



Overview of Proposed FY 2021 Budget Presentation to the Stakeholder Alliance, January 9, 2020

District of Columbia Water And Sewer Authority



- Begins the implementation of the “Modified Baseline”, and adds additional funds to reach 1.5% replacement plans for water and sewer infrastructure within the ten-year plan, balancing infrastructure renewal and affordability
- Increases funds for fleet purchases by 60% to reduce the backlog by investing \$12 million over two years to help ensure that crews have the equipment that they need
- Adds five positions for the DC Water Consumer Protection Amendment Act of 2018 to meet additional workload requirements
- Restructures Customer Service and targets additional training to better serve our customers
- Continues capital procurement reform to lower the cost of delivering the capital program supported by adding five capital procurement professionals
- Invests \$0.5 million in the Apprenticeship Program to support fifteen entry level positions
- Advances LeadFree DC, through a partnership with DC



The 10-year capital program:

- Fully funds the **Clean Rivers** program to meet all consent decree deadlines
- Funds **non-process facilities** including the new Fleet and Sewer Facilities, renovations to the Historic Main Pump Station, and restoration of the Main & O campus seawall
- At **Blue Plains** funds upgrades to Screens, Grit and Primary Facilities, and Process Control Computer System, Efficiency Improvements, and Long-term Concrete Rehabilitation projects
- Advances major rehabilitation of **sanitary collection sewers**, upgrades to sewer pump stations, rehabilitation of the Potomac Interceptor and increased funding to ramp up to 1.5% replacements per year starting FY 2027 and onwards for the **small diameter water mains** and **small sewer lines**
- Includes carryover from prior year to complete the Enterprise Resource Planning (ERP) and Advanced Meter Infrastructure (AMI) projects, and increased funding for Fleet, pumps and other equipment



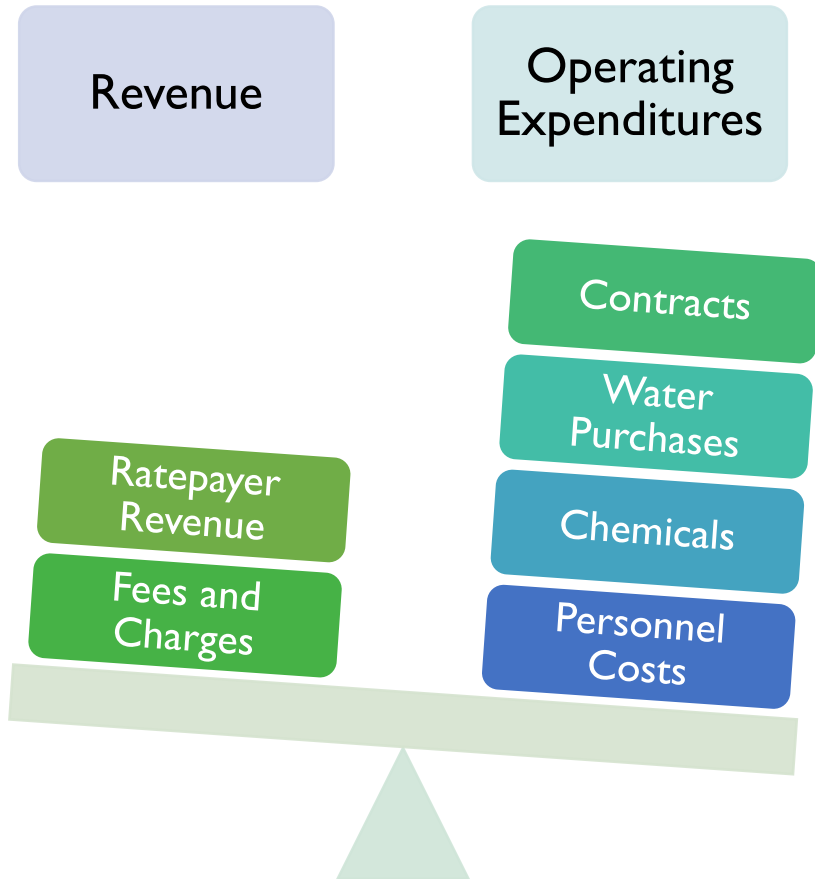
Screens, Grit & Primary Facilities Upgrades



