



# Approved FY 2024 Budgets

## Section II: OVERVIEW

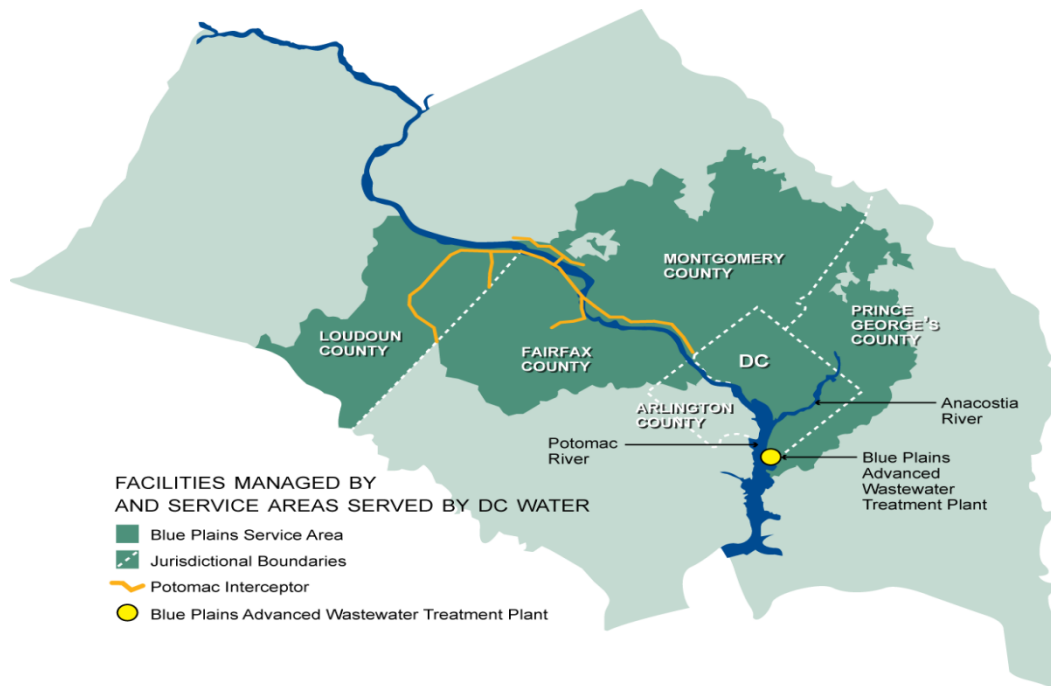


Fleet / Green Roof

**History:** In 1996, the District of Columbia Water and Sewer Authority was created by District law, with the approval of the United States Congress, as an independent authority of the District government with a separate legal existence. In June 2010, the agency adopted a new logo and brand name, DC Water, while its official name remained District of Columbia Water and Sewer Authority. Beginning in FY 2013, for accounting purposes, DC Water was no longer reported as a component unit of the District government.

**Age of Pipes:** The median age of District water main pipes is over 80 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. In partnership with the U.S. Army Corps of Engineers’ Washington Aqueduct, DC Water 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 2022, DC Water pumped an average of more than 95 million gallons of water per day. In addition, DC Water stores approximately 60 million gallons of treated water at its eight facilities (reservoirs and tanks). The Washington Aqueduct, which treats drinking water, stores an additional 49 million gallons.

**Water Distribution System:** DC Water delivers water through over 1,300 miles of interconnected pipes, four pumping stations, four reservoirs, four elevated water tanks, and over 51,000 valves and 9,800 fire hydrants.

**Sewer System:** DC Water operates approximately 2,000 miles of combined, separate, and stormwater sewers, 56,000 manholes, 25,000 catch basins, 16 stormwater pumping stations, and 9 offsite wastewater 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 more than 150 acres along the Potomac River. Blue Plains currently treats an annual average flow of approximately 300 million gallons per day (MGD) and has a design capacity of 384 MGD, with a peak design capacity during wet weather/high flow events to treat approximately 800 million gallons per day.

**Customer Service:** DC Water communicates valuable customer-related information through bill inserts, monthly newsletters, its website, and social media, including Facebook, YouTube, Flickr, Twitter, and Instagram. Our 24-hour Emergency Command Center is the centralized communication facility for receiving and responding to emergency calls from customers and the public. Through various assistance programs, DC Water helps thousands of residents with a reduction in their monthly bills and/or a one-time payment.

**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:** DC Water was able to assist 50% more customers in 2022 compared to the previous fiscal year. 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 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:** DC Water continue to maintain its senior bond ratings of AAA/Aa1/AA+ from S&P/Moody’s/Fitch’s Ratings. This allows DC Water to have a lower borrowing cost which in turn reduces ratepayer cost in the long run. DC Water also maintained a GB1 rating for green bonds, Moody’s highest possible green bond assessment. DC Water also received its 25th consecutive unqualified audit opinion of its financial statements and 22nd consecutive Distinguished Budget Presentation Award from the Government Finance Officers Association (GFOA).

## DC Water Finance Information (\$ Millions)

Bond Rating: AAA/Aa1/AA+	FY 2023	FY 2024
Revenue (Cash Receipts)	\$833.6	\$842.4
Operating Budget	\$686.4	\$737.6
Capital Disbursement Budget	\$501.4	\$604.7



