



dc Annual Comprehensive Financial Report

2023

Fiscal Years Ended September 30, 2023 and 2022

David Gadis, Chief Executive Officer

Matthew T. Brown, Chief Financial Officer and Executive Vice President, Finance, Procurement and Compliance

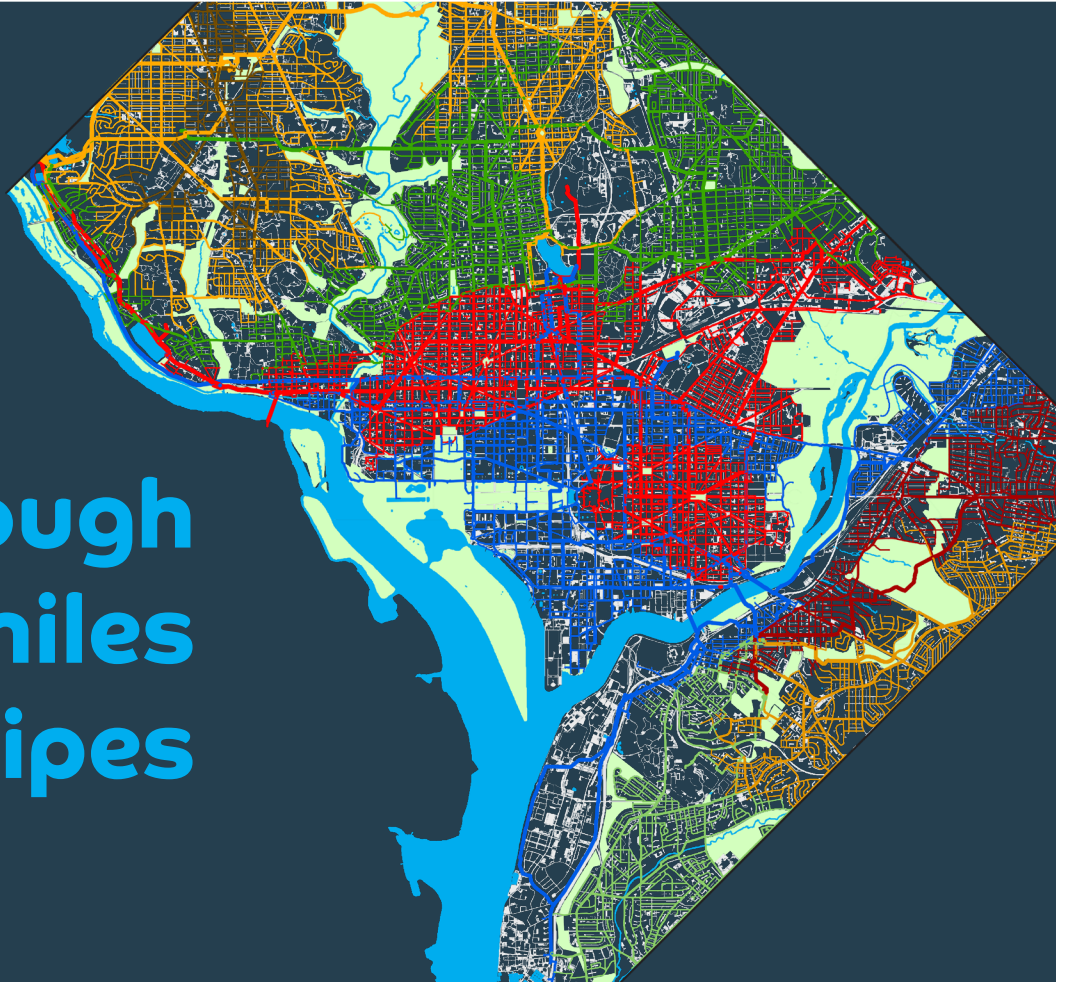
District of Columbia Water and Sewer Authority



