

District of Columbia Water & Sewer Authority
Revised FY 2005 & Proposed FY 2006 Budgets
General Manager's Presentation

October 27, 2004





Our 2004 Successes

- Maintained **bond ratings** in “AA” category
- Reopened negotiations on **CSO LTCP** and began procurement effort for facilities planning
- Significant improvements for our customers
 - Installed over 93% of new **AMR meters** and implemented **monthly billing for all customers**
 - **New consolidated command center & radio system**
 - Expanded **Customer Assistance Program**
 - **Improved Direct Customer Communication**
- Surpassed **capital spending** targets for the second consecutive year
- Replaced close to **1,800 lead service lines**
- Received **National Biosolids Partnership certification**
- Redesigned WASA’s **web site**
- Successfully issued **\$295 million in auction rate securities**



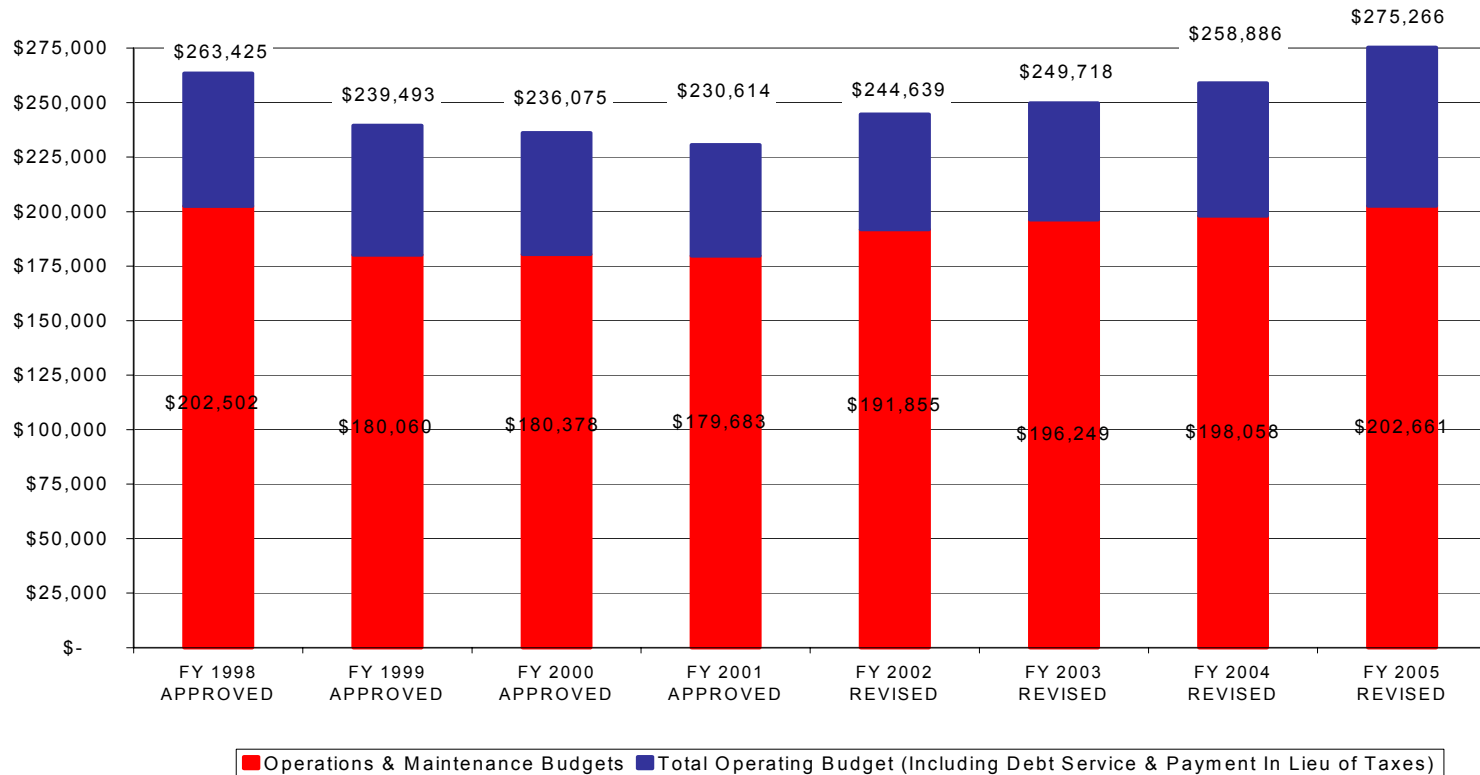
Board Strategic Plan