# Budget Summary

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

Description	Unit of Measure	FY 2023 Revised	FY 2024 Approved	FY 2024 vs FY 2023 Increase / (Decrease)
Total Operating Expenditure	\$ in thousands	\$ 686,403	\$ 737,567	\$ 51,164
Capital Disbursements	\$ in thousands	\$ 501,437	\$ 604,671	\$ 103,234
Ten-Year CIP (Cash Disbursement)	\$ in billions	\$ 6.42	\$ 6.95	\$ 0.53
Total Operating Revenue	\$ in thousands	\$ 842,442	\$ 878,515	\$ 36,073
Wholesale Operating Revenues	\$ in thousands	\$ 104,560	\$ 106,519	\$ 1,959
Residential 0-4 Ccf (Lifeline) <sup>2</sup>	Ccf	\$ 4.28	\$ 4.38	\$ 0.10
Residential - > 4 Ccf <sup>2</sup>	Ccf	\$ 5.58	\$ 5.70	\$ 0.12
Multi-family / DC Housing <sup>2</sup>	Ccf	\$ 4.90	\$ 5.00	\$ 0.10
Non-Residential	Ccf	\$ 5.78	\$ 5.89	\$ 0.11
DC Water Retail Rates – Sewer	Ccf	\$ 11.26	\$ 11.70	\$ 0.44
DC Water Clean Rivers IAC	ERU	\$ 18.14	\$ 21.86	\$ 3.72
DC Water Customer Metering Fee	5/8"	\$ 7.75	\$ 7.75	\$ -
Water System Replacement Fee <sup>1</sup>	5/8"	\$ 6.30	\$ 6.30	\$ -
PILOT Fee	Ccf	\$ 0.59	\$ 0.61	\$ 0.02
Right of Way Fee	Ccf	\$ 0.19	\$ 0.19	\$ -
Stormwater Fee	ERU	\$ 2.67	\$ 2.67	\$ -

Ccf – hundred cubic feet or 748 gallons

(1) DC WATER WSRF of \$6.30 effective October 1, 2015.

(2) Proposed Class-Based rates

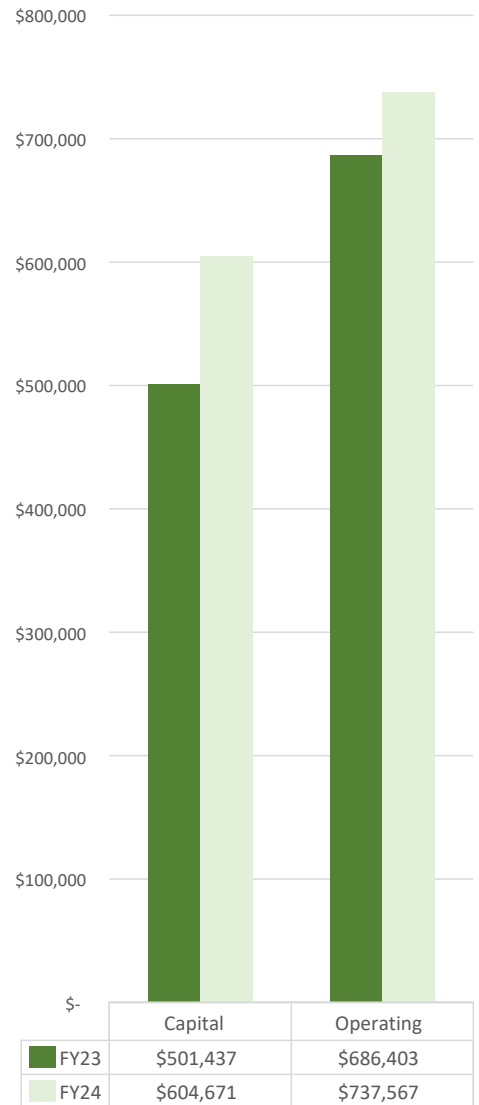


# Comparative Capital & Operating Expenditures

\$ in thousands

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

	REVISED FY2023	APPROVED FY2024
<b><u>CAPITAL (Cash Disbursements Basis)*</u></b>		
Wastewater Treatment	\$ 71,907	\$ 84,442
Sanitary Sewer	68,031	118,457
Combined Sewer Overflow	108,031	110,256
Stormwater	7,509	12,839
Water	108,909	188,371
Washington Aqueduct	67,523	35,155
Capital Equipment	47,421	30,535
Non Process Facilities	22,104	24,614
<b>Total Capital</b>	<b>\$ 501,437</b>	<b>\$ 604,671</b>
<b><u>OPERATING</u></b>		
Personnel Services	\$ 186,223	\$ 201,581
Contractual Services	88,504	93,070
Water Purchases	40,334	44,039
Chemicals and Supplies	54,628	54,568
Utilities	37,799	39,233
Small Equipment	1,108	1,437
<b>Total O&amp;M</b>	<b>408,596</b>	<b>433,928</b>
Debt Service	231,232	231,953
Cash Financed Capital Improvements	23,505	48,256
Payment in Lieu of Taxes	17,970	18,330
Right of Way Fees	5,100	5,100
Subtotal Operating	686,403	737,567
Personnel Services charged to Capital Projects	(30,435)	(31,974)
<b>Net Operating</b>	<b>\$ 655,968</b>	<b>\$ 705,593</b>



\*Reflects revision to FY 2023 capital disbursement budget during the FY 2024 cycle.



