



Approved FY 2022 Budgets
Section II: OVERVIEW

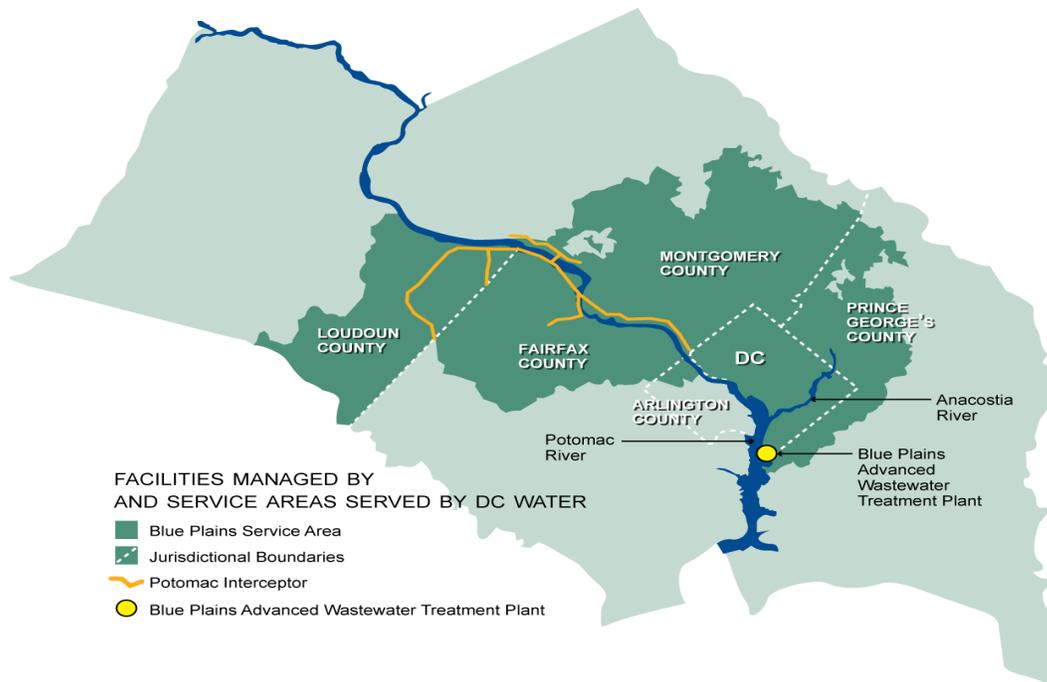


Blue Plains Advanced Wastewater Treatment Plant

History: The District of Columbia Water and Sewer Authority (DCWASA), was created by District law in 1996, with the approval of the United States Congress, as an independent authority of the District Government with a separate legal existence. In 2010, the Authority rebranded and became DC Water. DC Water is the sole water and sewer utility in the District of Columbia.

Age of Pipes: The median age of District water main pipes is over 77 years old, with approximately 9 percent of pipes installed in the 1900’s and 2 percent dating back to the 1860s before the Civil War.

Service Area: Providing approximately 700,000 residents and 21.3 million annual visitors in the District of Columbia with retail water and wastewater (sewer) service, DC Water has a total service area of approximately 725 square miles. In addition, DC Water treats wastewater for approximately 1.6 million people in neighboring jurisdictions, including Montgomery and Prince George’s Counties in Maryland and Fairfax and Loudoun Counties in Virginia.



Drinking Water Quality: With a strong emphasis on water quality, DC Water maintains an annual flushing program, regulatory and voluntary water quality testing, and ongoing system upgrades. DC Water, in partnership with the U.S. Army Corps of Engineer’s Washington Aqueduct, ensures a high-quality treatment process for delivering outstanding drinking water throughout the year. DC Water purchases water produced by the Aqueduct and distributes to its customers in the District of Columbia.

Pumped and Treated Water Storage: During Fiscal Year 2020, DC Water pumped an average of 92.2 million gallons of water per day. In addition, DC Water stores 52.9 million gallons of treated water at its seven facilities. The Washington Aqueduct stores an additional 49 million gallons.

Water Distribution System: DC Water delivers water through roughly 1,300 miles of interconnected pipes, four pumping stations, four reservoirs, three elevated water tanks, and approximately 43,860 valves, and 9,510 fire hydrants.

Sewer System: DC Water operates 2,000 miles of combined, separate, and stormwater sewers; 50,000 manholes and 25,000 catch basins; 9 off-site wastewater pumping stations, and 16 stormwater pumping stations.

Blue Plains Advanced Wastewater Treatment Plant (BPAWWTP): Blue Plains, located at the southernmost tip of the District, is the largest advanced wastewater treatment facility in the world, covering 150 acres along the Potomac River. Recycled water from the Blue Plains Plant is used in the treatment of wastewater and is not sold for retail use.

Wastewater Treatment Capacity: Through the complete treatment process, Blue Plains treats an annual average of 290 million gallons per day (MGD) and has a design capacity of 384 MGD, with a peak design capacity to treat more than 555 MGD. An additional 225 MGD can be treated utilizing the Wet Weather Treatment Facility at Blue Plains.

Customer Service: DC Water communicates valuable customer-related information through bill inserts, monthly newsletters, its website, and social media to include Facebook, YouTube, Flickr, Twitter and Instagram. Using an interactive voice recognition system, DC Water makes information readily available in more than 150 languages.

A 24-hour Emergency Command Center operates as the centralized communication facility for receiving and responding to a variety of emergency calls from customers and the public.

DC Water's Customer Information System (CIS) provides an integrated environment that enrolls new customers, generates billings, manages credit and collections, and tracks water consumption. CIS also tracks and manages meters, handles customer inquiries, complaints, and service orders as well as provides call center support.

Community Service: Donating its time and resources, DC Water strives to be present at events that align with its mission and allows the Authority to engage with the residents about pertinent projects and services. Employees actively support a variety of charitable projects and community services. DC Water also invests in the community, conducting science laboratory exercises in District high schools and engaging the public through tours of the Blue Plains Plant.



Facts at a Glance

Community Outreach: Maintaining an active presence in the community through sharing time and resources is a core value at DC Water. Employees participate in meetings and community events throughout the District; invite the public to the Blue Plains Advanced Wastewater Treatment Plant (BPAWWTP) and new headquarters building; and provide hands-on-lessons, field trips and environmental education events to more than 2,000 students in our service area during the school year. DC Water seeks to educate and support its customers as stewards of the environment.

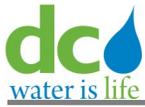
Employees: Approximately 1,100 people are employed by DC Water and work at various facilities across the District of Columbia to provide vital services to our customers.

Governance: DC Water’s Board of Directors establishes policies and guides the strategic planning process. The Board is composed of 22 members, (11 principals and 11 alternates) representing the District, Montgomery and Prince George’s Counties in Maryland and Fairfax County in Virginia. The District members set rates, charges and policies for District services. The entire Board votes and establishes policies for joint-use services. The Chief Executive Officer and General Manager reports to the Board and manages operations and performance of the enterprise. The members of the Board of Directors also serve on various Sub Committees: DC Retail Water & Sewer Rate; Environmental Quality and Operations; Finance and Budget; Governance; Human Resources and Labor Relations; Strategic Planning and Audit.

Financial Performance: In August 2019 , Fitch Ratings upgraded DC Water’s credit rating to AA+ for senior lien revenue bonds and the Authority maintained 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. DC Water also received its 23rd consecutive unqualified audit opinion of its financial statements and 20th consecutive Distinguished Budget Presentation Award from the Government Finance Officers Association (GFOA).

