



Annual Comprehensive Financial Report



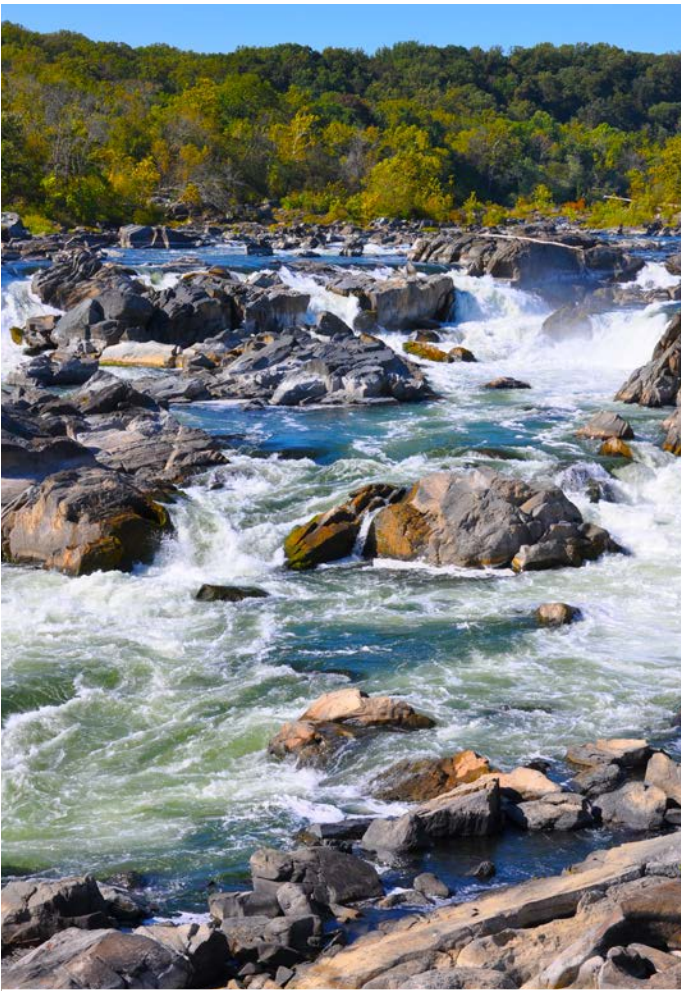
2021

Fiscal Years Ended September 30, 2021 and 2020

David Gadis, Chief Executive Officer

Matthew T. Brown, Chief Financial Officer and Executive Vice President, Finance and Procurement

