

dc Executive Budget Summary

Approved FY 2025 • Adopted March 7, 2024

(Fiscal year starting October 1)

Keith Anderson, Chair, Board of Directors

David L. Gadis, Chief Executive Officer and General Manager

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

DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY



ACCOUNTABILITY • TRUST • TEAMWORK • CUSTOMER FOCUS • SAFETY • WELLBEING



DC Water provides clean drinking water to residents of the District of Columbia, and wastewater treatment services to both residents of the District of Columbia and wholesale customers in Maryland and Virginia.

This executive budget summary is both an introduction to the FY 2025 budget and a standalone document that provides information about our budget priorities to our customers and diverse stakeholders. Additional information about our operating and capital budgets can be found in the detailed budget book and is also available online at www.dewater.com.

DC Water continues to align our budget and strategic priorities. Our strategic plan, Blueprint 2.0, was adopted by the Board of Directors in 2021 to guide DC Water over the next five years and beyond. Detailed information about the strategic plan is available online at www.dewater.com/strategic-plan.

Blueprint 2.0 Imperatives




Vision


We will be known for superior service, ingenuity and stewardship to advance the health and well-being of our diverse workforce and communities.


Mission


Exceed expectations by providing high quality water services in a safe, environmentally friendly, and efficient manner.


Imperatives

 **Healthy, Safe and Well**
Is everybody we impact healthy, safe and well?

 **Reliable**
Can we deliver our agreed service level in an efficient and effective manner?

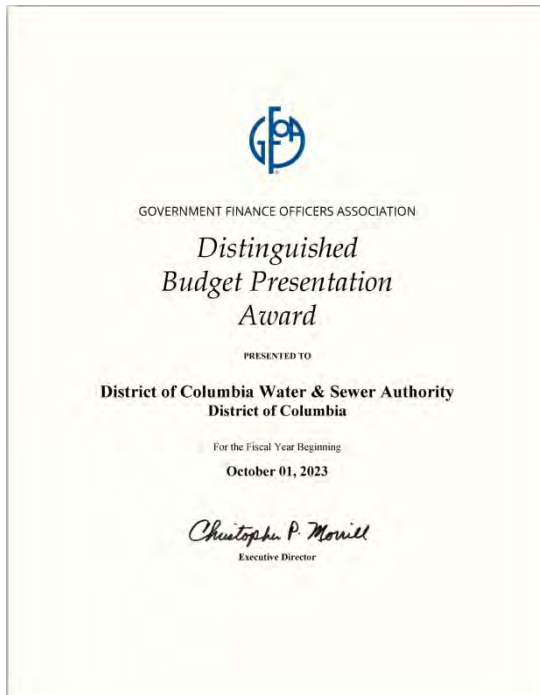
 **Resilient**
Are we able to cope with and recover from disruption, anticipating shocks and stressors to maintain service?

 **Sustainable**
Are we able to meet the needs of the present without compromising the ability of future generations to meet their own needs?

 **Equitable**
Are we operating in an equitable manner to enable our employees, partners, customers, and communities to prosper?

Inside

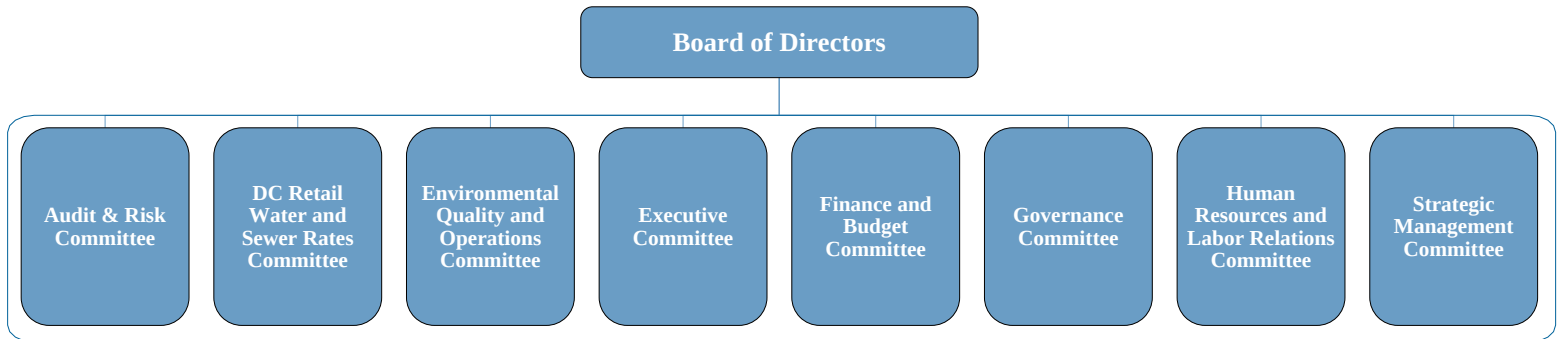
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Organizational Governance and Structure

DC Water is an independent authority of the District of Columbia, established under District of Columbia and Federal law, and is governed by 11 principals and 11 alternate members of the Board of Directors. The members of the Board of Directors also serve on various Committees.

DC Water Board Committees



DC Water Organizational Leadership





CEO / General Manager's Message



Today's DC Water delivers far more than just reliable, clean drinking water and wastewater services. The Authority serves as an economic engine for the District. We create jobs, offer apprenticeships and training programs, provide contract opportunities for small, minority, and women-owned businesses, and we strive to deliver equity at every touchpoint with the community we serve.

I am pleased to share this Executive Budget Summary, which provides a concise overview of the Authority's approved FY 2025 budget and two-year rate proposals. This budget outlines the rationale for essential operational needs, continued capital investments and revenue requirements which are crucial for sustaining and growing our organization. Additionally, this budget continues to demonstrate our commitment to invest in programs that align with our Blueprint 2.0, the Authority's Strategic Plan.

Clean Rivers Project

In 2023, DC Water completed the Northeast Boundary Tunnel (NEBT), the final segment of the Anacostia River Tunnel system. The NEBT represents a major step forward for the District, as the tunnel will both mitigate chronic flooding in low-lying neighborhoods and reduce combined sewer overflows to the Anacostia by 98 percent in an average year of rainfall. The NEBT captures the overflows and directs them to the Blue Plains Advanced Wastewater Treatment Plant, where they are cleaned to a near-potable standard and returned to the Potomac River. The final tunneling project is the development of the Potomac River Tunnel (PRT) system, which will bring environmental benefits to Georgetown and other communities along the Potomac in the years ahead.

Lead Free DC

Our Lead-Free DC program continues to make considerable progress replacing lead service lines across the District, and has now replaced more than 5,000 service lines, with 70 percent of them discounted or at no cost to the customers. To date, this has created \$9.5 million in savings for our customers.

Over the last year, DC Water has gathered additional information from the field, and improved the accuracy of our water service line inventory records. We have identified a total of 42,000 lead lines, which has increased the inventory by 50 percent over our initial projections of 28,000 lead lines. While we remain on track to replace those 28,000 service lines under current funding projections, the additional 14,000 lines would not be addressed until 2037. We will continue our partnership with the District, Federal Government and various

stakeholders to leverage additional funding to achieve the goal of replacing all lead service lines in the District replaced at no additional cost to the customers.

Convergence of Challenges

DC Water, like water utilities across the nation, faces an unprecedented convergence of major infrastructure needs and increased regulatory expenses in the years ahead. As one of the oldest water systems in the country, the Authority's aging infrastructure is particularly vulnerable to the impacts of climate change; the median age of our water mains is 79 years, and half of our sewer lines are more than 84 years old. We are increasing investments in our wastewater, water and sewer infrastructure so that we can continue to maintain high quality services without disruption due to asset failure.

There is an important, nationwide mandate to remove lead service lines, however, such projects are usually unaccounted for in the budgets. In the last fiscal year, there have also been advances with the detection of per- and polyfluoroalkyl, or 'forever chemicals,' and regulatory standards have been proposed by the U.S. Environmental Protection Agency (EPA). Addressing the presence of PFAS in tap water will be tremendously costly, and should be paid for, in full, by the polluting entities. The Authority's FY 2025 budget reflects our commitment to assessing the impact and addressing all these challenges – rising costs, infrastructure, lead pipes and mandates – while still delivering equity and world-class service to our customers.

