



District of Columbia Water and Sewer Authority

# BUDGET in BRIEF

REVISED FY 2010 | APPROVED FY 2011

**William M. Walker**, *Chairman of the Board*

**George S. Hawkins**, *General Manager*

**Olu Adebo**, *Chief Financial Officer*



## SUSTAINABILITY

*MANAGING AGING ASSETS DURING CHALLENGING ECONOMIC TIMES*







# Mission Vision and Values

## DC WASA's Mission

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

## DC WASA's Vision

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

## DC WASA's Values

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

# District of Columbia Water and Sewer Authority

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District of Columbia  
Water and Sewer  
Authority



GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished  
Budget Presentation  
Award*

PRESENTED TO

**District of Columbia Water & Sewer Authority**

For the Fiscal Year Beginning

**October 1, 2009**

A stylized, handwritten signature in silver ink, appearing to read 'M. L. R.', positioned above the title 'President'.

President

A stylized, handwritten signature in silver ink, appearing to read 'Jeffrey R. Egan', positioned above the title 'Executive Director'.

Executive Director

# Board of Directors

(As of February 4, 2010)

## District of Columbia

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William M. Walker, *Chairman*

Neil Albert, *Principal*

Maurice Bossiere, *Alternate*

David J. Bardin, *Principal*

Joseph Cotruvo, *Alternate*

Alethia N. Nancoo, *Principal*

Howard Croft, *Alternate*

F. Alexis H. Roberson, *Principal*

Howard Gibbs, *Alternate*

Alan J. Roth, *Principal*

Brenda Richardson, *Alternate*

Vacant, *Alternate*

## Fairfax County

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Anthony H. Griffin, *Principal*

Vacant, *Alternate*

## Montgomery County

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Timothy L. Firestine, *Principal*

Robert Hoyt, *Principal*

Kathleen Boucher, *Alternate*

David Lake, *Alternate*

## Prince George's County

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David J. Byrd, *Principal*

Ralph Moultrie, *Principal*

Beverly Warfield, *Alternate*

Paivi Spoon, *Alternate*

Linda R. Manley, *Board Secretary*





## A Message from General Manager George Hawkins

**I am pleased to present the 2010/2011 District of Columbia Water and Sewer Authority (DC WASA) Budget in Brief, a concise summary of the Fiscal Year revised 2010 and approved 2011 budget documents.** We debuted this publication last year for those stakeholders who were interested in our short- and long-term operating and capital spending plans and the vital activities they support, in a brief, executive format. We addressed the dual challenges of adequately representing the resources dedicated to the delivery of reliable water and sewer services throughout the region and decreasing the distribution of large, paper-intensive, detailed budget documents (detailed budget books for operating and capital programs total more than 600 pages). We received positive feedback from many stakeholders that the *Budget in Brief* was precisely the length, breadth and depth

that suited their needs. As always, the detailed documents are available electronically on our website and we encourage everyone to view them at [www.dcwasa.com](http://www.dcwasa.com) to further protect our natural resources.

I would like to take this opportunity to share a little about myself. I arrived as General Manager at DC WASA in October 2009.



Previously, I served as the Director of the District Department of the Environment, where I channeled my passion for the environment to effect positive change on a local level. I came to the Authority because I felt it would give me the platform to do even more for the Washington metropolitan area— for the environment and for the people who reside in, visit and enjoy this region.

Since my arrival as General Manager, I have spent considerable time at our facilities and meeting with staff members. I am continually impressed with the scale of our operations and facilities, the commitment of our workforce and the enormous responsibility of providing critical services 24 hours a day. As a former DC WASA Board member, I previously visited the Blue Plains Advanced Wastewater Treatment Plant for monthly meetings. Yet it wasn't until I began touring our

operations that I realized the scope of DC WASA's work is far greater than I, and probably most District residents, was aware. For this reason, I extend an invitation to individuals and groups to come visit our wastewater treatment plant and water pumping stations. We offer public tours at the plant and a virtual tour via your desktop. Just visit [www.dcwasa.com/about/tours.cfm](http://www.dcwasa.com/about/tours.cfm) for more information.

My move to DC WASA indeed offers opportunities to address issues with community and environmental impacts, including water main breaks, energy use, wastewater treatment, combined sewer overflows (CSO) and runoff. These are exciting times. Work continues on the 20-year Long Term Control Plan to reduce CSOs to the Potomac and Anacostia Rivers and Rock Creek. We are evaluating the use of low-impact development techniques to limit runoff. We continue to support cleaning of the Anacostia and Potomac rivers through the use of skimmer boats that collect floating debris daily. We are implementing a new program to enhance the removal of nitrogen at Blue Plains to be complete in 2014, which will significantly reduce the amount of nitrogen that leaves the plant. And we have embarked on an exciting new biosolids program that will reduce the output of biosolid material while creating green energy that can power one-third of the monthly electric needs at Blue Plains. In addition to the major environmental projects, this year's budget also paves the way for implementation of a program that ensures a one-percent replacement of aging water and sewer infrastructure per year, an engineering best practice.

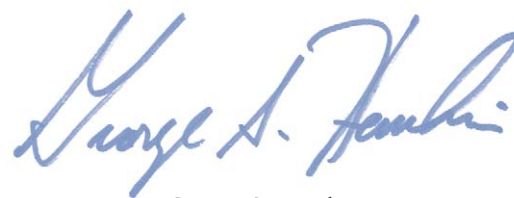
DC WASA's projects, though, come with a cost. The District faces the same challenge as many other U.S. cities—aging infrastructure. The median age of a water main is more than 75 years old and sewer pipes are even older. Some sewer pipes still in use today were installed prior to the Civil War. To continue providing reliable service, we must increase the pace of new installations and upgrades now.

At the same time, the tough economic climate is already straining our ratepayers. As always, we seek to strike a balance between funding necessary operational activities, new and required capital projects and keeping our rates affordable. This year, the Board took an extra month before adopting the budget to consider several budget scenarios and cut costs to minimize the economic impact to customers.

I look forward to leading DC WASA as we embark on massive capital projects, and continue to provide critical services for the region while serving as stewards of the environment.

I thank the Board and the Finance and Budget staff for their diligence and commitment throughout the budget process. I also thank "DC WASA Blue" — the men and women on staff who carry out our daily work, under all conditions and around the clock. Finally, I look forward to strengthening relationships with DC agencies, regional partners and customers, industry associations, civic and grassroots groups, and all of our customers. Collaboration with all stakeholders will strengthen us in our mission.

Sincerely,



George S. Hawkins, *Esq.*  
*General Manager*



## Measuring for Performance

**The District of Columbia Water and Sewer Authority has created a roadmap to success**, which integrates all aspects of the organization in determining the appropriate routes to get us where we want to go, as defined by our vision.

As part of the effort to implement the Board of Directors' Strategic Plan, we have established a division within the Office of the General Manager with primary responsibility for developing and maintaining clear performance measures that management and the Board will use to assess progress in achieving the Strategic Plan objectives.

These new measures and targets will help the Authority set overall priorities to help determine how resources are allocated through the ten-year financial plan and develop the operating and capital budgets we need to sustain and improve services. Ultimately, these measures will be used by DC WASA's management to assess and improve work processes while monitoring overall performance on a monthly, quarterly and annual basis. The first step, developing the Board-level measures and targets, is well underway.

We will continue to look for financial and educational partnerships in the environmental, business and advocacy organizations, as well as seek support from the local community and all levels of government.

*To ensure operation efficiencies, DC WASA has identified several performance measures and targets for measuring operational efficiency. Some targeted areas include: Water product and Wastewater Collections and treatment. Illustrated below are FY 2010 financial targets.*

### Organization Performance Dashboard

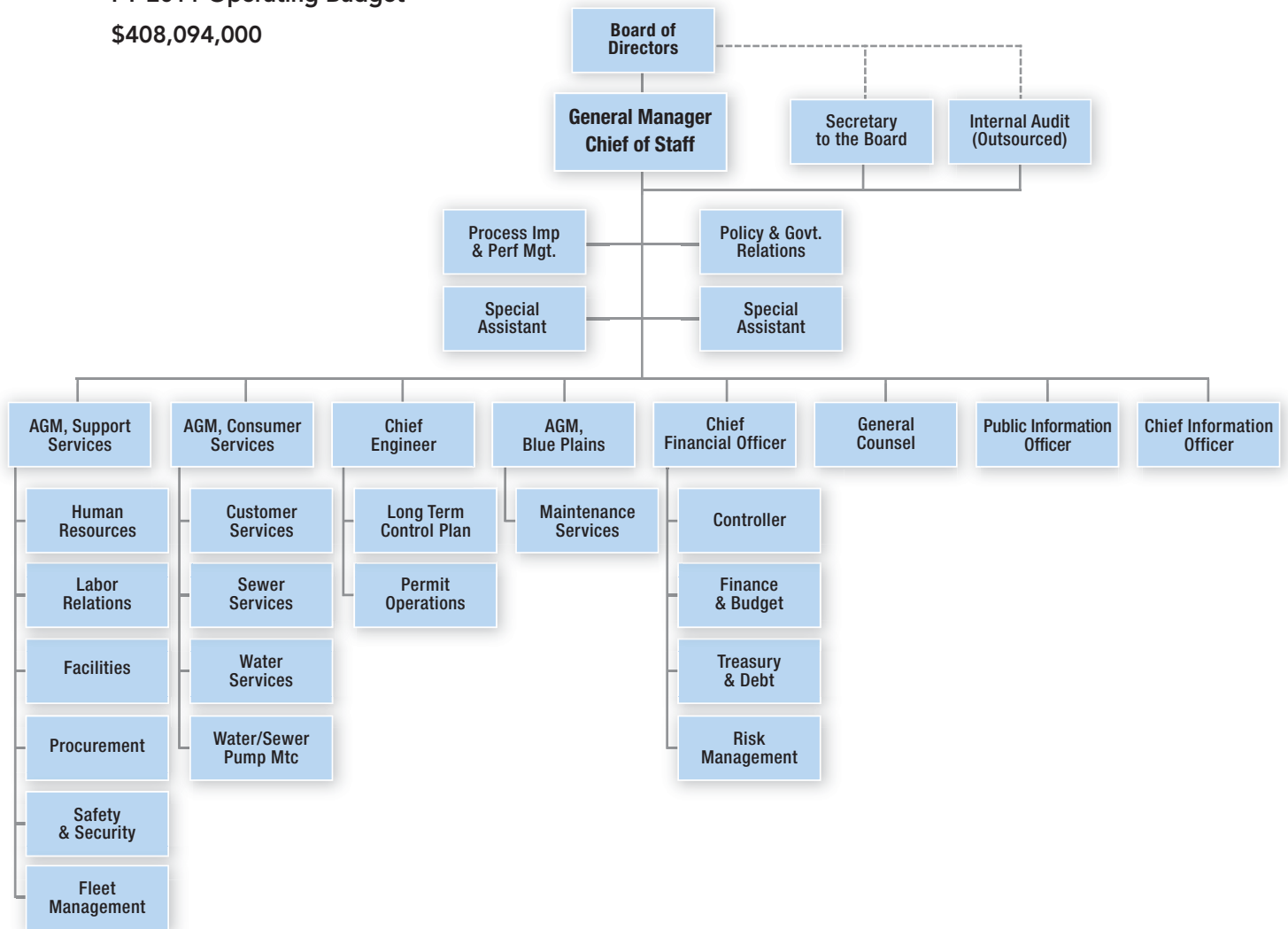
#### FY 2010 Financial Targets

<p><b>Net Operating Cash</b></p> <p>Actual</p> <p>Target <b>370</b></p> <p>(\$ tho)</p>	<p><b>Operating Revenues</b></p> <p>Actual</p> <p>Target <b>156</b></p> <p>(\$ mil)</p>	<p><b>Operating Expenses</b></p> <p>Actual</p> <p>Target <b>159</b></p> <p>(\$ mil)</p>	<p><b>Capital Disbursements</b></p> <p>Actual</p> <p>Target <b>122</b></p> <p>(\$ mil)</p>
<p><b>Operating Cash Balance</b></p> <p>Actual</p> <p>Target <b>125</b></p> <p>(\$ mil)</p>	<p><b>Delinquent Account Receivables</b></p> <p>Actual</p> <p>Target <b>3</b></p> <p>(%)</p>	<p><b>Investment Cash Earnings</b></p> <p>Actual</p> <p>Target <b>130</b></p> <p>(\$ tho)</p>	<p><b>Investments Yield</b></p> <p>Actual</p> <p>Target <b>0.11</b></p> <p>(%)</p>



# Organizational Structure

FY 2011 Operating Budget  
\$408,094,000



## Positions

Authorized	FY 2009		FY 2010	FY 2011
	Average Positions Filled	Year-End Positions Filled		
1,124	957	1,000	1,124	1,165

# DC WASA Facts at A Glance

## Service Area and Operations:

<b>Date Established:</b>	October 1, 1996
<b>Service Area:</b>	Approximately 725 square miles
<b>Services Provided</b>	Retail water and wastewater services to the District of Columbia Wholesale wastewater treatment service to Montgomery and Prince George's Counties in Maryland (through Washington Suburban Sanitary Commission), and Fairfax and Loudoun Counties in Virginia
<b>Blue Plains:</b>	The largest advanced wastewater treatment facility in the world
<b>Population Served:</b>	DC WASA provides nearly 600,000 residents, 16.6 million annual visitors, and 700,000 people who are employed in the District of Columbia with water and sewer services and wastewater treatment. Blue Plains treats wastewater for approximately 1.6 million people from jurisdictions in Maryland and Virginia.

## Operation and Facilities:

<b>No. of Positions:</b>	1,124 (FY 2010 Revised) 1,165 (FY 2011 Approved)
<b>Water Pumped:</b>	110.4 million gallons per day average (FY 2009)
<b>Treated Water Storage:</b>	61.7 million gallons / 5 reservoirs and 3 tanks. An additional 49 million gallons is stored by the Washington Aqueduct.
<b>Miles of Water Lines:</b>	1,300 miles
<b>Wastewater Treated:</b>	297 million gallons per day average (FY 2009)
<b>Wastewater Capacity:</b>	370 million gallons per day (permitted)
<b>Miles of Sewer Lines:</b>	1,800 miles

## Financial Information:

<b>Bond Rating:</b>	Aa2*/AA/AA-
<b>FY 2010 Revenue:</b>	\$378.2 million (cash receipts)
<b>FY 2010 Operating Budget:</b>	\$382.3 million
<b>FY 2010 Capital Budget:</b>	\$302.5 million
<b>FY 2011 Revenue:</b>	\$396.0 million (cash receipts)
<b>FY 2011 Operating Budget:</b>	\$408.1 million
<b>FY 2011 Capital Budget:</b>	\$383.6 million

\* Due to Moody's recalibration in April 2010, DC WASA received a rating upgrade.

