

# Approved FY 2023 Budgets

## Section II: OVERVIEW

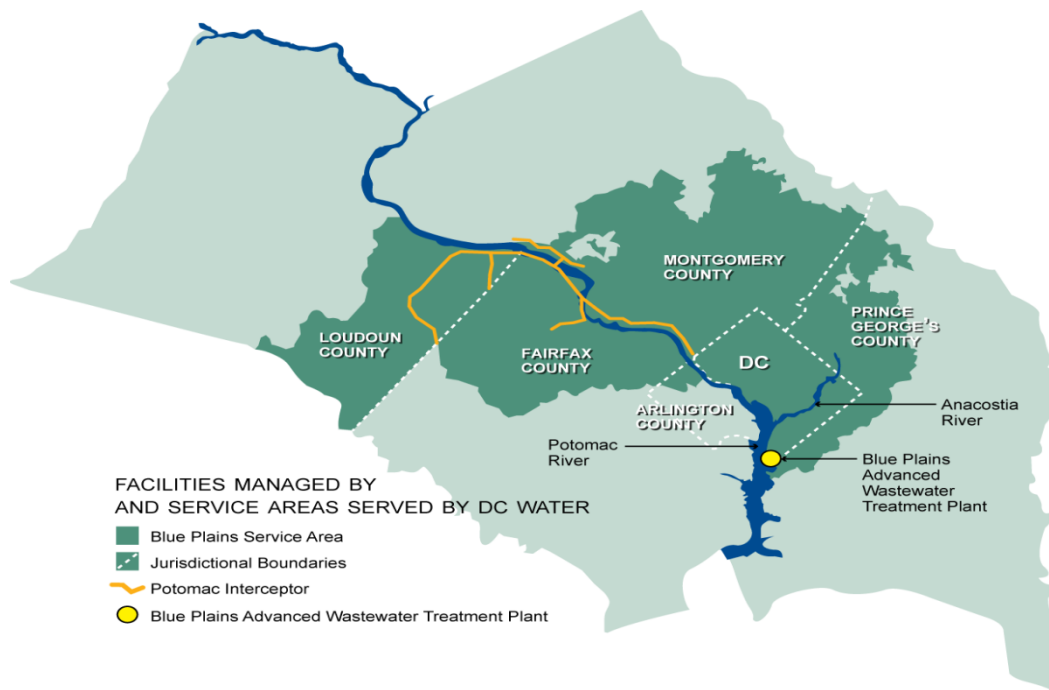


Blue Plains / Digester maintenance

**History:** The District of Columbia Water and Sewer Authority (DCWASA), was created by District law in 1996, with the approval of the United States Congress, as an independent authority of the District Government with a separate legal existence. In 2010, the Authority rebranded and became DC Water. DC Water is the sole water and sewer utility in the District of Columbia.

**Age of Pipes:** The median age of District water main pipes is over 79 years old, with approximately 9 percent of pipes installed in the 1900’s and 2 percent dating back to the 1860s before the Civil War.

**Service Area:** Providing approximately 700,000 residents and 21.3 million annual visitors in the District of Columbia with retail water and wastewater (sewer) service, DC Water has a total service area of approximately 725 square miles. In addition, DC Water treats wastewater for approximately 1.6 million people in neighboring jurisdictions, including Montgomery and Prince George’s Counties in Maryland and Fairfax and Loudoun Counties in Virginia.



**Drinking Water Quality:** With a strong emphasis on water quality, DC Water maintains an annual flushing program, regulatory and voluntary water quality testing, and ongoing system upgrades. In partnership with the U.S. Army Corps of Engineers’ Washington Aqueduct, DC Water ensures a high-quality treatment process for delivering outstanding drinking water throughout the year. DC Water purchases water produced by the Aqueduct and distributes to its customers in the District of Columbia.

**Pumped and Treated Water Storage:** During Fiscal Year 2021, DC Water pumped an average of 95.1 million gallons of water per day. In addition, DC Water stores approximately 60 million gallons of treated water at its eight facilities (reservoirs and tanks). The Washington Aqueduct, which treats drinking water, stores an additional 49 million gallons.

**Water Distribution System:** DC Water delivers water through roughly 1,350 miles of interconnected pipes, four pumping stations, five reservoirs, four water tanks, 43,860 valves, and 9,510 fire hydrants.

**Sewer System:** DC Water operates approximately 2,000 miles of combined, separate and storm water sewers, 50,000 manholes and 25,000 catch basins, 16 storm water pumping stations and 9 offsite wastewater pumping stations.

**Blue Plains Advanced Wastewater Treatment Plant (BPAWWTP):** Blue Plains, located at the southernmost tip of the district, is the largest advanced wastewater treatment facility in the world, covering more than 150 acres along the Potomac River. Through the complete treatment process, Blue Plains treats an annual average of 320 million gallons per day (MGD) and has a design capacity of 384 MGD, with a peak design capacity to treat more than one billion gallons per day.

**Wastewater Treatment Capacity:** Blue Plains treats an annual average of 320 million gallons per day (MGD) and has a design capacity of 384 (MGD), with a peak design capacity to treat more than one billion gallons per day.

**Customer Service:** DC Water communicates valuable customer-related information through bill inserts, monthly newsletters, its website, and social media to include Facebook, YouTube, Flickr, Twitter and Instagram. Using an interactive voice recognition system, DC Water makes information readily available in more than 150 languages.

A 24-hour Emergency Command Center operates as the centralized communication facility for receiving and responding to a variety of emergency calls from customers and the public.

DC Water's new Customer Information System (CIS) provides an integrated environment that enrolls new customers, generates billings, manages credit and collections, and tracks water consumption. CIS also tracks and manages meters, handles customer inquiries, complaints, and service orders as well as provides call center support.

**Community Service:** Donating its time and resources, DC Water strives to be present at events that align with its mission and allows the Authority to engage with the residents about pertinent projects and services. Employees actively support a variety of charitable projects and community services. DC Water also invests in the community, conducting science laboratory exercises in District high schools and engaging the public through tours of the Blue Plains Plant.





## Facts at a Glance

[summary](#)[overview](#)[financial plan](#)[rates&rev](#)[capital](#)[financing](#)[departmental](#)[glossary](#)

**Community Outreach:** Maintaining an active presence in the community through sharing time and resources is a core value at DC Water. Employees participate in meetings and community events throughout the District; invite the public to the BPAWWTP and new headquarters building; and provide hands-on-lessons, field trips and environmental education events to more than 2,000 students in our service area during the school year. DC Water seeks to educate and support its customers as stewards of the environment.

**Employees:** Approximately 1,100 people are employed by DC Water and work at various facilities across the District of Columbia to provide vital services to our customers.

**Governance:** DC Water’s Board of Directors establishes policies and guides the strategic planning process. The Board is composed of 22 members, (11 principals and 11 alternates) representing the District, Montgomery and Prince George’s Counties in Maryland and Fairfax County in Virginia. The District members set rates, charges and policies for District services. The entire Board votes and establishes policies for joint-use services. The Chief Executive Officer and General Manager reports to the Board and manages operations and performance of the enterprise. The members of the Board of Directors also serve on various Sub Committees: DC Retail Water & Sewer Rate; Environmental Quality and Operations; Finance and Budget; Governance; Human Resources and Labor Relations; Strategic Planning and Audit.