David L. Gadis
CEO and General Manager

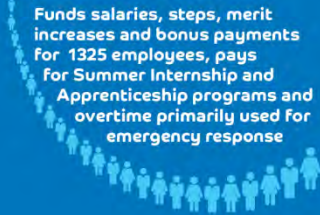


DC Water Budget Overview

FY 2025 Operating Budget of \$788.2 million

\$209.6 million

Funds salaries, steps, merit increases and bonus payments for 1325 employees, pays for Summer Internship and Apprenticeship programs and overtime primarily used for emergency response



\$23.8 million

PILOT & ROW payments to the District of Columbia

\$1.7 million

Implements the Leak Assessment Program for customers to repair property side leaks impacting water bills and continues initiatives to improve customer engagement and stakeholder communication



\$100.5 million



Funds core operations including critical infrastructure and facilities maintenance and repairs, software technology, legal, compliance, insurance, audit services, biosolids hauling services, legal & government affairs, and workforce development

\$310 million

Other non-operational needs for debt service and Paygo for the capital program

paygo

\$1.4 million

Funds the maintenance of the Green Infrastructure (GI) facilities to manage stormwater



\$141.2 million



Funds fixed and nondiscretionary costs for chemicals, critical spare parts, water purchases, and utilities

FY 2024-2033 Capital Investments of \$7.74 billion

\$1.17 billion



Fully Funds DC Clean Rivers projects to meet Consent Decree requirements



\$347 million

Invests in process equipment, specialized vehicles, and information technology infrastructure

Invests in the Aqueeduct's capital infrastructure



\$357 million



\$732M

To continue lead service line replacements

Continues investment in Water & Sewer Infrastructure



\$1.62 billion

Ramps up to 1.5% replacement for small diameter water mains per year



\$1.92 billion

Ramps up to 1% rehabilitation for small/local sewer lines per year



\$68 million

Improves stormwater pump stations to relieve local flooding



\$197 million

Renovates Non-Process Facilities including the Historic Main Pump Station, Bryant Street Pump Station, non-process buildings at Blue Plains, laboratory upgrades, and solar installations



\$1.33 billion

Funds rehabilitation and upgrades at Blue Plains



CFO's Message



The Authority's FY 2025 budget balances our investment in critical infrastructure and manage rate affordability for customers. This budget is the culmination of months of collaborative work by Team Blue and the Board of Directors with a focus on the impact on our customers and our commitment to efficient operations and customer service.

Funding Essential Operations

The approved FY 2025 operating budget of \$788.2 million reflects our commitment to navigating the challenges posed by rising inflation and impact on the costs of chemicals, critical spare parts, insurance premiums and various operational services to maintain our assets. The Authority has worked to identify operational efficiencies to help mitigate the impact of escalating costs. This budget demonstrates our dedication to prudent financial management and our commitment to delivering value to our customers and stakeholders.

Addressing Infrastructure Challenges

Our ten-year Capital Improvement Program (CIP) of \$7.74 billion funds two major once in a generation projects - the mandated DC Clean Rivers Program and advancement of the Lead Free DC program. Additionally, we are ramping up investments in our aging water and sewer system to enhance the reliability and resilience of our operations and ensure sustainable growth in our overall CIP. As we allocate resources towards rehabilitating and upgrading our critical infrastructure, we remain steadfast in our dedication to serving our customers and ensuring that their needs drive our investment decisions.

Making a Case for Rate Adjustments

Our two-year rate proposal includes a 4.8 percent increase in FY 2025 and 6.5 percent increase in FY 2026. This translates to roughly \$6 per month for the average residential customer in FY 2025. These proposed rate adjustments are lower than the previous forecasts of 7 percent and 6.8 percent in FY 2025 and FY 2026 respectively due to lower-than-expected borrowing costs. The reduced borrowing costs are a direct result of the Authority's strong financial performance and stewardship. With the recently reaffirmed bond ratings by all three rating agencies, we can continue to borrow at lower interest rates, and pass those savings on to our customers. The proposed rates are consistent with the results of the cost-of-service study and an independent rate review and meet the required revenue requirement to cover the cost of delivering service to our customers.

Expanding Customer Assistance Programs

We recognize that a rate increase of any kind will pose some challenges for our most financially vulnerable households. To this end, DC Water is advancing equity by expanding our already very robust Customer Assistance Programs (CAP) for those who cannot afford water. This includes a new CAP+ program for very low-income households, and a payment plan incentive program. Our DC Water Cares suite of programs provided more than \$8.7 million in subsidies to 8,555 District families in FY 2023, ensuring that families remain connected to essential water and wastewater services.

DC Water is also proposing a new program in FY 2025 which will be designed to help low-income households identify and repair leaks that could contribute to high water bills. This proposed partnership with the District would create a win-win for District residents. DC Water covers the cost of the assessment, and the District would leverage federal funds to make the repairs.

As prudent financial stewards of our customers' resources, we are committed to ensuring that our budget decisions are aligned with our commitment to delivering value to our customers. By carefully balancing these factors, we aim not only to enhance the efficiency and resilience of our operations but also to uphold the trust and satisfaction of those we serve.

Matthew T. Brown
Chief Financial Officer and EVP



Budget at a Glance

Operating Expenditures (\$ Thousands)

Category	FY 2024 Revised	FY 2025 Approved
Authorized Headcount	1325	1325
Personnel Services	\$ 201,581	\$ 209,633
Chemicals	44,094	44,079
Supplies	10,474	11,506
Utilities	39,233	40,318
Contractual Services	93,070	102,284
Water Purchases	44,039	45,330
Small Equipment	1,437	1,364
Total Non-Personnel Services	\$ 232,347	\$ 244,881
Total Operations and Maintenance	\$ 433,928	\$ 454,513
Debt Service	221,635	249,495
PILOT & ROW	23,430	23,796
Payment in Lieu of Taxes	18,330	18,696
Right of Way	5,100	5,100
Cash Financed Capital Improvements	58,575	60,436
Total Debt Service/PILOT/ROW/CFCI	303,639	333,728
Total Operating Expenditure	\$ 737,567	\$ 788,241
Less: Capital Labor	(31,974)	(34,087)
Total Net Operating Expenditure	\$ 705,593	\$ 754,154

Capital Disbursements (\$ Thousands)

Service Areas	FY 2024 Revised	FY 2025 Approved
Non-Process Facilities	\$ 13,074	\$ 19,900
Wastewater Treatment	65,151	103,291
Clean Rivers	118,913	204,033
Combined Sewer	4,880	9,375
Stormwater	7,293	13,565
Sanitary Sewer	80,599	92,235
Water	158,736	222,494
Capital Projects	\$ 448,646	\$ 664,893
Capital Equipment	30,535	31,477
Washington Aqueduct	35,546	35,770
Additional Capital Programs	\$ 66,081	\$ 67,246
Total CIP	\$ 514,727	\$ 732,139

Operating Revenues (\$ Thousands)

Category	FY 2024 Revised	FY 2025 Approved
Residential	\$ 141,209	\$ 146,941
Commercial	213,358	222,368
Multi-family	156,014	164,449
Federal Government	90,273	91,696
Municipal & Housing	39,709	41,389
Water System Replacement Fee	40,717	40,717
Metering Fee	24,083	24,083
Wholesale	106,519	114,248
Rate Stabilization Fund	2,000	2,000
Other Revenue	76,678	78,370
Total Operating Revenue	\$ 890,560	\$ 926,261



Lead Free DC Outreach

Capital Revenues (\$ Thousands)

Source	FY 2024 Revised	FY 2025 Approved
Wholesale Capital Payments	\$ 77,404	\$ 88,796
Federal Grants & CSO Appropriations	37,603	49,899
Interest Income on Bond Proceeds	7,946	10,592
Pay-Go Financing	208,874	188,346
Debt Proceeds	26,000	351,000
System Availability Fee	7,700	7,700
Total Capital Revenue	\$ 365,527	\$ 696,333



Strategic Plan & Budget Process

The Strategic Plan

DC Water's five year strategic plan, called Blueprint 2.0, demonstrates the commitment of our Board of Directors, management team, and workforce to meet our challenges head on and to exceed ratepayer expectations by providing high quality water services in a safe, environmentally friendly, and efficient manner, while positioning DC Water for success in the coming years.