- **FY 2005 & FY 2006 budgets, CIP, and ten-year plan reflect Board Strategic Plan priorities:**
 1. Customer & Community Services
 2. Organizational Effectiveness
 3. Environmental Quality
 4. Financial Stability
- **Budget includes funding for update of Strategic Plan in late 2005 / early 2006 and regionalization study in 2005**



FY 2005 & FY 2006 Financial Highlights

- Revised FY 2005 operation & maintenance budget (excluding debt service and PILOT / right of way fee) is about the same as the first budget approved by the Board in 1998





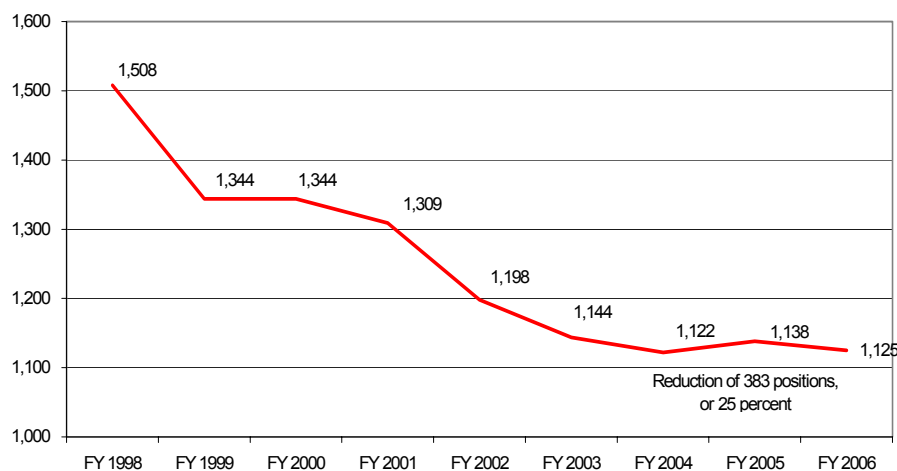
FY 2005 & FY 2006 Financial Highlights

- Revised FY 2005 operating budget totals \$275.3 million, in line with the Board-approved budget
- Proposed FY 2006 operating budget totals \$290.3 million, an increase of \$15.0 million over the revised FY 2005 budget
 - Operations & maintenance budgets grow by 4.0%
 - Debt service due to CIP spending is fastest growing area of budget
 - increases by 11% in FY 2006



