



## DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY

### Board of Directors

*Joint Meeting of the  
DC Retail Water and Sewer Rates and  
Finance and Budget Committees*

### Microsoft Teams

Join on your computer or mobile app

[Click here to join the meeting](#)

Or call in (audio only)

[+1 202-753-6714,,781867906#](#)

Phone Conference ID: 781 867 906#

*Tuesday, January 25, 2022*

*10:15 a.m.*

## AGENDA

- I. Call to Order..... Rachna Bhatt & Anthony Giancola, Chairpersons
- II. Roll Call ..... Linda Manley, Board Secretary
- III. [Proposed FY 2023 Budget & Two-Year Rates \(Attachment 1\)](#)..... Matthew T. Brown
- IV. Executive Session \*
- V. Adjournment

\* The DC Water Board of Directors may go into executive session at this meeting pursuant to the District of Columbia Open Meetings Act of 2010, if such action is approved by a majority vote of the Board members who constitute a quorum to discuss: matters prohibited from public disclosure pursuant to a court order or law under D.C. Official Code § 2-575(b)(1); contract negotiations under D.C. Official Code § 2-575(b)(1); legal, confidential or privileged matters under D.C. Official Code § 2-575(b)(4); collective bargaining negotiations under D.C. Official Code § 2-575(b)(5); facility security under D.C. Official Code § 2-575(b)(8); disciplinary matters under D.C. Official Code § 2-575(b)(9); personnel matters under D.C. Official Code § 2-575(b)(10); proprietary matters under D.C. Official Code § 2-575(b)(11); decision in an adjudication action under D.C. Official Code § 2-575(b)(13); civil or criminal matters where disclosure to the public may harm the investigation under D.C. Official Code § 2-575(b)(14), and other matters provided in the Act.



# The Proposed FY 2023 Budget & Two-Year Rates

Presentation to the Joint Meeting of the DC Retail Water & Sewer Rates and  
Finance & Budget Committees on January 25, 2022

**District of Columbia Water and Sewer Authority**





## Purpose

- 💧 Provide an overview of the Proposed Fiscal Year 2023 Budgets
  - Operating Expenditures
  - 10-Year Capital Improvement Program
  - Revenues, Rates and Fees
  - 10-Year Financial Plan
- 💧 Review the budget process and timelines for:
  - Budget – Committee review, Committee recommendation to the Board, and Board adoption
  - Rates – Cost of Service Study, Independent Rates Review, public outreach, public hearing, Committee consideration and recommendation to the Board, and Board adoption





# Budget & Rates Adoption Calendar

Timeline (2022)	Activity	Status
January 6	Budget Workshop with Board of Directors	✓
January 7	Wholesale Customer Briefing	✓
	<b>Committee Discussions &amp; Reviews</b>	
January 20	Environmental Quality & Operations	✓
January 25	Joint DC Retail Water & Sewer Rates and Finance & Budget Committee	
February 3	Board Meeting (No Board Action Required)	
	<b>Committee Reviews, Recommendations &amp; Actions</b>	
February 17	Environmental Quality & Operations	
February 22	DC Retail Water & Sewer Rates	
February 24	Finance & Budget	
March 3	<b>Board Adoption</b>	
April	Submit Budget via the District to U.S. Congress	
March – May	Public Outreach and Public Hearing	
July 7	Board Adoption of Two-year Rate Proposal	
October 1	Fiscal Year 2023 Begins	





# DC Water Delivers



Aligns with imperatives and themes of new Blueprint 2.0



Fully funds removal of lead service lines by 2030



Achieves rate increases lower than previous forecasts



Holds the line on overall contractual services for three consecutive years



Continues customer assistance programs for those impacted by COVID



Funds the consent decree modification for green and gray infrastructure for the Clean Rivers program



Allocates additional funds to address aging water and sewer systems



Expands the apprentice program for residents to learn skills and prepare for new jobs



Invests in critical infrastructure at the Aqueduct



ESG report highlights progress towards meeting climate, equity, and governance goals



# Business Development & Local Hiring

Program	FY21 Awards
Goods & Services awards (eligible)	<b>\$39.5 million</b> LSBE 41.4%
Green Infrastructure	<b>\$3.8 million</b> CBE 54.4%
Non-Federal A/E	<b>\$28.6 million</b> DBE 28.0% WBE 10.7%
EPA / Federal Construction	<b>\$19.1 million</b> DBE 32.0% WBE 6.1%
Non-Federal Construction	<b>\$62.1 million</b> DBE 32.3% WBE 11.0%

## FY 2021

### Business Diversity and Inclusion

#### At-A-Glance

- ✓ More than \$66 million awarded to certified firms
- ✓ Over 200 certified firms awarded contracts and subcontracts
- ✓ DC Water welcomed 16 new firms
- ✓ 8 Mentor Protégé Programs initiated
- ✓ \$147 million awarded to firms located inside the DC Water User Jurisdiction
- ✓ Of the 119 labor positions created for DC Water Projects, 90% (107) were filled by residents of the local region
  - ✓ Residents in Wards 7 and 8 (combined) accounted for 37% (44) of the laborers hired



# Proposed FY 2023 Budget

## 💧 Proposed \$686.4 million FY 2023 Operating Budget, increase of \$28 million

Operations and Maintenance Budget	Debt Service and Cash Financed Capital Improvements (CFCI)	PILOT and ROW
\$382.0 million	\$234.7 million debt service & \$46.7 million CFCI	\$23.1 million
<ul style="list-style-type: none"> <li>Personnel and non-personnel costs</li> </ul>	<ul style="list-style-type: none"> <li>Support the capital program</li> </ul>	<ul style="list-style-type: none"> <li>Payments to the District</li> </ul>

## 💧 Proposed \$6.4 billion 10-year Capital Budget, increase of \$987 million

Capital Projects	Capital Equipment	Washington Aqueduct
\$5.79 billion	\$375.3 million	\$253.8 million
<ul style="list-style-type: none"> <li>Clean Rivers</li> <li>Equipment upgrades and rehabilitation at Blue Plains</li> <li>Investments in the aging water and sewer infrastructure</li> </ul>	<ul style="list-style-type: none"> <li>Pumps, motors, and meter equipment</li> <li>Backhoes, jet-vacs, catch basin trucks, other aged vehicles to meet operational needs</li> <li>Information technology projects</li> </ul>	<ul style="list-style-type: none"> <li>Improvements at the Washington Aqueduct</li> </ul>



## Multi-Year Rate Proposal for FY 2023 and FY 2024

### 💧 Rates and charges that remain the same:

- Customer Metering Fee remains at \$7.75 for 5/8" meters
- Water System Replacement Fee (VWSRF) at \$6.30 for 5/8" meters
- Right-of-Way Fee at \$0.19 per Ccf

### 💧 Proposed rate changes:

- Water and sewer rates increase 9.50% for FY 2023 and 3.25% for FY 2024
- Proposed CRIAC of \$18.14 per ERU in FY 2023 and \$21.86 per ERU in FY 2024
- PILOT Fee for FY 2023 and FY 2024 will increase by \$0.03 and \$0.02 per Ccf respectively

### 💧 Cost of Service Study aligned with rate proposal

### 💧 Combined rate increases lower than last year's forecast

Change in Average Household Charge	Fiscal Year	
	2023	2024
Recommendation	6.0%	5.4%
Previous Forecast	6.7%	8.8%

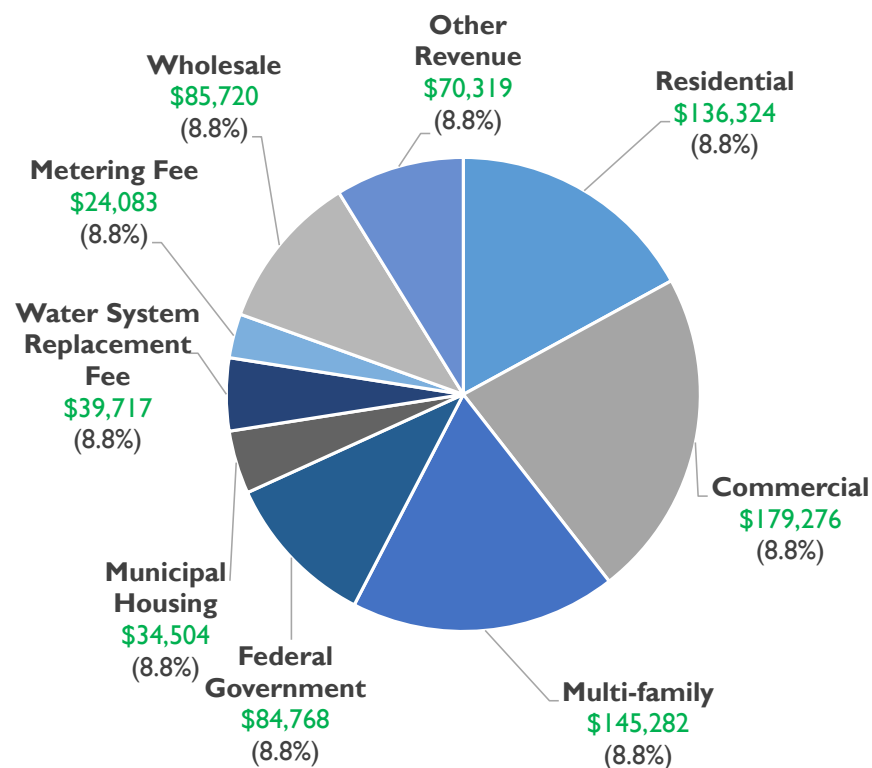




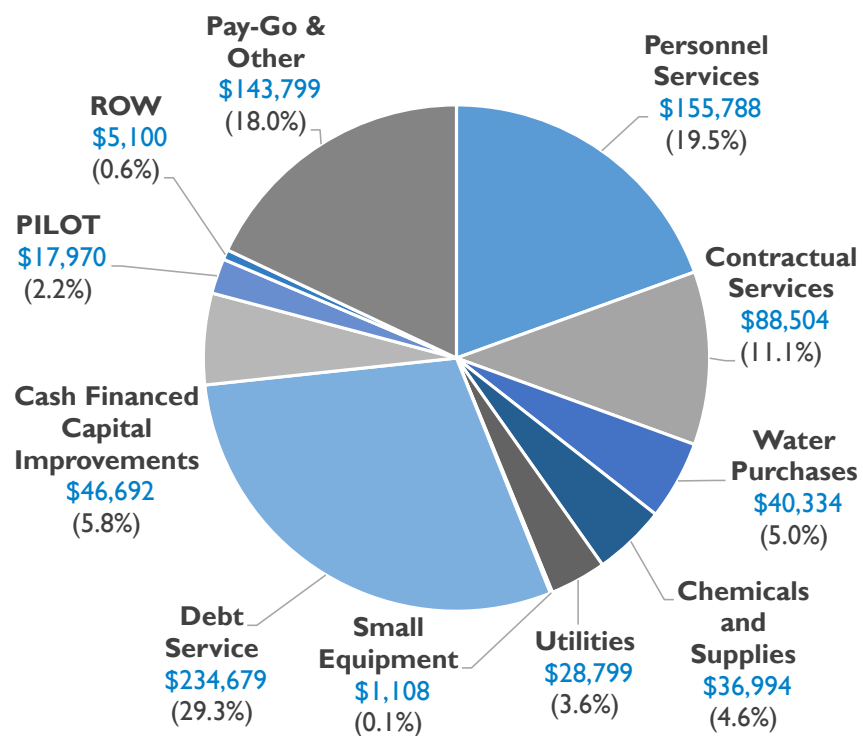
# FY 2023 Operating: Sources and Uses of Funds

\$ in thousands

## Sources - \$800.0 Million



## Uses - \$800.0 Million

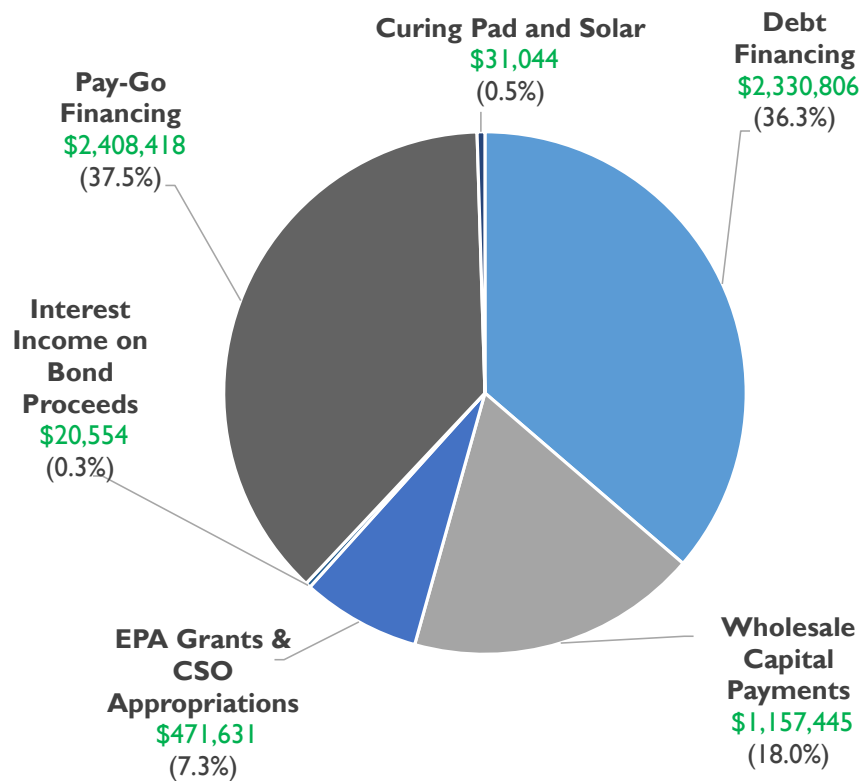




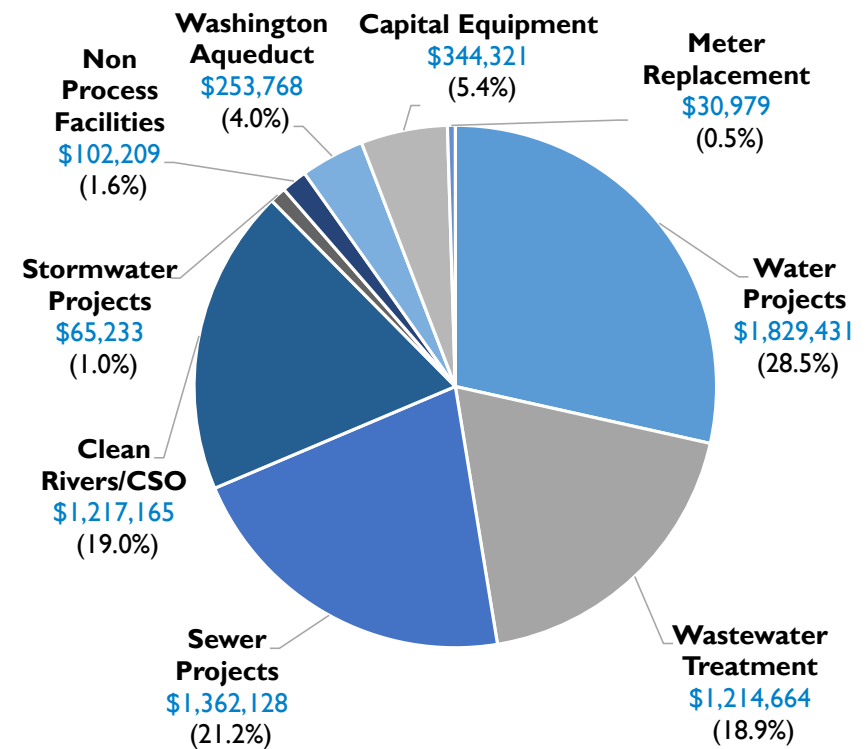
# Ten Year CIP: Sources and Uses of Funds

