



# Overview of Proposed FY 2021 Budget

Presentation to the Finance and Budget Committee, January 23, 2020

District of Columbia Water and Sewer Authority



DC Water Headquarters from the Anacostia River

- 💧 Provide overview of the budget calendar, milestones and deliverables
- 💧 Review management's budget proposals including major drivers and underlying assumptions

I. Budget Overview.....	4
II. Capital Improvement Program .....	11
III. Operating Expenditure Budgets.....	14
IV. Operating Revenue Budgets.....	27
V. Ten Year Financial Plan.....	33
VI. Next Steps .....	37
VII. Appendix .....	39

# Budget Overview

- Doubles DC Water's current investment in water and sewer infrastructure by FY2022 to reach a one percent replacement cycle, and triples the investment by FY2027 to reach a 1.5 percent replacement cycle
- Fully funds the Clean Rivers program
- Adds five positions for the DC Water Consumer Protection Amendment Act of 2018
- Increases funds for fleet purchases by 60% to ensure crews have the equipment they need
- Invests \$0.5 million in the Apprenticeship Program to support fifteen entry level positions
- Makes the CAP2 program permanent
- Advances LeadFreeDC
- Continues capital procurement reform to help ensure that the capital program is delivered at the highest quality and lowest cost for ratepayers
- Holds the line on operating budget expenses, and FY2021 budget is within the previous financial plan forecast
- Takes advantage of low interest rates and current year savings to deliver rate increases that were smaller than previously forecasted

Timeline (2020)	Activity	Status
January 2	Budget Workshop with Board of Directors	✓
January 9	Stakeholder Alliance Briefing	✓
January 10	Wholesale Customer Briefing	✓
<b>Committee Discussions &amp; Reviews</b>		
January 16	Environmental Quality & Operations	✓
→ January 23	Finance & Budget	
January 28	D.C. Retail Water & Sewer Rates	
February 6	Board Meeting (No Board Action Required)	
<b>Committee Reviews, Recommendations &amp; Actions</b>		
February 20	Environmental Quality & Operations	
February 25	D.C. Retail Water & Sewer Rates	
February 27	Finance & Budget	
March 5	<b>Board Adoption</b>	
March	Submit budget via the District to U.S. Congress	



The screenshot shows the 'Ratemaking Process' page. The main heading is 'Ratemaking Process'. Below it, there are two paragraphs of text. The first paragraph states: 'The Board's Strategic Plan and 10-year financial plan provide the framework for the formulation, prioritization, implementation and monitoring of the annual budget process.' The second paragraph states: 'The annual budget process typically begins with planning in June and official kickoff in July of each year for the Operating and Capital Budgets. Plans and budgets are prepared at an appropriate level of detail for each management level. Assumptions inherent in the plans and budgets reflect the entity's historical experience, current conditions and Executive Team's directives. Once decisions are finalized for the operating and capital budgets, management develops the financial plan and rate model including various scenarios to ensure a balanced budget for recovery of costs. Further review is undertaken with independent consultants including benchmarking our proposed rates with peers in the industry. DC Water develops two-year rate proposals. The benefits of multi-year rates'.

On the right side, there is a sidebar with the heading 'IN THIS SECTION' containing three links: 'FY 2020 Adopted Budget', 'FY 2020 Approved Rates', and 'Budget Review Materials Library'. Below this is another section titled 'OTHER DOCUMENTS' with two links: 'FY 2021 Proposed Budget (coming soon)' and 'Public Comments (coming soon)'.

The screenshot shows the 'Budget Review Materials Library' page. The main heading is 'Budget Review Materials Library'. Below the heading is a table with two columns: 'Date' and 'Title'.

Date	Title
January 16, 2020	Environmental Quality and Operations Committee FY 2020 - FY 2029 Proposed CIP Budget
January 9, 2020	Stakeholder Alliance Overview of Proposed FY 2021 Budget
January 2, 2020	Budget Workshop with the Board FY 2021 Proposed Budget
November 21, 2019	Environmental Quality and Operations Committee Overview of FY 2019 - FY 2028 Proposed CIP Further Discussion
November 19, 2019	Finance and Budget Committee Overview of Operating Budget Drivers
November 19, 2019	DC Retail Water and Sewer Rates Committee <ul style="list-style-type: none"> <li>2021 Cost of Service Study</li> <li>Independent Review of Rate Structure and Customer Assistance Programs</li> </ul>

Complete Budget Briefing available online at <https://www.dewater.com/budget-review-materials-library>

## **Proposed Operating Budget of \$642.7 million, an increase of \$28.1 million**

- Operations and Maintenance – \$367.7 million, an increase of \$19.1 million for personnel and non personnel
- Debt Service budget of \$222.3 million or an increase of \$6.9 million and Cash Financed Capital Improvements budget of \$30.4 million or an increase of \$1.8 million
- PILOT & ROW payments to the District payments of \$22.4 million or an increase of \$0.3 million

## **Proposed 10-year Capital Budget of \$5.45 billion, an increase of \$0.49 billion**

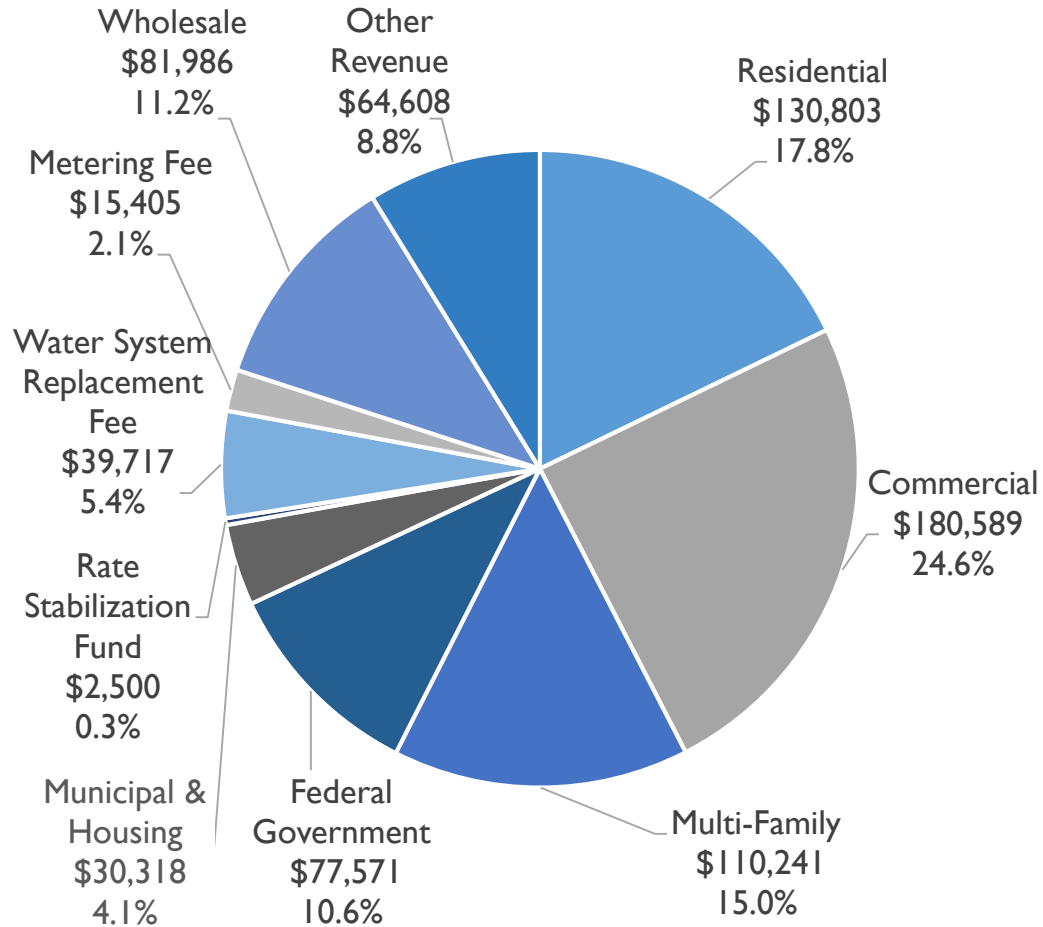
- Capital Projects – Funded at \$4.92 billion with increased funding starting FY 2027 to ramp up to 1.5% per year replacements for the small water mains and sewer lines
- Capital Equipment – Funded at \$333 million for planned equipment spending including the procurement of backhoes, jet-vacs, catch basin trucks and other aged vehicles to meet operational needs
- Washington Aqueduct (WAD) – Total of \$195.2 million, an increase of \$8.1 million for DC Water's share of WAD's capital program



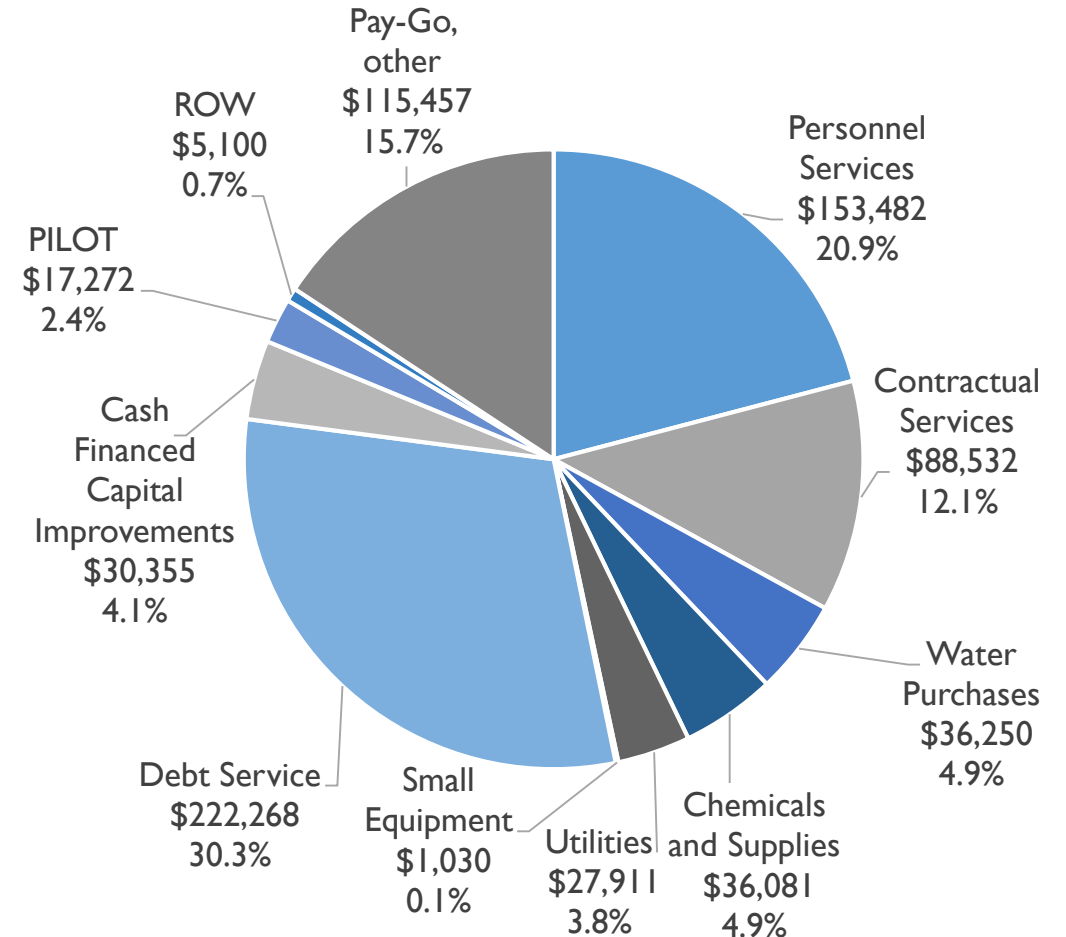
# FY 2021 Operating: Sources and Uses of Funds