FY 2005 & FY 2006 Financial Highlights

Historical & Projected Staffing



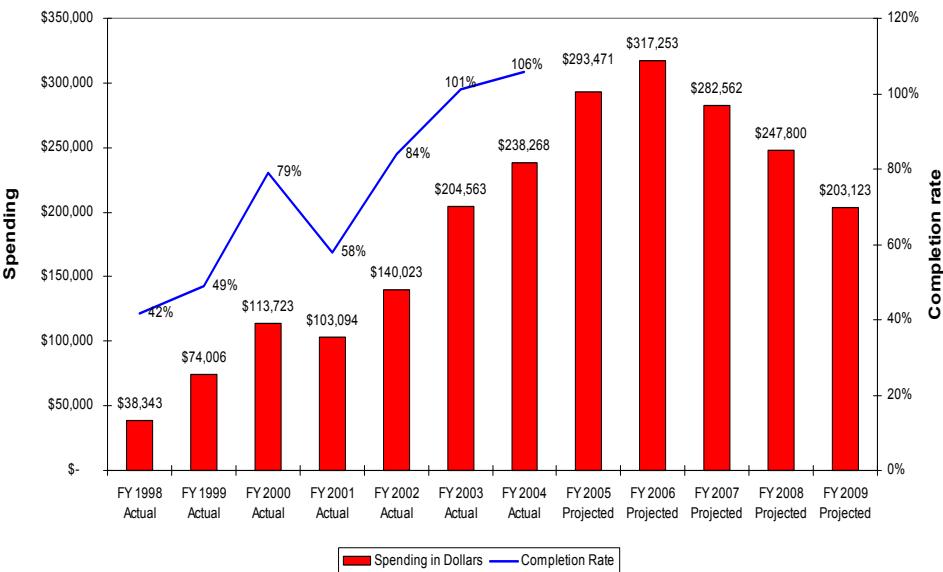
- FY 2005 & FY 2006 staffing levels remain significantly less than 1998 levels
- Revised FY 2005 budget reflects addition of 16 positions:
 - 12 for lead-related activities
 - 4 in Office of the General Counsel, which is offset by outside legal service savings
 - 1 in Public Affairs for environmental communications
 - 1 in Government Relations
 - New energy management position
- Proposed FY 2006 budget reflects reduction of 13 positions due to Blue Plains IIP



FY 2005 & FY 2006 Financial Highlights

Historical & Projected Capital Spending & Completion Rates

(In 000's)



