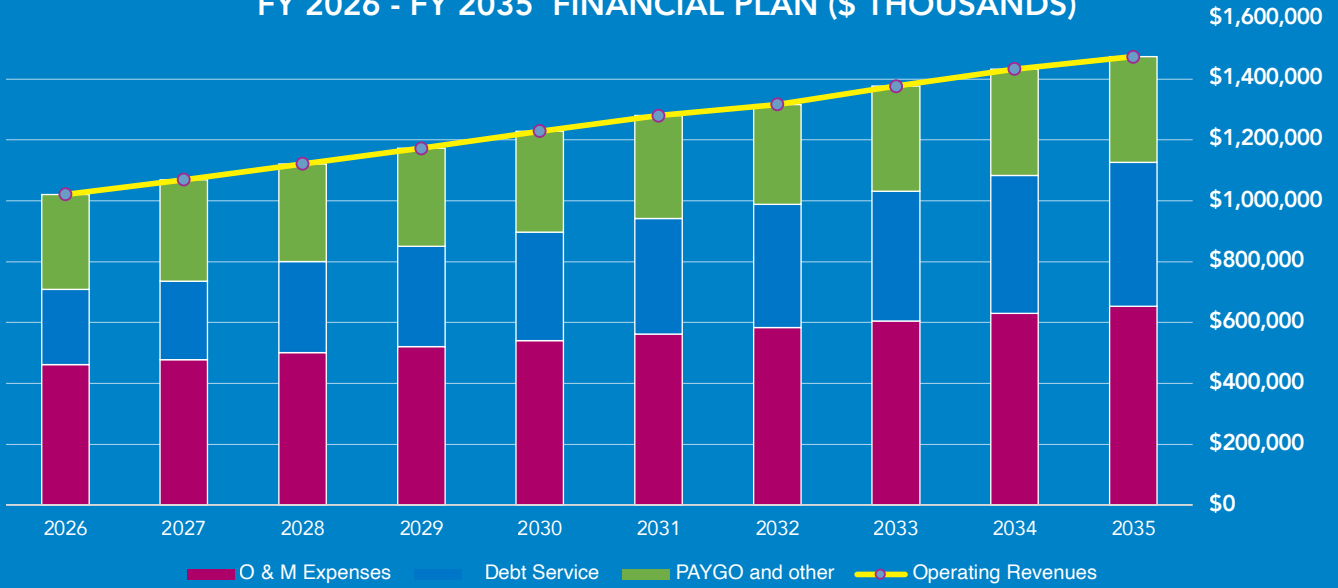


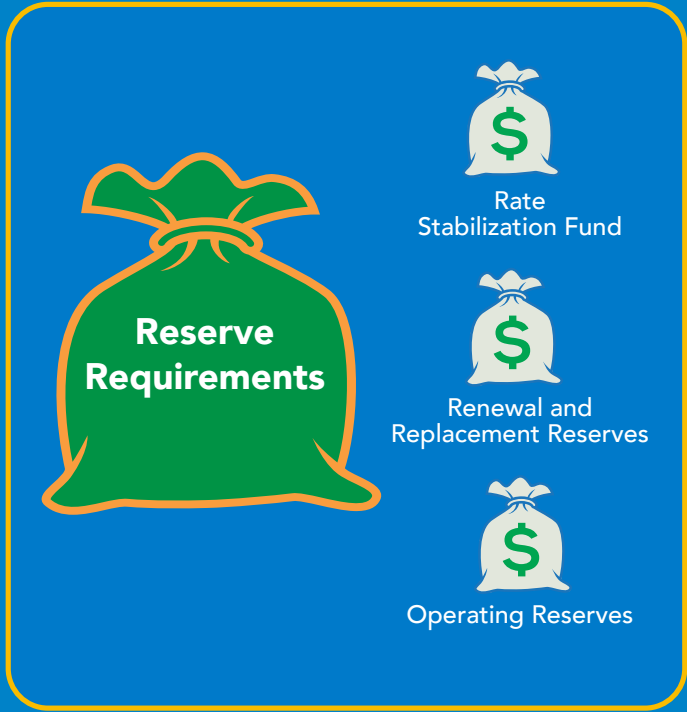


# Approved FY 2027 Budgets Section III: Financial Plan

### FY 2026 - FY 2035 FINANCIAL PLAN (\$ THOUSANDS)



## BLUEPRINT 2.0



## FY 2026 – FY 2035 Financial Plan

### Overview

DC Water’s strong financial performance and its success in achieving and maintaining strong bond ratings have been primarily due to the annual development of and adherence to a ten-year strategic financial plan. DC Water’s senior lien revenue bond credit ratings were affirmed in February 2026. DC Water received stable outlooks by S&P, Moody’s, and Fitch with ratings maintained at AAA, Aa1, and AA+ respectively. During FY 2025, DC Water met or exceeded the goals set by Board policy and the FY 2025 – FY 2034 ten-year plan. This budget includes DC Water’s twenty sixth comprehensive ten-year financial plan, covering FY 2026 – FY 2035.

The necessity of a ten-year financial plan is clear:



#### REGULATORY AND CAPITAL PROJECT-DRIVEN

Healthy, Safe and Well Reliable

1. DC Water operates under a regulatory and capital project-driven environment that requires a longer-term ten-year planning horizon. In order to provide our customers with the best service possible and with gradual and predictable rate increases, DC Water must plan for all projects on a long-term and integrated basis, including both capital and operating requirements. A five-year, capital-only financial plan would insufficiently prepare DC Water to address the major regulatory, operational and capital project issues that will impact service, operations, and rates over the next five to ten years.



#### BOARD POLICY

Healthy, Safe and Well Reliable Resilient

2. In accordance with Board policy, DC Water sets rates so that each customer is charged for the actual cost to provide each service, and rate increases are implemented transparently and predictably, utilizing all available options to mitigate future customer impacts. Since proposed future rate increases are primarily driven by financing of DC Water’s capital program and full utilization of the rate stabilization fund, the development of a ten-year financial plan allows DC Water to meet these key goals.



#### INTERNAL IMPROVEMENTS AND INVESTMENTS

Healthy, Safe and Well Reliable

3. The Board has directed DC Water management to undertake internal improvements and investments that will significantly lower operating costs over a ten-year period. A ten-year plan is required to bridge current operations and related capital and operating budgets with these longer-term cost reduction goals.

Board policies, strategic plan, priorities, and guidance in several key financial areas drive the development of the FY 2026 - FY 2035 financial plan. 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.

## FY 2026– FY 2035 Financial Plan

### Financial Plan Objectives

The financial plan serves as the framework to support the Board’s strategic plan, policies, priorities, and guidance in several key financial are:



#### KEY FINANCIAL AREAS

 Healthy, Safe and Well  Reliable  Resilient

- It is one of management’s key tools to monitor progress in meeting financial goals and to proactively address future financial and operational issues.
- It also ensures meeting or exceeding indenture and Board’s coverage requirements and providing sufficient liquidity to meet all obligations.
- The ten-year financial plan projects revenue requirements, operating and maintenance expenses, capital expenditures, debt service charges, coverage ratios, and rate increases.



#### FINANCIAL PLAN OBJECTIVES

 Healthy, Safe and Well  Reliable

DC Water’s financial plan objectives focus on:

- Minimizing rate increases while meeting all financial obligations.
- Satisfying all indenture requirements and Board policies; and
- Maintaining DC Water’s current credit ratings of AAA/Aa1/AA+



#### TEN-YEAR FINANCIAL PLAN ASSUMPTIONS

 Healthy, Safe and Well  Reliable  Resilient

- Maintain Debt Service as a percentage of revenue equal to 33.0 percent or less
- Maintain combined coverage of 180 percent.
- Maintain 282 days of cash excluding Rate Stabilization Fund. On October 5, 2023, the Board approved a revised Statement of Financial Policies that set a cash target of 350 days of projected operating expenses to be achieved gradually by 2032 through the use of year end surplus. On July 3, 2025, the Board approved to transfer from the Net Projected Cash Surplus of \$17.5 million to Ending Cash Balance to increase Days of Cash on Hand from 267 to 282 days.
- FY 2025 actual consumption decreased by 5.2 percent. Assumed 1.0 percent decline in consumption in FY 2026 over FY 2025 actual. Assumed 1.0 percent conservation in FY 2027 and onwards. The COVID-19 had an impact on consumption. However, the overall consumption has recovered to the Pre-COVID-19 level. The FY 2025 Actual consumption of \$32.7 million Ccf is slightly higher than FY 2020 consumption of 32.4 million Ccf.
- FY 2025 Debt Service was lower as compared to budget due to refinancing benefits and deferred borrowing
- Assumed delinquencies will decrease in 2026 and onwards.
- Assumed higher miscellaneous fee revenue.
- Assumed slightly lower interest earnings that FY 2025 Actuals.
- Assumed higher collection of receipts for Late Fees.

## FY 2026 – FY 2035 Financial Plan



**FINANCIAL METRICS**

 **Healthy, Safe and Well**  **Reliable**  **Resilient**

Metrics	Indenture Requirements	Board Policy	Management Target	Financial Plan
Days of Cash on Hand (excluding RSF)	60 Days	250 Days, or goal of 350 days by 2032	–	282 – 283 Days
Combined Coverage Ratio	–	1.6X	1.8X	1.80X – 2.39X
Senior Coverage	1.2X	–	–	7.90X – 10.45X
Subordinate Coverage	1.0X	–	–	2.02X – 2.80X
Debt Service as a % of Revenue	–	–	33% of Revenue or Less	24.4% - 32.4%
Rate Stabilization Fund (RSF)	–	Establish a targeted balance of 5% of retail revenues	–	\$40.6 million

## Key Financial Policies

DC Water's board policies include:

- **DEBT SERVICE COVERAGE** –DC Water will set rates and develop operating and capital budgets that ensure **senior debt service coverage of 140 percent and combined coverage of 160 percent.**
  - This coverage level exceeds DC Water's bond indenture requirement of 120 percent senior debt service coverage.
- **CASH RESERVES** – DC Water will maintain **cash reserves equivalent to 282 days of budgeted operations and maintenance expenses.** The Board established a goal of increasing the target days of cash on hand gradually to 350 days by FY 2032 through to the use of year end surplus. **Rating agencies have referenced the 250 days of cash and 1.6X coverage are indicators of financial strength.**
- **PAY-GO FINANCING OF CAPITAL** – DC Water will finance a portion of its capital program on a **pay-go basis from cash balances that exceed operations requirements or restricted use.**
- **RATE-SETTING POLICIES**
  - Rates that, together with other revenue sources, **cover current costs** and **meet or exceed all bond and other financial requirements** as well as goals set by the Board.
  - Rates that yield a **reliable and predictable** stream of revenues, considering trends in costs and in units of service
  - Rates based on **annually updated forecasts of operating and capital budgets**
  - Rate structures that are **legally defensible**, based on objective criteria, and **transparently designed.**
  - **Rate structures that customers can understand**, and DC Water can **implement efficiently and efficaciously.**
  - Rates increases, if required, are implemented **transparently and predictably.**

To the extent annual revenues exceed costs, the Board's policy will continue to utilize all available options to mitigate future customer impacts and annual rate increases, including transferring some or all excess funds to the Rate Stabilization Fund.
- **RATE STABILIZATION FUND** - Once DC Water achieves its **required level of cash reserves**, a **rate stabilization fund** will be established **to avoid "rate shock."** Based on favorable financial performance in FY 2025, the balance in the RSF was \$40.64 million.
  - On July 3, 2025, the Board approved the transfer from the Net Projected Cash Surplus of \$17.5 million to Ending Cash Balance to increase Days of Cash on Hand from 267 to 282 days.

### Financing and Reserve Policies

In FY 2004, and again in FY 2008, the Board completed a review of its existing financing policies, reaffirming the core policies. Two modifications were made to the reserves policy: 1) Changing the timing of when DC Water is required to meet its overall operations and maintenance reserve requirement from September 1 to an average daily balance basis, resulting in a more conservative calculation; and 2) revising the indenture-required renewal and replacement reserve requirement from two percent of original Plant in Service to \$35 million, with a requirement to revisit this reserve level every five years in conjunction with the indenture-required system assessment prepared by DC Water's independent rate consultants. The assessment was performed in 2013, 2018 and 2023.

The next assessment will be performed in 2028.

## Key Financial Policies

In FY 2013, the Board adopted further revisions which modified the operating reserve policy and under Resolution #13-57 revised the DC Water’s Statement of Financial Policies as follows:

1. DC Water will maintain financial practices and policies that result in high quality investment grade bond ratings to ensure the lowest practical cost of debt necessary to finance DC Water’s long-term capital program.
2. DC Water will maintain strong levels of operating cash reserves, equivalent to 120 days of budgeted operations and maintenance costs, calculated on an average daily balance basis, with the objective of maintaining at least \$125.5 million in operating reserves. The annual reserve amount will be formally approved by the Board as part of its annual approval of the operating and capital budget and ten-year plan. The operating reserve requirement will be evaluated every five years by DC Water’s independent rate consultant in conjunction with the Indenture-required system assessment.
3. The operating reserve will, at a minimum, include any reserve requirements contained in DC Water’s Master Indenture of Trust, (the “Indenture”), excluding any debt service reserve funds and the rate stabilization fund, as follows:
  - Operating Reserve – equivalent to sixty days’ operating costs.
  - Renewal & Replacement Reserve - \$35 million. This reserve requirement will be in conjunction with the Indenture-required system assessment.
4. DC Water will maintain senior debt service coverage of 140 percent, in excess of DC Water’s indenture requirement of 120 percent. Senior debt service coverage will be calculated in accordance with DC Water’s indenture.
5. In general, DC Water will utilize operating cash in excess of the Board’s reserve requirement and any other significant one-time cash infusions for capital financing or for repayment of higher cost debt.
6. DC Water will whenever possibly use the least costly type of financing for capital projects, based on a careful evaluation of DC Water’s capital and operating requirements and financial position for each year.
7. DC Water will attempt to match the period of debt repayment, in total, with the lives of the assets financed by any such debt.

In October 2021, the Board approved Resolution # 21-84 revising the financial policy as follows:

- DC Water will maintain strong levels of Operating Cash Reserves that exceeds the Master Indenture requirements. Strong cash reserves are important to maintain DC Water’s bond rating. In the financial plan that is proposed by the CEO and General Manager and approved by the board, 250 days of cash will be maintained in each fiscal year based on projected operating expenses.
- Debt Service Coverage is a key financial metric that impacts DC Water’s credit quality and borrowing costs. In order to maintain the highest credit quality and lowest borrowing costs, it is the policy of the Board that the Financial Plan developed by the CEO and General Manager and adopted by the Board will contain a minimum combined debt service coverage of 1.60X for the budget and all years of the Financial Plan. Debt Service Coverage will be calculated in accordance with the Master Indenture.

## Key Financial Policies

In October 2023, the Board approved Resolution # 23-58 revising the Statement of Financial Policies as follows:

- DC Water will maintain strong levels of Operating Cash Reserves that exceeds the Master Indenture requirements. Strong cash reserves are important to maintain DC Water’s bond rating. In the financial plan that is proposed by the CEO and General Manager and approved by the board, 250 days of cash will be the minimum maintained in each fiscal year based on projected operating expenses with a goal to achieve an operating cash reserve requirement of 350 days by 2032 by prioritizing the allocation of year-end surplus.
- Debt Service Coverage is a key financial metric that impacts DC Water’s credit quality and borrowing costs. In order to maintain the highest credit quality and lowest borrowing costs, it is the policy of the Board that the Financial Plan developed by the CEO and General Manager and adopted by the Board will contain a minimum combined debt service coverage of 1.60X for the budget and all years of the Financial Plan. The management’s target for Debt Service Coverage is 1.80X. Debt Service Coverage will be calculated in accordance with the Master Indenture.