\$ in thousands

## Sources - \$733.7 Million



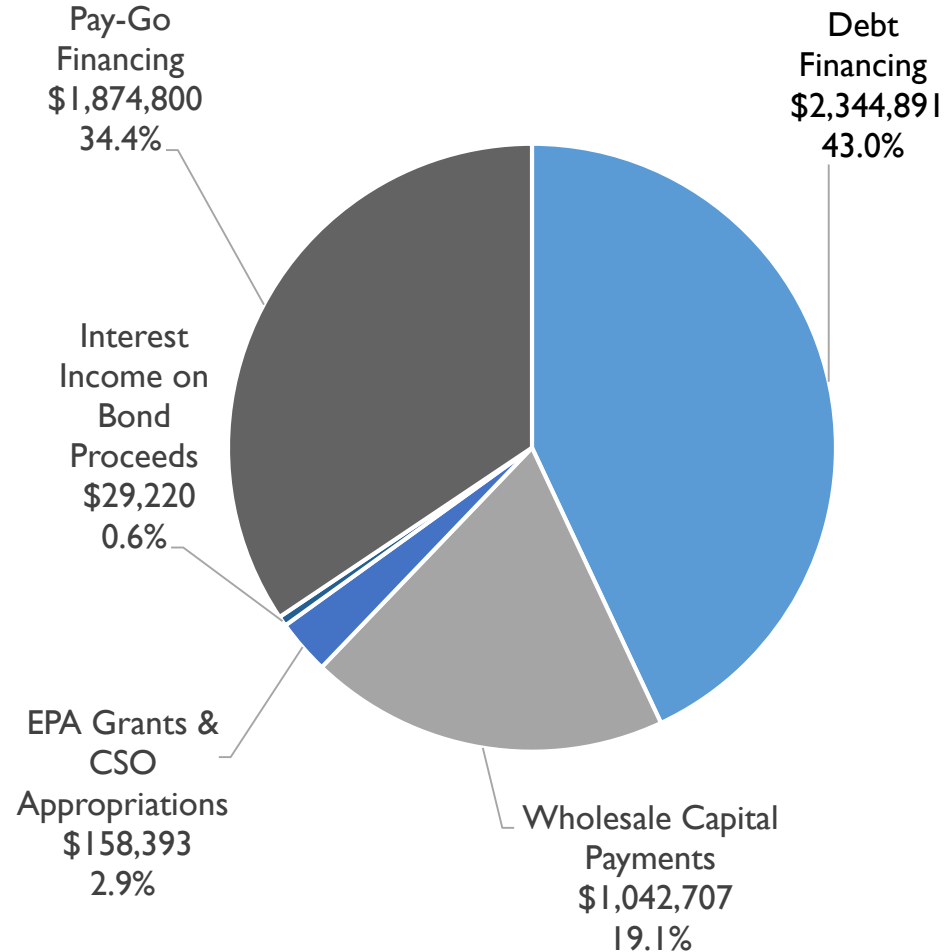
## Uses - \$733.7 Million



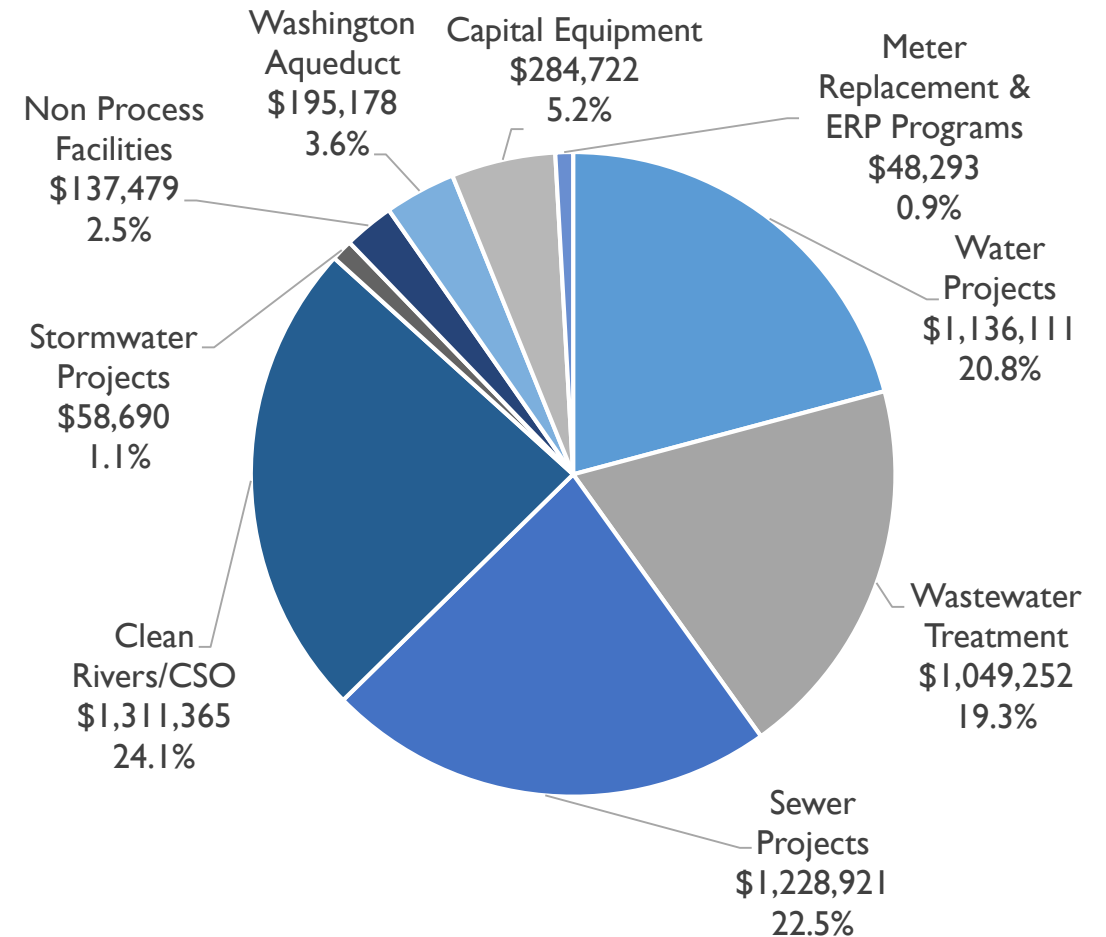
# Ten Year CIP: Sources and Uses of Funds

\$ in thousands

## Sources - \$5.45 Billion



## Uses - \$5.45 Billion



# Capital Improvement Program

The proposed 10-year disbursements (FY 2020 - FY 2029) of \$5.45 billion increases investment in our aging infrastructure

💧 Capital Construction Projects - \$4.92 billion

- \$1.2 billion fully funds the DC Clean Rivers' project to meet Consent Decree requirements
- \$57 million increase in the Sewer Service area to ramp up to 1.5% small sewer lines replacement from FY 2027 onwards, ten-year total of \$1.2 billion in Sewer
- \$102 million increase in the Water Service area to ramp up to the 1.5% of small diameter water mains replacement per year from FY 2027 onwards, ten-year total of \$1.1 billion in Water
- \$55 million for Efficiency Improvement projects starting FY 2021

💧 Additional Capital Programs - \$528 million

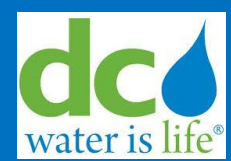
- \$333 million for capital equipment items to meet purchases/replacement of mechanical equipment, operational facilities, vehicle equipment, office renovations, and IT software/hardware
- \$195 million for DC Water's share of WAD's infrastructure improvements to achieve established service levels

- 💧 The proposed FY 2020 disbursement includes the underspending from FY 2019 to remain congruent with previously approved rate increases
- 💧 Ramp-up to modified Baseline CIP beginning in FY 2021

Service Area (\$000's)	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	10-Yr Total	Last Year's CIP	(Increase) /Decrease
Non-Process Facilities	\$ 42,066	\$ 31,849	\$ 20,665	\$ 6,831	\$ 11,058	\$ 10,396	\$ 3,901	\$ 3,553	\$ 3,560	\$ 3,600	\$ 137,479	\$ 138,067	\$ 588
Wastewater Treatment	77,536	102,976	113,378	107,232	107,312	70,680	97,878	101,839	132,256	138,165	1,049,252	978,738	(70,514)
Clean Rivers	162,197	147,565	179,833	129,272	67,536	59,909	148,771	103,265	88,890	115,049	1,202,288	1,262,589	60,301
Combined Sewer	9,239	9,493	12,816	16,553	16,731	8,568	6,699	7,572	8,972	12,435	109,078	79,178	(29,900)
Stormwater	6,869	9,631	7,535	4,170	5,392	4,660	4,201	4,306	6,869	5,057	58,690	68,608	9,918
Sanitary Sewer	44,933	63,926	115,541	88,110	91,562	138,341	159,814	176,789	175,873	174,032	1,228,922	957,135	(271,787)
Water	62,163	88,677	108,878	109,000	92,905	101,765	116,319	146,791	154,916	154,697	1,136,112	945,015	(191,097)
<b>CAPITAL PROJECTS</b>	<b>405,004</b>	<b>454,118</b>	<b>558,645</b>	<b>461,168</b>	<b>392,496</b>	<b>394,318</b>	<b>537,584</b>	<b>544,115</b>	<b>571,337</b>	<b>603,035</b>	<b>4,921,821</b>	<b>4,429,330</b>	<b>(492,491)</b>
Capital Equipment	31,703	37,207	33,790	32,315	33,000	33,000	33,000	33,000	33,000	33,000	333,015	340,324	7,309
Washington Aqueduct	15,515	16,266	18,572	37,841	12,699	33,875	9,508	12,863	24,068	13,971	195,178	187,127	(8,051)
<b>ADDITIONAL CAPITAL PROGRAMS</b>	<b>47,218</b>	<b>53,473</b>	<b>52,362</b>	<b>70,156</b>	<b>45,698</b>	<b>66,875</b>	<b>42,509</b>	<b>45,863</b>	<b>57,068</b>	<b>46,971</b>	<b>528,193</b>	<b>527,450</b>	<b>(743)</b>
<b>TOTAL CIP</b>	<b>\$ 452,223</b>	<b>\$ 507,590</b>	<b>\$ 611,008</b>	<b>\$ 531,322</b>	<b>\$ 438,194</b>	<b>\$ 461,193</b>	<b>\$ 580,093</b>	<b>\$ 589,978</b>	<b>\$ 628,404</b>	<b>\$ 650,006</b>	<b>\$ 5,450,013</b>	<b>\$ 4,956,780</b>	<b>\$ (493,233)</b>
Last Years CIP (Increase)/Decrease	420,342 (31,880)	467,016 (40,574)	561,724 (49,284)	530,006 (1,317)	422,607 (15,587)	450,358 (10,835)	585,454 5,361	535,666 (54,312)	544,490 (83,914)	439,117 (210,890)	4,956,780 (493,232)		