**DC Water
distributes
95 million
gallons
of clean
drinking
water per
day . . .**



**. . . through
1300 miles
of pipes**



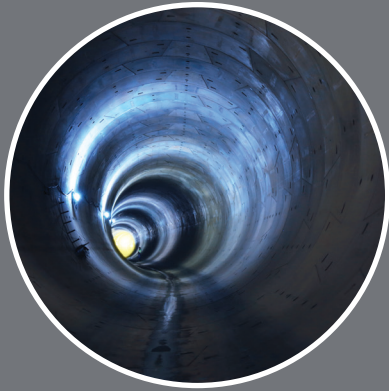


DC Water distributes drinking water and collects and treats wastewater for more than 678,972 residents and **24.6 million annual visitors** in the District of Columbia.



92 ACRES
OF LAND MANAGED
BY GREEN
INFRASTRUCTURES

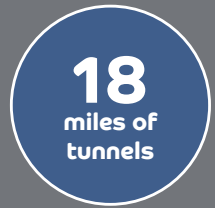
dc clean
RIVERS
PROJECT



System-wide CSO volume



CSO volume to the Anacostia River



Over 100 feet below ground



For areas served by the Northeast Boundary Tunnel



Reduction of nitrogen to the Chesapeake Bay



**Blue Plains
Wastewater
Treatment Plant**

1937 - 2023





FY 2023

District of Columbia Water and Sewer Authority

Annual Comprehensive Financial Report

Fiscal Years
Ended September 30, 2023 and 2022

Prepared by:
Department of Finance, Accounting, and Budget

Matthew T. Brown, Chief Financial Officer and Executive Vice President, Finance and Procurement

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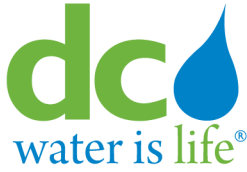
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**Introductory Section
(Unaudited)**



David L. Gadis, Chief Executive Officer

DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY | 1385 CANAL STREET, SE | WASHINGTON, DC 20003

March 1, 2024

Board of Directors
District of Columbia Water and Sewer Authority
1385 Canal Street, SE
Washington, D.C. 20003

Dear Members of the Board:

I am pleased to present the District of Columbia Water and Sewer Authority's ("DC Water" or the "Authority") Annual Comprehensive Financial Report ("ACFR") for the fiscal years ended September 30, 2023 and 2022. The Authority's financial statements were prepared in accordance with U.S. generally accepted accounting principles ("GAAP"), as promulgated by the Governmental Accounting Standards Board ("GASB") and audited by a firm of independent certified public accountants retained by DC Water. In accordance with the Authority's enabling legislation, DC Water is required to perform an annual audit of its financial statements and submit it to the District of Columbia's Mayor and Chief Financial Officer, and the District of Columbia Council.

Responsibility for the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with DC Water's management. To the best of my knowledge and belief, the information contained in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the Authority. All disclosures necessary for the reader to gain an understanding of DC Water's financial activity have been included.

DC Water's management is responsible for establishing and maintaining an internal control structure designed to ensure that its assets are adequately safeguarded against loss, theft, or misuse and to maintain accurate and reliable financial records for the preparation of financial statements and the representations made by management. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: 1) the cost of internal controls should not exceed the benefits derived from the controls; and 2) the evaluation of costs and benefits requires management's exercise of judgment. To the best of my knowledge and belief, DC Water's internal accounting controls adequately safeguard its assets and provide reasonable assurance of the proper recording of financial transactions in accordance with GAAP.

KPMG LLP, Certified Public Accountants, has been retained by DC Water to serve as its independent auditors and has issued an unmodified ("clean") opinion on DC Water's financial statements for the years ended September 30, 2023 and 2022. The independent auditors' report is located at the front of the financial section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis ("MD&A"). This letter of transmittal is designed to supplement the MD&A and should be read in conjunction with it. DC Water's MD&A is located immediately following the independent auditors' report.