# Comparative Capital & Operating Revenues

summary

overview

financial plan

rates&rev

capital

financing

departmental

glossary

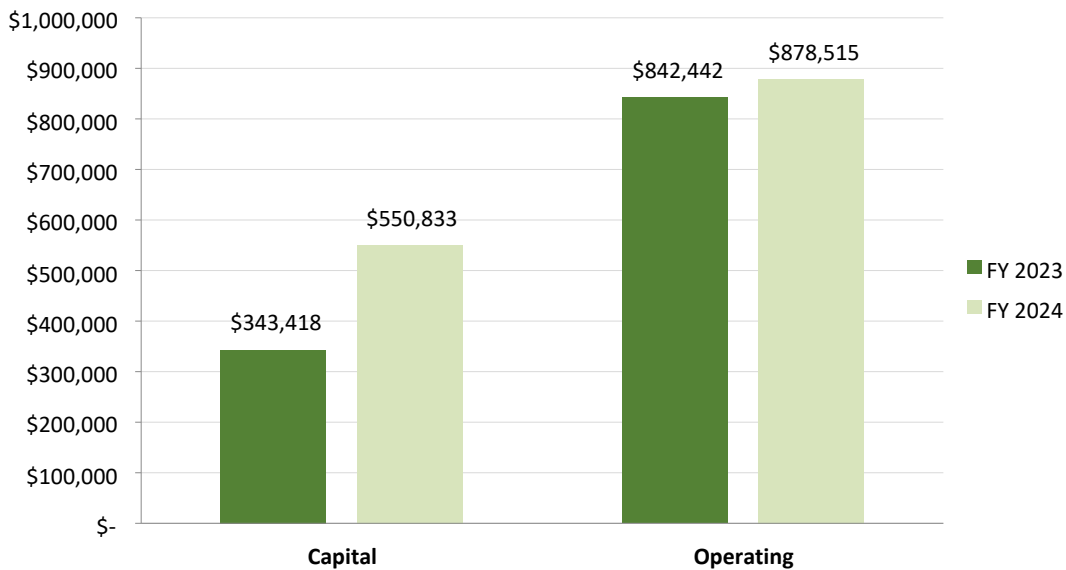
\$ in thousands

	FY 2023 Revised	FY 2024 Approved
<b>CAPITAL</b>		
Wholesale Capital Payments	\$ 75,288	\$ 84,142
Federal Grants - Infrastructure Funding	11,701	44,000
EPA Grants & CSO Appropriations	21,984	26,651
Interest Income on Bond Proceeds	15,169	10,621
Pay-Go-Financing	173,365	194,222
Revenue Bonds/Commercial Paper/EMCP*	38,211	180,488
Curing Pad and Solar	-	3,009
System Availability Fee	7,700	7,700
<b>Total Capital Revenue</b>	<b>\$ 343,418</b>	<b>\$ 550,833</b>

<b>OPERATING</b>		
Residential	130,840	138,719
Commercial	197,558	208,553
Multi-Family	148,058	153,979
Federal Government	84,768	89,987
Municipal & Housing	37,412	39,843
Water System Replacement Fee (WSRF)	39,717	39,717
Metering Fee	24,083	24,083
Wholesale	104,560	106,519
Transfer from Rate Stabilization Fund	-	-
Other Revenue	75,447	77,115
<b>Total Operating Revenue</b>	<b>\$ 842,442</b>	<b>\$ 878,515</b>

(\*) Extendable Municipal Commercial Paper

## Capital and Operating Revenue



- Water and Sewer volumetric rates are listed below:
  - Residential customers: “Consumption of 0 – 4 Ccf” water rate increase of \$0.65 per Ccf to \$4.28 per Ccf, {increase of \$0.87 to \$5.72 per 1,000 gallons}
  - Residential customers: “Consumption greater than 4 Ccf” water rate increase of \$0.84 per Ccf to \$5.58 per Ccf, {increase of \$1.12 to \$7.46 per 1,000 gallons}
  - Multi-family customers: water rate increase of \$0.75 per Ccf to \$4.90 per Ccf, {increase of \$1.00 to \$6.55 per 1,000 gallons}
  - Non-residential customers: water rate increase of \$0.87 per Ccf to \$5.78 per Ccf, {increase of \$1.17 to \$7.73 per 1,000 gallons}
- Sewer rate increase of \$0.62 per Ccf to \$11.26 per Ccf, {increase of \$0.83 to \$15.05 per 1,000 gallons}
- Monthly Clean Rivers Impervious Area Charge decrease of \$0.26 to \$18.14 per ERU to recover the costs of the DC Clean Rivers Project
- Monthly Customer Metering Fee of \$7.75 for a 5/8” meter size will remain the same. 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 \$0.59 per Ccf {increase of \$0.04 to \$0.79 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 \$0.10 per Ccf to \$4.38 per Ccf, {increase of \$0.14 to \$5.86 per 1,000 gallons}
  - Residential customers: “Consumption greater than 4 Ccf” water rate increase of \$0.12 per Ccf to \$5.70 per Ccf, {increase of \$0.16 to \$7.62 per 1,000 gallons}
  - Multi-family customers: water rate increase of \$0.10 per Ccf to \$5.00 per Ccf, {increase of \$0.13 to \$6.68 per 1,000 gallons}
  - Non-residential customers: water rate increase of \$0.11 per Ccf to \$5.89 per Ccf, {increase of \$0.14 to \$7.87 per 1,000 gallons}
- Sewer rate increase of \$0.44 per Ccf to \$11.70 per Ccf, {increase of \$0.59 to \$15.64 per 1,000 gallons}
- Monthly Clean Rivers Impervious Area Charge increase of \$3.72 to \$21.86 per ERU to recover the costs of the DC Clean Rivers Project
- Monthly Customer Metering Fee of \$7.75 for a 5/8” meter size will remain the same. 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 \$0.61 per Ccf {increase of \$0.03 to \$0.82 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

