



**DISTRICT OF COLUMBIA  
WATER AND SEWER AUTHORITY**

**Board of Directors**

*DC Retail Water and Sewer Rates Committee*

*Tuesday, April 25th, 2023  
9:30 a.m.*

**Microsoft Teams Meeting**  
**Join on your computer or mobile app**  
[Click here to join the meeting](#)  
**Or call in (audio only)**  
[+1 202-753-6714,523943701#](#)  
Phone Conference ID: 523 943 701#

- 1. Call to Order .....Rachna Bhatt, Chairperson**
- 2. Roll Call.....Michelle Rhodd**
- 3. Monthly Report to DC Retail Water & Sewer Rates Committee (Attachment A).....Matthew Brown**
- 4. FY2023 Operating Reserves, Renewal and Replacement Reserves, and Rate Stabilization Fund Cost of Service Study Update for FY 2024 – FY 2028 (Attachment B) ..... Ed Marcus**
- 5. DC Retail Water and Sewer Rates Committee Workplan (Attachment C) .....Matthew Brown**
  - FY 2023 Proposed DC Retail Rates Committee Workplan
- 6. Agenda for May 23, 2023, Committee Meeting (Attachment D) .....Rachna Bhatt, Chairperson**
- 7. Other Business..... Matthew Brown**
- 8. Executive Session\***
- 9. Adjournment..... Rachna Bhatt, Chairperson**

\*The DC Water Board of Directors may go into executive session at this meeting pursuant to the District of Columbia Open Meetings Act of 2010, if such action is approved by a majority vote of the Board members who constitute a quorum to discuss: matters prohibited from public disclosure pursuant to a court order or law under D.C. Official Code § 2-575(b)(1); contract negotiations under D.C. Official Code § 2-575(b)(2); legal, confidential or privileged matters under D.C. Official Code § 2-575(b)(4)(A); collective bargaining negotiations under D.C. Official Code § 2-575(b)(5); facility security under D.C. Official Code § 2-575(b)(8); disciplinary matters under D.C. Official Code § 2-575(b)(9); personnel matters under D.C. Official Code § 2- 575(b)(10); proprietary matters under D.C. Official Code § 2-575(b)(11); train and develop members of a public body and staff under D.C. Official Codes § 2-575(b)(12); decision in an adjudication action under D.C. Official Code § 2-575(b)(13); civil or criminal matters where disclosure to the public may harm the investigation under D.C. Official Code § 2-575(b)(14), and other matters provided in the Act.



Fiscal Year 2023

# Monthly Report to DC Retail Water and Sewer Rates Committee

Period Ending March 31, 2023

**DEPARTMENT OF FINANCE**

**Matthew T. Brown**, CFO & Executive Vice President, Finance and Procurement

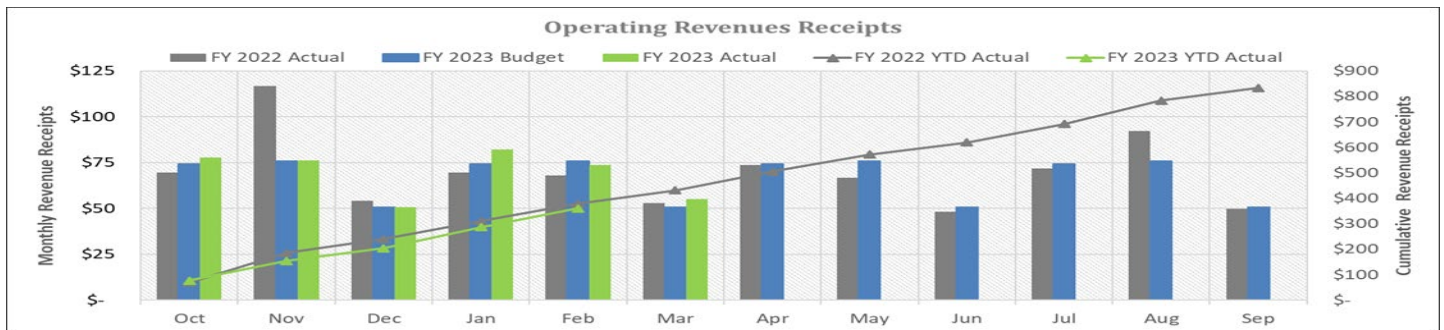
**Syed Khalil**, Director, Rates & Revenue

# Monthly Report to DC Retail Water and Sewer Rates Committee

Fiscal Year-to-Date  
As of March 31, 2023

## Operating Revenues (\$000's)

FY 2022		CATEGORY	FY 2023					
Actual			Year-to-Date Performance					
Total Annual	YTD March		Annual Budget	YTD Budget	Actual	% of Budget	Variance \$ Fav(Unfav)	Variance % Fav(Unfav)
\$451,336	\$227,320	Residential / Commercial / Multi-Family	\$476,456	\$238,228	\$243,232	51.1%	\$5,004	2.1%
77,112	36,782	Federal	84,768	42,384	41,919	49.5%	(465)	(1.1%)
21,055	10,082	Municipal (DC Govt.)	23,203	11,602	10,595	45.7%	(1,007)	(8.7%)
13,210	6,595	DC Housing Authority	14,208	7,104	7,982	56.2%	878	12.4%
23,134	10,974	Metering Fee	24,083	12,041	11,990	49.8%	(51)	(0.4%)
42,079	20,796	Water System Replacement Fee (WSRF)	39,717	19,859	21,036	53.0%	1,177	5.9%
84,899	42,367	Wholesale	104,560	52,280	45,469	43.5%	(6,811)	(13.0%)
22,630	10,831	PILOT/ROW	23,070	11,535	11,732	50.9%	197	1.7%
98,140	65,394	All Other	52,377	26,188	21,654	41.3%	(4,534)	(17.3%)
<b>\$833,594</b>	<b>\$431,141</b>	<b>TOTAL</b>	<b>\$842,442</b>	<b>\$421,221</b>	<b>\$415,609</b>	<b>49.3%</b>	<b>(\$5,612)</b>	<b>(1.3%)</b>



