



The Proposed FY 2022 Budget

Presentation to the Board of Directors, February 4, 2021

District of Columbia Water and Sewer Authority



DC Water Headquarters from the Anacostia River

- 💧 Provide an overview of the Proposed Fiscal Year 2022 (FY 2022) Budgets
 - Operating Expenditures
 - Ten-Year Capital Improvement Program
 - Revenues, Rates and Fees
 - Ten-Year Financial Plan
- 💧 Review the budget process and timelines for Committee Reviews, Recommendations and Board Adoption

**Thank you,
Team Blue**



Team Blue confronted the unprecedented challenges and navigated FY 2020 with great success

- 💧 Dedicated Board of Directors
- 💧 Executive Leadership Team set strategic guidance to achieve operational and business initiatives
- 💧 Employees continued commitment to serving our customers
- 💧 Increased outreach to Local Businesses
- 💧 Strong financial performance with credit ratings reaffirmed by Standards & Poor's and Fitch Rating Agencies
- 💧 Received an unmodified (“clean”) audit opinion from our external auditors for the FY 2020 financial statements



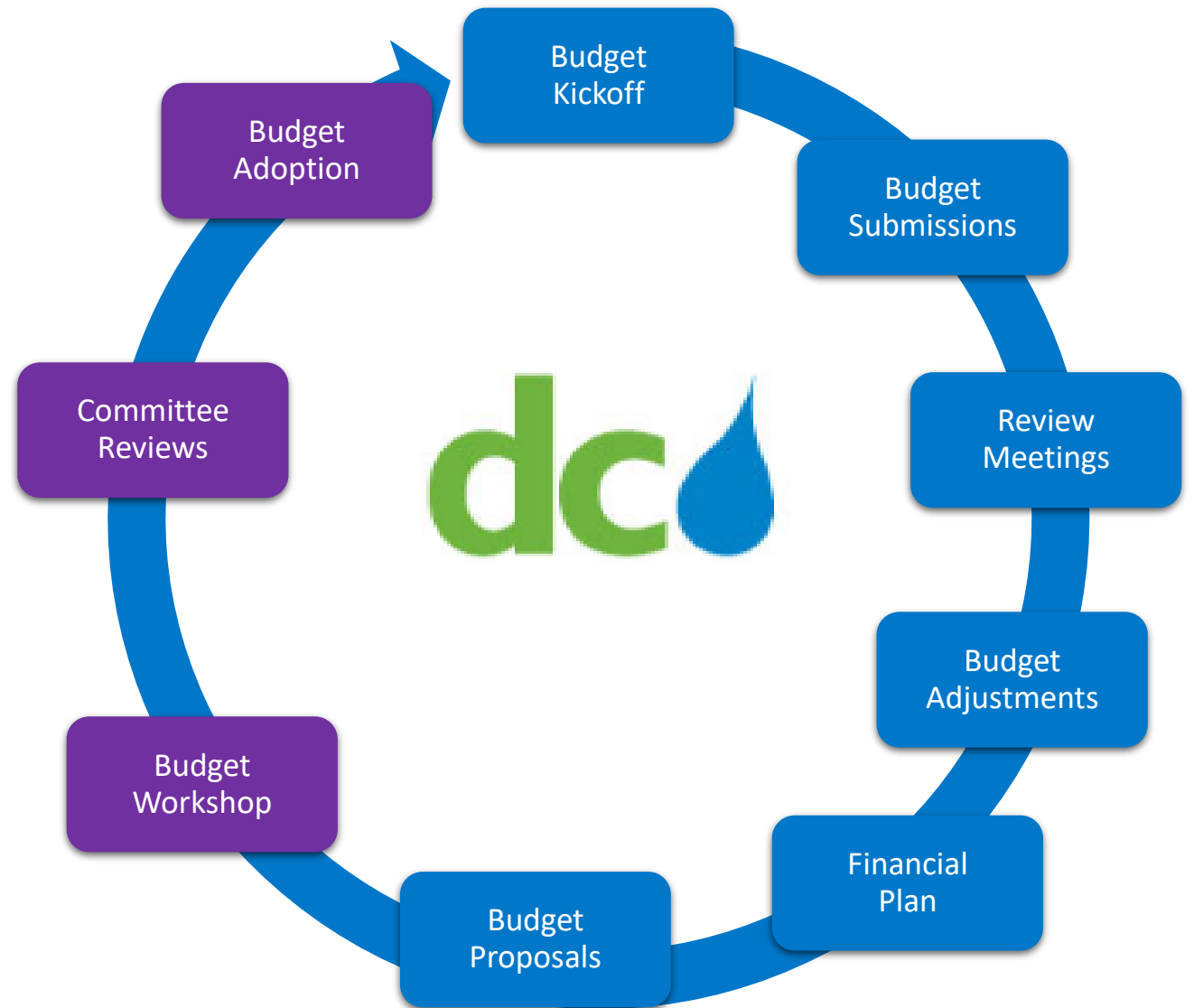
Executive Summary

💧 This budget is:

- FY 2022 Operating Expenditure & Revenue Budgets
- FY 2021 – FY 2030 Capital Improvement Program
- FY 2022 Retail Rates & Fees
- FY 2021 – FY 2030 Financial Plan

💧 Budget Adoption by the full Board on April 1, 2021

💧 Publication of all Budget materials on the website for the public



- 💧 FY 2022 Proposed Operating Budget of \$658.4 million
- 💧 Advances LeadFree DC with the support of two new positions responsible for inspections
- 💧 Expands assistance through a new \$1 million program to reduce water leaks
- 💧 Implements a new comprehensive inspection and maintenance program for small local sewers in FY 2022 for \$0.5 million, with future ramp-up estimated at \$0.9 million
- 💧 Funds eight new positions to reduce continued reliance on consultants for support of Helpdesk, Cyber Security, Automatic Meter Reader Administration, schedulers for capital project planning, hazard mitigation grants, budgeting, and payroll functions
- 💧 Funds \$1.3 million for the maintenance of the Green Infrastructure (GI) facilities to manage stormwater and \$0.7 million for additional security guards needed at the new locations for the Fleet Service and Sewer Service facilities
- 💧 Provides \$720,000 for the Backwater Valve Program through FY 2023 for the installation of backwater valves on private properties in response to the September 10, 2020 storm event
- 💧 Includes \$231.2 million for debt service costs

- 💧 Funds \$476 million in FY 2022 and \$5.4 billion over the ten-year period for infrastructure improvements
- 💧 Prioritizes projects currently under construction, including the Clean Rivers program, and those that leverage outside funds
- 💧 For small diameter water mains, funds replacement of 1.0% small diameter water mains and ramps up to 1.5% replacement per year for small diameter lines in FY 2028 and beyond
- 💧 Ramps up to 1.0% rehabilitation per year for small sewer lines in FY 2024 and beyond, and 1.5% rehabilitation in FY 2031 and beyond
- 💧 Includes \$63.9 million in FY 2022 and \$1.16 billion over the ten-year period for projects at Blue Plains including \$50.9 million for Enhanced Nitrogen Removal Facilities and \$643.4 million for Liquid Processing
- 💧 Continues construction of the new Fleet and Sewer Facilities
- 💧 Advances funding for innovation program initiatives to continue to improve operational efficiencies and/or generate new revenues
- 💧 Funds projects for Washington Aqueduct delayed from prior year due to COVID-19 impact

Operating Revenue Budget

- FY 2021 revenues anticipated to be \$692.3 million or \$41.5 million below adopted revenue budget
- Q1 Results, December 2020, cash receipts totaled \$173.4 million, or 23.6 percent of the FY 2021 budget
- Commercial consumption in FY 2022 and beyond is anticipated to be 15% below last year's forecast

FY 2021 Operating Expenditure Budget

- \$20 million in cost reductions identified, including deliberate hiring process, lower prices for major chemicals, reduced water purchase cost based on consumption decline and various professional services contracts
- Financial Plan for FY 2021 reduced by \$20 million to align with spending targets implemented in response to the COVID-19 impact on revenues

FY 2021 Capital Disbursement Budget

- Proposed amendments to reduce the FY 2021 Capital Budget by \$36.3 million

DC Water's Response to COVID-19 Pandemic

- 💧 Operations modified to protect staff
- 💧 Implemented measures to meet operational requirements and prioritized capital investments
- 💧 Focused on customer
 - Reconnected customers previously disconnected for non-payment
 - Waived late fees
 - Partnered with the District for emergency assistance for those impacted by COVID
 - Paused placing liens during Public Health Emergency
 - Arranged payment plans for customers



💧 **Proposed Operating Budget of \$658.4 million**

- Operations and Maintenance (O&M) budget of \$366.7 million for personnel and non personnel
- Debt Service budget of \$231.2 million and Cash Financed Capital Improvements budget of \$37.8 million
- PILOT & ROW payments to the District of \$22.7 million or an increase of \$0.3 million

💧 **Proposed 10-year Capital Budget of \$5.4 billion**

- Capital Projects – \$4.92 billion for mandated projects, equipment upgrades and rehabilitation at Blue Plains, and continues investments in the aging water and sewer infrastructure
- Capital Equipment – \$336.0 million equipment including pumps, motors, meters, backhoes, jet-vacs, catch basin trucks and other aged vehicles to meet operational needs and completion of the ERP Project in FY 2022
- Washington Aqueduct (WAD) –\$180.1 million for DC Water’s share of WAD’s capital program

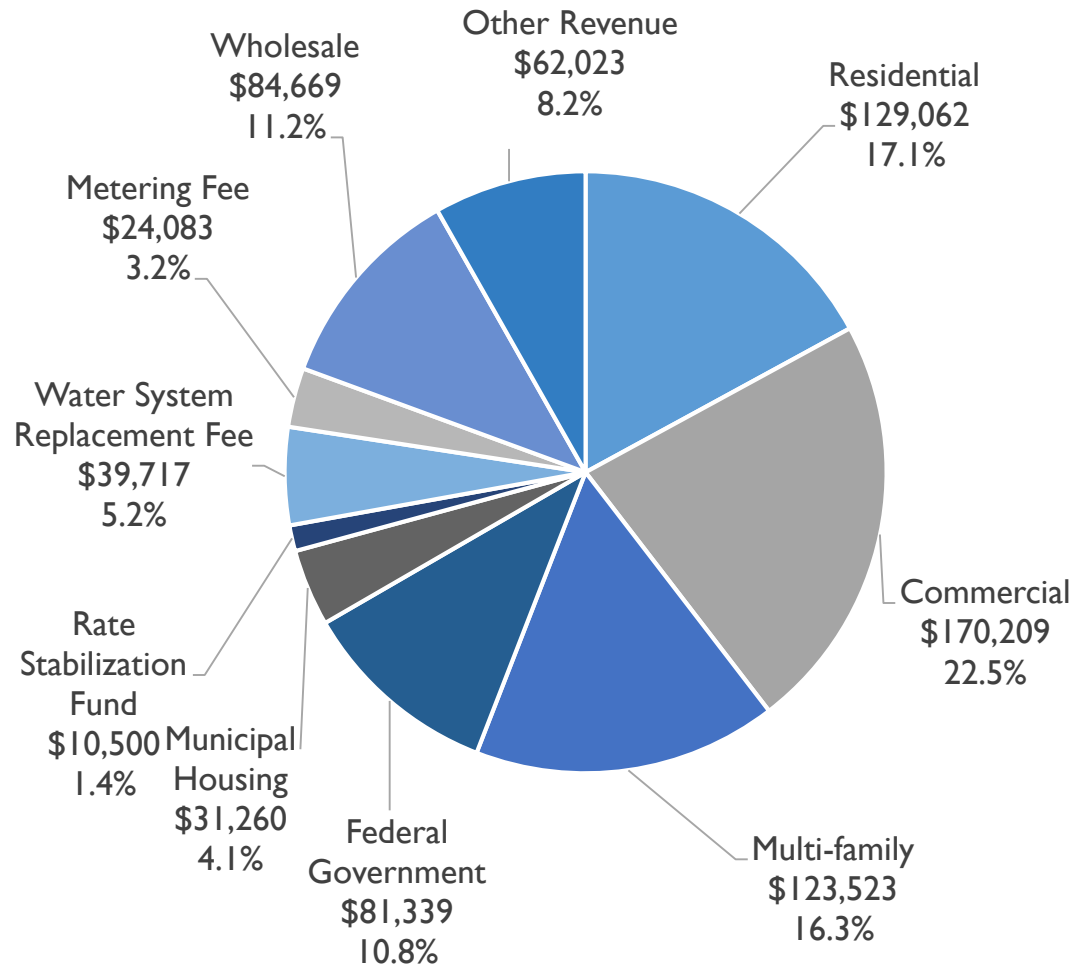
💧 **Includes Previously Approved FY2022 Rates**