Overview of DC Water

The District of Columbia Water and Sewer Enterprise Fund (the "Fund") was established in 1979 and was operated by the Water and Sewer Utility Administration, a division of the Government of the District of Columbia (the "District") Department of Public Works. The Authority, an independent authority of the District, was created in April 1996 and began operating on October 1, 1996 under and pursuant to an act of the Council of the District entitled the "Water and Sewer Authority and Department of Public Works Reorganization Act of 1996 (as amended)", and an Act of the United States Congress entitled the "District of Columbia Water and Sewer Authority Act of 1996". The Authority is considered a related organization of the District for purposes of presentation in the District's financial statements.

DC Water provides retail drinking water distribution and wastewater conveyance and treatment services to approximately 678,972 DC residents as well as to commercial and governmental customers in the District of Columbia, and wholesale wastewater conveyance and treatment services to approximately 1.8 million users in Montgomery and Prince George's Counties in Maryland, and Fairfax and Loudoun Counties in Northern Virginia.

DC Water is 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.

Budgets are prepared annually and reviewed and approved by The Authority's Board of Directors. After approval by the Board, DC Water submits its annual budget to the District for inclusion in the Mayor's annual budget. The District then includes DC Water's budget as an enterprise fund as part of its own budget submission to the U.S. Congress.

Economic Condition

Washington, D.C., is not only known as the nation's capital, but it is also an international city with a vibrant tourist industry and business climate. The U.S. Census Bureau estimated that there were 678,972 residents in Washington, D.C. in 2021. The Washington Metropolitan Region has a population of more than 6.3 million individuals and is the sixth largest metropolitan area in the country.

The District's economic base is driven by the federal and local governments as well as diplomatic embassies and international organizations. The federal civilian workforce in the District averaged 224,558 employees, while thousands more are estimated to work elsewhere in the metropolitan area. The District is host to 19 colleges and universities and more than 185 foreign embassies and other recognized diplomatic missions. A number of international organizations, such as the International Monetary Fund, World Bank, Inter-American Development Bank and Organization of American States are headquartered in the District. An estimated 24.6 million people visit the Washington Metropolitan Region on an annual basis, not only to do business with the federal government and local firms, but also to visit the national monuments, historic sites, museums and other major cultural attractions.

Personal income has grown considerably in the District in recent years, from \$46.0 million in 2014 to \$64.4 million in 2022, an increase of 41.1%. The unemployment rate in the District decreased from 7.0% in 2014 to 5.3% in 2023. The District's economy grew consistently faster than the national economy for much of this decade and is expected to continue to grow in 2024. The District's economy is relatively more information and service industry dependent than most states, accounting for the region's relative insulation from the most recent national housing and credit centric recession.

DC Water continues to invest in its infrastructure to benefit District residents and the region and to support continued economic growth. DC Water is guided in both its operations and its infrastructure investments by the strategic plan, Blueprint 2.0.

Major Initiatives

Capital Improvement Program

The funding for DC Water's capital program comes mainly from its retail and wholesale customers. However, over the next several years additional federal funding is anticipated from the Environmental Protection Agency (EPA) through the American Recovery Plan Act (ARPA) and the Bipartisan Infrastructure Law (BIL). Through District Department of Energy and Environment (DOEE), ARPA provided DC Water with grant funding for lead service line removal on the homeowner's private side of the property for approximately \$16 million from FY2022 to FY2024. BIL is expected to provide grant funding to DC Water for both private and public side projects for approximately \$29 million per fiscal year from FY2023 to FY2027, totaling approximately \$143 million. Additional federal funding of more than \$159 million will enhance the District of Columbia's drinking water, wastewater, and stormwater infrastructure, including lead line removal.

Blueprint 2.0

The Blueprint 2.0 was adopted as DC Water's strategic plan in October 2021. The plan provides five interconnected organizational Imperatives which are: Healthy, Safe, and Well; Reliable; Resilient; Sustainable; and Equitable. Each Imperative is defined by Themes and each Theme is measured via one or more goal metrics to assess progress. Baselines were established in FY2022 and examples of goals DC Water advanced during the past year include: increasing the percentage of critical positions with active succession plans (70% up from 0% baseline, Sustainable goal 5.02); improving our Enterprise Risk Management (ERM) capability (a maturity rating score of 3 up from a baseline of 1, Reliable goal 5.05); and improving our gender representation across leadership, Grade A and above (33.8% up from 20% baseline, Equitable goal 3.01).