**Financial Performance:** In February 2022, DC Water affirmed its senior bond ratings of AAA/Aa1/AA+ from S&P/Moody’s/Fitch’s Ratings. This allows DC Water to have a lower borrowing cost which in turn reduces ratepayer cost in the long run. DC Water also maintained a GB1 rating for green bonds, Moody’s highest possible green bond assessment. DC Water also received its 24th consecutive unqualified audit opinion of its financial statements and 21st consecutive Distinguished Budget Presentation Award from the Government Finance Officers Association (GFOA).

### DC Water Finance Information (\$ Millions)

Bond Rating: AAA/Aa1/AA+	FY 2022	FY 2023
Revenue (Cash Receipts)	\$ 800.1	\$ 800.0
Operating Budget	\$ 658.4	\$ 686.4
Capital Disbursement Budget	\$ 567.5	\$ 647.0



# Budget Summary

The chart below highlights DC Water’s operating expenditures, capital disbursements, revenues, rates and fees.

Description	Unit of Measure	FY 2022 Approved	FY 2023 Proposed	FY 2024 Proposed	FY 2023 vs FY 2022 Increase / (Decrease)	FY 2024 vs FY 2023 Increase / (Decrease)
Total Operating Expenditure	\$ in thousands	\$ 658,423	\$ 686,403	\$ 715,874	\$ 27,980	\$ 29,471
Capital Disbursements	\$ in thousands	\$ 567,507	\$ 647,004	\$ 668,633	\$ 79,497	\$ 21,629
Ten-Year CIP (Cash Disbursement)	\$ in billions	\$ 5.43	\$ 6.42	N/A	\$ 0.99	N/A
Total Operating Revenue	\$ in thousands	\$ 800,087	\$ 799,993	\$ 827,705	\$ (94)	\$ 27,712
Wholesale Operating Revenues	\$ in thousands	\$ 84,669	\$ 85,720	\$ 89,142	\$ 1,051	\$ 3,422
Residential 0-4 Ccf (Lifeline) <sup>2</sup>	Ccf	\$ 3.63	\$ 4.28	\$ 4.38	\$ 0.65	\$ 0.10
Residential - > 4 Ccf <sup>2</sup>	Ccf	\$ 4.74	\$ 5.58	\$ 5.70	\$ 0.84	\$ 0.12
Multi-family / DC Housing <sup>2</sup>	Ccf	\$ 4.15	\$ 4.90	\$ 5.00	\$ 0.75	\$ 0.10
Non-Residential	Ccf	\$ 4.91	\$ 5.78	\$ 5.89	\$ 0.87	\$ 0.11
DC Water Retail Rates – Sewer	Ccf	\$ 10.64	\$ 11.26	\$ 11.70	\$ 0.62	\$ 0.44
DC Water Clean Rivers IAC	ERU	\$ 18.40	\$ 18.14	\$ 21.86	\$ (0.26)	\$ 3.72
DC Water Customer Metering Fee	5/8"	\$ 7.75	\$ 7.75	\$ 7.75	\$ -	\$ -
Water System Replacement Fee <sup>1</sup>	5/8"	\$ 6.30	\$ 6.30	\$ 6.30	\$ -	\$ -
PILOT Fee	Ccf	\$ 0.56	\$ 0.59	\$ 0.61	\$ 0.03	\$ 0.02
Right of Way Fee	Ccf	\$ 0.19	\$ 0.19	\$ 0.19	\$ -	\$ -
Stormwater Fee	ERU	\$ 2.67	\$ 2.67	\$ 2.67	\$ -	\$ -

Ccf – hundred cubic feet or 748 gallons  
 (1) DC WATER WSRF of \$6.30 effective October 1, 2015.  
 (2) Proposed Class-Based rates

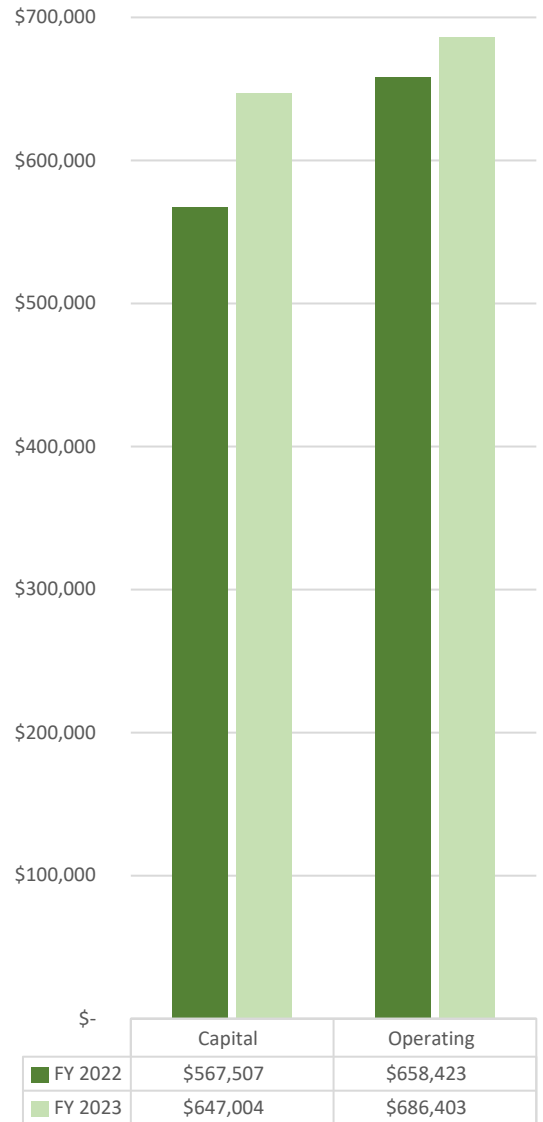


# Comparative Capital & Operating Expenditures

\$ in thousands

## Capital and Operating Budgets Ensure Service Needs and Strategic Objectives are Met

	Approved FY 2022	Approved FY 2023
<b><u>CAPITAL (Cash Disbursement Basis)*</u></b>		
Non Process Facilities	\$ 31,439	\$ 12,051
Wastewater Treatment	85,978	78,574
Combined Sewer Overflow	152,267	117,704
Stormwater	7,031	11,527
Sanitary Sewer	68,084	103,383
Water	165,313	227,116
Capital Equipment	40,519	37,021
Washington Aqueduct	16,875	59,628
<b>Total Capital</b>	<b>\$ 567,507</b>	<b>\$ 647,004</b>
<b><u>OPERATING</u></b>		
Personnel Services	180,353	\$ 186,223
Contractual Services	88,504	88,504
Water Purchases	35,217	40,334
Chemicals and Supplies	34,201	36,994
Utilities	27,329	28,799
Small Equipment	1,108	1,108
<b>Total O&amp;M</b>	<b>366,712</b>	<b>381,962</b>
Debt Service	231,164	234,679
Cash Financed Capital Improvements	37,830	46,692
Payment in Lieu of Taxes	17,618	17,970
Right of Way Fees	5,100	5,100
Subtotal Operating	658,423	686,403
Personnel Services charged to Capital Projects	(25,086)	(30,435)
<b>Net Operating</b>	<b>\$ 633,337</b>	<b>\$ 655,968</b>



\*Reflect revisions to FY 2022 capital disbursement budget during the FY 2023 cycle.