- Applies \$10.5 million from the Rate Stabilization Fund
- Completes “shift” of 37% of Clean Rivers costs from the Clean Rivers Impervious Area Charge to the sewer volumetric rate

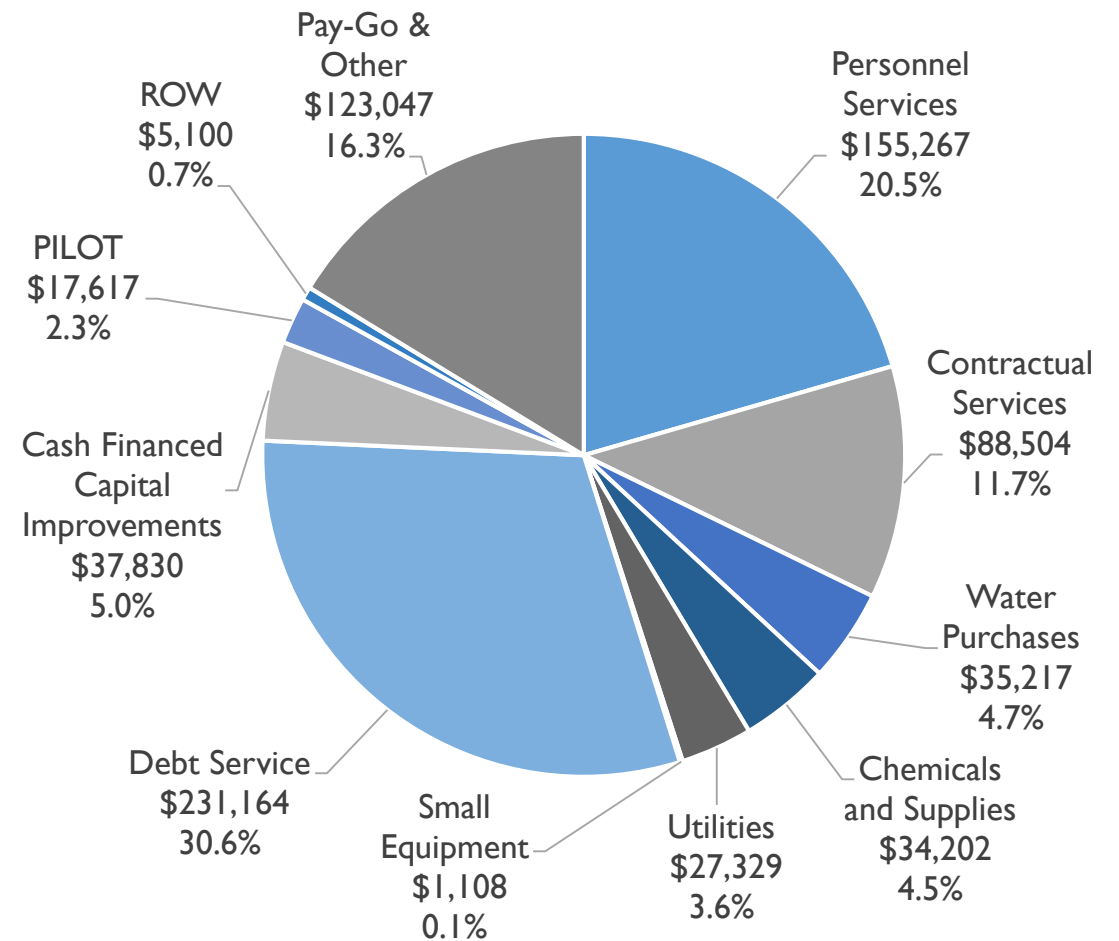
FY 2022 Operating: Sources and Uses of Funds

\$ in thousands

Sources - \$756.4 Million



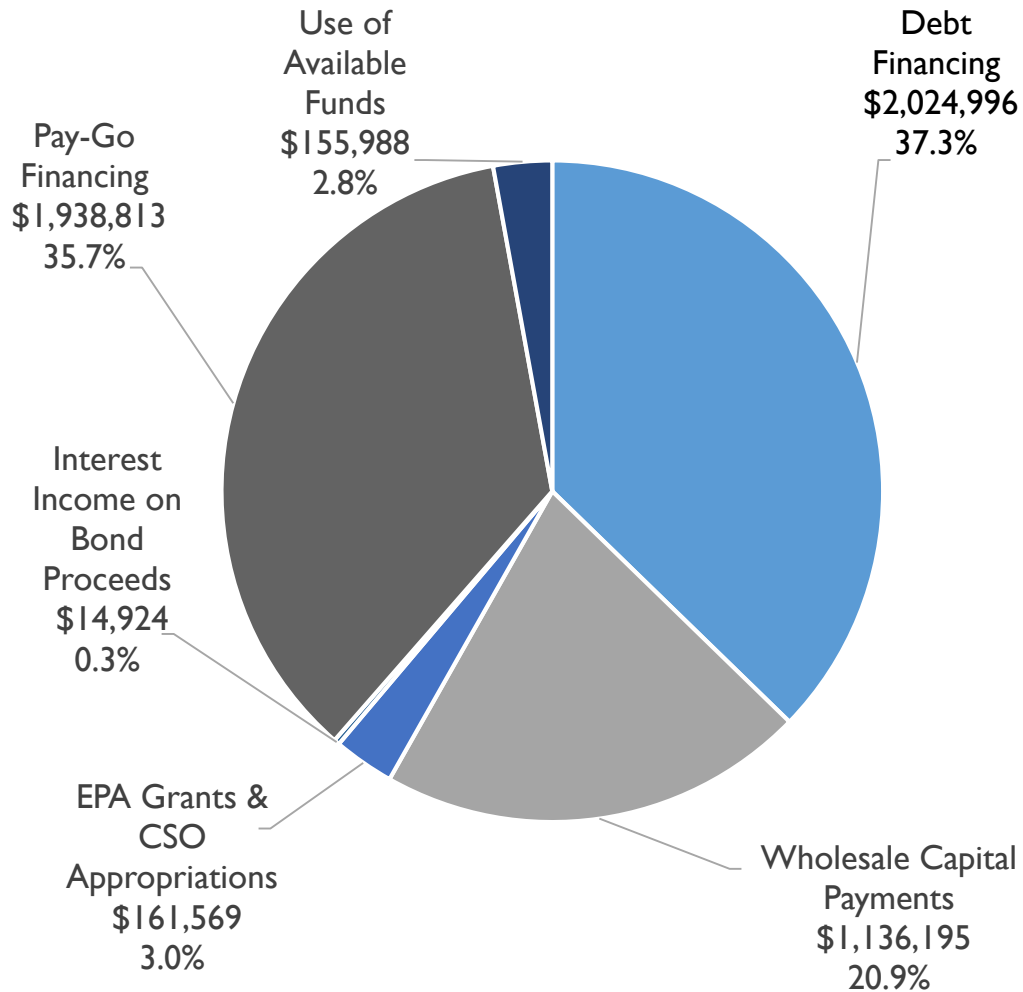
Uses - \$756.4 Million



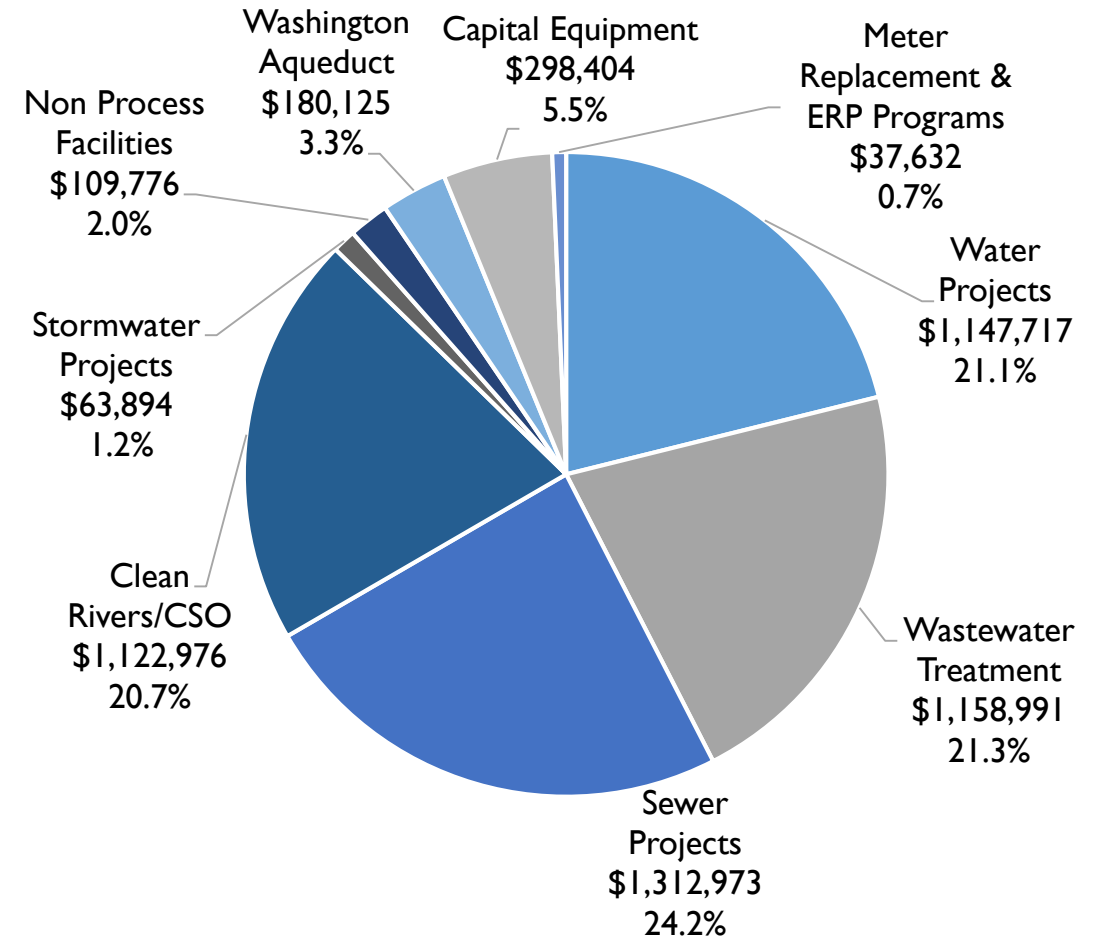
Ten Year CIP: Sources and Uses of Funds

\$ in thousands

Sources - \$5.43 Billion



Uses - \$5.43 Billion



Proposed Capital Improvement Program

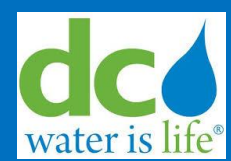
The proposed 10-year disbursements (FY 2021 – FY 2030) of \$5.4 billion continues investment in our aging infrastructure

