Approved FY 2025 Budgets

Section II: OVERVIEW

New Fleet Ribbon Cutting

History: In 1996, the District of Columbia Water and Sewer Authority was created by District law, with the approval of the United States Congress, as an independent authority of the District government with a separate legal existence. In June 2010, the agency adopted a new logo and brand name, DC Water, while its official name remained District of Columbia Water and Sewer Authority. Beginning in FY 2013, for accounting purposes, DC Water was no longer reported as a component unit of the District government.

Age of Pipes: The median age of District water main pipes is over 80 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 2023, DC Water pumped an average of more than 94 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 over 1,300 miles of interconnected pipes, four pumping stations, four reservoirs, four elevated water tanks, and about 43,860 valves and 9,510 fire hydrants.

Sewer System: DC Water operates approximately 2,000 miles of combined, separate, and stormwater sewers, 50,000 manholes, 25,000 catch basins, 16 stormwater 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. Blue Plains currently treats an annual average flow of approximately 320 million gallons per day (MGD) and has a design capacity of 384 MGD, with a peak design capacity during wet weather/high flow events to treat approximately 800 million gallons per day.

Customer Service: DC Water communicates valuable customer-related information through bill inserts, monthly newsletters, its website, and social media, including Facebook, YouTube, Flickr, Twitter, and Instagram. Our 24-hour Emergency Command Center is the centralized communication facility for receiving and responding to emergency calls from customers and the public. Through various assistance programs, DC Water helps thousands of residents with a reduction in their monthly bills and/or a one-time payment.

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.

Community Outreach: In 2023, DC Water hosted and/or attended 170 public events across the city, providing information and meeting customers where they are, whether in person or virtually. Over the last year, the Authority extended outreach to new community events, including our first-ever appearances at the Capital Pride Block Party, Broccoli City Festival, World Rivers Day Celebration, and to other events coordinated in partnership with the Office of Mayor Muriel Bowser, Councilmembers, District government agencies, as well as faith and community-based organizations. Through educational outreach, tours, and events, DC Water seeks to delivery transparency and equity across every Ward in the District.

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: DC Water continue to maintain 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 26th consecutive unqualified audit opinion of its financial statements and 23rd consecutive Distinguished Budget Presentation Award from the Government Finance Officers Association (GFOA).

DC Water Finance Information ($ Millions)

Bond Rating: AAA/Aa1/AA+	Revised FY 2024	Approved FY 2025
Revenue (Cash Receipts)	$890.6	$926.3
Operating Budget	$737.6	$788.2
Capital Disbursement Budget	$514.7	$732.1

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

Description	Unit of Measure	FY 2024 Revised	FY 2025 Proposed	FY 2024 vs FY 2025 Increase / (Decrease)
Total Operating Expenditure	$ in thousands	$ 737,567	$ 788,241	$ 50,674
Capital Disbursements	$ in thousands	$ 514,727	$ 732,139	$ 217,412
Ten-Year CIP (Cash Disbursement)	$ in billions	$ 6.95	$ 7.74	$ 0.79
Total Operating Revenue	$ in thousands	$ 890,560	$ 926,261	$ 35,701
Wholesale Operating Revenues	$ in thousands	$ 106,519	$ 114,248	$ 7,729
Residential 0-4 Ccf (Lifeline) [2]	Ccf	$ 4.38	$ 5.21	$ 0.83
Residential - > 4 Ccf [2]	Ccf	$ 5.70	$ 6.81	$ 1.11
Multi-family / DC Housing [2]	Ccf	$ 5.00	$ 5.82	$ 0.82
Non-Residential	Ccf	$ 5.89	$ 7.03	$ 1.14
DC Water Retail Rates – Sewer	Ccf	$ 11.70	$ 12.07	$ 0.37
DC Water Clean Rivers IAC	ERU	$ 21.86	$ 21.23	$ (0.63)
DC Water Customer Metering Fee	5/8"	$ 7.75	$ 7.75	$ -
Water System Replacement Fee [1]	5/8"	$ 6.30	$ 6.30	$ -
PILOT Fee	Ccf	$ 0.61	$ 0.61	$ -
Right of Way Fee	Ccf	$ 0.19	$ 0.19	$ -
Stormwater Fee	ERU	$ 2.67	$ 2.67	$ -

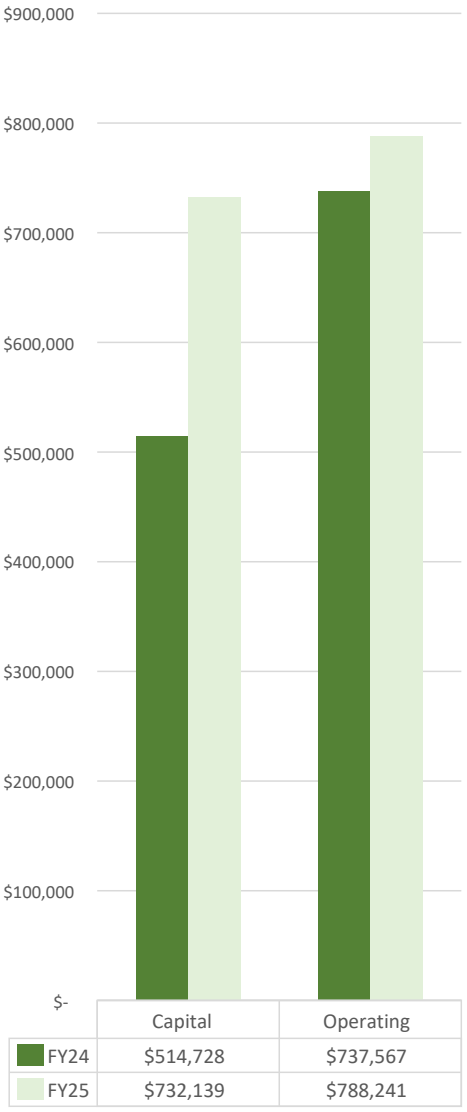
Ccf – hundred cubic feet or 748 gallons
(1) DC WATER WSRF of $6.30 effective October 1, 2015.
(2) Proposed Class-Based rates

