the "Users" of the Blue Plains Wastewater Treatment Plant facilities. The User group consists of WASA, District of Columbia, Fairfax County in Virginia, and Montgomery and Prince George's Counties in Maryland. 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. Some of the terms in the 1985 IMA expire in 2010; for example, the Agreement states that

capacity allocations at 370 mgd (peak capacity) remain in effect until 2010. In order to allow ample time to renegotiate any User issues, the Users began negotiations during FY 2006 and will continue discussions until all parties reach a new agreement.

### ***Future Goals***

The proposed FY 2006 - 2015 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.
- ★ Continue implementation of the Board-approved lead service line replacement program.
- ★ Continue implementation of the ten-year \$2.2 billion capital improvement program.
- ★ Begin implementation of the twenty-year, \$1.9 billion CSO Long-Term Control Plan, including rate structure changes.
- ★ Continue implementation of internal improvement plan across WASA
- ★ Continue implementation of major improvements in customer service, including:
  - Complete AMR/meter replacement program
  - Implement other industry-leading billing and customer service options.
- ★ Successfully implement key information technology initiatives, including:
  - Implementation of the *process computer control system* (PCCS) which will automate a substantial number of plant processes and is critical to achieving Blue Plains internal improvement goals. Initial planning and design for this system began in FY 2002.
  - Implementation of a new *asset management system*. By integrating 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.
  - Successive phases and upgrades of the *financial, payroll and human resources information, and customer information and billing systems*



- Evaluation and development of *data redundancy* and related systems to ensure that WASA's mission-critical systems can operate on an uninterrupted basis in the event of an emergency
- ★ Negotiate new collective bargaining agreement to cover period beginning in FY 2008.

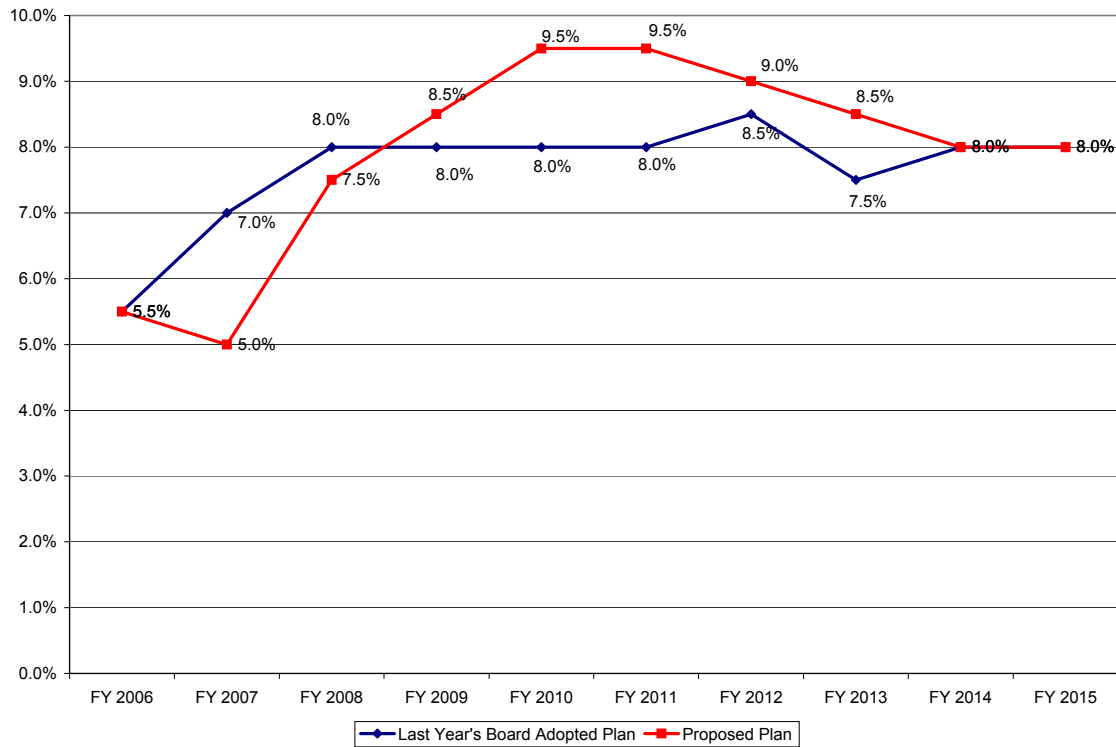
## **Rates**

The proposed rate increases included in the FY 2006 – 2015 financial plan are driven by the following initiatives:

- *Increasing debt service expenditures, driven by WASA's \$2.2 billion capital improvement program (cash disbursements basis)*, approximately the same level as last year's plan.
- *Internal improvement programs* – These plans, currently being implemented at Blue Plains and the Departments of Water and Sewer Services, are projected to result in operating savings, in part due to capital improvements and in part due to management and operational changes. The largest of these plans is at Blue Plains and was originally adopted in 2000. In FY 2006, WASA undertook a study to update the Blue Plains IIP, taking into account progress under the CIP and management changes to date, and the results of this analysis will be factored into next year's ten-year plan.
- The initial phases of WASA's twenty-year *CSO Long-Term Control Plan*, totaling \$434 million (which is included in WASA CIP).
- *Meter replacement / AMR program* – The ten year plan reflects a five percent increase in FY 2007 in the billed consumption attributable to the remaining large federal and commercial meters to be installed over the next one to two years.
- *Continued compliance with Board policies on debt service coverage and reserve levels* -- Projected senior debt service coverage ranges from 149 percent (FY 2015) to 624 percent (FY 2006), above the policy requirement of 140 percent. In addition, cash reserves are maintained at six months' operations and maintenance expenses, growing from \$111.3 million in FY 2006 to \$138.5 million in FY 2015.

Due to these ongoing and new initiatives, from FY 2006 – FY 2015, WASA's water and sewer rates are projected to increase by 5.0 percent to 9.5 percent annually, with cumulative rate increases of 79.0 percent, as shown in the chart below. Projected retail rate increases are higher by 0.5 to 1.5 percent annually over last year's plan due to increases in District ratepayer-funded projects in the CIP and a higher base level of operations and maintenance expenditures, particularly in chemicals and electricity due to the recent trend of rising oil prices. Because of the capital improvement program, debt service is projected to increase on average by 14.3 percent per year, while operations and maintenance expenditures are only projected to increase by 3.5 percent.

### Projected Retail Rate Increases FY 2006 – FY 2015



#### *Proposed FY 2008 Rate & Fee Increase & Structure Changes*

The proposed retail water and sewer rate increase for FY 2008 is 7.5 percent, which allows for gradual and predictable rate increases in future years. In addition, the proposed increase in the right of way / PILOT fee is 6.8 percent, to recover the full amount charged to WASA by the District.

In FY 2006, WASA completed a cost of service study (the last study had been completed in FY 2002.) The study was conducted by WASA's independent rate consultants, and concluded that WASA's current rate structure sufficiently recovered WASA's costs, tracked the Board-approved ten-year plan, and met the Board's rate-setting policies. Near-term recommended changes included potentially increasing the metering fee to recover all customer service related costs and to evaluate the private fire protection fee. (WASA's current retail rate structure is a commodity or usage-based structure, with the exception of the metering fee which is a flat monthly fee set to recover costs associated with metering.)

In addition to the cost of service study, WASA has been evaluating different cost recovery options for the CSO LTCP, which are described in more detail below.

#### *Rate Comparisons to Other Utilities*

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. As shown in the charts in Section IV, WASA's proposed monthly residential bill (including the District's stormwater rate and the PILOT / right of way fee) is slightly less than the average of other utilities in WASA's benchmark group. Without the stormwater and the PILOT / right of way fees, WASA's proposed average monthly residential bill is \$4.74, or nine percent less. The proposed future rate increases over the ten-year planning period are also consistent with those being contemplated by regional and national providers.

#### *Customer Assistance Programs*

In June 2000, the Board adopted a customer assistance program that assists low-income customers in paying their water bills. The program is comprised of two components: a component funded by voluntary contributions from ratepayers (the S.P.L.A.S.H. program); and a component funded by WASA and based on a bill credit for 400 cubic feet of water consumption per month (the Customer Assistance Program, or "CAP"). In 2004, the Board approved expanding the CAP program to single family tenants that meet certain federal income guidelines; previously, the program was limited to homeowners. The ten-year plan assumes a total impact of \$500,000 annually for the expanded program, or 0.2 percent of projected FY 2007 receipts.

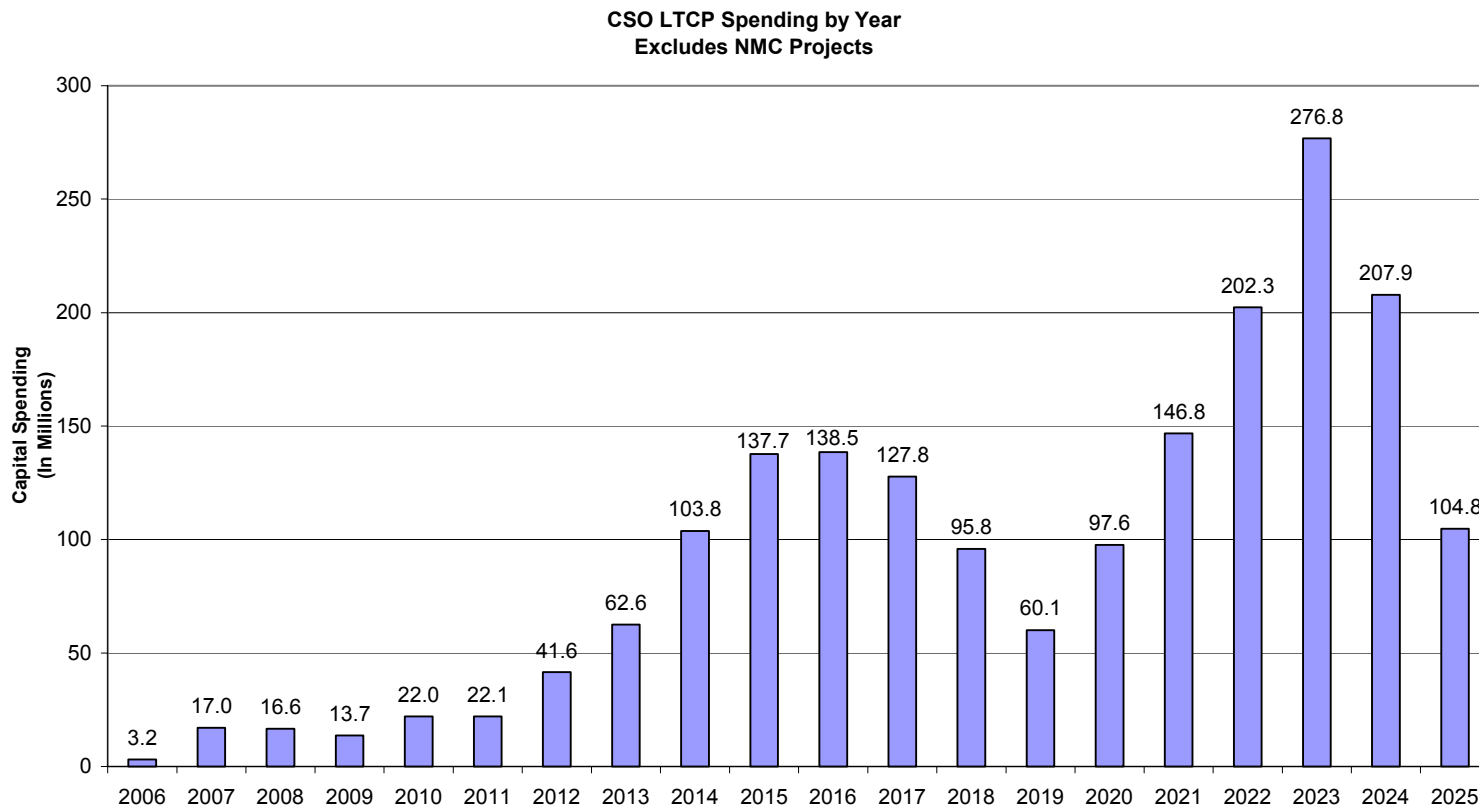
#### *Rate Stabilization Fund*

This year's plan reflects continued funding of the rate stabilization fund, including a contribution of \$27.0 million in FY 2006 due primarily to settlement with one of WASA's large wholesale customers, Washington Suburban Sanitary Commission (WSSC) for repayment of a longstanding construction claim and agreement on several smaller cost allocation issues. The total balance in the fund is currently \$58.5 million. The fund is projected to be fully utilized in FY 2007 through FY 2012 to help level out proposed rate increases in those years. Additional contributions to the rate stabilization fund will be determined each year based on actual financial

performance and the latest ten-year plan. No deposits to the rate stabilization fund will be made unless the Board's six month operating and maintenance reserve policy and all other bond indenture requirements are met.

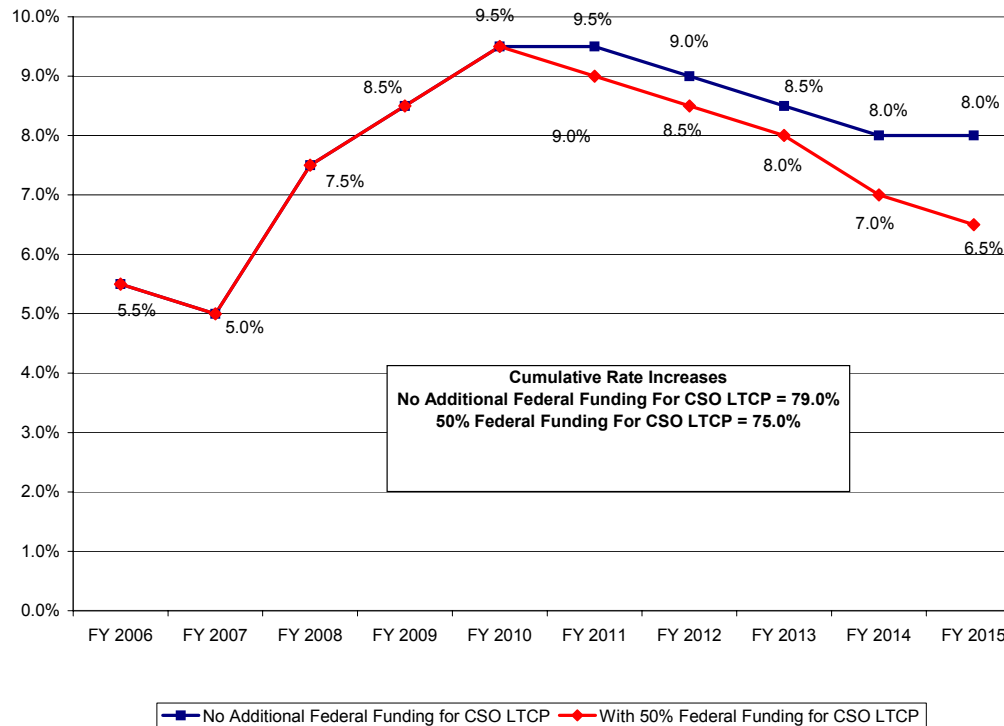
**Combined Sewer Overflow Long-Term Control Plan**

In December 2004, the Board reached agreement with the federal government on the proposed CSO LTCP and entered into a related consent decree. Capital costs for this twenty-year plan total approximately \$1.9 billion with inflation, and this year's plan includes \$434 million of projected CSO LTCP disbursements. Spending in the early years of the plan is significantly less than the latter years, allowing for a gradual rate increase implementation schedule. Projected spending by fiscal year is shown in the chart below.



Because projected spending under the CSO LTCP is somewhat back-loaded, the near-term impact on rates is mitigated. Additionally, if significant federal assistance is provided, rate increases would be lower, as shown in the chart below; the ten-year plan assumes no external funding beyond the special Congressional appropriations WASA has already received, totaling \$91 million. Assuming no additional federal assistance, and based on current rate structure assumptions, at the end of the twenty-year implementation period, the typical residential customer's monthly wastewater bill is projected to be \$110, an increase of 325 percent over the current monthly wastewater bill of \$26.

### Impact of Federal Assistance for CSO LTCP On Projected Rate Increases through FY 2015



In September, the Retail Rates Committee endorsed the concept of an impervious rate structure for CSO cost recovery. Residential customers would be billed on an equivalent billing unit (EBU) concept to simplify administration of this structure and all other classes (commercial, multi-family, federal) would be billed based on actual impervious land area. WASA will begin the more detailed data collection process, in particular through GIS, with the goal of implementation in FY 2009. Compared to a water consumption-based structure, an impervious area structure will cause a shift in the cost allocation between customer classes due to differences in their water use and their land use as shown in the table below.

**Current vs. Impervious Rate Structure  
Impact by Customer Class**

<b>Rate Structure</b>	<b>Single Family Residential</b>	<b>Multi- Family Residential</b>	<b>Commercial</b>	<b>DC Govt</b>	<b>Fed Govt</b>
Current	21%	27%	33%	4%	15%
Impervious Rate	24%	13%	22%	6%	35%

**Revenues**

The revised FY 2007 receipts projection totals \$305.0 million, an increase of \$8.8 million, or 3.0 percent over actual FY 2006 receipts:

- *Residential, commercial and multi-family receipts* are projected to increase by approximately \$2.6 million, or 1.7 percent, due to the Board-approved 5.0 percent rate increase and small increases in consumption due to the projected completion of the AMR project. These increases are offset by one-time collections in FY 2006 that will not be repeated in FY 2007.
- *Federal revenues* are projected to increase by \$0.3 million, as described below.
- *Wholesale receipts* are projected to increase by \$6.1 million reflecting higher budgeted costs at Blue Plains due to electricity and chemicals price increases.
- *Projected utilization of \$2.5 million in rate stabilization fund balances.*
- *Other revenues* are projected to decline by \$3.7 million due to higher than anticipated miscellaneous fee collections in FY 2006 that are not expected to continue into FY 2007.

The proposed FY 2008 receipts projection totals \$336.4 million, approximately \$31.3 million, or ten percent, higher than revised FY 2007 projections. This increase is due primarily to:

- *Proposed water and sewer rate increase of 7.5 percent*
- *Proposed utilization of \$17.8 million in rate stabilization fund balances*
- *Proposed increase in the right of way / PILOT fee for full recovery of this cost*
- *Projected consumption decline, conservatively estimated at one percent annually*

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

*Residential, Commercial & Multi-Family* - FY 2007 projections reflect an increase of \$2.6 million or 1.7 percent from FY 2006, due primarily to the following reasons.

- In FY 2006, WASA's collections on its retail receivables was very strong, with accounts receivable over 90 days declining from \$10.9 million on October 1, 2005 to \$7.4 million as of September 30, 2006. While WASA will continue its aggressive collection efforts, we have conservatively assumed no additional increase in cash receipts due to improved collections performance in 2007.
- Board-approved retail rate increase of 5.0 percent effective October 1, 2006.
- Continued increase in metered consumption reflecting of the meter replacement / AMR program, with a projected five percent increase in the remaining large commercial meters to be installed in 2007.
- Continued implementation of the customer assistance program, which reduces projected revenues by approximately \$0.5 million.

Proposed FY 2008 receipt projections reflect an increase of \$10.4 million, or 6.4 percent, due to the following reasons:

- Proposed rate increase of 7.5 percent.
- One percent decrease in consumption due to projected conservation.
- Continued implementation of the customer assistance program, which reduces projected revenues by approximately \$0.5 million.

*Rate Stabilization Fund Utilization* – The ten-year plan and near-term revenue projections assume utilization of \$2.5 million in FY 2007 and \$17.8 million in FY 2008 of rate stabilization fund balances. Prior years' plans also assumed the use of these funds which is necessary as WASA reaches its peak years of spending in the CIP. Utilization of RSF monies allows WASA to implement future rate increases on a gradual and predictable basis while still meeting Board and indenture policies on cash reserves and debt service coverage.

*Federal* - Revised FY 2007 federal revenues are projected to total \$29.2 million, or \$0.3 million more than FY 2006. 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 2007 billing was prepared in April 2005), 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 2007 estimated vs. actual consumption and rate increases will be included in the FY 2010 billing, prepared in April 2008.) 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 2007 federal revenues reflect the final billing sent to the federal government in April 2005, net of the adjustment for the prior year (FY 2004) reconciliation.

Long-term federal revenue projections reflect an assumed five percent increase in recorded consumption in the remaining meters to be installed under the AMR program. The majority of federal meters are three inches or greater in size.

*Municipal & D.C. Housing Authority* – FY 2007 receipts from the District of Columbia government and the District of Columbia Housing Authority are projected at \$13.8 million, an increase of \$0.9 million. In FY 2008, receipts from these organizations are projected to total \$14.7 million, an increase of \$0.9 million, or 6.4 percent, due to the proposed retail rate increase of 7.5 percent and continued conservation.

*Metering Fee* – Metering fee collections totaled \$5.3 million in FY 2006, and are expected to remain stable in FY 2007 & FY 2008. It recovers the costs associated with installing, operating, and maintaining 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 \$2.01 for a 5/8 inch meter (typical size of a residential customer meter) to \$160 to \$210 for larger meters (typically used for large commercial customers.)

*Right of Way / Payment In Lieu of Taxes Pass-Through Fee* – Similar to other Washington area utilities, WASA has implemented a fee that passes through the costs of the District's right of way fee / payment in lieu of taxes as a separate line item on its bill. In FY 2007, this fee increases by \$1.5 million to \$17.5 million due to the Board's approval of an increase to recover the full cost of the payments WASA makes to the District. In FY 2008, the Board will be considering a proposed 6.8 percent increase in this fee, in line with the increase in the PILOT portion of WASA's payment to the District.

*Wholesale* - 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 2007 wholesale revenues are projected at \$55.8 million. Wholesale revenues are projected to increase by approximately one to three percent annually after FY 2007, consistent with WASA's operating and maintenance expense increase assumption over the ten year period.

*Stormwater* – WASA's FY 2007 and FY 2008 receipts include \$1.7 million and \$1.3 million respectively from the District's stormwater rate that will be used to fund WASA's share of District stormwater permit compliance activities. The stormwater rate was



implemented in July 2001, and appears as a separate line item on WASA's retail customers' bills. In FY 2004, the District received a new stormwater permit that will significantly increase compliance costs for all participating agencies, and accordingly, WASA's FY 2007 share of stormwater revenues reflect a corresponding increase, with a planned reduction in FY 2008 as the District new Department of the Environment takes on more stormwater responsibilities. The FY 2006 - 2015 financial plan assumes that all incremental costs borne by WASA for stormwater permit compliance activities will be covered by the stormwater rate approved by City Council, and that no WASA funds will be advanced to pay for these activities.

Other major assumptions underlying the revenue projections contained in the FY 2006 - 2015 financial plan include:

- Five percent increase in recorded consumption in 2007 for the remaining large federal and commercial meters to be installed as part of the AMR program. From FY 2008 – FY 2015, a one percent reduction in water sales is assumed for all customer categories, based on historical trends in consumption levels.
- One to three percent annual increase in revenues from wholesale customers between FY 2008 and 2015, consistent with operating and maintenance expense increase assumptions and the goals of the Blue Plains internal improvement plan.
- Based on the current interest rate environment, interest projections conservatively assume a 4.0 percent earnings rate in FY 2007 and FY 2008 on operating funds. Beyond FY 2008, interest rates are assumed at 5.0 percent.
- The majority of other non-operating revenues, totaling \$11.4 million in FY 2007, are projected to remain relatively stable over 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 - \$0.8 million
  - WASA's share of the District's stormwater fee - \$1.7 million
  - Fire protection fee that was adopted by the Board in January 2000 and is charged to the District of Columbia government - \$1.9 million
  - Recovery of indirect costs from WASA's IMA partners – \$3.0 million - this reflects recovery of indirect costs on capital projects (e.g., costs for Finance and Budget, General Counsel, and Human Resources functions). FY 2006 revenues were higher than anticipated at \$5.0 million.
  - Other miscellaneous fees and charges, including service line replacements, developer-related fees, etc. - \$4.0 million

## Operating Expenditures

Due to WASA's \$2.2 billion capital improvement program, debt service is the fastest growing area of expenditure in the ten-year plan, growing at an average annual rate of 14 percent, from 17 percent of expenditures in FY 2006 to 35 percent in FY 2015. All other operating expenses are projected to grow at an average annual rate of 3.5 percent, due to implementation of internal improvement plans that are projected to result in operating savings.

The following chart provides detail for the FY 2007 and FY 2008 operating budgets.

COMPARISON OF FY 2007 & FY 2008 OPERATING BUDGETS  
(In \$000's)

	FY 2007 APPROVED	FY 2007 REVISED	Percent Change	FY 2008 PROPOSED	Percent Change
Personnel Services	85,233	83,516	-2.0%	88,304	5.7%
Contractual Services	63,400	64,330	1.5%	65,796	2.3%
Water Purchases	19,995	23,601	18.0%	23,601	0.0%
Chemicals & Supplies	20,688	23,316	12.7%	24,499	5.1%
Utilities	30,383	34,988	15.2%	36,322	3.8%
Small Equipment	1,102	982	-10.9%	1,157	17.8%
Lead Abatement	-	1,700	100.0%	1,000	-41.2%
<b>Subtotal Operations &amp; Maintenance</b>	<b>220,801</b>	<b>232,433</b>	<b>5.3%</b>	<b>240,679</b>	<b>3.5%</b>
Debt Service	73,090	61,203	-16.3%	81,938	33.9%
PILOT / Right of Way Fee	17,751	17,514	-1.3%	18,569	6.0%
<b>Subtotal Debt Service &amp; PILOT / ROW</b>	<b>90,841</b>	<b>78,717</b>	<b>-13.3%</b>	<b>100,507</b>	<b>27.7%</b>
<b>TOTAL OPERATING</b>	<b>311,642</b>	<b>311,150</b>	<b>-0.2%</b>	<b>341,186</b>	<b>9.7%</b>
<b>Less Personnel Services Charged to Capital Projects</b>	<b>(9,816)</b>	<b>(8,000)</b>	<b>-18.5%</b>	<b>(8,400)</b>	<b>5.0%</b>
<b>TOTAL NET OPERATING</b>	<b>301,826</b>	<b>303,150</b>	<b>0.4%</b>	<b>332,786</b>	<b>9.8%</b>

The revised FY 2007 budget totals \$311.1 million, slightly lower than the Board-approved FY 2007 budget. While operations and maintenance expenditures increases by 5.3 percent, debt service costs were reduced by 16 percent, due to a continuing favorable interest rate environment and slightly lower than projected capital spending. A description of the assumptions and major issues in each major expenditure category follows.

- **Personnel service expenditures** are \$1.7 million, or 2.0 percent less than the approved FY 2007 budget. This decrease is primarily due to more realistic vacancy rates as the number of filled positions has declined significantly in recent years. These budgeted savings are slightly offset by projected compensation increases of five percent Authority-wide, which covers all projected increases in personnel services, including projected increases in health insurance premiums, pay for performance and other compensation increases for union and non-union employees, and other components such as step increases. This budget includes the three percent cost of living increase and one to two percent merit increase for union employees included in the latest collective bargaining agreement.
- **Contractual service expenditures** increase by \$0.9 million, or 1.5 percent, over the approved FY 2007 budget due primarily to a new security services contract for all WASA facilities.
- **Water purchase expenditures** increase by \$3.6 million, or 18 percent, due to higher operating costs at the Washington Aqueduct primarily due to increased cost of chemicals and utilities.
- **Chemicals and supplies expenditures** increase by \$2.6 million, or 12.7 percent, from the approved FY 2007 budget due to higher unit prices for the majority of chemicals used at Blue Plains, in large part due to rising oil and energy prices.
- **Utilities expenditures** increase by \$4.6 million, or 15.2 percent, primarily due to electricity. In February 2005 as part of the deregulation process in the District of Columbia, Pepco's cap on electricity generation charges expired, exposing WASA to the deregulated power market and ultimately, significant price increases. In summer 2005, WASA entered into a five-year contract for generation that allows WASA to lock in blocks of power at a fixed price when futures pricing meets budget targets. To the degree that WASA does not lock in blocks, pricing is established each day at market rates with direct pass-through of all costs. The contract includes an enhanced process for block power purchases that gives WASA access to the wholesale market and provides more transparency in reviewing the bids from wholesalers. Prices have been extremely volatile in FY 2006, due to rising oil prices, heavy global demand for power and oil, and the aftereffects of Hurricanes Katrina and Rita. The revised FY 2007 budget reflects these market factors with electric generation and transmission prices estimated at an annual average price of \$79 per megawatt hour.
- **Lead abatement expenditures** – The revised FY 2007 budget includes \$1.7 million for various administrative and legal costs associated with ongoing lead program activities that last year's budget had assumed would be completed.

The proposed FY 2008 budget totals \$341.2 million, a 9.7 percent increase over the revised FY 2007 budget, primarily due to increased debt service for the capital program. The FY 2008 operations and maintenance budget (net of debt service, the payment in lieu of taxes, and the right of way fee) increases by 3.5 percent, with the increase due primarily to projected compensation increases and projected inflationary increases in contractual services, utilities, and chemicals and supplies. Specific information regarding each department is included in Section 7.

Beginning in FY 2009, the ten year financial plan reflects the following major assumptions:

- One to two percent increase over proposed FY 2008 levels in most expense categories, reflecting implementation of the Blue Plains and other departmental internal improvement programs.
  - Beginning in FY 2012, operating expenses are projected to increase by three percent, reflecting completion of the internal improvement programs.
- Three percent increase in water purchase costs, based on projected Washington Aqueduct budget trends.
- Payment in lieu of taxes (PILOT) to the District of Columbia increases at the same rate as 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 2006 - 2015 financial plan funds total capital disbursements of \$2.2 billion, approximately the same size as last year's ten-year plan. The permanent financing of 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 WASA debt and pay-go financing from operations. The amount of pay-go financing is equal to the amount available after fully funding the six months' operating reserve and meeting Board policies on the level and timing of rate increases and debt service coverage.

During FY 1999, 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:

- *Utilize available pay-as-you-go financing to pay down higher cost, taxable U.S. Treasury notes for the Washington Aqueduct* Rather than permanently funding WASA's share of Aqueduct improvements with higher cost, taxable U.S. Treasury notes, WASA uses available pay-go funds, prepaying all outstanding Treasury notes, totaling \$59 million at the end of FY 2004.
- *Establish an interim financing program to finance construction* – In early FY 2002, WASA developed a \$100 million commercial paper program for this purpose which has been extremely successful. We expect that remaining Series 2004 proceeds will not be fully spent until the first quarter of FY 2007, when we will begin utilizing our commercial paper program again.
- *Issue permanent financing every twelve to 24 months to take out interim financing proceeds.*

Additional details on each financing source are described below.

	<b>FY2006 - 2015 PLAN</b>	<b>Percent</b>
	<b>TOTAL</b>	<b>of Total</b>
EPA Grants / CSO Appropriations	\$ 276,147,000	12.5%
Wholesale Capital Payments	358,169,414	16.3%
Revenue Bonds / Commercial Paper	1,482,520,890	67.3%
Pay-Go Financing	61,493,090	2.8%
Interest Income on Bond Proceeds	25,131,872	1.1%
<b>TOTAL SOURCES</b>	<b>\$ 2,203,462,266</b>	<b>100.0%</b>

1. **EPA Grants** - 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 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, WASA has received \$91 million in Congressional appropriations for the CSO LTCP.

This line item also includes an anticipated \$32.5 million reimbursement from the District related to planned costs to be incurred by WASA for facilities relocation tied to the stadium construction, as fully described in section I

2. **Wholesale Capital Payments** - Nearly 60 percent of the capacity of 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.
3. **Revenue Bonds/ Commercial Paper** – Debt issuance represents 67 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 1998, WASA's debt to plant ratio was 39 percent, and, based on the current capital improvement program, is projected to increase to 60 percent through FY 2015. In addition, debt service as a percentage of total operating expenditures remains at or below 35 percent or less through the ten-year planning period, even with substantial new debt issuance projected during this period.
4. **Pay-Go (Internal) Financing** - The amount transferred from operations to the capital program each year is equal to the amount remaining in cash reserves after the six month operating and maintenance reserve and rate stabilization fund goals have been satisfied. Approximately three percent of total funding for the FY 2006 - 2015 plan is projected to come from pay-go financing, which strikes an appropriate balance between maintaining moderate debt levels and financing provided by current ratepayers. Pay-go 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 2007 & 2008 Debt Issuance Plans & Debt Service Assumptions*

WASA successfully issued \$295 million of subordinate lien revenue bonds in August 2004. These bonds were issued as auction rate securities which carry short-term variable rates. In FY 2006, the simple average interest rate was 3.20 percent. Since inception and through September 2006, the simple average interest rate was 2.53 percent, significantly less than fixed rate debt. As noted above, based on current capital spending projections, WASA projects that Series 2004 proceeds will last through the first quarter of FY 2007, after which the commercial paper program will be utilized. We expect that the next permanent financing, which we anticipate issuing as senior lien, fixed rate revenue bonds, will be issued in late spring / early summer 2007. We expect that the size of this bond issue will be in the \$300 million range, covering all of FY 2007 new money needs as well as the first 6-9 months of FY 2008 needs. In late FY 2008, we would begin utilization of the commercial paper program again, with the next permanent financing occurring sometime in FY 2009.

Our interest rate assumption on new bond issues in FY 2007 and beyond is 6.5 percent, in line with historical interest rate trends although substantially higher than current market conditions. On variable rate debt (i.e., the Series 2004 auction rate securities and commercial paper), the ten year plan assumes interest rates of four percent through the life of the plan, plus ongoing fiscal charges for broker-dealers, ratings, etc. This assumption is based on average short-term rates since 1981. 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 \$261.2 million at the end of FY 2006. As described below, this includes \$58.5 million for rate stabilization and \$74.3 million for the special Congressional appropriation WASA received in FY 2003 through FY 2006 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 levels, with the operating and maintenance reserve totaling \$111.3 million in FY 2007 and growing to approximately \$138.5 million in FY 2015, based on projected growth in operations and maintenance expenses.

In FY 2004, 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 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 WASA's independent rate consultants.

WASA's base six month operating reserve includes the following components:

<b>PROJECTED FY 2007 YEAR-END CASH RESERVES (1)</b>	
(In 000's)	
<hr/>	
<b>BOARD-ADOPTED OPERATING RESERVE (180 Days O&amp;M)</b>	
60 Day Operating Reserve (Indenture-Required)	\$ 34,366
Renewal & Replacement Reserve (Indenture-Required)	35,000
District of Columbia General Obligation Reserve	529
Undesignated Reserve	41,421
<b>TOTAL OPERATING RESERVE</b>	<u>\$ 111,316</u>
Reserve for Rate Stabilization Fund	56,000
<b>TOTAL OTHER RESERVES</b>	<u>\$ 56,000</u>
<b>TOTAL CASH RESERVES</b>	<u><u>\$ 167,316</u></u>

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

*Indenture-Required Operating Reserve* - This reserve is required by WASA's bond indenture and is equivalent to two months' operations and maintenance expenses from the prior year, or approximately \$34.4 million in FY 2007 based on the revised FY 2006 budget (audited financial results will not be completed until December 2006.)

*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. As noted above, the level of this reserve will be reviewed every five years by 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 WASA's memorandum of understanding with the District of Columbia regarding payment of District general obligation bonds that WASA is responsible for. This reserve is equal to ten percent of the subsequent fiscal year's debt service, or \$0.5 million in September 2007.

*Undesignated Reserve* - After allocating portions of the 180 day operating and maintenance reserve to the reserves listed above, the amount that remains (approximately \$41.4 million projected for FY 2007) is WASA's undesignated reserve, and is available for other contingencies.

WASA has other reserves that are available to it in 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 2006, the balance in this fund totaled \$58.5 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.

*Debt Service Reserve Funds* - The supplemental bond indenture associated with each bond issue require WASA to maintain a debt service reserve fund for its Series 1998 senior lien bonds and its Series 2003 and Series 2003 and 2004 subordinated lien revenue bonds. The Series 1998 and Series 2004 reserves were funded with bond proceeds; the Series 2003 reserve was funded through the purchase of a surety bond. This reserve is in addition to the 180 day operating and maintenance reserve, is held by WASA's trustee and can only be used in the event that net revenues are insufficient to meet the next debt service payment. 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 WASA can retain on the debt service reserve fund is limited by federal arbitrage restrictions.)

### ***Long-Term Operational & Financial Issues***

Over the next ten years, WASA faces a number of significant operational and related financial issues that will impact future financial plans:

***Combined Sewer Overflow Long-Term Control Plan*** –As described earlier in this document, the approval of this twenty-year, \$1.9 billion plan marks a significant milestone for WASA and the District. While the retail rate impact in the early years of the plan is



mitigated by a somewhat back-loaded schedule, if no additional federal assistance is secured, the long-term impact on retail rates will be substantial.

**Stormwater** – WASA has completed its fourth year as administrator of the District's Stormwater Compliance Enterprise Fund, which includes coordination of work among the District's Departments of Health, Transportation and Public Works to ensure compliance with the District's stormwater permit. To fund these efforts, in FY 2001, WASA implemented the District's stormwater fee, which was passed by City Council but appears on WASA's water and sewer bill as a separate line item. The District recently received a new permit, and the stormwater task force is currently analyzing it to determine financial and operating impacts. The FY 2006 - 2015 financial plan assumes that all incremental costs borne by WASA for stormwater will be covered by the District's stormwater fee, including any additional requirements of the new permit.

**Other Issues** – WASA faces a number of other regulatory issues that could result in significant new capital and operating costs, such as additional nutrient removal requirements as part of the Chesapeake Bay Program. These issues, which are described in more detail in Section 1 of this document, will be closely monitored by WASA over the next year and included in future years' plans, as appropriate.

## **Results**

WASA's adherence to the Board's financial and rate-setting policies by implementing prior ten year plans has been one of the key reasons for WASA's financial success. The consistent support for and implementation of the plan has been commended and acknowledged by the capital markets and broader financial community, as evidenced by WASA's bond ratings of Aa3 / AA- / AA-.

Continued adherence to Board policies and the proposed ten year plan will provide the financial resources to meet our ongoing commitment to 1) provide world-class service to our customers and 2) meet our regulatory and environmental obligations. An essential component of meeting these goals is fully funding the capital program, which the ten year plan accomplishes. Continuing implementation of the plan and its underlying policies will result in maintenance of WASA's already strong bond ratings, producing continuing reductions in WASA's cost of capital which will be passed on to WASA's customers.



District of Columbia  
Water and Sewer Authority

Submitted October 26, 2006

Glenn S. Gerstell, *Chairman*  
Jerry N. Johnson, *General Manager*

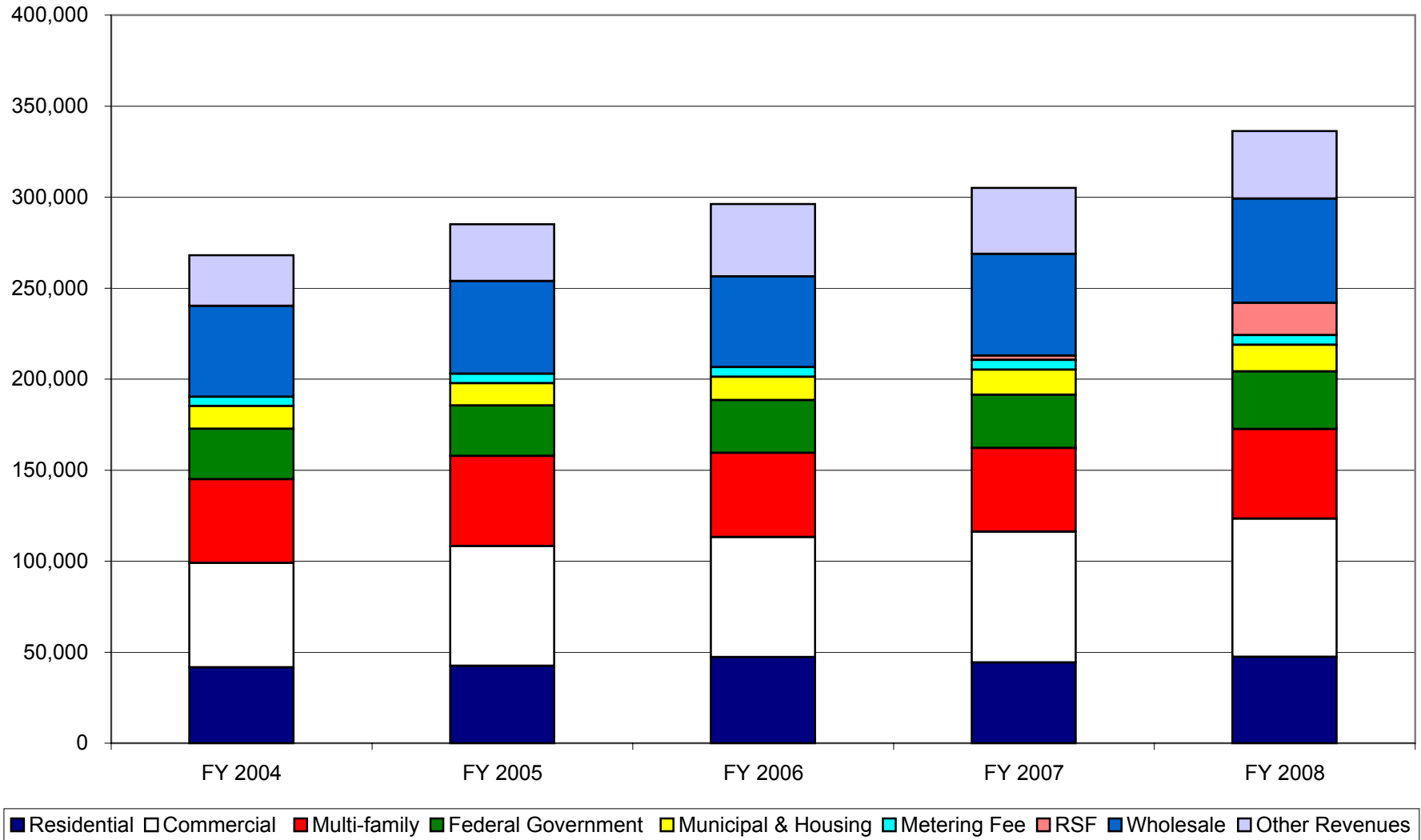
# Revised FY 2007 And Proposed FY 2008 Operating Budgets

## *Section IV: Rates and Revenue*

— — —  
*WASA customer  
service personnel checks  
data transmitted from  
water meter.*



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



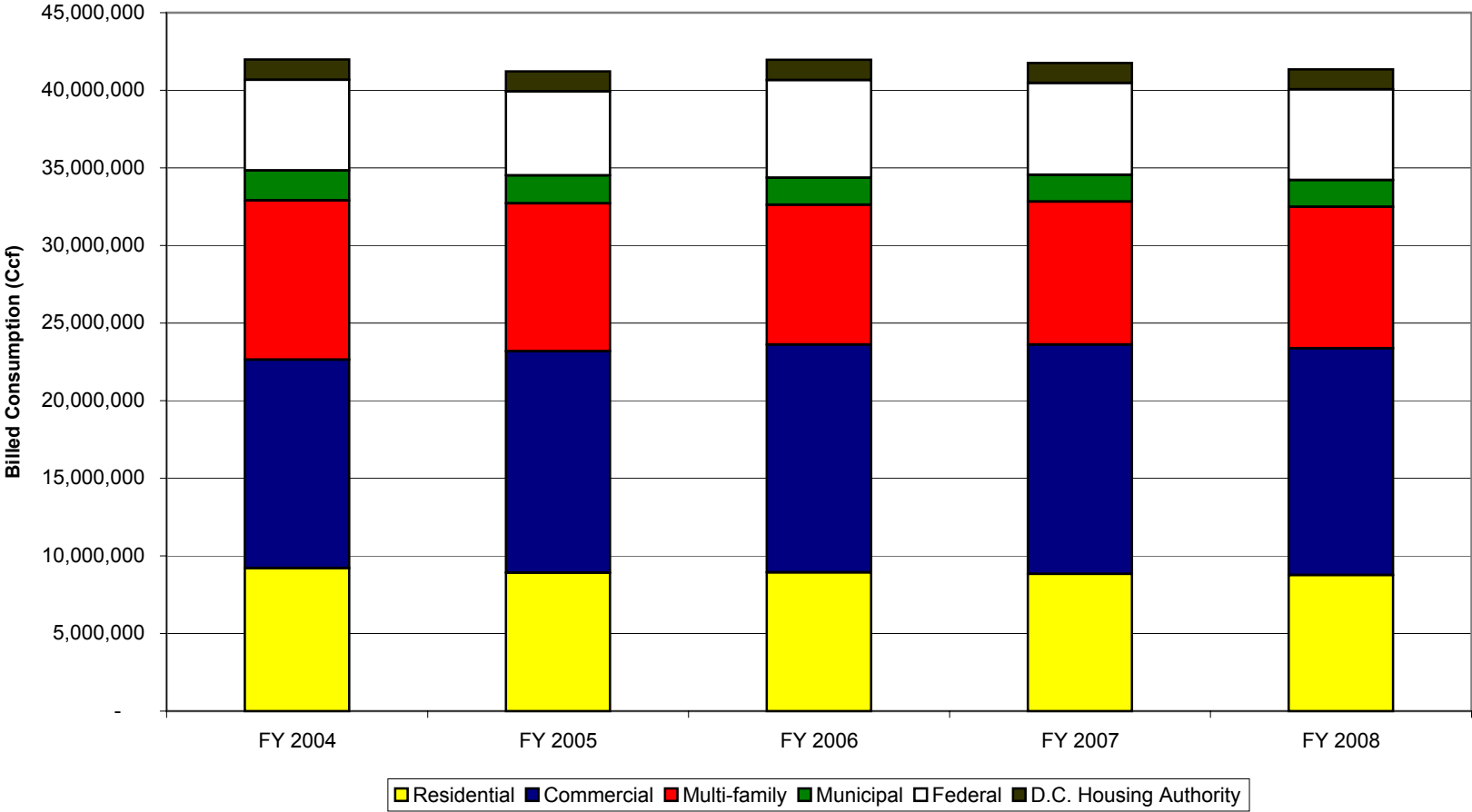
## Historical and Projected Operating Cash Receipts

(\$ 000's)

	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
	Actual	Actual	Actual	Proposed	Proposed
Residential	41,633	42,424	47,255	44,274	47,421
Commercial	57,429	65,822	65,938	71,888	75,974
Multi-family	45,940	49,494	46,341	46,009	49,188
Federal Government (1)	27,770	27,782	28,966	29,246	31,634
District Government	6,770	6,367	6,653	7,167	7,627
D.C. Housing Authority	5,691	5,869	6,172	6,607	7,031
Transfer from Rate Stabilization Fund				2,500	17,800
Metering Fee	5,074	5,220	5,316	5,300	5,300
<b>Total Retail</b>	<b>190,307</b>	<b>202,979</b>	<b>206,642</b>	<b>212,990</b>	<b>241,976</b>
IMA Wastewater Charges	45,512	46,695	44,686	50,851	52,175
Potomac Interceptor Wastewater Charges	4,438	4,182	5,009	4,927	5,071
<b>Total Wholesale</b>	<b>49,950</b>	<b>50,878</b>	<b>49,695</b>	<b>55,778</b>	<b>57,245</b>
District Stormwater Revenue (2)	633	1,338	957	1,712	1,315
Misc. Rev. (e.g. water tap installation, fire hydrant usage, etc.)	9,330	8,983	13,338	8,924	8,924
Washington Aqueduct Debt Service Revenue for Falls Church & Arlington	1,831	1,795	1,563	787	550
Interest Income (including interest on Bond Debt Service Reserve Fund)	1,930	4,615	8,053	7,304	7,900
Right of Way / PILOT Fee	14,082	14,487	15,991	17,514	18,445
<b>Total Other</b>	<b>27,807</b>	<b>31,218</b>	<b>39,902</b>	<b>36,241</b>	<b>37,134</b>
<b>Total Operating Cash Receipts</b>	<b>268,064</b>	<b>285,075</b>	<b>296,238</b>	<b>305,010</b>	<b>336,356</b>

- (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 WASA's share of District stormwater permit compliance activities, and will not be funded through WASA's retail rates or other WASA revenue sources. See Section 3 for further explanation.