Green Bond Reporting

Through our continued, transparent reporting, DC Water is working to remain a leader in the Green Bond space. In 2021, DC Water adopted a Green Bond Framework aligned with the four International Capital Market Association (ICMA) Principles regarding use of proceeds, project selection, management of proceeds, and reporting. The purpose of the Green Bond Framework is to formalize the process and commitments that govern DC Water's issuance of Green Bonds. DC Water has implemented the Framework and is adhering to the ICMA principles.

ESG Reporting

DC Water delivered its second Environmental, Social, and Governance (ESG) Report in 2022. This year, we advanced our ESG program to prioritize resiliency and demonstrate integration with our Enterprise Risk Management (ERM) program, resulting in an ESG+R (Resilience) framework for the report. We also adopted the disclosure framework of the Task Force on Climate-Related Financial Disclosures (TCFD) to provide information related to climate resilience, risks, and opportunities.

Lead Removal Initiative

DC Water's Lead Free DC (LFDC) initiative continues its progress toward replacing all the lead and galvanized iron service lines in the District with copper pipe. In FY2023, Lead Free DC replaced a total of 1,527 service lines. To align with the Biden-Harris Administration's Justice 40 Initiative, the program prioritized lead service line replacements for: (1) vulnerable populations most impacted by lead exposure (children and seniors) and (2) communities that are historically underserved, and experience disproportionately poorer health outcomes in comparison to other communities in the District. During FY2023, DC Water launched a new, more user-friendly lead service line inventory map to help customers find out if they have a lead service line. LFDC also welcomed more than twenty outreach team members through a workforce development training program in partnership with the District's Department of Employment Services (DOES) Division of State Initiatives. The trainees from across the District have supported LFDC in outreach efforts that increase homeowner participation in LFDC.

Customer Assistance Programs

This year, our DC Water Cares program assisted 5,313 customers who needed help paying their water bills. With more than \$8 million in aid provided in FY2023, DC Water Cares is among the most robust assistance programs offered by any water utility in the nation. Participants receive discounts on their monthly bills. They may also be eligible for an additional \$2,000 to help pay down past due balances.

Community Contributions

The Authority's workforce supports Everybody Wins DC (EWDC), a non-profit that helps emerging young readers build the skills they need to succeed in the classroom and beyond. Our staff volunteers read with these students, both virtually and in-person, to improve reading comprehension and build the students' confidence. All EWDC programs are 100% free for families and schools. Also, since 1999, Authority staffers have contributed to Bread for the Soul, a District-based organization that provides support services for families affected by HIV / AIDS. Each December, employees donate books, toys, coats, gloves, hats, and grocery gift cards to support these households and lift spirits during the holiday season.

Clean Rivers Project

DC Water placed in operation the Northeast Boundary Tunnel on September 15, 2023. This tunnel adds approximately 90 million gallons of storage to the 100 million gallons provided by the Anacostia River Tunnel (ART) System from Blue Plains to RFK Stadium that was commissioned in March 2018. With the commissioning of the Northeast Boundary Tunnel, DC Water has placed in operation all of the Anacostia CSO controls. There is remaining work on the Northeast Boundary Tunnel project for items such as restoration, utilities, and ventilation control. The ART system that was commissioned in 2018 has already captured more than 15.5 billion gallons of combined sewage and 9,961 tons of trash. For the Potomac River Tunnel, the Advance Utility Construction contract to provide electrical services and relocate utilities in advance of the tunnel construction achieved Substantial Completion. The Potomac River Tunnel design-build contract is in procurement and is scheduled to be awarded in late 2023. It is estimated to be placed in operation by the Consent Decree deadline of February 8, 2030. The CSO 025/026 Sewer Separation project was placed in operation on March 17, 2023. Finally, construction is underway for the second Rock Creek Green Infrastructure Project B and it is estimated to be placed in operation by January 2024.