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

The Blueprint 2.0 Imperatives



Healthy, Safe and Well

Is everybody we impact healthy, safe and well?



Reliable

Can we deliver our agreed service level in an efficient and effective manner?



Resilient

Are we able to cope with and recover from disruption, anticipating shocks and stressors to maintain service?



Sustainable

Are we able to meet the needs of the present without compromising the ability of future generations to meet their own needs?



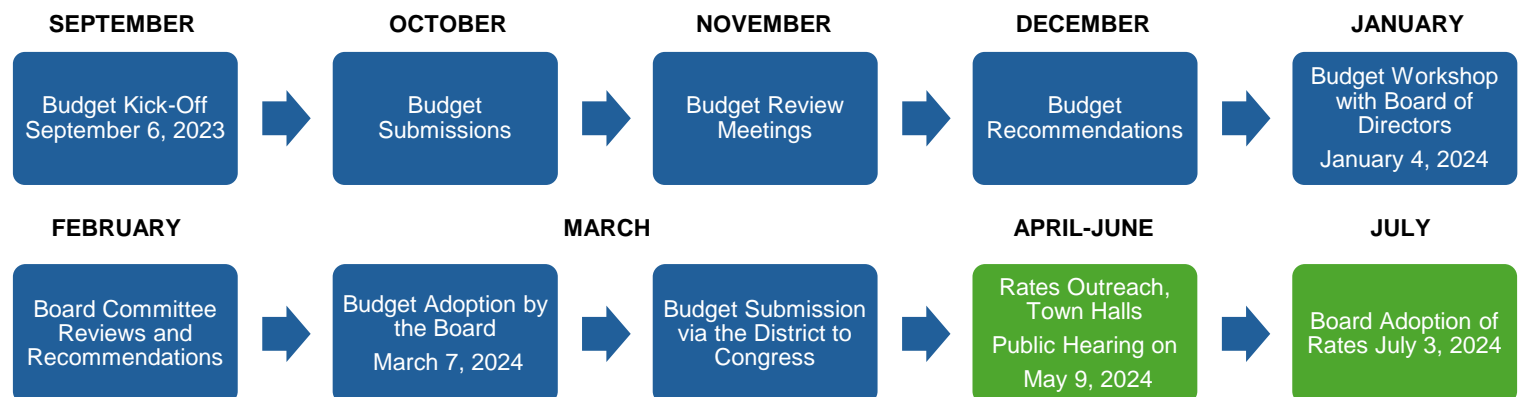
Equitable

Are we operating in an equitable manner to enable our employees, partners, customers, and communities to prosper?

The Budget and Rate Making Process






































DC Water's budget is the fiscal roadmap that allocates and aligns spending plan with the imperatives and goals of the strategic plan. The rigorous budget process balances the level of infrastructure investments and operational requirements with customer rates. The budget process encourages ideas to be brought forward by all departments with detailed workplans that incorporate the imperatives, goals and workstreams of Blueprint 2.0. The strategic plan serves as the primary lens through which budget requests are evaluated against established prioritization criteria and final budget decisions are made. The budget proposals are reviewed with the various Board Committees and subsequently adopted by the full Board of Directors.

The rate making process occurs every two years. Subsequent to the Board adoption of the budget, the Authority carries out public outreach, town halls and public hearings to inform the public of rate changes. After these events, the rates go before the Board of Directors for adoption.



The budget submissions are reviewed and prioritized to balance what we ask from our customers with the Board-adopted multi-year retail rates. In an effort to align the budget with the imperatives and goals of the strategic plan, all budget requests for existing and new programs were evaluated and scored against established prioritization criteria. These criteria include regulatory requirements/mandates, health and safety, Board policy, process improvements and new revenue generation. Additionally, Equity Approach was incorporated into the CIP decision-making process. This provides consideration for communities through equitable projects to ensure inclusive and diverse representation, a sustainable operating and delivery model, and efficient use of economic resources.

Below are some of the major programs included in DC Water's operating and capital budgets and how they align with the various connected imperatives of Blueprint 2.0.

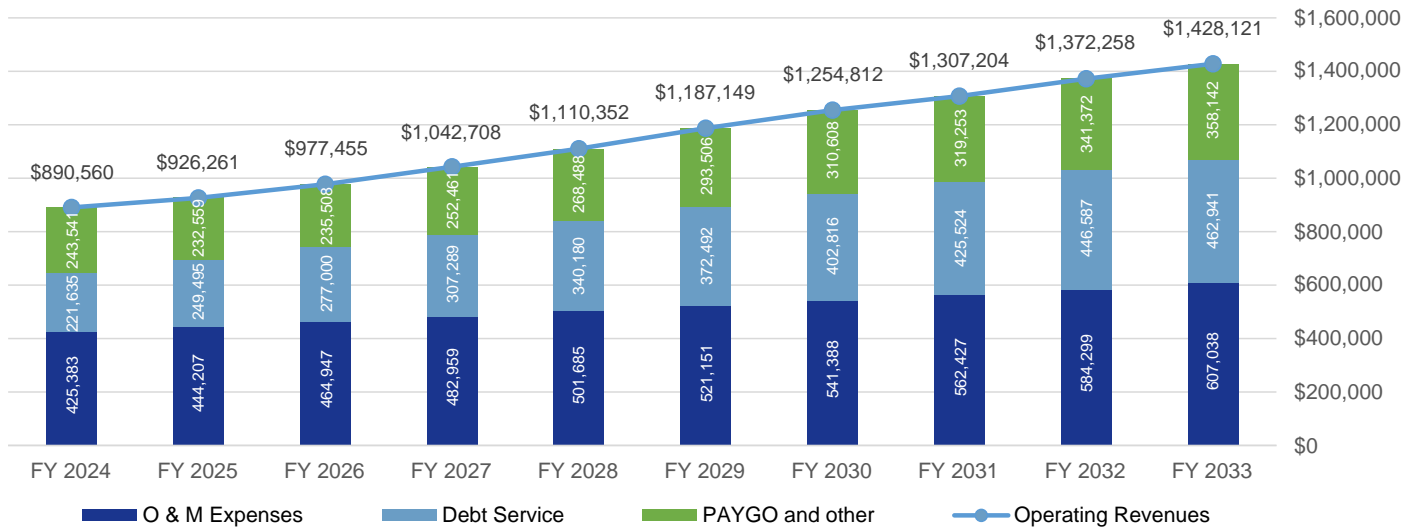
Blueprint 2.0 Imperatives	Program Description
    	Complete the Clean Rivers Program to reduce Combined Sewer Overflows (CSO) and meet the District's water quality standard. Achieve 96 percent system-wide capture mandate for removal of trash, debris etc. from the Anacostia and Potomac Rivers and Rock Creek.
   	Advance the Lead Free DC program to remove all lead lines, promote equity and leverage external funding.
   	Expand training and learning opportunities for operational crews including "Hazard Awareness Training" and "Hands on Drills" etc. Continue Cohort 2 - Apprenticeship Program to provide learning and job opportunities to residents in the metro region.
   	Continue proactive and predictive maintenance programs to assure equipment availability and value-driven Asset Management Operator Driven Reliability program.
  	Increase collaborative efforts between operations and engineering departments to ensure process enhancements and support the delivery of capital projects.
   	Safeguard the resilience of water supply, secure the assets of DC Water and prepare for and learn from emergency responses and adapt to the impacts of climate change.
  	Support development of high performing teams to increase resiliency and ensure safety of the operational crews that provide water and wastewater treatment services.
  	Enhance preparedness for tackling contaminants of emerging concern through research and (regulatory driven) monitoring.
 	Increase sales volume and revenue for both Bloom and renewable energy credits (RECs).
Legend:  Healthy, Safe and Well  Reliable  Resilient  Equitable  Sustainable	



Ten-Year Financial Outlook / Debt Management

DC Water's ten-year financial plan provides a strong financial framework to support implementation of the Board strategic plan, policies, priorities, and guidance in several key financial areas. This financial plan serves as one of management's key tools to monitor progress in meeting financial goals and to proactively address future financial and operational issues. Given DC Water's substantial borrowing needs over the next ten years, adherence to these Board policies is crucial to cost-effectively access the capital markets and retain our credibility with customers and regulators. The ten-year financial plan encompasses annual projected revenue requirements, operating expenditures, debt service costs, coverage ratios for indenture requirements, and sufficient liquidity to meet all the Authority's financial obligations.

