

DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY

Board of Directors

Finance and Budget Committee

Wednesday, November 23, 2011

9:30 a.m.

1. **Call to Order** Timothy L. Firestine, Chairperson
2. **October 2011 Financial Report (Attachment 1)** Yvette Downs and Robert Hunt
 - A. Operating Revenues & Expenditures
 - B. Cash Reserves & Investments
 - C. Capital Disbursements Summary
 - D. [Investment Report](#)
3. **FY 2013 Proposed Budget Discussion (Attachment 2)**.....George Hawkins
Olu Adebo
4. **Discussion of FY 2012 Employee Merit**George Hawkins
5. **Action Item**.....Olu Adebo
 - A. [Approval of Financial Advisory Services \(Attachment 3\)](#)
6. **Agenda for December Committee Meeting (Attachment 4)**..... Timothy L. Firestine
7. **Adjournment**

FOLLOW-UP ITEMS – Finance & Budget Committee (Meeting held October 27, 2011)

1. [Provide a summary page to identify projects associated with each of the categories in the spending prioritization table.](#) **(Mr. Lake) Status:** See Attachment 5
2. Consider development of a new CAP methodology. **(Mr. Roth) Status:** Included in FY 2012 DC Retail Water and Sewer Rates Committee work plan
3. [Provide a breakdown of the merits benefit by collective versus non-collective bargaining employees.](#) **(Mr. Roth) Status:** See Attachment 6



October 2011 FINANCIAL REPORT

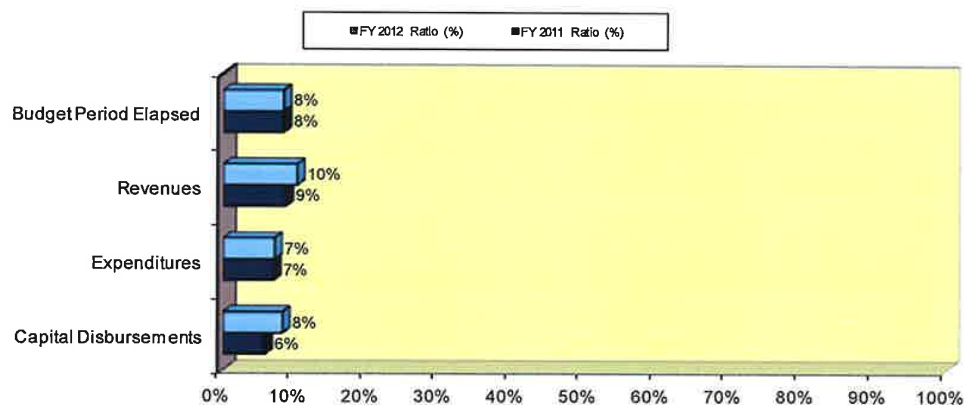
FY 2012 FINANCIAL PERFORMANCE

The table below summarizes the first month of FY 2012. Detailed information is discussed later in this report. The FY 2011 closeout process continues, which includes finalizing a number of GAAP-related accruals.

Financial Performance As of October 31, 2011 (\$ in millions)

	Approved	Revised Budget	YTD Budget	YTD Actual	Variance		% Revised Budget
					Favorable (Unfavorable)	8% of Budget	
Revenues (Receipts)*	\$395.9	\$426.4	\$35.5	\$43.5	\$8.0	22.4%	10.2%
Expenditures*	\$422.4	\$415.4	\$34.6	\$29.5	\$5.1	14.8%	7.1%
Capital Disbursements	\$555.8	\$531.7	\$44.3	\$43.5	\$0.8	1.8%	8.2%

* Straight-lined (1/12 of revised budget)



120-day Operating Reserve Analysis (\$ in millions)

FY 2012 120-day Operating Reserve Objective	\$125.5
Actual Average Daily Balances	\$161.4
Difference	\$35.9

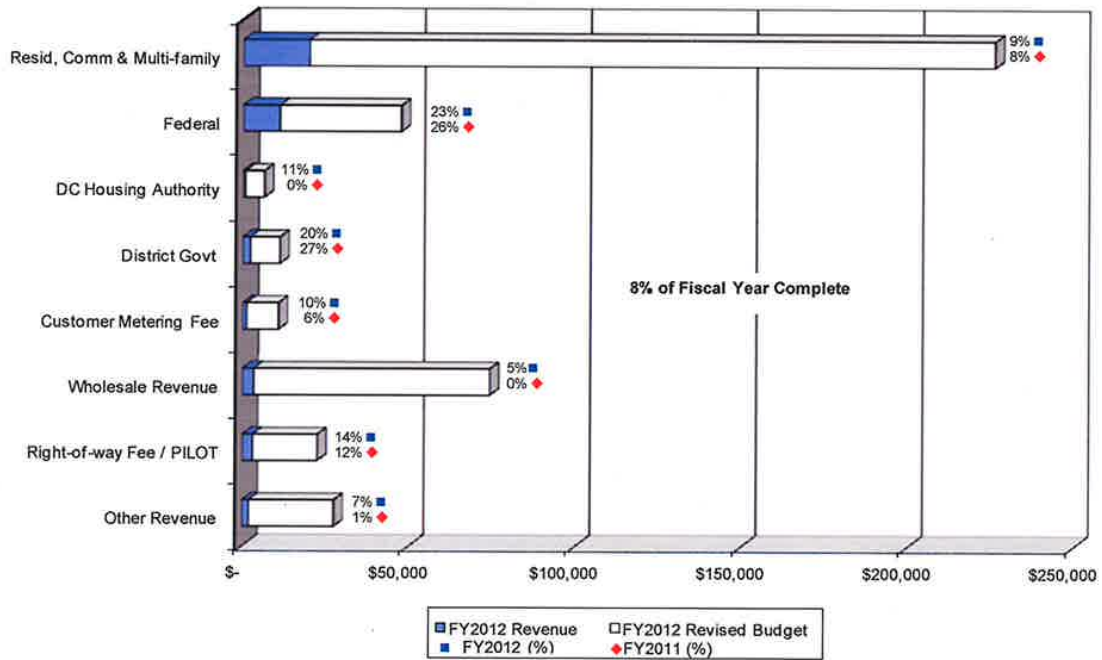
OPERATING REVENUES & RECEIPTS

At this early stage in FY 2012, cash receipts are within budget. At the end of October 2011, cash receipts totaled \$43.5 million, or 10.2 percent of the revised FY 2012 budget. Several categories of customers make payments on a quarterly basis, including the federal and District governments (which made their first quarterly payments in October), and wholesale customers (scheduled to make their first quarter payment in November). It should be noted that the federal government is currently working under a Continuing Resolution at the FY 2011 levels. The table below provides a summary of operating receipts at the end of October.

REVENUE VARIANCE BY CATEGORY
(In millions)
As of October 31, 2011

Revenue Category	FY 2012 Budget	Year-to- Date Budget	Actual Received	Variance Favorable	(Unfavorable)	Actual % of Budget
Residential, Commercial, and Multifamily	226.2	18.8	19.9	1.1	5.6%	8.8%
Federal	47.5	4.0	11.1	7.1	180.5%	23.4%
District Government	11.1	0.9	2.2	1.3	137.9%	19.8%
DC Housing Authority	6.4	0.5	0.7	0.2	36.3%	11.3%
Customer Metering Fee	10.8	0.9	1.1	0.2	22.3%	10.2%
Wholesale	74.4	6.2	3.4	(2.8)	-45.1%	4.6%
Right-of-Way Fee/PILOT	22.5	1.9	3.1	1.2	64.5%	13.8%
Subtotal (before Other Revenues)	\$398.9	\$33.2	\$41.5	\$8.3	24.9%	10.4%
Other Revenue without RSF						
IMA Indirect Cost Reimb. For Capital Projects	4.0	0.3	0.0	(0.3)	0.0%	0.0%
DC Fire Protection Fee	6.2	0.5	1.6	1.1	0.0%	0.0%
Stormwater (MS4)	1.1	0.1	0.0	(0.1)	0.0%	0.0%
Interest	0.8	0.1	0.1	0.0	73.2%	14.4%
Developer Fees (Water & Sewer)	6.0	0.5	0.2	(0.3)	0.0%	0.0%
Others	2.9	0.3	0.1	(0.2)	-74.1%	2.2%
Subtotal	\$21.0	\$1.8	\$2.0	0.2	13.8%	9.5%
Rate Stabilization Fund Transfer	\$6.5	\$0.5	\$0.0	(0.5)	-100.0%	0.0%
Other Revenue Subtotal	\$27.5	\$2.3	\$2.0	(0.3)	-13.0%	7.3%
Grand Total	\$426.4	\$35.5	\$43.5	\$8.0	22.5%	10.2%

**FY 2012
OPERATING RECEIPTS BY CUSTOMER CATEGORY
As of October 31, 2011**



BREAKDOWN OF RETAIL RECEIPTS BY CUSTOMER CATEGORY
October 31, 2011
(\$ in 000's)

Customer Category	Water	Sewer	Clean Rivers IAC	Customer Metering Fee	Total
Residential	2,411	2,971	437	412	6,232
Commercial	4,193	4,315	633	269	9,410
Multi-family	2,160	2,597	170	98	5,025
Federal	4,761	4,780	1,513	237	11,291
District Government	842	1,033	338	115	2,327
DC Housing Authority	318	391	17	11	737
Total:	14,685	16,087	3,108	1,142	35,022

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

Clean Rivers IAC – Actual vs Budget
October 31, 2011
(\$ in 000's)

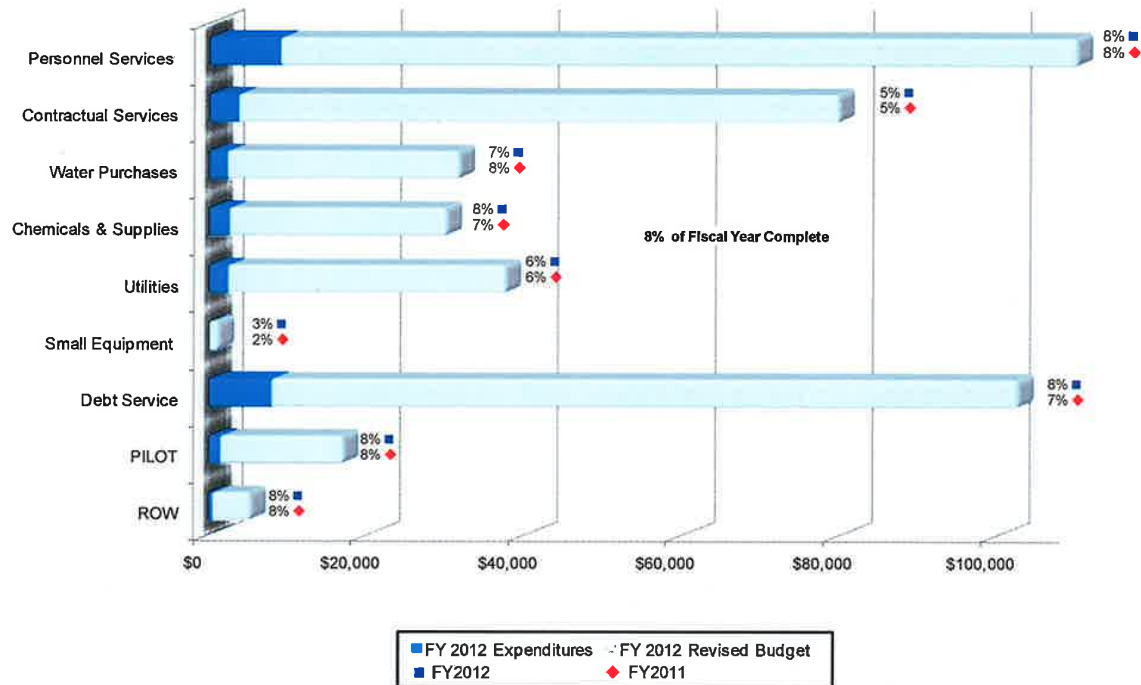
Customer Category	FY2012 Budget	Year-To-Date Budget	Actual Received	Variance Favorable / <Unfavorable>	Variance % of YTD Budget	Actual % of Budget
Residential	8,178	681	437	(245)	-36%	5%
Commercial	9,714	810	633	(176)	-22%	7%
Multi-family	3,235	270	170	(99)	-37%	5%
Federal	6,052	504	1,513	1,009	200%	25%
District Govt	2,131	178	338	160	90%	16%
DC Housing Authority	380	32	17	(14)	-46%	5%
Total:	29,690	2,474	3,108	634	26%	10%

OPERATING EXPENDITURES

Total operating expenditures, at the end of October, are in line with expectations at this early stage in fiscal year 2012. At the end of October, operating expenditures (including debt service and the right of way and PILOT fees) totaled \$29.5 million, or 7 percent of the FY 2012 Board-revised budget of \$415.4 million. These numbers include estimated incurred but unpaid invoices.

As previously stated, the FY 2011 closeout process continues, which includes finalizing a number of GAAP-related accruals. Over the next several months, we will update our actual FY 2011 spending accordingly.

**FY 2011 Operating Expenditures
by Category
(\$ in 000's)
As of October 31, 2011**



CAPITAL SPENDING

For the month of October 2011 (and also year-to-date) disbursements totaled \$43.5 million, or 8 percent of the FY 2012 (Proposed) Revised disbursements budget. Planned capital disbursements for (and through) October 2011 were \$44.3 million, or 8 percent of the (Proposed) FY 2012 Revised disbursements budget.

Capital Disbursements Variance
(dollars in thousands)
As of October 31, 2011

Description	FY 2012 Revised Disbursements Budget		Actual Disbursements		% of FY 2011 Revised Disbursements Budget	
	Annual	YTD	OCT. '11	¹ YTD	Variance Compared to Plan	Percent of Annual Budget
Wastewater Treatment	\$275,845	\$17,475	\$26,953	\$26,953	-54%	10%
Sanitary Sewer	39,922	3,612	2,598	2,598	28%	7%
Combined Sewer Overflow	132,016	15,819	6,287	6,287	60%	5%
Stormwater	2,775	203	229	229	-13%	8%
Water	54,461	5,868	4,164	4,164	29%	8%
Washington Aqueduct	11,373	0	0	0		0%
Capital Equipment	15,349	1,279	3,241	3,241	-153%	21%
Total Capital Projects	\$ 531,741	\$ 44,256	\$ 43,471	\$ 43,471	2%	8%

Discussion

Projects in the Wastewater Treatment service area clearly led the disbursements at \$27 million, followed by projects in the Combined Sewer Overflow service area at \$6.3 million. Disbursements for the Water service area totaled \$4.2 million, while \$3.2 million were disbursed for the Capital Equipment service area.

Disbursements for the Sanitary Sewer, and the Stormwater service areas totaled \$2.6 million and \$0.2 million, respectively.

Wastewater Treatment (Blue Plains) service area: the Solids processing program had the highest disbursements, \$16.2 million, driven, primarily, by a contractual payment towards procurement of the Cambi Equipment for the New Digestion Facilities. Disbursements for the

Enhanced Nitrogen Removal Facilities Program: At \$8.4 million were primarily for the Nitrogen Removal Facilities, and the Blue Plains Tunnel Site Preparation projects. Plantwide Program disbursements of \$1.6 million were for the Plantwide Fine Bubble Aeration, Laboratory Upgrades, and the Instrumentation, Control & Electric –EPMC projects.

Combined Sewer Overflow (CSO) service area: D.C. Clean Rivers Project disbursements were \$4.3 million, almost all of which was for the Anacostia LTCP Projects. 'Combined Sewer Projects' Program disbursements, at \$1.3 million, were primarily for the Combined Sewers Under Buildings project, and the 'Nine Minimum Control' group of projects, e.g., Rock Creek CSO projects, and the Main & O St. PS Intermediate Upgrade.

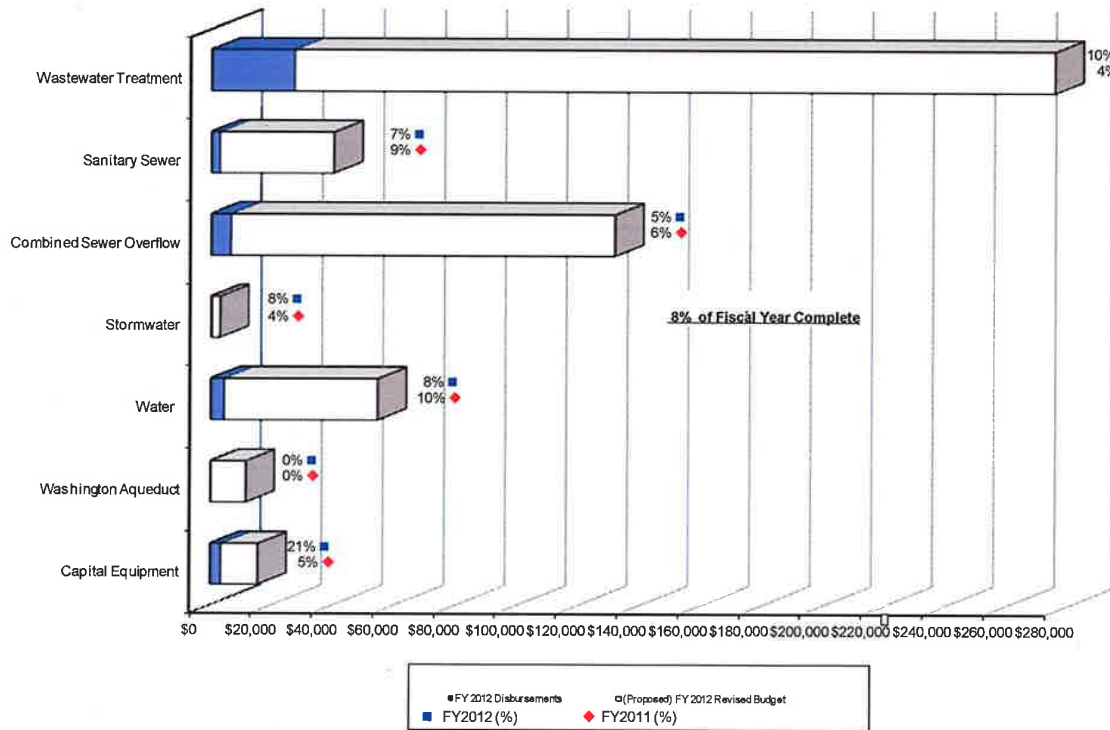
Water Service area: Water Distribution (Systems) program disbursements totaled \$2.2 million—mainly for the Fire Hydrant Replacement Program Phase-II project, and various Small Diameter Watermain Rehabilitation contracts. DDOT Water Projects Program disbursements came in at \$1 million, mainly attributable to the FY 2011 DDOT Water projects. Water On-Going Projects Program disbursements, \$0.6 million, were entirely for the FY 2011 (annual) DWS Water Projects

Capital Equipment service area: disbursements totaled \$3.2 million--significant disbursements under this area were made for Software Applications, Infrastructure Asset Management System, Document Imaging System, Telephone Renewal, and Fleet Management.

Sanitary Sewer service area: disbursements for Sanitary On-Going Projects Program at, \$0.9 million were entirely for the FY 2011 (annual) DSS Sanitary Sewer Projects Sanitary Interceptor/Trunk Force Sewers program disbursements amounted to \$0.8 million, primarily for the Potomac Sewer System Rehabilitation, and the Future Sewer Systems Upgrades projects. Program Management related disbursements amounted to \$0.6 million.

Stormwater service area: disbursements of \$0.2 million were primarily for Program Management costs.

**FY 2012 Capital Disbursements Compared to Plan
By Service Area
(\$ in 000's)
As of October 31, 2011**



CASH AND INVESTMENT BALANCES

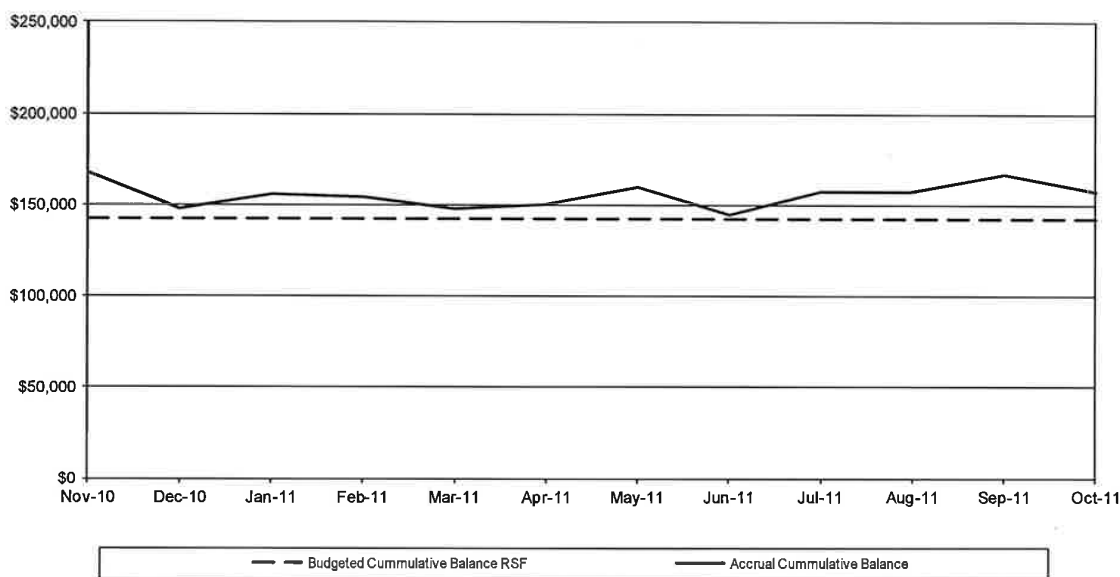
At the end of October, our operating reserve balance was \$140.4 million as compared to the FY 2012 operating reserve level objective of \$125.5 million. The following table provides a summary of all cash and investment account balances.

Cash Balances
As of October 31, 2011
(\$ in millions)

Rate Stabilization Fund Account (RSF)	\$16.7
Operating Reserve Accounts	140.4
DC PILOT Fund	<u>10.0</u>
Operating Cash Balance Including RSF	167.1
Debt Service Reserve - Series 98	24.2
Bond Construction Fund - Series 10	119.7
Capital Interest Fund - Series 10	9.2
CSO LTCP Appropriations Account	<u>55.8</u>
Total All Funds	\$376.0

Note: In September 2011, DC Water established a new escrow account to separate PILOT payments withheld by DC Water pending resolution of an on-going dispute.

FY 2012 Operating Cash Balances
(\$ in 000's)
(Operating Reserve and RSF)



Overall Portfolio Performance

As of October 2011, DC Water's total investment portfolio continues to perform well and is in compliance with the Authority's Investment Policy. Returns continue to exceed the established benchmarks for short term (less than one year) and core (one plus years) funds. Interest income for October (**on a cash basis**) was \$114,456 as compared to the budget of \$535,376 for the year.

Financial Advisory Services

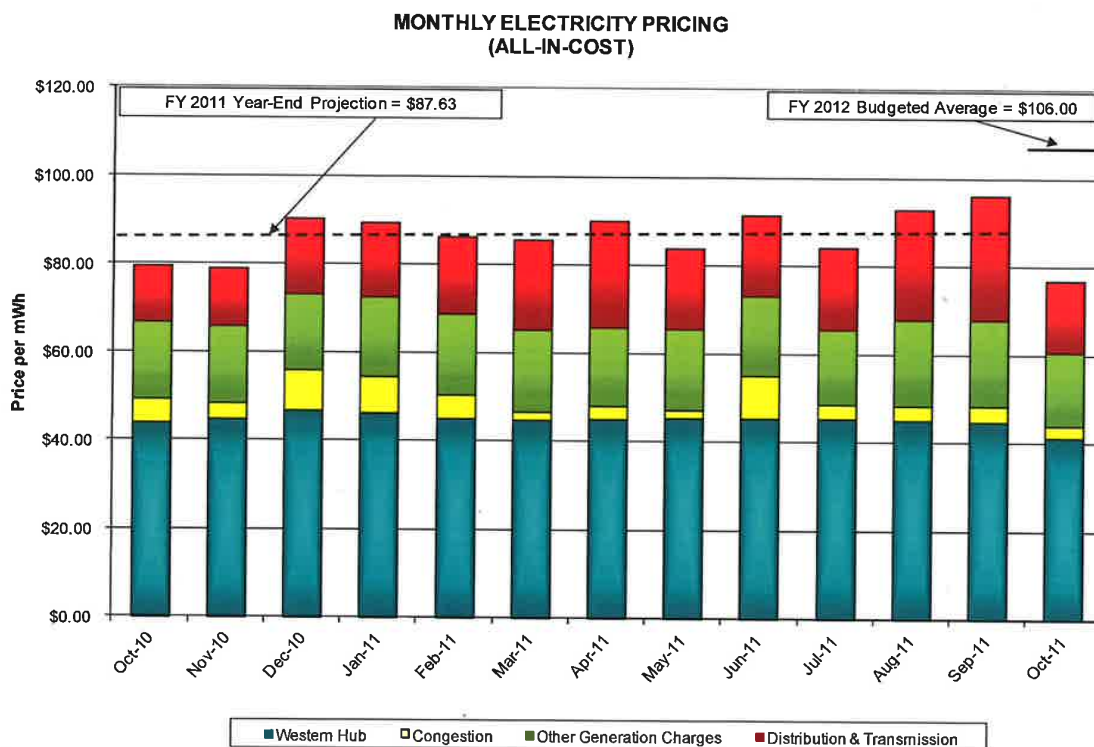
On June 30, 2011 a Request for Proposal for Financial Advisory Services was issued. Seven proposals were received for evaluation. Six of the seven proposals received included a Prime contractor and a Minority business subcontractor. Four respondents were selected as finalists and invited to meet with the evaluation panel. After careful evaluation of the finalists, the panel recommended The PFM Group and G~Entry Principle, P.C. to provide financial advisory services to the Authority. This recommendation will be presented to the Finance and Budget Committee in November, for Board action December.

OTHER STATUS REPORTS

ELECTRICITY

In line with the adopted block strategy and Board's directive, we have purchased approximately 67 percent, or 20MW, for October through January 2012 at Western Hub price of \$43.82/mWh and 33 percent, or 10MW, for the remaining months of the fiscal year at \$45.29/mWh. Staff continues to monitor the futures market with intent to lock up to 100 percent of the Authority's electricity load when appropriate.

The average all-in-cost estimated for October 2011 was \$77.19/mWh. As indicated in the chart, electricity prices generally increase during the winter and summer peak months



Notes: A) Other generation charges include the capacity charges, loss factor adjustments, ancillary costs, and other adder (administrative) fees associated with electricity procurement over the spot market

B) September FY 2011 prices include accruals for invoices not yet received.