💧 Capital Construction Projects - \$4.92 billion

- \$1.03 billion fully funds the DC Clean Rivers' project to meet Consent Decree requirements
- Continues investment in the Water Service area to ramp up to the 1.5% of small diameter water mains replacement per year from FY 2028 onwards, ten-year total of \$1.15 billion in Water infrastructure
- Continues investment in the Sewer Service area (note, removed last years increase ramp up to 1.5% small sewer lines replacement from FY 2027 onwards) holds steady at total of \$1.31 billion in Sewer infrastructure
- Deferred multiple projects in the near-term to account for the COVID-19 revenue impacts while continuing with higher priority projects

💧 Additional Capital Programs - \$516.2 million

- \$336.0 million for capital equipment items to meet purchases/replacement of mechanical equipment, operational facilities, vehicle equipment, office renovations, innovation, and information technology infrastructure and systems
- \$180.1 million for DC Water's share of WAD's infrastructure improvements to achieve established service levels



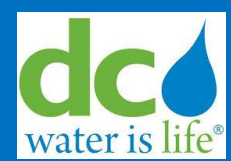
10-Year Engineering CIP Options Compared

Service Area	Approved Baseline \$4.9B (FY2020-2029)	Proposed Baseline \$4.9B (FY2021-2030)	Asset Management \$5.4B (FY2019-2028)	Fully Funded \$5.8B (FY2020-2029)
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	Increased funding to ramp up to 1.5% per year replacement level from FY 2027 onwards. [16.5 mi/year]	Funded to ramp up to 1.5% per year replacement level from FY 2028 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	Increased funding to ramp up to 1.5% per year rehabilitation level from FY 2027 onwards. [26 mi/year]	Funded to ramp up to 1% per year rehabilitation level [17.5 mi/year] by FY 2024	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

‘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 *Vertical Stormwater assets

- 💧 Prioritizes projects currently under construction, including the Clean Rivers program, and those that leverage outside funding opportunities
- 💧 Overall capital disbursement budget reduced by \$36.3 million in FY 2021 and \$134.9 million in FY 2022 compared to the annual levels in last year's Board-approved Capital Improvement Program
 - Deferred some of the projects at Blue Plains, including; Effluent Filter Upgrade, Filtration/Disinfection Facilities, Biosolids Rehabilitation, Solids Processing Building, Headworks Influent Structures, Electric Power System Switch Gear Upgrade and Solar Project Phase 2
 - Deferred some of the projects under the Water & Sewer programs including; portions of the Small Diameter Water Mains program, Large Diameter Water Main replacement #3, Bryant St PS Spill Header, Ft. Stanton Reservoir No. 2 Abandonment



The Capital Improvement Program

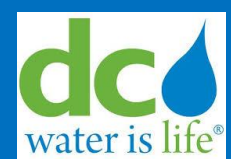
- The planned ramp-up in the approved CIP Baseline has been deferred due to COVID-19 revenue impacts. Approximately \$171 million deferred from FY 2021/2022 to FY 2023 and beyond
- The proposed lifetime budget is \$12.13 billion and covers total commitments, including labor, for active projects prior to, during, and beyond the ten-year window

\$ in 000's

	FY 2021 - FY 2030 Proposed Disbursement Plan										10-yr Total	Last Year's CIP	(Increase)/Decrease	Lifetime Budget
	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030				
NON PROCESS FACILITIES	\$38,004	\$12,725	\$21,321	\$22,204	\$6,350	\$5,262	\$3,066	\$844	\$0	\$0	\$109,776	\$137,479	\$27,703	\$210,031
WASTEWATER TREATMENT	78,992	63,922	97,737	119,659	107,822	139,953	133,832	127,553	133,746	155,775	1,158,991	1,049,252	(109,739)	3,475,135
COMBINED SEWER OVERFLOW	170,842	165,276	126,598	77,962	77,216	157,621	104,808	91,414	124,593	26,645	1,122,976	1,311,366	188,390	2,979,072
STORMWATER	5,931	9,228	7,209	5,109	6,328	5,297	5,089	7,718	5,057	6,928	63,894	58,690	(5,204)	121,310
SANITARY SEWER	50,547	75,437	94,116	126,383	130,552	182,891	214,243	166,734	138,047	134,024	1,312,973	1,228,922	(84,052)	2,095,695
WATER	75,362	100,209	119,090	112,118	122,534	122,944	126,693	129,781	118,831	120,155	1,147,717	1,136,112	(11,605)	2,346,963
CAPITAL PROJECTS	419,678	426,797	466,072	463,435	450,803	613,968	587,731	524,044	520,274	443,526	4,916,327	4,921,821	5,493	11,228,206
CAPITAL EQUIPMENT	36,207	36,019	36,611	28,578	33,103	33,103	33,103	33,103	33,103	33,103	336,036	333,015	(3,021)	336,036
WASHINGTON AQUEDUCT	15,382	13,324	37,903	8,414	16,012	34,208	11,240	10,919	18,885	13,838	180,125	195,178	15,053	180,125
ADDITIONAL CAPITAL PROGRAMS	51,589	49,343	74,513	36,992	49,115	67,312	44,344	44,023	51,988	46,942	516,161	528,193	12,032	516,161
LABOR													-	388,747
TOTAL CAPITAL BUDGETS	471,267	476,140	540,585	500,427	499,918	681,280	632,075	568,067	572,262	490,468	5,432,489	5,450,013	17,524	12,133,115
Last Years CIP	507,590	611,008	531,323	438,195	461,193	580,092	589,978	628,404	650,006	-	5,450,013	5,450,013	17,524	12,390,598
(Increase)/Decrease	\$36,323	\$134,868	(\$9,262)	(\$62,232)	(\$38,725)	(\$101,188)	(\$42,096)	\$60,338	\$77,744	(\$490,468)	\$17,524	-	-	\$257,483

The CIP balances financial and affordability concerns with additional investment in our assets that begin to address aging water and sewer infrastructure during this 10-year period

- **DCCR – No change to overall lifetime budget, 10-year \$174 million decrease**
 - \$151 million decrease due to the delta between the dropped year FY 2020 (\$162 million) and added year, FY 2030 (\$11 million)
 - \$23 million decrease in spending forecast due to cost adjustment from the FY 2020 planned/actual disbursement delta
- **Wastewater – \$110 million increase to 10-year**
 - \$78 million increase due to the delta between dropped year FY 2020 and added year, FY 2030
 - \$32 million increase due to budget and schedule adjustments in existing and new Projects
- **Sewer – \$84 million increase to 10-year**
 - \$89 million increase due to the delta between dropped year FY 2020 and added year, FY 2030
 - \$5 million decrease due to schedule adjustments in existing and new projects
- **Water – \$12 million increase to 10-year**
 - \$58 million increase due to the delta between dropped year FY 2020 and added year, FY 2030
 - \$46 million decrease due to schedule adjustments in existing and new projects
- **Non-Process – \$28 million decrease to 10-year**
 - \$42M decrease due to the delta between the dropped year FY 2020 and added year, FY 2030
 - \$14M increase mainly due to FY 2020 underspending moving into FY 2021

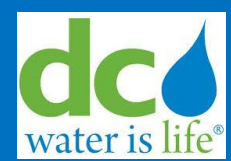


Prioritization of Spending – Capital Projects

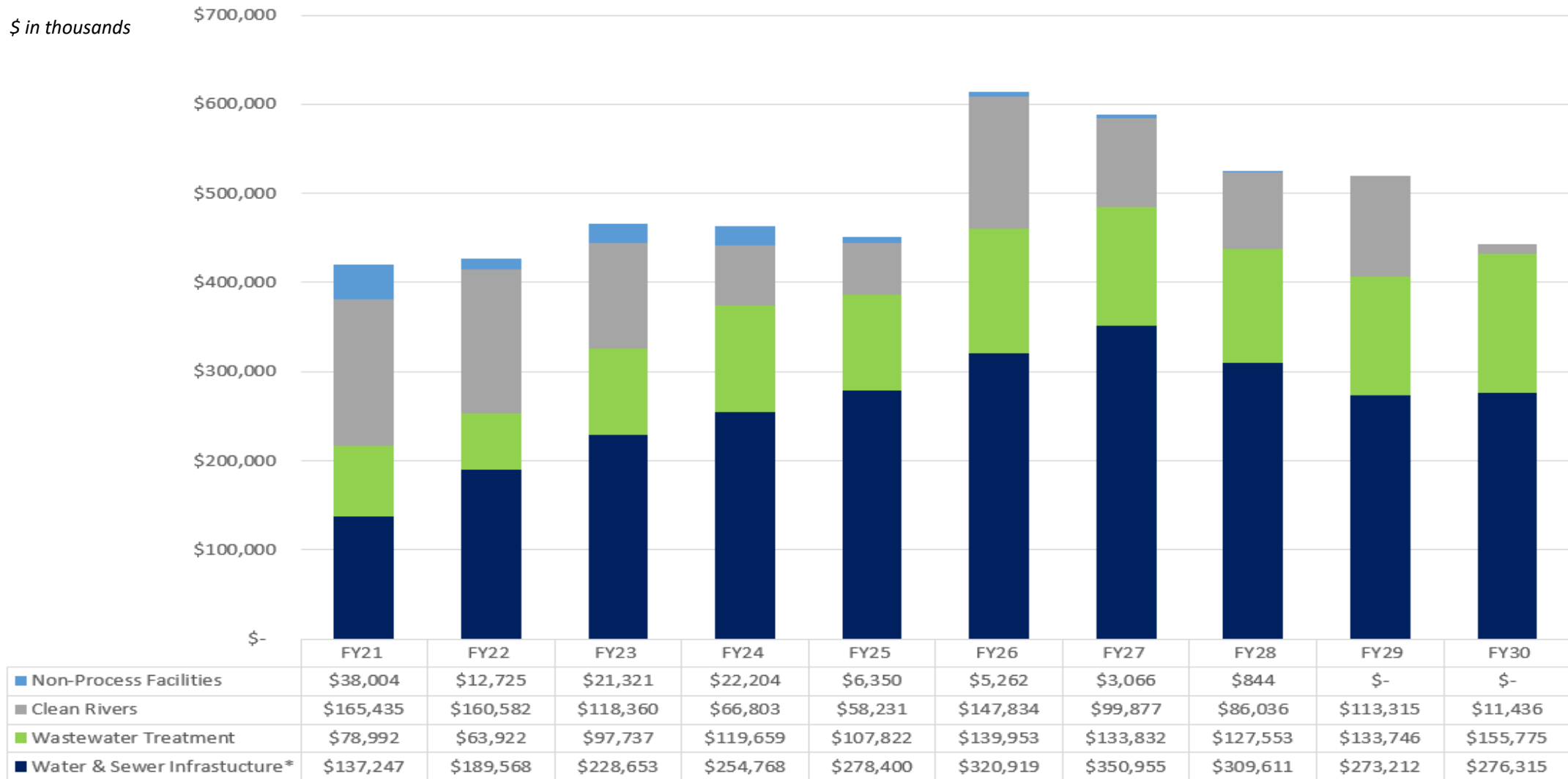
Proposed Baseline CIP



	1A		2A	2B	2C	2D	3A		3B	
	Mandates		Health & Safety	Board Policy	Potential Failure	High Profile Good Neighbor	Good Engineering High Payback		Good Engineering	
	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		Need to fulfill Mission and upgrade Facilities (Lower priority Projects)	(\$000's)
FY 2021	170,417	41%	5,459	76,575	26,600	1,689	78,129	19%	60,387	\$419,678
FY 2022	160,270	38%	11,398	70,078	23,517	233	101,947	24%	59,132	\$426,797
FY 2023	118,064	25%	9,690	79,481	23,081	403	126,337	27%	108,463	\$466,072
FY 2024	67,097	14%	4,969	57,844	32,044	1,488	154,699	33%	144,861	\$463,435
FY 2025	58,499	13%	7,288	67,563	38,764	902	171,962	38%	105,826	\$450,803
FY 2026	147,834	24%	22,029	60,258	44,482	-	213,879	35%	125,487	\$613,968
FY 2027	99,877	17%	25,742	61,311	40,443	61	218,848	37%	141,448	\$587,731
FY 2028	86,036	16%	9,822	63,142	23,196	202	193,864	37%	147,782	\$524,044
FY 2029	113,315	22%	1,271	68,984	19,200	215	170,638	33%	146,650	\$520,274
FY 2030	11,436	3%	3,347	69,615	28,173	2,571	160,015	36%	168,369	\$443,526
Total	\$1,032,845		\$101,015	\$674,851	\$299,500	\$7,763	\$1,590,316		\$1,208,404	\$4,916,327
% of Total	21.0%		2.1%	13.7%	6.1%	0.2%	32.3%		24.6%	



10-Year CIP Engineering Capital Projects (cont.)