In October 2023, the Board approved Resolution # 23-61 revising the Rate Stabilization Fund Policy as follows:

- DC Water will 1) establish a targeted RSF balance of 5% of retail revenues; 2) contributions to the RSF may be directed by the Board through the allocation year-end surplus or by the General Manager from savings or revenues from projects funded by the RSF; 3) the RSF may be used for: (i) emergencies or unplanned events to prevent rate spikes, (ii) investments in technologies or other initiatives that could reduce operating expenditures, (iii) apply to revenues to reduce rate increases, decrease higher cost debt, or as PAYGO to reduce debt service costs.

### Pay As-You Go Capital Financing Policy

1. The CEO/General Manager will include in the annual ten-year financial plan, developed as part of the annual operating budget process, a separate schedule showing projected annual cash balances and planned annual pay-go financing of capital projects.
2. The planned annual pay-go financing will be formally approved by the Board of Directors as part of its annual approval of the ten-year financial plan, operating and capital budgets.
3. At any time during the fiscal year, the CEO & General Manager may use pay-go financing for capital projects, as approved by the Board of Directors.
4. During the fourth quarter of each fiscal year, the CEO & General Manager (or designee) will conduct an analysis of DC Water’s financial performance.
5. The CEO & General Manager will report the results of this analysis and provide recommendations, including updated projected annual cash balances and annual pay-go financing, to the Finance and Budget Committee no later than its regularly scheduled meeting in July, for recommendation to the Board for action at its September meeting.

## Key Financial Policies

### Cash Management and Investment Policies

The Board has adopted a “Statement of Investment Policy”. This policy is designed to ensure the prudent management of Authority funds, the availability of operating and capital funds when needed, and an investment return competitive with comparable funds and financial market indices. The investment portfolio shall be managed to accomplish the following hierarchy of objectives:

1. Safety
2. Liquidity
3. Return on investment

The current Investment Policy is available on-line at [www.dewater.com](http://www.dewater.com).

### Debt Policy and Guidelines

The purpose of DC Water’s Debt Policy and Guidelines (the “Debt Policy”) is to provide DC Water officials and staff a comprehensive guide to DC Water’s issuance and use of debt to fund capital projects or to refund/refinance/restructure outstanding debt. The advantages of adopting and adhering to a clear, concise, and comprehensive debt policy are:

- Enhancing the quality of decisions
- Documenting the decision-making process
- Identifying objectives clearly to facilitate staff implementation
- Demonstrating a commitment to Long-Term financial planning objectives that result in a sound financial position
- Enhancing the positive assessment of credit quality by the bond Rating Agencies to maintain and improve DC Water’s high credit ratings
- Integrating the Debt Policy with the operating and capital budgets, the multi-year Capital Improvement Program (CIP), multi-year Financial Plan and other financial policies

The financial policies outlined in this document, in most cases, impose higher standards than the legal requirements contained in DC Water’s Master Indenture of Trust dated as of April 1, 1998, as amended, and supplemented from time to time (the “Indenture”) and other legal requirements.

The current Debt Policy and Guidelines is available on-line at [www.dewater.com](http://www.dewater.com).

## Major Financial Accomplishments



Reliable And Predictable



Healthy, Safe and Well



Reliable

**During FY 2025 DC Water met the financial goals set out by the Board and the FY 2025 – FY 2034 financial plan.** DC Water successfully managed its finances through FY 2025, aligning expenditures to the revenue shortfall from the impacts of COVID. At the end of the year, revenues were above budget by \$26.6 million. Senior debt service coverage, reserve levels, and budget performance met or surpassed Board policies, as discussed in more detail below:

- **DC Water Board policy required senior debt service coverage of at least 140 percent;** (a) In October 2021, the Board of Directors adopted a policy which requires to maintain a minimum combined debt service coverage of 160 percent (b) Combined debt service coverage was at 240 percent in FY 2025 and is projected at 180 percent in FY 2035 greater than the board policy requirement. DC Water's senior debt service coverage in FY 2025 was at 963 percent, while maintaining the Board's rate setting and financial policies. The senior debt service coverage is expected to decrease to 8.56 percent by FY 2035 due to an increase in capital spending and related debt issuance; the coverage is above the Board requirement of 140 percent. Subordinate debt service coverage, which includes DC Water's subordinated lien revenue bonds and Jennings Randolph Reservoir debt, was at 287 percent in FY 2025. DC Water is required to have 100 percent coverage of subordinate debt service.
- DC Water has maintained its bond rating from Standard & Poor's (AAA), Moody's (Aa1), and Fitch (AA+).
- **Commercial Paper:** These notes issued are considered subordinate debt under the Master Indenture of Trust. DC Water's commercial paper is issued in increments with maturities less than 270 days. The Board approved the commercial paper program in early FY 2002; proceeds from the sale of the notes are used for interim bond financing, short-term financing for capital equipment and certain taxable costs for the Washington Aqueduct. Each new bond issuance is evaluated to determine the most cost-effective way of reducing the amount of taxable commercial paper. Normal market conditions for commercial paper carry significantly lower interest rates than long term debt.

In August 2024, DC Water received Board authorization to revise the commercial paper (CP) program from \$150 million to \$250 million to include: (1) Series D (tax-exempt and taxable) aggregate principal amount not to exceed \$250 million. Additionally, DC Water authorized the Letter of Credit facility to TD Bank, NA. and approved J.P. Morgan Securities LLC and Goldman Sachs & Co. LLC as the authorized dealers along with US Bank Trust Company National Association as the Issuing Paying Agent to support our CP program.

- **Extendable Municipal Commercial Paper (EMCP):** The addition of the EMCP program in the amount of \$100 million provides diversification of the variable rate products available for interim financing needs. EMCP does not require a supporting bank letter of credit but relies on DC Water's liquidity to address any failed re-marketing of the EMCP. The initial placement is typically for 90 - 180 days and in the event of a failed re-marketing due to poor market conditions, DC Water has 3 – 6 months to address payment with a maximum number of days from the initial issuance of 270 days.

## Major Financial Accomplishments



Reliable And Predictable



Healthy, Safe and Well



Reliable

- **DC Water did not utilize the Rate Stabilization Fund (RSF) in FY 2025.** However, \$5.0 million was contributed to RSF. The Rate Stabilization Fund’s ending balance for FY 2025 was \$40.64 million.
- **DC Water continued its strong operating budget performance in FY 2025** – Actual cash receipts for FY 2025 were higher than the budget by \$26.6 million, or 2.8 percent. Actual operating expenditures were \$24.2 million or 5.3 percent lower than the total operating budget. DC Water experienced O&M underspending mainly to comply with the mandate that restricted spending at the FY2024 budget level. The areas of underspending include lower employee wages and benefits resulting from higher vacancy rates, lower-than-anticipated costs for water purchased from the Washington Aqueduct, and decreased spending on various professional services and fees Authority wide. These under spendings were partially offset by higher-than-budgeted costs for chemicals and supplies required for daily operations.
- **The Clean Rivers Impervious Surface Area Charge (CRIAC) was implemented in May 2009** to recover the cost of the Combined Sewer Overflow Long-Term Control Plan (CSO LTCP), also known as the DC Clean Rivers Project. In FY 2011, a six-tiered rate structure was successfully implemented for all residential retail customers to better reflect the impacts of various size residential properties. The thirty- year CSO LTCP, whose terms are outlined in a consent decree executed in March 2005, exclusive of the nine- minimum controls programs are projected to cost \$3.56 billion. See “Combined Sewer Overflow Long-Term Control Plan” in Section IV, Rates and Revenues for additional details on the projected rate impact of the plan.
- **DC Water implemented a retail water and sewer rate increase of 8.0 percent in FY 2025** to recover increased retail water and sewer revenue requirements of \$31.7 million. In FY 2025, the Rate Stabilization Fund (RSF) was not utilized. The RSF helps to mitigate rate shock and reduces needed retail rate increases. In addition, there was a 2 percent increase in PILOT as per the PILOT MOU signed with the District on September 4, 2014. In FY 2025, PILOT fees at \$0.61 per Ccf and the ROW fee at \$0.19 per Ccf remain the same as in FY 2024. The changes in PILOT and ROW fee are made to recover the full costs of these fees charged to DC Water by the District of Columbia government. The rate changes are mainly due to the increase in debt service cost to finance the capital improvement program.
- **Water System Replacement Fee (WSRF) was implemented in FY 2016**, effective October 1, 2015 (FY 2016), WSRF recovers the costs of one percent renewal and replacement program for water service lines. WSRF varies with meter size. The WSRF for 5/8” meter size is \$6.30. Low-income CAP customers get 100 percent discount for this fee.
- **Multi-Year Rates:** DC Water moved to a multi-year rate proposal in FY 2016 covering the period FY 2017 and FY 2018. This is the fifth time that DC Water has adopted a multi- year rate proposal in FY 2024 covering the period FY 2025 and FY 2026 and has become effective from October 1, 2024, and October 1, 2025, respectively.
  - **The benefits of multi-year rates include:**
    - Greater revenue certainty
    - Increased budget discipline
    - Better alignment between revenues and expenditures
    - Favorable credit rating agency treatment
    - Better predictability for our ratepayers

## Major Financial Accomplishments



Reliable And Predictable



Healthy, Safe and Well



Reliable

- **Potential risks / considerations:**

- Reduced financial flexibility
- Limited ability to modify approved rate increases, if necessary
- Conservatism in financial projections

- In FY 2020, an Independent Review of Rate Structure and Customer Assistance Programs was conducted to review and benchmark DC Water's rates, rate structure and Customer Assistance Programs (CAP) to peer utilities. The findings of the study concurred that DC Water's current customer class structure, monthly water lifeline threshold of 4 Ccf, ERU basis for recovering the CRIAC charge, CAP bill discount and temporary assistance programs are consistent with industry standards for ratemaking.
- In FY 2020, DC Water conducted a Cost of Service study (COS) to align the COS with the multi-year rate proposals, therefore both will be done every two years going forward. Previously, the COS was conducted every three years. The COS consist of three components: i) revenue sufficiency analysis – to ensure that the revenues cover the costs that DC Water incurs; ii) cost of service analysis/rate equity – to ensure that the rates are equitably recovering the costs of service provided to customers; and iii) alternative rate structure analysis – to ensure that DC Water meets its priority pricing objectives. The results of the COS support the multi-year rate, charges and fee proposals for FY 2021 and FY 2022.
- In FY 2024, a COS was conducted by Independent Financial Consultants to establish the multi-year rates for FY 2025 and FY 2026. The 2024 COS study includes the Groundwater and High Flow Filter Backwash Sewer rates. The results of COS study support the multi-year rates, charges and fees approved for FY 2025 and FY 2026.
- Independent Review of the Approved FY 2025 and FY 2026 Rates was conducted by consultants.
  - The review concluded that the rates have been reasonably developed, reflect the anticipated revenue requirements of the System, adhere to Board policy and are comparable to other utilities.
  - The affordability assistance provided by DC Water is robust compared to other utilities, providing a meaningful impact on a customer bill.
- For the twenty fifth consecutive year, DC Water received the Government Finance Officers' Award for Distinguished Budget Presentation for its FY 2026 budget which was submitted in 2025. DC Water received its twenty eighth unqualified audit opinion for the fiscal year ended September 30, 2025, and received the twenty eighth GFOA Certificate of Achievement for Excellence in Financial Reporting. In addition, for the second consecutive year, DC Water was awarded with "special recognition" for the long-range financial plan. This section also received a score of 4 (outstanding) for all three reviewers.
- In FY 2025, DC Water successfully renewed all the Authority's operations insurance policies at essentially the same terms down 0.7 percent from expiring costs than previous year. DC Water's coverage is generally comparable to expiring.

## Major Financial Accomplishments



Reliable And Predictable

Healthy, Safe and Well

Reliable

- DC Water completed its twenty first year ROCIP I (October 2004 to October 2009) of its rolling owner-controlled insurance program (ROCIP); sixteenth year of ROCIP II (October 2009 to October 2012); thirteenth year of ROCIP III (October 2012 to October 2015); tenth year of ROCIP IV (November 2015 to October 2020); fifth year of ROCIP V (November 2020 to November 2023); second year of ROCIP VI (November 2023 to 2028 and PRT OCIP November 2023 to November 2030). DC Water procures general liability and workers' compensation insurance coverage for most of its construction contractors. The result is substantially higher insurance coverage levels for all enrolled contractors and significant cost savings. At the end of FY 2025, 65 projects and 403 contractors were enrolled in the expired ROCIP I program; 47 projects and 771 contractors were enrolled in the now expired ROCIP II program; 46 projects and 841 contractors were enrolled in the ROCIP III program; and 55 projects and 1118 contractors are/were enrolled in the ROCIP IV program; 32 projects and 256 contractors are/were enrolled/verified in the ROCIP V program and 20 projects and 122 contractors enrolled in ROCIP VI and 49 contractors enrolled in our PRT OCIP. Verified avoided costs (aka savings) are in the range of \$5.4 million for ROCIP I; approximately \$11.2 million for ROCIP II, \$9.7 million for ROCIP III, \$6.1 million for ROCIP IV and \$3.4 million for ROCIP V. ROCIP II and III were three-year insurance programs that support an estimated \$4.4 billion of planned and completed construction. So far, an estimated \$32 million in avoided costs across 7 Programs.



ROCIP



DEBT POLICY & GUIDELINES



BUDGET OPTIMIZATION



COST SAVINGS



RISK MANAGEMENT



INVESTMENT STRATEGY



COMPLIANCE ACHIEVEMENTS

## Major Financial Accomplishments



Reliable And Predictable Healthy, Safe and Well Reliable

### Customer Assistance Programs (CAP)

In FY 2025, DC Water remained committed to water affordability by maintaining a comprehensive range of assistance programs. Through our DC Water Cares suite of programs, new and temporary programs are introduced to support customers facing higher water rates and overdue balances due to income challenges from the global COVID pandemic. Many of these programs were made possible through DC Water's partnership with the District Department of Energy and Environment (DOEE).

#### DC Water Cares Assistance Programs are as follow:

- Customer Assistance Program (CAP +) offers a discount on the first 600 cubic feet (4,500 gallons) of water and sewer services, PILOT and ROW fee each month. Eligible households receive a 75 percent reduction on the monthly CRIAC fee and a waiver for the Water Service Replacement Fee. This results in a monthly discount of approximately \$122. Funded by DC Water and made possible through partnership with DOEE.
- Customer Assistance Program (CAP) offers a discount on the first 400 cubic feet (3,000 gallons) of water and sewer services, PILOT and ROW fee each month. Eligible households receive a 75 percent reduction on the monthly CRIAC fee and a waiver for the Water Service Replacement Fee. This results in a monthly discount of approximately \$95. Funded by DC Water and made possible through partnership with DOEE.
- CAP 2 offers a discount on the first 300 cubic feet (2,250 gallons) of water and sewer services used each month. Eligible households receive a 50 percent reduction on the monthly CRIAC fee. This results in a monthly discount of approximately \$62. Funded by DC Water and made possible through partnership with DOEE.
- CAP 3 offers 75 percent reduction in the monthly CRIAC fee. This results in a monthly discount of approximately \$16. Funded by DOEE and made possible through partnership with DC Water.
- CRIAC Non-Profit Relief offers credits of up to 90 percent of the CRIAC portion of a nonprofit's water bill. Funded by DOEE and made possible through partnership with DC Water.