# Comparative Capital & Operating Revenues

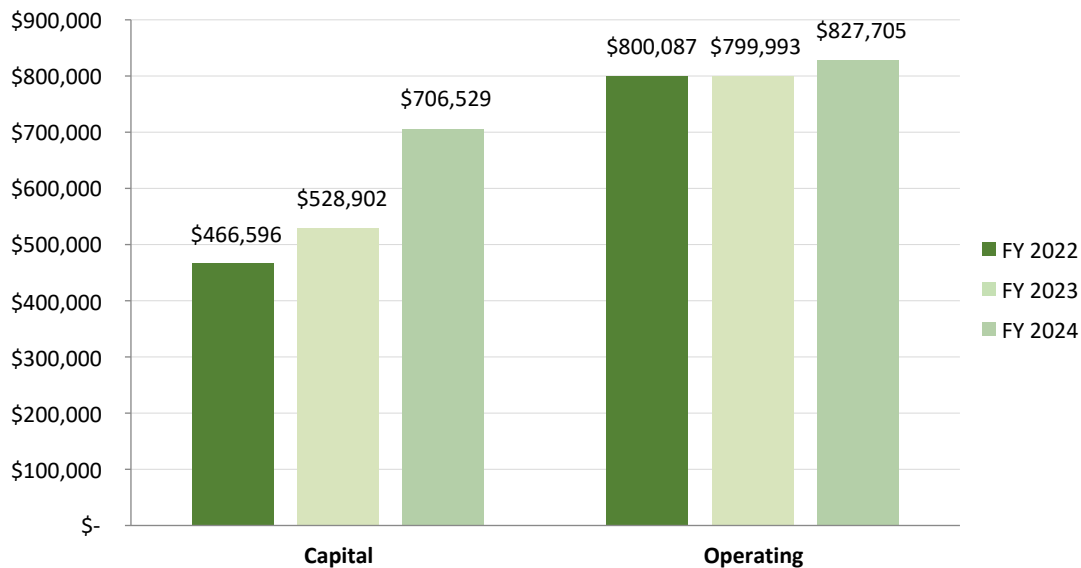
\$ in thousands

	FY 2022 Approved	FY 2023 Proposed	FY 2024 Proposed
<b>CAPITAL</b>			
Wholesale Capital Payments	\$ 83,640	\$ 90,690	\$ 114,647
Federal Grants - Infrastructure Funding	-	37,594	44,828
EPA Grants & CSO Appropriations	31,311	27,101	30,280
Interest Income on Bond Proceeds	2,623	3,304	3,849
Pay-Go-Financing	141,322	166,828	174,928
Revenue Bonds/Commercial Paper/EMCP*	200,000	194,519	327,958
Curing Pad and Solar	-	1,165	2,338
System Availability Fee	7,700	7,700	7,700
<b>Total Capital Revenue</b>	<b>\$ 466,596</b>	<b>\$ 528,902</b>	<b>\$ 706,529</b>

<b>OPERATING</b>			
Residential	130,515	136,324	144,336
Commercial	172,180	179,276	189,863
Multi-Family	125,076	145,282	151,149
Federal Government	77,746	84,768	79,943
Municipal & Housing	31,260	34,504	36,859
Water System Replacement Fee (WSRF)	39,717	39,717	39,717
Metering Fee	24,083	24,083	24,083
Wholesale	84,669	85,720	89,142
Transfer from Rate Stabilization Fund	52,100	-	-
Other Revenue	62,741	70,319	72,614
<b>Total Operating Revenue</b>	<b>\$ 800,087</b>	<b>\$ 799,993</b>	<b>\$ 827,705</b>

(\*) Extendable Municipal Commercial Paper

## Capital and Operating Revenue



- Water and Sewer volumetric rates are listed below:
  - Residential customers: “Consumption of 0 – 4 Ccf” water rate increase of \$0.14 per Ccf to \$3.63 per Ccf, {increase of \$0.18 to \$4.85 per 1,000 gallons}
  - Residential customers: “Consumption greater than 4 Ccf” water rate increase of \$0.24 per Ccf to \$4.74 per Ccf, {increase of \$0.32 to \$6.34 per 1,000 gallons}
  - Multi-family customers: water rate increase of \$0.19 per Ccf to \$4.15 per Ccf, {increase of \$0.26 to \$5.55 per 1,000 gallons}
  - Non-residential customers: water rate increase of \$0.26 per Ccf to \$4.91 per Ccf, {increase of \$0.34 to \$6.56 per 1,000 gallons}
- Sewer rate increase of \$0.87 per Ccf to \$10.64 per Ccf, {increase of \$1.16 to \$14.22 per 1,000 gallons}
- Monthly Clean Rivers Impervious Area Charge decrease of \$1.12 to \$18.40 per ERU to recover the costs of the DC Clean Rivers Project
- Monthly Customer Metering Fee increase of \$2.79 from \$4.96 to \$7.75 for a 5/8” meter size. The Customer Metering fee varies by size.
- Water System Replacement Fee (WSRF) of \$6.30 for 5/8” meter size will remain the same. This fee varies with meter size. The WSRF is to recover the costs of 1% renewal and replacement program for water service lines
- PILOT fees increase of \$0.02 per Ccf to \$0.56 per Ccf {increase of \$0.03 to \$0.75 per 1,000 gallons}
- No increase in ROW fee, which remains the same at \$0.19 per Ccf {\$0.25 per 1,000 gallons}

Ccf is equivalent to hundred cubic feet or 748 gallons



- Water and Sewer volumetric rates are listed below:
  - Residential customers: “Consumption of 0 – 4 Ccf” water rate increase of \$0.65 per Ccf to \$4.28 per Ccf, {increase of \$0.87 to \$5.72 per 1,000 gallons}
  - Residential customers: “Consumption greater than 4 Ccf” water rate increase of \$0.84 per Ccf to \$5.58 per Ccf, {increase of \$1.12 to \$7.46 per 1,000 gallons}
  - Multi-family customers: water rate increase of \$0.75 per Ccf to \$4.90 per Ccf, {increase of \$1.00 to \$6.55 per 1,000 gallons}
  - Non-residential customers: water rate increase of \$0.87 per Ccf to \$5.78 per Ccf, {increase of \$1.17 to \$7.73 per 1,000 gallons}
- Sewer rate increase of \$0.62 per Ccf to \$11.26 per Ccf, {increase of \$0.83 to \$15.05 per 1,000 gallons}
- Monthly Clean Rivers Impervious Area Charge decrease of \$0.26 to \$18.14 per ERU to recover the costs of the DC Clean Rivers Project
- Monthly Customer Metering Fee of \$7.75 for a 5/8” meter size will remain the same. The Customer Metering fee varies by size.
- Water System Replacement Fee (WSRF) of \$6.30 for 5/8” meter size will remain the same. This fee varies with meter size. The WSRF is to recover the costs of 1% renewal and replacement program for water service lines
- PILOT fee increase of \$0.03 per Ccf to \$0.59 per Ccf {increase of \$0.04 to \$0.79 per 1,000 gallons}
- No increase in ROW fee, which remains the same at \$0.19 per Ccf {\$0.25 per 1,000 gallons}