FY 2024 - FY 2033 Financial Plan (\$ Thousands)



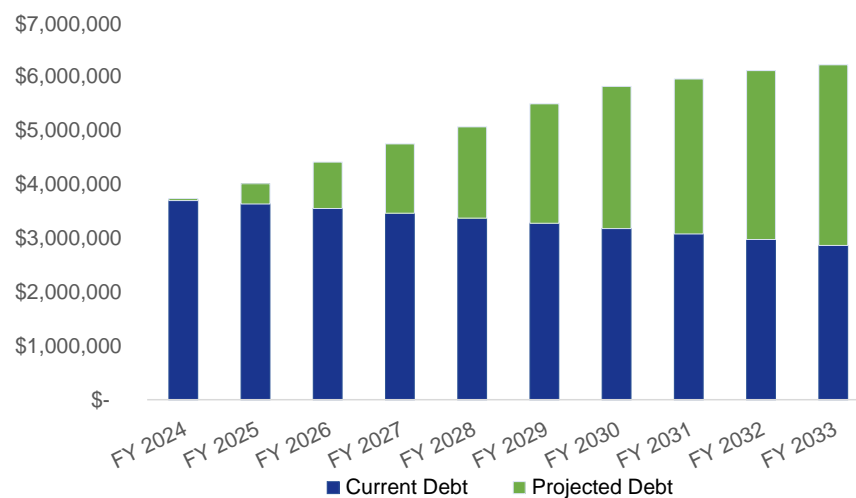
Debt Management

DC Water continues to maintain strong financial performance and bond ratings. During FY 2023, the credit ratings on our senior lien bonds were reaffirmed at AAA/Aa1/AA+ by Standard and Poor's Ratings Services, Moody's Investors Services and Fitch Ratings, respectively. High bond ratings will allow DC Water to have lower borrowing costs which in turn reduces ratepayer costs in the long run. These notable results are due to the Authority's solid financing team, outstanding financial performance, and management of our capital program. Additional information for current and future investors is available at www.dewater.com and www.dewaterbonds.com.

The Authority uses debt to finance its capital program and refund existing debt in the best interest of DC Water to obtain debt service savings. Debt management consists of managing funds borrowed through revenue bonds, commercial paper, and other short-term notes. Currently, debt financing represents approximately 43 percent of the funding in the ten-year financial plan and 30.1 percent of the FY 2024 operating budget. In FY 2023, DC Water began to draw on the 2021 Federal loan under the Water Infrastructure and Finance Innovation Act (WIFIA).

As of December 31, 2023, DC Water had an outstanding WIFIA loan amount of \$52.6 million. The Authority's total long-term debt, including current maturities was \$3.7 billion at the end of FY 2023, and is projected to increase over the next ten years primarily due to continuous investment in our aging infrastructure.

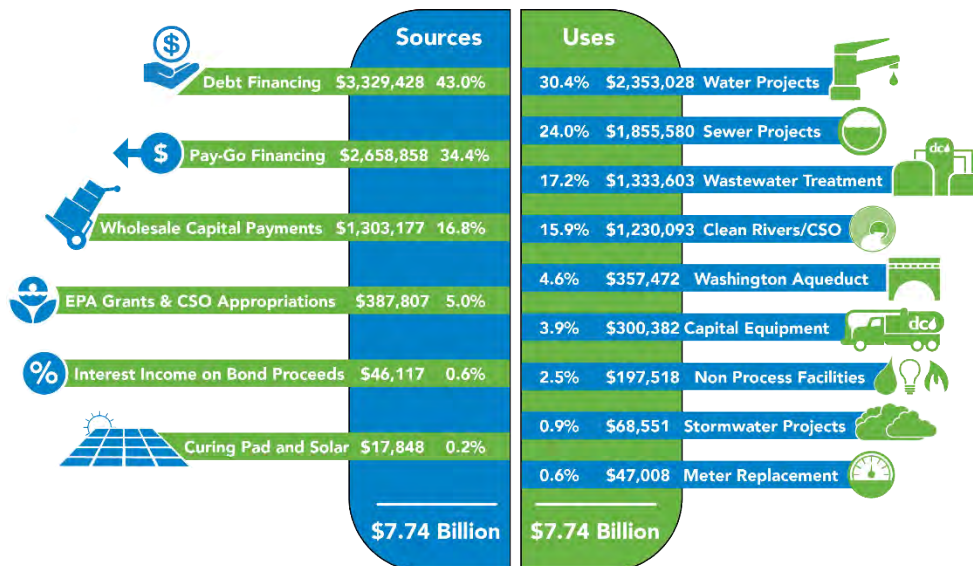
FY 2024 - FY 2033 Current and Projected Debt



DC Water is a cost-recovery organization that does not make a profit. The Authority requires a reliable and predictable revenue stream to pay for capital investments and forecasted operating expenditures as well as meet or exceed our Board policies and other financial metrics.

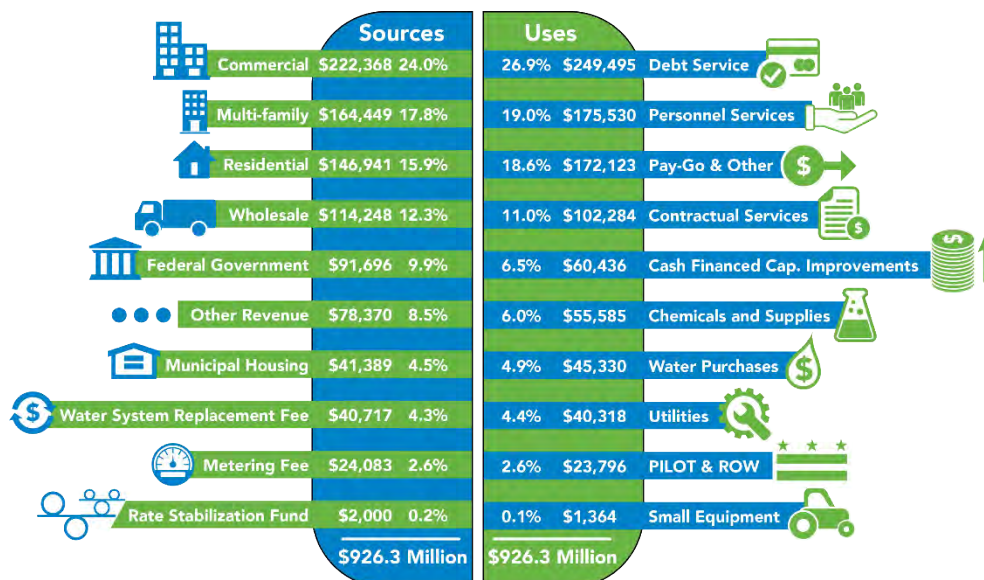
DC Water relies on several funding sources to finance its capital program and cash flow needs. Over the ten-year period, 77.4 percent is funded by debt and pay-go financing, 16.8 percent is capital payment from our Wholesale customers, 5 percent is from grant funding and federal appropriations and the remaining 0.8 percent is from interest income and other available funds.