# Operating Expenditure

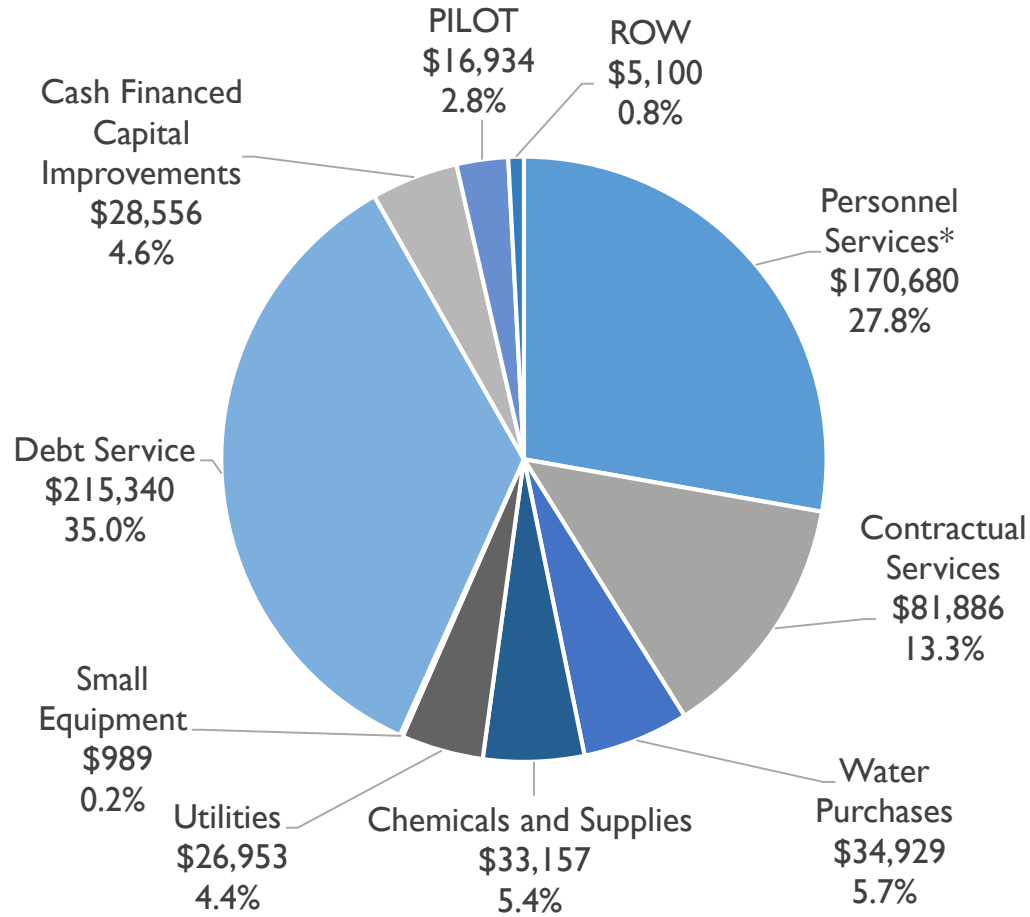




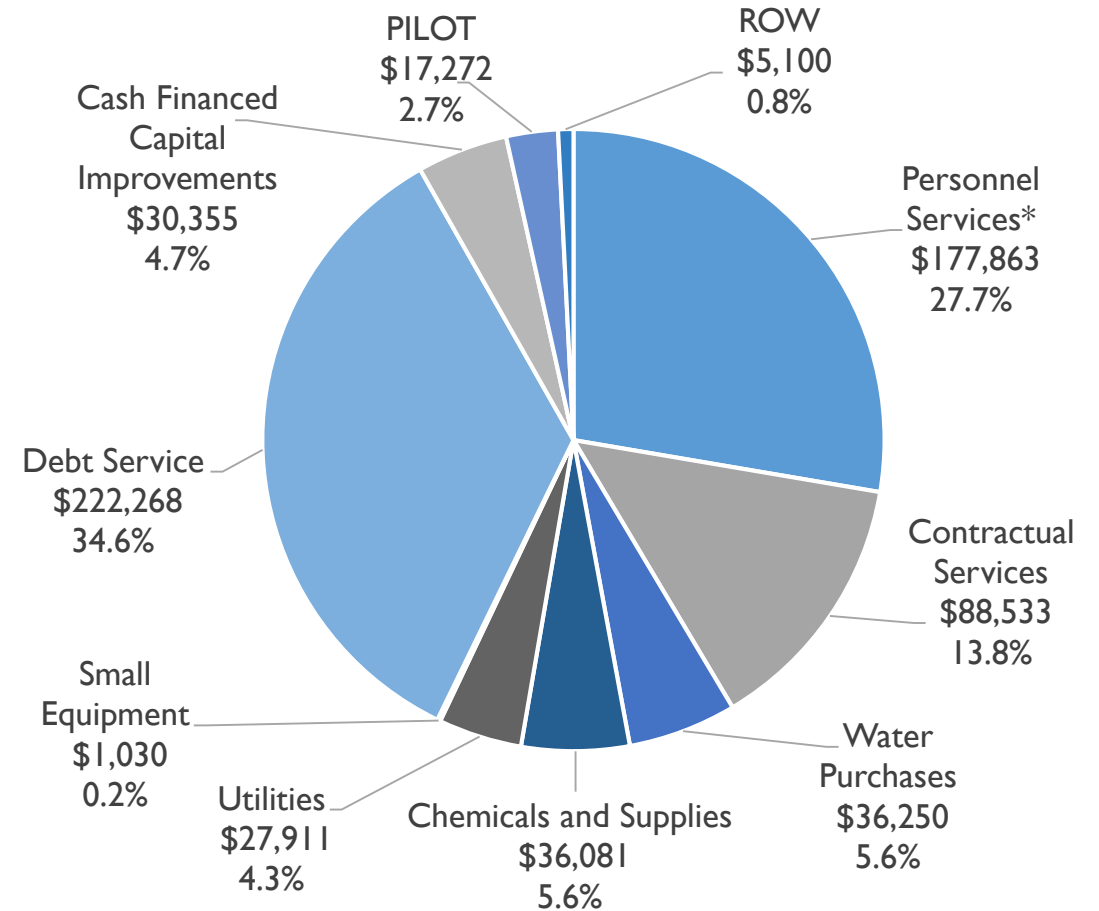
# FY 2020 vs. FY 2021 Expenditure Budgets

\$ in thousands

## Approved FY 2020 \$614,523



## Proposed FY 2021 \$642,663

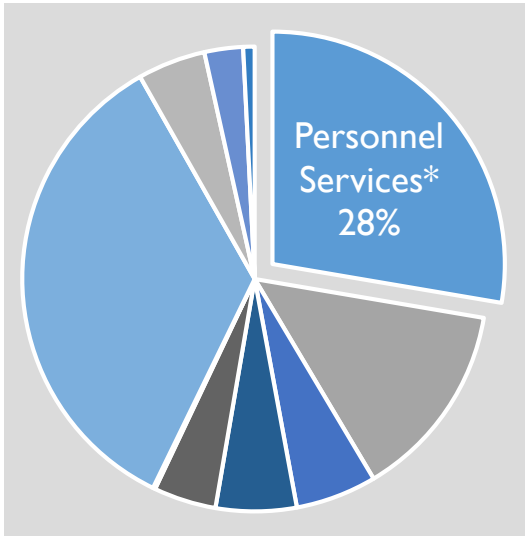


\* Personnel Services includes capital labor charges

# Comparison by Cost Category

- Total operating expenditure is projected to increase by \$28.1 million or 4.6 percent
- Total O&M expenditure is projected to increase by \$19.1 million or 5.5 percent

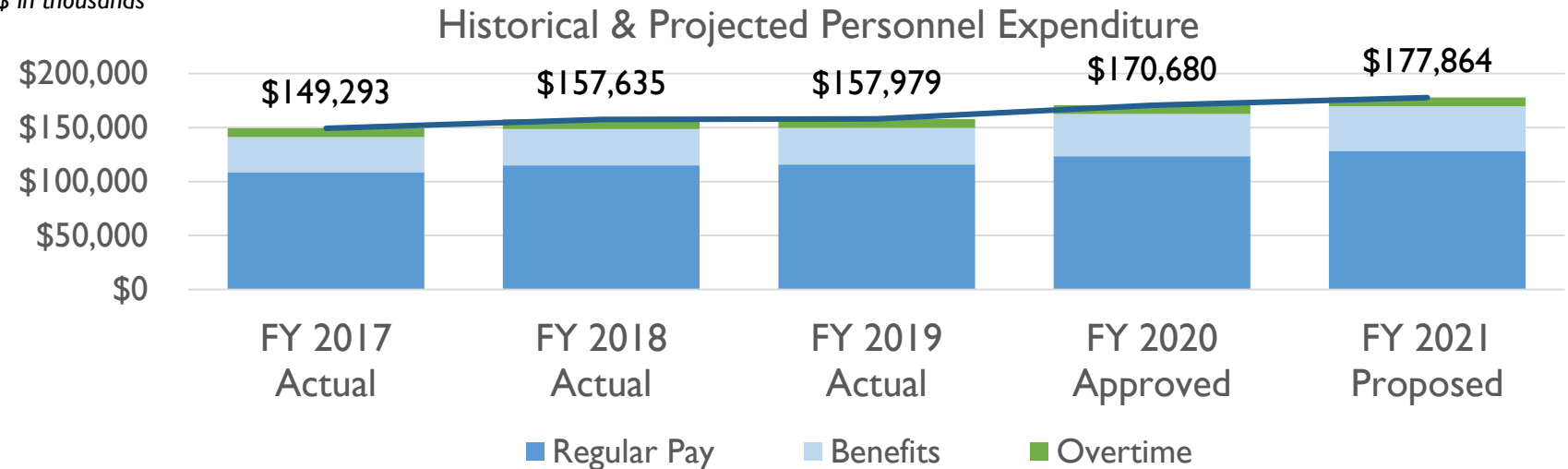
(\$000's)	FY 2019 Approved	FY 2019 Actual	FY 2019 Variance	FY 2020 Approved	FY 2021 Proposed	(Increase)/ Decrease	
Regular Pay	\$ 118,909	\$115,735	\$ 3,174	\$ 123,293	\$ 128,287	\$ (4,994)	-4.1%
Benefits	36,137	34,073	2,064	39,303	41,422	(2,119)	-5.4%
Overtime	7,575	8,171	(596)	8,084	8,154	(70)	-0.9%
<b>Total Personnel Services</b>	<b>\$ 162,620</b>	<b>\$ 157,979</b>	<b>\$ 4,641</b>	<b>\$ 170,680</b>	<b>\$ 177,863</b>	<b>\$ (7,183)</b>	<b>-4.2%</b>
Chemicals & Supplies	32,082	34,979	(2,897)	33,157	36,081	(2,924)	-8.8%
Utilities	26,915	25,778	1,137	26,953	27,911	(957)	-3.6%
Contractual Services	81,679	76,206	5,473	81,886	88,532	(6,647)	-8.1%
Water Purchases	30,520	32,430	(1,910)	34,929	36,250	(1,321)	-3.8%
Small Equipment	1,240	731	509	989	1,030	(41)	-4.1%
<b>Total Non-Personnel Services</b>	<b>172,435</b>	<b>170,125</b>	<b>2,310</b>	<b>177,914</b>	<b>189,804</b>	<b>(11,891)</b>	<b>-6.7%</b>
<b>Total Operations &amp; Maintenance</b>	<b>\$ 335,055</b>	<b>\$ 328,104</b>	<b>\$ 6,951</b>	<b>\$ 348,594</b>	<b>\$ 367,667</b>	<b>\$ (19,073)</b>	<b>-5.5%</b>
Debt Service	199,025	193,035	5,990	215,340	222,268	(6,928)	-3.2%
PILOT & ROW	21,702	21,702	0	22,034	22,372	(339)	-1.5%
Cash Financed Capital Improvements	26,999	26,999	-	28,556	30,355	(1,800)	-6.3%
<b>Total Non-O&amp;M</b>	<b>247,726</b>	<b>241,736</b>	<b>5,990</b>	<b>265,929</b>	<b>274,996</b>	<b>(9,066)</b>	<b>-3.4%</b>
<b>Total Operating Expenditure</b>	<b>\$ 582,781</b>	<b>\$ 569,839</b>	<b>\$ 12,942</b>	<b>\$ 614,523</b>	<b>\$ 642,663</b>	<b>\$ (28,140)</b>	<b>-4.6%</b>
Capital Labor Charges	(18,259)	(17,588)	(671)	(22,748)	(24,382)	1,634	-7.2%
<b>Net Operating Expenditure</b>	<b>\$ 564,522</b>	<b>\$ 552,251</b>	<b>\$ 12,271</b>	<b>\$ 591,775</b>	<b>\$ 618,281</b>	<b>\$ (26,506)</b>	<b>-4.5%</b>

