



The Proposed FY 2025 Budget & Two-Year Rates

Presentation to the Finance & Budget Committee on February 22, 2024

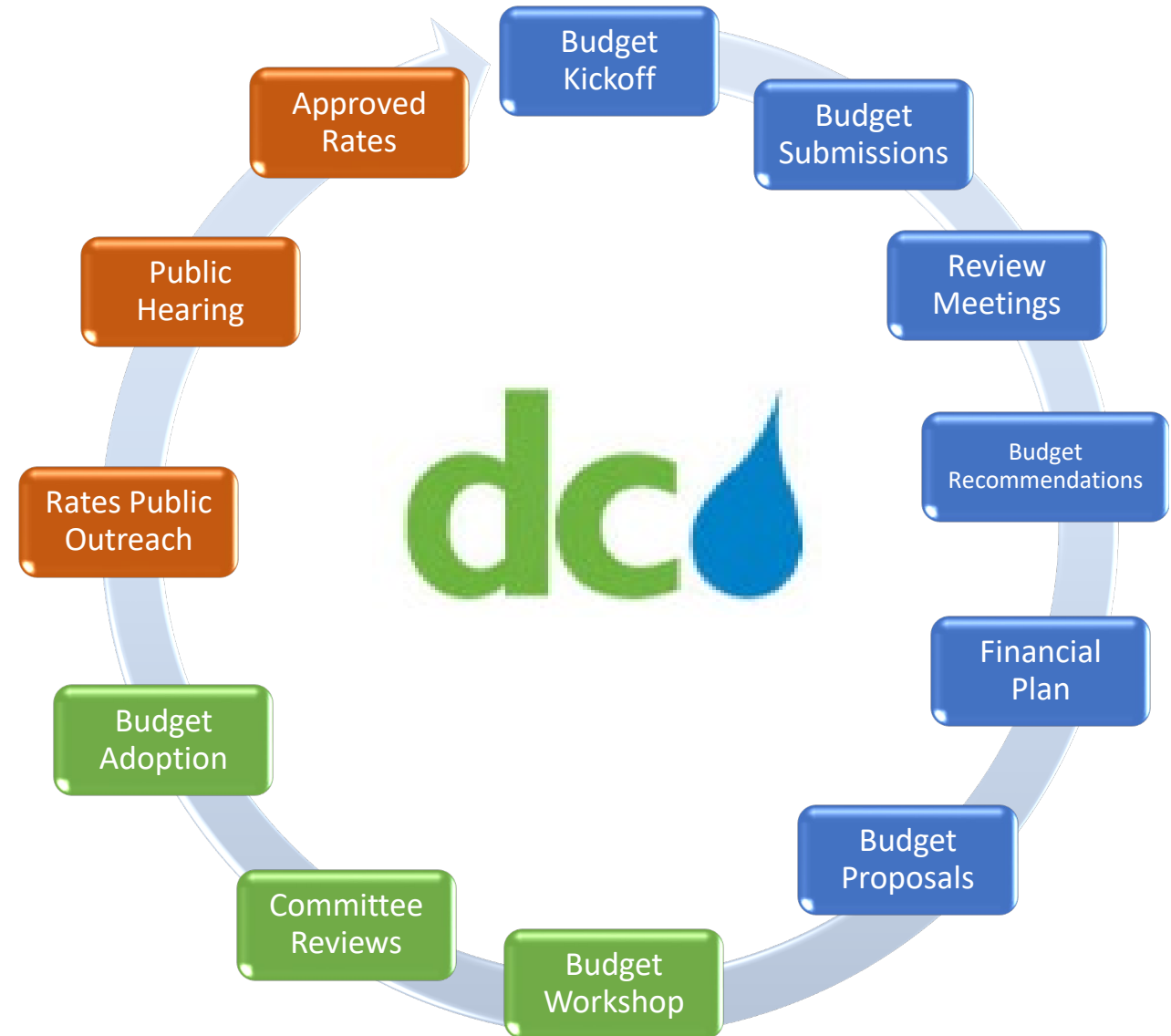
District of Columbia Water and Sewer Authority

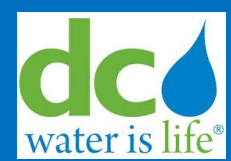


Blue Plains

- 💧 Review the management's budget proposal
- 💧 Obtain committee's recommendation to the Board on the following:
 - Proposed Amended FY 2024 and Proposed FY 2025 Operating Budget
 - Proposed Amended FY 2024 Operating Revenue Budget
 - Proposed FY 2024 – FY 2033 Capital Improvement Program (disbursements and lifetime) including the Proposed FY 2025 Capital budget
 - Proposed FY 2025 & FY 2026 Revenue, Rates and Fees
 - Proposed FY 2024 – FY 2033 Financial Plan
 - Intent to Reimburse Capital Expenditures with Proceeds of a Borrowing
 - Rate Stabilization Fund Withdrawal

- 💧 **Preparation of Proposed Budget** ✓
- 💧 Board review of proposals
 - Two months of detailed review by Finance and Budget, Environmental Quality and Operations, and Retail Rates Committees
- 💧 Customer **Briefings and Feedback**
 - Wholesale Customer Briefing ✓
 - Office of People’s Counsel Budget Briefing ✓
 - Town Halls
- 💧 Board **Budget Adoption** on March 7, 2024
- 💧 **Public Hearing** on May 9, 2024
- 💧 **Board adoption** of rates on July 3, 2024
- 💧 Fiscal year begins on October 1, 2024





Budget & Rates Adoption Calendar

Timeline	Activity	Status
January 4	Budget Workshop with Board of Directors	✓
January 12	Wholesale Customer Briefing	✓
January 19	Office of People's Counsel Briefing	✓
Committee Discussions & Reviews		
January 18	Environmental Quality & Operations	✓
January 23	Joint DC Retail Water & Sewer Rates and Finance & Budget Committee	✓
February 1	Board Meeting (No Board Action Required)	
Committee Reviews, Recommendations & Actions		
February 15	Environmental Quality & Operations	✓
February 22	Finance & Budget	
February 27	DC Retail Water & Sewer Rates	
March 7	Board Adoption of Budgets	
April	Submit Budget via the District to U.S. Congress	
April – June	Rates Public Outreach & Town Halls & Public Hearing on May 9	
July 3	Board Adoption of Rates	
October 1	Fiscal Year 2025 Begins	

- 💧 The Board of Directors has the sole authority to adopt DC Water's budget
- 💧 When DC Council established DC Water, they emphasized the importance of need for independent financial control in DC Code § 34–2201.01:
 - **(3)** The **financing requirements** for water distribution and sewage collection, treatment, and disposal systems, including the ability to fund capital programs without undue reliance on the general obligation credit of the District, are substantial and **require financial resources independent of other District funds**
 - **(4)** Creation of an **independent authority** with secure funding **separated** from the District's General Fund to oversee water and sewer operations for the District and surrounding jurisdictions will **enhance the financial viability of water distribution and sewage collection, treatment, and disposal systems in the District and enhance the District's ability to meet its statutory obligation to provide sanitary sewer services to the surrounding jurisdictions**
 - **(7)** It is in the **best interest** of the District, its citizens, and the surrounding jurisdictions that the Council establish an **independent water and sewer authority** to achieve the following goals and objectives
 - **(B)** To expedite the repair, replacement, rehabilitation, modernization, and extension of existing water distribution and sewage collection, treatment, and disposal systems **including the financing, on a self-sustaining basis, of capital and operating expenses** relating thereto

- 💧 DC Council and the U.S. Congress enacted legal requirements for DC Water's budget:
 - **7 affirmative [Board member] votes shall be required for approval of the Authority's budget.** See D.C. Law 11-111; D.C. Code § 34-2202.04(b)(4)(j)
 - The District of Columbia Water and Sewer Authority established pursuant to Chapter 22 of Title 34 shall prepare and annually submit to the Mayor, for inclusion in the annual budget, annual estimates of the expenditures and appropriations necessary for the operation of the Authority for the year. All such estimates shall be forwarded by the Mayor to the Council for its action pursuant to §§ 1-204.46 and 1-206.03(c), **without revision but subject to his recommendations.** Notwithstanding any other provision of this chapter, the **Council may comment or make recommendations** concerning such annual estimates, but **shall have no authority under this chapter to revise such estimates.** See Pub. L. 104-184, § 4(a); D.C. Code § 1-204.45a(a)

💧 Proposed Operating Budget of \$788.2 million

- Operations and Maintenance (O&M) budget of \$454.5 million for personnel and non-personnel
- Debt Service budget of \$249.5 million and Cash Financed Capital Improvements budget of \$60.4 million
- PILOT & ROW payments to the District of \$23.8 million or an increase of \$0.4 million

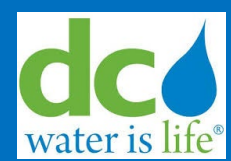
💧 Proposed 10-year Capital Improvement Program of \$7.74 billion

- Capital Projects – \$7.04 billion for mandated projects, equipment upgrades and rehabilitation at Blue Plains, and continued investments in the aging water and sewer infrastructure
- Capital Equipment – \$347.4 million equipment including pumps, motors, meters, backhoes, jet-vacs, catch basin trucks and other aged vehicles to meet operational needs
- Washington Aqueduct (WAD) – \$357.5 million for DC Water's share of WAD's capital program

💧 Proposed Financial Plan

- Revenue requirements support the forecasted operating expenditures and ten-year CIP
- Meets Board financial policy requirements





Multi-Year Rate Proposal for FY 2025 and FY 2026

Proposed rate changes:

- Water and sewer rates increase by 8.0% for FY 2025 and 6.0% for FY 2026
- Proposed CRIAC of \$21.23 per ERU in FY 2025 and \$24.23 per ERU in FY 2026
- Right-of-Way Fee at \$0.19 per Ccf for FY 2025 and \$0.20 per Ccf for FY 2026
- PILOT Fee at \$0.61 per Ccf for FY 2025 and \$0.62 per Ccf for FY 2026
- Proposed Groundwater Rate of \$3.50 for FY 2025 and \$3.76 for FY 2026
- Proposed High Flow Filter Backwash Sewer Rate of \$3.32 for FY 2025 and \$3.54 for FY 2026

Rates and charges that remain the same:

- Customer Metering Fee remains at \$7.75 for 5/8” meters
- Water System Replacement Fee (WSRF) at \$6.30 for 5/8” meters

- Cost of Service Study aligned with rate proposal
- Combined rate increases lower than last year’s forecast

Change in Average Household Charge	Fiscal Year	
	2025	2026
Recommendation	4.8%	6.5%
Previous Forecast	7.0%	6.8%

Reflects updated changes based on cost of service study completed

💧 Tap Water is the affordable choice.