RETAIL & WHOLESALE ACCOUNTS RECEIVABLE

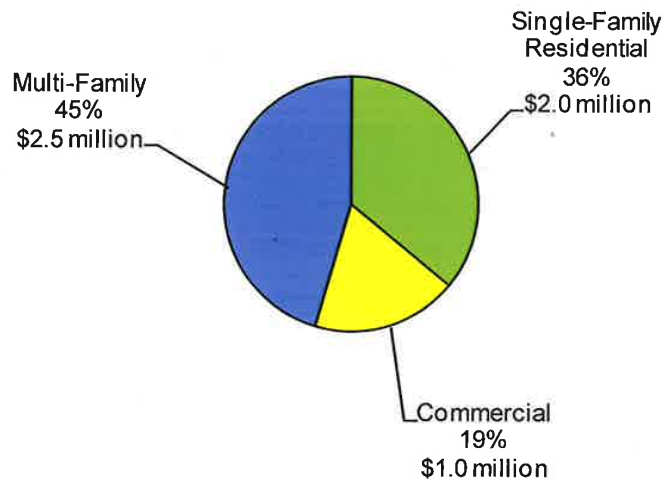
The following tables and chart show retail and wholesale accounts receivable over 90 days including a breakdown by customer class.

**Delinquent Accounts Receivable
Greater Than 90 Days by Customer
October 31, 2011**

	RETAIL		WHOLESALE		TOTAL	
	Greater than 90 Days		Greater than 90 Days		Greater than 90 Days	
	\$ in millions	# of accounts	\$ in millions	# of accounts	\$ in millions	# of accounts
September 30, 2006	\$7.4	14,762	\$0.0	0	\$7.4	14,762
September 30, 2007	\$7.1	14,917	\$0.0	0	\$7.1	14,917
September 30, 2008	\$6.1	15,635	\$0.0	0	\$6.1	15,635
September 30, 2009	\$4.9	10,211	\$0.0	0	\$4.9	10,211
September 30, 2010	\$5.1	13,441	\$0.0	0	\$5.1	13,441
September 30, 2011	\$5.5	13,039	\$0.0	0	\$5.5	13,039
October 31, 2011	\$5.5	12,831	\$0.0	0	\$5.5	12,831

*In June 09 the Authority wrote off approximately \$1.3M of bad debt

**Retail Accounts
Greater Than 90 Days by Customer Class
October 31, 2011**



**Delinquent Accounts Receivable
Greater Than 90 Days by Customer
October 31, 2011**

	Number of Accounts			Month of October (All Categories)				Total Delinquent			
	W & S a/c	Impervious Only a/c	Total No. of a/c	Active		Inactive		No. of a/c Sept	Amount (\$)	No. of a/c Oct.	Amount (\$)
Commercial	11,769	3,415	15,184	1,529	892,775.31	130	135,906.86	1,919	952,197.67	1,659	1,028,682.17
Multi-family	7,390	478	7,868	975	2,177,485.88	122	343,606.39	1,107	2,538,226.24	1,097	2,521,092.27
Single-Family Residential	103,899	3,028	106,927	8,478	1,262,740.47	1,597	731,921.16	10,013	1,993,456.95	10,075	1,994,661.63
Total	123,058	6,921	129,979	10,982	4,333,001.66	1,849	1,211,434.41	13,039	5,483,880.86	12,831	5,544,436.07

-Included in the above \$4.33m (or 10,982 accounts) of the DC Water Over 90 days delinquent accounts, \$487,012.91 (or 2,624 accounts) represents Impervious only Accounts over 90 days delinquent.

-Reportable delinquencies do not include balances associated with long-standing disputes between DC Water and two large commercial customers.

**D.C. WATER AND SEWER AUTHORITY
FY 2012 CASH FLOW SUMMARY
through 10/31/11
(\$ In 000's)**

	Annual Budget Cash Basis	YTD 8% Of Cash Budget	YTD Actual Cash Oct. 1, 2011 - Oct. 31, 2011	Variance Favorable (Unfavorable)	
OPERATING BUDGET					
Cash Provided					
Retail	324,549	27,035	35,022	7,987	30%
Wholesale	74,361	6,194	3,370	(2,824)	-46%
Other	20,750	1,729	5,064	3,336	193%
Transfer from Rate Stabilization Fund	6,500	541		(541)	-100%
Total Cash Provided	428,161	35,489	43,456	7,957	22%
Operating Cash Used					
Personnel Services	97,114	8,090	9,874	(1,784)	-22%
Contractual Services	79,746	6,643	5,297	1,346	20%
Chemicals & Supplies	29,946	2,495	2,371	123	5%
Utilities	37,447	3,119	1,691	1,428	46%
Water Purchases	31,517	2,625	2,613	13	0%
Small Equipment	995	83	99	(16)	-19%
Total Operating Cash Used	276,765	23,055	21,946	1,110	5%
Other Cash Used					
Debt Service	100,776	8,395	7,897	498	6%
Payment In Lieu of Taxes/Right of Way	22,365	1,863		1,863	100%
Total Other Cash Used	123,141	10,258	7,897	2,361	23%
Total Cash Used	399,906	33,312	29,841	3,471	10%
Net Cash Provided (Used) by Operating Act.	28,255	2,187	13,615	11,428	
CAPITAL BUDGET					
Cash Provided					
Debt Proceeds	259,307	21,600	13,495	(8,106)	-38%
Capital Equipment Financing	8,184				
EPA Grants	25,455	2,120	1,763	(357)	-17%
CSO Grants	31,332	2,610	5,599	2,989	115%
Interest Income	93	8		(8)	-99%
Wholesale Capital Contributions	175,242	14,598		(14,598)	-100%
Total Cash Provided	499,613	41,618	20,857	(20,761)	-60%
Cash Used					
WASA Capital Program	521,292	43,424	43,471	(47)	0%
Washington Aqueduct Projects	10,449	870		870	100%
Total Cash Used	531,741	44,294	43,471	823	2%
Net Cash/PAYGO Provided (Used) by Cap. Act.	(32,128)	(2,676)	(22,614)	(19,937)	
Beginning Balance, October 1 (Net of Rate Stab. Fund)	149,617	12,463	149,617		
Plus (Less) Operating Surplus	26,255	2,187	13,615		
Wholesale Customer Refunds from Prior Years	(5,250)	(437)			
Interest Earned From Bond Reserve	256	21			
Transfer to Rate Stabilization Fund	(12,250)	(1,020)	0		
Prior Year Federal Billing Reconciliation	(1,000)	(83)	0		
Cash Used for Capital	(32,128)	(2,676)	(22,614)		
Balance Attributable to O&M Reserve	126,500	10,454	140,369		
OTHER CASH RESERVES					
Rate Stabilization Fund	16,700				
CSO Long-Term Control Plan Appropriation	55,854				
DC PILOT Reserve Fund	10,000				

**Current
Balance**

Comparative Statement of Expenditures
as of October 31, 2011
(\$000's)

	FY 2011			FY 2012			FY 2013
	Board Revised Budget	Projected 09/30/2011	Percent of Budget	Board Revised Budget	YTD as of 10/31/2011	Percent of Budget	Proposed Budget
Personnel Services	105,292	102,800	98%	111,114	8,977	8%	117,796
Contractual Services	79,114	71,214	90%	79,747	3,655	5%	82,350
Water Purchases	33,000	27,170	82%	31,517	2,232	7%	32,523
Chemicals and Supplies	29,234	26,524	91%	29,947	2,496	8%	31,360
Utilities	34,938	29,517	84%	37,446	2,340	6%	38,047
Small Equipment	1,095	702	64%	995	29	3%	993
Subtotal O & M Expenditures	282,674	257,928	91%	290,765	19,729	7%	303,069
Debt Service	98,726	92,068	93%	102,613	7,897	8%	129,392
Payment in Lieu of Taxes	16,882	16,882	100%	16,882	1,407	8%	19,215
Right of Way	5,100	5,100	100%	5,100	425	8%	5,100
Total O & M Expenditures	403,382	371,978	92%	415,360	29,458	7%	456,775
Personnel Services Charged to Capital Projects	(11,000)	(10,740)	98%	(14,000)	(1,131)	8%	(16,690)
Total Net Operating Expenditures	392,382	361,239	92%	401,360	28,327	7%	440,085

Note: Actuals include accruals

Percent of fiscal year complete: 8%

Finance and Budget Committee - 2. October 2011 Financial Report (Attachment 1) - Yvette Downs

FY 2011 Overtime
Budget vs Actual
Period Ended August

Department	FY 2011				FY 2012						
	Annual Budget	Percent of Budget Expended	Actual	Actual to Budget \$ Variance	Annual Budget	Percent of Annual Budget Expended	FY 2012 Year-to-Date				YTD Overtime as % of YTD Regular
							Straight-Line Budget 10/01/11 - 10/22/11	Actual 10/01/11 - 10/22/11	Actual to Straight-Line Budget Variance	Percentage YTD Straight- Line Budget Expended	
Office of the Secretary	4,000	46%	1,854	2,146	4,000	1%	242	42	200	17%	0%
General Manager	15,000	4%	671	14,329	13,000	0%	907	0	907	0%	0%
General Counsel	2,000	137%	2,731	(731)	2,000	5%	121	105	15	87%	0%
External Affairs	2,000	135%	2,703	(703)	2,000	0%	121	0	121	0%	0%
Internal Audit	-	-	-	-	-	0%	0	0	0	0%	0%
Information Technology	25,000	62%	15,471	9,529	24,006	2%	1,511	420	1,091	28%	0%
Procurement	30,000	82%	24,545	5,455	30,000	8%	1,813	2,469	(656)	136%	1%
Customer Service	250,000	75%	188,688	61,312	240,000	4%	15,110	10,563	4,546	70%	2%
Finance & Budget	30,000	94%	28,140	1,860	30,000	18%	1,813	5,324	(3,510)	294%	2%
Risk Management	1,000	9%	94	906	1,000	0%	60	0	60	0%	0%
Assistant General Manager	1,000	22%	222	778	1,000	6%	60	58	2	97%	0%
Human Capital Management	5,000	57%	2,852	2,148	5,000	0%	302	21	282	7%	0%
Occupational Safety & Health	2,000	8%	154	1,846	2,000	0%	121	0	121	0%	0%
Facilities & Security	150,000	136%	203,883	(53,883)	150,000	10%	9,066	15,592	(6,526)	172%	7%
Water / Sewer Pump Maintenance	200,000	55%	110,681	89,319	200,000	3%	12,088	6,911	5,177	57%	6%
Engineering & Technical Services	549,960	111%	611,204	(61,244)	548,481	7%	33,239	40,444	(7,204)	122%	6%
Water Services	1,080,000	103%	1,111,758	(31,758)	1,080,000	4%	65,275	48,261	17,014	74%	7%
Long-Term Control Plan	10,000	37%	3,745	6,255	25,000	1%	604	289	315	48%	0%
Sewer Services	900,000	118%	1,063,680	(163,680)	900,000	7%	54,396	64,142	(9,746)	118%	11%
Wastewater Treatment	956,000	106%	1,010,473	(54,473)	956,000	7%	57,780	68,700	(10,920)	119%	14%
Maintenance Services	800,000	110%	880,595	(80,595)	800,000	5%	48,352	42,512	5,840	88%	8%
Permit Operations	1,000	150%	1,503	(503)	2,500	8%	60	190	(130)	314%	0%
Fleet Management	1,000	93%	926	74	1,000	4%	60	42	18	69%	0%
Total DC WATER	\$5,014,960	105%	\$5,268,573	\$ (251,613)	\$5,016,987	6%	\$303,102	\$306,086	-\$2,984	101%	6%

Notes:

(1) "Budget 10/01/11 - 10/22/11" reflects annual budget straight-lined

(2) "% YTD Budget Expended" reflects variance between straight-lined budget to-date and actual overtime

Capital Projects
FY 2012 Disbursements Analysis
As of Oct. 31, 2011
(dollars in thousands)

Description	(Proposed) FY 2012 Revised Disbursements Budget				% of FY 2012 Revised Disbursements Budget		Commitments
	Actual Disbursements				Disbursements Budget		
	Annual	YTD	OCT. '11	1 YTD	Annual	YTD	
						% of Fiscal Year Completed	
Wastewater Treatment							
Liquid Processing Projects	\$23,263	\$2,339	\$787	\$787	3%	34%	50,327
Plantwide Projects	18,018	2,086	1,624	1,624	9%	78%	22,240
Solids Processing Projects	119,295	6,029	16,184	16,184	14%	268%	235,267
Enhanced Nitrogen Removal Facilities (formerly Total Nitrogen Program)	115,269	7,021	8,357	8,357	7%	119%	309,973
Total Wastewater Treatment	275,845	17,475	26,953	26,953	10%	154%	617,807
Sanitary Sewer							
Sanitary Collection Sewers	2,140	100	142	142	7%	142%	1,971
Sanitary On-Going Projects	16,081	1,325	936	936	6%	71%	2,123
Sanitary Pumping Facilities	659	58	56	56	8%	96%	268
Sanitary Sewer Program Management	6,880	758	641	641	9%	85%	21,388
Sanitary Interceptor/Trunk Force Sewers	14,162	1,371	823	823	6%	60%	14,078
Total Sanitary Sewer	39,922	3,612	2,598	2,598	7%	72%	39,829
Combined Sewer Overflow							
CSO Program Management	1,590	311	664	664	42%	213%	13,440
Combined Sewer Projects	14,504	5,873	1,289	1,289	9%	22%	15,237
D.C. Clean Rivers Project (aka Long-Term Control Plan)	115,922	9,635	4,334	4,334	4%	45%	232,904
Total Combined Sewer Overflow	132,016	15,819	6,287	6,287	5%	40%	261,581
Stormwater							
Stormwater Local Drainage	17	2	0	0	0%	0%	239
Stormwater On-Going Program	731	6	0	0	0%	0%	474
Stormwater Pumping Facilities	-	-	0	0			0
DDOT Stormwater Program	2	-	0	0	0%		0
Stormwater Research and Program Management	499	141	181	181	36%	128%	1,462
Stormwater Trunk/Force Sewers	1,527	53	48	48	3%	91%	2,402
Total Stormwater	2,775	203	229	229	8%	113%	4,577
Water							
Water Distribution Systems	23,024	2,396	2,211	2,211	10%	92%	39,241
Water On-Going Projects	8,239	724	611	611	7%	84%	6,541
Water Pumping Facilities	5,327	346	61	61	1%	18%	5,844
DDOT Water Projects	4,002	546	1,021	1,021			6,884
Water Storage Facilities	2,083	411	106	106	5%	26%	1,372
Water Projects Program Management	4,109	447	0	0	0%	0%	13,597
Water Lead Program	4,801	757	124	124	3%	16%	6,600
AMR Installation / Replacement	2,876	240	30	30	1%	12%	1,154
Total Water	54,461	5,868	4,164	4,164	8%	71%	81,234
Washington Aqueduct	11,373	0	0	0	0%		
Capital Equipment	15,349	1,279	3,241	3,241	21%	253%	5,692
Total Capital Projects	\$531,742	\$44,256	\$43,471	\$43,471	8%	98%	1,010,719

Notes:

¹ Includes actual OCIP related disbursements of \$67,149.70



DC Water

Investment Performance Report – October 2011



Investment Performance Report - October 2011

DC Water Finance Division Economic Update

ECONOMIC COMMENTARY

- The yield on the 2-year U.S. Treasury Note was unchanged at 0.24%. The 30 year Treasury Bond increased by 0.22% from 2.91% to 3.13%.
- GDP growth for the third quarter was 2.5%, a modest improvement from the prior quarter's growth rate of 1.3%
- Consumer confidence continues to weaken. Conference Board consumer confidence fell from 45.4 in September to 39.8 in October. This marks the lowest level since March 2009.
- The October employment report showed job creation of 80,000 new jobs. The unemployment rate remains elevated at 9.0%.

PORTFOLIO RECAP

- The portfolio is diversified among Bank Deposits, Commercial Paper, Federal Agencies and SEC registered money market funds.
- The overall yield-to-cost of the portfolio is 0.60%.
- The portfolio is in compliance with the Authority's Investment Policy.

2010A Construction Fund

- In October, the Authority reinvested \$10 million into 3 month commercial paper at an average yield of 0.39%.

Operating Reserve Fund

- The Authority purchased \$10 million of 2 year callable Federal Agencies at an average yield of 0.57%.

CSO LTCP Appropriations

- Purchased \$5 million of 3 month commercial paper at an average yield of 0.13%.

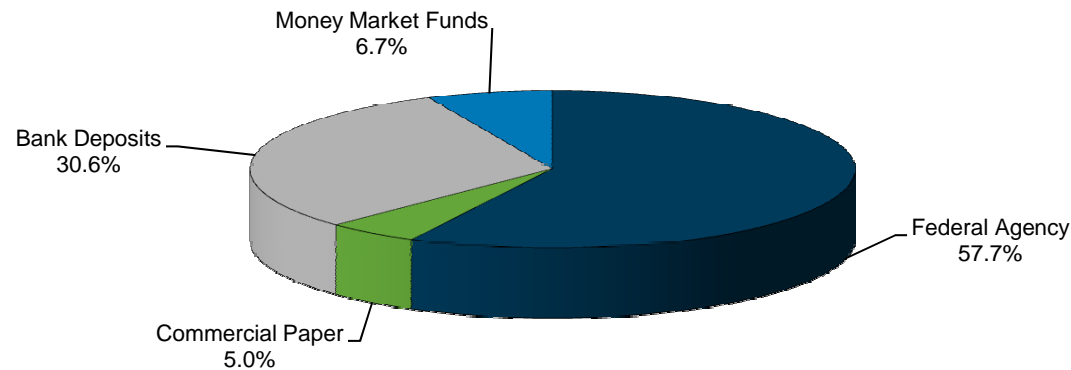
Rate Stabilization Fund

- Purchased \$10 million of 4 month commercial paper at an average yield of 0.23%.



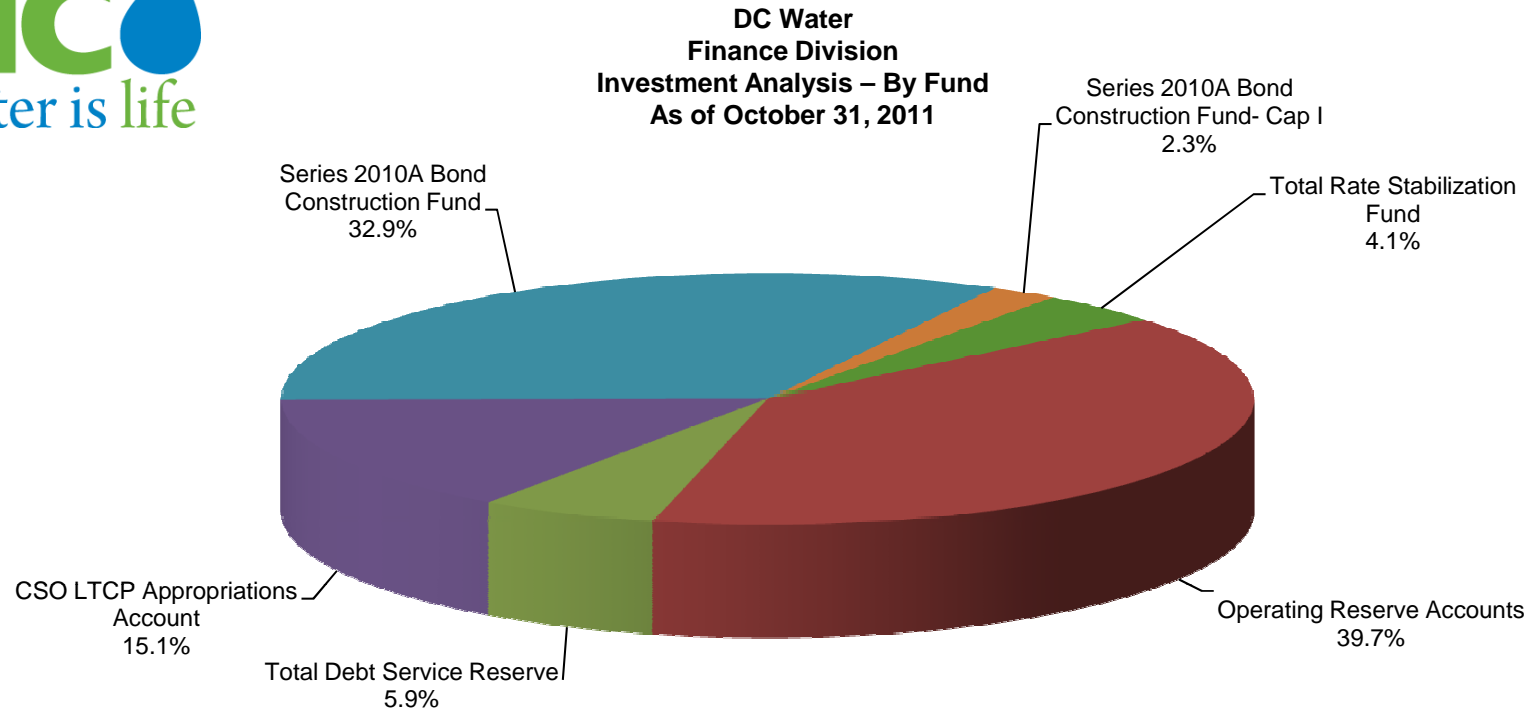
Investment Performance Report - October 2011

**DC Water
Finance Division
Investments - By Security Type
As of October 31, 2011**



Security Type	Book Value + Accrued Interest	Asset Allocation	Permitted By Policy
Bank Deposits	\$ 103,892,138	27.7%	100.0%
Money Market Funds	31,556,438	8.4%	100.0%
Bankers Acceptances	-	0.0%	40.0%
Commercial Paper	24,981,992	6.7%	35.0%
U.S. Treasuries	-	0.0%	100.0%
Federal Agency	214,534,885	57.2%	80.0%
Negotiable CDs	-	0.0%	30.0%
Municipal Obligations	-	0.0%	20.0%
Total	\$ 374,965,453	100.0%	

Investment Performance Report - October 2011



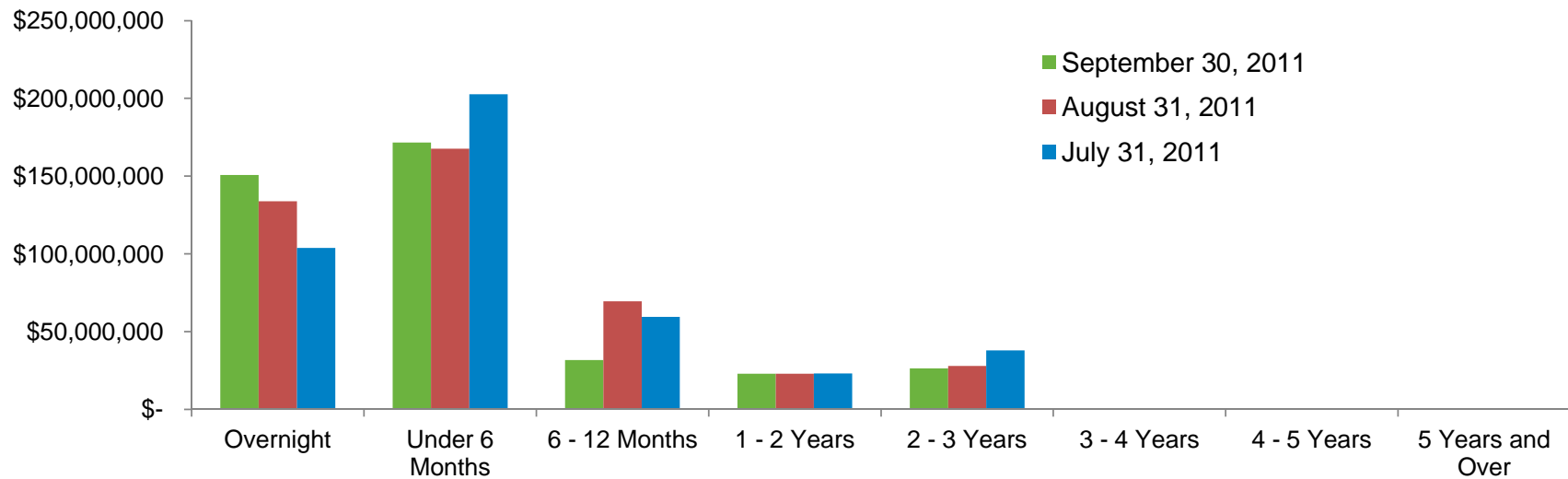
Fund Name	Book Value + Accrued Interest	Yield-to- Maturity at Cost	Effective Duration (years)	Weighted Average Maturity (days)
Total Rate Stabilization Fund	\$ 16,700,894	0.56%	0.20	72.8
Operating Reserve Accounts	150,609,555	0.87%	0.50	232.0
Total Debt Service Reserve	23,864,148	0.62%	0.97	361.9
Series 2010A Bond Construction Fund	119,198,156	0.26%	0.17	61.6
Series 2010A Bond Construction Fund- Cap I	9,086,014	0.56%	1.07	395.8
Total CSO LTCP Appropriations Account	55,506,685	0.60%	0.27	100.5
Total	\$ 374,965,453	0.60%	0.39	163.5

Investment Performance Report - October 2011



**DC Water
Finance Division
Investment Analysis – By Maturity**

Maturity Distribution	October 31, 2011	September 30, 2011	August 31, 2011
Overnight \$	135,448,576.09 \$	150,655,982.27 \$	133,856,402.07
Under 6 Months	158,708,940.77	171,586,547.45	167,663,820.97
6 - 12 Months	21,564,135.42	31,761,083.39	69,480,839.70
1 - 2 Years	32,911,736.06	22,909,209.60	22,947,483.88
2 - 3 Years	26,332,064.48	26,404,294.39	27,806,325.34
3 - 4 Years	-	-	-
4 - 5 Years	-	-	-
5 Years and Over	-	-	-
Totals \$	374,965,452.82 \$	403,317,117.10 \$	421,754,871.96



Investment Performance Report - October 2011



**DC Water
Finance Division
Investments – Issuer Allocation**

	Credit Ratings S&P / Moody's	Book Value		Investment Policy Limit	Compliance with Investment Policy
Bank Deposits					
TD Bank		\$ 93,864,759.03	25.0%	100.0%	Yes
Premier Bank		5,011,601.71	1.3%	100.0%	Yes
Capital One Bank		5,015,777.11	1.3%	100.0%	Yes
Sub-Total Money Market Mutual Funds		103,892,137.85	27.7%	100.0%	Yes
Money Market Mutual Funds					
American Beacon MMF	AAA	1,481,831.82	0.4%	50.0%	Yes
Williams Capital Money Market Fund	AAA	2,500,028.18	0.7%	50.0%	Yes
Merrill Lynch MMF	AAA	3,499,775.68	0.9%	50.0%	Yes
Wells Fargo Advantage Treasury Plus	AAA	12,727,931.96	3.4%	50.0%	Yes
Wells Fargo Government MMF	AAA	11,346,870.60	3.0%	50.0%	Yes
Sub-Total Money Market Mutual Funds		31,556,438.24	8.4%	100.0%	Yes
Commercial Paper					
General Elec Cap Corp Comm Paper	A-1+ / P-1	9,992,333.30	2.7%	5.0%	Yes
Northwest University Comm Paper	A-1+ / P-1	4,998,736.10	1.3%	5.0%	Yes
Sumitomo Corp Of America Comm Paper	A-1 / P-1	9,990,922.20	2.7%	5.0%	Yes
Sub-Total Commercial Paper		24,981,991.60	6.7%	35.0%	Yes
Federal Agencies					
Fannie Mae	AA+ / Aaa	30,566,797.90	8.2%	40.0%	Yes
Freddie Mac	AA+ / Aaa	64,107,120.91	17.1%	40.0%	Yes
Federal Home Loan Bank	AA+ / Aaa	119,860,966.32	32.0%	40.0%	Yes
Federal Farm Credit Bank	AA+ / Aaa	-	0.0%	40.0%	Yes
Sub-Total Federal Agencies		214,534,885.13	57.2%	80.0%	Yes
Total		\$ 374,965,452.82	100.0%		

Investment Performance Report - October 2011



**DC Water
Finance Division
Book Value Performance
As of October 31, 2011**

The portfolio is in compliance with the Authority's Investment Policy

	Trailing 1 Months		Trailing 3 Months		Trailing 6 Months		Trailing 12 Months	WAM* (days)	WAM* (years)
	Periodic	Annualized	Periodic	Annualized	Periodic	Annualized			
Total Rate Stabilization Fund	0.07%	0.83%	0.19%	0.77%	0.30%	0.59%	0.37%	72.8	0.20 years
Operating Reserve Accounts	0.05%	0.58%	0.14%	0.55%	0.28%	0.56%	0.47%	232.0	0.64 years
Total Debt Service Reserve	0.05%	0.60%	0.15%	0.61%	0.31%	0.62%	0.62%	361.9	0.99 years
Total CSO LTCP Appropriations Account	0.03%	0.41%	0.11%	0.44%	0.20%	0.40%	0.36%	100.5	0.28 years
2010A Construction Fund	0.02%	0.25%	0.06%	0.23%	0.13%	0.25%	0.22%	61.6	0.17 years
2010A Capitalized Interest Fund	0.05%	0.56%	0.15%	0.58%	0.28%	0.56%	0.35%	395.8	1.08 years
Short-Term	0.05%	0.55%	0.13%	0.52%	0.22%	0.43%	0.32%		
Merrill Lynch 3-Month Treasury Index (Book Value) ¹	0.00%	0.02%	0.01%	0.05%	0.02%	0.04%	0.09%	90.0	0.25 years
Core (1+ Years)	0.07%	0.88%	0.23%	0.92%	0.45%	0.89%	0.84%		
Merrill Lynch 1-3 Year Treasury Index (Book Value) ²	0.03%	0.30%	0.07%	0.29%	0.20%	0.39%	0.47%	-	1.80 years

(1) The Merrill Lynch 3-Month Treasury Bill is an unmanaged index tracking the on-the-run 3-month Treasury Bill. The index is produced and maintained by Merrill Lynch & Co. Performance for this index is shown on a book value basis.

