



## DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY

### Board of Directors

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

*Tuesday, June 26, 2018*

10:30 a.m.

1. **Call to Order**.....Rachna Bhatt, DC Retail Water and Sewer Rates, Chairperson  
Timothy L. Firestine, Finance & Budget, Chairperson
2. **FY 2018 Financial Forecast Update (Attachment 1)**..... Matthew T. Brown
3. **Customer Survey Presentation (Attachment 2)**..... Charles Kiely
4. **Allocation from the Rate Stabilization Fund (Attachment 3)** ..... Matthew T. Brown
5. **Executive Session**
6. **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.



# FY 2018 Operating and Capital Budget (Year-End Projections *June Update*)

Presentation to the DC Retail Water & Sewer Rates and  
Finance & Budget Committees

*Matthew T. Brown, Chief Financial Officer*

*June 26, 2018*



## PURPOSE

- **To provide updated FY 2019 revenue and expenditure forecast**
- **An additional update will be provided in July, along with a recommendation regarding the forecasted cash position**



# YEAR-END FORECAST

- Current revenue forecast of \$626.4 million is slightly ahead of previous optimistic forecast of \$625.6 million
- Updated expenditure forecast of \$556.7 million is at 99 percent of budget
- Current capital forecast of \$480.0 million is above the previous year-end projection of \$476.8 million

(\$ in Millions)	Financial Plan	YTD May Actual	YTD % of Budget	Year-End Forecast	Year-End % of Budget
Revenues/Receipts	\$620.5	\$421.5	68%	\$626.4	101%
Operating Expenditures	\$560.7	\$336.0	60%	\$556.7	99%
Capital Disbursements	\$449.9	\$370.3	82%	\$480.0	107%



# OPERATING REVENUES (\$000'S)

- Current revenue forecast of \$626.4 million is in-line with the previous optimistic forecast of \$625.6 million

Category	FY 2018 Budget	YTD Actual	Year-End Projections	Projected Variance (\$)	Projected % of Budget
Residential, Commercial, and Multi-family	\$354,914	\$229,505	\$354,505	(\$409)	-0.1%
Federal	62,167	46,239	61,653	(514)	-0.8%
District Government	17,312	12,466	19,666	2,354	13.6%
DC Housing Authority	8,979	5,662	9,187	208	2.3%
Customer Metering Fee	10,776	7,512	11,629	853	7.9%
Water System Replacement Fee (WSRF)	39,717	26,054	39,988	271	0.7%
Wholesale	76,028	59,500	79,814	3,786	5.0%
Right-of-Way Fee/PILOT	21,601	13,094	20,690	(911)	-4.2%
<b>Subtotal (before Other Revenues)</b>	<b>\$591,494</b>	<b>\$400,032</b>	<b>\$597,131</b>	<b>\$5,637</b>	<b>1.0%</b>
Other Revenue without RSF:					
IMA Indirect Cost Reimb. For Capital Project	4,514	3,207	4,472	(42)	-0.9%
DC Fire Protection Fee	10,796	8,097	10,796	-	0.0%
Stormwater (MS4)	1,000	927	1,237	237	23.7%
Interest	2,326	1,523	2,092	(234)	-10.0%
Developer Fees (Water & Sewer)	6,000	5,577	7,877	1,877	31.3%
Others	4,342	2,162	2,828	(1,514)	-34.9%
<b>Subtotal</b>	<b>\$28,978</b>	<b>21,493</b>	<b>\$29,302</b>	<b>\$324</b>	<b>1.1%</b>
Rate Stabilization Fund Transfer	-	-	-	-	-
<b>Grand Total</b>	<b>\$620,472</b>	<b>\$421,525</b>	<b>\$626,433</b>	<b>\$5,961</b>	<b>1.0%</b>



# OPERATING EXPENDITURES (\$000'S)

- Total operating expenditure forecast of \$557 million is at 99% of the Financial Plan
- The updated forecast includes \$31.6 million CFCI use for Pay-Go financing, less than the current Financial Plan

## Operating Expenditures (\$ 000's)

Category	FY 2018 Budget	FY 2018 Financial Plan	YTD Actual	Updated Forecast	Projected Variance (\$)	Projected % of Budget
Personnel	\$149,193	\$149,193	\$103,593	\$159,105	(\$9,912)	107%
Contractual Services	79,354	79,354	46,080	74,463	4,891	94%
Water Purchases	30,156	30,156	17,175	29,021	1,135	96%
Supplies & Chemicals	30,659	30,659	21,811	32,356	(1,697)	106%
Utilities	29,399	29,399	18,829	27,139	2,260	92%
Small Equipment	1,071	1,071	429	922	149	86%
<b>SUBTOTAL O&amp;M</b>	<b>\$319,831</b>	<b>\$319,831</b>	<b>\$207,917</b>	<b>\$323,006</b>	<b>(\$3,175)</b>	<b>101%</b>
Debt Service*	185,480	184,278	113,871	\$180,716	3,562	98%
Cash Financed Capital Improvements**	35,260	35,260	0	31,560	3,700	90%
PILOT/ROW	21,376	21,376	14,251	21,376	0	100%
<b>TOTAL OPERATING</b>	<b>\$561,947</b>	<b>\$560,745</b>	<b>\$336,039</b>	<b>\$556,658</b>	<b>\$4,087</b>	<b>99%</b>
Capital Labor	(21,061)	(21,061)	(10,745)	(17,299)	(3,762)	82%
<b>TOTAL NET OPERATING</b>	<b>\$540,886</b>	<b>\$539,684</b>	<b>\$325,294</b>	<b>\$539,359</b>	<b>\$325</b>	<b>100%</b>