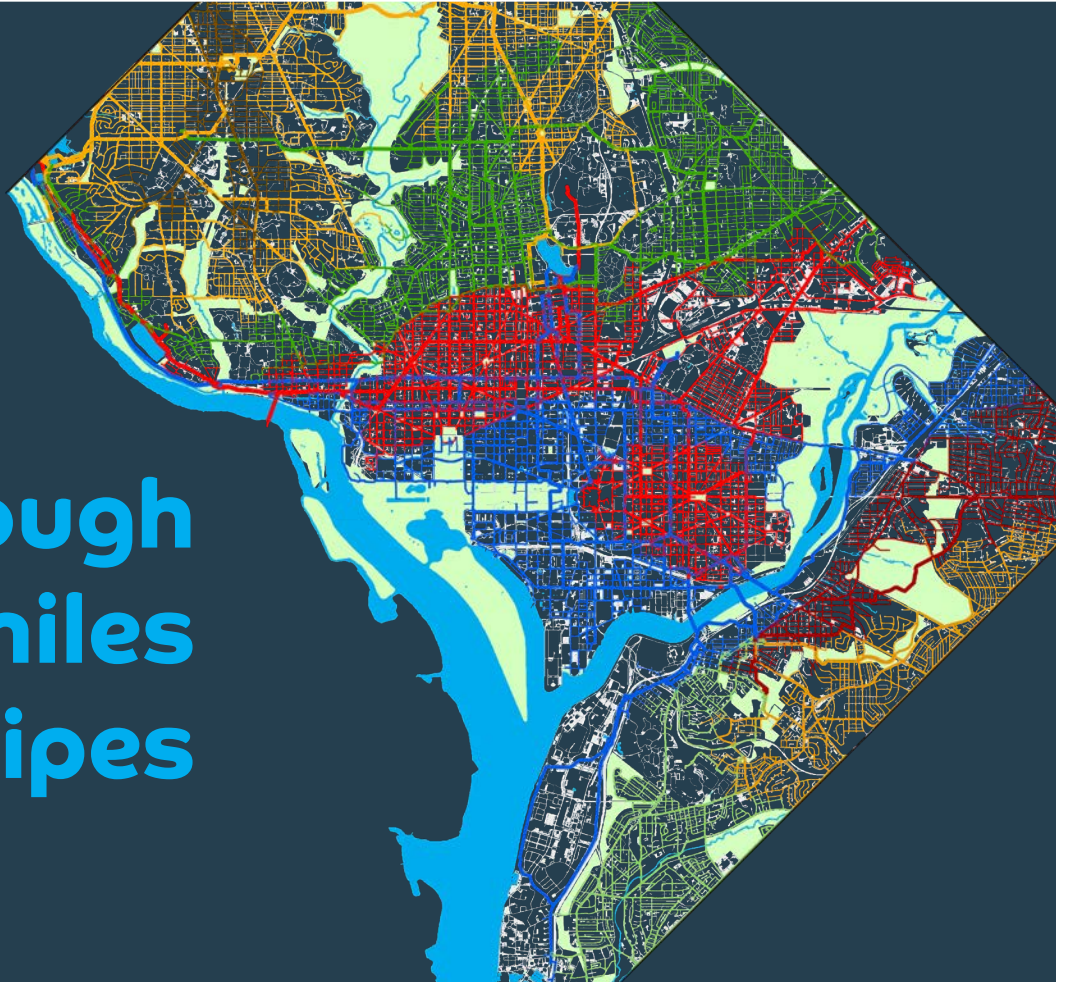
District of Columbia Water and Sewer Authority