### VARIANCE ANALYSIS FOR MAJOR REPORTED ITEMS

At the end of March 2023, cash receipts totaled \$415.6 million, or 49.3 percent of the FY 2023 Revised Budget. The YTD Revised Budgeted receipts were \$421.2 million. The total receipts for March were \$55.2 million as compared to the budgeted \$52.6 million. Several categories of customers make payments on a quarterly basis, including the Federal Government (which made their second quarterly payment in January), and wholesale customers (who made second quarterly payment in February 2023).

Areas of Over-collection	Areas of Under-collection
<p><b>Residential, Commercial and Multi-Family</b> – Receipts for this category are slightly higher at \$243.2 million or 51.1 percent of the Revised Budget. The February 2023 receipts were slightly higher by \$3.4 million, or 8.6 percent as compared to the monthly Budget of \$39.7 million.</p> <p><b>DC Housing</b> - Receipts are slightly higher at \$8.0 million or 56.2 percent of the Revised Budget. The March 2023 receipts are slightly higher at \$1.3 million as compared to the monthly Budget of \$1.2 million.</p> <p><b>PILOT/ROW</b> – The receipts for PILOT/ROW are slightly higher at \$11.7 million or 50.9 percent of the Revised Budget. The March 2023 receipts are slightly lower by twenty-four thousand dollars as compared to the monthly budget of \$1.7 million.</p>	<p><b>Federal</b> - Actual receipts through March 2023 total \$41.9 million or 49.5 percent of the Revised Budget. The Federal government made their second quarter payment in January 2023. The lower actual Federal receipt is due to disputed accounts of Soldiers Home.</p> <p><b>District Government</b> – Receipts are slightly lower at \$10.6 million or 45.7 percent of the Revised Budget. The March 2023 receipts are slightly lower at \$0.5 million as compared to the monthly Budget of \$1.5 million.</p> <p><b>Wholesale</b> – The receipts were \$45.5 million or 43.5 percent of the Revised Budget. The lower receipt is mainly due to the higher Revised Budget as compared to the previously Approved Budget. The budget difference of \$14.8 million will be recovered in the third and fourth quarters. The March 2023 receipt is slightly higher by \$0.6 million due to late second quarter payment by Metropolitan Washington Airport Authority in March, which was scheduled to be paid in February 2023.</p> <p><b>Other Revenue</b> - Receipts are lower at \$21.7 million or 41.3 percent of the Revised Budget. This is due to lower receipts for interest earnings, System Availability Fee and Washington Aqueduct Backwash. The \$0.8 million lower receipts for March are due to lower collections for System Availability Fee and Washington Aqueduct Backwash.</p>

## Monthly Report to DC Retail Water and Sewer Rates Committee

Fiscal Year-to-Date  
As of March 31, 2023

### Operating Revenues Detail

(\$ in millions)

Revenue Category	FY 2023 Budget	YTD Budget	Actual	Variance Favorable / (Unfavorable)	Actual % of Budget
Residential, Commercial, and Multi-family	\$476.5	\$238.2	\$243.2	\$5.0	2.1%
Federal	84.8	42.4	41.9	(0.5)	-1.1%
District Government	23.2	11.6	10.6	(1.0)	-8.7%
DC Housing Authority	14.2	7.1	8.0	0.9	12.4%
Customer Metering Fee	24.1	12.0	12.0	(0.1)	-0.4%
Water System Replacement Fee (WSRF)	39.7	19.9	21.0	1.2	5.9%
Wholesale	104.6	52.3	45.5	(6.8)	-13.0%
Right-of-Way Fee/PILOT	23.1	11.5	11.7	0.2	1.7%
<b>Subtotal (before Other Revenues)</b>	<b>\$790.1</b>	<b>\$395.0</b>	<b>\$394.0</b>	<b>-\$1.1</b>	<b>-0.3%</b>
IMA Indirect Cost Reimb. For Capital Projects	4.4	2.2	3.0	0.8	36.4%
DC Fire Protection Fee	11.5	5.8	5.8	0.0	0.0%
Stormwater (MS4)	1.1	0.6	0.5	(0.1)	-16.7%
Interest	7.5	3.8	2.0	(1.8)	-47.4%
Developer Fees (Water & Sewer)	8.0	4.0	5.8	1.8	45.0%
System Availability Fee (SAF)	7.7	3.9	2.3	(1.6)	-41.0%
Washington Aqueduct Backwash	4.6	2.3	0.0	(2.3)	-100.0%
Others	7.4	3.7	2.4	(1.3)	-35.1%
<b>Subtotal</b>	<b>\$52.4</b>	<b>\$26.2</b>	<b>\$21.7</b>	<b>(\$4.5)</b>	<b>-17.2%</b>
Rate Stabilization Fund Transfer	\$0.0	\$0.0	\$0.0	\$0.0	0.0%
<b>Other Revenue Subtotal</b>	<b>\$52.4</b>	<b>\$26.2</b>	<b>\$21.7</b>	<b>(\$4.5)</b>	<b>-17.3%</b>
<b>Grand Total</b>	<b>\$842.4</b>	<b>\$421.2</b>	<b>\$415.6</b>	<b>(\$5.6)</b>	<b>-1.3%</b>