- Cash disbursements basis

* Includes the following Service Areas: Water, Sanitary Sewer, Stormwater, and non-Clean Rivers portion of Combined Sewer Overflow

DC Clean Rivers (\$1,028 million)

- Anacostia LTCP Projects (\$326 million)
- Potomac LTCP Projects (\$476 million)
- Rock Creek LTCP Projects (\$225 million)

Wastewater Blue Plains (\$1,159 million)

- Enhanced Nitrogen Removal Facilities (\$51 million)
- Liquid Processing (\$643 million)
- Solids Processing (\$195 million)
- Plantwide (\$269 million)

Water Program (\$1,148 million)

- Water Distribution System (\$786 million)
- Lead Free DC Program (\$58 million)
- Water Ongoing (\$154 million)
- Water Pumping Facilities (\$43 million)
- Water Storage Facilities (\$55 million)
- Water Program Management (\$52 million)

\$'s – Projected FY 2021 – FY 2030 Disbursements



T Street - Soldier Pile Installation DCCR



SDWM unlined Cast Iron pipe



Blue Plains Gravity Thickener Upgrades

Water Sewer Program (\$1,313 million)

- Sanitary Collection Sewers (\$305 million)
- Sewer Ongoing (\$139 million)
- Sanitary Pumping Facilities (\$146 million)
- Sanitary Interceptor/Trunk/Force Sewers (\$642 million)
- Sewer Program Management (\$81 million)

Water Non-Process (\$110 million)

- Main & O Redevelopment Efforts (\$36 million)
- Roof and HVAC Replacements (\$15 million)
- Historic Building Restoration (\$15 million)
- Main & O Seawall Restoration (\$12 million)
- Bryant St Pump Station Building Mods (\$16 million)
- COF/CMF Renovations (\$5 million)
- Floatable Debris Dock Replacement (\$5 million)

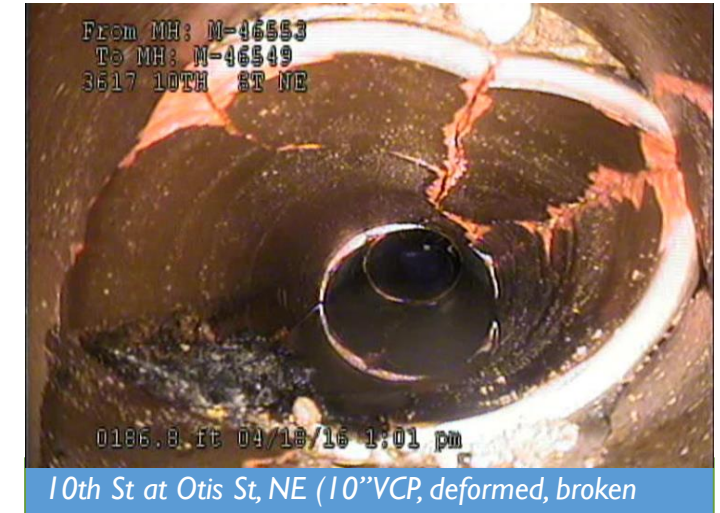
Water Combined Sewer Overflow (\$95 million)

- Pump Station & Facilities (\$67 million)
- Large Sewers (\$28 million)

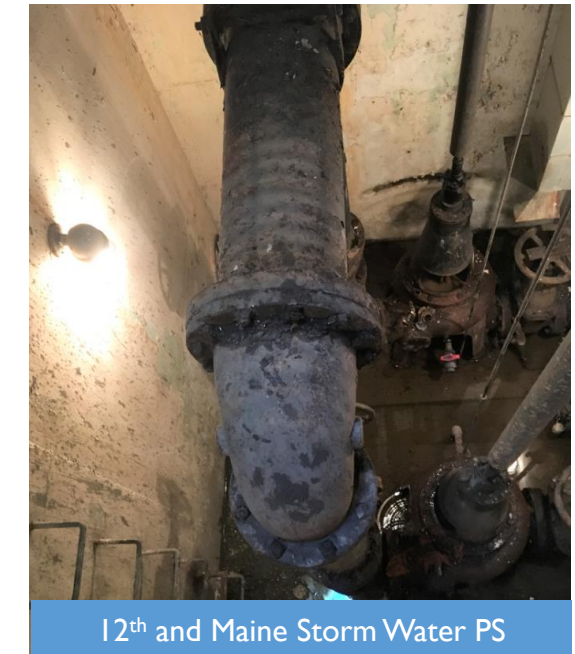
\$'s – Projected FY 2021 – FY 2030 Disbursements



Potomac Pump Station Pump 5 Impeller removal



10th St at Otis St, NE (10" VCP, deformed, broken)



12th and Maine Storm Water PS

💧 Regulatory: TMDL / Consent Decree/ Permitting

- E. Coli Total Maximum Daily Load (TMDL) – lawsuit by environmental groups seeking more restrictive TMDL
- EPA/DOEE/MDE developing ‘new’ Anacostia River ‘Zero Trash’ trash TMDL
- Chesapeake Bay TMDL – Phase 3 Watershed Implementation Plans being prepared, possible nutrient TMDLs reassessment
- MS4 permit – rehabilitation of Stormwater Outfalls (on NPS Property), total scope and cost unknown (currently \$5 million approved)
 - National Parks Service permitting requirements for sewer outfalls
- Potential permit (TMDL) requirements for unregulated contaminants, e.g. Polychlorinated Biphenyls (PCBs), and polyfluoroalkyl substances (PFAS)
- Sanitary Sewer Overflows (SSO) – Risk of SSO Consent Decree
- Climate change Impacts - DOEE proposed regulations on 500-year floodplain: Geographic boundary enlargement, elevation increase
- Climate change impacts – LTCP system capacity
- Climate change impacts – Storm drainage system and pumping undersized if storm intensities increase

Blue Plains Process Optimization & Revenue Opportunities

- Full Plant Deammonification
- Additional capacity for Digesters, Thermal Hydrolysis and Combined Heat and Power
- Resource Recovery (Sludge Drying, Renewable Natural Gas, CHP Waste Heat)
- Bloom Marketing

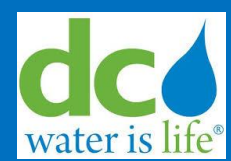
Washington Aqueduct

- Potential Privatization of the Washington Aqueduct
- Federally Owned Water Main Repairs (\$86 million, all DC Water)
- Travilah Quarry Acquisition & Outfitting
(Current discussion in range of \$750 million to \$1 Billion, cost sharing unknown)
- Advanced Treatment Facilities (\$375 million, DC Water share = \$280 million)
- Transmission and Storage upgrades (\$300 million, DC Water Share = \$225 million)

Other:

- COVID-19 impacts to construction costs, availability of resources, impacts to revenue and decrease of CIP funding
- Lead Free DC Program: Lead Service Replacement Program – time frame
- National Park Service allowing sewers on Park Service Property
- DDOT and Pepco DC Power Line Undergrounding (DC PLUG) – impact to DC Water infrastructure / liability
- Pepco Central Grid Project – impact to DC Water infrastructure / liability
- Condition assessment of hidden aging infrastructure could lead to significant additional CIP needs for as yet unidentified needed repairs at large watermains and sewers, and vertical facilities
- Odor control for secondary treatment at Blue Plains: JBAB concerns, environmental justice concerns
- Increasing concerns from neighbors at Main PS/HQO campus