- Bottled water is 6,000% more expensive than tap water
- One gallon of bottled water costs \$1.23 per gallon on average*
- One gallon of DC Water costs \$0.02 per gallon



OR



*Source: International Bottled Water Association

💧 Tap Water is the environmental choice

- Americans purchase about 50 billion plastic water bottles per year
- Bottled water production and transportation requires tremendous energy and natural resources
- About 86% of empty plastic water bottles end up in the trash instead of being recycled
- Anacostia Riverkeeper says more than half of the trash floating in Anacostia River is from plastic water bottles
- New study found massive amounts of microscopic plastic in bottled water

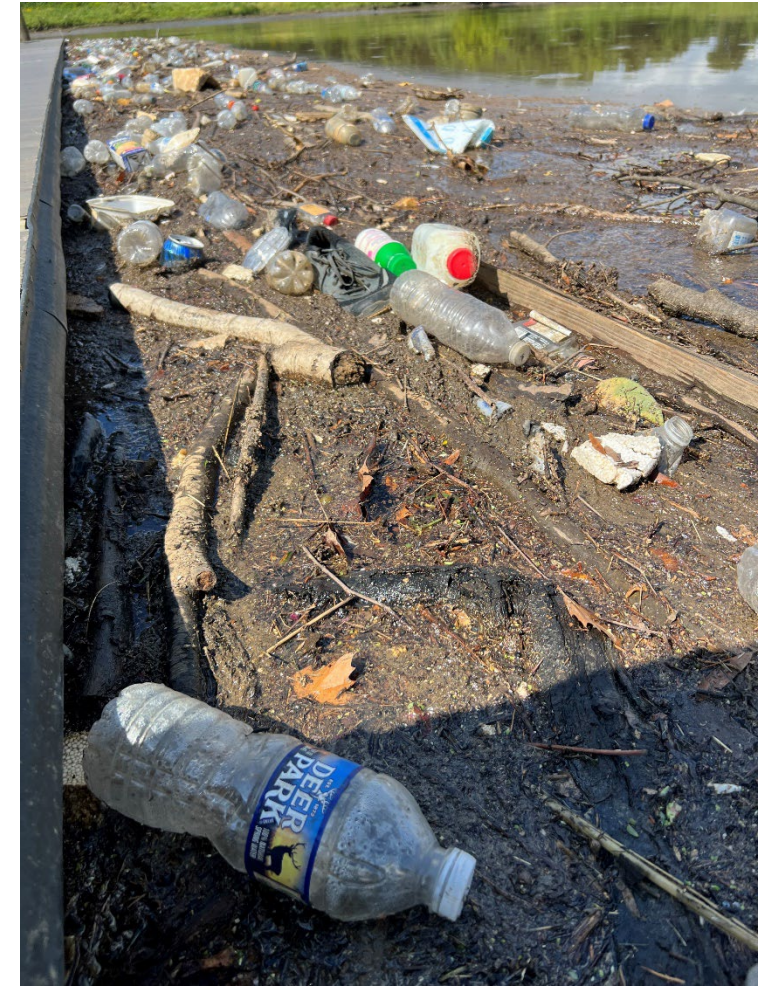
Researchers find a massive number of plastic particles in bottled water

UPDATED JANUARY 10, 2024 - 11:59 AM ET ©

By James Doubek



Researchers from Columbia University and Rutgers University found roughly 240,000 detectable plastic fragments in a typical liter of bottled water. Jody Amiet/AFP via Getty Images hide caption



💧 DC Water has some of the most robust customer assistance programs in the nation

- We know that some households cannot afford the vital service that we provide, so DC Water has implemented programs to help
- Household incomes up to \$152,100 (household of four) may qualify



For more information, please see:
<https://www.dewater.com/customer-assistance>



Customer Programs Recognized by EPA

Bill Discount

- DC Water offers programs with incomes up to 100% AMI
- **NEW** – **CAP+** program offers even more robust assistance to households with up to 20% MHI

Flexible Terms

- DC Water offers payment plans
- **NEW** – **Payment Plan Incentive Program** - Customers who meet the terms of their payment plans will have a credit to their arrears

Lifeline Rate

- **Lifeline Rate** provides a discount for the first four Ccfs of water
- Customers can save money a month if they can conserve water

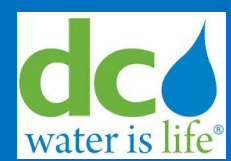
Temporary Assistance

- **SPLASH** program, paid for with customer, employee, and Board member contributions
- The new **Payment Plan Incentive Program** will provide a credit toward past-due balances for customers who meet terms of Payment Plans; paid for with the Rate Stabilization Fund

Water Efficiency

- **NEW** – \$500,000 **Leak Assessment** program will provide water audits to help customers identify the source of leaks and high bills

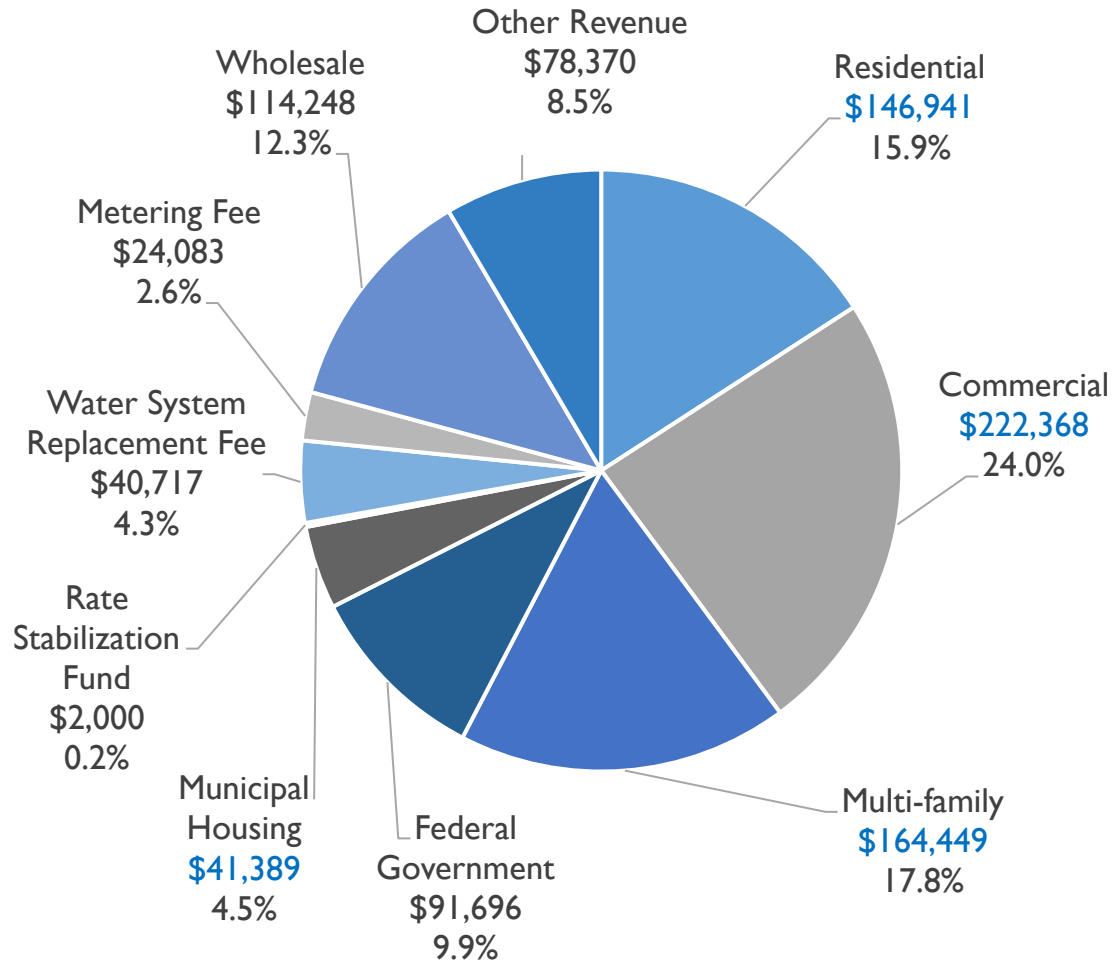




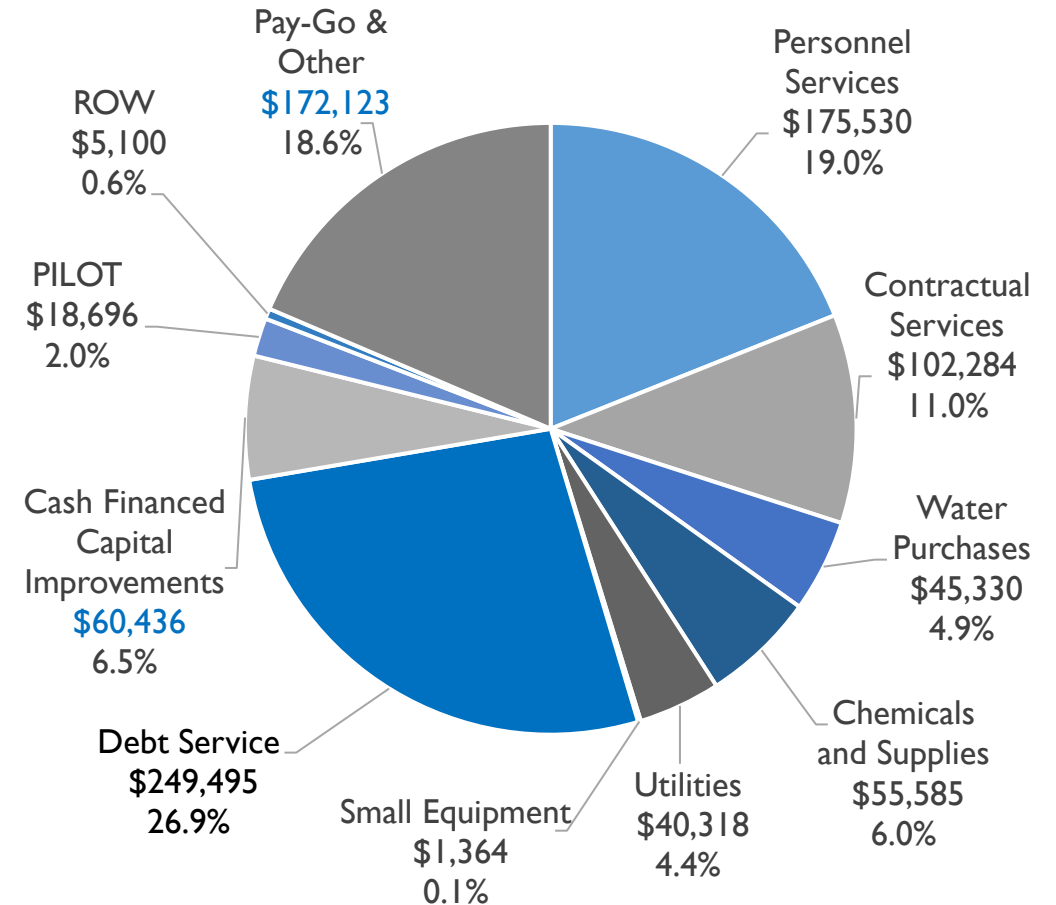
FY 2025 Operating: Sources and Uses of Funds