### BREAKDOWN OF RETAIL RECEIPTS BY CUSTOMER CATEGORY (\$ in 000's)

Customer Category	Water	Sewer	Clean Rivers			Total
			IAC	Metering Fee	WSRF	
Residential	\$20,657	\$32,583	\$12,691	\$5,381	\$4,819	\$76,131
Commercial	40,178	45,489	15,354	3,552	8,276	112,849
Multi-family	27,784	42,734	5,762	1,718	3,834	81,832
Federal	15,441	17,552	8,926	785	2,905	45,609
District Govt	2,905	3,930	3,760	423	995	12,013
DC Housing Authority	3,007	4,455	520	131	207	8,319
<b>Total:</b>	<b>\$109,972</b>	<b>\$146,743</b>	<b>\$47,014</b>	<b>\$11,990</b>	<b>\$21,036</b>	<b>\$336,754</b>

Note: The breakdown of Collections into Residential, Commercial, & Multi-family and Water and sewer is approximate as it is based on percentages of historical data and does not take into account adjustments and timing differences

### Clean Rivers IAC - Actual vs Budget (\$ in 000's)

Customer Category	FY2023 Budget	Year-To-Date Budget	Actual Received	Variance Favorable / <Unfavorable>	Variance % of YTD Budget	Actual % of Budget
Residential	\$24,093	\$12,047	\$12,691	\$644	5%	53%
Commercial	28,572	14,286	15,354	1,068	7%	54%
Multi-family	11,637	5,819	5,762	(56)	-1%	50%
Federal	18,438	9,219	8,926	(293)	-3%	48%
District Govt	7,680	3,840	3,760	(80)	-2%	49%
DC Housing Authority	1,006	503	520	17	3%	52%
<b>Total:</b>	<b>\$91,426</b>	<b>\$45,713</b>	<b>\$47,014</b>	<b>\$1,301</b>	<b>3%</b>	<b>51%</b>

## Monthly Report to DC Retail Water and Sewer Rates Committee

Fiscal Year-to-Date  
As of March 31, 2023

### Retail Accounts Receivable (Delinquent Accounts)

The following tables show retail accounts receivable over 90 days (from the billing date) including a breakdown by customer class.

#### Greater Than 90 Days by Month

	\$ in millions	# of accounts
September 30, 2012	\$5.5	13,063
September 30, 2013	\$4.9	11,920
September 30, 2014	\$5.3	12,442
September 30, 2015	\$6.5	11,981
September 30, 2016	\$7.7	12,406
September 30, 2017	\$8.4	11,526
September 30, 2018	\$13.4	16,273
September 30, 2019	\$10.6	8,744
September 30, 2020	\$17.9	13,775
September 30, 2021	\$26.3	13,065
September 30, 2022	\$29.1	12,168
October 31, 2022	\$29.4	12,370
November 30, 2022	\$29.7	12,689
December 31, 2022	\$31.0	13,465
January 31, 2023	\$30.1	13,170
February 28, 2023	\$30.3	13,031
March 31, 2023	\$29.4	12,739

Notes: The increase in the accounts receivable over 90 days (from the billing date) is due to the temporary suspension of collections procedures because of the new billing system VertexOne, which was implemented in December 2017. The increase in accounts receivable from March 2020 to September 2022 is primarily due to increased delinquencies and deferred payments due to the impact of COVID-19.

#### Greater Than 90 Days by Customer

Number of Accounts			Month of Mar (All Categories)				Total Delinquent					
W & S	Impervious Only	Total No. of	Active		Inactive		Feb		Mar			
			No. of	Amount	No. of	Amount	No. of	Amount	No. of	Amount	%	
a/c	a/c	a/c	a/c	(\$)	a/c	(\$)	a/c	(\$)	a/c	(\$)	%	
Commercial	9,068	2,135	11,203	1,075	5,780,368	75	\$280,552	1,184	\$6,726,755	1,150	\$6,060,921	21%
Multi-family	8,665	315	8,980	1,250	12,844,538	22	\$95,660	1,283	\$13,210,504	1,272	\$12,940,199	44%
Single-Family Residential	107,195	2,039	109,234	10,169	10,254,517	148	\$165,525	10,564	\$10,375,995	10,317	\$10,420,043	35%
Total	124,928	4,489	129,417	12,494	\$28,879,424	245	\$541,738	13,031	\$30,313,254	12,739	\$29,421,162	100%

Notes: Included in the above \$29.4M (or 12,739 accounts) of the DC Water Over 90 days delinquent accounts, \$4,862,969.37 (or 1,224 accounts) represents Impervious only accounts over -Reportable delinquencies do not include balances associated with a long standing dispute between DC Water and a large commercial customer.  
 -Delinquent accounts (12,739) as a percentage of total accounts (129,417) is 10.0 percent.  
 -Delinquent impervious only accounts (1,224) as a percentage of total accounts (129,417) is 1.0 percent.  
 -Delinquent impervious only accounts (1,224) as a percentage of total delinquent accounts (12,739) are 10.0 percent.