Ccf is equivalent to hundred cubic feet or 748 gallons

- Water and Sewer volumetric rates are listed below:
  - Residential customers: “Consumption of 0 – 4 Ccf” water rate increase of \$0.10 per Ccf to \$4.38 per Ccf, {increase of \$0.14 to \$5.86 per 1,000 gallons}
  - Residential customers: “Consumption greater than 4 Ccf” water rate increase of \$0.12 per Ccf to \$5.70 per Ccf, {increase of \$0.16 to \$7.62 per 1,000 gallons}
  - Multi-family customers: water rate increase of \$0.10 per Ccf to \$5.00 per Ccf, {increase of \$0.13 to \$6.68 per 1,000 gallons}
  - Non-residential customers: water rate increase of \$0.11 per Ccf to \$5.89 per Ccf, {increase of \$0.14 to \$7.87 per 1,000 gallons}
- Sewer rate increase of \$0.44 per Ccf to \$11.70 per Ccf, {increase of \$0.59 to \$15.64 per 1,000 gallons}
- Monthly Clean Rivers Impervious Area Charge increase of \$3.72 to \$21.86 per ERU to recover the costs of the DC Clean Rivers Project
- Monthly Customer Metering Fee of \$7.75 for a 5/8” meter size will remain the same. The Customer Metering fee varies by size.
- Water System Replacement Fee (WSRF) of \$6.30 for 5/8” meter size will remain the same. This fee varies with meter size. The WSRF is to recover the costs of 1% renewal and replacement program for water service lines
- PILOT fee increase of \$0.02 per Ccf to \$0.61 per Ccf {increase of \$0.03 to \$0.82 per 1,000 gallons}
- No increase in ROW fee, which remains the same at \$0.19 per Ccf {\$0.25 per 1,000 gallons}

Ccf is equivalent to hundred cubic feet or 748 gallons



# Cash Flow Summary

\$ in thousands

OPERATING BUDGET	FY 2021 Actual	FY 2022 Approved	FY 2023 Proposed	FY 2024 Proposed
<b>Operating Revenue</b>				
Residential, Commercial & Multi-Family	\$ 323,874	\$ 366,120	\$ 396,575	\$ 405,686
Federal	54,665	58,507	66,330	59,891
Municipal	12,274	11,445	13,359	13,650
D.C. Housing Authority	11,035	11,521	12,459	12,742
Groundwater	-	5	5	5
Water System Replacement Fee (WSRF)	42,212	39,717	39,717	39,717
Metering Fee	14,862	24,083	24,083	24,083
Payment in Lieu of Taxes / Right of Way Fee	21,612	21,588	23,070	23,430
Clean Rivers IAC Revenue	104,356	89,179	91,426	110,174
<b>Sub-total Retail</b>	<b>584,889</b>	<b>622,165</b>	<b>667,024</b>	<b>689,378</b>
Wholesale	82,986	84,669	85,720	89,142
Interest Earnings	3,433	3,352	4,162	4,151
Transfer from Rate Stabilization Fund <sup>(2)</sup>	2,500	52,100	-	-
Other Operating Revenues <sup>(1)</sup>	35,566	37,716	42,862	44,757
<b>Total Operating Revenue <sup>(1)</sup></b>	<b>709,375</b>	<b>800,002</b>	<b>799,768</b>	<b>827,428</b>
<b>Operating Expenditures</b>				
Personnel Services	145,734	155,267	155,788	160,469
Contractual Services	82,459	88,504	88,504	91,259
Chemicals & Supplies	38,377	34,202	36,994	38,305
Utilities & Rent	30,962	27,329	28,799	29,946
Water Purchases	34,796	35,217	40,334	41,544
Small Equipment	502	1,108	1,108	1,141
<b>Subtotal - Operating Expenditures</b>	<b>332,830</b>	<b>341,627</b>	<b>351,527</b>	<b>362,664</b>
Payment in Lieu of Taxes / Right of Way Fee	22,372	22,718	23,070	23,430
Debt Service	204,878	223,513	234,679	245,482
Cash Financed Capital Improvements/Defeasance	30,355	37,830	46,692	48,256
<b>Total Operating Disbursements</b>	<b>590,437</b>	<b>625,687</b>	<b>655,968</b>	<b>679,833</b>
<b>Operating Surplus <sup>(1)</sup></b>	<b>101,632</b>	<b>101,633</b>	<b>101,634</b>	<b>101,635</b>
<b>CAPITAL Disbursements (See Section VI for more details)</b>				
Sources of Capital Funds	254,946	709,966	528,902	706,529
Uses of Capital Funds	370,120	567,506	647,003	668,633
<b>Capital Disbursements Overage / (Shortage)</b>	<b>(115,174)</b>	<b>142,460</b>	<b>(118,101)</b>	<b>37,896</b>
<b>CASH RESERVES</b>				
<b>Beginning O&amp;M Reserve Balance (Net of Rate Stabilization Fund)</b>	<b>186,827</b>	<b>196,286</b>	<b>235,600</b>	<b>242,600</b>
Operating Surplus	118,938	174,315	143,799	147,595
Wholesale Customer Refunds/Payments for Prior Years	2,313	(5,400)	(5,000)	(4,500)
Federal Customer Refund/Payments for Prior Years	2,233	(3,060)	(4,188)	-
Interest Earned from Bond Reserve	194	85	225	277
Pay-As-You-Go Capital Financing	(114,221)	(126,625)	(127,837)	(134,372)
<b>Ending O&amp;M Reserve Balance (Net of Rate Stabilization Fund)</b>	<b>196,286</b>	<b>235,600</b>	<b>242,600</b>	<b>251,600</b>
<b>Rate Stabilization Fund <sup>(2)</sup></b>	<b>\$ 87,744</b>	<b>\$ 35,644</b>	<b>\$ 35,644</b>	<b>\$ 35,644</b>

(1) Does not include interest earned from debt service reserve fund

(2) Additional \$41.6 million was transferred from the Rate Stabilization Fund in FY 2022

In the early history of Washington, DC, water and sewer operated as separate entities. Early incarnations of the agency we now call DC Water included the District of Columbia Water Board (1859—1872) and the District of Columbia Board of Public Works (1872—1932).

Beginning in 1932, the Agency operated as the District of Columbia Department of Sanitary Engineering and constructed the first sewage treatment plant at Blue Plains. The Agency went through another transition to the District of Columbia Department of Environmental Services in 1971, then operated as the Water and Sewer Utility Administration (WASUA) under the Department of Public Works from 1985 to 1996.

The District of Columbia Water and Sewer Authority (DC Water) was created in April 1996 and began operating October 1, 1996 under and pursuant to an act of the Council of the District of Columbia and an act of the United States Congress. Previously, the Water and Sewer Utility Administration, a division of the District's Department of Public Works, performed DC Water's operations. In the aftermath of the District's financial crisis in the 1990s, Congress created an independent utility agency 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 to govern DC Water. 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 existence of a quorum and an affirmative vote of a majority of the members present, who are permitted to participate in the matter under consideration, is required to approve any Board action; except, that 7 affirmative votes are required for approval of the Authority's budget and 8 affirmative votes are required for the selection or relieving of the CEO/General Manager. All Board members participate in decisions directly affecting the general management of joint-use facilities (such as projects at the Blue Plains Advanced Wastewater Treatment Plant), and only the District of Columbia members participate in decisions for those matters that affect only District ratepayers. Rate setting authority resides solely with the Board of Directors, and is a non-joint use matter.