DC Water Financial Information (\$ Millions)

| Bond Rating: AAA/Aa1/AA+ | FY 2021 | FY 2022 |
|------------------------------|----------|----------|
| Revenue (Cash Receipts) | \$ 692.3 | \$ 756.4 |
| Operating Expenditure Budget | \$ 642.7 | \$ 658.4 |
| Capital Disbursement Budget | \$ 471.3 | \$ 476.1 |



Budget Summary

The chart below highlights DC Water’s operating expenditures, capital disbursements, revenues, rates and fees.

| Description | Unit of Measure | FY 2021 Revised | FY 2022 Revised | FY 2022 vs FY 2021 Increase / (Decrease) |
|---|-----------------|-----------------|-----------------|--|
| Total Operating Expenditure | \$ in thousands | \$642,663 | \$658,422 | \$15,760 |
| Capital Disbursements | \$ in thousands | \$471,267 | \$476,140 | \$4,873 |
| Ten-Year CIP (Cash Disbursement) | \$ in billions | \$5.45 | \$5.43 | (\$0.02) |
| Total Operating Revenue | \$ in thousands | \$692,262 | \$756,385 | \$64,123 |
| Wholesale Operating Revenues | \$ in thousands | \$81,710 | \$84,669 | \$2,959 |
| Residential 0-4 Ccf (Lifeline) ² | Ccf | \$3.49 | \$3.63 | \$0.14 |
| Residential - > 4 Ccf ² | Ccf | \$4.50 | \$4.74 | \$0.24 |
| Multi-family / DC Housing ² | Ccf | \$3.96 | \$4.15 | \$0.19 |
| Non-Residential | Ccf | \$4.65 | \$4.91 | \$0.26 |
| DC Water Retail Rates – Sewer | Ccf | \$9.77 | \$10.64 | \$0.87 |
| DC Water Clean Rivers IAC | ERU | \$19.52 | \$18.40 | (\$1.12) |
| DC Water Customer Metering Fee | 5/8" | \$4.96 | \$7.75 | \$2.79 |
| Water System Replacement Fee ¹ | 5/8" | \$6.30 | \$6.30 | \$0.00 |
| PILOT Fee | Ccf | \$0.54 | \$0.56 | \$0.02 |
| Right of Way Fee | Ccf | \$0.19 | \$0.19 | \$0.00 |
| Stormwater Fee | ERU | \$2.67 | \$2.67 | \$0.00 |

Ccf - hundred cubic feet or 748 gallons
 DC WATER WSRF of \$6.30 effective October 1, 2015.
 Proposed Class-Based rates



Comparative Capital & Operating Expenditures

\$ in thousands

Capital Disbursements and Operating Budgets Ensure Service Needs and Strategic Objectives are Met

| | APPROVED FY 2021 | APPROVED FY 2022 |
|--|---------------------|---------------------|
| CAPITAL (Cash Disbursements Basis)* | | |
| Wastewater Treatment | \$ 78,992 | \$ 63,922 |
| Sanitary Sewer | 50,547 | 75,437 |
| Combined Sewer Overflow | 170,842 | 165,276 |
| Stormwater | 5,931 | 9,228 |
| Water | 75,362 | 100,209 |
| Washington Aqueduct | 15,382 | 13,324 |
| Capital Equipment | 36,207 | 36,019 |
| Non Process Facilities | 38,004 | 12,725 |
| Total Capital | \$ 471,267 | \$ 476,140 |
| OPERATING | | |
| Personnel Services | \$ 177,863 | \$ 180,353 |
| Contractual Services | 88,532 | 88,504 |
| Water Purchases | 36,250 | 35,217 |
| Chemicals and Supplies | 36,081 | 34,202 |
| Utilities | 27,911 | 27,329 |
| Small Equipment | 1,030 | 1,108 |
| Total O&M | 367,668 | 366,711 |
| Debt Service | 222,268 | 231,164 |
| Cash Financed Capital Improvements | 30,355 | 37,830 |
| Payment in Lieu of Taxes | 17,272 | 17,618 |
| Right of Way Fees | 5,100 | 5,100 |
| Subtotal Operating | 642,663 | 658,423 |
| Personnel Services charged to Capital Projects | (24,382) | (25,086) |
| Net Operating | \$ 618,281 | \$ 633,336 |



*Reflect revisions to FY 2021 capital disbursement budget during the FY 2022 cycle.



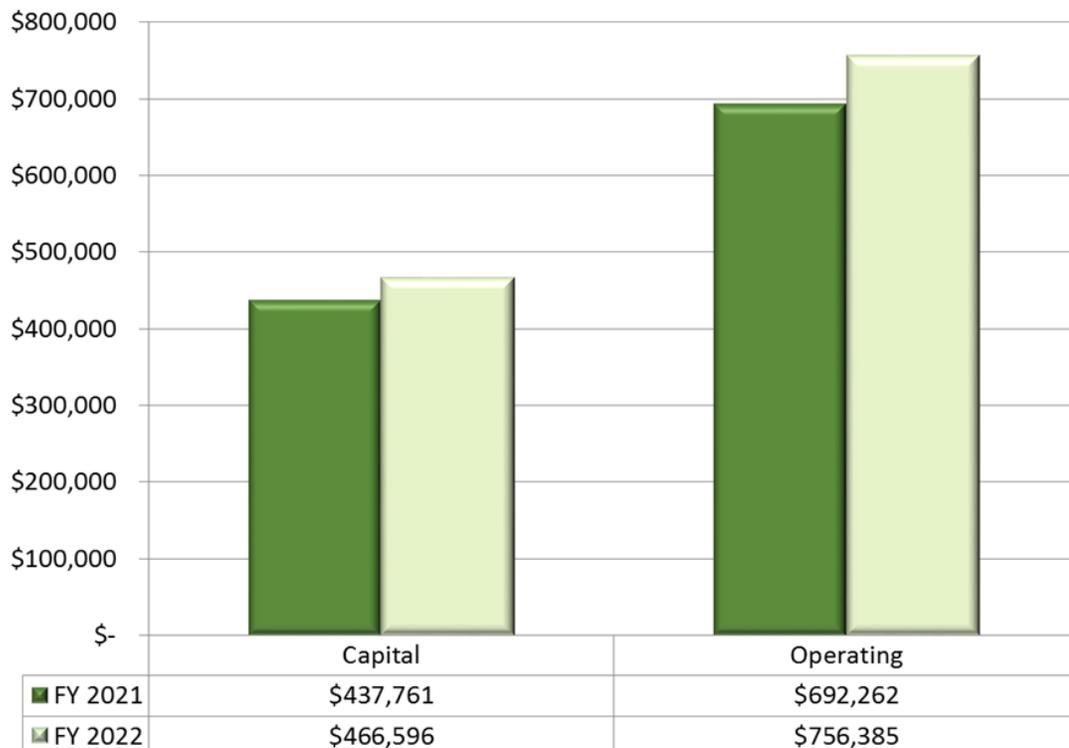
Comparative Capital & Operating Revenues