\* Debt Service is \$184.3 million in the Financial Plan, which is \$1.2 million below the Board-approved budget

\*\*CFCI –Lower than budgeted utilization for PAYGO financing based upon current O&M forecast



# CAPITAL DISBURSEMENTS (\$000'S)

- The revised budget of \$450.0 million includes an increase of \$65.8 million over the FY 2018 adopted budget
- Total capital disbursements was previously estimated at \$476.8 million
- Current forecast is at \$480.0 million which is a net increase of \$30 million above budget, with the increased forecast of \$3.2 million mainly in the Water Service area

## Capital Disbursements (\$000's)

Service Area	Annual Budget	YTD Actual	Updated Forecast	Projected Variance (\$)	Projected % of Budget
Non Process Facilities	\$32,194	\$23,447	\$32,703	(\$509)	-1.6%
Wastewater Treatment	95,485	83,395	109,213	(13,728)	-14.4%
Combined Sewer Overflow	181,816	144,803	177,889	3,927	2.2%
Stormwater	945	1,516	1,730	(785)	-83.1%
Sanitary Sewer	29,802	35,926	43,569	(13,767)	-46.2%
Water	58,044	50,399	66,523	(8,479)	-14.6%
<b>SUBTOTAL: CAPITAL PROJECTS</b>	<b>\$398,285</b>	<b>\$339,485</b>	<b>\$431,628</b>	<b>(\$33,343)</b>	<b>-8.4%</b>
Capital Equipment	39,898	22,860	38,436	1,462	3.7%
Washington Aqueduct	11,768	7,952	9,931	1,837	15.6%
<b>SUBTOTAL: ADD'L CAPITAL PROGRAMS</b>	<b>\$51,665</b>	<b>\$30,812</b>	<b>\$48,367</b>	<b>\$3,298</b>	<b>6.4%</b>
<b>TOTAL CIP DISBURSEMENTS</b>	<b>\$449,950</b>	<b>\$370,297</b>	<b>\$479,995</b>	<b>(\$30,045)</b>	<b>-6.7%</b>



# FY2018 PROJECTED NET CASH SURPLUS (\$000'S)

	Financial Plan	Year-End Projection	Variance	Change Since Previous Forecast
Revenues	\$620,472	\$626,433	\$5,961	Slightly improved
Expenditures	504,424	507,799	(3,375)	Mid-range of previous forecast
CFCI	35,260	31,560	3,700	Slight decrease to offset forecasted expenditures
County Refunds	(\$7,000)	\$4,758	\$11,758	Increased due to MJUF, settlement and less WSSC flows
Project Billing Refunds	(4,000)	(4,000)	-	
Federal Billing Reconciliation	(9,019)	(9,019)	-	
<b>Net Operating Cash Provided</b>	<b>\$60,770</b>	<b>\$78,812</b>	<b>\$18,042</b>	Above \$140M reserve target
Capital Program	\$449,952	\$479,995	(\$30,043)	Capital projection





## NEXT STEPS

- ✓ FY 2018 Net Cash Surplus
  - Committee Recommendation – July
  - Board Adoption – September



INNOVATIVE THINKING  
RIGOROUS APPROACHES  
REAL WORLD IMPACT

ATTACHMENT 2



# Key Findings from the DC Water Customer Satisfaction Study

[www.impaqint.com](http://www.impaqint.com)

# Outline

- Purpose and Methodology
- Overall Satisfaction
- Area's of Satisfaction
  - Value
  - Perception
  - Service Staffing & Communication
  - Billing
  - Water Quality
  - Permit Application
- Drivers of DC Water Customer Satisfaction
- Recommendations and Next Steps

# Purpose & Methodology

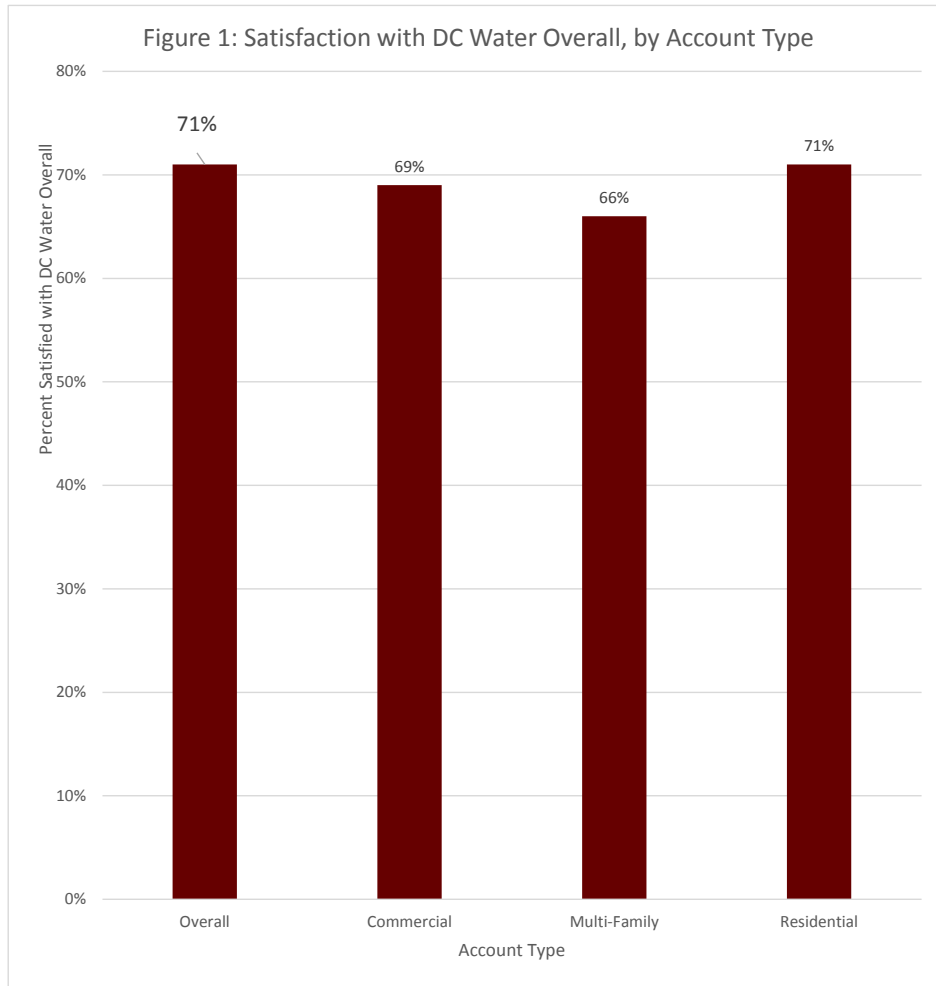
## Purpose:

- Assess customers' satisfaction with, attitudes toward, and perceptions of DC Water's services by Class & Ward.
- Ascertain customer awareness of agency activities, measure customers' trust and assessment of water quality and safety.

## Methodology:

- Conduct a multi mode survey representative sample of residential ( single & multi-family) and commercial customers
- Follow-up discussions with 2 focus groups and 5 interviews. We spoke with a mix of single family and multi-family participants. (11 members)

# Overall Satisfaction is High at 71%



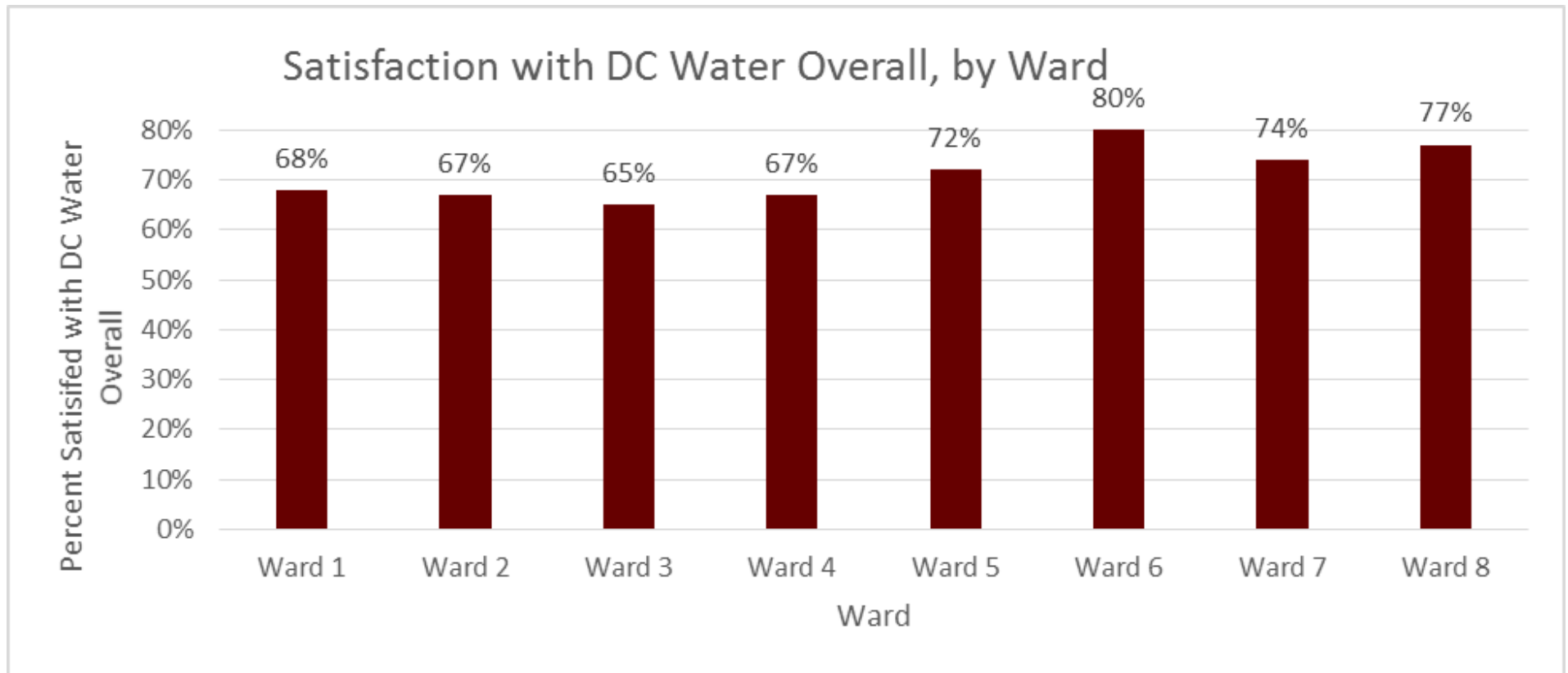
Our largest customer population (residential) ranks the highest at 71% with multifamily slightly lower at 66%

- Multi-family satisfaction is a unique relationship with the bill payer/owner and not necessarily the resident at the property
- Much of the satisfaction gap between classes relates to a 3% higher level of neutral responses for multi-family & commercial at 16% vs 13%

DC Water delights customers more than they disappoint

- More than 1 of 4 customers ( 27%) are very satisfied with DC Water
- About 1 in 20 (4-7%) are very dissatisfied