Comparative Capital & Operating Expenditures

$ in thousands

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

	REVISED FY2024	APPROVED FY2025
CAPITAL (Cash Disbursements Basis)*		
Wastewater Treatment	$ 65,151	$ 103,291
Sanitary Sewer	80,599	92,235
Combined Sewer Overflow	123,793	213,408
Stormwater	7,293	13,565
Water	158,736	222,494
Washington Aqueduct	35,546	35,770
Capital Equipment	30,535	31,477
Non Process Facilities	13,074	19,900
Total Capital	$ 514,728	$ 732,139
OPERATING		
Personnel Services	$ 201,581	$ 209,633
Contractual Services	93,070	102,284
Water Purchases	44,039	45,330
Chemicals and Supplies	54,568	55,585
Utilities	39,233	40,318
Small Equipment	1,437	1,364
Total O&M	433,928	454,513
Debt Service	221,635	249,495
Cash Financed Capital Improvements	58,575	60,436
Payment in Lieu of Taxes	18,330	18,696
Right of Way Fees	5,100	5,100
Subtotal Operating	737,567	788,241
Personnel Services charged to Capital Projects	(31,974)	(34,087)
Net Operating	$ 705,593	$ 754,154



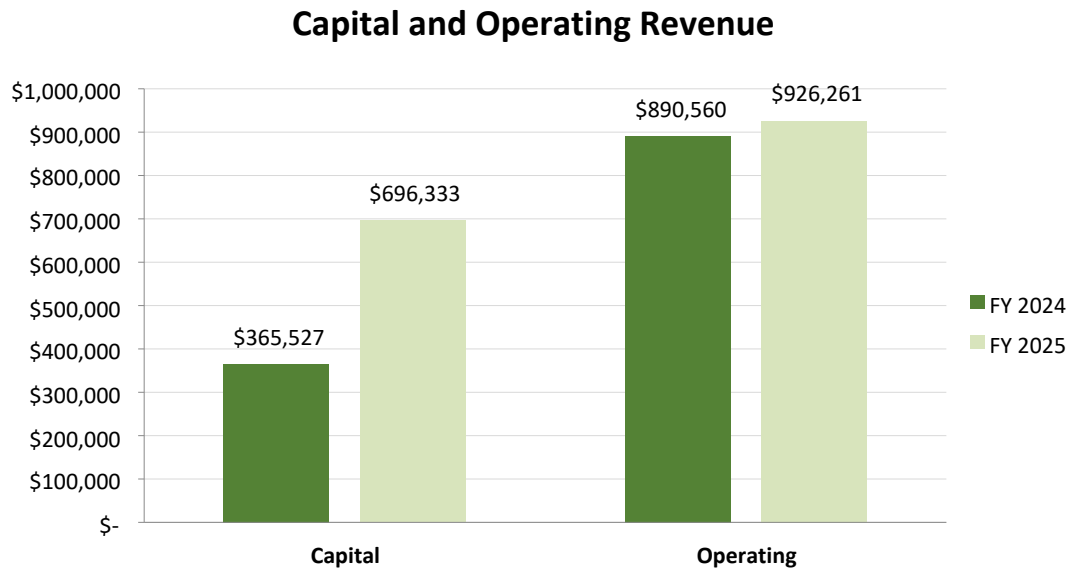
*Reflects revision to FY 2023 capital disbursement budget during the FY 2024 cycle.

Comparative Capital & Operating Revenues

$ in thousands

	FY 2024 Revised	FY 2025 Proposed
CAPITAL		
Wholesale Capital Payments	$ 77,404	$ 88,796
Federal Grants & CSO Appropriations	37,603	49,899
Interest Income on Bond Proceeds	7,946	10,592
Pay-Go-Financiang	208,874	188,346
Revenue Bonds/Commercial Paper/EMCP*	26,000	351,000
System Availability Fee	7,700	7,700
Total Capital Revenue	**$ 365,527**	**$ 696,333**
OPERATING		
Residential	141,209	146,941
Commercial	213,358	222,368
Multi-Family	156,014	164,449
Federal Government	90,273	91,696
Municipal & Housing	39,709	41,389
Water System Replacement Fee (WSRF)	40,717	40,717
Metering Fee	24,083	24,083
Wholesale	106,519	114,248
Transfer from Rate Stabilization Fund	2,000	2,000
Other Revenue	76,678	78,370
Total Operating Revenue	**$ 890,560**	**$ 926,261**

(*) Extendable Municipal Commercial Paper



- 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 Right-of-Way (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 $0.83 per Ccf to $5.21 per Ccf, {increase of $1.11 to $6.97 per 1,000 gallons}
  - Residential customers: “Consumption greater than 4 Ccf” water rate increase of $1.11 per Ccf to $6.81 per Ccf, {increase of $1.48 to $9.10 per 1,000 gallons}
  - Multi-family customers: water rate increase of $0.82 per Ccf to $5.82 per Ccf, {increase of $1.10 to $7.78 per 1,000 gallons}
  - Non-residential customers: water rate increase of $1.14 per Ccf to $7.03 per Ccf, {increase of $1.52 to $9.40 per 1,000 gallons}
- Sewer rate increase of $0.37 per Ccf to $12.07 per Ccf, {increase of $0.50 to $16.14 per 1,000 gallons}
- Monthly Clean Rivers Impervious Area Charge decrease of $0.63 from 21.86 per ERU to $21.23 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
- No increase in PILOT fee, which remains the same at $0.61 per Ccf { $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