Large Equipment

- Holds the line on operating budget expenses, and FY 2021 budget is within the previous financial plan forecast
- Repurposes existing vacancies to target higher priority resource requirements
- Delivers on rate increases that are smaller than previously forecasted
- Two-year rate proposal, and rate forecast through FY 2029 helps provide better predictability for customers
- Takes advantage of historically low interest rates to reduce the cost of borrowing for the capital program
- Applies \$13 million in Rate Stabilization Funds over FY 2021 and FY 2022 to benefit customers
- Continues the Clean Rivers Impervious Area Charge (CRIAC) shift
- Adjusts metering fee to appropriately recover costs
- Continues partnership with the District
 - Makes the CAP2 program permanent
 - Requests that the District continue Non-profit relief program and CAP3

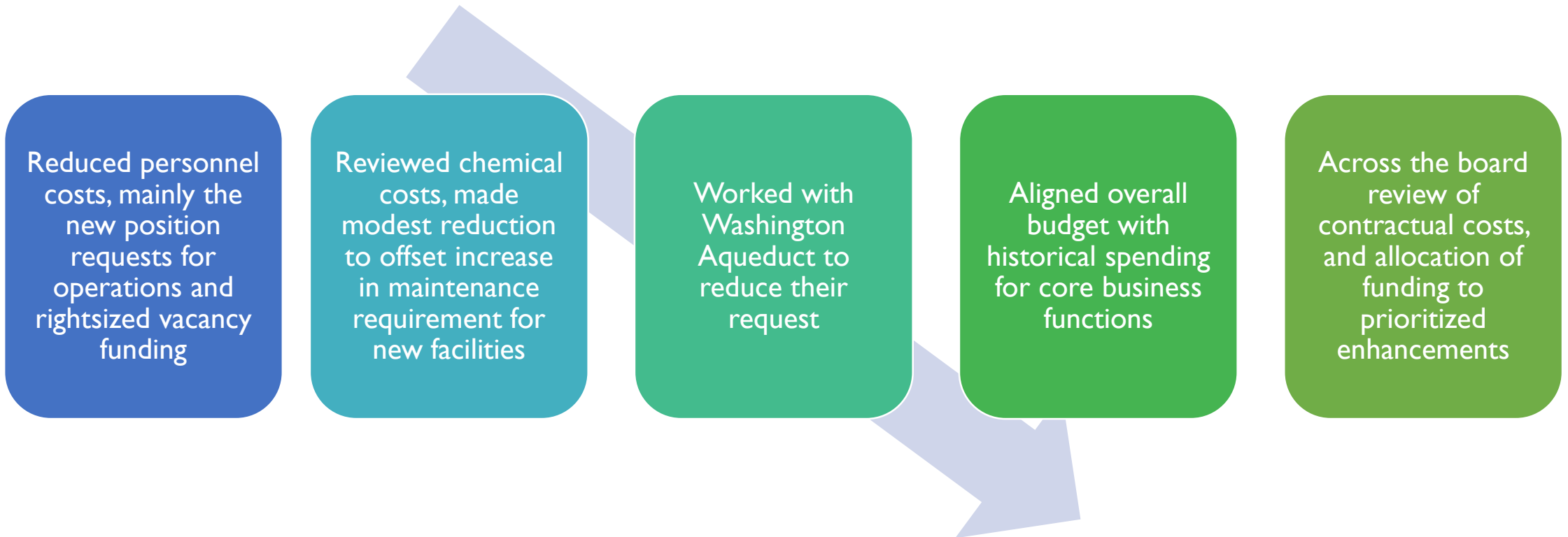




💧 Enhancement Requests ~ \$32 million

- \$9.8 million for 53 new positions
- \$6.8 million increase in salaries and wages for all existing positions including vacancies and employee health benefit costs
- \$3.4 million increase required for various operational needs at the Aqueduct
- \$3.3 million for the Environmental Impact Bond Fee and \$0.2 million Green Infrastructure Certification program
- \$2.1 million increase for additional security guards, fire suppression and detection system and maintenance of security systems
- \$1.9 million increase in maintenance of automotive, buildings, HVAC, elevators, warranties and other equipment
- \$1.7 million net increase for telecom and software maintenance needs
- \$1.5 million increase in credit card fees, maintenance of the billing system, the new customer feedback system and CAP administration
- \$1.3 million increase for various professional services (public outreach and water quality reporting requirements, custodial supplies and spare parts for new facilities)