\$ in thousands

Sources - \$926.3 Million



Uses - \$926.3 Million

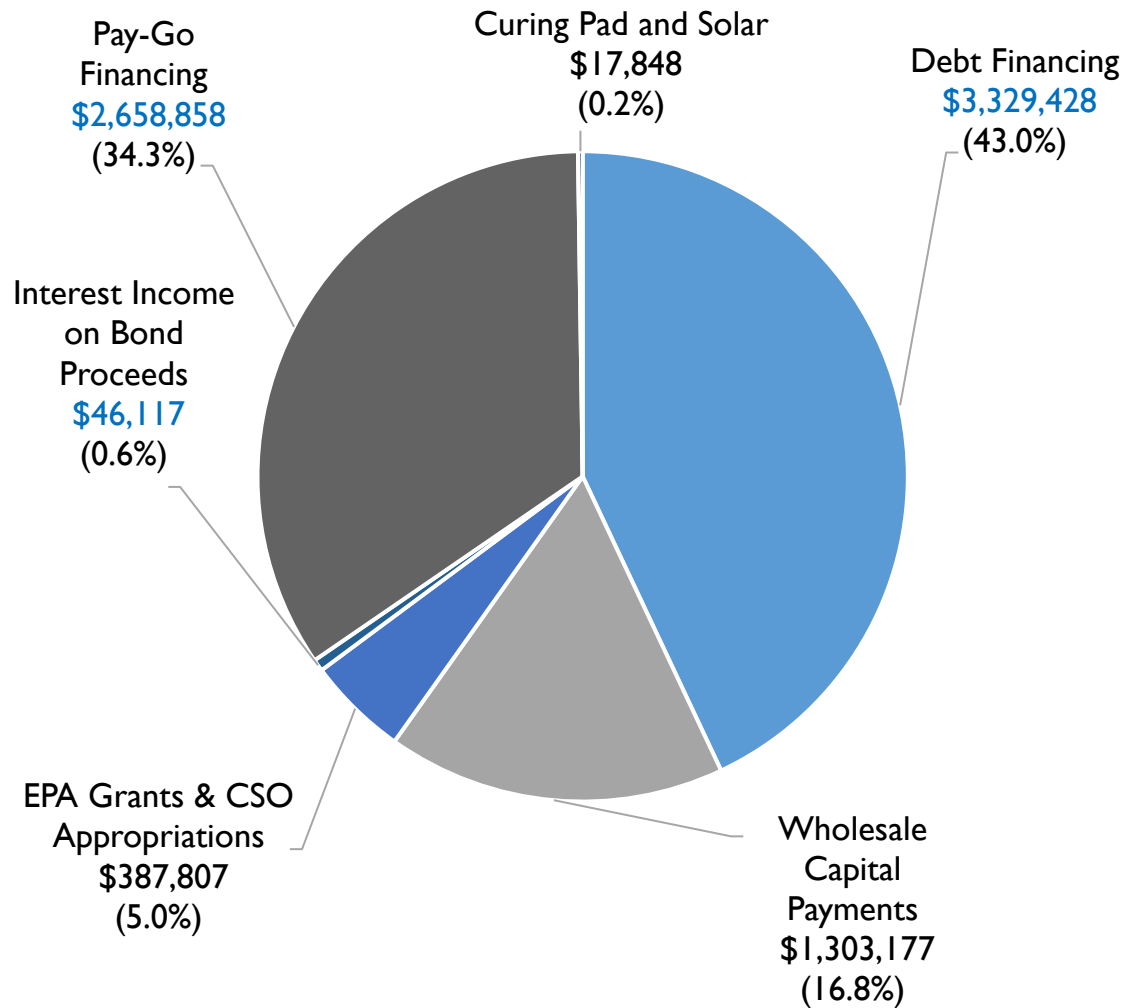


Reflects updated changes based on cost of service study completed

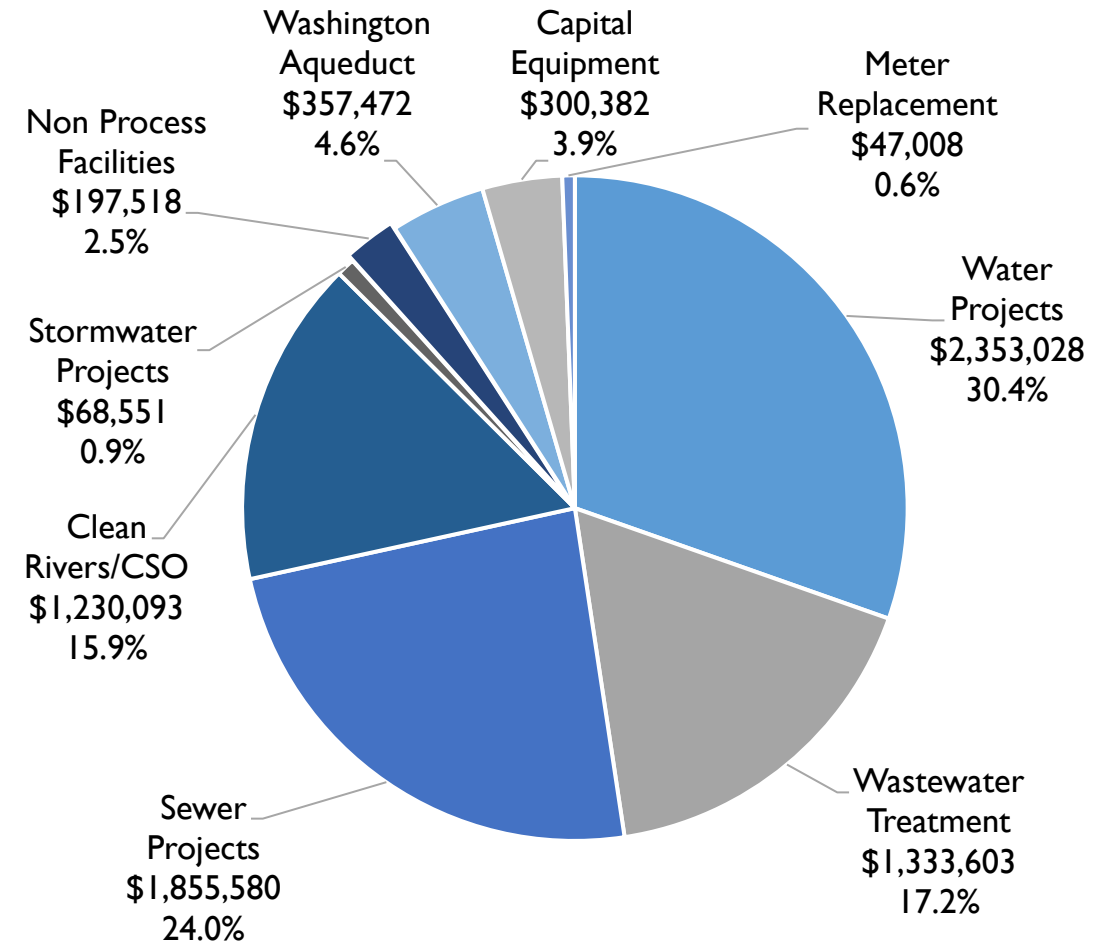
Ten Year CIP: Sources and Uses of Funds

\$ in thousands

Sources - \$7.74 Billion



Uses - \$7.74 Billion



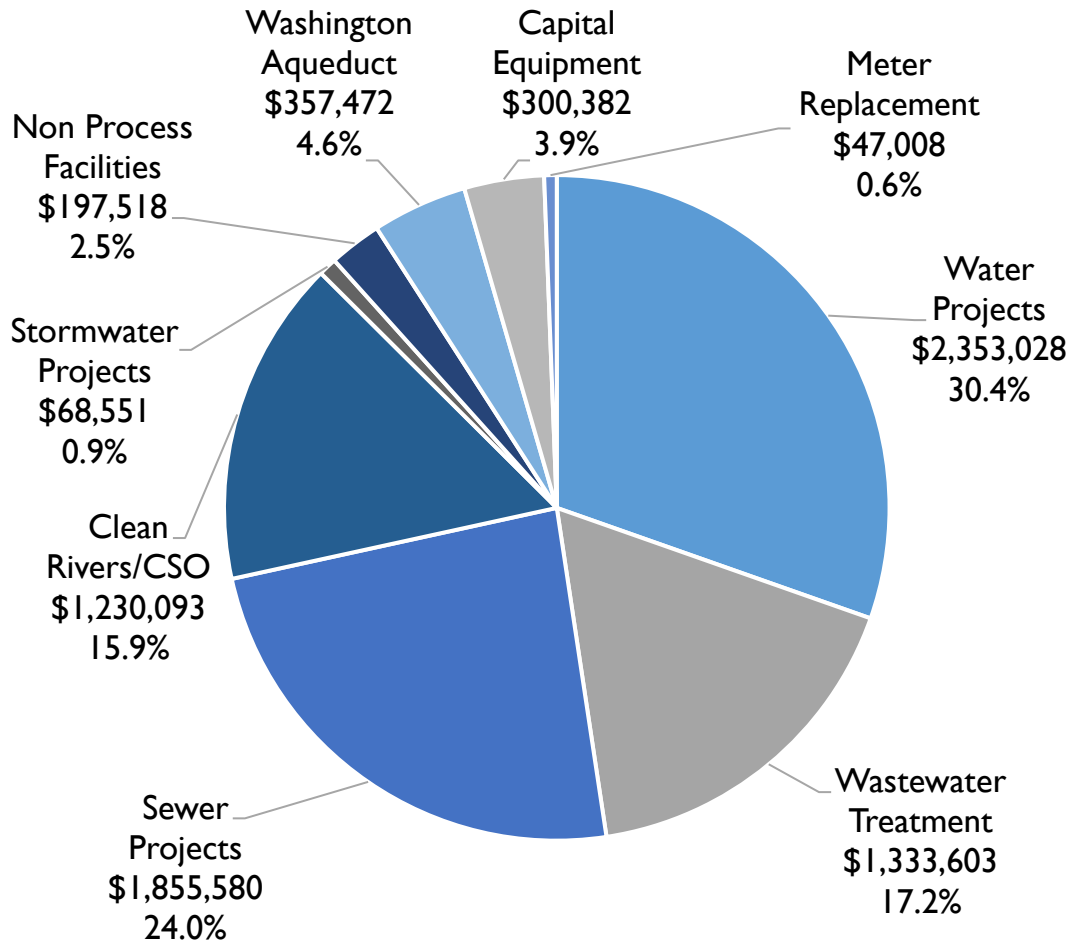
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Proposed Capital Program and Operating Budget

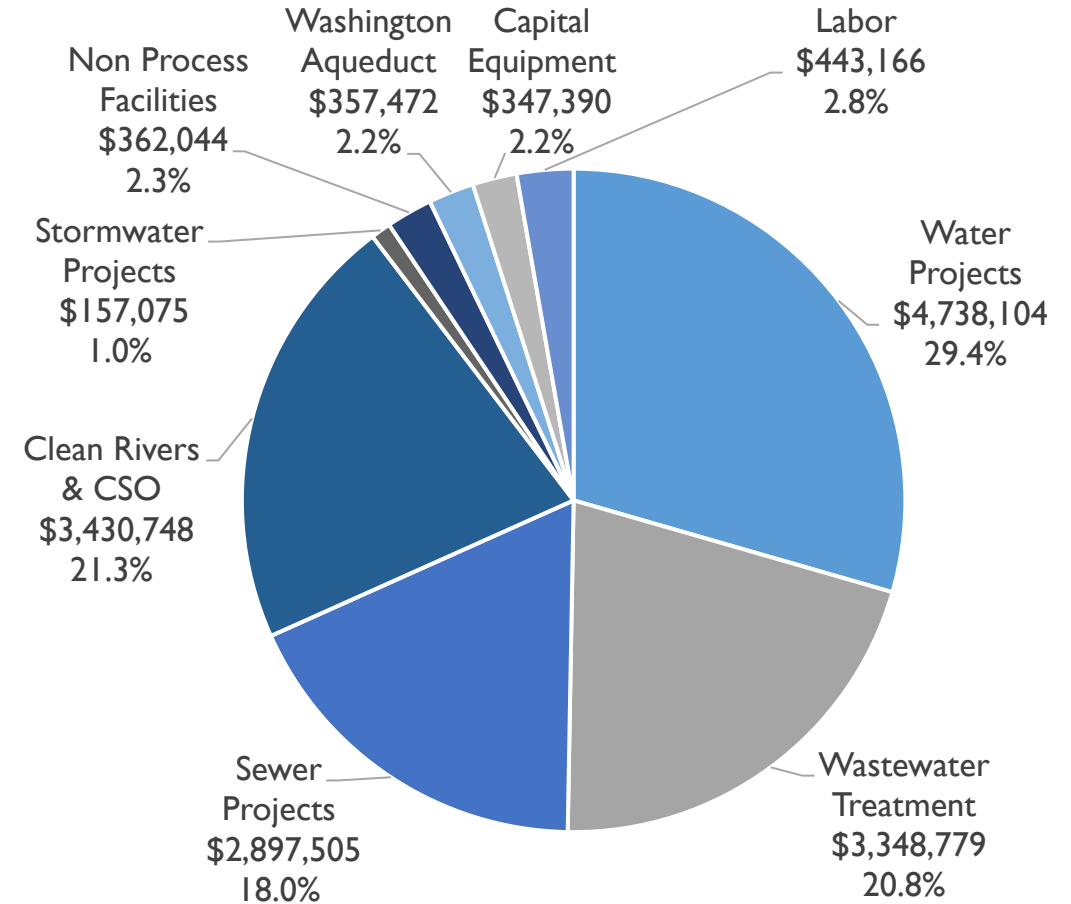
Capital Improvement Program Budgets

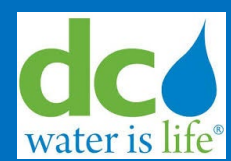
\$ in thousands

Ten-Year Disbursement \$7.74 Billion



Lifetime Project \$16.1 Billion

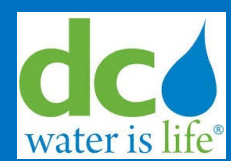




The Capital Improvement Program

- ◆ The **proposed ten-year CIP budget of \$7.74B** includes annual spending estimates for capital construction, capital equipment and DC Water’s share of the Aqueduct’s capital projects
 - This includes a reduction of \$89.9 million in FY 2024 and an overall increase of \$792 million for the ten-year period compared to the Board-approved level
- ◆ The **proposed lifetime budget is \$16.1B** and covers total commitments, including labor, for active projects prior to, during, and beyond the ten-year window