(2) The Merrill Lynch 1-3 Year Treasury Index is an unmanaged index tracking a basket of U.S. Treasuries with 1 to 3 year maturities. The index is produced and maintained by Merrill Lynch & Co. Performance for this index is shown on a book value basis.

(3) Performance prior to February 2011 provided by the Authority.

*Weighted average maturity

Investment Performance Report - October 2011



**DC Water
Finance Division
Portfolio Holdings by Fund**

DESCRIPTION	PAR AMOUNT	COUPON RATE	MATURITY DATE	SETTLEMENT DATE	YTM AT COST	ORIGINAL COST	MARKET VALUE + ACCRUED INTEREST	AMORTIZED COST + ACCRUED INTEREST	TOTAL VALUE
Total Rate Stabilization Fund									
TD BANK BANK DEPOSIT	\$ 6,708,561		11/1/2011		1.05%	\$ 6,708,561	\$ 6,708,561	\$ 6,708,561	
GENERAL ELEC CAP CORP COMM PAPER	10,000,000	-	2/29/2012	10/18/2011	0.23%	9,991,439	9,991,190	9,992,333	
									\$ 16,700,894.41
Operating Reserve Accounts									
TD BANK BANK DEPOSIT	\$ 73,373,140		11/1/2011		1.05%	\$ 73,373,140	\$ 73,373,140	\$ 73,373,140	
CAPITAL ONE BANK	5,015,777		11/1/2011		0.50%	5,015,777	5,015,777	5,015,777	
WILLIAMS CAPITAL MONEY MARKET FUND	2,500,028		11/1/2011		0.01%	2,500,028	2,500,028	2,500,028	
FHLB NOTES	10,000,000	0.625	1/13/2012	12/16/2010	0.37%	10,053,892	10,027,640	10,023,841	
FHLMC DISC NOTE	10,000,000	-	1/20/2012	1/26/2011	0.30%	9,970,582	9,998,724	9,993,444	
FHLMC NOTES	10,000,000	1.000	8/28/2012	7/27/2010	0.73%	10,068,578	10,078,440	10,039,661	
FHLB NOTES	10,000,000	0.750	8/28/2013	5/18/2011	0.72%	10,008,025	10,093,915	10,040,485	
FREDDIE MAC (CALLABLE) GLOBAL NOTES	10,000,000	0.500	10/18/2013	10/18/2011	0.56%	9,987,200	9,991,366	9,989,236	
FHLB TAP BONDS	10,000,000	3.125	12/13/2013	5/19/2011	0.99%	10,675,134	10,675,392	10,565,860	
FHLB NOTES (CALLABLE)	9,000,000	2.000	4/25/2014	4/27/2011	1.49%	9,134,740	9,077,016	9,068,083	
									\$ 150,609,555.33
Total Debt Service Reserve									
WELLS FARGO GOVERNMENT MMF	\$ 357,389		11/1/2011		0.01%	\$ 357,389	\$ 357,389	\$ 357,389	
MERRILL LYNCH MMF	3,499,776		11/1/2011		0.06%	3,499,776	3,499,776	3,499,776	
FHLB TAP BONDS	4,600,000	5.000	3/9/2012	6/22/2010	0.76%	4,997,236	4,713,322	4,702,307	
FHLMC NOTES	10,000,000	0.515	11/26/2012	11/22/2010	0.64%	9,981,294	10,047,224	10,008,840	
FHLB TAP BONDS	5,000,000	3.125	12/13/2013	5/25/2011	0.87%	5,354,034	5,337,696	5,295,836	
									\$ 23,864,148.43

Investment Performance Report - October 2011



**DC Water
Finance Division
Portfolio Holdings by Fund**

DESCRIPTION	PAR AMOUNT	COUPON RATE	MATURITY DATE	SETTLEMENT DATE	YTM AT COST	ORIGINAL COST	MARKET VALUE + ACCRUED INTEREST	AMORTIZED COST + ACCRUED INTEREST	TOTAL VALUE
<u>Series 2010A Bond Construction Fund</u>									
WELLS FARGO ADVANTAGE TREASURY PLUS	\$ 10,751,893		11/1/2011		0.01%	\$ 10,751,893	\$ 10,751,893	\$ 10,751,893	
WELLS FARGO GOVERNMENT MMF	10,985,582		11/1/2011		0.01%	10,985,582	10,985,582	10,985,582	
FHLB NOTES	37,000,000	0.320	12/9/2011	1/26/2011	0.28%	37,027,008	37,055,286	37,048,106	
FNMA GLOBAL NOTES	27,500,000	2.000	1/9/2012	1/26/2011	0.30%	27,969,272	27,769,754	27,759,060	
SUMITOMO CORP OF AMERICA COMM PAPER	10,000,000	-	1/26/2012	10/18/2011	0.38%	9,989,444	9,991,690	9,990,922	
FHLMC NOTES	22,500,000	1.720	3/14/2012	1/26/2011	0.37%	22,985,250	22,685,120	22,662,593	
									\$ 119,198,156.06
<u>Series 2010A Bond Construction Fund- Cap I</u>									
WELLS FARGO ADVANTAGE TREASURY PLUS	\$ 237,589		11/1/2011		0.01%	\$ 237,589	\$ 237,589	\$ 237,589	
WELLS FARGO GOVERNMENT MMF	1,742,350		11/1/2011		0.01%	1,742,350	1,742,350	1,742,350	
FHLMC GLOBAL NOTES	1,400,000	2.125	3/23/2012	3/16/2011	0.27%	1,440,656	1,414,206	1,413,347	
FHLB GLOBAL BONDS	1,400,000	1.625	9/26/2012	3/16/2011	0.43%	1,436,191	1,418,810	1,417,268	
FHLB TAP BONDS	1,400,000	3.875	3/8/2013	3/16/2011	0.70%	1,488,359	1,474,365	1,467,722	
FNMA NOTES	1,400,000	1.125	9/30/2013	3/16/2011	0.97%	1,412,681	1,420,823	1,405,453	
FNMA NOTES (EX-CALLABLE)	1,400,000	1.250	3/14/2014	3/16/2011	1.19%	1,402,617	1,426,303	1,402,285	
									\$ 9,086,013.93
<u>Total CSO LTCP Appropriations Account</u>									
TD BANK BANK DEPOSIT	\$ 13,783,058		11/1/2011		1.05%	\$ 13,783,058	\$ 13,783,058	\$ 13,783,058	
PREMIER BANK DEPOSIT	5,011,602		11/1/2011		0.24%	5,011,602	5,011,602	5,011,602	
AMERICAN BEACON MMF	1,481,832		11/1/2011		0.02%	1,481,832	1,481,832	1,481,832	
NORTHWEST UNIVERSITY COMM PAPER	5,000,000	-	1/10/2012	10/18/2011	0.13%	4,998,483	4,998,700	4,998,736	
FHLB TAP BONDS	10,000,000	1.125	3/9/2012	6/21/2010	0.84%	10,080,075	10,052,680	10,026,290	
FHLB GLOBAL BONDS	10,000,000	2.250	4/13/2012	3/7/2011	0.32%	10,301,743	10,106,230	10,097,961	
FHLB TAP BONDS	10,000,000	1.375	6/8/2012	11/22/2010	0.50%	10,197,461	10,121,568	10,107,206	
									\$ 55,506,684.66
						\$ 376,399,971.00	\$ 375,416,034.84	\$ 374,965,452.82	\$ 374,965,452.82

Investment Performance Report - October 2011



DC Water
Finance Division
Security Transactions
Last 6 Months

ACCOUNT	CUSIP	DESCRIPTION	PAR	COUPON	MATURITY DATE	SETTLE DATE	YTM	TRANSACTION AMOUNT
Purchases								
DC WASA 2010A CONSTRUCTION FUND	25153KVF1	DEUTSCHE BANK FINL LLC COMM PAPER	5,000,000	-	08/15/11	07/14/11	0.081	\$ 4,999,644.44
DC WASA 2010A CONSTRUCTION FUND	313384KX6	FHLMC DISC NOTE	10,000,000	-	08/26/11	06/14/11	0.061	\$ 9,998,783.33
DC WASA 2010A CONSTRUCTION FUND	4611K1WK7	INTESA FUNDING COMM PAPER	5,000,000	-	09/19/11	05/20/11	0.386	\$ 4,993,561.11
DC WASA 2010A CONSTRUCTION FUND	2521E1WP6	DEXIA DELAWARE LLC COMM PAPER	5,000,000	-	09/23/11	05/20/11	0.477	\$ 4,991,775.00
DC WASA 2010A CONSTRUCTION FUND	86561AAS6	SUMITOMO CORP OF AMERICA COMM PAPER	10,000,000	-	01/26/12	10/18/11	0.386	\$ 9,989,444.44
DC WASA OPERATING RESERVE ACCOUNTS	05950YVC5	BANCO BILBAO COMM PAPER	5,000,000	-	08/12/11	05/13/11	0.457	\$ 4,994,312.50
DC WASA OPERATING RESERVE ACCOUNTS	80280PGR2	SANTANDER SA COMM PAPER	5,000,000	-	08/19/11	05/12/11	0.396	\$ 4,994,637.50
DC WASA OPERATING RESERVE ACCOUNTS	86561BW76	SUMITOMO CORP OF AMERICA COMM PAPER	5,000,000	-	09/07/11	06/14/11	0.213	\$ 4,997,520.83
DC WASA OPERATING RESERVE ACCOUNTS	0027A1WL9	ABBAY NATL N AMERICA LLC COMM PAPER	5,000,000	-	09/20/11	06/14/11	0.376	\$ 4,994,963.89
DC WASA OPERATING RESERVE ACCOUNTS	6323A1XB7	NATIXIS COMM PAPER	5,000,000	-	10/11/11	07/06/11	0.284	\$ 4,996,227.78
DC WASA OPERATING RESERVE ACCOUNTS	6323A1XC5	NATIXIS US FIN COMM PAPER	5,000,000	-	10/12/11	06/14/11	0.289	\$ 4,995,250.00
DC WASA OPERATING RESERVE ACCOUNTS	313373S37	FHLB NOTES	10,000,000	0.750	08/28/13	05/18/11	0.716	\$ 10,008,025.36
DC WASA OPERATING RESERVE ACCOUNTS	3134G2W73	FREDDIE MAC (CALLABLE) GLOBAL NOTES	10,000,000	0.500	10/18/13	10/18/11	0.565	\$ 9,987,200.00
DC WASA OPERATING RESERVE ACCOUNTS	3133XSP93	FHLB TAP BONDS	10,000,000	3.125	12/13/13	05/19/11	0.990	\$ 10,675,133.97
DC WASA TOTAL CSO LTCP APPROPRIATIONS	86561BX75	SUMITOMO CORP OF AMERICA COMM PAPER	5,000,000	-	10/07/11	07/07/11	0.193	\$ 4,997,572.22
DC WASA TOTAL CSO LTCP APPROPRIATIONS	3024A7XH8	FCAR OWNER TRUST COMM PAPER	5,000,000	-	10/17/11	07/06/11	0.193	\$ 4,997,281.94
DC WASA TOTAL CSO LTCP APPROPRIATIONS	66844CAA2	NORTHWEST UNIVERSITY COMM PAPER	5,000,000	-	01/10/12	10/18/11	0.132	\$ 4,998,483.33
DC WASA TOTAL DEBT SERVICE RESERVE	3133XSP93	FHLB TAP BONDS	5,000,000	3.125	12/13/13	05/25/11	0.870	\$ 5,354,034.09
DC WASA RATE STABILIZATION FD	36959SWM1	GENERAL ELEC CAP SVCS COMM PAPER	5,000,000	-	09/21/11	05/24/11	0.173	\$ 4,997,166.67
DC WASA RATE STABILIZATION FD	36959HBV8	GENERAL ELEC CAP CORP COMM PAPER	10,000,000	-	02/29/12	10/18/11	0.233	\$ 9,991,438.89

Securities highlighted in **blue font** denote trades executed during the current month.

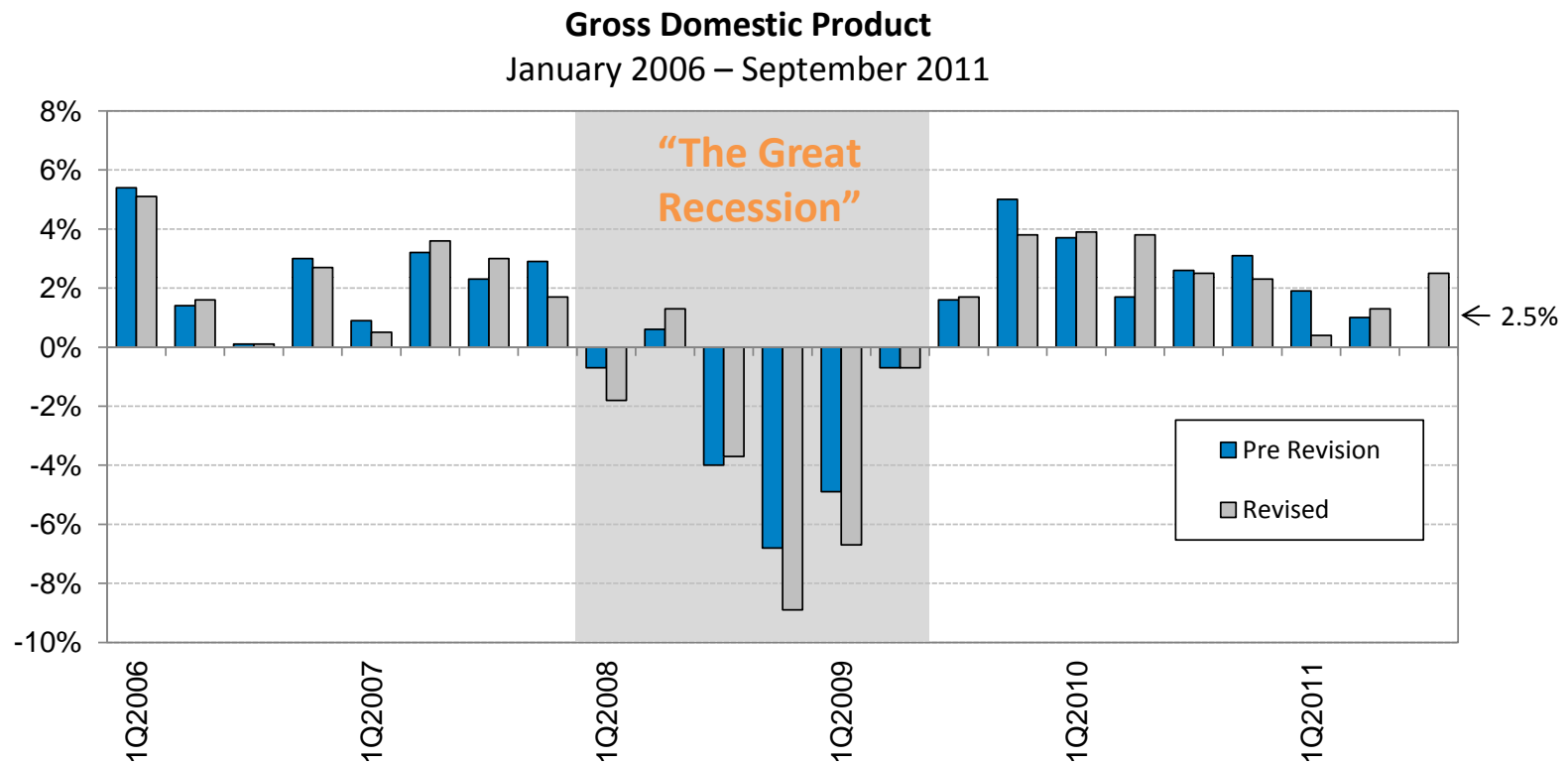


Appendix: Economic Update



GDP Growth Picks Up in the Third Quarter

- Third quarter GDP growth was 2.5%, dissipating fears of a double-dip.
- Economists continue to expect a modest increase in economic activity with Bloomberg's survey showing a 2% forecast for both Q4 2011 and Q1 2012.



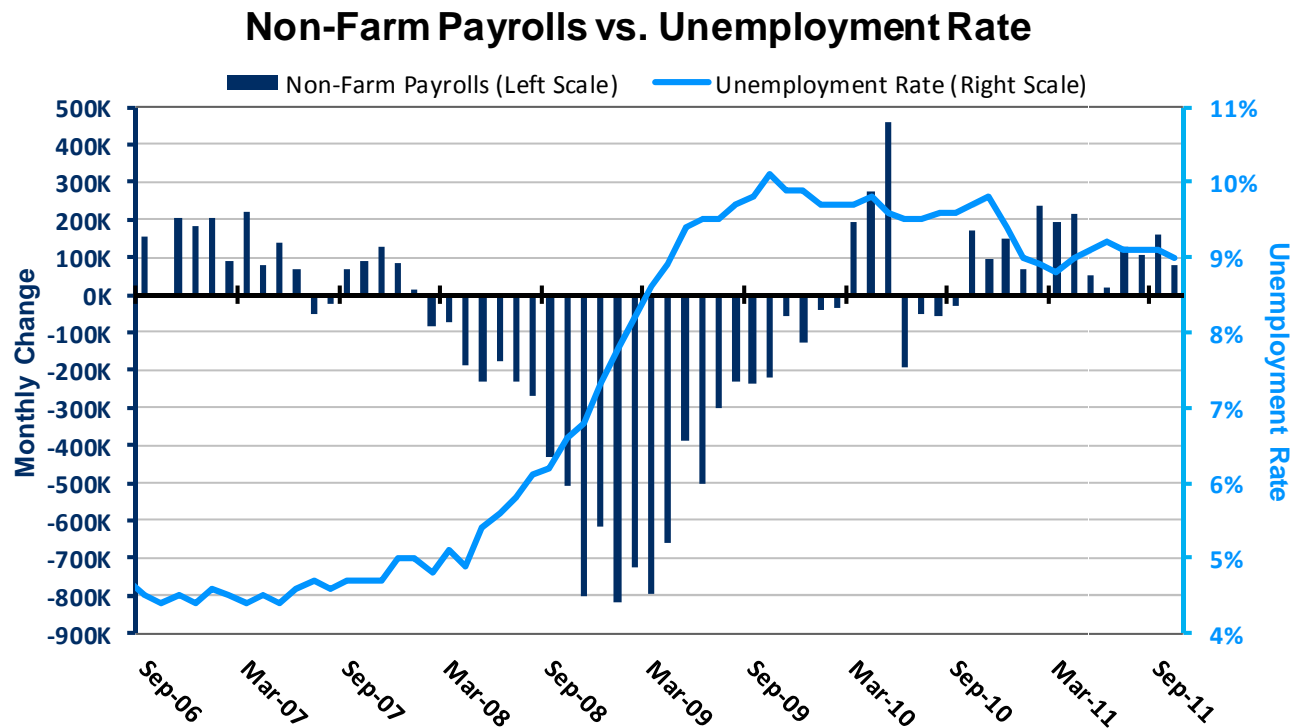
Source: Bloomberg

* Recession dates according to the National Bureau of Economic Research



Employment Conditions Improve Slightly in October

- In October, the unemployment rate dropped to 9.0% from 9.1% previous.
- Nonfarm payrolls increased 80,000 in October with another 102,000 jobs added via prior months' revisions. Average for 2011 stands at 125,000 jobs per month.



Source: Bloomberg



November 2 FOMC Statement

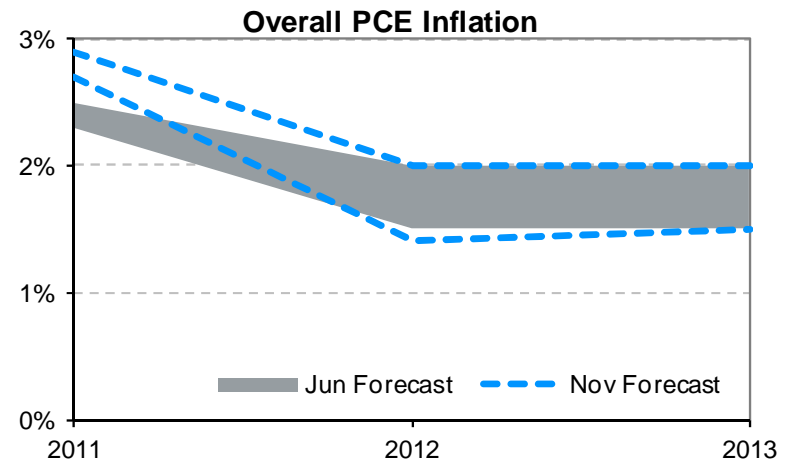
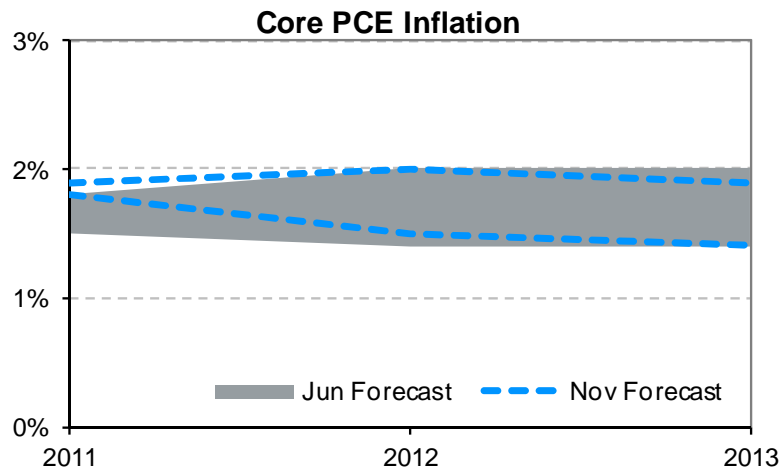
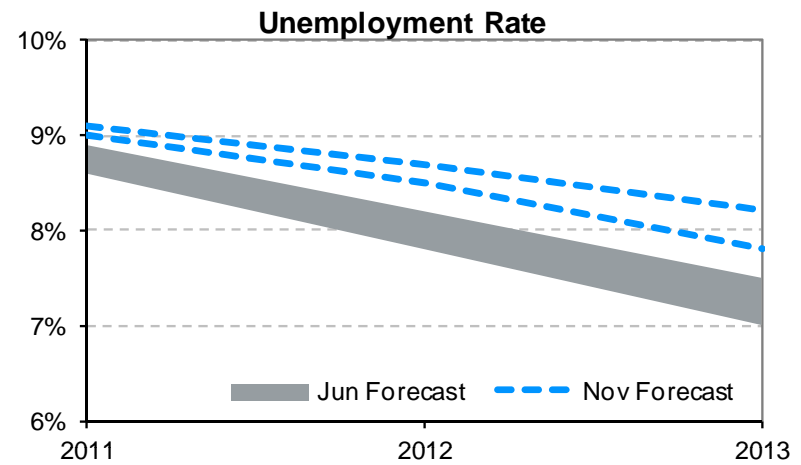
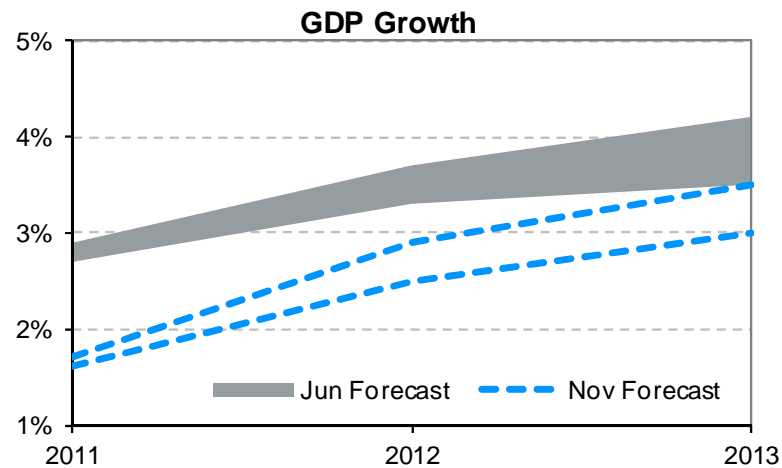
- Economic conditions likely to warrant “exceptionally low” rate “at least through mid-2013”.
- The program to extend the average maturity of its holdings will continue. The policy of reinvesting payments from agency debt and mortgage backed securities into agency mortgage backed securities, and of rolling maturing Treasuries at auction will be maintained.
- A moderate pace of economic growth is expected to continue over coming quarters, however, there are significant downside risks to the economic outlook.
- Inflation will settle, over the coming quarters, at levels at or below those consistent with the mandate for price stability as effects of past commodity price increases dissipate.
- The unemployment rate will decline only gradually toward levels judged to be consistent with its mandate to foster maximum employment.