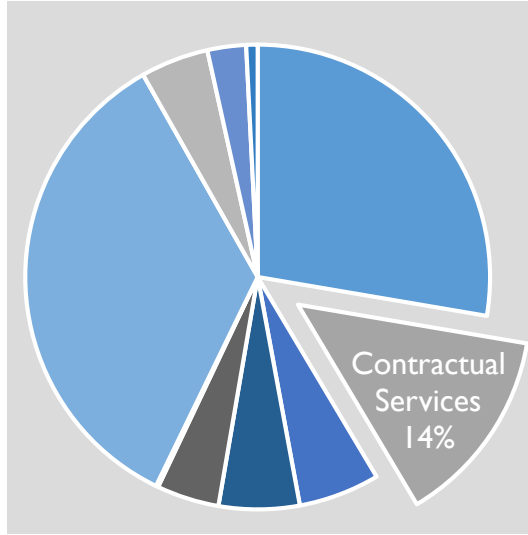


## 💧 Personnel Services – \$177.9 million or increase of \$7.2 million

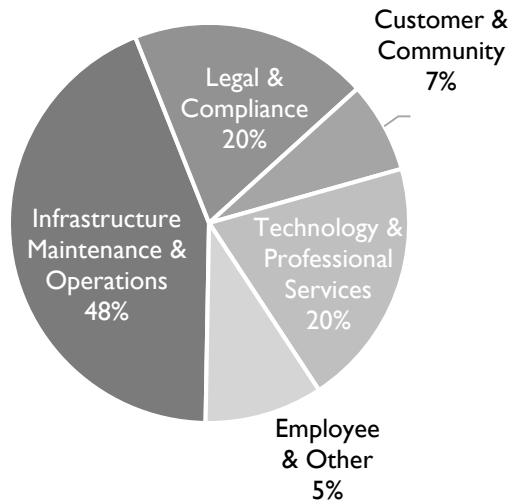
- Headcount – Total of 1231 FTEs includes five new positions to support the DC Water Consumer Protection Amendment Act of 2018
- Regular Pay – The increase of \$5.0 million includes funding requirements for merit increase consistent with the union agreement, Apprenticeship program and in-sourcing of engineering services
- Benefits – Increase of \$2.1 million is mainly for projected employee health benefit costs
- Overtime – Relatively flat compared to FY 2020 level and is consistent with historical spending trends required for emergency repairs of our aging infrastructure

\$ in thousands





Breakdown of Contractual Services

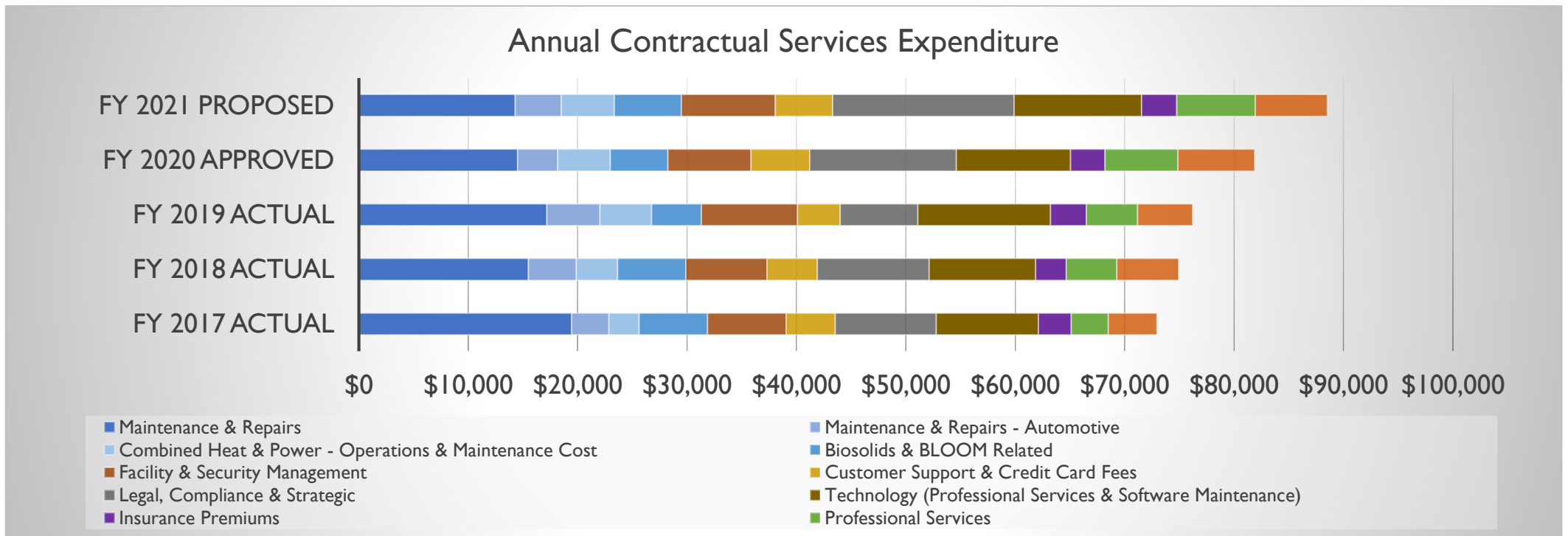


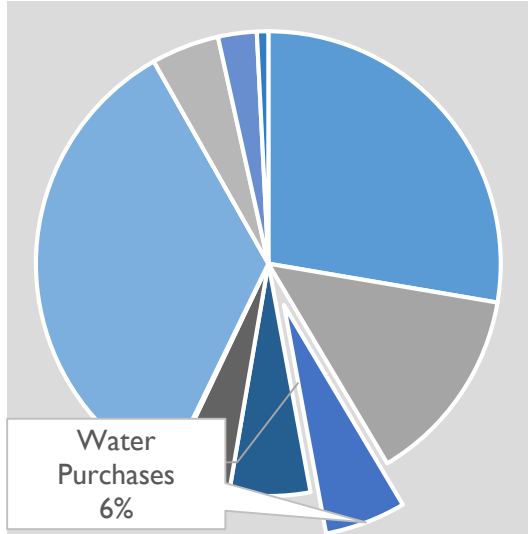
- 💧 Proposed FY 2021 Contractual Services – \$88.5 million or \$6.6 million increase
  - \$3.3 million increase for the Pay for Success - Social Impact Bond issued for the Green Infrastructure (GI) project based on the performance of the project in managing the volume of stormwater runoff, and \$0.2 million for the Green Infrastructure certification program previously funded under capital budget
  - \$1.7 million in mandatory software maintenance costs for various enterprise licenses, Cisco equipment for connectivity of voice and data, cyber security, backup data support and early termination fees for the replacement of the financial system, and new customer feedback system
  - \$3.4 million in various operational requirements such as equipment maintenance and repairs, automotive maintenance, fire suppression and detection system, security guards at new facilities, credit card fees, insurance coverage, and other professional services; *offset* by \$2.3 million decreases in various programs consistent with historical spending levels
  - \$0.5 million to establish the Non-Ratepayer Expenditure Fund to be allocated to departments based on costs incurred and supported/offset by realistic and obtainable revenues from non-ratepayer sources, for a net-zero impact on ratepayers
  
- 💧 Approximately 68 percent of the contractual services budget is for infrastructure maintenance, legal and compliance requirements

# Breakdown of Contractual Services

- Contractual services costs have been consistently stable with average growth of 2% - 3% per year
- A significant portion of the proposed FY 2021 budget increase of 8% is needed for the Social Impact Bond fee and establishment of the Non-Ratepayer Expenditure Fund
- Budget reflects management’s commitment to reducing reliance on external consultants for various professional services mainly in instrumentation, information technology and financial services