OPERATING BUDGET	FY 2021 Actual	FY 2022 Actual	FY 2023 Revised	FY 2024 Approved
<b>Operating Revenue</b>				
Residential, Commercial & Multi-Family	\$ 323,874	\$ 382,523	\$ 412,149	\$ 421,590
Federal	54,665	57,950	66,330	69,935
Municipal	12,274	13,234	15,523	15,866
D.C. Housing Authority	11,035	12,153	13,203	13,510
Groundwater	-	-	-	-
Water System Replacement Fee (WSRF)	42,212	42,079	39,717	39,717
Metering Fee	14,862	23,134	24,083	24,083
Payment in Lieu of Taxes / Right of Way Fee	21,612	22,630	23,070	23,430
Clean Rivers IAC Revenue	104,356	96,854	91,426	110,174
<b>Sub-total Retail</b>	<b>584,889</b>	<b>650,555</b>	<b>685,505</b>	<b>718,310</b>
Wholesale	82,986	84,899	104,560	106,519
Interest Earnings	3,433	995	7,028	7,695
Transfer from Rate Stabilization Fund <sup>(2)</sup>	2,500	52,100	-	-
Other Operating Revenues <sup>(1)</sup>	35,566	44,956	44,828	45,639
<b>Total Operating Revenue <sup>(1)</sup></b>	<b>709,375</b>	<b>833,506</b>	<b>841,921</b>	<b>878,164</b>
<b>Operating Expenditures</b>				
Personnel Services	141,637	146,384	155,788	169,607
Contractual Services	73,575	95,176	88,504	93,070
Chemicals & Supplies	34,244	46,359	54,628	54,568
Utilities & Rent	27,329	26,476	37,799	39,233
Water Purchases	33,135	33,268	40,334	44,039
Small Equipment	617	738	1,108	1,437
<b>Subtotal - Operating Expenditures</b>	<b>310,536</b>	<b>348,402</b>	<b>378,161</b>	<b>401,954</b>
Payment in Lieu of Taxes / Right of Way Fee	22,372	22,718	23,070	23,430
Debt Service	204,878	209,768	231,232	231,953
Cash Financed Capital Improvements/Defeasance	30,355	37,830	23,505	48,256
<b>Total Operating Disbursements</b>	<b>568,142</b>	<b>618,717</b>	<b>655,968</b>	<b>705,593</b>
<b>Operating Surplus <sup>(1)</sup></b>	<b>118,938</b>	<b>214,789</b>	<b>185,953</b>	<b>172,571</b>
<b>CAPITAL Disbursements</b> (See Section VI for more details)				
Sources of Capital Funds	254,946	688,868	343,418	550,832
Uses of Capital Funds	370,120	345,337	501,437	604,671
<b>Capital Disbursements Overage / (Shortage)</b>	<b>(115,174)</b>	<b>343,531</b>	<b>(158,019)</b>	<b>(53,839)</b>
<b>CASH RESERVES</b>				
<b>Beginning O&amp;M Reserve Balance (Net of Rate Stabilization Fund)</b>	<b>186,827</b>	<b>196,286</b>	<b>257,374</b>	<b>274,600</b>
Operating Surplus	118,938	214,789	185,953	172,571
Wholesale Customer Refunds/Payments for Prior Years	2,313	(2,351)	(7,500)	(5,000)
Federal Customer Refund/Payments for Prior Years	2,233	(3,060)	(4,188)	(6,256)
Interest Earned from Bond Reserve	194	89	521	351
Pay-As-You-Go Capital Financing	(114,221)	(148,378)	(157,560)	(153,665)
<b>Ending O&amp;M Reserve Balance (Net of Rate Stabilization Fund)</b>	<b>196,285</b>	<b>257,375</b>	<b>274,600</b>	<b>282,601</b>
<b>Rate Stabilization Fund <sup>(2)</sup></b>	<b>\$ 87,744</b>	<b>\$ 35,644</b>	<b>\$ 35,644</b>	<b>\$ 35,644</b>

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

(2) Additional \$41.6 million was transferred from the Rate Stabilization Fund in FY 2022

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 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.



## 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

DC Water's budget is prepared through a collaborative and decentralized process, guided by its strategic plan. The Blueprint 2.0 includes five interconnected imperatives and lays out defined outcomes essential to achieving the strategic goals over the next five years and beyond. Detailed information about the strategic plan is available online at [www.dewater.com/strategic-plan](http://www.dewater.com/strategic-plan).

As a first step in the budget development process, the organizational priorities are established under the guidance of the Board and Senior Executive Team and linked to the strategic plan. The budget process encourages ideas to be brought forward by all departments with detailed workplans that incorporate the imperatives, goals and workstreams of Blueprint 2.0. The strategic plan serves as the primary lens through which budget requests are evaluated against established prioritization criteria and final budget decisions are made. DC Water's ten-year financial plan is then updated to reflect any revisions to the capital improvement program and any other major revenue or operating budget issues, and potential impact of these items on rates. In addition to these items, the ten-year financial plan is also developed based on the financial and rate-setting policies adopted by the Board.

## Budget Approval Process

DC Water's budget is the fiscal roadmap that allocates and aligns spending plan with the imperatives and goals of the strategic plan. The rigorous budget process balances the level of infrastructure investments and operational requirements with customer rates and total revenue expectations.

Typically, in September, the Chief Executive Officer & General Manager and Chief Financial Officer kick off the budget season. DC Water's strategic and operational priorities are included in each department's work plan and performance agreements, as appropriate. In late September, departments submit their initial budget requests for management review. During the months of October and November, departments complete budget reviews with budget staff and the Senior Executive Team with the CEO & General Manager in tandem. In an effort to align the budget with the imperatives and goals of the strategic plan, all budget requests for existing and new programs are evaluated and scored against established prioritization criteria.

In January of each year, 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, 2023). The Committees review the budget documents through February and submit budget recommendations to the full Board in March. 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. DC Water is required to submit its annual operating and ten-year capital budgets to the Mayor and the District of Columbia Council for review and comment. However, neither has the power to change DC Water’s annual budgets. The District of Columbia includes DC Water’s budgets in their submission 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**

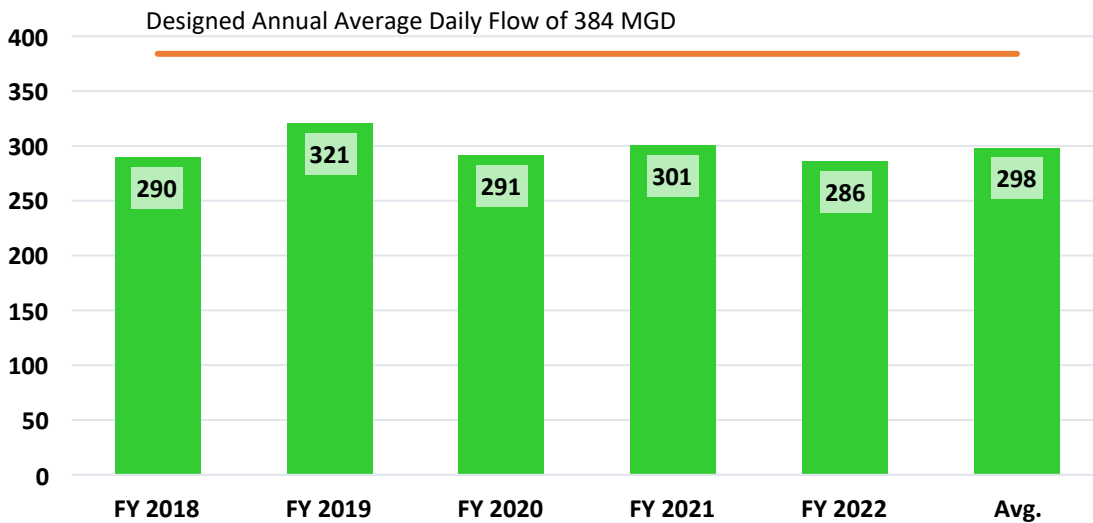
The CEO & General Manager has control over the budget as approved by the U.S. Congress, at the appropriation level, i.e., DC Water’s overall approved operating budget and capital authority at the Authority-wide level in the capital budget. The CEO & General Manager has the authority to approve budget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