	<u>2011 Forecast</u>		<u>2012 Forecast</u>		<u>2013 Forecast</u>	
	June	Nov	June	Nov	June	Nov
GDP Growth	2.7% - 2.9%	1.6% - 1.7%	3.3% - 3.7%	2.5% - 2.9%	3.5% - 4.2%	3.0% - 3.5%
Core PCE Inflation	1.5% - 1.8%	1.8% - 1.9%	1.4% - 2.0%	1.5% - 2.0%	1.4% - 2.0%	1.4% - 1.9%
Overall PCE Inflation	2.3% - 2.5%	2.7% - 2.9%	1.5% - 2.0%	1.4% - 2.0%	1.5% - 2.0%	1.5% - 2.0%
Unemployment Rate	8.6% - 8.9%	9.0% - 9.1%	7.8% - 8.2%	8.5% - 8.7%	7.0% - 7.5%	7.8% - 8.2%

Source: Federal Reserve



Fed Revised Economic Forecast



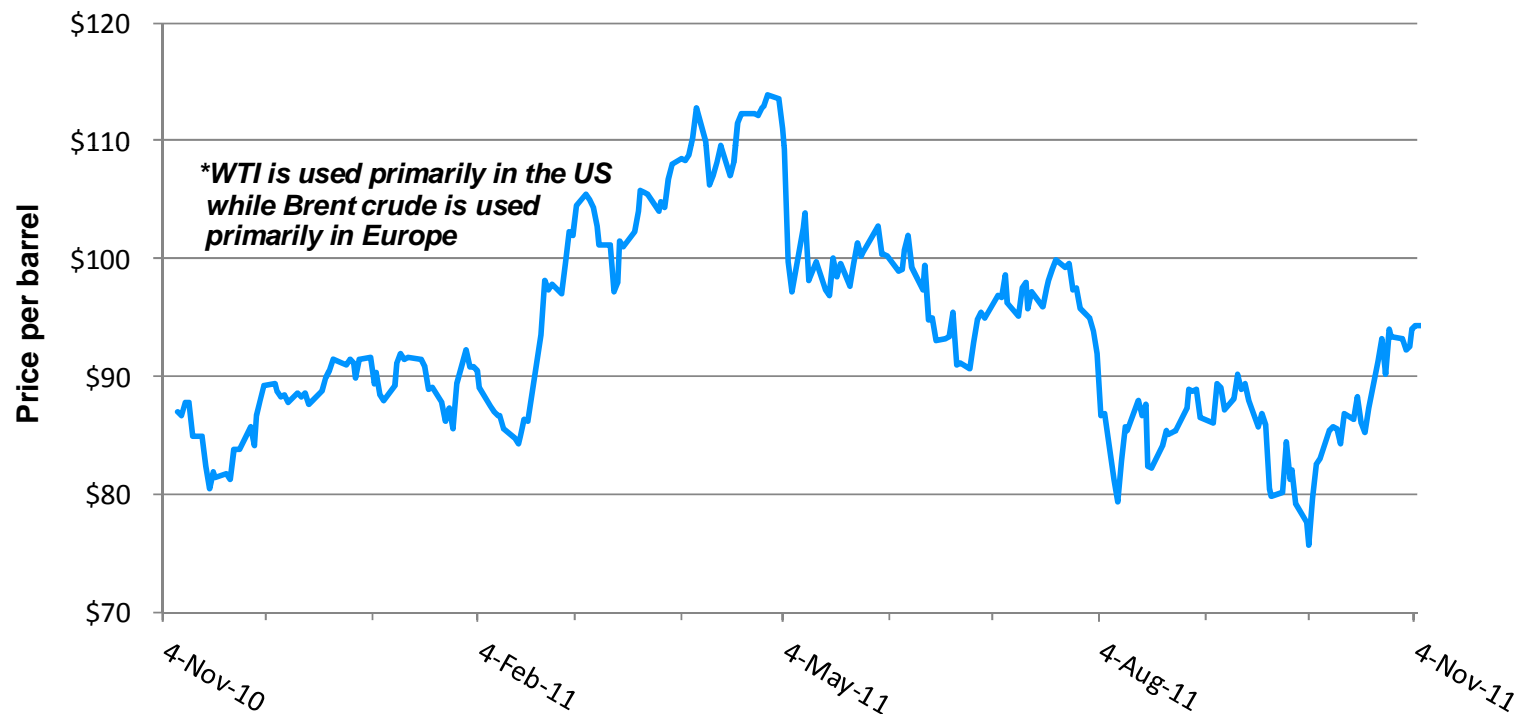
Source: Federal Reserve



Oil Price Declines Beginning to Reverse

- Oil rebounded in October to post the biggest monthly gain in two years on optimism that a recovering economy will boost demand.
- Every \$10 decline in the price of a barrel of oil adds about 0.3% to GDP.

West Texas Intermediate (WTI)* Crude Oil



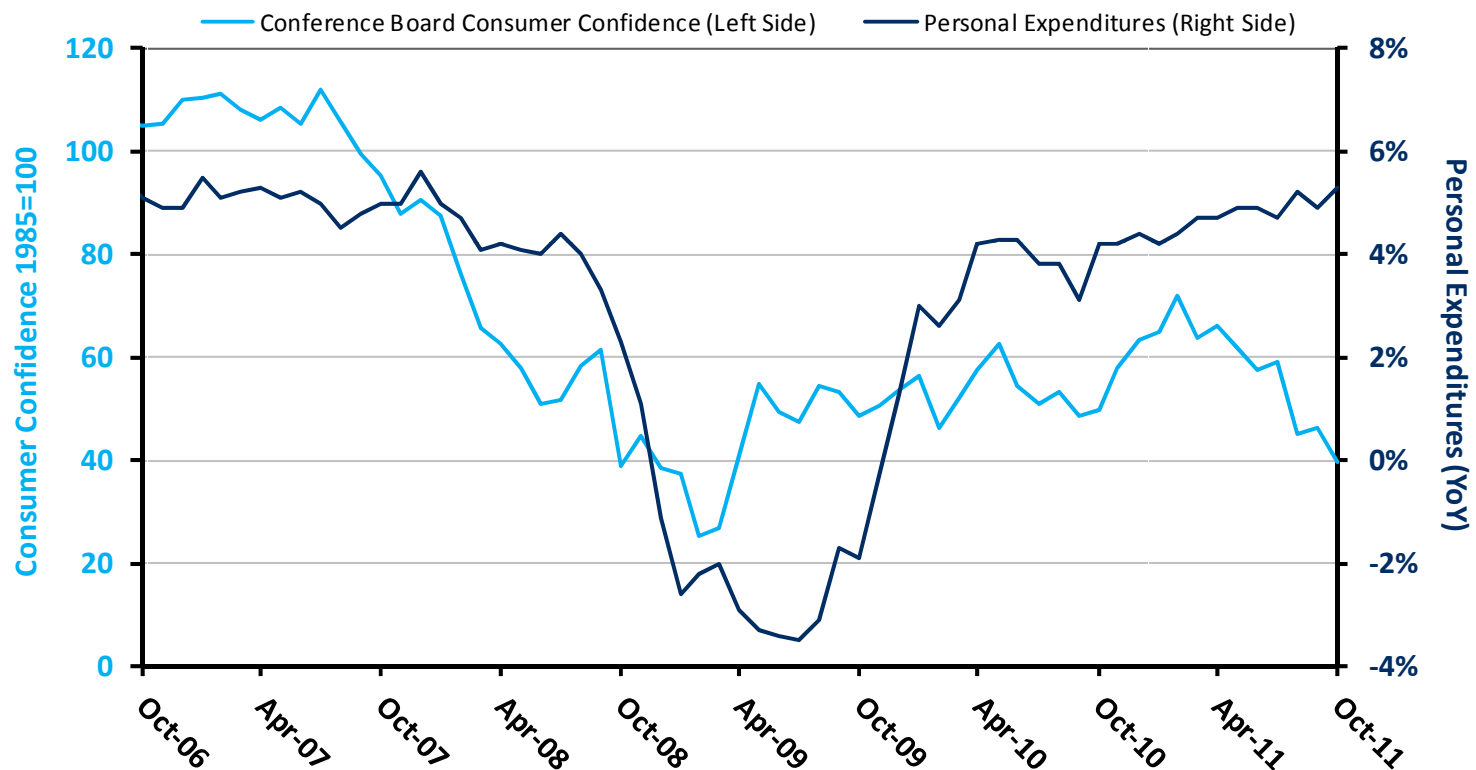
Source: Bloomberg



Spending Holding Up Despite Falling Confidence

- But the risk is consumer spending converges toward the low confidence levels instead of consumer

Consumer Confidence vs. Personal Consumption Expenditures



Source: Bloomberg



General Manager's Proposed **OPERATING** and **CAPITAL BUDGETS**

REVISED FY **2012** PROPOSED FY **2013**

FINANCE AND BUDGET COMMITTEE MEETING, NOVEMBER 23, 2011
Timothy L. Firestine, Committee Chairman

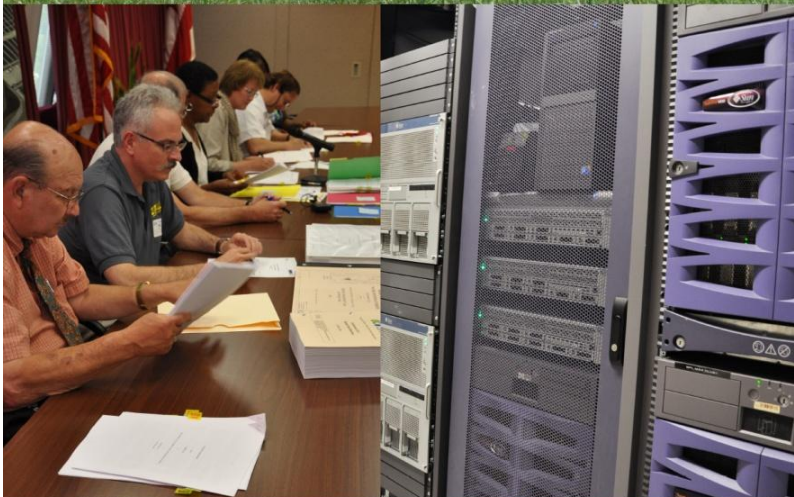
(AS PRESENTED TO THE JOINT COMMITTEES ON OCTOBER 27, 2011)

William M. Walker, Chairman of the Board

George S. Hawkins, General Manager

Olu Adebo, Chief Financial Officer

Leonard R. Benson, Chief Engineer



BUDGET IN SYNC:
ENVIRONMENT,
INNOVATION,
SERVICE and
ACCOUNTABILITY



FY 2013 Budget Calendar

Month	Event
May 18	General Manager's Budget Kickoff Meeting Distribute budget manual and other preparation materials
June 8	Revised FY 2012 & Proposed FY 2013 Operating Budget Submission due to Budget Office
June 8	CIP draft submitted for initial review
June 20 – June 30	Budget Staff Review of Departmental submissions
June 21 – 22	CIP Program area meetings with CFO/Finance and Budget
July 7	Revised Budget Proposal Delivered to Full Board for Action
July – August	Begin Preliminary 10-year Financial Plan update CFO Budget review
August	Operating and Capital Budget Review with General Manager/Chief of Staff FY 2013 Final Budget Decision Process Completed
September – October	Budget Preparation and Production
October 6	GM's Proposal to the Board for Proposed FY 2013 Budget
October 27	Submit Proposed FY 2013 Budget to Joint Committees
October – December	Board Committees Conduct In-depth Review of Budget Proposal
December 2011	Committees forward Recommendations to full Board for Deliberation/Action
January 2012	▪ Board Adoption
February/March 2012	▪ Submission to the District of Columbia
June 2012	▪ District typically submits budget for Congressional Review



DC Water Enabling Legislation Requires Congressional Approval of Budgets

- 💧 Committees review and recommend actions (November/December)
- 💧 Board consideration and adoption of Operating and Capital Budgets and Financial Plan (January)
- 💧 After adoption, the Authority is required to submit its annual operating and capital budgets to the Mayor and Council of the District of Columbia for review and comment (February/March)
 - 💧 Annual City Council budget hearings typically are held between March and May
- 💧 District typically completes budget for Congressional review (June)

Committee Actions Required

ACTIONS REQUIRED	COMMITTEE			
	Finance & Budget	Retail Water & Sewer Rates	Environmental Quality & Sewerage	Water Quality & Water Services
FY 2013 Proposed Operating Budget	√			
FY 2011 -2020 Capital Improvement Program Lifetime Budget Disbursements Budget	√		√	√
FY 2013 Capital Authority Request	√		√	√
FY 2011 - 2013 Ten Year Financial Plan	√	√		
Proposed Rate Adjustments Water & Sewer Volumetric Rates Right-of-Way (ROW) Payment in Lieu of Taxes (PILOT) Impervious Area Charge (IAC)	√	√		

Table of Contents

Section 1	General Manager's Budget Overview
Section 2	Budget Assumptions
Section 3	Operating Budget
Section 4	Capital Improvement Program
Section 5	Revenues, Rates & Fees
Section 6	Emerging Topics & Opportunities
Section 7	Budget Calendar & Next Steps
Section 8	Appendix

Section 1

GENERAL MANAGER'S BUDGET OVERVIEW

Strategic Budget Development

- 🚰 Operating and Capital Budgets linked
- 🚰 Budgets determine the funding needs and revenue projections
- 🚰 Goal was to balance our operating and financial needs with the financial impact on our customers
 - Customer affordability in the light of current economic conditions

Budget-Development Focus



Budget Prioritization

- Health/Safety of our Employees & Customers
- Legal Requirements
- Board Directives
- Customer Service
- Efficiency



Technique / Approach

- Team Work
- Accountability
- Performance Management
- Communication
- Process Improvement
- Innovation/Creativity

Budget-Development Focus – cont.



Greater oversight and decision making by the AGMs throughout the entire process

- Departmental Heads and Managers were required to:
 - Take accountability for both planning and execution of their respective budgets by providing a 2-3 year road map in developing strategic goals
 - Plan and articulate budget proposals based on short and long term needs
 - Look for improved efficiencies/cost savings



FY 2013 budgets are based on priorities and initiatives, reliant upon consensus-based decisions made by the General Manager in concert with the Executive Leadership Team

FY 2012 & FY 2013 Major Highlights

These Budget proposals include:



Enhanced workforce development

- Changing culture and improving processes
- Continuation of Team Blue Safety and Asset Management Task Forces
- Identification of additional cross-functional teams to integrate change management



Continuation of in-sourcing proposals

- Water/Sewer design
- Valve Exercising
- Hydrant replacements



Exploring new technologies

- Trenchless sewer lateral replacements
- Leak detection
- Issue all digester contracts



Enhancing security

- Complete security command center
- Complete plant logistics at Blue Plains with accompanying security support

General Manager's Budget Proposal



Revised FY 2012 operating budget totals \$415.4 million

- As approved by Board in July 2011
 - \$7.0 million below the Board-approved FY 2012 budget



Proposed FY 2013 operating budget totals \$456.8 million

- \$41.4 million increase from revised FY 2012 budget
- In line with the Board-approved ten-year financial plan



Capital Budget

- Lifetime Budget totals \$8.0 billion¹
- Disbursements Budget totals \$3.8 billion (FY 2011 – 2020)²
- Authority Request totals \$606.1 million³



Additional FY 2013 revenue requirement would be funded through:

- Retail Revenue – increase of \$28.3 million
 - Proposed FY 2013 combined water and sewer rate increase of \$0.47 per Ccf {\$0.63 per 1,000 gallons}
 - Proposed FY 2013 monthly Clean Rivers Impervious Area Charge (IAC) increase of \$3.09 per ERU
 - Proposed FY 2013 PILOT fee increase of \$0.03 per Ccf {\$0.04 per 1,000 gallons}
 - Proposed FY 2013 ROW fee increase of \$0.01 per Ccf {\$0.01 per 1,000 gallons}
- Wholesale Revenue – increase of \$3.1 million
- Other Revenue – increase of \$2.3 million

¹Lifetime budget includes total budgeted costs for all activities planned from the inception of the project until its completion; this includes all activities whether they pre-date, or extend beyond the current 10-year CIP.

²Capital Improvement Program (CIP) Disbursements Budget projects disbursements for various projects by fiscal year. Includes estimates for FY 2011 and may be adjusted slightly once year-end data is available.

³Appropriations Authority – As part of DC Water's enabling legislation, Congressional appropriation authority is required before any capital design or construction contract can be entered into.

General Manager's Recommended Rate Adjustments

	<u>Units</u>	<u>Actual FY 2012</u>	<u>Proposed FY 2013</u>
DC Water Retail Rates Water	Ccf	\$ 3.24	\$ 3.45
DC Water Retail Rates Sewer	Ccf	\$ 3.96	\$ 4.22
DC Water Clean Rivers IAC	ERU	\$ 6.64	\$ 9.73
DC Water Customer Metering Fee	5/8"	\$ 3.86	\$ 3.86
District of Columbia PILOT Fee	Ccf	\$ 0.49	\$ 0.52
District of Columbia Right of Way Fee	Ccf	\$ 0.15	\$ 0.16
District of Columbia Stormwater Fee	ERU	\$ 2.67	\$ 2.67

Section 2

BUDGET ASSUMPTIONS

Major Budget Development Expenditure Assumptions

FY 2013

Personnel

- Merit increases - 3.0 percent
- Vacancy rate - 3.1 percent
- Increased head count - 41 positions

Chemicals

- Average flow of 300 MGD
- Unit costs based on current contract prices

Electricity

- Assumes 3 percent increase in unit cost consistent with the financial plan
- Block purchase of up to 100 percent for the first quarter of FY 2013

Debt Service

- Variable - 3.25 percent ; Fixed – 6.5 percent

PILOT

- Consistent with conditions in the current MOU

10-Year Plan

Operations expenditure increases

- Debt service – 12.8 percent average annual increase
- All other O&M
 - 3.0 percent average annual increase
 - Estimated average annual savings of \$28.8 million from digester implementation beginning in FY 2014
- PILOT & ROW – consistent with conditions in the current MOU

Capital Improvement Program

- No additional Federal funding for Clean Rivers
 - \$153.6 million received to date
- IMA commitment to share in multi jurisdictional sewer projects
- Biosolids Management Project – Digester
 - Financing assumed to be rate neutral during most of the construction period
- Annual pipeline replacement program – 1 percent

Major Budget Development Revenues Assumptions

FY 2013

- 🔩 Fire Protection Fee
 - Assumes current rate of \$680.48 per fire hydrant
- 🔩 Interest Rate (Investments)
 - 0.8 percent in FY 2013
- 🔩 Rate Stabilization Fund
 - \$6.5 million utilization

10-Year Plan

- 🔩 Board Financial Policies
 - Rate setting – reliable, predictable and transparent
 - Debt coverage – 140 percent senior debt coverage
 - Operating Reserves – target \$125.5 million

10-Year Plan cont.

- 🔩 Consumption reduced by 1 percent annually due to conservation
- 🔩 PILOT & ROW
 - Consistent with conditions in the current MOU (FY 2013 – FY 2020)
- 🔩 Interest Rate (Investments)
 - 3 percent in FY 2014
 - 4 percent in FY 2015
 - 5 percent in FY 2016 through FY 2020
- 🔩 Rate Stabilization Fund
 - Full utilization in FY 2020

Section 3

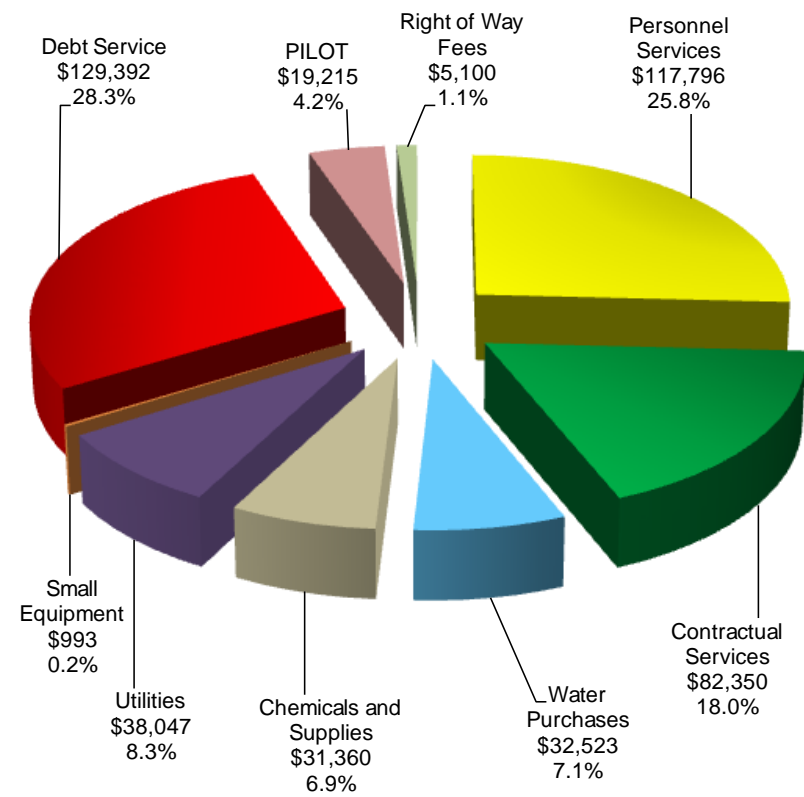
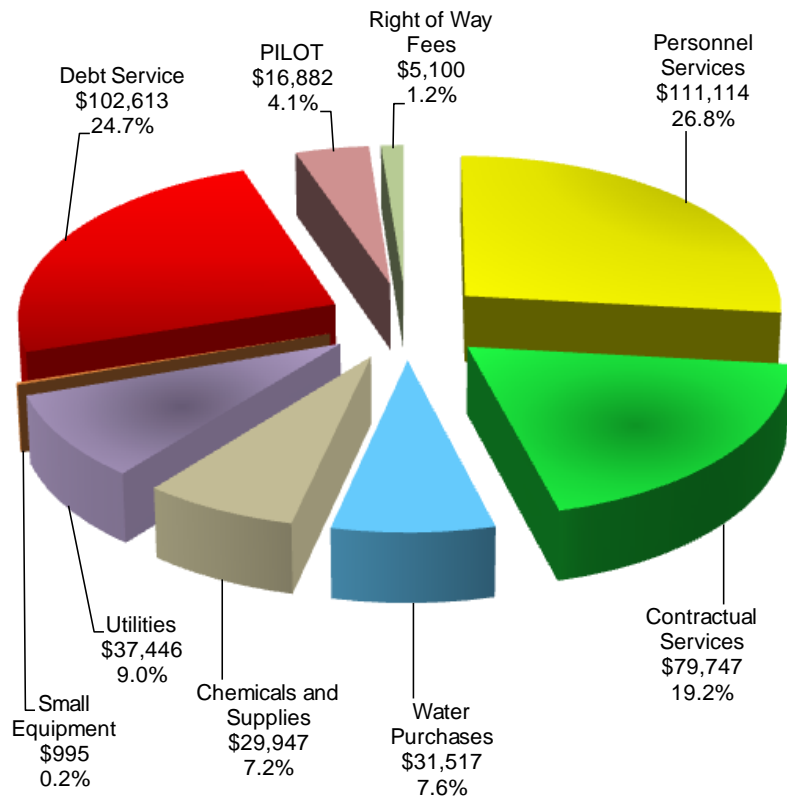
OPERATING BUDGET

Operations & Maintenance by Category

Revised FY 2012¹
\$415,360

(\$000's)

Proposed FY 2013
\$456,775



¹Approved July 7, 2011

Comparative Operating Expenditure Budgets

(\$000's)

	FY 2011 Projections	FY 2012 Revised	FY 2013 Proposed	FY 2012 vs FY 2013	
				\$	%
				Incr./ (Decr.)	
Personnel Services	\$ 102,569	\$ 111,114	\$ 117,796	\$ 6,682	6.0%
Non-Personnel Services	157,865	179,651	185,272	5,621	3.1%
Operations & Maintenance Expenditures	260,434	290,765	303,069	12,304	4.2%
Debt Service	92,068	102,613	129,392	26,779	26.1%
Payment in Lieu of Taxes	16,882	16,882	19,215	2,333	13.8%
Right of Way Fee	5,100	5,100	5,100	-	0.0%
Total Operating Budget	\$ 374,484	\$ 415,360	\$ 456,775	\$ 41,415	10.0%
PS Charged to Capital Projects	(10,716)	(14,000)	(16,690)	(2,690)	19.2%
Net Operating Expenditures	\$363,768	\$401,360	\$440,085	\$38,725	9.6%
Authorized Positions	1,042	1,202	1,243	41	3.4%

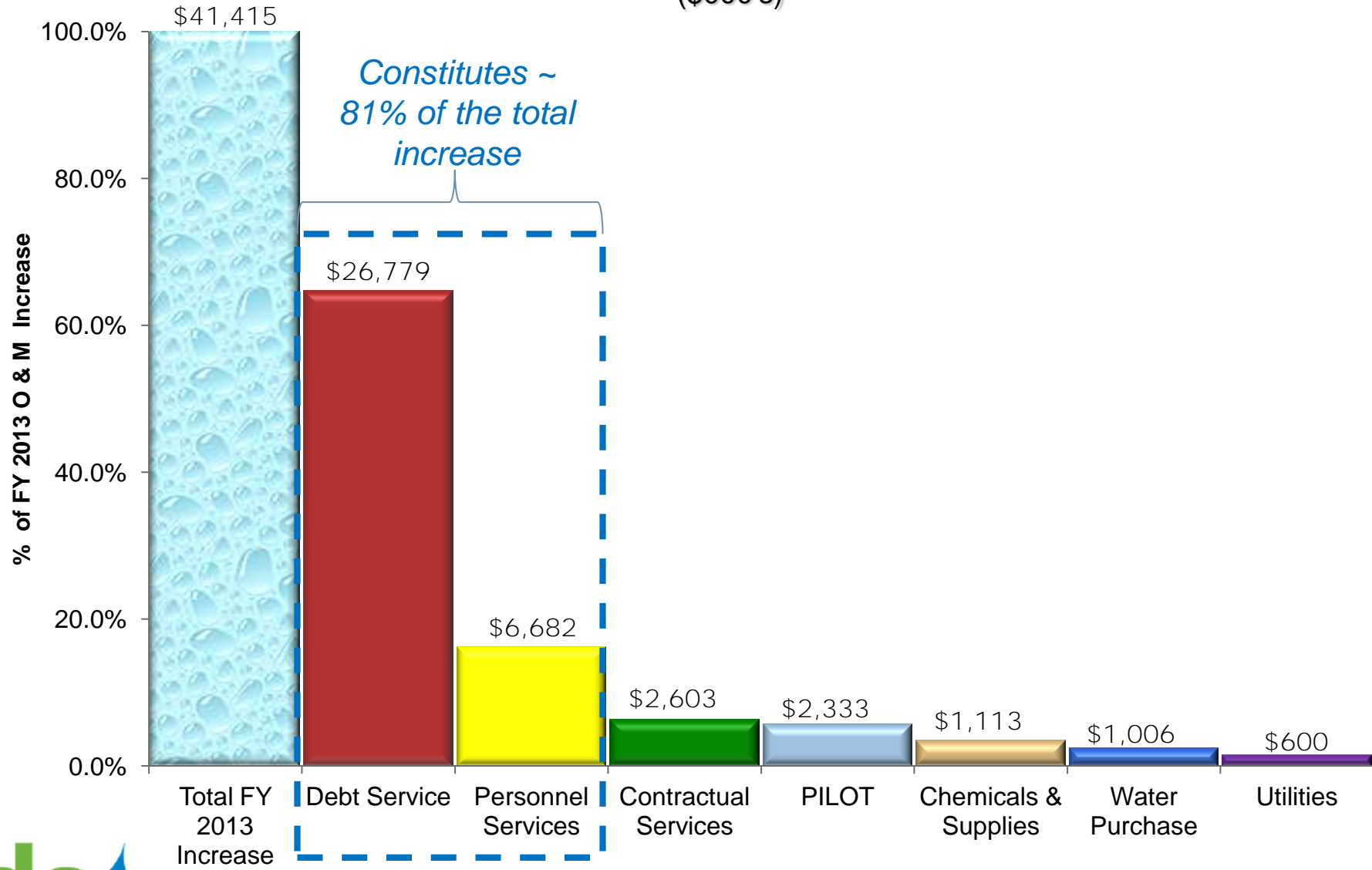


Proposed FY 2013 budget increases by \$41.4 million or 10.0 percent over the Board-revised FY 2012 budget