\$ in thousands



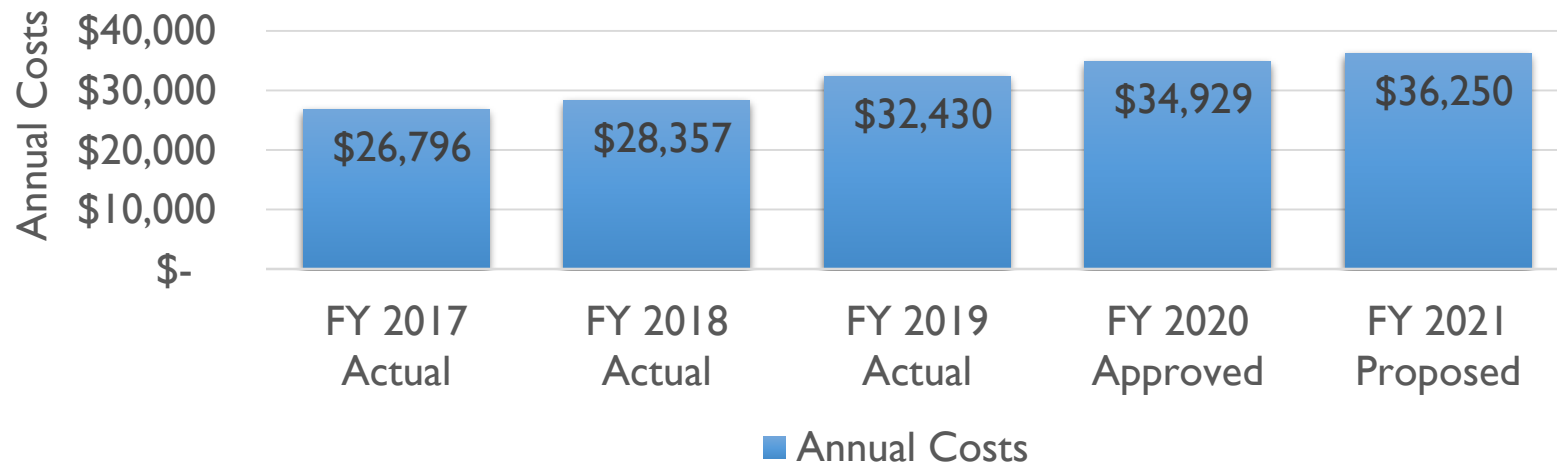


## 💧 Water Purchases – \$36.3 million or increase of \$1.3 million

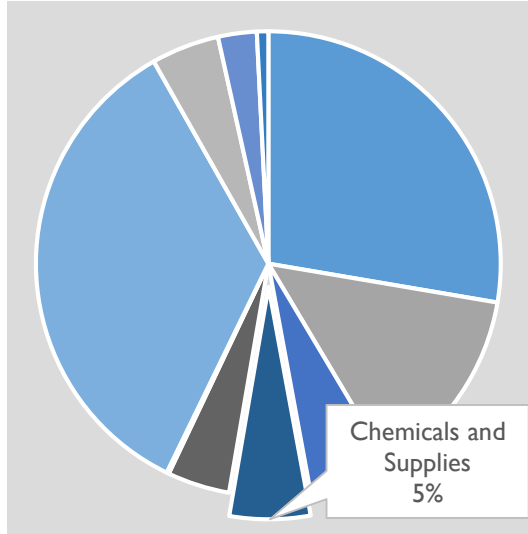
- DC Water purchases drinking water from the Washington Aqueduct and is responsible for approximately 75% of the Aqueduct’s operating costs
- Annual water rates are set based on the approved budget, including historical budget performance and consumption trends

\$ in thousands

### Historical & Projected Water Purchases



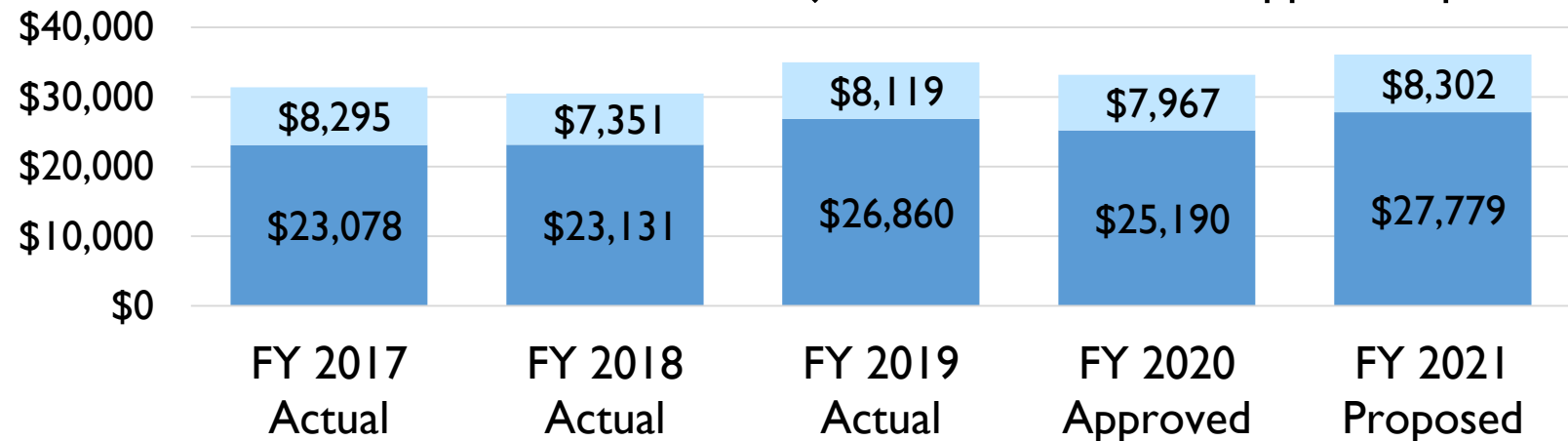


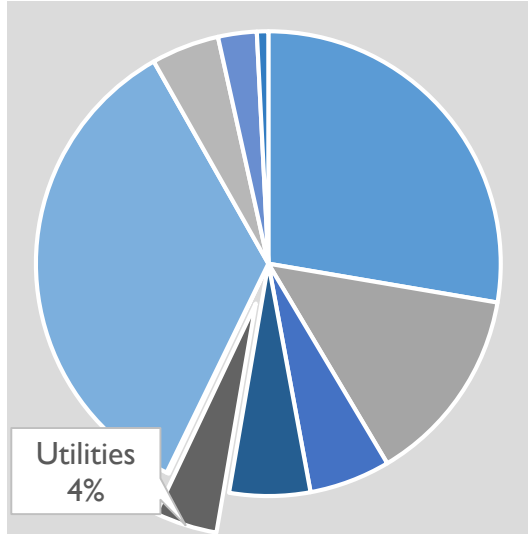


- Chemicals & Supplies – \$36.1 million or increase of \$2.9 million**
  - Chemicals – \$2.6 million increase in fixed costs for major chemicals (methanol, sodium bisulfite and ferric chloride) used at the Plant and various pumping facilities
  - Supplies – This line item covers purchases of spare parts, uniforms and shoes for our crews required by the union agreement. The increase of \$0.3 million is mainly for the maintenance requirements for the Tunnel Dewatering Pump Station (TDPS)

\$ in thousands

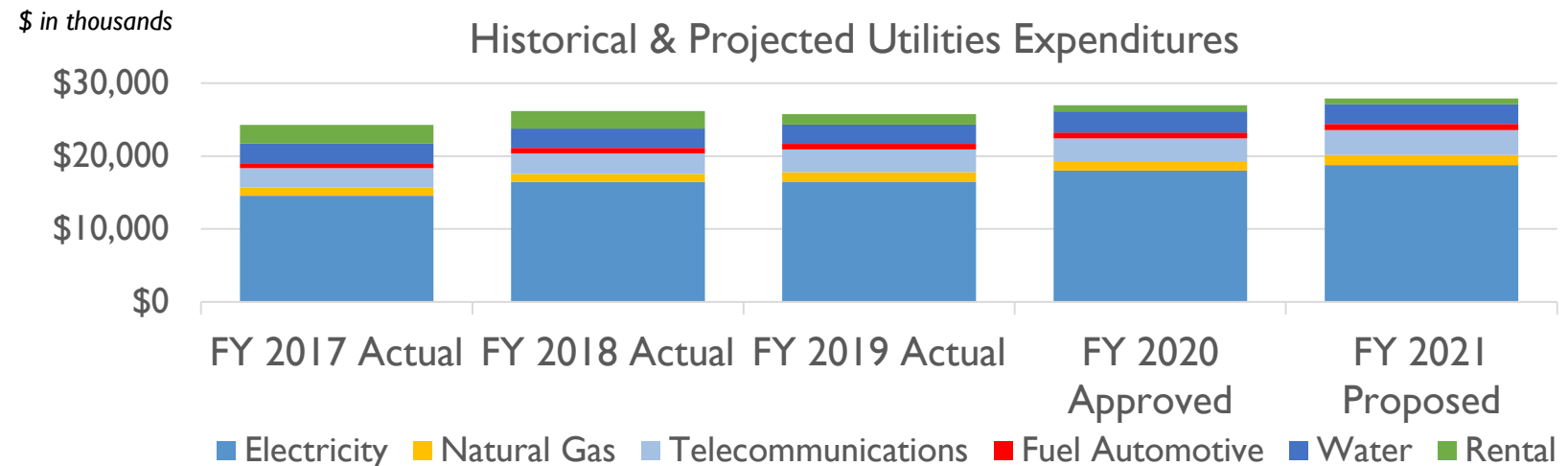
Historical & Projected Chemicals & Supplies Expenditures





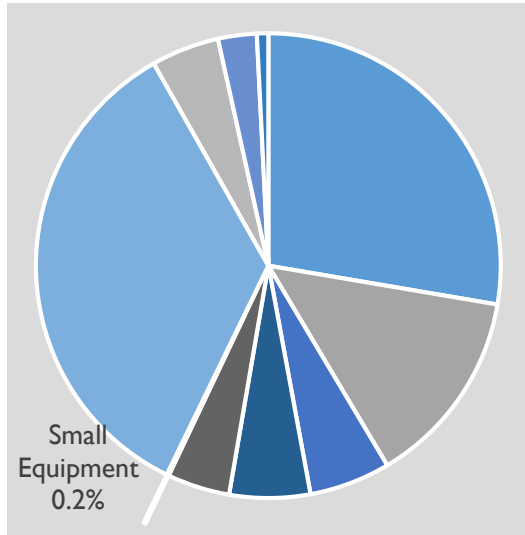
## Utilities – \$27.9 million or increase of \$1 million

- Electricity – \$0.8 million increase is for energy needed to operate the Plant, Pump Stations and Operational facilities and includes the impacts of the Clean Energy DC Omnibus Act for increased renewable portfolio standards. Onsite electric generation of 6MW from the Combined Heat & Power Facility continues to reduce energy costs and our reliance on the power grid
- Telecommunications – Net increase of \$0.2 million mainly for data network circuits, Skype Connectivity, backup internet and other technology solutions; offset by decreases resulting from the discontinuation of local call services
- Rental - Reflects materialized savings from the relocation to the Administrative Headquarters



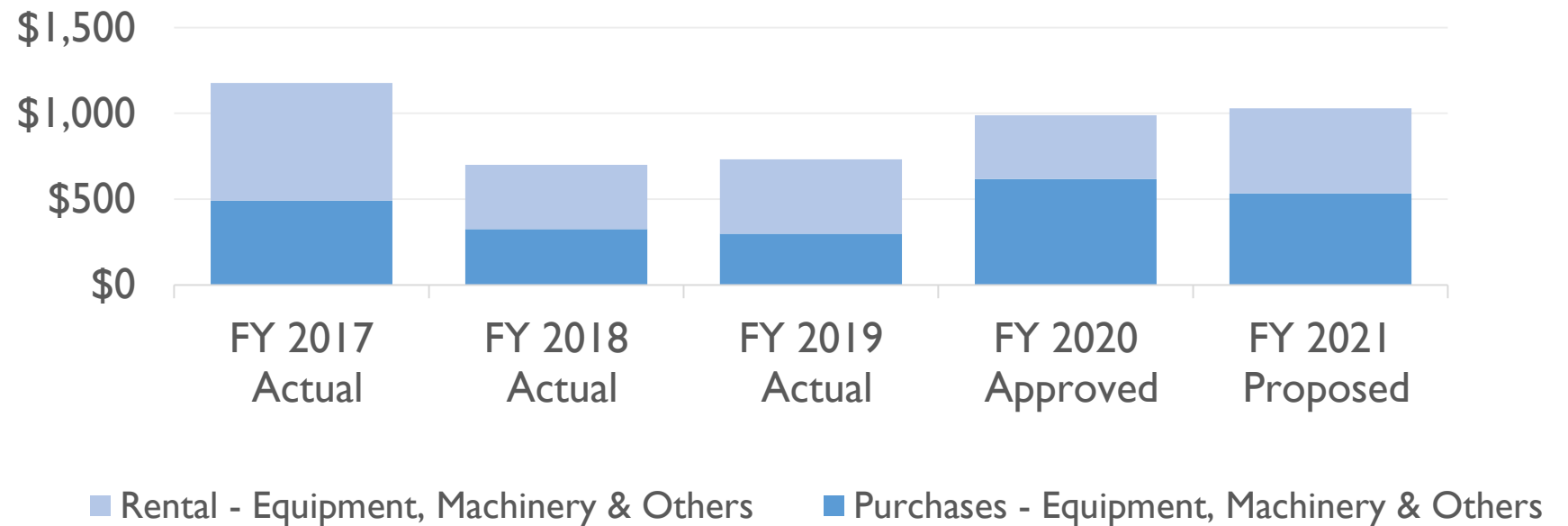
## Small Equipment – \$1 million is relatively flat