**DC Water
distributes
95 million
gallons
of clean
drinking
water per
day . . .**



**. . . through
1300 miles
of pipes**



dc clean RIVERS PROJECT



96%
reduction

System-wide CSO
volume

98%
reduction

CSO volume to the
Anacostia River

18
miles of
tunnels

Over 100 feet
below ground

15
year storm
conveyance

For areas served
by the Northeast
Boundary Tunnel

1mil
pounds

Reduction of
nitrogen to the
Chesapeake Bay

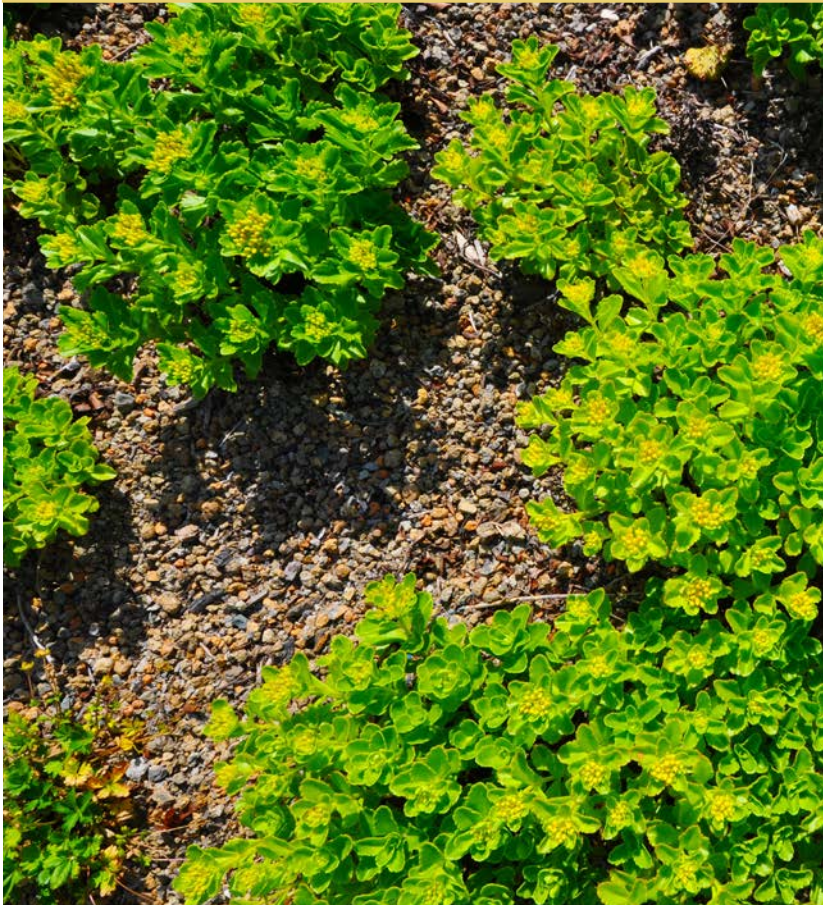


**Blue Plains
Wastewater
Treatment Plant**
1937 - 2021





DC Water distributes drinking water and collects and treats wastewater for more than 712,000 residents and **24.6 million annual visitors** in the District of Columbia.



92 ACRES
OF LAND MANAGED
BY GREEN
INFRASTRUCTURES



FY 2021

District of Columbia Water and Sewer Authority

Annual Comprehensive Financial Report

Fiscal Years
Ended September 30, 2021 and 2020

Prepared by:
Department of Finance, Accounting, and Budget

Matthew T. Brown, Chief Financial Officer and Executive Vice President, Finance and Procurement

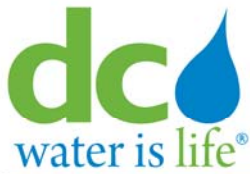
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**Introductory Section
(Unaudited)**



David L. Gadis, Chief Executive Officer

DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY | 1385 CANAL STREET, SE | WASHINGTON, DC 20003

February 9, 2022

Board of Directors
District of Columbia Water and Sewer Authority
1385 Canal Street, SE
Washington, D.C. 20003

Dear Members of the Board:

I am pleased to present the District of Columbia Water and Sewer Authority's ("DC Water" or the "Authority") Annual Comprehensive Financial Report ("ACFR") for the fiscal year ended September 30, 2021. The Authority's financial statements were prepared in accordance with U.S. generally accepted accounting principles ("GAAP"), as promulgated by the Governmental Accounting Standards Board ("GASB") and audited by a firm of independent certified public accountants retained by DC Water. In accordance with the Authority's enabling legislation, DC Water is required to perform an annual audit of its financial statements and submit it to the District of Columbia's Mayor, Chief Financial Officer, and District of Columbia Council.

Responsibility for the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with DC Water's management. To the best of my knowledge and belief, the information contained in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the Authority. All disclosures necessary for the reader to gain an understanding of DC Water's financial activity have been included.

DC Water's management is responsible for establishing and maintaining an internal control structure designed to ensure that its assets are adequately safeguarded against loss, theft, or misuse and to maintain accurate and reliable financial records for the preparation of financial statements and the representations made by management. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: 1) the cost of internal controls should not exceed the benefits derived from the controls; and 2) the evaluation of costs and benefits requires management's exercise of judgment. To the best of my knowledge and belief, DC Water's internal accounting controls adequately safeguard its assets and provide reasonable assurance of the proper recording of financial transactions in accordance with GAAP.

KPMG LLP, Certified Public Accountants, has been retained by DC Water to serve as its independent auditors and has issued an unmodified ("clean") opinion on DC Water's financial statements for the years ended September 30, 2021 and 2020. The independent auditors' report is located at the front of the financial section of this report.

GAAP requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis ("MD&A"). This letter of transmittal is designed to supplement the MD&A and should be read in conjunction with it. DC Water's MD&A is located immediately following the independent auditors' report.