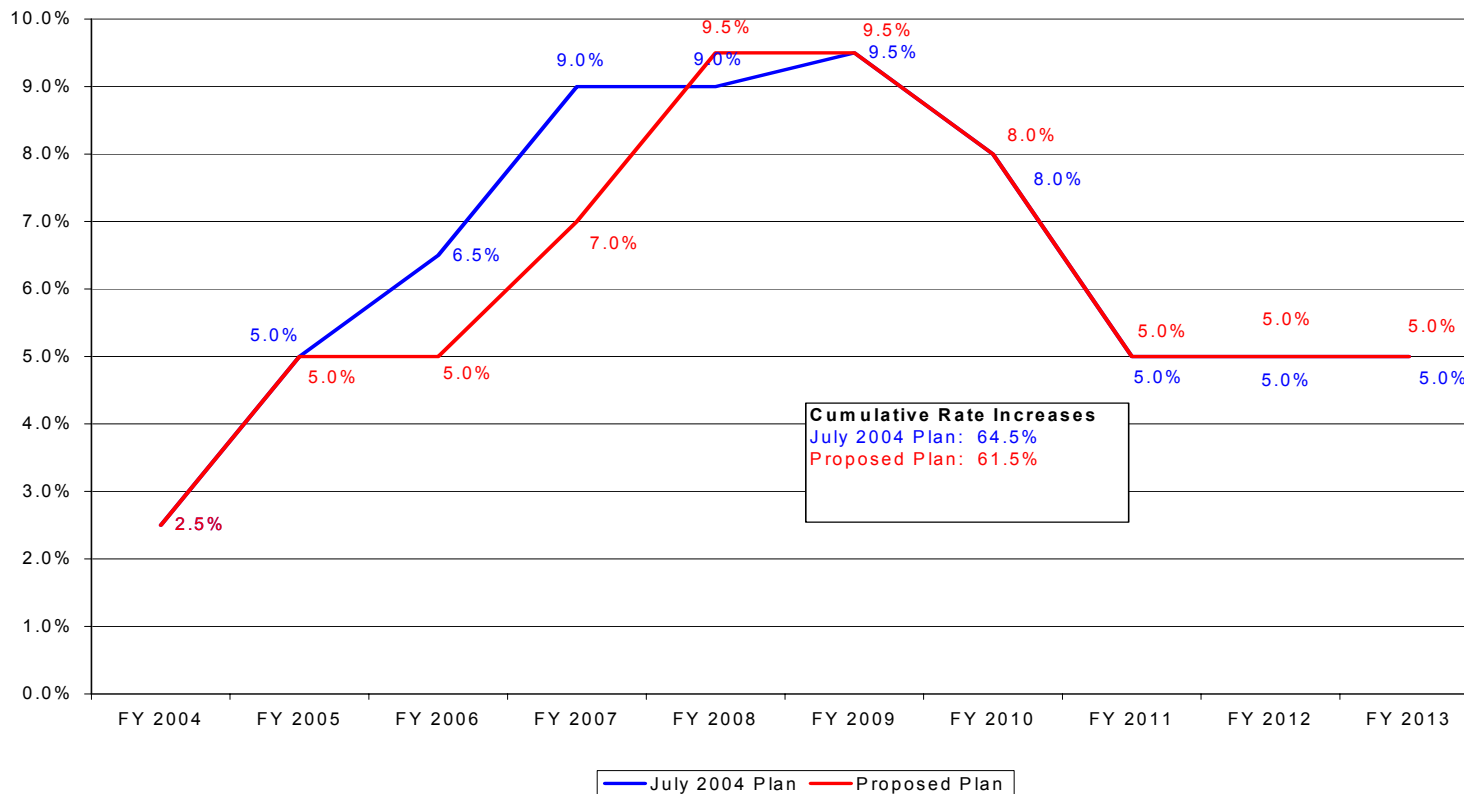
CAPITAL IMPROVEMENT PROGRAM DRIVES RATE INCREASES & FINANCIAL PERFORMANCE

- FY 2004 capital spending reached historical WASA high
- Low change order rate
- Expect to continue this trend for next 3-5 years
- Includes early years of proposed CSO LTCP assuming 40 year implementation schedule



FY 2005 & FY 2006 Financial Highlights

- Proposing five percent rate increase for FY 2006, less than presented to Board in July primarily due to better than budgeted financing results
- Beyond FY 2006, rate increases of 7.0 to 9.5 percent required, primarily due to addition of lead program to CIP





Initiatives & Priorities

- **Regulatory compliance**
 - Industry-leading role in simultaneous compliance issues
 - New position to focus on regulatory compliance WASA-wide
 - Compliance with administrative order requirements
- **Water quality initiatives**
 - Acceleration of dead end elimination
 - Continuation of main and valve rehab and replacement programs; evaluation of flushing and fire hydrant programs underway
 - Review of water quality staffing and restructuring other functions in Water Services
- **Lead service line replacement program**
 - \$300 million capital program
 - Tentatively added 12 positions to manage lead program; evaluation of in-house vs. external management underway



Initiatives & Priorities

- **CSO LTCP**
 - Reopened negotiations
 - Procurement of facilities planning services underway
 - Evaluation of alternative CSO rate structures will be presented to Board in Spring 2006
- **Stormwater**
 - Discussions with District on overall stormwater responsibilities
 - Proposed CIP reflects elimination of stormwater pumping station improvements
 - Evaluation of impact of District's new stormwater permit on stormwater budget and rate
- **Mid-course review of Blue Plains Internal Improvement Plan**
- **Energy management**
- **Regionalization study**
- **Communications**
- **Government Relations**



Initiatives & Priorities

- **Employee-related initiatives**
 - Training - \$1.6 million in FY 2005
 - New labor agreement negotiations
 - Labor-Management Partnership
 - Review of retirement benefits
- **Customer Service enhancements**
 - Automatic notification of high usage
 - Summary billing
 - Lead service line tracking
 - Language line services
- **Information technology investment**
 - New phone system
 - Asset management system
 - Document management system
 - PCCS



Emerging & Long-Term Issues

- Ongoing CIP implementation
- CSO Long-Term Control Plan
- Blue Plains Internal Improvement Program review
- Regionalization study
- Blue Plains regulatory issues
 - Chesapeake Bay Agreement changes
 - Biosolids hauling and disposal issues
 - Clean Air Act
- Sewer system assessment
 - Impact of SSO & CMOM requirements
- Water quality and simultaneous compliance issues
 - Aqueduct issues
- Security & emergency preparedness