**Historical and Projected Billed Consumption (Ccf)**



## Historical and Projected Billed Consumption (Ccf)

	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Projected	FY 2008 Projected
Residential	9,209,899	8,918,802	8,935,593	8,846,000	8,758,000
Commercial (1)	13,431,527	14,258,259	14,686,760	14,764,000	14,617,000
Multi-family	10,262,286	9,546,442	8,990,353	9,210,000	9,118,000
Municipal (2)	1,928,743	1,797,421	1,749,714	1,732,000	1,715,000
Federal	5,834,218	5,403,769	6,290,737	5,911,000	5,852,000
D.C. Housing Authority	<u>1,311,775</u>	<u>1,286,444</u>	<u>1,311,268</u>	<u>1,298,000</u>	<u>1,285,000</u>
	41,978,448	41,211,137	41,964,425	41,761,000	41,345,000

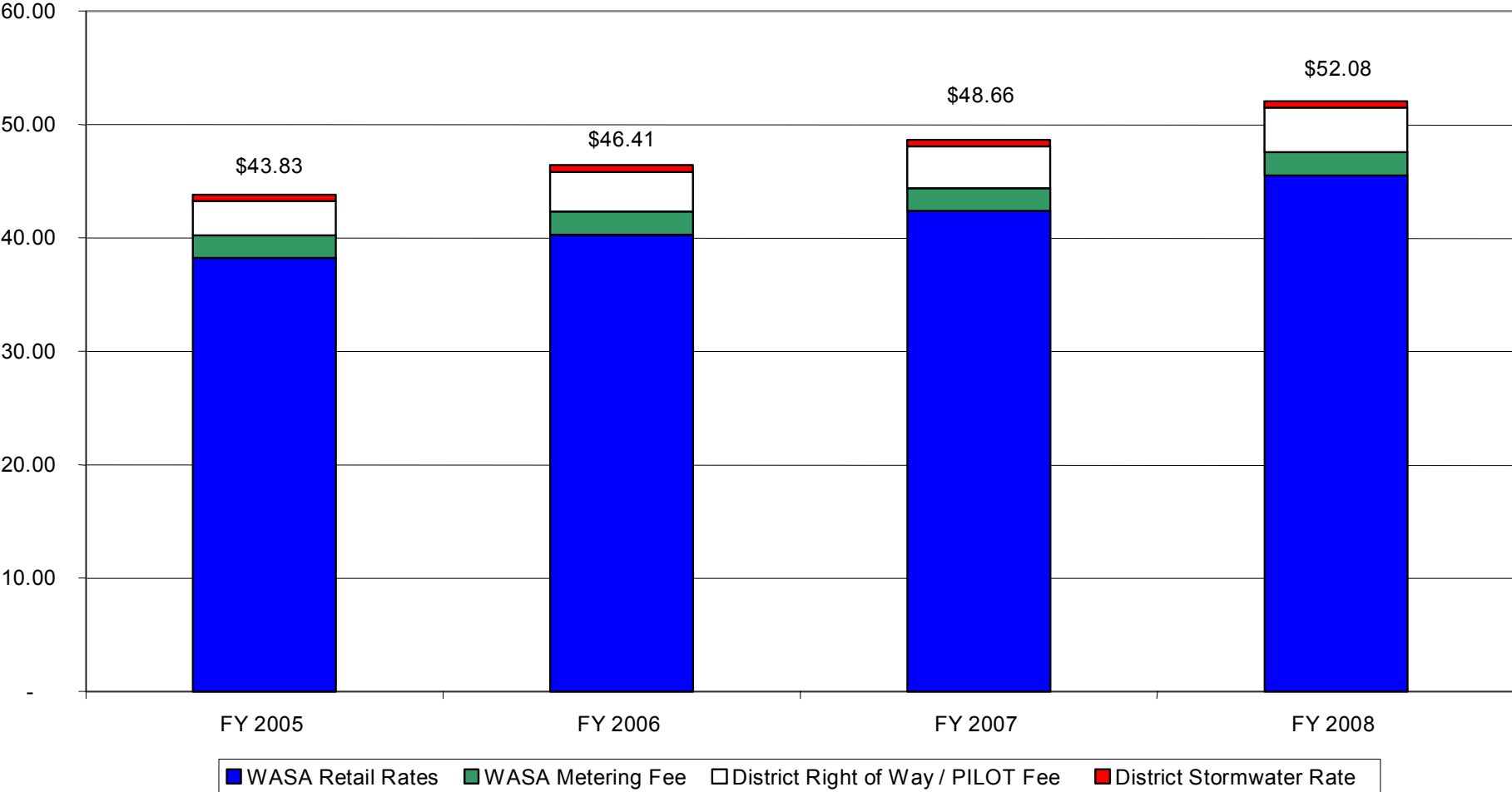
(1) Reflects consumption at Commercial facilities and selected facilities at Howard University and Soldiers' Home.

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

(3) Ccf - hundred cubic feet or 748 gallons

# RECENT & PROPOSED RATE & FEE CHANGES

## AVERAGE RESIDENTIAL MONTHLY BILL FY 2005 – FY 2008



## PROPOSED FY 2008 RATE & FEE CHANGES

	FY 2005	FY 2006	FY 2007	FY 2008
WASA Retail Rates (1)	38.23	40.32	42.40	45.57
WASA Metering Fee	2.01	2.01	2.01	2.01
<b>Subtotal WASA Rates &amp; Charges</b>	<b>\$ 40.24</b>	<b>\$ 42.33</b>	<b>\$ 44.41</b>	<b>\$ 47.58</b>
Increase / Decrease	\$ 1.83	\$ 2.08	\$ 2.08	\$ 3.17
District of Columbia Right of Way / PILOT Fee (1)	\$ 3.00	\$ 3.50	\$ 3.67	\$ 3.92
District of Columbia Stormwater Fee	0.58	0.58	0.58	0.58
<b>Subtotal District of Columbia Charges</b>	<b>\$ 3.58</b>	<b>\$ 4.08</b>	<b>\$ 4.25</b>	<b>\$ 4.50</b>
Total Amount Appearing on WASA Bill	\$ 43.83	\$ 46.41	\$ 48.66	\$ 52.08
Increase / Decrease Over Prior Year	\$ 1.83	\$ 2.58	\$ 2.25	\$ 3.42
<b>Percent Increase in Total Bill</b>	<b>4.4%</b>	<b>5.9%</b>	<b>4.8%</b>	<b>7.0%</b>

(1) Assumes average monthly consumption of 8.33 Ccf, or 6,231 gallons.



## **FY 2007 RATE & FEE CHANGES**

Effective Oct., 2006, the Board increased rates and fees as follows:

- *Water & sewer consumption rate increase of 5.0 percent*
- *Right of way / PILOT fee* – This fee increased to recover the full cost of the combined right of way / PILOT fee charged to WASA by the District of Columbia.

These changes increased the typical residential customer's monthly bill by \$2.25, or 4.8 percent.

## **PROPOSED FY 2008 RATE & FEE CHANGES**

The FY 2008 budget and ten-year plan include the following proposed changes:

- *Water & sewer consumption rate increase of 7.5 percent*
- *Right of way / PILOT fee increase of 6.8 percent* to recover the full cost of this District fee

If approved, these changes will increase the typical residential customer's monthly bill by \$3.42, or 7.0 percent.

## **COST OF SERVICE STUDY & CSO COST RECOVERY**

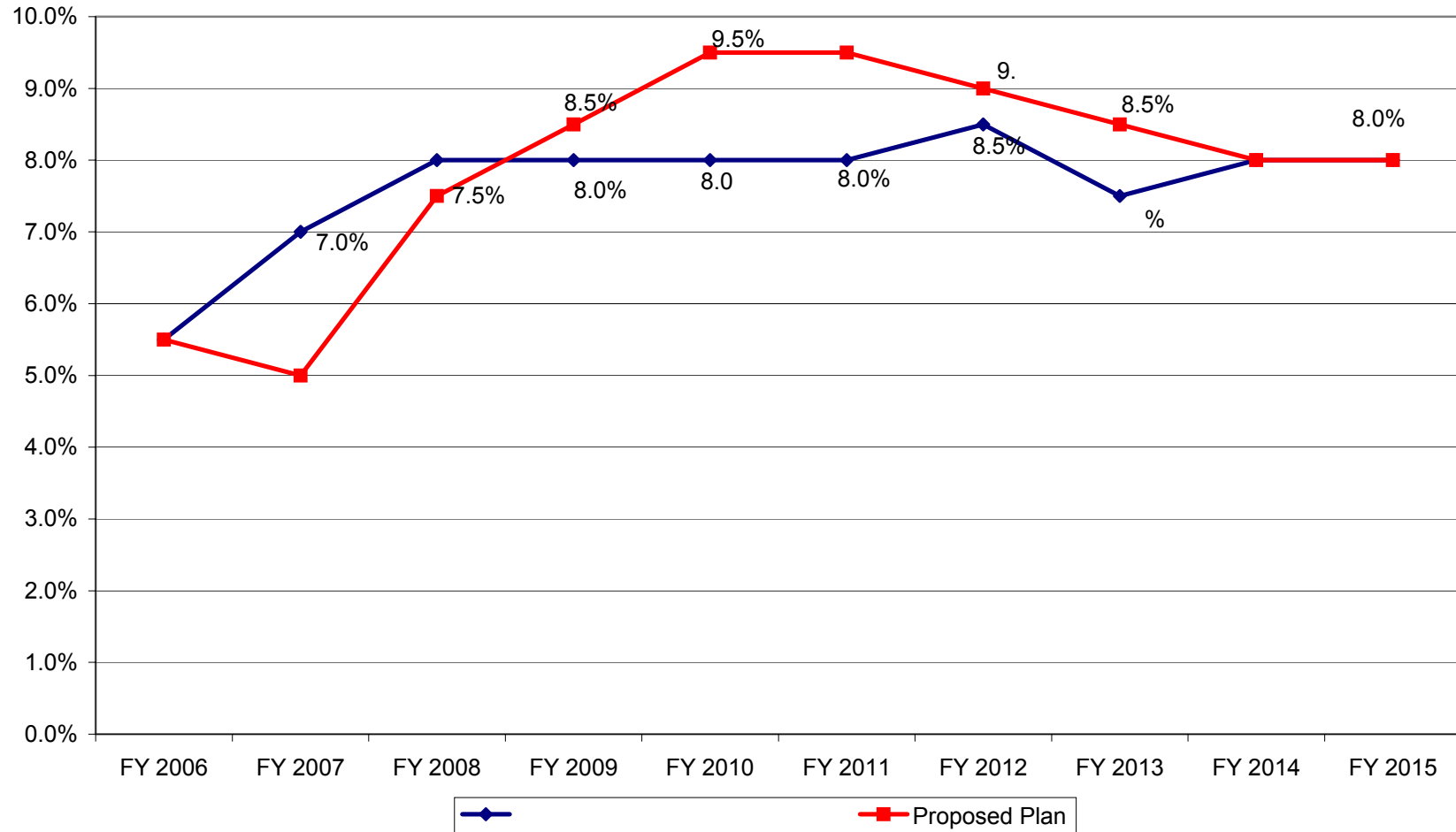
In FY 2006, WASA commissioned its independent rate consultants to conduct a cost of service study. Study conclusions were:

- Confirmation of the revenue sufficiency of existing and proposed rates
- Recommendation to keep the existing rate structure
- Recommendation to recover all customer services costs through an increased metering fee

In Sept. 2006, the Retail Rates Committee endorsed the concept of an impervious rate structure for CSO cost recovery with scheduled implementation in FY 2009.

# FY 2006 – FY 2015 FINANCIAL PLAN PROJECTED RETAIL RATE & FEE CHANGES

## FY 2006 – FY 2015 PROJECTED RATE INCREASES

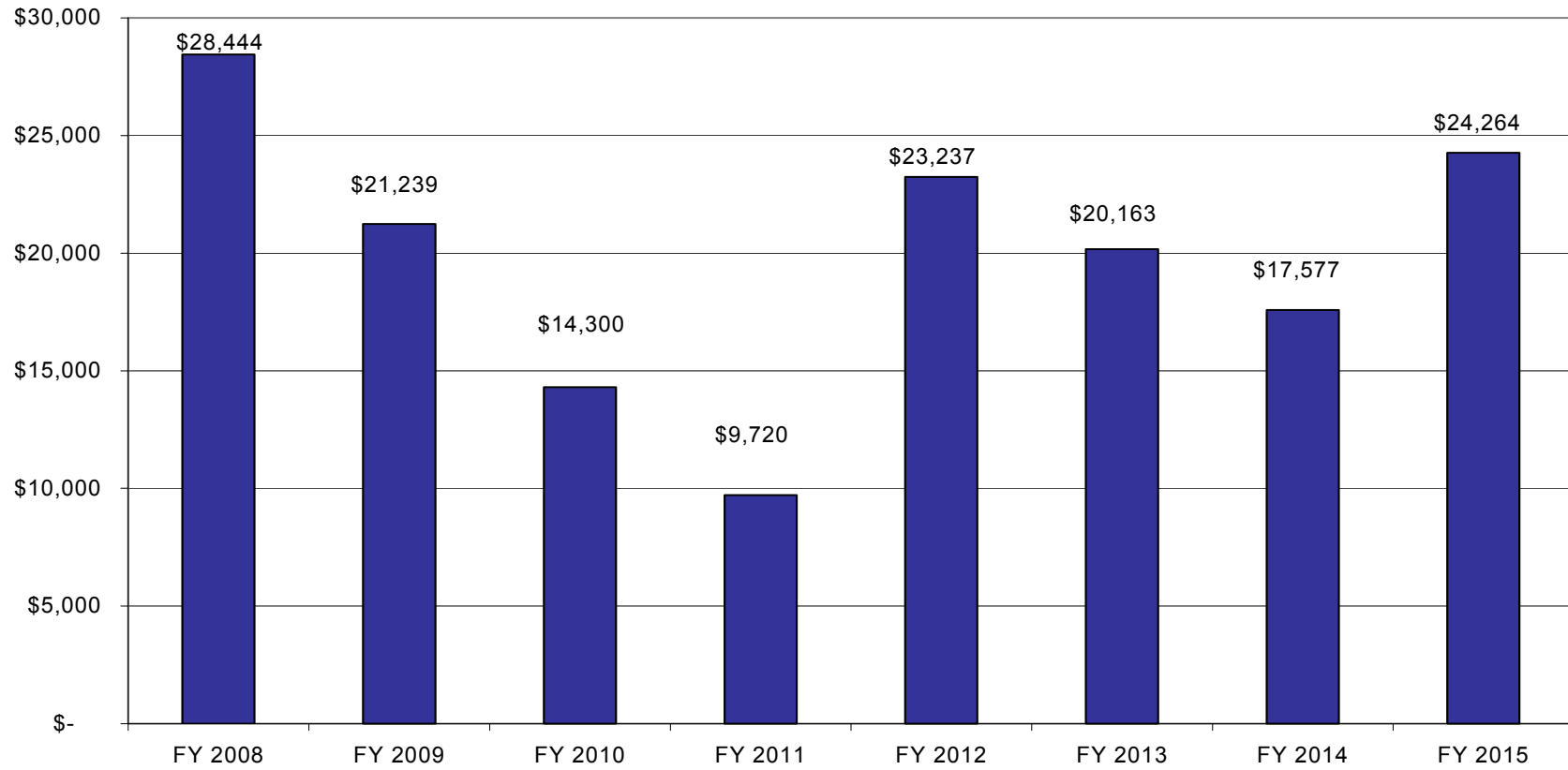


- The ten year projected rate increases under this year's plan total 79.0 percent; driven primarily by capital spending for WASA's \$2.2 billion capital improvement program which includes: initial phases of the CSO Long Term Control Plan, lead service replacement program, digesters and continued compliance with Board policies on debt service coverage and reserve levels.
  - If all projected rate increases are implemented as planned, the average residential customer's bill will increase from \$48.66 in FY 2007 to \$88.28 in FY 2015
- The CIP includes the first ten years of the Board approved, twenty-year CSO Long-Term Control Plan (see the following pages and Sections I and III for more details). If additional outside funding is secured, rate increases could be lower in the later years of the ten-year plan.

# Incremental Increase In Revenues <sup>(1)</sup>

FY 2008 – FY 2015

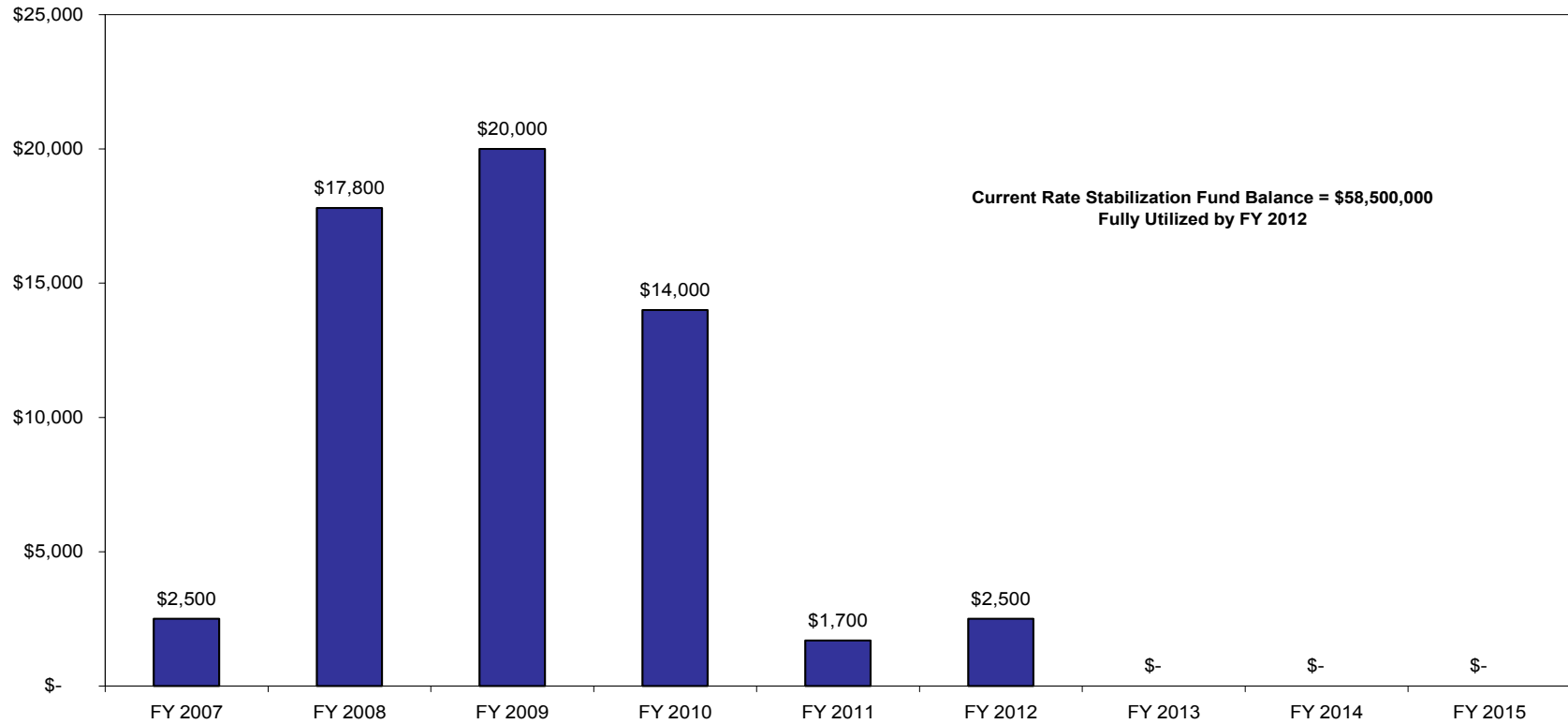
(In \$000's)



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

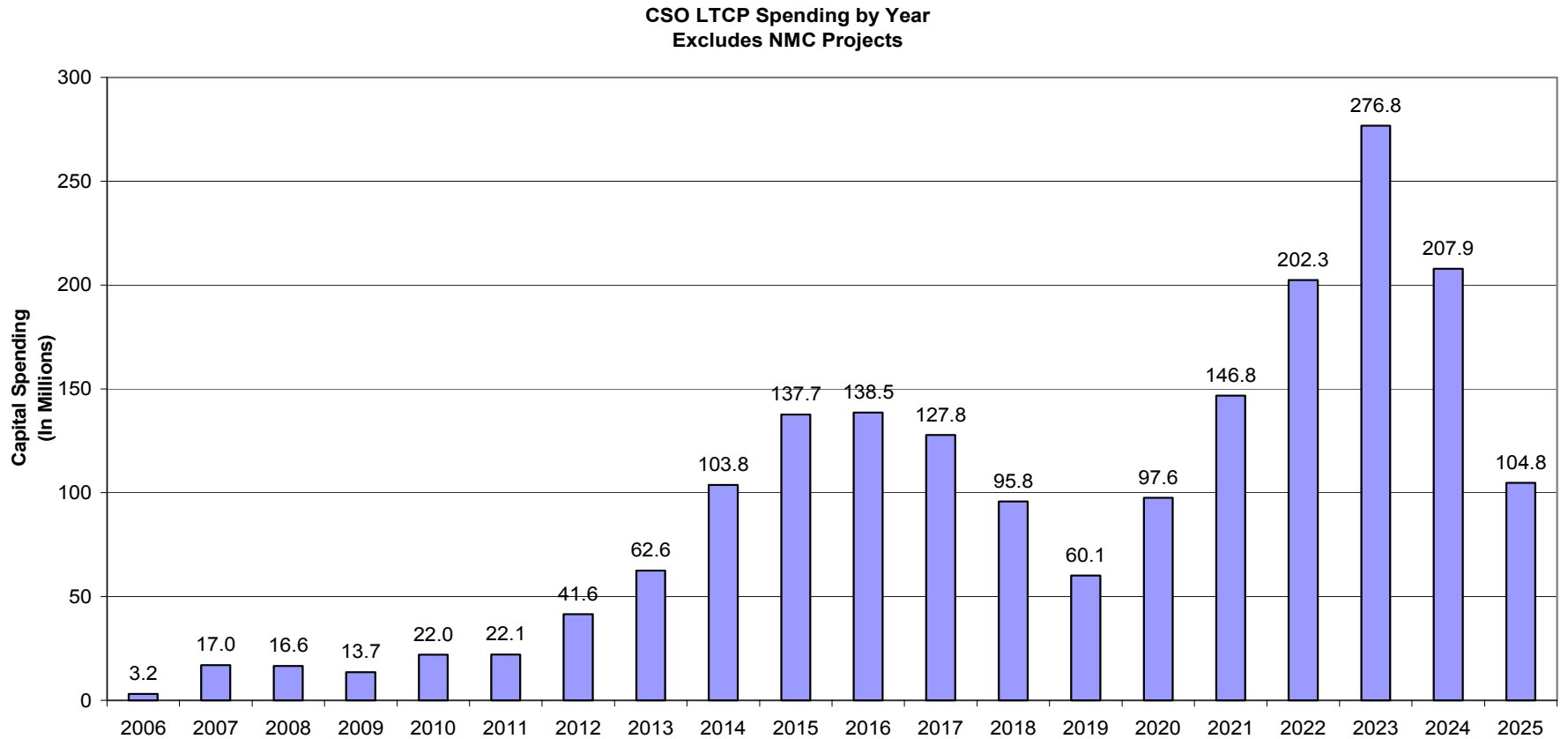
- As shown in the chart at left, incremental increases in revenues are projected to range from \$10 million to \$28 million in FY 2008 – FY 2015, due to:
  - Proposed rate increases ranging from 7.5 percent to 9.5 percent.
  - Projected increases in billed consumption due to the meter replacement / AMR program, including five percent on the remaining large (three inches or greater) federal and commercial meters to be installed in 2007.

**RATE STABILIZATION USAGE  
FY 2007 – FY 2015  
(In \$000's)**



- At the end of FY 2006, WASA's rate stabilization fund balance was \$58.5 million. It will be fully utilized by FY 2012, as shown in the chart above.

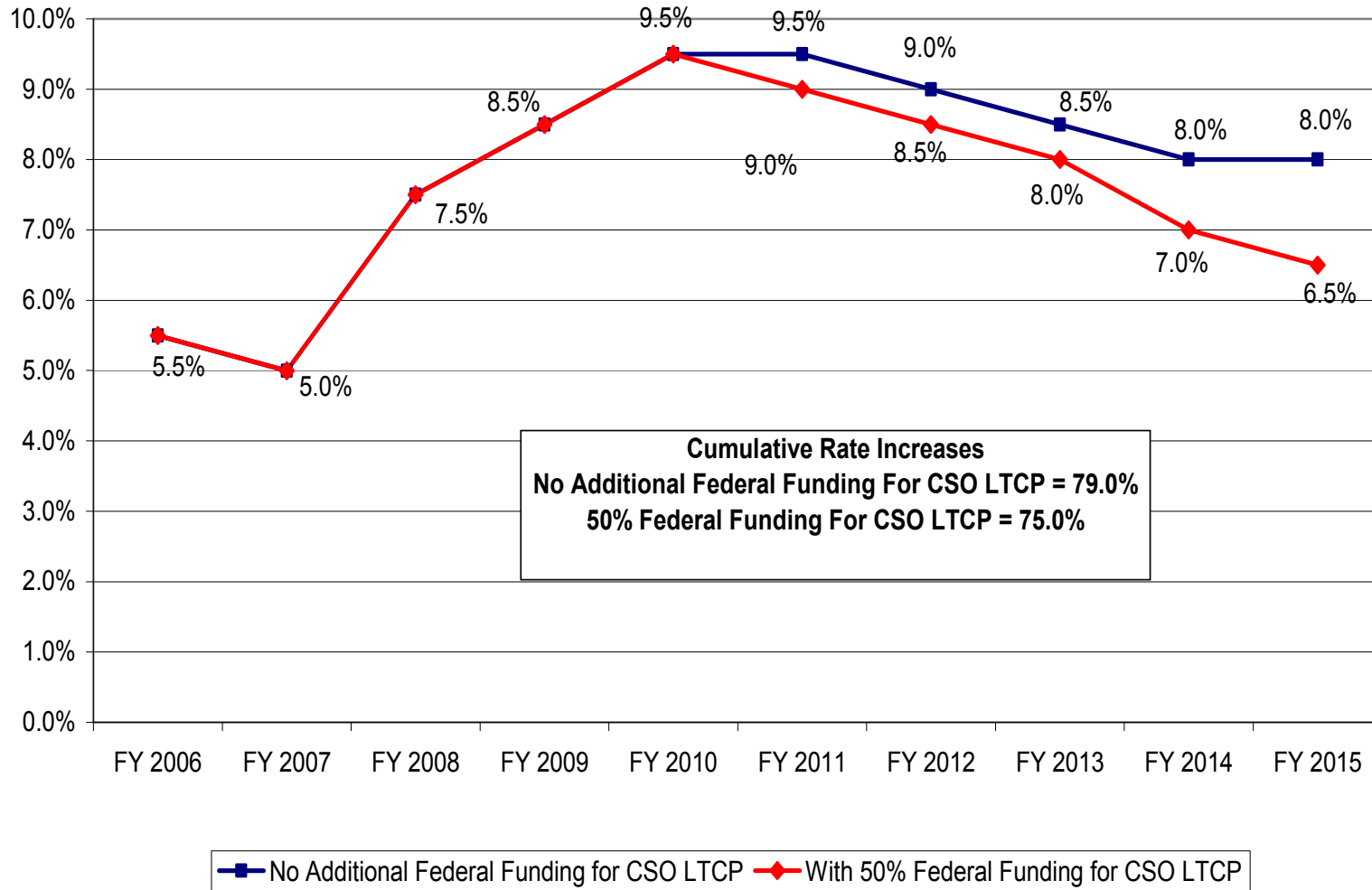
## POTENTIAL IMPACT OF CSO LONG-TERM CONTROL PLAN ON RATES



In December 2004, the Board reached agreement with the federal government on the CSO Long-Term Control Plan (LTCP) and entered into a related consent decree. Capital costs for this twenty-year plan total approximately \$1.9 billion with inflation. Spending in the early years of the plan is significantly less than the latter years, allowing for a gradual rate increase implementation schedule. Projected spending by fiscal year is shown in the chart above.

# POTENTIAL IMPACT OF CSO LONG-TERM CONTROL PLAN ON LONG-TERM RATES

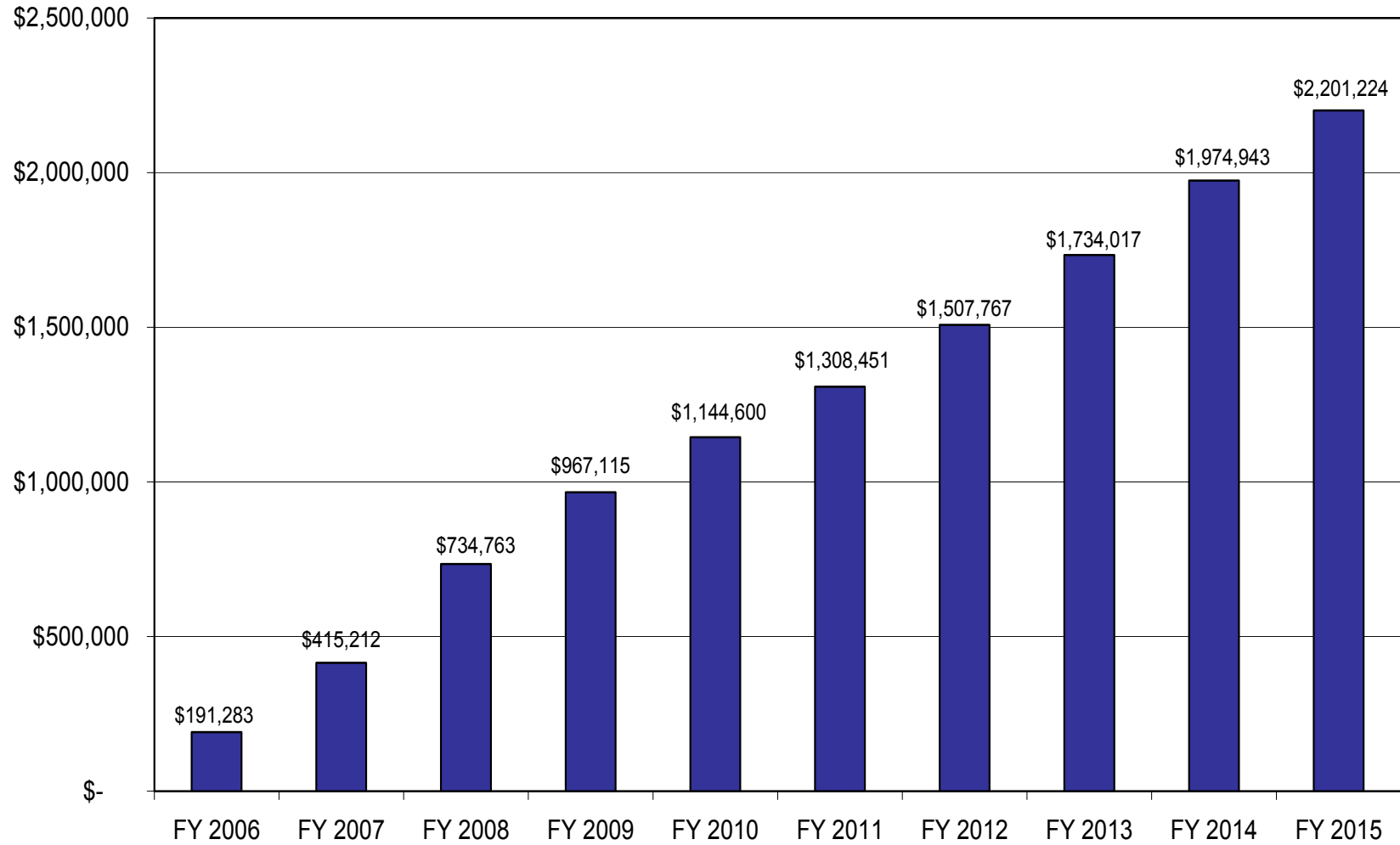
## RETAIL RATES PROJECTION WITH AND WITHOUT ADDITIONAL FUNDING FOR THE CSO LTP





- Because projected spending under the CSO LTCP is somewhat backloaded, the near-term impact on rates is mitigated.
- Additionally, if significant federal assistance were provided, rate increases would be lower, as shown in the chart above.

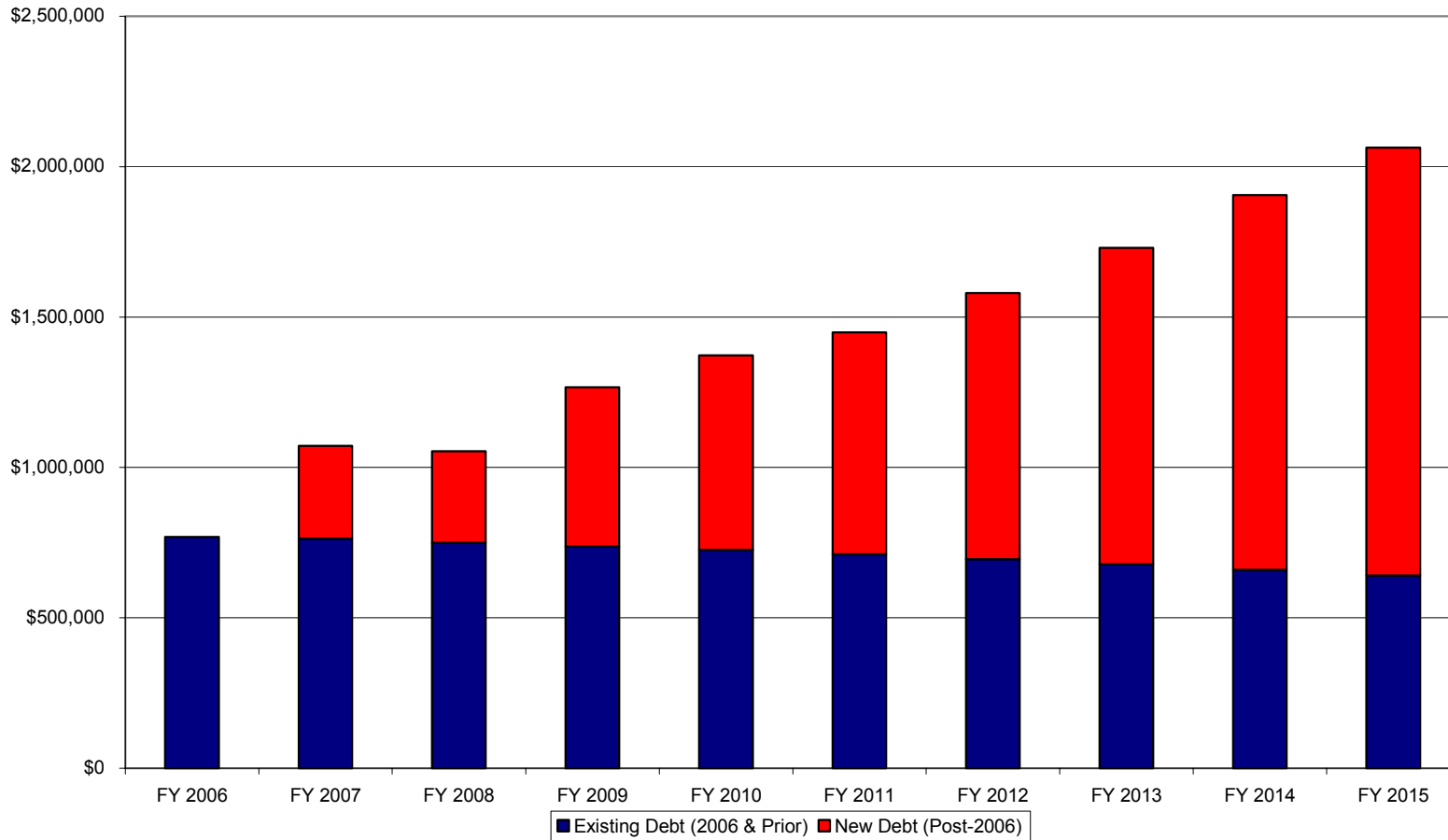
**WHY RATE INCREASES ARE NEEDED**  
**CUMULATIVE CAPITAL SPENDING**  
**FY 2006 – FY 2015**



- WASA's ten-year capital improvement program totals \$2.2 billion, with annual spending ranging from \$164 million to \$320 million.
- Once completed, the ten-year capital improvement programs will double the book value of WASA's infrastructure.
- The ten-year plan includes the first ten years of the Board-approved twenty-year CSO LTCP, totaling \$434 million. The balance of the CSO LTCP, totaling \$1.5 billion including inflation, falls in the years beyond the current ten-year planning period.

## WHY RATE INCREASES ARE NEEDED, cont.

### NEW & EXISTING DEBT OUTSTANDING FY 2006 – FY 2015 (In \$000,s)

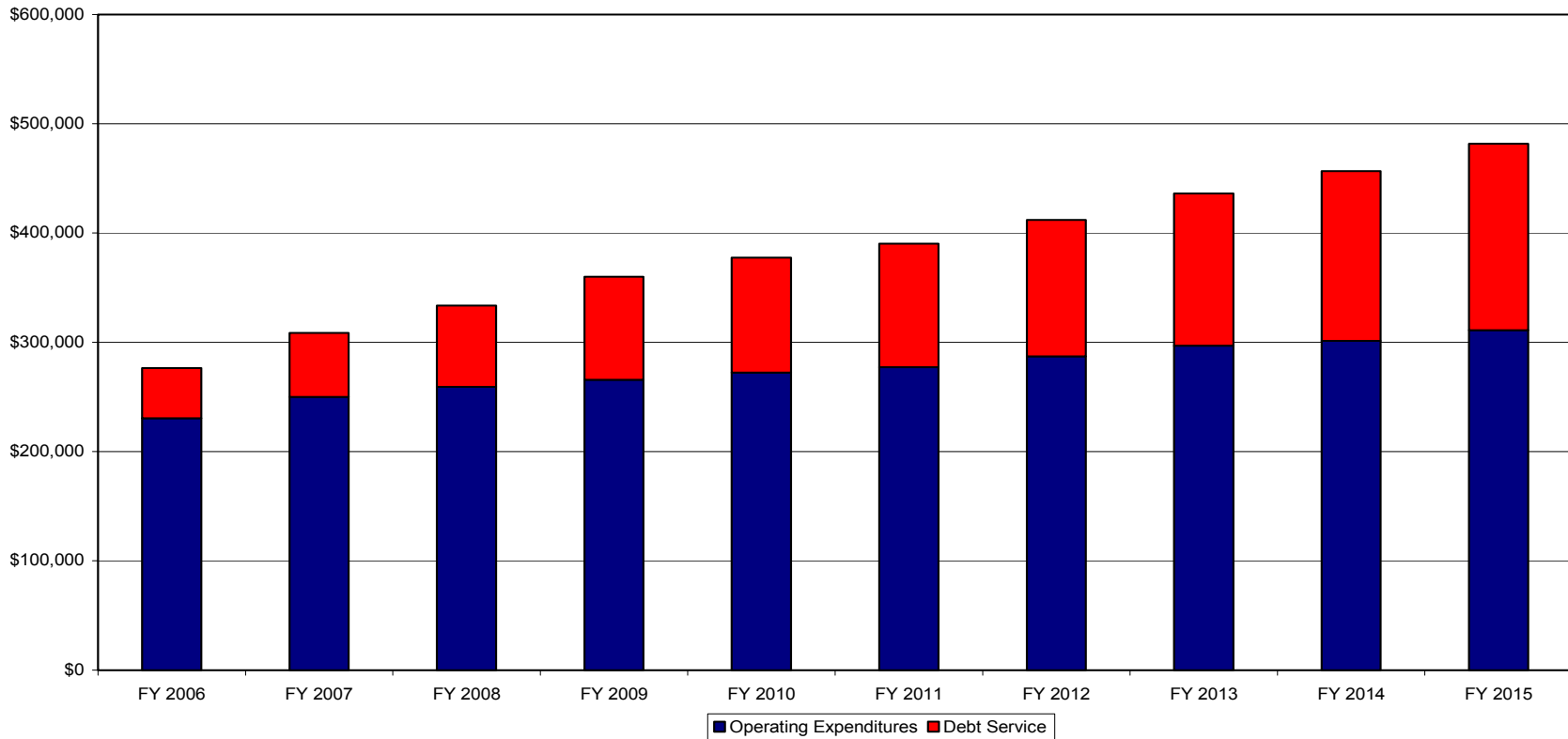


- The largest source of funding for WASA's capital program is debt.

- Over the next ten years, WASA will issue approximately \$1.5 billion in new debt (which includes the funding of reserves and costs of issuance), increasing total debt outstanding from \$769 million at the end of FY 2006 to almost \$2.1 billion at the end of FY 2015.

**WHY RATE INCREASES ARE NEEDED, cont.**

**OPERATING & DEBT SERVICE EXPENDITURES  
FY 2006 – FY 2015  
(In \$000,s)**



Over the ten-year period, total expenditures increase on average by 6.1 percent annually.