Month	Activity
<b>July</b>	Centrally Managed and Matrix training and preparation
<b>August</b>	Establish Budget Prioritization and Scoring Criteria and Linkages to Strategic Plan Goals (Blueprint 2.0) Develop Budget Manual & Guidelines and Provide Training for Departments
<b>September 7</b>	Chief Executive Officer & General Manager’s Budget Kickoff Meeting
<b>September</b>	Departmental FY 2024 budget submission to Budget Office
<b>October</b>	Chief Financial Officer Briefing on Departmental Budget Requests
<b>October - November</b>	Departmental FY 2024 Operating and Capital Equipment Budget Reviews with the Chief Executive Officer, Chief Financial Officer, and the Budget Office
<b>November</b>	Executive Team Briefing (Operating and Ten-Year Capital Improvement Program)
<b>December</b>	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
<b>January 5</b>	Budget Workshop – Board Briefing of the CEO & GM’s Proposed FY 2024 Budgets, Capital Improvement Program, Two-Year Rate Proposal and Financial Plan
<b>January</b>	Budget Briefing to Wholesale Customers, Office of People’s Counsel (OPC) and other stakeholders
<b>January - February</b>	Board Committees Conduct In-Depth Review of Budget Proposal: <ul style="list-style-type: none"> <li>• Environmental Quality &amp; Operations Committee Review of Capital Improvement Program</li> <li>• Joint session with the DC Retail Water &amp; Sewer Rates and Finance &amp; Budget Committees on the Operating Budget, Capital Improvement Program, Two-Year Rate Proposal, and Financial Plan</li> </ul>
<b>February</b>	Board Committees Forward Recommendations to Full Board for deliberation/action Budget Book Preparation & Production
<b>March 2</b>	Budget Adoption by Full Board Submission to the District of Columbia for onward transmission to U.S. Congress
<b>April</b>	Application for GFOA Distinguished Budget Presentation Award
<b>April – June</b>	Rate-making Process (conducted every two years) Public Outreach & Public Hearing Activities
<b>July</b>	Board Adoption of Rates (conducted every two years)
<b>October 1</b>	Fiscal Year Begins

## 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, with a peak design capacity to treat more than 780 MGD
- System comprises 2,000 miles of sanitary, stormwater and combined sewers; 125,000 building sewer laterals; 22 flow-metering stations; 9 off-site wastewater pumping stations; and 16 stormwater pumping stations

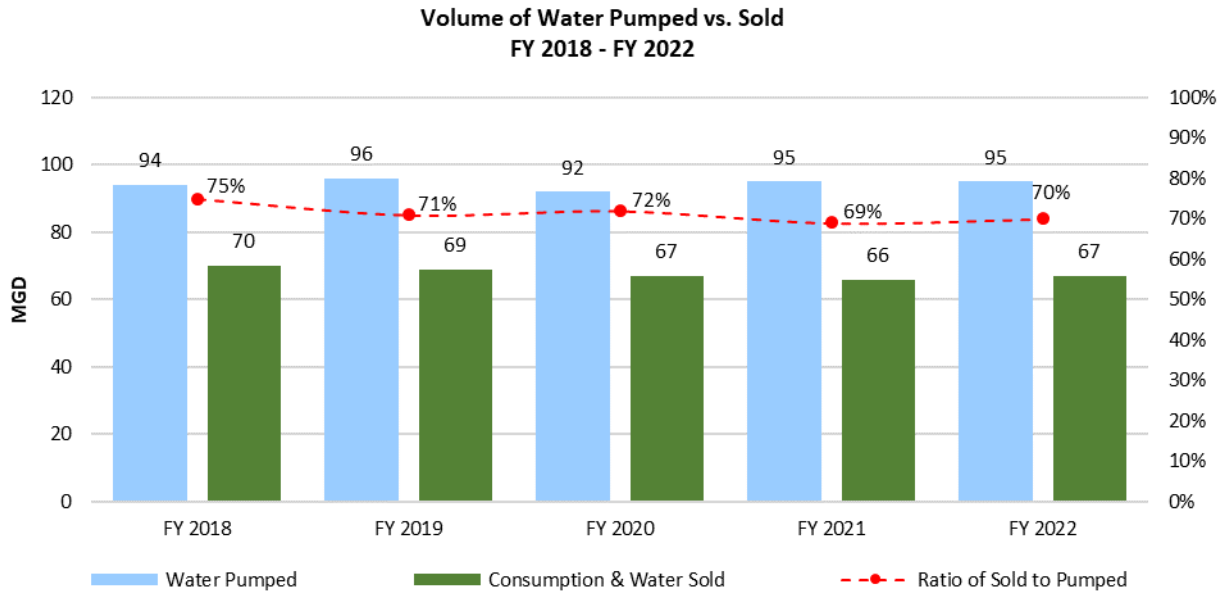
**Historical Wastewater Treatment vs. Capacity  
FY 2018 – FY 2022**