At its inception, DC Water faced a cash shortage and projected multi-million dollar deficit. The newly established utility was also burdened with a barely functional fleet, poorly maintained infrastructure, an antiquated billing system, and many operating weaknesses. Through the leadership of an active Board of Directors and strong management staff, a line of credit was obtained, municipal bonds were issued and new strategic goals, business processes and technologies were developed. DC Water made tremendous strides in its prudent financial management and cutting-edge technology, customer service improvements, extensive capital investment, environmental stewardship, peer-reviewed research and establishment of an award winning fleet. Our credit rating since 1996 has gone from no credit to AAA. Today, DC Water is one of the best utilities not only in North America but in the world.

Over the years, we have developed strong partnerships with the District government, Congress, suburban jurisdictions, federal regulators and environmental advocates. We are continuing to strengthen our existing partnerships while reaching out to establish new relationships. Our success has been acknowledged through many awards as well as positive financial results and audits over the years. 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 of Columbia and wholesale customers in Maryland and Virginia.

At DC Water, we focus all of our technology initiatives on improving both the quality of services we provide to our customers and organizational effectiveness. We were one of the first utilities to automate our meter reading program (AMR) which has been heralded as a best practice in the industry. The automated meters use radio frequency and cell phone technology to send daily water usage information from the meter to DC Water. This tool analyzes daily water consumption and provides monthly and yearly averages on an account so a customer can monitor their own water use. In addition, we developed a powerful application in-house called the High Use Notification Application (HUNA). This tool alerts customers of unusually high amounts of water delivered to their meter so they can check for leaks and avoid a high bill.

## **Basis of Accounting**

DC Water is a single enterprise fund and maintains accounting records using the modified 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 incurred. DC Water's expenditure budget is prepared on a comparable basis to GAAP, with the exception of debt service (including principal and interest) that is budgeted in full when due. Depreciation and interest expense are recorded as expenses for financial statement purposes. (Depreciation is not budgeted.)

## **Annual Budget Process**

As a first step in the budget development process, the Finance Department updates DC Water's ten-year financial plan to reflect any revisions to the capital improvement program and any other major revenue or operating budget issues, and analyzes the potential impact of these items on rates. In addition to these items, the ten-year plan is also developed based on the financial and rate-setting policies adopted by the Board as well as the Board's Strategic Plan.

## **Approval Process**

Typically, in May or June, the CEO & General Manager and CFO kick off the budget season. In July, departments submit their initial budget requests for management review. DC Water's strategic and operational priorities are included in each department's work plan and performance agreements, as appropriate. During the month of August and in early September, departments complete budget reviews with budget staff, and in September and October, reviews are held with the Executive Team and with the CEO & General Manager in tandem.



In December of each year, management presents the operating budget, ten-year capital improvement program and ten-year financial plan to the Board’s Environmental Quality and Operations Services, DC Water Retail Water and Sewer Rates and Finance and Budget Committees for their review. The budget is proposed for the following fiscal year (e.g. beginning October 1, 2022). The Committees review the budget documents in December through February and submit budget recommendations to the full Board in March. Decisions are finalized and Board action on the budget is taken between March and April.

Upon budget adoption, the Budget Office publishes and distributes the approved budget book and ensures that DC Water’s budget is included in the District of Columbia’s budget submission, which is transmitted to the U.S. Congress for approval. Once approved by Congress, the budget is effective October 1 of each year.

## Budgetary Control

After the U.S. Congress approves the budget, the operating and capital budgets are loaded into the DC Water’s financial management system, which prevents overspending without appropriate approvals. The Finance Department prepares 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 that DC Water complies with its authorized budget levels.

## Amendment Process

The CEO & General Manager has control over the budget as approved by the U.S. Congress, at the appropriation level, i.e., DC Water’s overall approved operating budget and capital authority at the Authority-wide level in the capital budget. The CEO & General Manager has the authority to approve budget reprogramming between departments. Any additional budget spending above the budget appropriation level requires approval from the U.S. Congress.





# FY 2023 Budget Calendar

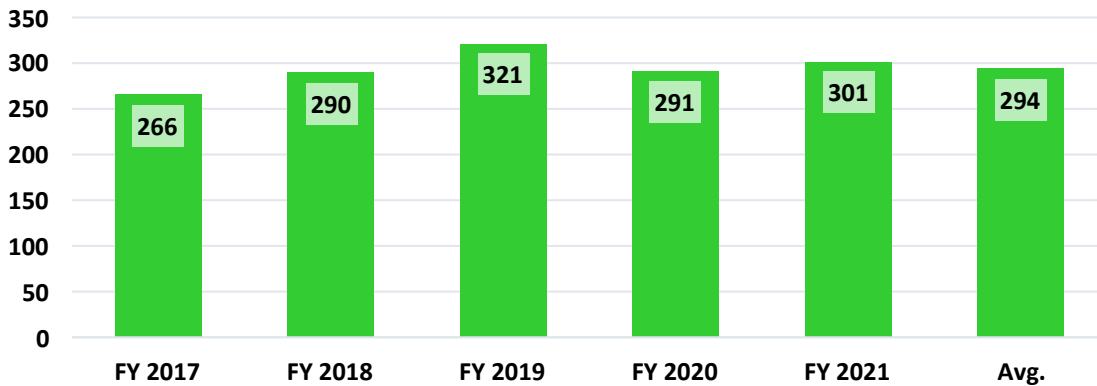
Month	Activity
July	Centrally Managed and Matrix training and preparation
July	Guidance / Training for Departments
September 7	Chief Executive Office (CEO) & General Manager's (GM) Budget Kickoff Meeting
September	Departmental FY 2023 budget submission to Budget Office
October	Chief Financial Officer Briefing on Departmental Budget Requests
October - November	Departmental FY 2023 Operating and Capital Equipment Budget Reviews with the Chief Executive Officer, Chief Financial Officer, and the Budget Office
November	Executive Team Briefing (Operating and Ten-Year Capital Improvement Program)
December	<p>Finalize Ten-Year Financial Plan (Operating, Capital Improvement Program, Revenues, Rates &amp; Fees)</p> <p>Transmittal of CEO's &amp; GM's Final Budget Proposal to Executive Vice Presidents &amp; Department Heads</p>
January 6	Budget Workshop – Board Briefing of the CEO & GM's Proposed FY 2023 Budgets and Two-Year Rate Proposal
January	Wholesale Customer Briefing
January	Environmental Quality & Operations Committee Review of Capital Improvement Program, and joint session with the DC Retail Water & Sewer Rates and Finance & Budget Committees on the Operating Budget and Capital Improvement Program and Two-Year Rate Proposal
January	Board Committees Conduct In-Depth Review of Budget Proposal
February	<p>Board Committees Forward Recommendations to Full Board for deliberation/action</p> <p>Budget Book Preparation &amp; Production</p>
March 3	<p>Board Adoption</p> <p>Submission to the District of Columbia for onward transmission to U.S. Congress</p>