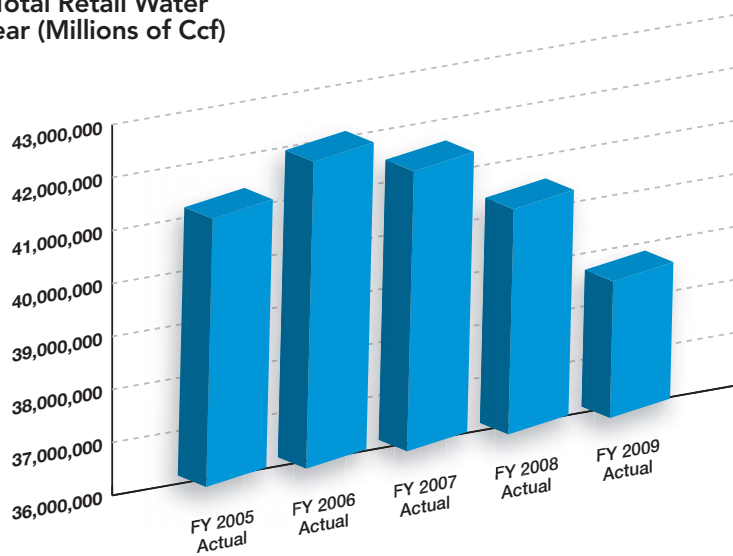
## Water Consumption Trends

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

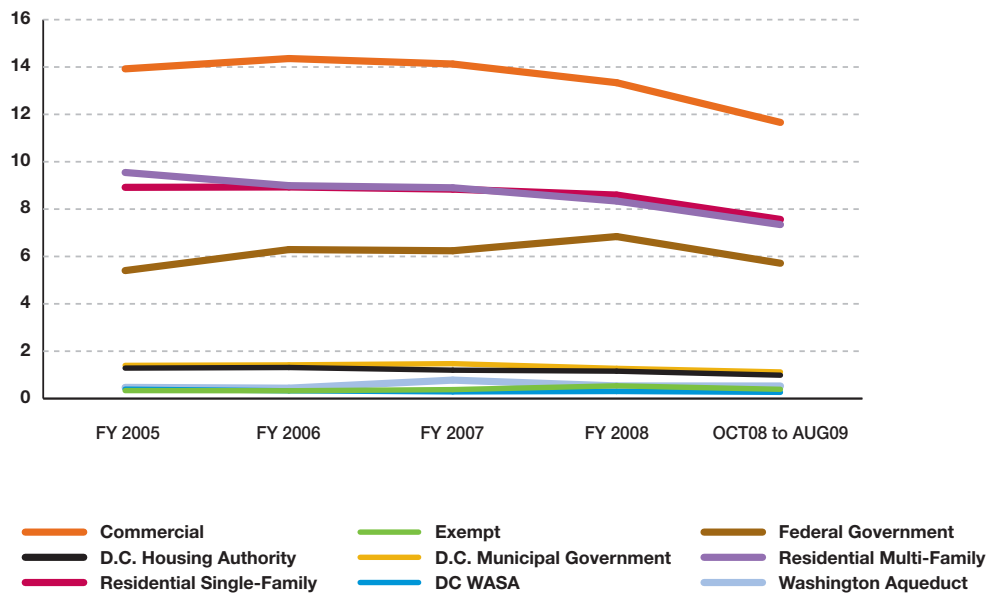
- Washington Suburban Sanitary Commission (WSSC) declined 3.5 percent in 2009
- Arlington County declined 2.3 percent in 2009
- Loudoun Water declined 7 percent in 2009
- Fairfax County Water declined 5 percent in 2009

The charts below show water consumption trends and declines by year and customer type.

**FY 2005–FY 2009 Total Retail Water Consumption by Year (Millions of Ccf)**



**FY 2005–FY 2009 Annual Retail Water Consumption by Customer Type (Millions of Ccf)**





### Area Characteristics:

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

### Climate and Weather: Median Household Income:

**Average Temperature:**

- Winter – 37 degrees F
- Spring – 56 degrees F
- Summer – 75 degrees F
- Fall – 60 degrees F

2007 - \$54,317

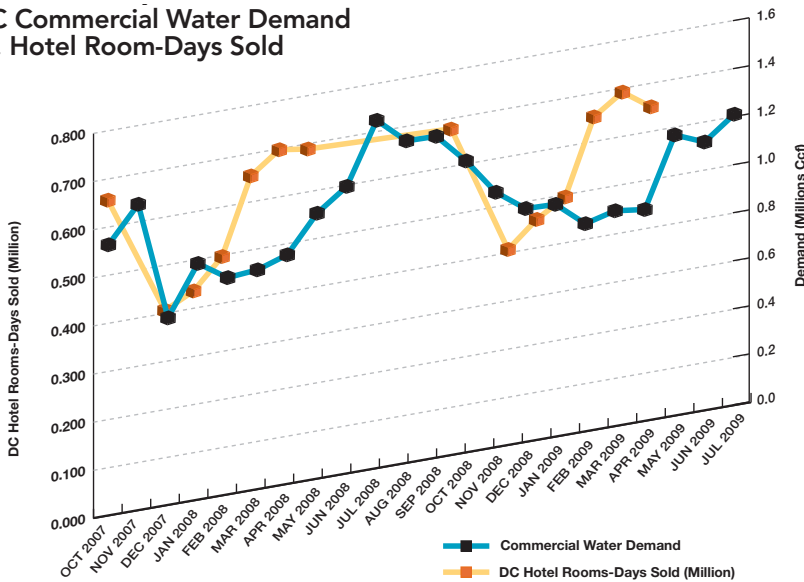
### Median House Value:

2007 - \$450,900

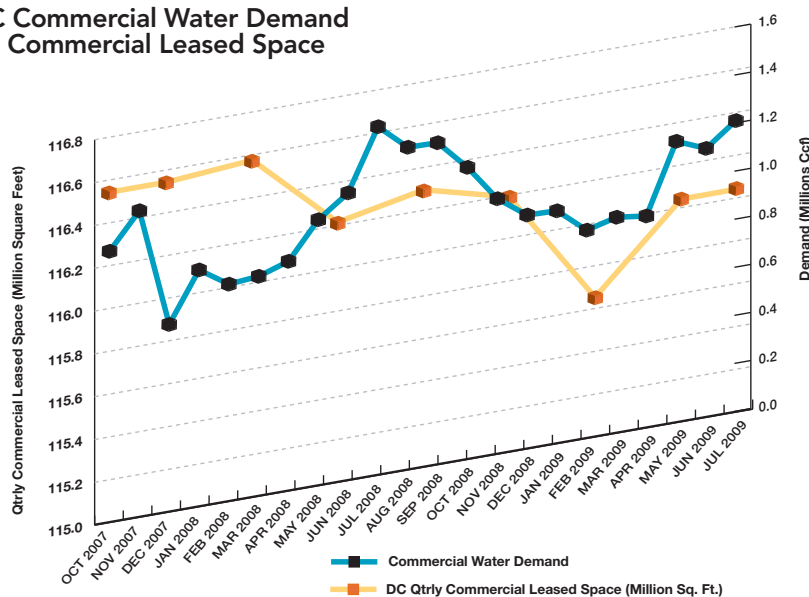
## Profile and Regional Demographics

At DC WASA, identifying and understanding customer requirements is a strategic component of our planning process. Therefore, we must be sensitive to the local economy in terms of socio-political and macro-economic trends. DC WASA's retail customers include: Residential, Commercial and Multifamily, (which is the largest base), Federal Government, District Government, and the DC Housing Authority. There are nearly 600,000 residents in the District of Columbia living in approximately 284,000 households and merely 134,000 customers with the responsibility to pay for the majority of operations, maintenance and replacement of water and sewer infrastructure throughout Washington, DC. Compared to the additional 1.6 million living throughout the DC WASA service area and using a small portion of the wastewater collection and larger portion of the treatment facilities, there are fewer customers to share the burden of the aging infrastructure assets serving the residents, visitors and governmental entities in Washington, DC. The FY 2011 budget incorporates trends and statistics impacting the District and the region.

**DC Commercial Water Demand vs. Hotel Room-Days Sold**



**DC Commercial Water Demand vs. Commercial Leased Space**



## Employment Within the District

The economic downturn has impacted all customer sectors, demonstrated through above average unemployment rates in the District and surrounding jurisdictions, and local government layoffs and commercial closings throughout FY 2009. In addition, approximately 15.7 percent of the families in Washington, DC live at or below the poverty level. However, federal employment is a major economic driver within the region and is trending upwards (see charts at right).

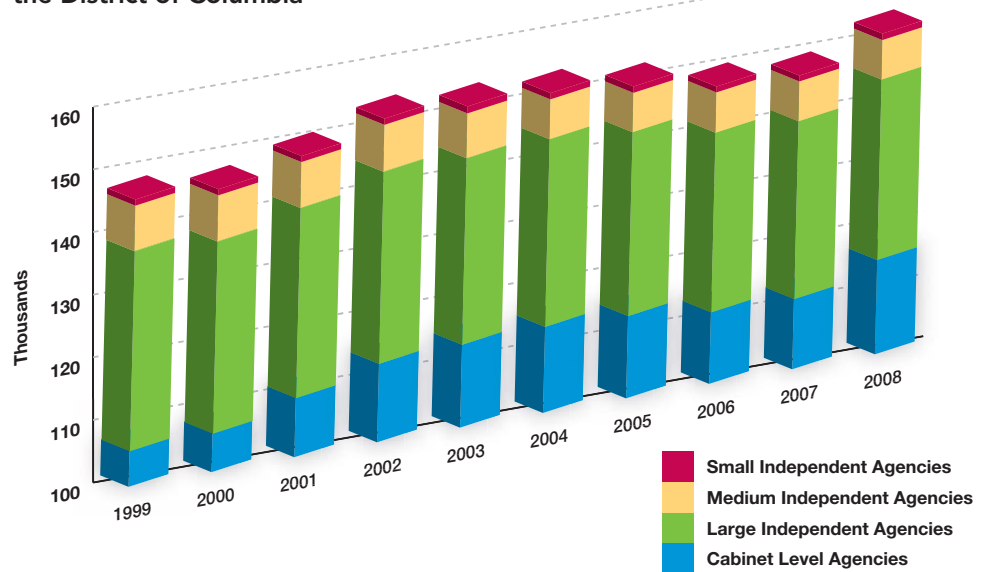
## Economic Indicators

While the Census Bureau recently noted that the DC metropolitan region had several jurisdictions within the top 10 wealthiest communities in the United States in 2008, unemployment continues to rise. These statistics appear to correlate with trends such as lower metro rail ridership (fewer employees coming into the District for jobs), and higher commercial leased vacancy rates. However, tourism appears stable as demonstrated by strong hotel vacancy rates and solid restaurant patronage in downtown Washington, DC.

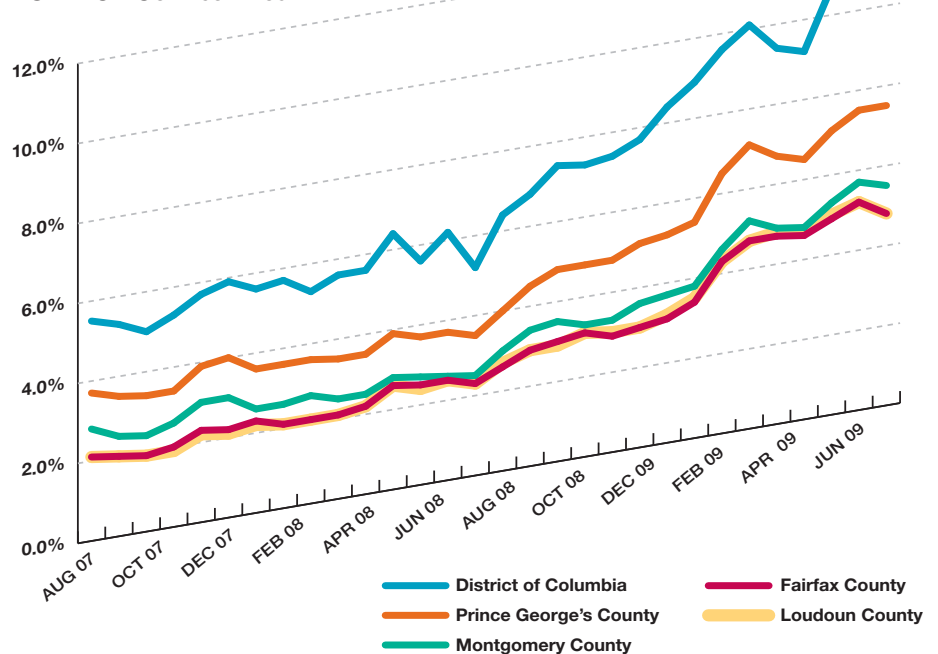
There appears to be a direct correlation between the economic downturn and declines in water consumption. The economic downturn

includes an above average unemployment rate in the District of Columbia from May 2008 to July 2009. Other comparable large cities appear to demonstrate similar patterns. However Federal employment, a major economic driver in the region, is trending upwards.