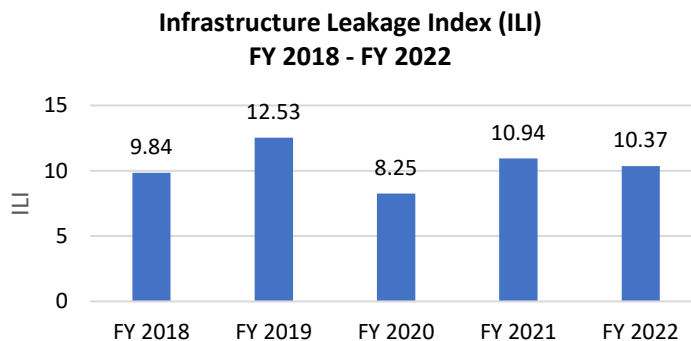
## Water System Capacity Meets Service Area Needs

- 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 1,350 miles of interconnected pipes



## Infrastructure Leakage Index (ILI)

The IWA methodology introduces the Infrastructure Leakage Index (ILI) as the ratio of real losses over the Unavoidable Real Losses (UARL). This value provides an indication of the actual leakage in the system relative to the lowest level achievable with today’s best technology. Decreased ILI values indicate increased water utility efficiency.



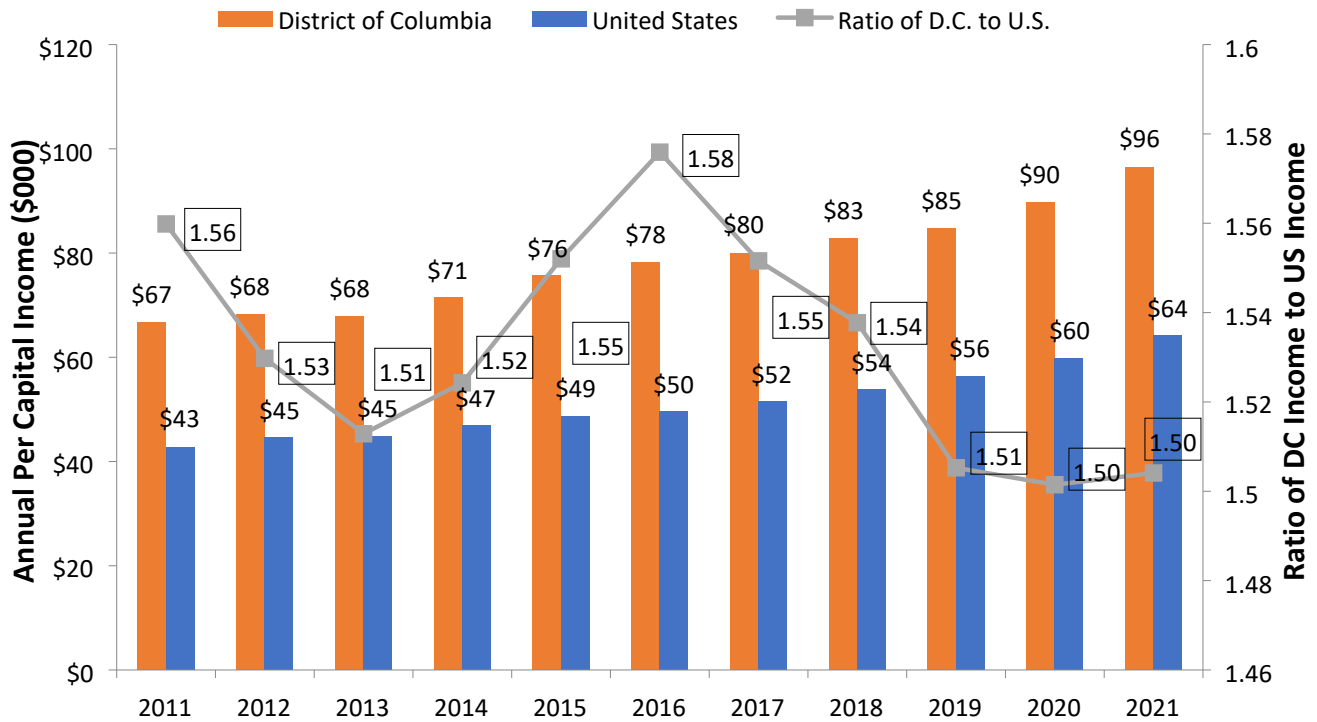
Strong financial planning requires careful monitoring and analysis of various trends and factors that may influence the market place. In this case, the market place for DC Water is the District of Columbia and its surrounding region. DC Water monitors consumption and wastewater flow trends within the 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 steadying force through various economic cycles.

