



## District of Columbia Water and Sewer Authority Board of Directors

### Joint Meeting of the DC Retail Water and Sewer Rates and Finance and Budget Committees

January 27, 2026 /10:00 am

Microsoft Teams meeting

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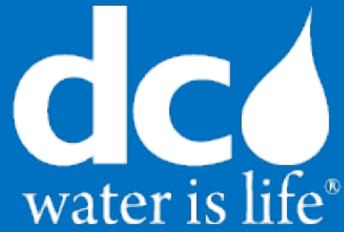
[+1 202-753-6714,,828340222#](tel:+12027536714,,828340222#)

Phone conference ID: 828 340 222#

1. **Call to Order** ..... Rachna Bhatt & Anthony Giancola, Chairpersons
2. **Roll Call** ..... Michelle Rhodd, Board Secretary
3. **Proposed FY 2026 Budget (Attachment 1)** ..... Matthew T. Brown & Lola Oyeyemi
4. **Executive Session\***
5. **Adjournment** ..... Rachna Bhatt & Anthony Giancola, Chairpersons

This meeting is governed by the Open Meetings Act. Please address any questions or complaints arising under this meeting to the Office of Open Government at [opengovoffice@dc.gov](mailto:opengovoffice@dc.gov).

1The DC Water Board of Directors may go into executive session at this meeting pursuant to the District of Columbia Open Meetings Act of 2010, if such action is approved by a majority vote of the Board members who constitute a quorum to discuss certain matters, including but not limited to: matters prohibited from public disclosure pursuant to a court order or law under D.C. Official Code § 2-575(b)(1); terms for negotiating a contract, including an employment contract, under D.C. Official Code § 2-575(b)(2); obtain legal advice and preserve attorney-client privilege or settlement terms under D.C. Official Code § 2-575(b)(4)(A); collective bargaining negotiations under D.C. Official Code § 2-575(b)(5); facility security matters under D.C. Official Code § 2-575(b)(8); disciplinary matters under D.C. Official Code § 2-575(b)(9); personnel matters under D.C. Official Code § 2-575(b)(10); third-party proprietary matters under D.C. Official Code § 2-575(b)(11); train and develop Board members and staff under D.C. Official Codes § 2- 575(b)(12); adjudication action under D.C. Official Code § 2-575(b)(13); civil or criminal matters or violations of laws or regulations where disclosure to the public may harm the investigation under D.C. Official Code § 2-575(b)(14); and other matters provided under the Act.



# The Proposed FY 2027 Budget & Two-Year Rates

Presentation to the Joint Meeting of the D.C. Retail Water & Sewer Rates and Finance & Budget Committees on January 27, 2026

**District of Columbia Water and Sewer Authority**





# Purpose

- Present the Proposed Fiscal Year 2027 Budgets and Two-Year Rates:

- Operating Expenditures
- Ten-Year Capital Improvement Program
- Customer Assistance Programs
- Rates and Revenues
- Ten-Year Financial Plan



- Review the budget process and timelines for:

- Budget – Committee review, Committee recommendation to the Board, and Board adoption
- Rates – Cost of Service Study, Independent Review of Rates and Budget, Public Outreach, Public Hearing, Committee consideration and recommendation to the Board, and Board adoption



## Budget Adoption Calendar

Timeline	Activity	Status
January 15	Budget Workshop with Board of Directors	✓
	<b>Customer &amp; Stakeholder Briefings</b>	
January 16	Wholesale Customer	✓
January 23	Office of People's Counsel	✓
January 27	Stakeholder Alliance Group	
	<b>Committee Discussions &amp; Reviews</b>	
January 22	Environmental Quality & Operations	✓
January 27	Joint DC Retail Water & Sewer Rates and Finance & Budget Committee	
February 5	Board Meeting (No Board Action Required)	
	<b>Committee Reviews, Recommendations &amp; Actions</b>	
February 19	Environmental Quality & Operations	
February 24	DC Retail Water & Sewer Rates	
February 26	Finance & Budget	
<b>March 5</b>	<b>Board Adoption of Budgets</b>	
April	Submit Budget via the District to U.S. Congress	
October 1	Fiscal Year 2026 Begins	



# The Proposed FY 2027 Budget

## ◆ Proposed Operating Expenditure Budget of \$844.1 million

- **Operations and Maintenance (O&M)** – \$484.8 million for personnel and non-personnel
- **Debt Service** – \$257.9 million and Cash Financed Capital Improvements (CFCI) of \$76.8 million
- **PILOT & ROW** – payments to the District of \$24.5 million

## ◆ Proposed 10-Year Capital Disbursement Budget of \$9.69 billion

- **Capital Projects** – \$8.76 billion for mandated projects, Lead Free DC program, Pure Water DC, rehabilitation of the Potomac Interceptor, equipment upgrades and rehabilitation at Blue Plains, and continued investments in the aging water and sewer infrastructure
- **Capital Equipment** – \$415.4 million for meter replacement, purchase of equipment including pumps, motors, backhoes, jet-vacs, catch basin trucks and other aged vehicles to meet operational needs. Reflects reallocation of Software Based Information Technology Agreements (SBITA) from operating budget starting FY2027 consistent with the new GASB requirement
- **Washington Aqueduct** – \$514.5 million for DC Water's share of the Washington Aqueduct's CIP





# Multi-Year Rate Proposal for FY 2027 and FY 2028

## • Proposed rate changes:

- Water and sewer rates increase by 6.0% each for FY 2027 and FY 2028
- Proposed CRIAC of \$25.50 per ERU in FY 2027 and \$27.22 per ERU in FY 2028
- PILOT Fee at \$0.62 per Ccf for FY 2027 and \$0.63 per Ccf for FY 2028
- Groundwater rate increased to \$3.90 per Ccf for FY 2027 and FY 2028

## • Rates and charges that remain the same:

- Right-of-Way Fee remains the same as FY 2026 at \$0.20 per Ccf for FY 2027 and FY 2028
- Customer Metering Fee at \$7.75 for 5/8" meters
- Water System Replacement Fee (WSRF) at \$6.30 for 5/8" meters
- High-Flow Filter Backwash rate at \$3.54 per Ccf

## • Proposed new rates

- Public Inconvenience Fee of \$0.42 per Ccf will be effective FY 2027 to recover the charges associated with occupancy permits when construction projects in public spaces extend beyond 30 days

## • Cost of Service Study aligned with rate proposal

## • Combined rate increases lower than last year's forecast

Change in Average Household Charge	Fiscal Year	
	2027	2028
Recommendation	6.6%	5.3%
Previous Forecast	6.7%	5.7%

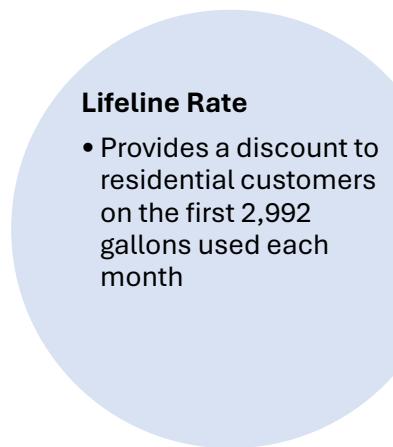


# Commitment to Customer Affordability



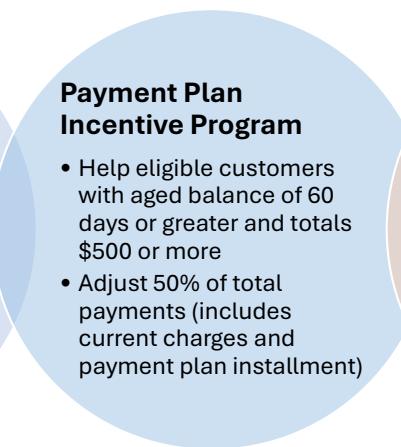
CAP+	CAP	CAP 2	CAP3	CRIAC Non-Profit Relief
<p><b>20% AMI</b> \$39,642 (family of 4) Discount on the first 600 cubic ft. of water and sewer services + 75% reduction in the monthly CRIAC fee + WSRF waiver \$131/month discount</p>	<p><b>60% SMI</b> \$118,926 (family of 4) Discount on the first 400 cubic ft. of water and sewer services + 75% reduction in the monthly CRIAC fee + WSRF waiver \$101/month discount</p>	<p><b>80% AMI</b> \$131,100 (family of 4) Discount on the first 300 cubic ft. of water and sewer services + 50% reduction in the monthly CRIAC fee \$67/month discount</p>	<p><b>100% AMI</b> \$163,900 (family of 4) Discount of 75% off the monthly CRIAC fee \$18/month discount</p>	<p><b>District-funded program to assist Non-profit organizations with Clean Rivers Impervious Area Charge (CRIAC)</b></p>