- To close the budget gap, approximately \$13 million was reduced from enhancement requests with tough choices made to ensure that we continue to deliver the best service to our customers



Proposed Capital Improvement Program

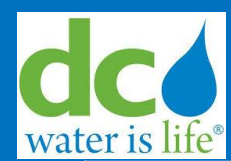
The proposed 10-year disbursements (FY 2020 - FY 2029) of \$5.45 billion increases investment in our aging infrastructure

💧 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



10-Year Engineering CIP Options Compared

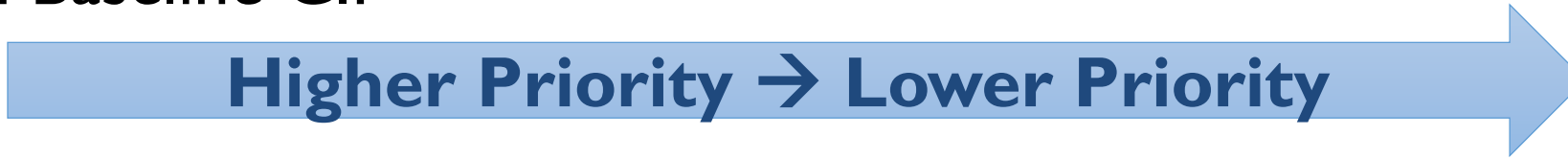
Service Area	Approved Baseline \$4.4B (FY19-28)	*Proposed Baseline \$4.9B (FY20-29)	Asset Management \$5.4B (FY19-28)	Fully Funded \$5.8B (FY20-29)
Clean Rivers	Fully funded to meet Consent Decree	Fully funded to meet Consent Decree	Fully funded to meet Consent Decree	Fully funded to meet Consent Decree
Wastewater	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
Stormwater	Fully funded	Fully funded	Fully funded	Fully funded
Water				
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
Sewer				
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
Non Process	Fully funded	Fully funded	Fully funded	Fully funded

*Last year was called "Modified Baseline", this year Proposed Baseline

'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

Prioritization of Spending – Capital Projects

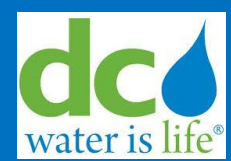
Proposed Baseline CIP



	1A		2A	2B	2C	2D	3A		3B	
	Mandates		Health & Safety	Board Policy	Potential Failure	High Profile Good Neighbor	Good Engineering High Payback	Good Engineering Lower Payback		
	Agreements, Regulatory standards, Court orders, Issues and Permits requirements, Stipulated Agreements, Etc.		Required to address Public Safety	Undertaken as a result of the Board's commitment to outside agencies	Related to Facilities in danger of failing, or critical to meeting permit requirements	Address Public concerns	Need to fulfill Mission and upgrade Facilities	Lower priority Projects		
										(\$000's)
FY 2019	\$174,384	43%	\$4,332	\$63,844	\$30,328	\$2,280	\$69,201	17%	\$60,636	\$405,004
FY 2020	147,209	32%	5,490	72,762	24,593	821	114,837	25%	88,405	\$454,118
FY 2021	179,572	32%	12,019	59,755	36,803	5,403	164,558	29%	100,536	\$558,645
FY 2022	129,073	28%	9,469	53,835	28,274	2,403	130,057	28%	108,055	\$461,168
FY 2023	67,830	17%	18,788	41,514	21,997	190	136,794	35%	105,384	\$392,496
FY 2024	60,177	15%	19,009	46,213	22,496	788	169,952	43%	75,684	\$394,318
FY 2025	148,771	28%	13,180	49,037	23,766	2,837	191,721	36%	108,272	\$537,584
FY 2026	103,265	19%	6,062	83,507	21,349	105	210,855	39%	118,971	\$544,115
FY 2027	88,890	16%	717	99,437	21,629	-	209,161	37%	151,501	\$571,336
FY 2028	115,049	19%	1,516	104,227	18,768	-	207,451	34%	156,024	\$603,035
Total	\$1,214,221		\$90,582	\$674,131	\$250,004	\$14,826	\$1,604,588		\$1,073,468	\$4,921,820
% of Total	24.7%		1.8%	13.7%	5.1%	0.3%	32.6%		21.8%	