- Water and Sewer volumetric rates are listed below:
  - Residential customers: “Consumption of 0 – 4 Ccf” water rate increase of $0.57 per Ccf to $5.78 per Ccf, {increase of $0.76 to $7.73 per 1,000 gallons}
  - Residential customers: “Consumption greater than 4 Ccf” water rate increase of $0.79 per Ccf to $7.60 per Ccf, {increase of $1.06 to $10.16 per 1,000 gallons}
  - Multi-family customers: water rate increase of $0.65 per Ccf to $6.47 per Ccf, {increase of $0.87 to $8.65 per 1,000 gallons}
  - Non-residential customers: water rate increase of $0.81 per Ccf to $7.84 per Ccf, {increase of $1.08 to $10.48 per 1,000 gallons}
- Sewer rate increase of $0.45 per Ccf to $12.52 per Ccf, {increase of $0.60 to $16.74 per 1,000 gallons}
- Monthly Clean Rivers Impervious Area Charge increase of 3.00 from $21.23 per ERU to 24.23 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 $0.01 per Ccf to $0.62 per Ccf { increase of $0.01 to $0.83 per 1,000 gallons}
- Right-of-Way (ROW) increase of $0.01 per Ccf to $0.20 per Ccf {$0.27 per 1,000 gallons}

Ccf is equivalent to hundred cubic feet or 748 gallons

Cash Flow Summary

$ in thousands

OPERATING BUDGET	FY 2023 Actual	FY 2024 Revised	FY 2025 Proposed	FY 2026 Proposed
Operating Revenue				
Residential, Commercial & Multi-Family	$ 422,877	$ 431,206	$ 458,360	$ 482,502
Federal	65,986	69,935	70,254	72,788
Municipal	13,984	14,529	15,624	16,492
D.C. Housing Authority	14,763	14,713	15,600	16,388
Groundwater	-	5	5	5
Water System Replacement Fee (WSRF)	42,407	40,717	40,717	40,717
Metering Fee	24,104	24,083	24,083	24,083
Payment in Lieu of Taxes / Right of Way Fee	23,760	23,430	23,813	24,156
Clean Rivers IAC Revenue	94,346	110,174	106,999	122,119
Sub-total Retail	**702,227**	**728,792**	**755,456**	**799,250**
Wholesale	105,250	106,519	114,248	120,905
Interest Earnings	6,244	8,087	9,089	8,816
Transfer from Rate Stabilization Fund (2)	-	2,000	2,000	
Other Operating Revenues (1)	39,476	44,716	45,064	48,084
Total Operating Revenue (1)	**853,196**	**890,115**	**925,857**	**977,055**
Operating Expenditures				
Personnel Services	161,261	169,607	175,530	182,551
Contractual Services	97,456	93,070	102,284	105,937
Chemicals & Supplies	61,931	54,568	55,585	60,698
Utilities & Rent	34,728	39,233	40,318	41,760
Water Purchases	32,765	44,039	45,330	48,556
Small Equipment	1,236	1,437	1,364	1,274
Subtotal - Operating Expenditures	**389,376**	**401,954**	**420,411**	**440,777**
Payment in Lieu of Taxes / Right of Way Fee	23,070	23,430	23,796	24,170
Debt Service	225,852	221,635	249,495	277,000
Cash Financed Capital Improvements/Defeasance	35,730	58,575	60,436	71,932
Total Operating Disbursements	**674,029**	**705,593**	**754,138**	**813,879**
Operating Surplus (1)	179,168	184,522	171,719	163,175
CAPITAL Disbursements (See Section VI for more details)				
Sources of Capital Funds	307,322	365,527	696,333	865,831
Uses of Capital Funds	435,149	514,727	732,139	841,815
Capital Disbursements Overage / (Shortage)	(127,827)	(149,200)	(35,806)	24,016
CASH RESERVES				
Beginning O&M Reserve Balance (Net of Rate Stabilization Fund)	257,374	286,889	296,600	309,600
Operating Surplus	179,168	184,522	171,719	163,175
Wholesale Customer Refunds/Payments for Prior Years	4,742	(9,000)	(7,700)	(8,100)
A/P Voided Checks /ACH Return for Previous Year	3,264			
Project Billing Refunds		(2,000)	(2,000)	
Federal Customer Refund/Payments for Prior Years	(4,188)	(6,256)	(13,813)	(7,000)
Interest Earned from Bond Reserve	137	445	404	401
Pay-As-You-Go Capital Financing	(153,607)	(158,000)	(135,609)	(133,476)

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

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 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

DC Water's budget is prepared through a collaborative and decentralized process, guided by its strategic plan. The Blueprint 2.0 includes five interconnected imperatives and lays out defined outcomes essential to achieving the strategic goals over the next five years and beyond. Detailed information about the strategic plan is available online at www.dcwater.com/strategic-plan.

As a first step in the budget development process, the organizational priorities are established under the guidance of the Board and Senior Executive Team and linked to the strategic plan. The budget process encourages ideas to be brought forward by all departments with detailed workplans that incorporate the imperatives, goals and workstreams of Blueprint 2.0. The strategic plan serves as the primary lens through which budget requests are evaluated against established prioritization criteria and final budget decisions are made. DC Water's ten-year financial plan is then updated to reflect any revisions to the capital improvement program and any other major revenue or operating budget issues, and potential impact of these items on rates. In addition to these items, the ten-year financial plan is also developed based on the financial and rate-setting policies adopted by the Board.