FY 2024 – FY 2033 CIP Sources & Uses of Funds (\$ Thousands)



DC Water has a diverse customer base and thus receives cash from a variety of sources. This diversity mitigates reliance on any single customer category and provides a level of revenue stability. Our customers are classified as retail (residential, multi-family and non-residential) and wholesale customers only. DC Water uses these receipts to pay the salaries, overtime and benefits for its workforce, meet the financial obligations necessary to operate and maintain assets and facilities, purchase drinking water from the Washington Aqueduct and pay the debt service costs to support the capital program.

FY 2025 Operating Sources & Uses of Funds (\$ Thousands)





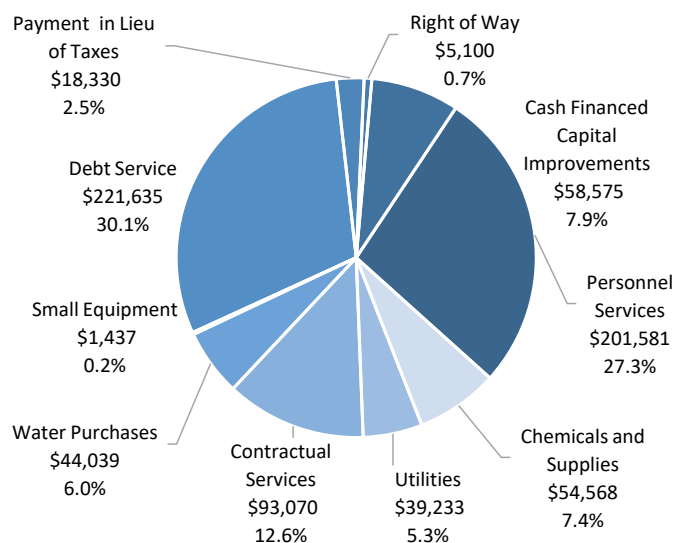
DC Water’s annual operating budgets provide the resources necessary to sustain a multi-billion-dollar water distribution, sewage collection and treatment system. The Authority continues to deliver clean water, collect, and treat the sewage before returning clean water to the local waterways and repair water main and sewer breaks as needed. This budget reflects management’s focus on supporting the most important asset with core values of reflecting people, pay and place while maintaining customer affordability and providing a high level of customer service.

The approved FY 2025 budget totals \$788.2 million, with an increase of \$50.7 million or approximately 6.9 percent compared to the revised FY 2024 budget. The increase is mainly for the operations and maintenance (O&M) costs, and the debt service and Pay-Go financing requirements to support the Authority’s Capital Improvement Program. The O&M budget includes projected increases in personnel services (with 11 vacant positions repurposed to other areas of need within the Authority) and other fixed costs such as utilities, and water purchases. This budget funds increases in various professional services including hauling and disposal, biosolids hauling, high pressure high vacuum and industrial cleaning, security guards and insurance premiums, etc. Funding for various strategic and new programs including the leak assessment program, are included in the budget.

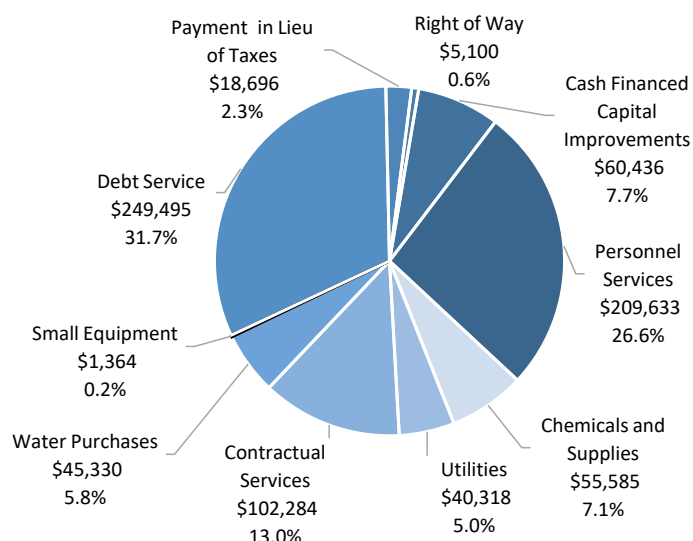
Detailed descriptions of the FY 2024 and FY 2025 operating budgets are available online at www.dewater.com.

Comparative Operating Budgets by Category (\$ Thousands)

Revised FY 2024 \$737,567



Approved FY 2025 \$788,241





Operating Budget (continued)

DC Water's organizational structure is a key tool for ensuring that the organizational mission is achieved. The structure consists of various departments that are defined primarily along functional roles and further grouped along service lines (Operational or Administrative) or reporting clusters of authority to ensure accountability and to enhance efficiency and delivery of various services.

Authorized Headcount and Budget by Department (\$ Thousands)

Authorized Headcount	FY 2024 Revised Budget	Department	FY 2025 Approved Budget	Authorized Headcount
2	\$584	Secretary to the Board	\$875	3
4	2,954	Office of the CEO	2,712	4
0	805	Internal Audit	839	0
6	\$4,343	Independent Offices	\$4,426	7
18	\$4,793	Marketing and Communications	\$4,349	19
2	514	Office of the Chief Administration Officer	1,466	2
6	1,659	Office of Emergency Management	1,682	6
8	7,626	Fleet Management	7,191	8
18	3,589	Occupational Safety and Health	2,859	18
53	10,500	Facilities Management	10,778	52
7	9,245	Security	11,057	9
10	3,095	Strategy and Performance	2,738	8
121	21,201	Customer Care	21,117	120
225	\$57,429	Administration	\$58,887	223
37	\$11,271	Information Technology	\$11,006	37
102	\$35,589	Finance, Procurement and Compliance	\$40,490	114
34	\$9,919	People and Talent	\$9,685	29
14	\$8,345	Government and Legal Affairs	\$8,312	14
133	23,349	Engineering and Technical Services	25,395	128
30	5,549	CIP Infrastructure Management	5,965	30
21	3,746	Wastewater Engineering	3,722	20
29	5,475	Permit Operations	5,286	29
213	\$38,119	Engineering	\$40,368	207
4	1,764	Office of the Chief Operating Officer	1,692	4
264	139,117	Operations	145,380	263
214	76,317	Water Operations	80,716	213
183	42,703	Pumping and Sewer Operations	45,092	186
11	4,219	Clean Rivers	4,108	9
676	\$264,119	Operations	\$276,988	675
1325	\$433,927	Total Operations and Maintenance	\$454,513	1325
	221,635	Debt Service	249,495	
	23,430	PILOTandROW	23,796	
	58,575	Cash Financed Capital Improvements	60,436	
	\$303,640	Total Debt Service, PILOT and ROW, CFCI	\$333,728	
1325	\$737,567	Total Operating Expenditure	\$788,241	1325
	(31,974)	Less: Capital Labor	(34,087)	
	\$705,593	TOTAL NET OPERATING EXPENDITURE	\$754,154	



Capital Improvement Program (CIP)

DC Water's ten-year Capital Improvement Program (CIP) provides the framework for the development, prioritization, implementation, and measurement of the capital projects undertaken. The Board-approved FY 2024 – FY 2033 CIP disbursement budget of \$7.74 billion increased by approximately \$792 million compared to the previous plan.

The budget fully funds the Clean Rivers Program to meet the consent decree requirements and advances the Lead-Free DC program goals. This budget also funds investments for major rehabilitation and upgrades at Blue Plains, DC Water's share of the Washington Aqueduct's infrastructure program, capital equipment purchases for vehicles, heavy-duty fleet equipment, meters, pumps, and information technology systems.

The overall ten-year CIP continues DC Water's commitment to increase investments in its aging water and sewer infrastructure. This plan ramps up the small diameter water mains replacements to 1.5 percent per year in FY 2028 and beyond. Additionally, the plan continues the ramp up to one percent rehabilitation for small sewer lines per year in FY 2024 and beyond.

The FY 2024 and FY 2025 capital budgets total \$514.7 million and \$732.1 million, respectively (cash disbursement basis). The lifetime budget is \$16.1 billion covering total commitments including labor for active projects prior to, during, and beyond the ten- year window.