\* These CAP amounts are for FY 2026



## Lifeline Rate

- Provides a discount to residential customers on the first 2,992 gallons used each month



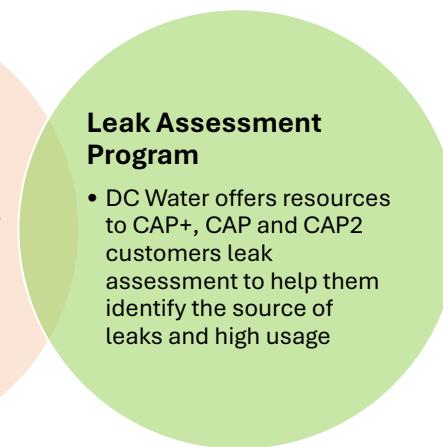
## Payment Plan Incentive Program

- Help eligible customers with aged balance of 60 days or greater and totals \$500 or more
- Adjust 50% of total payments (includes current charges and payment plan installment)



## One-Time Assistance

- SPLASH Provides one-time emergency assistance to customers



## Leak Assessment Program

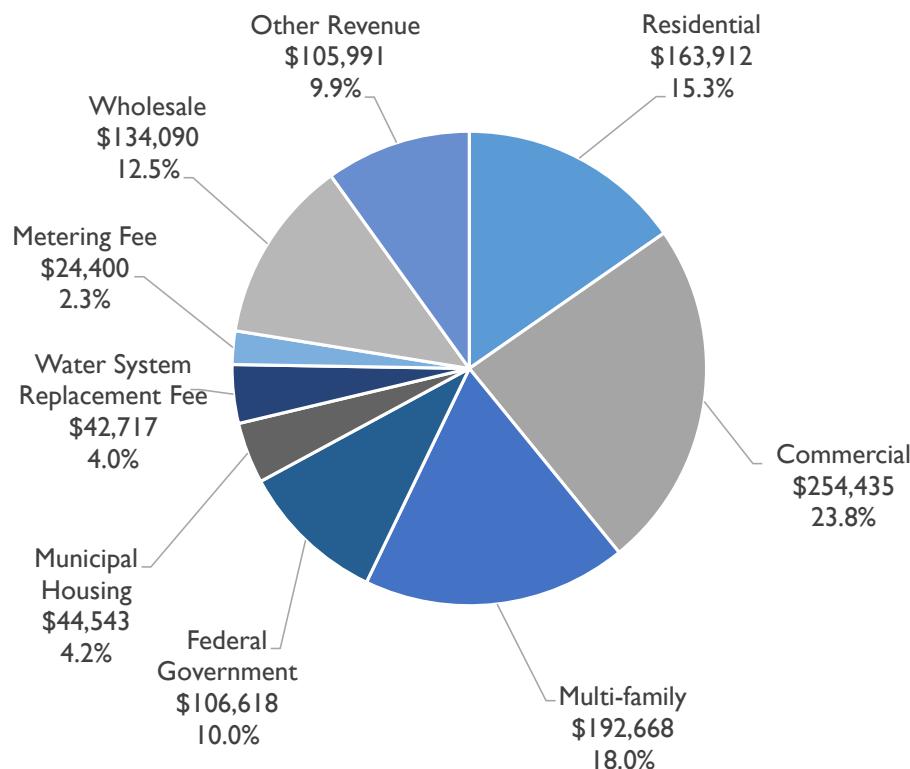
- DC Water offers resources to CAP+, CAP and CAP2 customers leak assessment to help them identify the source of leaks and high usage



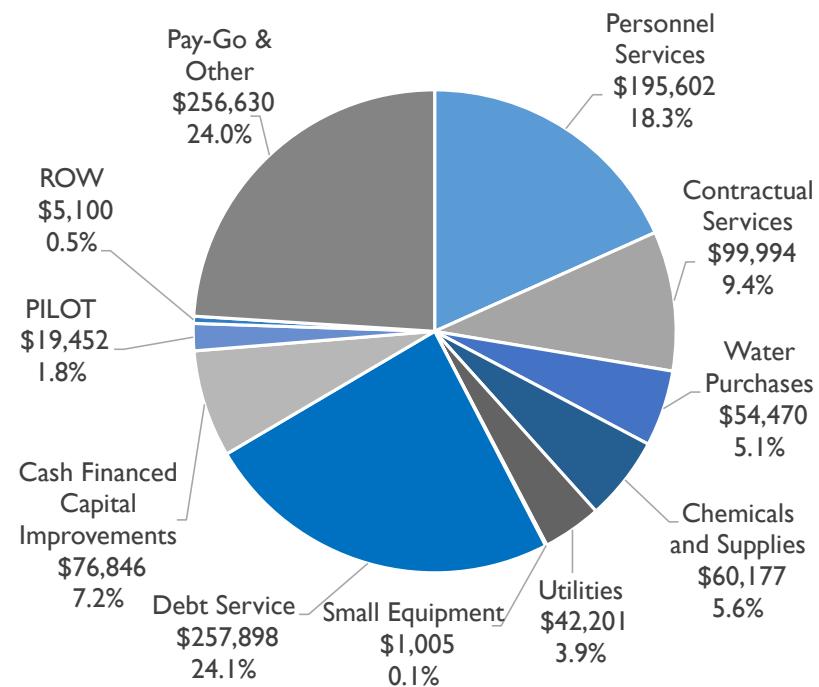
# FY 2027 Operating: Sources and Uses of Funds