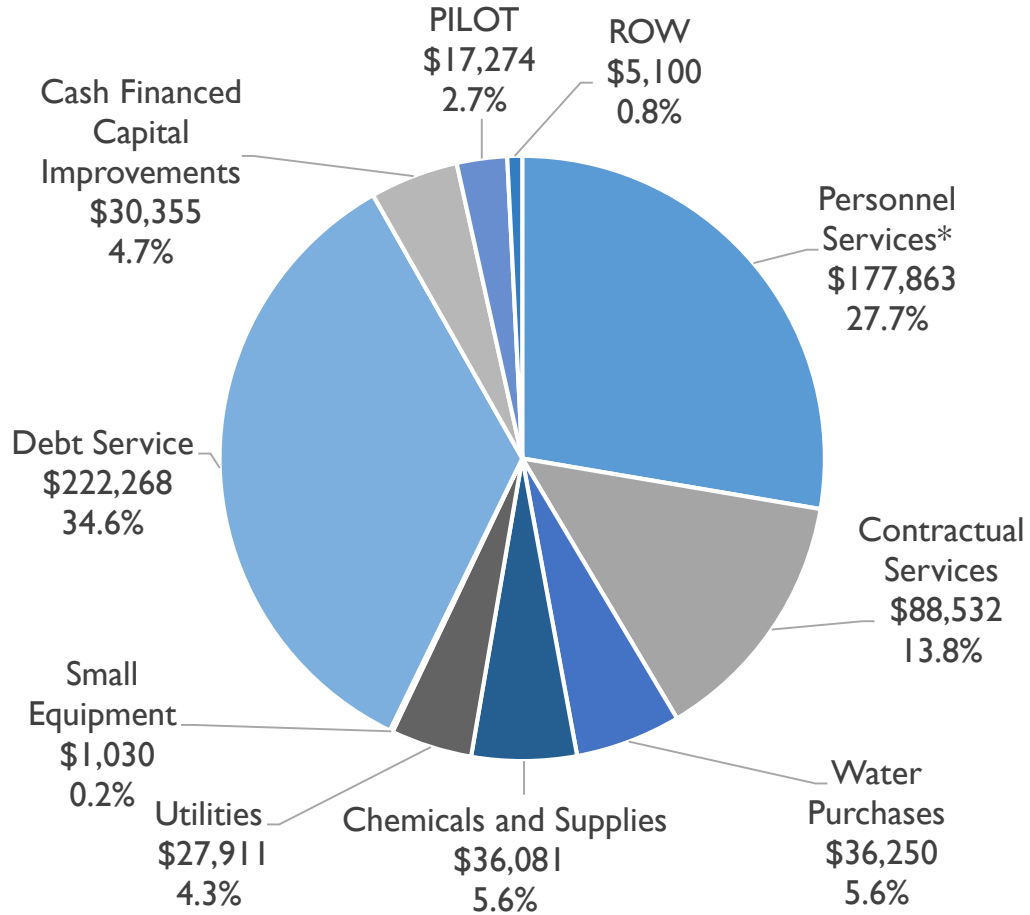
Operating Expenditure



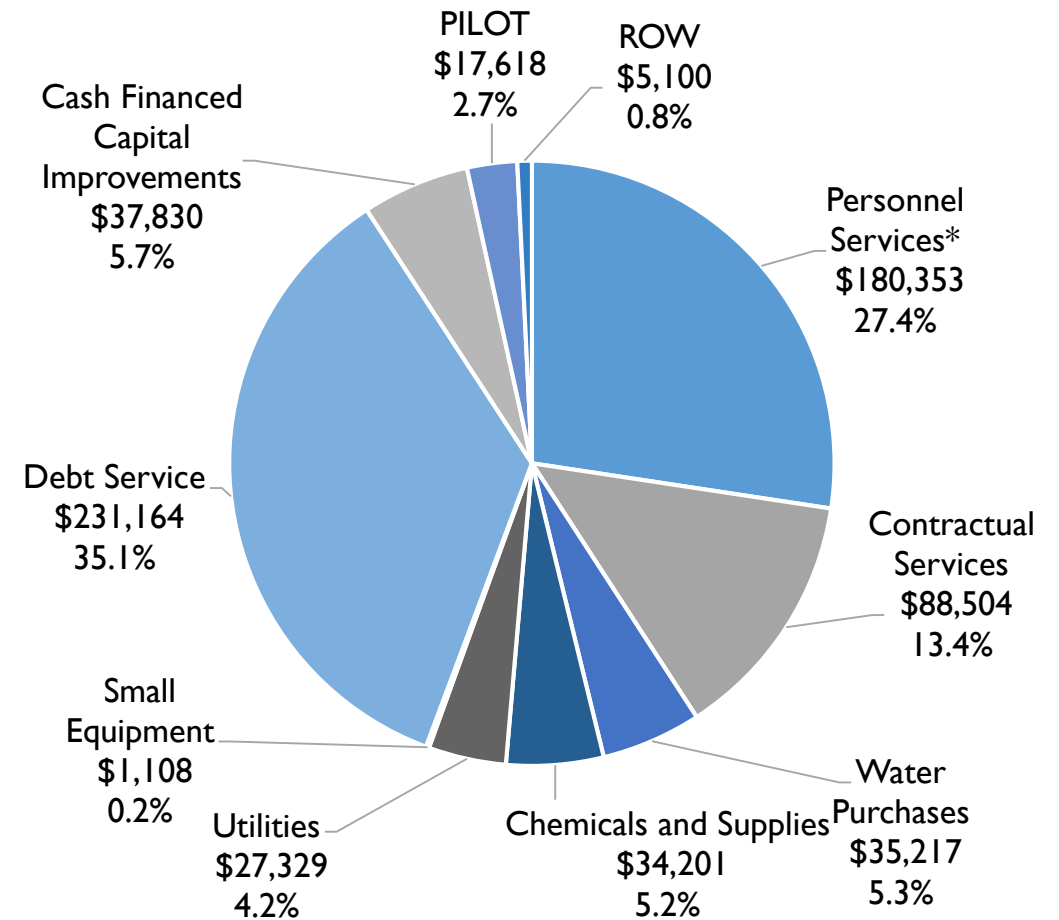
FY 2021 vs. FY 2022 Expenditure Budgets

\$ in thousands

Approved FY 2021 \$642,663



Proposed FY 2022 \$658,423

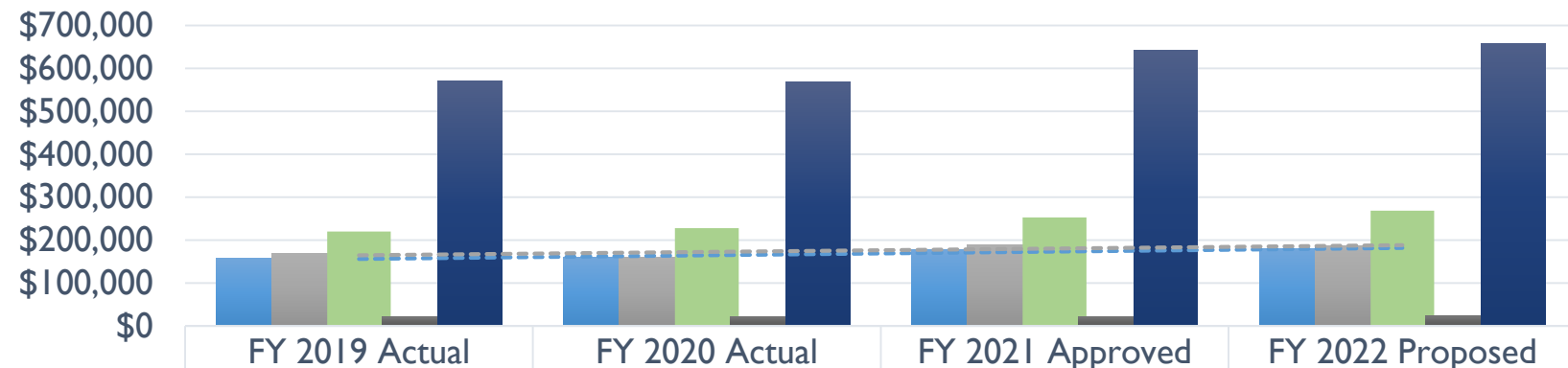


* Personnel Services includes capital labor charges

- 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 2022
- Overall budget is \$22.6 million below previous financial plan forecast for FY 2021

Annual Operating Expenditures

\$ in thousands



	FY 2019 Actual	FY 2020 Actual	FY 2021 Approved	FY 2022 Proposed
Personnel Services	\$157,979	\$159,244	\$177,863	\$180,353
Non-personnel Services	\$170,125	\$160,368	\$189,804	\$186,359
Non O&M	\$220,034	\$227,612	\$252,623	\$268,994
District Payments	\$21,702	\$22,034	\$22,372	\$22,718
Total Operating Expenditure	\$569,840	\$569,258	\$642,663	\$658,423

Comparison by Cost Category

- Total Operations & Maintenance expenditure is projected to decrease by \$0.95 million or 0.3%
- Overall Operating Expenditure is projected to increase by \$15.8 million or 2.5%

(\$000's)	FY 2020 Revised	FY 2020 Actual	FY 2020 Variance	FY 2021 Approved	FY 2022 Proposed	(Increase)/Decrease	
Regular Pay	\$ 123,293	\$ 116,480	\$ 6,813	\$ 127,675	\$ 132,146	\$ (4,471)	-3.4%
Benefits	39,303	35,930	3,373	42,034	40,064	1,970	4.9%
Overtime	8,084	6,835	1,249	8,154	8,143	11	0.1%
Total Personnel Services	170,680	159,245	11,435	177,863	180,353	(2,490)	-1.4%
Chemical & Supplies	33,157	28,659	4,498	36,081	34,201	1,880	5.5%
Utilities	26,953	24,705	2,248	27,911	27,329	582	2.1%
Contractual Services	81,886	74,503	7,383	88,532	88,504	28	0.0%
Water Purchases	34,929	31,696	3,233	36,250	35,217	1,033	2.9%
Small Equipment	989	806	183	1,030	1,108	(78)	-7.0%
Total Non-Personnel Services	177,914	160,369	17,545	189,804	186,359	3,445	1.8%
Total Operations & Maintenance	348,594	319,614	28,980	367,667	366,711	956	0.3%
Debt Service	207,340	199,056	8,284	222,268	231,164	(8,896)	-3.8%
PILOT & ROW	22,034	22,034	-	22,372	22,718	(346)	-1.5%
Cash Financed Capital Improvements	28,556	28,556	-	30,355	37,830	(7,475)	-19.8%
Total Non-O& M	257,930	249,646	8,284	274,995	291,712	(16,717)	-5.7%
Total Operating Expenditure	606,524	569,260	37,264	642,662	658,423	(15,761)	-2.4%
Capital Labor Charges	(22,748)	(24,382)	1,634	(24,382)	(25,086)	704	-2.8%
Net Operating Expenditure	583,776	544,878	38,898	618,280	633,337	(15,057)	-2.4%

💧 **Personnel Services – \$180.4 million or increase of \$2.5 million**

- *Regular Pay* – The increase of \$4.5 million includes funding requirements for the merit increase consistent with the union agreement, Apprenticeship program for 14 apprentices, and ten new positions. Additionally, funding for vacancies were rightsized from estimated vacancy rate of 3% in FY 2021 to 5.4% in FY 2022, thereby reducing the overall personnel costs
- *Benefits* – The decrease of \$2 million compared to FY 2021 is mainly from the reduced vacancy funding and lower employee health benefits
- *Overtime* – Relatively flat at \$8.1 million compared to FY 2021 level and is consistent with historical spending trends required for emergency repairs of our aging infrastructure

💧 **Chemicals & Supplies – \$34.2 million or decrease of \$1.9 million**

- *Chemicals* – \$1.9 million decrease in fixed costs for major chemicals (methanol, sodium bisulfite and ferric chloride) used in the wastewater treatment process
- *Supplies* – Relatively flat compared to FY 2021 level and consistent historical trends for purchases of parts, and uniforms and shoes for our working crews as required by the union agreement

💧 **Utilities – \$27.3 million or decrease of \$0.6 million**

- *Electricity* – \$0.1 million decrease for energy needed to operate the Plant, Pump Stations and Operational facilities. Onsite electric generation of 6MW from the Combined Heat & Power Facility continues to reduce energy costs and our reliance on the power grid
- *Water Usage* – Net decrease of \$0.4 million in water usage on the Plant was from changes made in the treatment process and comparatively reduced flow on the Plant
- *Fuel* – \$0.1 million decrease as a result of recent reduction automotive fuel market prices

💧 **Water Purchase – \$35.2 million or decrease of \$1.0 million**

- DC Water purchases drinking water from the Washington Aqueduct and is responsible for approximately 75% of the Aqueduct's operating costs
- Decrease reflects continued decline in water demand

💧 **Small Equipment – \$1.1 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.

