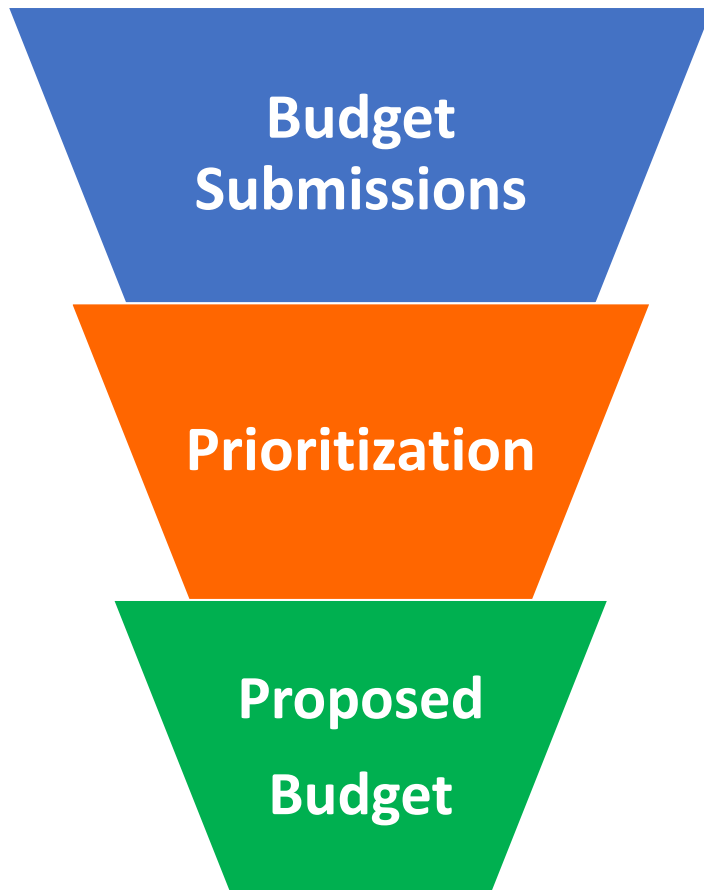




**Proposed FY2022 – 2031 Capital Improvement Program & Alternative Options
Presentation to Environmental Quality and Operations Committee • February 17, 2022**



- 💧 Provide an overview of alternative budget and rate options
- 💧 Review management's capital budget proposal
- 💧 Obtain committee's recommendation to the Board on the following:
 - Proposed FY 2022 – FY 2031 Capital Improvement Program (disbursements and lifetime), including the Proposed FY 2023 Capital Disbursements budget



- DC Water's collaborative budget process helps ensure a decentralized approach that encourages ideas to be brought forward
- The process is guided by the themes and imperatives in Blueprint 2.0, our strategic plan
- Alternative operating and capital budget scenarios, risks and opportunities, and related rate impacts were evaluated by management
- Proposed budgets and rates are prioritized to balance what we ask from our customers with needs to deliver high quality water services in a safe, environmentally friendly, and efficient manner





10-Year CIP Options Compared

Service Area	Approved Baseline \$4.9B (\$5.4B total**)	Proposed Baseline \$5.8B (\$6.4B total**)	Fully Funded \$6.6B (\$7.4B total**)
Clean Rivers	Fully funded to meet Consent Decree	Fully funded (added \$233M) 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
Stormwater*	Fully funded	Fully funded	Fully funded
Water			
Pump Stations & Storage Facilities	Generally funded	Generally funded	Fully Funded
Small Diameter Water Mains	Funded to ramp up to 1.5% per year replacement level from FY2028 onwards. [16.5 mi/year]	Funded to ramp up to 1.5% per year replacement level from FY2028 onwards. [16.5 mi/year]	Fully funded to ramp up to 2% replacement level [22 mi/year]
Large Diameter Water Mains	Generally funded	Generally funded	Fully Funded
Lead Free DC Program	Underfunded – FY2022 LFDC program fully funded, FY2023-2030 funded for Voluntary Program and LSRs in SDWVMs only	Fully funded to meet goal LFDC by 2030	Fully funded to meet goal LFDC by 2030
Sewer			
Pump Stations	Fully funded	Fully funded	Fully funded
Sewer Lines < 60" diameter	Funded to ramp up to 1% per year rehabilitation level [17.5 mi/year] by FY2024	Funded to ramp up to 1% per year rehabilitation level [17.5 mi/year] by FY2024	Fully funded to ramp up to 2.3% rehabilitation level [40 mi/year]
Sewer Lines ≥ 60"	Generally Funded	Generally Funded	Fully funded
Non-Process	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 ** Total = Capital Projects, Capital Equipment & Washington Aqueduct

- Fully Funding operating and capital budget needs would add about \$130 million in annual spending
 - \$100 million would be added each year to expand the capital program (“Fully Funded” option)
 - Accelerate projects in the 10-year CIP to implement deferred critical infrastructure projects for improvement of the sanitary sewer system and service reliability
 - Fully fund (\$100 million over ten years) Washington Aqueduct’s critical infrastructure rehabilitation needs
 - Fund an additional \$10 million of capital equipment each year, would accelerate fleet replacement program and undertake major/large IT projects over ten years
 - \$30 million annual increase to the operating budget would fully fund existing vacancies; fund additional headcount to support operations & maintenance, fleet and facilities management, customer care and cyber resilience, CIP delivery and succession planning needs; and meet funding requirements for electricity and chemical costs
 - Cash reserves would increase to meet the days of cash requirements
 - Full funding would increase customer rates (average residential household) by 18.5%, or an additional 12.5% in FY 2023 and an additional 2.0% over the 5.4% recommendation in FY 2024