Detailed descriptions of major CIP changes and program details can be found in Section V – Capital Improvement Program of the budget book and online at www.dcwater.com.

FY 2024 – FY 2033 Capital Improvement Program (\$ Thousands)

FY 2024 Revised	FY 2025 Approved	Service Area	Ten-Year Disbursement Plan	Total Lifetime Budget
\$13,074	\$19,900	Non Process Facilities	\$197,518	\$362,044
65,150	103,291	Wastewater Treatment	1,333,603	3,348,779
118,913	204,033	DC Clean Rivers Program	1,169,843	3,266,222
4,880	9,375	Combined Sewer Overflow	60,249	164,527
7,293	13,565	Stormwater	68,551	157,075
80,599	92,235	Sanitary Sewer	1,855,580	2,897,505
158,736	222,494	Water	2,353,028	4,738,104
\$448,646	\$664,893	Capital Projects	\$7,038,373	\$14,934,255
30,535	31,477	Capital Equipment	347,390	347,390
35,546	35,770	Washington Aqueduct	357,472	357,472
\$66,081	\$67,246	Additional Capital Programs	\$704,863	\$704,863
		Labor		443,166
\$514,727	\$732,139	Total Capital Budgets	\$7,743,235	\$16,082,284

Measure of Priority (\$ Thousands)

Mandates	Health and Safety	Board Policy	Potential Failure	High Profile Good Neighbor	Good Engineering High Payback	Good Engineering Lower Payback	Total
Agreements, Regulatory Standards, Court Orders, Issues and Permits Requirements, Stipulated Agreements, Etc.	Required to address Public Safety	Undertaken as a result of the Board's commitment to outside agencies	Related to Facilities in danger of failing, or critical to meeting permit requirements	Address Public Concerns	Need to fulfill Mission and upgrade Facilities	Lower Priority Projects	
FY 2024	\$120,058	\$12,459	\$111,587	\$47,443	\$1,532	\$152,003	\$69,644
FY 2025	213,048	29,558	152,417	43,254	681	158,313	134,867
FY 2026	222,641	58,599	170,665	29,537	674	191,862	167,837
FY 2027	227,487	12,338	180,177	32,980	1,792	191,723	182,735
FY 2028	189,057	6,679	187,840	48,222	6,195	230,815	220,083
FY 2029	147,147	860	198,183	68,145	3,123	353,180	246,827
FY 2030	77,719	2,081	216,909	65,608	0	287,281	259,388
FY 2031	0	1,197	145,298	43,075	0	255,140	264,798
FY 2032	0	969	123,631	34,039	1,490	294,518	220,821
FY 2033	1,490	0	125,191	28,147	0	276,140	194,038
Total	\$1,198,649	\$124,740	\$1,611,897	\$440,449	\$15,486	\$2,390,976	\$1,961,038
% of Total	15.5%	1.6%	20.8%	5.7%	0.2%	30.9%	25.3%

Major Capital Investments

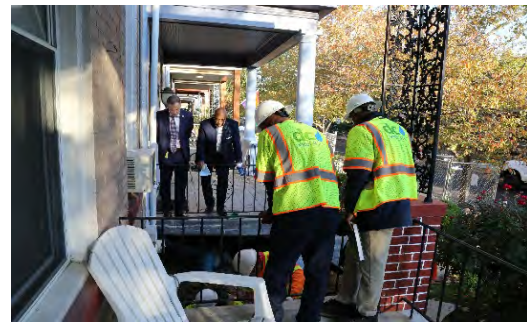
DC Clean Rivers

The Potomac River Tunnel is the next major tunnel to be constructed as part of the Clean Rivers Project. It is designed to control the CSOs along the Potomac River and the tunnel will run between Joint Base Anacostia Bolling and Georgetown University. The facilities will be constructed from 2024 to 2030. The project will reduce CSO overflow volume to the Potomac River by 93 percent in an average year of rainfall, thereby improving the water quality for the benefit of all.



Lead Free DC

This program is for the removal of all lead service lines in the District public and private right of way. The lead service line replacements are conducted throughout the water distribution system as part of the specific block-by-block projects, water main renewal projects, and emergency rehabilitation of water service lines. Customers can initiate replacements by participating in the Voluntary Full Replacement Program (VFRP) or the Lead Pipe Replacement Assistance Program (LPRAP) if the customer currently has a partial Lead Service Line.



Washington Aqueduct

The Washington Aqueduct treats and provides water to the District of Columbia, Arlington County, and the City of Falls Church in Virginia. DC Water shares in the costs of infrastructure improvements to achieve established service levels.



Sewer Replacement and Rehabilitation

DC Water is performing sewer rehabilitation projects throughout the city as part of its Capital Improvement Program. Up to one percent of small and local sewers will be replaced per year, and larger sewer lines such as the Piney Branch Sewer Rehabilitation Project and the Northeast Boundary Trunk Sewer Rehabilitation Project both will address aging and defective sewer pipes of wastewater from as far away as Dulles International Airport.



Water Main Replacement and Rehabilitation

As part of its Capital Improvement Program, DC Water is replacing small diameter water mains in various locations throughout the city, ramping up to 1.5 percent per year, along with critical larger water mains and valve replacements. These improvements will help improve water quality and system reliability, increase water pressure in some areas, and maintain adequate flows throughout the system.



Blue Plains Advanced Wastewater Treatment Plant

DC Water is performing a number of projects at the Blue Plains Advanced Wastewater Treatment Plant to maintain reliable treatment, improve efficiency, and enhance resource recovery and reuse. This includes Gravity Thickener upgrades, replacement of Filter Influent Pumps, Electrical Switchgear upgrades, Pre-dewatering Centrifuges, Filter Underdrains, and Backwash system upgrades.





Operating Revenues, Rates, Fees & Charges

Operating Revenues

To provide continuous delivery of water and wastewater services, it is vital that DC water has a consistent revenue stream to cover operating and maintenance (O&M) costs, debt service, and other liquidity requirements. DC Water has a diverse customer base and receives revenues from a variety of sources. Retail rates are charges for water, sewer and other services to DC Water's customers. Wholesale revenues are received from suburban water and sewer authorities for their share of the O&M costs of the Blue Plains Advanced Wastewater Treatment Plant.

DC Water maintains a combination of fixed and variable fees. Fixed fees are charged regardless of water usage, and include the Metering Fee, Water System Replacement Fee and the Clean Rivers Impervious Area Charge (CRIAC). Variable fees are based on water usage and include the water and sewer fees. DC Water conducts a Cost of Service Study (COS) to help ensure that costs are appropriately allocated. For example, the cost of delivering water to our customers is reflected in the water rate, and the cost of wastewater treatment is part of the sewer rate.

Independent Review of Rate Structure and Customer Assistance Programs

In FY 2020, independent consultants conducted a review of our rate structure, FY 2021 rates and Customer Assistance Programs (CAP) and performed analysis of rates and CAP for comparable jurisdictions (e.g., benchmarking). The findings of the study concurred that DC Water's current rate structure, customer classes, monthly water lifeline threshold of four Ccf, ERU basis for recovering the CRIAC charge, CAP bill discount and temporary assistance programs are consistent with industry standards. In response to recommendations in the review, DC Water expanded benefits for CAP customers.

2023 Cost of Service Study

In FY 2023, DC Water conducted a Cost of Service Study (COS) to align the cost of providing service to the customers with the multi-year rate proposals. The COS consisted of three components: i) Revenue Sufficiency Analysis – Do the proposed rates recover adequate revenue to meet expenditures? ii) Cost of Service Analysis/Rate Equity – Are proposed rates equitably recovering the costs of providing service to customers? and iii) Alternative Rate Structure Analysis – Are there alternative rate structures that may more effectively meet DC Water's highest priority pricing objectives? This study will be conducted every two years as part of the ratemaking process.

Multi-Year Rates

DC Water's Board approved its fifth multi-year rate proposal covering the periods of FY 2025 and FY 2026. The FY 2025 rates become effective October 1, 2024. The benefits of multi-year rates include greater revenue certainty, increased budget discipline and better alignment between revenues and expenditures.