\$ in thousands

## Sources - \$6.42 Billion



## Uses - \$6.42 Billion





# Capital Improvement Program



# Capital Budget Highlights

## **\$647 MILLION ALLOCATED IN FY 2023 AND \$6.4 BILLION OVER THE TEN-YEAR PERIOD FOR INFRASTRUCTURE IMPROVEMENTS**

- Fully funds (\$629 million) removal of all lead service lines by 2030 by leveraging funds in the bi-partisan infrastructure package
- Aligns Clean Rivers program (\$232 million increase) to the consent decree modification for green and gray infrastructure
- Ramps up to 1.5% replacement for small diameter water mains per year, starting FY 2028
- Continues ramp up to 1.0% rehabilitation for small sewer lines per year in FY 2024 and beyond
- Invests \$1.2 billion over ten years for major rehabilitation and upgrades at Blue Plains
- Allocates \$102 million for non process facilities and Main & O redevelopment efforts
- Funds \$254 million for DC Water's share of the Washington Aqueduct's critical infrastructure needs with a \$22 million increase for 2023
- Advances funding (\$16 million) for innovation program initiatives to continue to improve operational efficiencies and/or generate new revenues
- Funds the purchase of vehicles and heavy-duty equipment, for a total of \$18 million over three years
- Provides funds (\$341 million) for the purchase/replacement of mechanical equipment, operational facilities, meters, office renovations, and IT projects



*Details of the capital program will be discussed with the EQ&OPS Committee as part of the budget process*



# The Capital Improvement Program

- 💧 The **proposed ten-year CIP budget of \$6.4 billion** includes previous amendments to the FY 2022 budget for the Lead Free DC program, carry-over of funds for the purchase of vehicles and projected increase in the Aqueduct's capital projects
- 💧 The **proposed lifetime budget is \$13.38 billion** and covers total commitments, including labor, for active projects prior to, during, and beyond the ten-year window

\$ in 000's	FY 2022 - 2031 CIP Disbursement Plan											Last Years	(Increase)/	Lifetime
	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	10-yr Total	!0-yr	Decrease	Budget
NON PROCESS FACILITIES	31,439	12,051	28,160	14,422	6,620	3,351	1,778	387	2,000	2,000	102,208	109,776	7,568	215,847
WASTEWATER TREATMENT	85,978	78,574	117,545	116,402	132,436	165,310	129,249	121,373	126,710	141,086	1,214,664	1,158,991	(55,673)	3,445,105
COMBINED SEWER OVERFLOW	152,267	117,704	77,304	105,185	161,941	171,760	220,123	153,173	51,403	6,306	1,217,166	1,122,976	(94,190)	3,216,072
STORMWATER	7,031	11,527	5,553	5,813	4,985	6,158	4,620	4,499	6,330	8,722	65,236	63,894	(1,342)	120,933
SANITARY SEWER	68,084	103,383	150,828	130,967	160,400	205,946	183,824	149,256	129,368	80,069	1,362,125	1,312,973	(49,152)	2,166,442
WATER	165,313	227,116	218,339	194,652	202,046	191,451	192,665	192,324	124,683	120,842	1,829,430	1,147,717	(681,713)	3,167,891
<b>CAPITAL PROJECTS</b>	<b>510,112</b>	<b>550,355</b>	<b>597,728</b>	<b>567,442</b>	<b>668,428</b>	<b>743,975</b>	<b>732,259</b>	<b>621,011</b>	<b>440,494</b>	<b>359,025</b>	<b>5,790,828</b>	<b>4,916,327</b>	<b>(874,501)</b>	<b>12,332,290</b>
CAPITAL EQUIPMENT	40,519	37,021	36,156	35,307	39,671	41,813	36,203	36,203	36,203	36,203	375,302	336,036	(39,266)	375,302
WASHINGTON AQUEDUCT	16,875	59,628	34,749	17,164	27,825	37,122	14,723	11,940	19,831	13,911	253,768	180,125	(73,643)	253,768
<b>ADDITIONAL CAPITAL PROJECTS</b>	<b>57,394</b>	<b>96,649</b>	<b>70,905</b>	<b>52,471</b>	<b>67,496</b>	<b>78,935</b>	<b>50,926</b>	<b>48,143</b>	<b>56,034</b>	<b>50,114</b>	<b>629,070</b>	<b>516,161</b>	<b>(112,909)</b>	<b>629,070</b>
LABOR														416,097
<b>TOTAL CAPITAL BUDGETS</b>	<b>567,507</b>	<b>647,004</b>	<b>668,633</b>	<b>619,913</b>	<b>735,924</b>	<b>822,910</b>	<b>783,185</b>	<b>669,154</b>	<b>496,528</b>	<b>409,140</b>	<b>6,419,899</b>	<b>5,432,489</b>	<b>(987,410)</b>	<b>13,377,458</b>
														Lifetime
	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	10-yr Total		Budget
Prior Year Board Approved CIP	471,267	476,140	540,585	500,427	499,918	681,280	632,075	568,067	572,262	490,468	-	5,432,489	-	12,133,115
Delta (inc)/dec	471,267	(91,367)	(106,419)	(168,206)	(119,995)	(54,644)	(190,836)	(215,119)	(96,892)	(6,060)	(409,140)	(987,410)	-	(1,244,343)



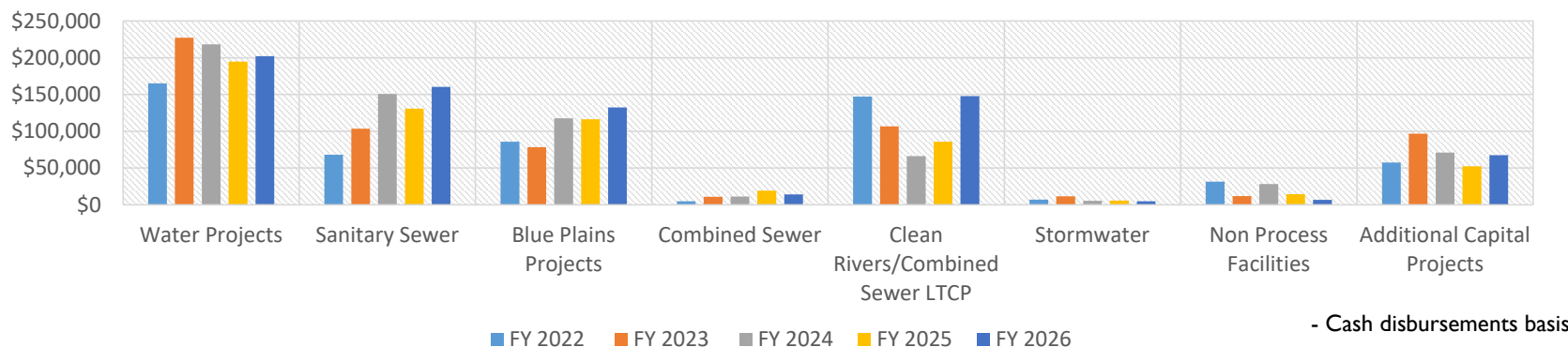


## Near Term of the 10-Year CIP

- DC Water is proceeding with the increased investment in water and sewer projects over the next five years as we advance the LeadFree DC Program and approach the completion of the Clean Rivers tunneling program
  - Significant growth in water projects from \$165 million in FY 2022 to \$202 million by FY 2026
    - Spending on Lead Free DC Program will increase from \$57 million in FY 2022 to \$101 million by FY 2025
    - LeadFree DC Program accounts for 34% in FY 2022 and grows to 52% in FY 2025 of overall spending on water projects
  - Spending on sewer projects will more than double from \$68 million in FY 2022 to \$160 million by FY 2026
  - Clean Rivers program is anticipated at 26% of the overall CIP in FY 2022, but only 8% by FY 2030
  - Spending on an additional capital projects in FY 2023 is mainly for infrastructure improvements at the Aqueduct

\$ in thousands

Historical & Projected Capital Disbursements (FY 2022 - FY 2026)





# Operating Expenditure Budget



# FY 2023 Budget Highlights

## FY 2023 PROPOSED OPERATING BUDGET OF \$686.4 MILLION

- 💧 Adds 73 new positions to achieve greater efficiencies to support compliance, safety, data analysis, and other programs
  - Engineering and IT position insourcing costs are offset by reduced reliance on consultants
- 💧 Continues to invest \$0.5 million in the community by providing 14 jobs through the Apprentice program
- 💧 Allocates \$1.2 million to implement a new customer assistance program to repair property side leaks impacting water bills
- 💧 Achieves \$2.7 million in contractual services savings in FY 2023 compared to the forecast in the financial plan
- 💧 Continues \$720,000 for the Backwater Valve Program for the installation of backwater valves on private properties in response to the September 10, 2020, storm event
- 💧 Funds \$1.3 million for the maintenance of the Green Infrastructure (GI) facilities to manage stormwater
- 💧 Adds \$3.3 million to expand various strategic programs such as government affairs coverage, Enterprise Risk Management, Diversity, Equity & Inclusion, organizational assessment and leadership programs
- 💧 Expands the budget for the Customer Assistance Program by \$0.5 million



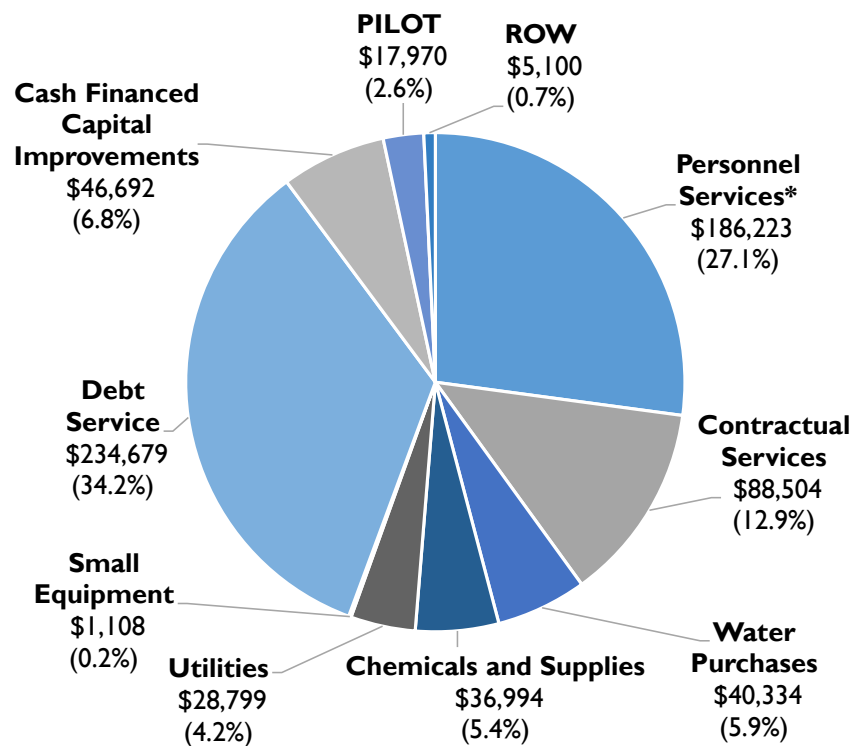
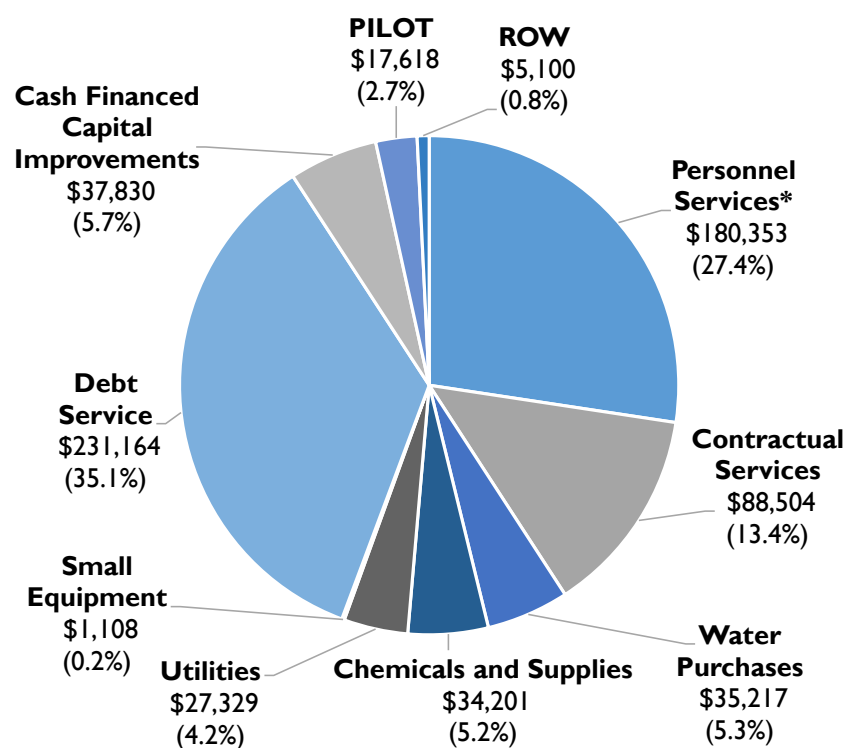