- Increase is within the Board-approved ten-year financial plan

FY 2013 O & M Budget Increases

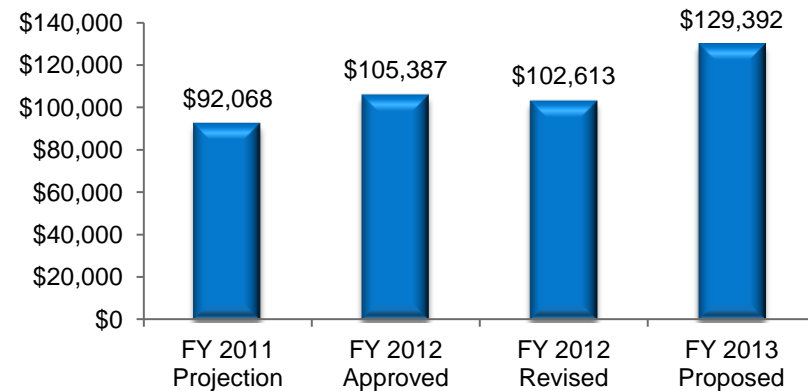
(\$000's)



O & M Budget Drivers by Object

– Debt Service

(\$000's)

Debt Service

As detailed in the table below, debt service increased by \$26.8M in the proposed FY 2013 budget for:

- Series 2012A - \$16.0M full year of debt service payment on \$300M
- Series 2013A - \$8.1M partial year debt service payment on \$200M
- Capital equipment financing - \$2.2M

Note: Full discussion on debt financing can be found in Section VI of the operating budget book

	FY 2011		FY 2012		FY 2013		
Debt Issuance			\$ 300,000		\$ 200,000		
Interest Rate		-	5.5%		6.5%		
Debt Service Coverage							
Senior Debt Service Coverage		3.19	2.78		2.32		
Subordinate Debt Service Coverage		1.80	1.57		1.68		
Combined Debt Service Coverage		1.44	1.30		1.30		
Debt Service Payments							FY 2012 vs 2013
							Incr. / (Decr.)
Series 2010A	\$ 7,007	\$ 7,552	\$ 7,552		\$ -		
Series 2012A	\$ -	\$ 5,325	\$ 21,301		\$ 15,976		
Series 2013A	\$ -	\$ -	\$ 8,148		\$ 8,148		
Commercial Paper	\$ 2,363	\$ 5,374	\$ 5,750		\$ 376		
Capital Equipment	\$ -	\$ 1,607	\$ 3,819		\$ 2,212		
Other Existing Debt	\$ 82,698	\$ 82,755	\$ 82,822		\$ 67		
Total Debt Service	\$ 92,068	\$ 102,613	\$ 129,392		\$ 26,779		

Debt Service

– Sensitivity Analysis

FY 2013

Planned Issuance

Optimistic
@ 4.5%
\$6.5M

Moderate
@ 5.5%
\$7.3M

Budgeted
@ 6.5%
\$8.1M

- ⚙ *Risk:* Low
- ⚙ *Sensitivity:* Every 1% change in rate impacts the operating budget by \$800,000 (based on \$200M issuance)

FY 2014 – FY 2020

Planned Issuance

Optimistic
@ 4.5%
\$673.2M

Moderate
@ 5.5%
\$726.8M

Budgeted
@ 6.5%
\$783.2M

- ⚙ *Risk:* Low
- ⚙ *Sensitivity:* Every 1% change in rate impacts the operating budget by an average of \$7.9M per year over the seven year period (based on \$1.4B additional bond issuance over the remainder of the ten-year plan)

O & M Budget Drivers by Object – Personnel Services

(\$000's)

Proposed FY 2013 personnel services budget increase of \$6.7 million is attributable to:




Notes	Description	Capital	Operating	Others	Total
1	Filled Vacant Positions	\$1,181	\$739		\$1,920
2	New Positions	1,063	293		1,356
3	Merit			2,526	2,526
4	Step Increases			412	412
5	Benefits			275	275
	Overtime			193	193
	Total	\$2,244	\$1,032	\$3,406	\$6,682

Notes:

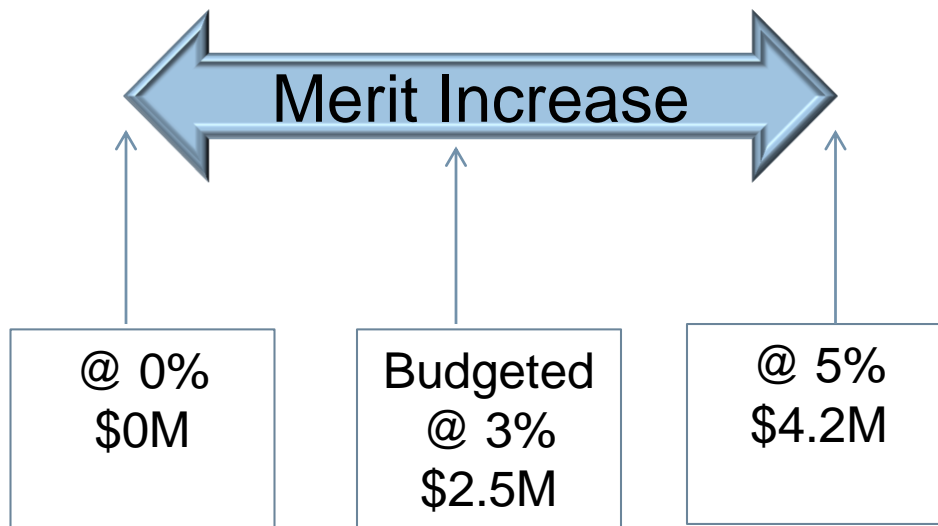
- ¹ Budgeted for 129 vacant authorized positions that will be filled in FY 2013 or were partially filled in FY 2012
- ² New proposed 41 positions that will be partially filled in FY 2013
- ³ Assumes 3% performance merit increase
- ⁴ Budgeted for union step increases
- ⁵ Increased benefit costs primarily tied to increased headcount

Personnel Services – cont.

Proposed headcount increase of 41 positions from 1,202 to 1,243 FTEs in FY 2013, primarily for:

Program	No. of Positions
 Continuation of In-Sourcing Proposals <ul style="list-style-type: none"> • DETS - Planning & Design (2) and Water & Sewer construction (12) branches • Water Services - Valve operations (14) and system repairs (9) 	14 23
 Revenue Protection Program Support <ul style="list-style-type: none"> • Customer Services – To audit water meter readings as needed and ensure proper revenue billing 	1
 Administration Support <ul style="list-style-type: none"> • Safety - Training support and construction project monitoring • Facilities Management - Inspection and investigation 	2 1
	41

Personnel Services – Sensitivity Analysis

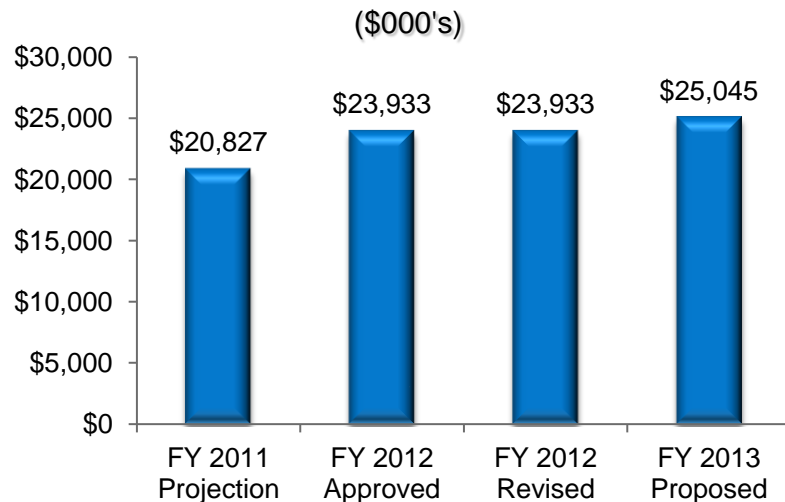


⚙️ *Risk:* Medium

⚙️ *Sensitivity:* Every 1% change in merit increase impacts the operating budget by \$840,000

O & M Budget Drivers by Object – Chemicals

Budgets

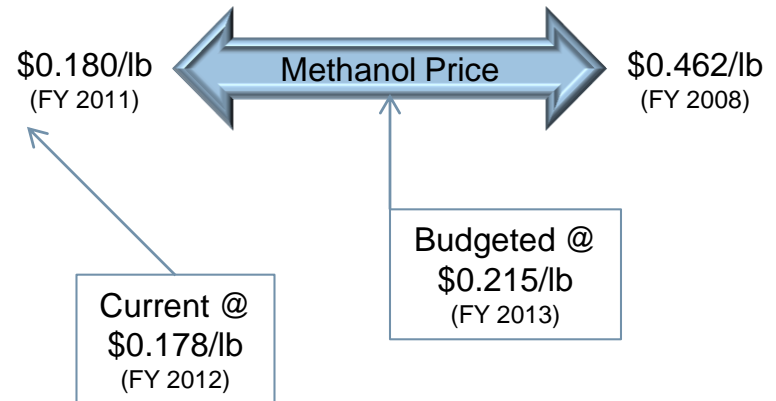


Proposed FY 2013 increase of \$1.1 million

- Unit cost prices are based on current contract prices
 - Methanol costs have greatest market risk
 - Current contract for methanol is secured through April 2012



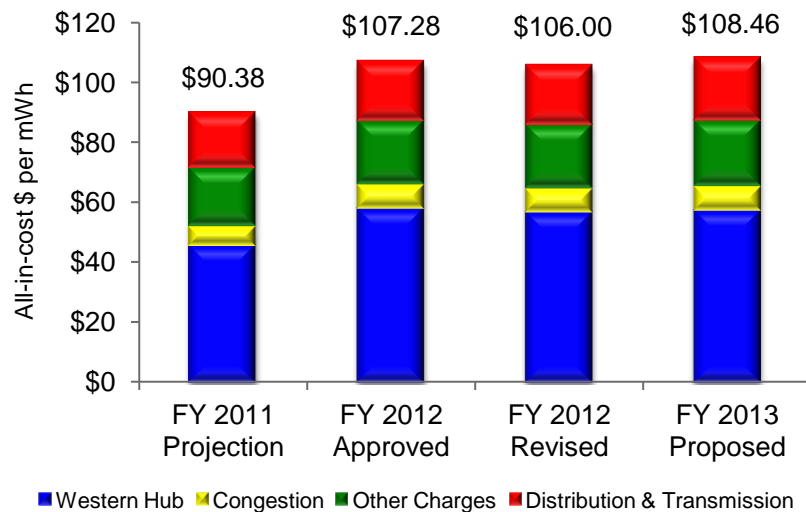
Sensitivity Analysis



- Volatility:** World markets impact negotiation of costs and contract terms
- Risk:** Medium
- Sensitivity:** Every \$0.01 change in unit will impact the operating budget by \$375,000 (based on 37.5 million pounds)

O & M Budget Drivers by Object – Electricity

Unit Prices



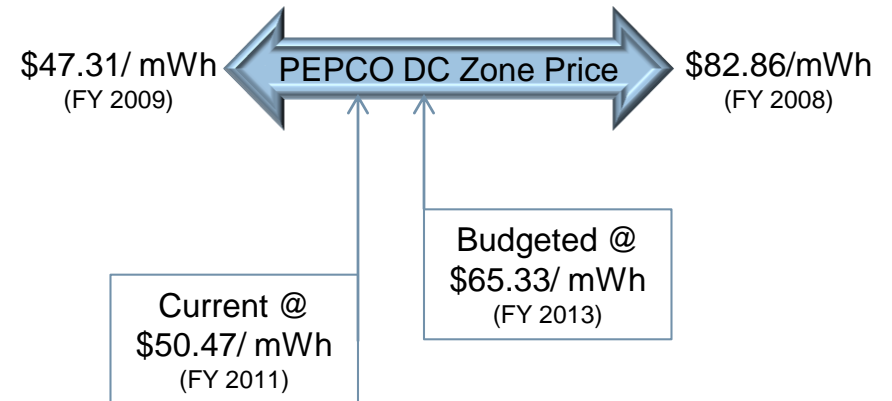
Proposed FY 2013 electricity budget of \$29.2 million assumes

- 3 percent increase in unit prices due to instability in oil market & unknown future market unit prices
- Up to 100 percent block purchase through the first quarter of FY 2013

Note: Existing energy contract expires January 31, 2013



Sensitivity Analysis



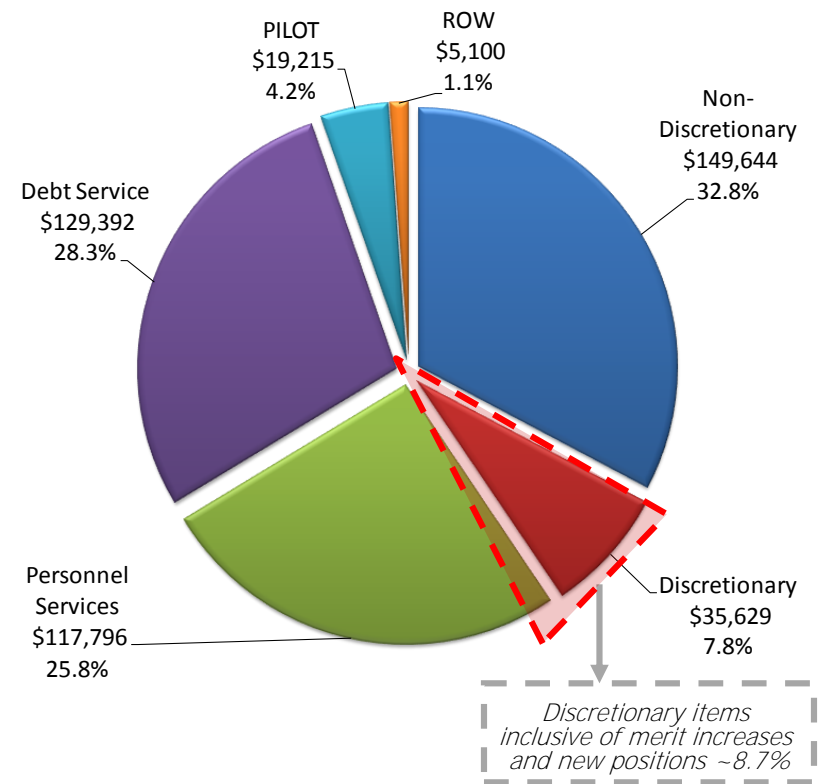
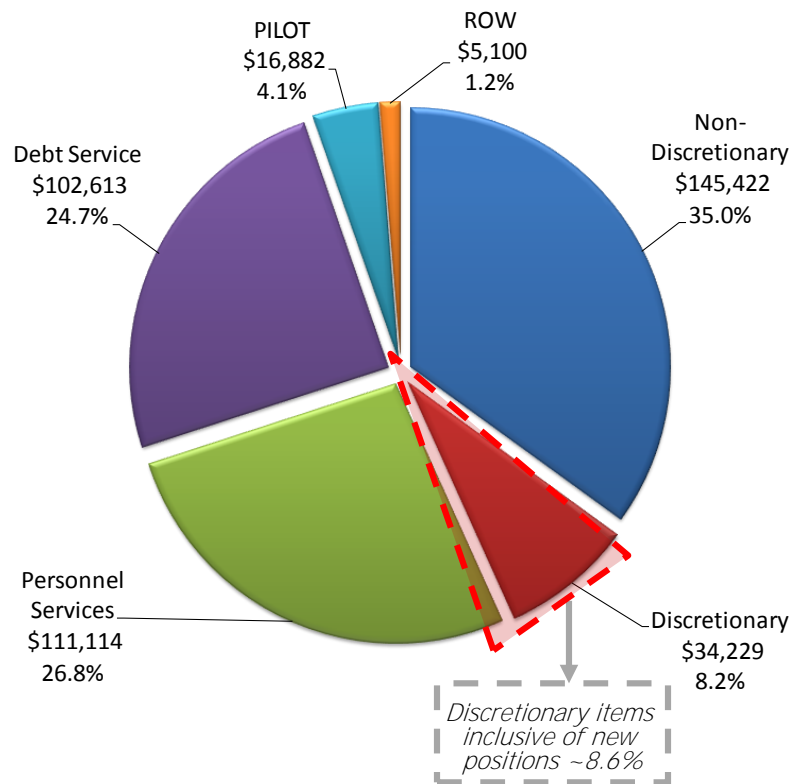
- Volatility:** Pepco DC Zone which comprises of the Western Hub & Congestion spot market prices.
- Risk:** Medium
- Sensitivity:** Every \$1 change in unit price impacts the operating budget by \$267,400 (based on 267,400 mWh)

Less than 9% of the Operating Budgets Are Discretionary

Revised FY 2012

(\$000's)

Proposed FY 2013



- Non-discretionary items include costs for chemicals, utilities, biosolids, water purchases and 55% of contractual services
- Discretionary items comprise of new positions, merit increases, supplies, small equipment and the remaining contractual services

Section 4

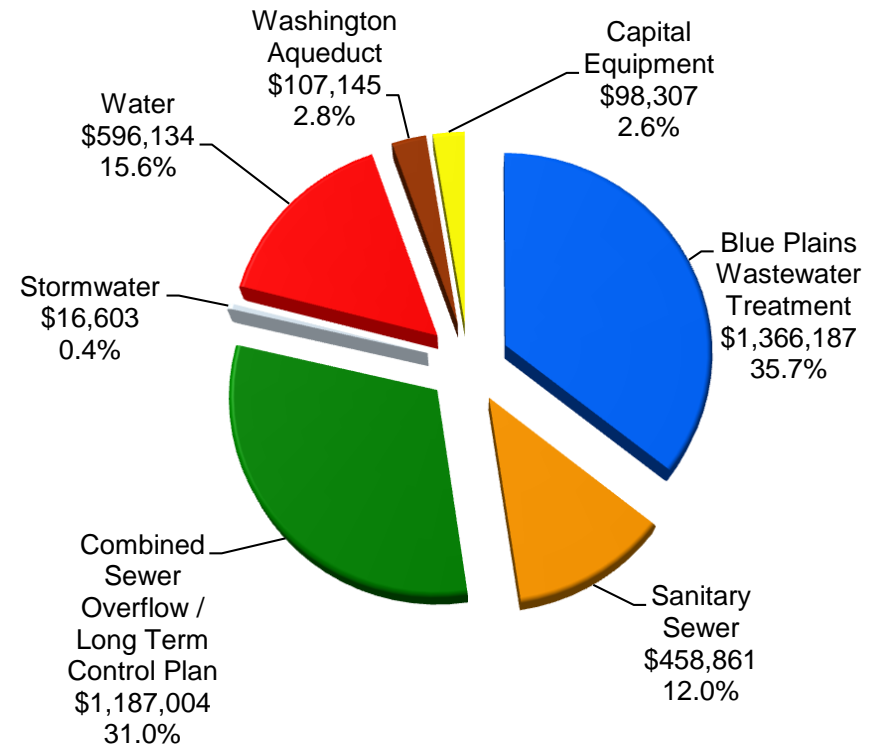
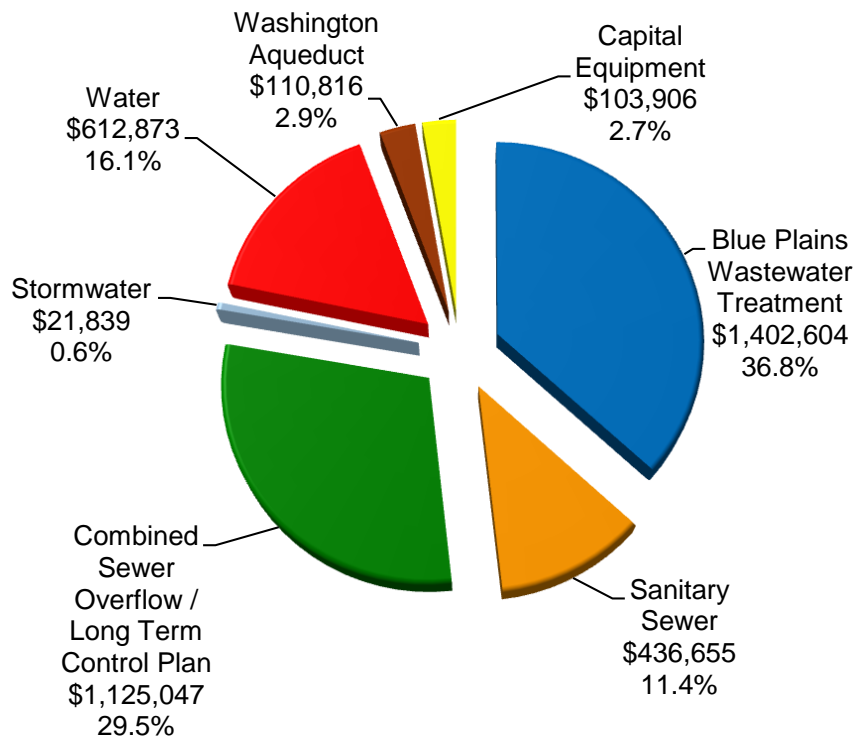
CAPITAL IMPROVEMENT PROGRAM

\$3.8 Billion Ten-Year CIP by Service Area

FY 2010 – FY 2019

(\$000's)

FY 2011 – FY 2020



Overview of CIP Budget Request



10-Year CIP Disbursements

- Proposed FY 2011 – FY 2020 CIP disbursements at \$3.8 billion are the same as the Board-approved FY 2010 – FY 2019 CIP disbursements



Lifetime Budget

- Proposed lifetime budget of \$8.0 billion - Increase of \$78.9 million over last year's Board-approved plan primarily for the Sanitary Sewer and Water service areas



Capital Authority Request

- Proposed FY 2013 authority request totals \$606.1 million - Decrease of \$146.4 million over the FY 2012 authority request

FY 2011 – FY 2020 CIP (Cash Disbursements)

Summary by Service Area

(\$000's)

	FY 2011 <i>Projected</i>	FY 2012 <i>Revised</i>	FY 2013 <i>Proposed</i>	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	Total FY '10 - '19	FY 2020	Total FY '11 - '20	FY '11 - '20 vs '10 - '19
Wastewater Treatment	128,186	275,845	378,648	209,313	110,798	104,080	95,922	42,224	16,822	1,402,604	4,350	1,366,187	(36,417)
Sanitary Sewer	26,132	39,922	45,381	56,779	64,335	44,567	41,286	55,928	44,419	436,655	40,110	458,861	22,206
Combined Sewer Overflow / Long Term Control Plan	80,182	132,017	152,020	111,759	163,205	157,542	141,933	57,179	78,546	1,125,047	112,621	1,187,004	61,957
Stormwater	2,479	2,775	4,276	2,545	801	775	737	810	900	21,839	506	16,603	(5,236)
Water	46,750	54,461	59,436	66,820	58,643	58,121	63,572	66,461	56,614	612,873	65,255	596,134	(16,738)
Washington Aqueduct	9,491	11,373	10,598	10,744	11,016	11,280	11,588	10,891	10,323	110,816	9,842	107,145	(3,671)
Capital Equipment	10,230	15,349	15,341	12,384	9,173	7,278	7,348	7,648	6,778	103,906	6,778	98,307	(5,599)
Total FY 2013 DC Water CIP	303,450	531,742	665,700	470,344	417,971	383,643	362,386	241,142	214,402	3,813,740	239,462	3,830,240	16,500
2010-2019	325,222	555,820	589,786	442,122	365,982	421,531	370,976	257,039	223,104	3,813,740	-		
Variance: 2011-2020 vs 2010-2019	(21,772)	(24,078)	75,914	28,222	51,989	(37,888)	(8,590)	(15,897)	(8,702)	0	239,462	16,500	

Summary of Disbursements between Retail & Wholesale Customers

	Projected										
	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	Total
EPA/FED	\$ 44,220	\$ 56,787	\$ 64,423	\$ 40,914	\$ 22,500	\$ 16,500	\$ 16,500	\$ 16,500	\$ 16,500	\$ 16,500	\$ 311,344
Retail	177,225	299,713	363,380	288,076	311,373	291,309	280,866	197,451	183,364	214,970	2,607,727
Wholesale	82,005	175,242	237,897	141,354	84,098	75,834	65,020	27,191	14,538	7,992	911,171
Total CIP	\$ 303,450	\$ 531,742	\$ 665,700	\$ 470,344	\$ 417,971	\$ 383,643	\$ 362,386	\$ 241,142	\$ 214,402	\$ 239,462	\$3,830,242

Ten-Year CIP Comparison (FY 2012 & FY 2013 Changes)

(\$000's)

	APPROVED FY 2010 - 2019			PROPOSED FY 2011 - 2020			VARIANCE		
	FY 2012	FY 2013	TOTAL	FY 2012	FY 2013	TOTAL	Increase / (Decrease)		
EPA/FED	\$ 71,760	\$ 38,597	\$ 110,357	\$ 56,787	\$ 64,423	\$ 121,210	\$ (14,973)	\$ 25,826	\$ 10,853
Retail	267,409	346,458	613,867	299,713	363,380	663,093	32,304	16,922	49,226
Wholesale	216,651	204,731	421,382	175,242	237,897	413,139	(41,409)	33,166	(8,243)
Total CIP	\$ 555,820	\$ 589,786	\$ 1,145,606	\$ 531,742	\$ 665,700	\$ 1,197,442	\$ (24,078)	\$ 75,914	\$ 51,836



The proposed combined FY 2012 & 2013 cash disbursements increased by \$51.8 million from the approved plan:

- EPA/FED - increase of \$10.9 million
- Retail - increase of \$49.2 million
- Wholesale - decrease of \$8.2 million

CIP Cost Drivers by Service Areas (Cash Disbursements)

FY 2011 – 2020 CIP disbursements at \$3.8 billion are the same as the FY 2010 -2019 CIP disbursements, with the following changes:

Wastewater Treatment: Net 10-year decrease of \$36.4 million

- Decrease in the ENR (formerly BTN) project due to favorable construction bids
- Increase in the digester project to reflect the cost associated with the final dewatering portion of the project

Combined Sewer Overflow/Clean Rivers (LTCP): 10-year increase of \$62.0 million

- Increase recognizes continuation of LTCP projects through 2025.