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



\$ in thousands

### Historical & Projected Small Equipment Expenditures

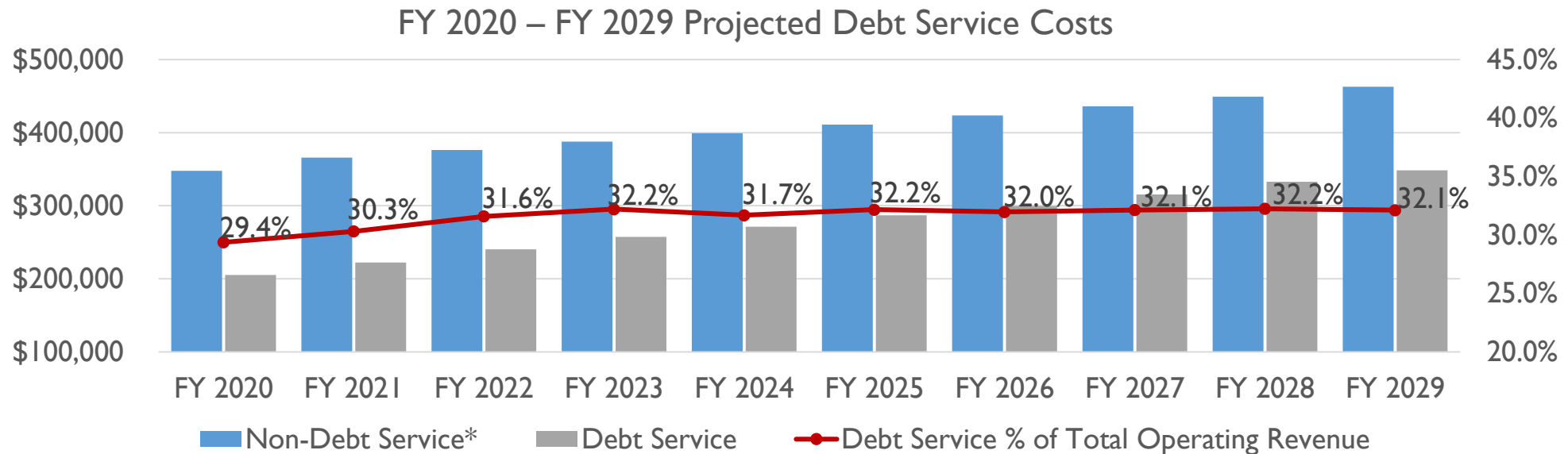


- **Debt Service** – \$222.3 million or increase of \$6.9 million due to existing debt and anticipated FY 2020 new money issuance of \$300 million
  - Refunded Series 2013A bonds for \$300 million in FY 2020; total Present Value (PV) savings of \$50.8 million and annual cash flow savings of \$2.4 to \$2.7 million through FY 2048 compared to the previous financial plan
  
- **PILOT & ROW** – \$22.4 million or increase of \$0.3 million consistent with MOUs
  - PILOT – Increase of \$0.3 million for payments to the District
  - ROW – Remains at the FY 2020 level for payments to the District
  
- **Cash Financed Capital Improvements** – \$30.4 million or increase of \$1.8 million
  - PAYGO funding
  
- **Capital Labor Charges** – \$24.4 million or increase of \$1.6 million
  - Funds personnel costs incurred on capital projects and insourcing of engineering functions

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

- Represents 37.8% of the total operating expenditure budget and 30.3% of total revenue in FY 2021
- Over the next ten years, about \$2.4 billion is anticipated to be borrowed to fund capital expenditures
- Debt service cost is projected to grow from \$205.1 million in FY 2020 to \$348.3 million by FY 2029 (approx. 70% increase)

\$ in thousands



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

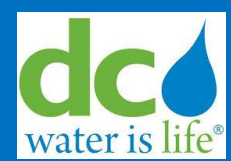
- 💧 Personnel - Overtime during emergencies, increased healthcare, staffing and other leave adjustments typically funded by vacancies
- 💧 Chemicals - Market volatilities, unit prices, rain events, process optimization
- 💧 Utilities - Onsite energy optimization, solar project output & timeline
- 💧 New Facilities - Parts, equipment and maintenance requirement for tunnels, Fleet Services and Sewer Services
- 💧 Biosolids/BLOOM - Hauling/marketing of 65,000 tons
- 💧 Litigation & Insurance - Impacts of unanticipated legal cases and insurance policy requirements
- 💧 Enterprise Resource Planning (ERP) - Project implementation and Go-live



# Operating Revenue

- Cost of Service Study advanced to align with rate proposal
- Combined rate increase for average household customer lowered from 8.1% forecasted last year to 6.6% for FY 2021 and from 6.9% to 6.7% for FY 2022
  - Proposed annual water and sewer rate increase of 9.9% for FY 2021 and 7.8% FY 2022
  - Continue Shift of CRIAC to sewer volumetric of 28% and 37% for FY 2021 and FY 2022 respectively
    - Proposed CRIAC of \$19.52 per ERU in FY 2021 and \$18.40 per ERU in FY 2022
  - Water System Replacement Fee (VWSRF) will remain the same
  - Customer Metering Fee for 5/8” meters will increase from \$3.86 to \$4.96 in FY 2021 and to \$7.75 for FY 2022
  - PILOT Fee for FY 2021 and FY 2022 will increase by \$0.03 and \$0.02 per Ccf respectively
  - Right-of-Way Fee will remain the same at \$0.19 per Ccf
  - CAP2 Program made permanent

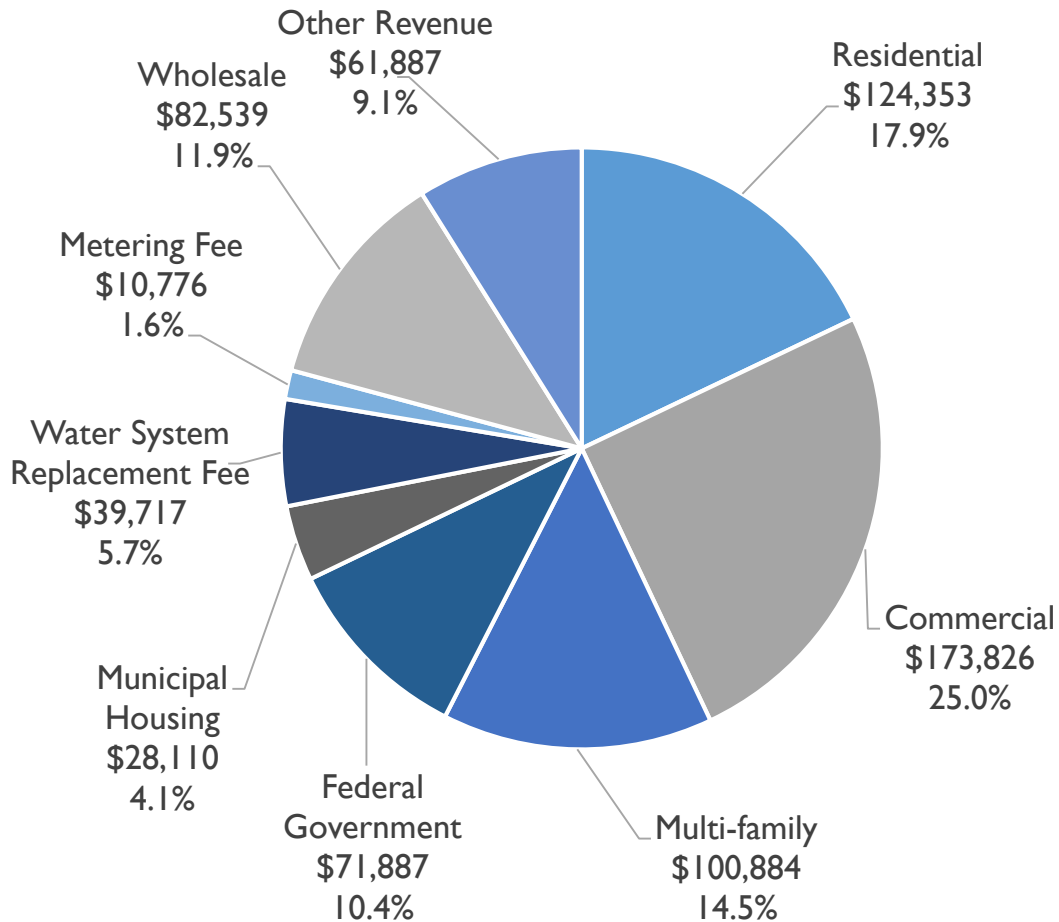
- 💧 In FY 2019, the Metering Fee recovered \$11.6 million
  - In FY 2003, established Metering Fee at \$2.01 for 5/8” meter
  - In FY 2011, increased Metering Fee to \$3.86 for 5/8” meter
  - Originally fee amount set to cover the capital costs of the original Automated Meter Infrastructure (AMI) system and meter purchase and installation (debt service) plus about \$4 million of Customer Service costs
  
- 💧 Current Cost of Service Study recommends recovering \$24.1 million in FY 2022, consistent with independent rate review recommendation
  - Includes costs associated with metering and billing
  - Customer assistance, shutoff/restore, and leak adjustment etc. remain in the volumetric charges
  - Proposed FY 2021 fee recovers \$15.4 million, all the debt service and coverage plus about half of the full Customer Service O&M allocation (\$4.96 for a 5/8” meter)
  - Proposed FY 2022 fee adds the additional half of Customer Service allocation for a total of about \$24.1 million (\$7.75 for a 5/8” meter)