# FY 2022 vs. FY 2023 Expenditure Budgets

\$ in thousands

**Approved FY 2022**  
**\$658,423**

**Proposed FY 2023**  
**\$686,403**



\* Personnel Services includes capital labor charges

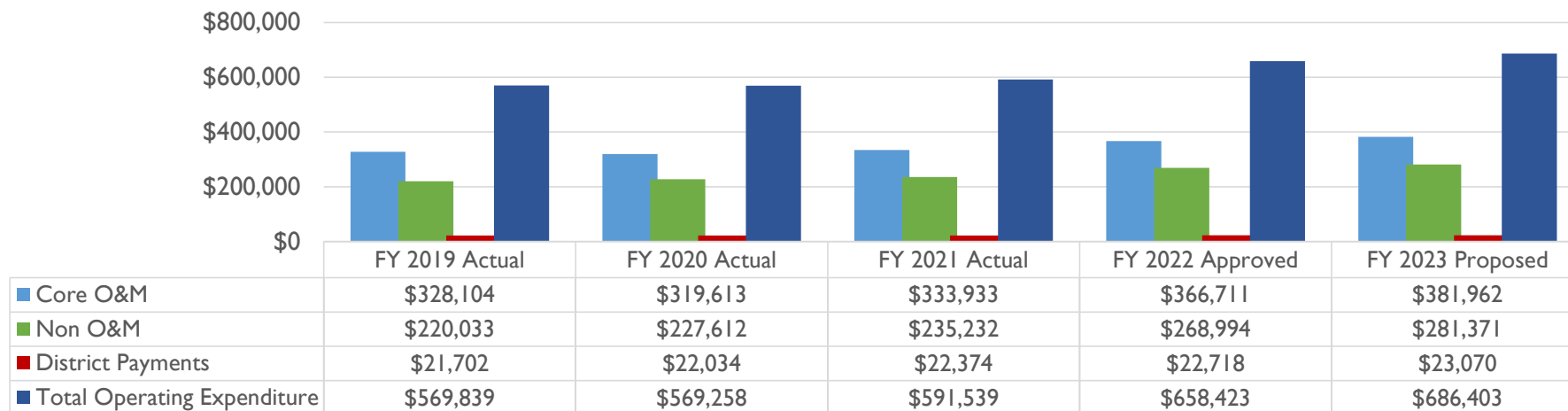


# Operating Budget Trends

- 💧 Core Operations & Maintenance (O&M) costs have been consistently stable with an average growth of 3% per year
  - Approximately 74% of core O&M costs are fixed and non-discretionary in nature
- 💧 Debt service is one of the fastest-growing components of the overall budget
  - Represents 44% of the total operating budget in FY 2023
- 💧 Overall budget is below the previous financial plan forecast for FY 2023

\$ in thousands

## Annual Operating Expenditures







## Operating Budget Comparison by Cost Category

- 💧 Total Operations & Maintenance expenditure is projected to increase by \$15.3 million or 4%
- 💧 Overall Operating Expenditure is projected to increase by \$28 million or 4%

(\$000's)	FY 2019 Actual	FY 2020 Actual	FY 2021 Actual	FY 2022 Approved	FY 2023 Proposed	(Increase)/ Decrease	
						\$	%
Regular Pay	\$ 115,735	\$ 116,494	\$ 126,485	\$ 132,173	\$ 137,044	\$ (4,872)	-4%
Benefits	34,073	35,930	31,818	40,038	40,960	(923)	-2%
Overtime	8,171	6,820	6,729	8,143	8,218	(75)	-1%
<b>Total Personnel Services</b>	<b>157,979</b>	<b>159,244</b>	<b>165,032</b>	<b>180,353</b>	<b>186,223</b>	<b>(5,869)</b>	<b>-3%</b>
Chemical and Supplies	34,979	28,659	34,244	34,201	36,994	(2,793)	-8%
Utilities	25,778	24,705	27,329	27,328	28,799	(1,470)	-5%
Contractual Services	76,206	74,503	73,576	88,504	88,504	(0)	0%
Water Purchases	32,430	31,696	33,135	35,217	40,334	(5,117)	-15%
Small Equipment	731	806	617	1,108	1,108	(0)	0%
<b>Total Non-Personnel Services</b>	<b>170,124</b>	<b>160,369</b>	<b>168,901</b>	<b>186,359</b>	<b>195,739</b>	<b>(9,381)</b>	<b>-5%</b>
<b>Total Operations &amp; Maintenance</b>	<b>328,103</b>	<b>319,613</b>	<b>333,933</b>	<b>366,711</b>	<b>381,962</b>	<b>(15,251)</b>	<b>-4%</b>
Debt Service	193,035	199,056	204,878	231,164	234,679	(3,515)	-2%
PILOT & ROW	21,702	22,034	22,372	22,718	23,070	(352)	-2%
Cash Financed Capital Improvements	26,999	28,556	30,355	37,830	46,692	(8,862)	-23%
<b>Total Non-O&amp;M</b>	<b>241,736</b>	<b>249,646</b>	<b>257,606</b>	<b>291,712</b>	<b>304,441</b>	<b>(12,729)</b>	<b>-4%</b>
<b>Total Operating Expenditure</b>	<b>569,839</b>	<b>569,259</b>	<b>591,539</b>	<b>658,423</b>	<b>686,403</b>	<b>(27,980)</b>	<b>-4%</b>
Capital Labor Charges	(17,588)	(24,906)	(23,395)	(25,086)	(30,435)	5,349	-21%
<b>Net Operating Expenditure</b>	<b>\$ 552,251</b>	<b>\$ 544,353</b>	<b>\$ 568,144</b>	<b>\$ 633,337</b>	<b>\$ 655,968</b>	<b>\$ (22,631)</b>	<b>-4%</b>



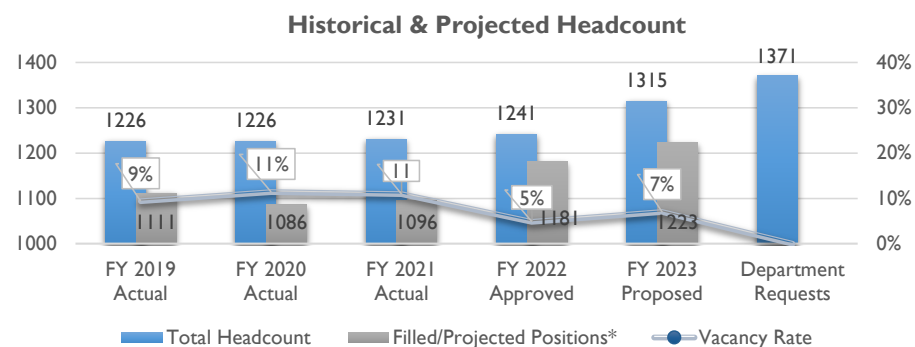
# Headcount

## 73 New Positions for FY 2023

- Drive Efficiency** - 39 new positions to reduce reliance on the use of consultants for various engineering programs with offsetting reductions in capital contracts
- Program Expansion** - 27 new positions for fire flow testing and valve preventative maintenance programs, Green Infrastructure program, manage the construction activities for the tunnels, and support operations, compliance, safety, data analysis, HR systems, recruiting and Enterprise Risk Management activities
- Achieve Savings** - 7 new positions for in-house support of various professional services (Helpdesk, Quality Assurance, Business Intelligence & Integrations, Project Management Office, Budgeting), savings of \$340K annually

## Vacancy Rates

- Historical vacancy rate ranges from 9% to 11% per year
  - 63 aged/hard to fill positions were eliminated during the FY 2020 budget cycle
  - Current vacancy rate is 12% as of December 2021 with ongoing efforts to backfill critical positions to reduce the workload on employees
- Overall vacancy rates of 5% and 7% are assumed in FY 2022 and FY 2023 respectively



\* Reflects projected vacancy rates assumed in FY 2022 and FY 2023



## Operations & Maintenance Budget Drivers

### 💧 **Personnel Services – \$186.2 million or increase of \$5.9 million**

- *Regular Pay* – The increase of \$4.9 million funds
  - Merit increases and bonus payments consistent with the union agreement
  - 73 new positions to increase the authorized headcount to 1315 FTEs
  - Career advancement framework for impacted employees at Blue Plains
  - Apprenticeship program for 14 apprentices
  - Summer internship program
- *Benefits* – The increase of \$0.9 million compared to FY 2022 is mainly for the increased headcount
- *Overtime* – Relatively flat compared to FY 2022 level and is consistent with historical spending trends. Overtime costs are used for emergency repairs of our aging infrastructure

### 💧 **Chemicals & Supplies – \$37.0 million or increase of \$2.8 million**

- *Chemicals* – \$1.5 million increase for major chemicals (e.g., methanol) used in the wastewater treatment process which is subject to volatility in the market conditions
- *Supplies* – \$1.3 million increase is for parts and supplies needed for the maintenance of DC Water equipment and facilities



## Contractual Services

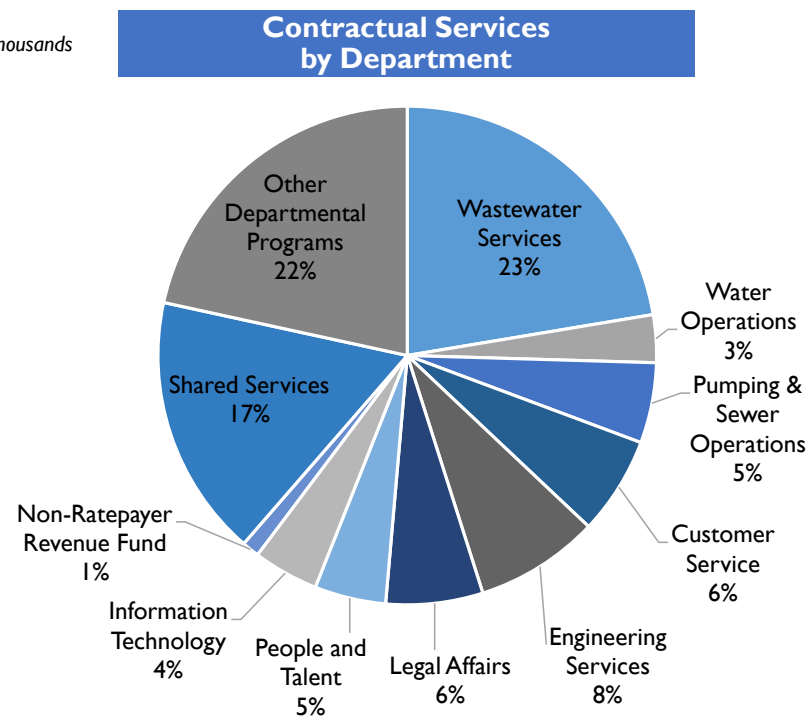
- DC Water continues to hold the line on its overall contractual services budget at \$88.5 million for the third consecutive year since the FY 2021 Board-approved levels

Category	FY 2022 Approved	FY 2023 Proposed	(Increase)/ Decrease
Maintenance and Repairs	\$ 11,216	\$ 9,683	\$ 1,533
Software and Hardware Maintenance	12,064	11,130	934
Professional Services	35,613	38,037	(2,425)
Contractual Services	11,290	12,166	(876)
Insurances and Bonds	4,127	4,127	-
Judgements Indemnities and Claims	3,491	3,320	171
Employee Training & Travel	2,383	2,070	314
Professional Fees	1,099	831	268
Non-Ratepayer Revenue Fund	515	1,000	(485)
Other Contractuals	6,705	6,140	566
<b>Total Contractual Services</b>	<b>\$ 88,504</b>	<b>\$ 88,504</b>	<b>\$ (0)</b>

Professional Services - Includes funding for Combined Heat & Power facility support, credit card fees, litigation, legal contingency, community outreach programs, research & development, temporary staffing, information system support, security, strategic programs, audit, employee-employment related and other compliance services

Contractual Services - Covers hauling and disposal, biosolids hauling, grit removal & disposal, wet well cleaning, industrial cleaning, catch basin & reservoir cleaning, janitorial, trash removal services, etc.