\$ in thousands

## Sources - \$1.07 billion



## Uses - \$1.07 billion

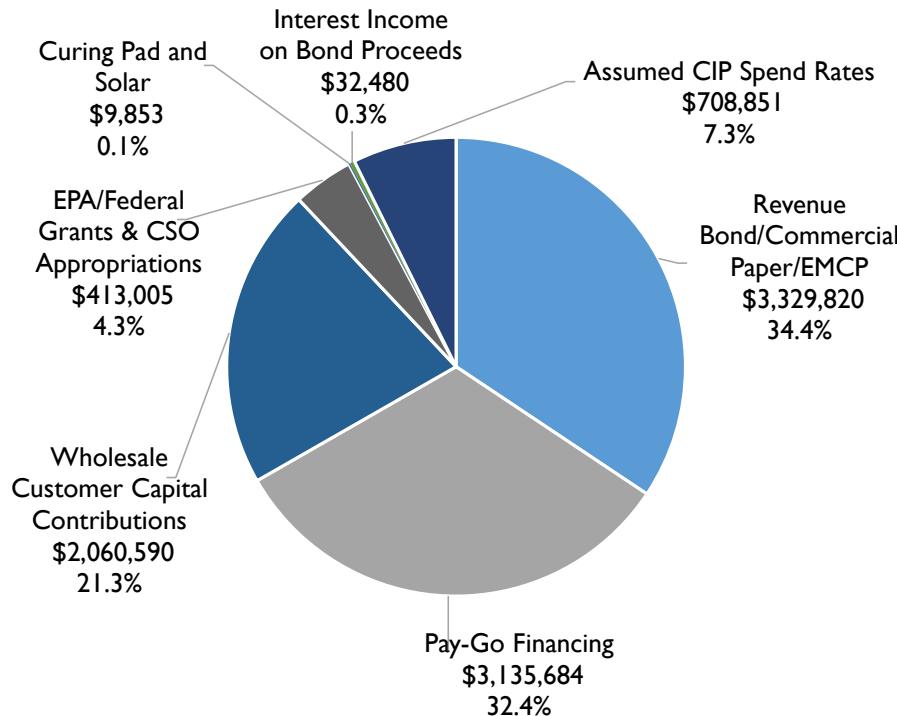




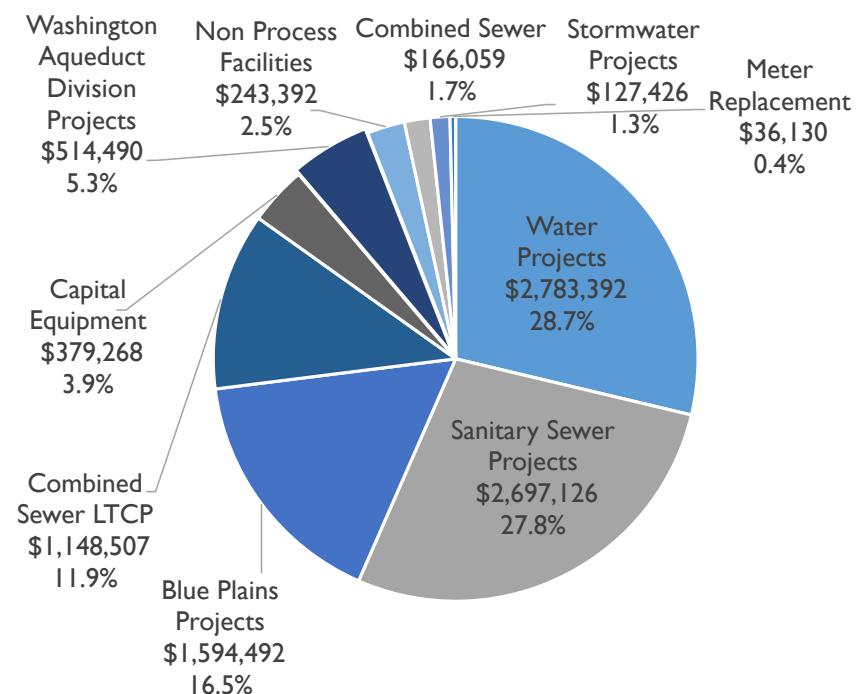
\$ in thousands

# Ten Year CIP: Sources and Uses of Funds

## Sources - \$9.69 Billion



## Uses - \$9.69 Billion



Note: Graphs may not total to 100% due to rounding to the nearest 0.1%

1: "Assumed CIP Spend Rates" is meant to represent the expectation that DC Water will spend less than the authorized CIP over the next 10 years, based on historical results



# Changes to FY 2026 Budget

## Amendment to the FY 2026 Operating Expenditure Budget

- Management has affected an administrative budget reprogramming of \$24.4 million from debt service to Cash Financed Capital Improvement (CFCI) for PAYGO to reduce future borrowing costs
- Overall Board-adopted budget remains the same

\$'000s	Adopted Budget	Budget Reprogramming	Amended Budget
Operations & Maintenance	\$ 468,576		\$ 468,576
Debt Service	271,489	(24,041)	247,448
Cash Financed Capital Improvement	73,898	24,041	97,939
PILOT & ROW	24,170		24,170
<b>Total Operating Budget</b>	<b>\$ 838,133</b>	<b>\$ -</b>	<b>\$ 838,133</b>

## Proposed Revisions to the FY 2026 Operating Revenues Budget

- Retail Revenue – lower projected consumption by 1.3 million Ccf primarily due to 0.9 million Ccf decline in Federal category (Joint Base Anacostia-Bolling) because of leakage issue in FY 2024
- Wholesale Revenue – increase in PI cost from \$3.5 million to \$5.1 million based on 2025 Cost of Service (COS) study
- Interest Earnings – increased due to higher interest rates
- Other Revenue – decrease in System Availability Fee and Intermunicipal Agreement (IMA) Indirect Cost Reimbursement for Capital Project

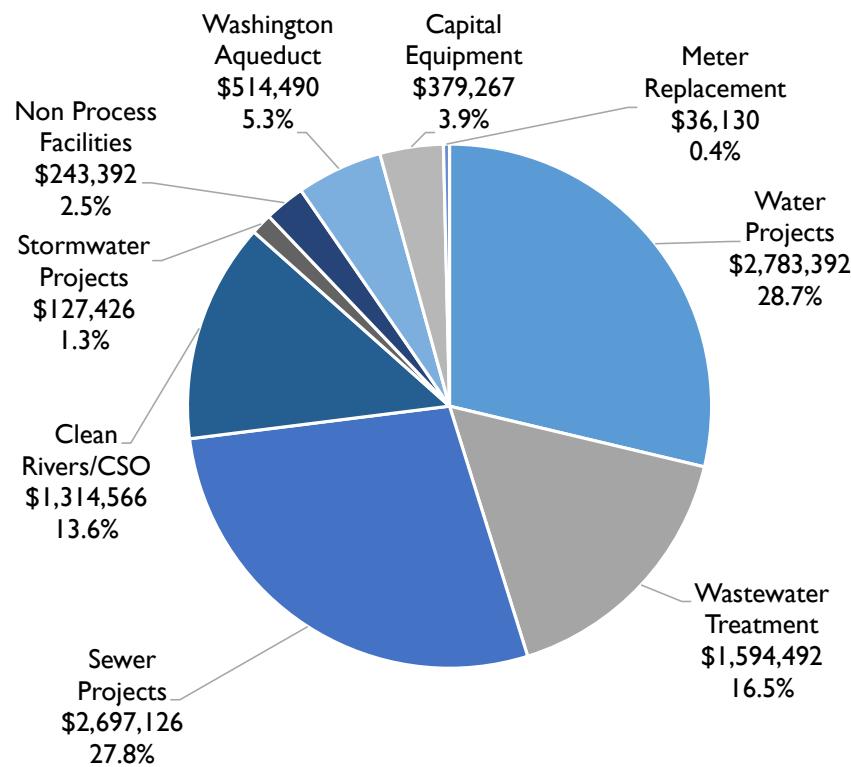
FY 2026	Current	Revision	Proposed
Retail Revenue	\$ 796,922,810	\$ (5,066,674)	\$ 791,856,136
Wholesale Revenue	122,611,848	1,607,236	124,219,084
Interest Earnings	8,815,944	4,233,498	13,049,442
Other Revenue	82,633,689	(3,894,757)	78,738,932
Interest on Bond Reserve	400,609	(70,000)	330,609
<b>Total</b>	<b>\$ 1,011,384,900</b>	<b>\$ (3,190,697)</b>	<b>\$ 1,008,194,203</b>



