



Annual Comprehensive Financial Report

2022

Fiscal Years Ended September 30, 2022 and 2021

David Gadis, Chief Executive Officer

Matthew T. Brown, Chief Financial Officer and Executive Vice President, Finance and Procurement

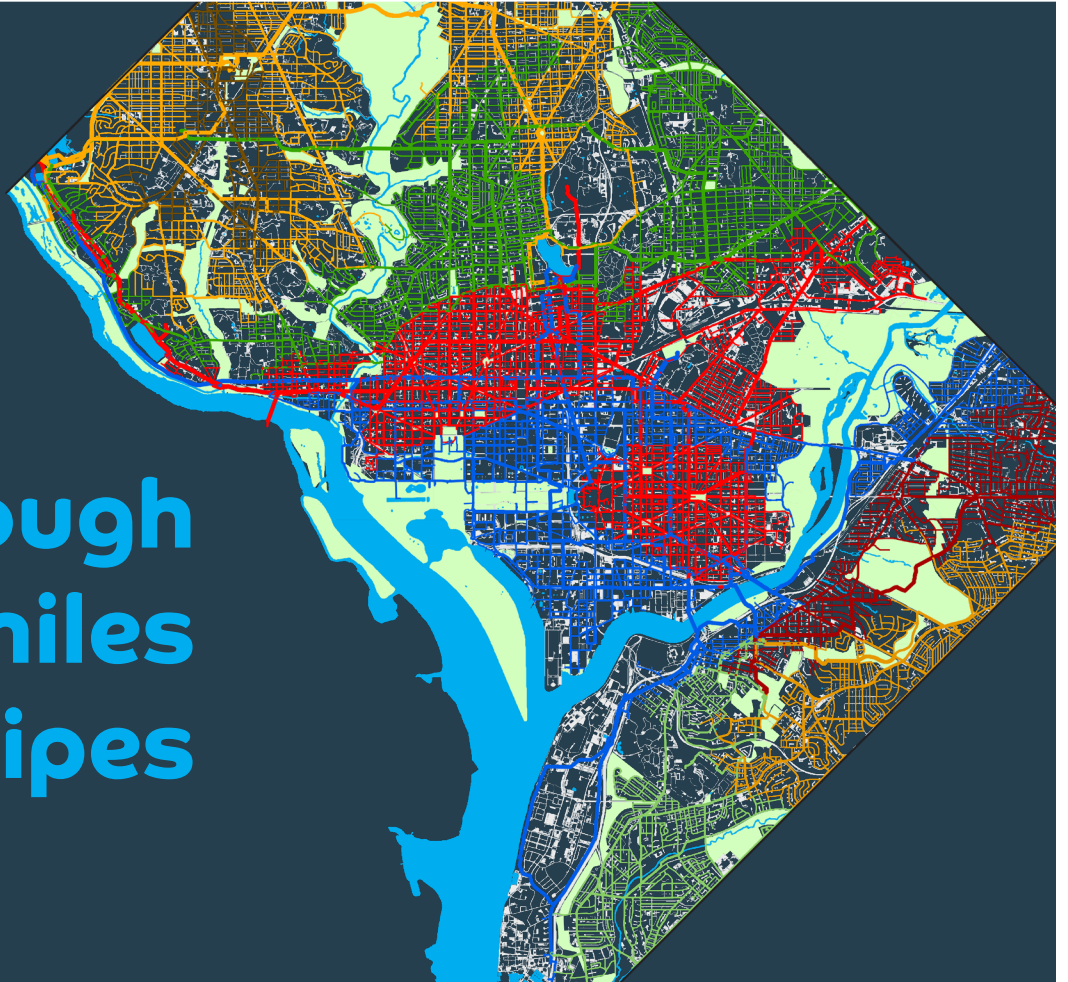
District of Columbia Water and Sewer Authority



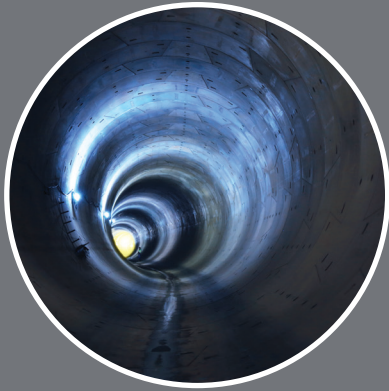
**DC Water
distributes
95 million
gallons
of clean
drinking
water per
day . . .**



**. . . through
1300 miles
of pipes**



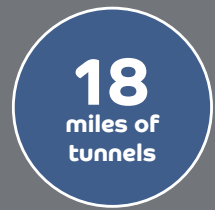
dc clean
RIVERS
PROJECT



System-wide CSO volume



CSO volume to the Anacostia River



Over 100 feet below ground



For areas served by the Northeast Boundary Tunnel



Reduction of nitrogen to the Chesapeake Bay



**Blue Plains
Wastewater
Treatment Plant**
1937 - 2022





DC Water distributes drinking water and collects and treats wastewater for more than 712,000 residents and **24.6 million annual visitors** in the District of Columbia.