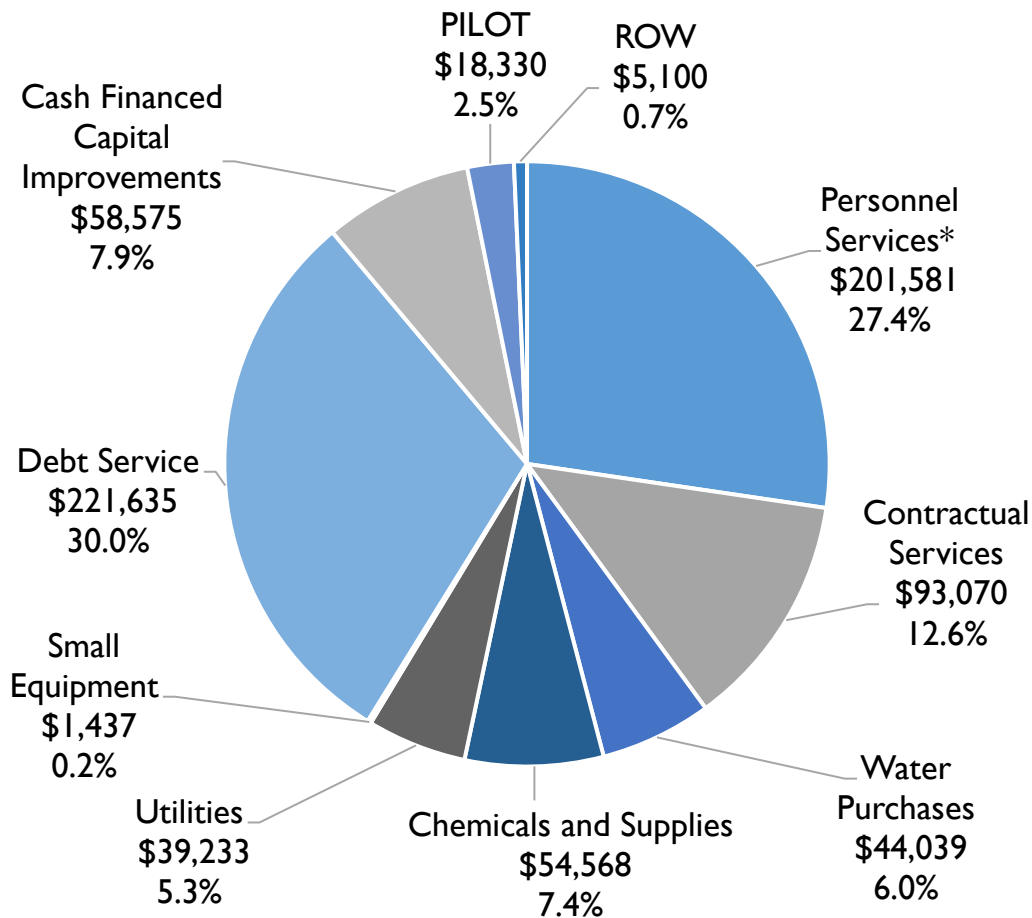
Cash Disbursements (\$ in thousands)	FY 2024 - FY 2033 Disbursement Plan											Last Years 10-yr	(Increase)/ Decrease	Lifetime Budget
	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033	10-yr Total			
NON PROCESS FACILITIES	\$ 13,074	\$ 19,900	\$ 25,190	\$ 27,461	\$ 17,775	\$ 35,413	\$ 23,100	\$ 13,283	\$ 14,977	\$ 7,345	\$ 197,518	\$ 141,246	\$ (56,272)	\$ 362,044
WASTEWATER TREATMENT	65,150	103,291	133,487	146,143	164,601	194,637	185,233	174,807	91,587	74,666	1,333,603	1,180,881	(152,722)	3,348,779
COMBINED SEWER OVERFLOW	123,793	213,408	231,323	216,615	193,750	154,800	92,363	4,041	-	-	1,230,093	1,062,875	(167,218)	3,430,748
STORMWATER	7,293	13,565	7,958	3,804	4,532	3,268	6,697	9,432	6,772	5,231	68,551	72,241	3,690	157,075
SANITARY SEWER	80,599	92,235	123,854	118,639	169,037	287,816	249,471	227,771	269,312	236,846	1,855,580	1,796,116	(59,464)	2,897,505
WATER	158,736	222,494	252,395	250,278	266,256	268,591	279,184	207,235	219,880	227,979	2,353,028	2,011,801	(341,227)	4,738,104
CAPITAL PROJECTS	\$ 448,646	\$ 664,893	\$ 774,206	\$ 762,940	\$ 815,951	\$ 944,526	\$ 836,048	\$ 636,568	\$ 602,528	\$ 552,067	\$ 7,038,373	\$ 6,265,159	\$ (773,214)	\$ 14,934,255
CAPITAL EQUIPMENT	30,535	31,477	31,839	30,523	37,169	37,169	37,169	37,169	37,169	37,169	347,390	347,390	-	347,390
WASHINGTON AQUEDUCT	35,546	35,770	35,770	35,770	35,770	35,770	35,770	35,770	35,770	35,770	357,472	338,518	(18,954)	357,472
ADDITIONAL CAPITAL PROJECTS	\$ 66,081	\$ 67,246	\$ 67,609	\$ 66,293	\$ 72,939	\$ 72,939	\$ 72,939	\$ 72,939	\$ 72,939	\$ 72,939	\$ 704,863	\$ 685,908	\$ (18,954)	\$ 704,863
LABOR														\$443,166
TOTAL CAPITAL BUDGETS	\$ 514,727	\$ 732,139	\$ 841,815	\$ 829,232	\$ 888,890	\$ 1,017,465	\$ 908,987	\$ 709,507	\$ 675,467	\$ 625,006	\$ 7,743,235	\$ 6,951,067	\$ (792,168)	\$ 16,082,284
Prior Year Board Approved CIP	\$ 604,671	\$ 784,064	\$ 838,249	\$ 859,188	\$ 892,646	\$ 841,454	\$ 677,036	\$ 507,647	\$ 444,676	\$ -	\$ 6,951,067			
Delta (inc)/dec	\$89,944	\$51,925	(\$3,566)	\$29,955	\$3,756	(\$176,011)	(\$231,951)	(\$201,860)	(\$230,791)	(\$625,006)	(\$792,168)			



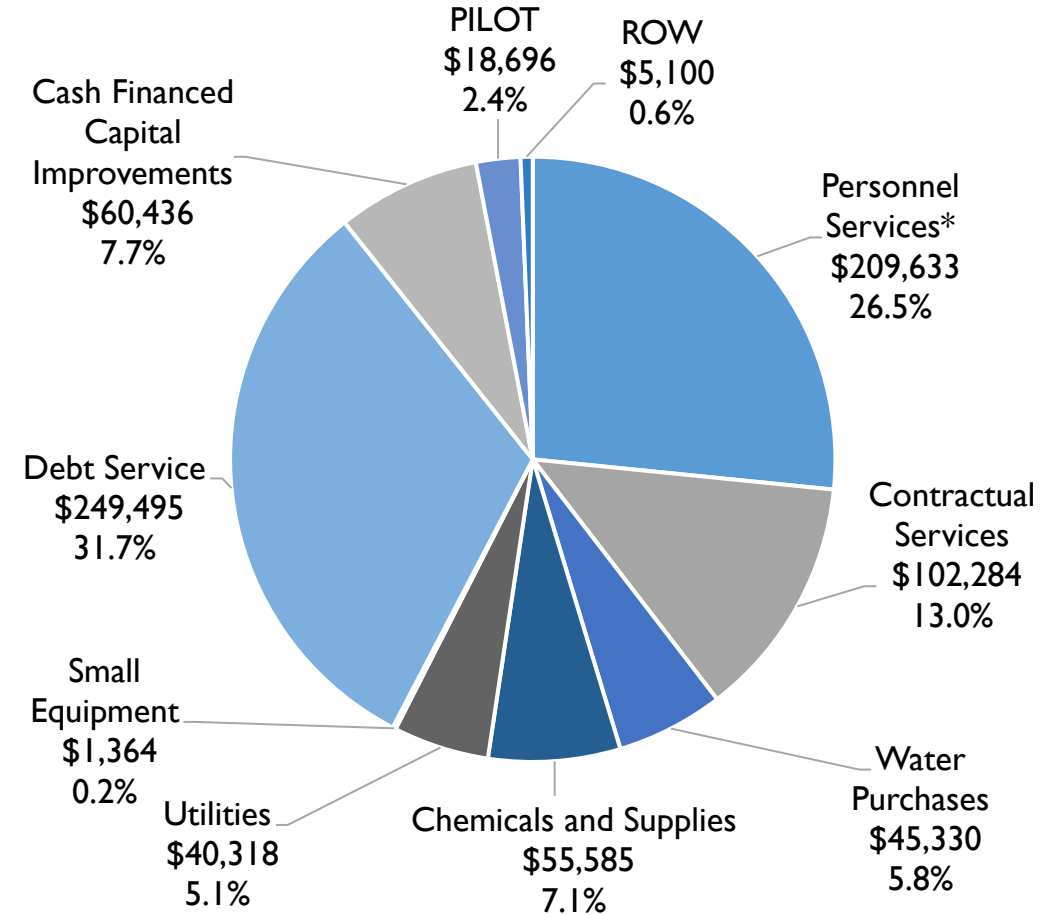
FY 2024 vs. FY 2025 Operating Budget

\$ in thousands

Amended FY 2024 \$737,567



Proposed FY 2025 \$788,241



* Personnel Services include capital labor charges

Reflects updated changes based on cost of service study completed

Operating Budget Comparison by Cost Category

- 💧 **FY 2024** – Amended budget reflects reprogramming of \$10.3 million from debt service to CFCI with no changes to the overall adopted budget

- 💧 **FY 2025** – Proposed operating budget is \$788.2 million, an increase of \$50.7 million or 6.9%
 - O&M Increase - \$20.6 million increase for salary adjustments and critical maintenance requirements
 - Non O&M - \$30.1 million increase mainly for debt service and paygo to support the capital program

(\$000's)	FY 2024	FY 2025	(Increase)/ Decrease	
	Amended Budget	Proposed Budget	\$	%
Regular Pay	\$ 147,203	\$ 154,120	\$ (6,918)	-4.7%
Benefits	45,869	46,409	(541)	-1.2%
Overtime	8,509	9,103	(594)	-7.0%
Total Personnel Services	201,581	209,633	(8,052)	-4.0%
Chemical and Supplies	54,568	55,585	(1,017)	-1.9%
Utilities	39,233	40,318	(1,085)	-2.8%
Contractual Services	93,070	102,284	(9,213)	-9.9%
Water Purchases	44,039	45,330	(1,291)	-2.9%
Small Equipment	1,437	1,364	73	5.1%
Total Non-Personnel Services	232,347	244,881	(12,533)	-5.4%
Total Operations & Maintenance	\$ 433,928	\$ 454,513	\$ (20,586)	-4.7%
Debt Service	221,635	249,495	(27,860)	-12.6%
PILOT & ROW	23,430	23,796	(367)	-1.6%
Cash Financed Capital Improvements (CFCI)	58,575	60,436	(1,862)	-3.2%
Total Non-O&M	303,639	333,728	(30,088)	-9.9%
Total Operating Expenditure	\$ 737,567	\$ 788,241	\$ (50,674)	-6.9%
Capital Labor Charges	(31,974)	(34,087)	2,113	-6.6%
Net Operating Expenditure	\$ 705,593	\$ 754,154	\$ (48,561)	-6.9%