## Monthly Report to DC Retail Water and Sewer Rates Committee

Fiscal Year-to-Date  
As of March 31, 2023

### Arrears by Customer Category

	Over 30 Days		Over 60 Days		Over 90 Days	
	No. of Accts	(\$)	No. of Accts	(\$)	No. of Accts	(\$)
Commercial	2,065	\$ 8,287,816.72	1,380	\$ 6,640,319.69	1,150	\$ 6,060,920.52
Multi-family	1,910	\$ 16,581,291.33	1,426	\$ 14,166,281.05	1,272	\$ 12,940,198.68
Residential	20,664	\$ 14,457,404.37	13,157	\$ 11,948,501.92	10,317	\$ 10,420,042.58

### Arrears by WARD for Residential Category

	Over 30 Days		Over 60 Days		Over 90 Days	
	No. of Accts	(\$)	No. of Accts	(\$)	No. of Accts	(\$)
Ward 1	1,348	\$ 1,020,965.12	816	\$ 827,990.32	663	\$ 746,961.13
Ward 2	631	\$ 336,224.13	339	\$ 264,504.31	265	\$ 227,054.26
Ward 3	715	\$ 392,773.16	349	\$ 303,785.09	246	\$ 246,062.40
Ward 4	3,706	\$ 2,438,788.52	2262	\$ 1,992,422.11	1,657	\$ 1,700,922.65
Ward 5	4,109	\$ 2,693,689.15	2694	\$ 2,230,261.73	2,143	\$ 1,906,690.42
Ward 6	1,579	\$ 927,143.27	1013	\$ 784,701.76	773	\$ 662,564.92
Ward 7	5,330	\$ 4,050,272.01	3694	\$ 3,457,807.06	2,887	\$ 3,024,045.91
Ward 8	3,246	\$ 2,597,549.01	1990	\$ 2,087,029.54	1,683	\$ 1,905,740.89
<b>Total</b>	<b>20,664</b>	<b>\$ 14,457,404.37</b>	<b>13,157</b>	<b>\$ 11,948,501.92</b>	<b>10,317</b>	<b>\$ 10,420,042.58</b>

### CAP, CAP2 and CAP3 Customers in Arrears\*

	Over 30 Days		Over 60 Days		Over 90 Days	
	No. of Accts	(\$)	No. of Accts	(\$)	No. of Accts	(\$)
CAP	1,222	\$ 573,963.96	624	\$ 441,303.31	392	\$ 367,193.77
CAP2	59	\$ 32,345.66	24	\$ 26,450.09	17	\$ 24,651.56
CAP3	7	\$ 4,449.27	6	\$ 3,185.95	5	\$ 1,736.74

\*Based on number of accounts that have been given credit in Mar 2023.

**Customer Arrears Data**

**CAP Customer Arrears by Ward\***

	Over 30 Days		Over 60 Days		Over 90 Days	
	No. of		No. of		No. of	
	Accts	(\$)	Accts	(\$)	Accts	(\$)
Ward 1	59	\$ 45,862.53	30	\$ 37,702.65	22	\$ 35,240.14
Ward 2	10	\$ 3,666.15	7	\$ 3,148.78	6	\$ 2,721.42
Ward 3	7	\$ 2,234.00	3	\$ 1,066.78	0	\$ -
Ward 4	155	\$ 83,538.22	81	\$ 66,221.84	52	\$ 53,354.87
Ward 5	228	\$ 94,530.67	130	\$ 70,018.29	72	\$ 54,870.79
Ward 6	65	\$ 12,805.04	28	\$ 7,357.93	18	\$ 4,985.91
Ward 7	378	\$ 138,927.80	210	\$ 105,581.30	129	\$ 81,741.65
Ward 8	320	\$ 192,399.55	135	\$ 150,205.74	93	\$ 134,278.99
<b>Total</b>	<b>1,222</b>	<b>\$ 573,963.96</b>	<b>624</b>	<b>\$ 441,303.31</b>	<b>392</b>	<b>\$ 367,193.77</b>

\*Based on number of accounts that have been given credit in Mar 2023.

**CAP2 Customer Arrears by Ward\***

	Over 30 Days		Over 60 Days		Over 90 Days	
	No. of		No. of		No. of	
	Accts	(\$)	Accts	(\$)	Accts	(\$)
Ward 1	3	\$ 181.66	0	\$ -	0	\$ -
Ward 2	0	\$ -	0	\$ -	0	\$ -
Ward 3	0	\$ -	0	\$ -	0	\$ -
Ward 4	10	\$ 4,564.49	6	\$ 3,663.36	6	\$ 2,939.05
Ward 5	6	\$ 4,871.10	3	\$ 4,218.50	3	\$ 3,848.30
Ward 6	1	\$ 27.59	0	\$ -	0	\$ -
Ward 7	25	\$ 18,842.65	9	\$ 16,110.73	4	\$ 15,712.82
Ward 8	14	\$ 3,858.17	6	\$ 2,457.50	4	\$ 2,151.39
<b>Total</b>	<b>59</b>	<b>\$32,345.66</b>	<b>24</b>	<b>\$ 26,450.09</b>	<b>17</b>	<b>\$ 24,651.56</b>

\*Based on number of accounts that have been given credit in Mar 2023.

**CAP3 Customer Arrears by Ward\***

	Over 30 Days		Over 60 Days		Over 90 Days	
	No. of		No. of		No. of	
	Accts	(\$)	Accts	(\$)	Accts	(\$)
Ward 1						
Ward 2						
Ward 3	0	\$ -	0	\$ -	0	\$ -
Ward 4	0	\$ -	0	\$ -	0	\$ -
Ward 5	2	\$ 2,766.64	2	\$ 1,959.87	1	\$ 1,089.23
Ward 6	0	\$ -	0	\$ -	0	\$ -
Ward 7	3	\$ 1,452.74	3	\$ 1,086.95	3	\$ 578.11
Ward 8	2	\$ 229.89	1	\$ 139.13	1	\$ 69.40
<b>Total</b>	<b>7</b>	<b>\$ 4,449.27</b>	<b>6</b>	<b>\$ 3,185.95</b>	<b>5</b>	<b>\$ 1,736.74</b>

\*Based on number of accounts that have been given credit in Mar 2023.