CIP Cost Drivers by Service Areas (Cash Disbursements) – cont.



Water and Sewer Facility Plan: Combined increase of \$5.4 million through FY 2020

- Reflects the continued ramp up through FY 2015 of new water projects to ensure 1% annual replacement and new sewer service life restoration projects.
- Sewer projects identified within the sewer facility plan and not currently funded will be added in future years moving forward
- In-sourcing of staff began in FY 2010 for the design of water and sewer Infrastructure as well as valve operations. The result of the in-sourcing will achieve long-term savings within the CIP.



Washington Aqueduct: 10-year decrease of \$3.7 million

- Reflects a decreased funding need for infrastructure improvements over the next ten years.

Prioritization of Spending

(\$000's)



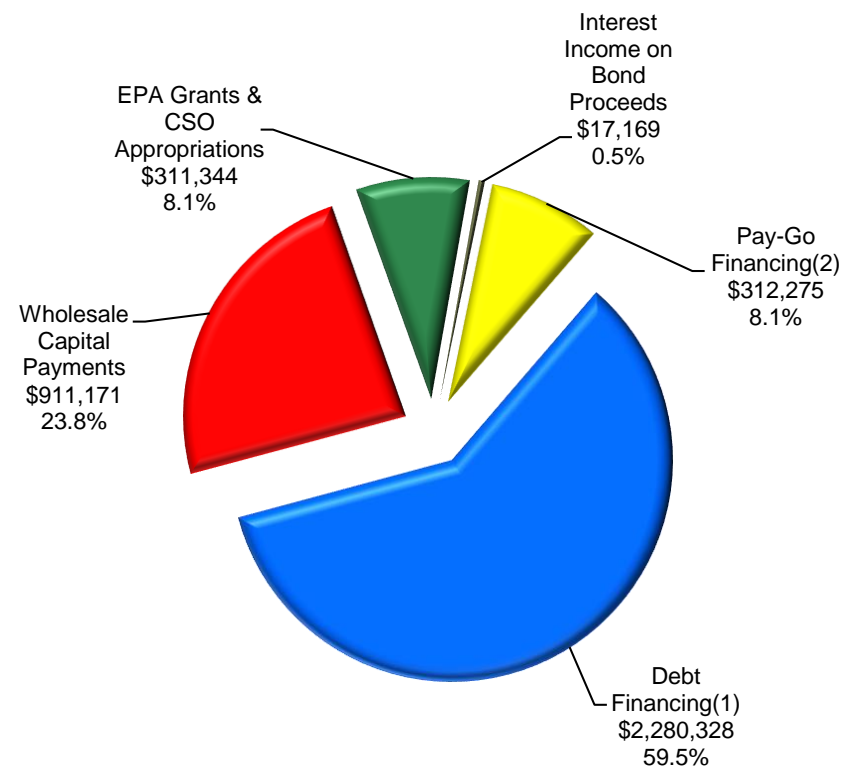
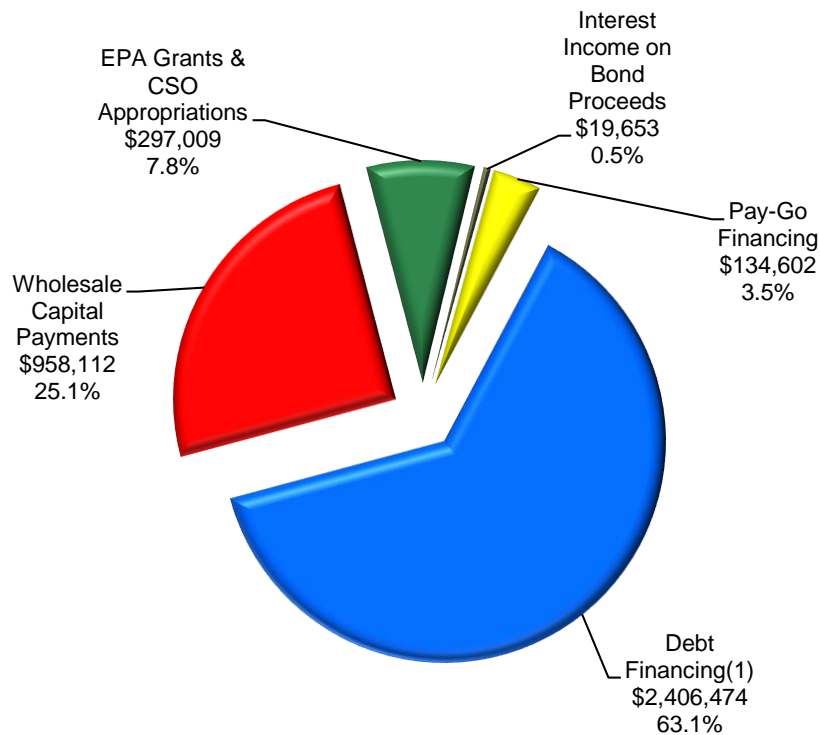
Category	Mandates	Health & Safety	Board Policy	Potential Faliure	High Profile / Good Neighbor	Good Engineering Practices / High Payback	Good Engineering Practices / Low Payback	Total
Description	Agreements, Regulatory standards, Court orders, Issues and Permits requirements, Stipulated Agreements, Etc.	Required to address Public Safety	Undertaken as a result of the Board's commitment to outside agencies	Related to Facilities in danger of failing, or critical to meeting permit requirements	Address Public concerns	Need to fulfill Mission and upgrade Facilities	Lower priority projects	
FY 2011 Projected	\$120,617	\$4,891	\$12,911	\$55,011	\$7,723	\$92,323	\$9,974	\$303,450
FY 2012	230,758	8,499	13,053	52,680	6,582	206,230	13,941	531,742
FY 2013	264,921	10,730	11,722	62,810	7,043	294,875	13,599	665,700
FY 2014	179,609	24,885	13,358	69,860	8,225	165,553	8,853	470,343
FY 2015	214,822	23,496	11,083	54,011	3,897	104,732	5,931	417,971
FY 2016	226,372	9,866	11,348	39,372	0	84,107	12,580	383,643
FY 2017	205,415	6,685	9,361	31,701	0	84,259	24,967	362,386
FY 2018	66,879	8,510	8,367	24,096	0	88,239	45,051	241,141
FY 2019	68,909	9,296	5,818	18,898	0	102,803	8,679	214,403
FY 2020	99,930	5,975	7,857	12,577	0	101,577	11,545	239,461
Total	\$1,678,229	\$112,833	\$104,877	\$421,015	\$33,469	\$1,324,695	\$155,121	\$3,830,240
% of Total	43.82%	2.95%	2.74%	10.99%	0.87%	34.59%	4.05%	100.00%

Ten-Year CIP Sources of Fund

FY 2010 – FY 2019

(\$000's)

FY 2011 – FY 2020



- (1) Debt financing refers to the borrowing of funds through revenue bonds, commercial paper and other short-term notes.
 (2) Pay-Go financing is any funds available after meeting the six month operating reserve requirement of \$125.5 million in FY 2011, which will reduce the amount of new debt issuance.

Section 5

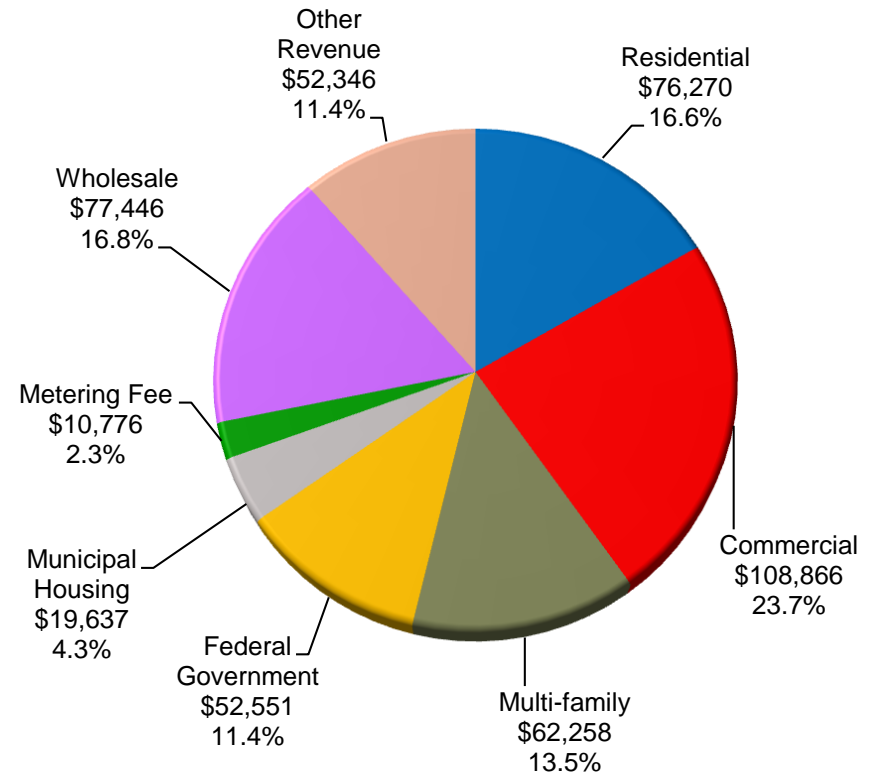
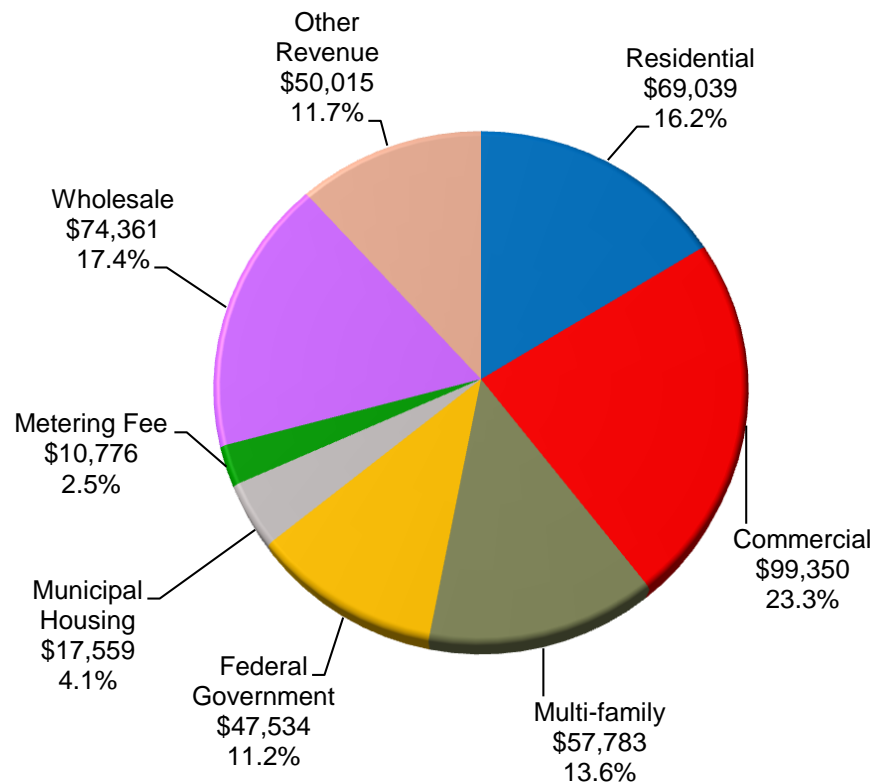
REVENUES, RATES & FEES

Operating Revenues

Revised FY 2012
\$426,417

(\$000's)

Proposed FY 2013
\$460,150




Note: Detailed discussion can be found in Section IV of the operating budget book

Comparative Operating Revenues Budgets




(\$000's)

	FY 2011 Projections	FY 2012 Revised	FY 2013 Proposed	FY 2013 vs FY 2012	
				\$	%
				<i>Incr./ (Decr.)</i>	
Retail Revenue	\$279,069	\$302,041	\$330,358	\$28,317	9.4%
Wholesale Revenue					
PI	2,134	2,183	2,183	-	0.0%
LCSA	5,144	5,388	5,445	57	1.1%
WSSC	49,192	53,309	55,881	2,572	4.8%
Fairfax County	12,520	13,481	13,937	456	3.4%
Total Wholesale Revenue	68,990	74,361	77,446	3,085	4.1%
Other Revenue	46,726	43,515	45,846	2,331	5.4%
Rate Stabilization Fund	9,500	6,500	6,500	-	0%
TOTAL REVENUE	\$404,286	\$426,417	\$460,150	\$33,733	7.9%

Proposed Retail Rates & Fees

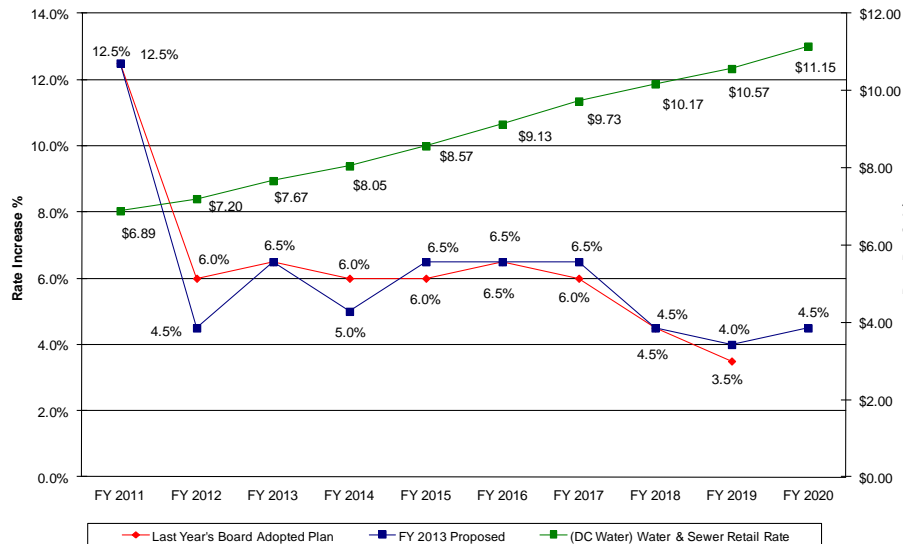
-  FY 2013 combined Water and Sewer rate increase of \$0.47 per Ccf or \$6.50 per month for the average residential customer {\$0.63 per 1,000 gallons}
- Water rate increase of \$0.21 per Ccf to \$3.45 per Ccf {increase of \$0.28 to \$4.61 per 1,000 gallons}
 - Sewer rate increase of \$0.26 per Ccf to \$4.22 per Ccf {increase of \$0.35 to \$5.64 per 1,000 gallons}

*About \$0.01
per gallon of water*

-  FY 2013 monthly Clean Rivers Impervious Area Charge increase of \$3.09 to \$9.73 per ERU to recover the costs of the DC Clean Rivers Project
-  FY 2013 PILOT fee increase of \$0.03 per Ccf to \$0.52 per Ccf {increase of \$0.04 to \$0.70 per 1,000 gallons}
-  FY 2013 ROW increase of \$0.01 per Ccf to \$0.16 per Ccf {increase of \$0.01 to \$0.21 per 1,000 gallons} to recover full cost of District charge per current MOU

FY 2013 Proposed Retail Rate Changes

Water & Sewer Rates



Proposed \$0.47 increase per Ccf, {\$0.63 per 1,000 gallons} in FY 2013

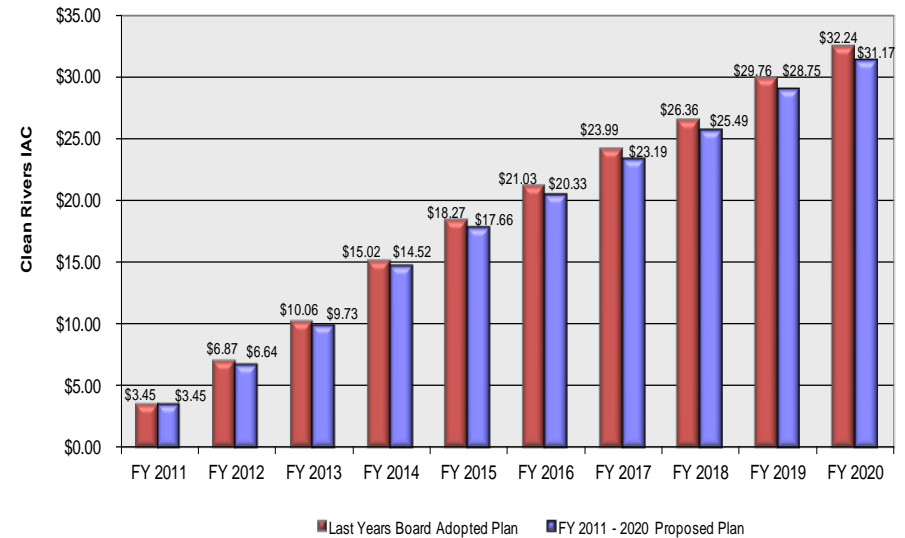
- Combined Water and Sewer rate of \$7.67 per Ccf



Rate increase ranging from 4.0% to 12.5%



Clean Rivers IAC



Proposed Clean Rivers IAC range rate increases from \$3.45 to \$31.17 per ERU

- Annual revenues ranging from \$15.7 million to \$145.0 million



Proposed PILOT increase of \$0.03 per Ccf (\$0.04 per 1,000 gallons)



Proposed ROW increase of \$0.01 per Ccf (\$0.01 per 1,000 gallons)

Average Residential Monthly Bill (FY 2011 – 2013)

	Units	FY 2011	FY 2012	FY 2013
DC Water Retail Rates (1)	Ccf	\$ 46.09	\$ 48.17	\$ 51.31
DC Water Clean Rivers IAC	ERU	3.45	6.64	9.73
DC Water Customer Metering Fee		3.86	3.86	3.86
Subtotal DC Water Rates & Charges		\$ 53.40	\$ 58.67	\$ 64.90
Increase / Decrease		\$ 8.25	\$ 5.27	\$ 6.23
District of Columbia PILOT (1)	Ccf	\$ 3.28	\$ 3.28	\$ 3.48
District of Columbia Right of Way Fee (1)	Ccf	0.94	1.00	1.07
District of Columbia Stormwater Fee (2)	ERU	2.67	2.67	2.67
Subtotal District of Columbia Charges		\$ 6.89	\$ 6.95	\$ 7.22
Total Amount Appearing on DC Water Bill		\$ 60.29	\$ 65.62	\$ 72.12
Increase / Decrease Over Prior Year		\$ 8.76	\$ 5.33	\$ 6.50
Percent Increase in Total Bill		17.0%	8.8%	9.9%

(1) Assumes average monthly consumption of 6.69 Ccf, or (5,004 gallons)

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

Average CAP Residential Monthly Bill (FY 2011 – 2013)

	Units	FY 2011	FY 2012	FY 2013
DC Water Retail Rates (1)	Ccf	46.09	48.17	51.31
DC Water Clean Rivers IAC	ERU	3.45	6.64	9.73
DC Water Customer Metering Fee		3.86	3.86	3.86
Subtotal DC Water Rates & Charges		\$ 53.40	\$ 58.67	\$ 64.90
Increase / Decrease		\$ 8.25	\$ 5.27	\$ 6.23
District of Columbia PILOT (1)	Ccf	\$ 3.28	\$ 3.28	\$ 3.48
District of Columbia Right of Way Fee (1)	Ccf	\$ 0.94	\$ 1.00	\$ 1.07
District of Columbia Stormwater Fee (3)	ERU	2.67	2.67	2.67
Subtotal District of Columbia Charges		\$ 6.89	\$ 6.95	\$ 7.22
Total Amount		\$ 60.29	\$ 65.62	\$ 72.12
Less: CAP Discount (4 Ccf per month) (1), (2)		(30.08)	(31.36)	(33.40)
Total Amount Appearing on DC Water Bill		\$ 30.21	\$ 34.26	\$ 38.72
Increase / Decrease Over Prior Year		\$ 3.16	\$ 4.05	\$ 4.46
CAP Customer Discount as a Percent of Total Bill		-49.9%	-47.8%	-46.3%

(1) Assumes average monthly consumption of 6.69 Ccf, or (5,004 gallons)

(2) Extension of CAP program to first 4 Ccf of PILOT and ROW

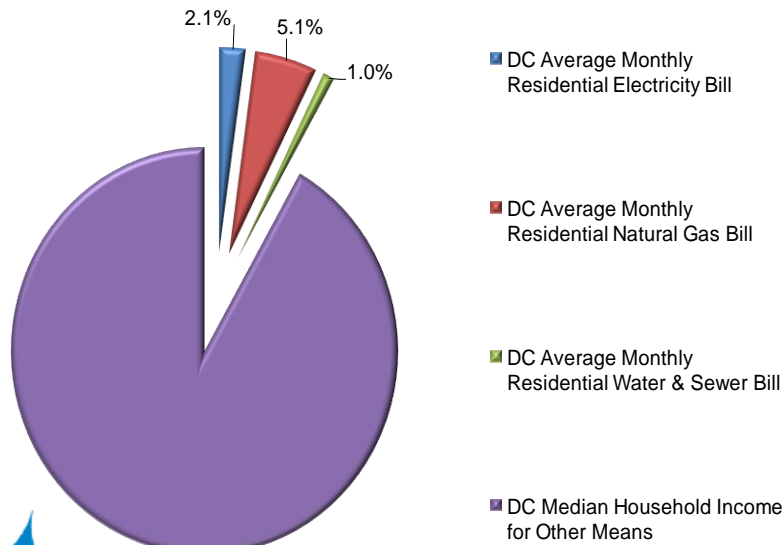
(3) District Department of Environment stormwater fee of \$2.67 effective November 1, 2010

Charges Are Competitive With Other Major Cities In Terms Of Affordability

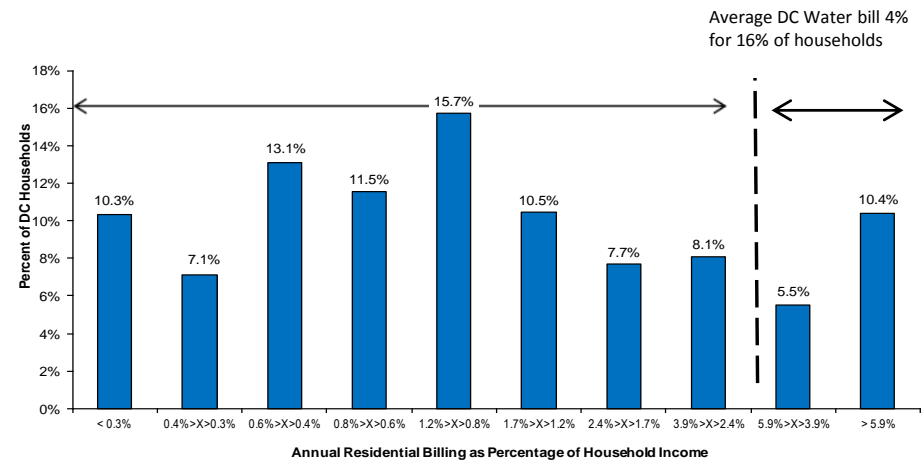
- Median household income*:** The average DC Water charges are less than 4% of income for 84% of the households in the District of Columbia. US EPA guidelines suggest that charges greater than 4% of median household income are typically viewed as a strain on household budgets (2% water + 2% sewer)
- Typical DC Water residential bill as a percentage of income is about average when compared to other utilities of similar size.**
- CAP and SPLASH program:** Assists customers whose water / sewer bills are a high percentage of income

*US EPA – Median income of 2% for sewer is an established policy but the 2.5% has been raised by USEPA in connection with small community water systems.