#### The assistance provided to customers in FY 2025 is listed below:

Program	Assistance	Enrolled Customers
CAP, Cap+, CAP2, CAP (Original)	\$1,225,594	1,863
CAP+	\$1,537,636	2,174
CAP 2	\$102,654	238
CRIAC Residential Relief Program		
CAP 3	\$5,749	54
CRIAC Non Profit Relief Program		
Non Profit Relief	\$9,000,902	174

**SPLASH (Serving People by Lending A Supporting Hand) Program** supports customers in need through contributions from customers, the community, and DC Water employees. DC Water covers all administrative fees, while the Greater Washington Urban League (GWUL) administers the program. In FY 2025, DC Water received \$67,129 in contributions and distributed \$81,007, assisting 240 customers as of September 2025. CAP +, CAP, CAP2, and SPLASH, together in FY 2025, provided \$2,946,891 in assistance to approximately 4,515 low-income households in FY 2025, to help make their bills more affordable.

## Major Financial Accomplishments

### Customer Contacts

- **Payment Plan Incentive Program** was created in FY 2024 to assist residential customers who are sixty plus days past due and \$500 or more in arrears. If they create and maintain a payment plan, DC Water will credit equivalent to 40 percent of customer payments over a three-month period. In FY 2025, DC Water was able to assist 2,250 residential customers with credits that totaled \$601,461.
- **Leak Assessment and Repair Program** is a new initiative for CAP+, CAP, and CAP 2 customers who have received high usage alerts. This program launched in FY25 offering a free leak assessment to help customers identify the source of leaks. Additionally, DC Water has partnered with the District to provide repairs for leaks identified through the assessment. In FY25 program provided free leak assessments totaling \$85,500 for 114 customers and covered repairs costs totaling \$104,910.
  - Continued to focus on customer outreach to increase enrollment in financial assistance plans.
  - Provided ongoing communication and updates related to assistance programs and payment arrangements.

### System Enhancements

In FY 2025, system enhancements were made to improve customer service experience:

- DC Water partners with 311 for inbound call support for Command Center. Through this partnership when emergencies occur that spike call volume increase and wait times, 311 is able to support the call overflow. This ensures DC Water meets established call metrics where every emergency is recorded and investigated timely.

### Other Upcoming Projects

- Maintain the predictive dialer outbound calls to remind customers to pay before balances become unmanageable.
- Continued focus on larger replacements and meter issues that hinder transmission.
- Continued focus on customer outreach to increase enrollment in financial assistance plans.
- Call Translation Technology
- New Field Work Management System

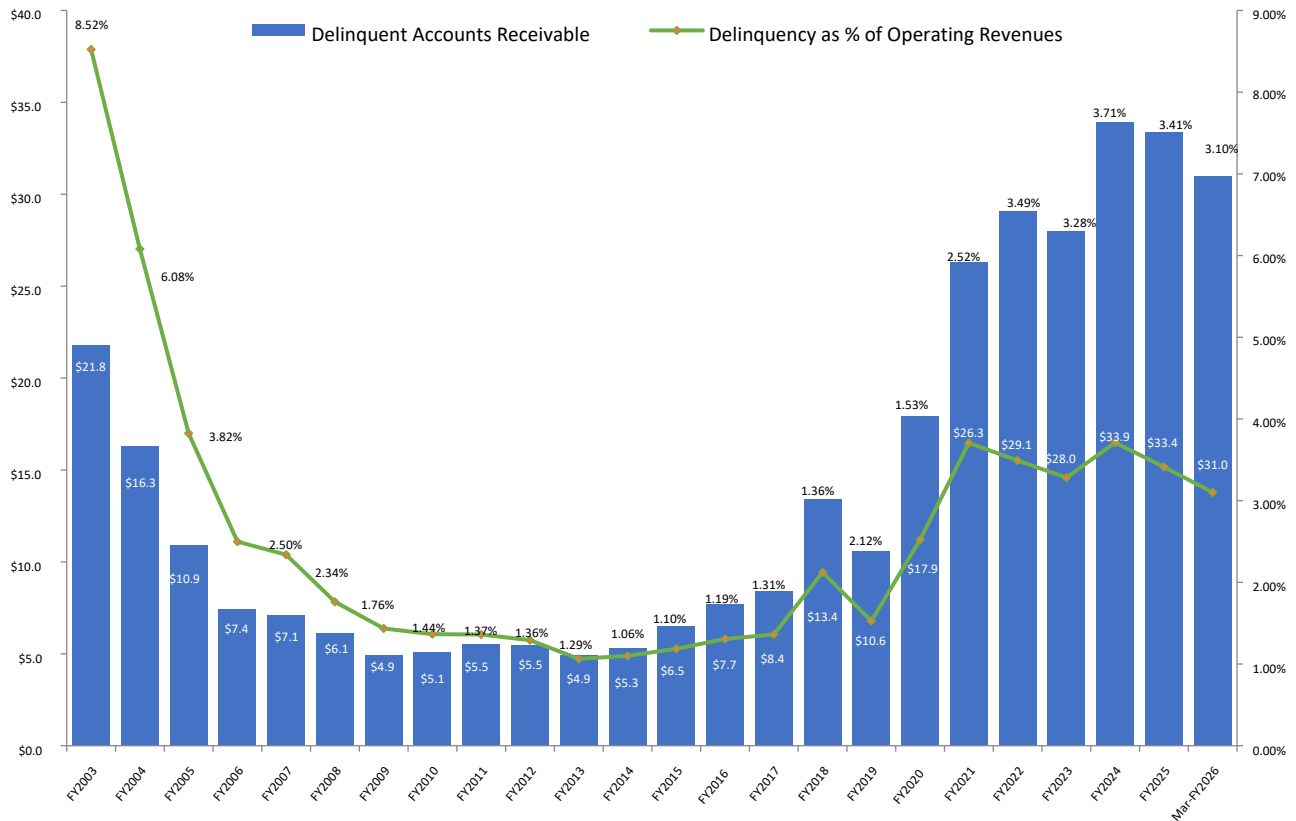
### Expansion of Customer Assistance Programs:

In FY 2025, DC Water had included the following new programs:

- **CAP+** is a new program designed for eligible customers, offering all the benefits of CAP along with a discount on an additional two hundred cubic feet of water and sewer services. This program is available to customers with incomes at 20 percent MFI or lower.
- **Leak Assessment and Repair Program** is a new initiative for CAP+, CAP, and CAP 2 customers who have received high usage alerts. This program offers a free leak assessment to help customers identify the source of leaks. Additionally, DC Water has partnered with the District to provide repairs for leaks identified through the assessment. The Repair program is available for a limited time and while funding lasts.
- **SPLASH donations** have helped customers avoid disconnection. The program is funded by DC Customers, DC Water employees and other generous donors. DC Water has created an online portal to increase SPLASH donations by expanding the donation pool to receive donations from as many sources as possible. More information can be found at [www.dcwater.com/splash](http://www.dcwater.com/splash)

## Major Financial Accomplishments

### Delinquent Accounts Receivable (in Millions)



- The graph above represents Delinquent Accounts Receivable as percent of Total Operating Cash Receipts (includes Retail, Wholesale and Other)
- In FY 2020, there was an increase in delinquent accounts receivable, greater than 90 days due to the impact of COVID-19 and a suspension of cut off and collection efforts. The delinquency greater than 90-days increased from 2.52 percent in 2020 to 3.49 percent in 2022. The delinquency decreased to 3.41 percent in 2025.
- Delinquent accounts receivable increased by \$16.3 million from \$12.8 million in March 2020 to \$29.1 million in September 2022 due to suspension in regular collection activity and disconnection of delinquent accounts. These actions were taken in support of on-going meter replacement projects through December of 2019 and following the on-set of the coronavirus public health emergency in March of 2020 and in anticipation of the second wave of COVID-19. However, DC Water resumed disconnection for Residential and Commercial categories effective from July 12, 2022. The resumption of charging late fees and disconnection was expected to result in a decrease in delinquencies. The delinquencies decreased by \$1.1 million from \$29.1 million in September 2022 to \$28.0 million in September 2023 but increased to \$33.4 million in September 2025 and decreased to \$31.0 million in March 2026.

## Major Financial Accomplishments



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### General Principles of Affordability for Low-Income Customers Policy

On September 4, 2014, The General Principles of Affordability for Low-Income customers was approved. It is the policy of the Board of Directors of DC Water in setting retail rates, to follow the General Principles of Affordability for Low-Income Customers articulated herein:

- Consideration of rate impacts on low-income customers.
- Exploration of affordability alternatives for low-income customers; and
- Development of a more innovative rate structure, the goal of which is to reduce the economic burden on low-income customers at the earliest practicable date consistent with the Board's need to gather sufficient data to support any rate structure chosen.

DC Water reviews the equity and sufficiency of its rates and rate structures periodically through various the COS. The COS study prioritizes the following pricing objectives:

- Revenue sufficiency – Rates should recover revenue necessary to operate and maintain the utility in perpetuity.
- Cost of Service Recovery – Rates should be supported by industry practice and ensure that customers pay their fair share.
- Simplicity – Rates and charges should be easy for our customers to understand.
- Affordability – DC Water should minimize customer bills while not sacrificing good, clean and safe service.

In FY 2015, a COS was conducted by the Independent Financial Consultants which provided several recommendations:

#### Additional Alternative Fees and Charges:

- Customer Class-Based Volumetric Rates – Rate differentiation based on the peaking demands of each customer class (residential, multi-family and non-residential).
- Lifeline Rate – A lifeline rate for first 4 Ccf of Single Family Residential (SFR) water use to reflect baseline usage by residential customers without peaking costs. The lifeline rate provides an economic benefit to low-volume Residential customers, while spreading the cost of peaking to high volume Residential customers.
- Water System Replacement Fee (WSRF) – In Fiscal Year 2016, DC Water to modify its existing rate structure and to implement a new meter-based Water System Replacement Fee (WSRF) in order to recover the cost of the 1 percent renewal and replacement program for water service lines. It is anticipated that the new WSRF will generate \$40 million per year. DC Water's low-income CAP customers would receive a 100 percent credit for this fee.
- System Availability Fee (SAF) – DC Water to propose a new System Availability Fee (SAF). A one-time fee assessed to a property owner of any premises, building or structure to recover the cost of system capacity put in place to serve all metered water service and sanitary sewer connections and renovation or redevelopment projects that require an upsized meter service connection to the district's potable water system. The fee is assessed based on the peak water demand, excluding fire demand, for new meter water service connection and renovation or redevelopment projects that increase the peak water demand and associated SAF meter size for the property.

## Major Financial Accomplishments



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- Based on the 2015 the COS, DC Water has adopted several changes to its existing retail rate structure starting in Fiscal Year 2016. These changes are designed to better align the Authority's revenues and expenditures by establishing customer class-based volumetric water rates based upon peaking factors, to create a more progressive rate structure for its residential customers by establishing lifeline water rates which discount core consumption, and to fund the authority's water main replacement program by establishing a monthly, fixed Water System Replacement Fee.

In FY 2018, the COS was conducted by the Independent Financial Consultants which provided several recommendations:

- Every three years DC Water conducted the COS for the Water and Sewer rates, and the Clean Rivers Impervious Area Charge (CRIAC) to update actual and projected expenditures to ensure that these charges are appropriately recovering costs
- DC Water has taken several actions over the last several years to lower CRIAC costs including Century Bonds, refinancing older debt for savings, and restructuring debt so the relief is provided to today's customers. These savings are now reflected in the projected charges.
- A reallocation of the costs associated with the Clean Rivers Impervious Area Charge (CRIAC) to the Sewer utility results in a reduction in the CRIAC and an increase in the Sewer volumetric charge.
- The revenue collected from the Water System Replacement Fee, originally designed to fund the annual costs of 1 percent of DC Water's water service line renewal and replacement program has been used in its entirety to offset the Water utility's revenue requirements, resulting in a decrease to all Water volumetric charges.
- Although these two reallocations cause shifts in the cost structure, and subsequent rates, DC Water customers will see only minimal changes to their bills.

In FY 2020, an Independent Review of Rate Structure and Customer Assistance Programs was conducted to review and benchmark DC Water's rates, rate structure and Customer Assistance Programs (CAP) to peer utilities. The findings of the study concurred that DC Water's current customer class structure, monthly water lifeline threshold of 4 Ccf, ERU basis for recovering the CRIAC charge, CAP bill discount and temporary assistance programs are consistent with industry standards for ratemaking.

In FY 2020, DC Water conducted a COS to align with the multi-year rate proposals, therefore both will be done every two years going forward. Previously, the COS was conducted every three years. The COS consist of three components: i) revenue sufficiency analysis – to ensure that the revenues cover the costs that DC Water incurs; ii) cost of service analysis/rate equity – to ensure that the rates are equitably recovering the costs of service provided to customers; and iii) alternative rate structure analysis – to ensure that DC Water meets its priority pricing objectives. The results of the COS support the multi-year rate, charges and fee proposals for FY 2021 and FY 2022.

According to the COS, the proposed CRIAC shift to sewer volumetric with 18 percent in FY 2020, 28 percent in FY 2021 and 37 percent in FY 2022 and beyond was recommended because it balances infrastructure investment with growth in rates. The shift was based on an assessment that on average 37 percent of volume in the tunnels is from wastewater. The gradual shift helps to avoid rate shock to customers.

## Major Financial Accomplishments



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- In FY 2022 the COS was conducted by our Independent Rate Consultants for Water, Sewer, Clean Rivers IAC, Groundwater, and High Flow Filter Backwash Sewer Rate. The COS study results support the multi-year rate charges for FY 2023 and FY 2024. The Independent Consultants stated in their report that the DC Water’s existing rate structure provides for a reasonable allocation of cost recovery to utility customers. The consultants recommended that no additional change in the rate structure be made at this time.
- In FY 2024 the COS was conducted by our Independent Rate Consultants for Water, Sewer, Clean Rivers IAC, Groundwater, and High Flow Filter Backwash Sewer Rate. The COS study results support the multi-year rate charges for FY 2025 and FY 2026. The Independent Consultants stated in their report that DC Water’s existing rate structure provides for a reasonable allocation of cost recovery to utility customers.
- In FY 2026 the COS was conducted by Independent Rate Consultants for establishing rate for FY 2027 and FY2028.

### Water System Replacement Fee (WSRF)

Effective October 1, 2015 (FY 2016), DC Water modified its existing rate structure and implemented a new meter-based Water System Replacement Fee (WSRF) to recover the cost of the 1 percent renewal and replacement program for water service lines. It is anticipated that the Water System Replacement Fee (WSRF) will generate approximately \$42.7 million per year from fiscal years 2026 through 2035. The fee is based upon meter size and average flow. DC Water’s low-income CAP customers receive a 100 percent credit for this fee.