***WASA'S proposed rate increases are primarily required to fund increasing debt service costs.***

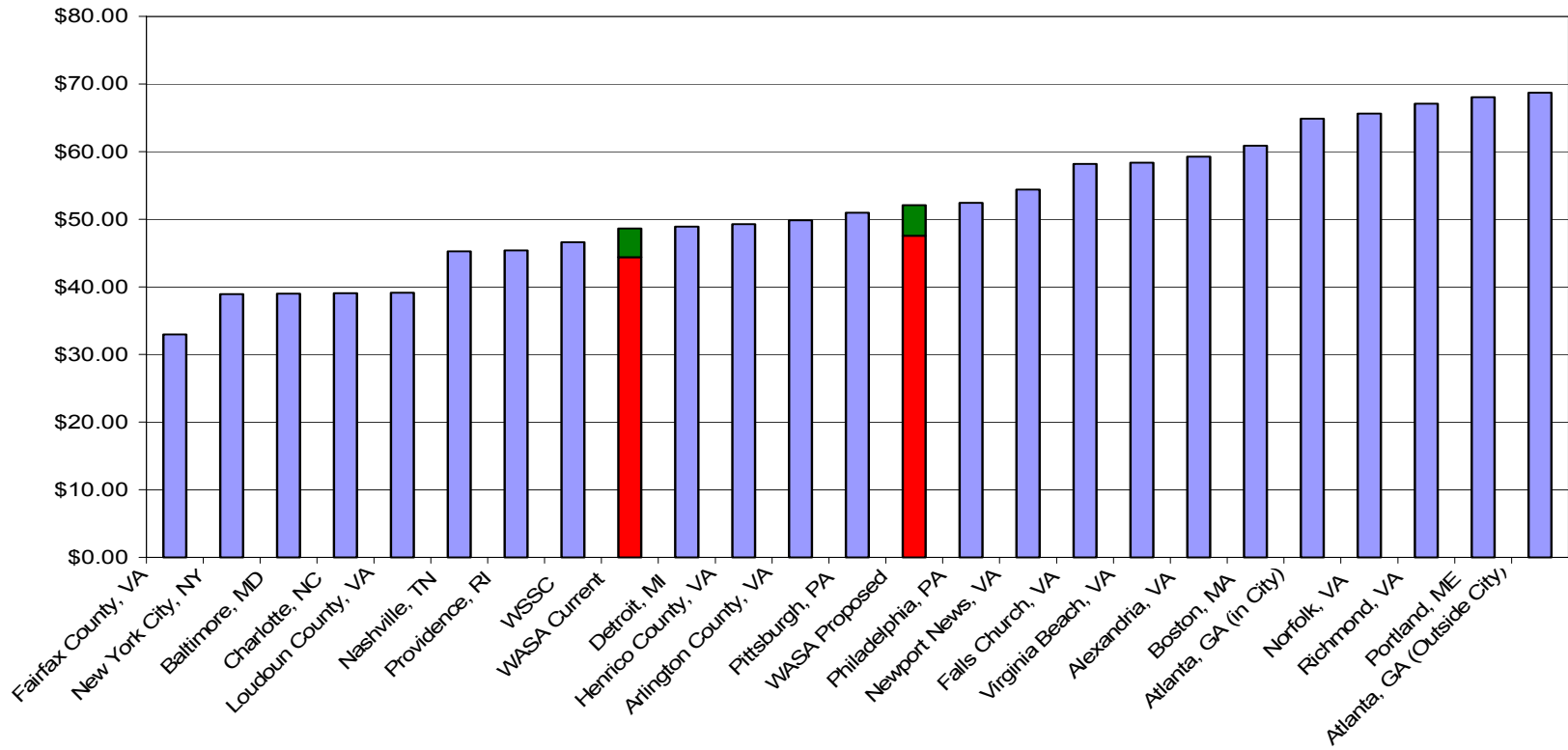
- Operations and maintenance expenditures (excluding the payment in lieu of taxes and right of way fee) increase on average by only 3.5 percent annually.
- Debt service expenditures grow at an annual average rate of 14.3 percent.

This year's ten-year financial plan reflects WASA's revenue enhancement and cost-saving initiatives that are already underway:

- Increased revenues as the AMR program is completed
- Internal Improvement Program savings

# WASA'S RETAIL RATES ARE COMPARABLE TO OTHER UTILITIES

## AVERAGE MONTHLY RESIDENTIAL BILL COMPARISON (Based on Fall 2006 rates)

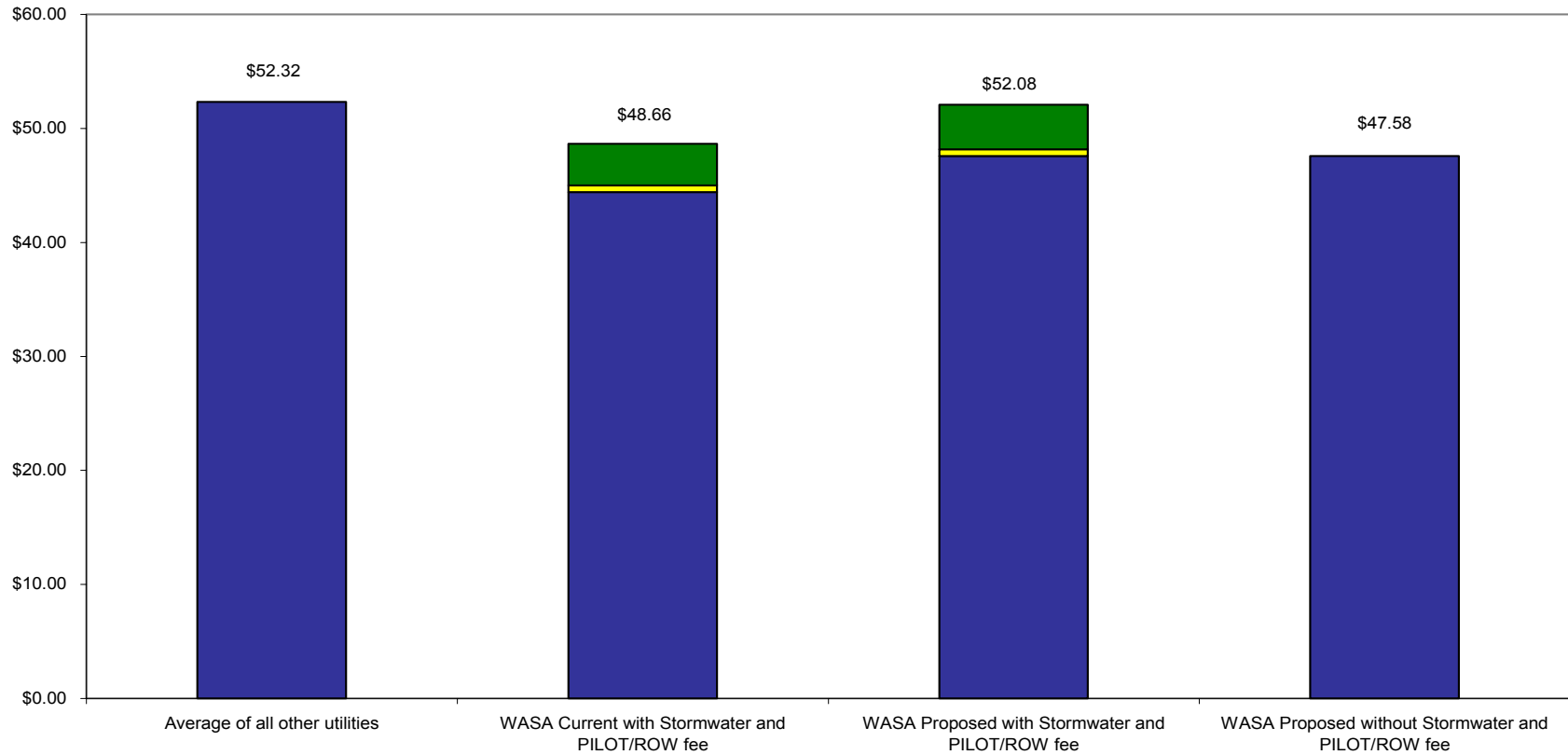


- (1) Assumes average residential consumption of 8.33 Ccf, or 6,231 gallons, per month. Ccf = hundred cubic feet, or 748 gallons.
- (2) Reflects WASA's proposed rate and fee changes in FY 2008 while other utilities' rates are as of summer / fall 2006. However, during this period, it is anticipated that many utilities will take rate actions. The green area indicates the pass-through of the District's right of way / PILOT fee, totaling \$3.92 per month (projected FY 2008) and the residential stormwater rate of \$0.58 per month.



# WASA'S RETAIL RATES ARE COMPARABLE TO OTHER UTILITIES

## WASA's Current & Proposed Monthly Residential Bill Vs. Average Monthly Bill of Other Utilities





District of Columbia  
Water and Sewer Authority

Submitted October 26, 2006

Glenn S. Gerstell, *Chairman*  
Jerry N. Johnson, *General Manager*

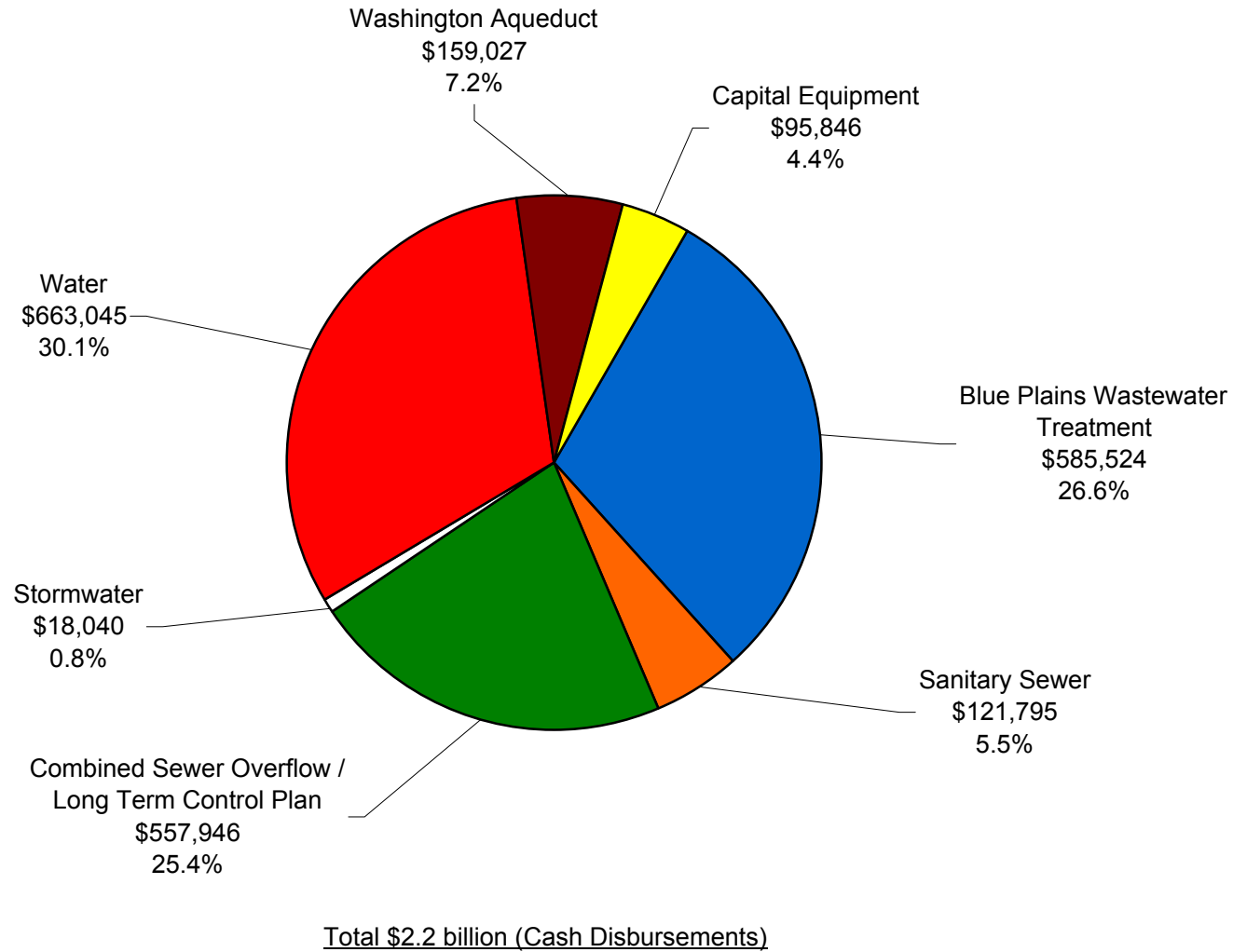
# Revised FY 2007 And Proposed FY 2008 Operating Budgets

## *Section V: FY 2006–FY 2015 Capital Program*

*— S —*  
District drinking water  
is routinely tested for the  
presence of more than  
100 contaminants.



**FY 2006 - FY 2015 Capital Improvement Program  
(\$ in 000's)**



## **FY 2006 – 2015 CAPITAL IMPROVEMENT PROGRAM OVERVIEW**

WASA's ten-year capital improvement program (CIP) totals \$2.2 billion (cash disbursements basis), approximately \$22.2 million less than last year's plan. As discussed in Section I and in more detail throughout this document, the decrease is due, in part, to:

- reduction in disbursements in the Wastewater service area towards the tail-end of the 10 year plan, reflective of the completion of most of the major upgrade projects at the Blue Plains plant
- reduction in disbursements in the Water service area with the planned completion of lead service line replacements in FY 2014

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 \$1.4 billion dollars, reflecting a \$36.2 million net increase over the last year's budget, due primarily to increased construction contract bid prices that WASA and other utilities have experienced in 2006. The increased bid prices reflect a major escalation in the prices of treatment equipment and construction materials, as well as a shortage of construction labor in the mid Atlantic region. Capital projects in the Wastewater Treatment Service Area are required to rehabilitate, upgrade or provide new facilities at Blue Plains to ensure that it can reliably meet its NPDES permit requirements and produce a consistent, high-quality dewatered solids product for land application. In addition to meeting permit requirements, WASA strives to reduce biosolids odors, both onsite and in the final product leaving Blue Plains.

We have reached a major milestone in our planned upgrade projects to the Blue Plains, as several of these projects are now complete (or substantially complete), and have been placed in service - the list includes: the screens and grit chambers, the primary and (most of) the secondary treatment facilities, the additional dewatering facilities, and the additional chemical systems for metal salts, polymers, and sodium hypochlorite. In tandem with the placing of these facilities in service, the process control system has also been implemented to enable monitoring and control of the upgraded equipment and systems, thus allowing WASA to achieve greater process control and treatment efficiency and also yielding operating cost control. The emphasis of the construction program for the liquid treatment processes will now shift to projects that enhance our advanced treatment processes of nitrification / denitrification and effluent filtration.

In FY 2006, WASA Board of Directors decided, after an extensive and rigorous evaluation, to reject the single bid received on the construction phase of the Egg-Shaped Digester project. The bid for that phase of the project was approximately 70 percent over WASA's FY 2006 construction budget for that contract. The total project cost has, in fact, continued to escalate from the originally budgeted \$148 million in FY 2000 to \$350 million in FY 2006 to an estimated \$600 million in FY 2007 (if construction is initiated in FY 2007). This decision to defer the project until market conditions improve was based on an independently conducted economic analysis and an internal cost-benefit evaluation. Both assessments concluded that the unusually tight construction market, an abnormal spike in material costs and the project length were major factors in limiting bids and doubling the cost. Moreover, an evaluation of bids on other heavy wastewater-related construction projects in the D.C. metro area show similar cost increases that are well above estimates.

As part of its ongoing biosolids management program, WASA will continue to monitor the construction market, regulatory initiatives and evolving wastewater treatment technologies. With this and other information collected over the next three years, a revised strategy for long-term biosolids management, which may or may not include the digesters, will be presented to the WASA Board. The Digester Project is included in our CIP at a budget amount of \$355.6 million.

Long-term upgrade projects now under construction include:

- Filtration and Disinfection Facility, Phase 1 - replacement of filter underdrains, media, and wash-water troughs to prepare filters for conversion to air-water wash system. The design of the Filtration and Disinfection Facility, Phase 1 contract is complete and the construction contract has been bid. The designs for upgrade of the Nitrification/Denitrification facilities and Raw Wastewater Pump Station 1 are complete and these two contracts have been advertised for bidding. These three projects will be under construction in FY 2007. Also, more than half of the effluent filters have been rebuilt and placed in operation. The remaining filters are expected to be completed in FY 2007
- Process Control Computer System – system will provide automated monitoring and control for processes throughout the plant, improve treatment, control and optimize chemical and power costs, and increase reliability of the facilities
- Switchgear Replacement – Main Substation – replacement of switchgear with new, larger units and supporting equipment and structure

## **COMBINED SEWER**

The lifetime budget for the Combined Sewer Service Area is \$2.1 billion, which includes the twenty-year 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.

We made great progress on our plan over the last two years. We are well underway with completion of approximately \$140 million of projects that were included in the settlement of a lawsuit against WASA regarding implementation of the federal CSO Nine Minimum Controls program. These projects, which were budgeted and planned by WASA prior to the lawsuit, are projected to reduce combined sewer overflows by 40 percent. Of these projects, the rehabilitation, in FY 2004, of twelve inflatable dams, other system improvements and the recent completion of the Eastside Pump Station is expected to result in up to a 30 percent reduction in overflows. In addition, we have experienced over 40 percent reduction in floatable debris discharged into the Anacostia and Potomac rivers. Additional projects (Outfall Sewer rehabilitation-Project D2) have been identified under the current sewer assessment program and funded for \$30 million in the CIP in order to meet the 1076 mgd plant flow requirement (see project sheet for additional details)

We have undertaken the rehabilitation of our major pumping stations to increase their capacity: three of these stations are in the construction phase, while the fourth (Poplar Point Pumping Station) is still in the design phase, with construction for all scheduled to be completed by calendar year 2009. We are also underway with engineering to separate additional combined sewer areas in Anacostia and Rock Creek. Additionally, we are completing studies to add Low Impact Development (LID) at several WASA facilities.

We are at the mid-point in the development of a Facility Plan for the Anacostia River CSO control projects. Alternative tunnel alignments have been developed and are being evaluated. Geotechnical investigations and soil borings are underway and the results will be used for the selection of an alignment and design of the tunnels. Hydraulic studies are also being made and coordination underway with other projects such as the South Capitol and 11th Street Bridges and future development of on Poplar Point. Our Facility Plan includes a strategy for public outreach to the appropriate parties on right of way and permitting requirements, water front development efforts, and neighborhood issues. An initial draft of the Facility Plan is scheduled to be submitted in December 2007 and the final Facility Plan is due for submission to EPA in September 2008. However, a recent Court decision from an environmental group's lawsuit involving the interpretation of Total Maximum Daily Pollutant Load (TMDL) measurement may have a potential impact on the LTCP implementation schedule, as we ensure that the Plan we undertake can achieve the goals and requirements of the Anacostia water quality objectives which are the basis of the LTCP. WASA is currently working with the Courts and EPA to clarify and resolve this issue.

## **STORMWATER**

The lifetime budget for the Stormwater Service Area is \$44.3 million, a slight increase from last year. This year's budget includes increased funding for a variety of projects to replace undersized, aged or deteriorated sewers. This increase is offset by reductions in DDOT stormwater projects done on behalf of WASA. There have been on-going discussions between WASA and DDOT regarding the responsibility for the storm water infrastructure, including the maintenance and cleaning of the catch basins. These infrastructures are integral components of roads and highways in the District, whose sole purpose is to drain out the city to avoid street and basement flooding. As such these are seen by WASA as responsibilities of DDOT.

Stormwater in the District of Columbia remains a challenge for District policymakers and for the agencies with the responsibility for managing the array of program activities as well as maintaining and improving the infrastructure (catch basins, underground facilities, pump stations, etc.). The District recently created the Department of the Environment, and continues to negotiate with the Environmental Protection Agency to address some of these matters. We are also continuing to evaluate stormwater issues independently while we work with the Executive Office of the Mayor, the Council and relevant government agencies to develop reasonable and workable solutions.

## **SANITARY SEWER**

Lifetime budgets in the Sanitary Sewer Service Area total \$281.5 million, an increase of \$85.5 million over last year's CIP. Increases in the Sanitary Sewer Program Management and Planning (which covers the design and construction of replacement and/or rehabilitation of 3 small sanitary sewer pumping stations); addition of \$16 million (\$2 million per year) for assessing 90 miles of sewer per year through 2015; and Increases in Sanitary Interceptor/Trunk Force Sewer projects resulting from the current sewer assessment. In addition, the rehabilitation of Watts Branch Sewer is planned to begin in FY 2007, as WASA participates with the District in the Anacostia Waterfront restoration project.

The lifetime budget for the Potomac Interceptor increased by \$3.2 million, to \$44.4 million, in order to fund a complete inspection of the 50 mile pipeline over the next 10 years. In October 2000, WASA completed interim improvements to the Potomac Interceptor to address odor complaints and has been maintaining it pending permanent odor control improvements which will begin in FY 2007 and is scheduled to be completed in FY 2011. In addition to the odor control improvements, we have almost completed designing significant structural improvements to two large pipe segments of the Potomac Interceptor in Fairfax and Loudoun Counties, with construction scheduled to begin in FY 2007.

## **WATER**

The lifetime budget for the Water Service Area is almost \$1 billion, an increase of \$41.1 million from last year's CIP. Major water projects include lead service replacements, rehabilitation / construction of pumping stations such as Anacostia and Bryant Street; elimination of dead ends; water main replacement, rehabilitation and extension; fire hydrant replacement and valve replacement.

Projects in the Water Service Area are designed to maintain an adequate and reliable potable water supply to customers, and fire protection. Categories of projects include the rehabilitation and replacement of water mains, storage facilities, and pumping stations. This area also includes water service line and meter replacement.

The water distribution system includes appurtenances necessary for proper system operation, inspection, and repair. WASA's system includes approximately 1,300 miles of pipe and over 36,000 valves of various sizes. A variety of valve types allow flow

control, prevent air entrapment, allow water main draining, permit flow in only one direction, and allow water transfer between service areas during emergencies. The system also includes approximately 9,000 hydrants.

## **WASHINGTON AQUEDUCT**

The Washington Aqueduct, managed by the U.S. Army Corps of Engineers, provides wholesale water treatment services to WASA and its partners in Northern Virginia, Arlington County and Falls Church. WASA purchases approximately 76 percent of the water produced by the Aqueduct's two treatment facilities, the Dalecarlia and McMillan treatment plants, and thus is responsible for 76 percent of the Aqueduct's operating and capital costs. Under federal legislation and a memorandum of understanding enacted in 1997, 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 WASA's share of Washington Aqueduct projects totals \$175.5 million or \$5.2 million less than last year's 10-year plan of \$180.7 million. This change is due primarily to projects being completed and closed.

## **CAPITAL EQUIPMENT**

The lifetime capital equipment budget (disbursements and commitments basis) totals approximately \$95.8 million for FY 2006 – FY 2015 plan, approximately \$5.8 million more than the last ten-year plan's \$90 million. Over fifty percent of spending in the capital equipment area continues to be on major information technology projects, including the document management system (lifetime budget of \$4.5 million) and the asset management system (lifetime budget of \$9.8 million). WASA continues its commitment to scheduled replacement of its vehicle fleet, with a lifetime budget of \$11.9 million, representing twelve percent of the ten-year plan. Finally, maintenance of large equipment at Blue Plains and in the major water and sewer pumping stations totals \$12.8 million, or thirteen percent of the ten-year plan.

## **CIP DEVELOPMENT AND APPROVAL PROCESS**

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 WASA departments with responsibility for managing the capital projects as well as finance and budget staff and executive management. The CIP is integrated into WASA's ten-year financial plan; because of its size, it is the primary driver of WASA's projected rate increases over the next ten years.

This review process lasts over several months and culminates with the presentation of the updated CIP to WASA's Board of Directors' Environmental Quality & Operations and Finance & 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 January.

After adoption by the Board of Directors, 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 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. WASA's request for capital authority is ultimately made to and approved by the U.S. Congress.

### **FACILITIES MASTER PLAN AND OTHER FACILITIES PLANNING TOOLS**

The Water and Sewer Facilities Master Plan provides a twenty-year framework for developing, analyzing and evaluating changes to the CIP and includes projects currently in the ten-year CIP as well as proposed projects projected to begin after completion of the current ten-year planning period. It describes current conditions and presents a vision of the needs for the water and sewer systems and the actions planned to meet those needs.

WASA has also developed more detailed facilities plans for specific areas including; a Biosolids Management Plan for dealing specifically with biosolids issues, and Water Systems and Liquid Processing Facilities Plans for use as project planning tools in those areas.

### **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. In general, projects are closed or dropped from the CIP in the fiscal year following the end of project activity.

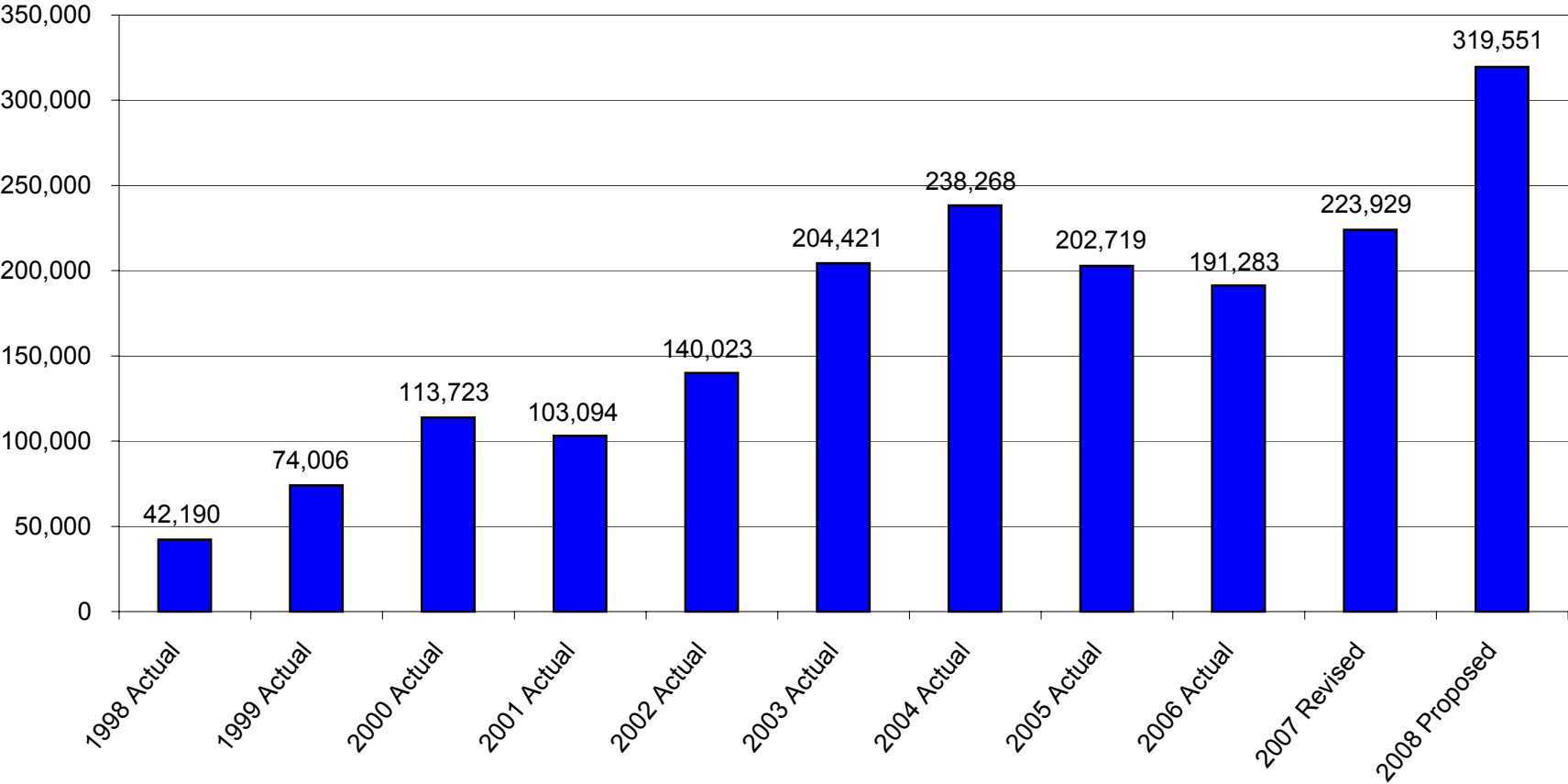
## **CAPITAL AUTHORITY**

As part of WASA's enabling legislation, Congressional appropriations authority is required before any capital design or construction contract can be entered into. The FY 2008 request totals \$446.6 million, and reflects the following:

- Remaining authority from prior years' appropriations;
- Projected commitments in FY 2007 and FY 2008;
- Planned FY 2009 (and first half of FY 2010) 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 2008 and FY 2009 commitments 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 approval, with major projects and contracts requiring Board approval.

**Historical and Projected Capital Spending**  
**FY 1998 - FY 2008**  
**(\$ in 000's)**

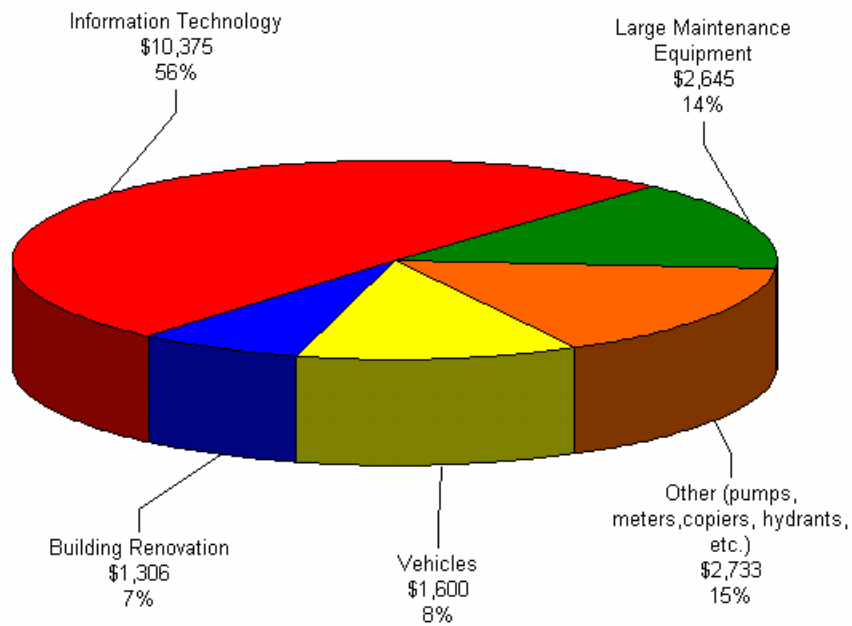


**FY 2006 - FY 2015 PROJECTED CAPITAL IMPROVEMENT PLAN - DISBURSEMENTS BASIS (\$ in 000's)**

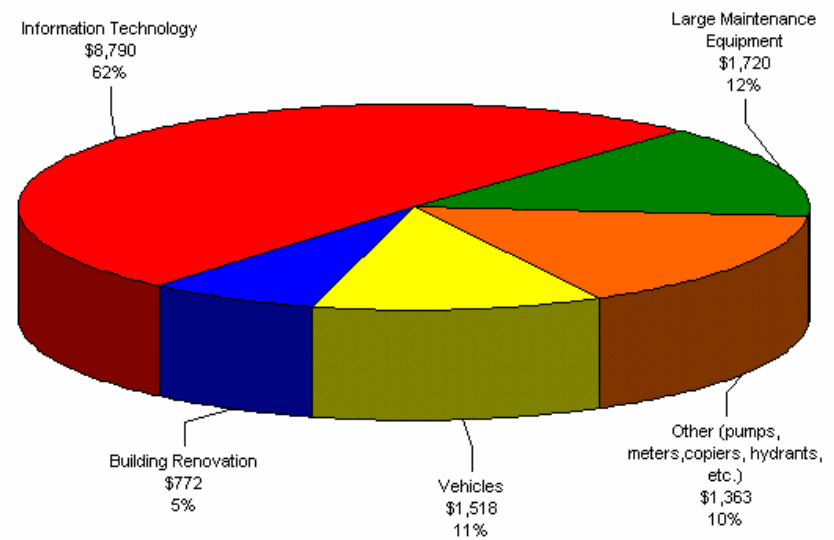
	FY 2006 Actuals	FY 2007 Revised	FY 2008 Proposed	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	Total FY '06 -'15
<b>Wastewater Treatment</b>											
Liquid Processing Projects	41,254	28,028	39,221	41,981	26,318	10,748	1,579	1,860	2,816	5,686	199,491
Plantwide Projects	12,440	13,189	17,949	11,585	16,567	6,442	1,095	681	1,801	1,878	83,627
Solids Processing Projects	11,083	9,761	6,702	13,748	17,508	35,352	61,426	69,631	45,869	31,326	302,406
<b>Sub-total</b>	<b>64,777</b>	<b>50,978</b>	<b>63,872</b>	<b>67,314</b>	<b>60,393</b>	<b>52,542</b>	<b>64,100</b>	<b>72,172</b>	<b>50,486</b>	<b>38,890</b>	<b>585,524</b>
<b>Sanitary Sewer</b>											
Sanitary Collection Sewers	391	561	629	-	-	-	-	-	-	-	1,581
Sanitary On-Going Projects	3,123	4,073	3,527	3,155	3,155	3,896	3,500	3,796	4,059	4,193	36,477
Sanitary Pumping Facilities	1,436	1,081	3,948	2,099	-	-	-	-	-	-	8,564
Sanitary Sewer Projects Program Management	2,607	2,142	2,668	3,078	3,427	3,050	2,668	1,458	1,454	1,449	24,001
Sanitary Interceptor/Trunk Force Sewers	2,703	3,180	11,163	18,286	7,215	2,588	1,623	1,612	1,608	1,194	51,172
<b>Sub-total</b>	<b>10,260</b>	<b>11,037</b>	<b>21,935</b>	<b>26,618</b>	<b>13,797</b>	<b>9,534</b>	<b>7,791</b>	<b>6,866</b>	<b>7,121</b>	<b>6,836</b>	<b>121,795</b>
<b>Combined Sewer Overflow / Long Term Control Plan</b>											
CSO Program Management	1,257	779	113	139	93	89	-	-	-	-	2,470
Combined Sewer Projects	29,808	22,524	28,458	34,414	6,467	27	-	-	-	-	121,698
Long-Term Control Plan-											
Blue Plains	316	324	414	570	982	1,021	2,080	6,894	12,192	7,098	31,891
Anacostia Tunnel	2,864	16,611	16,147	12,733	20,705	21,125	39,099	54,577	89,566	126,396	399,823
Potomac Tunnel	-	-	-	-	-	-	-	-	-	2,064	2,064
Rock Creek Tunnel	-	-	-	-	-	-	-	-	-	-	-
<b>Sub-total</b>	<b>34,245</b>	<b>40,238</b>	<b>45,132</b>	<b>47,856</b>	<b>28,247</b>	<b>22,262</b>	<b>41,179</b>	<b>61,471</b>	<b>101,758</b>	<b>135,558</b>	<b>557,946</b>
<b>Stormwater</b>											
Stormwater Extensions/Local Drainage	532	80	172	-	-	-	-	-	-	-	784
Stormwater On-Going Program	606	286	311	224	248	281	287	291	302	312	3,148
Stormwater Pumping Facilities	52	5	-	-	-	-	-	-	-	-	57
DDOT Stormwater Program	17	23	11	83	87	90	92	94	96	99	692
Stormwater Projects Program Management	499	548	713	729	808	653	455	113	-	-	4,518
Stormwater Trunk/Force Sewers	281	2,335	3,333	17	-	-	1,082	908	880	5	8,841
<b>Sub-total</b>	<b>1,987</b>	<b>3,277</b>	<b>4,540</b>	<b>1,053</b>	<b>1,143</b>	<b>1,024</b>	<b>1,916</b>	<b>1,406</b>	<b>1,278</b>	<b>416</b>	<b>18,040</b>
<b>Water</b>											
Water Distribution Systems	12,152	15,508	25,339	23,728	10,983	13,334	17,737	11,361	11,632	10,316	152,090
Water On-Going Projects	4,431	6,364	6,218	3,661	3,375	3,268	3,336	3,555	3,606	3,719	41,533
Water Pumping Facilities	7,219	13,440	16,499	4,696	-	-	-	-	-	-	41,854
DDOT Water Projects	698	1,571	1,772	1,041	1,012	1,208	1,228	1,220	1,267	1,308	12,325
Water Storage Facilities	11	45	155	272	2,810	1,778	939	6,563	2,519	675	15,767
Water Projects Program Management	2,325	2,343	2,322	2,320	2,349	2,423	2,522	2,499	2,493	2,499	24,095
Water Lead Program	28,378	32,537	37,619	34,571	39,775	42,604	44,132	45,454	42,908	12,371	360,349
Meter Replacement /AMR Installation	2,666	3,423	3,223	1,914	423	573	423	423	1,007	957	15,032
<b>Sub-total</b>	<b>57,880</b>	<b>75,231</b>	<b>93,147</b>	<b>72,203</b>	<b>60,727</b>	<b>65,188</b>	<b>70,317</b>	<b>71,075</b>	<b>65,432</b>	<b>31,845</b>	<b>663,045</b>
Washington Aqueduct	11,096	24,509	76,762	6,557	5,265	6,953	7,635	7,020	6,683	6,548	159,027
Capital Equipment	11,038	18,659	14,163	10,751	7,913	6,348	6,378	6,240	8,168	6,188	95,846
<b>Total FY 2008 WASA Capital Improvement Program</b>	<b>191,283</b>	<b>223,929</b>	<b>319,551</b>	<b>232,352</b>	<b>177,485</b>	<b>163,851</b>	<b>199,316</b>	<b>226,250</b>	<b>240,926</b>	<b>226,281</b>	<b>2,201,222</b>

**CAPITAL DISBURSEMENTS BY MAJOR EXPENDITURE CATEGORIES  
 FY 2007 Revised vs. FY 2008 Proposed  
 (\$ in 000's)**

**FY 2007 Revised**



**FY 2008 Proposed**



FY 2007 Revised = \$18,659 FY 2008 Proposed = \$14,163
---

**FY 2006 - FY 2015 Capital Equipment Disbursements**  
(\$ in 000's)

Department	Equipment Type	FY 2006 Actuals	FY 2007 Revised	FY 2008 Proposed	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY '06 - FY '15 Total
<b>Wastewater Treatment</b>												
	Plant Model	-	-	-	-	-	-	-	-	-	-	-
	Lab Equipment	-	30	23	35	35	35	35	35	35	35	297
	Safety Equipment	-	10	5	-	-	-	-	-	-	-	15
	General Equipment	-	41	35	-	-	-	-	-	-	-	77
	Metering & Recording Devices	-	14	9	-	-	-	-	-	-	-	22
	<b>Total</b>	<b>\$0</b>	<b>\$95</b>	<b>\$72</b>	<b>\$35</b>	<b>\$35</b>	<b>\$35</b>	<b>\$35</b>	<b>\$35</b>	<b>\$35</b>	<b>\$35</b>	<b>\$412</b>
<b>Water Services</b>												
	Water Service Replacement	232	340	340	260	260	260	260	260	260	260	2,732
	System Valve Replacements	17	270	225	225	225	225	225	225	225	225	2,087
	Lab Equipment & Flow Monitors [Online water quality meters+Rapid Toxicity Meter]	-	50	20	20	20	20	-	-	-	-	130
	Fire Hydrant Replacements	241	300	388	300	300	300	300	300	300	300	3,029
	Automatic Flushing Units Installation	-	-	-	-	-	-	-	-	-	-	-
	<b>Total</b>	<b>\$490</b>	<b>\$960</b>	<b>\$973</b>	<b>\$805</b>	<b>\$805</b>	<b>\$805</b>	<b>\$785</b>	<b>\$785</b>	<b>\$785</b>	<b>\$785</b>	<b>\$7,978</b>
<b>Sewer Services</b>												
	Sewer Pipes/Fittings	189	30	30	30	30	30	30	30	30	30	459
	Sewer Inspection Equipment	-	-	40	-	-	-	-	-	-	-	40
	Regulator and Gate Rehabilitation	-	10	10	10	10	10	10	10	10	10	90
	Sewer Cleaning and Repair Equipment	-	55	55	55	55	55	55	55	55	55	495
	Portable Pumps	-	75	15	15	15	15	15	15	15	15	195
	Flow Meters/Sensor Replacements	-	25	25	25	25	25	25	25	25	25	225
	Manhole Covers/Frames	-	33	33	33	33	33	33	33	33	33	297
	Catch Basin Tops/Frames/Covers	-	60	60	60	60	60	60	60	60	60	540
	Portable 4 Type Gas Meter [ Safety Equipment]	-	10	-	-	-	10	-	-	10	-	30
	SCADA Upgrade at Remote Stations	-	250	-	-	-	-	-	-	-	-	250
	Outfall Gates	55	-	-	-	-	-	-	-	-	-	55
	Sewer System Vulnerability Study	-	200	-	-	-	-	-	-	-	-	200
	<b>Total</b>	<b>\$244</b>	<b>\$748</b>	<b>\$268</b>	<b>\$228</b>	<b>\$228</b>	<b>\$238</b>	<b>\$228</b>	<b>\$228</b>	<b>\$238</b>	<b>\$228</b>	<b>\$2,876</b>
<b>Fleet Management</b>												
	Vehicles	1,100	1,600	1,518	1,100	1,100	1,100	1,100	1,100	1,100	1,100	11,918
	<b>Total</b>	<b>\$1,100</b>	<b>\$1,600</b>	<b>\$1,518</b>	<b>\$1,100</b>	<b>\$1,100</b>	<b>\$1,100</b>	<b>\$1,100</b>	<b>\$1,100</b>	<b>\$1,100</b>	<b>\$1,100</b>	<b>\$11,918</b>
<b>Facilities and Security</b>												
	Water System Security	-	-	50	50	50	-	-	-	-	-	150
	Security System- Camera & allied	-	400	-	-	-	-	-	-	-	-	400
	Facilities Management System	42	-	-	-	-	-	-	-	-	-	42
	Photocopier Purchase	-	30	-	1,300	-	-	-	-	1,500	-	2,830
	WASA-wide fire suppress/detection	104	250	100	50	50	-	-	-	-	-	554
	Plumbing at Various Locations	293	150	50	50	25	25	25	25	25	25	693
	Furniture and Fixtures	-	150	150	150	150	150	150	150	150	150	1,350
	Facilities Improvements	-	200	200	200	200	200	200	200	200	200	1,800
	Signage	-	-	-	-	-	-	-	-	-	-	-

**FY 2006 - FY 2015 Capital Equipment Disbursements**  
(\$ in 000's)

Department	Equipment Type	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY '06 - FY
		Actuals	Revised	Proposed								'15
												Total
	Rollup Doors	-	40	81	20	20	-	-	-	-	-	161
	WASA-wide Fencing	-	41	41	25	25	-	-	-	-	-	132
	HVAC at Various Locations	164	225	150	150	150	150	150	150	150	150	1,589
	Elevator Repairs	-	250	-	-	-	-	-	-	-	-	250
<b>Total</b>		<b>\$603</b>	<b>\$1,736</b>	<b>\$822</b>	<b>\$1,995</b>	<b>\$670</b>	<b>\$525</b>	<b>\$525</b>	<b>\$525</b>	<b>\$2,025</b>	<b>\$525</b>	<b>\$9,951</b>
<b>Information Technology</b>												
	Desktop Replacements	519	550	550	672	550	550	550	672	550	550	5,713
	Cable Renewal	91	200	200	175	175	175	175	175	175	175	1,716
	Telephone System Renewal/Replacement	96	1,400	600	400	100	100	100	100	100	100	3,096
	Software Applications/Licenses	152	225	150	150	200	150	150	150	200	150	1,677
	Messaging Services	173	145	10	10	150	10	10	10	150	10	678
	Windows 2003 Migration	61	30	15	15	150	15	15	15	150	15	481
	Radios	24	65	100	30	30	30	30	30	30	30	399
	Redundant Data Center	262	240	500	200	60	60	500	200	60	60	2,142
	Network System Renewal	383	510	765	750	700	865	700	700	700	865	6,938
	Audio Visual System - IT	5	10	100	50	70	100	50	70	100	50	605
	Interactive Voice Response	189	200	100	20	20	100	20	20	100	20	789
	EMAP Phases I and II	59	210	-	-	-	-	-	-	-	-	269
	Engineering Plotters/Scanners	-	-	-	-	-	-	-	-	-	-	-
	Field Laptops for Engineering	-	-	-	-	-	-	-	-	-	-	-
	Engineering MIS Modifications	16	-	-	-	-	-	-	-	-	-	16
	Primavera Migration	-	-	-	-	-	-	-	-	-	-	-
	HR on-line forms-Re-engineer	-	50	10	-	-	-	-	-	-	-	60
	TV Camera Equipment	-	-	-	130	-	-	-	-	-	-	130
	Succession Planning	-	100	20	10	-	-	-	-	-	-	130
	ENT Reporting/Whse	-	-	-	-	-	-	-	-	-	-	-
	Water Security Model	-	-	-	-	-	-	-	-	-	-	-
	E Contract	-	40	-	-	-	-	-	-	-	-	40
	PCCS-SCADA Lab	-	90	-	-	-	-	-	-	-	-	90
	Network Systems Security	29	80	30	50	30	50	30	50	30	50	429
	Intranet	-	75	50	10	10	75	10	10	10	75	325
	Command Center	-	-	-	-	-	-	-	-	-	-	-
	Handheld Inventory	136	350	100	50	50	50	50	50	50	50	936
	Wireless Technology Survey	15	-	-	-	-	-	-	-	-	-	15
	Enterprise Backup Solution	-	130	-	-	400	-	-	-	-	-	530
	Video Conferencing	-	10	10	10	150	10	10	10	150	10	370
	Field Services Mgmt System (Automated Dispatch system)	-	400	1,050	550	50	50	50	50	50	50	2,300
	Web-Site Development	-	200	75	75	200	75	75	75	200	75	1,050
	Financial Management System	20	150	100	100	500	100	100	100	100	100	1,370
	Major System Upgrades	-	-	-	-	-	-	-	-	-	-	-
	Customer Information & Billing System	406	350	700	100	100	100	100	100	100	100	2,156
	Dispatch System	50	-	-	-	-	-	-	-	-	-	50
	Payroll/HR System	72	125	30	30	30	30	30	30	30	30	437
	Maintenance Management System	12	50	50	-	-	-	-	-	-	-	112
	Document Management System	306	1,930	1,475	500	50	50	50	50	50	50	4,511
	Asset Management System	3,521	2,460	2,000	1,051	300	100	100	100	100	100	9,832
<b>Total</b>		<b>\$6,597</b>	<b>\$10,375</b>	<b>\$8,790</b>	<b>\$5,138</b>	<b>\$4,075</b>	<b>\$2,845</b>	<b>\$2,905</b>	<b>\$2,767</b>	<b>\$3,185</b>	<b>\$2,715</b>	<b>\$49,392</b>