Overview of DC Water

The District of Columbia Water and Sewer Enterprise Fund (the “Fund”) was established in 1979 and was operated by the Water and Sewer Utility Administration, a division of the Government of the District of Columbia (the “District”) Department of Public Works. The Authority, an independent authority of the District, was created in April 1996 and began operating on October 1, 1996 under and pursuant to an act of the Council of the District entitled the “Water and Sewer Authority and Department of Public Works Reorganization Act of 1996 (as amended)”, and an Act of the United States Congress entitled the “District of Columbia Water and Sewer Authority Act of 1996”. The Authority is considered a related organization of the District for purposes of presentation in the District’s financial statements.

DC Water provides retail drinking water distribution and wastewater conveyance and treatment services to approximately 712,000 residential, commercial and governmental customers in the District of Columbia, and wholesale wastewater conveyance and treatment services to approximately 1.6 million users in Montgomery and Prince George’s Counties in Maryland, and Fairfax and Loudoun Counties in Northern Virginia.

DC Water is governed by a Board of Directors consisting of eleven principal and eleven alternate members who represent the District of Columbia, Montgomery and Prince George’s Counties in Maryland, and Fairfax County in Virginia.

Budgets are prepared annually and reviewed and approved by The Authority’s Board of Directors. After approval by the Board, DC Water submits its annual budget to the District for inclusion in the Mayor’s annual budget. The District then includes DC Water’s budget as an enterprise fund as part of its own budget submission to the U.S. Congress for approval.

Economic Condition

Washington, D.C., is not only known as being the nation’s capital, but it is also an international city with a vibrant tourist industry and business climate. The U.S. Census Bureau estimated that there were 712,816 residents in Washington, D.C. in 2020, an increase of 1.0% from the same period of the prior year. The Washington Metropolitan Region has a population of more than 6.3 million individuals and is the sixth largest metropolitan area in the country.

The District’s economic base is driven by the federal and local governments as well as diplomatic embassies and international organizations. The federal civilian workforce in the District averaged 236,286 employees, while thousands more are estimated to work elsewhere in the metropolitan area. The District is host to more than 180 foreign embassies and other recognized diplomatic missions. A number of international organizations, such as the International Monetary Fund, World Bank, Inter-American Development Bank and Organization of American States are headquartered in the District. An estimated 24.6 million people visit the Washington Metropolitan Region on an annual basis, not only to do business with the federal government and local firms, but also to visit the national monuments, historic sites, museums and other major cultural attractions.

Income has grown considerably in the District in recent years. The unemployment rate in the District decreased from 10.2% in 2011 to 5.9% in 2021. The District’s economy grew consistently faster than the national economy for much of this decade and is expected to continue to grow in 2022. The District’s economy is relatively more information and service industry dependent than most states, accounting for the region’s relative insulation from the most recent national housing and credit centric recession.

Major Initiatives

Capital Improvement Program

DC Water's ultimate success in achieving its mission of providing world-class water and wastewater services as a leading steward of the environment depends in large part on the implementation of its capital improvement program ("CIP"). Approximately 19.0% of the CIP is either federally mandated or required by a court-ordered consent decree, including the Clean Rivers Project. DC Water plans to finance its capital improvement program from a variety of sources, including the issuance of revenue bonds, grants from the U.S. Environmental Protection Agency ("EPA"), the U.S. Federal Emergency Management Agency ("FEMA"), federal appropriations, capital contributions from wholesale customers, and Pay-Go. Major elements of the CIP are continued investment in Blue Plains and rehabilitation of water and sewer infrastructure.

Blueprint 2.0

The DC Water Board of Directors approved a new strategic plan, Blueprint 2.0, in July of 2021. The plan sets out five, interconnected Organizational Imperatives which are defined outcomes essential to achieving our strategic ambition over the next five years and beyond. The five imperatives are: Healthy, Safe and Well; Reliable; Resilient; Sustainable; and Equitable. The Imperatives have been developed through engagement with a cross section of key stakeholders and will be used to frame our strategy and address our upcoming challenges.