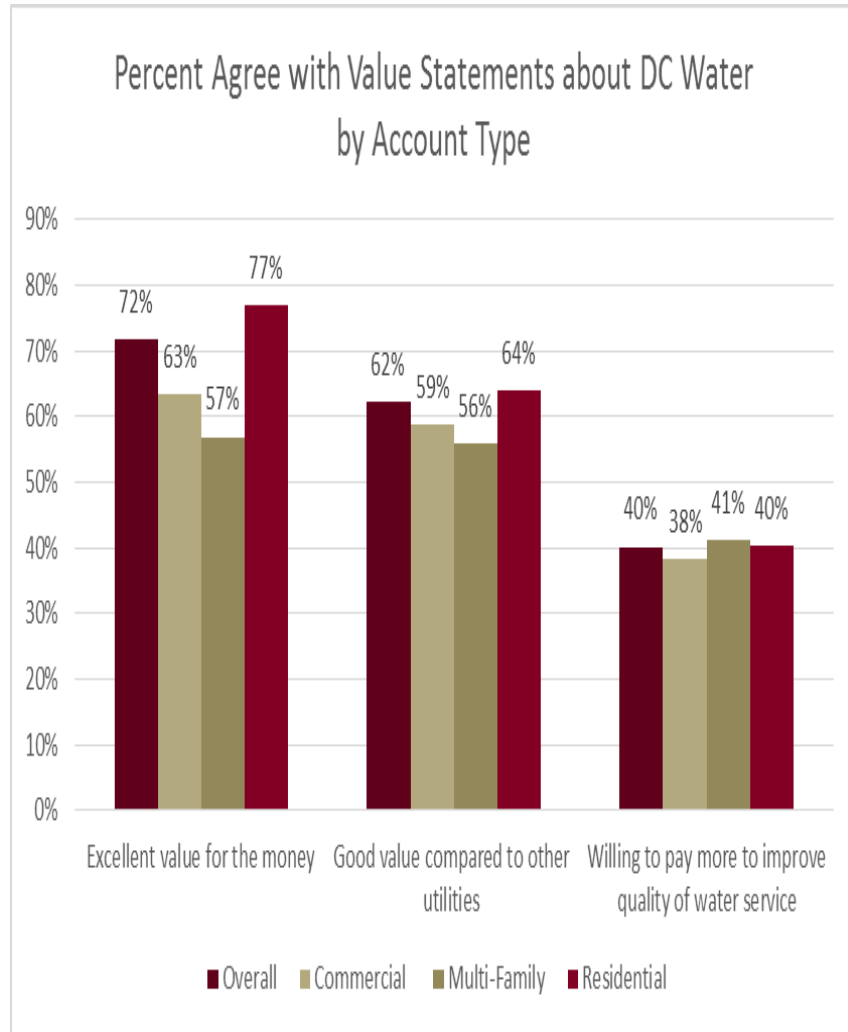
# Satisfaction Varies by Ward



# Focus Group -Overall Satisfaction

- Participants graded DC Water on overall satisfaction
  - The grades ranged from A to B minus.
  - Most participants are happy with DC Water services.
- Participants suggested the following:
  - Provide more information about DC Water projects, how allocated fees are being spent, and the resulting progress and improvements.
  - DC Water’s public services should include more school-based activities to encourage students to go into STEM fields related to water conservation/technology and encourage STEM contributions within the community.
  - Provide assurances of good water (e.g., testing results) and how customers might replicate or confirm these results.