**FY 2006 - FY 2015 Capital Equipment Disbursements**  
(\$ in 000's)

Department	Equipment Type	FY 2006 Actuals	FY 2007 Revised	FY 2008 Proposed	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY '06 - FY '15 Total
<b>Maintenance Services</b>												
	Major Pump Repair/Replacement	717	700	500	400	300	200	200	200	200	200	3,617
	Large Electric Motors	711	500	500	400	300	200	200	200	200	200	3,411
	High Priority Rehab Program	281	1,000	300	300	100	100	100	100	100	100	2,481
	Shop Equipment and Plant Lighting	50	145	120	50	-	-	-	-	-	-	365
	Centrifuge Repair/Replace	245	300	300	300	300	300	300	300	300	300	2,945
<b>Total</b>		<u><u>\$2,004</u></u>	<u><u>\$2,645</u></u>	<u><u>\$1,720</u></u>	<u><u>\$1,450</u></u>	<u><u>\$1,000</u></u>	<u><u>\$800</u></u>	<u><u>\$800</u></u>	<u><u>\$800</u></u>	<u><u>\$800</u></u>	<u><u>\$800</u></u>	<u><u>\$12,819</u></u>
<b>DETS</b>												
	Technical Information Center Upgrade	-	500	-	-	-	-	-	-	-	-	500
<b>Total</b>		<u><u>\$0</u></u>	<u><u>\$500</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$500</u></u>
<b>Total Capital Equipment</b>		<u><u>\$11,038</u></u>	<u><u>\$18,659</u></u>	<u><u>\$14,163</u></u>	<u><u>\$10,751</u></u>	<u><u>\$7,913</u></u>	<u><u>\$6,348</u></u>	<u><u>\$6,378</u></u>	<u><u>\$6,240</u></u>	<u><u>\$8,168</u></u>	<u><u>\$6,188</u></u>	<u><u>\$95,845</u></u>



FY 2006 - FY 2015 Capital Improvement Plan

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

	<b>FY 2007 Approved</b>	<b>FY 2007 Revised / FY 2008 Proposed</b>	<b>Variance</b>
<b><u>Wastewater Treatment</u></b>			
Liquid Processing Projects	507,289	541,207	33,918
Plantwide Projects	293,617	295,594	1,977
Solids Processing Projects	562,414	562,747	333
<b>Sub-total</b>	<b>1,363,320</b>	<b>1,399,548</b>	<b>36,228</b>
<b><u>Sanitary Sewer</u></b>			
Sanitary Collection Sewers	12,824	10,966	(1,858)
Sanitary On-Going Projects	63,540	65,827	2,287
Sanitary Pumping Facilities	22,577	22,882	305
Sanitary Sewer Projects Program Management	14,930	38,530	23,600
Sanitary Interceptor/Trunk Force Sewers	82,225	110,791	28,566
<b>Sub-total</b>	<b>196,096</b>	<b>248,996</b>	<b>52,900</b>
<b><u>Combined Sewer Overflow</u></b>			
CSO Program Management	17,254	17,754	500
Combined Sewer Projects	159,034	222,959	63,925
Long-Term Control Plan- Total			
Blue Plains	36,846	36,846	-
Anacostia Tunnel	1,372,545	1,372,545	-
Potomac Tunnel	418,700	418,700	-
Rock Creek Tunnel	70,342	70,342	-
<b>Sub-total</b>	<b>2,074,721</b>	<b>2,139,146</b>	<b>64,425</b>
<b><u>Stormwater</u></b>			
Stormwater Extensions/Local Drainage	2,488	2,333	(155)
Stormwater On-Going Program	6,840	7,125	285
Stormwater Pumping Facilities	1,173	1,173	0
DDOT Stormwater Program	4,739	4,230	(509)
Stormwater Projects Program Management	5,830	9,630	3,800
Stormwater Trunk/Force Sewers	22,048	19,850	(2,198)
<b>Sub-total</b>	<b>43,118</b>	<b>44,341</b>	<b>1,223</b>

**FY 2006 - FY 2015 Capital Improvement Plan**

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

	<b>FY 2007 Approved</b>	<b>FY 2007 Revised / FY 2008 Proposed</b>	<b>Variance</b>
<b><u>Water</u></b>			
Water Distribution Systems	257,955	289,447	31,492
Water Lead Program	438,486	438,486	0
Water On-Going Projects	63,776	71,090	7,314
Water Pumping Facilities	90,003	100,263	10,260
DDOT Water Projects	33,360	33,691	331
Water Storage Facilities	36,970	32,112	(4,858)
Water Projects Program Management	31,603	28,179	(3,424)
Meter Replacement /AMR Installation	47,336	47,336	-
<b>Sub-total</b>	<b>999,489</b>	<b>1,040,604</b>	<b>41,115</b>
<b>Washington Aqueduct</b>	<b>180,693</b>	<b>175,475</b>	<b>(5,218)</b>
<b>Capital Equipment</b>	<b>90,037</b>	<b>95,845</b>	<b>5,808</b>
<b>Total WASA CIP Lifetime (see notes)</b>	<b>4,947,474</b>	<b>5,143,955</b>	<b>196,481</b>

*Page revised 11/17/06*

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 2006 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 2008 Capital Authority Request  
(\$000's)**

<b><u>Service Areas</u></b>	<b><u>Fiscal Year 2008 Capital Authority Request</u></b>
Blue Plains Wastewater Treatment	13,781
Sanitary Sewer System	110,503
Combined Sewer Projects	78,675
Stormwater <sup>1</sup>	0
Water System	193,782
Washington Aqueduct (WASA share)	19,175
Capital Equipment	<u>30,668</u>
<b>Total</b>	<b><u>446,584</u></b>

<sup>1</sup> The Stormwater projects' authority request is zero, as, existing (currently available ) capital authority in this service area is in excess of projected commitments in FY 2007, FY 2008, FY 2009 and first half of FY 2010.



District of Columbia  
Water and Sewer Authority

Submitted October 26, 2006

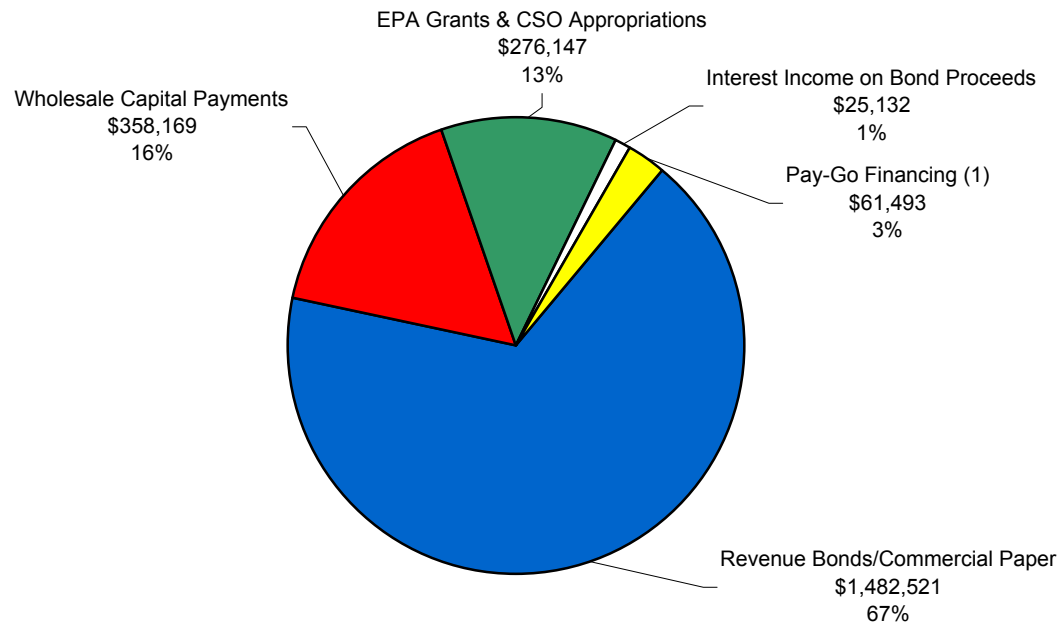
Glenn S. Gerstell, *Chairman*  
Jerry N. Johnson, *General Manager*

# Revised FY 2007 And Proposed FY 2008 Operating Budgets

## *Section VI: Capital Financing, Cash, and Debt*

*Operations at the  
wastewater treatment plant  
at Blue Plains are rated  
at a capacity of 370 million  
gallons a day (MGD).*

**FY 2006 - 2015 CAPITAL IMPROVEMENT PROGRAM**  
**Sources of Funds**  
**(In \$000's)**



(1) Pay-go financing is any funds available after funding the 180 day operating and maintenance reserve, approximately \$111.3 million in FY 2007. These transfers reduce the amount of new debt issuance.

**CAPITAL IMPROVEMENT PROGRAM**  
**FY 2006 - FY 2008**  
**SOURCES & USES**  
*(In \$000's)*

	FY 2006 Actual	FY 2007 Revised	FY 2008 Proposed
<b>SOURCES</b>			
Commercial Paper / New Debt Proceeds (1)	99,324	133,978	212,462
Pay-Go Financing (2)	20,213	13,606	1,883
EPA Grants	17,835	29,987	46,182
CSO Appropriations (3)	8,965	12,000	11,500
Wholesale Customer Capital Payments	36,993	32,775	44,855
Interest Income	7,953	1,583	2,669
<b>TOTAL SOURCES</b>	<b>\$191,283</b>	<b>\$223,929</b>	<b>\$319,551</b>
<b>USES</b>			
Blue Plains Projects	64,777	50,978	63,872
Combined Sewer & LTCP Projects	34,245	40,238	45,132
Sanitary Sewer Projects	10,260	11,037	21,935
Stormwater Projects	1,987	3,277	4,540
Water Projects	55,214	71,808	89,924
Washington Aqueduct	11,096	24,509	76,762
Meter Replacement AMR	2,666	3,423	3,223
Capital Equipment	11,038	18,659	14,163
<b>TOTAL USES</b>	<b>\$191,283</b>	<b>\$223,929</b>	<b>\$319,551</b>

(1) Remaining Series 2004 bond proceeds will fund non-grant or IMA-funded capital spending requirements into the first quarter of FY 2007, based on current capital spending projections. WASA will then use its \$100 million commercial paper program, with the next take-out financing projected to occur in spring / summer 2007.

(2) Pay-go financing is cash available after meeting the six month operating reserve requirement, which totals \$111.3 million in FY 2007.

(3) Reflects spenddown of a portion of already-received FY 2003 - FY 2006 Congressional appropriations for the CSO LTCP.

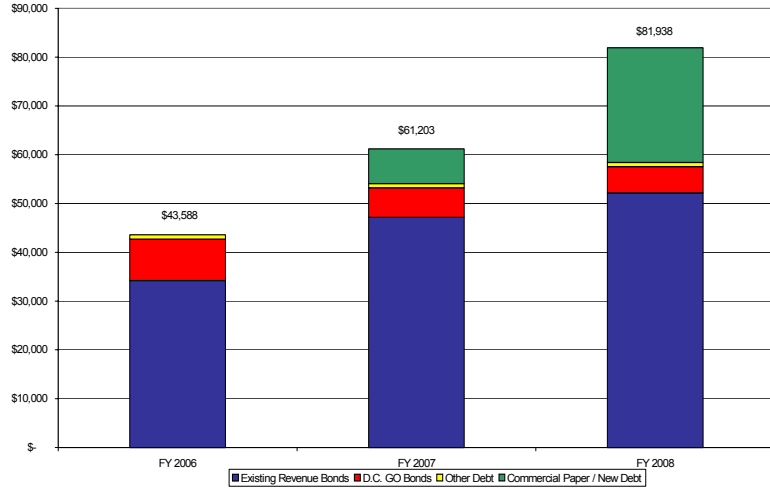
## CASH RESERVES SUMMARY

(In \$000's)

	FY 2006 Actual	FY 2007 Approved	FY 2008 Revised	FY 2008 Proposed
<b>Beginning O&amp;M Reserve Balance (Net of Rate Stabilization Fund)</b>	116,268	128,424	128,424	111,315
Operating Surplus	43,054	14,495	4,405	11,747
Wholesale Customer Refunds/Payments for Prior Years	23,202	-	(3,483)	-
Transfer to Rate Stabilization Fund	(27,000)	-	-	-
Prior Year Right of Way Payment	-	-	-	-
Prior Year Federal Billing Reconciliation	(6,887)	(1,918)	(4,425)	(5,386)
Pay-As-You-Go Capital Financing	(20,213)	(10,969)	(13,606)	(1,883)
<b>Ending O&amp;M Reserve Balance (Net of Rate Stabilization Fund)</b>	128,424	130,032	111,315	115,793
<b>Rate Stabilization Fund (Year-End Balance)</b>	58,500	27,500	56,000	38,200

# MAJOR HIGHLIGHTS & ISSUES IN DEBT IN FY 2006 - 2008

**PROJECTED DEBT SERVICE  
FY 2006 – 2008  
(In \$000's)**



Due to WASA's \$2.2 billion CIP (cash disbursements basis), debt service is the fastest growing area of WASA's operating budget.

- ✓ *FY 2007 projected debt service is \$17.6 million higher than FY 2006 debt service due to the planned issuance of new debt and principal repayment on the Series 1998 bonds, offset slightly by a scheduled \$2.5 million reduction in District general obligation debt service.*
  - *Assumes full utilization of the \$100 million commercial paper program in first quarter through third quarter 2007*
  - *Assumes fixed rate take-out financing occurs in the third quarter*
- ✓ *FY 2008 projected debt service is \$20.7 million higher than FY 2007 due to full year amortization on the Series 2007 take-out financing coupled with utilization of commercial paper in summer 2008 and assumed higher interest rates on variable rate debt.*

## CAPITAL FINANCING PLAN

WASA prepared a comprehensive capital financing plan in FY 1999 containing two key goals: 1) minimize WASA's cost of capital and 2) increase operational flexibility. This plan includes:

- ✓ *Interim financing program for construction financing*
- ✓ *Issuance of take-out financings (either fixed rate or variable rate debt) as needed for permanent financing.*
- ✓ *Use of pay-go financing to first prepay higher cost debt and then to reduce future bond issuance.*

Future interest rate assumptions for ten year plan purposes are:

- *Variable rate – 4.0% plus fees*
- *Fixed rate – 6.5%*

For appropriations purposes, higher interest rates are assumed, as discussed in Section 3.

## BOND RATINGS

- *Moody's – Aa3*
- *Standard & Poor's – AA-*
- *Fitch – AA-*

	FY 2007			FY 2008		
	Principal	Interest	Total Debt Service	Principal	Interest	Total Debt Service
<b>Existing Revenue Bonds</b>						
Series 1998 - Senior	8,475	14,892	23,367	8,940	14,426	23,366
Series 2003 - Subordinate	-	8,890	8,890	-	8,890	8,890
Series 2004 - Subordinate	-	14,920	14,920	-	19,935	19,935
<b>Subtotal Existing Rev. Bonds</b>	<b>8,475</b>	<b>38,702</b>	<b>47,177</b>	<b>8,940</b>	<b>43,251</b>	<b>52,191</b>
<b>District of Columbia GO Bonds</b>	<b>5,154</b>	<b>894</b>	<b>6,048</b>	<b>4,722</b>	<b>633</b>	<b>5,355</b>
<b>Other Debt</b>						
Jennings Randolph	281	524	805	290	515	805
Little Seneca	34	18	52	35	16	51
<b>Subtotal Other Debt</b>	<b>315</b>	<b>542</b>	<b>857</b>	<b>326</b>	<b>531</b>	<b>856</b>
<b>Projected CP &amp; New Debt</b>		<b>7,120</b>	<b>7,120</b>	<b>3,896</b>	<b>19,640</b>	<b>23,536</b>
<b>Total</b>	<b>13,945</b>	<b>47,258</b>	<b>61,203</b>	<b>17,883</b>	<b>64,054</b>	<b>81,938</b>



# OUTSTANDING DEBT

## DEBT OUTSTANDING AS OF SEPTEMBER 30, 2006

<u>SENIOR DEBT</u>	<u>INTEREST RATES</u>	<u>FINAL MATURITY</u>	<u>AMOUNT OUTSTANDING</u>
Public Utility Revenue Bonds, Series 2003	5.50 - 6.00	2028	266,120
<b>SUBORDINATE DEBT</b>			
Public Utility Subordinated Lien Revenue Bonds, Series 2003	5.0 - 5.25	2033	176,220
Public Utility Subordinated Lien Revenue Bonds, Series 2004 (Auction Rate)	variable	2034	295,000
Notes payable to the federal government for Jennings Randolph Reservoir	3.25	2041	16,104
Notes payable to WSSC for Little Seneca Reservoir	5.98 - 6.60	2014	285
District of Columbia general obligation bonds - varying series -reflects prepayment	4.55 - 6.75	2012	15,060
<b>TOTAL SUBORDINATE DEBT</b>			502,669
<b>TOTAL DEBT OUTSTANDING</b>			<u>768,789</u>

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

**PUBLIC UTILITY REVENUE BONDS (Senior Lien):** Senior lien debt issued under WASA's master trust indenture; WASA has issued one series to date in 1998 totaling \$266.120 million. This series was insured by FSA and is rated Aaa / AAA / AAA.

**PUBLIC UTILITY REVENUE BONDS (Subordinated Lien):** Subordinate lien debt issued under WASA's master trust indenture; WASA has issued two subordinate series to date: 1) Series 2003 issued as fixed rate debt and 2) Series 2004 issued as auction rate securities. Both series are insured and rated Aaa / AAA / AAA.

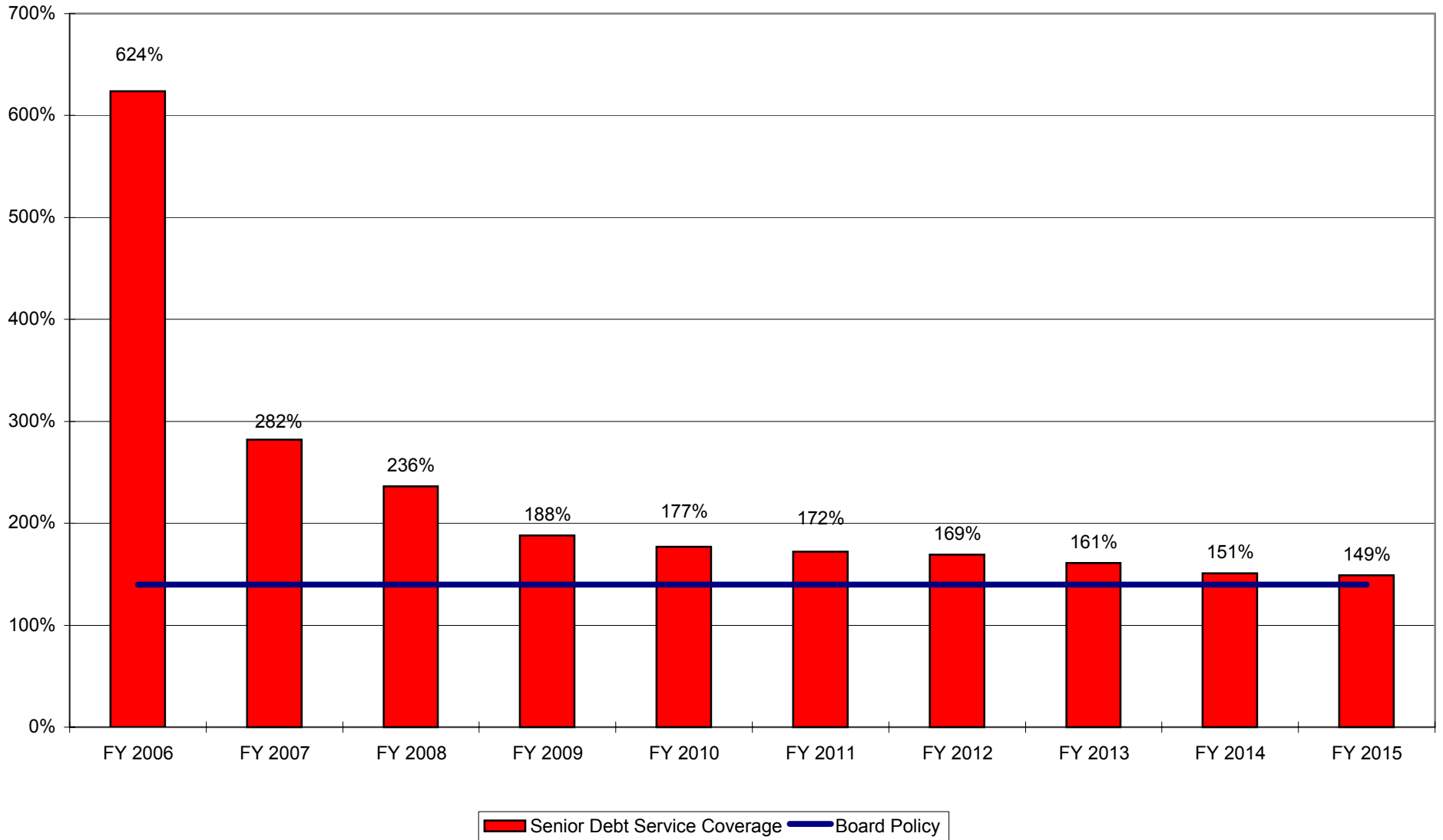
**DISTRICT GENERAL OBLIGATION BONDS:** Debt issued by the District of Columbia government for capital improvements of WASA's predecessor agency which WASA assumed at its creation. This debt is treated as subordinate under WASA's master trust indenture. Under a 1998 MOU with the District, WASA prepays the next fiscal year's debt service each September, e.g., in September 2006, WASA prepaid FY 2007 debt service.

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

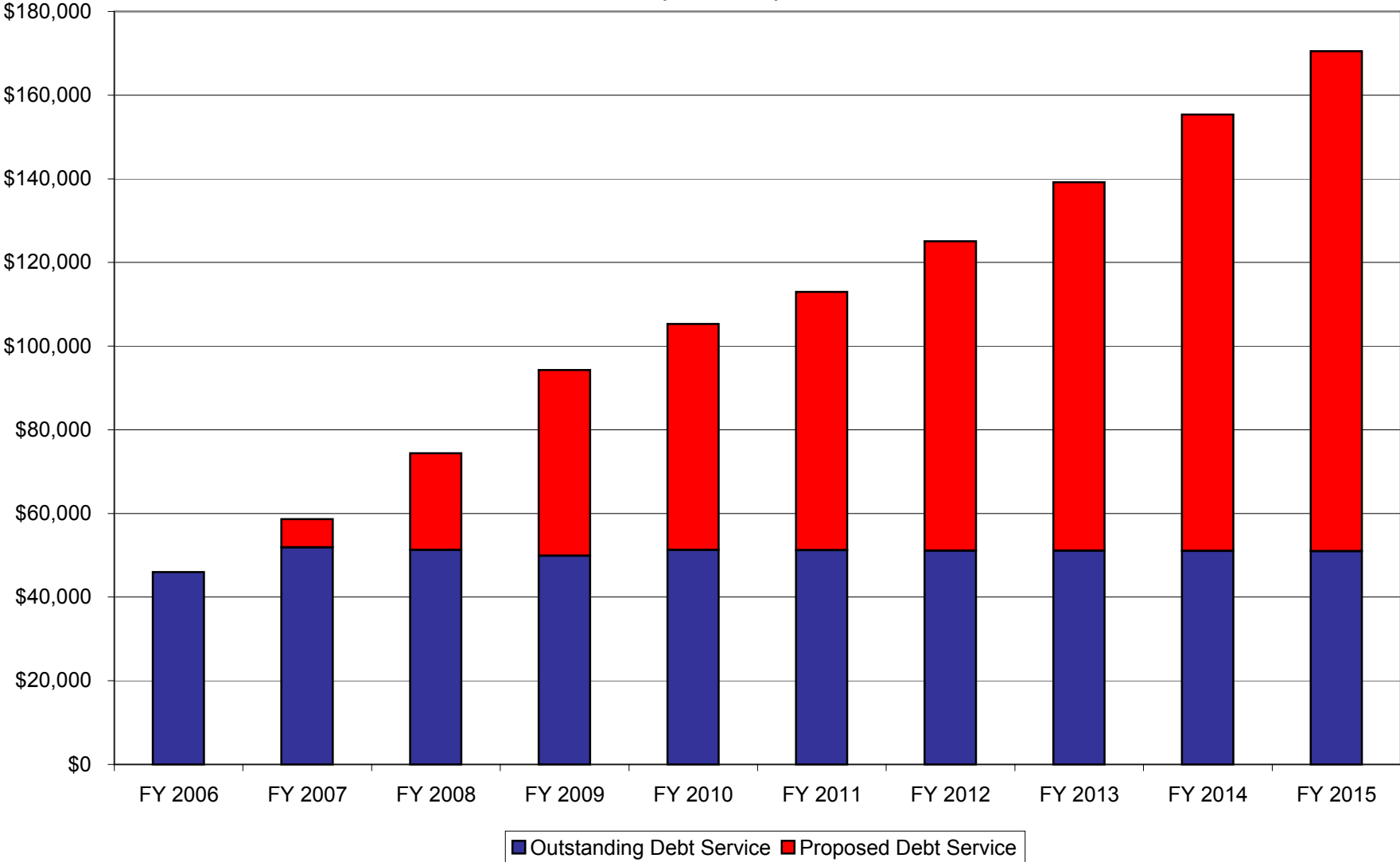
**NOTES FOR LITTLE SENECA RESERVOIR:** Debt issued by the Washington Suburban Sanitary Commission (WSSC) for construction of this backup water supply facility; WASA's share of operating and capital costs is 40 percent.

**COMMERCIAL PAPER:** As described in Section 3, WASA developed this program in early FY 2002 for interim financing of its capital program, and all outstanding borrowings were refunded by the issuance of subordinated lien revenue bonds in 2004. WASA's commercial paper program is issued in increments with maturities less than 270 days, and in normal market conditions carries significantly lower interest rates than long-term debt. In addition, notes under the program are issued on a subordinate basis. WASA's commercial paper program is backed by a direct pay letter of credit issued by Westdeutsche Landesbank Girozentrale (WestLB).

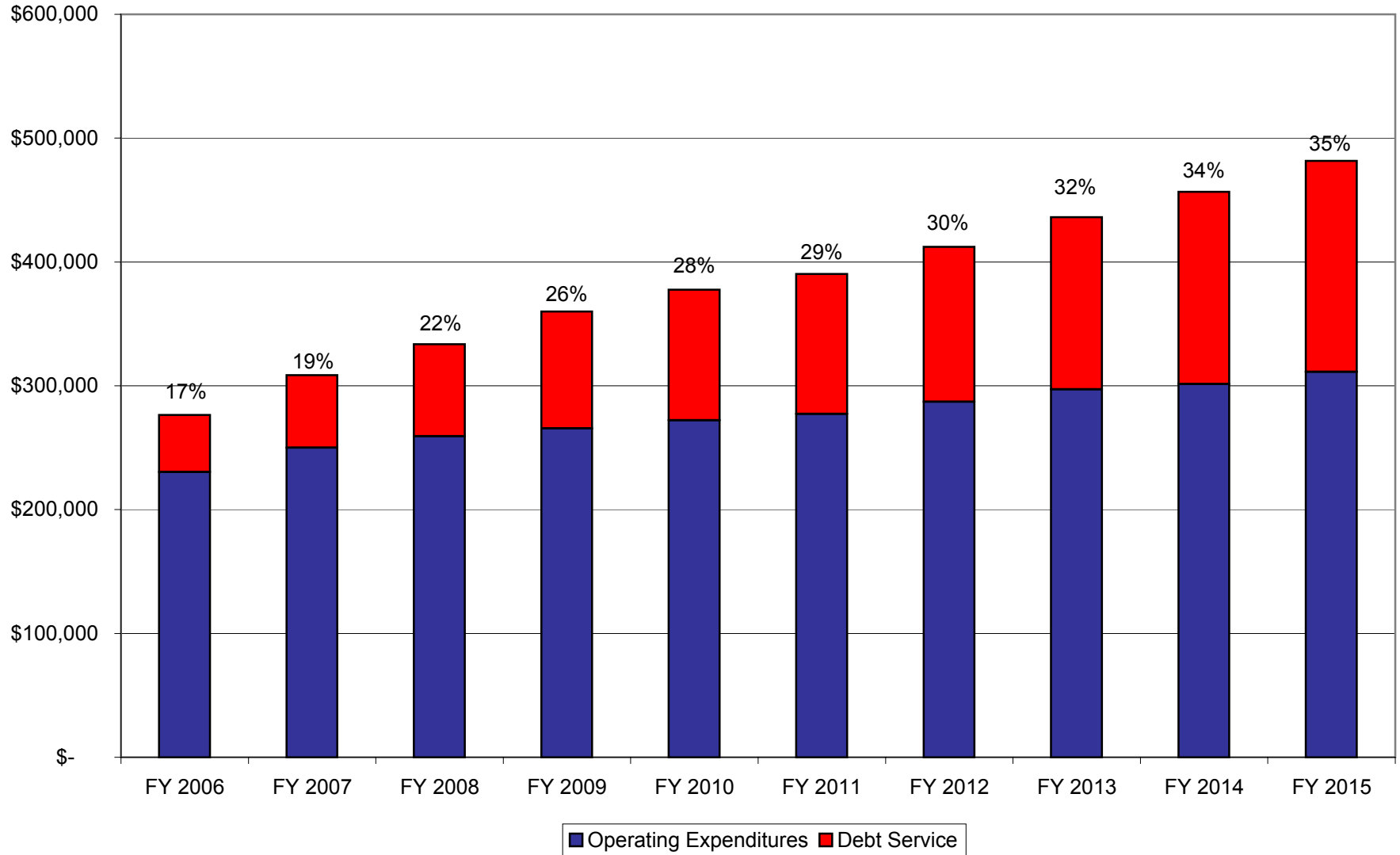
**SENIOR DEBT SERVICE COVERAGE  
FY 2006 - 2015**



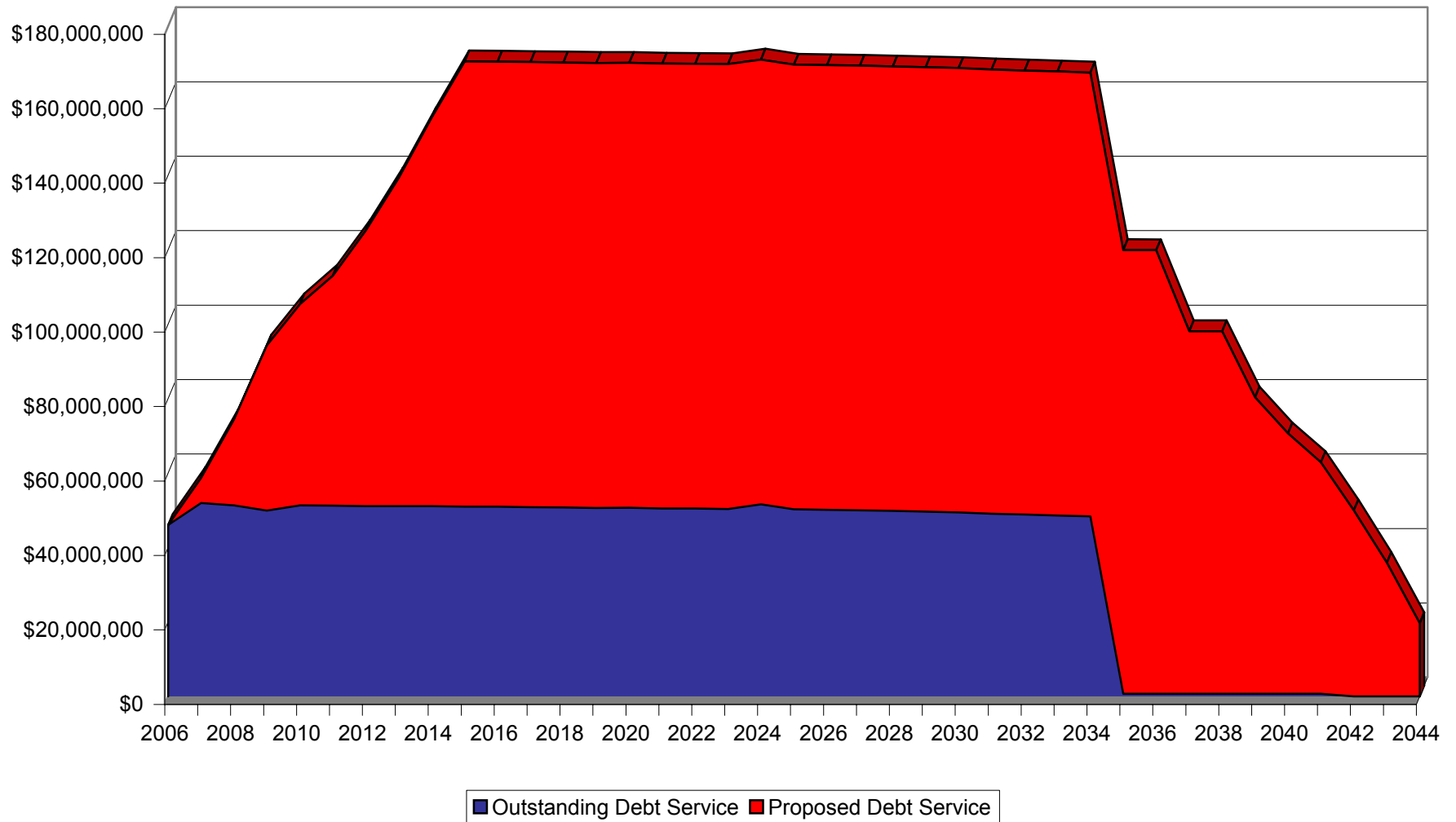
**OUTSTANDING & PROPOSED DEBT SERVICE**  
**FY 2006 - 2015**  
**(In \$000's)**



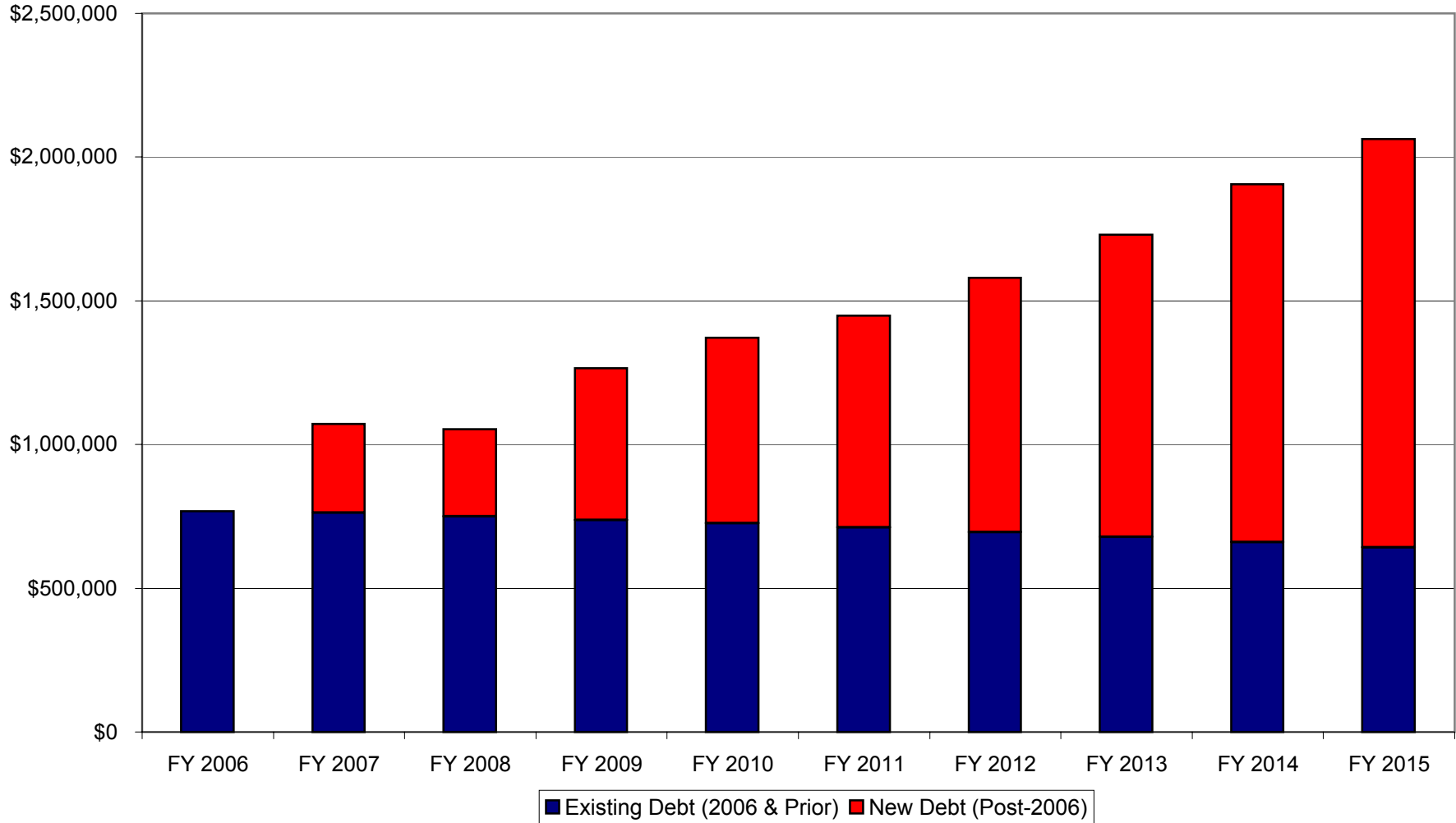
**DEBT SERVICE AS PERCENTAGE OF TOTAL OPERATING EXPENDITURES**  
**FY 2006 - 2015**  
**(In \$000's)**



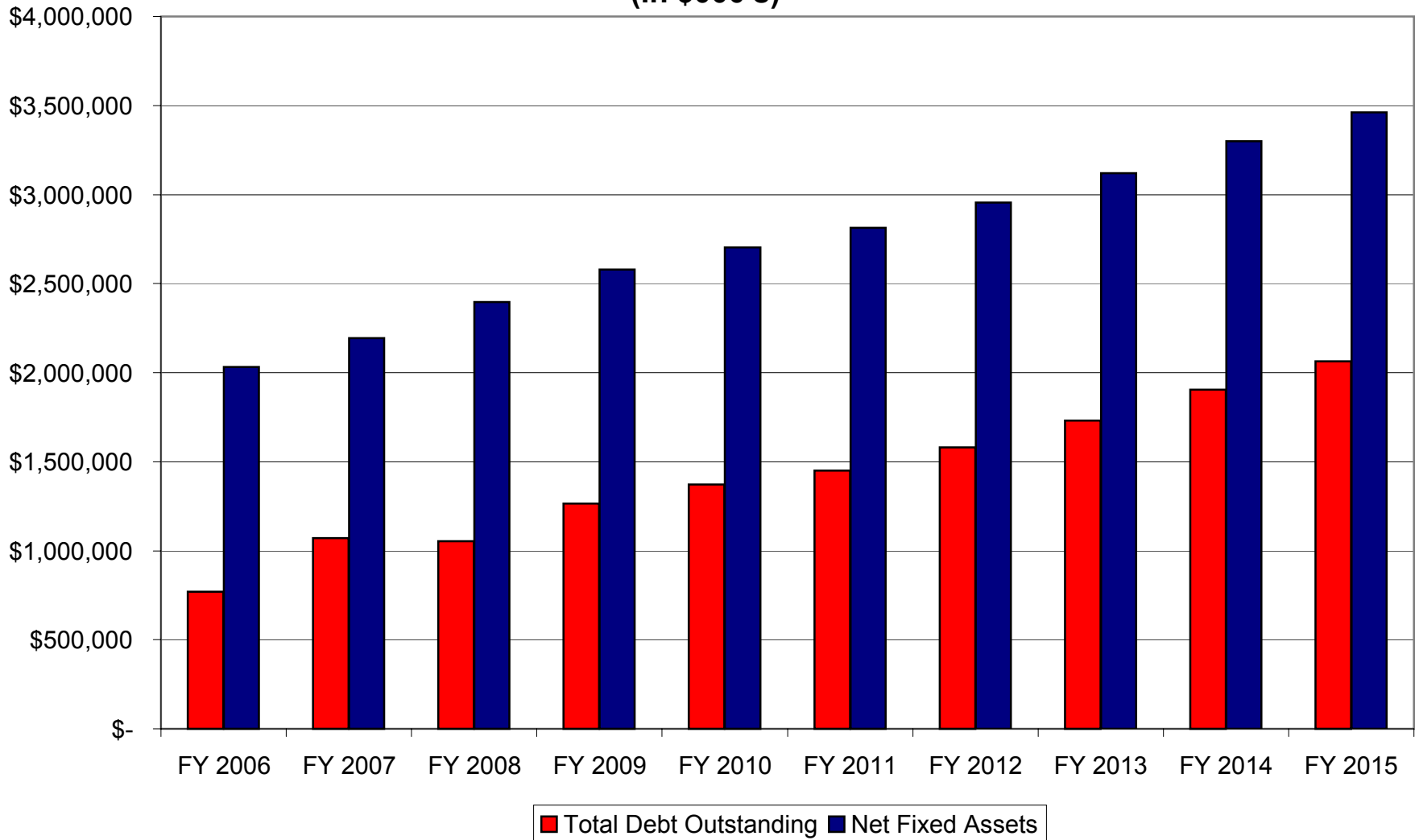
**OUTSTANDING & PROPOSED DEBT SERVICE**  
**FY 2006 - 2044**  
**Based on FY 2006 - 2015 Financial Plan**