\$ in thousands

Capital and Operating Budgets Ensure Revenue Sufficiency to Maintain Service Levels

| | REVISED FY 2021 | REVISED FY 2022 |
|--------------------------------------|--------------------|--------------------|
| CAPITAL | | |
| Wholesale Capital Payments | \$ 75,803 | \$ 83,640 |
| EPA Grants & CSO Appropriations | 32,645 | 31,311 |
| Interest Income on Bond Proceeds | 1,749 | 2,623 |
| Pay-Go-Financing | 120,564 | 141,322 |
| Revenue Bonds/Commercial Paper/EMCP* | 200,000 | 200,000 |
| System Availability Fee | 7,000 | 7,700 |
| Total Capital Revenue | \$ 437,761 | \$ 466,596 |
| OPERATING | | |
| Residential | 118,771 | 129,062 |
| Commercial | 156,067 | 170,209 |
| Multi-Family | 111,501 | 123,523 |
| Federal Government | 79,082 | 81,339 |
| Municipal & Housing | 28,767 | 31,260 |
| Water System Replacement Fee (WSRF) | 39,717 | 39,717 |
| Metering Fee | 15,405 | 24,083 |
| Wholesale | 81,710 | 84,669 |
| Other Revenue | 61,242 | 72,523 |
| Total Operating Revenue | \$ 692,262 | \$ 756,385 |

* Extensible Municipal Commercial Paper



- Water and Sewer volumetric rates are listed below:
 - Residential customers: “Consumption of 0 – 4 Ccf” water rate increase of \$0.43 per Ccf to \$3.49 per Ccf, {increase of \$0.58 to \$4.67 per 1,000 gallons}
 - Residential customers: “Consumption greater than 4 Ccf” water rate increase of \$0.40 per Ccf to \$4.50 per Ccf, {increase of \$0.54 to \$6.02 per 1,000 gallons}
 - Multi-family customers: water rate increase of \$0.42 per Ccf to \$3.96 per Ccf, {increase of \$0.56 to \$5.29 per 1,000 gallons}
 - Non-residential customers: water rate increase of \$0.40 per Ccf to \$4.65 per Ccf, {increase of \$0.54 to \$6.22 per 1,000 gallons}
- Sewer rate increase of \$0.88 per Ccf to \$9.77 per Ccf, {increase of \$1.17 to \$13.06 per 1,000 gallons}
- Monthly Clean Rivers Impervious Area Charge decrease of \$1.42 to \$19.52 per ERU to recover the costs of the DC Clean Rivers Project
- Monthly Customer Metering Fee increase of \$1.10 from \$3.86 to \$4.96 for a 5/8” meter size. The Customer Metering fee varies by size.
- Water System Replacement Fee (WSRF) of \$6.30 for 5/8” meter size will remain the same. This fee varies with meter size. The WSRF is to recover the costs of 1% renewal and replacement program for water service lines
- PILOT fee increase of \$0.03 per Ccf to \$0.54 per Ccf {increase of \$0.04 to \$0.72 per 1,000 gallons}
- No increase in ROW fee, which remains the same at \$0.19 per Ccf {\$0.25 per 1,000 gallons}

Ccf is equivalent to hundred cubic feet or 748 gallons

- Water and Sewer volumetric rates are listed below:
 - Residential customers: “Consumption of 0 – 4 Ccf” water rate increase of \$0.14 per Ccf to \$3.63 per Ccf, {increase of \$0.18 to \$4.85 per 1,000 gallons}
 - Residential customers: “Consumption greater than 4 Ccf” water rate increase of \$0.24 per Ccf to \$4.74 per Ccf, {increase of \$0.32 to \$6.34 per 1,000 gallons}
 - Multi-family customers: water rate increase of \$0.19 per Ccf to \$4.15 per Ccf, {increase of \$0.26 to \$5.55 per 1,000 gallons}
 - Non-residential customers: water rate increase of \$0.26 per Ccf to \$4.91 per Ccf, {increase of \$0.34 to \$6.56 per 1,000 gallons}
- Sewer rate increase of \$0.87 per Ccf to \$10.64 per Ccf, {increase of \$1.16 to \$14.22 per 1,000 gallons}
- Monthly Clean Rivers Impervious Area Charge decrease of \$1.12 to \$18.40 per ERU to recover the costs of the DC Clean Rivers Project
- Monthly Customer Metering Fee increase of \$2.79 from \$4.96 to \$7.75 for a 5/8” meter size. The Customer Metering fee varies by size.
- Water System Replacement Fee (WSRF) of \$6.30 for 5/8” meter size will remain the same. This fee varies with meter size. The WSRF is to recover the costs of 1% renewal and replacement program for water service lines
- PILOT fee increase of \$0.02 per Ccf to \$0.56 per Ccf {increase of \$0.03 to \$0.75 per 1,000 gallons}
- No increase in ROW fee, which remains the same at \$0.19 per Ccf {\$0.25 per 1,000 gallons}

Ccf is equivalent to hundred cubic feet or 748 gallons



Cash Flow Summary

\$ in thousands

| | FY 2020 Actual | FY 2021 Revised | FY 2022 Revised |
|---|-------------------|--------------------|--------------------|
| OPERATING BUDGET | | | |
| Operating Revenue | | | |
| Residential, Commercial & Multi-Family | \$ 318,870 | \$ 317,697 | \$ 361,143 |
| Federal | 48,007 | 56,914 | 62,100 |
| Municipal | 9,378 | 8,839 | 11,445 |
| D.C. Housing Authority | 9,731 | 11,130 | 11,521 |
| Groundwater | - | 5 | 5 |
| Water System Replacement Fee (WSRF) | 41,456 | 39,717 | 39,717 |
| Metering Fee | 11,829 | 15,405 | 24,083 |
| Payment in Lieu of Taxes / Right of Way Fee | 21,546 | 20,744 | 21,588 |
| Clean Rivers IAC Revenue | 111,917 | 99,604 | 89,179 |
| Sub-total Retail | 572,735 | 570,055 | 620,781 |
| Wholesale | 79,157 | 81,709 | 84,669 |
| Interest Earnings | 4,469 | 2,234 | 3,352 |
| Transfer from Rate Stabilization Fund | - | 2,500 | 10,500 |
| Other Operating Rev ⁽¹⁾ | 53,624 | 35,706 | 36,998 |
| Total Operating Revenue ⁽¹⁾ | 709,984 | 692,205 | 756,300 |
| Operating Expenditures | | | |
| Personnel Services | 134,542 | 143,827 | 155,267 |
| Contractual Services | 80,767 | 82,987 | 88,504 |
| Chemicals & Supplies | 33,835 | 33,763 | 34,202 |
| Utilities & Rent | 20,849 | 27,771 | 27,329 |
| Water Purchases | 29,234 | 33,750 | 35,217 |
| Small Equipment | 960 | 1,028 | 1,108 |
| Subtotal - Operating Expenditures | 300,187 | 323,126 | 341,627 |
| Payment in Lieu of Taxes / Right of Way Fee | 22,034 | 22,372 | 22,718 |
| Debt Service | 199,056 | 217,944 | 231,164 |
| Cash Financed Capital Improvements/Defeasance | 28,556 | 30,355 | 37,830 |
| Total Operating Disbursements | 549,832 | 593,797 | 633,338 |
| CAPITAL Disbursements (See Section VI for more details) | | | |
| Sources of Capital Funds | 539,782 | 437,761 | 466,596 |
| Uses of Capital Funds | 345,858 | 471,267 | 476,140 |
| Capital Disbursements Overage / (Shortage) | 193,924 | (33,506) | (9,544) |
| CASH RESERVES | | | |
| Beginning O&M Reserve Balance (Net of Rate Stabilization Fund) | 186,764 | 186,827 | 185,000 |
| Operating Surplus | 160,152 | 98,407 | 122,962 |
| Wholesale Customer Refunds/Payments for Prior Years | 14,925 | (5,243) | (3,342) |
| Transfer to Rate Stabilization Fund | (28,794) | - | - |
| Federal Customer Refund/Payments for Prior Years | 1,317 | 6,161 | 488 |
| Transfer to CAP Fund | (15,000) | - | - |
| DC Fleet Reimbursement | - | - | - |
| Interest Earned from Bond Reserve | 113 | 57 | 85 |
| Pay-As-You-Go Capital Financing | (128,651) | (97,209) | (111,192) |
| Project Billing Refunds | (4,000) | (4,000) | - |
| Ending O&M Reserve Balance (Net of Rate Stabilization Fund) | 186,827 | 185,000 | 194,000 |
| Rate Stabilization Fund | \$ 90,244 | \$ 87,744 | \$ 77,244 |

⁽¹⁾ Does not include interest earned from the debt service reserve fund

In the early history of Washington, DC, water and sewer operated as separate entities. Early incarnations of the agency we now call DC Water included the District of Columbia Water Board (1859—1872) and the District of Columbia Board of Public Works (1872—1932).