# Areas of Satisfaction: Value

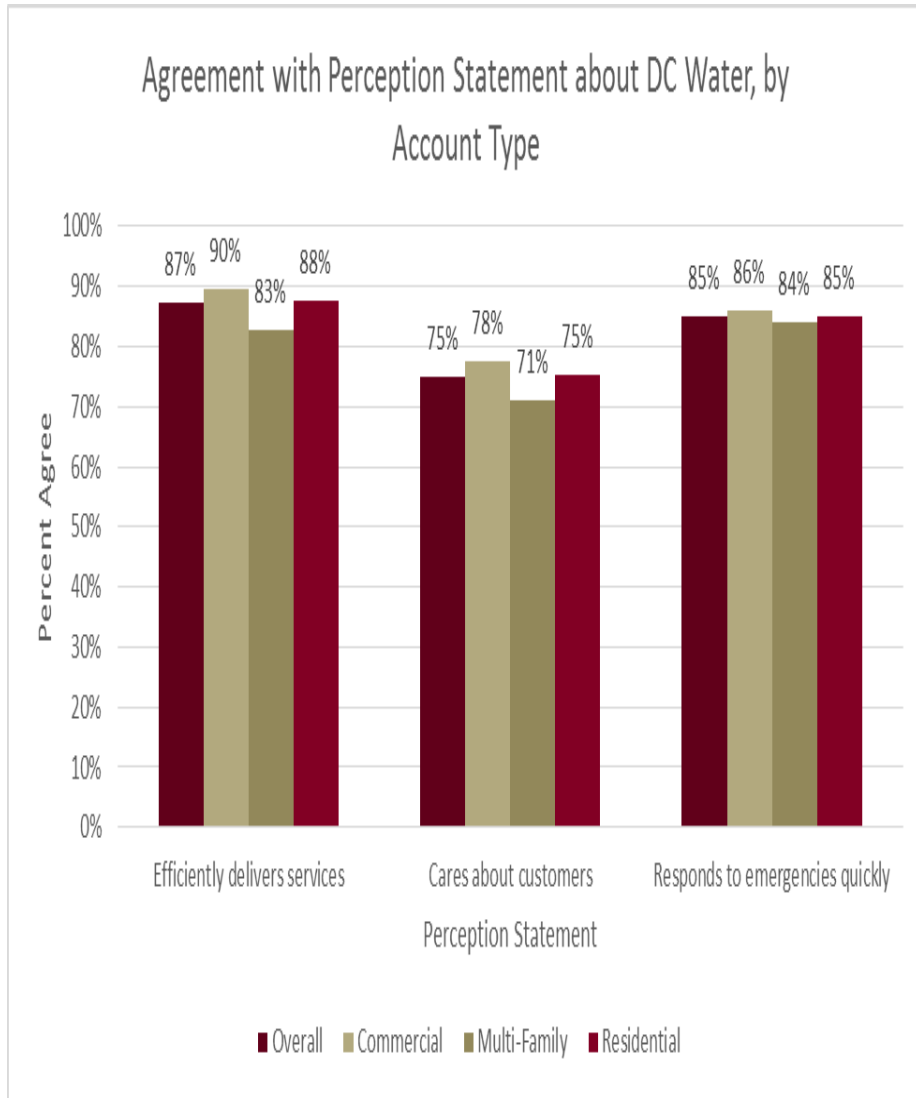


- 72% of respondents agree that DC Water is an excellent value for the money.
- 60% of our customers are **not** willing to pay more to improve the quality of services, which creates a future satisfaction risk based on forecasted price increases
- Multi-family customers are less likely to agree that DC Water is an excellent value compared to other utilities.

Multi-family unit focus group participants reported higher rates of interaction were making broader comparisons regarding their satisfaction compared to others.



# Areas of Satisfaction: Perception



- 87% agree that DC Water efficiently delivers services
- 75% agree that DC Water cares about its customers
- 85% agree that DC Water responds to emergencies quickly

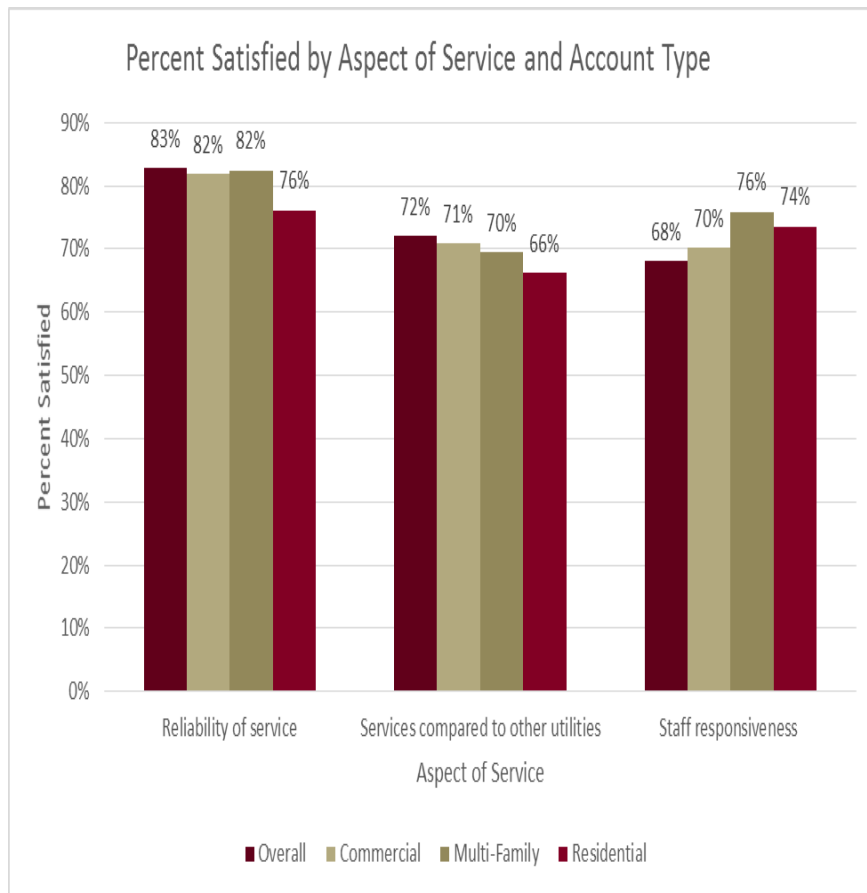
# Perception- Focus Group Themes

- Most are aware of SPLASH and the Clean Rivers projects
  - Most do not know much about the projects
  - Most do not know about any other initiatives or programs
- Participants agree that DC Water cares for the environment and has a good reputation.
- Only a few customers experienced a DC Water service emergency (this was also a consistent finding in the survey data).
- Of the few, all noted that they were happy with DC Water's communication, responsiveness, and quality of work.

# Perception Focus Group Suggestions

- Participants offered the following suggestions:
  - Inform the community about:
    - The reservoir clean-up and current status
    - The water filtration processing system
    - How to reduce usage and conserve water.
  - Provide a pre-engineering, water conservation/processing course in the schools:
    - Information on how to get into the water industry
    - Procedures for implementing and operating water conservation programs
    - Videos on water processing: “Where your dirty water goes and what happens to it.”
  - Assurances that DC Water is using the appropriate fees as intended and their impact:
    - Communicate information about these projects and their impact via door tags