- Cash disbursements basis

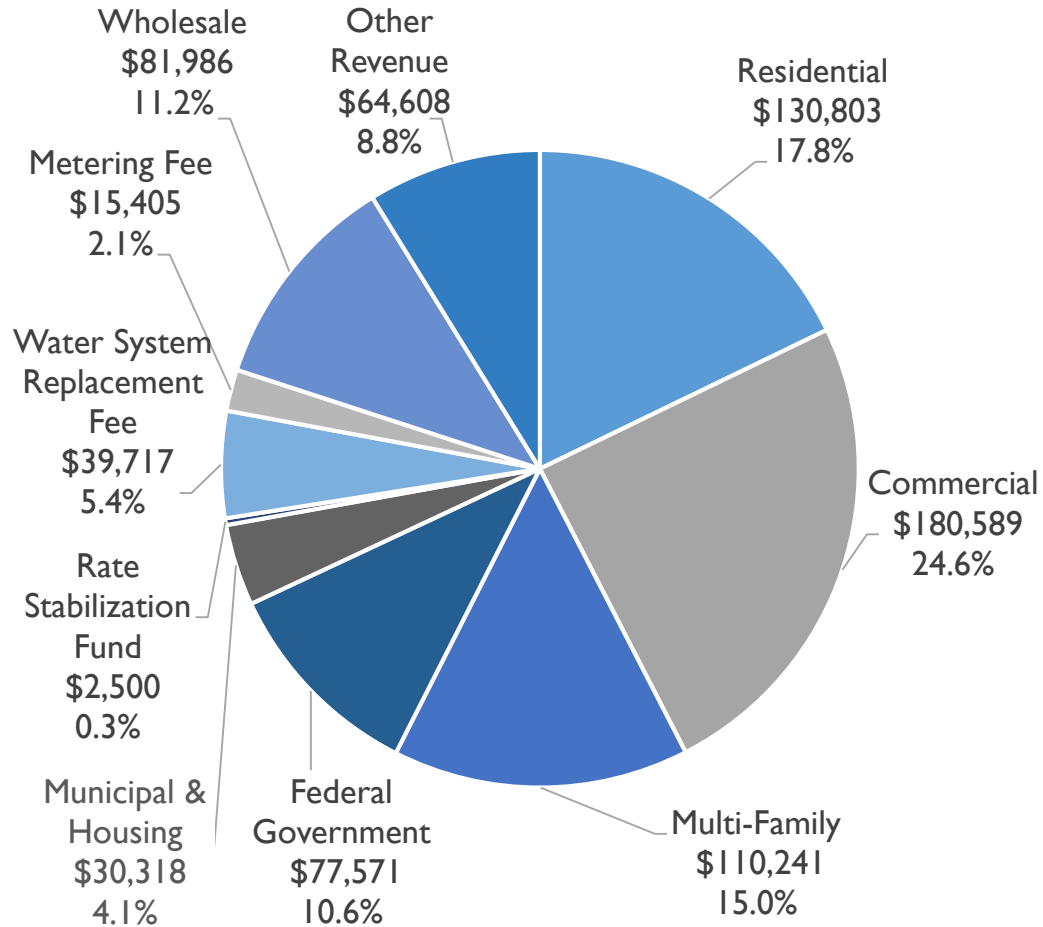
Operating Expenditure



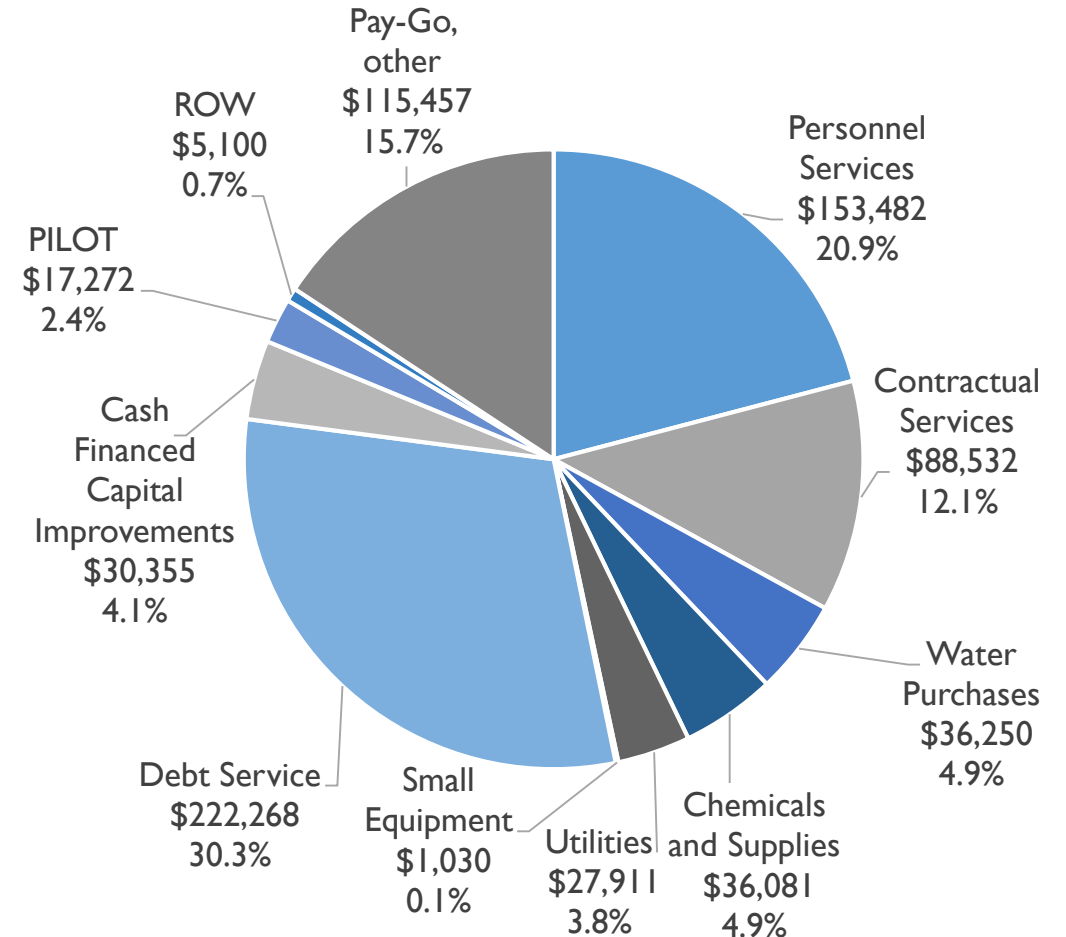
FY 2021 Operating: Sources and Uses of Funds