Beginning in 1932, the Agency operated as the District of Columbia Department of Sanitary Engineering and constructed the first sewage treatment plant at Blue Plains. The Agency went through another transition to the District of Columbia Department of Environmental Services in 1971, then operated as the Water and Sewer Utility Administration (WASUA) under the Department of Public Works from 1985 to 1996.

The District of Columbia Water and Sewer Authority (DC Water) was created in April 1996 and began operating October 1, 1996 under and pursuant to an act of the Council of the District of Columbia and an act of the United States Congress. Previously, the Water and Sewer Utility Administration, a division of the District’s Department of Public Works, performed DC Water’s operations. In the aftermath of the District’s financial crisis in the 1990s, Congress created an independent utility agency 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 to govern DC Water. The Mayor of the District of Columbia appoints, and the Council confirms, all District Board members, including the Chairperson. In addition, the Mayor appoints the five principal and five alternate members who represent the surrounding jurisdictions based on submissions from those jurisdictions. All members serve four-year terms. The existence of a quorum and an affirmative vote of a majority of the members present, who are permitted to participate in the matter under consideration, is required to approve any Board action; except, that 7 affirmative votes are required for approval of the Authority’s budget and 8 affirmative votes are required for the selection or relieving of the CEO/General Manager. All Board members participate in decisions directly affecting the general management of joint-use facilities (such as projects at the Blue Plains Advanced Wastewater Treatment Plant), and only the District of Columbia members participate in decisions for those matters that affect only District ratepayers. Rate setting authority resides solely with the Board of Directors, and is a non-joint use matter.

At its inception, DC Water faced a cash shortage and projected multi-million dollar deficit. The newly established utility was also burdened with a barely functional fleet, poorly maintained infrastructure, an antiquated billing system, and many operating weaknesses. Through the leadership of an active Board of Directors and strong management staff, a line of credit was obtained, municipal bonds were issued and new strategic goals, business processes and technologies were developed. DC Water made tremendous strides in its prudent financial management and cutting-edge technology, customer service improvements, extensive capital investment, environmental stewardship, peer-reviewed research and establishment of an award winning fleet. Our credit rating since 1996 has gone from no credit to AAA. Today, DC Water is one of the best utilities not only in North America but in the world.

Over the years, we have developed strong partnerships with the District government, Congress, suburban jurisdictions, federal regulators and environmental advocates. We are continuing to strengthen our existing partnerships while reaching out to establish new relationships. Our success has been acknowledged through many awards as well as positive financial results and audits over the years. Since 1996, the Authority has met its mission of providing clean drinking water to residents of the District of Columbia and wastewater conveyance and treatment services to both residents of the District of Columbia and wholesale customers in Maryland and Virginia.

At DC Water, we focus all of our technology initiatives on improving both the quality of services we provide to our customers and organizational effectiveness. We were one of the first utilities to automate our meter reading program (AMR) which has been heralded as a best practice in the industry. The automated meters use radio frequency and cell phone technology to send daily water usage information from the meter to DC Water. This tool analyzes daily water consumption and provides monthly and yearly averages on an account so a customer can monitor their own water use. In addition, we developed a powerful application in-house called the High Use Notification Application (HUNA). This tool alerts customers of unusually high amounts of water delivered to their meter so they can check for leaks and avoid a high bill. In FY 2018 we issued 36 thousand alerts to over 16 thousand customers .

Basis of Accounting

DC Water is a single enterprise fund and maintains accounting records using the modified accrual basis of accounting in accordance with Generally Accepted Accounting Principles (GAAP). Under this basis of accounting, revenues are recorded when earned, and expenses are recorded when incurred. DC Water’s expenditure budget is prepared on a comparable basis to GAAP, with the exception of debt service (including principal and interest) that is budgeted in full when due. Depreciation and interest expense are recorded as expenses for financial statement purposes. (Depreciation is not budgeted.)

Annual Budget Process

As a first step in the budget development process, the Finance Department updates DC Water’s ten-year financial plan to reflect any revisions to the capital improvement program and any other major revenue or operating budget issues, and analyzes the potential impact of these items on rates. In addition to these items, the ten-year plan is also developed based on the financial and rate-setting policies adopted by the Board as well as the Board’s Strategic Plan.

Approval Process

Typically, in May or June, the CEO & General Manager and CFO kick off the budget season. In July, departments submit their initial budget requests for management review. DC Water’s strategic and operational priorities are included in each department’s work plan and performance agreements, as appropriate. During the month of August and in early September, departments complete budget reviews with budget staff, and in September and October, reviews are held with the Executive Team and with the CEO & General Manager in tandem.

Between December and February, management presents the operating budget, ten-year capital improvement program and ten-year financial plan to the Board’s Environmental Quality and Operations Services, DC Water Retail Water and Sewer Rates and Finance and Budget Committees for their review. The budget is proposed for the following fiscal year (e.g., beginning October 1, 2021). The Committees review the budget documents in December through February and submit budget recommendations to the full Board in March. Typically, decisions are finalized and Board action on the budget is taken between March and April.

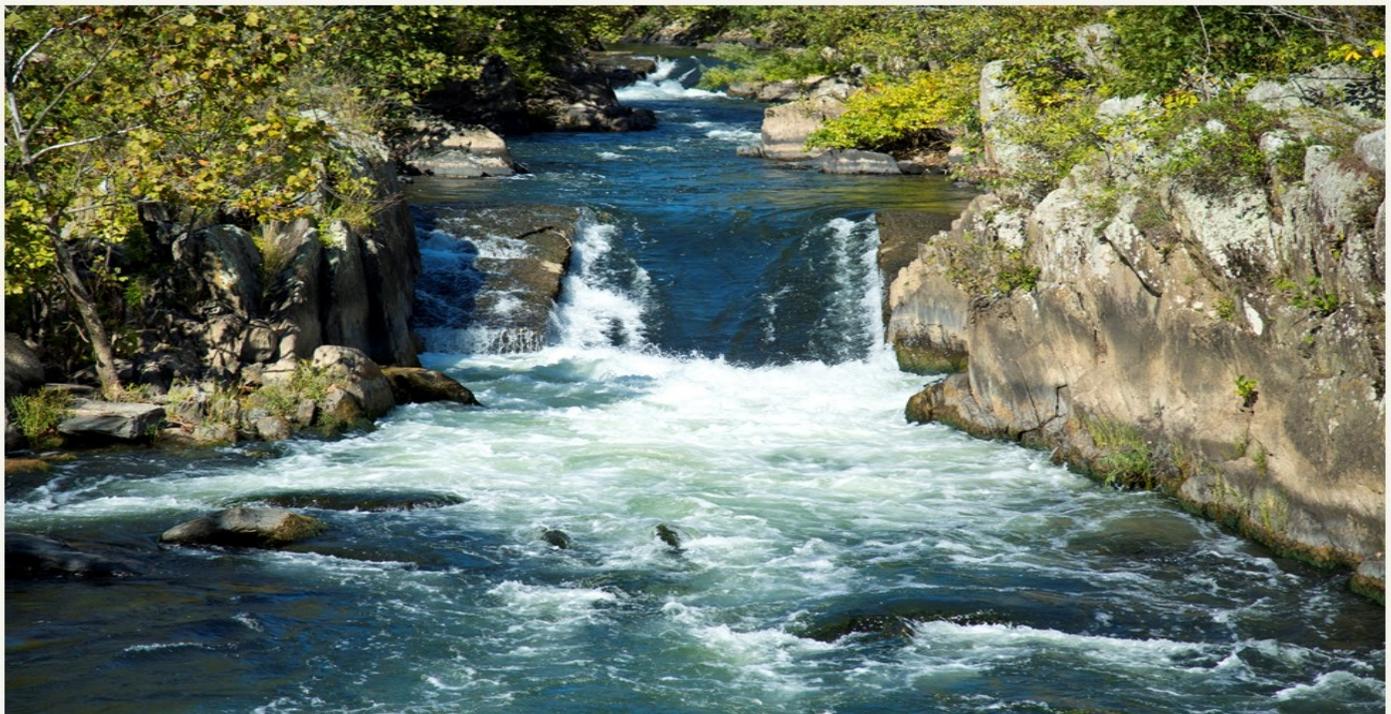
Upon budget adoption, the Budget Office publishes and distributes the approved budget book and ensures that DC Water’s budget is included in the District of Columbia’s budget submission, which is transmitted to the U.S. Congress for approval. Once approved by Congress, the budget is effective October 1 of each year.