## Wastewater System Capacity Ensures Service Area Meets Needs Through 2040

- Blue Plains is the world’s largest advanced wastewater treatment plant
  - Treats an average of approximately 324 million gallons per day (MGD) annually
  - Designed for average daily flow of 384 MGD and, with a peak design capacity to treat more than one billion gallons per day
- System comprises 2,000 miles of sanitary, stormwater and combined sewers; 125,000 building sewer laterals; 22 flow-metering stations; 9 off-site wastewater pumping stations; and 16 stormwater pumping stations

**Historical Wastewater Treatment vs. Capacity  
FY 2017 – FY 2021**

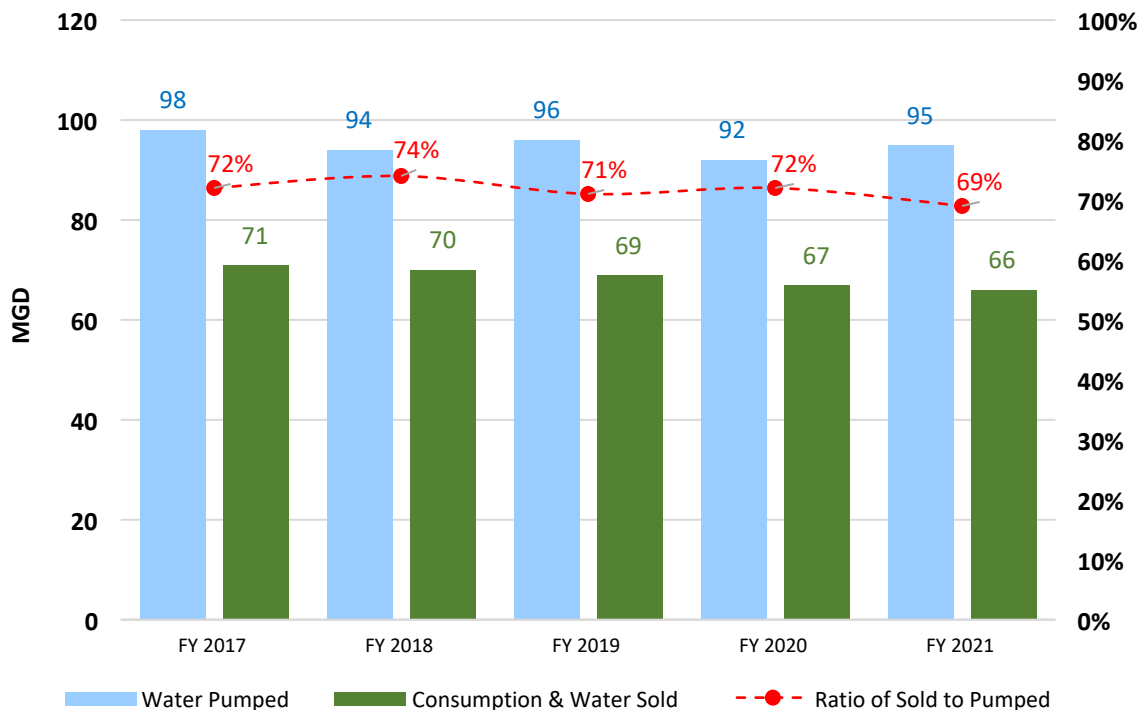
**Wastewater Capacity 370 MGD**  
(Designed annual average daily flow)



## Water System Capacity Meets Service Area Needs

- Water is purchased from the Washington Aqueduct, owned and operated by the U.S. Army Corps of Engineers
- Four pumping stations provide adequate capacity to meet peak demand
  - Bryant Street, New Fort Reno, 16th and Alaska, Anacostia
- One Washington Aqueduct pumping station with capacity sufficient to take over for Bryant Street pumping station
- System comprises 1,350 miles of interconnected pipes

**Volume of Water Pumped vs. Sold  
FY 2017 - FY 2021**



### Infrastructure Leakage Index (ILI)

FY 2017	9.00
FY 2018	9.84
FY 2019	12.53
FY 2020	8.25
FY 2021	10.94

Strong financial planning requires careful monitoring and analysis of various trends and factors that may influence the market place. In this case, the market place for DC Water is the District of Columbia and its surrounding region. DC Water monitors consumption and wastewater flow trends within the customer base, weather patterns, regional income changes, population trends, federal activity in the region, housing starts, office vacancy rates and employment trends. A review of experiences from similar national systems is a useful benchmark assessment. While there are no crystal balls in the area of forecasting water demand, monitoring such data can provide insight into customer behavior and anticipated service demands

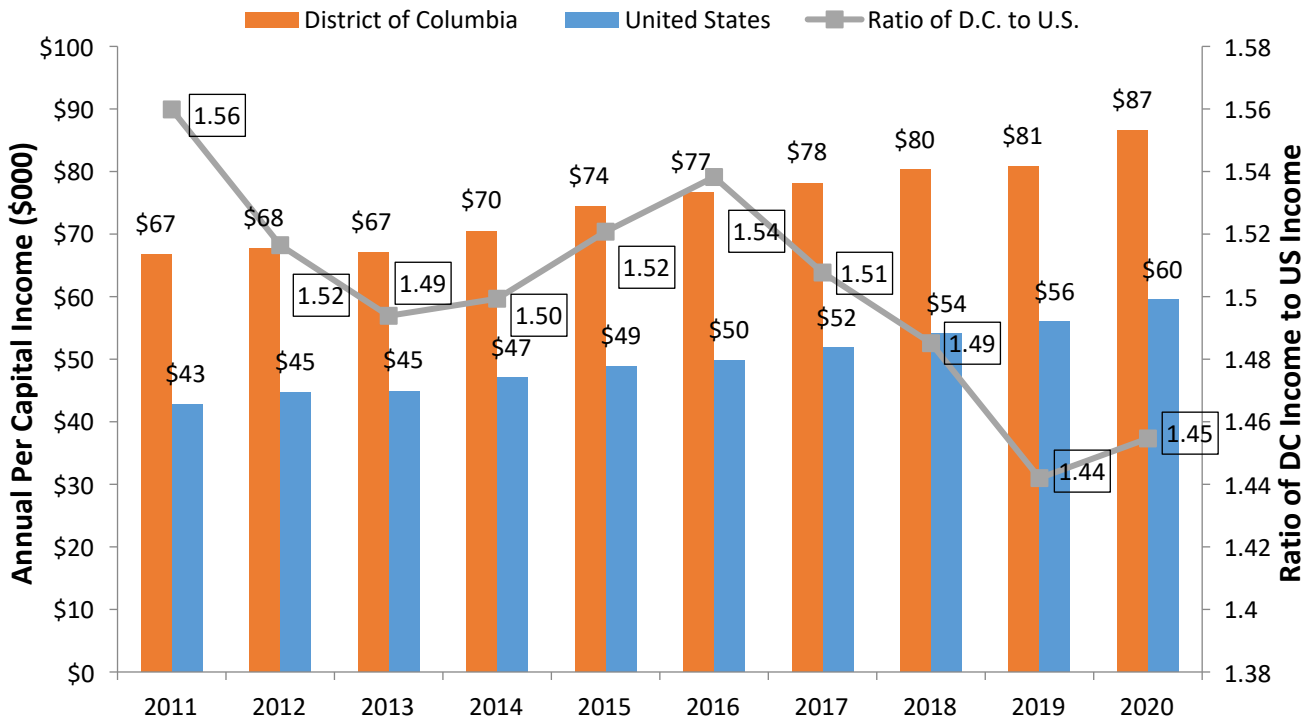
## Regional Economy

DC Water's service area has historically been resilient, even during fluctuations in nationwide economic conditions. Employment at the U.S. government and all of the professional and service industry firms that support the federal government have been a steadying force through various economic cycles.