**Annual Federal Employment in the District of Columbia**

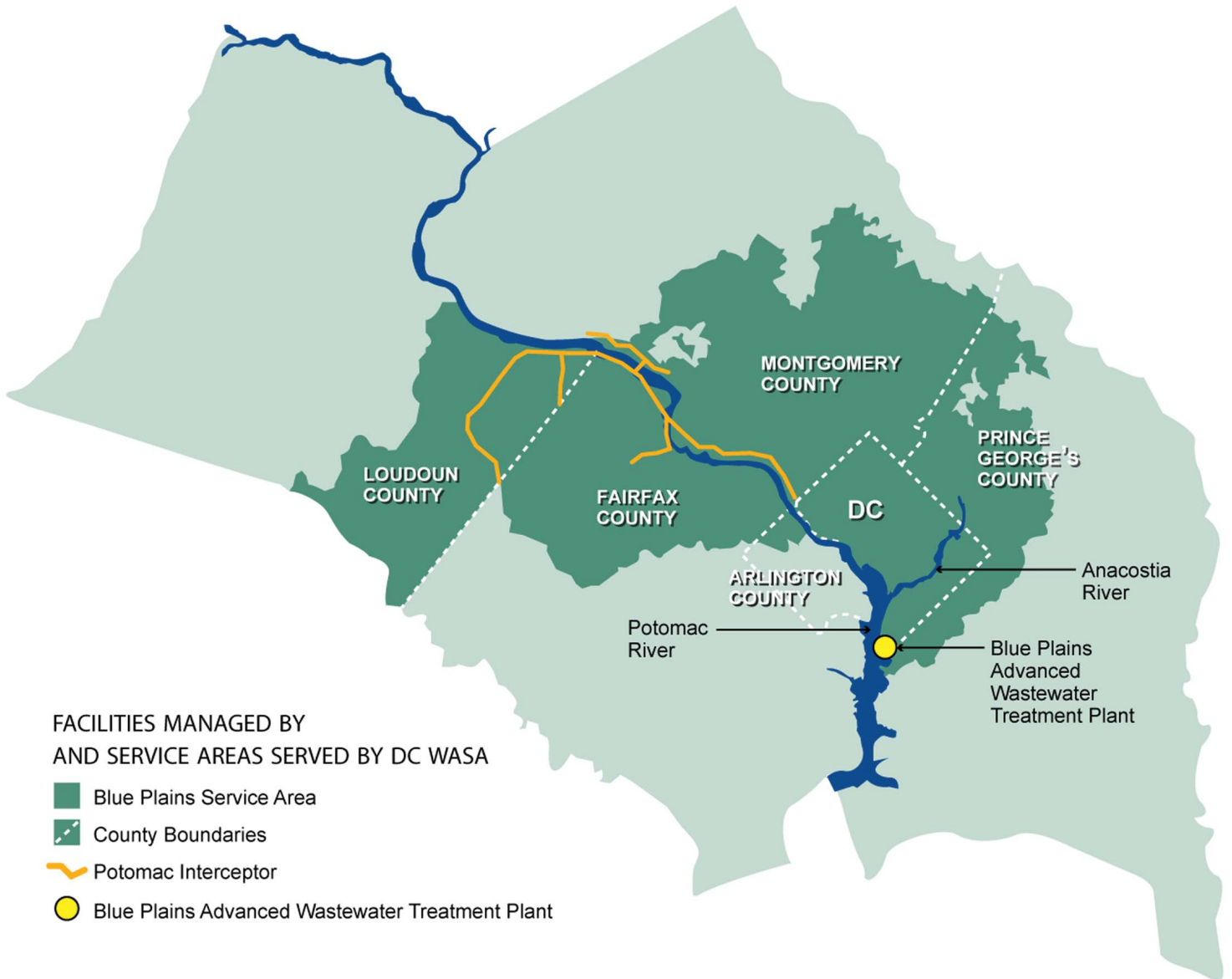


**Unemployment Rates in DC WASA Service Area**





# DC WASA Service Area





# Operating Budget Highlights

## A Challenging Budget Framework

### The revised FY 2010 and approved FY 2011 Operating Budgets were developed in a challenging fiscal environment

due to a precipitous decline in consumption, a fast depleting Rate Stabilization Fund, an economic recession; and the Board's desire to keep rate increases to a minimum.

DC WASA made some difficult choices, to continue to maintain the great strides it has made in its internal improvement of operations, stabilizing its finances, and focusing on more efficient service delivery to our customers. The revised 2010 fiscal year budgets of \$382.3 million and \$302.5 million for operating and capital disbursements, respectively, represents our commitment to investing in performance and the relevant assets to sustain our world-class operations. Additionally, we have a ten-year (FY 2009 – FY 2018) Capital Improvement Program totaling \$3.8 billion in cash disbursements.

## Operations

### Management's Top Operating Initiatives

#### Water System Initiatives

- Continue high level emergency response time
- Improve the Valve Exercise Program
- Continue enhancements of water quality operations with focus on
  - *Regulatory Compliance*
  - *Maintaining high water quality standards*
  - *Reservoir maintenance and upgrades*
  - *Water conservation initiative and outreach*

#### Wastewater System Initiatives

- Maintain full compliance with the National Pollutant Discharge Elimination Systems (NPDES) Permit
- Continue to minimize plant and biosolids odor

#### Other Management Initiatives

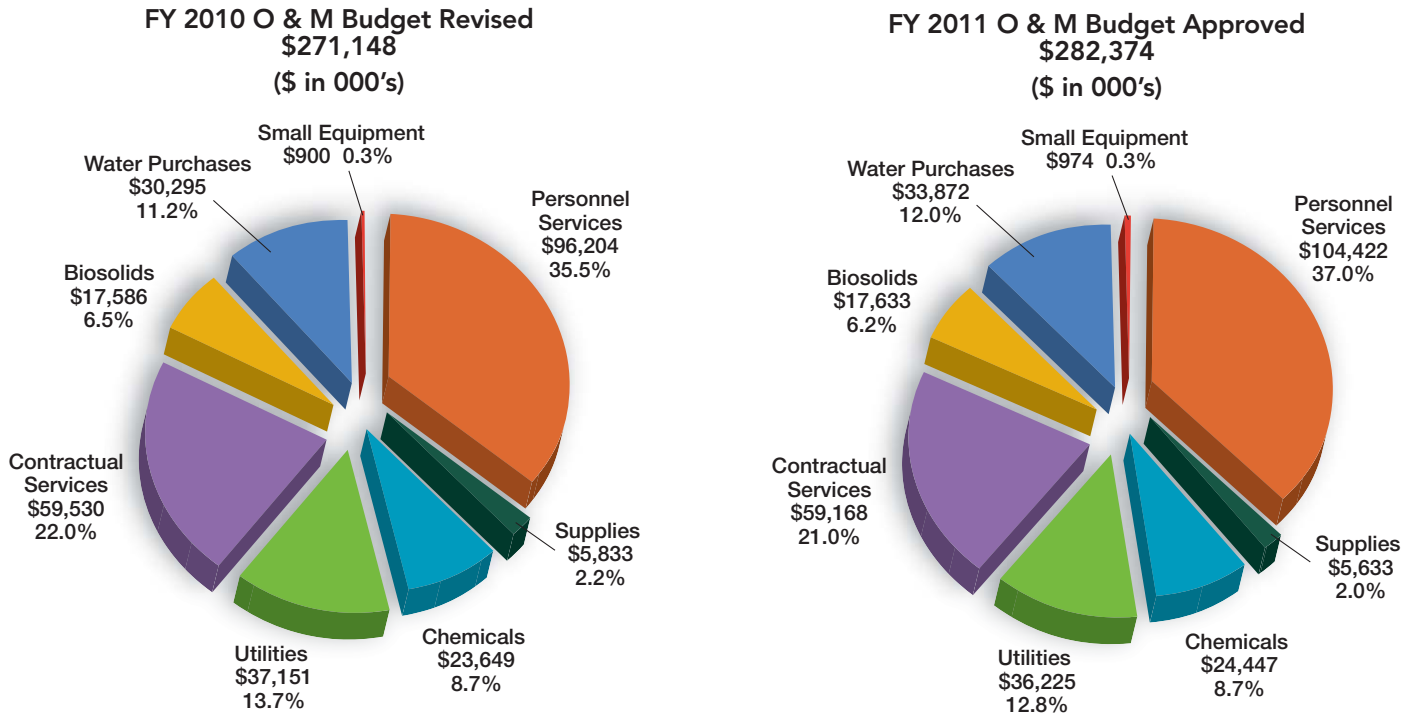
- Improve fleet fuel efficiency
- Improve permit process review
- Enhance customer access through website and social media
- Expand Customer Assistance Program (CAP)

### FY 2010 / 2011 Operating Budgets Summary

The following highlights the FY 2010/2011 operating budget. Detailed descriptions and tables can be found in the full revised FY 2010 and approved FY 2011 operating budget book available online at [www.dcwasa.com](http://www.dcwasa.com).

- Revised FY 2010 operating budget totals \$382.3 million
- Adopted FY 2011 operating budget totals \$408.1 million
- Proposed FY 2011 water and sewer rate increase of \$0.77 to \$6.89 per Ccf
- Proposed FY 2011 monthly Impervious Area Charge (IAC) adjustment to \$3.45 per Equivalent Residential Unit (ERU)
- Proposed 2011 PILOT fee increase of \$0.06 to \$0.49 per Ccf
- ROW fee remains same at \$0.14 per Ccf
- Proposed Customer Metering fee \$3.86 for a 5/8 inch meter (typical size of a residential customer meter) to \$349.06 for larger meters (typically used for large commercial customers)

The following charts provide comparative views of expenditures between FY 2010 and FY 2011 by category (\$ in 000's).



The table below provides a comparative view of DC WASA's operating expenditures from FY 2009 to FY 2011 by line item detail.

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

Operating	FY 2009 Actual	FY 2010 Approved	FY 2010 Revised	FY 2011 Approved	% CHANGE FY 10-FY 11
Personnel Services	91,757	96,493	96,204	104,422	8.5%
Contractual Services	64,513	77,053	77,116	76,801	-0.4%
Water Purchases	25,371	29,395	30,295	33,872	11.8%
Chemicals and Supplies	27,781	29,172	29,482	30,080	2.0%
Utilities	32,813	41,842	37,151	36,225	-2.5%
Small Equipment	526	791	900	974	8.2%
Lead Abatement Program	-	1,000	-	-	-
<b>Subtotal O &amp; M Expenditures</b>	<b>242,761</b>	<b>274,746</b>	<b>271,148</b>	<b>282,374</b>	<b>4.1%</b>
Debt Service	74,777	98,290	90,685	103,354	14.0%
Payment in Lieu of Taxes (PILOT)	14,083	15,487	15,347	17,265	12.5%
Right of Way Fees (ROW)	5,100	5,100	5,100	5,100	0.0%
<b>Total Operating Expenditures</b>	<b>336,721</b>	<b>393,623</b>	<b>382,279</b>	<b>408,093</b>	<b>6.8%</b>
Personnel Services charged to Capital Projects	(9,509)	(8,400)	(9,300)	(10,000)	7.5%
<b>Total Net Operating Expenditures</b>	<b>327,212</b>	<b>385,223</b>	<b>372,979</b>	<b>398,093</b>	<b>6.7%</b>

The following table summarizes DC WASA's budget and positions by operating area.

### Summary of Operating Budget and Positions by Department (\$ in 000's)

	BUDGET				POSITIONS			
	FY 2009 Actual	FY 2010 Approved	FY 2010 Revised	FY 2011 Approved	FY 2009 Actual	FY 2010 Approved	FY 2010 Revised	FY 2011 Approved
<b>OPERATIONS</b>								
Wastewater Treatment	\$ 78,990	\$ 86,873	\$ 82,432	\$ 82,776	107	125	125	125
Water Services	47,175	53,101	54,078	58,307	156	170	173	173
Sewer Services	17,021	20,622	19,750	20,854	149	159	159	159
Maintenance Services	22,603	23,284	19,076	19,739	126	178	139	139
Water & Sewer Pumping Services	847		4,697	4,715	29		33	33
Engineering & Technical Services	14,051	14,474	14,717	16,806	110	122	125	147
Long Term Control Plan		560	403	583			4	10
Permits			800	704			3	3
Customer Service	13,182	14,962	14,919	15,342	113	123	123	123
Lead Abatement Program	0	0	0	0				
<b>Subtotal Operations</b>	<b>\$193,869</b>	<b>\$213,876</b>	<b>\$210,872</b>	<b>\$219,828</b>	<b>790</b>	<b>877</b>	<b>884</b>	<b>912</b>
<b>ADMINISTRATION</b>								
General Manager	1,884	3,708	3,636	3,715	6	9	10	12
Office of the Secretary	419	554	607	594	2	2	2	2
Internal Audit	444	835	783	790	1	4	-	-
Finance and Budget	6,230	6,991	7,343	7,631	41	43	43	45
Risk Management	3,895	6,726	6,478	6,444	3	3	3	4
General Counsel	5,560	5,136	5,078	5,523	10	14	14	14
Public Affairs	1,372	1,529	1,433	1,771	8	8	8	9
Information Technology	6,996	9,912	9,513	9,817	12	24	20	24
Assistant General Manager – Support Services	199	480	400	414	2	3	2	2
Human Resources	4,092	4,663	4,653	4,936	21	23	23	24
Facilities Management	6,108	6,261	6,278	6,517	56	58	58	59
Procurement & Materiel Management	3,167	4,332	4,218	4,217	33	38	38	38
Safety and Security	4,901	5,516	5,726	5,961	10	13	13	14
Fleet Management	3,625	4,227	4,130	4,214	5	5	6	6
<b>Subtotal Administration</b>	<b>\$ 48,892</b>	<b>\$ 60,870</b>	<b>\$ 60,276</b>	<b>\$ 62,546</b>	<b>210</b>	<b>247</b>	<b>240</b>	<b>253</b>
<b>Subtotal – Operation &amp; Maintenance (O&amp;M)</b>	<b>\$242,761</b>	<b>\$274,746</b>	<b>\$271,148</b>	<b>\$282,374</b>	<b>1,000</b>	<b>1,124</b>	<b>1,124</b>	<b>1,165</b>
Debt Service	74,777	98,290	90,685	103,354		-		
Payment in Lieu of Taxes (PILOT)	14,083	15,487	15,347	17,265		-		
Right of Way (ROW)	5,100	5,100	5,100	5,100				
<b>Total O &amp; M Expenditures</b>	<b>\$336,721</b>	<b>\$393,623</b>	<b>\$382,279</b>	<b>\$408,093</b>	<b>1,000</b>	<b>1,124</b>	<b>1,124</b>	<b>1,165</b>
Personnel Services charged to Capital Projects	-9,509	-8,400	-9,300	-10,000				
<b>Total Net Operating Expenditures</b>	<b>\$327,212</b>	<b>\$385,223</b>	<b>\$372,979</b>	<b>\$398,093</b>	<b>1,000</b>	<b>1,124</b>	<b>1,124</b>	<b>1,165</b>



## FY 2011 Operating Budget Major Cost Drivers

The FY 2011 approved budget increased by \$25.8 million or 6.8 percent over the FY 2010 revised budget due to the following drivers:

- **Debt Service – increase of \$12.7 million or 14.0 percent over the FY 2010 revised budget**

Continues to be the fastest growing operating expenditure line item, attributable to increase costs of the CIP, with a projected average increase of 15.5 percent

- **Personnel Services – increase of \$8.2 million or 8.5 percent over the FY 2010 revised budget**

Due to increased wages and personnel, fringe benefits, rising health care and dental costs, and cost of living adjustments for bargaining unit employees

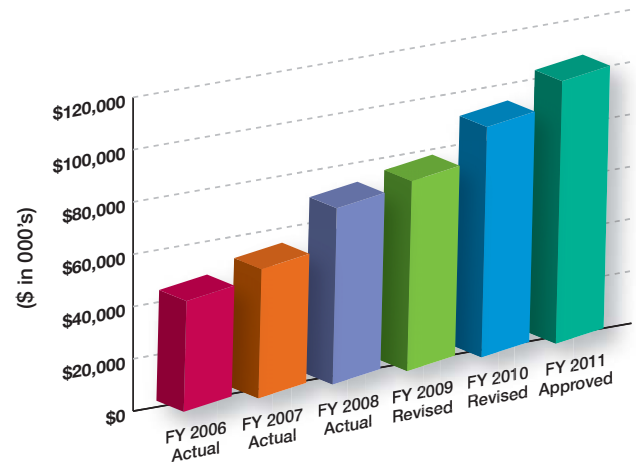
- **Water Purchases – increase of \$3.8 million or 11.8 percent over the FY 2010 revised budget**