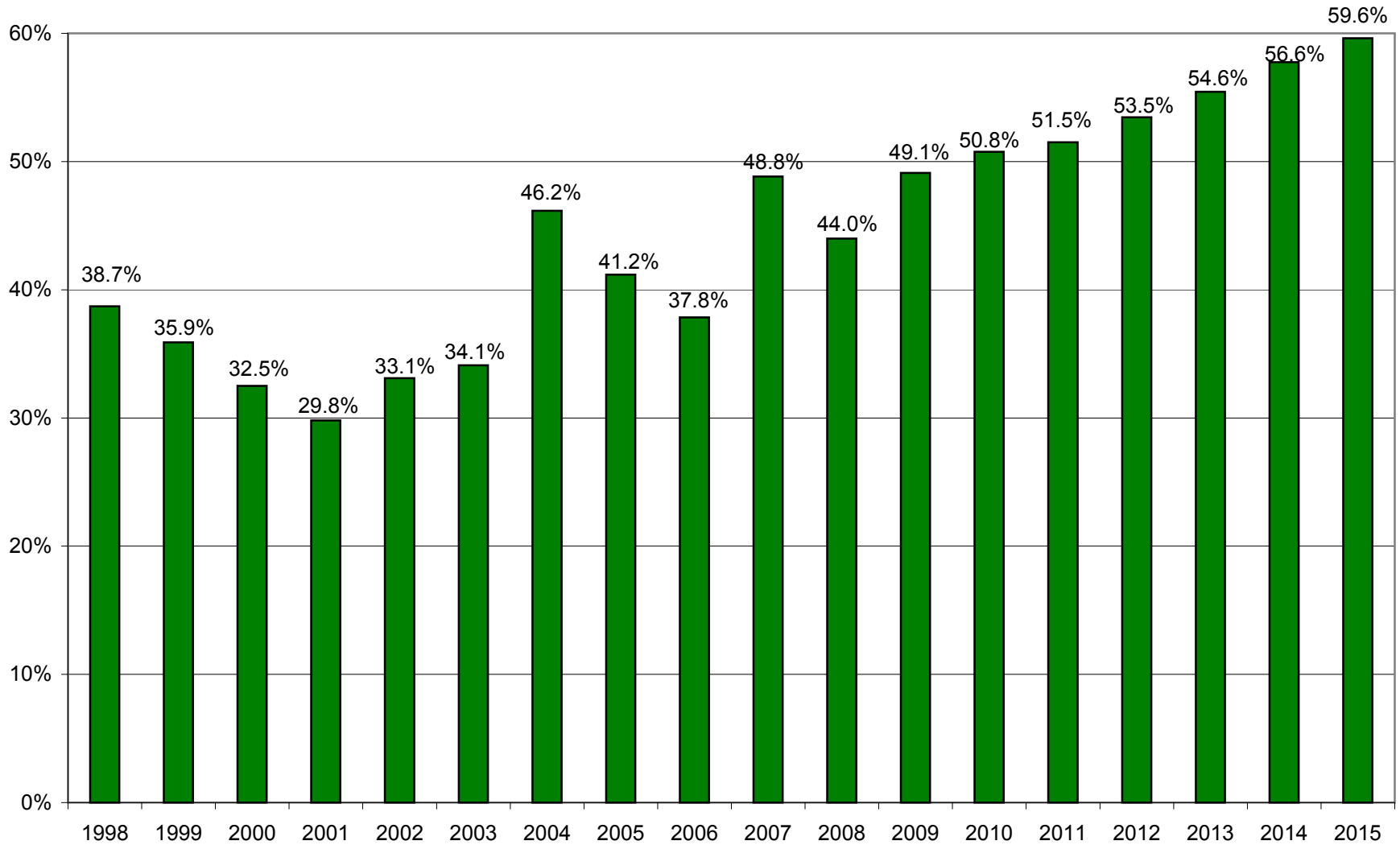
**TOTAL PRINCIPAL OUTSTANDING**  
**Existing and Projected Based on FY 2006 - 2015**  
**Capital Improvement Program**  
**(In \$000's)**



**PROJECTED TOTAL DEBT VS. PROJECTED TOTAL FIXED ASSETS**  
**FY 2006 - 2015**  
**(In \$000's)**



**DEBT TO NET FIXED ASSETS RATIO  
FY 1998 - 2015**







District of Columbia  
Water and Sewer Authority

Submitted October 26, 2006

Glenn S. Gerstell, *Chairman*  
Jerry N. Johnson, *General Manager*

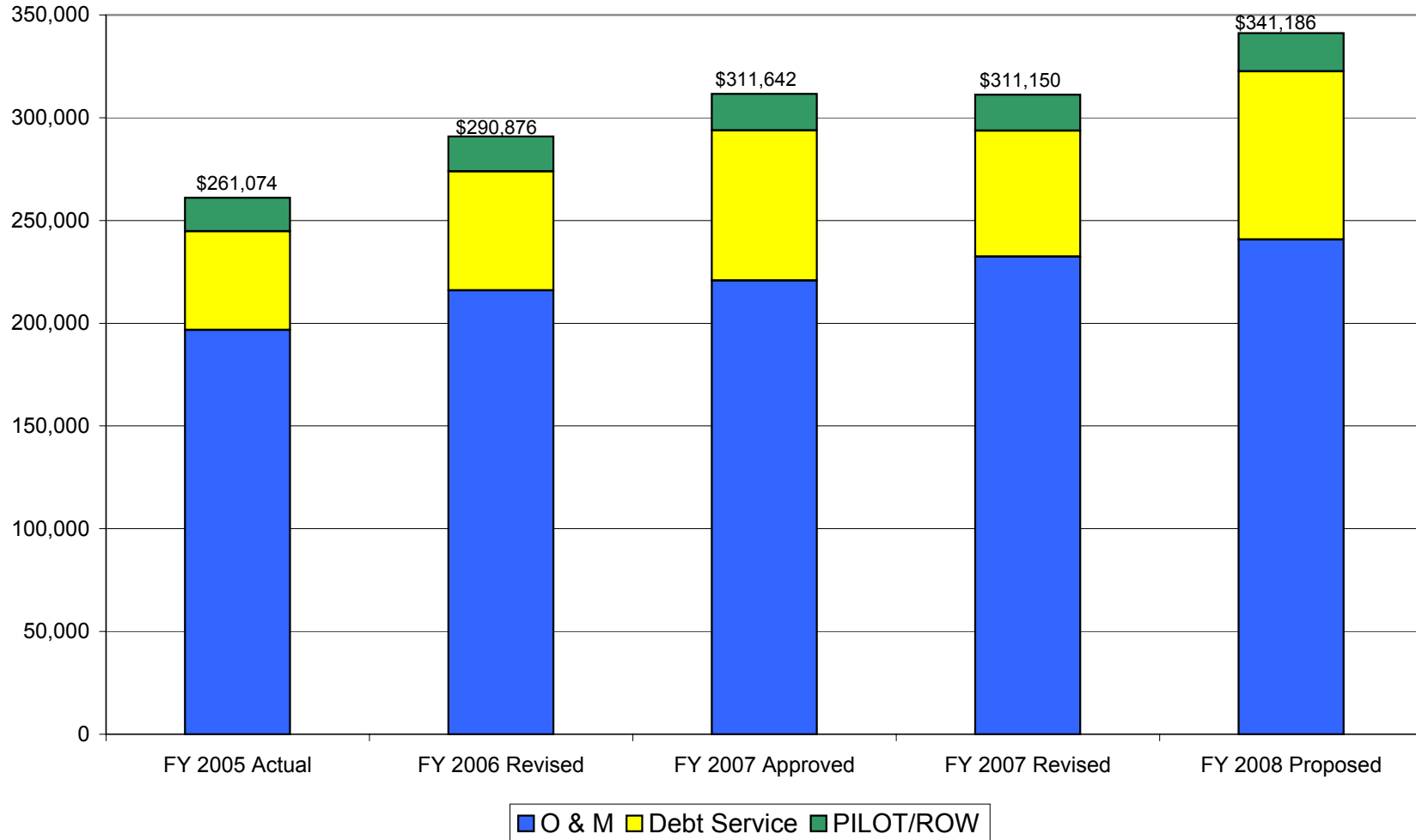
# Revised FY 2007 And Proposed FY 2008 Operating Budgets

## Section VII: Departmental Summaries

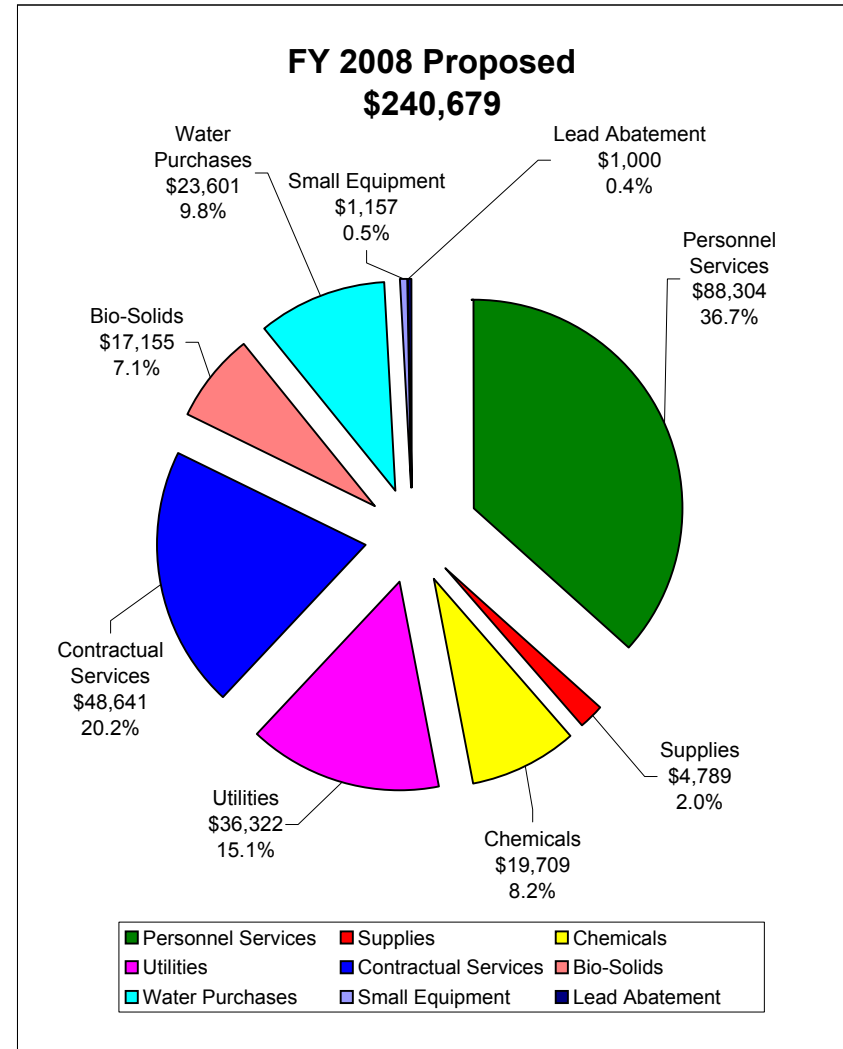
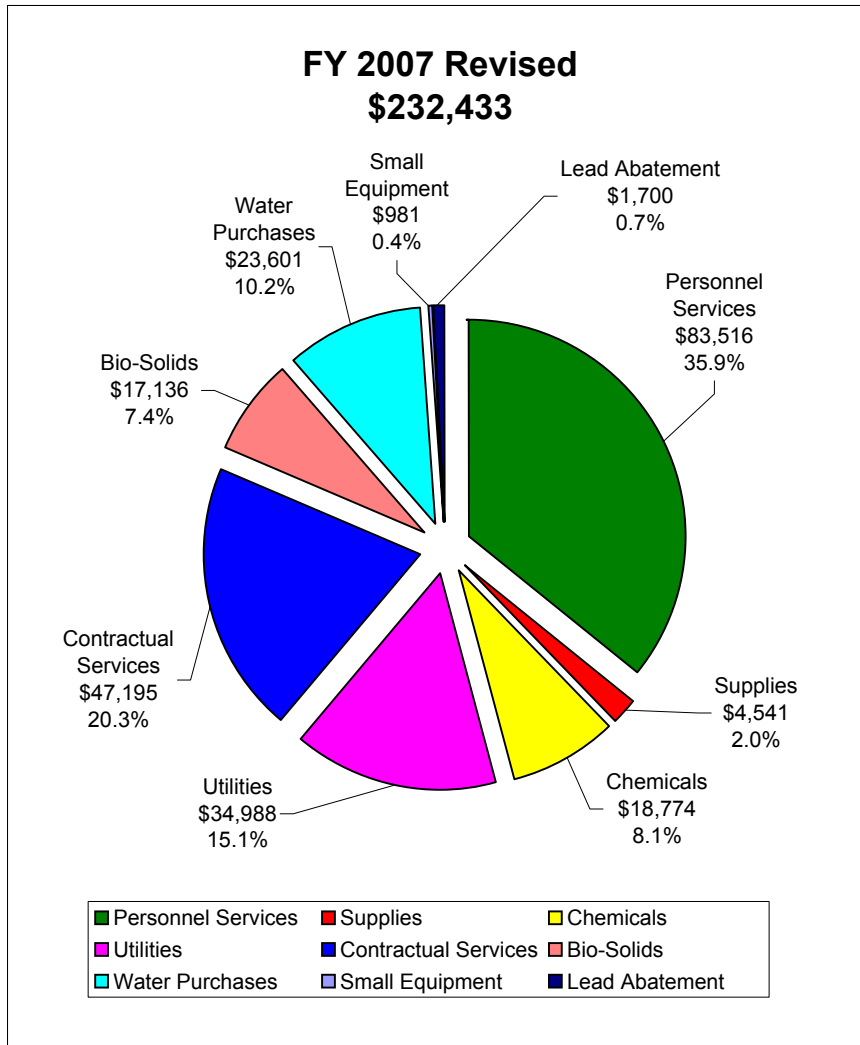
*Automated Meter Reading  
(AMR) technology enables  
customer service representa-  
tives and customers to track  
daily water use.*



# Comparative Operating Expenditure Budgets FY 2005 - FY 2008 (\$000's)



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



**Comparative Operating Expenditure Budgets**  
(\$000's)

	<b><u>FY 2005 ACTUAL</u></b>	<b><u>FY 2006 REVISED</u></b>	<b><u>FY 2007 APPROVED</u></b>	<b><u>FY 2007 REVISED</u></b>	<b><u>FY 2008 PROPOSED</u></b>
<b><u>OPERATING</u></b>					
Personnel Services	71,720	80,955	85,233	83,516	88,304
Contractual Services	57,184	62,177	63,400	64,330	65,796
Water Purchases	19,625	19,413	19,995	23,601	23,601
Chemicals and Supplies	20,038	20,606	20,688	23,316	24,499
Utilities	25,555	30,161	30,383	34,988	36,322
Small Equipment	448	982	1,102	981	1,157
Lead Abatement	2,111	1,700	-	1,700	1,000
<b>Subtotal O &amp; M Expenditures</b>	<b><u>196,683</u></b>	<b><u>215,994</u></b>	<b><u>220,801</u></b>	<b><u>232,433</u></b>	<b><u>240,679</u></b>
Debt Service	48,085	57,959	73,090	61,203	81,938
Payment in Lieu of Taxes / Right of Way	16,307	16,923	17,751	17,514	18,569
<b>Total Operating Expenditures</b>	<b><u>261,074</u></b>	<b><u>290,876</u></b>	<b><u>311,642</u></b>	<b><u>311,150</u></b>	<b><u>341,186</u></b>
Personnel Services charged to Capital Projects	(7,683)	(9,349)	(9,816)	(8,000)	(8,400)
<b>Total Net Operating Expenditures</b>	<b><u>253,392</u></b>	<b><u>281,527</u></b>	<b><u>301,826</u></b>	<b><u>303,150</u></b>	<b><u>332,786</u></b>

**Comparative Operating Expenditures by Department**

(\$000's)

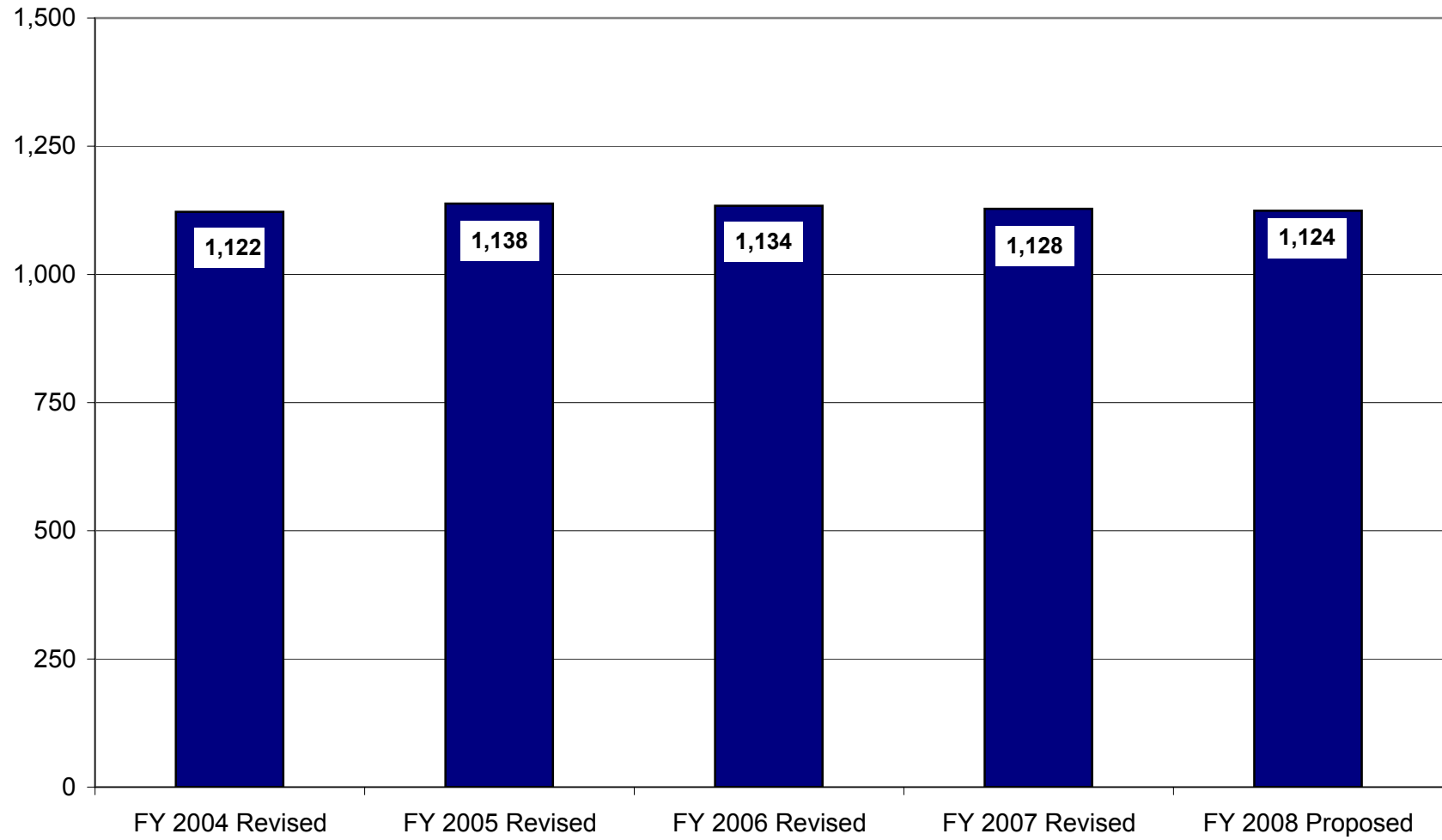
	<b>FY 2006 REVISED</b>	<b>FY 2007 APPROVED</b>	<b>FY 2007 REVISED</b>	<b>FY 2008 PROPOSED</b>
<b>O</b>				
<b>p</b>				
<b>e</b>				
<b>r</b>				
<b>a</b>				
<b>t</b>				
<b>i</b>				
<b>o</b>				
<b>n</b>				
<b>s</b>				
Wastewater Treatment	67,666	68,325	75,140	77,277
Water Services	40,034	41,757	45,055	46,206
Sewer Services	14,848	15,500	15,724	16,364
Maintenance Services	20,686	21,309	20,944	21,716
Engineering & Technical Services	14,203	14,636	14,500	14,685
Customer Service	12,599	13,067	12,878	13,427
Lead Program	1,700	-	1,700	1,000
Subtotal	<u>171,736</u>	<u>174,594</u>	<u>185,941</u>	<u>190,674</u>
Office of the Secretary	399	463	468	424
<b>A</b>				
<b>d</b>				
<b>m</b>				
<b>i</b>				
<b>n</b>				
<b>i</b>				
<b>s</b>				
<b>t</b>				
<b>r</b>				
<b>a</b>				
<b>t</b>				
<b>i</b>				
<b>o</b>				
<b>n</b>				
General Manager	1,461	1,693	1,685	1,957
General Counsel	3,340	3,614	3,599	3,704
Public Affairs	1,102	1,232	1,225	1,279
Internal Audit	457	481	477	492
Finance and Budget	5,763	5,990	5,955	6,479
Information Technology	4,893	5,252	5,374	6,916
Risk Management	7,527	7,569	6,389	6,442
Assistant General Manager	438	451	559	601
Facilities & Security	8,716	8,966	9,769	10,177
Occupational Safety and Health	732	807	856	911
Procurement & Materiel Management	2,727	2,856	2,832	3,044
Fleet Management	3,087	3,175	3,465	3,504
Human Resources	3,616	3,658	3,840	4,074
Subtotal	<u>44,257</u>	<u>46,208</u>	<u>46,491</u>	<u>50,005</u>
<b>Subtotal O &amp; M Expenditures</b>	<b>215,994</b>	<b>220,802</b>	<b>232,433</b>	<b>240,679</b>
Debt Service	57,959	73,090	61,203	81,938
Payment in Lieu of Taxes/ Right of Way	16,923	17,751	17,514	18,569
<b>Total O &amp; M Expenditures</b>	<b>290,876</b>	<b>311,642</b>	<b>311,150</b>	<b>341,186</b>
Personnel Services charged to Capital Projects	(9,349)	(9,816)	(8,000)	(8,400)
<b>Total Net Operating Expenditures</b>	<b><u>281,527</u></b>	<b><u>301,826</u></b>	<b><u>303,150</u></b>	<b><u>332,786</u></b>

**Comparative Operating Expenditures by Department by Category  
FY 2007 Revised Budget  
(\$000's)**

	Auth Pos	Pay	Fringe	Overtime	Total PS	Supplies	Chemicals	Utilities	Contract	BioSolids	Water Purchases	Small Equipment	Total NPS	TOTAL Dept.	
<b>O</b>															
<b>p</b>	Wastewater Treatment	125	7,135	1,570	790	9,495	500	18,545	24,208	5,154	17,136	101	65,645	75,140	
<b>e</b>	Water Services	166	8,506	1,871	978	11,356	613	154	5,168	4,038	23,601	125	33,699	45,055	
<b>r</b>	Sewer Services	159	7,745	1,704	942	10,391	362	75	3,128	1,666		103	5,334	15,724	
<b>a</b>	Maintenance Services	178	9,996	2,199	950	13,145	2,042		79	5,540		138	7,800	20,944	
<b>t</b>	Engineering & Tech. Services	125	9,093	2,000	425	11,518	70		135	2,719		59	2,982	14,500	
<b>i</b>	Customer Service	123	6,056	1,332	260	7,648	119		1,216	3,809		85	5,229	12,878	
<b>o</b>	Lead Abatement								1,700				1,700	1,700	
<b>n</b>	<b>Subtotal Operations</b>	<b>876</b>	<b>48,530</b>	<b>10,677</b>	<b>4,345</b>	<b>63,552</b>	<b>3,706</b>	<b>18,774</b>	<b>33,934</b>	<b>24,627</b>	<b>17,136</b>	<b>23,601</b>	<b>611</b>	<b>122,389</b>	<b>185,941</b>
	Office of the Secretary	2	156	34	2	193	18		3	248		6	275	468	
<b>A</b>	General Manager	9	1,091	240	25	1,356	15		16	294		4	329	1,685	
<b>d</b>	General Counsel	14	1,050	231	2	1,283	15		13	2,275		13	2,316	3,599	
<b>m</b>	Public Affairs	8	636	140	2	778	30		13	398		7	448	1,225	
<b>i</b>	Internal Audit	4	320	70	-	390	7		5	75		-	87	477	
<b>n</b>	Finance & Budget	43	3,032	667	40	3,740	20		65	2,109		21	2,215	5,955	
<b>i</b>	Information Technology	29	1,382	304	35	1,721	164		109	3,251		129	3,653	5,374	
<b>s</b>	Risk Management	3	210	46	3	259	7		3	6,120		-	6,130	6,389	
<b>t</b>	Asst. Gen. Mgr. - Support Services	4	300	66	1	367	5		3	180		4	191	559	
<b>r</b>	Facilities & Security	64	3,221	709	142	4,071	391		94	5,162		51	5,697	9,769	
<b>a</b>	Occup. Safety & Health	7	543	119	1	663	58		10	83		42	193	856	
<b>t</b>	Procurement & Materiel Mgt	38	2,058	453	50	2,561	61		35	159		15	271	2,832	
<b>i</b>	Fleet Management	5	374	82	2	458	10		664	2,269		64	3,007	3,465	
<b>o</b>	Human Resources	22	1,729	380	15	2,124	35		21	1,645		14	1,716	3,840	
<b>n</b>	<b>Subtotal Administration</b>	<b>252</b>	<b>16,101</b>	<b>3,542</b>	<b>320</b>	<b>19,964</b>	<b>835</b>	<b>-</b>	<b>1,054</b>	<b>24,267</b>	<b>-</b>	<b>371</b>	<b>26,528</b>	<b>46,491</b>	
	<b>Subtotal O &amp; M Expenditures</b>	<b>1,128</b>	<b>64,632</b>	<b>14,219</b>	<b>4,665</b>	<b>83,516</b>	<b>4,541</b>	<b>18,774</b>	<b>34,988</b>	<b>48,895</b>	<b>17,136</b>	<b>981</b>	<b>148,917</b>	<b>232,433</b>	
	Debt Service													61,203	
	Payment in Lieu of Taxes/Right of Way													17,514	
	<b>Total O &amp; M Expenditures</b>													311,150	
	Personnel Services charged to Capital Projects													(8,000)	
	<b>Total Net Operating Expenditures (Revised)</b>													<b>303,150</b>	

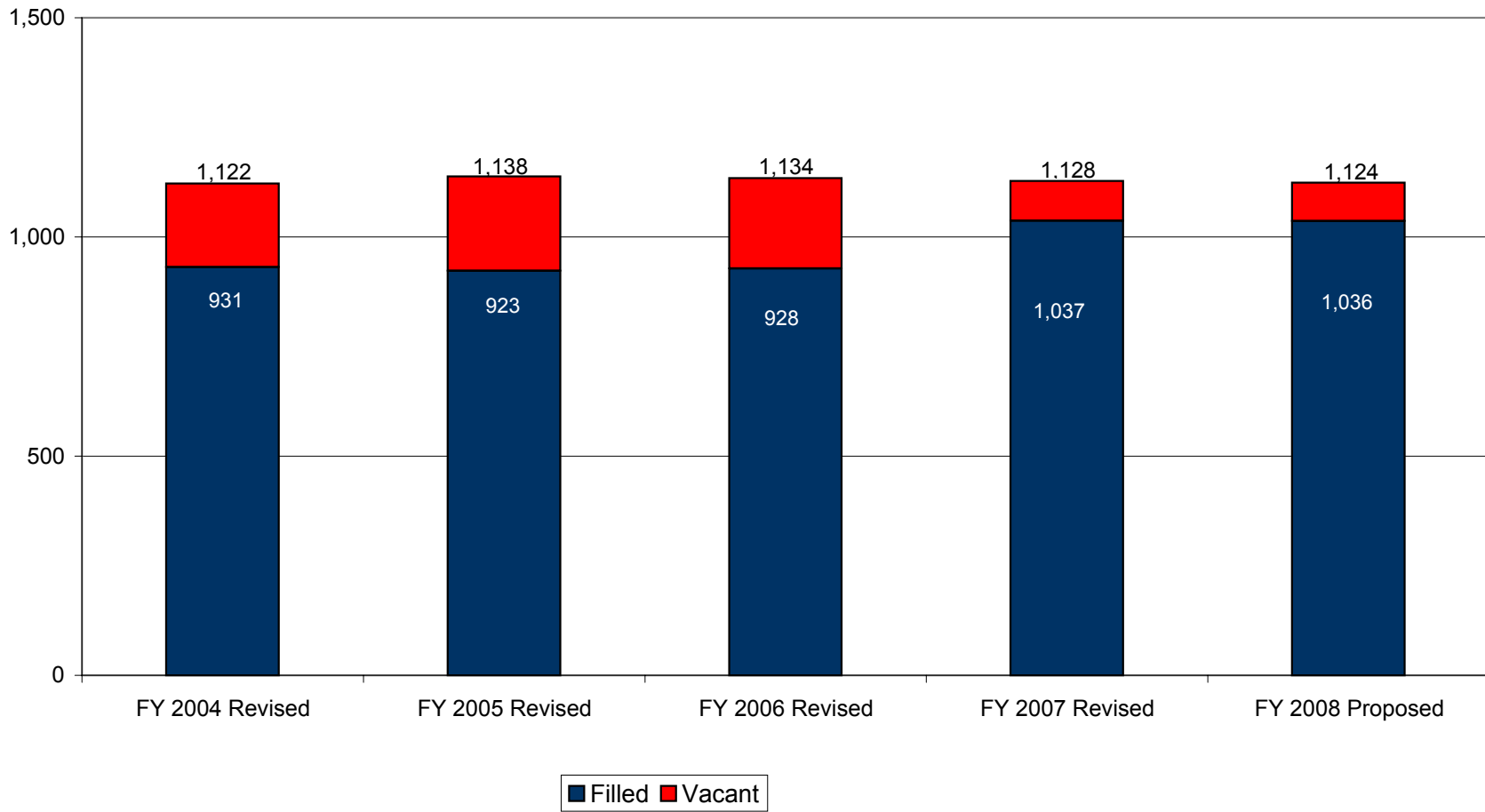


## Authorized Positions FY 2004 - FY 2008





### Filled vs. Vacant Positions FY 2004 - FY 2008

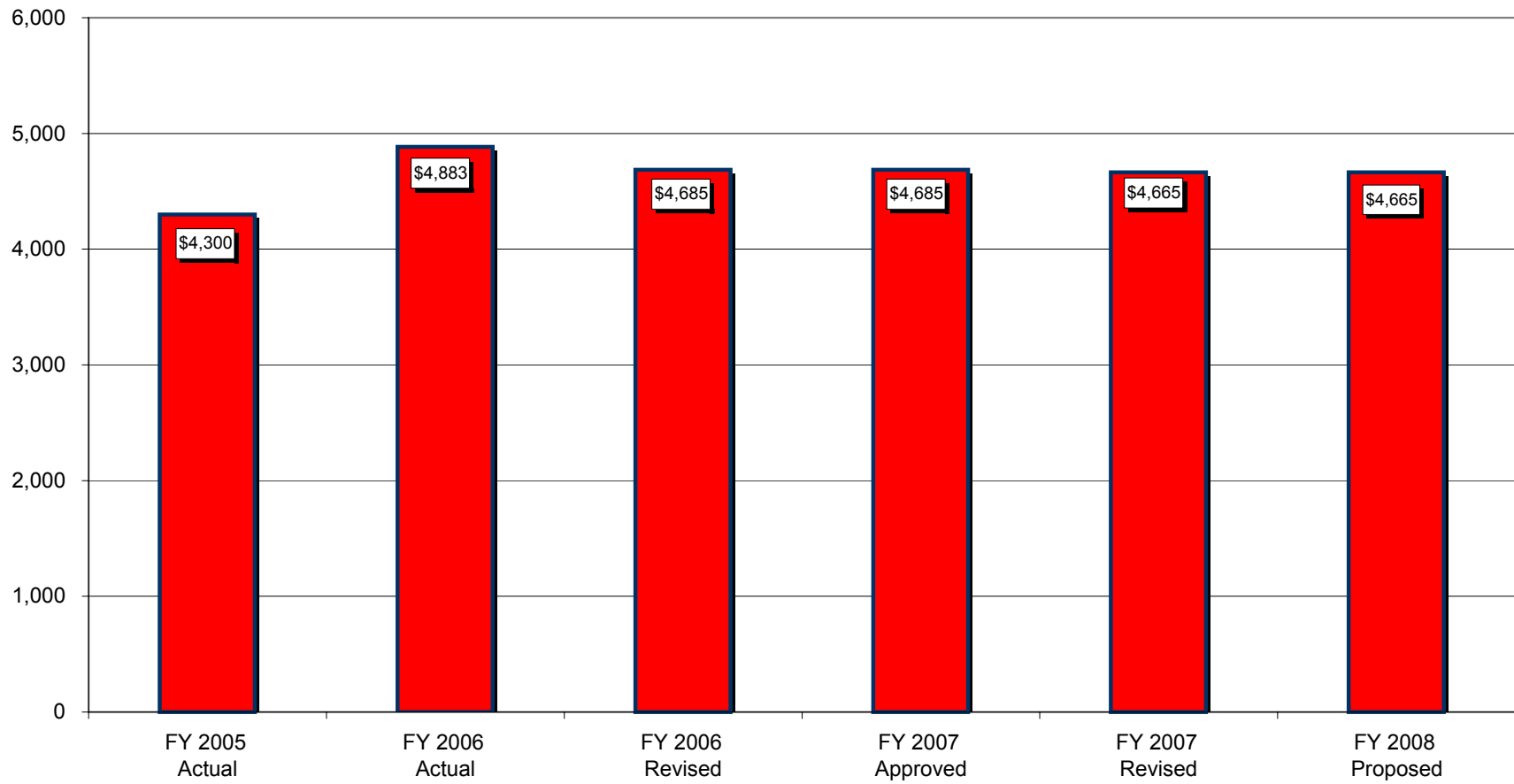


\* Filled count represents year-end actual except for FY 2007 and FY 2008 which are budgeted numbers

### FY 2007 Revised & FY 2008 Proposed Position Request

	Fiscal Year 2005			FY 2005	Fiscal Year 2006			FY 2006	Fiscal Year 2007		Fiscal Year 2008	
	Average	Average		Year-End	Average	Average		Year-End	Authorized	Revised	Proposed	
	Authorized	Filled	Vacant	Filled	Authorized	Filled	Vacant	Filled				
O p e r a t i o n s	Wastewater Treatment	144	112	32	108	132	104	28	105	112	125	121
	Water Services	158	137	21	133	166	136	30	138	166	166	166
	Sewer Services	159	135	24	136	159	135	24	134	159	159	159
	Maintenance Services	182	155	27	151	178	154	24	152	178	178	178
	Engineering & Technical Services	118	103	15	107	125	103	22	100	125	125	125
	Customer Service	119	104	15	106	123	101	22	101	123	123	123
	<b>Subtotal</b>	<b>880</b>	<b>746</b>	<b>134</b>	<b>741</b>	<b>883</b>	<b>733</b>	<b>150</b>	<b>730</b>	<b>863</b>	<b>876</b>	<b>872</b>
A d m i n i s t r a t i o n	Secretary to the Board of Directors	2	2	-	2	2	2	-	2	2	2	2
	General Manager	6	5	1	4	9	6	3	7	9	9	9
	General Counsel	10	7	3	8	14	10	4	9	14	14	14
	Public Affairs	5	5	-	5	8	6	2	7	8	8	8
	Internal Audit	4	4	-	3	4	3	1	3	4	4	4
	Finance	42	33	9	32	43	32	11	33	43	43	43
	Information Technology	29	12	17	13	29	13	16	13	29	29	29
	Risk Management	3	3	-	3	3	3	-	3	3	3	3
	Asst. Gen. Mgr. - Support Services	3	3	-	3	4	3	1	3	4	4	4
	Facilities and Security	64	50	14	50	64	55	9	58	64	64	64
	Occupational Safety and Health	6	6	-	6	6	5	1	5	6	7	7
	Procurement & Materiel Management	38	31	7	31	38	30	8	30	38	38	38
	Fleet Management	5	4	1	4	5	4	1	5	5	5	5
	Human Resources	21	19	2	18	22	20	2	20	22	22	22
	<b>Subtotal</b>	<b>238</b>	<b>184</b>	<b>54</b>	<b>182</b>	<b>251</b>	<b>192</b>	<b>59</b>	<b>198</b>	<b>251</b>	<b>252</b>	<b>252</b>
	<b>Total Positions</b>	<b>1,118</b>	<b>930</b>	<b>188</b>	<b>923</b>	<b>1,134</b>	<b>925</b>	<b>209</b>	<b>928</b>	<b>1,114</b>	<b>1,128</b>	<b>1,124</b>

**Overtime Expenditures  
FY 2005 - FY 2008  
(\$000's)**



**OVERTIME BY DEPARTMENT**  
**(\$000's)**

<b>Department</b>	<b>FY 2005 Actual</b>	<b>FY 2006 Actual</b>	<b>FY 2006 Revised</b>	<b>FY 2007 Approved</b>	<b>FY 2007 Revised</b>	<b>FY 2008 Proposed</b>
Wastewater Treatment	786	839	790	790	790	790
Water Services	855	1,061	978	978	978	978
Sewer Services	861	1,017	942	942	942	942
Maintenance Services	1,022	1,060	900	900	950	950
Engineering & Technical Services	321	278	425	425	425	425
Customer Service	218	267	300	300	260	260
Secretary to the Board of Directors	-	1	2	2	2	2
General Manager	25	25	25	25	25	25
General Counsel	-	0	2	2	2	2
Public Affairs	2	1	2	2	2	2
Internal Audit	-	-	-	-	-	-
Finance & Budget	26	31	40	40	40	40
Information Technology	19	24	50	50	35	35
Risk Management	-	0	4	4	3	3
Assistant General Manager	1	1	1	1	1	1
Facilities & Security	118	217	142	142	142	142
Occupational Safety & Health	-	0	1	1	1	1
Procurement & Materiel Management	44	57	52	52	50	50
Fleet Management	-	1	4	4	2	2
Human Resources	2	3	25	25	15	15
Lead Abatement						
<b>Total</b>	<b>4,300</b>	<b>4,883</b>	<b>4,685</b>	<b>4,685</b>	<b>4,665</b>	<b>4,665</b>



POSITIONS				
FY 2006			FY 2007	FY 2008
Average Authorized	Year-End Positions Filled	Year-End Positions Filled		
1,134	924	933	1,128	1,124

**FY 2008  
Operating Budget  
\$341,186,000**

**BOARD OF DIRECTORS**

**GENERAL MANAGER**

Chief of Staff

Government Relations

Internal Audit

Office of the Secretary

Assistant General Manager  
Support Services

Chief Financial Officer

General Counsel

Information Technology

Public Affairs

Chief Engineer  
Deputy General Manager

Human Resources

Labor Relations

Occupational Health & Safety

Facilities & Security

Procurement & Materiel Management

Fleet Management

Controller

Finance & Budget

Risk Management

Engineering & Technical Services

Wastewater Treatment

Maintenance Services

Assistant General Manager  
Consumer Services

Customer Services

Sewer Services

Water Services



**CHIEF ENGINEER**  
Deputy General Manager

POSITIONS				
Authorized	CURRENT		FY 2007	FY 2008
	Average Positions Filled	Year-End Positions Filled		
132	103	101	125	121

**FY 2008 Budget**  
**\$ 77,277,000**

**WASTEWATER TREATMENT**  
**4 - Positions**

**Process Engineering Branch**  
**12 - Positions**

**FUNCTIONS**

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

**Wastewater Treatment Branch**  
**87 - 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**  
**6 - 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 revised FY 2007 budget is approximately \$6.8 million greater than the approved FY 2007 budget, due to higher cost for chemicals and electricity, and increases in contractual services associated with transportation of chemicals for the secondary treatment process. Similarly, the FY 2008 proposed budget increases by approximately 3% from the FY 2007 revised budget, primarily due to anticipated increases in chemicals and electricity costs. The FY 2008 projected compensation increases are offset by the reduction of 4 positions in support of the Internal Improvement Program (IIP).