Green Bond Framework

In 2021, DC Water adopted a Green Bond Framework aligned with the four International Capital Market Association (ICMA) Principles regarding use of proceeds, project selection, management of proceeds, and reporting. The purpose of this Green Bond Framework is to formalize the process and commitments that govern DC Water's issuance of Green Bonds. In addition, DC Water also delivered an Environmental, Social, and Governance (ESG) Report this year. This report highlights the progress we have made as an innovative authority in meeting climate, equity, and governance goals. Through this framework and report, DC Water hopes to remain a leader in the Green Bond space.

Lead Removal Initiative

DC Water has launched the Lead Free DC Initiative, which aims to replace more than 28,000 lead and galvanized-iron pipe service lines with copper pipe by 2030. The Authority developed a model to use water quality and health equity data to prioritize lead service line replacement projects. This approach prioritizes lead replacement for: (1) vulnerable populations most impacted by lead exposure (children and seniors) and (2) communities that are historically underserved, and experience disproportionately poorer health outcomes in comparison to other communities in the District. The model scores and ranks blocks according to the health benefit and social impact of lead service line replacement so that projects can be funded and executed equitably.

New Residential and Multifamily Assistance Programs

DC Water launched new programs in 2021 aimed at assisting customers in residential and multifamily properties who have been impacted by the COVID pandemic. Both programs provide assistance to income qualified households. The multifamily program assists properties whose utilities are included in their rent or HOA fees. DC Water is the only utility in the region to provide indirect assistance by crediting a property's utility account. The majority of the credit, 90 percent, is then passed on to the occupants with qualifying incomes as a rental or association credit. DC Water set aside \$7 million this year to fund this initiative, and already more than \$2.2 million has been credited. This funding has supported over 5,000 households.

Water Infrastructure Finance and Innovation Act Loan Agreement

DC Water entered into a Water Infrastructure Finance and Innovation Act (WIFIA) Loan Agreement with the United States Environmental Protection Agency for \$156 million. This loan will help DC Water implement 20 important capital projects, including new water mains to improve drinking water quality and reduce service disruptions resulting from breaks in aged pipes. The loan is estimated to cover 49 percent of eligible project costs and will ultimately save money for both DC Water and its customers.

New Financial Policies

The Board of Directors approved a new “Statement of Financial Policies” on October 7, 2021 that strengthened debt service coverage and liquidity requirements. The new policies established a combined coverage requirement of 1.6x. This exceeds the Indenture requirements of 1.2x for senior coverage and 1.0x for subordinate coverage and the previous policy that required 1.4x coverage for senior debt. The policies also increase liquidity requirements by increasing the days of cash on hand the Authority is required to maintain in operating reserves from 120 days to 250 days. This requirement must be met with the Renewal and Replacement Fund, the Operating Reserve Fund, and additional cash. Funds in the Rate Stabilization Fund cannot be used to meet this requirement. Per the new policy, these requirements must be met in the budget and in all ten years of the financial plan.

Clean Rivers Project

In April 2021, DC Water's tunnel boring machine completed mining the five-mile-long Northeast Boundary Tunnel (NEBT). The NEBT is the longest and final segment of the Anacostia River Tunnel (ART) system. Once placed in service, the added capacity to the combined system will reduce overflows to the Anacostia River by 98 percent and reduce flooding and sewer backups in Northeast DC. The ART system that was commissioned in 2018 has already captured more than 12 billion gallons of combined sewage and 7,900 tons of trash. The Potomac River Tunnel is the next major phase of the DC Clean Rivers Project which is scheduled to begin construction in 2023 and be placed into operation by February 8, 2030. The Advance Utility Construction contract to provide electrical services and relocate utilities in advance of the tunnel construction was awarded on August 25, 2021. Construction is underway for CSO 025/026 Sewer Separation project and scheduled for completion in September 2022. Finally, the construction contract for the second Rock Creek Green Infrastructure project was awarded on December 1, 2021.

