



**MINUTES OF THE MEETING
FINANCE AND BUDGET COMMITTEE
FEBRUARY 26, 2026
(Via Microsoft Teams)**

COMMITTEE MEMBERS PRESENT

1. Anthony Giancola, Principal, Chair, District of Columbia
2. Alexander McPhail, Alternative, Vice Chair, District of Columbia
3. Sarah Motsch, Alternate, Fairfax County
4. Amy Stevens, Alternate, Montgomery County

DC WATER STAFF

1. David L. Gadis, CEO and General Manager
2. Lola Oyeyemi, Acting Chief Financial Officer & EVP, Finance, Procurement and Compliance
3. Kirsten Williams, Chief Administration Officer & EVP
4. Gregory Hope, Interim Chief Legal Officer & EVP
5. Dr. Moussa Wone, Vice President, Engineering and Clean Rivers
6. Barbara Mitchell, Director and Associate General Counsel
7. Haydee De Clippeleir, Director, Clean Water and Technology
8. Paul Laban, Senior Manager, CIP Project Controls and Estimating
9. Michelle Rhodd, Secretary to the Board

Anthony Giancola, Chair, called the meeting to order at 9:31 AM. The meeting was conducted via MS Teams. Secretary to the Board Michelle Rhodd called the roll.

I. MONTHLY REPORT TO THE FINANCE AND BUDGET COMMITTEE

Lola Oyeyemi, Interim Chief Financial Officer & EVP, Finance, Procurement and Compliance presented the monthly financial report for January 2026 by exception.

As of the end of January 2026, with approximately 33 percent of the fiscal year completed, total operating revenues were \$353.0 million, or 34.9 percent of the budget; operating expenditures were \$235.9 million, or 28.1 percent of the budget; and capital disbursements were \$227.3 million, or approximately 24.9 percent of the budget. She noted that the revenues and capital budgets are subject to revision pending the completion of the FY 2027 budget process. Ms. Oyeyemi informed the Committee that

the DC Council Public Oversight Hearing for FY 2025 – FY 2026 performance is scheduled for March 2, 2026.

Total operating revenues had a favorable variance of approximately \$9.3 million, mainly due to the Wholesale Customers making early payments in January. The Residential/Commercial/Multi-Family category unfavorable variance of approximately \$1.0 million is due to lower-than-anticipated consumption. The Municipal (DC Government) category has an unfavorable variance of approximately \$2.9 million due to the timing of its payment, which was received in February. Total operating expenses at the end of January were \$235.9 million, or 28.1 percent of the budget and consistent with spending with previous year through the same period. Staff will continue to monitor the chemical and supply categories, which are experiencing increased costs for critical spare parts required for operations.

Capital disbursements were \$227.3 million or 24.9 percent of the budget. Ms. Oyeyemi noted that the budget is subject to revision as part of the ongoing FY 2027 budget. Cash investments totaled \$715.5 million, including \$40.6 million in the Rate Stabilization Fund. The operating interest income through the month of January was \$4.9 million. Delinquent accounts increased by \$1 million mainly due to the back-billing of Georgetown University, which is disputing charges and requesting a hearing. The Multi-family category accounts for 47 percent of total delinquent accounts. Overtime is trending above budget at 33.4 percent of the budget.

Developer deposit accounts continue to be processed, with 10 refunds in January 2026 for approximately \$58.5 thousand, with a year-to-date total of \$1.3 million processed since October 2025. In response to Chairperson Giancola's inquiry, Gregory Hope, Acting Chief Legal Officer & EVP, confirmed that an update on delinquent accounts will be presented at the Board meeting on March 5, 2026.

II. CAPITAL IMPROVEMENT PLAN (CIP) QUARTERLY REPORT

Moussa Wone, Vice President, Engineering and Clean Rivers, provided the Capital Improvement Program (CIP) report. Service Area updates were provided for the Process Facilities Program, Sewer Program, and the Water Program. He highlighted ongoing project contract spotlights and accomplishments achieved in each area. For the Sewer Program, recent inspections of the 5th Street NW and O Street NW project revealed displaced bricks and missing mortar in a pipe section, which will require about 200 linear feet of brick sewer rehabilitation. The design phase is underway, with construction targeted for Spring 2026.

The proposed baseline forecast for FY 2026 is \$695 million. Through the first quarter, actual CIP disbursements were \$158 million compared to \$191 million forecast. The team projects total spending will reach \$675 million, which is 97 percent of the proposed FY 2026 budget of \$695 million.

Next, Dr. Wone reviewed the FY26 Spending Performance by Service Area. There are 43 scheduled Key Performance Indicators (KPIs) for projects in the CIP for FY 2026, of which 4 were completed within the threshold and 14 KPIs projected to be outside the 90-day threshold. The Clean Rivers Project is \$11 million under budget, while the Wastewater Treatment Service Area achieved \$17 million of the \$27 million planned spend.