# Areas of Satisfaction: Service, Staffing, and Communication

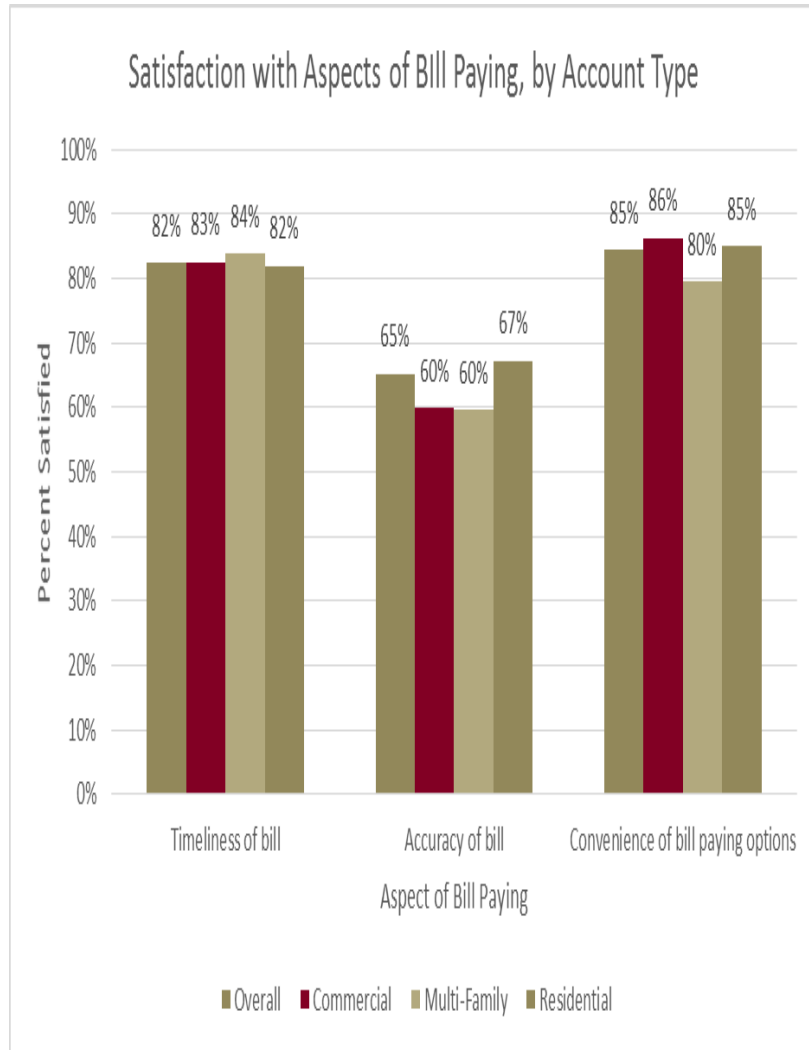


- 82% of customers are satisfied with the reliability of service
- 71% are satisfied with services compared to other utilities
- 70% are satisfied with staff responsiveness to questions

# Service, Staffing, and Communication Focus Group Themes

- The most common reason for contacting DC Water is for billing issues related to higher than normal water usage.
- Most customers contact DC Water by phone as opposed to email or web.
- Most customers are pleased with their interactions with DC Water staff.
- Most agreed that DC Water adequately contacts them about water outages or scheduled work or maintenance.
- Many customers agree that door tags are an effective means to communicate with customers.

# Areas of Satisfaction: Billing



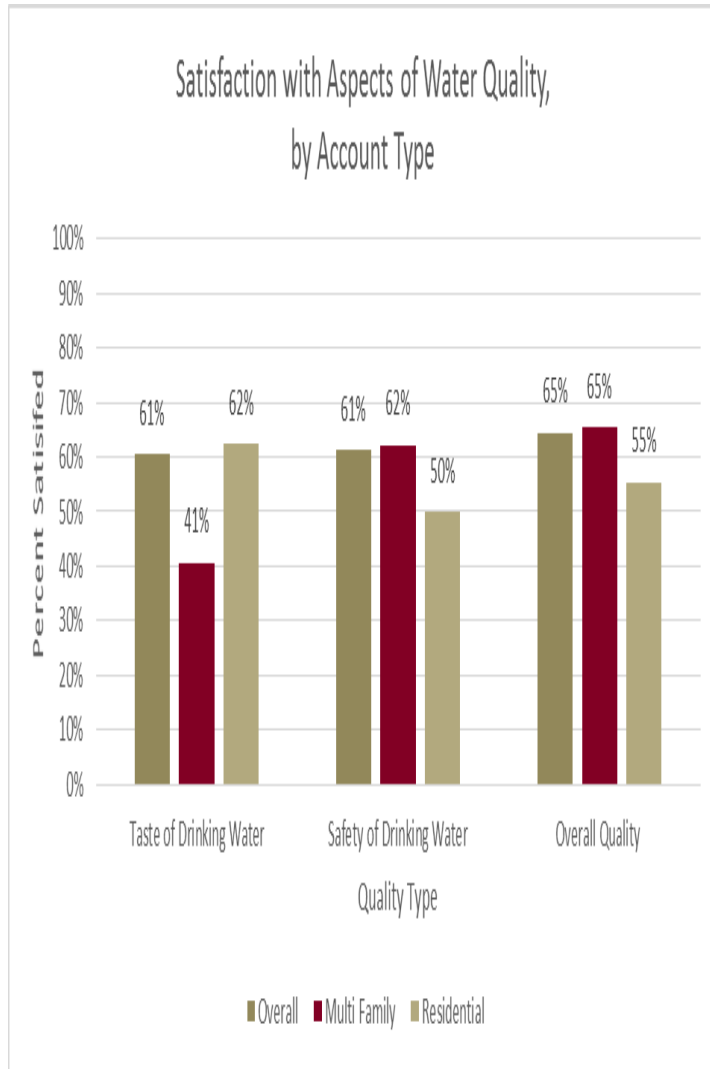
- Overall, satisfaction with the accuracy of the bill is low as compared to other areas :
  - Commercial (60%)
  - Multi-family-unit (60%)
  - Residential (67 %)
- Customers are satisfied with the timeliness of bill (82%) and convenience of billing paying options (85%)
- Customers have neutral opinion on accuracy of the bill in a high % (Residential 16%, Multi-family 10%, Commercial 12%)

Focus group participants reported dissatisfaction with the Clean Rivers Project fees and uncertainty of how these fees are calculated .