Effective October 1, 2017, (FY 2018), DC Water amended the Water System Replacement Fee (WSRF) regulations to add rules and procedures for a Multi-family WSRF adjustment; amend the Customer Classifications to clarify the definitions for Residential, Multi-family and Non- Residential customers to include cooperative housing associations and other clarifications; and amend the definitions set forth in Chapter 41 to define the terms Condominium, Cooperative Housing Association, and Dwelling Unit used in the Customer Classification regulations. The following terms are defined:

**Condominium** – real estate, portions of which are designated for separate ownership and the remainder of which is designated for common ownership solely by the owners of the portions designated for separate ownership, provided the undivided interests in the common elements are vested in the unit owners.

**Cooperative Housing Association** – an association, whether incorporated or unincorporated, organized for the purpose of owning and operating residential real property, the shareholders, or members of which, by reason of their ownership of a stock or membership certificate, a proprietary lease or other evidence of membership, are entitled to occupy a dwelling unit pursuant to the terms of a proprietary lease or occupancy agreement.

**Dwelling Unit** – any habitable room or group of rooms with kitchen and bathroom facilities forming a single unit located within a building or structure, which is wholly or partially used or intended to be used for living, sleeping and the preparation and consumption of meals by human occupants, and is under the control of and for the use of the occupant.

## Major Financial Accomplishments



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### Fire Protection Services Fee

DC Water has assessed a fire protection fee to the District of Columbia since April 1, 2000. This fee is intended to recover costs incurred by DC Water for fire protection service provided by the Water System of DC Water. The purpose of the 2024 the COS was to assess the appropriate level of cost recovery required from the District government for this service.

Fire protection service differs from other services offered by water utilities because it is primarily a standby service that is required to be available when the need exists, i.e., as demanded. The development and maintenance of the supply, treatment, pumping, storage and distribution capacity for fire protection service requires capital investments in facilities that are designed larger than would otherwise be required to be able to accommodate fire demand and annual operation and maintenance (“O&M”) expenses to ensure that the assets are appropriately maintained and provide service as needed.

In 2024, the Independent Financial Consultants performed a COS to determine the costs of providing fire protection service to the District. DC Water provides Fire Protection Services to the District, including but not limited to the delivery of water for firefighting, inspection, maintenance and upgrading of public fire hydrants in the District of Columbia. The consultants compared DC Water costs with the revenues received from the district for fire protection services. The consultants reviewed and tabulated historical fire service costs of DC Water (FY 2019 – FY 2023). Projections of DC Water costs were developed for FY 2024 – FY 2027. As per terms of the 2013 MOU and based on the results of the 2024 COS, Fire Protection Service fee was established at \$17.575 million for fiscal years FY 2025, FY 2026 and FY 2027. This fee is \$6.04 million higher than the FY 2021 fee of \$11.535 million. The cost of service was higher in 2023 compared to 2019 through 2022; the changes from year-to-year have not been uniform due, in part, to the COVID-19 pandemic. Inflation is also impacting the costs of materials, parts and labor.

### System Availability Fee (SAF)

Many utilities have implemented a fee, assessed to new development (or redevelopment) to recover the investment in available system capacity. On June 17, 2016, DC Water’s Board approved a new System Availability Fee (SAF) to be effective from January 1, 2018. All Residential Customers with meters 1 inch or smaller will use the same set of fees. All Residential Customers with meters larger than 1”, and all Multi-Family and Non-Residential Customers will have SAF based on their meter size.

The SAF will be assessed for all new buildings, structures or properties under development and properties under redevelopment. For properties under redevelopment, DC Water will determine the net System Availability Fee by determining the property’s proposed capacity requirements and applying a credit for the capacity of accounts being removed from the system. However, if the associated credit for capacity removed is equal to or greater than the future System Availability Fee, the net System Availability Fee shall be zero. Properties under redevelopment shall not receive credit for accounts that are inactive for more than 12 months.

## Major Financial Accomplishments



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In FY 2018, DC Water has determined that implementing the System Availability Fee (SAF) regulations on the effective date of January 1, 2018, could present significant fiscal impacts to the District's New Communities Initiative, which includes redevelopment, one for one replacement and/or augmentation of affordable housing units. On March 1, 2018, the DC Water Board considered comments received during the SAF public comment period and agreed to; 1) Extend the System Availability Fee (SAF) effective date from January 1, 2018 to June 1, 2018 for DCRA Construction Permit Applicants and federal facilities new water and sewer connections and renovation or redevelopment projects for existing connections to the District's potable water and sanitary sewer systems based on the SAF meter size in accordance with the fee schedule and requirements; 2) Revised the DC Water guidance document used to determine the SAF meter size from DC Water Standard Details and Guideline Masters to DC Water's Sizing Instructions and Worksheets; 3) Added procedures and requirements to receive credits for Affordable Housing Units (AHU) development and redevelopment; 4) Clarified the requirements for projects submitted prior to the effective date of June 1, 2018 and approved by June 1, 2019; 5) Added formulas to clarify how the SAF is calculated with the SAF credit, AHU credit and Net AHU credit; 6) Clarified requirements for Payment Plan Agreement; 7) Properties under redevelopment shall not receive a credit for accounts that are inactive for more than 24 months.

Effective June 1, 2018, DCRA Construction Permit Applicants and federal facilities shall be assessed a SAF for new water and sewer connections and renovation or redevelopment projects for existing connections to the district's potable water and sanitary sewer systems based on the SAF meter size in accordance with the fee schedule and requirements.

In FY 2026 a COS for SAF was conducted by independent rate consultant who proposed updating the fees due to increasing cost basis driven by increases in CSO / sewage improvement cost, and Washington Aqueduct cost. Independent Consultant's recommendation to replace the Reimbursable Fee to Fixed Fee. After the rate making process, the proposed SAF fee will be presented to the Board for approval in July 2026 and will be effective October 1, 2026.

### PILOT and ROW Fee

A new PILOT MOU was signed between DC Water and the District of Columbia on September 4, 2014, which reduced the annual PILOT payment. As per the agreement, the PILOT of \$15.3 million for FY 2015 would be escalated by 2 percent per year. The agreement will be effective till September 30, 2024.

On October 07, 2014, DC Water and the District reached an agreement on the Right-of Way (ROW) terms and conditions, which provides that DC Water will continue to make payments totaling \$5.1 million annually to the District for FY2015 – FY2024.

## Major Financial Accomplishments



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### Operating Reserve/Renewal and Replacement Reserve

- DC Water periodically reassess its policies every five years regarding the operating reserve requirement. The Independent Financial Consultants conducted the study to consider the appropriate level of its Total Operating Reserves for FY2023 and subsequent years. DC Water's current board policy sets 250 days of cash, which exceeds the indenture requirement of 60 days. While DC Water's 250 day requirement is high compared to peers which typically require 60 or 90 days of operating expenses, DC Water's actual balances are low in comparison. According to a report by Moody's in 2021, DC Water's total days of cash on hand was 366 days, which is below the median level of about 400 days for an AA rated bond issuer. The Independent Financial Consultants recommended that due to DC Water's plans to borrow \$2.7 billion in the next 10 years and its efforts to maintain a very strong credit rating, DC Water should increase the minimum operating reserve requirement from 250 days to 350 to 400 days. This would bring the day's cash on hand to a level more consistent with DC Water's highly rated peers.
- The DC Water Board established a goal of increasing the target days of cash on hand gradually to 350 days by FY 2032 through the use of year-end surplus.
- On July 3, 2025, the Board approved the transfer of \$17.5 million from the Net Projected Cash Surplus to Ending Cash Balance to increase Days of Cash on Hand from 267 to 282 days.
- DC Water Indenture of Trust requires the Authority to maintain a Renewal and Replacement (R&R) Reserve Fund. In FY 2023, the Independent Financial Consultants conducted this study to examine the reasonableness of the amount on deposit in the R&R Reserve Fund and make recommendations to the Authority for the value of the Fund for the next 5-year period of FY 2023 through FY 2027. The Independent Financial Consultants recommended that DC Water maintain its current R&R Reserve Fund policy to require a balance of \$35 million. The recommendation was presented to the DC Water Board and was approved. The next R&R Reserve Fund Study will be conducted in FY2027.
- Over the last ten years, DC Water has made contributions to the RSF and made withdrawals to help mitigate rate increases. In FY 2023, the Independent Financial Consultant performed a COS to determine the appropriate level of Rate Stabilization Fund (RSF) to help mitigate rate increases.

The independent consultants summarized the Rate Stabilization Fund (RSF) findings. These include 1) the RSF is permitted but not required to have a balance by the bond indenture; 2) DC Water has historically added monies to the RSF and withdrawn funds for multiple purposes; 3) American Water Works Association's Cash Reserve Policy Guidelines indicate monies in a RSF are typically used to address potential fluctuations in revenues and to "smooth out" rate increases; 4) more than half of the surveyed utilities have no RSF requirement; and 5) in Philadelphia, the RSF and Residual Fund serve multiple purposes: operating reserve and RSF. The report provided the following options: 1) confirm or change the name of the RSF; 2) define a minimum, maximum or targeted balance requirement; and 3) update policies for the use of funds withdrawals.

The consultants recommended a target RSF balance of 5 percent 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. DC Water should prioritize use of the funds for (i) emergencies or unplanned events, (ii) investment in technologies or other initiatives that could reduce operating expenses, and (iii) defeasance of higher cost debt.

## Future Goals and Financial Assumptions

All Legal Covenants, Financial Board Policies, Accomplishments and Targets are Incorporated into the Ten Year Financial Plan.

Compliant	Description	Legal Covenant	Performance Target	FY 2025 Actual	FY 2026 Revised	FY 2027 Projected	FY 2028 Projected
√	Senior Debt Service Coverage	120%	140%	963%	939%	1043%	1017%
√	Operating Cash Reserves	N/A	\$275 million	\$329.2 million	309.6 million	\$325.6 million	\$325.6 million
√	Short Term Investment Return Benchmark Merrill Lynch 3-Month Treasury Index	N/A	416 basis points	436 basis points	356 basis points	335 basis points	345 basis points
√	Long Term Investment Return Benchmark Merrill Lynch 1-3 Year Treasury Index	N/A	378 basis points	404 basis points	343 basis points	347 basis points	365 basis points
√	Water and Sewer Rates	Revenues must be sufficient to cover: operating expenses, senior and sub debt service, amounts necessary to maintain DSRF and ORF levels, and any annual PILOT payments	Each customer will be charged for the actual cost to provide each service, and rate increases will be reliable and predictable	Future rate increases are driven by financial impact of the capital program and full utilization of the RSF; the development of a 10- year financial plan allows DC Water to meet these key goals of full cost recovery and predictability	Same as Performance Target		
√	Rate Stabilization Fund (RSF)	N/A	Help to avoid spikes in rate increases for retail customers	FY 2025 year end RSF balance was \$40.64 million	The projected non-utilization of RSF in FY 2026 will leave a balance of \$40.64 million	The projected non-utilization of RSF in FY 2027 will leave a balance of \$40.64 million	The projected non-utilization of RSF in FY 2028 will leave a balance of \$40.64 million

\*Up to FY 2021 operating reserve policy required a minimum balance of the greater of \$125.5 million or 120 days of budgeted O&M expenses. The Board revised the policy in October 2021 (FY 2022) requiring 250 days of O&M expenses. In 2023, DC Water Board established a goal of increasing the target days of cash on hand to 350 days by FY2032 through the use of year-end surplus.

## Future Goals and Financial Assumptions

**The Approved FY 2026 - FY 2035 financial plan** includes the resources necessary to accomplish critical financial and operational goals over the coming years, as summarized below:

- Continue adherence to the Board's financial, investment, rate-setting and long-term planning policies
- Continue implementation of the ten-year \$8.99 billion capital improvement program (CIP). Based on historical results, it is assumed that DC Water will spend less than the authorized CIP (\$9.69 billion). All capital items have been factored at 90% except DC Clean Rivers, Combined Sewer Overflow, Capital Equipment, Meter Replacement/AMR, and Washington Aqueduct.
- Includes disbursements of \$1.15 billion over the ten-year planning period for Clean Rivers Project (CSO Long-Term Control Plan) exclusive of the nine-minimum controls program
- Continued exceptional financial performance, adherence to Board's customer outreach and transparency to include customer input and flexibility to meet emerging needs
- Improving Public Image: re-focus of the government relations activities to bring greater visibility to DC Water and the national need for infrastructure investment and funding; and various pilot projects to look for additional improvements to DC Water services
  
- Workforce
  - Continue to focus employees' efforts on DC Water's most important goals in line with the Board Strategic Plan.
  - Improve recruiting process by identifying high-quality candidates using job descriptions based upon the expertise of high performing employees holding uniquely valued competencies.
  - Fill critical talent management needs and address company and industry changes promptly
  - Continue to Enhance management skills through training



## Future Goals and Financial Assumptions



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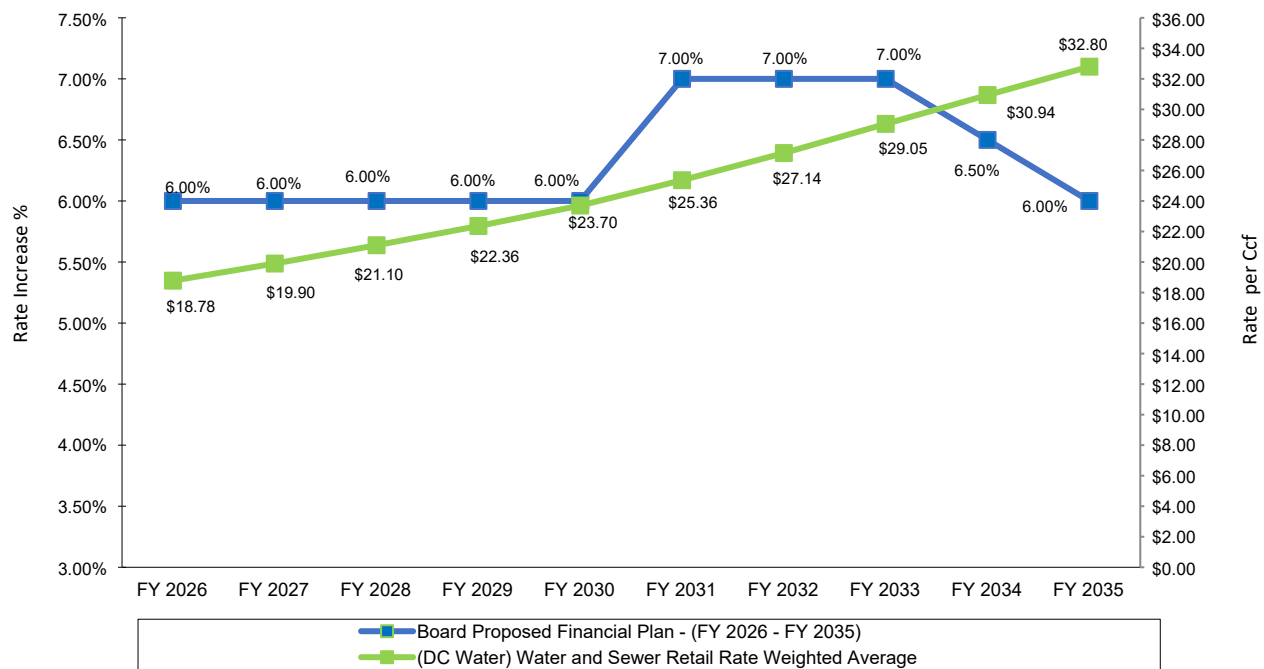
### The Ten Year financial plan reflects the following major assumptions:

- Operating and maintenance expenses (excluding the payment-in-lieu-of-taxes and right-of-way fee) are projected to grow at an average annual rate of 4.1 percent, primarily due to projected inflation.
- Payment-in-lieu-of-taxes (PILOT) to the District of Columbia for FY 2027 and FY 2028 will be at \$19.45 million and \$19.84 million respectively. PILOT payment is projected to increase by 2 percent per annum in accordance with the new memorandum of understanding (MOU) signed on September 4, 2014, with the District
- According to the memorandum of understanding (MOU) dated October 4, 2014, the Right-of-Way payment to the District of Columbia stays level at \$5.1 million
- Days of cash on hand which is an important measure of short- and long-term liquidity typically exceeds 250 days of cash excluding the Rate Stabilization Fund. The Board's policy approved in October 2021 requires a minimum of 250 days of cash on hand. In 2023 DC Water Board established a goal of increasing the target days of cash on hand to 350 days by FY2032 through the use of year-end surplus. In July 2025 the Board approved to increase Days of Cash on Hand from 267 to 282 days.
- The Board's policy is to target combined coverage at 1.6X. The combined coverage for FY 2026 to FY 2035 range from 1.80 to 2.39. DC Water Indenture requires Senior Lien coverage of 1.2X and Subordinate at 1.0X, Board Policy is 1.4X for Senior and 1.0X for Subordinate
- Debt Service:
  - Overall increase of Debt Service is to support the capital program. Debt Service as a percent of operating revenues does not exceed 33 percent in the Financial Plan. Debt Service represents 24.4 percent and 27.1 percent of the total operating revenue in FY 2027 and FY 2028, respectively.
  - Interest on Variable debt assumed to be 2.5 percent in FY 2027, and FY 2028
  - Interest on Fixed debt assumed to be 6.0 percent in FY 2027 and FY 2028
  - Utilization of the Commercial Paper program/Extendable Municipal Commercial Paper (EMCP) is assumed for interim financing for bond issuance, capital equipment and the Washington Aqueduct

## Future Goals and Financial Assumptions

Due to these ongoing and new initiatives, from FY 2026 – FY 2035 DC Water’s water and sewer volumetric retail rates are projected to increase by \$1.08 to \$2.97 per 100 cubic feet as shown in the chart below. Cumulative rate increases would total 63.50 percent over the ten-year period compared to 81.50 percent projected in last year’s ten-year plan (FY 2025 – FY 2034).