- Overall FY 2022 contractual services budget of \$88.5 million remains relatively flat compared to FY 2021 level
- Approximately 64% of the FY 2022 contractual services budget is for infrastructure maintenance, legal and compliance requirements

\$ in thousands

- Facility & Security Management* - Increases needed for security guards, janitorial services, fire suppression and detection activities
- Legal, Compliance & Strategic* - Covers litigation contingency, innovation and other strategic programs e.g. Executive & Board Leadership
- Professional Services* - Includes funding for the new programs (leak repairs, Backwater Valve Program, inspection of small local sewers and the maintenance of the Green Infrastructure (GI) facilities), offset by reduced reliance on consultants with the in-sourcing proposals
- Environmental Impact Bond* - Based on the effectiveness of GI in managing stormwater

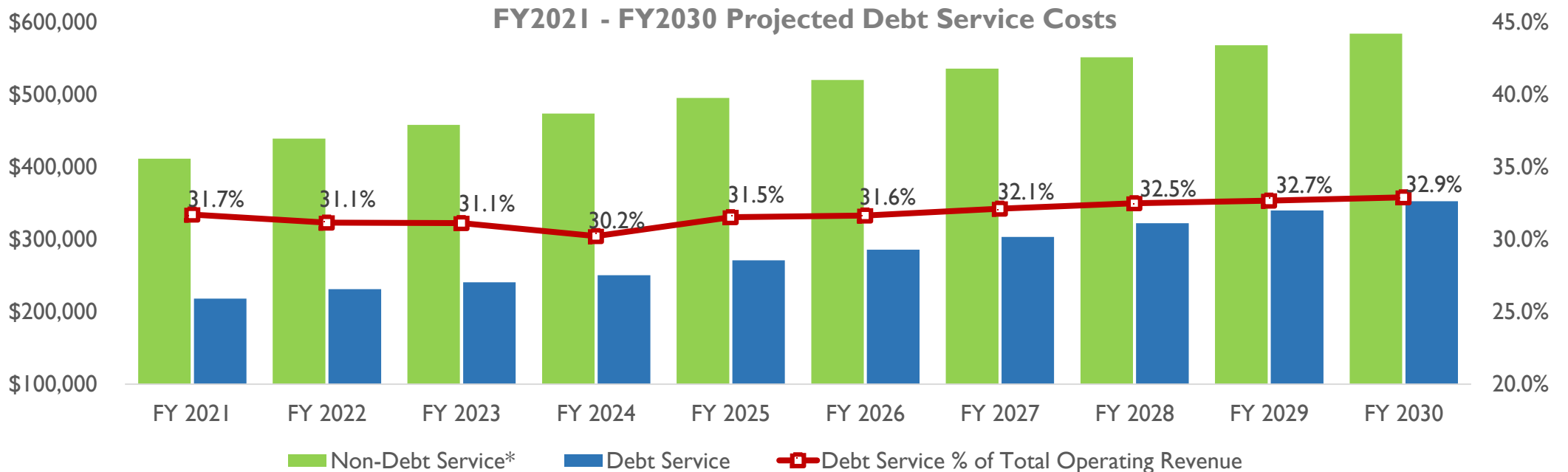
Category	FY 2021 Approved	FY 2022 Proposed	(Increase)/ Decrease	% of Total FY 2022
Maintenance & Repairs - Wastewater, Water & Sewer Systems	\$ 13,114	\$ 13,227	\$ (112)	15%
Maintenance & Repairs - Automotive	4,210	4,544	(335)	5%
Maintenance & Repairs - Others	1,188	1,048	140	1%
Combined Heat & Power - Operations & Maintenance Cost	4,845	5,034	(189)	6%
Biosolids & BLOOM Related	4,857	4,541	316	5%
Facility & Security Management	8,571	9,946	(1,375)	11%
Legal, Compliance & Strategic	13,310	14,873	(1,563)	17%
Insurance Premiums	3,202	3,558	(356)	4%
Subtotal - Infrastructure Maintenance, Legal and Compliance	53,297	56,771	(3,475)	64%
Technology (Software Maintenance & Professional Services)	13,245	13,304	(60)	15%
Customer Support & Credit Card Fees	3,703	2,815	888	3%
Professional Services	7,137	8,161	(1,023)	9%
Research & Development	1,280	940	340	1%
Environmental Impact Bond (EIB)	3,300	-	3,300	0%
Non-Ratepayer Revenue Fund (NRRF)	500	500	-	1%
Community Outreach Programs	933	959	(26)	1%
Employee Related	3,986	3,779	207	4%
Others (Office Support, Bank Fees, Community Outreach, Employee Related, etc.)	1,151	1,276	(124)	1%
Total	\$ 88,532	\$ 88,504	\$ 28	100%

- 💧 **Debt Service** – \$231.2 million or increase of \$13.2 million from FY 2021 to FY 2022
 - Planned subordinate debt and FY2022 Forward Direct Purchase from April 2020
- 💧 **PILOT & ROW** – \$22.7 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 2021 level for payments to the District
- 💧 **Cash Financed Capital Improvements** – \$37.8 million or increase of \$7.4 million
 - PAYGO funding
- 💧 **Capital Labor Charges** – \$25.1 million or increase of \$0.7 million
 - Funds personnel costs incurred on capital projects

💧 Debt service is the largest driver in the operating budget

- Represents 35.1% of the total operating expenditure budget and 31.1% of operating revenue in FY 2022
- Over the next ten years, about \$2.0 billion is anticipated to be borrowed to fund capital expenditures
- Debt service cost is projected to grow from \$217.9 million in FY 2021 to \$352.4 million by FY 2030 (approx. 62% increase)

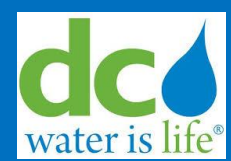
\$ in thousands



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

- 💧 COVID – Revenue impact
- 💧 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 - Market volatilities, onsite energy optimization, solar project output & timeline
- 💧 New Facilities - Parts, equipment and maintenance requirement for tunnels and new facilities for Fleet Services and Sewer Services
- 💧 Biosolids/BLOOM - Hauling/marketing of 70,000 tons
- 💧 Litigation & Insurance - Impacts of unanticipated legal cases and insurance policy requirements