Due to increases in chemical costs and DC WASA's share of the increasing operational expenditures of the Washington Aqueduct

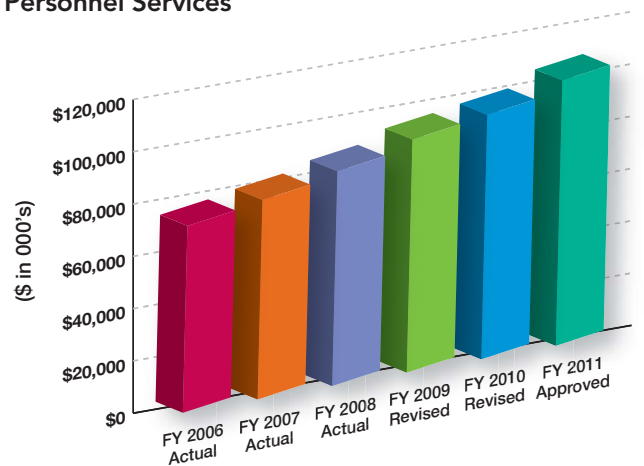
- **Payment in Lieu of Taxes – increase of \$1.9 million or 12.5 percent over the FY 2010 revised budget**

Associated with increase in water rates and is paid to the District of Columbia per a Memorandum of Understanding (MOU) between DC WASA and DC CFO

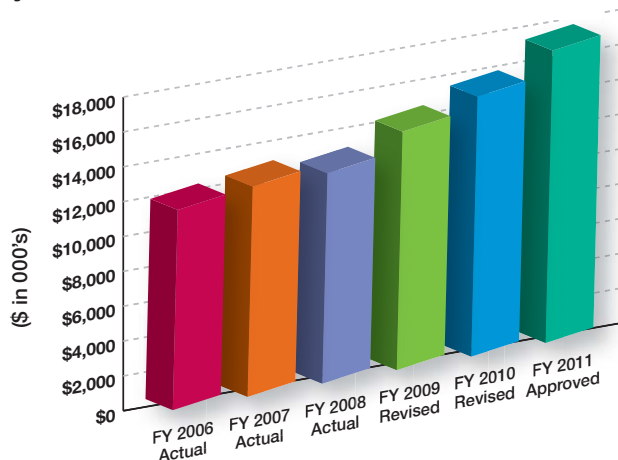
Debt Service



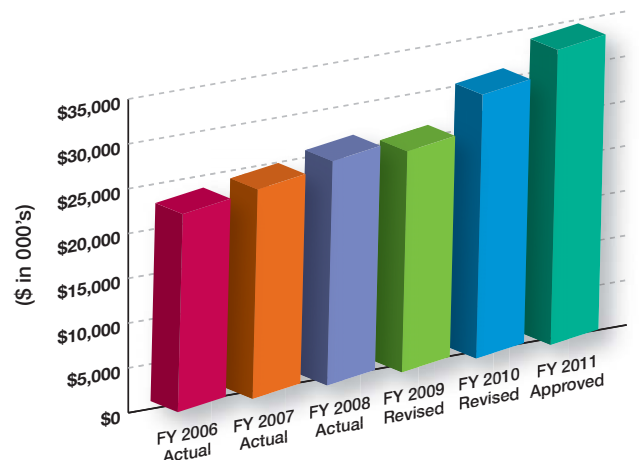
Personnel Services



Payment in Lieu of Taxes (PILOT)



Water Purchases





# Environmental Management Initiatives

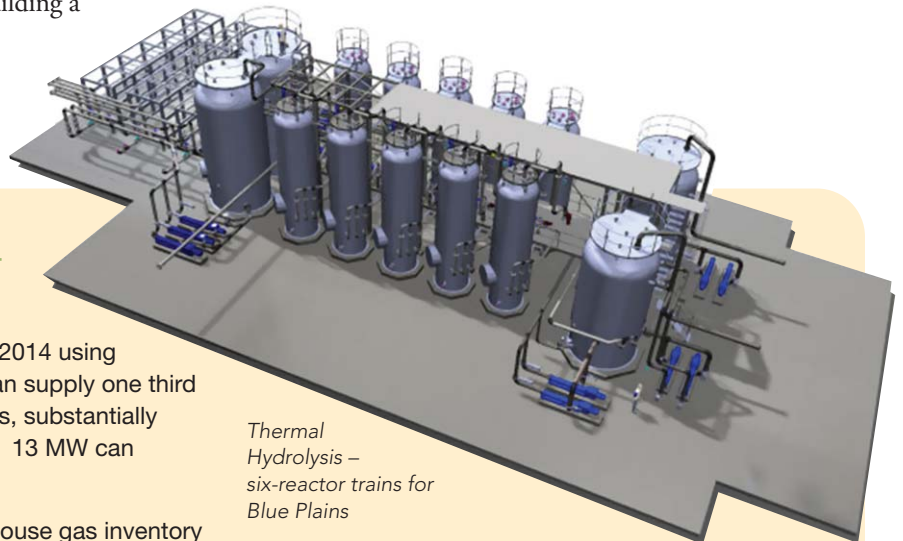
## A Commitment to Sustainable and Green Infrastructure

**DC WASA is an environmental steward** and recognizes the importance of leading the industry on sustainable ecological improvements.

The FY 2011 approved budget emphasizes our commitment to “green” initiatives by allocating billions of dollars in resources. The ten-year CIP includes: more than \$1 billion in disbursements for the Combined Sewer Overflow Long Term Control projects and nearly \$800 million in the Blue Plains Total Nitrogen Program, both of which help improve the health of our surrounding waterways. In addition, DC WASA will invest more than \$400 million in building a digestion facility. This facility will significantly reduce DC WASA’s carbon footprint.

## Digester Project

DC WASA’s Blue Plains Advanced Wastewater Treatment Plant (AWTP) can treat up to 370 million gallons of wastewater daily from the metropolitan Washington, DC area. It is the largest advanced wastewater treatment plant in the world. Currently Blue Plains Advanced Wastewater Treatment Plant processes approximately 1,162 tons per day of biosolids. These biosolids are removed from the plant and transported to various locations in Maryland and Virginia for land application. A new program is being developed for the AWTP to replace the current biosolids processes with two new processes: Thermal Hydrolysis and Anaerobic Digestion.



*Thermal Hydrolysis – six-reactor trains for Blue Plains*

### Project Benefits:

- Produce 13 megawatts (MW) of clean, renewable electricity (Green power) in 2014 using excess digester gas: this can supply one third of Blue Plains’ energy needs, substantially reducing the cost of power. 13 MW can power 26,000 homes!
- Reduce DC WASA’s greenhouse gas inventory by 130,000 to 160,000 metric tons of CO<sub>2</sub>e per year.
- Reduce biosolids production by half, providing savings of approximately \$16 million per year beginning in FY 2014 (savings including biosolids hauling and reuse, personnel, chemicals, contracts and energy costs).
- Produce a class A, stable product for beneficial agricultural reuse.
- Significantly reduce air emissions from electricity and natural gas usage at Blue Plains AWTP.

This new digester project, with a \$444.4 million lifetime budget, includes the construction of four thermal hydrolysis trains, four digesters, new dewatering equipment and combined heat and power. A combined heat and power facility in the Biosolids Program (CHP) will burn digester gas in gas turbines (GTs) followed by heat recovery steam generators (HRSGs) and possibly steam turbines (STs). A steam boiler will be provided to ensure steam production. Steam will heat the Thermal Hydrolysis/Anaerobic Digestion process and could replace existing natural gas heaters currently used at the AWTP and begin centralized steam heating.

This project will benefit the residents of Prince George’s and Montgomery Counties in Maryland, Fairfax and Loudoun Counties in Virginia, and the District of Columbia. In total, 2.2 million people are currently served by the Blue Plains AWTP. This is estimated to grow to 2.7 million in year 2030. The CHP will reduce air emissions in the entire DC metropolitan area with its population of 4.5 million people due to the highly efficient gas/steam turbines with low emissions. Energy costs will be reduced for DC WASA customers.

## CSO Long-Term Control Plan (CSO LTCP)

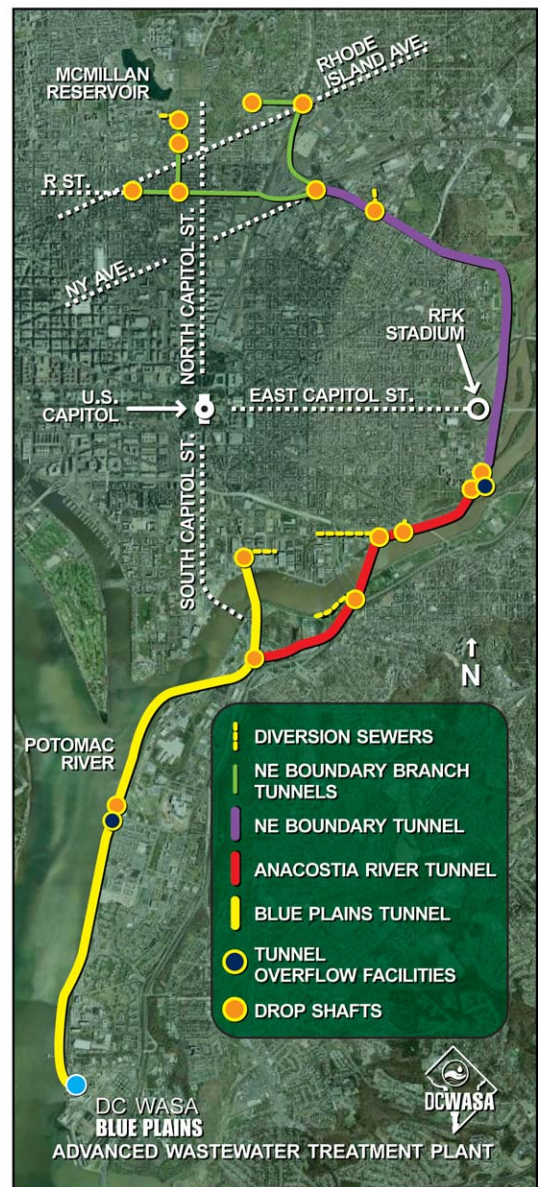
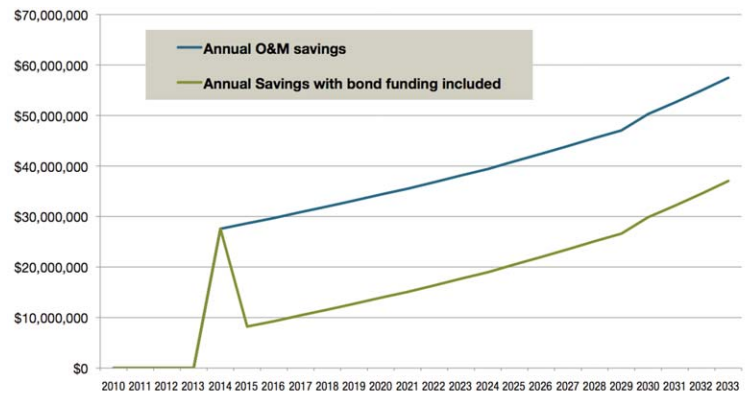
### Will Reduce CSOs By 96% When Completed

This is a twenty-year, federally mandated program totaling \$2.6 billion. Once complete, this project is expected to reduce CSOs by 96 percent overall.

#### Key Project Components

- \$1.7 billion 11-mile tunnel system to control Anacostia River overflows with first phase of project completion by FY 2018
- \$419 million three-mile tunnel system to control Potomac River overflow with project completion by FY 2025
- \$70 million one-mile tunnel system to control Piney Branch and Rock Creek overflows with completion by FY 2025

### Estimated Annual Savings Due to New Digestion Project at Blue Plains AWTP-DC WASA



Map above outlines tunnel route for the first phase of the CSO LTCP.

**Twenty-Year Spending Plan**

- \$30.9 million to approximately \$170 million annually from FY 2009 to FY 2018, including the nine-minimum controls projects
- \$80 million to \$240 million annually from FY 2018 to FY 2025

Project completion is expected by December 2014, prior to the anticipated permit date of January 2015.

**Blue Plains Total Nitrogen Program (BTN)**

This project (with a lifetime budget of \$977.0 million) is in the current 10-year CIP to meet denitrification requirements at Blue Plains (nearly \$800 million to be spent within the 10-year CIP).

The project provides new facilities and upgrades to existing facilities to meet the total nitrogen discharge limit under DC WASA’s NPDES permit. It also improves the quality of discharge to the Potomac River during wet weather events.

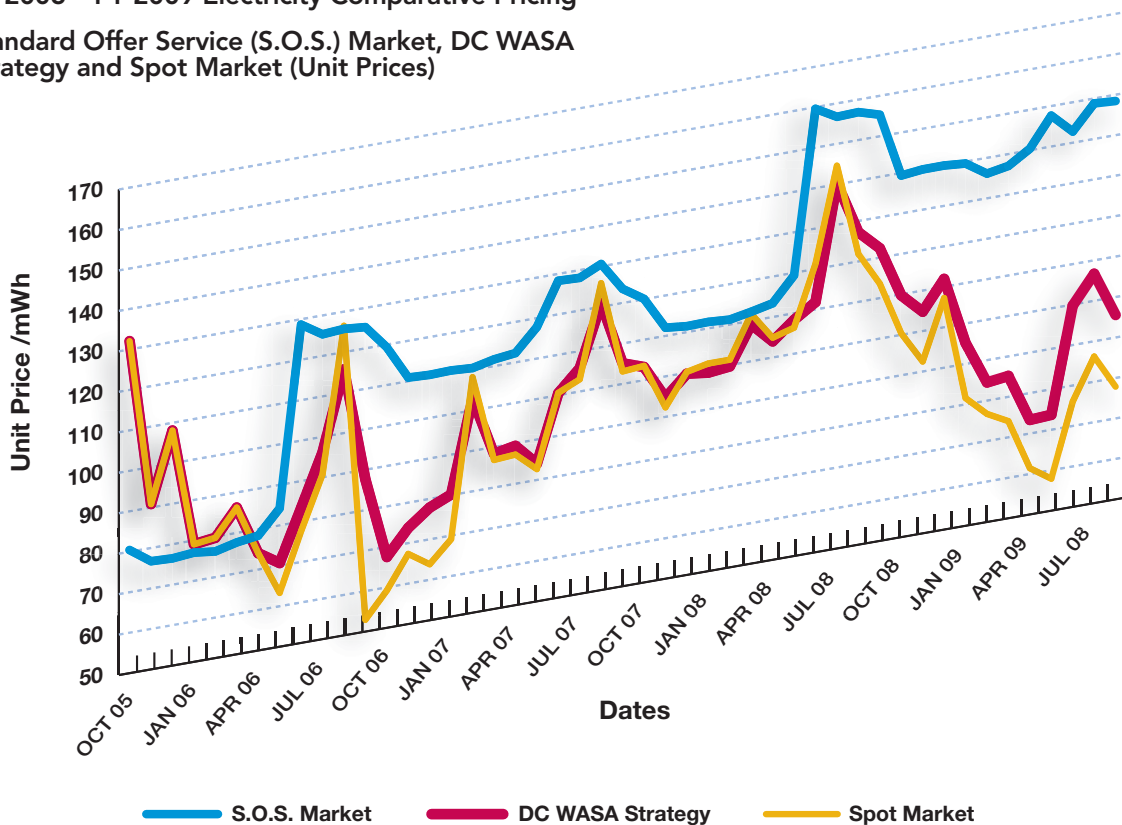
Site preparation and award of the first construction contract is anticipated in FY 2010.