**Projected Retail Rate Increase  
FY 2026 – FY 2035**

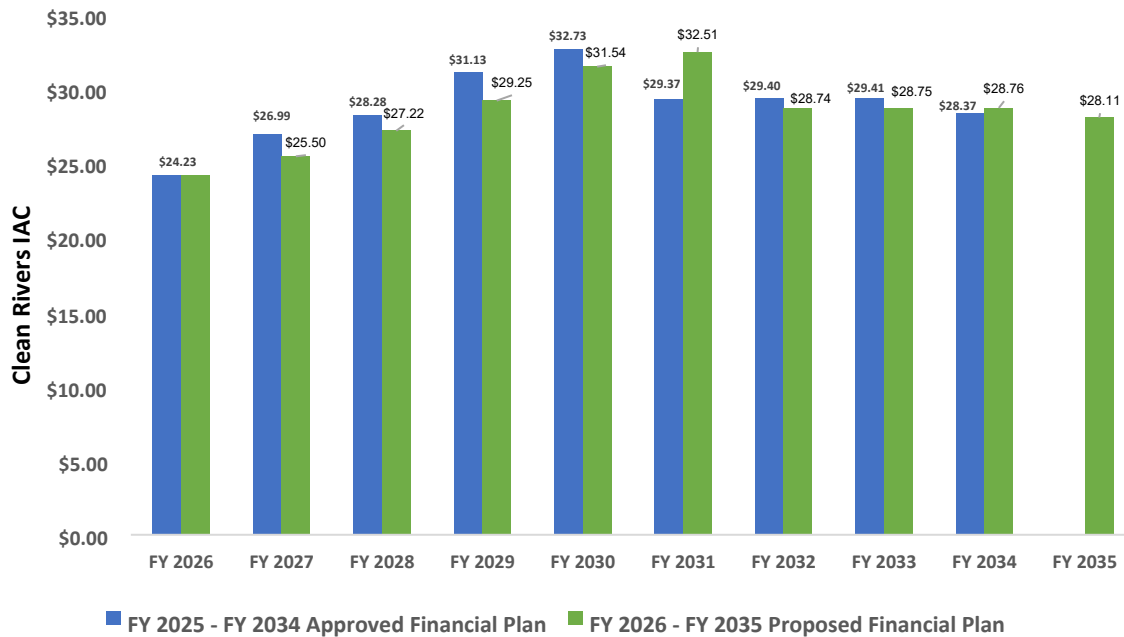


Rates shown above reflect weighted water and sewer rates for Residential customers’ category. The proposed retail water and sewer combined rate for FY 2027 is \$19.90 per Ccf and \$21.10 per Ccf for FY 2028. In addition, the combined Right-of-Way and PILOT Fees remain the same at \$0.82 per Ccf (\$1.10 per 1000 gallons) for FY 2027, whereas for FY 2028 the Proposed increase is \$0.01 per Ccf (\$0.01 per 1000 gallons) to recover the full amount for services charged to DC Water by the District. There is no increase in Right-of-Way Fee for FY 2027 and FY 2028, which remains same at \$0.20 per Ccf (\$0.27 per 1,000 gallons).

The proposed increase for FY 2028 PILOT and Right-of-Way is \$0.01 per Ccf each, which will increase PILOT to \$0.63 per Ccf (\$0.84 per 1000 gallons) and Right-of-Way will remain same at \$0.20 per Ccf (\$0.27 per 1000 gallons). The proposed monthly Clean Rivers Project CRIAC charges for FY 2027 and FY 2028 are \$25.50 and \$27.22 respectively per ERU (Equivalent Residential Unit); increase of \$1.27 compared to the FY 2026 charge and increase of \$1.72 compared to the FY 2027 charge respectively.

## Future Goals and Financial Assumptions

### PROJECTED MONTHLY CLEAN RIVERS IMPERVIOUS SURFACE AREA CHARGE (CRIAC) CHANGES FY 2026 – FY 2035



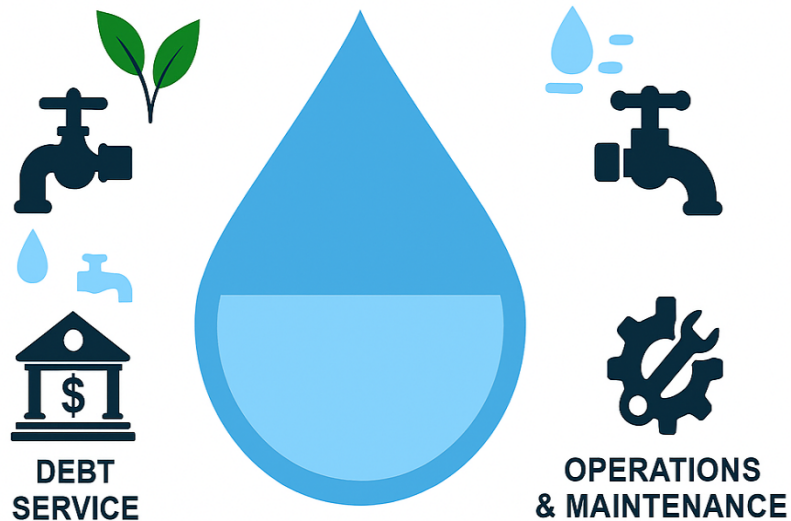
- The projected charges displayed in the chart above are primarily driven by anticipated debt service costs necessary to support the thirty-year \$3.56 billion Clean Rivers Project, which includes the federally mandated CSO-LTCP and the nine- minimum controls program
- The annual Clean Rivers Project costs for the average Tier 2 residential customer (700 – 2,000 sq. ft. of impervious area) is projected to increase from \$25.50 per month in FY 2027 to \$28.11 per month in FY 2035
- The proposed CRIAC shift to sewer volumetric with 18 percent in FY 2020, 28 percent in FY 2021 and 37 percent in FY 2022 and beyond was recommended because it balances infrastructure investment with growth in rates. The shift was based on an assessment that on average 37 percent of volume in the tunnels is from wastewater. The gradual shift helps avoid rate shock to customers. With the shift the overall household charges projected increase is 6.5 percent for FY 2026, 6.6 percent for FY 2027 and 5.3 percent for FY 2028. The CRIAC is projected to increase from \$24.23 to \$25.50 per ERU per month for FY 2027 and increase to 27.22 per ERU per month for FY 2028.

## Future Goals and Financial Assumptions

The proposed rate and fee adjustments included in the FY 2026 – FY 2035 financial plan are driven by the following trends and initiatives:

- Assumed retail water consumption decline of 1.0 percent in FY 2027 compared to FY 2026 actual. In FY 2028 and onwards, a one percent decrease in consumption has been assumed due to conservation. The overall consumption has recovered to Pre-COVID-19 level.
- Increasing debt service expenditures, driven by DC Water’s \$8.99 billion capital improvement program (cash disbursements basis), which increases on average by 7.5 percent over the Financial Plan period.
- Operations and maintenance expenditure (excluding the Payment-in-Lieu-of-Taxes (PILOT) and Right-of-Way (ROW) fee) increase on average of 4.1 percent annually over a ten-year period.
  - Increasing operating expenditures, driven primarily by projected increases in personnel services, chemicals and supplies, utilities, and water purchases
  - Enhanced service to the development community through improved permitting operations

### FUTURE GOALS: WATER CONSUMPTION DECLINE



## Revenues

The Proposed FY 2027 operating receipts projection totals \$1,069.4 million, an increase of \$61.2 million as compared to the FY 2026 Revised. The Proposed FY 2028 operating receipts total \$1,121.4 million, an increase of \$52.0 million over the FY 2027 Proposed budget receipts.

### Comparative Operating Receipts FY 2025– FY 2028

\$ in thousands

	FY 2025 Actual	FY 2026 Revised	FY 2027 Proposed	Increase / (Decrease)	Percent Change	FY 2028 Proposed	Increase / (Decrease)	Percent Change
Residential	\$ 153,322	\$ 156,396	\$ 163,912	\$ 7,516	4.8%	\$ 173,684	\$ 9,772	6.0%
Commercial	240,239	242,767	254,435	11,668	4.8%	269,590	15,155	6.0%
Multi-family	183,190	183,802	192,668	8,866	4.8%	203,874	11,206	5.8%
<b>Sub-Total Residential, Commercial and Multi-family</b>	<b>576,751</b>	<b>582,965</b>	<b>611,015</b>	<b>28,050</b>	<b>4.8%</b>	<b>647,148</b>	<b>36,133</b>	<b>5.9%</b>
Federal Government <sup>(1)</sup>	92,625	99,339	106,618	7,279	7.3%	111,751	5,133	4.8%
District Government	25,727	27,259	28,615	1,356	5.0%	30,422	1,807	6.3%
D.C. Housing Authority	14,990	15,176	15,928	752	5.0%	16,776	848	5.3%
Transfer from Rate Stabilization Fund	-	-	-	-	0.0%	-	-	0.0%
Water System Replacement Fee (WSRF)	43,382	42,717	42,717	-	0.0%	42,717	-	0.0%
Metering Fee	24,479	24,400	24,400	-	0.0%	24,400	-	0.0%
<b>Total Retail</b>	<b>777,954</b>	<b>791,856</b>	<b>829,293</b>	<b>37,437</b>	<b>4.7%</b>	<b>873,213</b>	<b>43,920</b>	<b>5.3%</b>
IMA Wastewater Charges	100,251	108,014	117,036	9,022	8.4%	122,458	5,422	4.6%
Potomac Interceptor Wastewater Charges	14,090	16,205	17,054	849	5.2%	17,597	543	3.2%
<b>Total Wholesale</b>	<b>114,341</b>	<b>124,219</b>	<b>134,090</b>	<b>9,871</b>	<b>7.9%</b>	<b>140,055</b>	<b>5,965</b>	<b>4.4%</b>
District Stormwater Revenue <sup>(2)</sup>	992	1,008	1,107	99	9.8%	1,107	-	0.0%
Misc. Rev. (e.g. water tap installation, fire hydrant usage, etc.)	38,362	44,596	45,776	1,180	2.6%	47,765	1,989	4.3%
Washington Aqueduct Backwash - DC Water's pro rata share	3,293	3,086	3,043	(43)	-1.4%	3,043	-	0.0%
Washington Aqueduct Debt Service Revenue for Falls Church & Arlington	193	193	193	0	0.1%	193	-	0.0%
Interest Income (including interest on Bond Debt Service Reserve Fund)	14,868	13,380	12,883	(497)	-3.7%	12,614	(269)	-2.1%
System Availability Fee (SAF)	3,516	5,700	5,700	-	0.0%	5,700	-	0.0%
Public Inconvenience Fee		-	12,737	12,737	0.0%	12,737	-	0.0%
Right-of-Way (ROW) Fee	5,100	5,100	5,100	-	0.0%	5,100	-	0.0%
Payment-in-Lieu-of-Taxes (PILOT) Fee	19,889	19,056	19,452	396	2.1%	19,841	389	2.0%
<b>Total Other</b>	<b>86,214</b>	<b>92,119</b>	<b>105,991</b>	<b>13,872</b>	<b>15.1%</b>	<b>108,101</b>	<b>2,109</b>	<b>2.0%</b>
<b>Total Operating Cash Receipts</b>	<b>\$ 978,509</b>	<b>\$ 1,008,194</b>	<b>\$ 1,069,375</b>	<b>61,181</b>	<b>6.1%</b>	<b>\$ 1,121,369</b>	<b>51,994</b>	<b>4.9%</b>

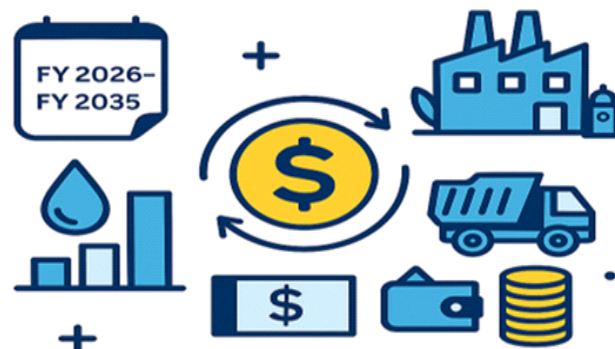
1. Historical actuals are presented on reference basis. Projected amounts shown are billed revenues. Actual Federal receipts are a combination of current year projected revenues and prior year adjustments, which are presented as reserve items.
2. Reflects District stormwater fee revenue that will fund DC Water's share of District stormwater permit compliance activities and will not be funded through DC Water's retail rates or other DC Water revenue sources.