Budget Approval Process

DC Water's budget is the fiscal roadmap that allocates and aligns spending plan with the imperatives and goals of the strategic plan. The rigorous budget process balances the level of infrastructure investments and operational requirements with customer rates and total revenue expectations.

Typically, in September, the Chief Executive Officer & General Manager and Chief Financial Officer kick off the budget season. DC Water's strategic and operational priorities are included in each department's work plan and performance agreements, as appropriate. In late September, departments submit their initial budget requests for management review. During the months of October and November, departments complete budget reviews with budget staff and the Senior Executive Team with the CEO & General Manager in tandem. In an effort to align the budget with the imperatives and goals of the strategic plan, all budget requests for existing and new programs are evaluated and scored against established prioritization criteria.

In January 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, 2024). The Committees review the budget documents 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. DC Water is required to submit its annual operating and ten-year capital budgets to the Mayor and the District of Columbia Council for review and comment. However, neither has the power to change DC Water's annual budgets. The District of Columbia includes DC Water's budgets in their submission 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.

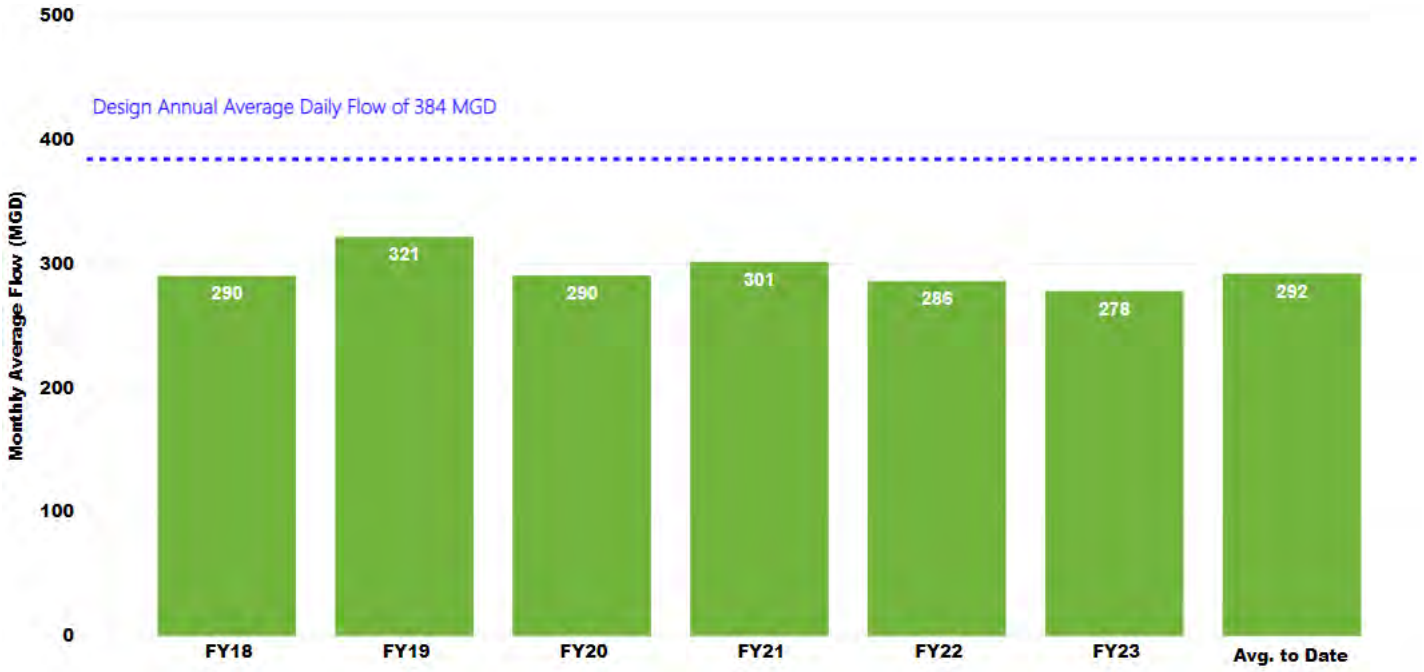
FY 2025 Budget Calendar

Month	Activity
July	Centrally Managed and Matrix training and preparation
August	Establish Budget Prioritization and Scoring Criteria and Linkages to Strategic Plan Goals (Blueprint 2.0) Develop Budget Manual & Guidelines and Provide Training for Departments
September 6	Chief Executive Officer & General Manager's Budget Kickoff Meeting
September	Departmental FY 2025 budget submission to Budget Office
October	Chief Financial Officer Briefing on Departmental Budget Requests
October - November	Departmental FY 2025 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	Finalize Ten-Year Financial Plan (Operating, Capital Improvement Program, Revenues, Rates & Fees) Transmittal of CEO's & GM's Final Budget Proposal to Executive Vice Presidents & Department Heads
January 4	Budget Workshop – Board Briefing of the CEO & GM's Proposed FY 2025 Budgets, Capital Improvement Program, Two-Year Rate Proposal and Financial Plan
January	Budget Briefing to Wholesale Customers, Office of People's Counsel (OPC) and other stakeholders
January - February	Board Committees Conduct In-Depth Review of Budget Proposal: • Environmental Quality & Operations Committee Review of Capital Improvement Program • Joint session with the DC Retail Water & Sewer Rates and Finance & Budget Committees on the Operating Budget, Capital Improvement Program, Two-Year Rate Proposal, and Financial Plan
February	Board Committees Forward Recommendations to Full Board for deliberation/action Budget Book Preparation & Production
March 7	Budget Adoption by Full Board Submission to the District of Columbia for onward transmission to U.S. Congress
April	Application for GFOA Distinguished Budget Presentation Award
April – June	Rate-making Process (conducted every two years) Public Outreach & Public Hearing Activities
July	Board Adoption of Rates (conducted every two years)
October 1	Fiscal Year Begins