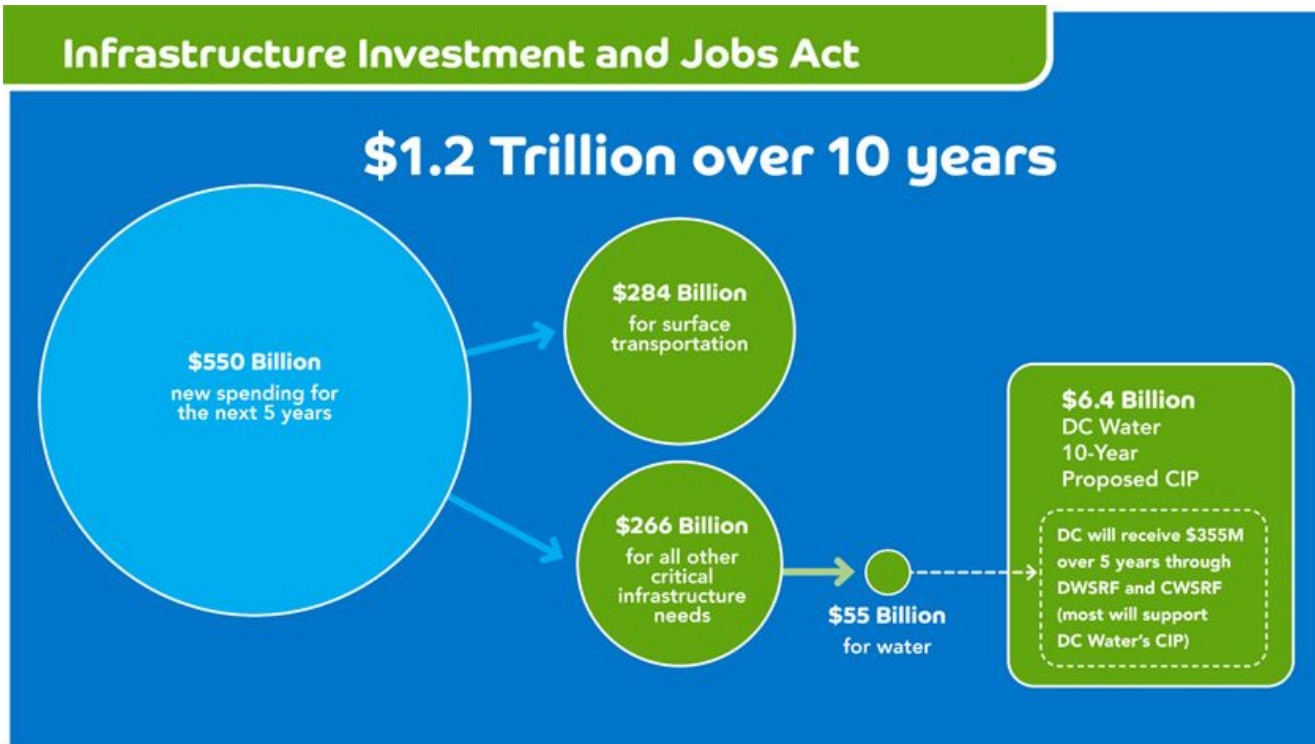
- Without a rate increase, revenues would *fall by approximately \$9 million* from FY2022 and about *\$480 million* over the ten-year financial plan as costs continue to increase in FY2023
 - Operating costs including personnel agreements, chemicals, and utilities
 - Debt service costs associated with upcoming \$400 million transaction
- Impact would be immediate freeze on hiring and layoff planning
 - More than 200 filled positions would be in danger of elimination leaving staffing shortages in mission critical operations of DC Water
 - Significant customer impacts include extended service disruptions due to water main breaks, delayed hydrant repairs, and delays in addressing sewer related issues and other critical infrastructure failures



💧 Deferral of:

- Capital equipment purchases for fleet and other major equipment necessary to maintain critical infrastructure systems
- Critical maintenance for Blue Plains, Pump Stations, water distribution system, and sewer system which could result in failures
- 💧 Deferred maintenance, compliance risks and operations and maintenance staffing shortages at Blue Plains Advanced Resource Recovery Facility; the world's largest facility of its kind
- 💧 Inability to meet capital program contribution requirements for critical improvements at Washington Aqueduct including water treatment, storage, and large diameter water transmission mains that cross the District

- 💧 Incremental rate scenarios would have similar impacts on operations and the capital program
- 💧 Many expenditure categories are “fixed” (like energy, utilities, and chemicals)
 - Budget reductions would be first made to personnel (hiring) and to the capital program
 - Planned improvements to the sewer system would be the first areas targeted for reductions



- Funds anticipated are incorporated in the financial and capital plans, and the proposed and forecasted rates
- Dollars anticipated over the five-year period will fund less than a year of DC Water's capital costs



Committee Recommendations & Actions

Committees and Meeting Dates	Environmental Quality & Operations February 17, 2022	DC Retail Water & Sewer Rates February 22, 2022	Finance & Budget February 24, 2022
FY 2022 - FY 2031 Capital Budget <ul style="list-style-type: none"> Proposed FY 2022 Capital Disbursements Ten-Year Disbursements Lifetime Project 	Action Required		Action Required
Proposed FY 2023 Operating Expenditure Budget			Action Required
Proposed FY 2023 & 2024 Operating Revenues, Rates and Fees		Action Required	
Intent to Reimburse Capital Expenditures with Proceeds of a Borrowing			Action Required
FY 2022 – FY 2031 Financial Plan		Action Required	Action Required