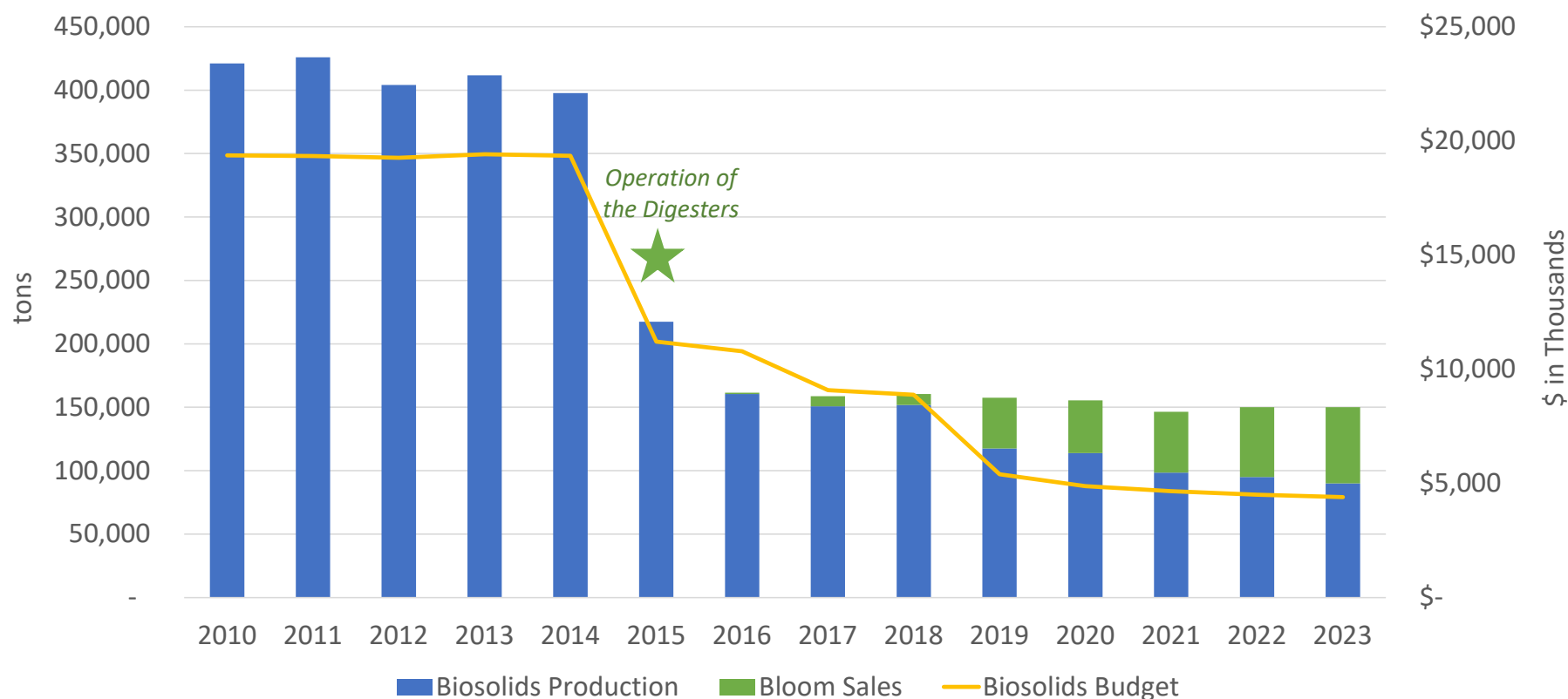
\$ in thousands





## Annual Biosolids Production and Bloom Sales

Bloom Sales Increase and Annual Biosolids Budget Drops







## Biosolids Savings

- Blue Drop is responsible for marketing Bloom and hauling of biosolids produced at Blue Plains
  - Savings to DC Water are calculated by subtracting the net sale value from \$48 which was the traditional hauling and disposal rate prior to the contract with Blue Drop
  - Traditional disposal rates for 2020 were expected to increase to \$50 and forecasted to be \$53 by 2022
  - Total savings to DC Water from 2020 through November 2021 is approximately \$3.9 million

	FY 2020 Total	FY 2021 Total	FY 2022 thru Nov.	Grand Total
Total Volumes Marketed	44,210	47,655	4,517	96,382
Average Cost for Marketed Volumes	\$21	\$18	\$16	\$19
Total Marketing Cost	\$946,978	\$845,947	\$74,295	\$1,867,221
Total Volumes to Storage	35,595	41,880	9,008	86,483
Average Cost to storage	\$34	\$34	\$40	\$35
Total Storage Cost	\$1,227,681	\$1,416,382	\$363,113	\$3,007,175
Total Cost for Blue Drop Handling	\$2,174,659	\$2,262,329	\$437,408	\$4,874,396
Total Alternative Cost	\$3,830,652	\$4,297,680	\$649,200	\$8,777,532
Cost Savings	\$1,655,994	\$2,035,351	\$211,792	<b>\$3,903,137</b>



## Operations & Maintenance Budget Drivers

### 💧 **Utilities – \$28.8 million or increase of \$1.5 million**

- *Electricity* – \$1.9 million increase for energy needed to operate the Plant, Pump Stations and Operational facilities. Onsite electric generation of 6.5MW from the Combined Heat & Power Facility continues to reduce the rate of growth of electricity costs and DC Water's reliance on the power grid
- *Water Usage* – Increase of \$0.2 million in water usage on the Plant is due to changes made in the treatment process
- *Rent & Telecommunications* – Decrease of \$0.6 million based on spending trends consistent with rental agreements

### 💧 **Water Purchase – \$40.3 million or increase of \$5.1 million**

- DC Water purchases drinking water from the Washington Aqueduct and is responsible for approximately 75% of the Aqueduct's projected operating costs
- This includes funding for DC Water's share of the McMillan Sewer backwash (\$3.3 million) with offsetting revenue opportunity

### 💧 **Small Equipment – \$1.1 million is relatively flat**

- This is mainly for the purchase of small items such as office equipment, cameras, small appliances and tools, rental of postage machines, etc.

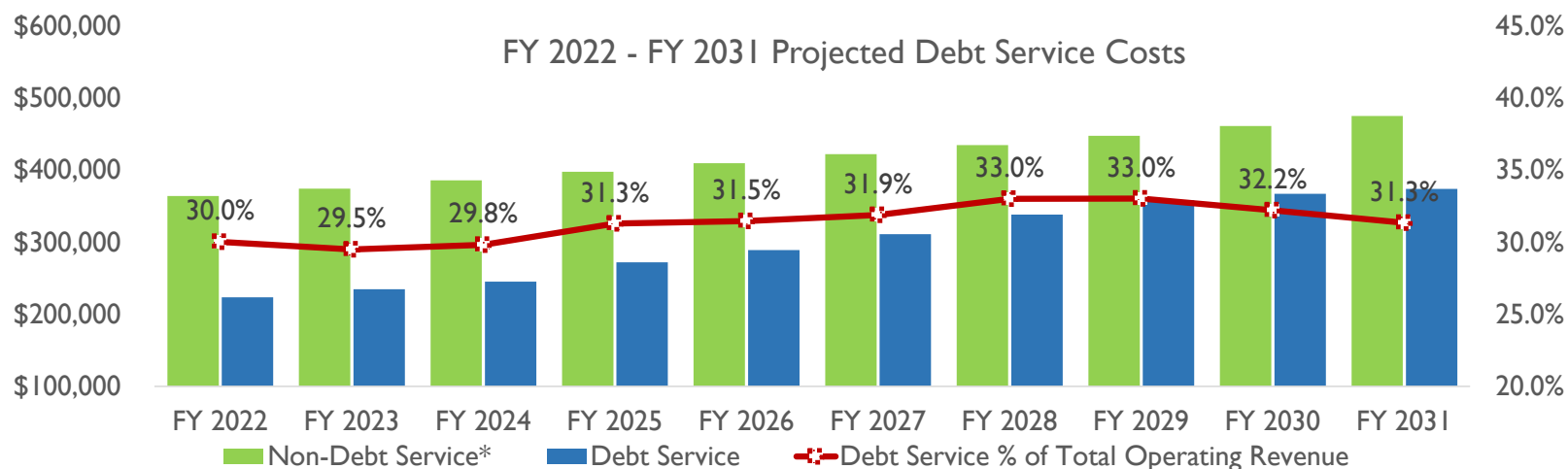


## Debt Service Costs

### Debt service is the largest driver in the operating budget

- Represents 35.8% of the total operating expenditure budget and 29.5% of operating revenue in FY 2023
- Over the next ten years, about \$2.6 billion is anticipated to be borrowed to fund capital expenditures
- Debt service cost is projected to grow from \$223.5 million in FY 2022 to \$374.0 million by FY 2031 (approx. 67% increase)

\$ in thousands



\* Non-Debt Service includes O&M, PILOT, ROW and CFCI estimates



## Budget Risks

- 💧 **COVID-19 Impacts**
- 💧 **Personnel** - Overtime during emergencies, increased healthcare cost, lower than anticipated vacancy rate, and other leave adjustments typically funded by vacancies
- 💧 **Chemicals** - Market volatilities, unit prices, rain events, process optimization
- 💧 **Utilities** - Market volatilities, onsite energy optimization, solar project output & timeline
- 💧 **New Facilities** - Parts, equipment, and maintenance requirement for tunnels and new facilities for Fleet Services and Sewer Services
- 💧 **Biosolids/BLOOM** - Hauling/marketing of 60,000 tons
- 💧 **Litigation & Insurance** - Impacts of unanticipated legal cases and insurance policy requirements





## Operating Revenues





## Proposed Revenues, Rates and Fees

### **Proposed Operating Revenues, Rates and Fees**

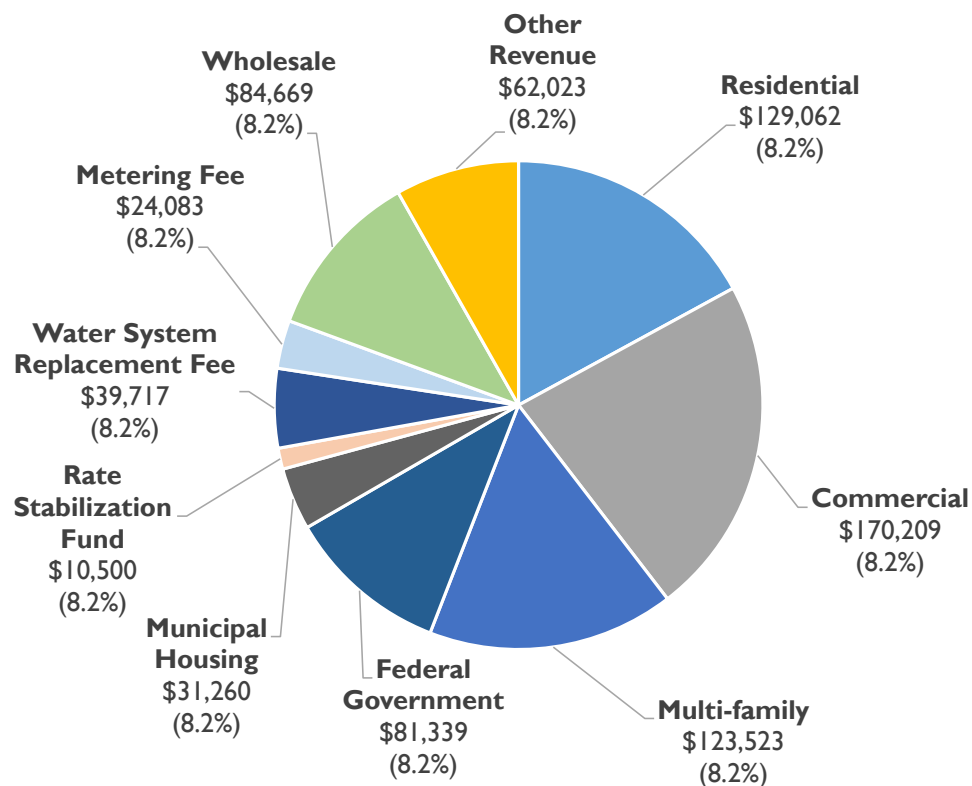
- Combined rate increases are lower than forecasted from last year - decrease from 6.7% to 6.0% for FY 2023 and 8.8% to 5.4% for FY 2024
  - *Holding the line on operating costs and achieving debt service costs means we can ask less from our customers*
- Customer Assistance Programs budget enhanced by \$0.5 million to support increased program participation
- DC Water Cares (MAP and RAP) extended into FY 2022
- Customer Metering Fee and Water System Replacement Fee (VWSRF) remains the same
- Proposed CRIAC of \$18.14 per ERU in FY 2023 and \$21.86 per ERU in FY 2024
  - Continues the CRIAC “shift” - 37% of Clean Rivers costs are allocated to the sewer volumetric date
- Water and sewer rates increase of 9.50% for FY 2023 and 3.25% for FY 2024



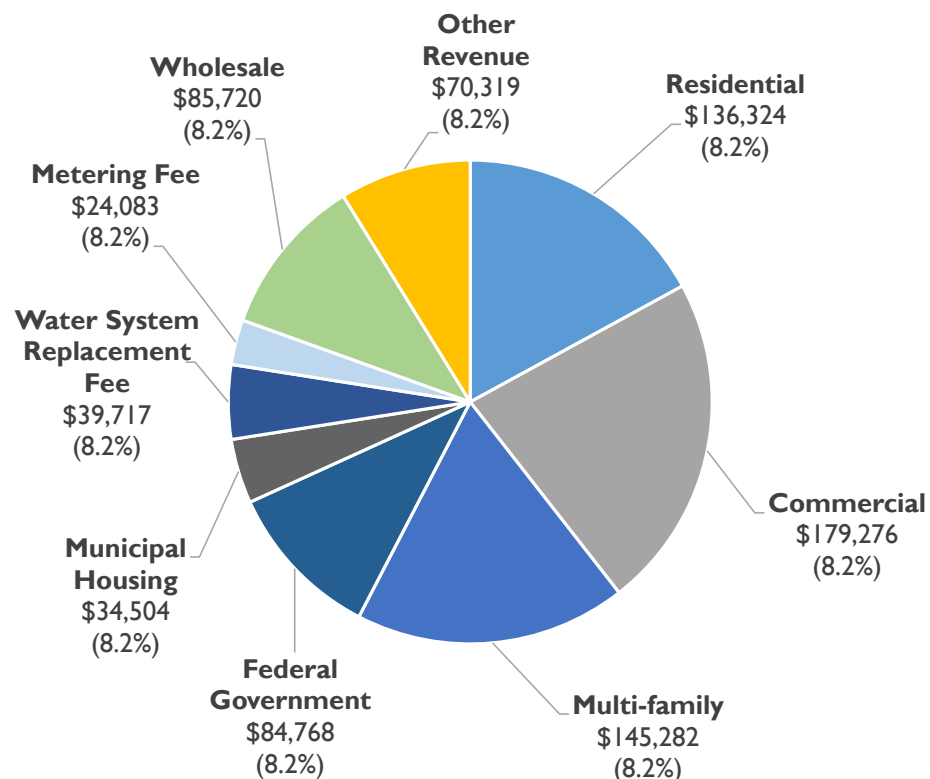
# FY 2022 vs. FY 2023 Operating Revenues