92 ACRES
OF LAND MANAGED
BY GREEN
INFRASTRUCTURES



FY 2022

District of Columbia Water and Sewer Authority

Annual Comprehensive Financial Report

Fiscal Years
Ended September 30, 2022 and 2021

Prepared by:
Department of Finance, Accounting, and Budget

Matthew T. Brown, Chief Financial Officer and Executive Vice President, Finance and Procurement

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**Introductory Section
(Unaudited)**



March 1, 2023

Board of Directors
District of Columbia Water and Sewer Authority
1385 Canal Street, SE
Washington, D.C. 20003

Dear Members of the Board:

I am pleased to present the District of Columbia Water and Sewer Authority's ("DC Water" or the "Authority") Annual Comprehensive Financial Report ("ACFR") for the fiscal years ended September 30, 2022 and 2021. The Authority's financial statements were prepared in accordance with U.S. generally accepted accounting principles ("GAAP"), as promulgated by the Governmental Accounting Standards Board ("GASB") and audited by a firm of independent certified public accountants retained by DC Water. In accordance with the Authority's enabling legislation, DC Water is required to perform an annual audit of its financial statements and submit it to the District of Columbia's Mayor and Chief Financial Officer, and the District of Columbia Council.

Responsibility for the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with DC Water's management. To the best of my knowledge and belief, the information contained in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the Authority. All disclosures necessary for the reader to gain an understanding of DC Water's financial activity have been included.

DC Water's management is responsible for establishing and maintaining an internal control structure designed to ensure that its assets are adequately safeguarded against loss, theft, or misuse and to maintain accurate and reliable financial records for the preparation of financial statements and the representations made by management. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: 1) the cost of internal controls should not exceed the benefits derived from the controls; and 2) the evaluation of costs and benefits requires management's exercise of judgment. To the best of my knowledge and belief, DC Water's internal accounting controls adequately safeguard its assets and provide reasonable assurance of the proper recording of financial transactions in accordance with GAAP.

KPMG LLP, Certified Public Accountants, has been retained by DC Water to serve as its independent auditors and has issued an unmodified ("clean") opinion on DC Water's financial statements for the years ended September 30, 2022 and 2021. The independent auditors' report is located at the front of the financial section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis ("MD&A"). This letter of transmittal is designed to supplement the MD&A and should be read in conjunction with it. DC Water's MD&A is located immediately following the independent auditors' report.

Overview of DC Water

The District of Columbia Water and Sewer Enterprise Fund (the "Fund") was established in 1979 and was operated by the Water and Sewer Utility Administration, a division of the Government of the District of Columbia (the "District") Department of Public Works. The Authority, an independent authority of the District, was created in April 1996 and began operating on October 1, 1996 under and pursuant to an act of the Council of the District entitled the "Water and Sewer Authority and Department of Public Works Reorganization Act of 1996 (as amended)", and an Act of the United States Congress entitled the "District of Columbia Water and Sewer Authority Act of 1996". The Authority is considered a related organization of the District for purposes of presentation in the District's financial statements.

DC Water provides retail drinking water distribution and wastewater conveyance and treatment services to approximately 670,050 DC residents as well as to commercial and governmental customers in the District of Columbia, and wholesale wastewater conveyance and treatment services to approximately 1.6 million users in Montgomery and Prince George's Counties in Maryland, and Fairfax and Loudoun Counties in Northern Virginia.

DC Water is governed by 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.

Budgets are prepared annually and reviewed and approved by The Authority's Board of Directors. After approval by the Board, DC Water submits its annual budget to the District for inclusion in the Mayor's annual budget. The District then includes DC Water's budget as an enterprise fund as part of its own budget submission to the U.S. Congress.

Economic Condition

Washington, D.C., is not only known as the nation's capital, but it is also an international city with a vibrant tourist industry and business climate. The U.S. Census Bureau estimated that there were 670,050 residents in Washington, D.C. in 2021. The Washington Metropolitan Region has a population of more than 6.3 million individuals and is the sixth largest metropolitan area in the country.