Blue Plains Floodwall

DC Water Office of Emergency Management submitted a grant application to FEMA's Building Resilient Infrastructure and Communities program to fund the remaining sections of the Blue Plains Advanced Wastewater Treatment Plant (AWTP) Floodwall Project. This project has been selected by FEMA for funding and will result in \$20.3 million in Federal funds for the design and construction of Segments A, B, and D of the floodwall around the Blue Plains AWTP. This award will cover 70% of the total project cost, which is expected to be \$29 million, and will be received in late 2023. The Authority previously received \$2.4 million from FEMA for the construction of Segment C of the floodwall, which was completed in June 2021. Once completed, the floodwall will protect the Blue Plains AWTP to the 500-year flood elevation, plus additional freeboard to account for sea level rise and wave action. This will ultimately ensure that the plant can operate at full capacity and DC Water can continue to deliver its critical wastewater treatment services during storm events.

Blue Drop

In FY 2023, 64,770 tons of Bloom, Class A Exceptional Quality biosolids, were sold resulting in \$387 thousand of revenue and \$2.5 million in net savings, a 20% increase over the previous year. Bloom has resulted in a total net savings of \$8.6 million since production started in 2017. In addition, Blue Drop hosted 72 events attended by 10,000 individuals. Bloom is a precious asset that returns value to our ratepayers, reduces our carbon footprint, provides long term benefits to soil, and protects Chesapeake Bay by reducing the use of chemical fertilizers.

Fleet and Sewer Relocation

On January 4, 2018, the District and the Authority entered into a Relocation Agreement whereby the District agreed to fund up to \$29,681 of costs associated with the Authority's relocation of its Fleet Maintenance and Sewer Service operations. DC Water successfully completed the relocation of its Fleet Maintenance and Sewer Service operations to Capital Heights, MD during 2023. An opening ceremony was held at the location April 4, 2023, to recognize the move.

Certified Business Utilization

As part of its strategic initiatives, DC Water continues to ensure certified businesses (Disadvantaged Business Enterprises, Local Small Business Enterprises, and Women Business Enterprises) have meaningful participation in its procurement activities. In FY 2023, DC Water approved fifty-seven (57) large procurement actions, totaling \$407.54 million. Of this total, certified firms were awarded \$155.41 million (38.1%) in prime and subcontracting opportunities.

Local Workforce

DC Water Works is the Authority's initiative designed to empower local and District residents to establish meaningful employment on DC Water construction and service projects. As part of this program, DC Water established a goal that 75% of the new jobs created on its projects would be filled by local residents. In 2023, 125 new positions were created on DC Water projects. Of this amount, 106 positions were filled by local residents (85%). This includes sixty (60) positions that were specifically filled by District residents.

Community Activators Program

In 2023, DC Water established the Community Activators Program which was designed to develop the skills of dedicated individuals who want to make a positive impact in their DC Water neighborhoods. The program is structured to train participants with technical knowledge and on the job training through a "Train", "Shadow" and "Experience" approach. Seventeen (17) District residents were recruited as activators and received classroom and on-the-job training in communication and stakeholder engagement.

Strong Credit Ratings

Throughout FY2023, the Authority maintained an AA+ credit rating by Fitch Ratings for senior lien revenue bonds, an AAA credit rating by S&P and an Aa1 by Moody's. DC Water also maintained a GB1 rating for green bonds, Moody's highest possible green bond assessment.

Combined, these ratings made DC Water's bonds highly desirable. Strong credit ratings enable the Authority to issue debt at lower borrowing costs, which in turn reduces ratepayer costs in the long run. These notable results are due to the Authority's solid financial team, outstanding financial performance, and management of our capital program.