Wastewater System Capacity Ensures Service Area Meets Needs Through 2040

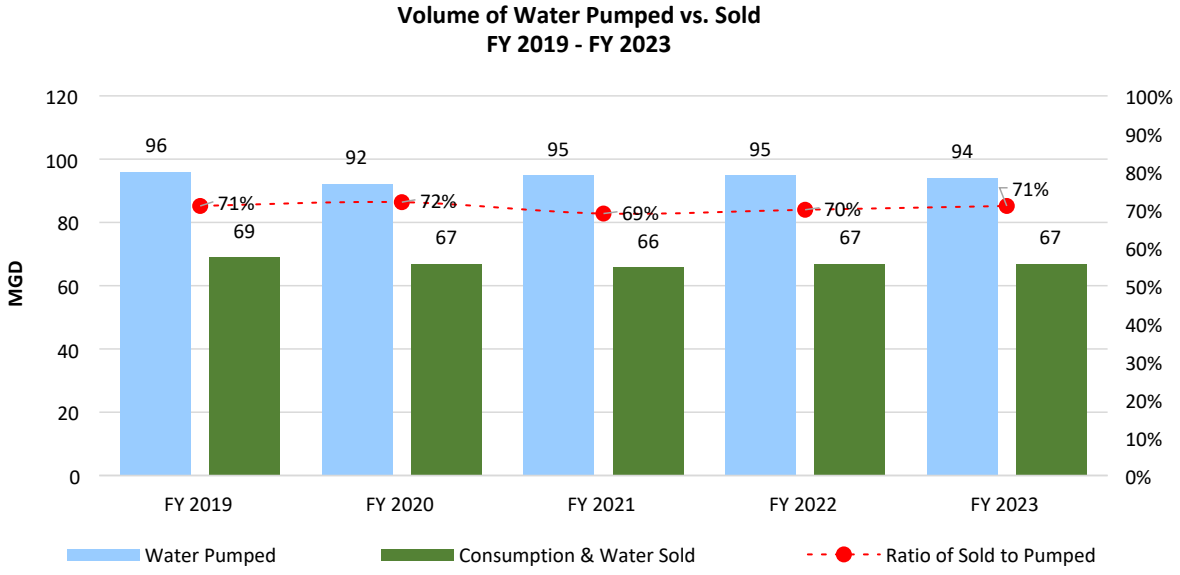
- Blue Plains is the world's largest advanced wastewater treatment plant
  - — Treats an average of approximately 300 million gallons per day (MGD) annually
  - — Designed for average daily flow of 384 MGD and, with a peak design capacity to treat more than 780 MGD
- System comprises 2,000 miles of sanitary, 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 2018 – FY 2023



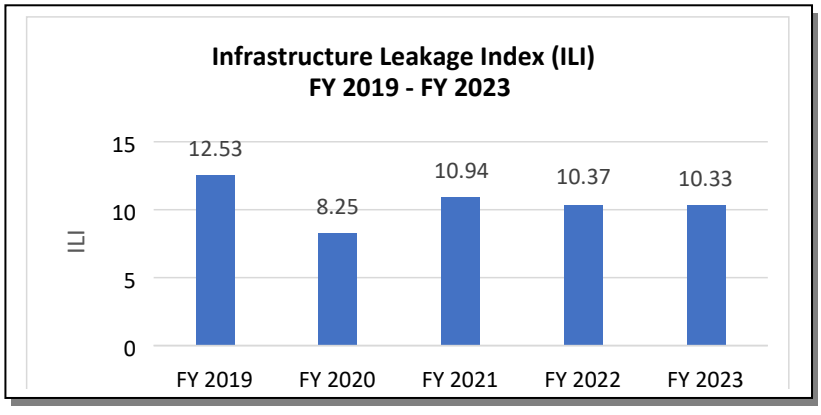
Water System Capacity Meets Service Area Needs

- 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



Infrastructure Leakage Index (ILI)

The IWA methodology introduces the Infrastructure Leakage Index (ILI) as the ratio of real losses over the Unavoidable Real Losses (UARL). This value provides an indication of the actual leakage in the system relative to the lowest level achievable with today's best technology. Decreased ILI values indicate increased water utility efficiency.