The District's economic base is driven by the federal and local governments as well as diplomatic embassies and international organizations. The federal civilian workforce in the District averaged 237,817 employees, while thousands more are estimated to work elsewhere in the metropolitan area. The District is host to 19 colleges and universities and more than 185 foreign embassies and other recognized diplomatic missions. A number of international organizations, such as the International Monetary Fund, World Bank, Inter-American Development Bank and Organization of American States are headquartered in the District. An estimated 24.6 million people visit the Washington Metropolitan Region on an annual basis, not only to do business with the federal government and local firms, but also to visit the national monuments, historic sites, museums and other major cultural attractions.

Personal income has grown considerably in the District in recent years, from \$48.7 million in 2013 to \$64.6 million in 2021, an increase of 32.6%. The unemployment rate in the District decreased from 7.3% in 2013 to 4.6% in 2022. The District's economy grew consistently faster than the national economy for much of this decade and is expected to continue to grow in 2023. The District's economy is relatively more information and service industry dependent than most states, accounting for the region's relative insulation from the most recent national housing and credit centric recession.

DC Water continues to invest in its infrastructure to benefit District residents and the region and to support continued economic growth. DC Water is guided in both its operations and its infrastructure investments by the strategic plan, Blueprint 2.0.

Major Initiatives

Capital Improvement Program

The funding for DC Water's capital program comes mainly from its retail and wholesale customers. However, over the next several years additional federal funding is anticipated from the Environmental Protection Agency (EPA) through the American Recovery Plan Act (ARPA) and the Bipartisan Infrastructure Law (BIL). ARPA is expected to provide DC Water with grant funding for lead service line removal on the homeowner's private side of the property for approximately \$10 million per fiscal year from FY2022 to FY2024, totaling \$30 million. BIL is expected to provide grant funding to DC Water for both private and public side projects for approximately \$29 million per fiscal year from FY2023 to FY2027, totaling approximately \$143 million. Additional federal funding of more than \$170 million will enhance the District of Columbia's drinking water, wastewater, and stormwater infrastructure.

Blueprint 2.0

The Blueprint 2.0 was adopted as DC Water's strategic plan in October 2021. The plan provides five interconnected organizational Imperatives which are: Healthy, Safe and Well; Reliable; Resilient; Sustainable; and Equitable. Each Imperative is defined by Themes and each Theme is measured via one or more goals to assess progress. Baselines were established in FY2022 and examples of goals DC Water advanced during the year include: reducing the Total Recordable Incident Rate (3.1 down from 3.7 baseline), Healthy, Safe, and Well goal 1.03); increasing the percentage of certified firms working as prime contractors (21% up from 14% baseline, Equitable goal 4.04), and increasing the total revenue generated from alternative sources (\$6.1M up from \$4.0M baseline, Sustainable goal 2.01).

Green Bond Framework

DC Water delivered its inaugural Environmental, Social, and Governance (ESG) Report in 2022. This report highlights the close connection between DC Water's strategic plan and our ESG goals. In 2022, work started on the second annual ESG report which will have an additional focus on enterprise resilience and will utilize the Task Force on Climate-Related Disclosures framework for disclosing climate-related risks and opportunities. Through this continued, transparent reporting, DC Water hopes to remain a leader in the Green Bond space. In 2021, DC Water adopted a Green Bond Framework aligned with the four International Capital Market Association (ICMA) Principles regarding use of proceeds, project selection, management of proceeds, and reporting. The purpose of the Green Bond Framework is to formalize the process and commitments that govern DC Water's issuance of Green Bonds. DC Water is in the process of implementing the Framework.

Lead Removal Initiative

DC Water has launched the Lead Free DC Initiative, which aims to replace more than 28,000 lead and galvanized-iron pipe service lines with copper pipe by 2030. The Authority developed a model to use water quality and health equity data to prioritize lead service line replacement projects. This approach prioritizes lead replacement for: (1) vulnerable populations most impacted by lead exposure (children and seniors) and (2) communities that are historically underserved, and experience disproportionately poorer health outcomes in comparison to other communities in the District. The model scores and ranks blocks according to the health benefit and social impact of lead service line replacement so that projects can be funded and executed equitably.