## Revenues

### Major assumptions underlying the revenue projections contained in the FY 2026 – FY 2035 Financial Plan include:

- For FY 2027, 1.0 percent reduction in water sales is assumed over FY 2026 Revised for all customer categories, based on historical trends in consumption levels. For FY 2028 and onwards, 1.0 percent conservation is assumed for all categories.
- A 4.0 percent average revenue increase is projected between FY 2029 and FY 2035 for wholesale customers, in line with operating and maintenance expense increases for joint use facilities. However, the wholesale revenues are projected to increase by \$9.9 million or 7.9 percent for FY 2027 as compared to FY 2026 Revised and \$6.0 million or 4.4 percent for FY 2028 over FY 2027 proposed due to revised operations and maintenance expense projections. Revenue estimates are based on the most recent flow data.
- Based on the current interest rate environment, interest projections are conservatively assumed at 2.5 percent earnings rate in FY 2027. Interest rates for FY 2028 and onwards are assumed at 2.5 percent.
- The majority of other non-operating revenues, totaling \$55.8 million in FY 2027 are projected to increase within the ten-year plan, and include such items as:
  - Reimbursement from Arlington County and Falls Church for debt service issued for pre- 1997 Washington Aqueduct capital improvements - \$0.2 million.
  - Reimbursement from the Stormwater Enterprise Fund for services provided to DOEE under their MS4 permit - \$1.1 million.
  - Recovery of indirect costs from DC Water’s IMA partners - \$12.8 million - this reflects recovery of indirect costs on capital projects (e.g., costs for Finance, Government & Legal Affairs and People & Talent functions).
  - Reimbursement from the District for the Fire Protection Services fee of \$17.6 million.
  - Washington Aqueduct Backwash - DC Water’s pro-rata share of \$3.0 million.
  - Other miscellaneous fees and charges, including service line replacements, developer-related fees, and the Engineering Review, waste hauler fees and System Availability Fee (SAF) - \$21.1 million.

## Revenues



## FY 2027 Proposed vs FY 2026 Revised Operating Receipts

The Proposed FY 2027 receipts projection totals \$1,069.4 million, approximately \$61.2 million higher than the FY 2026 Revised Budget. The increase is primarily due to:

- **Residential, Commercial and Multi-Family Receipts** - Projections for FY 2027 reflect an increase of \$28.1 million, or 4.8 percent from FY 2026 Revised due to proposed retail rate increase of 6.0 percent (water and sewer volumetric rates) and an increase of \$1.27 monthly ERU fee for the Clean Rivers IAC. (See Section IV – Rates and Revenues for details on all rate and fee proposals).
  - One percent decrease in overall consumption in FY 2027 over FY 2026 projections has been assumed due to conservation.
- **Federal Revenues** - Proposed 2027 Federal revenues are projected to increase by \$7.3 million or 7.3 percent over FY 2026 Revised Budget. Under existing Federal billing legislation, Federal billings are prepared on an estimated basis eighteen months in advance of the start of the fiscal year (e.g., the FY 2027 billing was prepared in April 2025, and are based on the current consumption estimates and projected rate increases as included in the current ten-year plan. These estimates are then reconciled with actual consumption and rate increases, and an adjustment is made in the subsequent year's billing (e.g., the reconciliation of FY 2025 estimated vs. actual consumption and rate increases will be included in the FY 2028 billing, prepared in April 2026). Federal revenues in the ten-year plan are presented on a revenue basis, net of any adjustments for prior year reconciliations which are accounted for as reserve items. Consistent with this methodology, the proposed FY 2027 federal revenues reflect the final billing sent to the federal government in April 2025 net of the adjustment for the prior-year (FY 2024) reconciliation.
- **Municipal & D.C. Housing Authority Receipts** - are projected to increase by \$2.1 million (or 5.0 percent) mainly due to proposed retail rate increases of 6.0 percent and increase of \$1.27 monthly ERU fee for the Clean Rivers IAC.
- **Rate Stabilization Fund Utilization** - The ten-year plan and near-term revenue projections assume no utilization of RSF in FY 2027. The RSF is also not utilized in FY 2028. There will be a balance of \$40.64 million by the end of FY 2035. Prior years' plans assumed the use of these funds, which is necessary as DC Water reaches its peak years of spending in the CIP. Utilization of RSF monies allows DC Water to implement future rate increases in a reliable and predictable manner while still meeting Board and indenture policies on cash reserves and debt service coverage.
- **Water System Replacement Fee** - Proposed fixed monthly fee set to recover the costs of one percent renewal and replacement program for water service lines generating approximately \$42.7 million per year.
- **Customer Metering Fee** - This fee recovers the costs associated with installing, operating, maintaining, and replacing meters, and is charged to all retail customers (including federal and municipal customers). The fee varies based on meter size, with monthly fees ranging from \$7.75 for a 5/8-inch meter (typical size of a residential customer meter) to \$701.62 for 16" meters (typically used for large commercial customers). Based on the FY 2025 Cost of Service study, there is no increase in the Customer Metering fees, which is projected to generate \$24.4 million in FY 2027 and onwards.

## FY 2027 Proposed vs FY 2026 Revised Operating Receipts

- Wholesale Receipts** - DC Water’s wholesale customers are responsible for a proportionate share of operating and maintenance expenses (associated only with shared facilities primarily at Blue Plains) based on their respective share of wastewater volume discharged. In addition, each user is responsible for a proportionate share of related indirect costs. In FY 2027 wholesale revenues are projected to increase by \$9.9 million or 7.9 percent to \$134.1 million mainly due to projected increase in operations and maintenance expenses.
- Stormwater** - DC Water’s FY2027 receipts include \$1.1 million from the Department of Energy and Environment (DOEE) formerly DDOE which will be used to fund DC Water’s services provided on behalf of the District’s stormwater permit compliance activities including the billing and collection through DC Water invoices of fees established by DOEE. The FY 2026 – FY 2035 financial plan assumes that all incremental costs borne by DC Water for stormwater permit compliance activities will be reimbursed by the stormwater fund, and that DC Water funds will be advanced to pay for these activities.
- Right-of-Way (ROW) and Payment-In-Lieu of Taxes (PILOT) Pass-Through Fees** - Similar to other Washington area utilities, DC Water has implemented fees that pass through the costs of the District’s ROW and PILOT as separate line items on its bill. PILOT fee increases by 2 percent over prior year as per PILOT MOU signed with the District Government on September 4, 2014. In FY 2027 Proposed budget as compared to FY 2026 Revised budget, PILOT is projected to increase by \$0.4 million or 2.1 percent mainly due to higher consumption. ROW fee remains same at \$5.1 million.
- Other Revenues** - In FY 2027, Other Revenues are projected to increase by \$13.9 million or 15.1 percent as compared to FY2026 Revised mainly due to increase in the Indirect Cost Recovery from Counties on Capital Projects, Fire Protection Service Fee, Development Contractors Water and Sewer Services Fee, System Availability Fee, and a new District of Columbia Public Inconvenience Fee of \$0.42 per Ccf will be effective FY 2027 to recover the charges associated with occupancy permits when construction projects in public spaces extend beyond 30 days. These changes increased the typical residential customer’s total monthly bill by \$9.64 or 6.6 percent



## FY 2028 Proposed vs FY 2027 Proposed Operating Receipts



Reliable And Predictable  Healthy, Safe and Well  Reliable

The Proposed FY 2028 receipts projection totals \$1,121.4 million, approximately \$52.0 million, or 4.9 percent higher than the Proposed FY 2027 projections. This increase is due primarily to:

- **Residential, Commercial & Multi-Family** - FY 2028 projections reflect an increase of \$36.1 million, or 5.9 percent from FY 2027 primarily due to proposed retail rate increases of 6.0 percent (water and sewer volumetric rates) and increase of \$1.72 monthly ERU fee for the Clean Rivers IAC (see Section IV- Rate and Revenues for detail on all rate and fee proposals).
  - One percent decrease in consumption over FY 2027 projections has been assumed for Residential, Commercial and Multi-family due to conservation in FY 2028.
- **Federal Revenues** - Proposed FY 2028 Federal revenues are projected to increase by \$5.1 million or 4.8 percent above the FY 2027 Proposed budget to \$111.8 million.
- **Municipal & D.C. Housing Authority Receipts** - are projected to increase by \$2.7 million (or 6.0 percent), mainly due to proposed retail rate increases of 6.0 percent and an increase of \$1.72 monthly ERU fee for the Clean Rivers IAC.
- **The Rate Stabilization Fund** - The ten-year plan and near-term revenue projections assume no utilization of RSF in FY 2028. There will be a balance of \$40.64 million by the end of FY 2035.
- **Water System Replacement Fee** - Proposed fixed monthly fee set to recover the costs of 1 percent renewal and replacement program for water service lines generating approximately \$42.7 million per year.
- **Customer Metering Fee** - This fee recovers the costs associated with installing, operating, maintaining and replacing meters, and is charged to all retail customers (including federal and municipal customers). The fee varies based on meter size, with monthly fees ranging from \$7.75 for a 5/8-inch meter (typical size of a residential customer meter) to \$701.62 for 16" meters (typically used for large commercial customers). The Customer Metering fee is projected to generate \$24.4 million in FY 2028.
- **Wholesale Receipts** - In FY 2028, Wholesale revenues are projected to increase by \$6.0 million or 4.4 percent to \$140.1 million due to the projected increase in operations and maintenance expenses.
- **Stormwater** - As noted earlier, the Proposed FY 2026 receipts for this category include \$1.0 million each year from the Department of Energy and Environment (DOEE).
- **PILOT and Right-of-Way (ROW) Fee** - In FY 2026, PILOT fee increase by 2.0 percent over prior year as per the PILOT MOU signed with the District Government on September 4, 2014. The PILOT for Proposed FY 2028 budget is projected to increase by \$0.4 million or 2.0 percent as compared to the Proposed FY 2027 budget. The ROW fee remains the same at \$5.1 million.
- **Other Revenues** - In FY 2028, Other Revenues are projected to increase by \$2.1 million or 2.0 percent mainly due to Indirect Cost Recovery from Counties on Capital Projects and Miscellaneous Revenue.



## Long-Term Planning: Ten-Year Financial Plan

### DISTRICT OF COLUMBIA WATER & SEWER AUTHORITY FY 2026 - FY 2035 FINANCIAL PLAN (In 000's)

(\$ in thousands)

OPERATING	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033	FY 2034	FY 2035
<b>Retail</b>	816,012	853,845	898,154	942,103	989,001	1,038,284	1,066,317	1,116,185	1,164,677	1,207,724
<b>Wholesale</b>	124,219	134,090	140,055	145,657	151,484	157,543	163,845	170,399	177,215	184,303
<b>Other</b>	67,963	81,440	83,160	84,536	88,174	84,233	86,575	89,609	95,076	86,040
<b>RSF</b>	-	-	-	-	-	-	-	-	-	-
<b>Operating Receipts <sup>(1)</sup></b>	\$ 1,008,194	\$ 1,069,375	\$ 1,121,369	\$ 1,172,296	\$ 1,228,658	\$ 1,280,060	\$ 1,316,736	\$ 1,376,192	\$ 1,436,968	\$ 1,478,067
<b>Operating Expenses</b>	461,839	478,001	500,730	520,158	540,356	561,353	583,182	605,876	629,469	653,997
<b>Debt Service</b>	247,448	257,898	300,831	331,501	356,875	380,840	406,900	427,353	454,080	472,555
<b>Cash Financed Capital Improvement</b>	\$ 97,938	\$ 76,846	\$ 80,834	\$ 84,789	\$ 89,010	\$ 93,446	\$ 95,968	\$ 100,457	\$ 104,821	\$ 108,695
<b>Net Revenues After Debt Service</b>	\$ 200,968	\$ 256,630	\$ 238,975	\$ 235,848	\$ 242,417	\$ 244,421	\$ 230,685	\$ 242,507	\$ 248,598	\$ 242,820
<b>Operating Reserve-Beg Balance</b>	333,716	341,600	354,600	372,600	386,600	401,600	418,600	434,600	450,900	468,900
<b>Other Misc (Disbursements)/Receipts</b>										
<b>Wholesale/Federal True Up</b>	(14,310)	(497)	(10,000)	-	-	-	-	-	-	-
<b>Project Billing Refunds</b>	(2,000)	-	-	-	-	-	-	-	-	-
<b>Transfers to RSF</b>	-	-	-	-	-	-	-	-	-	-
<b>Pay-Go Financing</b>	(176,775)	(243,133)	(210,975)	(221,848)	(227,417)	(227,421)	(214,685)	(226,207)	(230,598)	(223,820)
<b>Operating Reserve - Ending Balance</b>	\$ 341,600	\$ 354,600	\$ 372,600	\$ 386,600	\$ 401,600	\$ 418,600	\$ 434,600	\$ 450,900	\$ 468,900	\$ 487,900
<b>Rate Stabilization Fund Balance RSF <sup>(2)</sup></b>	\$ 40,644	\$ 40,644	\$ 40,644	\$ 40,644	\$ 40,644	\$ 40,644	\$ 40,644	\$ 40,644	\$ 40,644	\$ 40,644
<b>Senior Debt Service Coverage</b>	939%	1043%	1017%	1045%	861%	902%	815%	790%	860%	856%
<b>Combined Debt Service Coverage</b>	224%	239%	211%	204%	200%	196%	187%	187%	184%	180%
<b>Actual/Projected Water/Sewer Rate Increases</b>	6.00%	6.00%	6.00%	6.00%	6.00%	7.00%	7.00%	7.00%	6.50%	6.00%
<b>Operating Receipts \$ Increase/Decrease</b>										
<b>Retail</b>	13,069	37,833	44,309	43,949	46,898	49,283	28,033	49,868	48,492	43,047
<b>Wholesale</b>	9,878	9,871	5,965	5,602	5,826	6,059	6,302	6,554	6,816	7,089
<b>Operating Receipts % Increase/Decrease</b>										
<b>Retail</b>	1.6%	4.6%	5.2%	4.9%	5.0%	5.0%	2.7%	4.7%	4.3%	3.7%
<b>Wholesale</b>	8.6%	7.9%	4.4%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%

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

<sup>(2)</sup> FY 2026 - FY 2035 planned transfer of \$0.0 million to Rate Stabilization Fund and \$0.0 million utilization will keep the total fund balance at 40.644 million

## Operating Expenditures

DC Water’s operating budget includes core operations and maintenance, payments to the District, debt service and cash financed capital improvement cost categories. Debt service is required to support DC Water’s \$8.99 billion Capital Improvement Program and continues to be the fastest-growing expenditure in the Ten-Year Financial Plan, growing at an average annual rate of 7.5 percent. All other operating expenditures are expected to grow at an average annual rate of 4.1 percent. The following chart below provides a comparison of the Revised FY 2026 and Approved FY 2027 operating expenditure budgets.

### Comparative Operating Expenditures Budgets FY 2026 - FY 2028

	FY 2026 REVISED	FY 2027 APPROVED	Increase (Decrease)	Percentage Change	FY 2028 Estimated
Personnel Services	\$217,462	\$226,963	\$9,501	4.4%	\$236,041
Contractual Services	102,284	99,994	(2,290)	-2.2%	102,994
Water Purchases	48,149	54,470	6,321	13.1%	60,462
Chemicals and Supplies	57,491	60,177	2,686	4.7%	63,982
Utilities	41,659	42,201	542	1.3%	43,889
Small Equipment	1,531	1,005	(526)	-34.3%	1,035
<b>Subtotal Operations &amp; Maintenance</b>	<b>\$468,576</b>	<b>\$484,810</b>	<b>\$16,234</b>	<b>3.5%</b>	<b>\$508,404</b>
Debt Service	247,448	257,898	10,450	4.2%	300,831
Cash Financed Capital Improvements	97,938	76,846	(21,092)	-21.5%	80,834
Payment in Lieu of Taxes	19,070	19,452	381	2.0%	19,841
Right of Way Fees	5,100	5,100	-	0.0%	5,100
<b>Subtotal Debt Service, CFCI &amp; PILOT/ROW</b>	<b>369,557</b>	<b>359,295</b>	<b>(10,261)</b>	<b>-2.8%</b>	<b>406,605</b>
<b>Total Operating Expenditures</b>	<b>\$838,133</b>	<b>\$844,105</b>	<b>\$5,973</b>	<b>0.7%</b>	<b>\$915,009</b>
Personnel Services charged to Capital Projects	(30,907)	(31,360)	(454)	1.5%	(32,615)
<b>Total Net Operating Expenditures</b>	<b>\$807,226</b>	<b>\$812,745</b>	<b>\$5,519</b>	<b>0.7%</b>	<b>\$882,394</b>

The Revised FY 2026 budget reflects reprogramming of \$24 million from debt service, due to refinancing benefits and deferred borrowing, to CFCI for PAYGO to reduce future borrowing costs. The overall FY 2026 budget remains the same as the Board-approved level.