\$ in thousands

## Adopted FY 2022 \$756.4 million



## Proposed FY 2023 \$800.0 million





## Multi-Year Rate Plan Considerations

- 💧 DC Water recovers only the funds necessary to fund the Operating and Capital Budgets through rates
- 💧 One of the fastest growing expenditure category is debt service for the capital program, which has grown an average of 6.5% a year since 2016
- 💧 As part of the budget, DC Water presents the rates required to support the CIP and forecasted operating expenditures
  - Rates are reviewed and approved by the DC Water Board every two years
  - The financial plan, including the forecast of rates, is proposed to the Board for consideration
- 💧 Customer Assistance Programs provide discounts for residential customers
  - Income requirements for those programs every year
  - In FY 2021 the discount was increased for customers in the CAP program to ensure that rates comprised a lower portion of household income





## Caring for Our Customers

- DC Water offers some of the nation's most financially supportive customer assistance programs:

### Lifeline Rate

- Provides a discount to residential customers on the first 2,992 gallons used each month

### CAP

- Provides monthly discounts to residential customers with household incomes less than \$129,000 (family of four)

### One-Time Assistance

- SPLASH provides one-time emergency assistance to customers
- New programs for residential and multi-family customers

### Payment Terms

- DC Water provides flexible payment terms for customers to get back on track



Seniors with incomes  
up to \$90,300 can  
qualify for discounts  
(single family household)

For more information see: [dcwater.com/customer-assistance](https://dcwater.com/customer-assistance)



## CAP

60% SMI

\$82,538 (family of 4)

Discount on the first 400 cubic ft. of water and sewer services + 75% reduction in the monthly CRIAC fee + WSRF waiver

\$80/month discount

## CAP2

80% AMI

\$103,200 (family of 4)

Discount on the first 300 cubic ft. of water and sewer services + 50% reduction in the monthly CRIAC fee

\$52/month discount

## CAP3

100% AMI

\$129,000 (family of 4)

Discount of 75% off the monthly CRIAC fee

\$14/month discount

## CRIAC Non-Profit Relief

District-funded program to assist Non-profit organizations with Clean Rivers Impervious Area Charge (CRIAC)

### Emergency Assistance

- Up to \$2,000 per household
- District Funded

### Residential Assistance

- Up to \$2,000 per household
- DC Water Funded

### Multi-Family Assistance

- Up to \$2,000 per household, 90% to tenant
- DC Water Funded

### StayDC

- Additional assistance with utility bills
- DC Funded

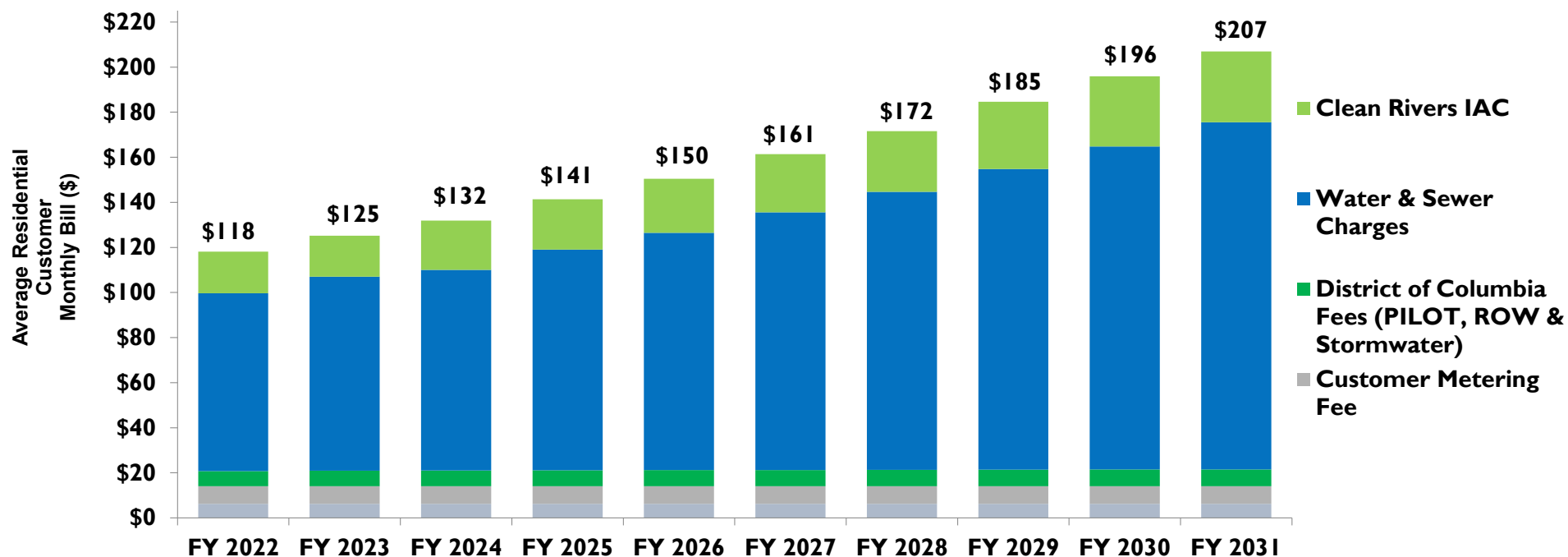
### Low-Income Household Water Assistance (LIHWAP)

- Provides funds to assist households with water and sewer bills
- Federally Funded



## Projected Average Residential Customer Bill

- Projected average monthly residential customer bill ranges from \$118 in FY 2022 to \$207 in FY 2031



\* Assumes average residential consumption of 5.42 Ccf, or 4,054 gallons, per month. Ccf = hundred cubic feet, or 748 gallons



## Proposed FY 2023 & FY 2024 Rates, Charges & Fees

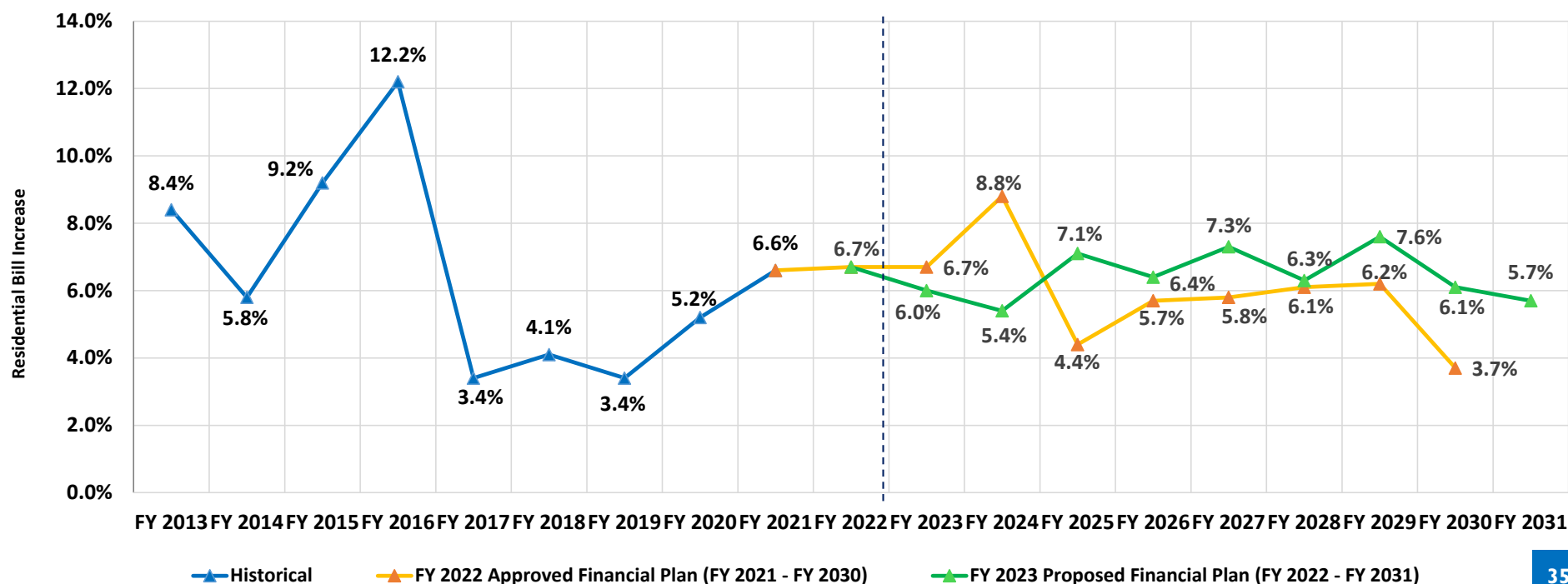
	Units	Approved FY 2022	Proposed FY 2023	Proposed FY 2024	Incr. /(Decr.) FY 2023		Incr. /(Decr.) FY 2024	
					\$	%	\$	%
DC Water Retail Rates – Water:								
Residential – Lifeline (0- 4 Ccf)	Ccf	\$3.63	\$4.28	\$4.38	\$0.65	17.9%	\$0.10	2.3%
Residential – (> 4 Ccf)	Ccf	4.74	5.58	5.70	0.84	17.7	0.12	2.2
Multi-family	Ccf	4.15	4.90	5.00	0.75	18.1	0.10	2.0
Non-Residential	Ccf	4.91	5.78	5.89	0.87	17.7	0.11	1.9
DC Water Retail Rates – Sewer	Ccf	10.64	11.26	11.70	0.62	5.8	0.44	3.9
DC Water Clean Rivers IAC	ERU	18.40	18.14	21.86	-0.26	-1.4	3.72	20.5
DC Water Customer Metering Fee	5/8”	7.75	7.75	7.75	-	-	-	-
DC Water System Replacement Fee	5/8”	6.30	6.30	6.30	-	-	-	-
District of Columbia PILOT Fee	Ccf	0.56	0.59	0.61	0.03	5.4	0.02	3.4
District of Columbia Right of Way Fee	Ccf	0.19	0.19	0.19	-	-	-	-
District of Columbia Stormwater Fee	ERU	2.67	2.67	2.67	-	-	-	-





## Historical and Projected Combined Rate Increases

- 💧 FY 2023 and FY 2024 recommended rates are less than previously forecasted
- 💧 In FY 2025 and beyond, forecasted rates are higher than previously estimated because of additional projects in the 10-year Capital Improvement Plan (CIP)





## Revenue Comparison by Customer Class

- 💧 Total revenue is projected to increase by \$2.0 million or 0.3% for FY 2023 and \$27.7 million or 3.5% for FY 2024 mainly due to rate increases
  - *Retail Revenue* – Increase by \$44.8 million or 7.5% in FY 2023 and \$22.0 million or 3.4% in FY 2024
  - *Wholesale Revenue* – Increase by \$1.1 million or 1.2% in FY 2023 and increase by \$3.4 million or 4.0% for FY 2024 mainly due to 3.0 percent escalation

\$ in thousands	Approved FY 2022	Proposed FY 2023	Proposed FY 2024	FY 2023 vs FY 2022		FY 2024 vs FY 2023	
				Incr/(Decr)		Incr/(Decr)	
				\$	%	\$	%
Retail Revenue	\$599,193	\$643,954	\$665,949	\$44,761	7.5%	\$21,995	3.4%
Wholesale Revenue							
Potomac Interceptor (PI)	3,547	3,547	3,547	-	0.0%	-	0.0%
Loudoun County Sanitation Authority (LCSA)	6,897	7,409	7,724	512	7.4%	315	4.3%
Washington Suburban Sanitary Commission (WSSC)	59,049	60,599	63,109	1,550	2.6%	2,510	4.1%
Fairfax County	15,176	14,165	14,762	(1,011)	-6.7%	597	4.2%
Total Wholesale Revenue	\$84,669	\$85,720	\$89,142	\$1,051	1.2%	\$3,422	4.0%
Other Revenue	62,023	70,319	72,614	8,296	13.4%	2,295	3.3%
Rate Stabilization Fund	10,500	-	-	(10,500)	-100.0%	-	0%
Total Revenues	\$756,385	\$799,993	\$827,705	\$43,608	5.8%	\$27,712	3.5%



# Average Residential Customer Monthly Bill

	Current FY 2022	Proposed FY 2023	Proposed FY 2024
DC Water Water and Sewer Retail Rates <sup>(1)</sup>	\$ 78.92	\$ 86.07	\$ 89.03
DC Water Clean Rivers IAC <sup>(2)</sup>	18.40	18.14	21.86
DC Water Customer Metering Fee	7.75	7.75	7.75
DC Water Water System Replacement Fee <sup>(4)</sup>	6.30	6.30	6.30
<b>Subtotal DC Water Rates &amp; Charges</b>	<b>\$ 111.37</b>	<b>\$ 118.26</b>	<b>\$ 124.94</b>
Increase / Decrease	\$ 7.29	\$ 6.89	\$ 6.68
District of Columbia PILOT Fee <sup>(1)</sup>	\$ 3.04	\$ 3.20	\$ 3.31
District of Columbia Right-of-Way Fee <sup>(1)</sup>	1.03	1.03	1.03
District of Columbia Stormwater Fee <sup>(3)</sup>	2.67	2.67	2.67
<b>Subtotal District of Columbia Charges</b>	<b>\$ 6.74</b>	<b>\$ 6.90</b>	<b>\$ 7.01</b>
<b>Total Amount Appearing on DC Water Bill</b>	<b>\$ 118.11</b>	<b>\$ 125.16</b>	<b>\$ 131.95</b>
Increase / Decrease Over Prior Year	\$ 7.40	\$ 7.05	\$ 6.79
<b>Percent Increase in Total Bill</b>	<b>6.7%</b>	<b>6.0%</b>	<b>5.4%</b>

(1) Assumes average monthly consumption of 5.42 Ccf, or (4,05

(2) Assumes average 1 Equivalent Residential Unit (ERU)

(3) District Department of the Environment stormwater fee of \$2.67 effective November 1, 2010

(4) DC Water "Water System Replacement Fee" of \$6.30 for 5/8" meter size effective October 1, 2015