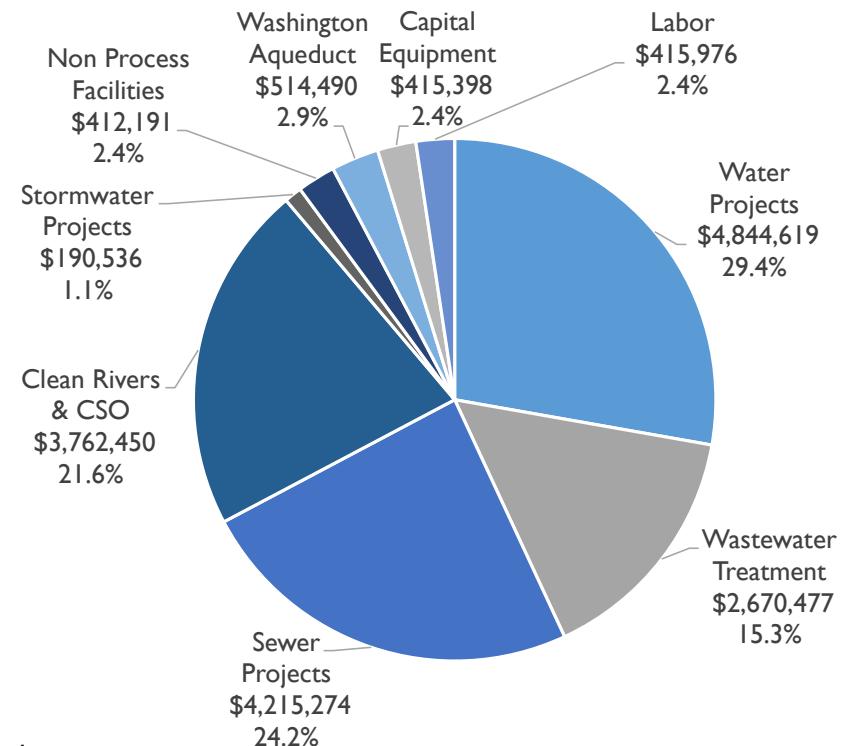
# Proposed Capital Improvement Program

# dc Capital Improvement Program Budgets

## Ten-Year Disbursement \$9.69 Billion



## Lifetime Project \$17.4 Billion





# The Capital Improvement Program

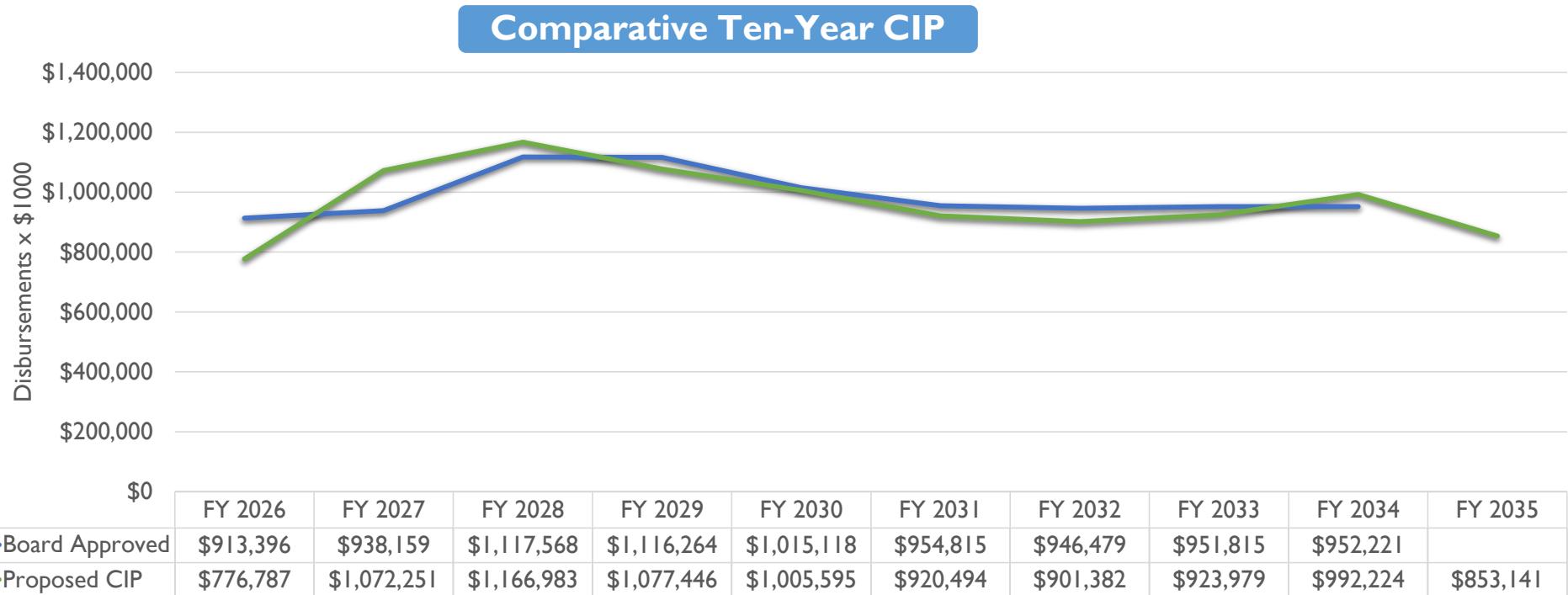
- The proposed ten-year CIP budget of **\$9.69 billion** includes annual spending estimates for capital construction, capital equipment and DC Water's share of the Aqueduct's capital projects
  - Net decrease of \$136.6 million in FY 2026 with an overall net increase of \$66.7 million over the ten-year period, compared the Board-approved CIP
  - Capital equipment funds the acceleration of the replacement of the AMI/meter replacement program and reallocation of Software Based Information Technology Agreements (SBITA) from operating budget starting FY2027 consistent with the GASB requirement
- The proposed lifetime budget is **\$17.4 billion** and covers total commitments, including labor, for active projects prior to, during, and beyond the ten-year window

(Cash Disbursements \$ in thousands)	FY 2026 - FY 2035 Disbursement Plan										Last Years 10-yr	(Increase)/ Decrease	Lifetime Budget	
	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033	FY 2034	FY 2035				
NON PROCESS FACILITIES	\$ 15,467	\$ 32,671	\$ 43,535	\$ 43,848	\$ 27,523	\$ 22,366	\$ 22,277	\$ 14,582	\$ 10,820	\$ 10,303	\$ 243,392	\$ 213,052	\$ (30,339)	\$ 412,191
WASTEWATER TREATMENT	83,199	127,537	151,664	138,337	164,406	172,451	198,453	184,744	194,690	179,012	1,594,492	1,763,454	168,962	2,670,477
COMBINED SEWER OVERFLOW	237,482	311,016	321,693	264,247	94,417	42,614	11,098	10,000	11,000	11,000	1,314,566	1,139,051	(175,515)	3,762,450
STORMWATER	16,550	14,740	18,186	27,841	29,208	12,921	2,318	2,250	2,099	1,313	127,426	65,840	(61,586)	190,536
SANITARY SEWER	155,371	230,713	266,827	223,235	300,656	288,391	295,248	311,056	360,046	265,583	2,697,126	2,718,608	21,482	4,215,274
WATER	186,757	274,558	285,327	302,603	312,347	268,653	258,593	287,645	299,551	307,357	2,783,392	2,871,946	88,554	4,844,619
<b>CAPITAL PROJECTS</b>	<b>694,826</b>	<b>991,234</b>	<b>1,087,232</b>	<b>1,000,111</b>	<b>928,557</b>	<b>807,396</b>	<b>787,987</b>	<b>810,277</b>	<b>878,206</b>	<b>774,568</b>	<b>8,760,394</b>	<b>8,771,952</b>	<b>11,558</b>	<b>16,095,547</b>
CAPITAL EQUIPMENT	29,401	39,664	38,398	37,681	38,269	38,558	38,855	39,162	39,478	39,803	379,267	316,184	(63,083)	379,267
Meter Replacement/AMR/CIS/ERP	3,080	5,583	5,583	3,883	3,000	3,000	3,000	3,000	3,000	3,000	36,130	34,664	(1,466)	36,130
WASHINGTON AQUEDUCT	49,480	35,770	35,770	35,770	35,770	71,540	71,540	71,540	71,540	35,770	514,490	500,780	(13,710)	514,490
<b>ADDITIONAL CAPITAL PROJECTS</b>	<b>81,961</b>	<b>81,018</b>	<b>79,751</b>	<b>77,334</b>	<b>77,039</b>	<b>113,098</b>	<b>113,395</b>	<b>113,702</b>	<b>114,018</b>	<b>78,573</b>	<b>929,888</b>	<b>851,628</b>	<b>(78,260)</b>	<b>929,888</b>
LABOR														383,495
<b>TOTAL CAPITAL BUDGETS</b>	<b>\$ 776,787</b>	<b>\$ 1,072,251</b>	<b>\$ 1,166,983</b>	<b>\$ 1,077,446</b>	<b>\$ 1,005,595</b>	<b>\$ 920,494</b>	<b>\$ 901,382</b>	<b>\$ 923,979</b>	<b>\$ 992,224</b>	<b>\$ 853,141</b>	<b>\$ 9,690,281</b>	<b>\$ 9,623,580</b>	<b>\$ (66,702)</b>	<b>\$ 17,408,930</b>
	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033	FY 2034	FY 2035				
Board Approved 10yr-CIP	913,396	938,159	1,117,568	1,116,264	1,015,118	954,815	946,479	951,815	952,221	9,623,580				
Delta (inc)/dec	136,609	(134,092)	(49,415)	38,818	9,523	34,321	45,097	27,837	(40,003)	(853,141)	(66,702)			