Because of efforts to reduce the growth of operating costs, the overall charges for average household customer for FY 2025 is 4.8 percent as compared to 7.0 percent in the previous forecast and for FY 2026, it is 6.5 percent as compared to 6.8 percent in the previous forecast.

Operating Revenues (\$ Thousands)

Category	FY 2024 Revised	FY 2025 Approved
Residential	\$ 141,209	\$ 146,941
Commercial	213,358	222,368
Multi-family	156,014	164,449
Federal Government	90,273	91,696
Municipal & Housing	39,709	41,389
Water System Replacement Fee	40,717	40,717
Metering Fee	24,083	24,083
Wholesale	106,519	114,248
Rate Stabilization Fund	2,000	2,000
Other Revenue	76,678	78,370
Total Operating Revenue	\$ 890,560	\$ 926,261

FY 2024 - FY 2026 Retail Rates and Fees

Description of Fees	Units	FY 2024	FY 2025	FY 2026	FY 2025		FY 2026	
		Approved	Proposed	Proposed	Incr. /(Decr.)		Incr. /(Decr.)	
DC Water Retail Rates – Water:		\$	\$	\$	\$	%	\$	%
Residential – Lifeline (0- 4 Ccf)	Ccf	\$4.38	\$5.21	\$5.78	\$0.83	18.9%	\$0.57	10.9%
Residential – (> 4 Ccf)	Ccf	5.70	6.81	7.60	1.11	19.5	0.8	11.6
Multi-family	Ccf	5.00	5.82	6.47	0.82	16.4	0.7	11.2
Non-Residential	Ccf	5.89	7.03	7.84	1.14	19.4	0.8	11.5
DC Water Retail Rates – Sewer	Ccf	11.70	12.07	12.52	0.37	3.2	0.4	3.7
DC Water Clean Rivers IAC	ERU	21.86	21.23	24.23	-0.63	-2.9	3.0	14.1
DC Water Customer Metering Fee	5/8"	7.75	7.75	7.75	0.0	0.0	0.0	0.0
DC Water System Replacement Fee	5/8"	6.30	6.30	6.30	0.0	0.0	0.0	0.0
District of Columbia PILOT Fee	Ccf	0.61	0.61	0.62	0.0	0.0	0.0	1.6
District of Columbia Right of Way Fee	Ccf	0.19	0.19	0.20	0.0	0.0	0.0	5.3
District of Columbia Stormwater Fee	ERU	2.67	2.67	2.67	0.0	0.0	0.0	0.0
Groundwater Fee	Ccf	3.50	3.50	3.76	0.0	0.0	0.3	7.4
Backwash Rate	Ccf	3.30	3.32	3.54	0.02	0.6	0.2	6.6

*Rate impact in FY2025 is 8.0% and 6.0% in FY2026 and that has bill impact of 4.8% in FY2025 and 6.5% in FY2026. The shift in the balance between water and sewer rates has been determined by the recent cost of service study.

Clean Rivers Impervious Area Charge (CRIAC)

The CRIAC is a separate sewer service fee established in FY 2009 to recover the \$3.27 billion cost of implementing the DC Clean Rivers Project (the District's CSO-Long Term Control Program). The proposed monthly CRIAC ranges from \$21.86 per Equivalent Residential Unit (ERU) in FY 2024 to \$29.41 per ERU in FY 2033. From 2011 until 2023, all funds for the Clean Rivers program were from the CRIAC, which is assessed for all customers based on the amount of impervious surface on each property. The ten-year plan assumes no external funding beyond the special Congressional appropriation. DC Water has received \$308.15 million through Federal appropriations as of the end of January 2024.

Based on an assessment, on average, 37 percent of the volume in the new tunnels is from wastewater. Therefore, 37 percent of Clean Rivers costs are in the sewer volumetric rate. In FY 2020, the CRIAC

discount increased from four percent to 20 percent for customers who implement Stormwater Best Management Practices.



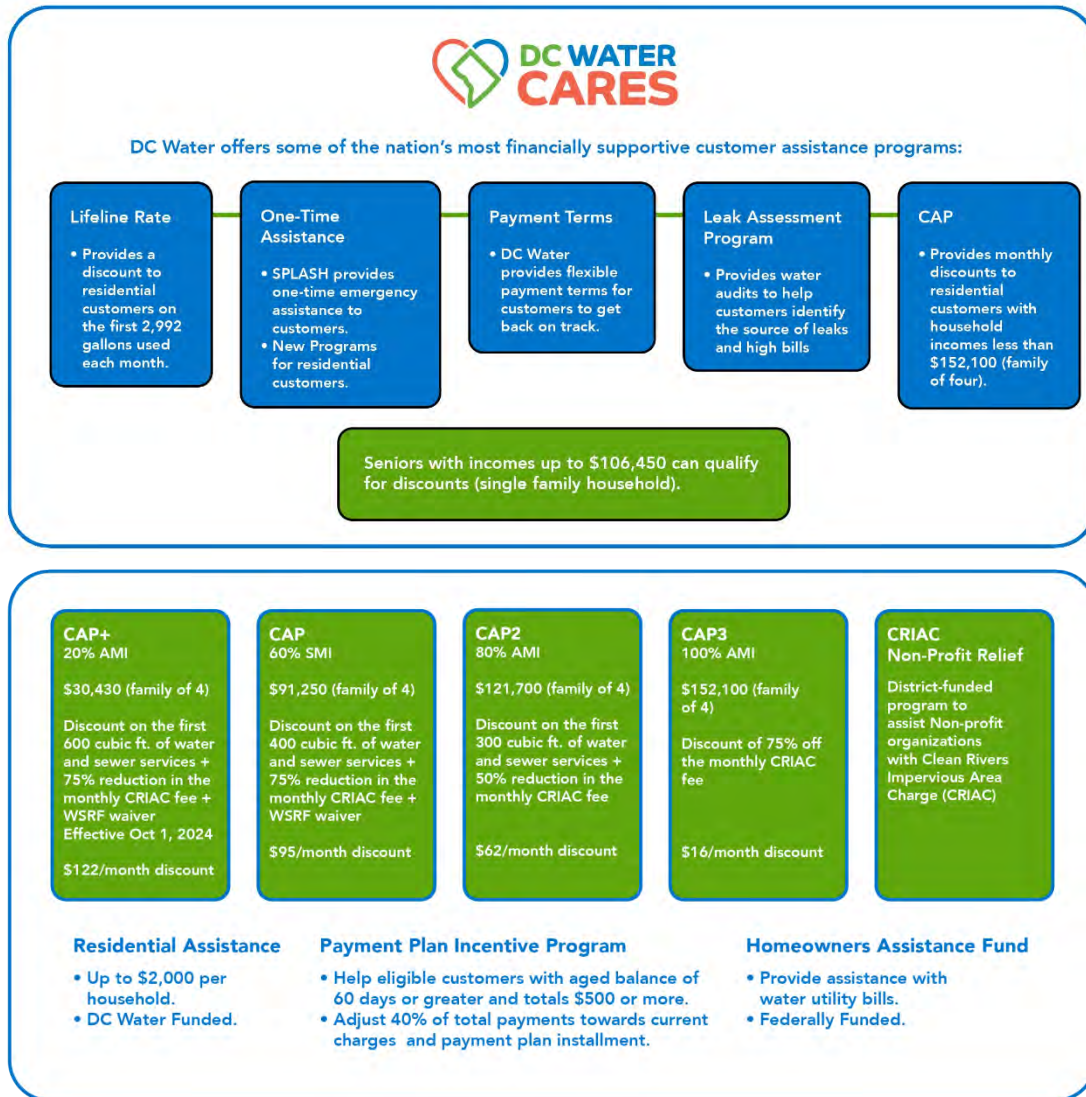


Customer Assistance & Regional Demographics

Customer Affordability

DC Water offers some of the most robust customer assistance programs in the nation. In the District of Columbia, one-fourth of the residents live below the poverty line, thus rate affordability is of the utmost concern in the planning process. DC Water seeks to balance its operating and financial needs with consideration to the financial impact upon its customers. EPA guidelines suggest that fees and charges should be within four percent of the median household income to be considered affordable (two percent for water and two percent for sewer). Using the last available data (2022), DC Water's rates are well under that target, and they are comparable with similar water and wastewater utilities.