Environmental Impact Bond Success

In 2016, DC Water issued the industry's first Environmental Impact Bond (EIB), which provided DC Water a novel financial instrument to share the risk of green infrastructure (GI) performance with investors in the form of outcome and risk sharing payments. In FY 2021, post-construction monitoring of the GI projects found they reduced stormwater runoff from the project area, that would have otherwise contributed to combined sewer overflows in Rock Creek, by nearly 20 percent. This measurement fell within the ‘as expected’ outcome range established by the EIB and means no outcome payment is due to the investors and no risk share or underperformance penalty is due from the investors. The intent of the projects and robust evaluation of project outcomes was to establish the effectiveness of green infrastructure in the District and reduce combined sewer and stormwater runoff into Rock Creek, improving the health of waterways in the District.

Blue Plains Floodwall

DC Water completed construction of Blue Plains Floodwall Segment C in July 2021. This segment, together with other segments, was constructed with the goal of providing protection to the Blue Plains Advanced Wastewater Treatment Plant (AWTP) to the 500-year flood elevation level, plus sea level rise and wave action. This will ultimately ensure that the plant can operate at full capacity and DC Water can continue to deliver its critical wastewater treatment services during storm events. The completion of Segment C provided significant benefit to DC Water because it was constructed across the lowest elevation points around the plant. Upon completion of Segment C, the Blue Plains AWTP is protected from the Potomac River at an elevation of 12 feet, which is more than a foot above storms with a 100-year frequency.

LEED Platinum Distinction

DC Water's headquarters building, built in 2019 along the Anacostia River, was certified as LEED Platinum by the U.S. Green Building Council (USGBC) this year. LEED stands for Leadership in Energy & Environmental Design and is a globally recognized symbol of excellence in green building. It means the building is using less electricity, has a healthy air flow and consumes less energy and less water. Platinum is the highest rating under the LEED system. Most of the building interior is naturally daylighted so interior lighting is automatically shut off or dimmed during the day, saving energy. At night, lighting is motion-activated. As a result of all the energy-saving approaches designed into the building, it is one of the most energy-efficient structures in the city, using 48% less energy than a typical office building of its size. A green roof reduces stormwater runoff and contains grass, flowers and shrubs to absorb rainwater. A 40,000-gallon cistern collects any rainwater not absorbed by plantings. The collected water is then used for 100% of the toilet flushing and irrigation needs of the building. The use of the wastewater thermal exchange system and the rainwater capture saves up to 1.2 million gallons of water annually.

Blue Drop

Blue Drop, LLC celebrated its 5-year anniversary in November of 2021. In FY 2021, 47,655 tons of Bloom, Class A Exceptional Quality biosolids, were sold resulting in \$310 thousand of revenue and over \$2 million in net savings. Bloom has resulted in a total net savings of \$4.3 million since production started in 2017. In addition, Blue Drop hosted its first wedding in summer 2021 and released two children's books on the water and wastewater process. The wastewater book won a WEF Public Communication & Outreach Award.

Strong Credit Ratings

Throughout FY2021, the Authority maintained a AA+ credit rating by Fitch Ratings for senior lien revenue bonds, a AAA credit rating by S&P and an Aa1 by Moody's. DC Water also maintained a GB1 rating for green bonds, Moody's highest possible green bond assessment.

Combined, these ratings made DC Water's bonds highly desirable. Strong credit ratings enable the Authority to issue debt at lower borrowing costs, which in turn reduces ratepayer costs in the long run.

Awards and Acknowledgements

ACFR Award

The Authority's 2020 ACFR received the Government Finance Officers Association's ("GFOA") Certificate of Achievement for Excellence in Financial Reporting. The ACFR was judged based on its conformity to GAAP and its compliance with other financial, legal and contractual provisions. The Certificate of Achievement is the highest form of recognition in governmental accounting and financial reporting, and its attainment represents a significant accomplishment for any municipality or government agency. To date, DC Water has received the GFOA's ACFR award for every year of its existence as an independent Authority, for a total of 24 consecutive awards.

Acknowledgements

With deep appreciation, I wish to recognize the outstanding leadership and personal commitment of Controller Genes Malasy through fiscal year 2021 as well as DC Water's dedicated team of finance professionals for their collective effort in drafting DC Water's FY 2021 Annual Comprehensive Financial Report.