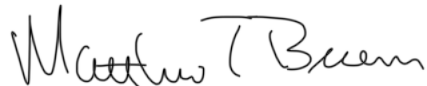
Awards and Acknowledgements

The Authority has once again been honored by the Government Finance Officers Association, with a Certificate of Achievement for Excellence in Financial Reporting for our annual comprehensive financial report, for the fiscal year ended September 30, 2022. The Certificate of Achievement is widely regarded as the highest form of acknowledgement in governmental accounting and financial reporting. To date, DC Water has received the GFOA's ACFR award for every year of its existence as an independent Authority, for a total of 26 consecutive awards. In addition, the Authority received, for the first time, the Popular Annual Financial Reporting Award (PAFR) from GFOA for its fiscal year 2022 annual financial report. DC Water also received the Distinguished Budget Presentation Award from GFOA for its fiscal year 2022 budget, for a total of 23 consecutive years.

Acknowledgements

With deep appreciation, I wish to recognize the outstanding leadership and personal commitment of Vice President, Controller Genes Malasy through fiscal year 2023 as well as DC Water's dedicated team of finance professionals for their collective effort in drafting DC Water's FY2023 Annual Comprehensive Financial Report.

Respectfully submitted,

A handwritten signature in black ink that reads "Matthew T. Brown". The signature is written in a cursive style with a large initial "M".

Matthew T. Brown
Chief Financial Officer and Executive Vice President
Finance, Procurement, and Compliance



BOARD OF DIRECTORS

PRINCIPAL MEMBERS

TOMMY WELLS, CHAIR, DISTRICT OF COLUMBIA
RACHNA BUTANI-BHATT, DISTRICT OF COLUMBIA
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ADRIANA HOCHBERG, MONTGOMERY COUNTY, MD
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JARED MCCARTHY, PRINCE GEORGE'S COUNTY, MD
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PRINCIPAL STAFF MEMBERS

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MATTHEW T. BROWN, CHIEF FINANCIAL OFFICER AND EXECUTIVE VICE PRESIDENT, FINANCE AND PROCUREMENT
WAYNE GRIFFITH, CHIEF STRATEGY AND PERFORMANCE OFFICER AND EXECUTIVE VICE PRESIDENT, STRATEGY AND PERFORMANCE
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JOY DORSEY, CHIEF PEOPLE OFFICER AND EXECUTIVE VICE PRESIDENT OF PEOPLE AND TALENT
KIRSTEN WILLIAMS, CHIEF COMMUNICATIONS & STAKEHOLDERS ENGAGEMENT OFFICER AND EXECUTIVE VICE PRESIDENT