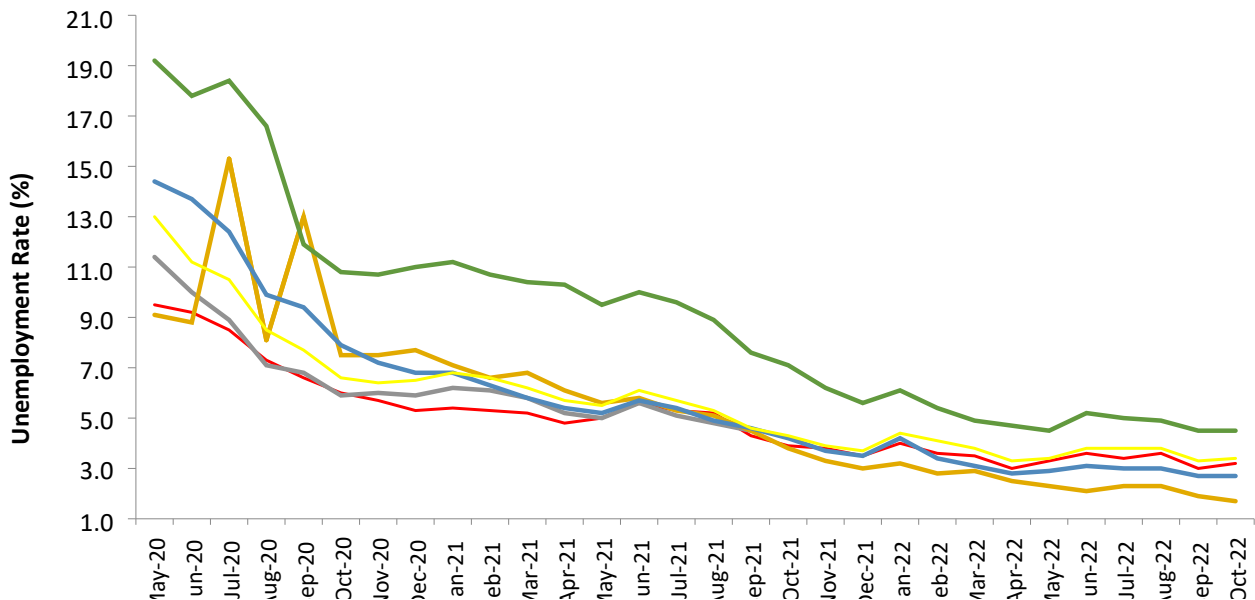
A major local employer, the federal government, remains relatively stable for this employment sector for the past few years. The population of the District grew by almost 70,000 people from 2010 to 2021. Per capita incomes within the District and for the region as a whole continue to be higher than the U.S. average. Regional office vacancy rates have increased during a period of unprecedented challenges while retail vacancy rates remain relatively 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

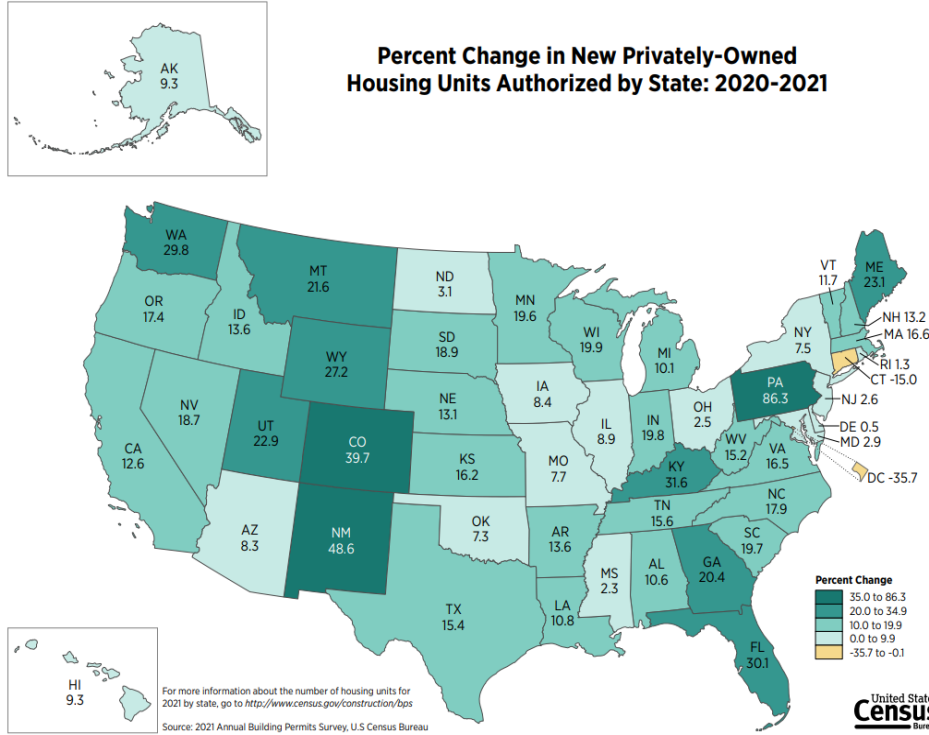


Source: Bureau of Labor Statistics

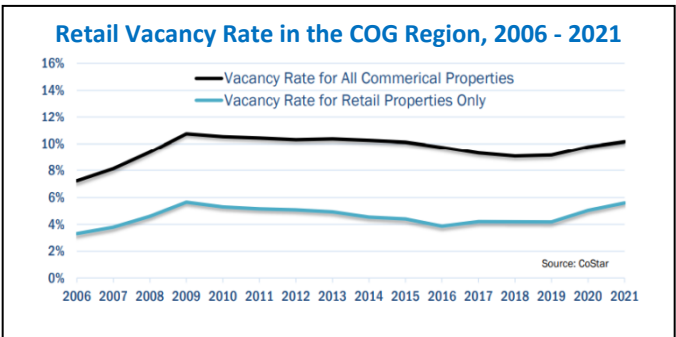
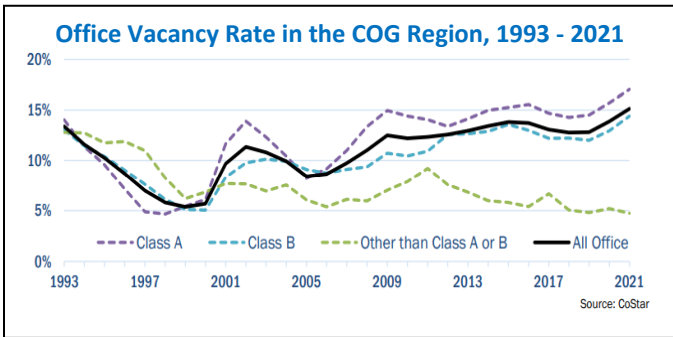
## Unemployment Rate in The DC Region Remains Relatively Low



## 2020 – 2021 Significant Growth in New Housing Permit Issuance in DC



## DC Metro Vacancy Rates Are Above Pre-Recession Levels Partly Due to New Spaces Added to The Market



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

- Source: Metropolitan Washington Council of Governments (COG)
- Note: COG region includes the District of Columbia, Northern Virginia, and Suburban Maryland