\$ in thousands

Sources - \$733.7 Million



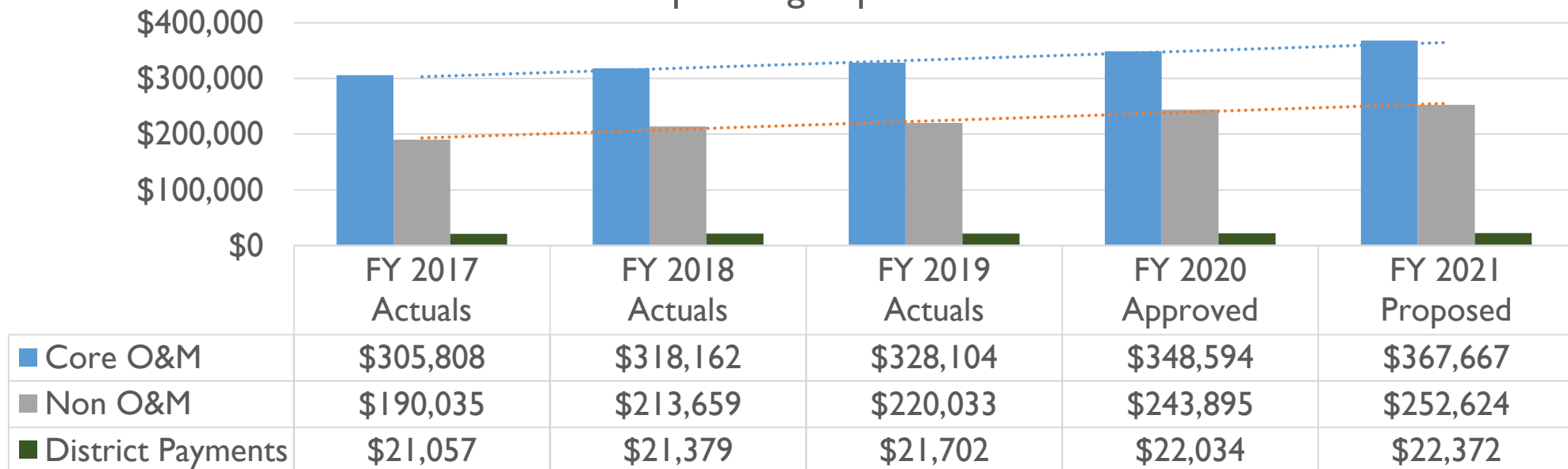
Uses - \$733.7 Million



- Core operations & maintenance (O&M) costs have been consistently stable with average growth of 3% - 4% per year
 - Approximately 73% 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 35% of the total operating budget in FY 2021

\$ in thousands

Annual Operating Expenditures

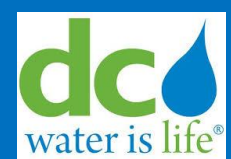


Operations & Maintenance Budget Drivers

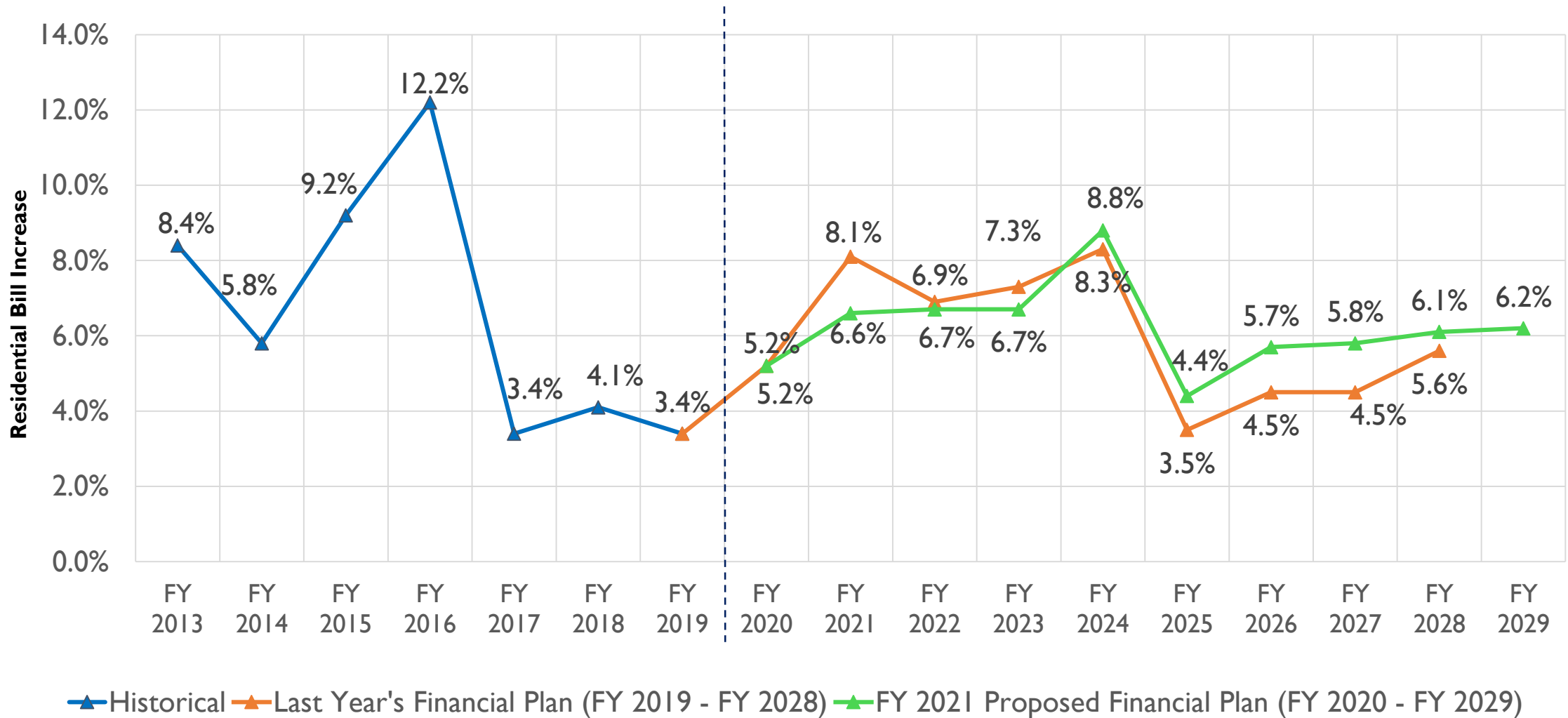
- **Personnel Services** – \$177.9 million or increase of \$7.2 million mainly for annualized salaries, merit increase consistent with union agreement and increased costs in benefits
- **Chemicals & Supplies** – \$36.1 million or increase of \$2.9 million mainly for major chemicals (methanol, sodium bisulfite and ferric chloride) used in the wastewater treatment process
- **Contractual Services** – \$88.5 million or \$6.6 million increase
- **Debt Service** – \$222.3 million or increase of \$6.9 million due to existing debt and anticipated FY 2020 new money issuance
- **PILOT & ROW** – \$22.4 million or increase of \$0.3 million consistent with MOUs
- **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