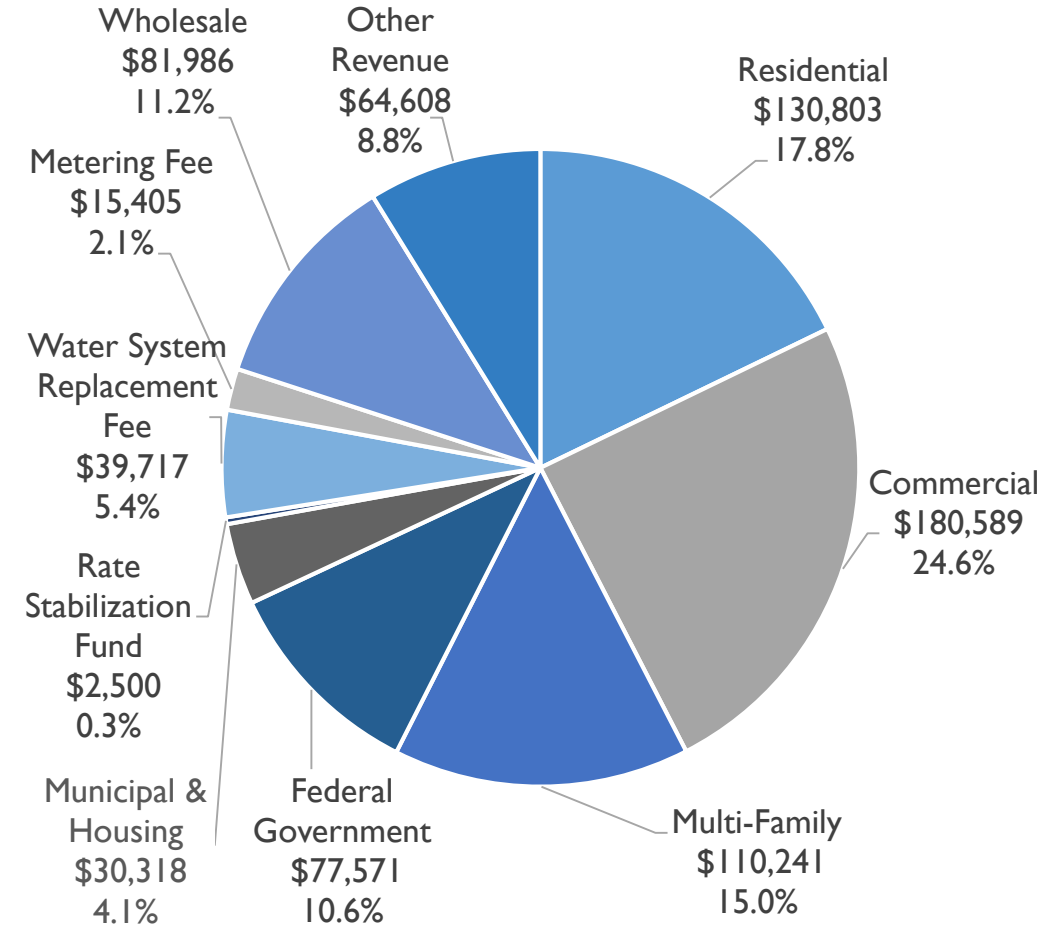
# FY 2020 vs. FY 2021 Operating Revenues

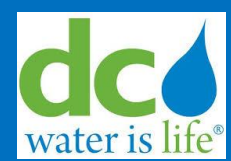
\$ in thousands

## Approved FY 2020 \$693,979



## Proposed FY 2021 \$733,738

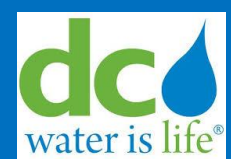




# Revenue Comparison by Customer Class

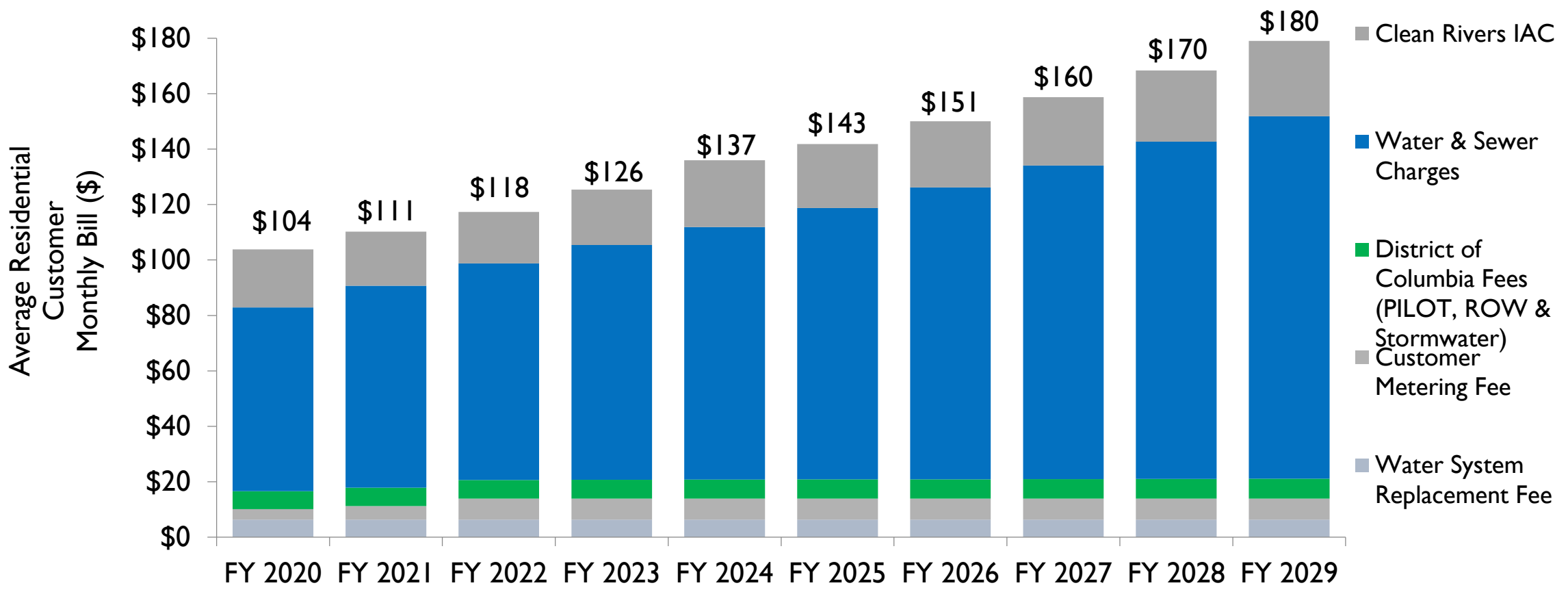
- Total revenue is projected to increase by \$39.8 million or 5.7% for FY 2021 and \$32.6 million or 4.4% for FY 2022 mainly due to rate increases
- Retail revenue is projected to increase by \$35.1 million or 6.4% for FY 2021 and \$23.0 million or 3.9% for FY 2022 due to rate increases for both years
- Wholesale revenue is projected to decrease by \$0.6 million or -0.7% for FY 2021 due to low flows and increase by \$2.5 million or 3.0% for FY 2022 due to 3.0 percent escalation

<i>\$ in thousands</i>	Approved	Proposed	Proposed	FY 2021 vs		FY 2022 vs	
	FY 2020	FY 2021	FY 2022	FY 2020		FY 2021	
				Incr/(Decr)		Incr/(Decr)	
				\$	%	\$	%
Retail Revenue	\$549,553	\$584,644	\$607,652	\$35,091	6.4%	\$23,008	3.9%
Wholesale Revenue							
Potomac Interceptor (PI)	2,715	3,547	3,547	832	30.6%	-	-
Loudoun County Sanitation Authority (LCSA)	7,758	7,648	7,983	-110	-1.4%	335	4.4%
Washington Suburban Sanitary Commission (WSSC)	57,284	55,952	57,630	-1,332	-2.3%	1,678	3.0%
Fairfax County	14,782	14,839	15,285	57	0.4%	446	3.0%
Total Wholesale Revenue	\$82,539	\$81,986	\$84,445	-\$553	-0.7%	\$2,459	3.0%
Other Revenue	61,887	64,608	63,701	2,721	4.4%	-907	-1.4%
Rate Stabilization Fund	-	2,500	10,500	2,500	-	8,000	320.0%
Total Revenues	\$693,979	\$733,738	\$766,298	\$39,759	5.7%	\$32,560	4.4%



# Projected Average Residential Customer Bill

Projected average monthly residential customer bill ranges from \$104 in FY 2020 to \$180 in FY 2029

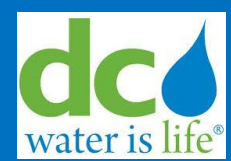


\* Assumes average residential consumption of 5.42 Ccf, or 4,054 gallons, per month. Ccf = hundred cubic feet, or 748 gallons

# Ten-Year Financial Plan

- 💧 Maintain Debt Service as a percentage of revenue equal to 33.0 percent or less
- 💧 Maintain combined coverage of 160 percent
- 💧 Maintain 250 days of cash including Rate Stabilization Fund
- 💧 FY 2019 actual consumption declined by 1.8 percent. Assumed 1.5 percent conservation each for FY 2020 and FY 2021 and 1.0 percent in FY 2022 and onwards
- 💧 FY 2019 Debt Service was lower as compared to budget due to deferring bond issuance as well as achieving lower interest than projected. The new plan assumed lower interest rates with slightly lower Debt Service projections





# Ten-Year Financial Plan

\$ in thousands

<b>OPERATING</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>	<b>FY 2023</b>	<b>FY 2024</b>	<b>FY 2025</b>	<b>FY 2026</b>	<b>FY 2027</b>	<b>FY 2028</b>	<b>FY 2029</b>
<b>Retail*</b>	\$ 571,666	\$ 607,107	\$ 630,495	\$ 669,848	\$ 723,657	\$ 752,224	\$ 791,988	\$ 833,503	\$ 879,616	\$ 928,122
<b>Wholesale*</b>	82,539	81,986	84,445	86,978	89,588	92,275	95,044	97,895	100,832	103,857
<b>Other</b>	44,774	42,145	40,858	44,081	46,959	51,637	54,692	54,970	56,935	57,752
<b>RSF</b>	-	2,500	10,500	-	-	-	-	-	-	-
<b>Operating Receipts <sup>(1)</sup></b>	\$ 698,979	\$ 733,738	\$ 766,298	\$ 800,907	\$ 860,204	\$ 896,136	\$ 941,724	\$ 986,368	\$ 1,037,383	\$ 1,089,731
<b>Operating Expenses</b>	(347,881)	(365,658)	(376,303)	(387,553)	(399,149)	(411,101)	(423,421)	(436,120)	(449,209)	(462,701)
<b>Debt Service</b>	(205,137)	(222,268)	(240,497)	(257,460)	(271,238)	(286,756)	(299,489)	(315,321)	(332,807)	(348,316)
<b>Cash Financed Capital Improvement</b>	\$ (28,556)	\$ (30,355)	\$ (37,830)	\$ (46,889)	\$ (50,656)	\$ (60,178)	\$ (71,279)	\$ (75,015)	\$ (79,165)	\$ (83,531)
<b>Net Revenues After Debt Service</b>	\$ 117,405	\$ 115,456	\$ 111,668	\$ 109,005	\$ 139,161	\$ 138,101	\$ 147,535	\$ 159,912	\$ 176,202	\$ 195,183
<b>Operating Reserve-Beg Balance</b>	186,764	180,000	185,000	194,000	201,000	205,000	215,000	220,000	230,000	240,000
<b>Other Misc (Disbursements)/Receipts</b>										
Wholesale/Federal True Up	(5,372)	(3,184)	(5,490)	-	-	-	-	-	-	-
Project Billing Refunds	(4,000)	(4,000)	-	-	-	-	-	-	-	-
Transfers To RSF	(13,000)	-	-	-	-	-	-	-	-	-
Pay-Go Financing	(101,797)	(103,272)	(97,178)	(102,005)	(135,161)	(128,101)	(142,535)	(149,912)	(166,202)	(185,183)
<b>Operating Reserve - Ending Balance</b>	\$ 180,000	\$ 185,000	\$ 194,000	\$ 201,000	\$ 205,000	\$ 215,000	\$ 220,000	\$ 230,000	\$ 240,000	\$ 250,000
<b>Rate Stabilization Fund Balance RSF <sup>(2)</sup></b>	\$ (74,450)	\$ (71,950)	\$ (61,450)	\$ (61,450)	\$ (61,450)	\$ (61,450)	\$ (61,450)	\$ (61,450)	\$ (61,450)	\$ (61,450)
<b>Senior Debt Service Coverage</b>	459%	502%	533%	513%	616%	647%	632%	618%	660%	769%
<b>Combined Debt Service Coverage</b>	171%	172%	169%	170%	179%	177%	181%	182%	184%	187%
<b>Actual/Projected Water/Sewer Rate Increases</b>	11.5%	9.9%	7.8%	8.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%
<b>*Operating Receipts \$ Increase/Decrease</b>										
Retail	7,460	35,441	23,388	39,353	53,809	28,567	39,764	41,514	46,113	48,507
Wholesale	423	(554)	2,460	2,533	2,609	2,688	2,768	2,851	2,937	3,025
<b>*Operating Receipts % Increase/Decrease</b>										
Retail	1.3%	6.2%	3.9%	6.2%	8.0%	3.9%	5.3%	5.2%	5.5%	5.5%
Wholesale	0.5%	-0.7%	3.0%	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 2021 planned transfers of \$0.0 million to Rate Stabilization Fund and \$2.5 million utilization will bring the total fund balance to \$71.95 million