Budgetary Control

After the U.S. Congress approves the budget, the operating and capital budgets are loaded into the DC Water’s financial management system, which prevents overspending without appropriate approvals. The Finance Department prepares monthly management reports for each operating unit, management staff, the Board of Directors and its various committees. The reports are consistently reviewed each month to ensure that DC Water complies with its authorized budget levels.

Amendment Process

The CEO & General Manager has control over the budget as approved by the U.S. Congress, at the appropriation level, i.e., DC Water’s overall approved operating budget and capital authority at the Authority-wide level in the capital budget. The CEO & General Manager has the authority to approve budget reprogramming between departments. Any additional budget spending above the budget appropriation level requires approval from the U.S. Congress.

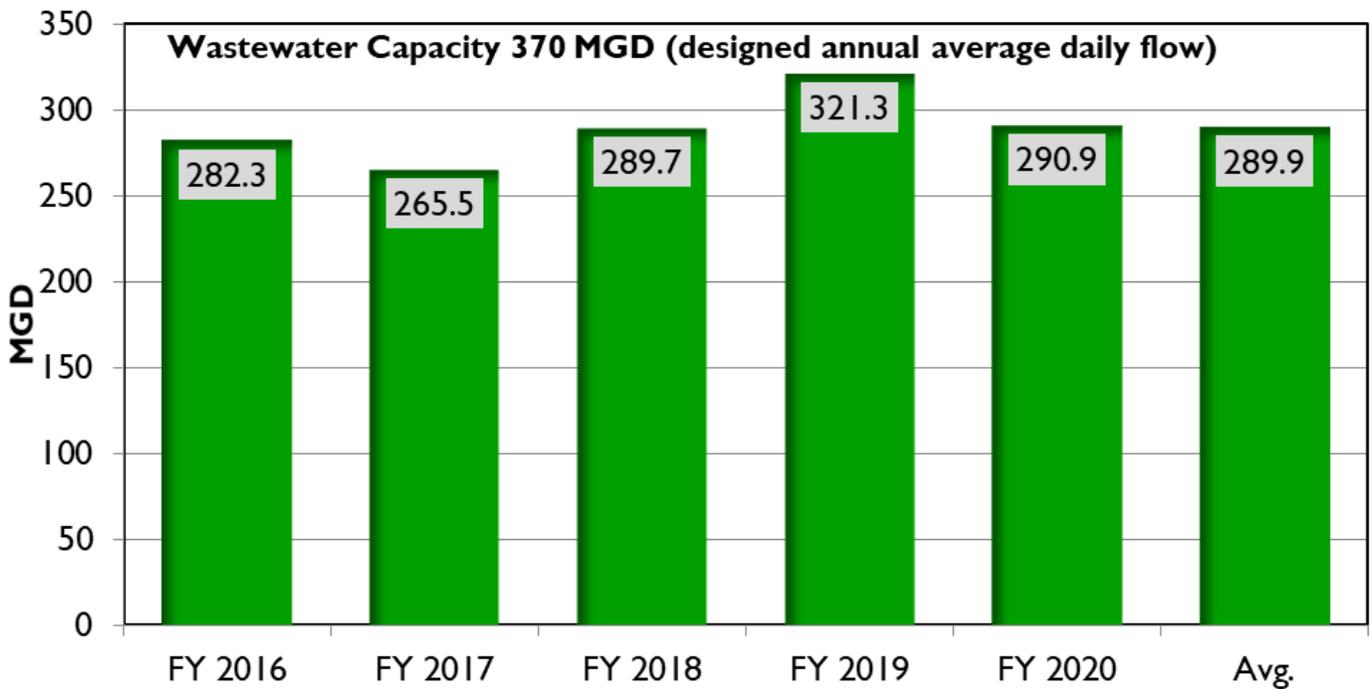


| Month | Activity |
|----------------------------------|--|
| July 31 | Distribution of budget templates and guidance |
| August 4 | Chief Executive Officer (CEO) & General Manager's (GM) Budget Kickoff Meeting |
| August 5 | Guidance/Training for Departments |
| September 11 | Departmental FY 2022 budget submission to Budget Office |
| September 23 | Chief Financial Officer Briefing on Departmental Budget Requests |
| September 28 – November 6 | Departmental FY 2022 Operating and Capital Equipment Budget Reviews with the Chief Executive Officer, Chief Financial Officer and the Budget Office |
| November 30 | Executive Team Briefing (Operating and Ten-year Capital Improvement Program) |
| November | Finalize Ten-Year Financial Plan (Operating, Capital Improvement Program, Revenues, Rates & Fees) Transmittal of CEO's & GM's Final Budget Proposal to Executive Vice Presidents & Department Heads |
| February 4 | Budget Workshop – Board Briefing of the CEO & GM's Proposed FY 2022 Budgets |
| February 12 | Wholesale Customer Briefing |
| February 18 | Environmental Quality & Operations Committee Review of Capital Improvement Program |
| February | Board Committees Conducted in-depth Review of Budget Proposal |
| March | Board Committees Forward Recommendations to Full Board for deliberation/action Budget Book Preparation & Production |
| April 1 | Board Adoption Submission to the District of Columbia for onward transmission to U.S. Congress |

Wastewater System Capacity Ensures Service Area Meets Needs Through 2040

- Blue Plains is the world’s largest advanced wastewater treatment plant
 - Treats an average of approximately 300 million gallons per day (MGD) annually
 - Designed for average daily flow of 384 MGD and peak wet weather capacity of 1,076 MGD
- System comprises 2,000 miles of sanitary, stormwater and combined sewers; 125,000 building sewer lateral; 22 flow-metering stations; 9 off-site wastewater pumping stations; and 16 stormwater pumping stations