**Energy Pricing and Conservation Initiatives**

Electricity continues to represent a significant portion of the operating costs for DC WASA, budgeted at \$29.3 million, or 11 percent of the \$271.1 million revised FY 2010 operations and maintenance budget. As the graph below depicts, electricity pricing has shown its first decline since its continuous rise from 2005 to 2008. Our view is that the slight decline in electricity prices is temporary because the underlining drivers of price remain intact (deregulated market, rising oil prices tied to global economic recovery and the associated demand for natural gas and oil, increasing extremes in weather patterns and a pending tariff rate case to increase local and regional transmission and grid charges).

**FY 2006 – FY 2009 Electricity Comparative Pricing**

**Standard Offer Service (S.O.S.) Market, DC WASA Strategy and Spot Market (Unit Prices)**

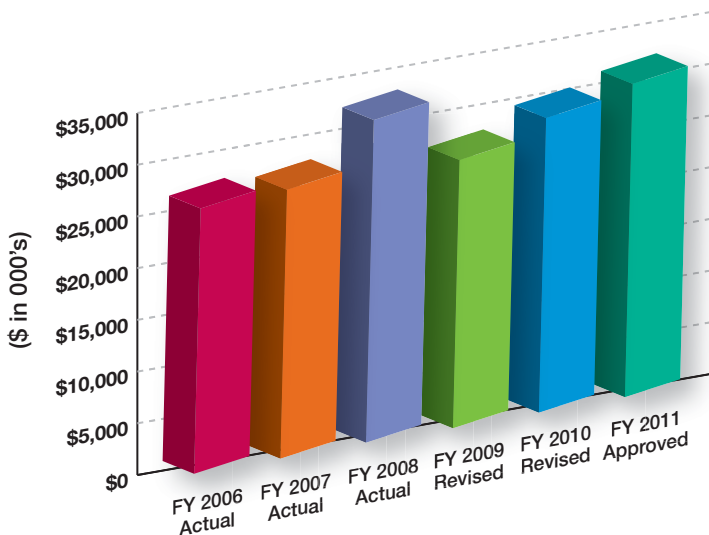




Since entering into its first five-year electricity contract for generation services in the deregulated environment, DC WASA has employed the flexibility to lock in blocks of power at a fixed price. In FY 2011, we will lock the majority of our electricity load to provide price stability and reduce potential budget risks.

DC WASA continues its environmental stewardship by implementing environmentally responsive and responsible policies and programs. These actions protect the region's waterways, air, and land. In FY 2009, we established a Carbon Footprint Steering Committee and an Energy Steering Team, both led by our Energy Manager. By the close of FY 2009, the carbon footprint inventory was completed as a part of the District of Columbia governmental sector carbon footprint inventory using 2006 as the base year. Additionally, DC WASA has completed its carbon footprint inventories for 2007 and 2008, respectively, in compliance with The Climate Registry's General Reporting Protocol. These inventories will serve as the baseline in establishing carbon footprint reduction goals, a specific Board strategic critical success factor. A comprehensive energy audit is now underway and will be completed by the end of FY 2010.

### Electricity Costs



## Energy Strategies

Blue Plains is the largest single-point user of electricity in the region. How we manage energy use is a major challenge and an opportunity. In order to decrease our carbon footprint, we are undertaking or considering many strategies, including:

- Installation of solar panels at pumping stations
- On-site generation of electricity or cogeneration
- Conducting an energy audit
- Partnering with local electric provider PEPCO on rebate programs
- Adopting strategies to reduce vehicle emissions

## A Commitment to Sustainable and Green Infrastructure

### Low-Impact Development

In recent years, DC WASA has incorporated Low-Impact Development (LID) and other “green” measures in upgrades at several of its facilities, including the Bryant Street Pumping Station, at the East Side Pumping Station and within two cloverleaves of the overpass system at North Capitol and Irving Streets, NW. At the East Side Pumping Station, glass block windows were incorporated for natural lighting for improved energy efficiency; and asphalt was replaced with landscaping to minimize runoff. We have included porous pavers and a “Bay Saver” area that collects and filters out trash and solids from runoff discharging to the Anacostia River.

## Other Green Activities

DC WASA is a large organization and a major power user with a number of facilities and a substantial fleet operation. We therefore pursue a range of strategies to better protect the environment.

### DC WASA Skimmer Boat Operations

DC WASA operates two skimmer boats on the Anacostia and Potomac Rivers to help keep them clean by removing floating trash and debris from stormwater runoff and combined sewer overflows. These boats travel 60 miles of shoreline, removing 400 tons of trash each year. DC WASA also provides the skimmer boats in partnership with organizations for periodic clean-up efforts, such as the Alice Ferguson Foundation's Trash Free Potomac, or the Anacostia Watershed Society's Earth Day clean-up.

### Water Conservation Program

DC WASA has a full-time team of community outreach staff and a traveling display to demonstrate practices and equipment that conserve water. The staff distributes out conservation literature in partnership with the Chesapeake Bay Foundation for its Eco Tour. We have previously partnered with the Capital Region Eco Force to deliver outdoor education programs to school children. Other venues where DC WASA provides exhibits include the World Bank, Library of Congress, the Department of U.S. Health and Human Services and Joint Utility Discount Day (JUDD).

DC WASA's publications also alert consumers to water conservation issues and ways they can lessen their impact on the environment. DC WASA developed a seven-minute video named *Water Use It Wisely* that discusses the water cycle and the critical need in densely populated cities to conserve water.

### Fleet- Fuel Efficiency

Currently, 40 vehicles in the DC WASA fleet of 583 use alternative fuel. The alternative fuel vehicles include E85 fuel and compressed natural gas sedans; nine gas/compressed natural gas full-size pickup trucks and 29 ethanol-powered compact pickup trucks.

We continue to monitor the industry and investigate the availability and suitability of alternative fuels for our fleet, and we continue to look for environmentally friendly alternatives when purchasing new and replacement vehicles. Many of the larger trucks may be able to run on biodiesel fuel.

When replacing vehicles, we will use smaller, more fuel-efficient vehicles when possible by "right-sizing", meaning that vehicles meet the exact need of every job. In addition, we are replacing older gas guzzlers with more fuel efficient vehicles. For example, SUVs are being replaced by Chevrolet HHR Crossovers; mid-size pickups are replacing full-size pickups; and four-cylinder engines are replacing V6 and V8 engines. The result: the Authority saved more than 25,000 gallons of fuel in the first six months of 2009. Also, older trucks are being replaced with new trucks that meet tougher emission standards that went into effect in the 2007 model year.

### **Patented Technology Alerts Customers to High Water Consumption**

DC WASA developed and copyrighted technology that enables consumers to sign-up for email or phone alerts to let them know when their water usage spikes considerably over a four-day period. By leveraging the Automated Meter Reading (AMR) technology, the program may be the first warning for residents and business owners that they have a leak or plumbing problem. This can save hundreds of gallons of water and hundreds of dollars.

### **Recycling**

In 2009, DC WASA launched an expanded office recycling program to recycle plastic and glass bottles and cans, mixed paper (white, newspaper, colored, etc.), cardboard, plastic, shredding paper and toner cartridges. The recycling program is in the process of expanding to include dry cell batteries, aerosol containers, wooden pallets, and cafeteria products.

We also recycle various metals (water meters, fire hydrants, etc.), nickel cadmium batteries, used mercury ampules, fluorescent light tubes, oil filters, used automotive oil, alternators, starters, tires, anti-freeze and biosolids from the wastewater.

### **Partnerships**

DC WASA participates in partnerships and community collaborations. For instance, the Authority is partnering with the District Department of the Environment (DDOE) and Department of Parks and Recreation (DPR) to restore Pope Branch and Watts Branch, to make them vibrant parts of the community.

Specifically, DC WASA will relocate the sanitary sewer and redesign storm sewers to minimize erosion. For Pope Branch, the vision is to create a small wetland for drainage and an educational experience for the surrounding community.

# Capital Improvement Program (CIP)

**Development of DC WASA's Capital Improvement Program (CIP) budget was especially challenging this year** as we strived to strike a balance between the resources required to meet the Authority's stringent regulatory requirements, maintain and sustain its aging infrastructure and the impact that higher rates will have on our customers during these difficult financial times. The FY 2009-2018 CIP provides a

framework for the development, prioritization, implementation and measurement of the capital projects undertaken.

The financial summary of the FY 2009-2018 CIP is:

- The Ten-Year (CIP) totals \$3.8 billion (cash disbursements basis)
- Lifetime budget is \$7.5 billion
- Capital Authority request is \$382.2 million

A more detailed description of major CIP changes and program details can be found within the Revised FY 2010 and Approved FY 2011 operating budget book online at [www.dcwasa.com](http://www.dcwasa.com).

## FY 2009 – FY 2018 Capital Improvement Program (In \$000's)

Program Area	Total Disbursement Budget	Total Project Lifetime Budget
Wastewater Treatment	1,572,746	2,594,895
Sanitary Sewer	395,557	700,357
Combined Sewer Overflow	1,080,116	2,696,269
Stormwater	21,540	58,743
Water	555,278	1,202,923
Washington Aqueduct	92,728	186,634
Capital Equipment	98,546	98,546
<b>Total</b>	<b>3,816,511</b>	<b>7,538,367</b>

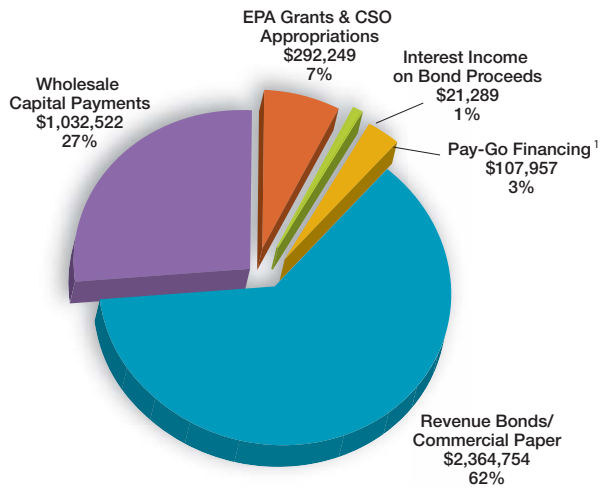
## FY 2009 – FY 2018 Projected Capital Improvement Plan – Annual Disbursements (In \$000's)

	FY 2009 Actuals	FY 2010 Revised	FY 2011 Approved	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	Total FY '09-'18
Wastewater Treatment	\$102,253	\$115,486	\$204,079	\$365,530	\$335,213	\$128,115	\$ 80,253	\$113,265	\$ 85,430	\$ 43,122	<b>\$1,572,746</b>
Sanitary Sewer	21,541	18,593	47,585	36,654	44,261	55,631	44,288	39,905	43,587	43,512	<b>395,557</b>
Combined Sewer Overflow/ Long Term Control Plan	30,911	74,367	53,128	92,159	163,855	108,652	124,692	171,996	172,296	88,060	<b>1,080,116</b>
Stormwater	1,378	2,121	3,599	3,489	2,769	2,091	1,421	1,486	1,528	1,659	<b>21,540</b>
Water	66,074	65,687	54,061	47,575	50,643	58,144	49,989	44,892	58,943	59,270	<b>555,278</b>
Washington Aqueduct	18,596	10,634	7,920	7,500	8,055	8,023	8,000	8,000	8,000	8,000	<b>92,728</b>
Capital Equipment	13,883	15,618	13,288	12,638	8,097	6,795	7,175	6,928	6,953	7,171	<b>98,546</b>
<b>Total DC WASA Capital Improvement Program</b>	<b>\$254,636</b>	<b>\$302,506</b>	<b>\$383,660</b>	<b>\$565,545</b>	<b>\$612,893</b>	<b>\$367,451</b>	<b>\$315,818</b>	<b>\$386,472</b>	<b>\$376,737</b>	<b>\$250,793</b>	<b>\$3,816,511</b>

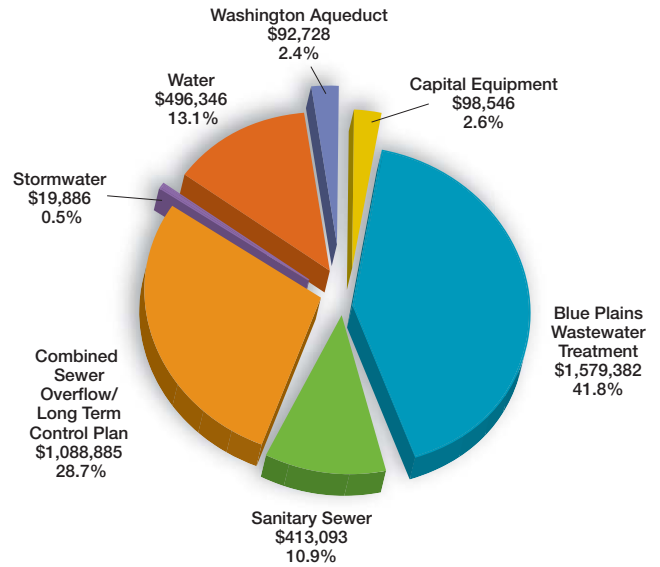


## FY 2009 – FY 2018 CIP Budget (Total = \$3,816,511)

Sources of Funds (In \$000's)



Uses of Funds (In \$000's)



(1) Pay-Go financing is any funds available after funding the greater of 120 day or \$125.5 million operating and maintenance reserve. These transfers reduce the amount of new debt issuance.