2010 MONTHLY DC MEDIAN HOUSEHOLD INCOME

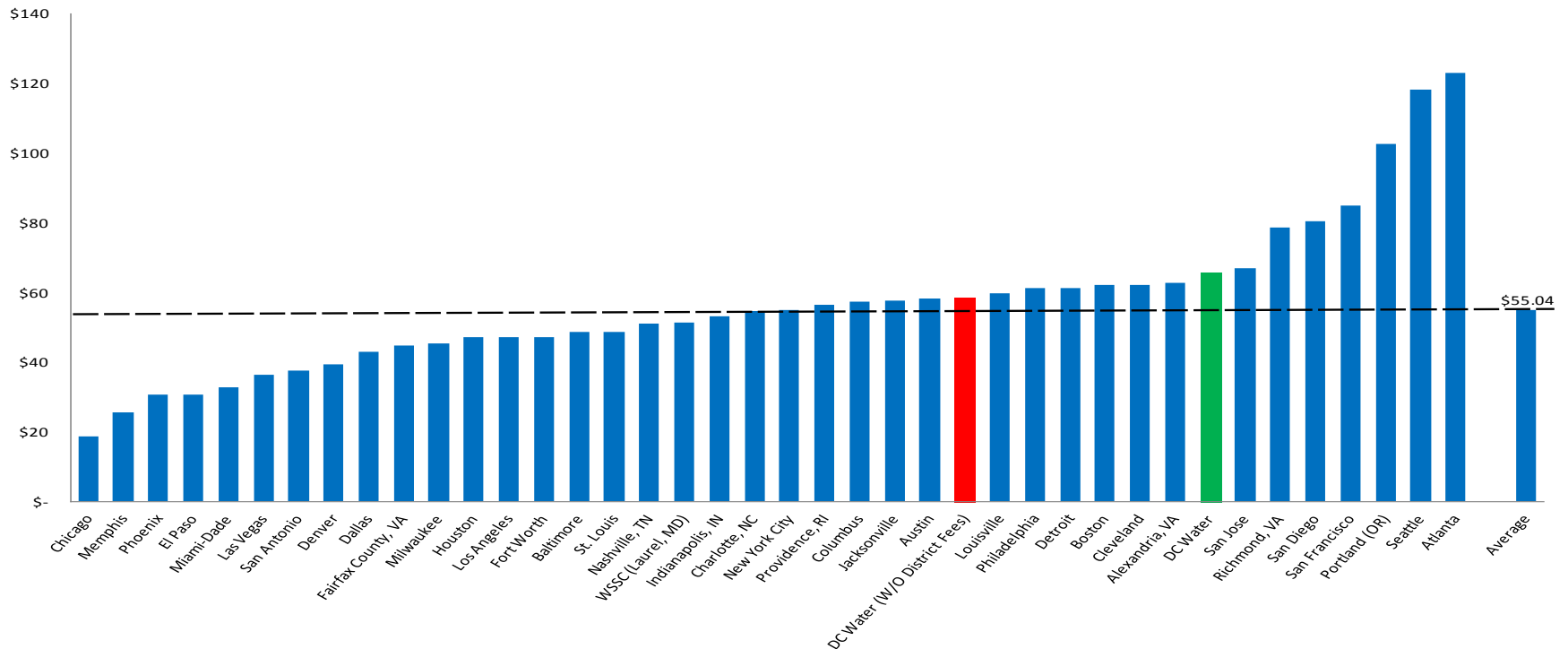


MOST RESIDENTS PAY LESS THAN 4% OF INCOME



DC Water Retail Rates Compared to Other Large Utilities

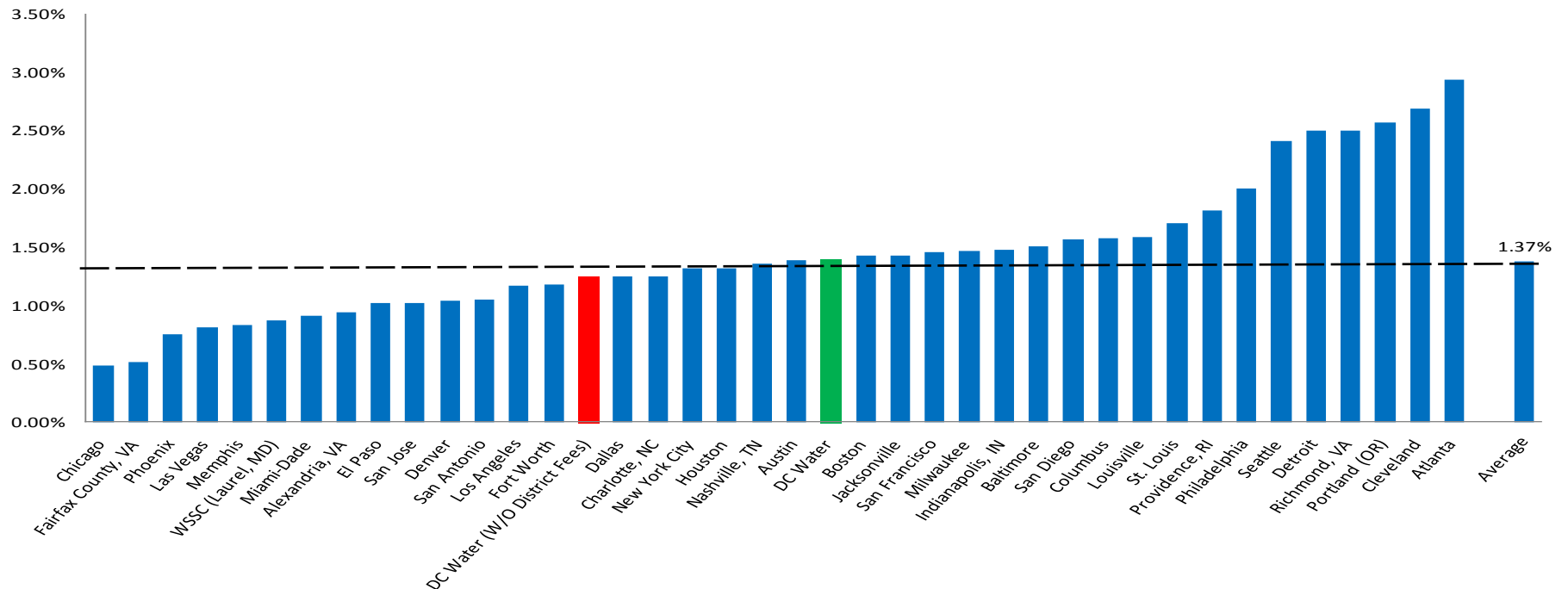
Single Family Residential (SFR) Average Monthly Bill
(Based on Rates in effect Fall 2011)



- (1) Assumes average residential consumption of 6.69 Ccf, or 5,004 gallons, per month. Ccf = hundred cubic feet, or 748 gallons.
- (2) Reflects DC Water's rate and fee changes in FY 2012. Excludes the District PILOT/ROW and stormwater fees.

Average Utility Bill as a Percent of Median Income

*Single Family Residential (SFR) Monthly Bill as %
of Median Household Income - Large National Utilities
(Based on Rates in effect Fall 2011)*



The results of a recent AWWA survey of large utilities shows that DC Water's charges for water service and for wastewater service as a percentage of median household income are comparable to the median percentages for other large water and wastewater utilities.

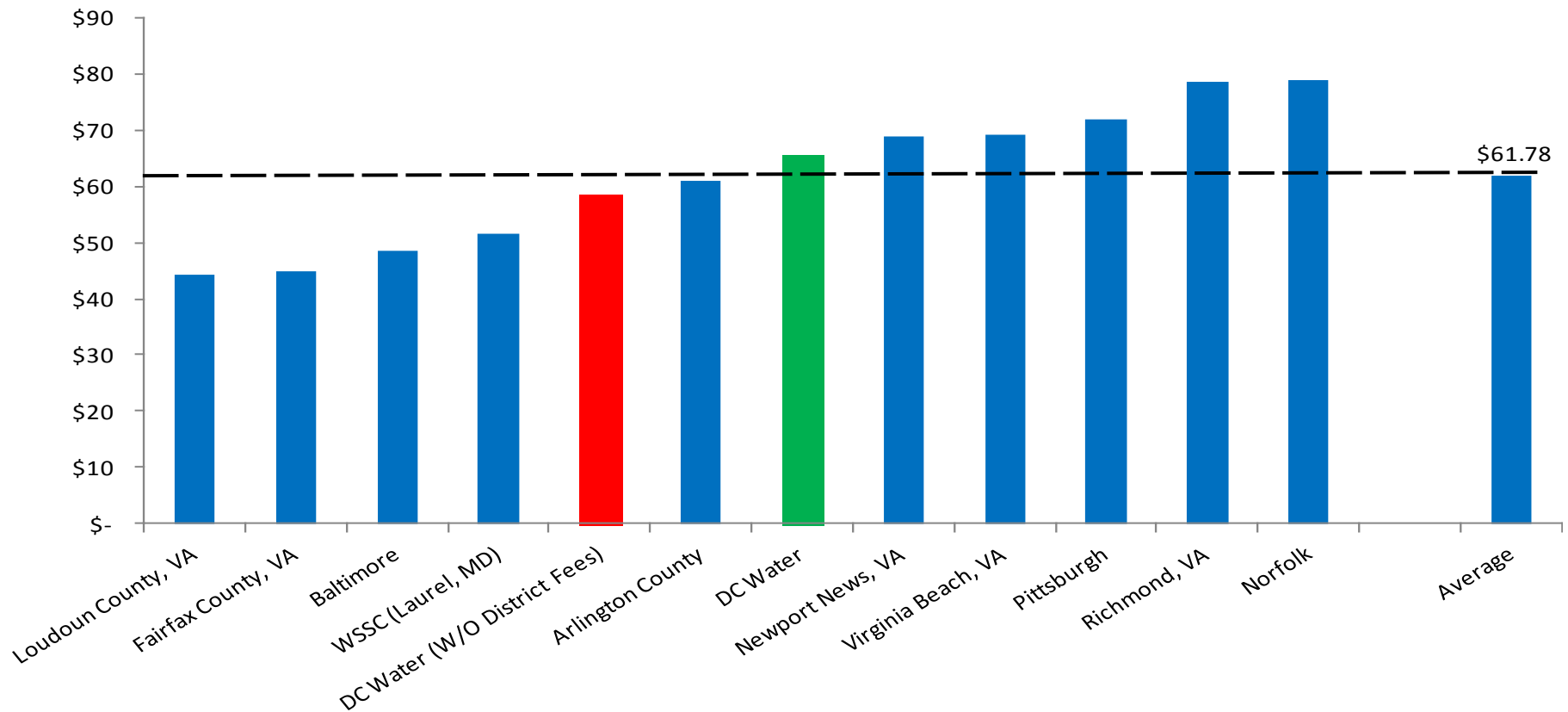


In the chart above DC Water charges rank slightly above the median for bill comparison purposes for water and wastewater services compared to a select group of large, regional and CSO utilities.



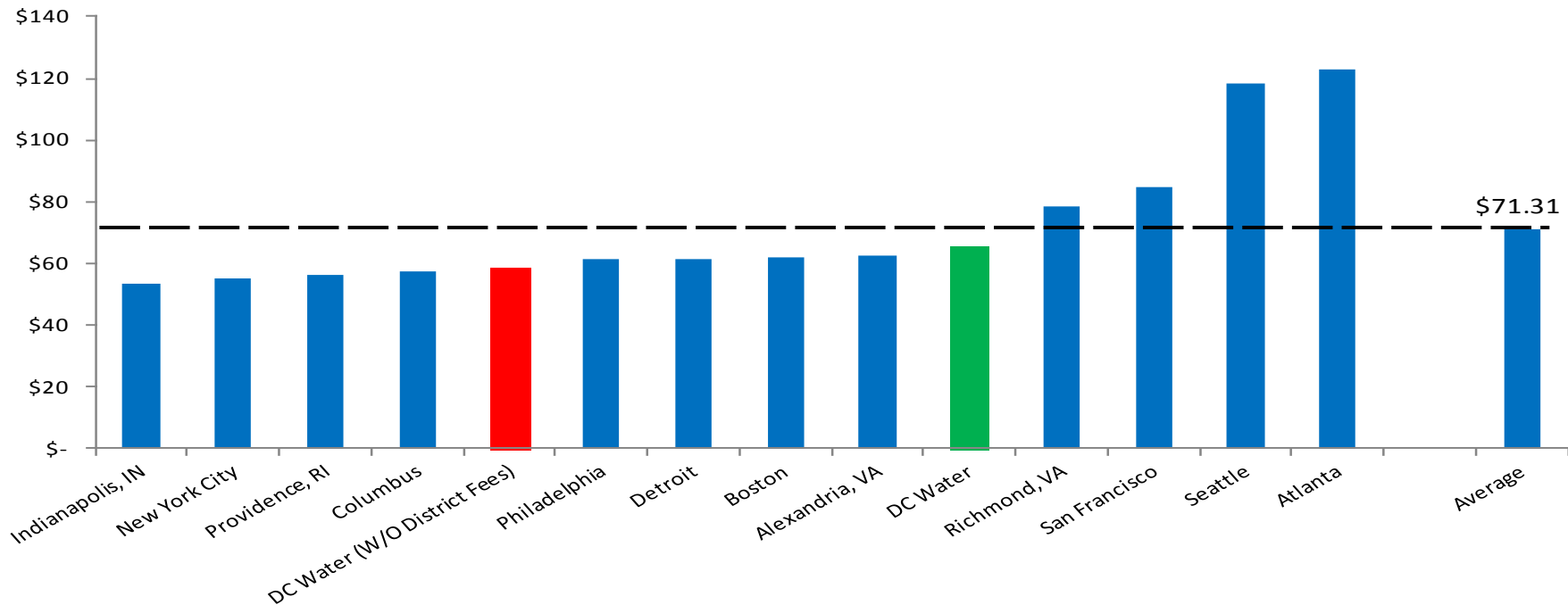
DC Water Compared to Local and Regional Utilities

Single Family Residential (SFR) Average Monthly Bill
(Based on Rates in effect Fall 2011)



Water & Sewer Rate Comparison to Other Large CSO Utilities

Single Family Residential (SFR) Average Monthly Bill
(Based on Rates in effect Fall 2011)



Most CSO communities have implemented double digit rate increases to recover CSO LTCP costs.



Increases do not reflect other available dedicated taxes or state funding potentially available to some agencies.



Chicago and Milwaukee both receive tax subsidies and are therefore not included in the chart above

Section 6

SEARCHING THE HORIZON: EMERGING TOPICS & OPPORTUNITIES

Emerging Topics & Opportunities

- 🚰 Size and associated risks inherent in managing large CIP
 - Three major projects to be undertaken concurrently
 - In-sourcing to capture intellectual skills
 - Retail rate impact of increasing debt (Affordability)
 - Potential increase in debt service as a percentage of O & M expenditure

🚰 Labor contract negotiations

- 🚰 PILOT/MOU expiration
 - Review of PILOT methodology
 - Issue with DC permit fees

🚰 Board member retreat and Strategic Planning Session

- 🚰 Team Blue initiatives
 - Asset management team
 - Safety team

🚰 Unfunded CIP needs – approximately \$1 billion

🚰 Changes in cost estimates of Digester project and impact on cost savings

🚰 Fire Protection Cost of Service

- 🚰 Ongoing updates to Master Facilities Plan
 - Reevaluation of headquarters relocation

Section 7

BUDGET CALENDAR & NEXT STEPS

FY 2013 Budget Calendar

Month	Event
May 18	General Manager's Budget Kickoff Meeting
May 18	Distribute budget manual and other preparation materials
June 8	Revised FY 2012 & Proposed FY 2013 Operating Budget Submission due to Budget Office
June 8	CIP draft submitted for initial review
June 20 – June 30	Budget Staff Review of Departmental submissions
June 21 – 22	CIP Program area meetings with CFO/Finance and Budget
July 7	Revised Budget Proposal Delivered to Full Board for Action
July – August	Begin Preliminary 10-year Financial Plan update CFO Budget review
August	Operating and Capital Budget Review with General Manager/Chief of Staff FY 2013 Final Budget Decision Process Completed
September – October	Budget Preparation and Production
October 6	GM's Proposal to the Board for Proposed FY 2013 Budget
October 27	Submit Proposed FY 2013 Budget to Joint Committees
October – December	Board Committees Conduct In-depth Review of Budget Proposal
December 2011	Committees forward Recommendations to full Board for Deliberation/Action
January 2012	▪ Board Adoption ▪ Submission to the District of Columbia



Next Steps



Board members' question(s)

- Submit budget-related questions to Board Secretary
- Board Secretary will distribute questions to appropriate staff and ensure timely response



Committee review of proposed budgets (November - December)

- Environmental Quality & Sewerage Services Committee – November 17, 2011
- Water Quality & Water Services Committee – November 17, 2011
- DC Retail Water & Sewer Rates Committee – November 22, 2011
- Finance & Budget Committee – November 2011



Additional budget review sessions can be scheduled if required by Board



Committee Recommendations and Actions in December



Board Approval in January

Section 8

APPENDIX

FY 2011 – FY 2013

Comparative O & M Budget

(\$000's)


	FY 2011 Projection	FY 2012 Approved	FY 2012 Revised	FY 2013 Proposed	Increase / (Decrease)
Personnel Services	\$102,569	\$113,354	\$111,114	\$117,796	\$ 6,682
Contractual Services	73,771	78,826	79,747	82,350	2,603
Water Purchases	27,014	33,000	31,517	32,523	1,006
Chemicals and Supplies	25,980	29,946	29,947	31,360	1,412
Utilities	30,402	37,448	37,446	38,047	600
Small Equipment	698	995	995	993	(2)
Subtotal O & M Expenditures	\$260,434	\$293,569	\$290,765	\$303,069	\$ 12,303
Debt Service	92,068	105,387	102,613	129,392	26,779
Payment in Lieu of Taxes	16,882	18,301	16,882	19,215	2,333
Right of Way	5,100	5,100	5,100	5,100	0
Subtotal Debt Service & PILOT/ROW	\$114,050	\$128,788	\$124,595	\$153,707	\$ 29,112
Total O & M Expenditures	\$374,484	\$422,357	\$415,360	\$456,775	\$ 41,415
Less PS Charged to Capital Projects	(10,716)	(16,000)	(14,000)	(16,690)	2,690
Total Net Operating Expenditures	\$363,768	\$406,357	\$401,360	\$440,085	\$ 38,725

FY 2014 – FY 2020 O & M

Sensitivity Analysis

(\$000's)

	Escalation Costs		
	Budgeted @ 3%	2%	1%
FY 2014 O & M	\$ 297,979	\$ 295,116	\$ 292,252
FY 2020 O & M	<u>\$ 356,739</u>	<u>\$ 333,488</u>	<u>\$ 311,566</u>
Variance (\$)	\$ 58,760	\$ 38,372	\$ 19,314
Variance (%)	20%	13%	7%
Average Annual Increase	\$ 8,394	\$ 5,482	\$ 2,759
Average Annual Increase	3%	2%	1%

 Operations and maintenance expenditures are inclusive of projected digester savings of \$13.8M and \$33.2M in FY 2014 and FY 2020 respectively

Operating Budget Departmental Summary

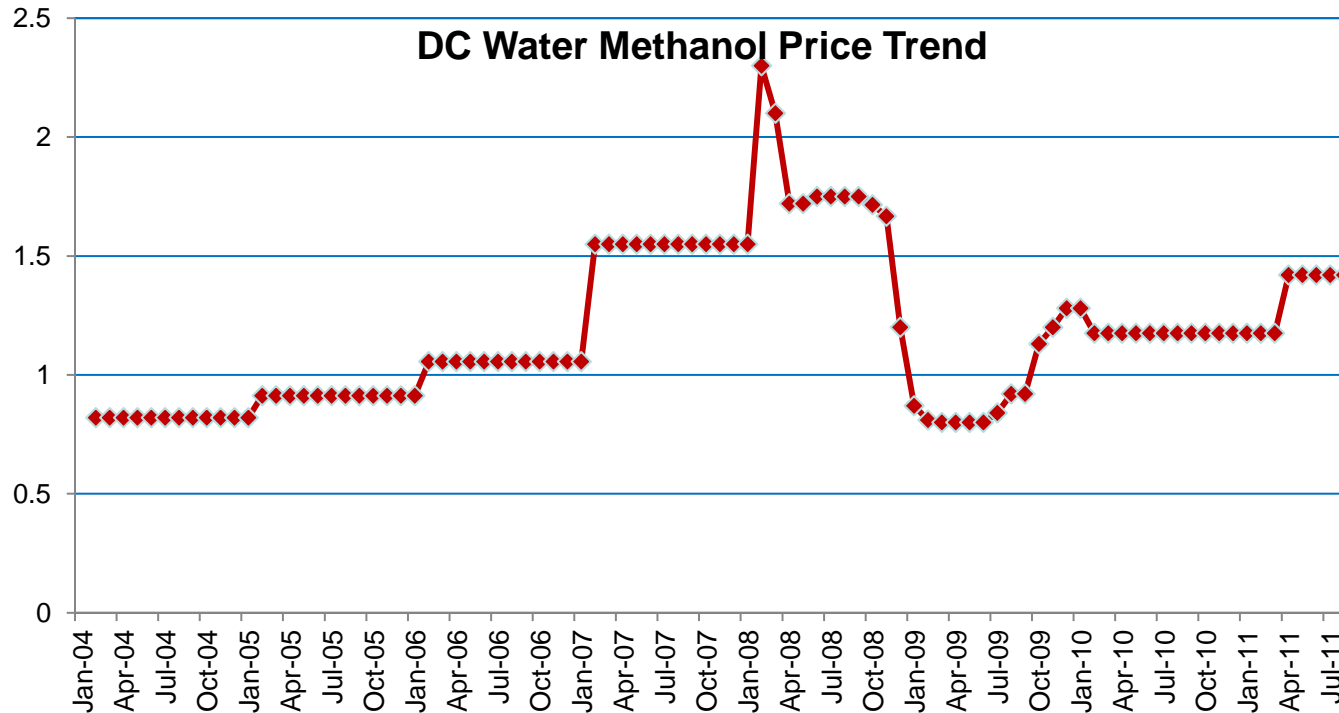
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	POSITIONS				BUDGETS			
	FY 2012		FY 2013	FY 12 & 13	FY 2012		FY 2013	FY 12 & 13
	Approved Pos	Revised Pos	Proposed Pos	Revised vs Proposed	Approved Budget	Revised Budget	Proposed Budget	Revised vs Proposed (over)/under
Wastewater Treatment	121	121	121	-	\$85,359	\$85,369	\$87,735	(2,365)
Water Services	184	184	207	(23)	58,846	57,631	61,207	(3,576)
Sewer Services	159	159	159	-	20,484	20,394	21,213	(818)
Maintenance Services	139	139	139	-	20,590	20,742	21,217	(475)
Water/Sewer Pumping Services	33	33	33	-	4,837	4,731	4,691	40
Engineering & Tech. Services	167	156	170	(14)	19,363	17,101	19,829	(2,729)
Customer Service	124	124	125	(1)	16,356	16,079	16,602	(522)
Long Term Control Plan (Clean Rivers)	10	10	10	-	1,499	1,477	1,394	83
Permits	5	15	15	-	971	1,662	1,522	140
Subtotal Operations	942	941	979	(38)	228,302	225,187	235,409	(10,222)
Office of the Secretary	2	2	2	-	624	618	598	20
General Manager	16	17	15	2	4,405	4,787	3,985	802
General Counsel	14	14	15	(1)	6,041	6,184	7,033	(849)
Public Affairs	10	11	12	(1)	1,868	1,929	2,213	(284)
Internal Audit	-	-	-	-	815	816	840	(24)
Finance & Budget	46	46	46	-	7,773	8,059	8,184	(125)
Information Technology	24	24	24	-	9,827	9,670	10,261	(591)
Risk Management	4	4	4	-	6,208	5,975	6,194	(219)
Asst. Gen. Mgr. - Support Services	2	2	2	-	322	322	330	(8)
Facilities Management & Security	60	66	67	(1)	6,877	12,481	12,990	(508)
Occupational Safety and Health	14	8	10	(2)	6,743	1,358	1,733	(375)
Procurement & Materiel Mgt	38	38	38	-	4,311	4,138	4,362	(225)
Fleet Management	6	6	6	-	4,459	4,507	4,466	41
Human Resources	24	23	23	-	4,994	4,734	4,470	264
Subtotal Administration	260	261	264	(3)	65,267	65,578	67,659	(2,081)
Subtotal O & M Expenditures	1,202	1,202	1,243	(41)	293,569	\$290,765	\$303,069	(12,303)
Debt Service					105,387	102,613	129,392	(26,779)
Payment in Lieu of Taxes					18,301	16,882	19,215	(2,333)
Right of Way					5,100	5,100	5,100	-
Total O & M Expenditures					\$422,357	\$415,360	\$456,775	(41,415)
Personnel Services charged to Capital Projects					(16,000)	(14,000)	(16,690)	2,690
Total Net Operating Expenditures	1,202	1,202	1,243	(41)	\$406,357	\$401,360	\$440,085	(38,725)

Chemicals (Methanol) Pricing



- DC Water Contract Price FY 2008 @ \$1.75/gallon (17% increase)
- FY 2013 assumed @ \$1.54/gallon (~3% increase)
- FY 2012 assumed @ \$1.49 /gallon

Operating Revenues Comparison

(\$000's)

	FY 2011 Projected	FY 2012 Approved	FY 2012 Revised	FY 2013 Proposed	Increase/ (Decrease)	Percentage Change
Residential	63,024	67,794	69,039	76,270	7,231	10.5%
Commercial	92,435	95,265	99,350	108,866	9,516	9.6%
Multi-family	54,144	57,983	57,783	62,258	4,475	7.7%
Sub-Total Residential, Commercial and Multi-family	209,603	221,042	226,172	247,394	21,222	9.4%
Federal Government(1)	44,854	48,010	47,534	52,551	5,017	10.6%
District Government	8,903	11,196	11,131	12,677	1,546	13.9%
D.C. Housing Authority	5,945	7,056	6,428	6,960	532	8.3%
Transfer from Rate Stabilization Fund	9,500	-	6,500	6,500	-	0.0%
Metering Fee	9,764	10,776	10,776	10,776	-	0.0%
Total Retail	288,569	298,080	308,541	336,858	28,317	9.2%
IMA Wastewater Charges	61,712	64,009	66,790	69,818	3,028	4.5%
Potomac Interceptor Wastewater Charges	7,278	7,430	7,571	7,628	57	0.8%
Total Wholesale	68,990	71,439	74,361	77,446	3,085	4.1%
District Stormwater Revenue (2)	648	1,100	1,100	1,100	-	0.0%
Misc. Rev. (e.g. water tap installation, fire hydrant usage, etc.)	22,320	16,898	18,899	18,898	(1)	0.0%
Washington Aqueduct Debt Service Revenue for Falls Church & Arlington	313	217	217	206	(11)	-5.0%
Interest Income (including interest on Bond Debt Service Reserve Fund)	1,171	1,087	791	1,328	536	67.8%
Right of Way	5,100	5,100	5,100	5,100	-	0.0%
PILOT Fee	17,173	18,301	17,408	19,214	1,806	10.4%
Total Other	46,726	42,702	43,515	45,846	2,331	5.4%
Total Operating Cash Receipts	404,285	412,222	426,417	460,150	33,733	7.9%

(1) Historical actuals are presented on revenue 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. See Section 3 for further explanation.

(2) Reflects District stormwater fee revenue that will fund DC Water share of District stormwater permit compliance activities, and will not be funded through DC Water retail rates or other DC Water revenue sources. See Section 3 for further explanation.

FY 2011 - FY 2020 CIP

Project Lifetime Budgets by Program Area

	(\$000's)		
	FY 2012 Approved	FY 2012 Revised / FY 2013 Proposed	Variance
<u>Wastewater Treatment</u>			
Liquid Processing Projects	612,749	622,106	9,357
Plantwide Projects	337,671	345,887	8,216
Solids Processing Projects	688,806	719,537	30,731
Enhanced Nitrogen Removal Facilities (formerly BTN - Total Nitrogen Program)	1,024,855	988,778	(36,077)
Sub-total	2,664,081	2,676,308	12,227
<u>Sanitary Sewer</u>			
Sanitary Collection Sewers	133,906	133,906	0
Sanitary On-Going Projects	142,067	159,677	17,610
Sanitary Pumping Facilities	25,898	25,898	-
Sanitary Sewer Projects Program Management	103,150	103,135	(15)
Sanitary Interceptor/Trunk Force Sewers	430,144	432,583	2,439
Sub-total	835,165	855,199	20,034
<u>Combined Sewer Overflow</u>			
CSO Program Management	55,239	55,239	-
Combined Sewer Projects: Nine Minimum Controls	215,387	213,888	(1,499)
Combined Sewer Projects: Others	240,013	244,844	4,831
Clean Rivers Project (aka Long-Term Control Plan)			
Anacostia Tunnel	1,672,282	1,672,282	-
Potomac Tunnel	418,700	418,700	-
Rock Creek Tunnel	70,342	70,342	-
Sub-total	2,671,963	2,675,295	3,332
<u>Stormwater</u>			
Stormwater Extensions/Local Drainage	17,999	17,999	0
Stormwater On-Going Program	9,658	9,658	0
Stormwater Pumping Facilities	0	0	-
DDOT Stormwater Program	5,066	4,720	(346)
Stormwater Projects Program Management	10,630	10,630	-
Stormwater Trunk/Force Sewers	18,605	15,504	(3,101)
Sub-total	61,958	58,511	(3,447)

FY 2011 - FY 2020 CIP

Project Lifetime Budgets by Program Area – cont.