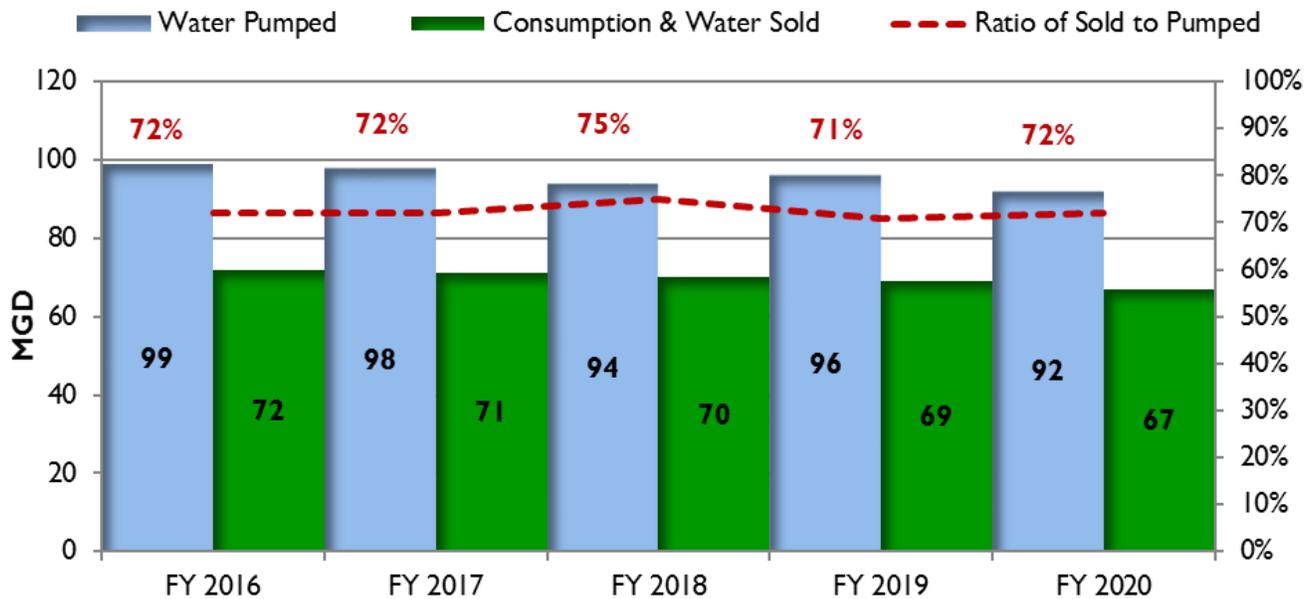
Historical Wastewater Treatment vs. Capacity FY 2016 – FY 2020



Water System Capacity Meets Service Area Needs

- Water is purchased from the Washington Aqueduct, owned and operated by the U.S. Army Corps of Engineers
- Four pumping stations provide adequate capacity to meet peak demand
 - Bryant Street, New Fort Reno, 16th and Alaska, Anacostia
- One Washington Aqueduct pumping station with capacity sufficient to take over for Bryant Street pumping station
- System comprises 1,300 miles of interconnected pipes

Volume of Water Pumped versus Sold FY 2016 – FY 2020



Infrastructure Index Leakage (ILI) :

FY 2016 – 7.84
 FY 2017 – 9.00
 FY 2018 – 9.84
 FY 2019 – 12.53

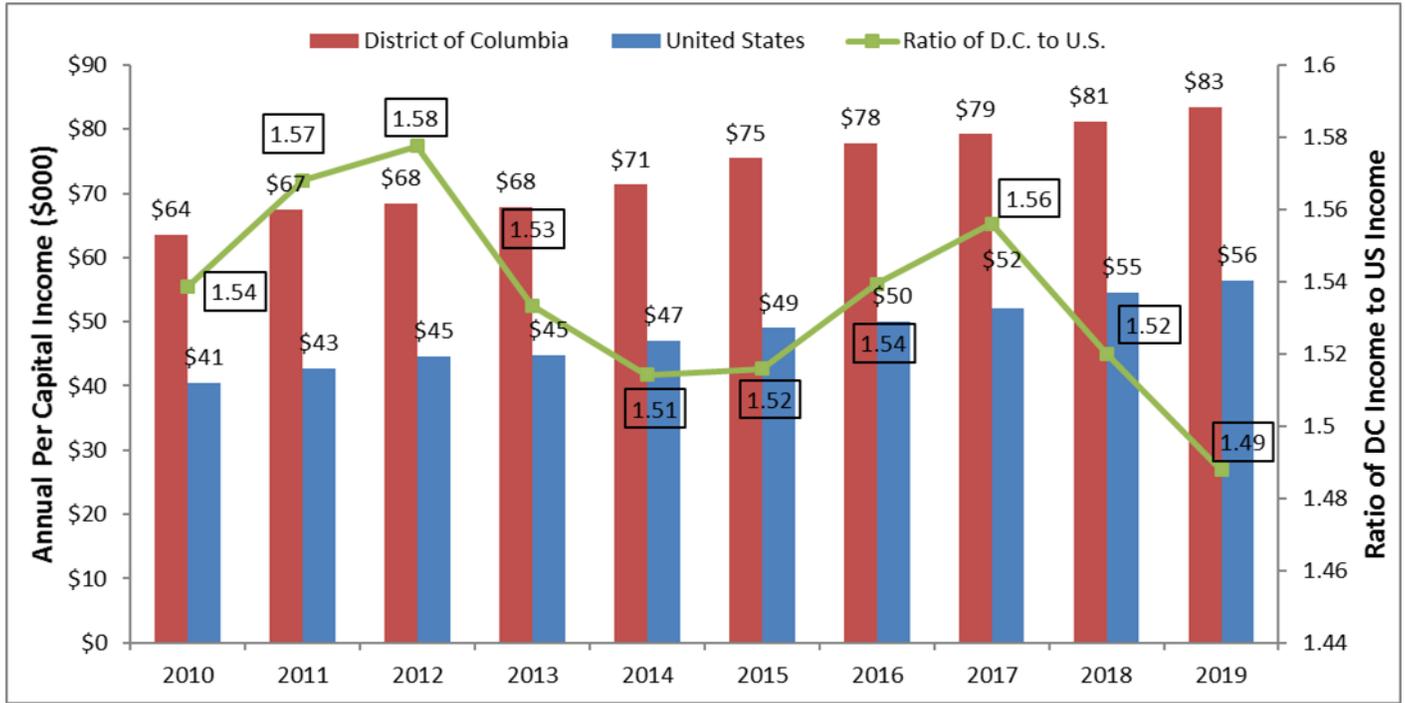
Strong financial planning requires careful monitoring and analysis of various trends and factors that may influence the market place. In this case, the market place for DC Water is the District of Columbia and its surrounding region. DC Water monitors consumption and wastewater flow trends within the customer base, weather patterns, regional income changes, population trends, federal activity in the region, housing starts, office vacancy rates and employment trends. A review of experiences from similar national systems is a useful benchmark assessment. While there are no crystal balls in the area of forecasting water demand, monitoring such data can provide insight into customer behavior and anticipated service demands.

Regional Economy

DC Water's service area has historically been resilient, even during fluctuations in nationwide economic conditions. Employment at the U.S. government and all of the professional and service industry firms that support the federal government have been a steady force through various economic cycles.