	FY 2006 Revised	FY 2007 Approved	FY 2007 Revised	FY 2008 Proposed
<b>Positions: (FTE's)</b>				
Number of authorized positions	132	112	125	121
Average number of positions filled	103			
<b>Operating Expenses</b>				
<b>Personnel Services including Overtime</b>	9,667	9,703	9,495	9,571
Overtime	790	790	790	790
<b>Non-Personnel Services:</b>				
Chemicals & Supplies	15,925	15,950	19,046	20,005
Utilities	20,819	20,949	24,208	25,274
Contractual Services, etc.	4,841	4,609	5,154	5,181
Biosolids	16,313	17,019	17,136	17,155
Small Equipment	101	95	101	91
<b>Total Non-Personnel Services</b>	<b>57,999</b>	<b>58,622</b>	<b>65,645</b>	<b>67,706</b>
<b>Total Operations</b>	<b>67,666</b>	<b>68,325</b>	<b>75,140</b>	<b>77,277</b>
Capital Equipment	81	30	95	72

Targeted Performance Measures	FY 2006 Projection	FY 2007 Budget	FY 2007 Projection	FY 2008 Projection
Achieve AMSA Award Status (Gold)	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%)	100 % Complete	100 % Complete	100 % Complete	100 % Complete
Obtain 90% acceptable results on discharge monitoring report quality assurance samples	90% Acceptable results	90% Acceptable results	90% Acceptable results	90% Acceptable results

# WASTEWATER TREATMENT

## OVERVIEW

### FY 2007 Major Recommended Activities and Changes

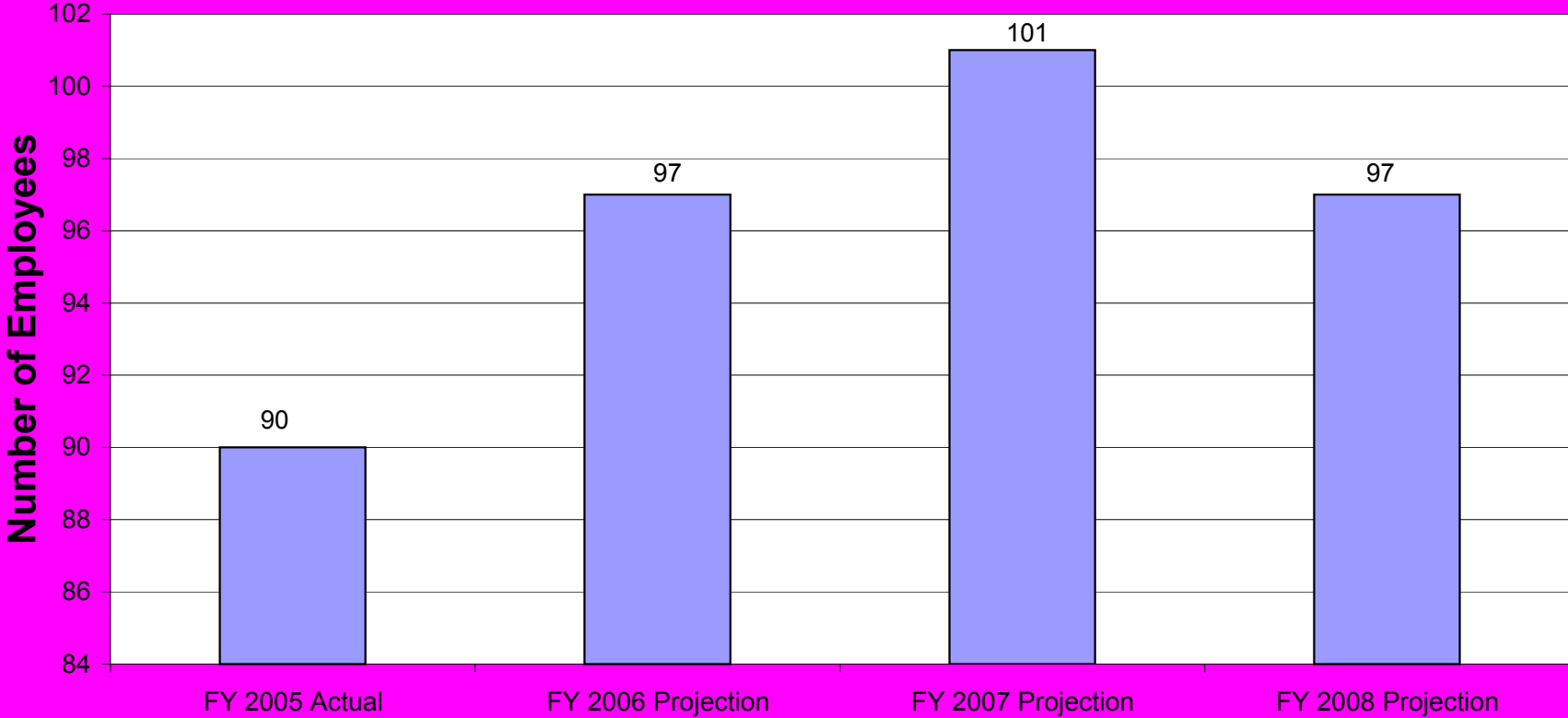
- Maintain full compliance with NPDES permit
- Reduce 7 positions from FY 2006 as a result of Internal Improvement Plan (IIP) implementation
- Actively participate in chemicals procurement to ensure lowest cost and reliability of service
- Continue to minimize plant and biosolids odor
- Implement training programs
- Continue implementation of High Priority Rehabilitation Program (HPRP) 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 – operational in 2007
  - Process Control Computer System – partially operational in FY 2005
  - Grit and Screening Facilities Upgrade – operational in 2007
  - Digester Construction – operational in stages beginning in FY 2011
  - Nitrification/Denitrification Facilities Upgrade – operational in 2009
- Continue to conduct wastewater treatment process research and development in various areas including:
  - Use of methanol for denitrification in winter
  - Sidestream treatment for nitrogen removal
  - Primary influent septicity on chemically enhanced primary treatment
  - Digestion process temperature evaluation
  - Biosolids product quality improvement
- Continue to work with Maryland and Virginia on regulatory requirements for biosolids and land applications
- Monitor and evaluate impact of Chesapeake Bay program changes on Blue Plains
- Monitor and evaluate impact of CSO LTCP on Blue Plains

### FY 2008 Major Recommended Activities and Changes

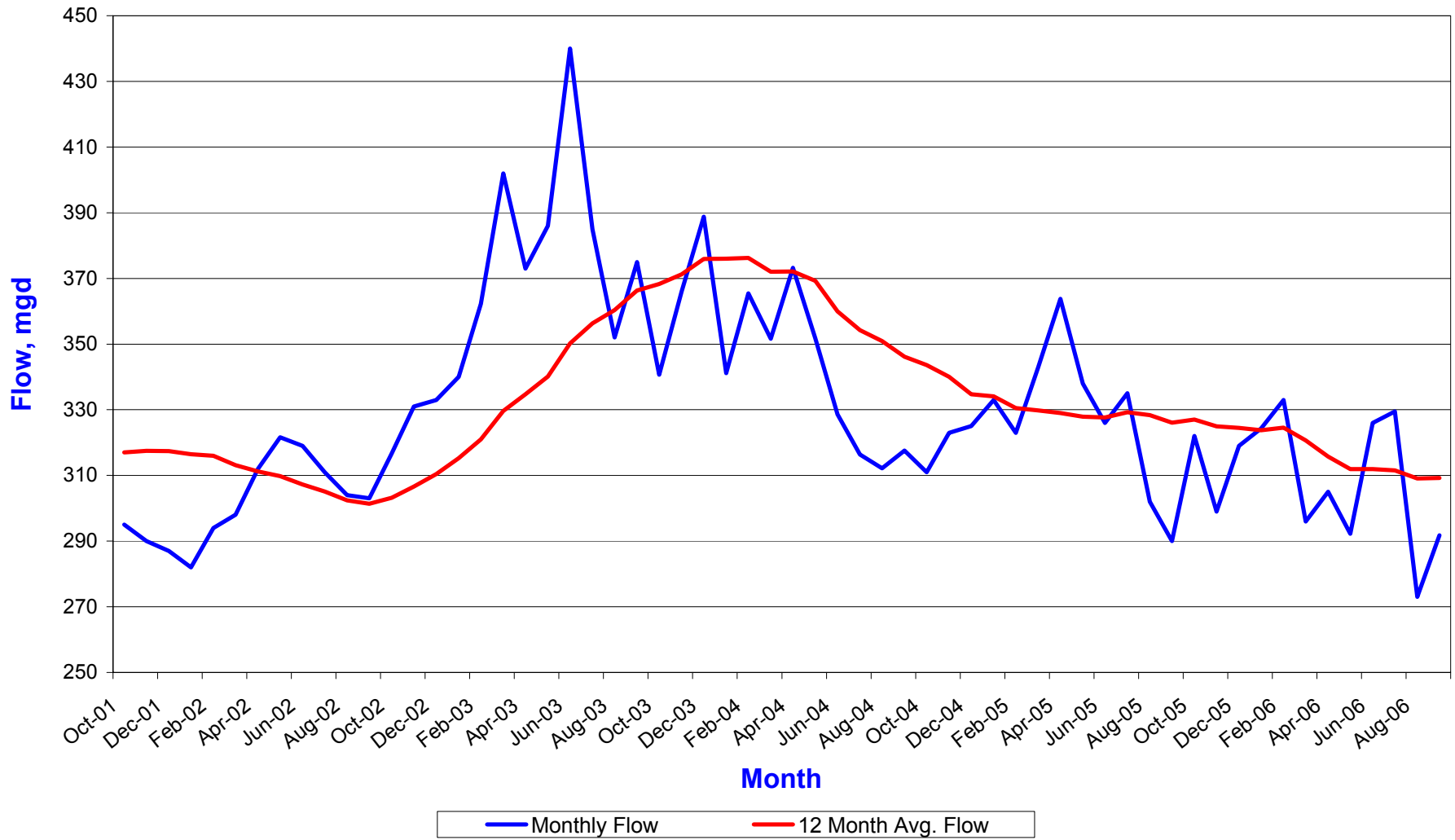
- Continue to implement the IIP recommendation for plant efficiency and effectiveness
- Continue operation of treatment facilities during construction of the following CIP projects:
  - Filtration & Disinfection Facilities Upgrades - operational in 2007
  - Process Control Computer System - partially operational in FY 2005
  - Nitrification/Denitrification Facilities Upgrades - operational in 2009
  - Digester Construction - operational in stages beginning in FY 2011
- Continue to conduct wastewater treatment process research and development
- Continue to work with Maryland and Virginia on regulatory requirements for biosolids and land applications



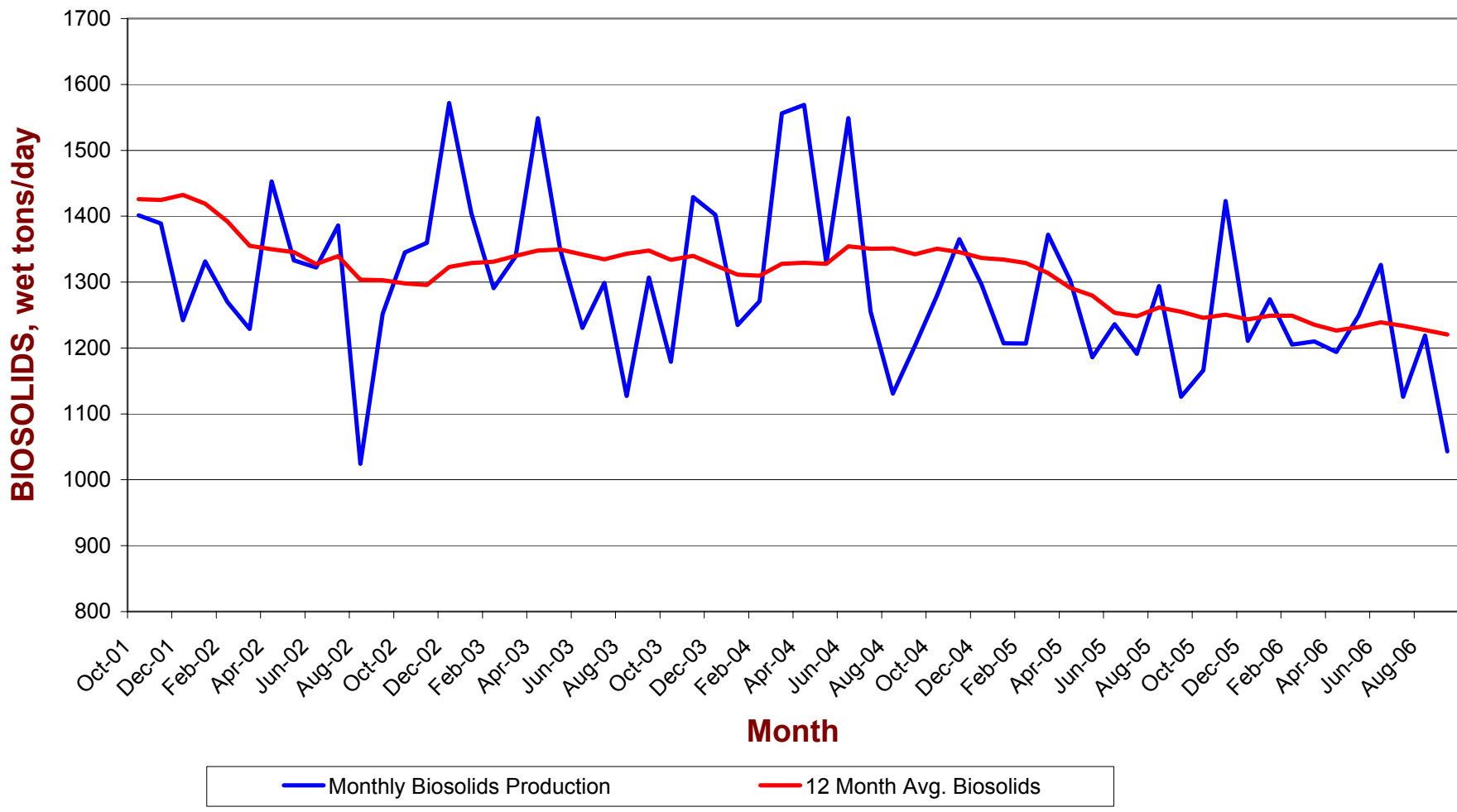
# CERTIFIED OPERATORS



## BLUE PLAINS WASTEWATER TREATMENT PLANT EFFLUENT FLOW OCTOBER 2001 - SEPTEMBER 2006

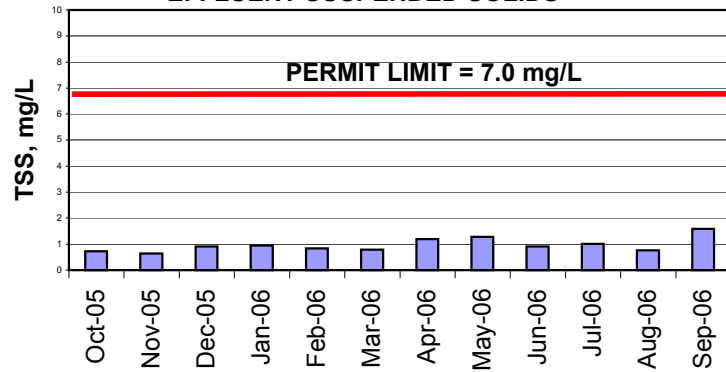


# BLUE PLAINS WASTEWATER TREATMENT PLANT BIOSOLIDS PRODUCTION OCTOBER 2001 - SEPTEMBER 2006



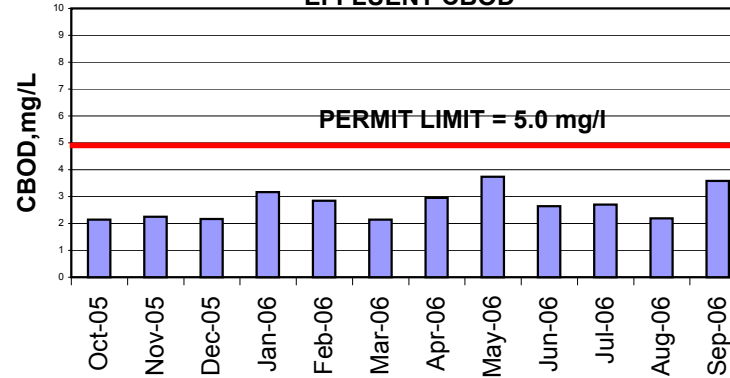
**BLUE PLAINS WASTEWATER TREATMENT PLANT  
PLANT EFFLUENT QUALITY  
OCTOBER 2005 - SEPTEMBER 2006**

**MONTHLY AVERAGE  
EFFLUENT SUSPENDED SOLIDS**



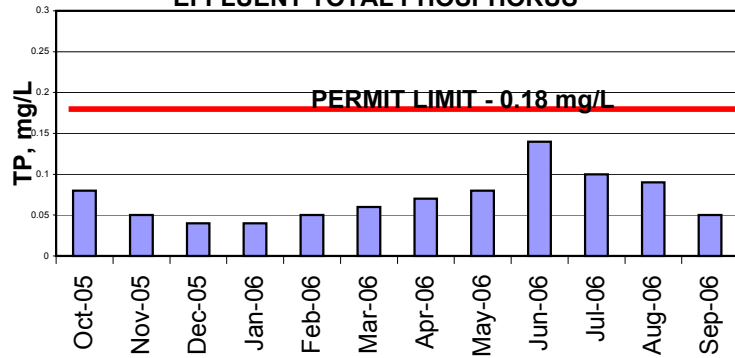
Effluent Total Suspended Solids (TSS) is a measure of the amount of solid materials that remains suspended after treatment.

**MONTHLY AVERAGE  
EFFLUENT CBOD**



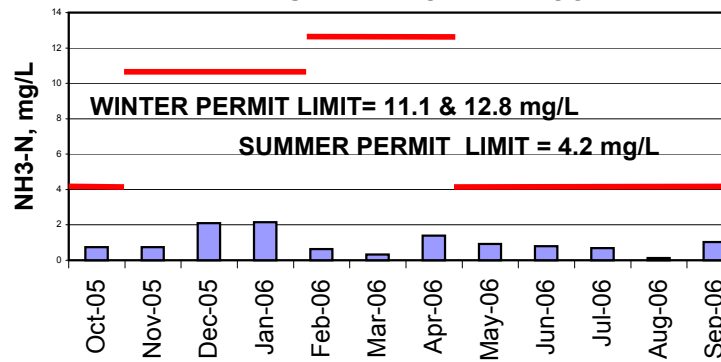
Carbonaceous Biochemical Oxygen Demand (CBOD) is a measure of the amount of dissolved oxygen required for the decomposition of organic materials.

**ANNUAL AVERAGE  
EFFLUENT TOTAL PHOSPHORUS**



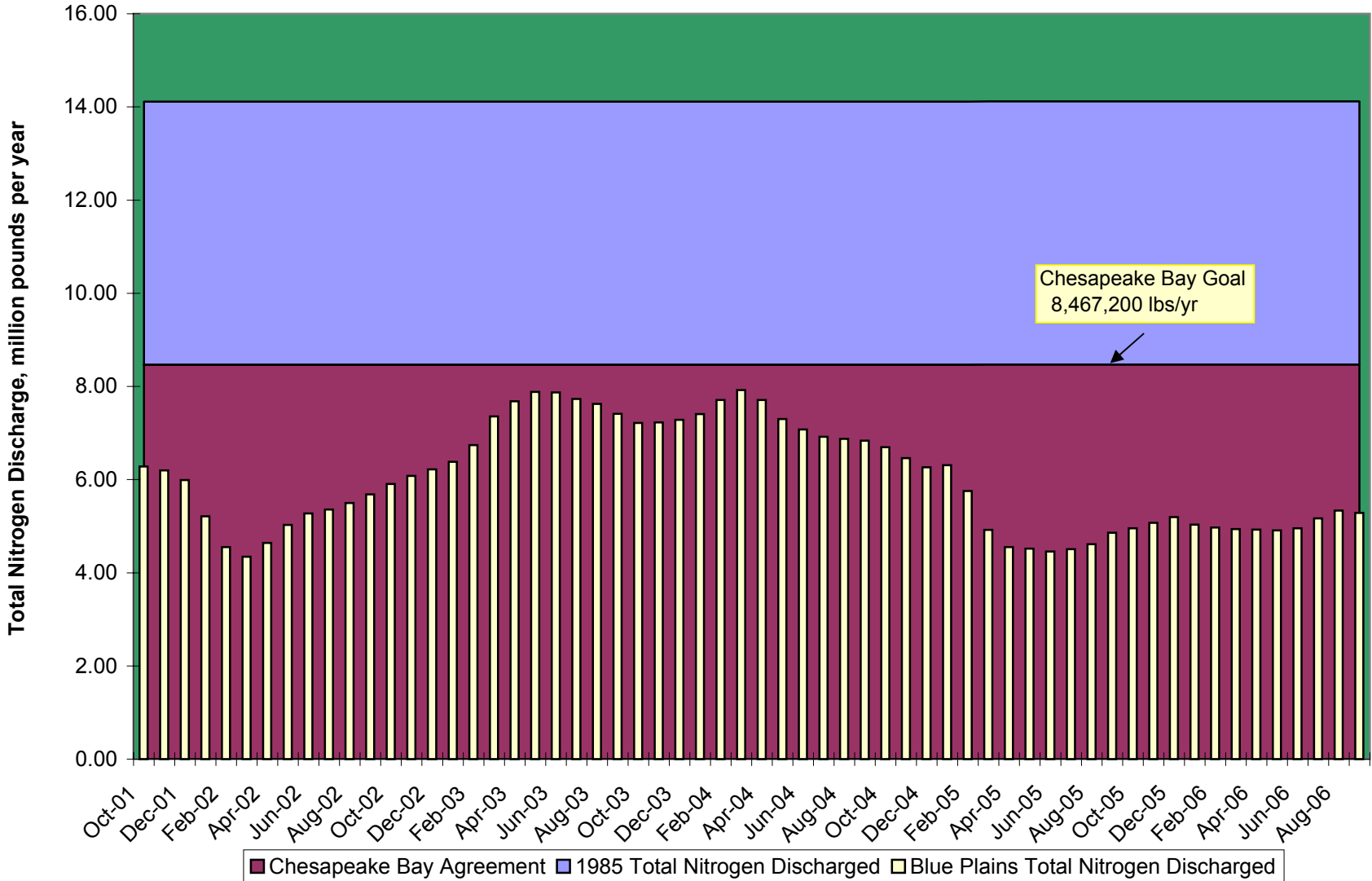
The total Phosphorus (TP) is a measure of the particulate and dissolved phosphorus in the effluent.

**MONTHLY AVERAGE  
EFFLUENT AMMONIA NITROGEN**



The Ammonia Nitrogen (NH3-N) is a measure of the nitrogen found in ammonia.

**BLUE PLAINS WASTEWATER TREATMENT PLANT  
ANNUAL TOTAL NITROGEN LOAD  
OCTOBER 2001 - SEPTEMBER 2006**





**ASST. GEN. MGR.  
CONSUMER  
SERVICES**

POSITIONS				
Authorized	CURRENT		FY 2007	FY 2008
	Average Positions Filled	Year-End Positions Filled		
166	135	135	166	166

**FY 2008 Budget  
\$46,206,000**

**WATER  
SERVICES  
2 - Positions**

**Water Quality  
13 - Positions**

**Productivity Group  
2 - Positions**

**Pumping  
Operations  
13 - Positions**

**Distribution  
Systems Repair  
65 - Positions**

**Preventive  
Maintenance &  
Investigations  
59 - Positions**

**Technical Support  
Services  
12 - Positions**

**FUNCTIONS**

- Operate and maintain pumping stations and water storage facilities
- Monitor and maintain appropriate pressure in the distribution system
- Operate control valves in the pumping stations and storage facilities
- Operate the Supervisory Control and Data Acquisition (SCADA) system
- Coordinate pumping operations with the Washington Aqueduct Treatment Plants
- Perform preventive maintenance on pumping operations assets
- Support departmental safety efforts

**FUNCTIONS**

- Water main repair & replacement
- Water service line repair and replacement
- Valve replacement
- Taps abandonment
- Provide emergency repair services in support of Capital Improvement Programs (CIP)
  - Hydrant replacement
  - Hydrant operation & maintenance
  - Valve operation and maintenance
  - Support lead replacement program
  - Perform scheduled & emergency shuts
  - Assist Investigation as first responder during emergencies
  - Inventory management
  - Support departmental safety efforts

**FUNCTIONS**

- Inspect, exercise and perform preventative maintenance on the 40,000 system valves
- Inspect, exercise and perform preventative maintenance on the 9,000 fire hydrants in the system
  - Investigation of customer issues
  - Perform minor leak repairs
  - Implement water quality flushing program
  - Manage the Fire Hydrant Program
  - Provide support for CIP projects.
  - Assist Distributions as first responder during emergency situations
  - Inspect construction projects
  - Inventory management
  - Support departmental safety efforts

**FUNCTIONS**

- Coordinate service orders with the WASA 24-hour Command Center
- Manage the Valve Coordination Control (War Room) program
- Establish and administer a comprehensive asset management program for the water and sewer systems
  - Evaluate CIP design and construction documents
  - Manage multiple infrastructure repair and maintenance contracts
  - Support the Bryant Street renovation project
  - Test valve shutdown plans for construction of CIP projects
  - Maintain work management activities in Maximo
  - Support departmental safety efforts

## WATER SERVICES

**MISSION:** To operate and maintain a potable water transmission and distribution system, which delivers high quality water to 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 2007 budget is approximately \$3.3 million more than the approved FY 2007 budget. This increase reflects higher water purchase cost at the Washington Aqueduct and higher utilities (electricity) costs. The proposed FY 2008 budget change of approximately \$1.2 million is mainly due to anticipated increases in compensation costs and utilities.

	FY 2006 Revised	FY 2007 Approved	FY 2007 Revised	FY 2008 Proposed
<b>Positions: (FTE's)</b>				
Number of authorized positions	166	166	166	166
Average number of positions filled				
<b>Operating Expenses</b>				
<b>Personnel Services including Overtime</b>	11,039	11,978	11,356	12,354
Overtime	978	978	978	978
<b>Non-personnel Services:</b>				
Chemicals and Supplies	979	1,013	767	767
Utilities	4,605	4,621	5,168	5,308
Contractual Services, etc.	3,873	4,006	4,038	4,051
Water Purchases	19,413	19,995	23,601	23,601
Small Equipment	125	143	125	125
<b>Total Non-Personnel Services</b>	<b>28,995</b>	<b>29,779</b>	<b>33,699</b>	<b>33,852</b>
<b>Total Operations &amp; Maintenance</b>	<b>40,034</b>	<b>41,757</b>	<b>45,055</b>	<b>46,206</b>
Capital Equipment	891	886	960	973

Targeted Performance Measures	FY 2006 Projection	FY 2007 Budget	FY 2007 Projection	FY 2008 Projection
Maintain full compliance with Safe Drinking Water Act standards for positive coliform results (less than 5%)	<5%	<5%	<5%	< 5%
Flush 500 - 1,300 miles of distribution system annually	395	650	650	650
Exercise 18,000 - 23,000 valves annually	20,452	22,000	22,000	24,000
Maintain a 99% fire hydrant operational rate	99%	99%	99%	99%
Respond to 95% of all emergency service orders in less than 45 minutes	74%	95%	95%	95%
Repair 90% of reported main leaks within 10 days	73%	90%	90%	90%

## WATER SERVICES

### OVERVIEW

#### FY 2007 Major Recommended Activities and Changes

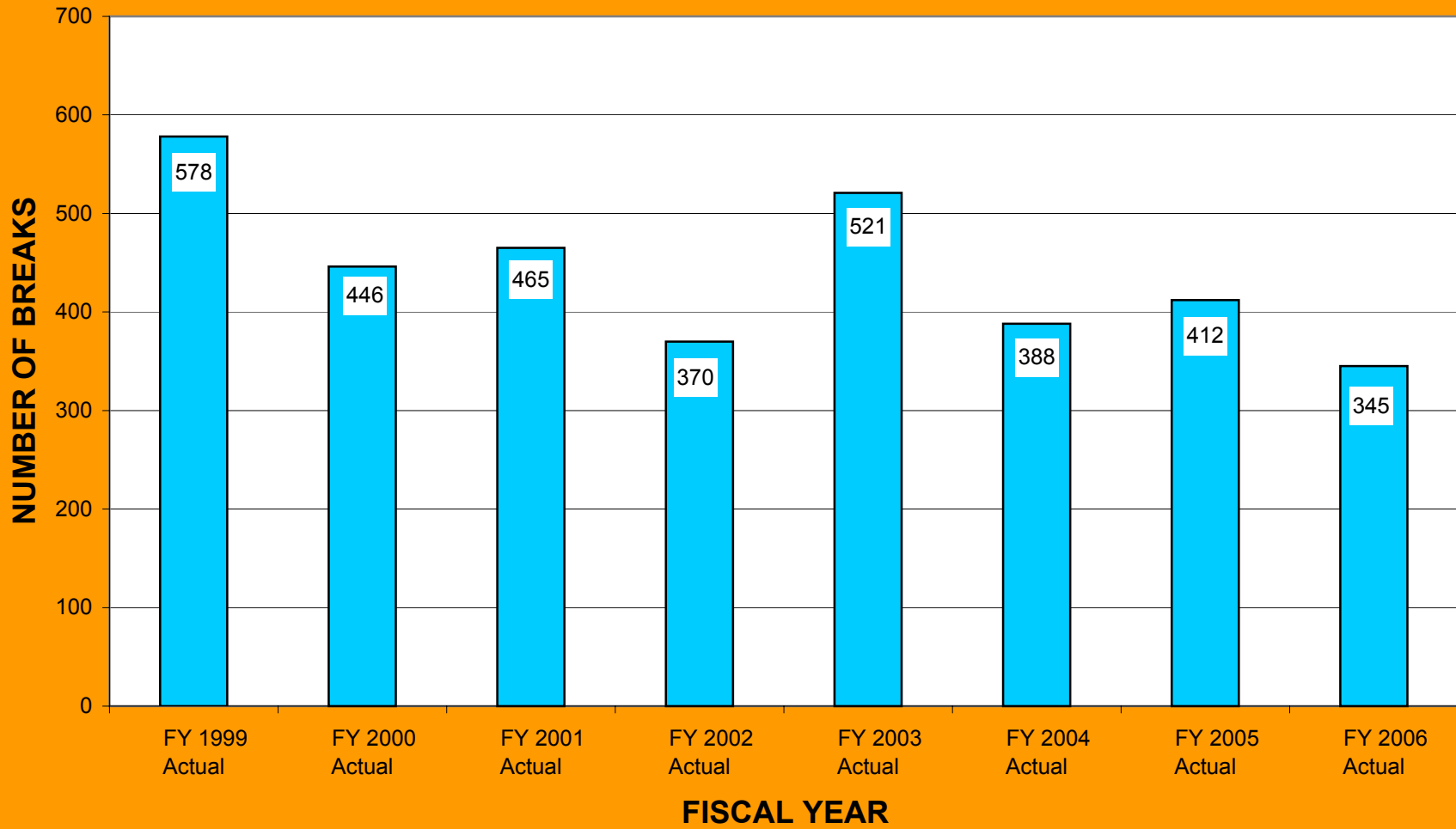
- Reorganization of department from 6 divisions (Pumping, Repair & Investigations, Preventive Maintenance, Technical Support, Water Quality, Water Services) to 5 divisions:
  - Water Services
  - Pumping Operations
  - Distribution Systems Repair
  - Preventive Maintenance & Investigations
  - Technical Support Services
- Robust valve exercise program (VEP)
  - Exercise all critical valves annually
  - Exercise all non-critical valves once every three years
- Comprehensive Fire Hydrant Program (FHP)
  - Preventive Maintenance – three year cycle
  - Capital Improvement – 40% replacement over 5 years
- Water Quality – Reservoirs and Tanks
  - Cleaning and disinfecting of water storage facilities on a three-year cycle in perpetuity
- Water Quality – Flushing
  - Utilize combination of WASA flushing crews and contractor crews to flush distribution mains
- Continue water conservation initiative and outreach
- Continue support of lead service line replacement and abatement program

#### FY 2008 Major Recommended Activities and Changes

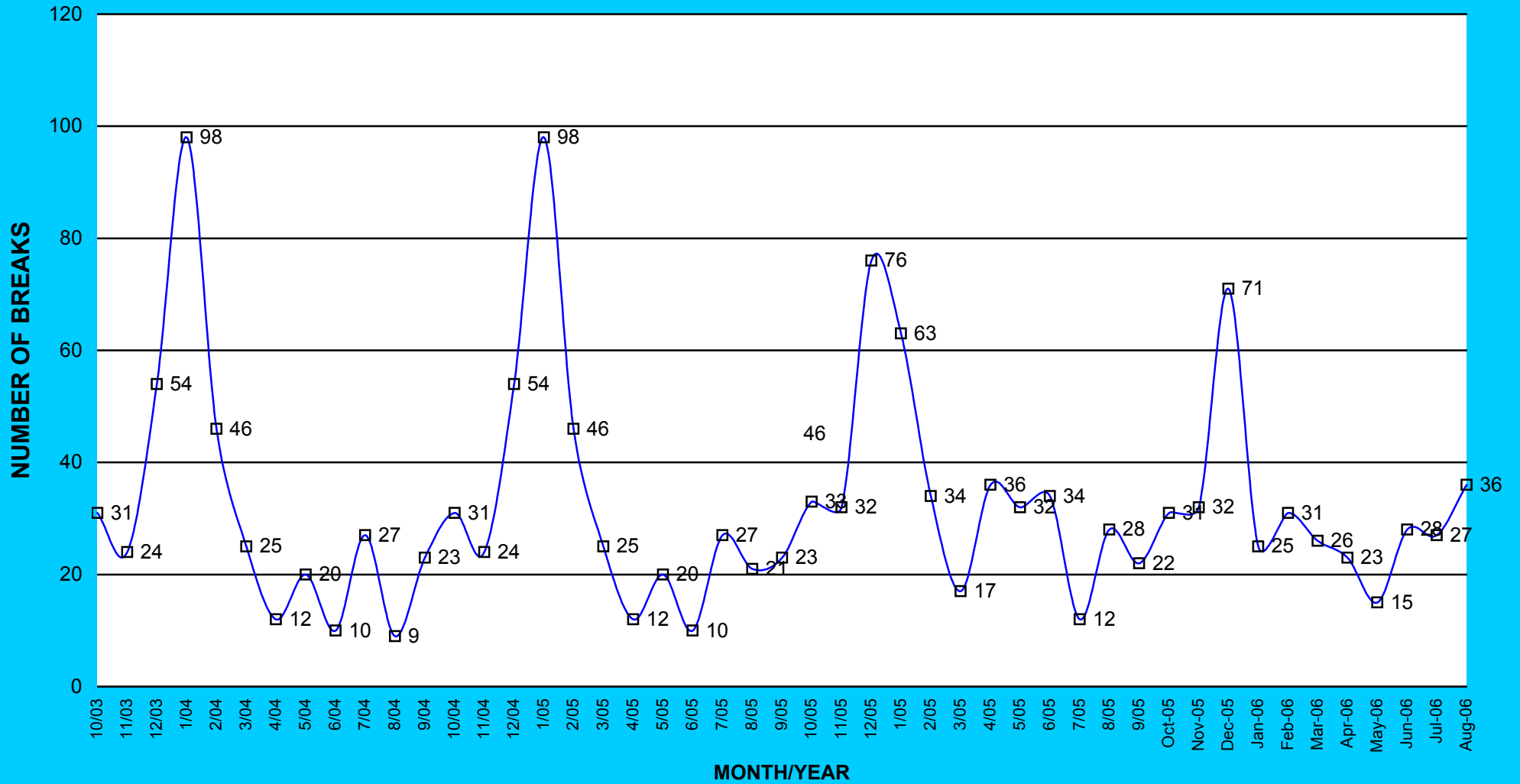
- Continue reorganization of department
- Continue valve exercise and fire hydrant programs
- Continue cleaning and disinfecting of water storage facilities
- Continue flushing and water conservation programs
- Continue support of lead service line replacement and abatement program
- Performance Management – consolidate all financial, budget, inventory management, invoice processing and performance management functions under the office of the Assistant General Manager Consumer Services



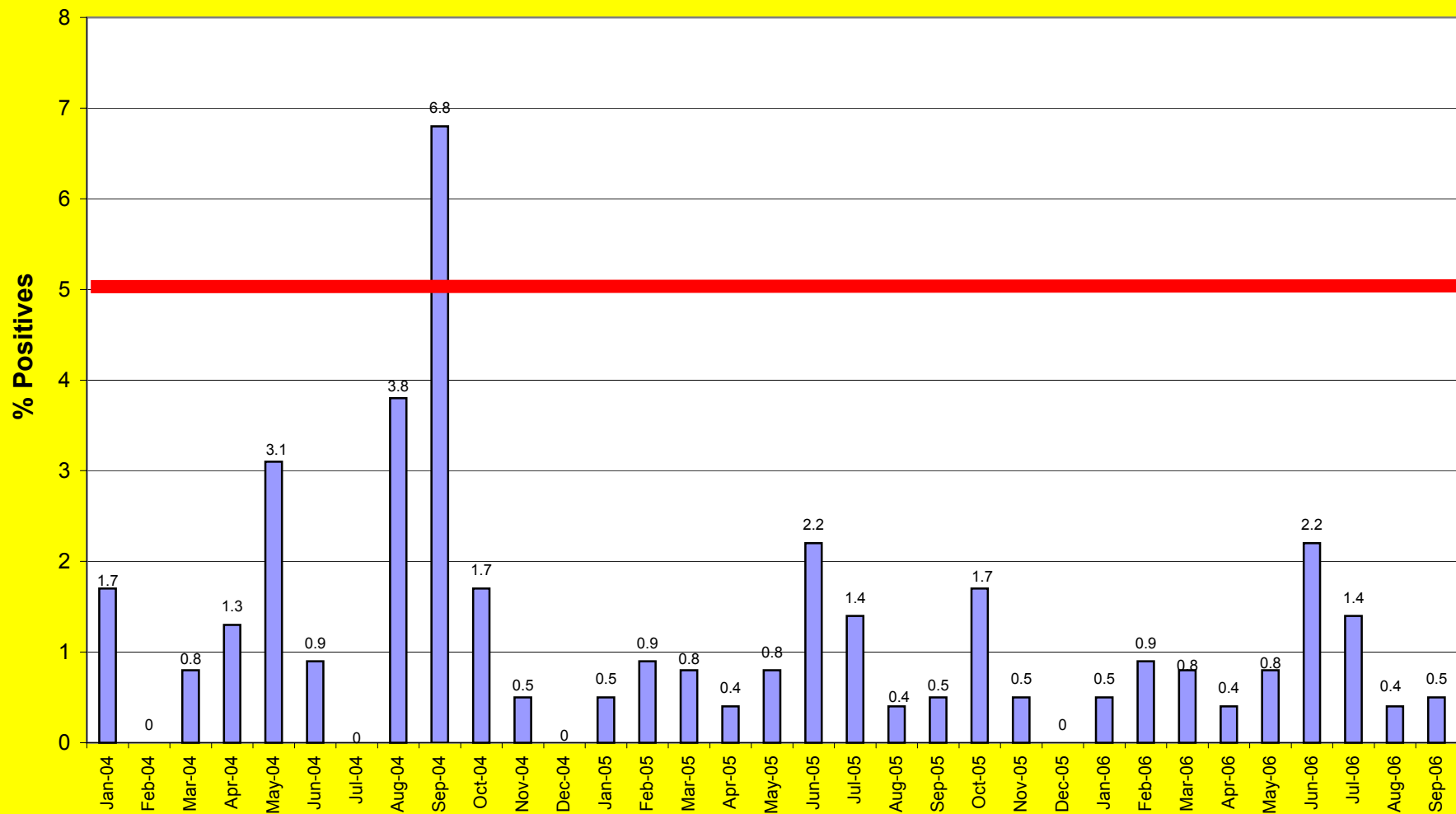
## HISTORICAL WATER MAIN BREAKS FY 1999 - FY 2006



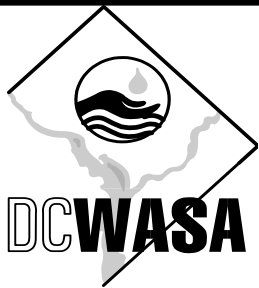
# HISTORICAL MONTHLY MAIN BREAKS 2003 - 2006



**DC DRINKING WATER TOTAL COLIFORM RESULTS  
2004 - 2006  
EPA Maximum Contaminant Levels = 5% positives per month**



NOTE: The September 2004 exceedance appears to be related to the Aqueduct's addition of orthophosphate to address lead in drinking water issues.



**ASSISTANT  
GENERAL  
MANAGER  
Consumer Services**

		POSITIONS		
CURRENT		Average	Year-End	
Authorized	Filled	Positions	Positions	FY 2007
			Filled	FY 2008
159	135		135	159
				159

**FY 2008 Budget  
\$16,364,000**

**SEWER SERVICES  
5 - Positions**

**Sewage Pumping  
34 - Positions**

**Inspection & Maintenance  
73 - Positions**

**Construction & Repair  
43 - Positions**

**Potomac Interceptor  
4 - Positions**

**FUNCTIONS**

**FUNCTIONS**

**FUNCTIONS**

**FUNCTIONS**

- Operation of Sanitary & Stormwater Pumping Stations
- Operation of Combined Sewer System Controls Operations (Swirl Concentrator & Fabridams)

- Public Sewer Investigation
- Sewer Lateral Investigation
- Sewer Cleaning
- Inlet & Outlet Structure Cleaning
- Sewer Regulator Structure Operations and Maintenance
- Catch Basin Cleaning
- Floatable Debris Removal

- Sewer Main Installation & Repair
- Catch Basin Installation & Repair
- Sewer Lateral Replacement & Repair
- Management of Construction Contracts
- Management of CIP Projects
- Management & Inspection of In-house Projects
- Coordinate Work Orders

- Operation and Maintenance of the Potomac Interceptor Sewer
- Operation and Maintenance of related Odor Control Facilities and Manholes
- Right-of-Way Maintenance and Surveillance

## SEWER SERVICES

**MISSION:** 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 FY 2007 revised budget is approximately \$0.2 million more than the approved FY 2007 budget due to increases in electricity offset by reductions in personnel services due to lower than anticipated compensation increases. The FY 2008 proposed budget reflects projected compensation increases.

	FY 2006 Revised	FY 2007 Approved	FY 2007 Revised	FY 2008 Proposed
<b>Positions: (FTE's)</b>				
Number of authorized positions	159	159	159	159
Average number of positions filled	135			
<b>Operating Expenses</b>				
<b>Personnel Services including Overtime</b>	10,071	10,539	10,391	10,863
Overtime	942	942	942	942
<b>Non-Personnel Services:</b>				
Chemicals & Supplies	449	443	437	446
Utilities	2,521	2,640	3,128	3,256
Contractual Services, etc.	1,705	1,775	1,666	1,696
Small Equipment	103	103	103	103
Total Non-Personnel Services	4,777	4,961	5,334	5,501
<b>Total Operations &amp; Maintenance</b>	14,848	15,500	15,724	16,364
<b>Capital Equipment/Projects:</b>	493	493	748	268

Targeted Performance Measures	FY 2006 Projection	FY 2007 Budget	FY 2007 Projection	FY 2008 Projection
Catch basins cleaned annually - 25,000	28,500	29,000	29,000	29,000
Laterals investigated / relieved annually- 2000	2,000	2,000	2,000	2,000
Floatable debris tonaged removed from rivers - 400	400	400	400	400
Sewer laterals repaired / replaced annually-300	300	300	300	300
Sewer main and lining footage repaired / replaced annually - 5000	4,739	5,000	5,000	5,000
Number of inspections completed on Potomac Potomac Interceptor meters - 375	375	375	375	375

## SEWER SERVICES

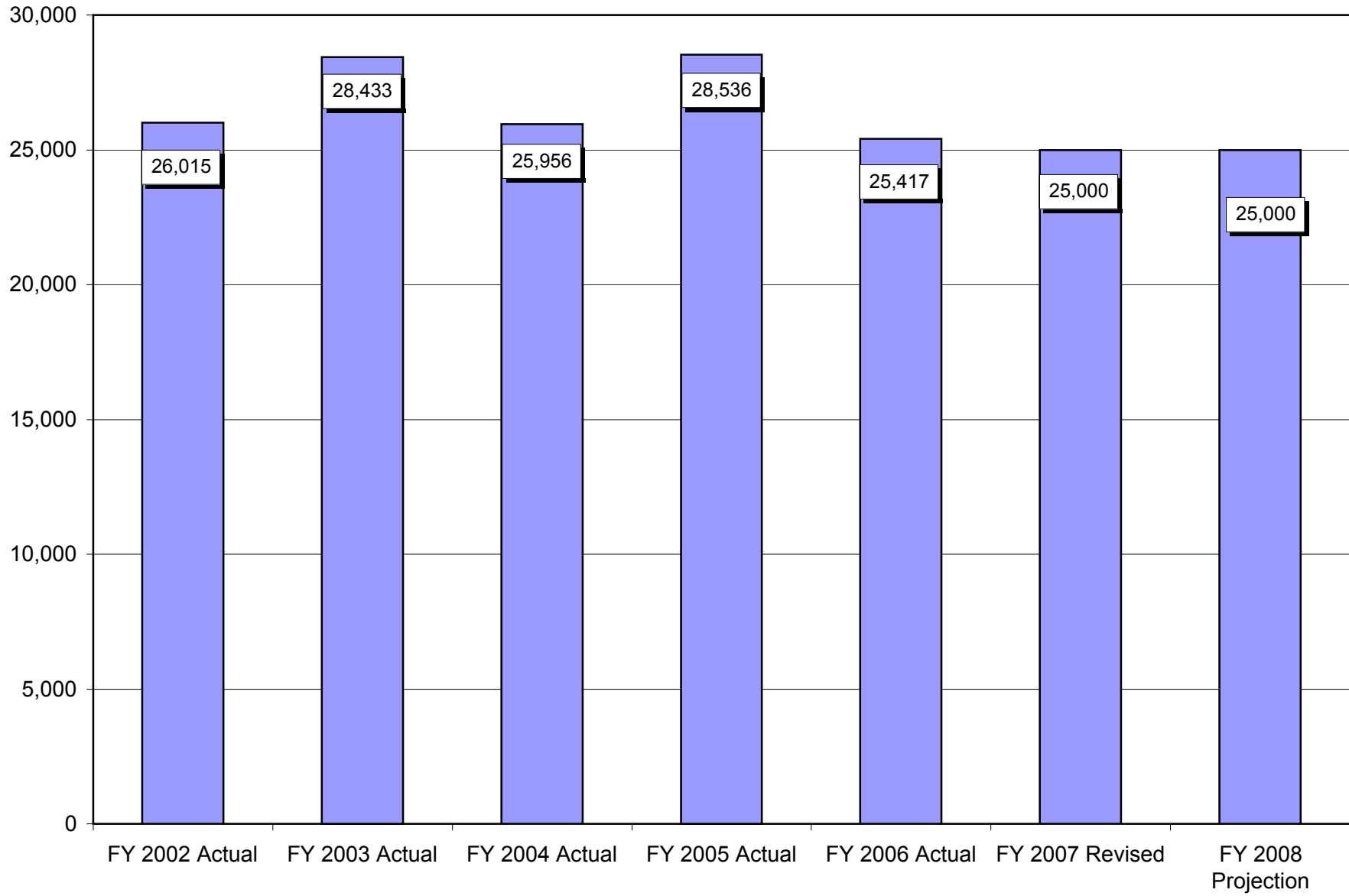
### OVERVIEW

#### FY 2007 Major Recommended Activities and Changes

- Support implementation of the Combined Sewer Overflow Long -Term Control Plan (CSO LTCP) and the Nine Minimum Controls consent decree
- Continue effective operations of pumping stations during rehabilitation activities
  - Main
  - O Street
  - Potomac
- Install Phase 1 of new SCADA system and provide operator training
- Develop strategies to meet NPDES Permit Requirements
- Integrate rain gauges and flow meters into operations
- Support design for Public Notification System CSO
  - Anacostia River
  - Potomac River
- Improve data collection, storage and retrieval methods for DSS CSO Program
- Rehabilitation of Potomac Interceptor Structures 31 and 44
- Improve inspection access at Diversion Structures on the CSO system
- Coordinate and develop strategy for relocation activities from the "O" Street location due to the new baseball stadium

#### FY 2008 Major Recommended Activities and Changes

- Implement Public Notification System CSO
- Support construction implementation for the Potomac Interceptor Long -Term Odor Abatement
- Implement Potomac Interceptor Interim Odor Control Plan
- Maintain Pumping Station operations during construction and renovations
  - Upper Anacostia
  - Poplar Point
  - Rock Creek





**CHIEF  
ENGINEER**  
Deputy General Manager

**MAINTENANCE  
SERVICES**

**FY 2008 Budget  
\$21,717,000**

			<b>POSITIONS</b>	
<b>CURRENT</b>			<b>FY 2007</b>	<b>FY 2008</b>
<b>Authorized</b>	<b>Average Positions Filled</b>	<b>Year-End Positions Filled</b>		
178	154	152	178	178

**Electrical  
Maintenance  
55 – Positions**

**Mechanical  
Maintenance  
74 – Positions**

**Maintenance  
Management  
23 – Positions**

**Instrumentation and  
Telemetry  
26 – Positions**

**FUNCTIONS**

- Maintain electrical power distribution and process control systems, equipment, and components for water, stormwater, and wastewater pumping facilities, and the Blue Plains Advanced Wastewater Treatment Plant
- Operate and maintain electrical power distribution system from 69kv to 5kv, electrical control systems for process equipment and facilities.

**FUNCTIONS**

- Maintain mechanical process systems and equipment for water, stormwater, and wastewater pumping facilities, and the Blue Plains Advanced Wastewater Treatment Plant

**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.
- Plan, schedule, and perform condition monitoring for process equipment.

**FUNCTIONS**

- Maintain electronic process control systems, flow measurement, metering and recording equipment for water, stormwater, and wastewater pumping facilities, and the Blue Plains Advanced Wastewater Treatment Plant
- Maintain electronic systems and components to measure flow, transmit data and control critical system operating equipment



## MAINTENANCE SERVICES

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

**BUDGET OVERVIEW:** The revised FY 2007 budget decreases by approximately \$0.4 million from the approved FY 2007 budget due to reductions in budgeted vacant positions and further reductions in contractual services associated with electrical equipment and systems maintenance. The FY 2008 proposed budget increases by approximately \$0.8 million due to projected compensation increases, couple with minor increases in contractual services for electrical equipment and systems maintenance.