- **Personnel Services** – \$7.5 million increase mainly for salaries, vacancy adjustments and health benefits costs for 1325 FTEs. Funds steps, merit increases and bonus payments for existing employees and pays for Summer Internship and Apprenticeship programs. Additional increase of \$0.6 million in overtime costs needed for emergency response activities
- **Chemicals & Supplies** – \$1.0 million increase in parts and supplies needed for the maintenance of equipment and various facilities. The proposed budget for major chemicals remains relatively flat compared to the FY 2024 approved level
- **Utilities** – \$1.1 million increase mainly in water usage due to changes made in the treatment process at the Plant, and slight increases in costs for electricity and telecommunications based on current forecasts
- **Contracts** – \$9.2 million increase mainly for the maintenance and repairs of operational facilities, critical equipment, software systems, rising cost of insurance premiums and various professional services including hauling and disposal, biosolids hauling, high pressure high vacuum and industrial cleaning, tree root foaming, and security guards
- **Water Purchase** – \$1.3 million increase is based on the Aqueduct's projected operating costs, including DC Water's share of the McMillan Sewer backwash (\$2.6 million) with offsetting revenue opportunity
- **Small Equipment** – Overall budget of \$1.4 million is relatively flat compared to the approved FY 2024 level
- **Non-O&M** – Increase of \$29.7 million for debt service and CFCI/PAYGO to support the capital program. Additionally, there is an increase of \$0.4 million for PILOT payments to the District consistent with the MOU

- 💧 Budget for Cash Financed Capital Improvements (CFCI) serves as a contingency
 - Budgeted funds are used as pay-as-you-go (PAYGO) capital funding
 - If operating costs exceed budget, CFCI is reprogrammed out and PAYGO is reduced
 - If operating costs are less, unspent budget will be reprogrammed to CFCI and used as PAYGO, reducing debt service costs for all customers

Chemicals and Energy

- Market volatilities and impact on unit prices
- Onsite energy optimization, solar project output & timeline, rain events and process optimization

Contractual Services

- Equipment & Facilities - Parts, equipment and maintenance requirement for tunnels, treatment facilities and the new buildings for Fleet Services and Sewer Services
- Litigation & Insurance - Impacts of unanticipated legal cases, insurance policy requirements and workers compensation claims
- Impact of inflation on professional services



Personnel Costs

- Overtime during emergencies, increased healthcare cost, lower than anticipated vacancy rate, and other adjustments typically funded by vacancies
- Impacts of the Labor Compensation Agreement with the five unions which expired September 30, 2023

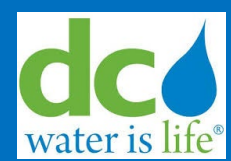
Emerging/New Legislation

- *Newly introduced Water Bill Tenant Empowerment and Management Amendment Act of 2023* – changes to the water shutoff code will have a significant impact on delinquencies and related revenue requirement and debt service costs

Proposed Operating Revenues and Financial Plan

- DC Water recovers only the funds necessary to fund the Operating and Capital Budgets through rates
- One of the fastest growing expenditure category is debt service for the capital program, which has grown an average of 6.2% a year since 2016
- As part of the budget, DC Water presents the rates required to support the CIP and forecasted operating expenditures
 - Rates are reviewed and approved by the DC Water Board every two years
 - The financial plan, including the forecast of rates, is proposed to the Board for consideration
- Customer Assistance Programs provide discounts for residential customers
 - Income requirements for those programs every year
 - In FY 2021 the discount was increased for customers in the CAP program to ensure that rates comprised a lower portion of household income
 - Proposed new programs for FY 2025; CAP+, Payment Incentive, Leak Assessments.



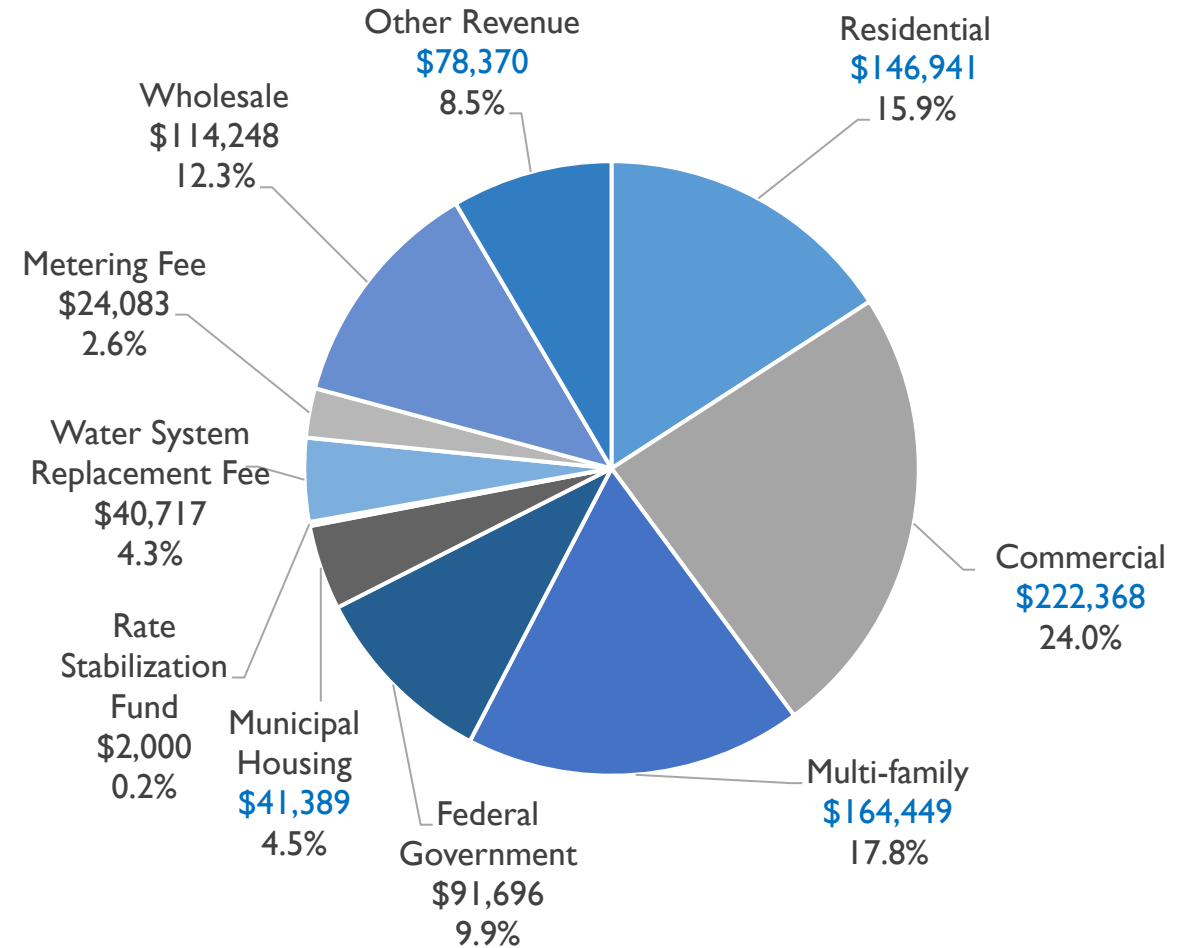
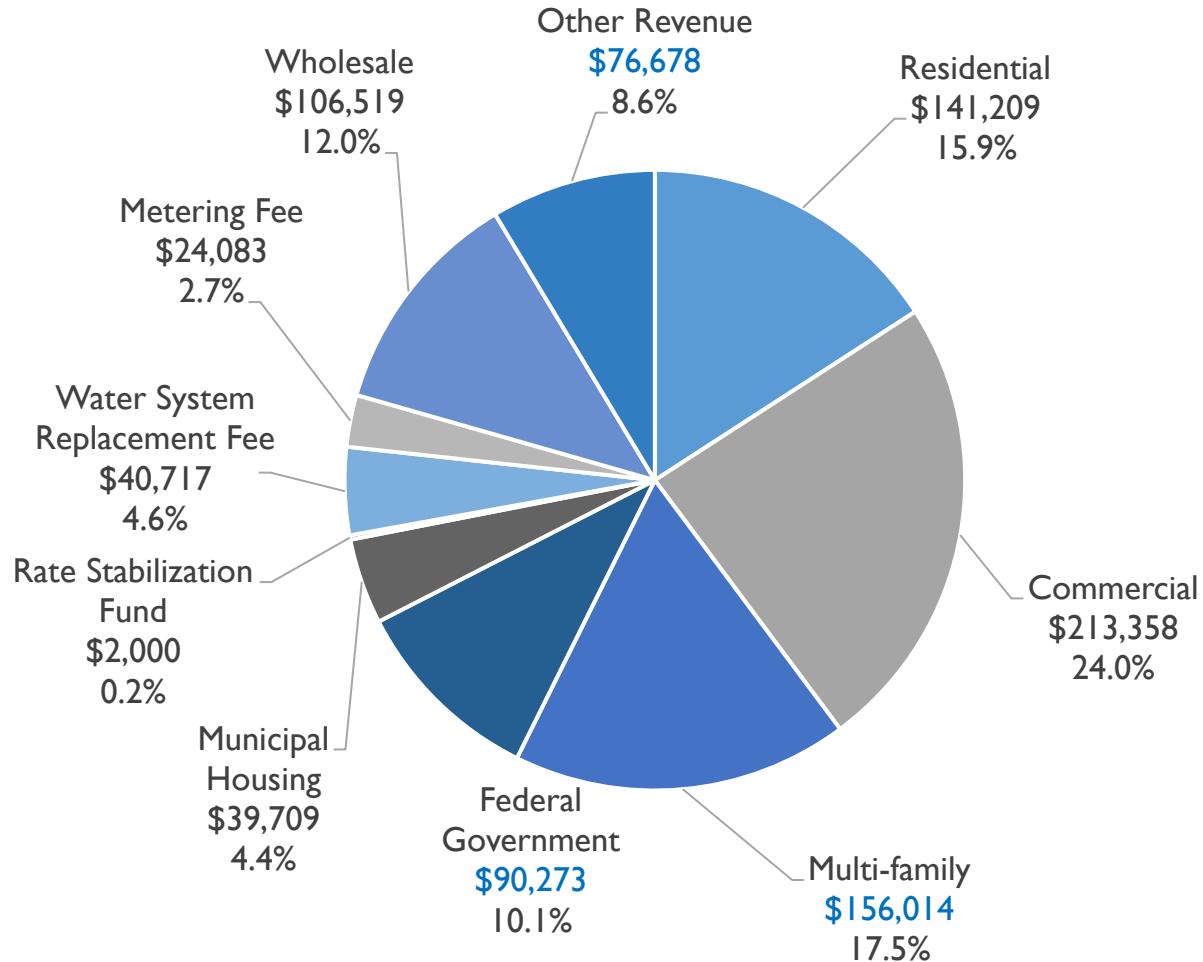


FY 2024 vs. FY 2025 Operating Revenues

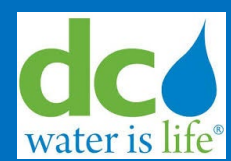
\$ in thousands

Revised FY 2024 \$890.6 million

Proposed FY 2025 \$926.3 million



Reflects updated changes based on cost of service study completed



Revenue Comparison by Customer Class

- Total revenue is projected to increase by \$35.7 million or 4.0% for FY 2025 and \$51.2 million or 5.5% for FY 2026 mainly due to rate increase
 - Retail Revenue – Increase by \$26.3 million or 3.7% in FY 2025 and \$43.5 million or 5.9% in FY 2026
 - Wholesale Revenue – Increase by \$7.7 million or 7.3% in FY 2025 and \$6.7 million or 5.8% for FY 2026 due to operations and maintenance expense projection. Revenue estimates are based on most recent flow data