The Approved FY 2027 budget total of \$844.1 million is approximately 0.7 percent higher than the FY 2026 revised budget. The net increase is primarily due to increase in the operations and maintenance budget and debt service to support DC Water’s capital program. This increase is offset by a decrease in Cash Financed Capital Improvements. Specific information regarding each department is included in Section VII. A description of the major changes in each expenditure category follows.

## Operating Expenditures

**Personnel Services** - increase of \$9.5 million or 4.4 percent above the FY 2026 budget. The increase is primarily due to adjustments for vacancies, merit, bonus payments, overtime, and other salary adjustments consistent with union agreements. It also provides funding for the apprenticeship and Summer Internship Programs.

**Contractual Services** – decrease of approximately 2.2 percent, primarily due to the reallocation of some of the Authority’s software subscription costs from the operating budget to the capital budget. This is a relatively new GASB requirement for the treatment of SBITA (Subscription-Based Information Technology Arrangement) related costs.

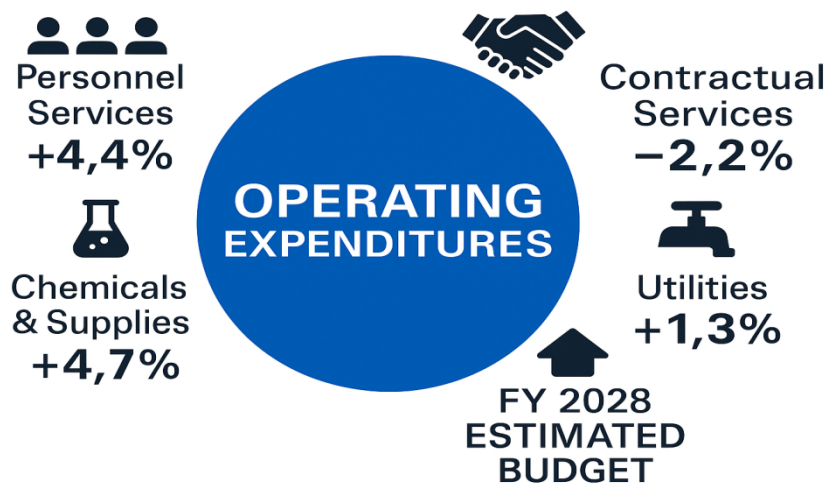
**Water Purchase** – increase of approximately \$6.3 million or 13.1 percent compared to the FY 2026 budget. This represents DC Water’s share of the Washington Aqueduct’s FY 2027 O&M budget and includes funding for DC Water’s proportionate cost of the dredging of the Little Seneca Reservoir. Washington Aqueduct’s rising FY 2027 costs are driven by higher chemical contract prices and escalating energy expenses.

**Chemicals & Supplies** – increase of approximately \$2.7 million or 4.7 percent compared to FY 2026, reflects inflationary pressures for critical parts, custodial materials, and chemicals used for operations in various treatment activities.

**Utilities** – slight increase of approximately \$0.5 million or 1.3 percent above the FY 2026 budget is due to anticipated increased capacity prices for electricity, with an offsetting reduction in natural gas and water usage in various treatment activities consistent with current trends. DC Water’s thermal hydrolysis process and anaerobic digesters continue to generate approximately 6.5MW electricity to offset the Authority-wide energy consumption of 33 MW.

**Small Equipment** – A decrease of approximately \$0.5 million or 34.3 percent below the approved FY 2026 level, reflects reduced reliance on rental equipment at Blue Plains.

**FY 2028 Estimated Budget** – Assumes 8.0 percent increase over the FY 2027 Proposed budget. This includes increases in Debt Service and Cash Financed Capital Improvements funds needed to support the increased Capital Improvement Program.



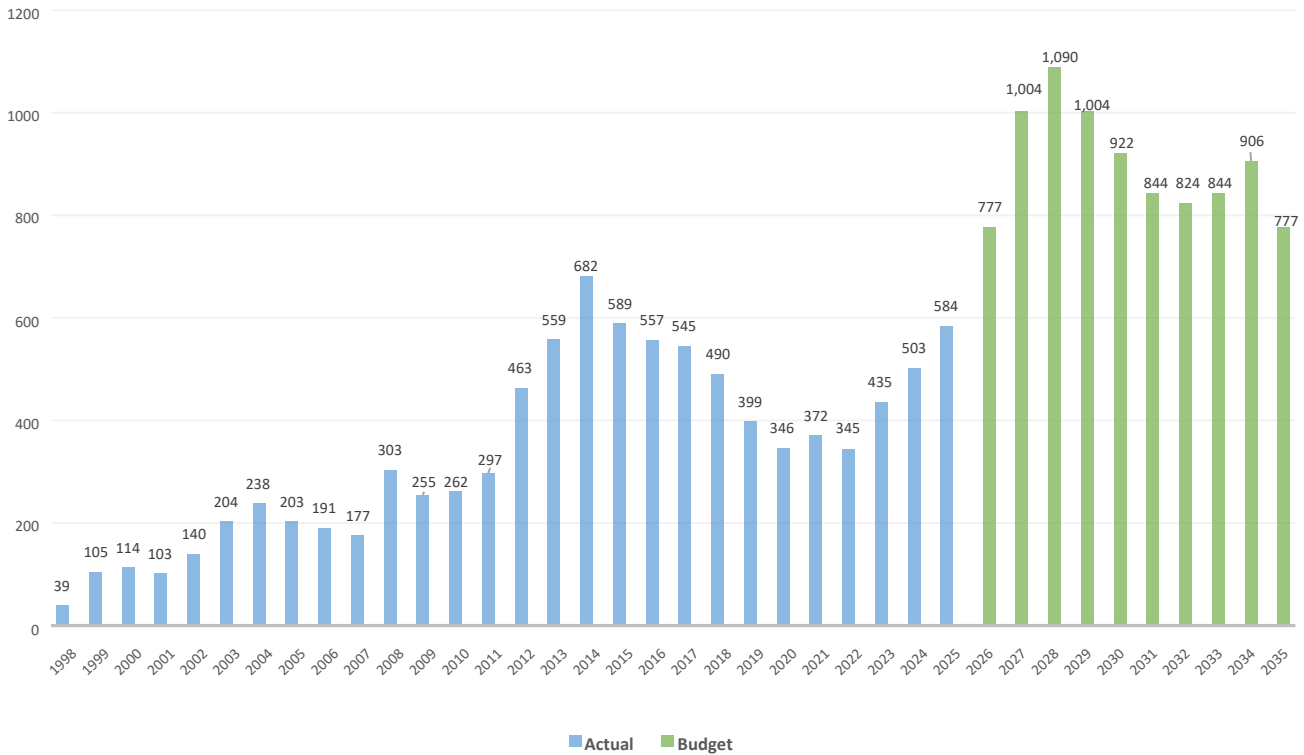
## Capital Financing Program

### The 8.99 Billion Ten-Year CIP Protects Our Assets While Leveraging Long-Term Debt

The FY 2026 - FY 2035 financial plan anticipates capital disbursements of \$8.99 billion. Based on historical results, it is assumed that DC Water will spend less than the authorized CIP (\$9.69 billion). All capital items have been factored at 90 percent except DC Clean Rivers, Combined Sewer Overflow, Capital Equipment, Meter Replacement/AMR, and Washington Aqueduct. Over the last 28 years, \$9.50 billion has been invested in DC Water’s system averaging approximately \$339.3 million per year. Projected annual spending ranges from \$776.8 million to nearly \$1.09 billion as shown in the chart below (or approximately \$899.1 million per year from FY 2026 - FY 2035). The financing of DC Water’s capital program comes from four primary sources, as fully described in this section. The amount of EPA grant funding is defined by annual federal appropriations, while jurisdictional capital contributions are based on a fixed percentage of Blue Plains and other shared facilities. The remainder of the program is funded with DC Water’s debt and Pay-Go financing from operations.

As noted earlier in this section, DC Water developed a comprehensive financing plan in FY 1999 with the dual goals of 1) securing the lowest cost of capital possible, and 2) maximizing administrative and operating flexibility. The plan includes the following components: Grants; wholesale capital payments; permanent financing; Interim financing and Pay-Go.

**Historical and Projected Capital Spending  
FY 1998 - FY 2035  
(\$ in Million)**





# Capital Financing Program

## Capital Improvement Plan Fiscal Year 2026 - 2035

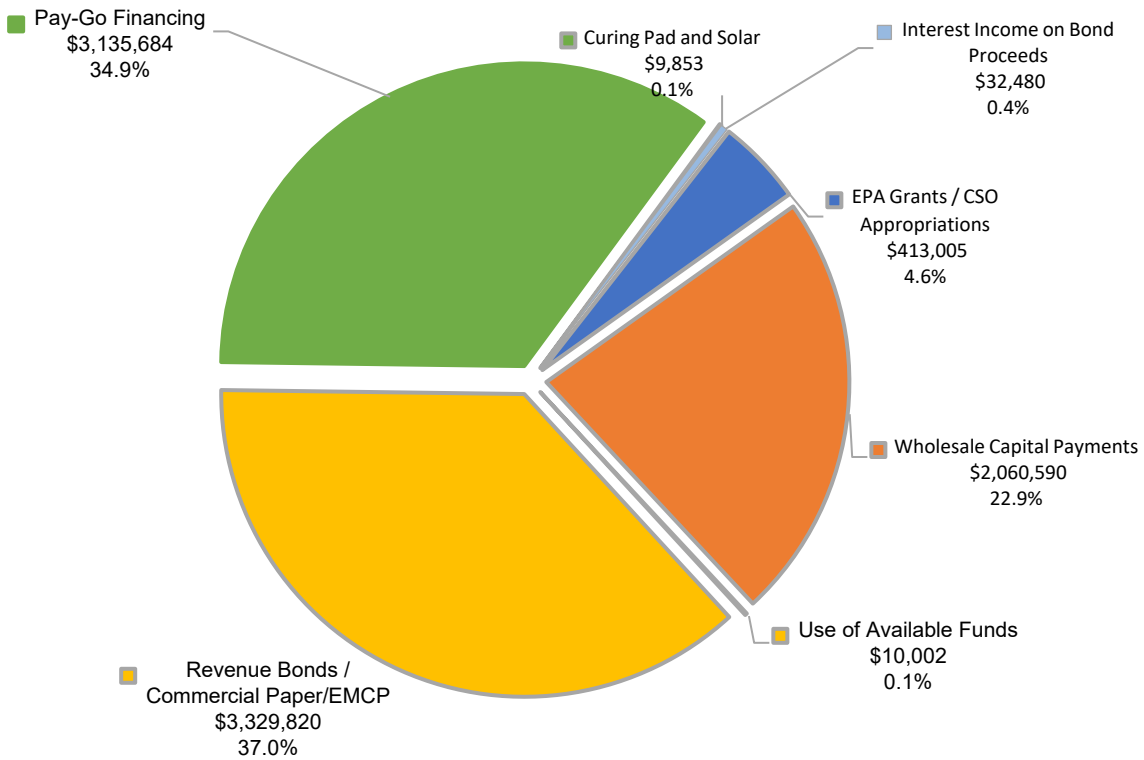
Description	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	Total
<b>BEGINNING BALANCE</b>	\$ 411,766,075	\$ 96,772,916	\$ 121,466,546	\$ 107,949,517	\$ 102,803,251	\$ 102,075,184	\$ 102,108,988	\$ 97,914,343	\$ 101,832,124	\$ 101,797,974	\$ 1,346,486,919
<b>SOURCES OF FUNDS:</b>											
Proceeds from Rev. Bonds	\$ -	\$ 476,243,000	\$ 514,235,000	\$ 448,493,000	\$ 332,078,000	\$ 337,397,000	\$ 306,264,000	\$ 293,182,000	\$ 287,696,000	\$ 282,151,000	\$ 3,277,739,000
Proceeds from WIFIA Loan	\$ 26,000,000	\$ 26,081,218	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 52,081,218
Environmental Impact Bond Proceeds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Proceeds from CP/EMCP/Treasury Notes/Digesters Financing Option	-	-	-	-	-	-	-	-	-	-	-
Proceeds from CP/EMCP/Treasury Notes Pay-off	-	-	-	-	-	-	-	-	-	-	-
Capital Equipment Financing (for 4 yrs @ 3.25%)	-	-	-	-	-	-	-	-	-	-	-
Curing Pad and Solar	30,000	29,000	86,500	2,855,000	1,824,000	1,044,000	1,012,000	1,032,000	996,000	944,000	\$ 9,852,500
System Availability Fee (SAF)	5,700,000	5,700,000	5,700,000	5,700,000	5,700,000	5,700,000	5,700,000	5,700,000	5,700,000	5,700,000	\$ 57,000,000
Transfer from Operations - CRIAC	69,710,926	63,750,198	73,261,004	84,285,799	90,945,540	93,219,413	62,623,462	62,623,776	62,623,776	61,136,309	\$ 724,180,151
Transfer from Operations	\$ 199,302,301	\$ 250,528,549	\$ 212,847,700	\$ 216,651,867	\$ 219,781,301	\$ 221,947,539	\$ 242,330,269	\$ 258,339,473	\$ 267,095,158	\$ 265,679,330	\$ 2,354,503,487
Federal Grants - Infrastructure Funding	\$ 45,663,775	\$ 54,000,203	\$ 53,110,880	\$ 53,110,880	\$ 53,110,880	\$ 24,053,484	\$ 16,672,857	\$ 8,336,429	\$ -	\$ -	\$ 308,059,388
EPA Grants /FEMA Grants/DC Reimbursement	20,098,994	13,709,100	15,066,257	14,071,257	7,000,000	7,000,000	7,000,000	7,000,000	7,000,000	7,000,000	\$ 104,945,608
CSO Grants	-	-	-	-	-	-	-	-	-	-	\$ -
Wholesale Customer Capital Contributions	119,438,000	166,497,000	222,655,000	200,742,000	238,938,000	181,579,000	205,982,000	239,823,000	302,560,000	182,376,000	\$ 2,060,590,000
Interest Income	5,850,000	2,384,958	9,949,235	2,803,081	2,075,488	2,108,731	1,914,150	1,832,388	1,798,100	1,763,444	\$ 32,479,575
<b>Total Sources</b>	\$ 491,793,996	\$ 1,058,923,226	\$ 1,106,911,576	\$ 1,028,712,884	\$ 951,453,209	\$ 874,049,167	\$ 849,498,738	\$ 877,869,014	\$ 935,469,034	\$ 806,750,083	\$ 8,981,430,927
<b>USES OF FUNDS:</b>											
<b>Add/Deduct CIP</b>											
Water Projects	186,757,451	247,102,517	256,794,300	272,342,700	281,112,300	241,787,700	232,733,700	258,880,500	269,595,900	276,621,300	\$ 2,523,728,368
Blue Plains Projects	83,198,690	114,783,057	136,497,600	124,503,300	147,965,400	155,205,900	178,607,700	166,269,600	175,221,000	161,110,800	\$ 1,443,363,047
Sanitary Sewer Projects	155,371,350	207,641,313	240,144,300	200,911,500	270,590,400	259,551,900	265,723,200	279,950,400	324,041,400	239,024,700	\$ 2,442,950,463
Combined Sewer	11,046,810	31,779,192	35,442,000	17,484,000	19,225,000	7,984,000	11,098,000	10,000,000	11,000,000	11,000,000	\$ 166,059,002
Combined Sewer LTCP	226,435,207	279,236,588	286,250,500	246,763,230	75,191,760	34,630,000	-	-	-	-	\$ 1,148,507,284
Stormwater Projects	16,549,810	13,265,862	16,367,400	25,056,900	26,287,200	11,628,900	2,086,200	2,025,000	1,889,100	1,181,700	\$ 116,338,072
Non Process Facilities	15,466,992	29,403,524	39,181,500	39,463,200	24,770,700	20,129,400	20,049,300	13,123,800	9,738,000	9,272,700	\$ 220,599,116
Washington Aqueduct Division Projects	49,479,900	35,770,000	35,770,000	35,770,000	35,770,000	71,540,000	71,540,000	71,540,000	71,540,000	35,770,000	\$ 514,489,900
Capital Equipment	29,400,945	39,664,047	38,397,509	37,680,824	38,268,516	38,557,563	38,855,283	39,161,933	39,477,784	39,803,110	\$ 379,267,514
Meter Replacement / AMR / CIS / ERP	3,080,000	5,583,496	5,583,496	3,883,496	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	\$ 36,130,488
Reimbursement for Prior Capital Expend.	-	-	-	-	-	-	-	-	-	-	-
<b>Total Uses</b>	\$ 776,787,156	\$ 1,004,229,596	\$ 1,090,428,605	\$ 1,003,859,150	\$ 922,181,276	\$ 844,015,363	\$ 823,693,383	\$ 843,951,233	\$ 905,503,184	\$ 776,784,310	\$ 8,991,433,255
<b>SOURCES MINUS USES</b>	(284,993,160)	54,693,630	16,482,971	24,853,733	29,271,934	30,033,804	25,805,355	33,917,781	29,965,850	29,965,773	(10,002,328)
Capital Contingency Reserve for LTCP	30,000,000	30,000,000	30,000,000	30,000,000	30,000,000	30,000,000	30,000,000	30,000,000	30,000,000	30,000,000	30,000,000
<b>SOURCES MINUS USES NET OF RESERVES</b>	(314,993,160)	24,693,630	(13,517,029)	(5,146,267)	(728,066)	33,804	(4,194,645)	3,917,781	(34,150)	(34,227)	(40,002,328)
<b>ENDING BALANCE</b>	\$ 96,772,916	\$ 121,466,546	\$ 107,949,517	\$ 102,803,251	\$ 102,075,184	\$ 102,108,988	\$ 97,914,343	\$ 101,832,124	\$ 101,797,974	\$ 101,763,747	\$ 1,336,484,591
<b>SUMMARY:</b>											
Total CIP	\$ 776,787,156	\$ 1,072,251,404	\$ 1,166,982,505	\$ 1,077,445,550	\$ 1,005,595,276	\$ 920,493,563	\$ 901,382,283	\$ 923,978,933	\$ 992,223,784	\$ 853,141,110	\$ 9,690,281,564
Reduction in CIP	\$ -	\$ 68,021,808	\$ 76,553,900	\$ 73,586,400	\$ 83,414,000	\$ 76,478,200	\$ 77,688,900	\$ 80,027,700	\$ 86,720,600	\$ 76,356,800	\$ 698,848,308
CIP - Factored in Financial Plan	\$ 776,787,156	\$ 1,004,229,596	\$ 1,090,428,605	\$ 1,003,859,150	\$ 922,181,276	\$ 844,015,363	\$ 823,693,383	\$ 843,951,233	\$ 905,503,184	\$ 776,784,310	\$ 8,991,433,255