# Billing- Focus Group Themes

- Most pay their bill online or through auto-pay.
- Most customers do not review the itemized fees unless their monthly total is higher than normal.
- Most customers don't read the additional information on the bill or bill inserts
- Many single family residents were unaware that they are being charged for the Clean Rivers project.
- Most customers are unaware of how the Clean Rivers project fees are calculated.

# Areas of Satisfaction: Water Quality

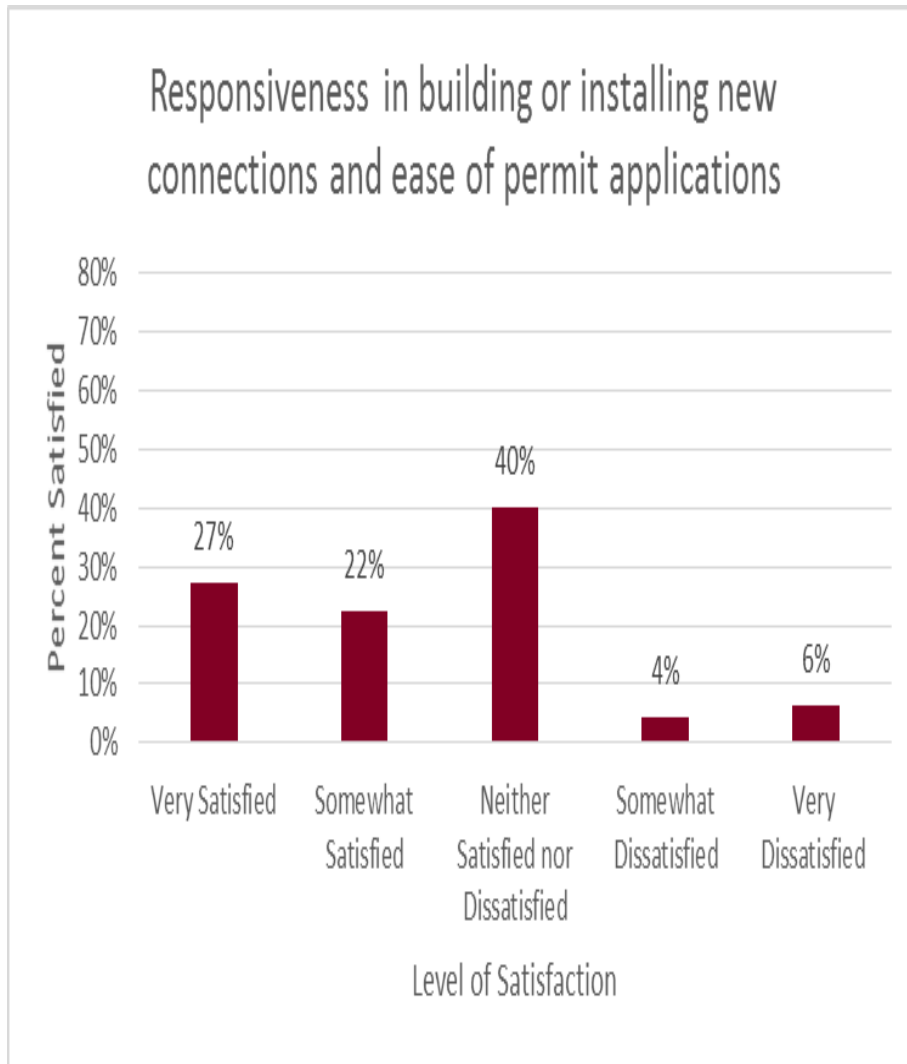


- Overall, 65% of customers are satisfied with the quality of the drinking water.
- 29% of the multi-family participants and 16% residential felt neither satisfied or dissatisfied with the taste of the drinking water. However, their overall view on quality was more satisfied with about half that were neutral.
- It is believed that the environmental factors related to the Flint Water issue has the possibility of negatively influencing customer perception around water quality.

In general multi-family unit focus group participants reported less satisfaction with water quality and an occasional foul smell . Possible reasons for this difference could be related to pipe and property maintenance.



# Permit Applications



- 49% are satisfied with DC Water's responsiveness in building or installing new connections and ease of permit applications.
- Only 10% of customers who answered this question were dissatisfied.
- It appears customers who report satisfaction here are also satisfied overall.

# Drivers of Satisfaction

IMPAQ conducted an exploratory factor analysis to understand drivers of satisfaction in the DC Water consumers and identified two main themes:

## 1. Bill delivery & value

- Bill Delivery= accuracy & promptness in correcting billing errors
- Bill Value = personal assessment, price versus other utilities

## 2. DC Water connection to the community

- Providing effective ways for DC residents to express their views & concerns
- Active involvement in neighborhood & community
- Adequate publication of itself to wider community

There is also a high correlation to satisfaction when they obtain their information for Television & Print Media, followed by Radio.

# Recommendations and Next Steps

# Recommendations and Next Steps

- **Carefully understand & manage future rate increases**
  - Manage future bill increases and ensure the value proposition exists from a customer perspective and develop an effective method to communicate that value proposition
  - Understand the future expectations that will come with increased rates & know you can deliver.
- **Increase Communication Regarding DC Water programs**
  - Conduct additional research to better understand the types of communication that are effective and efficient in reaching the various DC Water audiences.
  - Continue process of drafting an RFP for a communications campaign to build support for infrastructure investment and educate people about the Clean Rivers
- **Conduct regular pipe maintenance in properties serving multi-family units**
  - Conduct regular maintenance and communicating the results to residents would reinforce perceptions that DC Water's infrastructure needs are being addressed.
  - Consider regular outreach to building managers and landlords to update building infrastructure.
- **Continue to conduct satisfaction survey and customer focus groups every other year**
  - Continue to implement a customer satisfaction study every other year will allow DC Water to examine the factors that drive satisfaction longitudinally and to implement change as needed.