A major local employer, the federal government, remains relatively stable for this employment sector for the past few years. The population of the District grew by over 80,000 people from 2010 to 2020. Per capita incomes within the District and for the region as a whole continue to be higher than the U.S. average. Regional office vacancy rates have increased during a year of unprecedented challenges while retail vacancy rates remain low. The strengths of the District are complimented by its highly rated partners: the federal government and wholesale wastewater users. Select demographic charts that follow support the overall positive outlook for the Washington Metropolitan region and its economy.

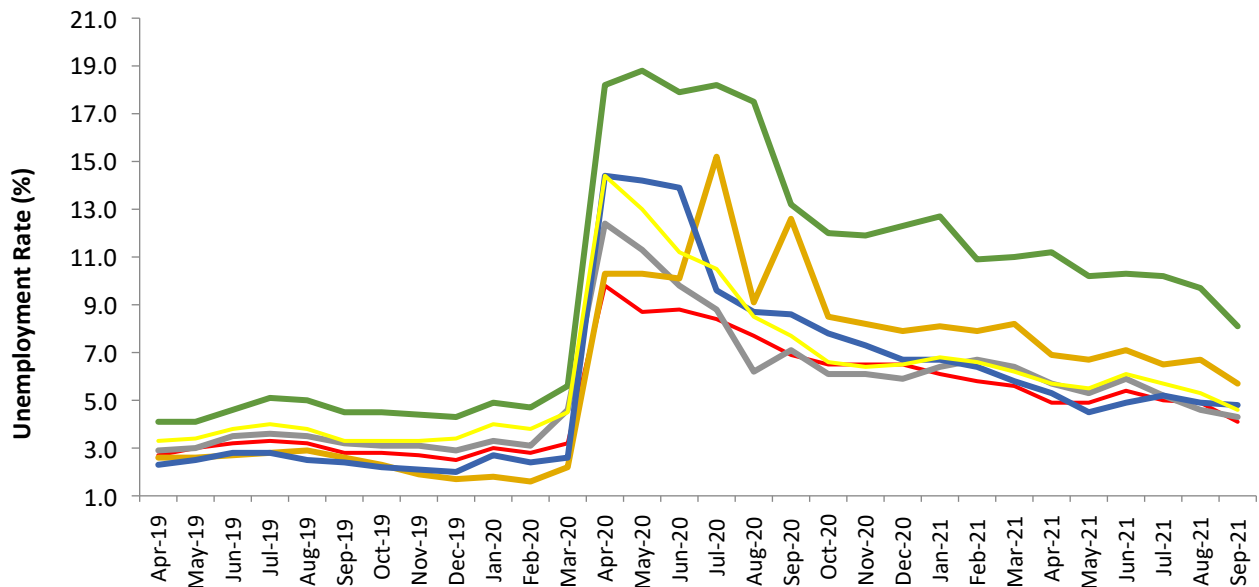


## DC Per Capita Income is Higher Than US Average

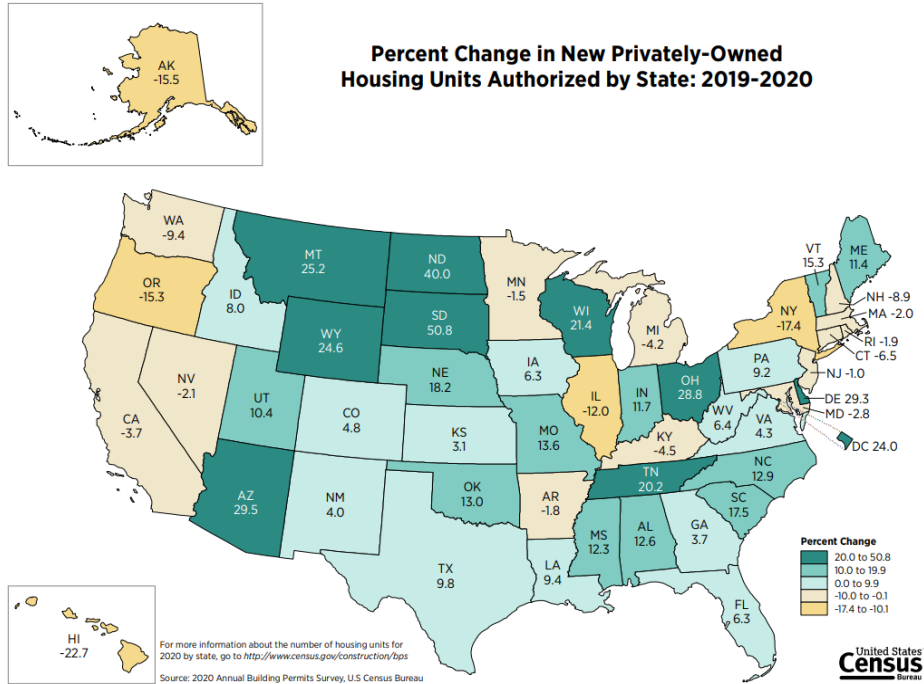


Source: Bureau of Labor Statistics

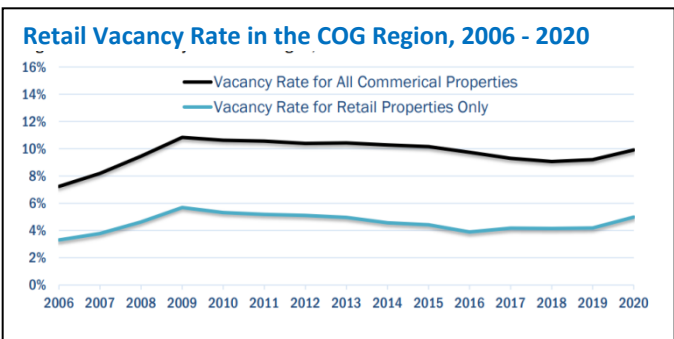
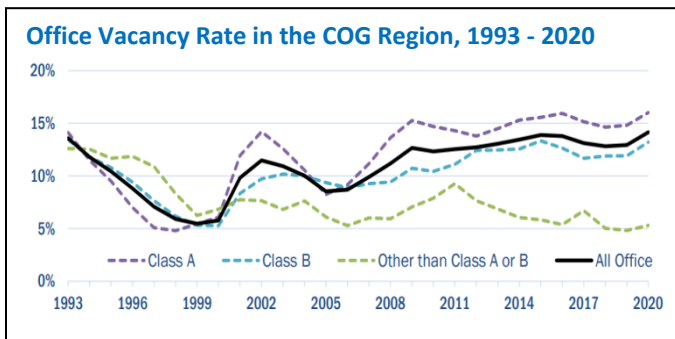
## Unemployment Rate in The DC Region Remains Relatively Low