## Comparison: Proposed CIP vs Approved CIP

- Proposed CIP is relatively flat compared to the approved CIP; and continues to support major water and sewer projects, Lead Free DC, and completion of the Clean Rivers project



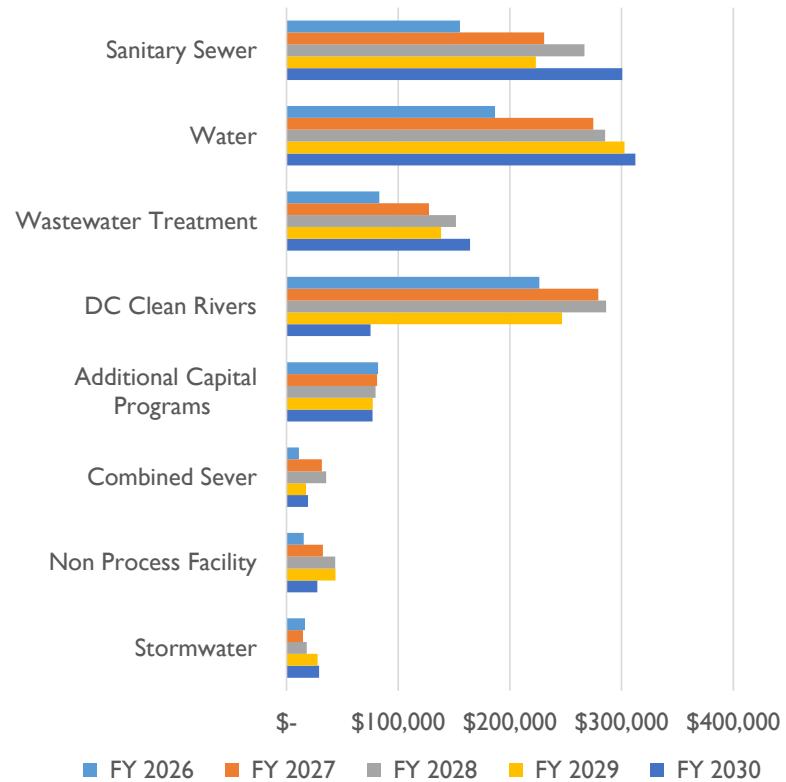
## DEEP DIVE

## Near Term of the 10-Year CIP

- DC Water is proceeding with the increased investment in water and sewer projects as we advance the Lead-Free DC Program and approach the completion of the Clean Rivers tunneling program
  - Spending on sewer projects will almost double from \$155 million in FY 2026 to \$301 million by FY 2030 mainly for the rehabilitation of the Potomac Inceptor
  - Significant growth in water projects from \$187 million in FY 2026 to \$312 million by FY 2030 mainly for the Lead-Free DC program
  - Critical rehabilitation and equipment upgrades at Blue Plains with spending growth from \$83 million in FY 2026 to \$164 million in FY 2030
  - Clean Rivers program is anticipated at 29% of the overall CIP in FY 2026, but only 7% by FY 2030 when the remaining tunnels are completed
  - Spending on additional capital programs covers capital equipment, software/hardware subscription arrangements and infrastructure improvements at the Aqueduct

\$ in thousands

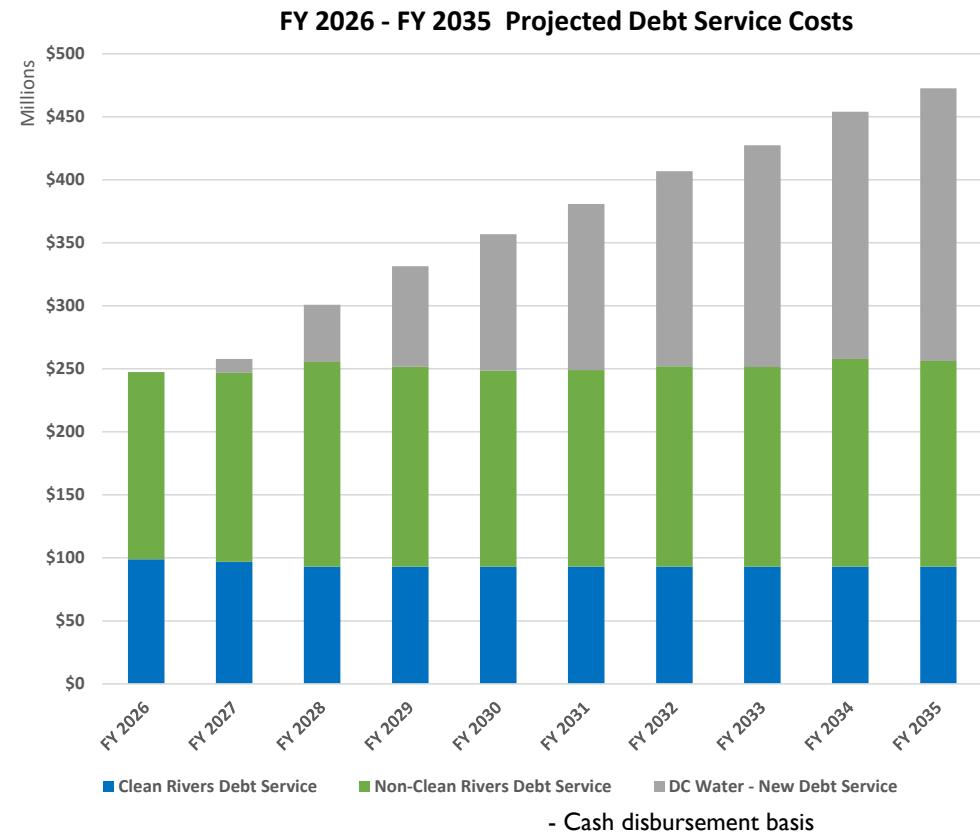
Projected Capital Disbursements – Near term of 10-Year CIP  
(FY 2026 - FY 2030)