## Developer Deposits

Developer Deposits are funds paid to DC Water for plans that are approved by the Permit Operations Department. They include:

- Flat fees for taps, abandonments, sewer connections, etc.
- Reimbursable fees for inspection labor hours charged to the account.
- Deposits held as security against damage and uncharged accounts.
- Miscellaneous non-commercial account items (hydrant use, groundwater dewatering, waste hauler fees, etc.)
- As of March 31, 2023, developer deposits had \$45.2 million in credit balances (liability) and \$11.0 million in debit balances (receivable).

### Balances by Year as of March 31, 2023

Credit Balances (Liability)	Debit Balances (Receivables)
\$45.2 million	\$11.0 million

Year	Credit Balances	Number of Accounts with Credit Balances	Debit Balances	Number of Accounts with Debit Balances	Net Balance
2001	\$ -	-	\$ 960,164.05	1	\$ 960,164.05
2002	\$ -	-	\$ 1,836.00	2	\$ 1,836.00
2004	\$ (749.61)	1	\$ 9,066.08	6	\$ 8,316.47
2005	\$ (389,745.13)	90	\$ 269,202.91	90	\$ (120,542.22)
2006	\$ (283,990.18)	32	\$ 284,522.42	78	\$ 532.24
2007	\$ (151,559.96)	31	\$ 150,176.99	50	\$ (1,382.97)
2008	\$ (348,658.90)	41	\$ 192,952.22	50	\$ (155,706.68)
2009	\$ (171,946.97)	28	\$ 202,470.57	47	\$ 30,523.60
2010	\$ (302,803.30)	47	\$ 135,135.32	40	\$ (167,667.98)
2011	\$ (479,078.67)	89	\$ 433,760.17	56	\$ (45,318.50)
2012	\$ (1,251,962.24)	253	\$ 450,957.68	93	\$ (801,004.56)
2013	\$ (1,843,156.70)	279	\$ 264,550.40	82	\$ (1,578,606.30)
2014	\$ (2,093,727.83)	283	\$ 954,786.51	64	\$ (1,138,941.32)
2015	\$ (1,623,927.48)	294	\$ 279,201.78	40	\$ (1,344,725.70)
2016	\$ (3,104,462.95)	363	\$ 537,488.20	65	\$ (2,566,974.75)
2017	\$ (2,352,939.66)	433	\$ 484,398.83	121	\$ (1,868,540.83)
2018	\$ (4,983,592.51)	539	\$ 1,427,227.88	124	\$ (3,556,364.63)
2019	\$ (7,296,762.18)	476	\$ 1,624,494.42	185	\$ (5,672,267.76)
2020	\$ (4,840,207.97)	336	\$ 645,213.04	178	\$ (4,194,994.93)
2021	\$ (5,020,498.18)	353	\$ 528,457.06	179	\$ (4,492,041.12)
2022	\$ (6,818,343.88)	371	\$ 690,882.82	201	\$ (6,127,461.06)
2023	\$ (1,840,092.34)	62	\$ 475,132.29	150	\$ (1,364,960.05)
<b>Total</b>	<b>\$ (45,198,206.64)</b>	<b>4,401</b>	<b>\$ 11,002,077.64</b>	<b>1,902</b>	<b>\$ (34,196,129.00)</b>

### Forfeiture Action

Accounts Forfeited on August 16, 2021	(4,838,938.52)	1,011
Accounts Forfeited on September 23, 2022	(1,286,705.10)	348
Accounts with refund requests or activities within the last 10 years or pending analysis for forfeiture action.	(5,223,651.66)	891



## Developer Deposits

### Customer Communications

To ensure that all account owners (Business Partners) are aware that they have balances in their Merch Accounts, statements are mailed annually irrespective of whether there has been activity on the account. Annual statements were mailed to customers on January 25, 2022, and February 25, 2021. A new mailing to all Merch account owners that have either a debit or credit balance will be mailed by April 26, 2023. We are currently scrubbing the data to ensure that the accounts with a debit or credit balance but should not be mailed, are properly flagged (i.e., accounts with a temporary credit balance equal to the SAF deposit or other fixed fee which is non-refundable should not be mailed)

By law, refunds are to be requested by the account owner within two years of completion (DC Code § 34–2401.10). If not requested in that time frame, these accounts can be forfeited and closed. DC Water included statements on invoices beginning in November 2019 notifying customers of this District law stating that any excess payments are subject to forfeit unless a refund is requested within two years of project completion or account inactivity.

On March 5, 2021, a notification was posted on our website indicating that unless a refund was requested, funds would be forfeited for projects without activity for ten years. AOBA and DCBIA have been asked to notify their membership to examine the invoices. The web site also has instructions on requesting a refund.

For accounts that were forfeited, zero balance statements were mailed out on Monday, August 16, 2021, and September 21, 2022. It is anticipated that forfeitures will be performed again by September 30, 2023.

### Refund Requests and Forfeiture Disputes

Currently we are working on 1,245 accounts, representing 809 individual projects. These are in the research and validation process and are pending refunds. The Refund changed only slightly in the past month as we have been scrubbing the data set to mail account balances in advance of future forfeiture activity. There were no changes in Forfeitures.