	FY 2006 Revised	FY 2007 Approved	FY 2007 Revised	FY 2008 Proposed
<b>Positions: (FTE's)</b>				
Number of authorized positions	178	178	178	178
Average number of positions filled	154			
<b>Operating Expenses</b>				
<b>Personnel Services including Overtime</b>	12,873	13,345	13,145	13,754
Overtime	900	900	950	950
<b>Non-Personnel Services:</b>				
Chemicals and Supplies	2,112	2,112	2,042	2,112
Utilities	75	75	79	79
Contractual Services, etc.	5,489	5,569	5,540	5,561
Small Equipment	138	208	138	211
<b>Total Non-Personnel Services</b>	7,814	7,964	7,800	7,962
<b>Total Operations &amp; Maintenance</b>	20,686	21,309	20,945	21,717
Capital Equipment	2,595	1,970	2,695	1,770
<b>Targeted Performance Measures</b>	<b>FY 2006 Projection</b>	<b>FY 2007 Budget</b>	<b>FY 2007 Projection</b>	<b>FY 2008 Projection</b>
Critical Equipment Availability (97%)	95%	97%	97%	97%

## MAINTENANCE SERVICES

### OVERVIEW

#### FY 2007 Major Recommended Activities and Changes

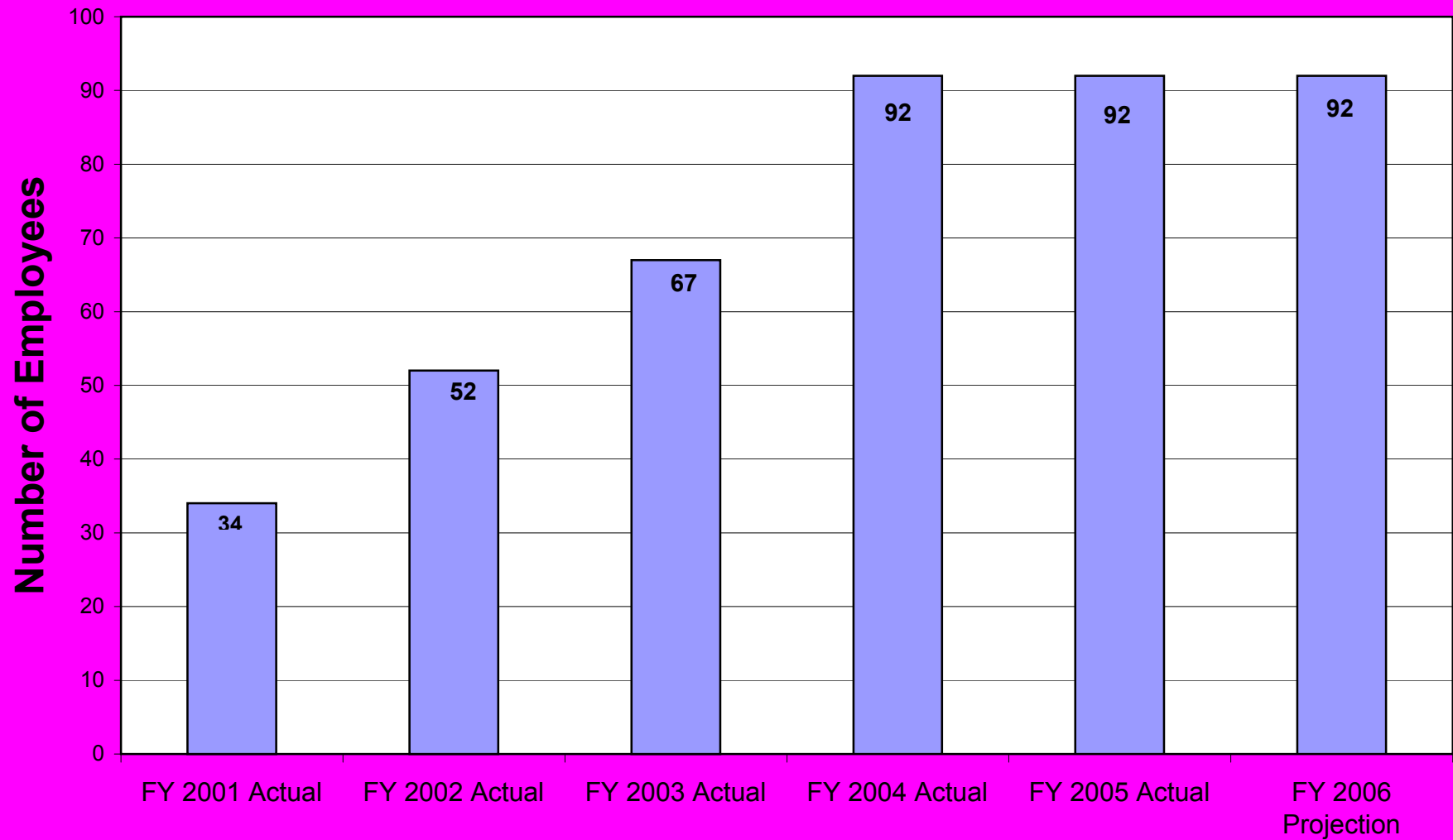
- Continue maintenance training and certification program
- Continue the High Priority Rehabilitation Program (HPRP) WASA wide
- Support the Process Computer Control System and SCADA project
- Continue predictive maintenance program / condition monitoring program to improve equipment reliability
- Continue to establish critical spare parts inventory for process equipment
- Continue maintenance support and develop new maintenance plans for the following capital projects:
  - Process Computer Control System – partially operational in 2005
  - Filtration & Disinfection Upgrades – operational in 2007
  - Grit and Screen Facilities Upgrades – operational in 2007
  - Nitrification / Denitrification Upgrades – operational in FY 2009
  - Water & Sewer Pumping Stations Upgrades – operational in 2008
- Implement diver services (marine technology) program

#### FY 2008 Major Recommended Activities and Changes

- Continue maintenance training and certification program
- Continue diver services program
- Continue the High Priority Rehabilitation Program WASA wide
- Support the Process Computer Control System and SCADA project
- Continue predictive maintenance program / condition monitoring program to improve equipment reliability
- Continue to establish critical spare parts inventory for process equipment
  - Filtration & Disinfection Upgrades – operational in 2007
  - Grit and Screen Facilities Upgrades – operational in 2007
  - Nitrification / Denitrification Upgrades – operational in FY 2009
  - Water & Sewer Pumping Stations Upgrades – operational in 2008

# MAINTENANCE CERTIFICATION

92





**CHIEF ENGINEER**  
Deputy General Manager

**ENGINEERING  
and TECHNICAL  
SERVICES**  
3 - Positions

POSITIONS				
Authorized	CURRENT		FY 2007	FY 2008
	Average Positions Filled	Year-End Positions Filled		
125	104	100	125	125

**FY 2008 Budget**  
**\$14,685,000**

**Program  
Management  
Branch**  
**9 - Positions**

**Planning and  
Design  
Branch**  
**38 - Positions**

**Engineering  
Management  
Services Branch**  
**18 - Positions**

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

**Blue Plains  
Project  
Branch**  
**9 - Positions**

**Lead Program  
Branch**  
**7 - 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)
- Provide staff support for environmental policy issues affecting WASA
- 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

**FUNCTIONS**

- Perform system and facilities 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 WASA facilities
- Provide technical engineering expertise to support operating departments
- Perform sewer and water system capacity and conditional assessments and manage resultant CIP projects

**FUNCTIONS**

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

**FUNCTIONS**

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

**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

**FUNCTIONS**

- Responsible for construction and program management of lead service line replacements

## ENGINEERING & TECHNICAL SERVICES

### OVERVIEW

#### FY 2007 Major Recommended Activities and Changes

- Lead, manage timely, and ensure in-budget implementation of the Capital Improvement Program (CIP)
- Continue implementation of the Combined Sewer Overflows Long Term Control Plan (CSO LTCP) and Nine Minimum Controls consent decree
- Continue management of the District's storm water permit compliance program, including completing the permit renewal process
- Implement actions on lead service replacement program in accordance with Board Policies.
- Continue support for the High Priority Rehabilitation Program (HPRP) for Blue Plains
- Continue comprehensive sewer system assessment
- Continue support for the new asset management system
- Support development of GIS and Asset Management implementation

#### FY 2008 Major Recommended Activities and Changes

- Continue to lead, manage timely, and ensure in-budget implementation of the CIP
- Continue implementation of CSO LTCP
- Continue to support the District's storm water permit compliance program
- Begin implementation of projects resulting from the sewer system condition assessment program
- Continue support for GIS and Asset Management implementation

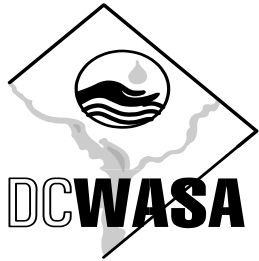
## ENGINEERING AND TECHNICAL SERVICES

**MISSION:** To perform engineering planning, design, and construction management necessary to execute the Authority's capital improvement program (CIP); to provide assistance and advice to WASA 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:** The FY 2007 revised budget decreases by approximately \$0.1 million from the FY 2007 approved budget primarily due to personnel service savings attributable to lower than anticipated compensation increases. The FY 2008 proposed budget increases by approximately \$0.2 million over the FY 2007 revised budget due to projected compensation increases, offset in part by reductions in Stormwater NPDES Permit (MS4) cost.

	FY 2006 Revised	FY 2007 Approved	FY 2007 Revised	FY 2008 Proposed
<b>Positions: (FTE's)</b>				
Number of authorized positions	125	125	125	125
Average number of positions filled	104			
<b>Operating Expenses</b>				
<b>Personnel Services including Overtime</b>	11,063	11,609	11,518	12,073
Overtime	425	425	425	425
<b>Non-Personnel Services:</b>				
Chemical and Supplies	112	112	70	105
Utilities	126	126	135	135
Contractual Services, etc.	2,843	2,730	2,719	2,301
Small Equipment	59	59	59	72
<b>Total Non-Personnel Services</b>	<b>3,140</b>	<b>3,028</b>	<b>2,982</b>	<b>2,612</b>
<b>Total Operations &amp; Maintenance</b>	<b>14,203</b>	<b>14,636</b>	<b>14,501</b>	<b>14,685</b>
Capital Equipment	320	170	710	-

Targeted Performance Measures	FY 2006 Projection	FY 2007 Budget	FY 2007 Projection	FY 2008 Projection
Capital disbursements between 90-100% of forecast	100%	100%	100%	100%
Fewer than 5% change orders to capital contracts	95%	95.0%	95%	95.0%
Use 100% of Clean Water Act grant funds	4.2M	4.2M	4.2M	4.2M
Use 100% of Safe Drinking Water Act grant funds	8.3M	8.3M	8.3M	8.3M



**ASST. GEN. MGR.  
CONSUMER  
SERVICES**

**CUSTOMER  
SERVICE  
Office of the  
Director  
6 - Positions**

**FY 2008 Budget  
\$13,427,000**

POSITIONS				
Authorized	CURRENT		FY 2007	FY 2008
	Average Positions Filled	Year-End Positions Filled		
123	101	100	123	123

**Customer Care  
40 - Positions**

**Credit &  
Collections  
12 - Positions**

**Billing Services  
& Control  
22 - Positions**

**Meter & Field  
Services  
43 - Positions**

**FUNCTIONS**

- Respond to customer calls and correspondence
- Assist customers in Business Office
- Respond to all requests received via internet

**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

**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

**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 revised FY 2007 budget is slightly less than the approved FY 2007 budget due to anticipated lower spending in supplies and small equipment. The proposed FY 2008 budget increase of \$.5 million is mainly due to anticipated increases in compensation and utility costs.

	FY 2006 Revised	FY 2007 Approved	FY 2007 Revised	FY 2008 Proposed
<b>Positions: (FTE's)</b>				
Number of authorized positions	123	123	123	123
Average number of positions filled	101			
<b>Operating Expenses</b>				
<b>Personnel Services including Overtime</b>	7,350	7,712	7,648	8,018
Overtime	300	300	260	260
<b>Non-personnel Services:</b>				
Chemicals and Supplies	160	174	119	174
Utilities	1,029	1,086	1,216	1,222
Contractual Services, etc.	3,974	3,906	3,809	3,867
Small Equipment	85	189	85	146
<b>Total Non-Personnel Services</b>	5,249	5,355	5,229	5,409
<b>Total Operations &amp; Maintenance</b>	12,599	13,067	12,878	13,427
<b>Capital Equipment</b>	725	344	550	800

Targeted Performance Measures	FY 2006 Projection	FY 2007 Budget	FY 2007 Projection	FY 2008 Projection
Calls answered within 40 seconds - 85%	85%	85%	85%	85%
Resolve customer issues within 15 days - 100%	100%	100%	100%	100%
Percentage of AMR Meters Read - 98%	98%	98%	98%	98%
Accuracy of Meter Reads - 99.9%	99.9%	99.9%	99.9%	99.9%
Reduce 90-day receivable balance (Retail & Wholesale) - \$10.15 Million	\$7.2 Million	\$6.5 Million	\$6.5 Million	\$6.5 Million
Top 100 Accounts Billed as Scheduled - 95%	95%	98%	98%	98%



## CUSTOMER SERVICE

### **OVERVIEW**

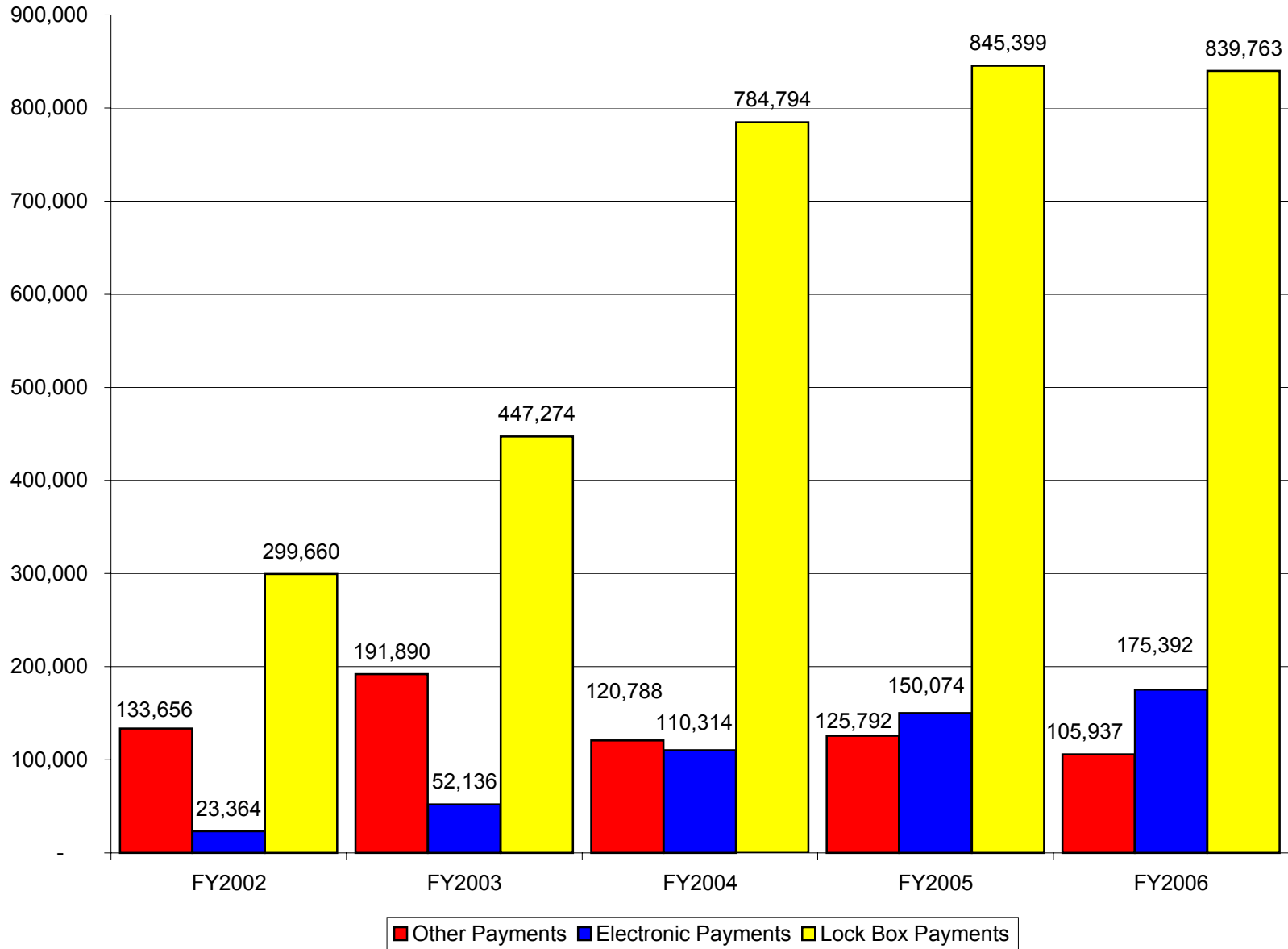
#### FY 2007 Major Recommended Activities and Changes

- Develop and implement Preventive Maintenance (PM) program for all meters
- Develop and implement Inventory Control System for meter parts (Asset Management)
- Complete large meter installation and AMR project
- Expand the Process Notification Project to include commercial and multi-family customers
- Conduct focus groups regarding Customer Service
- Develop Internet portal to allow online “live” chat with customers

#### FY 2008 Major Recommended Activities and Changes

- Complete data analysis for conversion to new system
- Review existing self service applications for process improvements and updates
- Review functionality of Maximo application for process improvements and updates

### Methods of Payments FY 2002 - FY 2006





**FY 2008 Budget  
\$424,000**

**BOARD  
OF  
DIRECTORS**

			<b>POSITIONS</b>	
<b>CURRENT</b>			<b>FY 2007</b>	<b>FY 2008</b>
<b>Authorized</b>	<b>Average Positions Filled</b>	<b>Year-End Positions Filled</b>		
2	2	2	2	2

**OFFICE OF  
THE  
SECRETARY (BOARD)  
2 - Positions**

**GENERAL  
MANAGER**

**FUNCTIONS**

- Manage the logistics for Board of Directors and Committee meetings
- Manage and oversee the day-to-day operations of the Board of Directors
- Coordinate logistics for Board's strategic planning process
- Administer the subpoena process 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 executing assignments, and ensuring that the Board's business and activities are effectively managed.

**BUDGET OVERVIEW:** The revised FY 2007 budget is relatively flat compared to the proposed FY 2007 approved budget. There are no significant changes in the proposed FY 2008 budget.

	FY 2006 Revised	FY 2007 Approved	FY 2007 Revised	FY 2008 Proposed
<b>Positions: (FTE's)</b>				
Number of authorized positions	2	2	2	2
Average number of positions filled	2			
<b>Operating Expenses</b>				
<b>Personnel Services including Overtime</b>	190	200	193	202
Overtime	2	2	2	2
<b>Non-Personnel Services:</b>				
Chemicals and Supplies	18	18	18	18
Utilities	3	3	3	3
Contractual Services, etc.	182	237	248	200
Small Equipment	6	6	6	1
<b>Total Non-Personnel Services</b>	<b>209</b>	<b>264</b>	<b>275</b>	<b>222</b>
<b>Total Operations &amp; Maintenance</b>	<b>399</b>	<b>463</b>	<b>468</b>	<b>424</b>
Capital Equipment	-	-	-	-

Targeted Performance Measures	FY 2006 Projection	FY 2007 Budget	FY 2007 Projection	FY 2008 Projection
Timely and accurate Board and Committee agendas, reports and minutes	100%	100%	100%	100%
Follow-up and complete Board actions	100%	100%	100%	100%

**OFFICE OF THE SECRETARY**

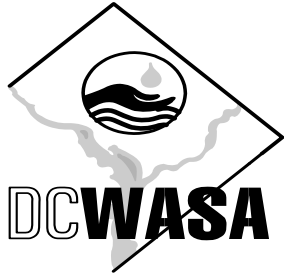
**OVERVIEW**

FY 2007 Major Recommended Activities and Changes

- Coordinate logistics for Board’s Strategic Planning Session
- Assist Board Committees in monitoring Committee Work Plan performance measures and Governance Study Recommendations initiatives
- Continue to enhance the data dissemination process for WASA employees and the general public by use of standard mailings and WASA’s website

FY 2008 Major Recommended Activities and Changes

- No major changes anticipated



**FY 2008 Budget  
\$1,957,000**

**BOARD  
OF  
DIRECTORS**

**GENERAL  
MANAGER  
9 - Positions**

			POSITIONS	
CURRENT			FY 2007	FY 2008
Authorized	Average Positions Filled	Year-End Positions Filled		
9	6	7	9	9

**FUNCTIONS**

- Overall operational and policy direction in support of the Board of Directors' Strategic Plan

## GENERAL MANAGER

**MISSION:** The General Manager's Office administers, plans, organizes, and directs the operations of the Authority.

**BUDGET OVERVIEW:** The revised FY 2007 operating budget is relatively flat compared to the approved FY 2007 operating budget. The proposed FY 2008 operating budget increases by approximately \$0.3 million compared to the FY 2007 revised budget. This increase reflects projected personnel services costs.

	FY 2006 Revised	FY 2007 Approved	FY 2007 Revised	FY 2008 Proposed
<b>Positions: (FTE's)</b>				
Number of authorized positions	9	9	9	9
Average number of positions filled	7			
<b>Operating Expenses</b>				
<b>Personnel Services including Overtime</b>	1,136	1,368	1,356	1,627
Overtime	25	25	25	25
<b>Non-Personnel Services:</b>				
Chemicals and Supplies	10	10	15	15
Utilities	13	13	16	18
Contractual Services, etc.	298	298	294	293
Small Equipment	4	4	4	4
Total Non-Personnel Services	326	326	329	330
<b>Total Operations &amp; Maintenance</b>	1,462	1,693	1,685	1,957
Capital Equipment	-	-	-	-

### Targeted Performance Measures

Implement all policies and directives of the Board of Directors

## GENERAL MANAGER

### **OVERVIEW**

#### FY 2007 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 implementation of key projects
  - Combined Sewer Overflow (CSO) Long-Term Control Plan (LTCP) and Nine Minimum Controls consent decree
  - Internal Improvement Program
  - Capital Improvement Program
- Continue to evaluate and refine Authority's organizational structure
- Maintain Authority affiliations with industry, management and government professional organizations

#### FY 2008 Major Recommended Activities and Changes

- No major changes anticipated





**GENERAL  
MANAGER**

**GENERAL  
COUNSEL  
14 - Positions**

**FY 2008 Budget  
\$3,704,000**

<b>POSITIONS</b>				
<b>CURRENT</b>			<b>FY 2007</b>	<b>FY 2008</b>
<b>Authorized</b>	<b>Average Positions Filled</b>	<b>Year-End Positions Filled</b>		
12	9	12	14	14

**Litigation**

**Administrative  
Law**

**FUNCTIONS**

- Appellate matters
- Bankruptcy
- Civil enforcement
- Construction claims
- Environmental defense and enforcement
- Procurement litigation
- Tort defense
- Receivership petitions
- Employment litigation

**FUNCTIONS**

- Board of Directors support
- Supply and Service Contract review and advise
- Clean Water Act compliance
- Clean Air Act compliance
- 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:** There are no significant changes in the revised FY 2007 operating budget compared to the approved FY 2007 budget. The proposed FY 2008 operating budget reflects a slight increase of \$0.1million due to projected compensation and litigation cost increases.

	FY 2006 Revised	FY 2007 Approved	FY 2007 Revised	FY 2008 Proposed
<b>Positions: (FTE's)</b>				
Number of authorized positions	14	14	14	14
Average number of positions filled	10			
<b>Operating Expenses</b>				
<b>Personnel Services including Overtime</b>	1,103	1,294	1,283	1,347
Overtime	2	2	2	2
<b>Non-personnel Services:</b>				
Chemicals and Supplies	12	15	15	15
Utilities	12	17	13	13
Contractual Services, etc.	2,200	2,275	2,275	2,313
Small Equipment	13	13	13	17
<b>Total Non-Personnel Services</b>	2,237	2,320	2,316	2,358
<b>Total Operations &amp; Maintenance</b>	3,340	3,614	3,599	3,704
Capital Equipment	-	-	-	-
<b>Targeted Performance Measures</b>	<b>FY 2006 Projection</b>	<b>FY 2007 Budget</b>	<b>FY 2007 Projection</b>	<b>FY 2008 Projection</b>
Hours of employee time spent on direct work 1,400	1,400	1,400	1,400	1,400

## GENERAL COUNSEL

### OVERVIEW

#### FY 2007 Major Recommended Activities and Changes

- Continue recruitment efforts to fill vacant positions in an effort to reduce reliance on outside legal services
- Enhance focus on regulatory compliance across WASA

#### FY 2008 Major Recommended Activities and Changes

- No other major changes anticipated



**FY 2008 Budget  
\$ 1,279,000**

**GENERAL  
MANAGER**

**PUBLIC  
AFFAIRS  
8 - Positions**

<b>POSITIONS</b>				
<b>CURRENT</b>			<b>FY 2007</b>	<b>FY 2008</b>
<b>Authorized</b>	<b>Average Positions Filled</b>	<b>Year-End Positions Filled</b>		
8	6	6	8	8

**Community/Employee  
Outreach**

**Publications**

**FUNCTIONS**

- General information dissemination to the public and customers
- Develop relationships with Advisory Neighborhood Commission's (ANC's), civic and environmental groups, schools and churches
- Specialized training for employees (i.e. media training)
- Provide departmental support for special projects
- Coordinate media relations
- Coordinate and manage comprehensive public relations program
- Coordinate community and customer outreach activities
- Develop Internal/External communications program

**FUNCTIONS**

- Produce newsletters and brochures
- Produce annual report
- Publish CCR on water quality
- Publish customer newsletter and bill inserts
- Write Op-Ed articles
- Produce articles for community newspapers/ letters
- Produce press releases, Public Service Announcements (PSAs), etc.
- Coordinate production of monthly Board report
- Coordinate CSO publications

## PUBLIC AFFAIRS

**MISSION:** To provide information about WASA services and programs and to raise awareness about 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:** There are no significant changes in the revised FY 2007 operating budget compared to the approved FY 2007 budget. The proposed FY 2008 operating budget reflects a slight increase due to projected compensation increases.

	FY 2006 Revised	FY 2007 Approved	FY 2007 Revised	FY 2008 Proposed
<b>Positions: (FTE's)</b>				
Number of authorized positions	8	8	8	8
Average number of positions filled	6			
<b>Operating Expenses</b>				
<b>Personnel Services including Overtime</b>	661	791	778	816
Overtime	2	2	2	2
<b>Non-Personnel Services:</b>				
Chemical and Supplies	30	30	30	30
Utilities	13	13	13	13
Contractual Services, etc.	391	391	398	412
Small Equipment	7	7	7	7
Total Non-Personnel Services	441	441	448	462
<b>Total Operations &amp; Maintenance</b>	1,102	1,232	1,225	1,279
<b>Capital Equipment</b>	-	-	-	-

Targeted Performance Measures	FY 2006 Projection	FY 2007 Budget	FY 2007 Projection	FY 2008 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 <i>Employee Focus</i> newsletter 12	12	12	12	12
Publication of CCR (water quality report) 1	1	1	1	1
E-newsletter for WASA stakeholders 6	6	6	6	6
Special event orchestration/coordination 2	2	2	2	2
Senior speech and presentation development 8	8	8	8	8
Media Interaction/responses, releases, pitches, conferences 75	75	75	75	75
Community meetings/outreach re: lead, rates, CSO/CIP projects, etc. 25	25	25	25	25

## PUBLIC AFFAIRS

### OVERVIEW

#### FY 2007 Major Recommended Activities and Changes

- Coordinate/host major public events celebrating the completion and benefits of major water and sewer infrastructure projects
- Continue implementation of the Marketing and Community Outreach plan to raise public awareness of WASA services and programs and its role in improving the quality of life of the customers served
- Expand capacity of established Speakers Bureau
- Continue community outreach efforts associated with lead service line replacement, water distribution and combined sewer overflow (CSO) control projects
- Support communications needs of internal customers
- Redesign WASA Internet Web site to include new content and features

#### FY 2008 Major Recommended Activities and Changes

- Work with Public Broadcasting Service (PBS) filmmakers in the development of documentary on infrastructure
- Continue implementation of the public education strategies for the CSO control program
- Expand industry, media and community exposure for WASA research and community service programs
- Continue community and stakeholder outreach efforts associated with lead service line replacement and other major construction projects
- Support communications needs of internal customers



**FY 2008 Budget  
\$492,000**

**GENERAL  
MANAGER**



**INTERNAL  
AUDIT  
4 - Positions**

			<b>POSITIONS</b>	
<b>CURRENT</b>			<b>FY 2007</b>	<b>FY 2008</b>
<b>Authorized</b>	<b>Average Positions Filled</b>	<b>Year-End Positions Filled</b>		
4	3	3	4	4

**FUNCTIONS**

- Conduct financial, operational, compliance and information systems audits for all of WASA's operations in accordance with Board-approved Audit Plan
- Audit outside contractors
- Perform other audits as assigned by the Board and General Manager

## INTERNAL AUDIT

**MISSION:** To assist the Authority's management and its Board of Directors in the effective discharge of their responsibilities by providing them with objective analyses, appraisals, recommendations, and pertinent comments on key Authority activities.

**BUDGET OVERVIEW:** The FY 2007 revised budget declines slightly from the approved budget due to increased use of in-house staff to conduct planned audits. The FY 2008 proposed budget increases slightly due to projected compensation increases.

	FY 2006 Revised	FY 2007 Approved	FY 2007 Revised	FY 2008 Proposed
<b>Positions: (FTE's)</b>				
Number of authorized positions	4	4	4	4
Average number of positions filled	3			
<b>Operating Expenses</b>				
<b>Personnel Services including Overtime</b>	376	395	390	409
Overtime	-	-	-	-
<b>Non-Personnel Services:</b>				
Chemicals and Supplies	8	10	7	8
Utilities	4	5	5	5
Contractual Services, etc.	68	69	75	70
Small Equipment	-	1	-	-
Total Non-Personnel Services	81	85	87	83
<b>Total Operations &amp; Maintenance</b>	456	481	477	492
Capital Equipment	-	-	-	-
<b>Targeted Performance Measures</b>				
	<b>FY 2006 Projection</b>	<b>FY 2007 Budget</b>	<b>FY 2007 Projection</b>	<b>FY 2008 Projection</b>
Complete Annual Audit - 13	11	13	13	13



## INTERNAL AUDIT

### OVERVIEW

#### FY 2007 Major Recommended Activities and Changes

- Begin conducting routine sponsored facilitated workshops
- Increased training of staff in evolving auditing principles and concepts
- Implement training program for the Audit Committee regarding Corporate Governance
- Continue to market DCWASA's Ethics Goals and Program
- Increase auditing of construction contracts and outside vendors

#### FY 2008 Major Recommended Activities and Changes

- Continue to improve on FY2007 Activities
- Market industry and best practice recommendations regarding Internal Audit's role in Enterprise Risk Management (ERM)
  - Giving assurance on risk management process
  - Giving assurance that risks are evaluated correctly
  - Evaluating risk management process
  - Evaluating the reporting of key risk
  - Reviewing the management of key risk



**FY 2008 Budget  
\$6,479,000**

**CHIEF FINANCIAL  
OFFICER  
43 - Positions**

**FINANCE  
AND  
BUDGET  
3 - Positions**

**Office of the Controller  
23 - Positions**

**Finance and Budget  
17 - Positions**

			POSITIONS	
CURRENT			FY 2007	FY 2008
Authorized	Average Positions Filled	Year-End Positions Filled		
43	32	34	43	43

**FUNCTIONS**

- 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
- Manage vendor payment operations
- Manage payroll operations
- Manage grants and county billing operations
- Manage financial aspects of Inter-Municipal Agreement (IMA)
- Manage asset management process
- Manage special project billing process

**FUNCTIONS**

- Manage WASA's short and long-range financial planning
- Prepare and monitor operating and capital budgets
- Manage Finance and Budget Committee reporting process
- Manage revenue forecasting and monitoring process
- Manage rate-setting process, including CSO and stormwater rates
- Manage WASA's debt issuance and existing debt portfolio, including commercial paper program
- Perform treasury functions, including investments and banking services
- Manage financial relationship with Washington Aqueduct
- Assistance on special projects, e.g. federal billing issues

## FINANCE AND BUDGET

**MISSION:** Lead and coordinate all of WASA's financial activities to ensure that WASA's financial condition and performance meet the expectations of its Board of Directors and the broader financial community.

**BUDGET OVERVIEW:** The revised FY 2007 operating budget is relatively flat compared to the approved FY 2007 operating budget. The proposed FY 2008 operating budget increases by approximately \$0.5 million due to projected personnel services increases.

	FY 2006 Revised	FY 2007 Approved	FY 2007 Revised	FY 2008 Proposed
<b>Positions: (FTE's)</b>				
Number of authorized positions	43	43	43	43
Average number of positions filled	32			
<b>Operating Expenses</b>				
<b>Personnel Services including Overtime</b>	3,570	3,848	3,740	4,310
Overtime	40	40	40	40
<b>Non-Personnel Services:</b>				
Chemical and Supplies	20	20	20	20
Utilities	61	61	65	65
Contractual Services, etc.	2,091	2,040	2,109	2,058
Small Equipment	21	21	21	27
<b>Total Non-Personnel Services</b>	<b>2,193</b>	<b>2,142</b>	<b>2,215</b>	<b>2,170</b>
<b>Total Operations &amp; Maintenance</b>	<b>5,763</b>	<b>5,990</b>	<b>5,955</b>	<b>6,479</b>
<b>Capital Equipment</b>	<b>280</b>	<b>150</b>	<b>275</b>	<b>130</b>

Targeted Performance Measures	FY 2006 Projection	FY 2007 Budget	FY 2007 Projection	FY 2008 Projection
Manage Authority's financial operations to ensure revenue is within 99% of projections and expenditures are within budget.	Within budget	Within budget	Within budget	Within budget
Comply with the Board's investment policy and exceed the three-month Treasury bill rate by 15 basis points*	-27 basis point	15 basis point	15 basis point	15 basis point
Manage Authority's financial operations to ensure 140% debt service coverage.	504%	321%	326%	233%
Meet or exceed the 180 day operating & maintenance expense reserve target as set by Board policy - target was \$102.4 million in FY 2006.	\$118.3 million	\$111.3 million	\$111.3 million	\$115.4 million
Issue Comprehensive Annual Financial Report (CAFR) in February.	February	February	February	February
Pay 97% of all undisputed invoices within 30 days.	89%	97%	97%	97%

**Note:**

In FY 2006, the yield on WASA's investment portfolio lagged the benchmark due to prior year investments in two year U.S. Treasury securities that were higher yielding than market conditions at the time. As interest rates increased in 2006, these two year securities lagged the general market. WASA's portfolio yields did meet budgeted rates.

## FINANCE AND BUDGET

### OVERVIEW

#### FY 2007 Major Recommended Changes and Activities

- Continue to develop a strong budget management, procurement and internal control culture within WASA's management team to ensure that WASA meets the Board's and financial community's expectations for continued strong financial performance and sustainable growth
- Improve capital budget forecasting process in conjunction with the Department of Engineering and Technical Services to ensure projections meet expectations of the Board and are consistent with retail rate increase proposals
- Continue evaluation of CSO LTCP funding and rate options Retail Rates Committee
- Support process to resolve outstanding rate and revenue issues with Soldiers' Home / Howard University and Potomac Interceptor users
- Continue to review and improve internal controls to ensure accountability and safeguard of WASA's assets
- Continue to leverage technology to increase efficiency and improve accuracy payroll
  - Migrate from modem to Ethernet connection to ensure real-time access of payroll and other related information
  - Provide accessibility to time and attendance information from employee work stations and kiosks strategically placed throughout WASA facilities
- Take actions to comply with significant provisions of the Sarbanes-Oxley Act of 2002 relevant to WASA's operations
- Perform cost of service for Potomac Interceptor wholesale users

#### FY 2008 Major Recommended Changes and Activities

- No major changes anticipated



**GENERAL  
MANAGER**

<b>POSITIONS</b>				
<b>CURRENT</b>			<b>FY 2007</b>	<b>FY 2008</b>
<b>Authorized</b>	<b>Average Positions Filled</b>	<b>Year-End Positions Filled</b>		
29	14	13	29	29

**FY 2008 Budget  
\$6,916,000**

**INFORMATION  
TECHNOLOGY  
Office of the  
Director  
4 - Positions**

**Systems and  
Operations  
11 - Positions**

**E-Business  
9 - Positions**

**Project  
Management Office  
2 - Positions**

**Process  
Control &  
SCADA  
3 - Positions**

**FUNCTIONS**

**FUNCTIONS**

**FUNCTIONS**

**FUNCTIONS**

- Manage daily operations of central and remote systems sites
- Maintain WASA's technology standards
- 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

- Integrate and provide product support for the financial, payroll, maintenance and customer information and billing, AMR, IVR, AM systems
- Design and maintain WASA's website to allow customer e-business access
- Database administration
- Develop and support WASA's intranet

- 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)

- Provide implementation support for process computer control system
- Provide product support for PCCS/SCADA and other process related automated system
- Programming Standards
- Configuration/Change Management

## 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 revised FY 2007 budget increases by approximately \$0.1 million due primarily to increased professional services for infrastructure support. The FY 2008 proposed budget reflects an increase of \$1.5 million over the FY 2007 revised budget due to additional professional services support for enterprise systems (Asset Management, GIS, and Enterprise Document Management), plus additional hardware and software maintenance costs.

	FY 2006 Revised	FY 2007 Approved	FY 2007 Revised	FY 2008 Proposed
<b>Positions: (FTE's)</b>				
Number of authorized positions	29	29	29	29
Average number of positions filled	14			
<b>Operating Expenses</b>				
<b>Personnel Services including Overtime</b>	1,764	1,852	1,721	1,805
Overtime	50	50	35	35
<b>Non-personnel Services:</b>				
Chemicals and Supplies	159	164	164	179
Utilities	104	104	109	109
Contractual Services, etc.	2,738	3,002	3,251	4,687
Small Equipment	129	131	129	136
<b>Total Non-Personnel Services</b>	<b>3,129</b>	<b>3,400</b>	<b>3,653</b>	<b>5,111</b>
<b>Total Operations &amp; Maintenance</b>	<b>4,893</b>	<b>5,252</b>	<b>5,374</b>	<b>6,916</b>
Capital Equipment	6,790	7,135	9,100	7,780
<b>Targeted Performance Measures</b>	<b>FY 2006 Projection</b>	<b>FY 2007 Budget</b>	<b>FY 2007 Projection</b>	<b>FY 2008 Projection</b>
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

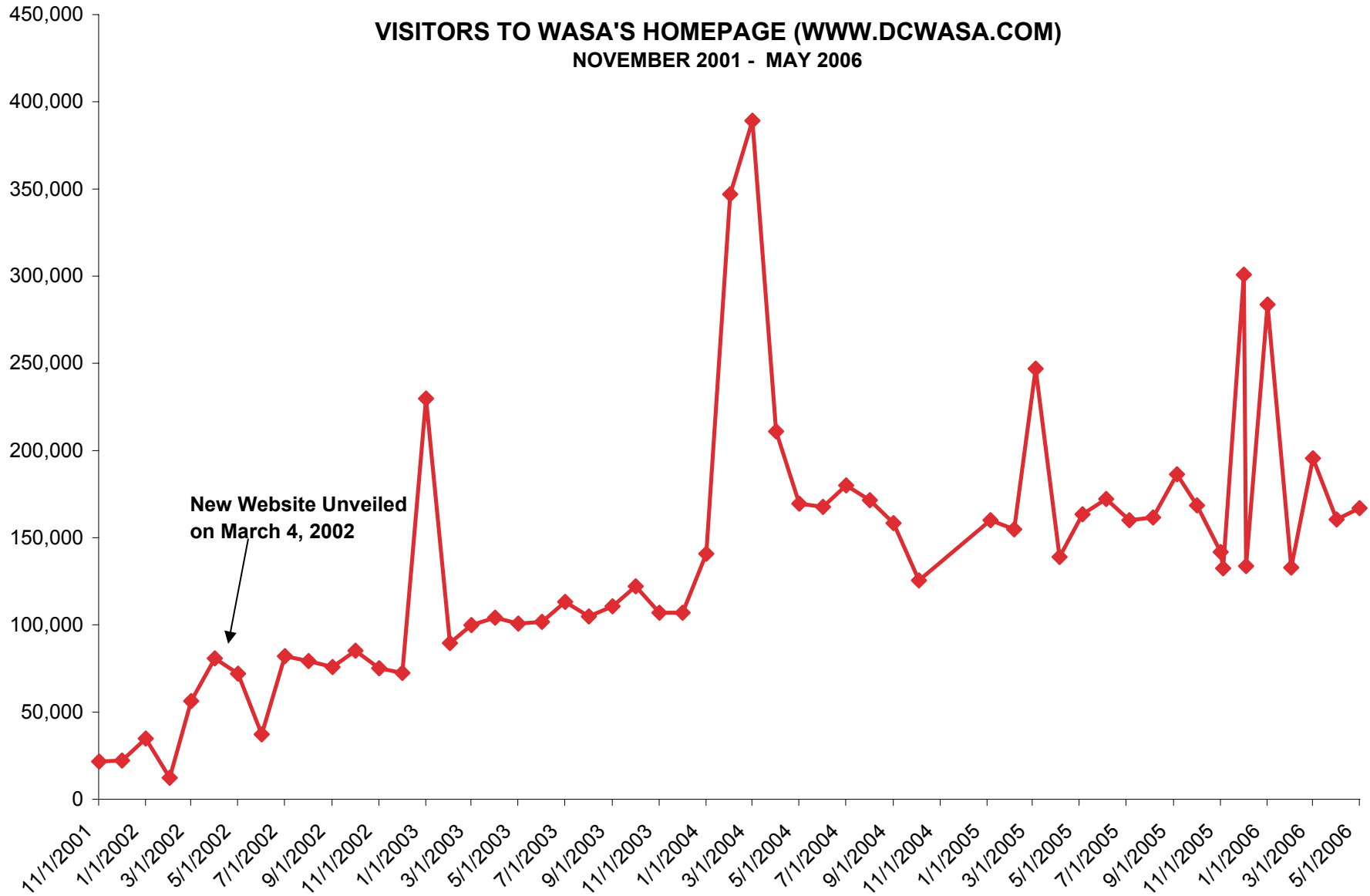
#### FY 2007 Major Recommended Activities and Changes

- Continue integration of engineering and plant related technologies with IT projects and functions, including Process Control Computer system (PCCS) and Supervisory Control And Data Acquisition (SCADA) systems
- Implement handheld inventory system (RFID)
- Continue implementation of the Redundant Data Center
- Continue to lead implementation of the following key projects:
  - Asset management system(MAXIMO) and GIS
  - Document management system
- Continue to ensure IT infrastructure reliability and upgrades consistent with industry standards and customer needs:
  - Network System Renewal
  - Begin implementation of Telephone System Upgrade
  - Desktop replacements according to three-year schedule
  - Complete implementation of email migration from Lotus Notes to Microsoft messaging platform
- Assume additional operating support for key systems, including:
  - Supervisory Control And Data Acquisition (SCADA) system
  - Process Control Computer System (PCCS)
- Implement Business Process Improvements to support convergence technologies for:
  - Permitting process
  - Procurement & materiel management
  - Telecommunications integration, networking, and audio visual support

#### FY 2008 Major Recommended Activities and Changes

- Continue integration of engineering and plant related technologies with IT projects and functions, including Process Control Computer System (PCCS) and Supervisory Control And Data Acquisition (SCADA) systems
- Continue to lead implementation of the following key projects:
  - Asset management system(MAXIMO) and GIS
  - Document management system
- Continue to ensure IT infrastructure reliability and upgrades consistent with industry standards and customer needs
- Begin phase I of Enterprise Reporting/ Data Warehouse

**VISITORS TO WASA'S HOMEPAGE (WWW.DCWASA.COM)  
NOVEMBER 2001 - MAY 2006**







**CHIEF FINANCIAL  
OFFICER**

**FY 2008 Budget  
\$6,442,000**

**RISK  
MANAGEMENT  
3 - Positions**

**POSITIONS**

Authorized	CURRENT		FY 2007	FY 2008
	Average Positions Filled	Year-End Positions Filled		
3	3	3	3	3

**FUNCTIONS**

- Manage all claims, including workers compensation and tort claims
- Procure and manage insurance contracts
- Develop and ensure adequate insurance reserve levels
- Perform ongoing risk assessments of operations
- Coordinate loss prevention programs

## 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 FY 2007 revised budget is \$1.1million less than the approved FY 2007 because of anticipated decreases in claims cost. The proposed FY 2008 operating budget reflects a slight increase due to projected compensation increases.