## DEEP DIVE

# Near Term of the 10-Year CIP

- To advance the capital program, DC Water will borrow an additional \$3.6 billion over the next ten years
- These new debt service costs will require additional rate increases

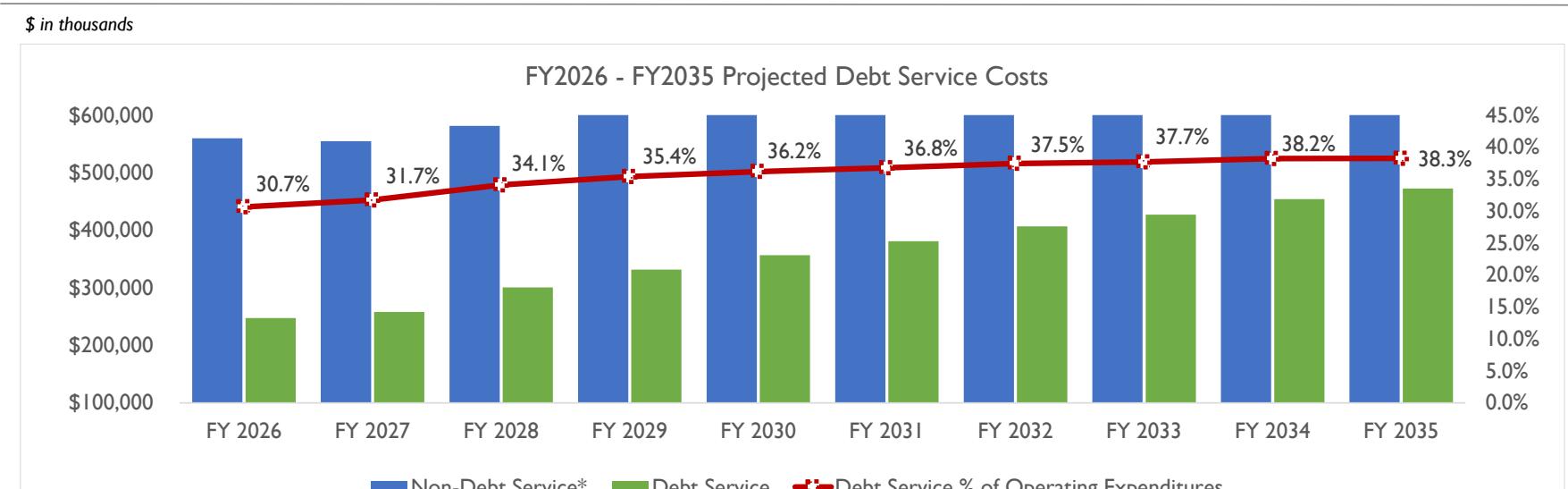




## Debt Service Costs

### Debt service is the largest driver in the operating budget

- Represents 31.7% of the net operating expenditure budget and 24.4% of operating revenue in FY 2027
- Over the next ten years, about \$3.6 billion is anticipated to be borrowed to fund the capital program
- Debt service cost is projected to grow from \$247.4 million in FY 2026 to \$472.6 million by FY 2035 (approximately 86% increase)



\* Non-Debt Service includes O&M, PILOT, ROW and CFCI estimates



# Operating Expenditure Budget



# Budget Process Improvement

- Traditionally, DC Water leverages a hybrid of Zero Based and Activity Based budgeting methodologies
- As part of management's efforts to improve communication in the budget process and effectively connect costs to services provided, we are introducing **Program-Based Budgeting**, another GFOA best practice
- Operational activities are grouped into services to better justify requests, allocate resources based on outcomes and guide decision-making
- Improves communication on how DC Water's budget supports various services provided to customers and stakeholders

## Strategic Alignment

Better Alignment with Blueprint 2.0

Ties services to imperatives and themes

## Transparency & Accountability

Shows what budget is for and why it matters

Drives accountability, effectiveness and continuous improvement

## Collaboration & Performance

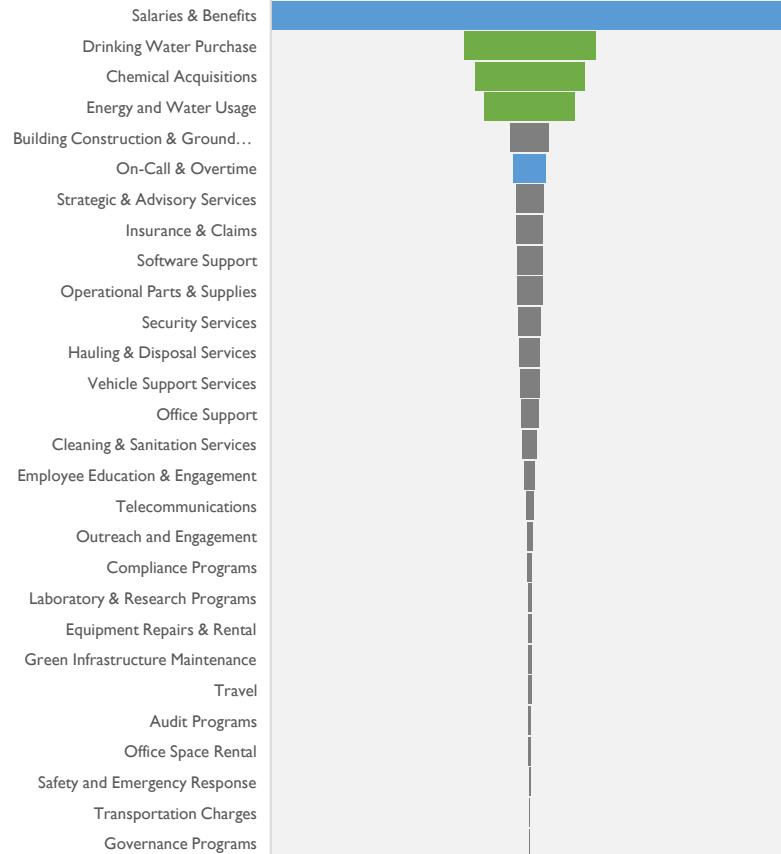
Fosters cross-departmental collaboration

Helps focus on what to expand, reduce or restructure



# Operations and Maintenance Budget by Services

## Breakdown of O&M Activities



**47%**

Designated for salaries, benefits, and overtime compensation related to services provided by Team Blue

**28%**

Covers fixed expenses related to water purchase, and energy and chemicals used in the treatment process

**25%**

Necessary for asset maintenance, critical parts and equipment, insurance coverage, claims, technology, and other essential services