OFFICE OF FINANCE AND PROCUREMENT

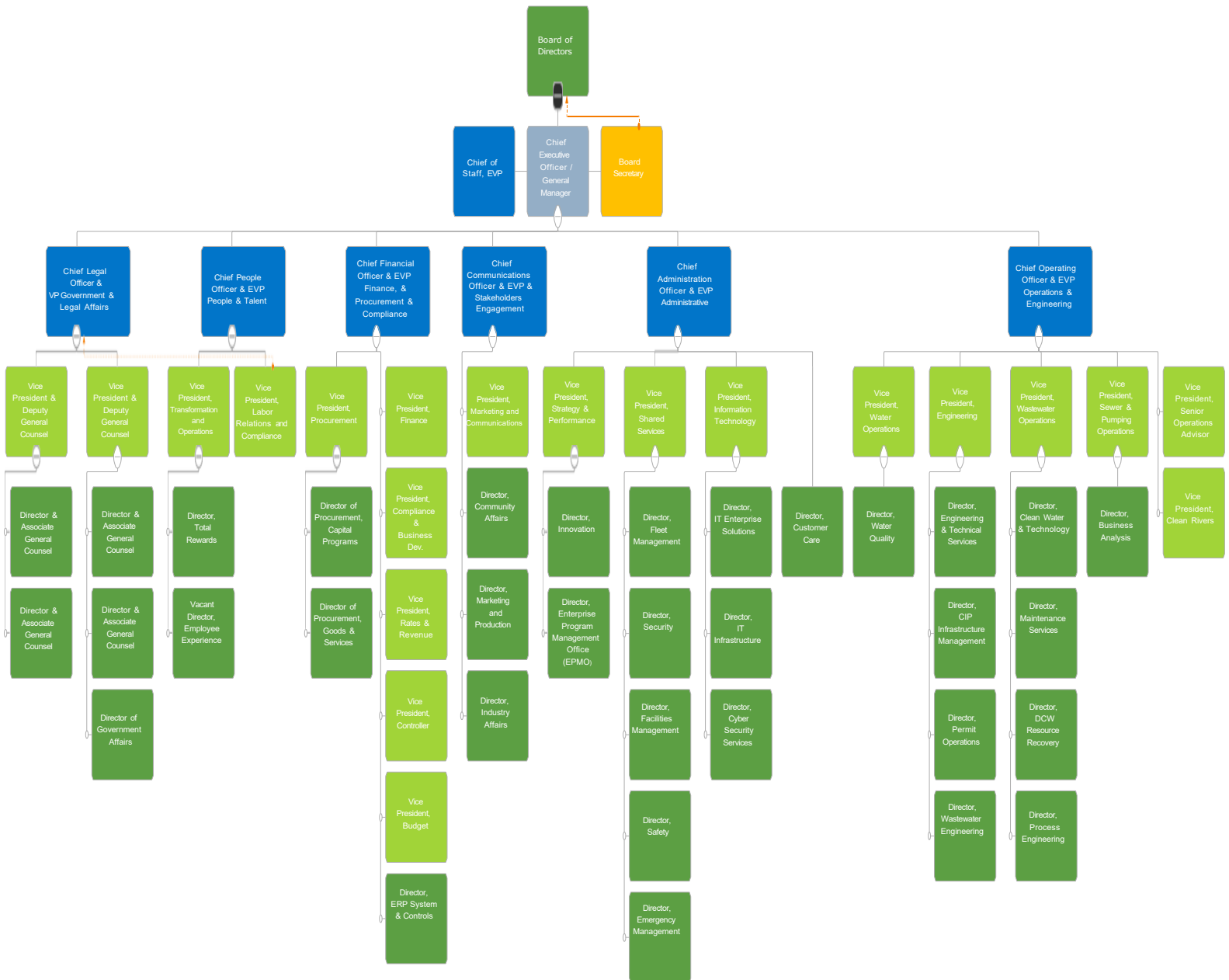
DAN BAE, VICE PRESIDENT, PROCUREMENT AND COMPLIANCE
KOREY R. GRAY, VICE PRESIDENT, COMPLIANCE AND BUSINESS DEVELOPMENT
IVAN BOYKIN, VICE PRESIDENT, FINANCE DIRECTOR
SYED KHALIL, VICE PRESIDENT, RATES AND REVENUE
GENES MALASY, VICE PRESIDENT, CONTROLLER
LOLA OYEYEMI, VICE PRESIDENT, BUDGET DIRECTOR

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JOE EDWARDS, ACTING VICE PRESIDENT, INFORMATION TECHNOLOGY
JOHN LISLE, VICE PRESIDENT, MARKETING AND COMMUNICATIONS
KENRICK ST. LOUIS, VICE PRESIDENT, SEWER AND PUMPING OPERATIONS
NICHOLAS PASSARELLI, VICE PRESIDENT, WASTE WATER OPERATIONS



Governance and Organizational Structure





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Certificate of
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for Excellence
in Financial
Reporting

Presented to

**District of Columbia
Water and Sewer Authority**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

September 30, 2022

Christopher P. Morill

Executive Director/CEO



Government Finance Officers Association

Award for
Outstanding
Achievement in
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**District of Columbia
Water and Sewer Authority**

For its Annual Financial Report
For the Fiscal Year Ended

September 30, 2022

Christopher P. Morrill

Executive Director/CEO