## 2019 – 2020 Significant Growth in New Housing Permit Issuance in DC



## DC Metro Vacancy Rates Are Above Pre-Recession Levels Partly Due to New Spaces Added to The Market



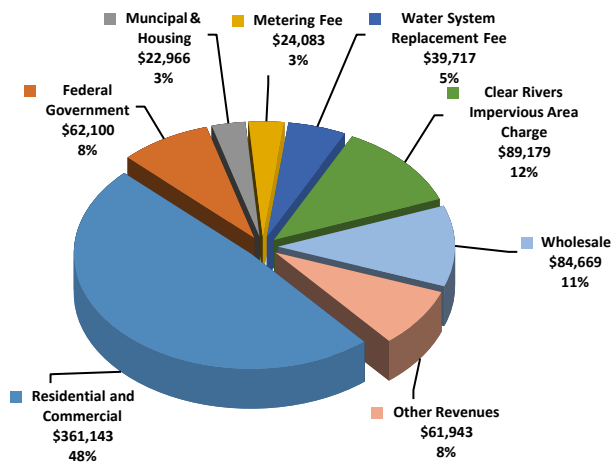
DC Water’s performance is driven by federal government growth and associated industries, supporting regional growth and diversification.

- Source: Metropolitan Washington Council of Governments (COG)
- Note: COG region includes the District of Columbia, Northern Virginia, and Suburban Maryland

The regional indicators are positive with strong incomes and unemployment below the national level. These factors coupled with stable consumption and the financial strength of the major AAA rated customers helps to ensure the financial success of DC Water.

## The DC Water service area includes highly-rated customers

- About 23.0% of the projected FY 2022 revenues came from “AAA” rated entities and are received in advance of service:
  - Federal Government
  - Fairfax County
  - Washington Suburban Sanitary Commission
  - Loudoun County Sanitation Authority
  - District of Columbia

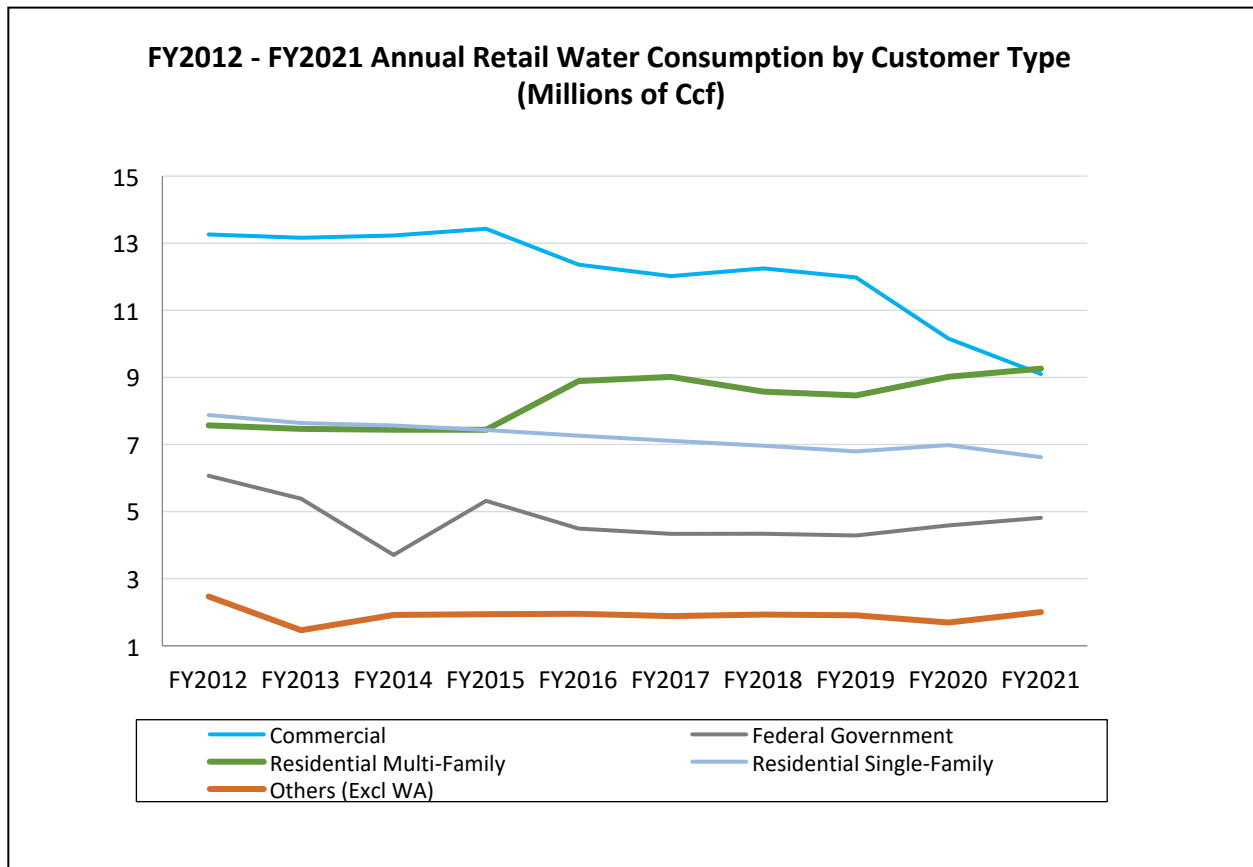


## Media reports reference the service area’s economic strength

- "... the DC government finished its 2020 fiscal year with a surplus of more than half a billion dollars... The better-than-expected revenue picture was driven by a 5 percent increase in property tax receipts, a 13 percent jump in corporate franchise tax receipts, and a 3 percent increase in individual income tax receipts ..." Washingtonian, February 2021
- "The coronavirus ... [has] triggered explosive growth in a pair of critical technology industries on either side of the Potomac... the medical battle ... opened a gusher of nearly \$8 billion in fresh investment last year in Montgomery County’s biotech companies... In Loudoun and Prince William counties ... a dramatic jump in construction of data centers that house the computers that create the Web... The booms have also strengthened our region’s position in the intense competition with other U.S. metropolitan areas for high-tech investment." The Washington Post, April 2021
- “One of the fastest growing venture capital hubs nationally, the Washington region has received \$3.8 billion in venture funding so far this year.” The Urban Land Magazine, November 2021

Customer Demand: A reasonable degree of accuracy in forecasting water demand is important for sound financial planning and rate-setting. The FY 2012 - 2021 actual average decline in usage is 1.7% annually, excluding the Washington Aqueduct. FY 2012 – FY 2021 average annual rate of change in demand for the customer classes: Commercial -4.1%; Federal Government: -2.5%; Single Family: -1.9%; and Other (include Exempt, DC Housing Authority, DC Municipal Government, and DC Water): -2.3%. Multi-Family increased by 2.3% annually.

## DC Water Consumption by Customer Type



Source: DC Water

- FY 2021 consumption, excluding Washington Aqueduct, decreased 2.0%, mostly due to impact of COVID-19 leading to decreases in consumption for Commercial accounts.
- DC Water has typically assumed an annual reduction in water demand of 1.0% in line with historic averages. The Financial Plan assumes a 1.4 percent retail water consumption decline in FY 2022 over FY 2021 actual and 1.0 percent decline in FY 2023 and beyond. We believe that this estimate is prudent, consistent with peers such as New York and Boston and assures revenue sufficiency for the Authority.



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