# Monthly Report to DC Retail Water and Sewer Rates Committee

Fiscal Year-to-Date  
As of March 31, 2023

## Payment Plan and Disconnection Report

Zip Code	Residential					Commercial					Multifamily				
	30-Day A/R	Active Plans	Plans Created	Plans Defaulted	Non-Pay Discon.	30-Day A/R	Active Plans	Plans Created	Plans Defaulted	Non-Pay Discon.	30-Day A/R	Active Plans	Plans Created	Plans Defaulted	Non-Pay Discon.*
<b>Total</b>	<b>13,052</b>	<b>1,924</b>	<b>647</b>	<b>551</b>	<b>1</b>	<b>1,329</b>	<b>117</b>	<b>31</b>	<b>30</b>	<b>38</b>	<b>1,418</b>	<b>265</b>	<b>40</b>	<b>73</b>	
20000	1														
20001	595	83	22	16		110	11	4	4	3	31	1			
20002	1,346	194	59	42		223	15	2	4	6	240	36	5	11	
20003	360	42	16	9		69	1			4	31	7	1		
20004						1									
20005	11	2	1			21	1			1	3				
20006						8	1	1	1	1					
20007	201	16	6	4		49	6		1	4	21	1	1		
20008	78	10		1		33	7	3	1		9	1		1	
20009	227	21	7	6		47	8				43	13	4	2	
20010	447	66	13	12	1	45	6	4	2	1	31	7	2	1	
20011	1,946	297	103	96		139	23	10	8	2	107	22	5	8	
20012	410	66	18	25		34	3		3	1	9	1		2	
20015	116	18	4	2		5	2	1			2				
20016	163	20	5	1		70	2	1		1	3				
20017	657	130	48	30		35	4			2	23			3	
20018	896	139	37	31		109	8	1	3	6	26	5			
20019	2,926	382	156	136		133	7	1	2	3	283	59	7	11	
20020	1,705	242	92	97		66	3			1	330	64	7	22	
20023	1														
20024	46	5	1	2		21	1				9				
20032	899	187	57	40		74	3			1	206	48	8	11	
20036	6	3	1			22	3	1	1		6				
20037	15	1	1	1		11	2	2		1	5			1	
20059						1									
20429						1									
20431						1									
20433						1									

\*Note: inactive accounts in arrears are not included in the above and the accounts by customer class are as follows: Res. 267, Com. 93 and MF 45

\*Note: Disconnect Work Orders for Multi-Family Properties were created and not assigned for field completion but are manually managed for further collection actions



# Operating Reserve (including R&R) & Rate Stabilization Fund (RSF) Study

April 25, 2023



# Discussion Outline

- The discussion of February 28<sup>th</sup> provided background information, DC Water budget to actual experience, results of peer comparisons, summary of findings and an outline of options.
- Committee comments and questions, together with the results of our analysis, form the basis for today's discussion which includes:
  - A concise summary of key points regarding Operating Reserves, Renewal & Replacement (R&R) Fund and the Rate Stabilization Fund (RSF)
  - Recommendations for Operating Reserves and the R&R Fund
  - Policy Options and recommendations for the RSF



# Operating Reserves

- The purposes of the reserves include satisfying the legal provisions authorizing the issuance of debt and supporting strong bond ratings that optimize the interest rates on bonds and the resulting debt service to be paid through rates and charges.
- DC Water has a minimum operating reserve requirement of 250 days of O&M expenses pursuant to Board policy which exceeds the Indenture requirement of 60 days. The 250 days requirement includes the R&R Fund.
  - Peer utilities have minimum requirements for operating reserves that are typically on the order of 60 days or 90 days of expenses; however, similar to DC Water, peers have actual reserves that can far exceed their minimum requirements. San Francisco highlights the point that actual reserves can significantly exceed required minimums.

**From San Francisco's policies that include a 90-day minimum: "In the event that Fund Balance Reserve exceeds 250 days or 68% of Operation & Maintenance Expenses..."**

# Operating Reserves

- A key metric used by the bond rating agencies is days cash on hand; the number of days of operating expenses that could be paid for through available cash. Operating reserves represent the vast majority of DC Water cash on hand. DC Water lags behind peers in its cash levels (see below).
- Current credit ratings for DC Water are very strong.
- Given \$2.7 billion in expected borrowing in the next 10 years, it is very important to defend the existing rating so that Authority customers will pay less interest in their water, sewer & Clean Rivers bills than they would if bond ratings were lower.
  - Each 10 basis point (0.10%) change in interest rates is worth about \$13 million through 2032 and higher amounts in the years thereafter. The actual impact of any change in DC Water's credit rating may be more or less than this illustration.

**Days cash on hand for DC Water has been shown as 366, versus the median of well above 400 days for Aa-rated issuers and the 1,000+ days of cash shown for Great Lakes Water Authority and the Northeast Ohio Regional Sewer District.**

# Operating Reserves Recommendation

- If DC Water maintains its current Operating Reserve minimum of 250 days of operating expenses, it would not address the gap in days cash on hand compared to peers.
  - The dollar value of the current minimum will have to increase over time as expenses increase. The current Financial Plan anticipates that the balance in Operating Reserves will increase from \$274.6M in 2023 to \$383.6M in 2032. Interest earnings on the Reserve & RSF balances pay for > 80% of the increase.
- Amawalk recommends that DC Water increase the minimum Operating Reserve requirement in its financial policies from 250 days to 350 - 400 days.
  - The result of an increase in Operating Reserves will bring total days cash on hand to a level that is more comparable to highly-rated peers.
  - The principal purpose of achieving comparability with peers is to help defend the current strong credit ratings to support projected borrowing for the ten-year capital program at attractive interest rates.



# Operating Reserves Recommendation

- DC Water should increase its Operating Reserve from a minimum of 250 days to 350 - 400 days:
  - The increase of 100 - 150 days will help bring the total level of cash closer to peers.
  - DC Water can achieve this higher level by 25-day increments over several years or allocating year-end surplus in order to meet the new target.
  - Under usual market conditions, the greater balance of funds will generate additional interest income for the Authority in each year.