Metrics	Indenture Requirement	Board Policy	Management Target
Days of Cash on Hand	—	\$125.5 million or 120 Days	250 Days
Combined Coverage Ratio	—	—	1.6X
Senior Coverage	1.2X	1.4X	—
Subordinate Coverage	1.0X	1.0X	—
Debt Service as a % of Revenue	—	—	33% of Revenue or Less
Rate Stabilization Fund	—	—	10% of Revenue

# Next Steps

- ◆ Board Member Questions & Follow Up
  - Submit budget-related questions to Board Secretary
  - Board Secretary will distribute questions to appropriate staff

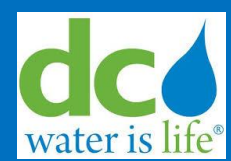


## ◆ Committee Reviews, Recommendations & Actions – **February**

	Environmental Quality & Operations	DC Retail Water & Sewer Rates	Finance & Budget
FY 2020 - FY 2029 Capital Budget (Disbursements & Lifetime)	Action Required		Action Required
FY 2021 Operating Budget			Action Required
Intent to Reimburse Capital Expenditures with Proceeds of a Borrowing			Action Required
FY 2020 – FY 2029 Financial Plan		Action Required	Action Required
FY 2021 & 2022 Rates, Charges & Fees		Action Required	

- ◆ Board Adoption – **March 5**
- ◆ Rates Public Outreach and Public Hearing

# Appendix



# 10-Year Engineering CIP Options Compared

Service Area	Approved Baseline \$4.4B (FY19-28)	Proposed Baseline \$4.9B (FY20-29)	Asset Management \$5.4B (FY19-28)	Fully Funded \$5.8B (FY20-29)
<b>Clean Rivers</b>	Fully funded to meet Consent Decree	Fully funded to meet Consent Decree	Fully funded to meet Consent Decree	Fully funded to meet Consent Decree
<b>Wastewater</b>	Fully funded to meet NPDES Permit and established levels of service	Fully funded to meet NPDES Permit and established levels of service	Fully funded to meet NPDES Permit and established levels of service	Fully funded to meet NPDES Permit and established levels of service
<b>Stormwater</b>	Fully funded	Fully funded	Fully funded	Fully funded
<b>Water</b>				
Pump Stations & Storage Facilities	Generally funded	Generally funded	Fully Funded	Fully Funded
Small Diameter Water Mains	Underfunded; (Funded to meet 1% per year replacement level - [11 mi/year])	Increased funding to ramp up to 1.5% per year replacement level from FY 2027 onwards. [16.5 mi/year]	Fully funded to ramp up to 2% replacement level [22 mi/year]	Fully funded to ramp up to 2% replacement level [22 mi/year]
Large Diameter Water Mains	Generally funded	Generally funded	Generally funded	Fully Funded
<b>Sewer</b>				
Pump Stations	Fully funded	Fully funded	Fully funded	Fully funded
Sewer Lines < 60" diameter	Underfunded (Funded to ramp up to 1.0% per year rehabilitation level [17.5 mi/year] by FY 2023)	Increased funding to ramp up to 1.5% per year replacement level from FY 2027 onwards. [26 mi/year]	Fully funded to ramp up to 2.3% rehabilitation level [40 mi/year]	Fully funded to ramp up to 2.3% rehabilitation level [40 mi/year]
Sewer Lines ≥ 60"	Generally Funded	Generally Funded	Generally Funded	Fully funded
<b>Non Process</b>	Fully funded	Fully funded	Fully funded	Fully funded

'Generally Funded' = What we know or expect to find can be rehabilitated 'Underfunded' = What we know or expect to find is not all funded

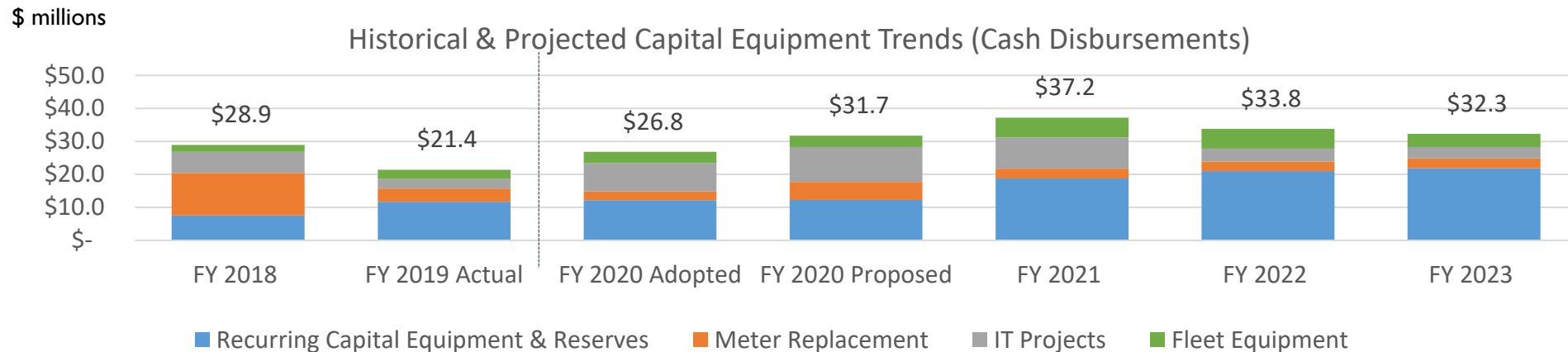
'Fully Funded' = All needs known or expected are met

\$000's	Washington Aqueduct	DC Water's Share
FY 2020	\$21,095	\$15,515
FY 2021	\$22,115	\$16,266
FY 2022	\$25,251	\$18,572
FY 2023	\$51,449	\$37,841
FY 2024	\$17,266	\$12,699
FY 2025	\$46,057	\$33,875
FY 2026	\$12,927	\$9,508
FY 2027	\$17,489	\$12,863
FY 2028	\$32,723	\$24,068
FY 2029	\$18,995	\$13,971
<b>Total</b>	<b>\$265,368</b>	<b>\$195,178</b>

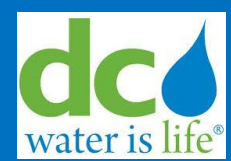
- Washington Aqueduct (WAD)** – Total ten-year budget of \$265.4 million
  - Presented a risk-based asset management CIP using decision-making tools to prioritize and grade projects to achieve established service levels
  - Major projects include the Old Conduit Rehabilitation, North Clearwell Replacement, and Dalecarlia Back-up Power Generation
  - Budget proposal excludes the Federally Owned Water Mains, Travilah Quarry Acquisition & Outfitting and Advanced Treatment Facilities
- DC Water's Share** – Total of \$195.2 million represents 73.6% of WAD's capital programs

💧 Ten-year disbursements of \$333 million for capital equipment includes

- The proposed FY 2020 budget includes the carryover of \$5 million from prior year for the Enterprise Resource Planning (ERP) and Advanced Meter Infrastructure (AMI) projects
- Recurring Capital Equipment – This covers the purchase/replacement of pumps, motors, HVACs, roof, labtops, computers, servers, fire hydrants and includes the Authority-wide reserves for future facilities and other equipment needs
- Meter Replacement – Funding requirement for equipment, labor and installation of small and large meters including completion of the AMI project
- IT Projects – Funds new and upgrades to various Authority-wide technology systems such as the ERP, Maximo, Vertex One, GIS, Facilities Mobility, and Third Party Portal Enhancements
- Fleet Equipment – increases funds for procurement of backhoes, jet-vacs, catch basin trucks and other aged vehicles to meet operational needs







# Customer Impacts

<b>Residential – Avg. 5.42 Ccf / 1 ERU Base</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>	<b>2029</b>
Water & Sewer Rate (%)	11.5%	9.9%	7.8%	8.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%
CRIAC (\$/ERU)	\$20.94	\$19.52	\$18.40	\$19.58	\$24.07	\$23.07	\$23.82	\$24.56	\$25.64	\$26.78
Avg. Customer Bill (\$)	\$104	\$111	\$118	\$126	\$137	\$143	\$151	\$160	\$170	\$180
Avg. Customer Bill (%)	5.2%	6.6%	6.7%	6.7%	8.8%	4.4%	5.7%	5.8%	6.1%	6.2%
<b>Multi-family – Avg. 86.14 Ccf / 6.83 ERU Base</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>	<b>2029</b>
Water & Sewer Rate (%)	11.5%	9.9%	7.8%	8.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%
CRIAC (\$/ERU)	\$20.94	\$19.52	\$18.40	\$19.58	\$24.07	\$23.07	\$23.82	\$24.56	\$25.64	\$26.78
Avg. Customer Bill (\$)	\$1,341	\$1,447	\$1,538	\$1,654	\$1,791	\$1,896	\$2,022	\$2,157	\$2,304	\$2,461
Avg. Customer Bill (%)	8.1%	8.0%	6.2%	7.6%	8.3%	5.9%	6.6%	6.7%	6.8%	6.8%
<b>Commercial – Avg. 115.82 Ccf / 14.17 ERU Base</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>	<b>2029</b>
Water & Sewer Rate (%)	11.5%	9.9%	7.8%	8.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%
CRIAC (\$/ERU)	\$20.94	\$19.52	\$18.40	\$19.58	\$24.07	\$23.07	\$23.82	\$24.56	\$25.64	\$26.78
Avg. Customer Bill (\$)	\$2,029	\$2,163	\$2,285	\$2,456	\$2,669	\$2,814	\$2,994	\$3,189	\$3,401	\$3,629
Avg. Customer Bill (%)	6.8%	6.6%	5.7%	7.5%	8.7%	5.4%	6.4%	6.5%	6.7%	6.7%