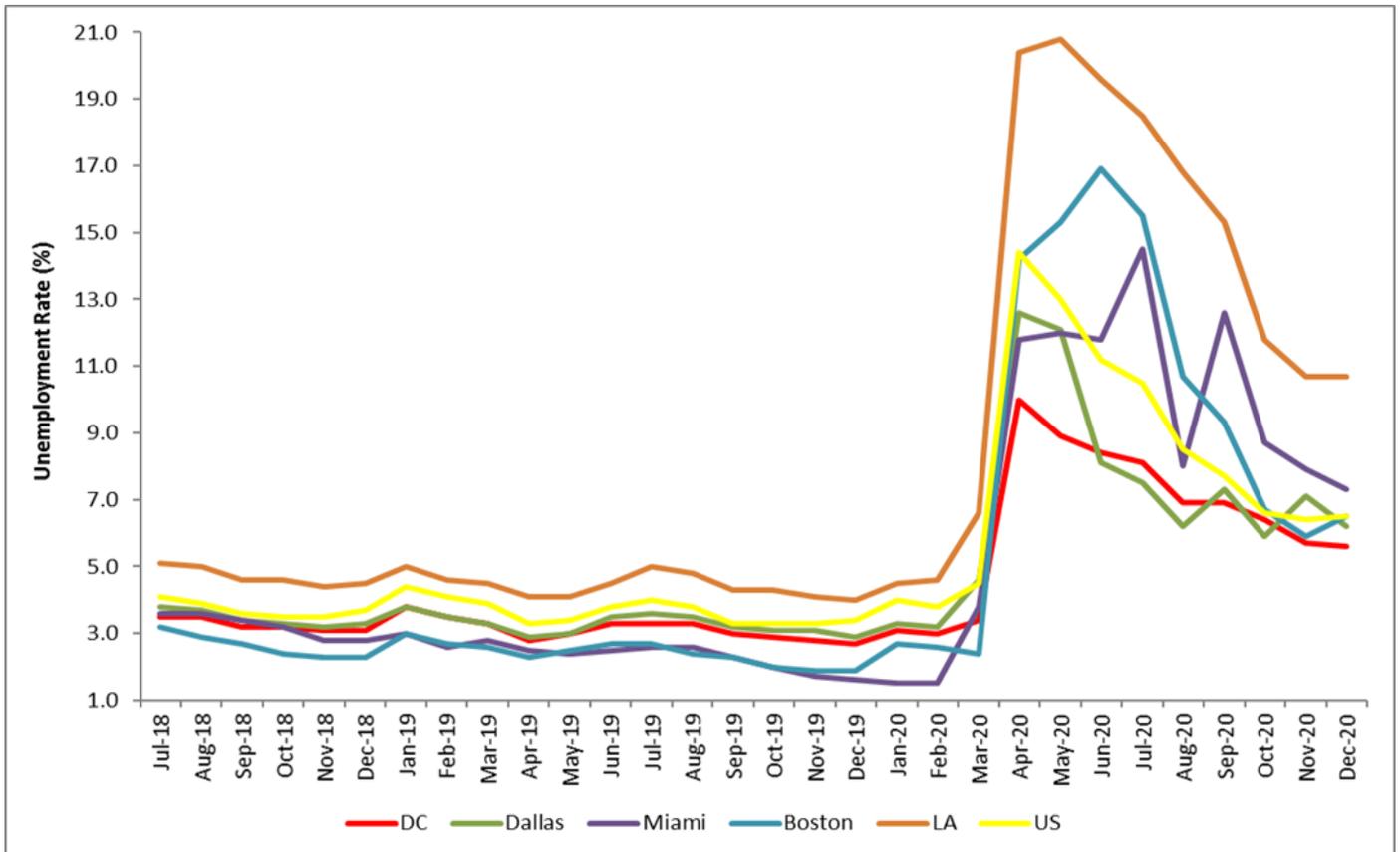
The effects of the recent decline in the federal workforce has been offset to some extent by growth in private sector employment as well as major redevelopment efforts such as Nationals Park and the adjoining area along the Anacostia River. The population of the District grew by over 100,000 people from 2009 to 2019. Per capita incomes within the District and for the region as a whole continue to be higher than the U.S. average. Regional office vacancy rates have increased somewhat in recent years while retail vacancy rates remain low. The strengths of the District are complimented by its highly rated partners: the federal government and wholesale wastewater users. Select demographic charts that follow support the overall positive outlook for the Washington Metropolitan region and its economy.

DC Per Capita Income is Higher than US Average



Source: Bureau of Labor Statistics

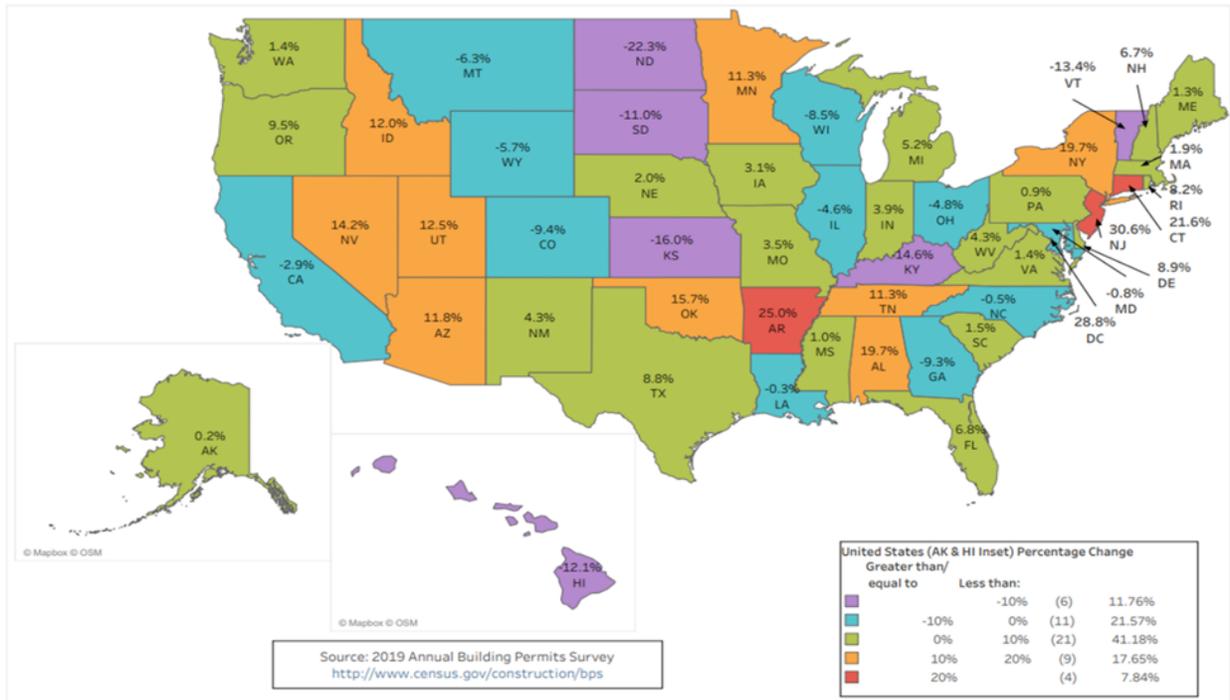
Unemployment Rate in the DC Region Remains Relatively Low



Source: Bureau of Labor Statistics

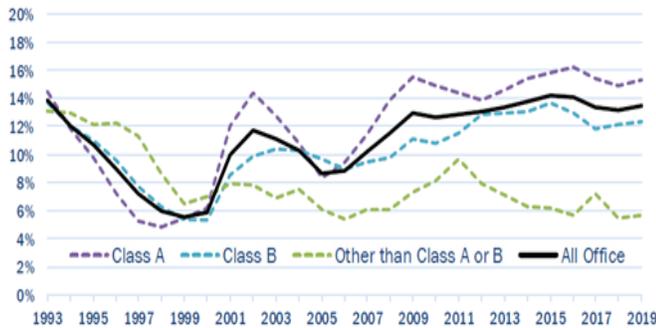
2018 – 2019 Significant Growth in New Housing Permit Issuance in DC

Percent Change from 2018-2019 of New Privately-Owned Housing Units Authorized by State



DC Metro Vacancy Rates are Above Pre-Recession Levels partly due to New Spaces Added to the Market

Vacancy Rate for Office Space
1993 - 2019



Vacancy Rate for Retail Space
1993 - 2019



DC Water’s performance is driven by federal government growth and associated industries, supporting regional growth and diversification.