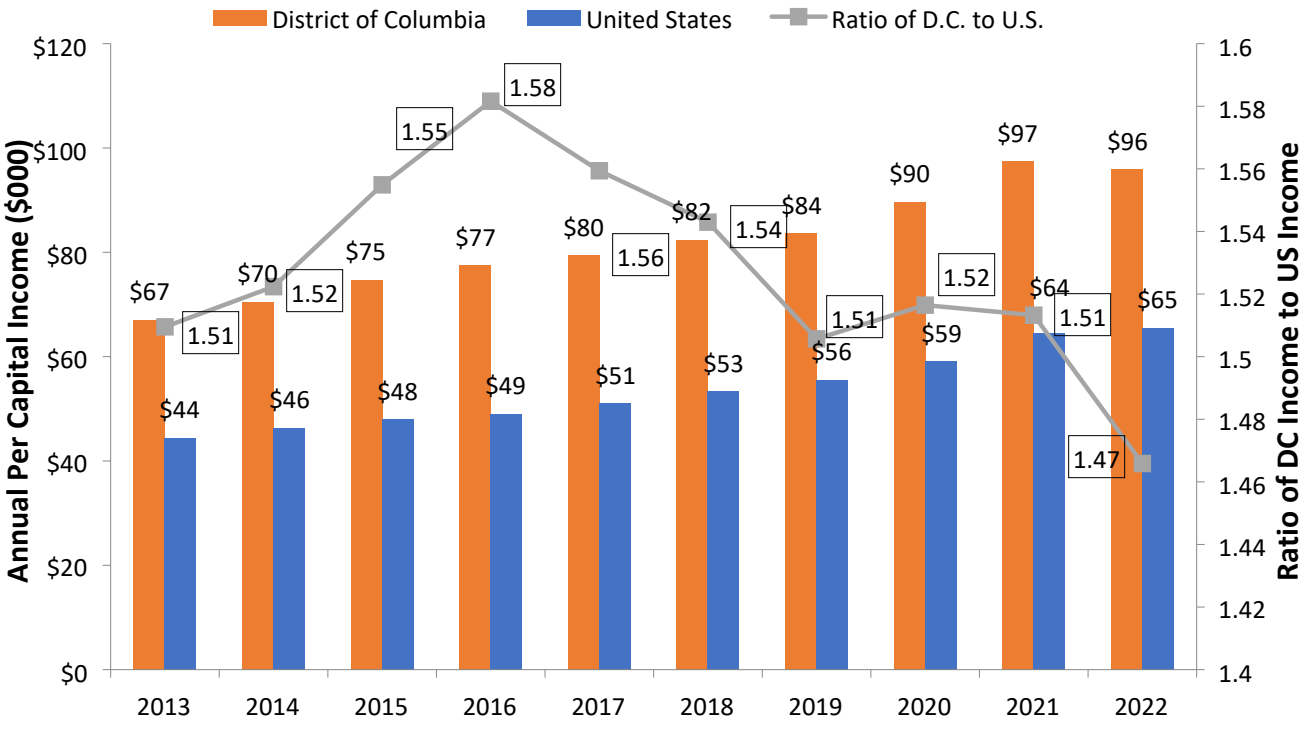
Strong financial planning requires careful monitoring and analysis of various trends and factors that may influence the market place. In this case, the market place for DC Water is the District of Columbia and its surrounding region. DC Water monitors consumption and wastewater flow trends within the 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.

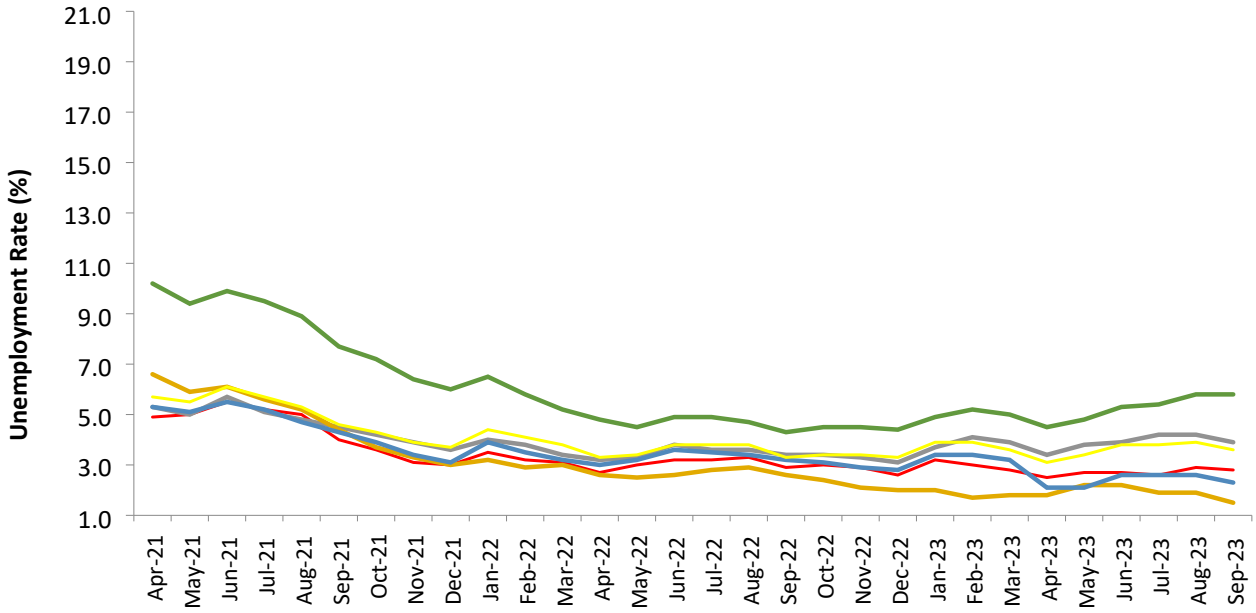
A major local employer, the federal government, remains relatively stable for this employment sector for the past few years. The population of the District grew by more than 70,000 people from 2010 to 2022. Per capita incomes within the District and for the region as a whole continue to be higher than the U.S. average. Regional office vacancy rates have increased during a period of unprecedented challenges while retail vacancy rates remain relatively 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