New Customer Assistance Program

DC Water launched the Low Income Household Water Assistance Program (LIHWAP) during FY2022 to provide assistance to low income resident households with water and wastewater bills. The LIHWAP was carved out of the Consolidated Appropriations Act and the American Rescue Plan Act of 2021. The Department of Energy and Environment (DOEE) will administer the program allocation of \$2.4 million; \$2.0 million will be available to provide assistance to low income residents and \$0.4 million will be used to cover administrative costs.

Revision to the Investment Policy

During FY2022, DC Water revised its Investment Policy. The revised policy authorizes investments to US Treasury and agencies with durations of maximum maturity versus the previous limitation of less than two years. Additionally, investing in commercial paper with maximum maturity of one year versus the previous limit of 270 days. These changes allow for greater portfolio diversification to help mitigate investment risks.

Clean Rivers Project

Construction of Northeast Boundary Tunnel (NEBT) is underway and on track to be placed in operation by Summer 2023. Construction at all sites nears completion of shaft/tunnel connections and surface diversion facilities. The NEBT is the longest and final segment of the Anacostia River Tunnel (ART) system. Once placed in service, the added capacity to the combined system will reduce overflows to the Anacostia River by 98 percent and reduce flooding and sewer backups in Northeast DC. The ART system that was commissioned in 2018 has already captured more than 14.7 billion gallons of combined sewage and 9,230 tons of trash. The Potomac River Tunnel is the next major phase of the DC Clean Rivers Project. Request for Proposal (RFP) for this Contract was issued to shortlisted design-build teams in June 2022 with Notice to Proceed anticipated in November 2023; it will be placed in operation by February 2030. The Advance Utility Construction contract to provide electrical services and relocate utilities in advance of the tunnel construction is underway and estimated to be completed by July 2023. Construction is underway for CSO 025/026 Sewer Separation project, which is estimated to be placed in operation by May 2023. Finally, the construction is underway for the second Rock Creek Green Infrastructure Project B and it is estimated to be placed in operation by January 2024.

Blue Plains Floodwall

The DC Water Office of Emergency Management completed a grant application for FEMA's Building Resilient Infrastructure and Communities program to fund the remaining sections of the Blue Plains Advanced Wastewater Treatment Plant (AWTP) Floodwall Project. This project has been selected by FEMA for funding and will result in \$20.3 million in Federal funds for the design and construction of Segments A, B, and D of the floodwall around the Blue Plains AWTP. This award will cover 70% of the total project cost, which is expected to be \$29 million, and will be received in early 2023. The Authority previously received \$2.4 million from FEMA for the construction of Segment C of the floodwall, which was completed in June 2021. Once completed, the floodwall will protect the Blue Plains AWTP to the 500-year flood elevation, plus additional freeboard to account for sea level rise and wave action. This will ultimately ensure that the plant can operate at full capacity and DC Water can continue to deliver its critical wastewater treatment services during storm events.

Blue Drop

In FY2022, 56,675 tons of Bloom, Class A Exceptional Quality biosolids, were sold resulting in \$320 thousand of revenue and almost \$1.8 million in net savings, a 19% increase in production from the previous year. Bloom has resulted in a total net savings of \$6.1 million since production started in 2017. In addition, Blue Drop hosted 60 events attended by almost 9,000 individuals and released its third children's book, Wendy and the Water Cycle. Bloom is a precious asset that returns value to our ratepayers, reduces our carbon footprint, provides long term benefits to soils, and protects the Chesapeake Bay by reducing the use of chemical fertilizers.

Implementation of Oracle Payroll Module

On March 13, 2022, DC Water launched the Oracle Enterprise Planning System (ERP) payroll components, including Time, Time and Labor, and Absence Management applications. Ever since its launch, the deployment has proven to be an outstanding success. Oracle Corporation acknowledged the DC Water Sewer & Authority ERP implementation as the most successful public sector implementation; such that, DC Water is Oracle's top public sector reference. The industry benchmark for error rates in a major payroll conversion is 10% for the initial run, but DC Water achieved an error rate of 8% on the initial run, 5% on the second run, and only 1% on the third payroll run.

Fleet and Sewer Relocation

On January 4, 2018, the District and the Authority entered into a Relocation Funding Agreement whereby the District has agreed to fund up to \$29,681 of costs associated with the Authority's relocation of its Fleet Maintenance and Sewer Service operations. As of September 30, 2022, the District has disbursed \$27,842 to DC Water pursuant to this agreement.

Certified Business Utilization

As part of its strategic initiatives, DC Water continues to ensure certified businesses (Disadvantaged Business Enterprises, Local Small Business Enterprises, and Women Business Enterprises) have meaningful participation in its procurement activities. In FY2022, DC Water approved seventy-five (75) large procurement actions, totaling \$468.5 million. Of this total, certified firms were awarded \$210.3 million (45%) in prime and subcontracting opportunities.