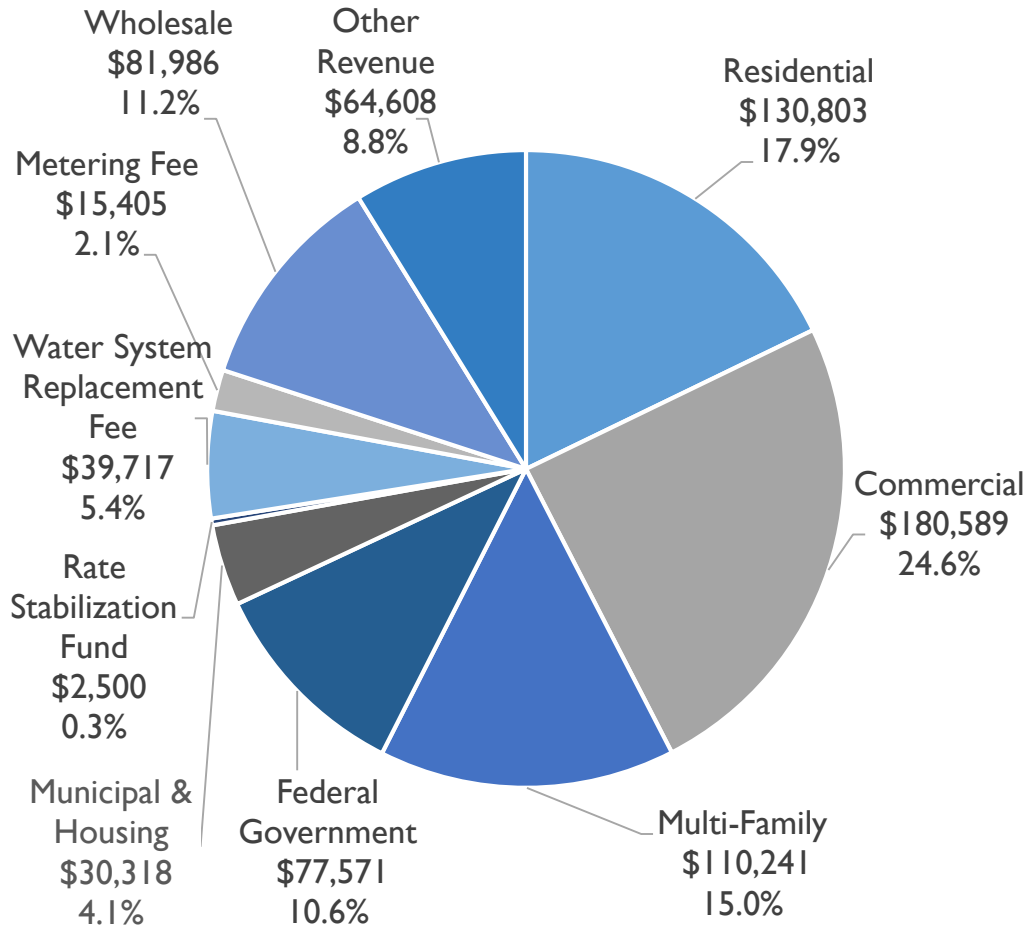
Operating Revenue



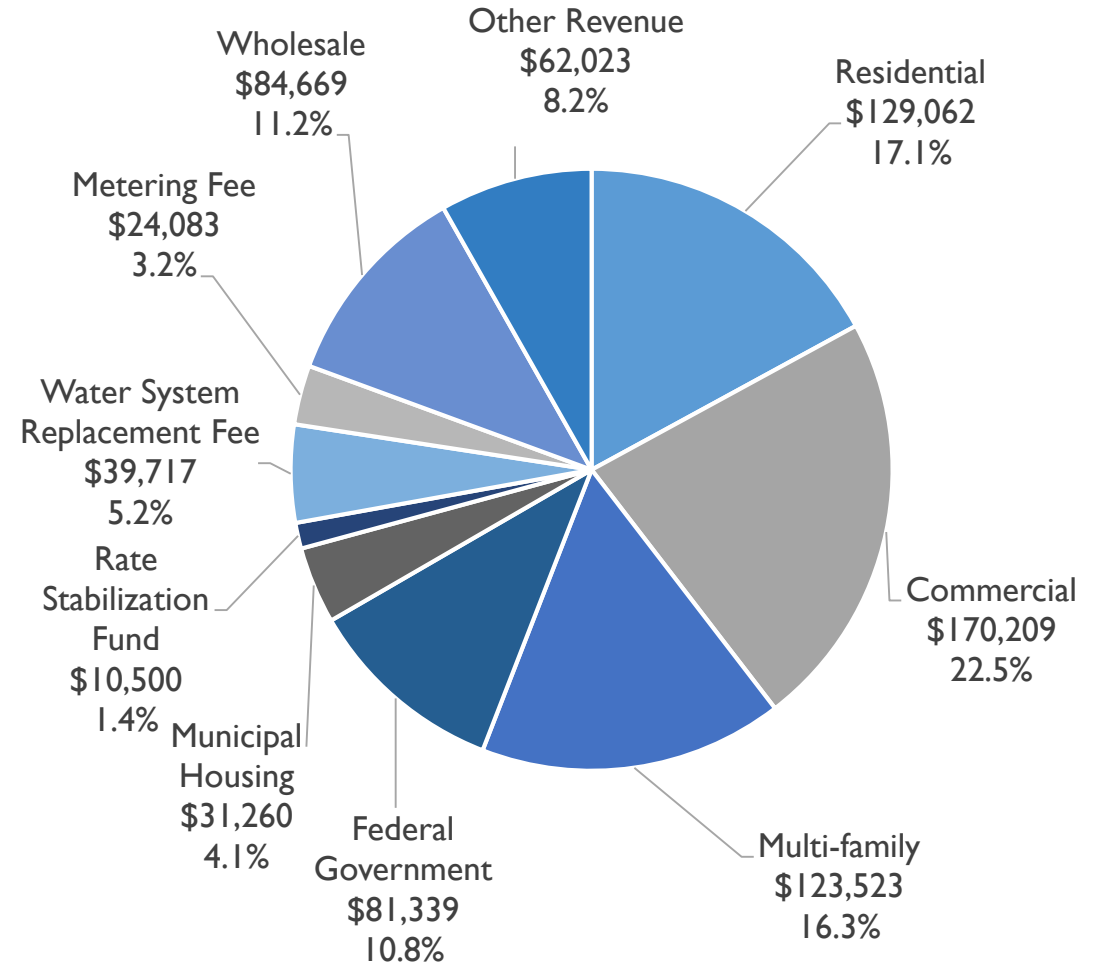
FY 2021 vs. FY 2022 Operating Revenues

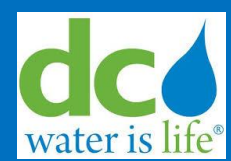
\$ in thousands

Approved FY 2021 \$733,738



Proposed FY 2022 \$756,385

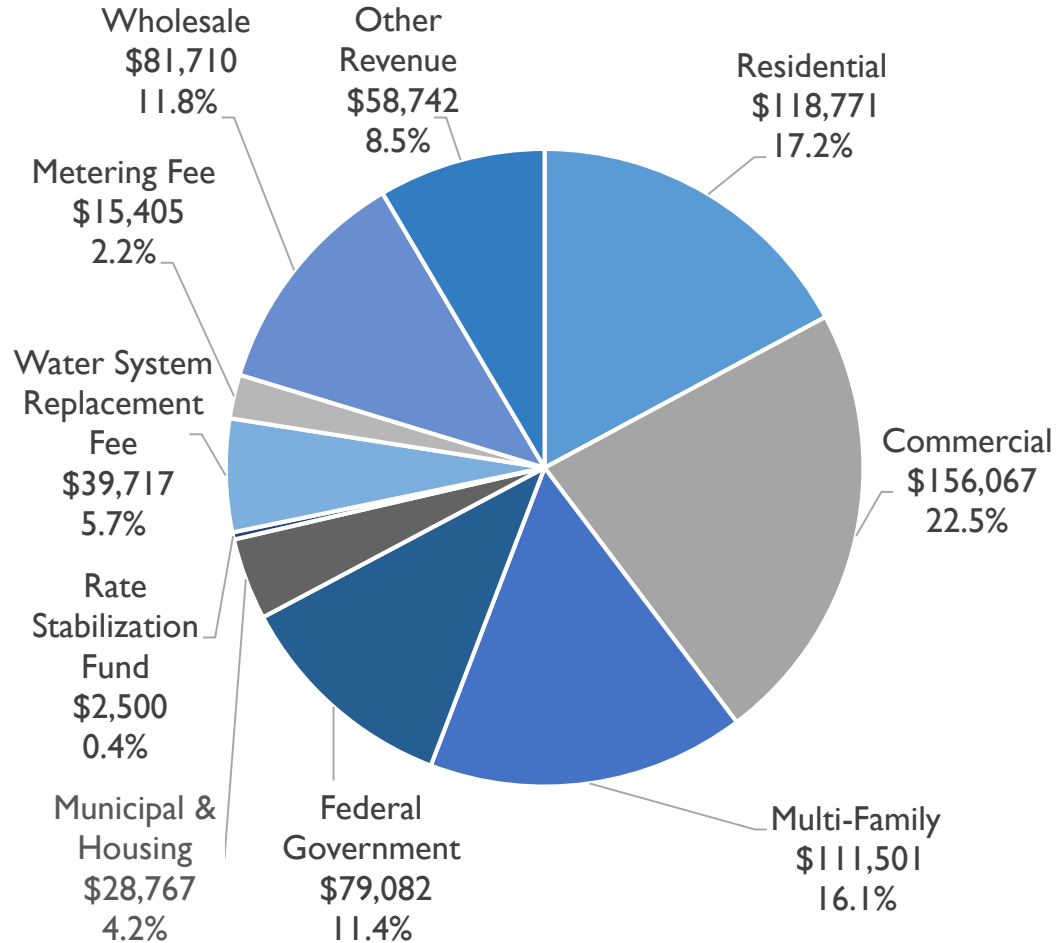




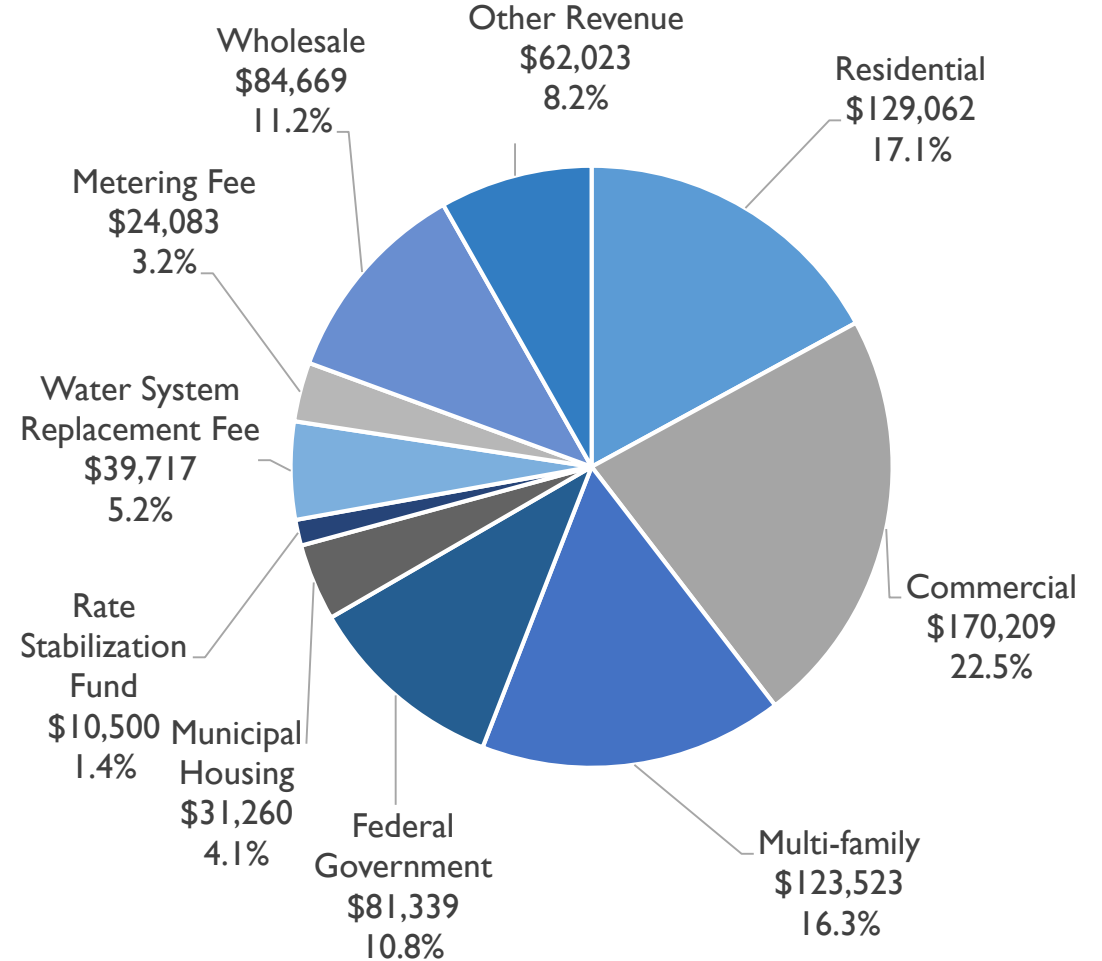
FY 2021 vs. FY 2022 Operating Revenues

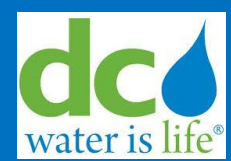
\$ in thousands

Revised FY 2021 \$692,262



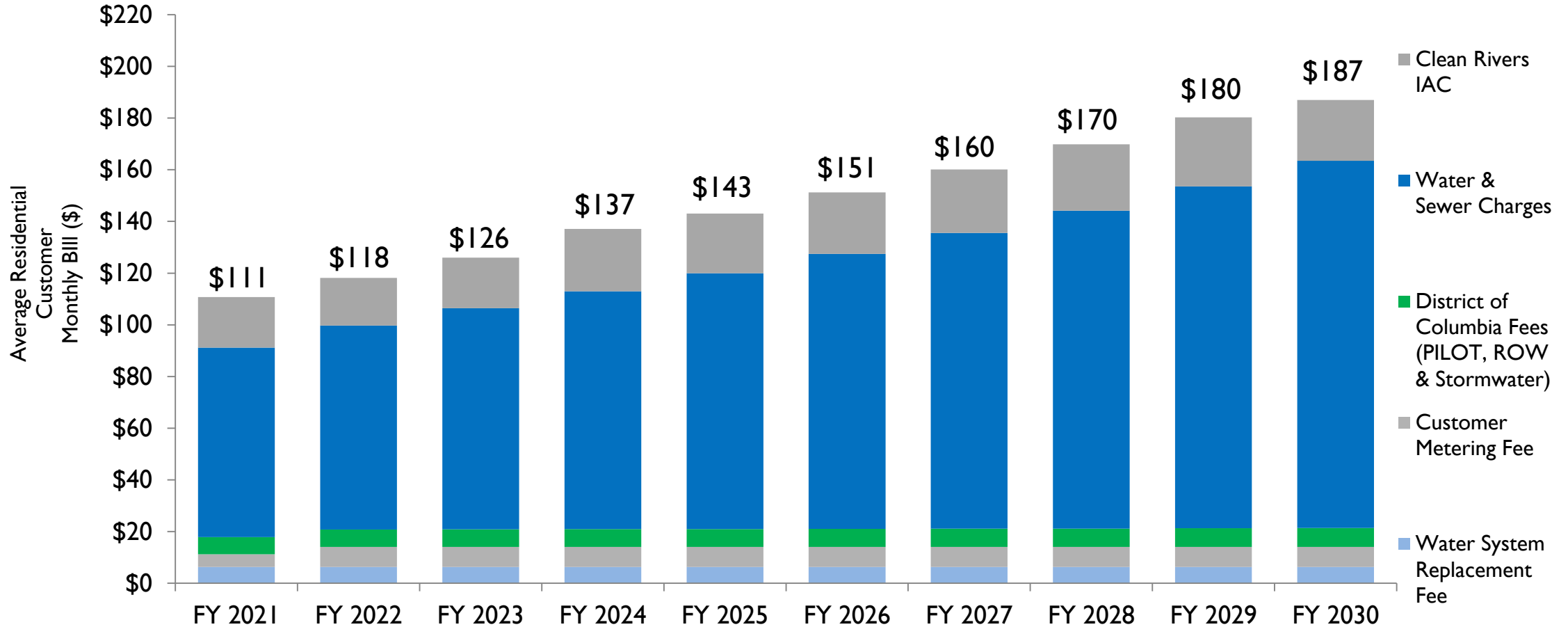
Proposed FY 2022 \$756,385



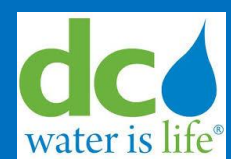


Projected Average Residential Customer Bill

Projected average monthly residential customer bill ranges from \$111 in FY 2021 to \$187 in FY 2030

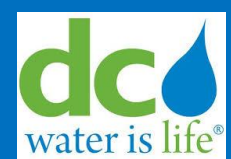


* Assumes average residential consumption of 5.42 Ccf, or 4,054 gallons, per month. Ccf = hundred cubic feet, or 748 gallons