## FY 2027 O&M Breakdown of Services

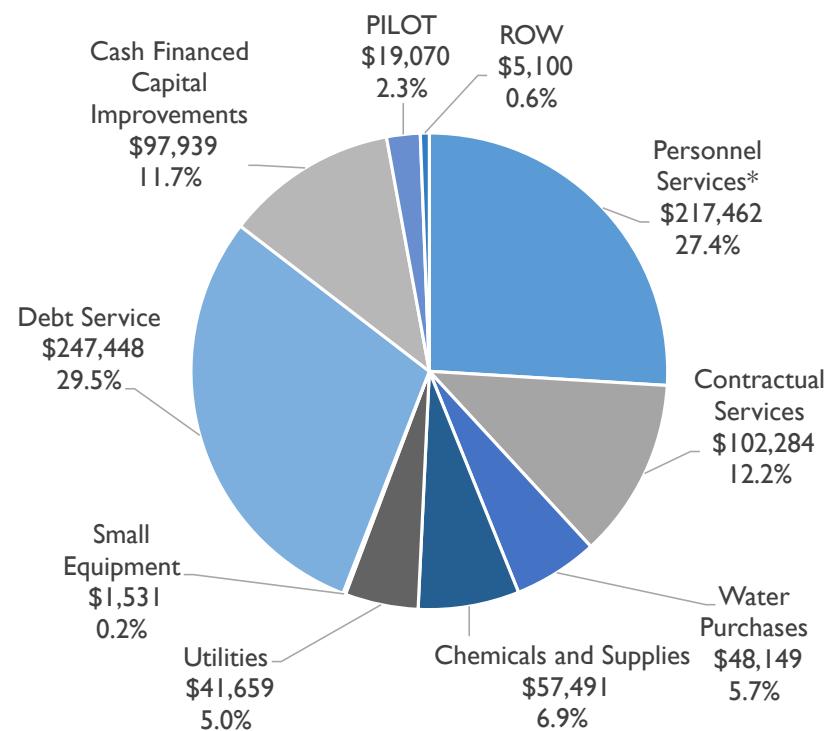




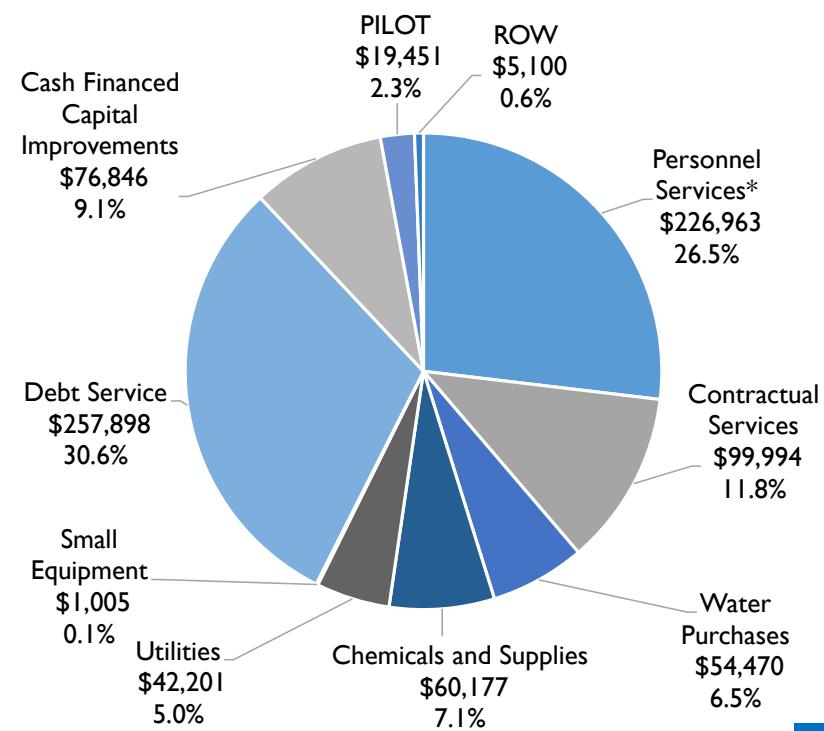
# FY 2026 vs. FY 2027 Expenditure Budgets

\$ in thousands

## Revised FY 2026 \$838,133



## Proposed FY 2027 \$844,105



\* Personnel Services include capital labor charges



## Operating Budget Comparison by Cost Category

- DC Water successfully closed Fiscal Year 2025 with strong financial performance, achieving approximately 93% of the overall budget
- The FY 2026 amended budget reflects reprogramming of \$24 million from debt service to CFCI as an increase in PAYGO to reduce future borrowing costs. The overall budget remains the same
- The proposed FY 2027 overall operating budget is \$844.1 million, an increase of \$5.9 million or 0.7% compared to the FY 2026 level

(\$000's)	FY 2025			FY 2026			FY 2026		FY 2027		(Increase)/ Decrease	
	Revised	Actual	Variance	Adopted Budget	Reprogramming	Amended Budget	Proposed Budget	\$	%	\$	%	
Regular Pay	\$ 154,105	\$ 143,899	\$ 10,205	\$ 159,348		\$ 159,348	\$ 167,504	\$ (8,156)	-5.1%			
Benefits	46,425	43,049	3,376	46,914		46,914	47,193	(279)	-0.6%			
Overtime	9,103	10,854	(1,751)	11,200		11,200	12,265	(1,065)	-9.5%			
<b>Total Personnel Services</b>	<b>209,633</b>	<b>197,802</b>	<b>11,831</b>	<b>217,462</b>	-	<b>217,462</b>	<b>226,963</b>	(9,501)	-4.4%			
Chemical and Supplies	55,585	56,834	(1,249)	57,491		57,491	60,177	(2,686)	-4.7%			
Utilities	40,318	39,731	587	41,659		41,659	42,201	(542)	-1.3%			
Contractual Services	102,284	90,012	12,272	102,284		102,284	99,994	2,290	2.2%			
Water Purchases	45,330	43,498	1,833	48,149		48,149	54,470	(6,321)	-13.1%			
Small Equipment	1,364	1,311	53	1,531		1,531	1,005	526	34.3%			
<b>Total Non-Personnel Services</b>	<b>244,881</b>	<b>231,386</b>	<b>13,495</b>	<b>251,114</b>	-	<b>251,114</b>	<b>257,847</b>	(6,733)	-2.7%			
<b>Total Operations &amp; Maintenance</b>	<b>\$ 454,513</b>	<b>\$ 429,188</b>	<b>\$ 25,326</b>	<b>\$ 468,576</b>	\$ -	<b>\$ 468,576</b>	<b>\$ 484,810</b>	\$ (16,234)	-3.5%			
Debt Service	243,969	224,506	19,463	271,489	(24,041)	247,448	257,898	(10,450)	-4.2%			
PILOT & ROW	23,796	23,796	0	24,170		24,170	24,551	(381)	-1.6%			
Cash Financed Capital Improvements (CFCI)	65,963	58,438	7,525	73,897	24,041	97,939	76,846	21,093	21.5%			
<b>Total Non-O&amp;M</b>	<b>333,728</b>	<b>306,740</b>	<b>26,988</b>	<b>369,557</b>	(0)	<b>369,557</b>	<b>359,295</b>	10,262	2.8%			
<b>Total Operating Expenditure</b>	<b>\$ 788,241</b>	<b>\$ 735,928</b>	<b>\$ 52,313</b>	<b>\$ 838,133</b>	\$ (0)	<b>\$ 838,133</b>	<b>\$ 844,105</b>	\$ (5,972)	-0.7%			
Capital Labor Charges	(34,087)	(25,928)	(8,159)	(30,907)		(30,907)	(32,228)	1,321	-4.3%			
<b>Net Operating Expenditure</b>	<b>\$ 754,154</b>	<b>\$ 710,000</b>	<b>\$ 44,154</b>	<b>\$ 807,226</b>	\$ (0)	<b>\$ 807,226</b>	<b>\$ 811,877</b>	\$ (4,651)	-0.6%			