DC Water, in partnership with the District, supports the following programs to assist low-income customers in paying their water bills:



Regional Economy

DC Water's service area has historically been resilient, even during fluctuations in nationwide economic conditions. Employment at the U.S. government and all of the professional and service industry firms that support the federal government have been a steady force through various economic cycles.

A major local employer, the federal government, has remained relatively stable in this employment sector for the past few years. The population of the District grew by more than 70,000 people from 2010 to 2022. Per capita incomes within the District and for the region as a whole continue to be higher than the U.S. average. Regional office vacancy rates have increased during a period of unprecedented challenges while retail vacancy rates remain relatively low. The strengths of the District are complimented by its highly rated partners: the federal government and wholesale wastewater users. Select demographic charts that follow support the overall positive outlook for the Washington Metropolitan region and its economy.

FY 2024 - FY 2026 Average Residential Customer Monthly Bill

DC WATER RATES AND FEES	Current FY 2024	Proposed FY 2025	Proposed FY 2026
DC Water Water and Sewer Retail Rates ⁽¹⁾	\$ 89.03	\$ 95.93	\$ 101.77
DC Water Clean Rivers IAC ⁽²⁾	21.86	21.23	24.23
DC Water Customer Metering Fee	7.75	7.75	7.75
DC Water Water System Replacement Fee ⁽⁴⁾	6.30	6.30	6.30
Subtotal DC Water Rates & Charges	\$124.94	\$ 131.21	\$ 140.05
DISTRICT OF COLUMBIA CHARGES			
District of Columbia PILOT Fee ⁽¹⁾	\$ 3.31	\$ 3.31	\$ 3.36
District of Columbia Right-of-Way Fee ⁽¹⁾	1.03	1.03	1.08
District of Columbia Stormwater Fee ⁽³⁾	2.67	2.67	2.67
Subtotal District of Columbia Charges	\$ 7.01	\$ 7.01	\$ 7.11
Total Amount Appearing on DC Water Bill	\$131.95	\$ 138.22	\$ 147.16
Percent Increase in Total Bill	5.4%	4.8%	6.5%

⁽¹⁾ Assumes average monthly consumption of 5.42 Ccf, or (4,054 gallons)

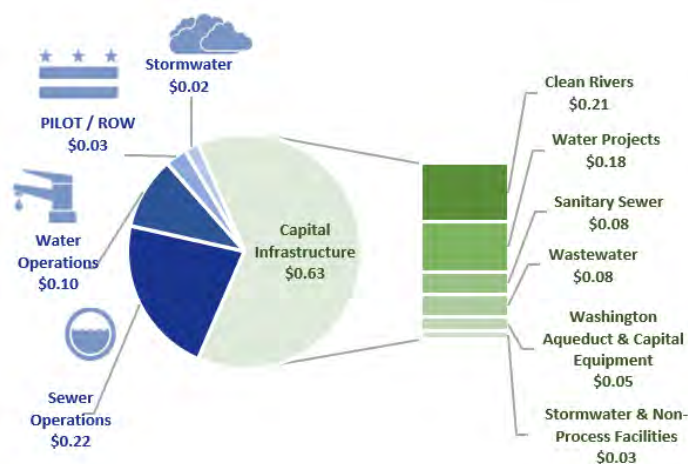
⁽²⁾ Assumes average 1 Equivalent Residential Unit (ERU)

⁽³⁾ District Department of the Environment stormwater fee of \$2.67 effective November 1, 2010

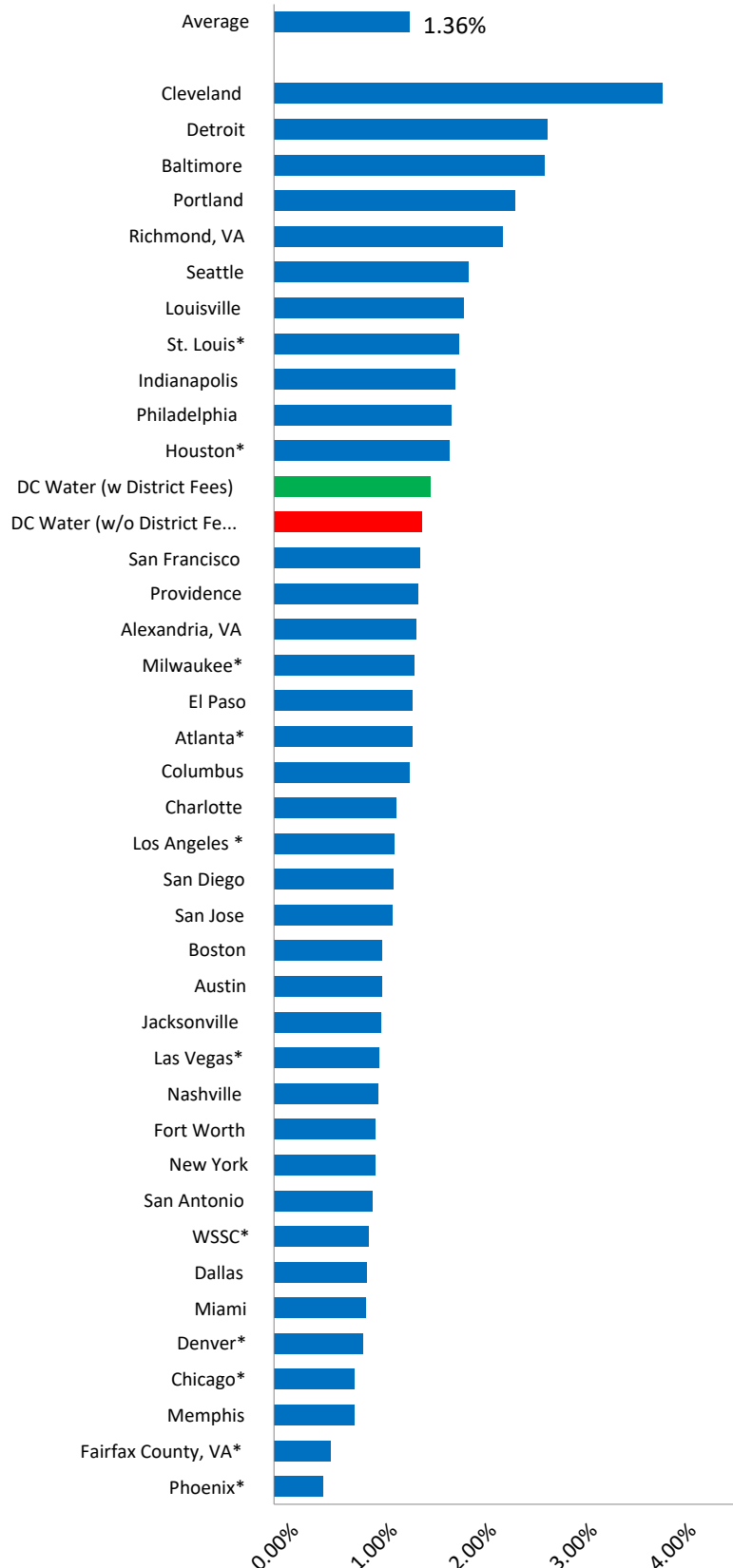
⁽⁴⁾ DC Water "Water System Replacement Fee" of \$6.30 for 5/8" meter size effective October 1, 2015

FY 2025: Where Does Your Money Go?

How does DC Water spend each dollar received from the average residential customer?



Comparative User Charges as % of Median Household Income Large National & Regional Utilities



*Some cities use property tax revenue or other revenues to pay for part of the cost of water, wastewater, or stormwater services. In such situations, the user charge will not reflect the full cost of water, wastewater, or stormwater services.



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