Local Workforce

DC Water Works is the Authority's initiative designed to empower local and District residents to establish meaningful employment on DC Water construction and service projects. As part of this program, DC Water established a goal that 75% of the new jobs created on its projects would be filled by local residents. In 2022, 125 new positions were created on DC Water projects. Of this amount, 106 positions were filled by local residents (85%). This includes forty-five (45) positions that were specifically filled by District residents.

DC Water Apprenticeship Program

In 2018, DC Water established a registered Apprenticeship Program designed to empower District of Columbia and local residents to establish a long-term career with DC Water. In FY2022, DC Water launched its second cohort, recruiting fifteen (15) District residents as apprentices in one of five trade areas: Buildings and Grounds, Maintenance Mechanics, Painting, Utility Services, and Utility Systems Operations.

Strong Credit Ratings

Throughout FY2022, the Authority maintained an AA+ credit rating by Fitch Ratings for senior lien revenue bonds, a AAA credit rating by S&P and an Aa1 by Moody's. DC Water also maintained a GB1 rating for green bonds, Moody's highest possible green bond assessment.

Combined, these ratings made DC Water's bonds highly desirable. Strong credit ratings enable the Authority to issue debt at lower borrowing costs, which in turn reduces ratepayer costs in the long run. These notable results are due to the Authority's solid financial team, outstanding financial performance, and management of our capital program.

Awards and Acknowledgements

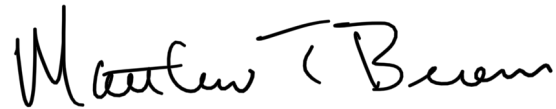
ACFR Award

The Authority's 2021 ACFR received the Government Finance Officers Association's ("GFOA") Certificate of Achievement for Excellence in Financial Reporting. The ACFR was judged based on its conformity to GAAP and its compliance with other financial, legal, and contractual provisions. The Certificate of Achievement is the highest form of recognition in governmental accounting and financial reporting, and its attainment represents a significant accomplishment for any municipality or government agency. To date, DC Water has received the GFOA's ACFR award for every year of its existence as an independent Authority, for a total of 25 consecutive awards. In addition, DC Water also received the Distinguished Budget Presentation Award from GFOA for its fiscal year 2021 budget, for a total of 22 consecutive years.

Acknowledgements

With deep appreciation, I wish to recognize the outstanding leadership and personal commitment of Controller Genes Malasy through fiscal year 2022 as well as DC Water's dedicated team of finance professionals for their collective effort in drafting DC Water's FY2022 Annual Comprehensive Financial Report.

Respectfully submitted,

A handwritten signature in black ink that reads "Matthew T. Brown". The signature is written in a cursive style with a large, stylized initial "M".

Matthew T. Brown
Chief Financial Officer and Executive Vice President
Finance and Procurement



BOARD OF DIRECTORS

PRINCIPAL MEMBERS

TOMMY WELLS, CHAIR, DISTRICT OF COLUMBIA
RACHNA BUTANI-BHATT, DISTRICT OF COLUMBIA
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TARA JACKSON, PRINCE GEORGE'S COUNTY, MD
CHRISTOPHER HERRINGTON, FAIRFAX COUNTY, VA

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IVAN FRISHBERG, DISTRICT OF COLUMBIA
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JARED MCCARTHY, PRINCE GEORGE'S COUNTY, MD
SARAH MOTSCH, FAIRFAX COUNTY, VA

PRINCIPAL STAFF MEMBERS

SENIOR EXECUTIVE TEAM

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MARC BATTLE, EXECUTIVE VICE-PRESIDENT, OFFICE OF LEGAL AFFAIRS
MATTHEW T. BROWN, CHIEF FINANCIAL OFFICER AND EXECUTIVE VICE PRESIDENT, FINANCE AND PROCUREMENT
WAYNE GRIFFITH, CHIEF STRATEGY AND PERFORMANCE OFFICER AND EXECUTIVE VICE PRESIDENT, STRATEGY AND PERFORMANCE
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KISHIA L. POWELL, CHIEF OPERATING OFFICER AND EXECUTIVE VICE PRESIDENT
LISA STONE, CHIEF PEOPLE AND INCLUSION OFFICER AND EXECUTIVE VICE PRESIDENT, PEOPLE AND TALENT
KIRSTEN WILLIAMS, CHIEF COMMUNICATIONS & STAKEHOLDERS ENGAGEMENT OFFICER AND EXECUTIVE VICE PRESIDENT