### CIP Developed Based on Demonstrated Needs – Prioritization of Projects (\$ in 000's)

Category	Mandates	Health & Safety	Board Policy	Potential Failure	High Profile/Good Neighbor	Good Engineering Practices/High Payback	Good Engineering Practices/Low Payback	Total
	Description	Required to address public health and safety	Undertaken as a result of the Board's commitment to outside agencies	Related to facilities in danger of failing or critical to meeting permit requirements	Address public concerns	Needed to fulfill mission and upgrade facilities	Lower priority projects	
FY 2009	\$53,587	\$17,821	\$19,094	\$83,779	\$5,966	\$72,136	\$2,253	\$254,636
FY 2010	94,048	4,070	21,672	82,597	5,510	90,019	4,592	302,508
FY 2011	129,770	9,388	15,926	84,883	10,403	121,808	11,476	383,654
FY 2012	214,663	7,999	12,849	76,395	4,068	236,097	13,477	565,548
FY 2013	308,095	15,411	11,919	49,970	5,250	213,537	8,704	612,886
FY 2014	176,583	14,925	11,995	50,001	4,001	98,870	11,077	367,452
FY 2015	178,856	5,786	11,472	37,966	873	71,555	9,315	315,823
FY 2016	237,892	6,226	20,167	37,418	0	77,647	7,119	386,469
FY 2017	225,845	2,859	14,204	24,712	0	86,378	22,741	376,739
FY 2018	102,416	1,387	7,086	23,107	0	87,794	29,006	250,796
<b>Total</b>	<b>\$1,721,755</b>	<b>\$85,872</b>	<b>\$146,384</b>	<b>\$550,828</b>	<b>\$36,071</b>	<b>\$1,155,841</b>	<b>\$119,760</b>	<b>\$3,816,511</b>
<b>% of Total</b>	<b>45.11%</b>	<b>2.25%</b>	<b>3.84%</b>	<b>14.43%</b>	<b>0.95%</b>	<b>30.29%</b>	<b>3.14%</b>	<b>100.00%</b>

The Authority's CIP project priority system enables the organization to focus resources on the most critical capital needs. Almost 50 percent of the 10-year projected spending is for mandated and safety related projects.

# CIP Outlook

## A New Era of Responsibility

Many cities such as Washington, DC have miles and miles of pipes buried decades ago, some during the Civil War, and many miles will need to be replaced over the next few decades.

Water and sewer capital investments are often ignored as the pipes are underground-out of sight, out of mind. As these aging pipes deteriorate, more and more main breaks occur damaging streets, homes, business and potentially causing pollutants to seep into local waterways.

Research by the American Water Works Association (AWWA) verifies that the growing re-investment needs of water and sewer utilities is significant throughout the nation and provides the potential for economic

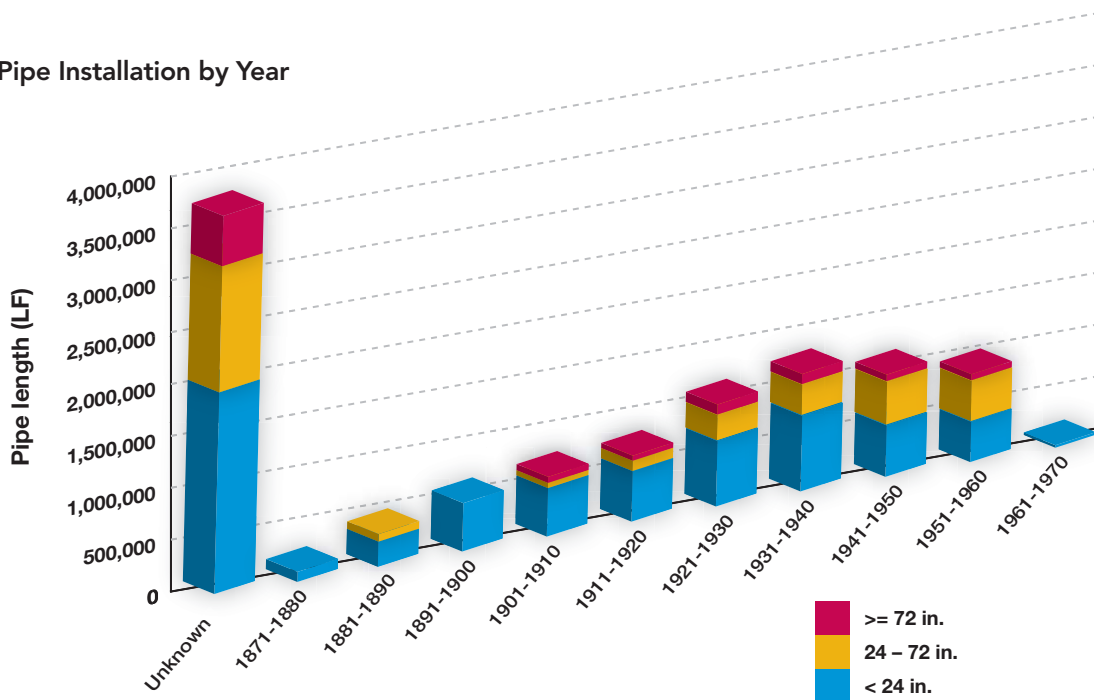
challenges as agencies may need to grapple with replacement needs against the need to comply with greater regulatory standards for safe drinking water and environmental improvements.

Many of our ongoing capital investments have already resulted in reduced energy use at Blue Plains, nitrogen reduction output levels below the Chesapeake Bay agreement requirements and nearly 40 percent reductions in combined sewer overflows. The CIP budget reflects mandated and high priority capital reinvestments while at the same time minimizing the level of rate increases to our customers.

## Sewer System

A majority of the sewers in the DC WASA system were constructed more than 100 years ago and are still in operation. As previously indicated, aging infrastructure is a national issue and can impact the condition and performance of the system. DC WASA is responsible for wastewater collection and transmission in the District of Columbia, including operation and

Sewer Pipe Installation by Year



DC WASA has miles of aging infrastructure, some of which were installed over one hundred years ago. This chart illustrates the age of the sewer system.

maintenance of the sanitary sewer system. Our sanitary sewer system includes approximately 600 miles of large interceptor sewers and smaller gravity collection sewers. We are also responsible for sewer lateral connections from the sewer mains to the property lines of residential, government, and commercial properties. In addition, our responsibilities include the 50 mile-long Potomac Interceptor System, which provides conveyance of wastewater from areas in Virginia and Maryland to Blue Plains. The existing sanitary sewer system in the District of Columbia dates back to 1810, and includes a variety of materials such as brick and concrete, vitrified clay, reinforced concrete, ductile iron, plastic, steel, brick, cast iron, cast in place concrete, and even fiberglass.

During FY 2009, we completed a Sewer System Assessment and the Water Facility Plan (“Study”). This document culminated a five-year effort involving sewer inspection and condition assessment, development of a sewer GIS and database, hydraulic monitoring and modeling to assess system capacity and the development of prioritized activities for system improvement. This Study identified a significant increase in funding needed for sewer infrastructure improvements. As

recommended by the study, the lifetime budget in this area has increased by more than \$400 million from last year’s estimate and more than \$240 million will be disbursed within the next 10 years. Most of the increased spending planned in the sewer area begins in FY 2011 and averages more than \$40 million per year through FY 2018.

The current CIP includes funds for an ongoing, annual sewer inspection program, which may identify the need for additional work.

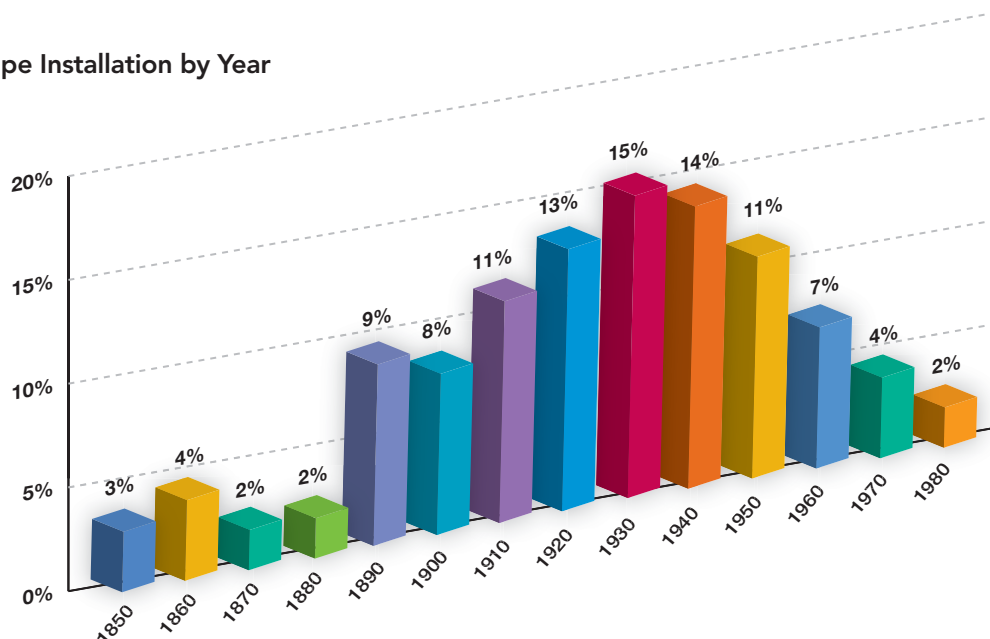
**Key Recommendation of 2009 Sewer Facilities Plan: continue a two-pronged, parallel approach to the CIP program:**

- Implement identified projects resulting from ongoing system condition and needs assessment, and an increase in the continued annual sewer pipe renewal program.

**Water**

The lifetime budget for the Water Service Area (including Meter Replacement / AMR installation) is \$1.2 billion, an increase of \$192 million from last year’s CIP. This is primarily driven by the increase of more

**Water Pipe Installation by Year**



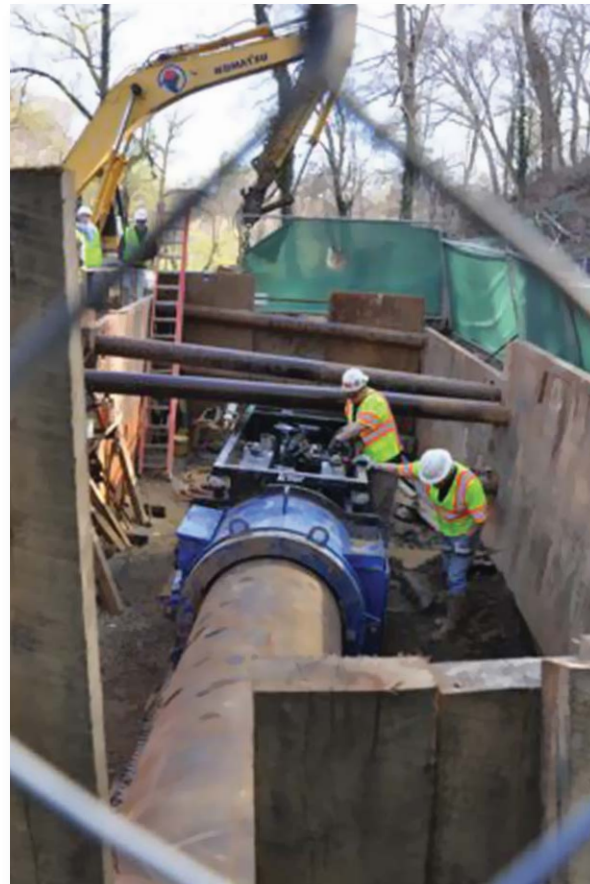
than \$300 million associated with the Water Facility Plan Update that was completed in FY 2009, offset by a reduction of \$97 million from the lead service line replacement program. The Facility Plan recommendations provided the basis for a ramp up, beginning in FY 2010 with an increase of \$14.5 million, of the replacement of one percent of the water infrastructure per year.

### Key Recommendations of 2009 Water Facilities Plan Update:

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

### Risks and Opportunities

The economic recession impacting all industries has been felt in all aspects of construction. Oil and energy costs have materially retreated from their highs of only a few years ago, lowering the price of materials. Major development projects have also fallen to record lows due to the lack of available financing. Unemployment is at record highs. How all of this will impact the future costs of our CIP is yet to be determined. While these are very uncertain economic times, we recognize the magnitude of the multiple challenges facing us and our



*FY 2009-2018 CIP provides for replacement of one percent of water and sewer infrastructure per year.*

customers as we attempt to maintain our infrastructure and meet the requirements of the regulatory and government mandates. Current construction market trends provide DC WASA with the opportunity to award favorable construction contracts. However, current economic forecasts for the region suggest that this market condition is not likely to sustain itself more than a year or two. We will continue to monitor the complex environment we are operating under and assess its impact on our CIP planning and budget.





# Financial Plan

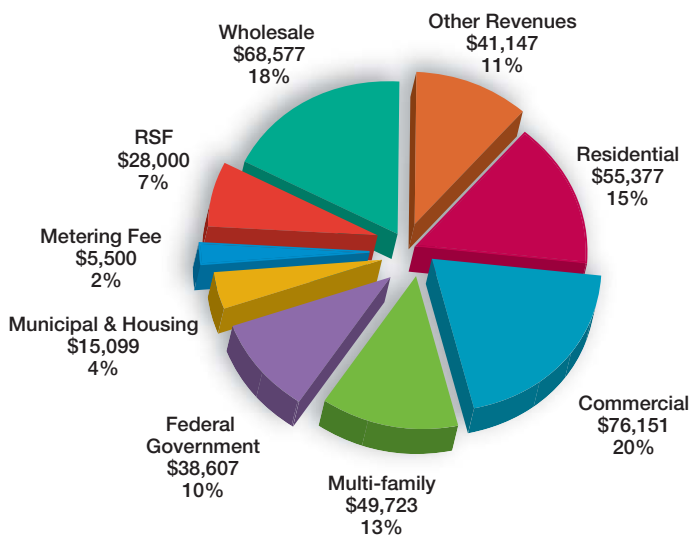
## Overview

### DC WASA's strong financial performance and its success in achieving and maintaining strong "Aa2 \*/ AA / AA-" category bond ratings

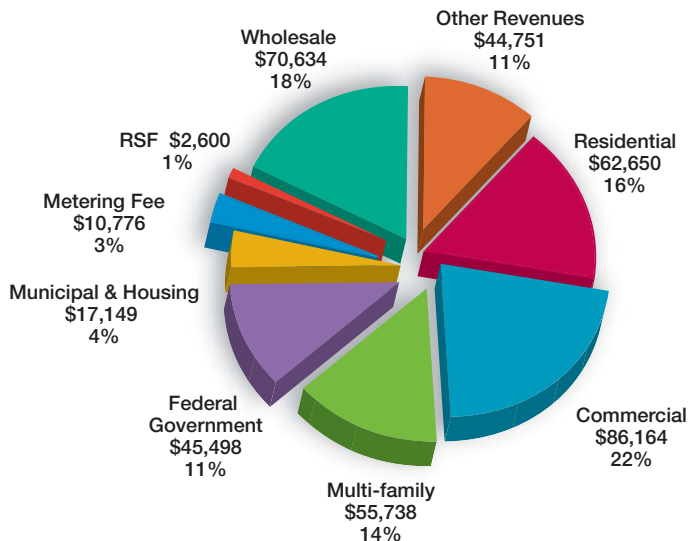
has been in large part due to the annual development of, and adherence to, a ten-year strategic financial plan. This commitment to sound financial and business planning

resulted in an unsolicited bond upgrade by Standard and Poor's in FY 2008 and in 2009 Fitch Ratings revised the rating outlook to Positive from Stable. This financial plan serves as one of management's key tools to monitor progress in meeting financial goals and to proactively address future financial and operational issues. During FY 2009, DC WASA met or exceeded the goals set by Board policy and the FY 2008 to 2017 ten-year plan. This budget includes DC WASA's thirteenth comprehensive ten-year financial plan, (FY 2009 – 2018).