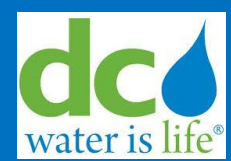
- 💧 Budget proposes \$13 million withdrawal over FY 2021 and FY 2022
 - \$8 million in debt service savings in the current fiscal year, plus remaining \$5 million withdrawal from Rate Stabilization Fund to be deposited in FY 2020
 - Budget makes CAP2 program permanent
- 💧 Apply \$2.5 million in FY 2021 and \$10.5 million in FY 2022
- 💧 Management recommends a Rate Stabilization Fund target that is ten percent of overall revenues
 - During the last recession, from 2007 through 2011, there was a \$41.8 million reduction in Rate Stabilization Fund balance as the Board drew funds to reduce the impact of rising rates

Operating Revenue



Historical and Projected Combined Rate Increases





Average Residential Customer Monthly Bill

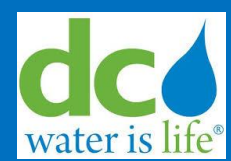
	Units	Current FY 2020	Proposed FY 2021	Proposed FY 2022
DC Water Water and Sewer Retail Rates ⁽¹⁾	Ccf	\$ 66.25	\$ 73.30	\$ 78.92
DC Water Clean Rivers IAC ⁽²⁾	ERU	20.94	19.52	18.40
DC Water Customer Metering Fee	5/8"	3.86	4.96	7.75
DC Water Water System Replacement Fee ⁽⁴⁾	5/8"	6.30	6.30	6.30
Subtotal DC Water Rates & Charges		\$ 97.35	\$ 104.08	\$ 111.37
Increase / Decrease		\$ 5.01	\$ 6.73	\$ 7.29
District of Columbia PILOT Fee ⁽¹⁾	Ccf	\$ 2.76	\$ 2.93	\$ 3.04
District of Columbia Right-of-Way Fee ⁽¹⁾	Ccf	1.03	1.03	1.03
District of Columbia Stormwater Fee ⁽³⁾	ERU	2.67	2.67	2.67
Subtotal District of Columbia Charges		\$ 6.46	\$ 6.63	\$ 6.74
Total Amount Appearing on DC Water Bill		\$ 103.81	\$ 110.71	\$ 118.11
Increase / Decrease Over Prior Year		\$ 5.11	\$ 6.90	\$ 7.40
Percent Increase in Total Bill		5.2%	6.6%	6.7%