In response to a question from Committee Chair Anthony Giancola, Dr. Wone stated that the Authority achieved 95 percent of its budgeted CIP spending in FY 2024. Mr. Giancola noted that even if the 97 percent target is reached, spending will be \$20 million below budget. He also expressed appreciation for the daily reports on the Potomac Interceptor (PI) repairs.

Committee member Amy Stevens asked how emergency repairs are funded in the capital budget. Dr. Wone and Paul Laban, Senior Manager, CIP Project Controls and Estimating, explained that CIP projects are prioritized based on risk, and that contingency funds are available for emergency contracts. In response to questions from Committee member Alexander McPhail, Dr. Wone confirmed that the estimate for the PI repair is \$15 to \$20 million based on current best estimates and includes emergency response and remediation. The reimbursement from the Federal Emergency Management Agency is expected to cover approximately 75 percent of the repair cost. It was noted that the Parks Service has been very helpful on the PI project.

III. R&D WASTEWATER PROGRAM

Haydee De Clippeleir Director, Clean Water Quality and Technology, provided an overview of the Research and Development (R&D) program. Ms. De Clippeleir noted that a central theme in R&D is achieving more with less, handling increasing loads and flows while being ready for future challenges, including potential new regulations. With DC Water's facilities at capacity, it must operate more efficiently to optimize space, reduce energy and chemical use, lower costs, and enhance sustainability.

The Authority's research spans permit-driven projects, CIP support, and efforts to boost sustainability and affordability, which closely align with strategic goals. Each project can contribute to several objectives.

Ms. De Clippelier noted that wastewater treatment research begins with small-scale tests to understand core principles, then progresses to developing process controls and conducting proof-of-principle pilots. Current pilot projects include the Partial Denitrification (PdNA) Demonstration Pilot, which reduces methanol dependency for nutrient removal while increasing treatment capacity within existing infrastructure. The Densification of Secondary Treatment to Enhance Capacity project aims to address a capacity bottleneck by finding alternatives to building additional reactors. A potential option is cyclones, which improve sludge physics and separate sludge from water. Another project aims to improve polymer optimization by developing a camera-based decision-making tool to reduce reliance on visual inspections by operators.

R&D priorities are set collaboratively with universities, consultants, technology providers, and internal DC Water operations and engineering teams, with project needs reassessed regularly. The team reprioritizes projects annually based on the CIP and team needs. Facility planning shapes long-term strategies, and the research program is reviewed at least three times a year with key teams to ensure it remains aligned and impactful.

The R&D group is embedded within the wastewater operations cluster and interacts daily with engineers, operations, and maintenance. It relies primarily on university research associates rather than DC Water staff, allowing the program to set its own priorities, remain adaptable, and leverage specialized knowledge while supporting students' academic progress. The team includes three DC Water employees and engages 15 students year-round and 10 to 15 summer interns.

R&D funding mainly comes from external sources such as the Environmental Protection Agency (EPA), the Department of Ecology (DOE), and the Water Research Foundation (WRF), which contract directly with the universities. The universities manage these funds and provide students who are funded mostly through full scholarships for graduates and hourly pay for undergraduates. Operational budgets support specialized testing, tool development, and large pilot projects, such as those funded by the CIP. Annual university contracts for student support total about \$660,000 to \$700,000, with the remainder of the research budget allocated to model and tool development, lab testing, and digital infrastructure improvements.

IV. PROPOSED FY 2027 BUDGETS

Ms. Oyeyemi presented an overview of the Revised FY 2026 and Proposed FY 2027 budgets, with a goal to obtain the committee's recommendation to the full Board for the following items: the Proposed Amended FY 2026 and Proposed FY 2027 Operating

Expenditure Budget, Proposed Revised FY 2026 Operating Revenue Budget, Proposed FY 2026 – FY 2035 Capital Improvement Program (disbursements and lifetime), including the Proposed FY 2027 Capital budget, Proposed FY 2026–FY 2035 Financial Plan, and Intent to Reimburse Capital Expenditures with Proceeds of a Borrowing.

Ms. Oyeyemi acknowledged the feedback from Board members regarding the CIP forecast, rate-reduction opportunities, and the Public Inconvenience Fee (PIF). She advised that during the rate-making and public hearing process, the Board still has the opportunity to reduce rates before finalization in July 2026. A customer affordability analysis will be presented to the committee in April, and its findings will guide the rate discussions before final adjustments are made.

The operating budget and 10-year CIP were discussed in detail with the Board and relevant committees. Ms. Oyeyemi reviewed the budget adoption calendar and noted the budget process began in August with the budget materials reviewed at the January 2026 Budget Workshop with the Board, and briefings held with multiple Committees and stakeholders. All budget milestones are on track. The budget is due to the District on March 10, 2026, with the mayor required to deliver it to the Council by April 1, 2026. Town Hall meetings will be held during Spring to inform customers about the Authority's needs and assistance programs before the Public Hearing on May 14, 2026. Final rate adoption is scheduled for July 2, 2026.