OFFICE OF FINANCE AND PROCUREMENT

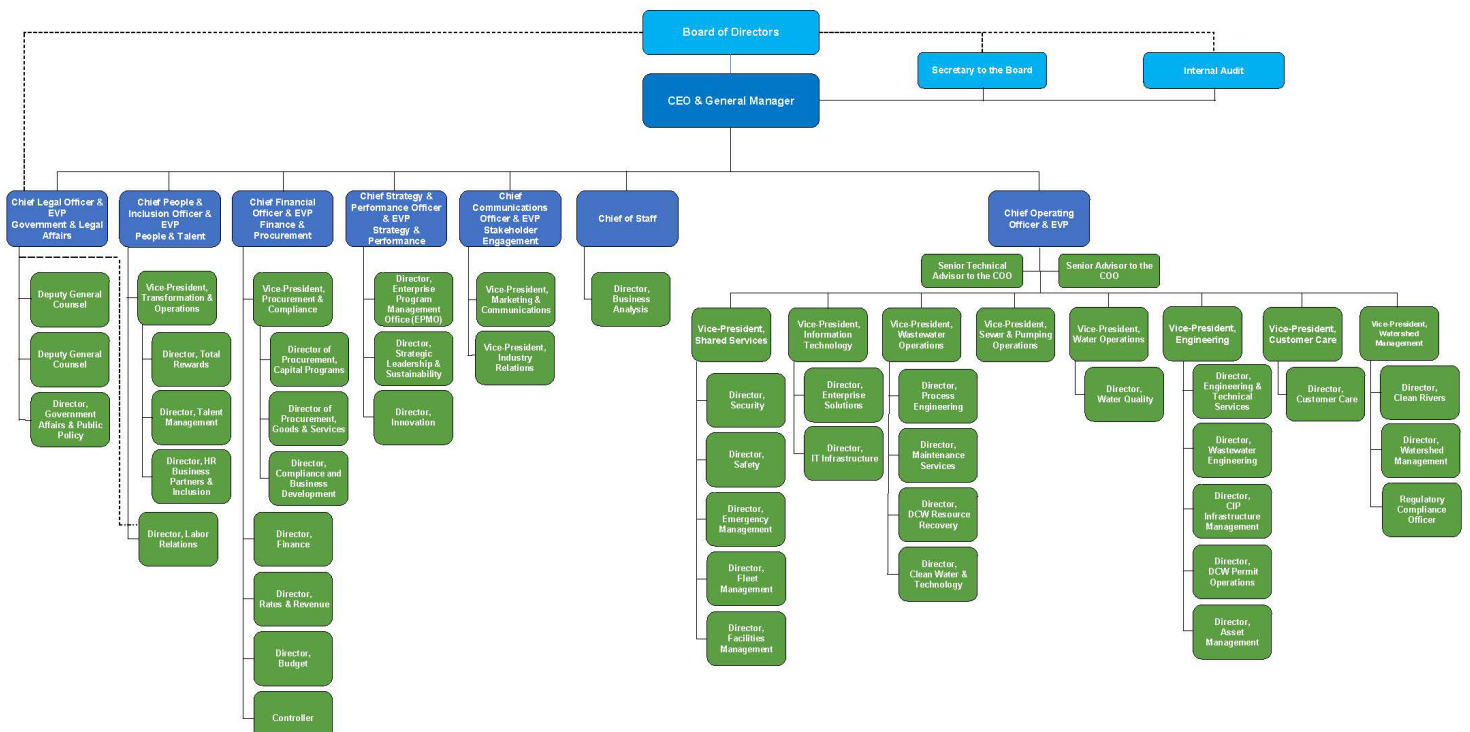
DAN BAE, VICE PRESIDENT, PROCUREMENT AND COMPLIANCE
KOREY GRAY, VICE PRESIDENT, CONTRACT COMPLIANCE AND BUSINESS DEVELOPMENT
IVAN BOYKIN, FINANCE DIRECTOR
SYED KHALIL, DIRECTOR, RATES AND REVENUE
GENES MALASY, CONTROLLER
LOLA OYEYEMI, BUDGET DIRECTOR

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AKLILE TESFAYE, VICE PRESIDENT, WASTEWATER OPERATIONS



Governance and Organizational Structure





Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**District of Columbia
Water and Sewer Authority**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

September 30, 2021

Christopher P. Morill

Executive Director/CEO