\$ in thousands	Revised FY 2024	Proposed FY 2025	Proposed FY 2026	FY 2025 vs FY 2024		FY 2026 vs FY 2025	
				Incr/(Decr)		Incr/(Decr)	
				\$	%	\$	%
Retail Revenue	\$705,362	\$731,643	\$775,094	\$26,281	3.7%	\$43,451	5.9%
Wholesale Revenue							
Potomac Interceptor (PI)	3,547	3,547	3,547	-	0.0%	-	0.0%
Loudoun County Sanitation Authority (LCSA)	9,539	10,450	11,045	911	9.6%	595	5.7%
Washington Suburban Sanitary Commission (WSSC)	74,959	79,591	84,441	4,632	6.2%	4,850	6.1%
Fairfax County	18,475	20,660	21,872	2,185	11.8%	1,212	5.9%
Total Wholesale Revenue	\$106,520	\$114,248	\$120,905	\$7,728	7.3%	6,657	5.8%
Other Revenue	76,678	78,370	81,456	1,692	2.2%	3,086	3.9%
Rate Stabilization Fund (RSF)	2,000	2,000	-	-	0.0%	(2,000)	-100.0%
Total Revenues	\$890,560	\$926,261	\$977,455	\$35,701	4.0%	\$51,194	5.5%

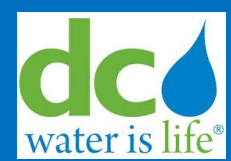
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- 💧 DC Water's 10-year financial plan serves as the fiscal roadmap to achieve the Board's strategic plan
- 💧 It is one of management's key tools to monitor progress in meeting financial goals and targets
- 💧 It also ensures meeting or exceeding all debt-related legal and policy requirements, as well as maintaining sufficient liquidity to meet all current financial obligations
- 💧 DC Water's financial plan objectives focus on:
 - Minimizing rate increases while meeting all financial obligations;
 - Satisfying all indenture requirements and Board policies; and
 - Maintaining DC Water's current credit ratings of AAA/Aa1/AA+

DC Water Financial Metrics come from the Indenture, Board Policy and Management

Metrics	Indenture Requirement	Board Policy	Management Target	Financial Plan
Days of Cash on Hand (excluding RSF)	60 days	250 Days	—	267 - 267 Days
Combined Coverage Ratio	—	1.6X	—	1.81X – 2.13X
Senior Coverage	1.2X	—	—	5.79X – 8.18X
Subordinate Coverage	1.0X	—	—	2.15X – 2.52X
Debt Service as a % of Revenue	—	—	33% of Revenue or Less	25.2% - 33.0%
Rate Stabilization Fund (RSF)	—	—	—	—

* Board of Directors added to the cash balance at the end of FY2023 to reach 267 Days of Cash



Ten-Year Financial Plan

\$ in thousands

DISTRICT OF COLUMBIA WATER & SEWER AUTHORITY FY 2024 - FY 2033 FINANCIAL PLAN

OPERATING	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033
Retail	728,792	755,456	799,250	854,603	911,660	980,556	1,043,786	1,090,013	1,154,059	1,204,514
Wholesale	106,519	114,248	120,905	125,741	130,771	136,001	141,441	147,099	152,983	159,102
Other	53,249	54,557	57,301	62,364	67,922	70,592	69,584	70,092	65,216	64,505
RSF	2,000	2,000	-	-	-	-	-	-	-	-
Operating Receipts ⁽¹⁾	\$ 890,560	\$ 926,261	\$ 977,455	\$ 1,042,708	\$ 1,110,352	\$ 1,187,149	\$ 1,254,812	\$ 1,307,204	\$ 1,372,258	\$ 1,428,121
Operating Expenses	425,383	444,207	464,947	482,959	501,685	521,151	541,388	562,427	584,299	607,038
Debt Service	221,635	249,495	277,000	307,289	340,180	372,492	402,816	425,524	446,587	462,941
Cash Financed Capital Improvement	\$ 58,575	\$ 60,436	\$ 71,932	\$ 76,914	\$ 82,049	\$ 88,250	\$ 93,941	\$ 98,101	\$ 103,865	\$ 108,406
Net Revenues After Debt Service	\$ 184,967	\$ 172,123	\$ 163,576	\$ 175,546	\$ 186,439	\$ 205,256	\$ 216,667	\$ 221,152	\$ 237,507	\$ 249,736
Operating Reserve-Beg Balance	286,889	296,600	309,600	324,600	337,600	351,600	365,600	380,600	395,600	411,600
Other Misc (Disbursements)/Receipts										
Wholesale/Federal True Up	(15,256)	(21,513)	(15,100)	-	-	-	-	-	-	-
Project Billing Refunds	(2,000)	(2,000)	-	-	-	-	-	-	-	-
Transfers to RSF										
Pay-Go Financing	(158,000)	(135,609)	(133,476)	(162,546)	(172,439)	(191,256)	(201,667)	(206,152)	(221,507)	(233,736)
Operating Reserve - Ending Balance	\$ 296,600	\$ 309,600	\$ 324,600	\$ 337,600	\$ 351,600	\$ 365,600	\$ 380,600	\$ 395,600	\$ 411,600	\$ 427,600
Rate Stabilization Fund Balance RSF ⁽²⁾	\$ 33,644	\$ 31,644	\$ 31,644	\$ 31,644	\$ 31,644	\$ 31,644	\$ 31,644	\$ 31,644	\$ 31,644	\$ 31,644
Senior Debt Service Coverage	818%	753%	651%	607%	635%	628%	589%	616%	591%	579%
Combined Debt Service Coverage	213%	193%	188%	190%	186%	186%	183%	181%	182%	183%
Actual/Projected Water/Sewer Rate Increases	3.25%	8.00%	6.00%	8.00%	9.00%	9.00%	8.50%	9.00%	8.50%	6.50%
Operating Receipts \$ Increase/Decrease										
Retail	26,565	26,664	43,794	55,353	57,057	68,896	63,230	46,227	64,047	50,455
Wholesale	1,269	7,729	6,657	4,836	5,030	5,231	5,440	5,658	5,884	6,119
Operating Receipts % Increase/Decrease										
Retail	3.8%	3.7%	5.8%	6.9%	6.7%	7.6%	6.4%	4.4%	5.9%	4.4%
Wholesale	1.2%	7.3%	5.8%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%

⁽¹⁾ Includes interest earnings on senior lien revenue bonds' debt service reserve fund

⁽²⁾ \$2.0 million withdrawal from Rate Stabilization Fund in FY 2024 for new Payment Plan Incentive Program, leaving a balance of \$33.644 million

⁽²⁾ FY 2025 planned transfer of \$0.0 million to Rate Stabilization Fund and \$2.0 million utilization will keep the total fund balance at \$31.644 million.

Intent to Reimburse Capital Expenditures with Proceeds of a Borrowing

Intent to Reimburse Capital Expenditures

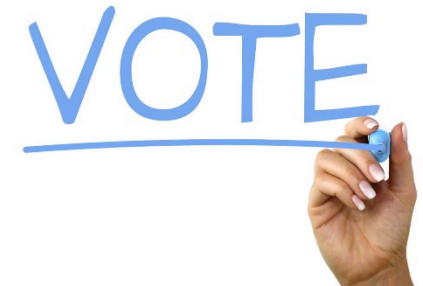
- Approval to reimburse DC Water for “Costs of the System” as defined in the Master Indenture; allows DC Water to reimburse itself for capital expenditures with debt proceeds
- For FY 2024 and FY 2025 amount requested is \$325 million; DC Water has three years from the time of the last expenditure to make the reimbursement
 - Due to reductions in capital spending, DC Water may delay entering the market until Winter 2025
 - Borrowing for FY 2024 and FY 2025 was combined for approximately \$325 million
- As part of the request to issue a specific series of debt in the future, the Board will be asked to adopt a specific resolution that confirms the intent for the actual amount financed with actual reimbursed expenses



Action Items

Committee Actions & Budget Adoption

	Environmental Quality & Operations	Finance & Budget	DC Retail Water & Sewer Rates
Committees & Meeting Dates	February 15	February 22	February 27
FY 2024 - FY 2033 Capital Budget <ul style="list-style-type: none"> Revised FY 2024 Capital Budget Proposed FY 2025 Capital Budget Ten-Year Capital Improvement Plan Lifetime Project 	Action Taken	Action Required	
Annual Operating Budgets <ul style="list-style-type: none"> Proposed Amended FY 2024 Proposed Amended FY 2024 Revenue Proposed FY 2025 		Action Required	
Proposed FY 2024 - FY 2033 Financial Plan		Action Required	Action Required
Proposed FY 2025 & FY 2026 Revenues, Rates, Charges and Fees			Action Required
Intent to Reimburse Capital Expenditures with Proceeds of a Borrowing		Action Required	



Complete Budget Briefing available online at <https://www.dewater.com/budget-and-rate-review-documents-0>

The screenshot shows the DC Water website's 'Ratemaking Process' page. The navigation bar includes 'My Accounts', 'Pay Your Bill', 'Dispute a Bill', 'Report a Problem', 'Find a Job', 'Get a Permit', 'Contact Us', and 'View Customer Center'. The breadcrumb trail is 'Home > About DC Water > Finance > Ratemaking Process'. Social media icons for Facebook, Twitter, Instagram, YouTube, and LinkedIn are visible. The main heading is 'Ratemaking Process'.

Ratemaking Process

The Board's Strategic Plan and 10-year financial plan provide the framework for the formulation, prioritization, implementation and monitoring of the annual budget process.

The annual budget process typically begins with planning in June and official kickoff in July of each year for the Operating and Capital Budgets. Plans and budgets are prepared at an appropriate level of detail for each management level. Assumptions inherent in the plans and budgets reflect the entity's historical experience, current conditions and Executive Team's directives. Once decisions are finalized for the operating and capital budgets, management develops the financial plan and rate model including various scenarios to ensure a balanced budget for recovery of costs. Further review is undertaken with independent consultants including benchmarking our proposed rates with peers in the industry. DC Water develops two-year rate proposals. The benefits of multi-year rates include greater revenue certainty, increased budget discipline and better alignment between revenues and expenditures.

The proposed budgets are finalized during the fall of each year, and introduced to the Board during the Budget Workshop typically in January. The Committees then submit their recommendations to the full Board for adoption and DC Water's adopted budget is included in the District of Columbia's budget submission to U.S. Congress.

DC Water's adopted budget and proposed rates are communicated via various news and media outlets as well as town hall meetings in each ward and a public hearing to provide customers the opportunity to comment on the changes. Once the budgets are appropriated by Congress and the final rates approved by the Board, they become effective on October 1st of each year.

IN THIS SECTION

- [FY 2025 Proposed Budget & Two-Year Rates](#)
- [FY 2024 Approved Budget](#)
- [FY 2023 and FY 2024 Approved Rates](#)
- [Budget and Rate Review Documents](#)

OTHER LINKS & DOCUMENTS

Online Tools

- [Rate Comparison Tool](#)
- [Impervious Area Calculator](#)

FY 2023 & FY 2024 Approved Rate Documents

- [Responses to Comments and Recommendations on Proposed Rates](#)
- [FY 2023 & FY 2024 Proposed Rates Presentation - RRC February 22, 2022](#)
- [Independent Review of Proposed Rates for FY 2023 and FY 2024 - Report](#)
- [Independent Review of Proposed FY 2023 & FY 2024 Rates, Charges & Fees Presentation - RRC February 22, 2022](#)

The screenshot shows the DC Water website's 'Budget and Rate Review Documents' page. The navigation bar is similar to the previous page. The breadcrumb trail is 'Home > About DC Water > Finance > Ratemaking Process > Budget and Rate Review Documents'. Social media icons for Facebook, Twitter, Instagram, YouTube, and LinkedIn are visible. The main heading is 'Budget and Rate Review Documents'.

Budget and Rate Review Documents

Budget Review Documents

Date	Title
January 23, 2024	Joint DC Retail Water & Sewer Rates and Finance & Budget Committees FY 2025 Proposed Budget
January 19, 2024	Office of People's Counsel Briefing FY 2025 Proposed Budget & Two-Year Rates
January 18, 2024	Environmental Quality and Operations Committee Proposed FY 2024 - FY 2033 Capital Improvement Program
January 12, 2024	Wholesale Customer Briefing DC Water's Proposed FY 2025 Budget
January 4, 2024	Budget Workshop with the Board FY 2025 Proposed Budget & Two-Year Rates



Are You In The Know?

Board of Directors meetings are held the first Thursday of every month and are open to the public. Join us in-person or watch online.