# Renewal & Replacement (R&R) Reserve

- The current required balance of \$35 million has been in place for many years and has never been tapped.
- If a withdrawal is made from the R&R Reserve, the \$ needs to be replenished.
- The current engineering study by PEER Consultants finds no reason to increase the minimum balance in the R&R Reserve.
- The R&R fund balance is a part of total Operating Reserves so any changes to the cash requirement should be considered in the context of total Reserve requirement.

# R&R Reserve Recommendation

- DC Water should continue to maintain the R&R reserve - it is required by the Indenture and offers a source of cash where emergency capital needs arise and access to the financial markets is restricted or unavailable.
- Amawalk recommends that DC Water maintain the \$35 million minimum balance either on an all cash basis or a hybrid approach that includes both cash and borrowing capacity. The hybrid is used by the Massachusetts Water Resources Authority (MWRA) as noted below.
  - The hybrid approach reduces the restricted total in the R&R Fund and allows the borrowing capacity \$ to be moved to the undesignated reserves.
  - The hybrid approach requires approval by bond counsel to ensure that it meets the requirements of the bond Indenture.
  - If bond counsel concurs that the option is available, there are no funds released for rate mitigation and no impact to the decision-making on the total days cash on hand.

**MWRA requires \$35 million for R&R, comprised of \$10 million in cash and \$25 million in commercial paper capacity or other sources.**

# Rate Stabilization Fund (RSF)

- The RSF is permitted but not required to have a balance by the bond Indenture. Funds can be transferred into or out of the RSF at the recommendation of management and at the discretion of the Board. DC Water currently projects that the existing balance will remain the same from 2023 to 2032.
- DC Water has historically added moneys to the RSF and withdrawn funds for multiple purposes.
- AWWA Cash Reserve Policy Guidelines indicate that moneys in a RSF are typically used to address potential fluctuations in revenues and to “smooth out” rate increases.
- More than half of the surveyed utilities have no RSF requirement.
- In Philadelphia, the RSF and Residual Fund serve multiple purposes: operating reserve and RSF.

# RSF Policy Options

## RSF Options

- 1 - Confirm or change the name of the RSF
- 2 - Define a minimum, maximum or target balance requirement
  - a. Based on % of revenues, expenses or other metric
  - b. Fixed amount
- 3 - Update policies for the use of funds withdrawn:
  - a. Limited restrictions or guidelines
  - b. Preferences such as multi-year impact on rates

# RSF Policy Options

## Summary of Findings/Conclusions:

### 1 – Fund Name:

- DC Water can confirm the name of the RSF or change it.
- Other options for the name of the fund include but are not limited to: Retail Rate Fund, Residual Fund or Residual Balance, Carryforward.

**Utilities such as San Diego and Philadelphia Water use RSF, in Portland the comparable fund is the Rate Stabilization Account; Boston has a Stabilization Fund; Great Lakes uses a Budget Stabilization Fund.**

### 2 – Define a Minimum, Maximum or Target Balance:

- From a policy perspective, DC Water has the option to set parameters for its RSF balance. The San Diego policy was noted in the previous presentation (February 2023) and is summarized below.

**San Diego has a policy of Rate Stabilization Fund Reserves equivalent to 5% of prior year's operating revenue. The target level in FY 2023 for water and sewer combined is \$50.5 million.**

# RSF Policy Options

## 2 – Define a Minimum, Maximum or Target Balance (continued):

- In the case of a maximum or target balance; amounts in excess could be withdrawn.
- Other options include using a different % than shown above, using a % of O&M expenses or other parameter in lieu of revenues, or creating a target based on projected revenues, expenses or other parameter in lieu of historical. Amawalk recommends a % of projected revenues so that the balance keeps pace with expected receipts in lieu of historicals.
- Board parameters for the RSF balance provide clarity to stakeholders including DC Water management regarding budgeting and rate-setting. The example from Boston provides another perspective on a minimum structure.

**For Boston Water and Sewer: "...current Commission Policy...further states that the amount on deposit in Stabilization Fund will be the greater of the Resolution Requirement or 10% of previous FY's net billed charges."**



# RSF Policy Options

## **2 – Define a Minimum, Maximum or Target Balance (continued):**

- Amawalk recommends a target RSF balance of 5% of projected retail revenues. In 2023, the existing RSF balance achieves this target.
  - The authorization to withdraw funds should include a plan to replenish funds to meet the target balance.

## **3 – Define Options and Parameters for Uses of Funds Withdrawn:**

- DC Water should minimize the withdrawal of funds to mitigate a one-time rate increase; such actions can result in an even larger % increase in the subsequent year because the funds used do not increase the revenue base and benefit just a single year.
- DC Water should prioritize use of the funds for:
  - Emergencies or unplanned events
  - Investment in technologies or other initiatives that could reduce operating expenses
  - Defeasance of higher cost debt (see next slide)

# RSF Policy Options

## 3 – Define Options and Parameters for Uses of Funds Withdrawn (continued):

- Moneys withdrawn from rate stabilization to defease (pre-pay) debt service over a multi-year period or to pay for more construction on a cash basis to reduce long-term debt and annual debt service are options for DC Water to consider.
  - MWRA provides an example of the defined usage, use of defeasance as well as a multi-year perspective. Relevant notes are shown below.
- The policies should provide flexibility for management to select and proceed with alternatives in the event that material, unforeseen circumstances arise.

**“MWRA staff are recommending the execution of an approximately \$29.7 million in defeasance to reduce future year rate increases. The \$29.7 million in available funds is derived from the FY22 surplus (MWRA funds RSF with surplus at end of year) ..... These funds will be used to prepay debt service coming due in FY24 through FY27.....”**

**"By Resolution, the annual use of RSF monies cannot exceed 10% of the year's senior debt service. "**

# Questions

- We would be pleased to respond to any questions regarding the analysis and discussion
- Thank you!