# Average CAP Customer Monthly Bill

	Units	Current FY 2022	Proposed FY 2023	Proposed FY 2024
DC Water Water and Sewer Retail Rates <sup>(1)</sup>	Ccf	\$ 78.92	\$ 86.07	\$ 89.03
DC Water Clean Rivers IAC	ERU	18.40	18.14	21.86
DC Water Customer Metering Fee	5/8"	7.75	7.75	7.75
DC Water Water System Replacement Fee	5/8"	6.30	6.30	6.30
<b>Subtotal DC Water Rates &amp; Charges</b>		<b>\$ 111.37</b>	<b>\$ 118.26</b>	<b>\$ 124.94</b>
Increase / Decrease		\$ 7.29	\$ 6.89	\$ 6.68
District of Columbia PILOT Fee <sup>(1)</sup>	Ccf	\$ 3.04	\$ 3.20	\$ 3.31
District of Columbia Right-of-Way Fee <sup>(1)</sup>	Ccf	1.03	1.03	1.03
District of Columbia Stormwater Fee <sup>(4)</sup>	ERU	2.67	2.67	2.67
<b>Subtotal District of Columbia Charges</b>		<b>\$ 6.74</b>	<b>\$ 6.90</b>	<b>\$ 7.01</b>
<b>Total Amount</b>		<b>\$ 118.11</b>	<b>\$ 125.16</b>	<b>\$ 131.95</b>
Increase / Decrease Over Prior Year		\$ 7.40	\$ 7.05	\$ 6.79
<b>Percent Increase in Total Bill</b>		<b>6.7%</b>	<b>6.0%</b>	<b>5.4%</b>
Less: CAP Discount (4 Ccf per month) <sup>(1), (2)</sup>		\$ (60.08)	\$ (65.28)	\$ (67.52)
Water System Replacement Fee (WSRF) <sup>(3)</sup>		(6.30)	(6.30)	(6.30)
Clean Rivers IAC <sup>(5)</sup>		(13.80)	(13.61)	(16.40)
<b>Total Amount Appearing on DC Water Bill</b>		<b>\$ 37.93</b>	<b>\$ 39.97</b>	<b>\$ 41.73</b>
Increase / Decrease Over Prior Year		\$ 4.12	\$ 2.04	\$ 1.76
<b>CAP Customer Discount as a Percent of Total Bill</b>		<b>-67.9%</b>	<b>-68.1%</b>	<b>-68.4%</b>

(1) Assumes average monthly consumption of 5.42 Ccf, or (4,054 gallons)

(2) Expansion of CAP program in FY 2009 assumes discount to first 4 Ccf of Water and Sewer and to first 4 Ccf of PILOT and ROW in FY 2011

(3) Assumes 100 percent discount for Water System Replacement Fee (WSRF) to CAP customers effective October 1, 2015

(4) District Department of the Environment stormwater fee of \$2.67 effective November 1, 2010

(5) Assumes 75% discount for the Clean Rivers IAC effective October 1, 2020.



# Customer Impacts

💧 Approved rates for FY 2022 and proposed rates for FY 2023 and FY 2024

💧 Customer Impacts

Residential Avg. Ccf 5.42, ERU 1	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Water & Sewer Rate (%)	7.8%	9.5%	3.25%	10.0%	7.5%	8.5%	8.0%	8.0%	7.5%	7.5%
CRIAC (\$/ERU)	\$18.40	\$18.14	\$21.86	\$22.27	\$23.92	\$25.83	\$26.88	\$29.86	\$31.15	\$31.43
Avg. Customer Bill (\$)	\$118	\$125	\$132	\$142	\$150	\$161	\$170	\$181	\$188	\$199
Avg. Customer Bill (%)	6.7%	6.0%	5.5%	7.6%	5.7%	6.5%	6.4%	6.6%	3.7%	5.8%
Multi-family Avg. Ccf 86.14, ERU 6.83	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Water & Sewer Rate (%)	7.8%	9.5%	3.25%	10.0%	7.5%	8.5%	8.0%	8.0%	7.5%	7.5%
CRIAC (\$/ERU)	\$18.40	\$18.14	\$21.86	\$22.27	\$23.92	\$25.83	\$26.88	\$29.86	\$31.15	\$31.43
Avg. Customer Bill (\$)	\$1,542	\$1,661	\$1,734	\$1,882	\$2,014	\$2,172	\$2,328	\$2,509	\$2,676	\$2,851
Avg. Customer Bill (%)	6.3%	7.7%	4.4%	8.5%	7.0%	7.9%	7.2%	7.8%	6.6%	6.6%
Commercial Avg. Ccf 115.82, ERU 14.17	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Water & Sewer Rate (%)	7.8%	9.5%	3.25%	10.0%	7.5%	8.5%	8.0%	8.0%	7.5%	7.5%
CRIAC (\$/ERU)	\$18.40	\$18.14	\$21.86	\$22.27	\$23.92	\$25.83	\$26.88	\$29.86	\$31.15	\$31.43
Avg. Customer Bill (\$)	\$2,290	\$2,464	\$2,583	\$2,795	\$2,991	\$3,225	\$3,451	\$3,722	\$3,971	\$4,222
Avg. Customer Bill (%)	5.7%	7.6%	4.9%	8.2%	7.0%	7.8%	7.0%	7.9%	6.7%	6.3%

\*Category-wise average consumption is based on FY 2019 average, the last normal year before COVID-19 pandemic.



## Financial Plan



## Financial Metrics

Metrics	Indenture Requirement	Board Policy	Management Target	Financial Plan
Days of Cash on Hand (excluding RSF)	60 days	250 Days	—	250 - 253 Days
Combined Coverage Ratio	—	1.6X	—	1.85X – 2.04X
Senior Coverage	1.2X	—	—	5.39X – 7.67X
Subordinate Coverage	1.0X	—	—	2.16X – 2.54X
Debt Service as a % of Revenue	—	—	33% of Revenue or Less	29.5% - 33.0%
Rate Stabilization Fund (RSF)	—	—	—	





# Ten-Year Financial Plan

\$ in thousands

OPERATING	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Retail*	\$ 622,165	\$ 667,024	\$ 689,378	\$ 735,355	\$ 778,670	\$ 830,705	\$ 879,018	\$ 939,516	\$ 991,672	\$ 1,041,654
Wholesale*	84,669	85,720	89,142	91,817	94,571	97,408	100,330	103,340	106,440	109,634
Other	41,153	47,249	49,184	51,608	55,781	60,678	59,678	58,527	58,854	59,895
RSF	52,100	-	-	-	-	-	-	-	-	-
Operating Receipts <sup>(1)</sup>	\$ 800,087	\$ 799,993	\$ 827,705	\$ 878,779	\$ 929,022	\$ 988,791	\$ 1,039,026	\$ 1,101,383	\$ 1,156,967	\$ 1,211,182
Operating Expenses	(364,345)	(374,597)	(386,094)	(398,023)	(409,935)	(422,213)	(434,869)	(447,914)	(461,361)	(475,221)
Debt Service	(223,513)	(234,679)	(245,482)	(272,262)	(289,036)	(311,322)	(338,312)	(358,587)	(367,280)	(374,011)
Cash Financed Capital Improvement	\$ (37,830)	\$ (46,692)	\$ (48,256)	\$ (58,828)	\$ (70,080)	\$ (74,763)	\$ (79,112)	\$ (84,556)	\$ (89,251)	\$ (93,749)
Net Revenues After Debt Service	\$ 174,400	\$ 144,025	\$ 147,872	\$ 149,666	\$ 159,971	\$ 180,492	\$ 186,733	\$ 210,326	\$ 239,076	\$ 268,202
Operating Reserve-Beg Balance	196,286	235,600	242,600	251,600	261,600	266,600	276,600	284,600	293,600	300,600
Other Misc (Disbursements)/Receipts										
Wholesale/Federal True Up	(8,460)	(9,188)	(4,500)	-	-	-	-	-	-	-
Project Billing Refunds	-	-	-	-	-	-	-	-	-	-
Transfers To RSF	-	-	-	-	-	-	-	-	-	-
Pay-Go Financing	(126,625)	(127,837)	(134,372)	(139,666)	(154,971)	(170,492)	(178,733)	(201,326)	(232,076)	(259,202)
Operating Reserve - Ending Balance	\$ 235,600	\$ 242,600	\$ 251,600	\$ 261,600	\$ 266,600	\$ 276,600	\$ 284,600	\$ 293,600	\$ 300,600	\$ 309,600
Rate Stabilization Fund Balance RSF <sup>(2)</sup>	\$ (35,644)	\$ (35,644)	\$ (35,644)	\$ (35,644)	\$ (35,644)	\$ (35,644)	\$ (35,644)	\$ (35,644)	\$ (35,644)	\$ (35,644)
Senior Debt Service Coverage	589%	539%	646%	707%	681%	649%	666%	719%	724%	767%
Combined Debt Service Coverage	201%	187%	188%	185%	188%	190%	186%	189%	196%	204%
Actual/Projected Water/Sewer Rate Increases	7.8%	9.5%	3.3%	10.0%	7.5%	8.5%	8.0%	8.0%	7.5%	7.5%
*Operating Receipts \$ Increase/Decrease										
Retail	37,277	44,859	22,354	45,976	43,315	52,036	48,313	60,498	52,156	49,981
Wholesale	1,682	1,051	3,422	2,674	2,754	2,837	2,922	3,010	3,100	3,193
*Operating Receipts % Increase/Decrease										
Retail	6.4%	7.2%	3.4%	6.7%	5.9%	6.7%	5.8%	6.9%	5.6%	5.0%
Wholesale	2.0%	1.2%	4.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%

<sup>(1)</sup> Includes interest earnings on senior lien revenue bonds' debt service reserve fund

<sup>(2)</sup> FY 2023 planned transfer of \$0.0 million to Rate Stabilization Fund and \$0.0 million utilization will keep the total fund balance at \$35.644 million.

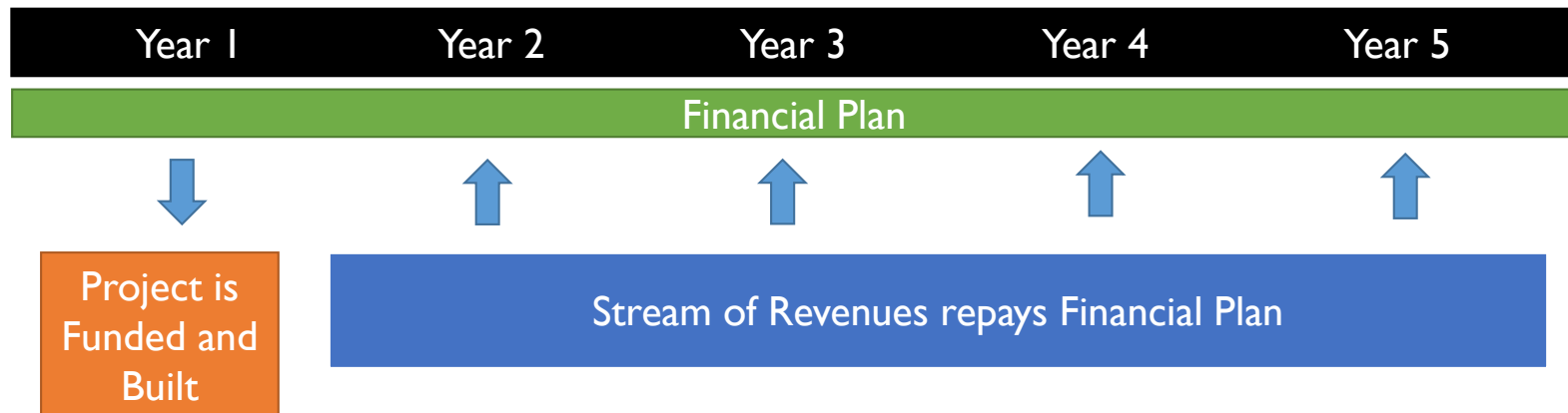


## Framework for Innovation

- 💧 Budget for solar projects will be repaid with energy savings and SRECs
- 💧 Solar Renewable Energy Credits (SRECs)
  - Revenue from solar is from the sale of SRECs, which DC Water sells to power companies so they can meet their renewable energy obligations
- 💧 Construction for solar projects expected to be completed in FY 2027

### List of Solar Projects

Ft Stanton #1
Ft Stanton #2
Anacostia Pump Station
Potomac Pump Station
Sewer Services
Bryant St
Ft Reno
Curing Pad





# Background for Innovative Projects

- 10-year financial plan for FY 2022 – FY 2031

- \$31 million in revenue will be generated from solar projects and energy savings

- \$29 million dedicated to solar projects in Capital Equipment budget

\$ in thousands

Sources	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031	10 Year Total
Ft Stanton #1	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 270	\$ 104	\$ 84	\$ 84	\$ 84	\$ 625
Ft Stanton #2	-	1,165	495	494	494	494	493	397	398	398	\$ 4,828
Anacostia Pump Station	-	-	-	-	-	320	120	96	96	96	\$ 728
Potomac Pump Station	-	-	-	-	-	519	187	150	150	150	\$ 1,158
Sewer Services	-	-	-	-	-	-	2,002	543	543	543	\$ 3,632
Bryant St	-	-	-	2,448	792	791	790	635	636	636	\$ 6,727
Ft Reno	-	-	-	-	1,844	820	820	820	819	775	\$ 5,898
Curing Pad	-	-	1,844	820	820	820	819	775	775	776	\$ 7,449
<b>Total Sources</b>	<b>\$ -</b>	<b>\$ 1,165</b>	<b>\$ 2,338</b>	<b>\$ 3,762</b>	<b>\$ 3,949</b>	<b>\$ 4,033</b>	<b>\$ 5,336</b>	<b>\$ 3,501</b>	<b>\$ 3,501</b>	<b>\$ 3,458</b>	<b>\$ 31,044</b>

Uses	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031	10 Year Total
Ft Stanton #1	\$ -	\$ -	\$ -	\$ -	\$ 690	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 690
Ft Stanton #2	2,865	-	-	-	-	-	-	-	-	-	\$ 2,865
Anacostia Pump Station	-	-	-	-	1,126	-	-	-	-	-	\$ 1,126
Potomac Pump Station	-	-	-	-	1,652	-	-	-	-	-	\$ 1,652
Sewer Services	-	-	-	-	-	5,610	-	-	-	-	\$ 5,610
Bryant St	-	-	6,864	-	-	-	-	-	-	-	\$ 6,864
Ft Reno	-	-	-	5,452	-	-	-	-	-	-	\$ 5,452
Curing Pad	100	4,683	-	-	-	-	-	-	-	-	\$ 4,783
<b>Total Uses</b>	<b>\$ 2,965</b>	<b>\$ 4,683</b>	<b>\$ 6,864</b>	<b>\$ 5,452</b>	<b>\$ 3,468</b>	<b>\$ 5,610</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 29,042</b>