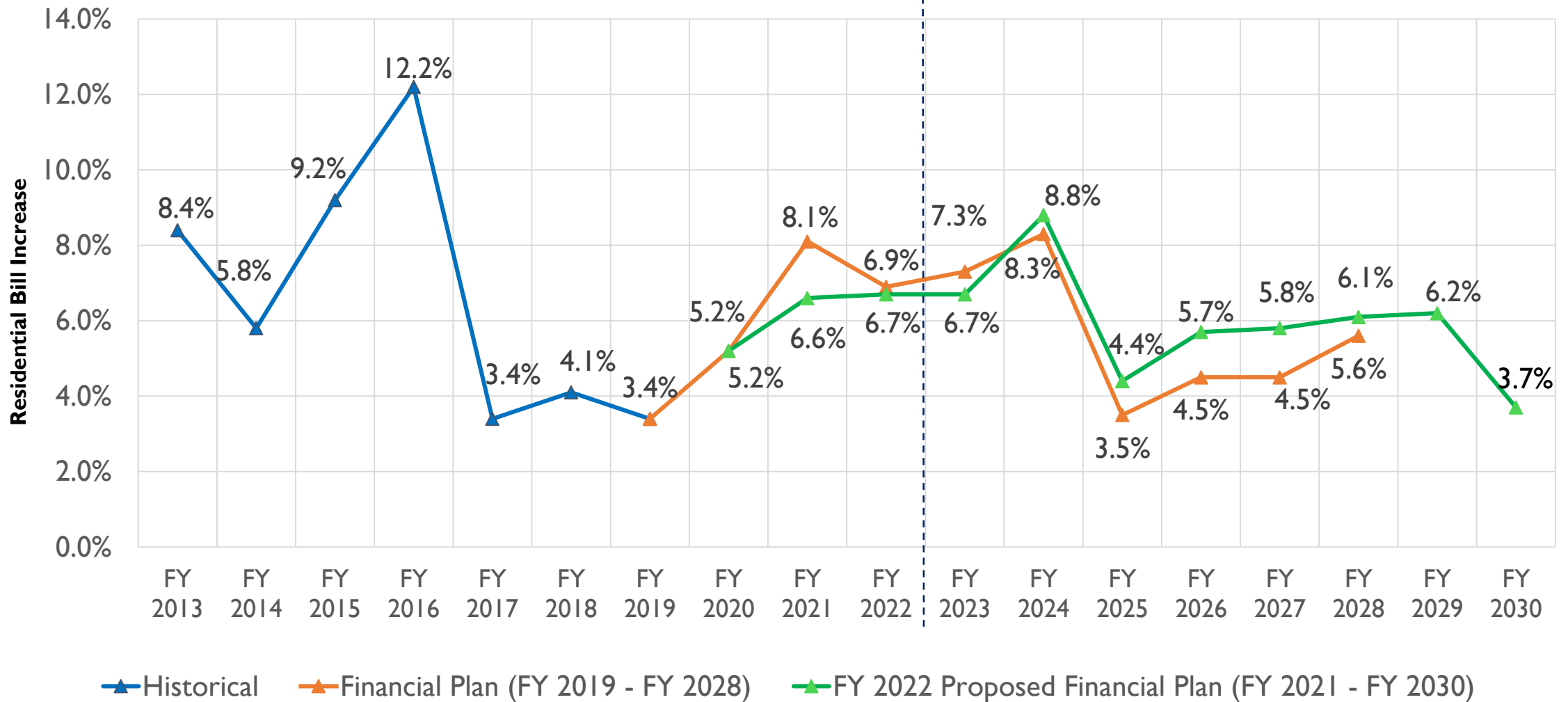


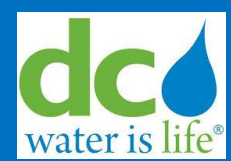
Approved FY 2021 & FY 2022 Rates, Charges & Fees

	Units	FY 2020	Approved FY 2021	Approved FY 2022	Incr./ (Decr.) FY 2021		Incr./ (Decr.) FY 2022	
					\$	%	\$	%
DC Water Retail Rates – Water:								
Residential – Lifeline (0- 4 Ccf)	Ccf	\$3.06	\$3.49	\$3.63	\$0.43	14.1%	\$0.14	4.0%
Residential – (> 4 Ccf)	Ccf	4.10	4.50	4.74	0.40	9.8	0.24	5.3
Multi-family	Ccf	3.54	3.96	4.15	0.42	11.9	0.19	4.8
Non-Residential	Ccf	4.25	4.65	4.91	0.40	9.4	0.26	5.6
DC Water Retail Rates – Sewer	Ccf	8.89	9.77	10.64	0.88	9.9	0.87	8.9
DC Water Clean Rivers IAC	ERU	20.94	19.52	18.40	-1.42	-6.8	-1.12	-5.7
DC Water Customer Metering Fee	5/8”	3.86	4.96	7.75	1.10	28.5	2.79	56.3
DC Water System Replacement Fee	5/8”	6.30	6.30	6.30	-	-	-	-
District of Columbia PILOT Fee	Ccf	0.51	0.54	0.56	0.03	5.9	0.02	3.7
District of Columbia Right of Way Fee	Ccf	0.19	0.19	0.19	-	-	-	-
District of Columbia Stormwater Fee	ERU	2.67	2.67	2.67	-	-	-	-



Historical and Projected Combined Rate Increases

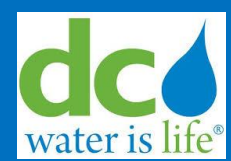




Revenue Comparison by Customer Class

- Total revenue is projected to decrease by \$17.8 million or -2.5% for FY 2021 due to impact of COVID-19 and increase by \$64.1 million or 9.3% for FY 2022 mainly due to rate increase
- Retail revenue is projected to decrease by \$1.9 million or -0.3% for FY 2021 and increase by \$49.9 million or 9.1% for FY 2022
- Wholesale revenue is projected to increase by \$2.6 million or 3.2% for FY 2021 and increase by \$3.0 million or 3.6% for FY 2022 mainly due to 3.0 percent escalation

<i>\$ in thousands</i>	FY 2020	Revised	Proposed	FY 2021 vs FY 2020		FY 2022 vs FY 2021	
		FY 2021	FY 2022	Incr/(Decr)		Incr/(Decr)	
				\$	%	\$	%
Retail Revenue	\$551,188	\$549,310	\$599,193	-\$1,878	-0.3%	\$49,883	9.1%
Wholesale Revenue							
Potomac Interceptor (PI)	2,648	3,547	3,547	899	34.0%	-	-
Loudoun County Sanitation Authority (LCSA)	7,488	6,620	6,897	-868	-11.6%	277	4.2%
Washington Suburban Sanitary Commission (WSSC)	54,520	56,954	59,049	2,434	4.5%	2,095	3.7%
Fairfax County	14,501	14,589	15,176	88	0.6%	587	4.0%
Total Wholesale Revenue	\$79,157	\$81,710	\$84,669	\$2,553	3.2%	\$2,959	3.6%
Other Revenue	79,752	58,742	62,023	-21,010	-26.3%	3,281	5.6%
Rate Stabilization Fund	-	2,500	10,500	2,500	-	8,000	320.0%
Total Revenues	\$710,097	\$692,262	\$756,385	-\$17,835	-2.5%	\$64,123	9.3%



Average Residential Customer Monthly Bill

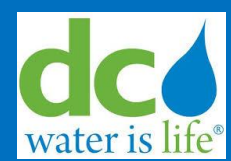
	Units	FY 2020		Current FY 2021	Approved FY 2022		
DC Water Water and Sewer Retail Rates ⁽¹⁾	Ccf	\$	66.25	\$	73.30	\$	78.92
DC Water Clean Rivers IAC ⁽²⁾	ERU		20.94		19.52		18.40
DC Water Customer Metering Fee	5/8"		3.86		4.96		7.75
DC Water Water System Replacement Fee ⁽⁴⁾	5/8"		6.30		6.30		6.30
Subtotal 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



Average CAP Customer Monthly Bill

	Units	FY 2020		Current FY 2021	Approved FY 2022		
DC Water Water and Sewer Retail Rates ⁽¹⁾	Ccf	\$	66.25	\$	73.30	\$	78.92
DC Water Clean Rivers IAC	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	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 ⁽⁴⁾	ERU		2.67		2.67		2.67
Subtotal District of Columbia Charges		\$	6.46	\$	6.63	\$	6.74
Total Amount		\$	103.81	\$	110.71	\$	118.11
Less: CAP Discount (4 Ccf per month) ^{(1), (2)}			(50.60)		(55.96)		(60.08)
Water System Replacement Fee (WSRF) ⁽³⁾			(6.30)		(6.30)		(6.30)
Clean Rivers IAC ⁽⁵⁾			(10.47)		(14.64)		(13.80)
Total Amount Appearing on DC Water Bill		\$	36.44	\$	33.81	\$	37.93
Increase / Decrease Over Prior Year		\$	0.90	\$	(2.63)	\$	4.12
CAP Customer Discount as a Percent of Total Bill			-64.9%		-69.5%		-67.9%

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

(2) Expansion of CAP program in FY 2009 assumes discount to first 4 Ccf of Water and Sewer and to first 4 Ccf of PILOT and ROW in FY 2011

(3) Assumes 100 percent discount for Water System Replacement Fee (WSRF) to CAP customers effective October 1, 2015

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

(5) Assumes 50 percent discount for FY2020 and 75% discount for FY2021 and FY2022 for the Clean Rivers IAC

- Rates for FY 2022 have already been approved by the Board
- Customer Impacts

Residential Avg. Ccf 5.42, ERU 1	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Water & Sewer Rate (%)	9.9%	7.8%	8.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%
CRIAC (\$/ERU)	\$19.52	\$18.40	\$19.58	\$24.07	\$23.07	\$23.82	\$24.56	\$25.64	\$26.78	\$23.45
Avg. Customer Bill (\$)	\$111	\$118	\$126	\$137	\$143	\$151	\$160	\$170	\$180	\$187
Avg. Customer Bill (%)	6.6%	6.7%	6.7%	8.8%	4.4%	5.7%	5.8%	6.1%	6.2%	3.7%
Multi-family Avg. Ccf 86.14, ERU 6.83	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Water & Sewer Rate (%)	9.9%	7.8%	8.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%
CRIAC (\$/ERU)	\$19.52	\$18.40	\$19.58	\$24.07	\$23.07	\$23.82	\$24.56	\$25.64	\$26.78	\$23.45
Avg. Customer Bill (\$)	\$1,447	\$1,538	\$1,654	\$1,791	\$1,896	\$2,022	\$2,157	\$2,304	\$2,461	\$2,600
Avg. Customer Bill (%)	8.0%	6.2%	7.6%	8.3%	5.9%	6.6%	6.7%	6.8%	6.8%	5.6%
Commercial Avg. Ccf 115.82 ERU 14.17	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Water & Sewer Rate (%)	9.9%	7.8%	8.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%
CRIAC (\$/ERU)	\$19.52	\$18.40	\$19.58	\$24.07	\$23.07	\$23.82	\$24.56	\$25.64	\$26.78	\$23.45
Avg. Customer Bill (\$)	\$2,163	\$2,285	\$2,456	\$2,669	\$2,814	\$2,994	\$3,189	\$3,401	\$3,629	\$3,809
Avg. Customer Bill (%)	6.6%	5.7%	7.5%	8.7%	5.4%	6.4%	6.5%	6.7%	6.7%	5.0%

- 💧 Five most common water and wastewater programs (US Environmental Protection Agency)

https://www.epa.gov/sites/production/files/2016-04/documents/dw_ww_utilities_cap_combined_508-front2.pdf

- ✓ **Bill Discount** – CAP, CAP2, CAP3, CRIAC Non-Profit Relief
- ✓ **Flexible Terms** – Customer Service provides to our customers
- ✓ **Lifeline Rate** – For the first four Ccf of water
- ✓ **Temporary Assistance** – SPLASH, DC Water cares, Multi-family assistance
- ✓ **Water Efficiency** – Proposed new program

For more information on customer assistance programs, see: <https://www.dcwater.com/customer-assistance>

Next Steps

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

◆ Wholesale Customer Briefing – **February 12**

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



	Environmental Quality & Operations	DC Retail Water & Sewer Rates	Finance & Budget
FY 2021 - FY 2030 Capital Budget (Disbursements & Lifetime)	Action Required		Action Required
Revise FY 2022 Capital Disbursements	Action Required		Action Required
FY 2022 Operating Budget			Action Required
Intent to Reimburse Capital Expenditures with Proceeds of a Borrowing			Action Required
FY 2021 – FY 2030 Financial Plan		Action Required	Action Required
FY 2022 Rates, Charges & Fees		Action Required	

- ◆ Budget materials published on website for customers
- ◆ Board Adoption – **April 1**