Ms. Oyeyemi reviewed the details of the sources and uses of funds for FY 2027 operating of \$1.07 billion and the ten-year capital program of \$9.69 billion. Revenues remain diversified across the various customer classes, reducing reliance on any single class. The main uses for operating funds include personnel services, debt service, and PAYGO. The Proposed ten-year CIP of \$9.69 billion includes \$3.3 billion that will be funded by debt proceeds, \$3.13 billion leveraging PAYGO financing and \$2.1 billion from wholesale customers, while the largest CIP expenditures are water and sanitary sewer projects.

Ms. Oyeyemi reviewed the proposed bill increases of 6.6 percent for FY 2027 and 5.3 percent for FY 2028, both below previous forecasts, and include the new proposed PIF. DC Water's Customer Assistance Programs (CAP) and expanded CAP eligibility will reduce the burden for lower-income customers.

Next, Ms. Oyeyemi reviewed the proposed 10-year CIP budget of \$9.69 billion and a project lifetime budget of \$17.4 billion. The budget reflects a risk-based approach and is slightly below last year's approved amount, with reductions of \$136.6 million in FY 2026 and \$66.7 million over the 10 years.

The FY 2026 revised operating budget is \$838.1 million, and the FY 2027 proposed operating budget is \$844.1 million. The increase of \$6 million is mainly due to higher personnel, chemical, supply costs and water purchases. The budget for Cash Financed Capital Improvements (CFCI) is used as PAYGO funding to defease debt and act as a buffer to absorb cost pressures if chemical or electricity costs increase. As DC Water operates on a cost-recovery basis, the Board can authorize any surplus to be redirected to PAYGO to reduce long-term debt service costs or Rate Stabilization Fund.

The revised FY 2026 operating revenue budget includes a reduction of \$3.2 million to \$1.01 billion to align with projected federal government consumption, higher interest earnings and Wholesale Customer revenue due to cost for the PI. The proposed operating revenue for FY 2027 is \$1.07 billion, up \$61.2 million from FY 2026. The proposed FY 2028 operating budget is \$1.12 billion budget, \$52 million higher than FY 2027. This growth is primarily due to projected rate increases based on modest consumption estimates and updated flow data impacting wholesale revenues.

Ms. Oyeyemi provided rate scenarios based on Board feedback. The first examines fully funding the \$9.69 billion CIP. Had that assumption been applied, the FY 2027 average customer bill increase would have been 7.3 percent rather than the current 6.6 percent proposal. Without the PIF, which is expected to cost approximately \$120 million over the 10 years, the rate increase would be lower at 5.0 percent. The proposed financial plan reflects CIP reprioritization and updated projections with a bill increase of 6.6 percent in FY 2027 and an average of 5.2 percent over the ten-year period.

Ms. Oyeyemi reviewed the 10-year financial plan and noted that the plan meets bond indenture and liquidity requirements, including cash targets and debt coverage ratios. DC Water's financial health remains strong, supported by reaffirmed high bond ratings, which reduce borrowing costs for ratepayers.

Lastly, Ms. Oyeyemi presented the Intent to Reimburse Capital Expenditures with Proceeds of a Borrowing, seeking approval to reimburse DC Water for "Costs of the System" as defined in the Master Indenture that allows DC Water to reimburse itself for capital expenditures with debt proceeds. She noted that DC Water intends to enter the market in the summer of 2027 to secure new funding for the CIP. The reimbursement authority request for FY 2027 is \$476.2 million.

In conclusion, Ms. Oyeyemi presented the management recommendations and action items. Ms. Oyeyemi expressed gratitude to Mr. Giancola and Board members, Mr. Gadis, the Senior Executive Team and staff involved in the budget formulation process

highlighting the extensive collaboration between Finance, Engineering and all departments since summer 2025.

V. ACTION ITEMS

The Committee members recommended approval of the following items to the full Board:

- Recommendation for Approval of the FY 2026 Amended and FY 2027 Proposed Budgets
 1. Fiscal Year 2026 Revised Operating Budget
 2. Fiscal Year 2027 Proposed Operating Budget
 3. Fiscal Year 2026 Revised Operating Revenue Budget
 4. Fiscal Year 2026 – 2035 Capital Improvement Program (Ten-Year Disbursement Plan and Lifetime Budget)
 5. Fiscal Year 2026 – 2035 Financial Plan
 6. Intent to Reimburse Capital Expenditures with Proceeds of a Borrowing

VI. AGENDA FOR THE MARCH 2026 COMMITTEE MEETING

The agenda for the meeting on March 26, 2026, includes the February 2026 Monthly Financial Report and any other items the Committee wishes to discuss.

VII. ADJOURNMENT

The meeting adjourned at 10:46 AM.