## **Intent to Reimburse Capital Expenditures with Proceeds of a Borrowing**



## Intent to Reimburse Capital Expenditures

- Approval to reimburse DC Water for “Costs of the System” as defined in the Master Indenture; allows DC Water to reimburse itself for capital expenditures with debt proceeds
- For FY 2022 and FY 2023 amount requested is \$599 million; DC Water has three years from the time of the last expenditure to make the reimbursement
  - Reductions in capital spending due to COVID-19, delayed DC Water's access to enter the market in 2021
  - Borrowing for FY 2022 and FY 2023 was combined for approximately \$599 million
- As part of the request to issue a specific series of debt in the future, the Board will be asked to adopt a specific resolution that confirms the intent for the actual amount financed with actual reimbursed expenses





## Next Steps



## Management Recommendation

**In February, management will present the following recommendations to the respective Committees for appropriate actions to the full Board for approval:**

- 💧 Proposed FY 2023 Operating Expenditure Budget of \$686.4 million
- 💧 Proposed Capital Budget
  - FY 2023 Capital Budget of \$647 million
  - FY 2022 – FY 2031 Capital Disbursements of \$6.4 billion
  - Lifetime Project Budget of \$13.38 billion
- 💧 Proposed FY 2023 & 2024 Operating Revenues, Rates and Fees
- 💧 Proposed FY 2022 – FY 2031 Financial Plan, including the revenue requirements to support the operating and capital budgets
- 💧 Intent to Reimburse Capital Expenditures with Proceeds of a Borrowing





# Budget Adoption Calendar

## Board Member Questions & Follow-Up

- Submit budget-related questions to Board Secretary
- Board Secretary will distribute questions to appropriate staff

## Committee Reviews, Recommendations & Actions – January & February



	Environmental Quality & Operations	DC Retail Water & Sewer Rates	Finance & Budget
FY 2022 - FY 2031 Capital Budget (Disbursements & Lifetime)	Action Required		Action Required
FY 2023 Operating Budget			Action Required
Intent to Reimburse Capital Expenditures with Proceeds of a Borrowing			Action Required
FY 2022 - FY 2031 Financial Plan		Action Required	Action Required
FY 2023 & FY 2024 Revenues, Rates, Charges & Fees		Action Required	

## Board Adoption – March 3





# Public Communication

Complete Budget Briefing available online at <https://www.dewater.com/budget-and-rate-review-documents-0>

## Budget and Rate Review Documents

Date	Title
April 1, 2021	Board of Director's Meeting FY 2022 Approved Budget
March 25, 2021	Finance and Budget Committee Overview of Proposed FY 2022 Budget
March 23, 2021	DC Retail Water & Sewer Rates Committee FY 2021 - FY 2030 Proposed Ten-Year Financial Plan
March 18, 2021	Environmental Quality and Operations Committee FY 2021 - FY 2030 Proposed Capital Improvement Program Budget
February 23, 2021	Joint DC Retail Water & Sewer Rates and Finance and Budget Committee Overview of Proposed FY 2022 Budget
February 4, 2021	Environmental Quality and Operations Committee FY 2021 - FY 2030 Proposed Capital Improvement Program Budget
February 4, 2021	Budget Workshop with the Board FY 2022 Proposed Budget
January 28, 2021	Finance and Budget Committee Overview of Operating Budget Drivers



# Appendix



## Additional FTEs in FY 2023

Below are the additional FTEs proposed in the FY 2023 budget. These have been partially funded at \$5.5 million to account for transition of work in-house and projected recruitment timeline and activities. The annualized costs will be included in future personnel budget.

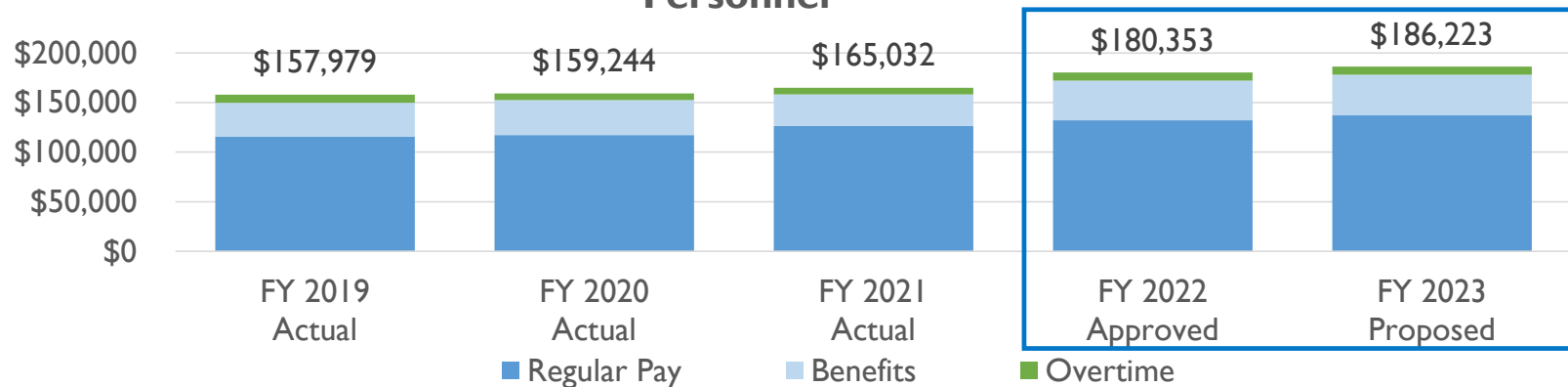
Cluster	New FTE(s)	FY2023 Funding	Program
Information Technology	6	\$900K	<ul style="list-style-type: none"> <li>• Reduce reliance on consultants for various professional services (Helpdesk, Quality Assurance, BI &amp; Integrations, Project Management Office)</li> </ul>
Shared Services	3	\$228K	<ul style="list-style-type: none"> <li>• Oversee safety compliance and training programs</li> <li>• Oversee the program management services for various capital projects</li> </ul>
Blue Plains	4	\$304K	<ul style="list-style-type: none"> <li>• Support Bloom production (equipment operators)</li> <li>• Process and system data analysis</li> <li>• Support in-house program management functions</li> </ul>
Pumping Services	2	\$140K	<ul style="list-style-type: none"> <li>• SCADA support and Potomac Interceptor coordination</li> </ul>
Water Services	13	\$627K	<ul style="list-style-type: none"> <li>• Expand the fire flow testing and valve preventative maintenance programs</li> </ul>
Watershed Management	2	\$172K	<ul style="list-style-type: none"> <li>• Oversee Green Infrastructure program and manage the construction activities for the tunnels</li> </ul>
Engineering	39	\$2.5M	<ul style="list-style-type: none"> <li>• Asset Management, SDWM, and Large Diameter Linear Assets programs</li> <li>• Reduce reliance on consultants for routine program management &amp; construction services</li> <li>• Establish an in-house cost estimating team and support P6 tool</li> </ul>
Strategy & Performance	1	\$159K	<ul style="list-style-type: none"> <li>• Support the newly established Enterprise Risk Management function</li> </ul>
People & Talent	2	\$316K	<ul style="list-style-type: none"> <li>• HR Systems Support &amp; Recruiting</li> </ul>
Finance & Procurement	1	\$162K	<ul style="list-style-type: none"> <li>• Reduce reliance on consultants for day-to-day budget activities</li> </ul>
<b>Total</b>	<b>73</b>	<b>\$5.5M</b>	



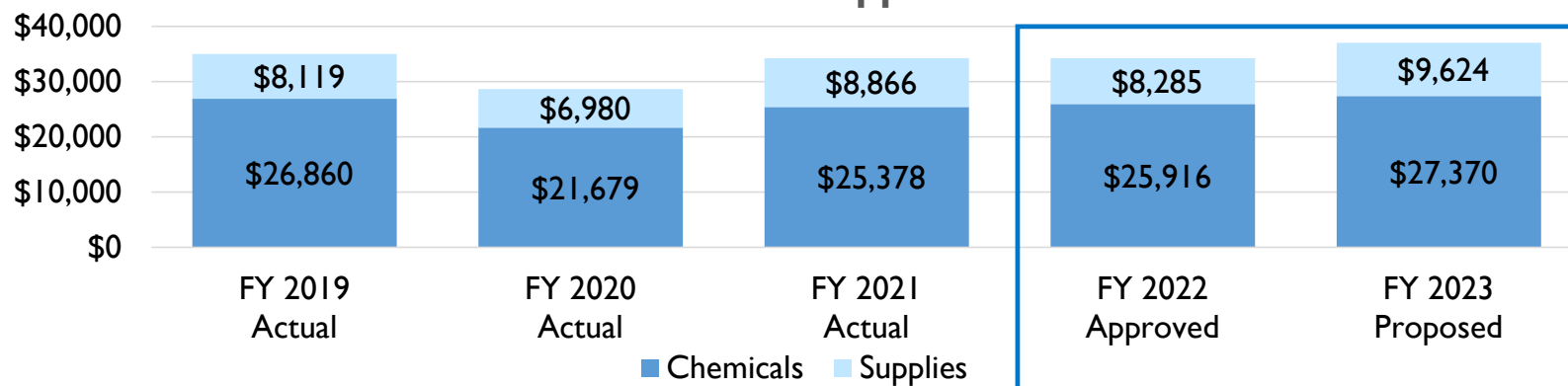
# Historical & Projected O&M Trends

\$ in thousands

## Personnel



## Chemicals & Supplies

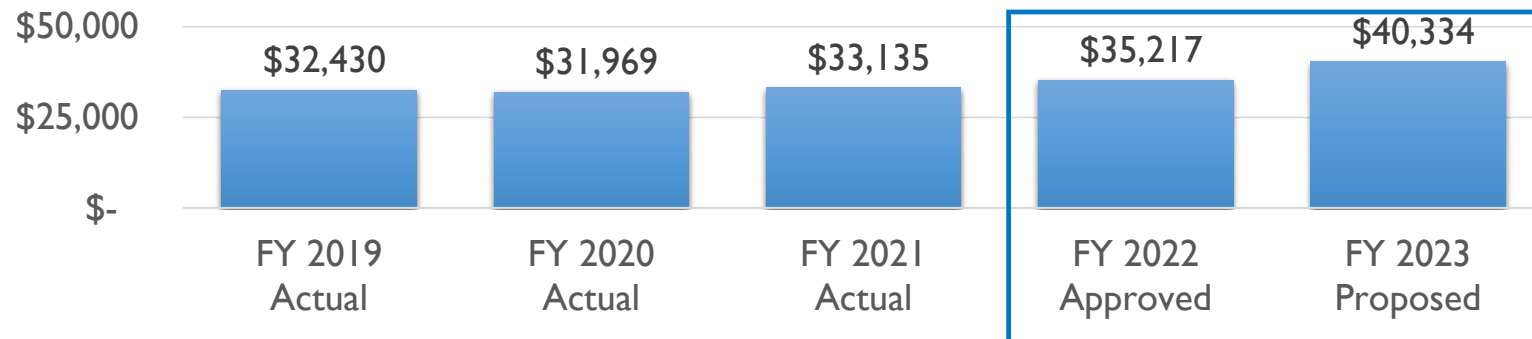




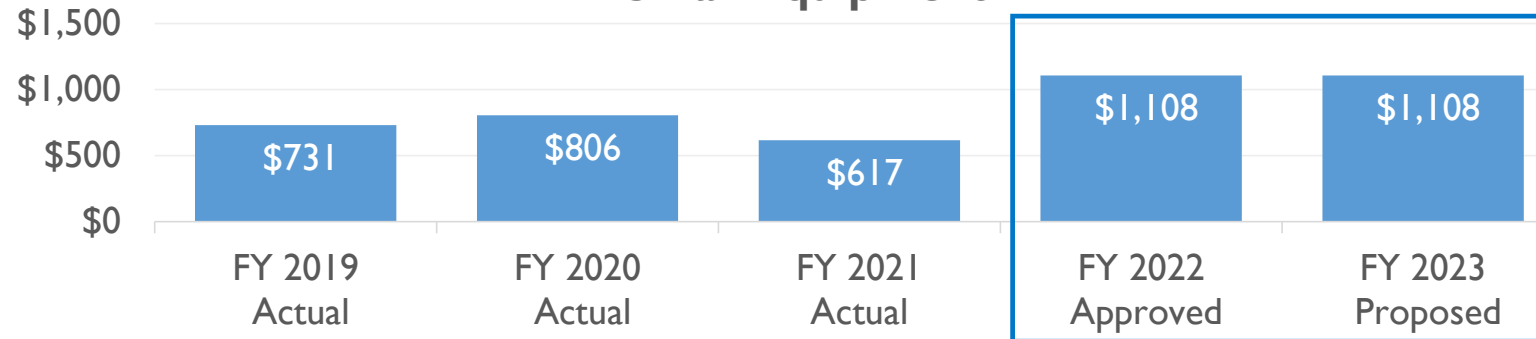
## Historical & Projected O&M Trends, cont.