**FY 2010 Revised**  
\$378,181  
(\$ in 000's)



**FY 2011 Approved**  
\$395,960  
(\$ in 000's)



\* DC WASA received a rating upgrade in April 2010, due to Moody's recalibration of municipal issuers.

## Operating Revenues and Rates

The revised FY 2010 revenue budget totals \$378.2 million and is projected to increase to \$396.0 million in FY 2011. These projections reflect the Board-proposed water and sewer combined rate increase of \$0.77 per Ccf (or \$1.03 for each 1,000 gallons) and combined Right-of-Way and PILOT fee increase of \$0.06 per Ccf in FY 2011.

### Projected Retail Rate Increases

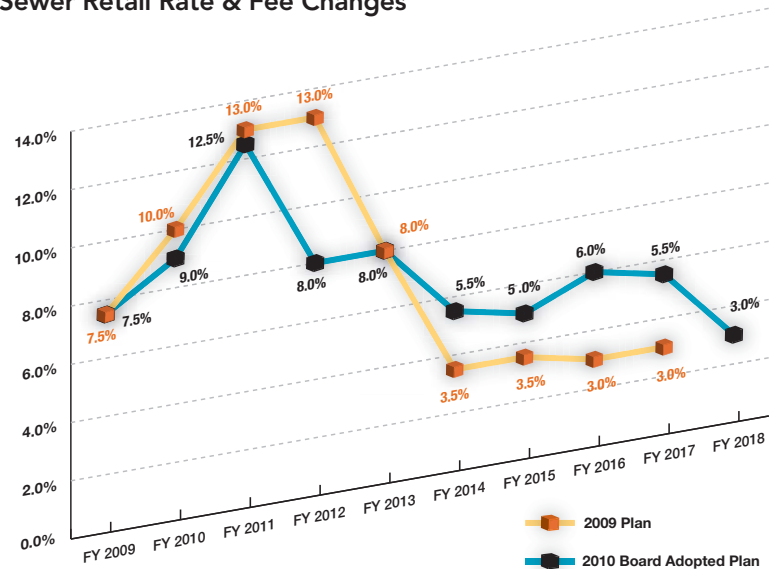
The proposed rate increases included in the FY 2009 to 2018 financial plan are driven by the following:

- Full use of the rate stabilization fund.
- Implementation of a new six-tier structure under the IAC for residential customers.
- Increasing debt service expenditures, driven by DC WASA's \$3.8 billion capital improvement program (cash disbursements basis), which increases on average by 15.5 percent over the ten-year planning period.
- Operation and maintenance increases on average of 3.0 percent annually over a ten-year period increasing operating expenditures driven primarily by:
  - *Increases in water purchases*
  - *Additional personnel to provide in-house design*

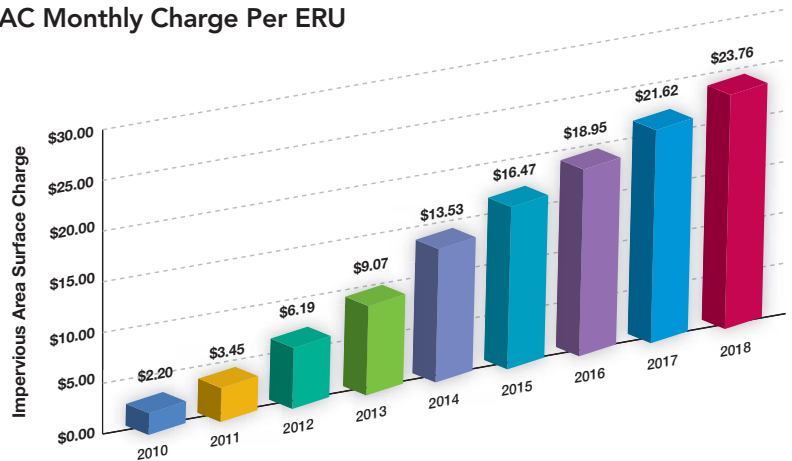
### Impervious Area Charge

The Impervious Area Charge (IAC) is a separate sewer service fee established in FY 2009 to recover the cost of implementing the CSO-Long Term Control Program. The FY 2011 proposed monthly IAC is \$3.45 per ERU (Equivalent Residential Unit) with annual rates ranging from \$2.20 to \$23.76 per ERU per month. The projected IAC charges are primarily driven by

FY 2009 - FY 2018 Financial Plan Projected Water & Sewer Retail Rate & Fee Changes



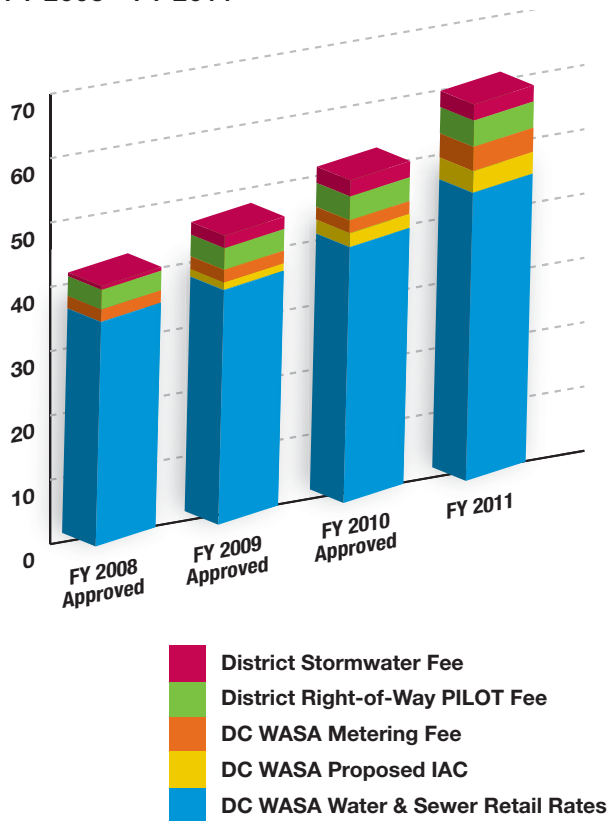
IAC Monthly Charge Per ERU



IAC Residential Six-Tier Structure (Proposed)

TIERS	Size of Impervious Area ( Square Feet)	ERU
Tier 1	100 - 600	0.6
Tier 2	700 - 2,000	1.0
Tier 3	2,100 - 3,000	2.4
Tier 4	3,100 - 7,000	3.8
Tier 5	7,100 - 11,000	8.6
Tier 6	11,000 - and more	13.5

**Average Residential Monthly Bill  
FY 2008 – FY 2011**



anticipated debt service costs to support the \$2.6 billion CSO Long Term Control Plan and are based upon the amount of impervious surface on each individual property which impacts wet weather runoff that must be treated at the Blue Plains Wastewater Treatment Plant. If additional federal assistance is provided, the impervious rate increases would be lower; the ten-year plan assumes no external funding beyond the special Congressional appropriations DC WASA has already received, totaling \$142 million.

Through the **Customer Assistance Program (CAP)**, the Authority provides eligible customers a discount of 4 Ccfs per month on their water and sewer bills. Since it began, participation in CAP continues to increase. At the end of FY 2009, a total of 6,458 customers had

received a discount on their bills. In February 2010 the Board presented and adopted a resolution to expand CAP discount of the first 4 Ccf's of Payment in Lieu of Taxes (PILOT) and Right of Way (ROW) to qualifying low-income customers effective from October 1, 2010. The District Department of Environment, Office of Energy, administers this program for the Authority and similar programs for several other utilities in the area.

### Right of Way and PILOT Fees

The proposed FY 2010 Right of Way fee remains the same while the proposed PILOT fee would increase by \$0.06 per Ccf to \$0.49 per Ccf. This is to recover the full cost of the Right of Way and PILOT fees charged to DC WASA by the District of Columbia.

### Customer Metering Fee

In FY 2009, DC WASA conducted a Cost of Service (COS) study that evaluated several alternative rate structures. One recommendation was that DC WASA management consider expansion of the meter fee to include all costs of maintaining and managing the customer meters. The concept of increased fixed components of the retail bill was previously recommended under the 2006 Cost of Service study and again in the 2008 Independent Budget Review. Many utilities have “uncoupled” their rates and increased the fixed portion of their costs that must be covered so that the utility is ready to serve. The current proposal includes the expansion of the base customer charge related to meters to include all operating expenditures for meter maintenance, which are estimated to be approximately 35 percent of the customer service costs. A complete list of the proposed customer meter fees by meter size can be found on [www.dcwasa.com](http://www.dcwasa.com).

## Reserves and Rate Stabilization Fund

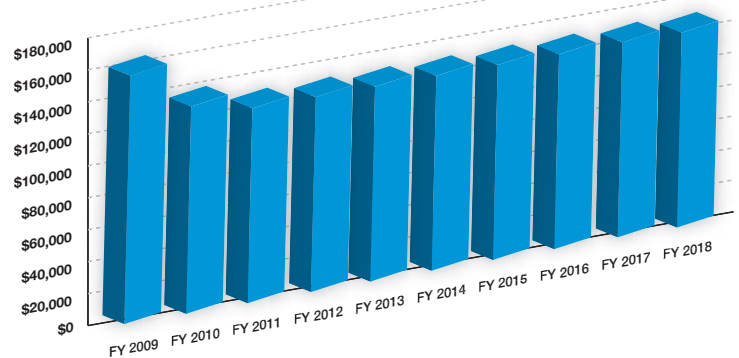
### Operating Reserves

Consistent with Board policy, DC WASA continues to maintain cash reserves equivalent to 120 days of budgeted operations and maintenance with the objective of maintaining at least \$125.5 million in operating reserves. The ten-year plan reflects continued maintenance of this reserve level.

### Rate Stabilization Fund

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

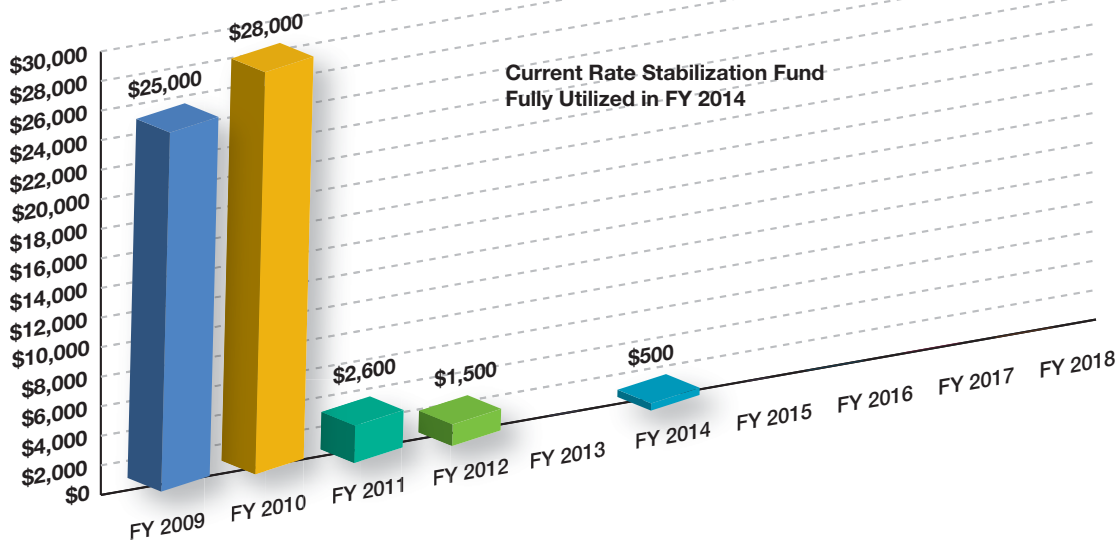
Operating Reserve Balances by Fiscal Year (In \$000's)



Full utilization of the RSF is anticipated in FY 2014. The rate proposal and future projections require new revenues to replace the depletion of the RSF.

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

Projected Rate Stabilization Fund Usage, FY 2009 – FY 2018 (In \$000's)



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



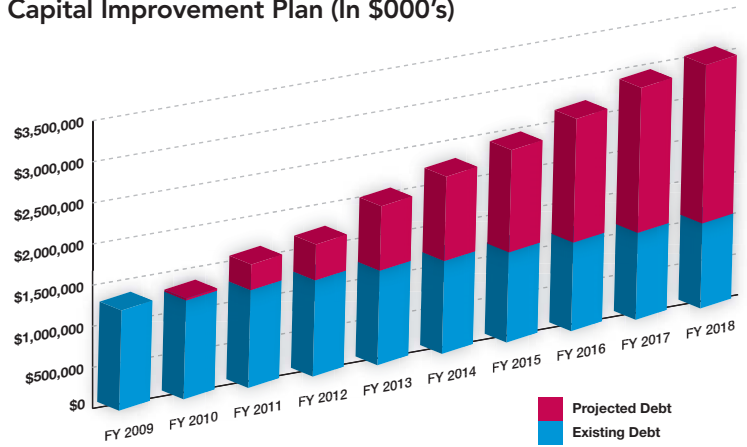
## Cash, Investments and Debt

Due to DC WASA's \$3.8 billion CIP (cash disbursement basis), debt service continues to be the fastest growing line expenditure of the operating budget, with an average annual increase of 15.5 percent.

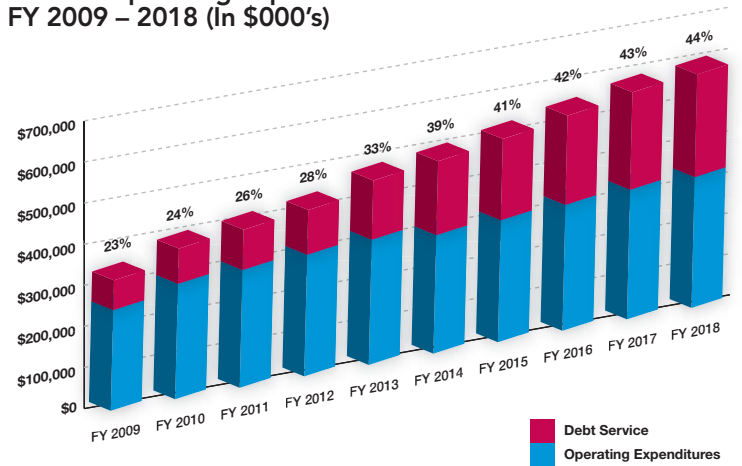
### FY 2010 & 2011 Debt Issuance Plans & Debt Service Assumptions

DC WASA issued \$300 million of tax-exempt senior lien fixed rate revenue bonds in January 2009. The proceeds were used to fund new capital projects, refund \$50 million tax-exempt commercial paper and \$14.8 million in taxable paper. Taxable commercial paper was issued to refund \$44 million of the 2007B bonds. Based on current capital spending projections, we plan to increase the size of our commercial paper program to \$200 to 300 million and issue new taxable and tax-exempt commercial paper in the fourth quarter of FY 2010. Permanent bond financing is anticipated in the first quarter of FY 2011. To yield the best possible interest rate savings, our debt portfolio is evaluated on a regular basis.