[READ MORE](#)

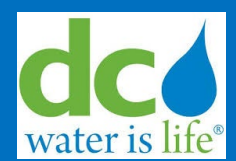
💧 DC Water will hold multiple Town Hall Meetings in April, in advance of the public hearing, to:

- Inform customers about the proposed FY 2025 and FY 2026 rates
- Discuss the Capital Improvement Program, and
- Promote all of the existing customer assistance programs

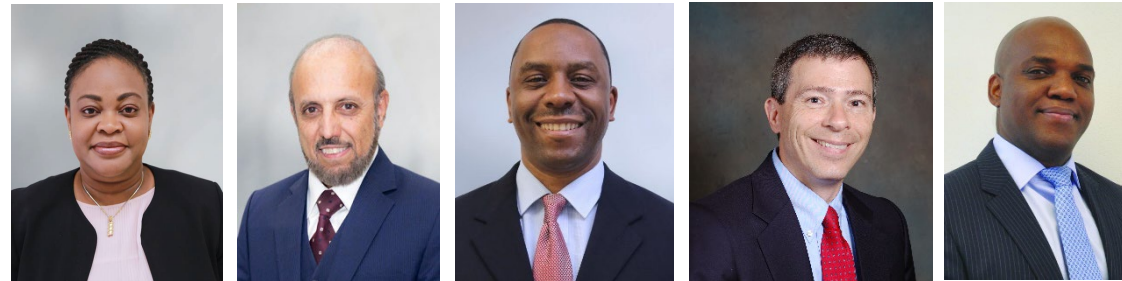
💧 Public Hearing on May 9

💧 The meetings will be widely publicized through numerous channels, including:

- Councilmember Offices
- Advisory Neighborhood Commissions (ANCs)
- DCWater.com website
- X.com (*Twitter*), Facebook and Instagram
- Nextdoor
- Paid digital and print advertising



Teamwork Delivered the Budget Proposal!



Thank you!



Management recommends the approval of the following:

Proposed **Operating Budget**

- Proposed Revised FY 2024 Operating Budget of \$737.6 million
 - Reprograms \$10.3 million in debt service savings to CFCI for pay-as-you-go
- Proposed Revised FY 2024 Operating Revenue Budget of \$890.6 million
 - \$12 million upward revision; mainly \$10.5 million in retail revenue and \$2 million RSF withdrawal
- Proposed FY 2025 Operating Budget of \$788.2 million

Proposed **Capital Budget**

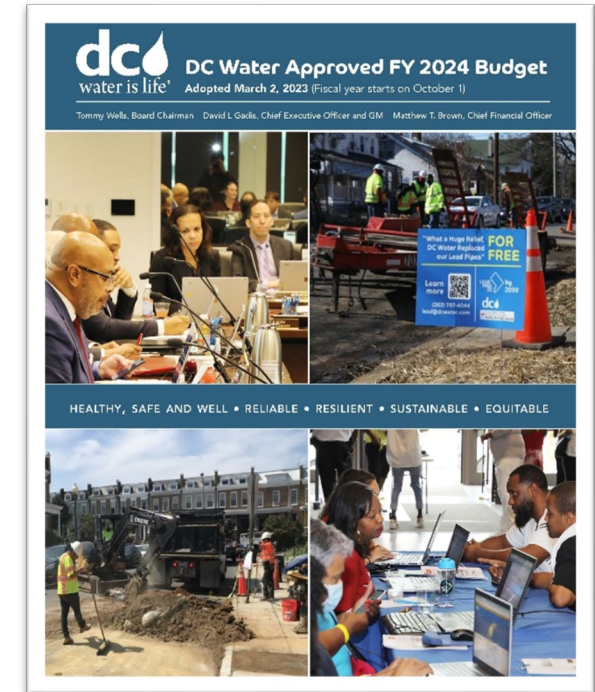
- Revised FY 2024 Budget of \$514.7 million and Proposed FY 2025 Budget of \$732.1 million
- FY 2024 – FY 2033 Capital Improvement Plan of \$7.74 billion
- Lifetime Project Budget of \$16.1 billion

Proposed FY 2025 & 2026 **Operating Revenues, Rates and Fees**

Proposed FY 2024 – FY 2033 **Financial Plan**, including the revenue requirements to support the operating and capital budgets

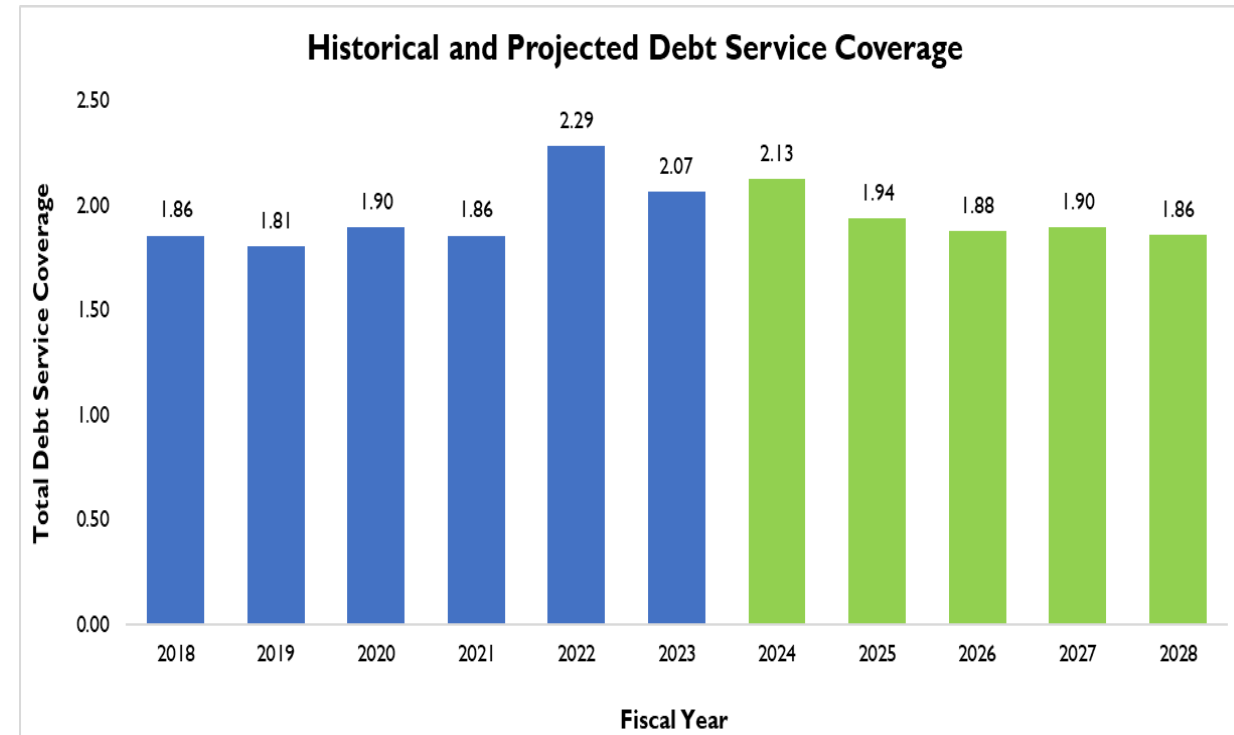
Intent to **Reimburse Capital Expenditures with Proceeds of a Borrowing**

\$2 million withdrawal from Rate Stabilization Fund for new Payment Plan Incentive Program, leaving a balance of \$33.6 million



Appendix

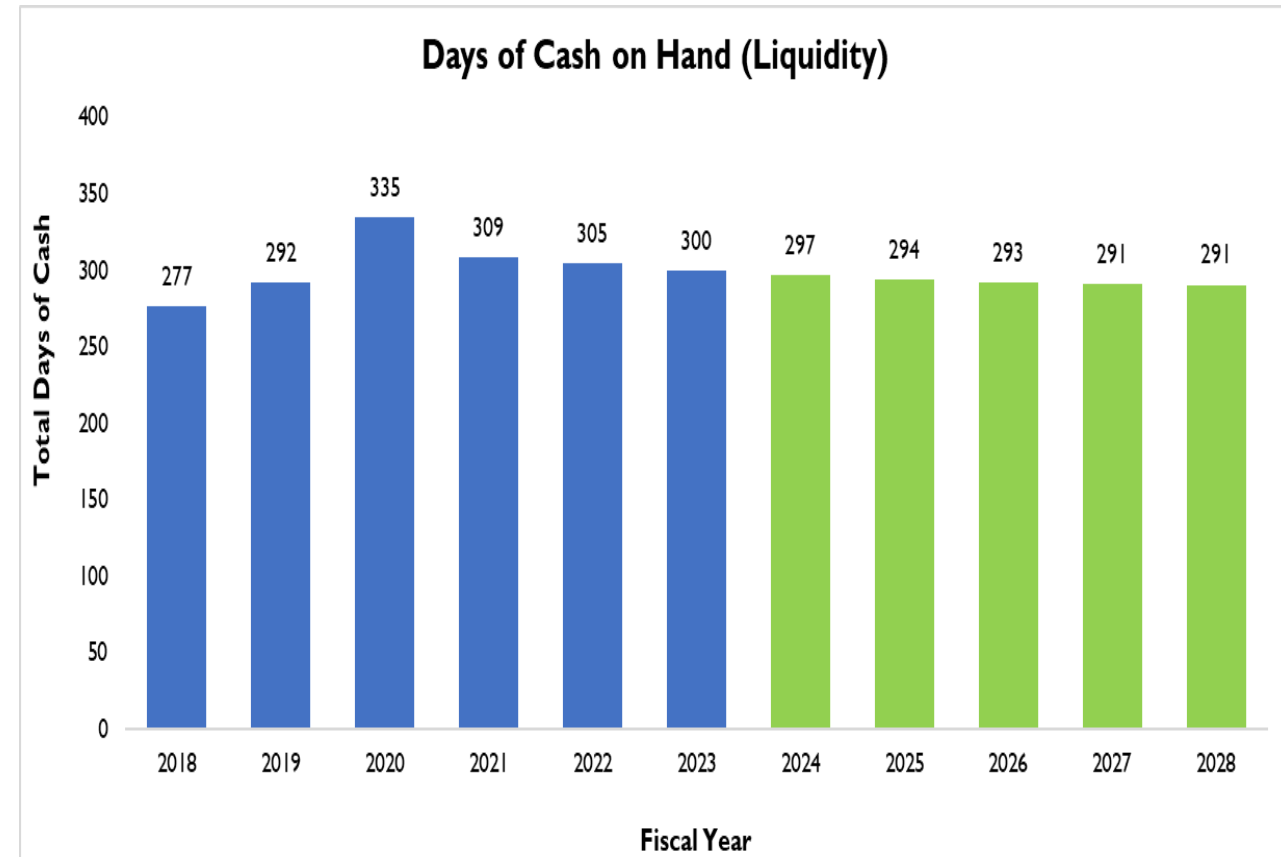
- ◆ Coverage is a core financial metric that reflects the financial health of a utility and measures the funds that are available to pay debt service after operating costs are met
 - *Funds representing excess coverage are used as PAYGO or cash to fund the capital program*
 - *A reduction in PAYGO would require additional borrowing to cover capital budget expenditures for infrastructure improvements*
- ◆ Coverage in the budget and the financial plan is consistent with recent results that have led to high bond ratings and lower borrowing costs
- ◆ Higher coverage indicates greater flexibility to tolerate financial stress from unexpected expenditures or a shortfall in revenues while still assuring repayment of debt
- ◆ Maintaining this metric in the Financial Plan is deliberate and not arbitrary; it has been recognized by Rating Agencies as a financial strength and a reason that DC Water can borrow at low rates



Higher 2022 coverage projection is the result of a Rate Stabilization Fund withdrawal to establish 250 days of cash outside of that Fund

- *In calculating debt service coverage, withdrawals from RSF are counted as revenues; deposits to RSF are subtracted from revenues*