Respectfully submitted,

A handwritten signature in black ink that reads "Matthew T. Brown". The signature is written in a cursive, flowing style with a large, stylized "M" and "B".

Matthew T. Brown
Chief Financial Officer and Executive Vice President
Finance and Procurement



BOARD OF DIRECTORS

PRINCIPAL MEMBERS

TOMMY WELLS, CHAIR, DISTRICT OF COLUMBIA
RACHNA BUTANI-BHATT, DISTRICT OF COLUMBIA
DAVID FRANCO, DISTRICT OF COLUMBIA
ANTHONY GIANCOLA, DISTRICT OF COLUMBIA
ADAM ORTIZ, MONTGOMERY COUNTY, MD
FARIBA KASSIRI, MONTGOMERY COUNTY, MD
FLOYD HOLT, PRINCE GEORGE'S COUNTY, MD
TARA JACKSON, PRINCE GEORGE'S COUNTY, MD
CHRISTOPHER HERRINGTON, FAIRFAX COUNTY, VA

ALTERNATE MEMBERS

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HOWARD GIBBS, DISTRICT OF COLUMBIA
IVAN FRISHBERG, DISTRICT OF COLUMBIA
REV. DR. KENDRICK CURRY, DISTRICT OF COLUMBIA
JOE LEONARD, JR., DISTRICT OF COLUMBIA
ADRIANA HOCHBERG, MONTGOMERY COUNTY, MD
STEVEN SHOFAR, MONTGOMERY COUNTY, MD
ANDREA CROOMS, PRINCE GEORGE'S COUNTY, MD
JARED MCCARTHY, PRINCE GEORGE'S COUNTY, MD
SARAH MOTSCH, FAIRFAX COUNTY, VA

PRINCIPAL STAFF MEMBERS

SENIOR EXECUTIVE TEAM

DAVID GADIS, CEO AND GENERAL MANAGER
MARC BATTLE, EXECUTIVE VICE-PRESIDENT, OFFICE OF LEGAL AFFAIRS
MATTHEW T. BROWN, CHIEF FINANCIAL OFFICER AND EXECUTIVE VICE PRESIDENT, FINANCE AND PROCUREMENT
WAYNE GRIFFITH, CHIEF STRATEGY AND PERFORMANCE OFFICER AND EXECUTIVE VICE PRESIDENT, STRATEGY AND PERFORMANCE
KEITH J. LINDSEY, CHIEF OF STAFF
KISHIA L. POWELL, CHIEF OPERATING OFFICER AND EXECUTIVE VICE PRESIDENT
LISA STONE, CHIEF PEOPLE AND INCLUSION OFFICER AND EXECUTIVE VICE PRESIDENT, PEOPLE AND TALENT
KIRSTEN WILLIAMS, CHIEF COMMUNICATIONS & STAKEHOLDERS ENGAGEMENT OFFICER AND EXECUTIVE VICE PRESIDENT