(\$000's)

	FY 2012 Approved	FY 2012 Revised / FY 2013 Proposed	Variance
<u>Water</u>			
Water Distribution Systems	666,933	695,720	28,787
Water Lead Program	191,000	191,040	40
Water On-Going Projects	112,121	117,541	5,420
Water Pumping Facilities	150,149	161,372	11,223
DDOT Water Projects	95,892	91,538	(4,354)
Water Storage Facilities	71,862	74,311	2,449
Water Projects Program Management	51,107	47,559	(3,548)
Meter Replacement /AMR Installation	61,151	73,534	12,383
Sub-total	1,400,215	1,452,615	52,400
Washington Aqueduct	203,138	203,138	0
Capital Equipment	103,906	98,307	(5,599)
Total DC Water CIP Lifetime (see notes)	7,940,426	8,019,373	78,947

Notes:

- 1 Lifetime budgets shown here represent total budgets for projects that are active during the current 10-year CIP. Lifetime budgets include historical spending prior to the beginning of the current 10-year plan, spending during the 10-year plan, and projected spending beyond the current 10-year plan. Projects completed in FY 2011 will be dropped from the CIP next year.
- 2 These budgets do not include inhouse labor costs, estimated to be in the \$8 to \$9 million range, annually, and are applicable to, primarily, the time charged to capital projects by employees in the Departments of Engineering and Technical Services, Sewer Services, and Water Services.

Capital Projects With Changes to IMA Shares

A preliminary agreement has been reached with IMA partners for the sharing of approximately \$177 million specific project costs that heretofore had been the sole responsibility of the District of Columbia:

Project ID	Description
C7	DSS Storm Sewer Project
EJ	Potomac Pump Station Phase III
EK	Long Term Rehab-Main & O Pump Station
EQ	Potomac Pump Station Rehab Phase IV
FQ	Main & O St. PS Intermediate Upgrade
FY	Rehab Upper Rock Creek Interceptor
G2	Sewer Structure Rehabilitation 1
G4	Upper Potomac Intercept Sewer Rehab.
HT	Rehabilitation of Anacostia Force Main
IK	Potomac Force Main Rehabilitation
IL	Creekbed Sewer Rehabilitation 2
IM	Creekbed Sewer Rehabilitation 3
J0	B St/New Jersey Ave Trunk Sewer Rehab
J1	Oxon Run Sewer Leakage Correction
K4	Poplar Point Pumping Station/Nine Minimum Controls
K5	Dry-Weather Overflow Elimination/Nine Minimum Controls

FY 2013 Capital Authority Request

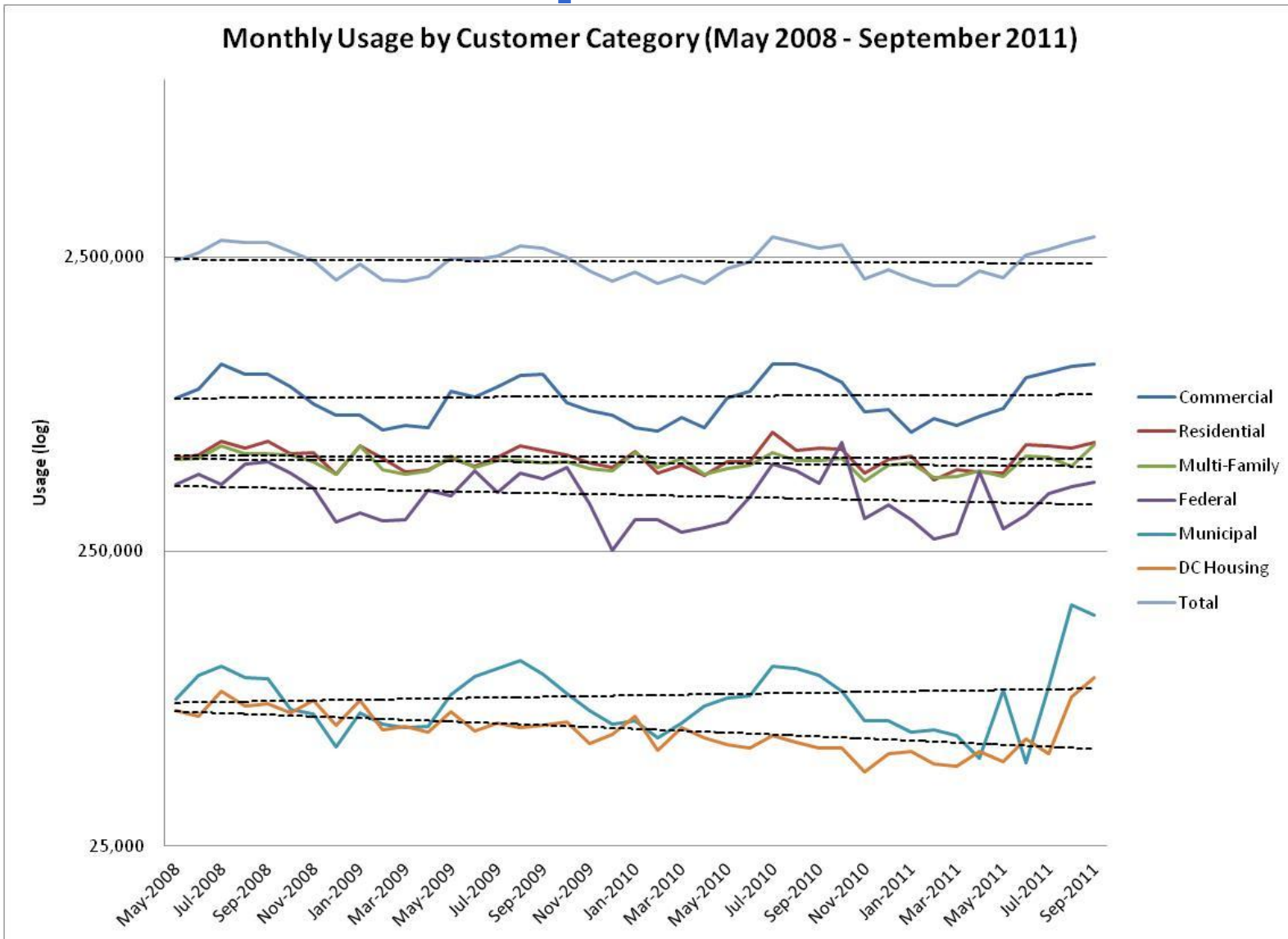
(\$000's)

<u>Service Areas</u>	<u>Amount</u>
Blue Plains Wastewater Treatment ¹	\$277,007
Sanitary Sewer System	88,795
Combined Sewer Overflow ¹	124,734
Stormwater	2,683
Water System	91,894
Washington Aqueduct (DC Water share)	10,848
Capital Equipment	<u>10,129</u>
Total	<u>\$606,090</u>

* The authority request includes a 24 month look-ahead, i.e., it also takes into account projected commitments for FY 2014 and FY 2015.

¹ Includes Special Risk Allowance of \$20 million, and \$122 million for Enhanced Nitrogen Removal (formerly Total Nitrogen - "BTN"), and Clean Rivers (*aka* Long Term Control Plan - "LTCP") Programs, respectively, although not part of their Lifetime Budgets.

Consumption Trends



Ten-Year Financial Plan

(\$000's)

OPERATING	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Retail*	301,342	324,549	354,672	388,824	420,300	450,482	482,549	505,885	532,324	557,097
Wholesale*	68,990	74,361	77,446	72,521	67,091	69,008	70,929	72,955	75,036	77,810
Other	24,454	21,006	21,531	24,429	27,857	31,137	33,153	34,294	35,166	35,931
RSF	9,500	6,500	6,500	-	2,950	4,000	5,000	2,000	-	2,000
Operating Receipts (1)	\$ 404,286	\$ 426,416	\$ 460,150	\$ 485,774	\$ 518,198	\$ 554,627	\$ 591,630	\$ 615,134	\$ 642,526	\$ 672,837
Operating Expenses	(270,659)	(299,130)	(310,692)	(309,473)	(304,762)	(314,230)	(323,932)	(333,578)	(343,392)	(356,362)
Debt Service	\$ (92,068)	\$ (100,776)	\$ (127,627)	\$ (150,387)	\$ (185,068)	\$ (208,249)	\$ (228,457)	\$ (239,779)	\$ (249,308)	\$ (266,784)
Net Revenues After Debt Service	\$ 41,559	\$ 26,511	\$ 21,830	\$ 25,914	\$ 28,368	\$ 32,148	\$ 39,241	\$ 41,777	\$ 49,826	\$ 49,691
Operating Reserve-Beg Balance	131,996	149,617	125,500	125,500	125,500	125,500	125,500	125,500	125,500	125,500
Other Misc (Disbursements)/Receipts										
Wholesale/Federal True Up	(2,191)	(6,250)	(8,105)	(2,791)	-	-	-	-	-	-
Transfers To RSF	(9,500)	(12,250)								
Transfers To DC PILOT Fund	(10,000)									
Pay-Go Financing	(2,247)	(32,128)	(13,725)	(23,123)	(28,368)	(32,148)	(39,241)	(41,777)	(49,826)	(49,691)
Operating Reserve - Ending Balance	\$ 149,617	\$ 125,500	\$ 125,500	\$ 125,500	\$ 125,500	\$ 125,500	\$ 125,500	\$ 125,500	\$ 125,500	\$ 125,500
Rate Stabilization Fund Balance RSF (2)	\$ (16,700)	\$ (22,450)	\$ (15,950)	\$ (15,950)	\$ (13,000)	\$ (9,000)	\$ (4,000)	\$ (2,000)	\$ (2,000)	\$ -
Senior Debt Service Coverage	319%	278%	232%	220%	199%	188%	182%	177%	176%	173%
Combined Debt Service Coverage	144%	130%	130%	132%	130%	129%	130%	130%	133%	131%
Proposed Water/Sewer Rate Increases	12.5%	4.5%	6.5%	5.0%	6.5%	6.5%	6.5%	4.5%	4.0%	4.5%
Operating Receipts \$ Increase/Decrease*										
Retail	39,108	23,206	30,122	34,151	31,474	30,181	32,065	23,335	26,438	24,772
Wholesale	1,518	5,370	3,085	(4,927)	(5,430)	1,915	1,920	2,024	2,080	2,773
Operating Receipts % Increase/Decrease*										
Retail	14.9%	7.7%	9.3%	9.6%	8.1%	7.2%	7.1%	4.8%	5.2%	4.7%
Wholesale	2.3%	7.8%	4.1%	-6.4%	-7.5%	2.9%	2.8%	2.9%	2.9%	3.7%

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

(2) FY 2011 Rate Stabilization Fund utilization brought the total fund balance to \$16.7 million

FY 2011 – FY 2020

Sources and Uses of Funds

(\$000's)

Description	Line	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
BEGINNING BALANCE		\$ 7,432,539	\$ 125,934,580	\$ 166,628,378	\$ 29,553,027	\$ 28,749,257	\$ 2,443,494	\$ 3,117,237	\$ 2,981,354	\$ 1,908,664	\$ 1,645,355	\$ 370,393,884
SOURCES OF FUNDS:												
Proceeds from Rev. Bonds		\$ 211,722,441	\$ 300,000,000	\$ 200,000,000	\$ 250,000,000	\$ 244,349,355	\$ 249,378,949	\$ 238,508,283	\$ 152,693,130	\$ 131,628,389	\$ 163,633,191	\$ 2,141,913,738
Proceeds from Treasury Notes/Digesters Financing Option		75,000,000	-	-	-	-	-	-	-	-	-	\$ 75,000,000
Capital Equipment Financing (for 5 yrs @ 3.25%)		6,000,000	8,184,000	12,279,200	12,272,800	9,907,200	7,338,400	-	-	-	-	\$ 55,981,600
Transfer from Operations	75	2,246,600	32,128,379	13,725,004	23,123,430	28,368,188	32,148,156	39,241,480	41,776,516	49,825,948	49,691,454	\$ 312,275,155
EPA Grants /DC Reimbursement		15,961,000	25,455,000	34,423,000	40,914,000	22,500,000	16,500,000	16,500,000	16,500,000	16,500,000	16,500,000	\$ 221,753,000
CSO Grants		28,259,000	31,332,000	30,000,000	-	-	-	-	-	-	-	\$ 89,591,000
Wholesale Customer Capital Contributions		82,005,000	175,242,000	237,897,000	141,354,000	84,098,000	75,834,000	65,020,000	27,191,000	14,538,000	7,992,000	\$ 911,171,000
Interest Income		758,000	93,419	301,445	1,875,000	2,443,494	3,117,237	2,981,354	1,908,664	1,645,355	2,045,415	\$ 17,169,383
Total Sources		\$ 421,952,041	\$ 572,434,798	\$ 528,625,649	\$ 469,539,230	\$ 391,666,237	\$ 384,316,742	\$ 362,251,117	\$ 240,069,310	\$ 214,137,692	\$ 239,862,060	\$ 3,824,854,876
USES OF FUNDS:												
Water Projects		\$ 43,819,000	\$ 51,585,000	\$ 57,646,000	\$ 65,488,000	\$ 55,477,000	\$ 54,916,000	\$ 60,187,000	\$ 63,131,000	\$ 52,840,000	\$ 61,783,000	\$ 566,872,000
Blue Plains Projects		128,186,000	275,845,000	378,648,000	209,313,000	110,798,000	104,080,000	95,922,000	42,224,000	16,822,000	4,350,000	\$ 1,366,188,000
Sanitary Sewer Projects		26,132,000	39,922,000	45,381,000	56,779,000	64,335,000	44,567,000	41,286,000	55,928,000	44,419,000	40,110,000	\$ 458,859,000
Combined Sewer		40,097,000	16,094,000	12,165,000	19,652,000	18,038,000	19,668,000	13,623,000	11,731,000	12,289,000	14,581,000	\$ 177,938,000
Combined Sewer LTCP		40,085,000	115,922,000	139,856,000	92,106,000	145,168,000	137,874,000	128,311,000	45,449,000	66,256,000	98,040,000	\$ 1,009,067,000
Stormwater Projects		2,479,000	2,775,000	4,276,000	2,545,000	801,000	775,000	737,000	810,000	900,000	506,000	\$ 16,604,000
Washington Aqueduct Division Projects		9,491,000	11,373,000	10,598,000	10,744,000	11,016,000	11,280,000	11,588,000	10,891,000	10,323,000	9,842,000	\$ 107,146,000
Capital Equipment		10,230,000	15,349,000	15,341,000	12,384,000	9,173,000	7,278,000	7,348,000	7,648,000	6,778,000	6,778,000	\$ 98,307,000
Meter Replacement / AMR		2,931,000	2,876,000	1,790,000	1,332,000	3,166,000	3,205,000	3,385,000	3,330,000	3,774,000	3,472,000	\$ 29,261,000
Reimbursement for Prior Capital Expend.												
Total Uses		\$ 303,450,000	\$ 531,741,000	\$ 665,701,000	\$ 470,343,000	\$ 417,972,000	\$ 383,643,000	\$ 362,387,000	\$ 241,142,000	\$ 214,401,000	\$ 239,462,000	\$ 3,830,242,000
SOURCES MINUS USES		118,502,041	40,693,798	(137,075,351)	(803,770)	(26,305,763)	673,742	(135,883)	(1,072,690)	(263,308)	400,060	(5,387,124)
ENDING BALANCE		\$ 125,934,580	\$ 166,628,378	\$ 29,553,027	\$ 28,749,257	\$ 2,443,494	\$ 3,117,237	\$ 2,981,354	\$ 1,908,664	\$ 1,645,355	\$ 2,045,415	\$ 365,006,761

FY 2011 – FY 2020 Projected Retail Rates and Fee Changes

		Proposed									
	Units	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
DC Water Retail Rates Water	Ccf	\$ 3.10	\$ 3.24	\$ 3.45	\$ 3.62	\$ 3.85	\$ 4.10	\$ 4.37	\$ 4.57	\$ 4.75	\$ 5.01
DC Water Retail Rates Sewer	Ccf	<u>\$ 3.79</u>	<u>\$ 3.96</u>	<u>\$ 4.22</u>	<u>\$ 4.43</u>	<u>\$ 4.72</u>	<u>\$ 5.03</u>	<u>\$ 5.36</u>	<u>\$ 5.60</u>	<u>\$ 5.82</u>	<u>\$ 6.14</u>
DC Water Clean Rivers IAC	ERU	\$ 3.45	\$ 6.64	\$ 9.73	\$ 14.52	\$ 17.66	\$ 20.33	\$ 23.19	\$ 25.49	\$ 28.75	\$ 31.17
DC Water Customer Metering Fee		\$ 3.86	\$ 3.86	\$ 3.86	\$ 3.86	\$ 3.86	\$ 3.86	\$ 3.86	\$ 3.86	\$ 3.86	\$ 3.86
District of Columbia PILOT Fee	Ccf	\$ 0.49	\$ 0.49	\$ 0.52	\$ 0.55	\$ 0.59	\$ 0.63	\$ 0.67	\$ 0.70	\$ 0.73	\$ 0.77
District of Columbia Right of Way Fee	Ccf	<u>\$ 0.14</u>	<u>\$ 0.15</u>	<u>\$ 0.16</u>	<u>\$ 0.17</u>	<u>\$ 0.18</u>	<u>\$ 0.19</u>	<u>\$ 0.20</u>	<u>\$ 0.21</u>	<u>\$ 0.22</u>	<u>\$ 0.23</u>

FY 2011 – FY 2020 Projected Average Residential Monthly Bill

				Proposed									
	Units	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020		
DC Water Retail Rates (1)	Ccf	\$ 46.09	\$ 48.17	\$ 51.31	\$ 53.85	\$ 57.33	\$ 61.08	\$ 65.09	\$ 68.04	\$ 70.71	\$ 74.59		
DC Water Clean Rivers IAC	ERU	3.45	6.64	9.73	14.52	17.66	20.33	23.19	25.49	28.75	31.17		
DC Water Customer Metering Fee		3.86	3.86	3.86	3.86	3.86	3.86	3.86	3.86	3.86	3.86		
Subtotal DC Water Rates & Charges		\$ 53.40	\$ 58.67	\$ 64.90	\$ 72.23	\$ 78.85	\$ 85.27	\$ 92.14	\$ 97.39	\$ 103.32	\$ 109.62		
Increase / Decrease		\$ 8.25	\$ 5.27	\$ 6.23	\$ 7.33	\$ 6.62	\$ 6.43	\$ 6.86	\$ 5.25	\$ 5.94	\$ 6.30		
District of Columbia PILOT (1)	Ccf	\$ 3.28	\$ 3.28	\$ 3.48	\$ 3.68	\$ 3.95	\$ 4.21	\$ 4.48	\$ 4.68	\$ 4.88	\$ 5.15		
District of Columbia Right of Way Fee (1)	Ccf	0.94	1.00	1.07	1.14	1.20	1.27	1.34	1.40	1.47	1.54		
District of Columbia PILOT/ROW Fee		4.22	4.28	4.55	4.82	5.15	5.48	5.82	6.08	6.35	6.69		
District of Columbia Stormwater Fee (2)	ERU	2.67	2.67	2.67	2.67	2.67	2.67	2.67	2.67	2.67	2.67		
Subtotal District of Columbia Charges		\$ 6.89	\$ 6.95	\$ 7.22	\$ 7.49	\$ 7.82	\$ 8.15	\$ 8.49	\$ 8.75	\$ 9.02	\$ 9.36		
Total Amount Appearing on DC Water Bill		\$ 60.29	\$ 65.62	\$ 72.12	\$ 79.72	\$ 86.67	\$ 93.42	\$ 100.63	\$ 106.14	\$ 112.34	\$ 118.98		
Increase / Decrease Over Prior Year		\$ 8.76	\$ 5.33	\$ 6.50	\$ 7.60	\$ 6.95	\$ 6.75	\$ 7.21	\$ 5.51	\$ 6.20	\$ 6.64		
Percent Increase in Total Bill		17.0%	8.8%	9.9%	10.5%	8.7%	7.8%	7.7%	5.5%	5.8%	5.9%		

(1) Assumes average monthly consumption of 6.69 Ccf, or (5,004 gallons)

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

ATTACHMENT 3

DC WATER AND SEWER AUTHORITY BOARD OF DIRECTORS CONTRACTOR FACT SHEET

ACTION REQUESTED

GOODS AND SERVICES CONTRACT AWARD:

Financial Advisory Services (Joint Use – Indirect Cost)

Approval to execute a Contract for a one (1) year Base Period with up to four (4) one-year options in the amount of \$1,300,000.00.

CONTRACTOR/SUB/VENDOR INFORMATION

PRIME: The PFM Group 4350 North Fairfax Drive Arlington, Virginia 22203	SUBS: G=Entry Principle, P.C. 2001 Hamilton Street, Suite 1101 Philadelphia, Pennsylvania 19130	PARTICIPATION: 20-25%
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DESCRIPTION AND PURPOSE

Original Contract Value	\$1,300,000.00
Contract Term:	Base Year with up to four (4) Option Years
Anticipated Contract Start Date:	November 20, 2011
Anticipated Contract Completion Date:	November 19, 2016
Proposal Issue Date:	June 30, 2011
Proposal Closing Date:	July 29, 2011
Proposals Received:	7
Price Range of Proposals Received:	\$937,500 - \$1,372,500
Preference Points Received:	0

Purpose of Contract:

- To provide a range of financial advisory services to DC Water.

Contract Scope:

- Financial advisory services to include: assistance in developing financial and debt policies, long term financial plans, and shorter-term marketing strategies for bond issuances; managing the issuance of bonds, both negotiated and competitive issuances; debt portfolio management services; developing interest reduction and refinancing strategies; assisting with presentations to the rating agencies; and other advisory services as required.

Contractor's Past Performance:

- Proposed Contractor has been the incumbent contractor since 2006 and has been providing satisfactory services.

Proposals Received:

D.C. Water issued a Request for Proposal (RFP) for Financial Advisory Services. Proposals were received from: A. C. Advisory, Inc.; Robert W. Baird & Co.; Estrada-Hinojosa & Co., Inc.; First Southwest Co.; Frasca & Associates, LLC; The Public Financial Management Group; and Public Resources Advisory Group. First Southwest, Robert W. Baird, Public Resources Advisory Group and PFM Group were the four shortlisted firms. The price range shown above is for the shortlisted firms. Procurement recommends awarding the contract to PFM, the most qualified firm.

Note: All board members vote on financial matters.

PROCUREMENT INFORMATION

Contract Type:	Fixed Hourly Rate	Award Based On:	Highest ranked proposal based on evaluation criteria.
Commodity:	Goods & Services	Contract Number:	WAS-11-036-AA-GA
Contractor Market:	Open Market		

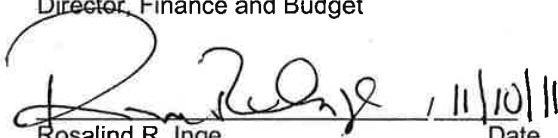
BUDGET INFORMATION


Funding:	Operating	Department:	Office of the Chief Financial Officer
Project Area:		Department Head:	Olu Adebo


USER SHARE INFORMATION

User	Share %	Dollar Amount
District of Columbia	100%	\$1,300,000.00
Washington Suburban Sanitary Commission	0%	
Fairfax County	0%	
Loudoun County	0%	
Other(s)	0%	
Total Estimated Dollar Amount	100%	\$1,300,000.00


 Yvette Downs
 Director, Finance and Budget
 Date 11/15/11


 Rosalind R. Inge
 Director of Procurement
 Date 11/10/11


 for Olu Adebo
 Chief Finance Officer
 Date 11/15/11


 George S. Hawkins
 General Manager
 Date 1



ATTACHMENT 4

**D.C. WATER AND SEWER AUTHORITY
BOARD OF DIRECTORS
FINANCE AND BUDGET
DECEMBER COMMITTEE MEETING**

Thursday, December 22, 2011; 11:00 a.m.
Blue Plains Wastewater Treatment Plant
5000 Overlook Avenue, SW, DC
AGENDA

Call to Order	Chairman
November 2011 Financial Report	Director of Finance & Budget
Action Items	Chairman
Agenda for January Committee Meeting	Chairman
Adjournment	Chairman

*Detailed agenda can be found on DC Water's website at www.dewater.com/about/board_agendas.cfm

Sample Listings of Projects by Prioritization Category (\$000's)

<i>Mandated Projects</i>			
Priority	Project ID	Project Name	Total
1A	CY00	Anacostia LTCP Projects	914,285
1A	E800	Enhance Clarification Facilities	183,328
1A	E900	Nitrogen Removal Facilities	163,870
1A	BA00	WASA Low Impact Development Projects	1,507
1A	H700	Blue Plains Tunnel Site Preparation	608
Total			1,263,598

<i>Health & Safety Projects</i>			
Priority	Project ID	Project Name	Total
2A	G500	Sewer Rehab Near Creek Beds	20,382
2A	CV00	Laboratory Upgrades	2,046
2A	EN00	WWTP - Central Fire Alarm System	923
2A	DP00	Chemical Building Enhancements	402
Total			23,753

<i>Board / DCWater Policy Projects</i>			
Priority	Project ID	Project Name	Total
2B	GQ00	Fire Hydrant Replacement Program - Phase II	20,028
2B	BW00	Lead Service Replacement Program	19,065
2B	CJ00	FY2012 - DDOT WATER PROJECTS	3,087
2B	CM00	FY2013 - DDOT Water Projects	2,722
Total			44,902

<i>Potential Failure Projects</i>			
Priority	Project ID	Project Name	Total
2C	BR00	Nitrification/Denitrification Fac	25,360
2C	BV00	RWWPS No. 2 Upgrades	20,362
2C	EJ00	Potomac Pumping Station-Ph III Rehab	14,887
2C	DR00	Low Area Trunk Sewer Rehabilitation	1,106
2C	K400	Poplar Point Pumping Station	603
Total			62,318

<i>High Profile / Good Neighbor Projects</i>			
Priority	Project ID	Project Name	Total
2D	MA00	St. Elizabeth Water Tank	13,015
2D	N700	Potomac Sewer System Rehab.	11,318
Total			24,333

<i>Good Engineering Practices / High Payback Projects</i>			
Priority	Project ID	Project Name	Total
3A	XA00	New Digestion Facilities	356,923
3A	F100	Small Diameter Water Main Rehab 13	23,524
Total			380,447

<i>Good Engineering Practices / Low Payback Projects</i>			
Priority	Project ID	Project Name	Total
3B	MR00	SMG 2nd High Reservoir	10,002
3B	HC00	New Warehouse Facility at Blue Plains	9,969
3B	HJ00	COF Renovations and Additions	6,430
3B	JY00	IT - Data Center	2,217
Total			28,618

Analysis of FY 2013 Merit Payment

	Total	Union	Non-Union
FY 2013 Budgeted Positions ¹	1163	791	372
FY 2013 Regular Payroll	\$84,186,984	\$48,807,054	\$35,379,930
3% Merit Increase ^{2,3}	\$2,525,610	\$1,464,212	\$1,061,398

Notes:

- 1) Based on headcount (1034 filled and 129 budgeted vacant positions), proportion of union and non-union positions are 68% and 32% respectively.
- 2) Merit estimate is based on the proportion of union and non-union annualized salaries are 58% and 42% respectively.
- 3) Merit estimate is exclusive of the 39 unbudgeted FY 2012 positions and budgeted 41 new positions in FY 2013.