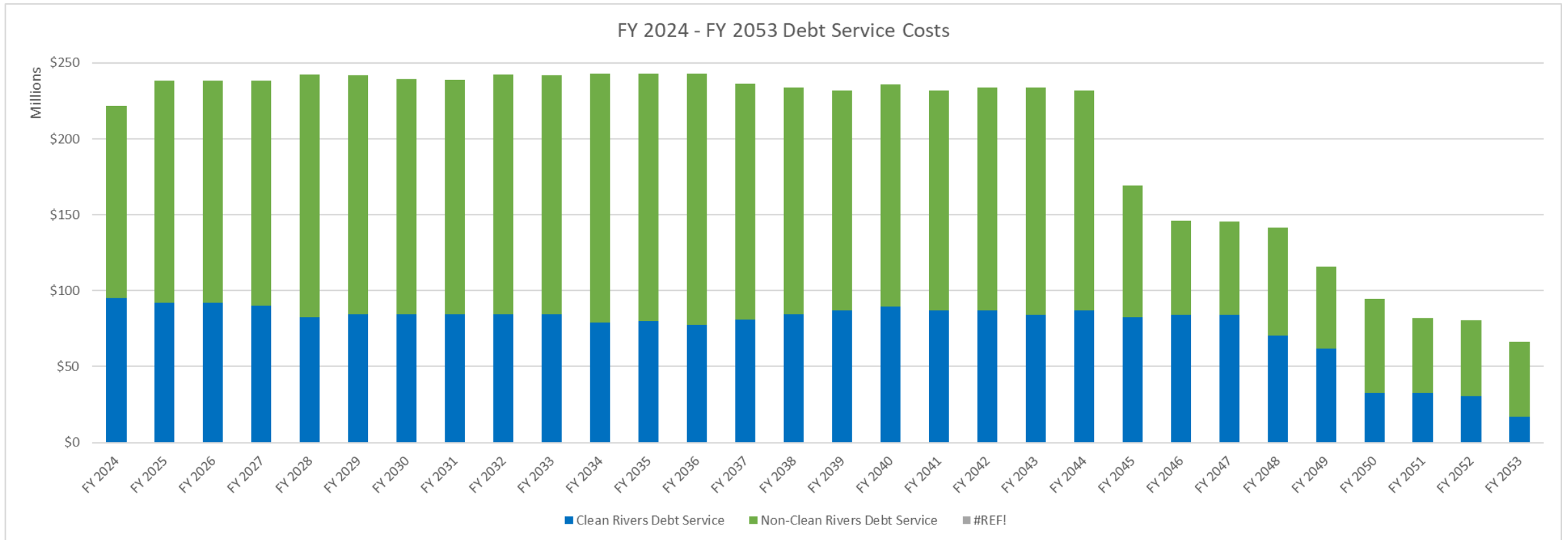
- Liquidity is measured in the number days of unrestricted operating cash
 - *Liquidity is the number of days that DC Water could cover operating costs without additional revenue*
- Higher liquidity indicates greater flexibility to deal with unexpected expenditures or a shortfall in revenues
- DC Water has maintained a minimum of 250 days of cash since 2015, which is required by Board policy
- Certain rating agencies expect > 250 days of cash for utilities rated in the highest category
- DC Water's unrestricted liquidity is low when compared to its highly rated peers
- Maintaining this metric in the Financial Plan is deliberate and not arbitrary; it has been recognized by Rating Agencies as a financial strength and a reason that DC Water can borrow at low rates



Liquidity as measured by credit rating agencies includes unrestricted reserves in addition to Rate Stabilization Fund balance.

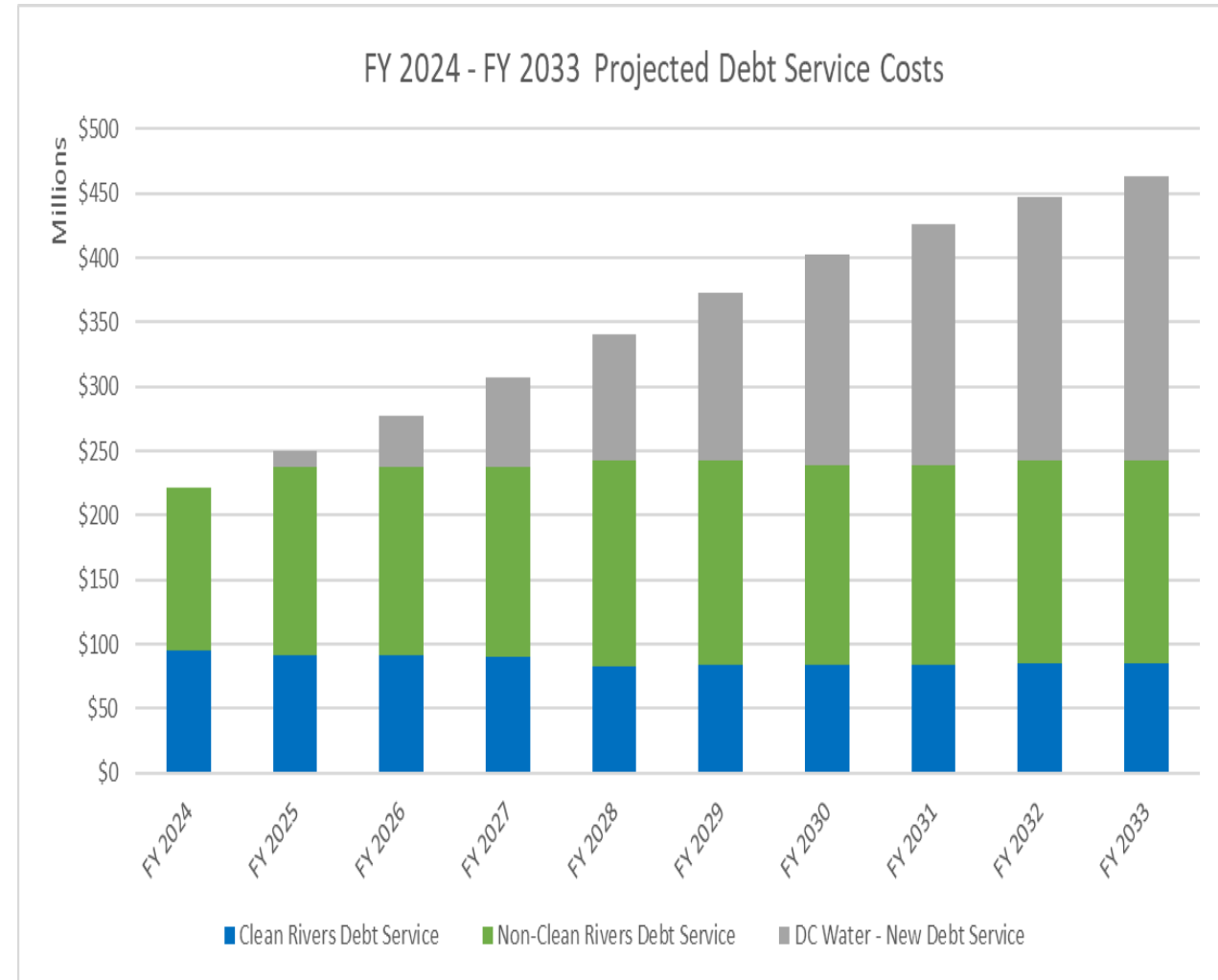
Debt Service for Existing Debt

- Debt service costs *for current debt* are projected to be approximately \$6.0 billion over the next 30 years through 2053
 - Clean Rivers debt service costs are \$2.3 billion and Non-Clean Rivers debt service costs are \$3.7 billion



Near Term of the 10-Year CIP

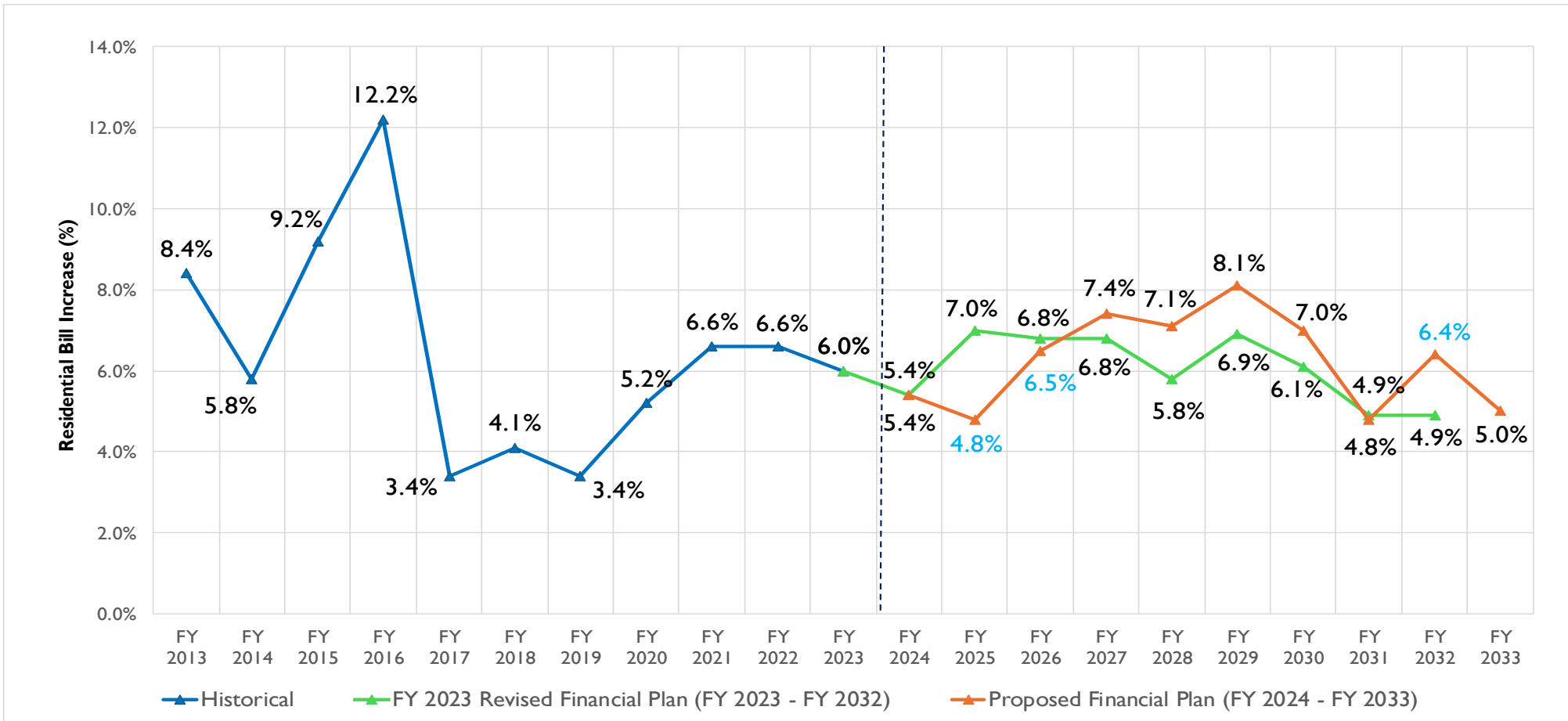
- To advance the capital program, DC Water will borrow an additional \$3.3 billion over the next ten years
- These new debt service costs will require additional rate increases



- Cash disbursements basis

Historical and Projected Combined Rate Increases

- FY 2025 and FY 2026 are proposed rates, which are slightly lower than previously estimated because of increase in projected revenues mainly due to higher consumption forecast
- In FY 2027 and beyond, forecasted rates are slightly higher than previously estimated due to higher costs



Reflects updated changes based on cost of service study completed

- 💧 The FY 2024 authorized headcount was **1342 FTEs**
 - 17 vacant positions were eliminated during FY 2023
- 💧 The amended headcount for FY 2024 is **1325 FTEs**
- 💧 **1145** positions were filled as of January 2024
 - Additional 11 vacant positions have been eliminated in FY24
 - YTD total vacancy rate of 13% based on overall headcount
 - YTD active vacancy rate of 7.7% based on vacant positions under active recruitment
- 💧 Authorized headcount for FY 2025 is **1325 FTEs**
 - 11 new positions have been recommended during this budget cycle, for a net-zero change to overall headcount
- 💧 Budgeted vacancy rate of 7% assumed in FY 2025