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

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

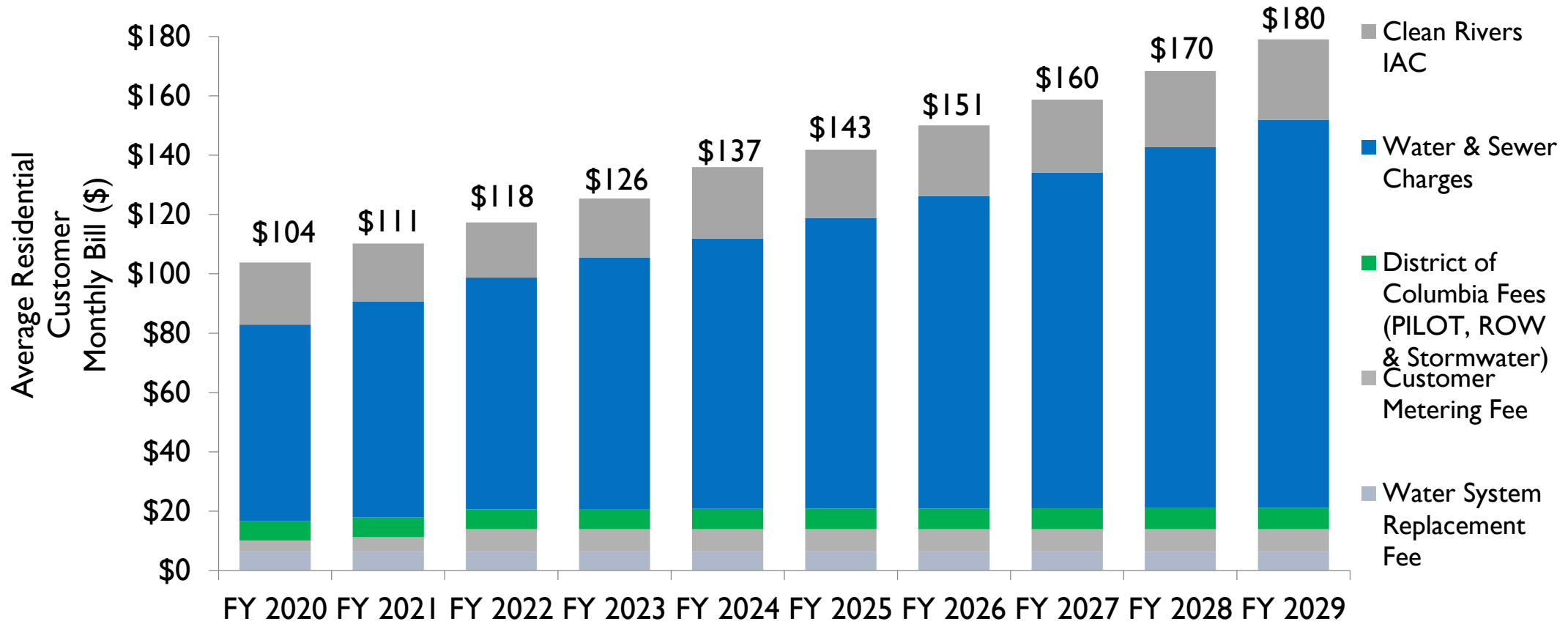
(3) District Department of the Environment stormwater fee of \$2.67 effective November 1, 2010

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

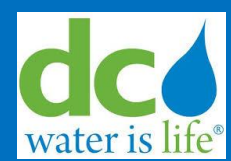


Projected Average Residential Customer Bill

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



Customer Impacts

Residential Base	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
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%
Multi-family Base	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
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%
Commercial Base	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
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%

Next Steps

- Board Member Questions & Follow Up
 - Submit budget-related questions to Board Secretary
 - Board Secretary will distribute questions to appropriate staff
- Stakeholder Alliance Discussion – **January 9**
- Wholesale Customer Briefing – **January 10**
- Committee Reviews, Recommendations & Actions – **January & 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**

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 of the page, there is a section titled 'IN THIS SECTION' with three links: 'FY 2020 Adopted Budget', 'FY 2020 Approved Rates', and 'Budget Review Materials Library'. Below that is a 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, there is a table with the following data:

Date	Title
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"> 2021 Cost of Service Study Independent Review of Rate Structure and Customer Assistance Programs
October 17, 2019	Environmental Quality and Operations Committee Overview of FY 2019 - FY 2028 CIP

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