- Source: Metropolitan Washington Council of Governments, Commercial Construction Indicator Report
- Note: The Metropolitan Washington Council of Governments (COG) is an independent, nonprofit association that brings area leaders together to address major regional issues in the District of Columbia, suburban Maryland, and Northern Virginia.

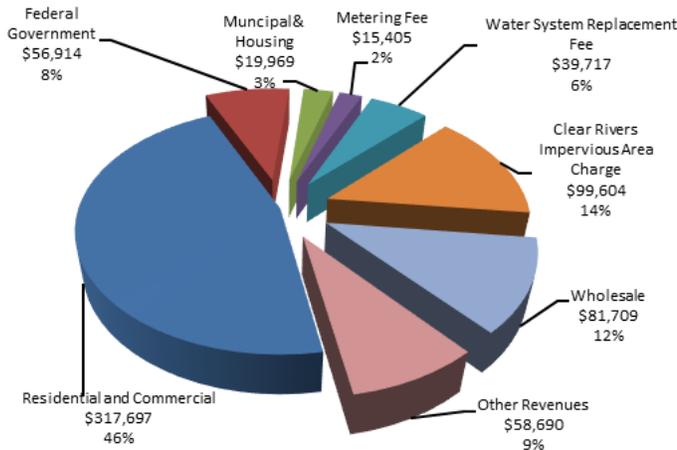
The regional indicators are positive with strong incomes and unemployment below the national level. These factors coupled with stable consumption and the financial strength of the major AAA rated customers helps to ensure the financial success of DC Water.

The DC Water service area includes highly-rated customers

- About 23.0% of the projected FY 2021 revenues came from “AAA” rated entities and are received in advance of service:
 - Federal Government
 - Fairfax County
 - Washington Suburban Sanitary Commission
 - Loudoun County Sanitation Authority
 - District of Columbia

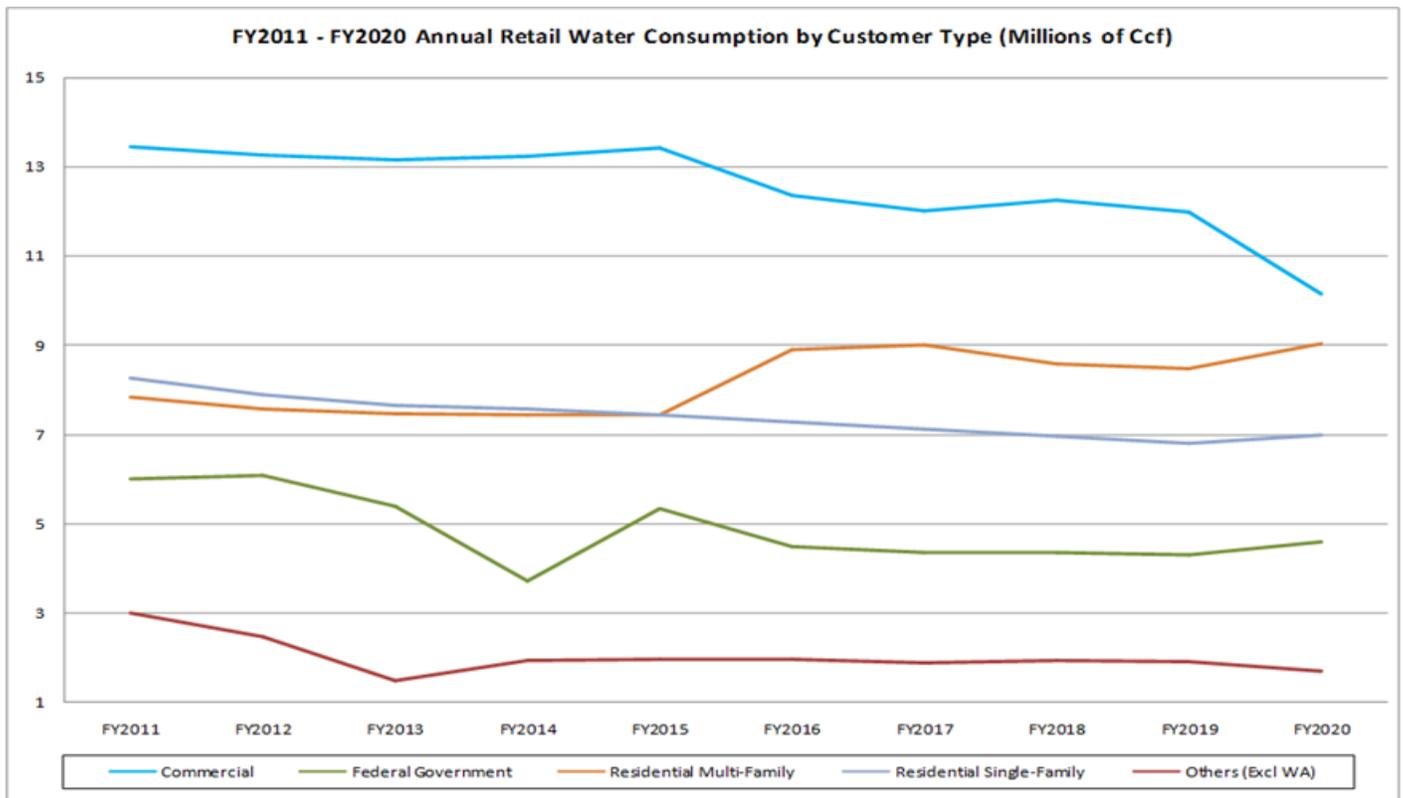
Media reports reference the service area’s economic strength

- "... the DC government finished its 2020 fiscal year with a surplus of more than half a billion dollars... The better-than-expected revenue picture was driven by a 5 percent increase in property tax receipts, a 13 percent jump in corporate franchise tax receipts, and a 3 percent increase in individual income tax receipts ..." Washingtonian, February 2021
- "... Office workers slowly started to make their way back to work over the past three months. The percentage of office workers in their offices went from 5% in the summer to 10% in the fall." WAMU 88.5, November 2020
- "The housing market, particularly in the Washington, D.C. region, was on track for a robust spring... July's report showcased more improvement in the regional market, with the number of pending sales up 12 percent compared with July 2019... August saw sales continue to grow, up 12 percent from the prior year." The Washington Post, October 2020



Customer Demand: A reasonable degree of accuracy in forecasting water demand is important for sound financial planning and rate-setting. The FY 2011 - 2020 actual average decline in usage is 1.9% annually, excluding the Washington Aqueduct. FY 2011 – FY 2020 average annual rate of change in demand for the customer classes: Commercial -3.1%; Federal Government: -2.9%; Single Family: -1.9%; and Other (include Exempt, DC Housing Authority, DC Municipal Government, and DC Water): -6.1%. Multi-Family increased by 1.6% annually.

DC Water Consumption by Customer Type



Source: DC Water

- FY 2020 consumption decreased 2.8%, mostly due to impact of COVID-19 leading to decreases in consumption for Commercial accounts .
- DC Water has typically assumed an annual reduction in water demand of 1.0% in line with historic averages. The Financial Plan assumes an annual retail water consumption decline of 1.5% in 2021 and 1% thereafter. We believe that this estimate is prudent, consistent with peers such as New York and Boston and assures revenue sufficiency for the Authority.