# Appendix

# Survey Methods

- Representative sample of residential (single and multi-family) and commercial customers
- Different questionnaire versions for residential and commercial
- Multi-mode survey process: online and phone
- 1,017 completed surveys:
  - Commercial – 134 completed interviews
  - Multi-family – 138 completed interviews
  - Residential – 745 completed interviews

# Focus Group Methods

- Purposively sampled a list of demographically diverse survey respondents from each customer type
  - Same customer sample list used for the survey
  - Email and phone call recruitment
- Two Interview Guides developed
  - 1 for residential (single and multi-family units)
  - 1 for commercial

# Focus Group Methods

- Two focus groups and 5 targeted interviews
- 11 participants in total

Participant	Gender	Age	Race/Ethnic Origin	Participant Group	Ward
1	Female	72	White	Single Family	1
2	Male	64	White	Single Family	4
3	Male	43	Black	Single Family	1
4	Female	39	Black	Single Family	6
5	Female	NA	Black	Single Family	8
6	Female	34	White	Multi-family	6
7	Female	63	Black	Multi-family	2
8	Male	NA	White	Commercial	5
9	Male	36	Black	Multi-family	2
10	Male	50	Black	Multi-family	2
11	Male	NA	White	Multi-family	1





## Allocation of \$6 million from the Rate Stabilization Fund

Presentation to the Joint DC Retail Water & Sewer Rates and Finance & Budget Committees, June 26, 2018

**District of Columbia Water and Sewer Authority**



**Blue Plains Advanced Wastewater Treatment Plant**

## Purpose

- Seek the Finance and Budget Committee's recommendation to the full Board of a one-time allocation of \$6 million from the Rate Stabilization Fund in FY2019 for rate relief

## Background

- 💧 In her proposed budget, the Mayor allocated \$6 million in District funds to provide water bill relief to individuals and non-profits in FY 2019
- 💧 The Mayor requested an allocation of \$6 million from DC Water to match this relief for one year
- 💧 The City Council added an additional \$1 million, for a total of \$7 million from the District, for water bill relief

# Proposed Program

- 💧 The District has not finalized its proposed program, but a proposal shared publically envisioned a one-year program:
  - Jointly funded by the District and DC Water that would provide relief to residential customers, non-profits, and cemeteries
    - District funds would be used for residential relief and non-profits
    - DC Water funds would be used for residential relief and cemeteries
  - Creation of a “CAP Lite” program (residential relief) that would provide a discount smaller than the existing CAP (Customer Assistance Program) to those with incomes higher than current LIHEAP (Low Income Home Energy Assistance Program (LIHEAP))
  - Eligibility to be determined by the District Department of Energy and the Environment (DOEE)
- 💧 Will need to be established through rulemaking by DC Water



# Estimates of Residential Program Participants

- Draft of budget legislation (Council version) would create a financial assistance program for households with incomes up to the area median income
  - The median household income for the metro area is \$110,300 (HUD Median Family Income)
- It is difficult to estimate the number of program participants using existing data
  - There are 314,805 housing units in Washington DC (US Census population estimates, as of July 1, 2017)
  - 40.7 percent of housing units are owner occupied (owner-occupied housing unit rate, US Census, 2012-16)
  - DC Water has 104,000 residential customers
  - The 2016 median household income in the District was \$75,506 (2016 American Community Survey)

# The Existing CAP Program

- 💧 DC Water has a mandate to mitigate the impact of any increases in retail water and sewer rates on low-income residents of the District
- 💧 CAP program benefits are defined in 21 DCMR § 4102
- 💧 Existing CAP program provides a 58% discount to those who qualify:
  - First four CCFs of water and sewer, and associated PILOT and ROW, is free
  - Water System Replacement fee is waived
  - Fifty percent of the Clean Rivers Impervious Area Charge (CRIAC) is waived
- 💧 Eligibility is determined by the District Department of Energy (DOEE) and the Environment using the LIHEAP criteria
- 💧 DOEE recently identified 399 additional households who qualify using existing criteria

Household Size	Maximum Annual Income
1	\$30,142
2	\$39,416
3	\$48,691
4	\$57,965
5	\$67,239
6	\$76,514
7	\$78,253
8	\$79,992

# The Rate Stabilization Fund

- 💧 To date, use of the Rate Stabilization Fund has been for broad-based rate relief
- 💧 Purpose of the rate stabilization funds, generally:
  - Avoid unexpected increases in operating expenses or reductions in revenue
  - To smooth rate increases over multiple years, in the event that there was a large increase in one year
- 💧 \$61.45 million balance has been generated from planned (budgeted) contributions and year-end surplus

## Next Steps

- 💧 Additional CAP customers (399) identified by DOEE were processed in May 2018
- 💧 Residential Program
  - DC Water to continue to work with District officials to design a program for residential customers, and estimate the number of likely participants
  - Publication of proposed regulations, when drafted, to be authorized by the Board
- 💧 Cemeteries
  - A discount program to be considered by the Retail Rates Committee (rulemaking process)
- 💧 Non-profits
  - DC Water to credit bills of customers as directed by the District Department of the Environment (DOEE) up to funding amounts provided by the District



## Recommendation

- That the Finance and Budget Committee recommend to the full Board a one-time allocation of \$6 million from the Rate Stabilization Fund for a hardship fund