\$ in thousands

### Water Purchases



### Small Equipment



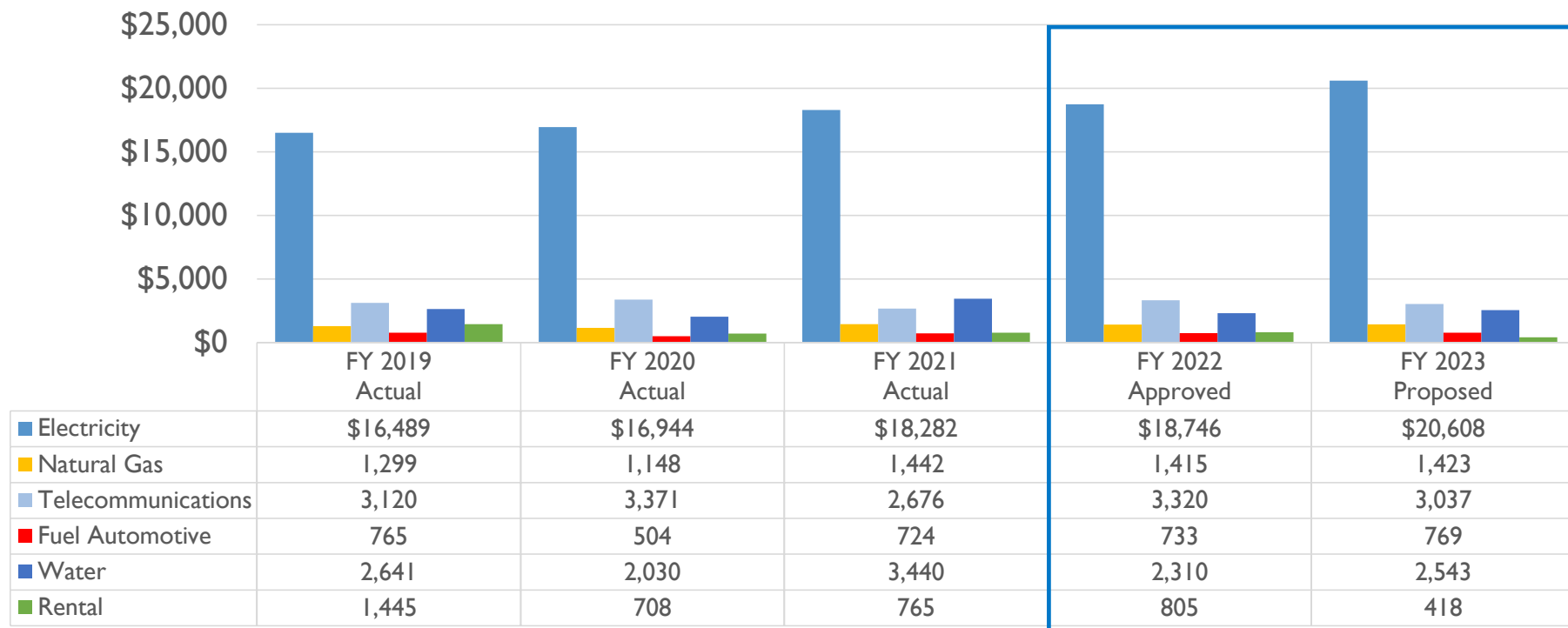
■ Total



## Historical & Projected O&M Trends, cont.

\$ in thousands

### Utilities





# CIP by Program Area

(Cash Disbursements \$ in thousands)	FY 2022 - 2031 CIP Disbursement Plan											Last Years	(Increase)/	Lifetime
	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	10-yr Total	10-yr	Decrease	
<b>NON PROCESS FACILITIES</b>														
Facility Land Use	31,439	12,051	28,160	14,422	6,620	3,351	1,778	387	2,000	2,000	102,208	109,776	7,568	215,847
<b>Subtotal</b>	<b>31,439</b>	<b>12,051</b>	<b>28,160</b>	<b>14,422</b>	<b>6,620</b>	<b>3,351</b>	<b>1,778</b>	<b>387</b>	<b>2,000</b>	<b>2,000</b>	<b>102,208</b>	<b>109,776</b>	<b>7,568</b>	<b>215,847</b>
<b>WASTEWATER TREATMENT</b>														
Liquid Processing	38,445	38,619	48,123	55,524	72,091	103,072	93,670	68,370	47,909	91,689	657,512	643,359	(14,153)	1,241,281
Plantwide	16,672	18,017	35,092	39,270	48,087	47,586	18,673	25,240	23,834	10,018	282,489	269,362	(13,127)	502,039
Solids Processing	22,422	19,722	32,546	21,534	12,258	12,445	15,045	16,099	31,675	30,414	214,160	195,344	(18,816)	893,604
Enhanced Nitrogen Removal Facilities	8,438	2,216	1,784	74	-	2,206	1,861	11,664	23,293	8,965	60,502	50,926	(9,576)	808,182
<b>Subtotal</b>	<b>85,978</b>	<b>78,574</b>	<b>117,545</b>	<b>116,402</b>	<b>132,436</b>	<b>165,310</b>	<b>129,249</b>	<b>121,373</b>	<b>126,710</b>	<b>141,086</b>	<b>1,214,664</b>	<b>1,158,991</b>	<b>(55,673)</b>	<b>3,445,105</b>
<b>COMBINED SEWER OVERFLOW</b>														
DC Clean Rivers Program	147,347	106,774	66,064	85,968	147,762	165,363	214,664	143,867	39,054	-	1,116,863	1,027,910	(88,953)	2,992,358
Combined Sewer Overflow Program	4,919	10,929	11,240	19,218	14,179	6,396	5,459	9,306	12,350	6,306	100,303	95,066	(5,237)	223,714
<b>Subtotal</b>	<b>152,267</b>	<b>117,704</b>	<b>77,304</b>	<b>105,185</b>	<b>161,941</b>	<b>171,760</b>	<b>220,123</b>	<b>153,173</b>	<b>51,403</b>	<b>6,306</b>	<b>1,217,166</b>	<b>1,122,976</b>	<b>(94,190)</b>	<b>3,216,072</b>
<b>STORMWATER</b>														
Storm Local Drainage Program	22	197	1,511	2,496	1,072	1,612	1,773	1,357	234	180	10,455	11,427	972	18,025
Storm On-Going Program	1,572	899	866	519	876	842	1,084	1,287	935	900	9,780	9,217	(563)	9,994
Storm Pumping Facilities	5,232	10,296	3,063	2,584	2,741	3,417	1,417	1,579	4,948	7,642	42,918	38,443	(4,475)	64,227
Stormwater Program Management	23	35	35	40	230	286	346	275	212	-	1,483	4,192	2,709	13,178
Stormwater Trunk/Force Sewers	182	99	78	174	67	-	-	-	-	-	600	615	15	15,510
<b>Subtotal</b>	<b>7,031</b>	<b>11,527</b>	<b>5,553</b>	<b>5,813</b>	<b>4,985</b>	<b>6,158</b>	<b>4,620</b>	<b>4,499</b>	<b>6,330</b>	<b>8,722</b>	<b>65,236</b>	<b>63,894</b>	<b>(1,342)</b>	<b>120,933</b>
<b>SANITARY SEWER</b>														
Sanitary Collection System	1,948	8,147	27,697	34,534	46,713	50,712	47,945	46,871	31,138	30,057	325,762	305,405	(20,357)	506,422
Sanitary On-Going Projects	15,617	13,035	14,452	13,200	13,577	13,988	14,395	14,851	15,297	15,289	143,702	138,757	(4,945)	215,932
Sanitary Pumping Facilities	2,496	10,895	13,566	8,153	10,959	12,288	25,186	30,469	35,772	20,565	170,349	145,894	(24,454)	251,957
Sanitary Program Management	8,471	10,316	9,538	7,897	8,880	9,915	8,887	9,034	7,028	3,497	83,462	81,361	(2,102)	191,840
Interceptor/Trunk Force Sewers	39,553	60,990	85,574	67,184	80,271	119,043	87,412	48,030	40,133	10,662	638,851	641,557	2,706	1,000,291
<b>Subtotal</b>	<b>68,084</b>	<b>103,383</b>	<b>150,828</b>	<b>130,967</b>	<b>160,400</b>	<b>205,946</b>	<b>183,824</b>	<b>149,256</b>	<b>129,368</b>	<b>80,069</b>	<b>1,362,125</b>	<b>1,312,973</b>	<b>(49,152)</b>	<b>2,166,442</b>
<b>WATER</b>														
Water Distribution Systems	82,276	102,848	77,198	65,128	89,029	92,136	91,572	100,969	87,062	91,501	879,719	785,895	(93,825)	1,771,888
Lead Free DC Program	56,987	94,377	101,955	100,624	82,147	62,407	62,749	62,550	5,155	-	628,951	57,613	(571,338)	812,516
Water On-Going Projects	14,917	15,454	15,870	15,769	15,390	17,669	18,819	20,500	21,500	20,781	176,668	153,502	(23,166)	231,960
Water Pumping Facilities	3,581	4,765	12,016	5,559	5,484	2,171	3,297	527	3,084	1,229	41,711	42,827	1,116	73,904
DDOT Water Projects	-	-	-	-	-	-	-	-	-	-	-	1,181	1,181	-
Water Storage Facilities	2,645	4,813	8,229	3,651	4,876	9,526	9,147	3,136	3,241	2,211	51,475	54,718	3,242	156,199
Water Service Program Management	4,907	4,859	3,072	3,921	5,120	7,542	7,080	4,641	4,641	5,120	50,904	51,981	1,077	121,424
<b>Subtotal</b>	<b>165,313</b>	<b>227,116</b>	<b>218,339</b>	<b>194,652</b>	<b>202,046</b>	<b>191,451</b>	<b>192,665</b>	<b>192,324</b>	<b>124,683</b>	<b>120,842</b>	<b>1,829,430</b>	<b>1,147,717</b>	<b>(681,713)</b>	<b>3,167,891</b>
<b>CAPITAL PROJECTS</b>	<b>510,112</b>	<b>550,355</b>	<b>597,728</b>	<b>567,442</b>	<b>668,428</b>	<b>743,975</b>	<b>732,259</b>	<b>621,011</b>	<b>440,494</b>	<b>359,025</b>	<b>5,790,828</b>	<b>4,916,327</b>	<b>(874,501)</b>	<b>12,332,290</b>
<b>CAPITAL EQUIPMENT</b>	<b>40,519</b>	<b>37,021</b>	<b>36,156</b>	<b>35,307</b>	<b>39,671</b>	<b>41,813</b>	<b>36,203</b>	<b>36,203</b>	<b>36,203</b>	<b>36,203</b>	<b>375,302</b>	<b>336,036</b>	<b>(39,266)</b>	<b>375,302</b>
<b>WASHINGTON AQUEDUCT</b>	<b>16,875</b>	<b>59,628</b>	<b>34,749</b>	<b>17,164</b>	<b>27,825</b>	<b>37,122</b>	<b>14,723</b>	<b>11,940</b>	<b>19,831</b>	<b>13,911</b>	<b>253,768</b>	<b>180,125</b>	<b>(73,643)</b>	<b>253,768</b>
<b>ADDITIONAL CAPITAL PROJECTS</b>	<b>57,394</b>	<b>96,649</b>	<b>70,905</b>	<b>52,471</b>	<b>67,496</b>	<b>78,935</b>	<b>50,926</b>	<b>48,143</b>	<b>56,034</b>	<b>50,114</b>	<b>629,070</b>	<b>516,161</b>	<b>(112,909)</b>	<b>629,070</b>
<b>LABOR</b>														
<b>TOTAL CAPITAL BUDGETS</b>	<b>567,507</b>	<b>647,004</b>	<b>668,633</b>	<b>619,913</b>	<b>735,924</b>	<b>822,910</b>	<b>783,185</b>	<b>669,154</b>	<b>496,528</b>	<b>409,140</b>	<b>6,419,899</b>	<b>5,432,489</b>	<b>(987,410)</b>	<b>13,377,458</b>
<b>FY 2021</b>	<b>471,267</b>	<b>476,140</b>	<b>540,585</b>	<b>500,427</b>	<b>499,918</b>	<b>681,280</b>	<b>632,075</b>	<b>568,067</b>	<b>572,262</b>	<b>490,468</b>	<b>-</b>	<b>5,432,489</b>	<b>-</b>	<b>12,133,115</b>
<b>Prior Year Board Approved CIP</b>	<b>471,267</b>	<b>476,140</b>	<b>540,585</b>	<b>500,427</b>	<b>499,918</b>	<b>681,280</b>	<b>632,075</b>	<b>568,067</b>	<b>572,262</b>	<b>490,468</b>	<b>-</b>	<b>5,432,489</b>	<b>-</b>	<b>12,133,115</b>
<b>Delta (inc)/dec</b>	<b>471,267</b>	<b>(91,367)</b>	<b>(106,419)</b>	<b>(168,206)</b>	<b>(119,995)</b>	<b>(54,644)</b>	<b>(190,836)</b>	<b>(215,119)</b>	<b>(96,892)</b>	<b>(6,060)</b>	<b>(409,140)</b>	<b>(987,410)</b>	<b>-</b>	<b>(1,244,343)</b>



# Washington Aqueduct

- The Aqueduct presented three CIP programs to the Wholesale Customer Board with updated budgets for critical projects to reflect true costs
- The CIP Working Group was established as a task force to review the project details and reach consensus on the path forward for capital investments at the Aqueduct. The final ten-year CIP proposal is for \$348.3 million (DC Water's share ~ \$253.8 million) and includes the following major projects -
  - North Clearwell Replacement (\$56.8 million); Administration Building Employee Relocation (\$21 million)
  - Transmission Main Improvements (\$35.4 million); Basins 3 & 4 Flocculation/Sedimentation Improvements (\$11 million)
  - Old Conduit Rehabilitation (\$7.6 million); Chemical Building HVAC Upgrades and East Filter Building Upgrades (\$25.1 million)
  - Other High Priority Projects
    - Emerging projects (\$63.6 million)
    - Projects starting FY 2024 such as New Conduit Rehabilitation, Dalecarlia Back-up Power Generation etc. (\$74.4 million)
    - Projects for City Tunnel Rehabilitation (\$49.1 million)
    - Projects for building renovations and roof replacements (\$1.9 million)



McMillan North Clearwell



Third High Reservoir



Dalecarlia Basins 3 & 4





# Capital Equipment

- The overall FY 2022 budget is \$40.5 million and reflects the Board-approved carry-over of \$4.5 million from FY 2021 for the purchase of vehicles (anticipated for delivery in FY 2022)
- Ten-year disbursements of \$375.3 million for capital equipment include:
  - **Recurring Capital Equipment and Reserves** – This covers the purchase/replacement of pumps, motors, HVACs, roof, renovations, laptops, computers, servers, fire hydrants and includes the Authority-wide reserves for new facilities and unplanned equipment needs
  - **Information Technology (IT) Projects** – Funds new projects and upgrades to various Authority-wide technology systems
  - **Fleet Equipment** – Earmarks \$18 million from FY 2023 through FY 2025 to reduce backlog and help ensure that crews have the required equipment such as backhoes, jet-vacs, small and large dump trucks to meet operational needs