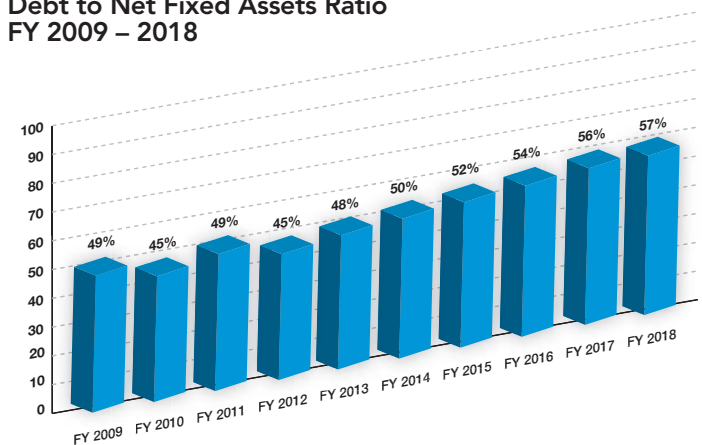
New & Existing Debt Outstanding and Projected Based on FY 2009 - 2018 Capital Improvement Plan (In \$000's)



Debt Service as Percentage of Total Operating Expenditures FY 2009 - 2018 (In \$000's)



Debt to Net Fixed Assets Ratio FY 2009 - 2018



Our interest rate assumption on new bond issues in FY 2010 and 2011 is 5.5 percent, in line with historical interest rate trends. The ten-year plan assumes interest rates of 3.25 percent in FY 2010 and 1.75 percent in FY 2011 for variable rate debt. The remaining years of the plan assumes an interest rate of 3.25 percent, plus ongoing fiscal charges for broker-dealers, ratings, etc. This assumption is based on average short-term rates since 1998. For appropriations purposes, we have assumed higher interest rates on variable rate debt than in the ten-year plan in order to provide us with sufficient flexibility to address short-term peaks in interest rates, if required, without going through the congressional approval process, which can be lengthy.

### Capital Financing Plan

The implementation of our capital-financing plan meets the dual objectives of minimizing DC WASA’s cost of capital and increasing operational flexibility. This plan includes three primary components:

**Interim Financing Program** – In FY 2002, DC WASA instituted a \$100 million commercial paper program for interim financing purposes. The new, larger program planned for FY 2010 will be used for both interim financing of capital projects between

permanent financing, as well as long financing of capital equipment and DC WASA’s share of the Washington Aqueduct improvements. DC WASA will use its bond issuances to pay-off any interim financing of outstanding commercial paper.

**Pay-Go Financing** – After meeting its cash reserve requirements the Authority uses a prudent amount of its net operating cash for capital financing as the least costly type of financing.

**Permanent Financing** – In support of the CIP in January 2009, DC WASA issued \$300 million of tax-exempt senior lien fixed rate bonds. The bond proceeds were used to fund new capital projects, refund \$50 million in tax-exempt commercial paper and \$14.8 million in taxable commercial paper.

### Bond Ratings

- Moody’s                      Aa2\*    Stable Outlook
- Standard & Poor’s        AA        Stable Outlook
- Fitch Rating                AA-      Positive Outlook

*\* DC WASA received a rating upgrade in April 2010, due to Moody’s recalibration of municipal issuers.*

## High-Performance Workplace

**A high-performance workforce is one of the 'Critical Success Factors and Objectives' of DC WASA's 2008 – 2013 Strategic Plan. Our business success depends on the quality of our employees.** We aim to attract, develop and retain the best staff required to sustain our values, achieve our vision, and execute our mission. Our employees are our most valuable asset and vital to attaining our mission and the Board's strategic goals. We will continue to invest in our employees and provide our managers with the training and tools to provide effective leadership of our employees.

The General Manager recently launched a new effort at DC WASA: the Team Blue Project. The Team Blue Project is a series of ongoing conversations around the most important issues facing DC WASA. These conversations will happen in a number of different ways, so everyone who is interested has a chance to participate. They are not mandatory, but they are an exciting opportunity to have a voice in the direction of the organization. This project involves in-person meetings at each work site, conducting surveys online and on paper, and capturing ongoing feedback via a dedicated email address.

For DC WASA to continue to succeed as a whole, management has developed a new organizational culture framed under the philosophy of complete openness, and predicated on the idea that each and every employee must be able to perform his or her job in a fulfilling, safe and productive environment. To that end, one of the most important goals is to make sure that everyone in the organization has opportunities to be heard.



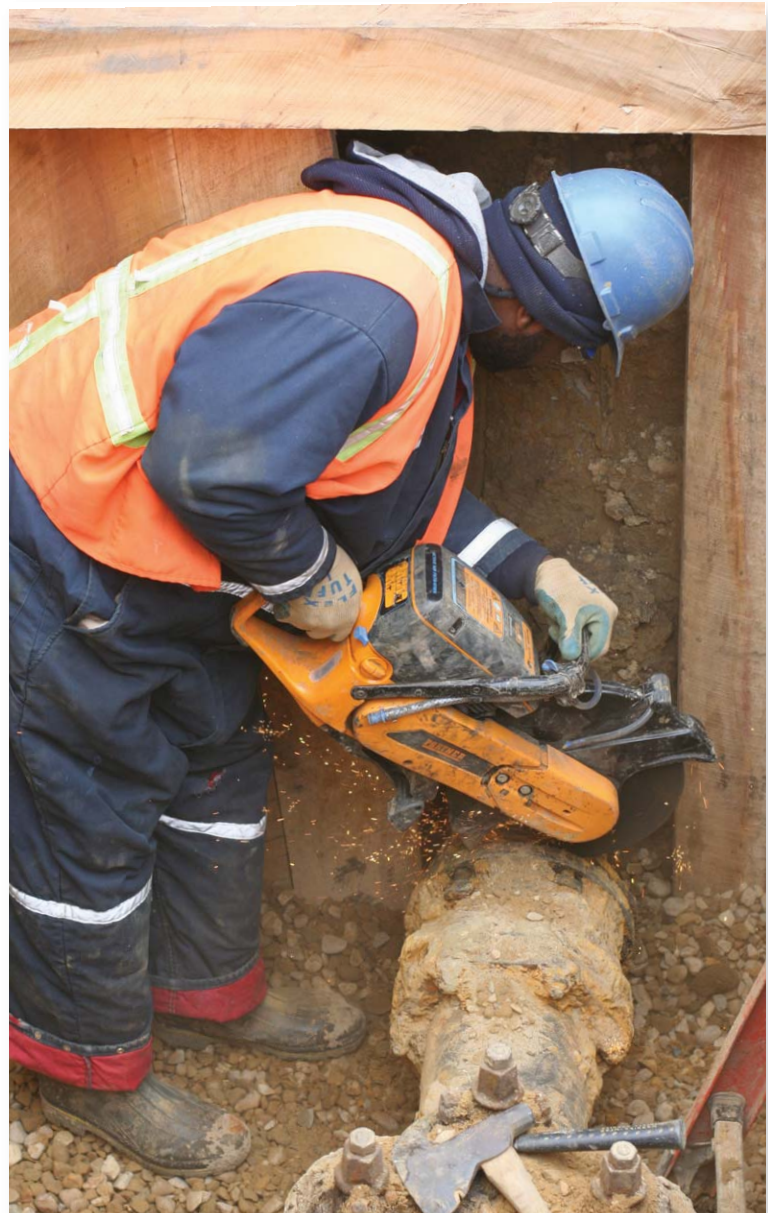
*Human Resource personnel ensure that DC WASA recruits and trains a highly qualified workforce.*

Training is a critical aspect of both individual and professional development at the Authority. During FY 2010, we will continue to offer training programs and classes that provide the knowledge and skills that are essential for employees to complete their jobs in a competent manner while meeting customer expectations. The table below provides a summary of DC WASA's total training budgets for FY 2010 and FY 2011.

To promote a safe working culture, skills training will continue to center on regulatory and safety, technical, Authority policy, improvement courses and programs, and basic skills classes. Regulatory and safety training will focus on OSHA and the District of Columbia regulatory agency-mandated requirements, Homeland Security emergency response initiatives and the Centers for Disease Control pandemic emergency efforts. This year will commemorate DC WASA's eighth annual Safety Day.

Training on the Authority's policies will be offered routinely as new policies and procedures are developed and existing ones updated. Mandatory skills improvement training will continue to be offered to address performance improvement, new business initiatives, and compliance with federal, state, and local mandates. Executive and senior staff will receive training on succession management, executive development and performance measures and will participate in workshops on emergency response procedures. Managers and supervisors will participate in knowledge capture workshops, basic management skills and leadership training. These classes will be offered in addition to basic skills classes to address career development and other work needs.

At DC WASA, we have consciously sought to cultivate the growth of a culture of volunteer service in which contributing to our community



TEAM BLUE: DC WASA's best asset is its people!

Training Type	FY 2010		FY 2011	
	Budget	Percent of Total Training Budget	Budget	Percent of Total Training Budget
Outside Training	\$1,179	64%	\$868	63%
In-House Training	\$239	13%	\$243	18%
Contractual Training	\$435	23%	\$275	20%
<b>Total</b>	<b>\$1,853</b>	<b>100%</b>	<b>\$1,386</b>	<b>100%</b>

The table above provides a summary of DC WASA's total training budgets for FY 2010 and FY 2011. (\$ in 000's)



becomes commonplace. Given the tough economic times we now face, we find it most essential to extend a helping hand to our community. The following list provides voluntary service activities, in which DC WASA participated: Joint Utility Discount Day, DC Public Schools – lessons in Sewer Science, For a Better Home – For a Better Community and Bread for the Soul, DC One Fund, Susan G. Komen Race for the Cure, AIDS Walk Washington, and Boys Town Washington DC.



DC WASA success includes strong partnerships with a variety of stakeholders.

### DC WASA Awards Received over the last two years

- Distinguished Budget Presentation
- Excellence in Financial Reporting
- CIO Top 100 Award from *CIO Magazine*
- CFO of the Year 2009 Finalist from *Washington Business Journal*
- National Association of Clean Water Agencies (NACWA) National Research and Technology Award
- National Association of Clean Water Agencies (NACWA) National Environmental Achievement Award
- National Association of Clean Water Agencies (NACWA) Public Information and Education Award
- National Association of Clean Water Agencies (NACWA) Gold Peak Performance Award
- Economic and Social Research Institute (ESRI) Special Achievement in GIS Award
- Association of Metropolitan Water Agencies (AMWA) Platinum Award for Utility Excellence
- The 100 Best Fleets in North America® Program

A complete list and description of awards can be found online: [www.dcwasa.com](http://www.dcwasa.com)

## Policy and Government Relations

DC WASA's government relations efforts are geared to engaging in timely, accurate and transparent communication with representatives in ANC and District Government and on Capitol Hill. Moreover, DC WASA aims to affect policy and educate elected officials and their staff regarding legislative initiatives and their impacts on DC WASA operations, the environment and our service to customers.

With continuous staffing changes in Congress and within committees, these efforts require ongoing two-way communication. We meet with various regional and federal representatives to discuss environmental challenges and positive achievements we have made in the areas of the environment and energy. We also reiterate the tremendous cost of major infrastructure projects and upgrades, the need to finance this work, and the impact this has on ratepayers.

# DCWASA STRATEGIC PLAN 2008-2013

## Critical Success Factors and Objectives

represent the most significant aspects of the Authority's ability to execute its mission and achieve its goal of world-class performance. These factors provide the basis for the refinement of concrete metrics, targets, and accountabilities for improvement. DCWASA's five *Critical Success Factors* are as follows:



### ENVIRONMENTAL STEWARDSHIP

**DESIGN AND IMPLEMENT ENVIRONMENTALLY RESPONSIBLE POLICIES, PROGRAMS, AND TECHNOLOGIES THAT PROTECT OUR REGION'S WATERWAYS, AIR, AND LANDS**

- Reduce the impact of our wastewater system on the Anacostia and Potomac Rivers, Rock Creek and the Chesapeake Bay
- Minimize nuisance odors
- Reduce carbon footprint through conservation and efficiency
- Beneficially use biosolids and wastewater
- Provide continued support to the District of Columbia's storm-water management consistent with DC WASA's obligations

### CUSTOMER CONFIDENCE AND COMMUNICATIONS

**EFFECTIVELY ANTICIPATE, RESPOND IN A TIMELY MANNER TO, AND COMMUNICATE ABOUT THE NEEDS OF OUR CUSTOMERS, THE PUBLIC, AND OTHER REGIONAL STAKEHOLDERS WITH HONESTY, RESPECT AND TRANSPARENCY**

- Consistently deliver safe drinking water, with the taste, odor and color that pleases our customers
- Exceed expectations regarding timely and accurate responses to customer, public agency, and other stakeholder inquiries, concerns, and service needs
- Maintain a transparent rate setting process, and ensure maximum public understanding and involvement
- Establish effective systems and networks to increase the timely sharing of information and processing of self service transactions
- Inspire confidence and enhance our image through our actions
- Achieve reasonable rates including relief for those least able to pay
- Coordinate closely with other units of the of the District of Columbia government and all other relevant units of government

### OPERATING EXCELLENCE

**EXCEL IN ALL ASPECTS OF WATER DELIVERY, WASTEWATER COLLECTION AND TREATMENT, AND CUSTOMER SERVICE**

- Deliver continuous, adequate water flows for fire fighting and retail customer uses
- Improve the integrity of our water distribution, and wastewater collection and treatment systems
- Implement best-in-class asset management practices
- Minimize disruption to our neighborhoods and the environment from construction, maintenance and repair activities
- Excel in all aspects of capital project planning and management

### FINANCIAL INTEGRITY

**PLAN AND CONTROL ALL FINANCIAL RESOURCES IN A MANNER FAITHFUL TO OUR CUSTOMERS, BONDHOLDERS, AND SUPPLIERS**

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

### HIGH PERFORMING WORKFORCE

**ATTRACT, DEVELOP AND RETAIN STAFF REQUIRED TO SUSTAIN OUR VALUES, ACHIEVE OUR VISION, AND EXECUTE OUR MISSION**

- Ensure top management and technical talent in place for all key positions
- Achieve local and national reputation as an employer of choice and one of the best places to work
- Maintain a safe and secure work environment

For more information, please contact **Office of the CFO** at 202-787-2193.



**District of Columbia  
Water and Sewer Authority**

5000 Overlook Avenue, SW ■ Washington, DC 20032    [www.dcwasa.com](http://www.dcwasa.com)

SERVING THE PUBLIC ■ PROTECTING THE ENVIRONMENT