	FY 2006 Revised	FY 2007 Approved	FY 2007 Revised	FY 2008 Proposed
<b>Positions: (FTE's)</b>				
Number of authorized positions	3	3	3	3
Average number of positions filled	3			
<b>Operating Expenses</b>				
<b>Personnel Services including Overtime</b>	247	259	259	272
Overtime	4	4	3	3
<b>Non-personnel Services:</b>				
Chemicals and Supplies	6	7	7	8
Utilities	3	3	3	4
Contractual Services, etc.	7,271	7,300	6,120	6,158
Small Equipment	-	-	-	-
<b>Total Non-Personnel Services</b>	<b>7,280</b>	<b>7,310</b>	<b>6,130</b>	<b>6,170</b>
<b>Total Operations &amp; Maintenance</b>	<b>7,527</b>	<b>7,569</b>	<b>6,389</b>	<b>6,442</b>
Capital Equipment	-	-	-	-
<b>Targeted Performance Measures</b>				
	FY 2006 Projection	FY 2007 Budget	FY 2007 Projection	FY 2008 Projection
Reduce workers compensation cost by 10%	10%	10%	10%	10%
Meet workers compensation filing requirements within 14 days	14	14	14	14

## RISK MANAGEMENT

### OVERVIEW

#### FY 2007 Major Recommended Activities and Changes

- Continue to evaluate insurance program in light of changing insurance market, with focus on balancing risk transfers versus cost
- Continue to improve reserves forecasting and management process to ensure all costs are adequately budgeted
- Review and improve claims management to reduce cost for workers' compensation and tort liability claims, including implementing new policies and training for WASA departments; develop benchmarks and torts performance goals for each department
- Refine transitional return to work program
- Continue implementation of the Owner Controlled Insurance Program (OCIP) for capital projects, which will yield savings in insurance and claims costs

#### FY 2008 Major Recommended Activities and Changes

- Continue efforts to identify and reduce financial risk related to claims
- Initiate campaign to encourage customers to protect their sewer system by implementing a sewer back water valve campaign
- Continue implementation of the Owner Controlled Insurance Program (OCIP) for capital projects

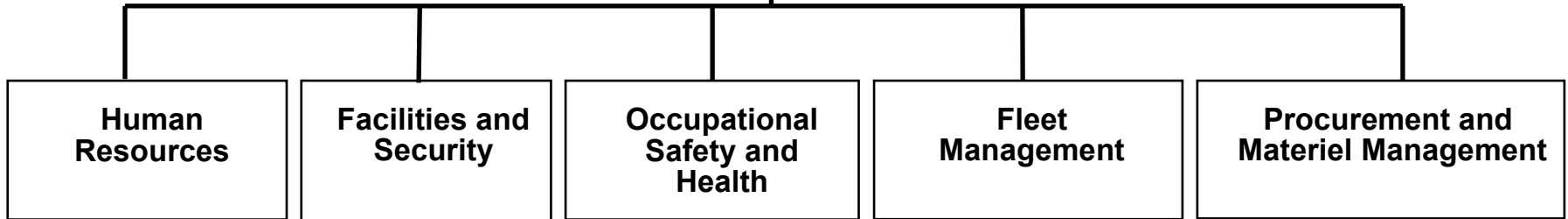


**FY 2008 Budget  
\$601,000**

**GENERAL  
MANAGER**

**ASSISTANT  
GENERAL  
MANAGER  
Support Services  
4 - Positions**

<b>POSITIONS</b>				
<b>CURRENT</b>			<b>FY 2007</b>	<b>FY 2008</b>
<b>Authorized</b>	<b>Average Positions Filled</b>	<b>Year-End Positions Filled</b>		
4	3	3	4	4



**FUNCTIONS**

- Oversee and direct the Department of Human Resources, Facilities and Security, Occupational Safety and Health, Fleet Management, and Procurement and Materiel Management
- Manage the Authority's annual workplan development process
- Direct Authority's productivity analysis and planning group

## 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 and Security, Fleet, Occupational Health and Safety and Procurement and Material Management

**BUDGET OVERVIEW:** With the exception of personnel services, the revised FY 2007 operating budget is relatively flat compared to the approved FY 2007 operating budget. The proposed FY 2008 operating budget reflects increased funding for a productivity analyst position.

	FY 2006 Revised	FY 2007 Approved	FY 2007 Revised	FY 2008 Proposed
<b>Positions: (FTE's)</b>				
Number of authorized positions	4	4	4	4
Average number of positions filled	3			
<b>Operating Expenses</b>				
<b>Personnel Services including Overtime</b>	245	257	367	409
Overtime	1	1	1	1
<b>Non-Personnel Services:</b>				
Chemicals and Supplies	10	10	5	5
Utilities	3	3	3	3
Contractual Services, etc.	177	177	180	180
Small Equipment	4	4	4	4
Total Non-Personnel Services	194	194	191	191
<b>Total Operations &amp; Maintenance</b>	438	451	559	601
Capital Equipment	-	-	-	-

Targeted Performance Measures	FY 2006 Projection	FY 2007 Budget	FY 2007 Projection	FY 2008 Projection
<b>Direct the annual development of the Authority's work plan:</b>				
Sessions with senior staff & supervisors	5	5	5	5
Work Plan Breakfast Sessions with the GM	4	4	4	4
Sessions with Administrative Staff	1	1	1	1

## ASSISTANT GENERAL MANAGER – SUPPORT SERVICES

### OVERVIEW

#### FY 2007 Major Recommended Activities and Changes

- Direct and coordinate work plan process in alignment with Board of Directors' Strategic Plan, the Authority's budget priorities, and department goals
- Develop management reports for Support Services departments

#### FY 2008 Major Recommended Activities and Changes

- No major changes anticipated



**DCWASA**

**FY 2008 Budget  
\$10,177,000**

**ASSISTANT  
GENERAL  
MANAGER  
Support Services**

**FACILITIES  
AND SECURITY  
Office of the Director  
8 - Positions**

<b>POSITIONS</b>				
<b>Authorized</b>	<b>CURRENT</b>		<b>FY 2007</b>	<b>FY 2008</b>
	<b>Average Positions Filled</b>	<b>Year-End Positions Filled</b>		
64	56	56	64	64

**Security  
6 - Positions**

**FUNCTIONS**

- Physical Security Services for WASA employees and property
- Respond to safety and security emergency situations
- Investigate theft incidents, illegal entries and other security concerns
- Contract Guard Service
- Crime Prevention Survey
- Parking and Key Control
- DC EMA Liaison

**Office Services  
3 - Positions**

**FUNCTIONS**

- Route incoming mail and deliveries
- Vending and Mailroom Services
- Motorpool and Courier Services
- Recycling (paper, cans, bottles)
- Customer Service Surveys
- Facilities Work Order Requests
- Vendor Management
- WASA - Wide Copy Services
- Courier Service
- Receives and directs people who call or visit the Authority
- Customer Services Survey
- Performance Measures/ Balance Scorecard

**Facilities  
Operations  
35 - Positions**

**FUNCTIONS**

- Building and Ground Operations (landscaping and trash removal)
- Coordinate workspace assignments and moves
- Janitorial Service
- Procuring and assigning furniture
- Building Maintenance
- Adequate ground direction and building signage
- Cafeteria Operations
- Landscaping Design
- Pest Control
- Fencing

**Mechanical  
Services  
12 - Positions**

**FUNCTIONS**

- Predictive and preventive maintenance
- Adequate indoor air quality
- Elevator Maintenance
- Engages in major construction and renovation projects
- HVAC Systems Maintenance
- Energy Conservation
- Fire Suppression and Detection
- Vendor Management
- Project Management

## FACILITIES AND SECURITY

**MISSION:** Support the operations of the Authority through routine maintenance, custodial services, repair and improvement of its facilities, buildings, grounds and roadways and to develop and implement security policies and procedures, asset protection, loss prevention system, and other security measures necessary for WASA's operations.

**BUDGET OVERVIEW:** The revised FY 2007 budget increased by approximately \$0.8 million due to new security guard services contract. The FY 2008 proposed budget increases by \$0.4 million due to security guard service and projected compensation increases.

	FY 2006 Revised	FY 2007 Approved	FY 2007 Revised	FY 2008 Proposed
<b>Positions: (FTE's)</b>				
Number of authorized positions	64	64	64	64
Average number of positions filled	56			
<b>Operating Expenses</b>				
<b>Personnel Services including Overtime</b>	4,066	4,267	4,071	4,268
Overtime	142	142	142	142
<b>Non-Personnel Services:</b>				
Chemical and Supplies	431	431	391	431
Utilities	68	68	94	86
Contractual Services, etc.	4,067	4,150	5,162	5,315
Small Equipment	51	50	51	77
Total Non-Personnel Services	4,617	4,699	5,697	5,909
<b>Total Operations &amp; Maintenance</b>	8,683	8,966	9,769	10,177
Capital Equipment	1,281	656	1,736	822

Targeted Performance Measures	FY 2006 Projection	FY 2007 Budget	FY 2007 Projection	FY 2008 Projection
Monthly work orders closed - 80	141	80	80	80
Daily Security Patrols - 40	37	40	40	41
Average weekly visitors / vendors - 1,347	1,225	1,347	1,347	1,347



## FACILITIES AND SECURITY

### **OVERVIEW**

#### FY 2007 Major Recommended Activities and Changes

- Execute new security guard service contract
- Continue key projects
  - Elevator maintenance program including refurbishing elevators
  - Facilities improvement and maintenance program
  - Upgrade HVAC System
  - Renovations (COF 5<sup>th</sup> Floor, IT Solutions Center, Restrooms - ADA compliance, and Secondary Blower Building)
  - Maintain technical security equipment
  - Facilities property audit
- Improve pavement areas on buildings and grounds
- Evaluate copy center performance and plan for next procurement

#### FY 2008 Major Recommended Activities and Changes

- Continue Key Projects
  - Elevator refurbishing program
  - Facilities improvement and maintenance program
  - Upgrade HVAC System
  - Renovate restrooms to meet ADA compliance
  - Continue to monitor security guard contract



**FY 2008 Budget  
\$911,000**

**ASSISTANT  
GENERAL  
MANAGER**

**OCCUPATIONAL  
SAFETY  
AND HEALTH  
7 - Positions**

**Occupational Safety  
&  
Health Program**

POSITIONS				
Authorized	CURRENT		FY 2007	FY 2008
	Average Positions Filled	Year-End Positions Filled		
6	5	5	7	7

**Health & Industrial  
Hygiene Program**

**FUNCTIONS**

- Maintain an effective industrial hygiene program
- Coordinate the full implementation of the Respiratory Protection Program
- Expand and maintain the Medical Surveillance Program to comply with Occupational Safety and Health Act (OSHA) requirements in relation to asbestos, lead, low level radiation, etc.

**FUNCTIONS**

- Maintain an effective Accident Prevention Safety Awareness Program
- Conduct safety inspections of all Water and Sewer Authority (WASA) 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 so that WASA complies with mandated safety requirements
- Safety oversight of the Comprehensive Construction Safety Program and the Rolling Owner Controlled Insurance Program (ROCIP)
- Coordinate the emergency response activities for WASA.

**Environmental Safety  
Program**

**FUNCTIONS**

- Ensure WASA's compliance with environmental safety regulations promulgated by OSHA, Environmental Protection Agency, Department of Transportation, etc.
- Provide oversight and guidance of WASA's Hazardous Waste Program
- Generate and provide required safety reports to regulatory agencies in a timely manner
- Provide oversight and management of aboveground and underground storage tanks

## OCCUPATIONAL SAFETY AND HEALTH

**MISSION:** To provide technical services and support that ensures a safe and healthy work environment for all WASA employees.

**BUDGET OVERVIEW:** The revised FY 2007 budget includes the addition of one (1) position to coordinate WASA's activities related to emergency response. The proposed FY 2008 budget increased slightly over the FY 2007 revised budget due to projected compensation increases. The department will continue to coordinate and direct safety related contractual resources that are budgeted in other departments.

	FY 2006 Revised	FY 2007 Approved	FY 2007 Revised	FY 2008 Proposed
<b>Positions: (FTE's)</b>				
Number of authorized positions	6	6	7	7
Average number of positions filled	5			
<b>Operating Expenses</b>				
<b>Personnel Services including Overtime</b>	581	611	663	716
Overtime	1	1	1	1
<b>Non-Personnel Services:</b>				
Chemicals and Supplies	54	58	58	58
Utilities	10	10	10	10
Contractual Services, etc.	45	83	83	83
Small Equipment	42	45	42	45
<b>Total Non-Personnel Services</b>	151	196	193	196
<b>Total Operations &amp; Maintenance</b>	732	807	856	911
Capital Equipment	-	-	-	-
<b>Targeted Performance Measures</b>	<b>FY 2006 Projection</b>	<b>FY 2007 Budget</b>	<b>FY 2007 Projection</b>	<b>FY 2008 Projection</b>
Safety Inspections of facilities and crews (600)	590	600	610	615
Reduce WASA Incidence Rate for Loss Work Day incidents to the national level (4.6)	5.0	4.8	4.6	4.5
Reduce # of all reported injuries/vehicle accidents by 10	120	110	100	90

## OCCUPATIONAL SAFETY & HEALTH

### OVERVIEW

#### FY 2007 Major Recommended Activities and Changes

- Manage the implementation of the Board approved Comprehensive Safety Program and work with departments to develop an ongoing commitment safety culture
- Ongoing development of management reporting of WASA safety performance and benchmarking against national peers
- Investigate, evaluate and analyze all accidents, occupational injuries and incidents to ensure that effective corrective and preventive measures are in place
- Hire an Emergency Response Coordinator to coordinate WASA's Emergency Response Plan and related activities with the District of Columbia and the Council of Government regional emergency planning and conduct annually tabletop disaster drills
- Continue the implementation of the safety component of the Rolling Owner Controlled Insurance Program (ROICP) and the Comprehensive Construction Safety Program
- Provide safety guidance, review and inspection of newly designed Capital Improvement Projects (CIP) scheduled to begin construction over the next two years
- Provide oversight of an effective safety-training program to comply with OSHA, EPA, DOT and other applicable safety regulations
- Conduct an internal audit of the Comprehensive Safety Program to ensure established programs and policies are effectively satisfying the organizations needs, safety goals and meeting employee expectations
- Continue an ongoing plan and program to ensure educating, training and conducting drills to stay current with the national and local Homeland Security programs
- Emphasize the implementation of environmental health and safety programs

#### FY 2008 Major Recommended Activities and Changes

- Support safety activities to expand the Rolling Owner Controlled Insurance Program for all contractors
- Ongoing management of the Board approved Comprehensive Safety Program (CSP) and implement new recommendations based on the 2006 review of the program



**DCWASA**

**FY 2008 Budget  
\$3,044,000**

**ASSISTANT  
GENERAL  
MANAGER  
Support Services**

**PROCUREMENT SERVICES  
Office of the Director  
2 - Positions**

<b>POSITIONS</b>				
<b>CURRENT</b>			<b>FY 2007</b>	<b>FY 2008</b>
<b>Authorized</b>	<b>Average Positions Filled</b>	<b>Year-End Positions Filled</b>		
38	31	31	38	38

**Procurement Operations  
15 - Positions**

**Contract Administration  
4 - Positions**

**Warehouse & Operations  
17 - Positions**

**FUNCTIONS**

- Purchasing process
  - Vendor bid listing
  - Advertisement and solicitation process
  - Website information
  - Credit card purchasing program
- Pre-award procurement process
  - Bids and proposal solicitation
  - Contract negotiations
  - Contract modification
- WASA contracts
  - Planning for future procurements
- LSDBE oversight and reporting

**FUNCTIONS**

- Post-award procurement process
- Investigate wage/labor issues
- Oversight and reporting on: First Source, other laws, rules, and regulations

**FUNCTIONS**

- Inventory polices and procedures
- Uniform and safety shoe program
- Materiel control system
  - Inventory reconciliation
  - Inventory closing process
- Spot, cycle and annual physical inventory
- Minimum and maximum inventory levels
- Warehouse and associated functions
- Disposal of excess and obsolete inventory
- Fixed Asset Program

## PROCUREMENT SERVICES

**MISSION:** To deliver on a timely basis, the best value products and services to the Authority and its customers through excellent purchasing, inventory and contracting operations.

**BUDGET OVERVIEW:** Changes in the revised FY 2007 compared to the approved FY 2007 budget reflect reduced spending in personnel services due to less than anticipated union increase. The FY 2008 proposed budget reflects projected compensation increases.

	FY 2006 Revised	FY 2007 Approved	FY 2007 Revised	FY 2008 Proposed
<b>Positions: (FTE's)</b>				
Number of authorized positions	38	38	38	38
Average number of positions filled	31			
<b>Operating Expenses</b>				
<b>Personnel Services including Overtime</b>	2,478	2,602	2,561	2,773
Overtime	52	52	50	50
<b>Non-Personnel Services:</b>				
Chemicals and Supplies	65	65	61	58
Utilities	32	32	35	35
Contractual Services, etc.	137	142	159	163
Small Equipment	15	15	15	15
Total Non-Personnel Services	249	254	271	272
<b>Total Operations &amp; Maintenance</b>	2,727	2,856	2,832	3,044
Capital Equipment	-	-	40	-

Targeted Performance Measures	FY 2006 Projection	FY 2007 Budget	FY 2007 Projection	FY 2008 Projection
Award 50% of DCWASA actual operating discretionary spending to Local Small Disadvantage Business Enterprises	30%	50%	50%	50%
Issue Purchase Orders within 15 business days - 98%	97%	98%	98%	98%
Issue and award Request for Quotation (RFQ) \$100,000 or less within 30 calendar days - 97%	97%	97%	97%	97%
Complete and issue Invitation for Bid (IFB) within 70 days - 97%	95%	97%	97%	97%

## PROCUREMENT SERVICES

### OVERVIEW

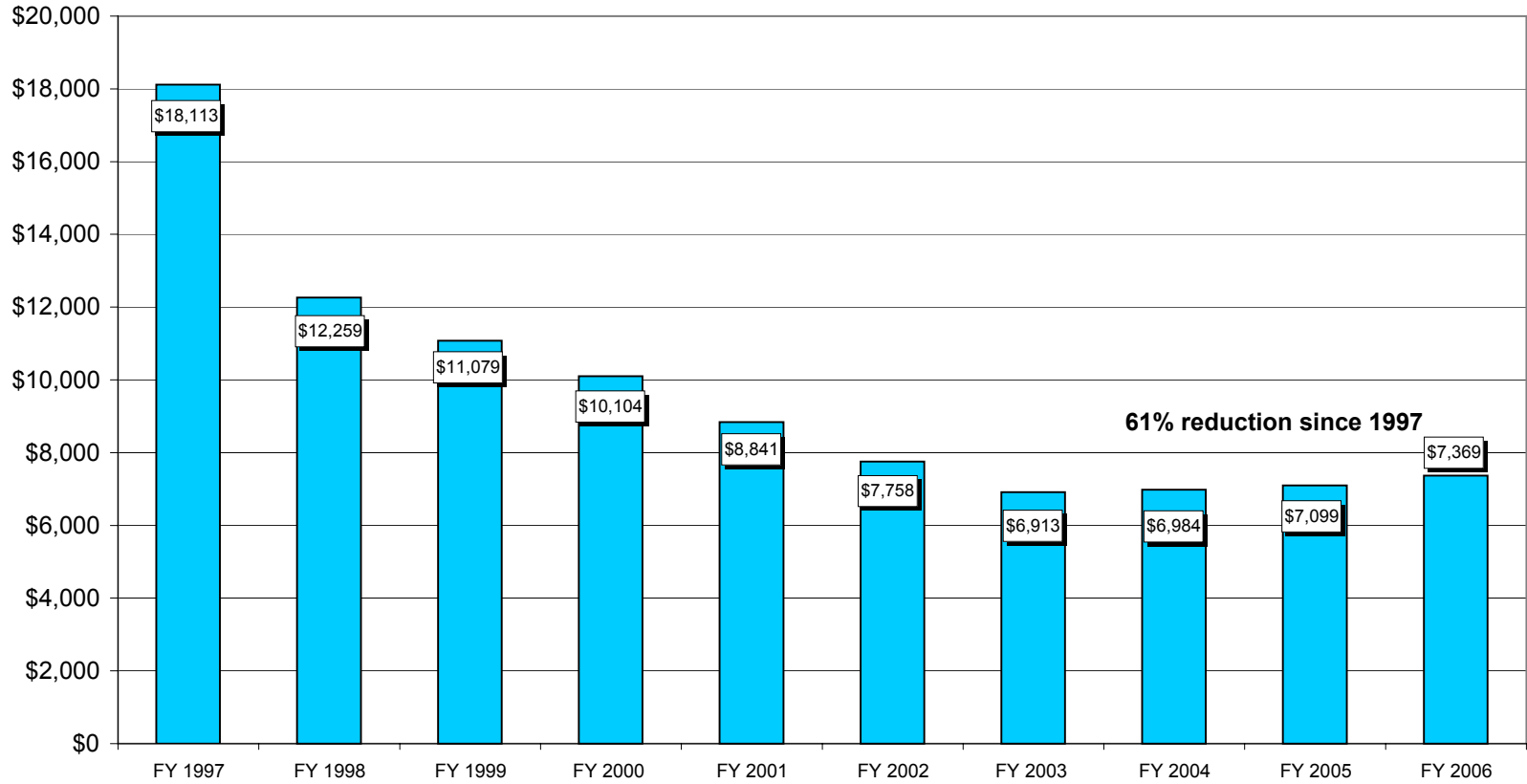
#### FY 2007 Major Recommended Activities and Changes

- Improve purchasing operations and cycle/turnaround time
- Improve Maximo Inventory Management Process
- Meet Business Development Plan Goals
- Implement Revised Business Development Plan
- Implement "Best in Class" Contract Administration Division
- Establish Standard Operating Procedures
- Monitor and enhance Purchase Card and Travel Card Program
- Conduct Contracting Officer Technical Representatives (COTR) Training
- Establish Internal Operating Procedures
- Needs Assessment for Contract Procurement System
- Needs Assessment for Automated Procurement System

#### FY 2008 Major Recommended Activities and Changes

- Selection and Implementation for Automation Procurement System

**Inventory Values  
As of September 30  
FY 1997 - FY 2006  
(\$000's)**







**ASSISTANT  
GENERAL  
MANAGER**  
Support Services

			POSITIONS	
CURRENT			FY 2007	FY 2008
Authorized	Average Positions Filled	Year-End Positions Filled		
5	4	5	5	5

**FY 2008 Budget**  
**\$3,504,000**

**FLEET  
MANAGEMENT**  
2 - 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 increase of approximately \$0.2 million in the FY 2007 revised budget compared to the FY 2007 approved budget is mainly due to higher utilities (fuel) and contractual services (maintenance and parts contract) costs. The proposed FY 2008 operating budget reflects a slight increase due mainly to projected compensation increases.

	FY 2006 Revised	FY 2007 Approved	FY 2007 Revised	FY 2008 Proposed
<b>Positions: (FTE's)</b>				
Number of authorized positions	5	5	5	5
Average number of positions filled	4			
<b>Operating Expenses</b>				
<b>Personnel Services including Overtime</b>	440	462	458	481
Overtime	4	4	2	2
<b>Non-personnel Services:</b>				
Chemicals and Supplies	10	10	10	10
Utilities	537	537	664	664
Contractual Services, etc.	2,036	2,102	2,269	2,285
Small Equipment	64	64	64	64
Total Non-Personnel Services	2,647	2,713	3,007	3,023
<b>Total Operations &amp; Maintenance</b>	3,087	3,175	3,465	3,504
<b>Capital Equipment</b>	1,027	1,253	1,600	1,518
<b>Targeted Performance Measures</b>				
	<b>FY 2006 Projection</b>	<b>FY 2007 Budget</b>	<b>FY 2007 Projection</b>	<b>FY 2008 Projection</b>
Preventive maintenance completed on schedule	93%	97%	97%	97%
Vehicles available for use	95%	95%	95%	95%

## FLEET MANAGEMENT

### OVERVIEW

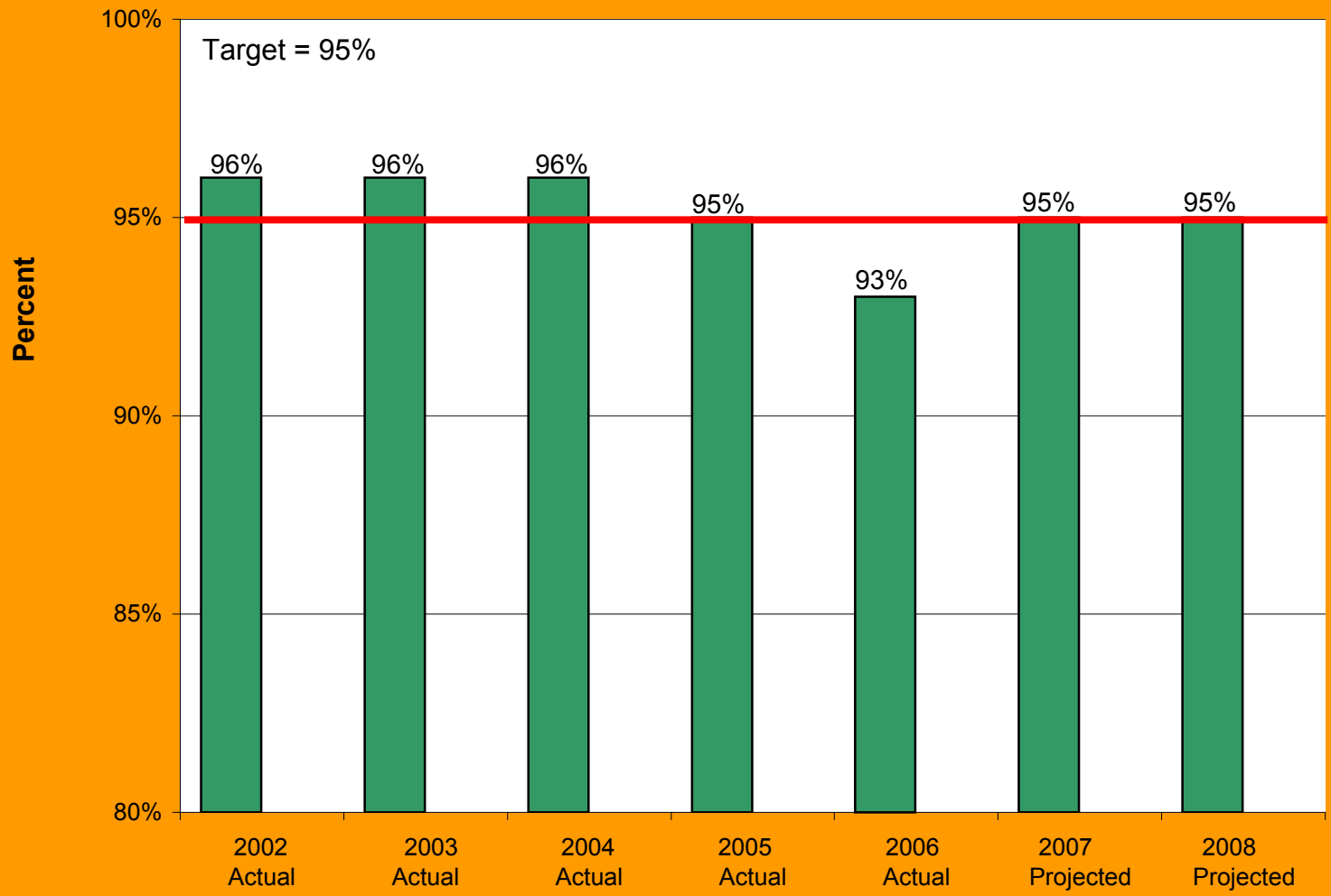
#### FY 2007 Major Recommended Activities and Changes

- Continue a strategy of significant capital investment and a structured preventive maintenance program
- Re-evaluate our replacement schedule in line with IIP recommendations as well as the cost-benefit of each individual vehicle replacement
- Continue to implement policies and standards that will facilitate a gradual move towards the use of alternative fuels and products in our quest to help protect the environment
- Comply with Environmental Protection Agency (EPA) requirements on the mandated use of Ultra Low Sulfur Diesel (ULSD)
- Continue to evaluate the size of fleet, vehicle maintenance cost levels, and replacement schedule to make sure they are aligned with WASA's business needs
- Continue to install vehicle fuel technology rings
- Utilize the District of Columbia "W" Endorsement Program to review WASA vehicle operator's driving records

#### FY 2008 Major Recommended Activities and Changes

- No major changes anticipated

# Vehicle In-Service Percentage



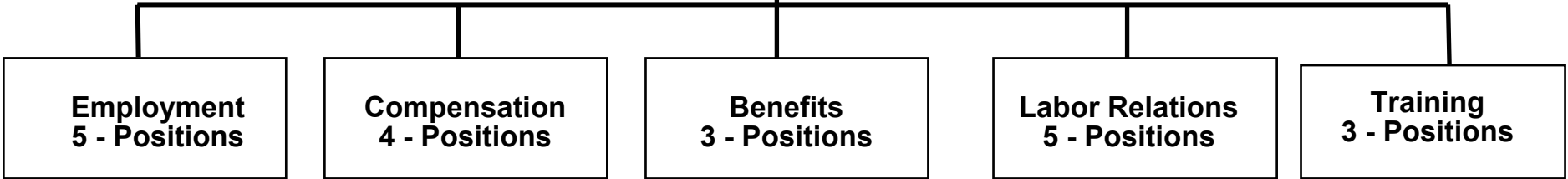


**ASSISTANT  
GENERAL  
MANAGER  
Support Services**

POSITIONS				
Authorized	CURRENT		FY 2007	FY 2008
	Average Positions Filled	Year-End Positions Filled		
22	20	20	22	22

**FY 2008 Budget  
\$ 4,074,000**

**HUMAN  
RESOURCES  
2 - Positions**



**FUNCTIONS**

- Recruitment & Hiring
- Employee Relations
- Employment Forecasting & Planning
- Unemployment Compensation
- Skills Assessment & Testing

**FUNCTIONS**

- Compensation Program
- Job Evaluation Program
- Pay Incentive Programs
- Performance Management
- Records Management
- HR Information Systems

**FUNCTIONS**

- Health & 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:** The revised FY 2007 budget increases by approximately \$0.2 million over the FY 2007 approved budget due to increased funding for various employee related programs, including Succession Planning. The FY 2008 proposed budget increases slightly due to projected compensation increases.

	FY 2006 Revised	FY 2007 Approved	FY 2007 Revised	FY 2008 Proposed
<b>Positions: (FTE's)</b>				
Number of authorized positions	22	22	22	22
Average number of positions filled	20			
<b>Operating Expenses</b>				
<b>Personnel Services including Overtime</b>	2,037	2,141	2,124	2,236
Overtime	25	25	15	15
<b>Non-personnel Services:</b>				
Chemicals and Supplies	35	35	35	35
Utilities	19	19	21	21
Contractual Services, etc.	1,511	1,450	1,645	1,767
Small Equipment	14	14	14	14
<b>Total Non-Personnel Services</b>	1,579	1,517	1,716	1,838
<b>Total Operations &amp; Maintenance</b>	3,616	3,658	3,840	4,074
Capital Equipment	60	10	150	30
<b>Targeted Performance Measures</b>				
	FY 2006 Projection	FY 2007 Budget	FY 2007 Projection	FY 2008 Projection
60 days from job posting to hire	60	60	60	60
10 day to initiate disciplinary action	10	10	10	10

## HUMAN RESOURCES

### OVERVIEW

#### FY 2007 Major Recommended Activities and Changes

- Implement basic skills and management development program for supervisors
- Develop HR Systems Strategic Plan
- Implement self service online enrollment for 2007 Open Enrollment
- Develop and implement proposals for WASA Vision Program
- Redesign various existing HR forms
- Continue revision to Personnel Policies & Procedures Manual
- Negotiate a new collective bargaining agreement with the unions
- Implement training for supervisory personnel on changes to the collective bargaining agreement
- Provide support to organizational changes and realignments
- Design and implement a Succession Planning and Executive Development Program for executive and senior staff
- Implement performance-based interviewing training for managers and supervisors
- Conduct Succession Planning / knowledge management training to ensure continuity of services during transitional periods
- Continue to provide support to organizational changes and realignments

#### FY 2008 Major Recommended Activities and Changes

- No major changes anticipated

## FY 2007 AND FY 2008 TRAINING PLAN

### TRAINING OVERVIEW

During FY 2006, the Authority offered comprehensive training programs and classes that provide the knowledge base and skills necessary for employees to complete their jobs in a competent and professional manner. Employees attended regulatory safety, technical, mandatory and basic skills, and skills improvement classes and sessions on the Authority's policies. The Authority budgeted \$1.7 million dollars for training. This equates to approximately \$1,800 per employee. These training classes and programs supported the Authority's internal improvement and comprehensive safety programs, new policy and procedure implementation, leadership development, customer service improvements and new process and equipment implementation.

Training will continue in FY 2007 and FY 2008 and will be provided in the following categories.

**Contractual Training** – primarily technical classes that support the Authority's internal improvement program. This training also includes classes on occupational safety 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, and general computer training for 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 the best means of providing highly specialized or special focus training to individuals or a small group of employees. Another component of outside training is WASA's tuition reimbursement program.

**On-Line Training** - web-based courses offered on computer by colleges, universities and professional organizations.

### FY 2006 ACCOMPLISHMENTS

In FY 2006, the Authority offered core training classes and programs to support its mission and the Board of Directors Strategic Plan. These programs and classes included Risk Communication for senior staff and mid-level managers;



Managing Discipline of Union Employees, Performance-Based Interviewing, Leadership Competencies, Customer Service Skills for first-line supervisors and employees, implementation of a Self-Managed Career Development Program, knowledge capture workshops for Replacement/Succession Planning, and highly specialized classes for other employees. As part of the Authority's on-going efforts to effectuate the well-being of the general workforce, the Authority also conducted Employee Focus Groups to obtain further insight into employee concerns that were raised in the FY 2005 Employee Climate Survey.

At the beginning of the fiscal year, the Authority offered Environmental Health Risk Communication for key leadership staff and employees in specialized positions. Risk communication is a composite of strategies and approaches used to foster an interactive process of exchange of information and opinions about a specific risk. The two-day class provided managers and other employees with skills to make informed decisions and take responsible actions in the event of an environmental health crisis. To ensure that the skills remain current, refresher classes on risk communication will be offered in FY 2007 and 2008.

Leadership Development training on the Authority's leadership competencies continued in FY 2006. To ensure that all leadership employees have a common frame of reference on the importance of effective communication, classes on the communication competency were offered to first-line supervisors. Additional classes will be offered in FY 2007 on other competencies as appropriate. Classes for executive and senior staff managers will also continue in FY 2007.

In FY 2006, the Authority implemented new training for managers and first-line supervisors on Managing Discipline of Union Employees. The classes provided clarification on roles and responsibilities within the disciplinary process, conducting investigations, preparing documentation, imposing appropriate disciplinary actions, and the union grievance process. To ensure that employees with responsibility for coordinating disciplinary actions understand the process flow for such actions, the Authority provided workshops on "Coordinating Disciplinary Actions" for executive assistants and administrative coordinators. The Managing Discipline of Union Employees class has become part of the mandatory training requirements for new managers and supervisors.

To help managers and supervisors select the right candidates with the right skills for vacant positions, the Authority piloted a new training program on Performance-Based Interviewing. This class provides guidance on how to plan and conduct effective interviews and select qualified candidates, based on objective criteria. The class also includes guidance on recognizing and avoiding emotional hiring decisions. Program launch for all leadership employees with hiring responsibilities will take place in FY 2007.

For Replacement/Succession Planning, the Authority conducted five (5) “knowledge capture” workshops to identify critical processes in the operating departments. The workshops reviewed operating procedures for processes and identified key competencies that are essential for individuals managing processes. The process and position analysis also identified tacit knowledge that is not part of the standard operating procedures but is critical to the effectiveness of the processes. This information can be useful when revising job descriptions and conducting more in-depth process reviews. In FY 2007, the Authority will provide train-the-trainer sessions on facilitating the workshops to bring this resource in-house.

To assist employees who are participating in the self-managed Career Development Program with achieving their career goals, the Authority offered monthly orientation sessions, online assessments, one-on-one counseling sessions and workshops to provide insight into their individual skills and abilities. After completing the activities, the participants began developing their individual career development plans to pursue their career aspirations. Employee participation in the Career Development Program is voluntary.

In FY 2006, the Authority conducted Employee Focus Groups as part of the follow-up work from the FY 2005 Employee Climate Survey. The Focus Groups gave employees opportunities to discuss their ideas on improving perceptions about organizational communication, and management’s sense of caring and fairness. The results of the focus group discussions revealed that employees were relatively positive about benefits, salary, career development initiatives, and coworker relationships. Employees’ concerns showed the need for more consistency in performance management, information sharing, real-time recognition, and employee input in planning work. Since many of the concerns centered on communication, the Authority will focus on a strategy for effective communication in these areas in FY 2007.

In FY 2006, the Authority continued to offer professional development skills training classes. Employees attended: basic grammar and business writing classes to improve written communication; introductory and intermediate Spanish, diversity, and supervisory skills classes for non-supervisors. Employees learned skills and competencies that are essential to becoming an effective supervisor; computer classes on Microsoft Office; defensive driving to support initiatives from Risk Management and the Department of Occupational Safety and Health to reduce vehicular accident liability; and classes on communicating with difficult people to reduce the level of conflict that could occur in the work environment.

Specialized classes were also provided for departments that experienced a high level of turnover or had unique skill needs. Classes on teambuilding were provided to the Department of Procurement Services and Materiel Management to help leadership employees become better team leaders and employees better team members. In the Department of

Wastewater Treatment, Water Services, and Sewer Services, employees attended classes on programmable logic controls, MAXIMO Maintenance Management System, and Variable Frequency Drives.

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 AED Defibrillator, Work Zone Safety/Traffic Control, Confined Space, and Excavation and Trenching. New for this year is a Supervisors Safety Orientation class for newly hired or promoted supervisors and managers in the operating departments. The class provides refresher training on safety and environmental issues that can impact the work unit. This training is part of the mandatory training requirements for new employee orientation.

The Authority continued to offer training opportunities to employees with unique skill needs through resources external to the organization. In FY 2006, the Authority sent 160 employees to outside training at an average cost of \$575 each. Classes attended by employees included Asset Management, Strategic Talent Acquisition, Power Quality, Backflow Prevention, Voice Over IP, Vibration Analysis, Hot Surface Ignition, etc.

To support employees' educational and career goals, the Authority continued to offer the Education Reimbursement and WASA Reads Programs. The Education Reimbursement Program offers assistance to employees who are pursuing college degrees or professional license or certifications. In FY 2006, the Authority provided \$1,100 in education reimbursement expenses. The WASA Reads Program provides basic skills training in reading, writing and arithmetic. Nine (9) employees participated in the program in FY 2006. Six (6) of the eleven employees have participated in the program since its inception in FY 2002. At least 50% of the participants improved their reading and arithmetic comprehension skills by at least one grade level during the past year. As an extension of the WASA Reads Program, the Authority offered Math Prep classes for aspiring supervisors. These classes provide customized refresher training on solving problems with decimals and percentages and help employees re-learn the fundamentals of arithmetic. The classes also help aspiring supervisors prepare for the next promotional opportunity.

The Authority's FY 2006 Summer Internship Program consisted of 39 interns from 23 different colleges and universities. Students from local colleges and universities and as far away as Florida, Louisiana, Serbia, Thailand, Japan, Rwanda, and China participated in the program. The interns completed: specific projects; participated in teambuilding, resume writing, and diversity training classes; and performed community service activities. They also observed environmental issues that impact the Potomac River and the Chesapeake Bay. Eight (8) of the summer interns were accepted in the year-round program to continue research associated with their field of study.

**FY 2007 and FY 2008**

The training budgets for FY 2007 and FY 2008 are summarized in the table below.

**Budget Expenditures for Training  
(\$ in 000's)**

Training Type	FY 2007		FY 2008	
	Budget	Percent	Budget	Percent
Outside Training	967	56%	1,050	58%
In-House Training	161	9%	160	9%
Contractual Training	609	35%	586	33%
<b>Total</b>	<b>1,736</b>	<b>100%</b>	<b>1,796</b>	<b>100%</b>

In FY 2007, training will continue to center on regulatory and safety, technical, Authority policy, Authority-mandated skills improvement courses and programs, and basic skills classes. Basic skills training will be offered in the classroom and on-line to allow greater flexibility for learning. Regulatory and safety training will focus on OSHA and the District of Columbia Regulatory Agency mandated requirements.

Training on the Authority's policies will be offered routinely as new policies and procedures are developed and existing ones 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. Managers, supervisors, and employees will receive refresher training on drug and alcohol, workplace violence prevention, and effective communication skills. Managers and supervisors will also continue with training classes on the Authority's Leadership Competencies and begin training on Effective Communication as follow-up actions from the Employee Climate Survey Focus Groups.

As a continuation of the Authority's Replacement/Succession Planning program, train-the-trainer classes will be offered to provide an in-house resource for continued process analysis and improvement and to capture tacit knowledge. To timely fill future vacancies in the Departments of Wastewater Treatment and Engineering Technical Services, the Authority will implement the Wastewater Treatment Operator Trainee and Future Engineering Managers programs. These programs are designed for both classroom and hands-on exposure to allow expanded learning opportunities. The Authority will also design a Succession Planning program for key executive and senior staff and selected management positions.

## LEAD ABATEMENT PROGRAM

**MISSION:** To manage WASA's lead abatement and service replacement program so as to ensure the Board's goal to eliminate publicly-owned lead services.

**BUDGET OVERVIEW:** The revised FY 2007 budget is consistent with historical spending. The FY 2008 proposed budget reflect reduced spending for filter cartridge replacements.

	FY 2006 Revised	FY 2007 Approved	FY 2007 Revised	FY 2008 Proposed
<b>Positions: (FTE's)</b>				
Number of authorized positions	-	-	-	-
Average number of positions filled				
<b>Operating Expenses</b>				
<b>Personnel Services including Overtime</b>		-		-
Overtime	-	-	-	-
<b>Non-Personnel Services:</b>				
Chemical and Supplies	1,000	-	-	
Utilities	-	-	-	-
Contractual Services, etc.	700	-	1,700	1,000
Small Equipment	-	-	-	-
<b>Total Non-Personnel Services</b>	<b>1,700</b>	<b>-</b>	<b>1,700</b>	<b>1,000</b>
<b>Total Operations &amp; Maintenance</b>	<b>1,700</b>	<b>-</b>	<b>1,700</b>	<b>1,000</b>
<b>Capital Equipment</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>



District of Columbia  
Water and Sewer Authority

Submitted October 26, 2006

Glenn S. Gerstell, *Chairman*

Jerry N. Johnson, *General Manager*

# Revised FY 2007 And Proposed FY 2008 Operating Budgets

## *Section VIII: Glossary*

*Customer interaction is an  
important part of the job for  
WASA field service crews.*



CHEVROLET 2500 HD



## 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.

**AMSA:** Association of Metropolitan Sewerage Agencies

**ANAEROBIC DIGESTION:** A biological process using microorganisms that will reduce biosolids volume by up to 50 percent. WASA will be constructing nine egg-shaped digesters for anaerobic digestion.

**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, which usually extends 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:** System that automatically read customers' meters using radio frequencies, allowing for more accurate and frequent meter readings.

**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:** WASA's wastewater treatment plant located in southwest Washington. 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:** WASA's governing 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 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:** Planned schedules of projects that acquire, improve, or construct property or facilities to enhance water and sewer services in WASA's service area.

**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 WASA's infrastructure. WASA's CIP covers a ten-year period, and totals \$1.6 billion (cash disbursements basis).

**CERIDIAN:** WASA's fully integrated payroll and personnel system designed to meet various needs in accordance with 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 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 WASA and to be submitted to the EPA to address CSOs.

**COMBINED SEWER SYSTEM LONG-TERM CONTROL PLAN (CSS LTCP):** Final plan submitted by 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 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 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. 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 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. WASA's master trust indenture requires 120 percent senior debt service coverage; 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 WASA and defined its purpose and authority. 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. 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 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.

**GFOA:** Government Finance Officers Association.

**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 WASA's wastewater treatment plant, Blue Plains.

**INTERNAL IMPROVEMENT PLAN (IIP):** Operational improvement plans for various operating departments across WASA that will result in improved service and cost savings to 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.

**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.

**MASTER FACILITIES PLAN:** A twenty-year plan that outlines proposed capital improvements across WASA. This plan is updated every three to five years.

**MGD:** Million gallons per day

**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 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 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 Authority activities. 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.

**OUTFALL:** The place or structure where effluent is discharged into receiving waters.

**PAYMENT IN LIEU of TAXES (PILOT):** Amounts which WASA pays each fiscal year to the District and institutions in which its facilities are located. Consistent with the provisions of WASA's Enabling Act, these payments are based on past commitments.

**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 takes place in a tank and allows those substances in wastewater that readily settle or float to be separated from the water being treated.

**PRINCIPAL:** The total amount of money being borrowed or lent

**PROCESS COMPUTER CONTROL SYSTEM (PCCS):** New system for Blue Plains that will electronically monitor and control 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.

**PUBLIC 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.

**SLUDGE:** Solid residue from wastewater treatment.

**SPLASH:** Serving people by lending a supporting hand

**SENIOR DEBT:** Debt whose terms in the event of bankruptcy require it to be repaid before subordinated debt receives any payment.

**SUPPLEMENTAL ENVIRONMENTAL PROJECT (SEP):** A project 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 WASA and Arlington and Falls Church, Virginia. 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.