OFFICE OF FINANCE AND PROCUREMENT

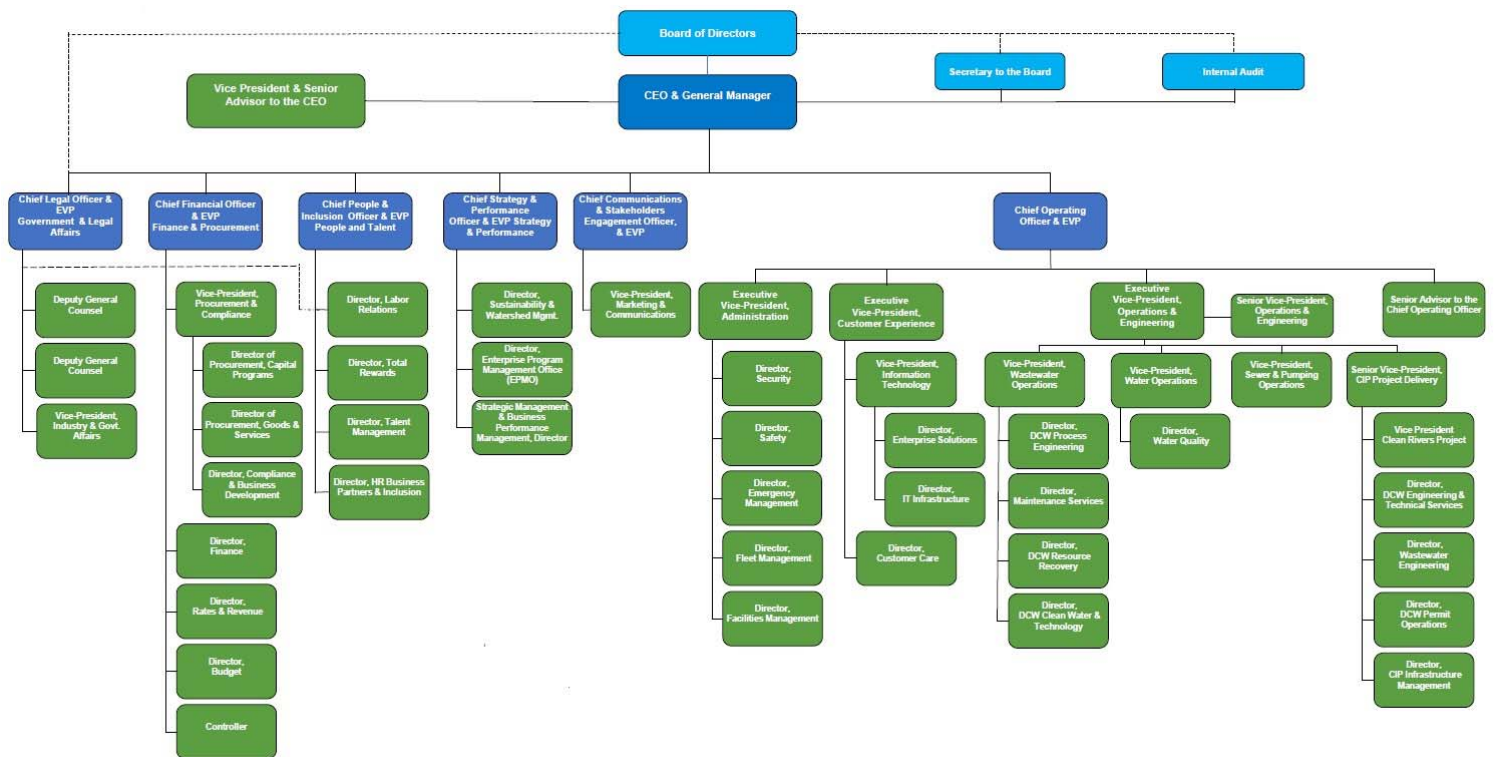
DAN BAE, VICE PRESIDENT, PROCUREMENT AND COMPLIANCE
IVAN BOYKIN, FINANCE DIRECTOR
SYED KHALIL, DIRECTOR, RATES AND REVENUE
GENES MALASY, CONTROLLER
LOLA OYEYEMI, BUDGET DIRECTOR

KEY LEADERSHIP

LEONARD BENSON, SENIOR VICE PRESIDENT, WATERSHED MANAGEMENT
JONATHAN CARPENTER, VICE PRESIDENT, INDUSTRY RELATIONS
MAUREEN HOLMAN, VICE PRESIDENT, SHARED SERVICES
JASON HUGHES, VICE PRESIDENT, WATER OPERATIONS
THOMAS KUCZYNSKI, VICE PRESIDENT, INFORMATION TECHNOLOGY
JOHN LISLE, VICE PRESIDENT, MARKETING AND COMMUNICATIONS
KENRICK ST. LOUIS, VICE PRESIDENT, SEWER AND PUMPING OPERATIONS
AKLILE TESFAYE, VICE PRESIDENT, WASTEWATER OPERATIONS



Governance and Organizational Structure





Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**District of Columbia
Water and Sewer Authority**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

September 30, 2020

Christopher P. Morill

Executive Director/CEO