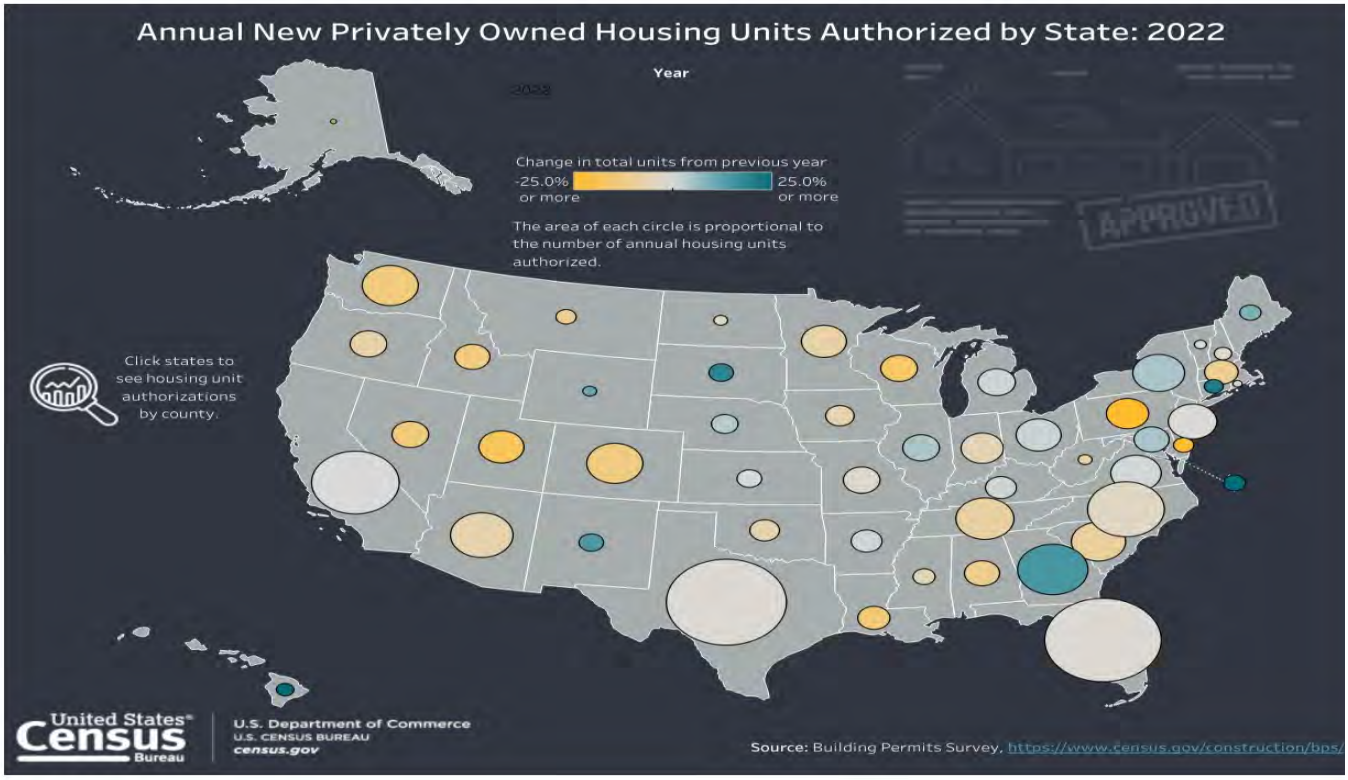


Source: Bureau of Labor Statistics

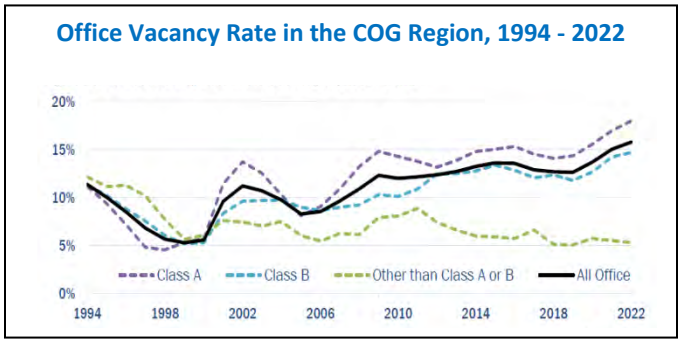
Unemployment Rate in The DC Region Remains Relatively Low

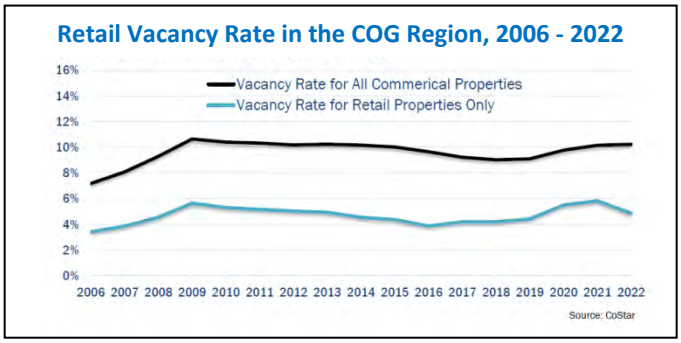


2021 – 2022
Significant Growth in New Housing Permit Issuance in DC



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





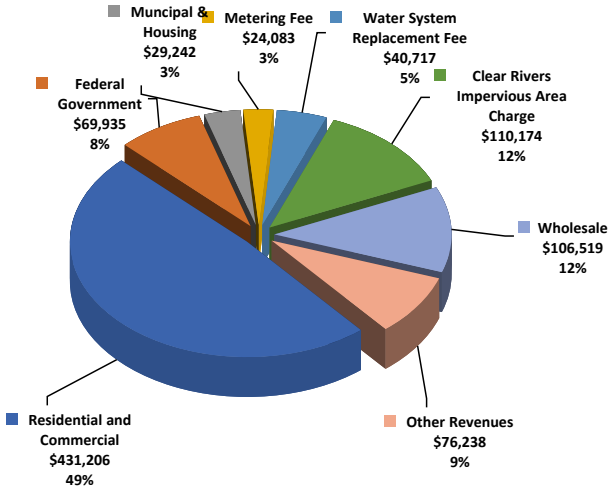
DC Water's performance is driven by federal government growth and associated industries, supporting regional growth and diversification.