## FY 2023 Proposed RRC Committee Workplan

Objective/Activities/Task	Date of Activity	Completed	Responsible Department
<b>1. Proposal to 1) Remove FY 2022 CAP2 Recertification Requirements Language; and 2) Extend DC Water Cares: Residential Assistance Program and Multifamily Assistance Program for FY 2023</b>			
a. <i>Presentation to RRC on proposal to amend Customer Assistance Program (CAP)</i>	June 28, 2022	√	Customer Service
b. <i>RRC recommends Board approval to amend the CAP regulations for CAP2, and extension of DC</i>	June 28, 2022	√	RRC
c. <i>Board approval to publish Notice of Emergency and Proposed Rulemaking (NOEPR) to amend the CAP regulations for CAAP2, and DC Water Cares Residential and Multifamily Assistance Programs extension</i>	July 7, 2022	√	Board of Directors
d. <i>Publish NOEPR and Notice of Public Hearing in DC Register</i>	July 22, 2022	√	DGLA
e. <i>Public comment period</i>	July 22 – September 19, 2022	√	OMAC & Board Secretary
f. <i>Public Hearing</i>	September 14, 2022	√	Board of Directors
g. <i>Public comment period closes</i>	September 19, 2022	√	Board Secretary
h. <i>RCC approves final proposal to amend CAP regulations for CAP2 and DC Water Cares Residential and Multifamily Assistance Programs extension</i>	September 27, 2022	√	RRC
i. <i>Implement extended DC Water Cares RAP and MAP in FY 2023</i>	October 1, 2022	√	Customer Care
j. <i>Board approval to publish Notice of Final Rulemaking to Approval of Notice of Final Rulemaking (NOFR)</i>	October 6, 2022	√	Board of Directors
k. <i>Publish NOFR in D.C Register</i>	October 21, 2022	√	DGLA
l. <i>Continue Implementing DC Water Cares RAP and MAP Programs in FY 2023</i>	October 21, 2022	√	Customer Care

## FY 2022 Proposed RRC Committee Workplan

Objective/Activities/Task	Date of Activity	Completed	Responsible Department
<b>2. 2023 COS for Operating Reserves</b>			
a. Present 2023 Operating Reserves Cost of Service Study for FY 2024 – FY 2028 to RRC	February 28, 2023	√	Rates and Revenue
b. Discussion of the options and recommendations using feedback from Board members for COS of Operating Reserves	April 25, 2023		
c. Post Final COS on DC Water's website	May 23, 2023		
<b>3. 2023 COS for Renewal &amp; Replacement Reserves</b>			
a. Present 2023 Renewal and Replacement Reserves Cost of Service Study for FY 2024 – FY 2028 to RRC	February 28, 2023	√	Rates and Revenue
b. Discussion of the options and recommendations using feedback from Board members for COS of Renewal and Replacement Reserves	April 25, 2023		
c. Post Final COS on DC Water's website	May 23, 2023		
<b>4. 2023 COS for Rate Stabilization Fund (RSF)</b>			
a. Present 2023 Rate Stabilization Fund Cost of Service Study for FY 2024 – FY 2028 to RRC	February 28, 2023	√	Rates and Revenue
b. Discussion with the Committee Cost of Service for Operating Reserves, Renewal and Replacement Reserves and Rate Stabilization Fund	February 28, 2023	√	
c. Discussion of the options and recommendations using feedback from Board members for COS of Operating Reserves, Renewal and Replacement Reserves and Rate Stabilization Fund	April 25, 2023		
d. Post Final COS on DC Water's website	May 23, 2023		

## FY 2023 Proposed RRC Committee Workplan

Objective/Activities/Task	Date of Activity	Completed	Responsible Department
<b>5. 2023 COS for Engineering Inspection</b>			
<i>a. Present 2023 Cost of Service Study for Engineering Inspection for FY 2024 – FY 2028 to RRC</i>	July 25, 2023		Engineering
<i>b. Post Final COS on DC Water's website</i>	August 31, 2023		
<b>6. 2023 COS for Stormwater Charges and Recovery Methodology</b>			
<i>a. Present 2023 Cost of Service Study for Stormwater Charges and Recovery Methodology to RRC</i>	July 25,2023		Rates and Revenue
<i>b. Post Final COS on DC Water's website</i>	August 31,2023		
<b>7. 2023 COS for Water, Sewer and CRIAC</b>			
<i>a. Present 2023 Cost of Service Study for Water, Sewer and CRIAC to RRC</i>	January 24, 2024		Rates and Revenue
<i>b. Post Final COS on DC Water's website</i>	TBD		
<b>8. Delinquent Accounts</b>			
<i>a. Soldiers Home Negotiations</i>	Monthly, as needed		DGLA
<b>9. Rate Stabilization Fund</b>			
<i>a. Rate Stabilization Fund</i>	Monthly, as needed		Rates & Revenue



**D.C. WATER AND SEWER AUTHORITY  
BOARD OF DIRECTORS  
RETAIL WATER & SEWER RATES  
COMMITTEE MEETING**

**Tuesday, May 23, 2023; 9:30 a.m.**

**AGENDA**

<b>Call to Order</b>	Committee Chairperson
<b>Monthly Updates</b>	Chief Financial Officer
<b>Committee Workplan</b>	Chief Financial Officer
<b>Agenda for June 27, 2023, Committee Meeting</b>	Committee Chairperson
<b>Other Business</b>	Chief Financial Officer
<b>Adjournment</b>	