Note: All capital Items have been factored at 90 percent except DC Clean Rivers Program, Combined Sewer Overflow Program, Capital Equipment, Meter Replacement/AMR, and Washington Aqueduct

## Capital Financing Program

### FY 2026 – FY 2035 Capital Improvement Program Sources of Funds

	FY 2026 - FY 2035 Plan Total	Percent of Total
EPA Grants / CSO Appropriations	\$ 413,004,996	4.6
Wholesale Capital Payments	\$ 2,060,590,000	22.9
Use of Available Funds	\$ 10,002,328	0.1
Revenue Bonds / Commercial Paper/EMCP	\$ 3,329,820,218	37.0
Pay-Go Financing	\$ 3,135,683,638	34.9
Curing Pad and Solar	\$ 9,852,500	0.1
Interest Income on Bond Proceeds	\$ 32,479,575	0.4
<b>TOTAL SOURCES</b>	<b>\$ 8,991,433,255</b>	<b>100.0</b>



## Capital Financing Program



Reliable And Predictable  Healthy, Safe and Well  Reliable

- EPA and CSO Grants – For FY 2026 – FY 2035**, EPA and CSO grants represent only 4.6 percent of the funding for 10-year capital program. DC Water currently plans to finance part of its Ten-Year CIP through EPA grant funding for certain eligible projects under the Clean Water and Safe Drinking Water Acts. In general, the District of Columbia projects carried out by DC Water are supported by approximately one percent of the available annual funding through revolving fund programs associated with the Clean Water and Safe Drinking Water Acts. In addition, DC Water has received \$308.8 million in Congressional appropriations for the Clean Rivers Project (aka CSO LTCP) as of September 30, 2025.
- Wholesale Capital Payments** - Approximately 60 percent of the capacity of DC Water’s wastewater treatment facilities are contractually committed to provide wholesale service to suburban jurisdictions under various contracts. Montgomery and Prince George’s Counties (through the Washington Suburban Sanitary Commission (WSSC), Fairfax County, and the Loudoun County Sanitation Authority pay a proportionate share of capital-related costs equal to their share of contracted capacity at Blue Plains. DC Water anticipates 22.9 percent of its capital funding will come from wholesale customers.
- Revenue Bonds/Commercial Paper/EMCP/WIFIA** - Currently debt financing represents only 37.0 percent of the funding in the ten-year capital program.
- Paygo (Internal) Financing** – ‘Paygo’ financing shall mean any cash financing of capital projects. The amount transferred from operations to the capital program each year shall be cash in excess of all operating requirements or restricted use. Approximately 34.9 percent of total funding for the FY 2026 – FY 2035 plan is projected to come from PAYGO financing, which strikes an appropriate balance between maintaining moderate debt levels and financing provided by current ratepayers. Paygo funds will be used in a manner consistent with our financial policies: 1) to fund capital financing or for repayment of higher cost debt and that whenever possible, the least costly capital financing be used for capital projects, 2) to produce the lowest practical cost of debt for financing its capital projects.

### FY 2027 and FY 2028 Debt Issuance Plans & Debt Service Assumptions

DC Water plans to issue \$476 million in new bonds in the third quarter of FY2027 for Series 2027.

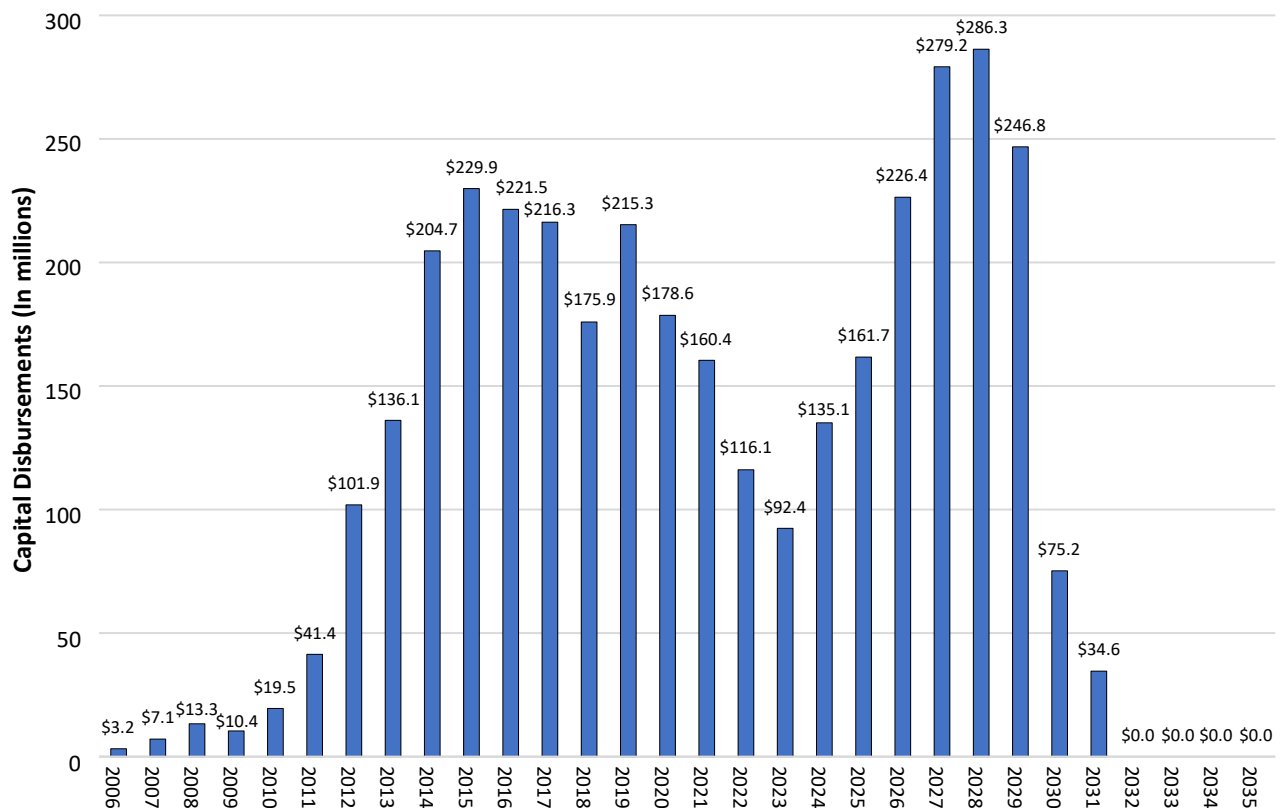
For financial planning, (1) we have assumed fixed rate, tax-exempt bonds at 6.0 percent for FY 2026. Similarly, for the remainder of the ten-year plan we have assumed issuing long-term bonds at 6.0 percent for FY 2026 to FY 2034; and 2) issue commercial paper/EMCP for interim financing. The ten-year plan assumes a variable interest rate of 2.5 percent in FY 2026 to FY 2028. To yield the best possible interest rate savings, our debt portfolio is evaluated on a regular basis.

## Capital Financing Program

### DC Clean Rivers Project

In December 2004, the Board reached agreement with the federal government on the proposed DC Clean Rivers Project LTCP and entered into a related consent decree. Lifetime capital costs for this project currently stands at approximately \$3.56 billion and this year’s approved ten-year plan includes \$1.15 billion of projected disbursements. Projected spending by fiscal year for the Clean Rivers Project is shown in the next chart.

In FY 2025, DC Water received federal funding of \$8.0 million for the Combined Sewer Overflow Long Term Control Plan Service Area. However, as the project spending increases over the years, so does the projected Clean Rivers Impervious Surface Area Charge (CRIAC) fee. If additional federal assistance is provided, the CRIAC would increase at a slower pace than this ten-year plan proposal assumes. As noted earlier, this plan assumes jurisdictional contributions, for joint use Projects, to the Clean Rivers Project under the IMA of 7.1 percent beginning in FY 2011. Please see section IV for more details on the CRIAC.



## Cash Position and Reserves

Cash balances totaled \$375.4 million at the end of FY 2025. As detailed below, this includes \$40.64 million for rate stabilization. Over the next ten years, cash balances are projected to meet the Board required reserve level of 282 days of operating and maintenance expense budget, plus 160 percent combined coverage.

DC Water’s operating reserve includes the following components.

### FY 2025 Year-End Cash

(\$ in thousands)

<b>Cash Balance per Bank</b>	<b>\$375,360</b>
Operating Reserve per Indenture (1)	66,423
Renewal & Replacement Reserve (Indenture Required) (2)	3,500
282 Days of Cash O&M Undesignated Reserve to meet Board Policy (3)	<b>232,293</b>
<b>Ending Cash Balance</b>	<b>\$337,716</b>
Rate Stabilization Fund Reserve	40,644
DC Insurance Reserve	1,000
<b>Total Cash Balance and Reserve Funds</b>	<b>\$375,360</b>

1. Two months of prior fiscal year's O&M expense, target balance \$66.4 million
2. Board policy re-affirmed \$35 million in April 2023
3. Board policy approved October 2023, for budgeted fiscal year end O&M costs calculated on an average daily balance, with an objective of maintaining at least 250 days of cash with goal to achieve 350 days of cash by 2032

- **Indenture-Required Operating Reserve** - This reserve is required by DC Water’s bond indenture and is equivalent to two months' operations and maintenance expenses from the prior year, or approximately \$66.4 million in FY 2025.
- **Renewal & Replacement Reserve** - In FY 2023 the Board reaffirmed the amount of \$35.0 million in the financing policy. In 2023, Independent Financial Consultant reviewed R&R Reserves and recommended to maintain it at \$35.0 million. The recommendations was presented to the Board for review and was approved. The reserve level will be reviewed every five years by DC Water’s independent rate consultants in conjunction with the indenture-required assessment of the physical condition of the system. The next Cost-of-Service (COS) study to review Renewal & Replacement Reserves will be conducted by Independent Financial Consultants in FY 2028.

## Cash Position and Reserves

- **Undesignated Reserve** - After allocating portions of the operating and maintenance reserve to the reserves listed above, the amount that remains (approximately \$232.3 million for FY 2025) is DC Water's undesignated reserve and is available for other contingencies.

DC Water has other reserves that are available for very specific circumstances:

- **Rate Stabilization Fund (RSF)** - Consistent with the Board's financial policies and as envisioned in the bond indenture, this fund is to be established to mitigate large annual rate increases. This year's plan reflects continued use of the rate stabilization fund, which totaled \$40.6 million as of September 2025. The year-end RSF balance is projected at \$40.6 million for FY 2026 and FY 2027. Future deposits to the rate stabilization fund will be determined annually based on financial performance in that fiscal year and updated ten-year capital and operating forecasts. The current plan anticipates \$40.6 million available at the end of FY 2035.
- **Debt Service Reserve Funds** - The supplemental bond indenture associated with the Series 1998 senior lien bonds requires DC Water to maintain a debt service reserve fund. This reserve which is in addition to the 282 days operating and maintenance reserve, is held by DC Water's trustee and can only be used if net revenues are insufficient to meet the next debt service payment. DC Water earns interest on this reserve that is included in other operating revenue and is used to offset annual debt service payments. The amount of interest earnings that DC Water can retain on the debt service reserve fund is limited by federal arbitrage restrictions.