- 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 2024 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

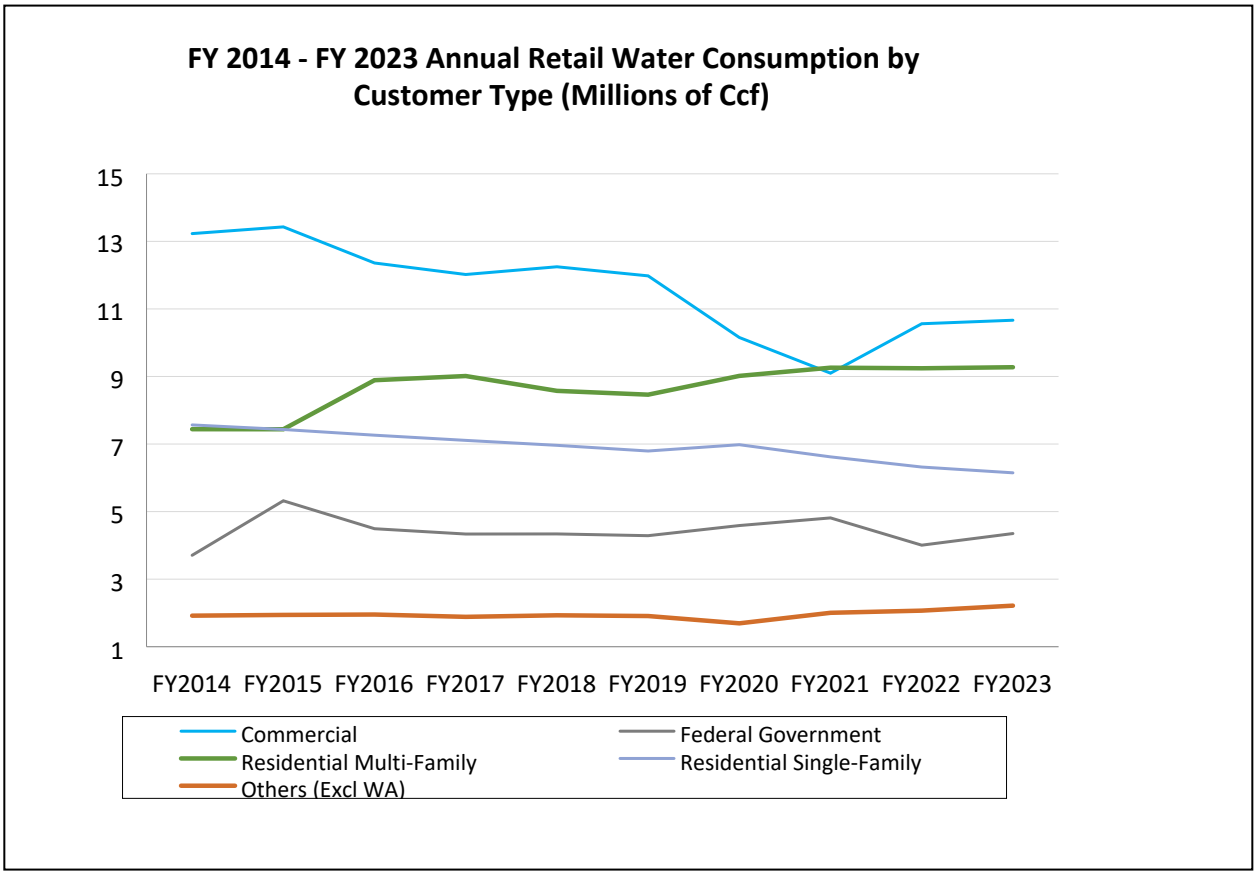


Media reports reference the service area's economic strength

- "Tech companies specializing in defense contracts, AI, space, cloud computing and healthcare are thriving in the capital region."
- Market Watch, March 2023
- "Riding a 67% ridership increase over the past year, Metro grew faster than any other heavy rail public transportation in the United States during that time. DC Streetcar led all nationwide light rail systems, up 140%. And VRE led all US commuter rail systems, up 114%."
- Greater Washington, July 2023
- "As costs rise across the U.S., inflation in the D.C. metro area remains below the national average. The Bureau of Labor Statistics broke down inflation rates by Metropolitan Statistical Areas, and the annual rate of consumer inflation in the D.C. area during July was 1.8%, well below the national average."
- WTOP News, August 2023
- "The 35-square-block area of Northeast D.C.… Has led the U.S. in new apartment construction over the past five years…The neighborhood … had a 72% increase in new apartment construction since 2017."
- WTOP News, November 2023

- Customer Demand: A reasonable degree of accuracy in forecasting water demand is important for sound financial planning and rate-setting. The FY 2014 - 2023 actual average decline in usage is 0.4% annually, excluding the Washington Aqueduct. FY 2014 – FY 2023 average annual rate of change in demand for the customer classes: Commercial -2.4%; Federal Government: 1.8%; Single Family: -2.3%; Multi-Family: 2.5%; and Other (include Exempt, DC Housing Authority, DC Municipal Government, and DC Water): 1.6%.

DC Water Consumption by Customer Type



Source: DC Water

- FY 2023 consumption, excluding Washington Aqueduct, increased 1.4%.
- DC Water has typically assumed an annual reduction in water demand of 1.0% in line with historic averages. The Financial Plan assumes an annual retail water consumption decline of 1.0% in 2024 and each year thereafter. We believe that this estimate is prudent, consistent with peers such as New York and Boston and helps assure revenue sufficiency for the Authority.

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