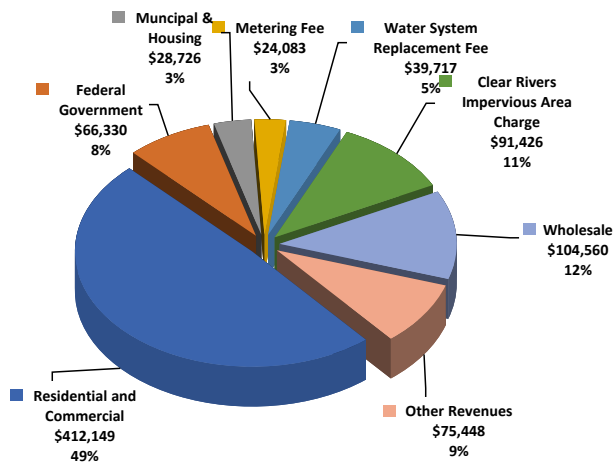
The regional indicators are positive with strong incomes and unemployment below the national level. These factors coupled with stable consumption and the financial strength of the major AAA rated customers helps to ensure the financial success of DC Water.

## The DC Water service area includes highly-rated customers

- About 23.7% of the projected FY 2023 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

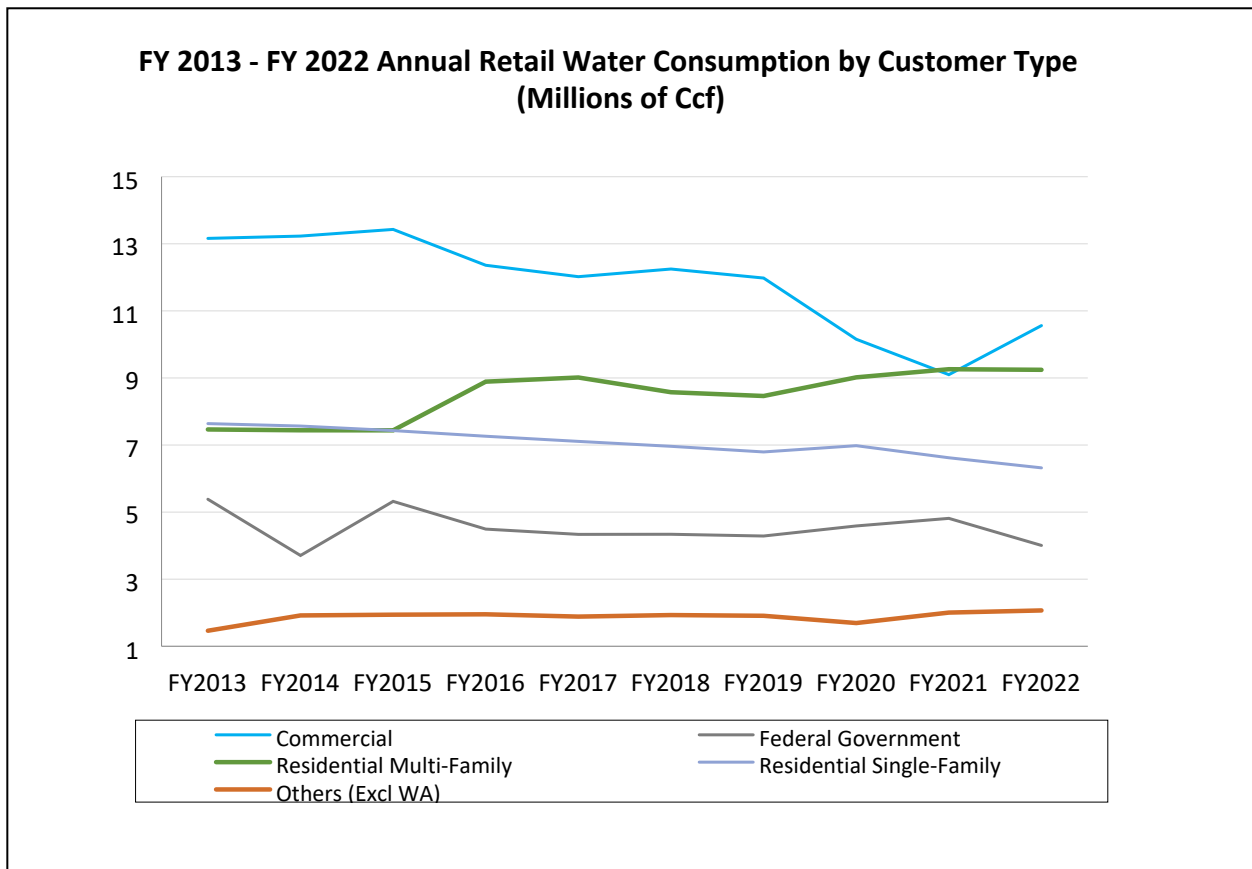
## Media reports reference the service area’s economic strength

- "... the number of people seeking to start and develop their own businesses in the D.C. region surged ... Combined, the District, Maryland and Virginia saw application for business licenses jump from about 176,000 in 2019 to 219,000 in 2020 and 262,000 in 2021." Washington Post, July 2022
- D.C. has the highest number of fast-growing firms ... D.C. also ranks No. 1 for average educational attainment of recent immigrants." WTOP News, June 2022



Customer Demand: A reasonable degree of accuracy in forecasting water demand is important for sound financial planning and rate-setting. The FY 2013 - 2022 actual average decline in usage is 1.0% annually, excluding the Washington Aqueduct. FY 2013 – FY 2022 average annual rate of change in demand for the customer classes: Commercial -2.4%; Federal Government: -3.2%; Single Family: -2.1%; Multi-Family: 2.4%; and Other (include Exempt, DC Housing Authority, DC Municipal Government, and DC Water): 3.9%.

## DC Water Consumption by Customer Type



Source: DC Water

- FY 2022 consumption, excluding Washington Aqueduct, increased 1.3%.
- 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 1.0% in 2023 thereafter. We believe that this estimate is prudent, consistent with peers such as New York and Boston and assures revenue sufficiency for the Authority.



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