## DEEP DIVE

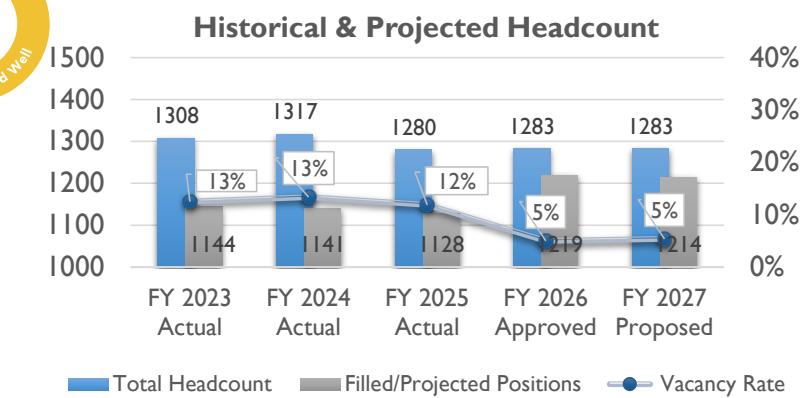
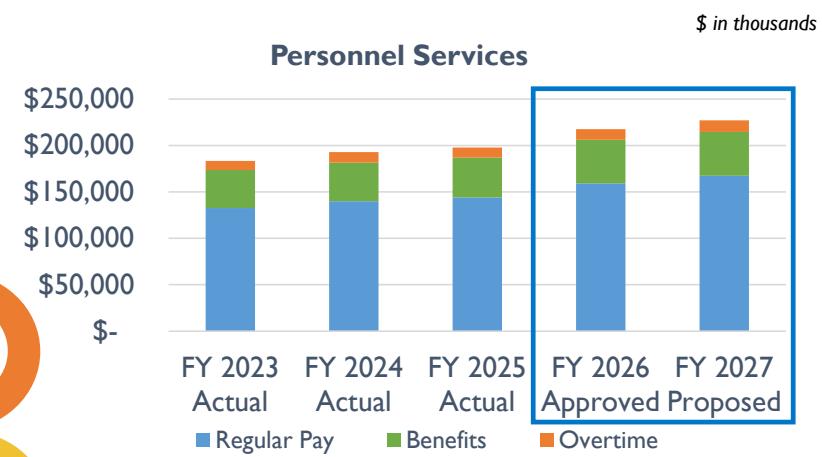
# Personnel Services – Budget Assumptions

### Personnel Services – \$227.0 million, increase of \$9.5 million

- **Regular Pay** – The increase of \$8.1 million is mainly for salary adjustments, step increases, and merit increases, consistent with the collective bargaining agreement
- **Benefits** – The increase of \$0.3 million is for employee health benefits based on current forecasts
- **Overtime** – The increase of \$1.1 million is primarily to address the growing need for emergency repairs of our ageing infrastructure and equipment outages

### Headcount – No change

- **Headcount** – Remains steady at 1283 FTEs as vacancies are repurposed within the Authority
- **Vacancy Rate** – Assumes 5% in FY 2026 and FY 2027



## DEEP DIVE

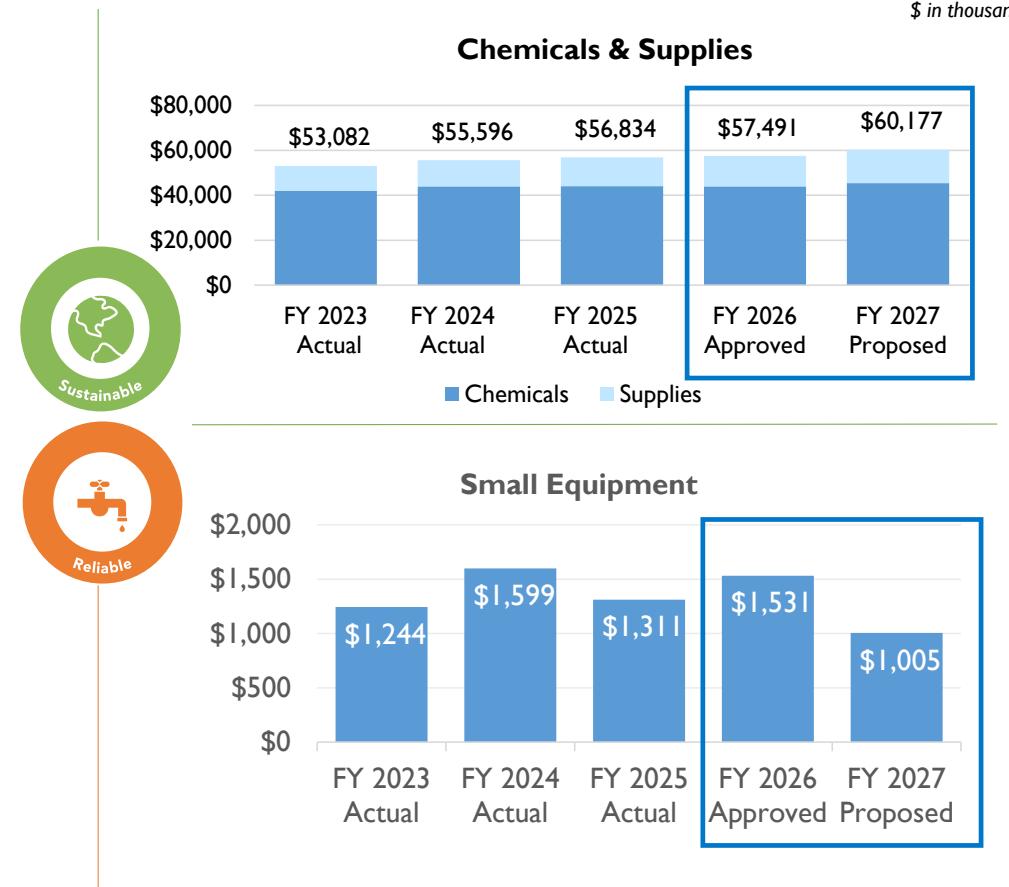
# Chemicals, Supplies, and Small Equipment

### Chemicals & Supplies – \$60.2 million, increase of \$2.7 million

- *Chemicals* – \$1.4 million increase due to higher unit prices for methanol and other major chemicals; the energy market may affect future costs
- *Supplies* – \$1.3 million increase due to inflation impacting costs of critical parts and custodial materials

### Small Equipment – \$1 million, decrease of \$0.5 million

- Due to lower rental for crane equipment at Blue Plains



## DEEP DIVE

- The FY 2027 contractual services budget reflects a modest decrease of 2% compared to FY 2026
- Areas of major budget changes include
  - Software Maintenance** reflects reallocation of \$7.3 million for SBITA costs to capital equipment (GASB requirement)
- Professional & Contractual Services** include CHP facility support, consulting services, strategic initiatives, biosolids disposal, outside legal services, security services, industrial and Janitorial cleaning
- Maintenance & Repairs** needed to keep assets in good and operational conditions – Auto Repairs, elevators, HVAC, Green Infrastructure (GI) and other facilities
- Audit & Other Contracts** aligns with historical trends

## Contractual Services



(000s)	FY 2023 Actual	FY 2024 Actual	FY 2025 Actual	FY 2026 Approved	FY 2027 Proposed	FY 2026 vs. FY 2027 (Increase) / Decrease	
Professional Services	\$ 38,889	\$ 33,406	\$ 30,545	\$ 35,835	\$ 37,029	\$ (1,194)	-3%
Contractual Services	12,433	13,337	16,068	17,118	17,655	(536)	-3%
Maintenance and Repairs	10,244	13,061	12,815	14,054	15,228	(1,174)	-8%
Software and Hardware Maintenance	12,059	12,369	12,780	14,797	8,931	5,866	40%
Insurance and Bonds	5,210	5,921	6,123	6,504	6,846	(342)	-5%
Other Contractuals	4,703	4,730	5,359	6,177	6,026	151	2%
Employee Training & Travel	2,061	2,076	1,541	2,415	2,729	(314)	-13%
Judgements Indemnities and Claims	157	1,474	2,341	2,350	2,400	(50)	-2%
Professional Fees & Audit Costs	2,181	2,356	1,910	2,390	2,208	182	8%
Government Fees	372	547	529	443	741	(298)	-67%
Non-RatePayer Revenue Fund				200	200	0	0%
<b>Total Contractual Services</b>	<b>\$ 88,309</b>	<b>\$ 89,276</b>	<b>\$ 90,012</b>	<b>\$ 102,283</b>	<b>\$ 99,994</b>	<b>\$ 2,289</b>	<b>2%</b>

## DEEP DIVE

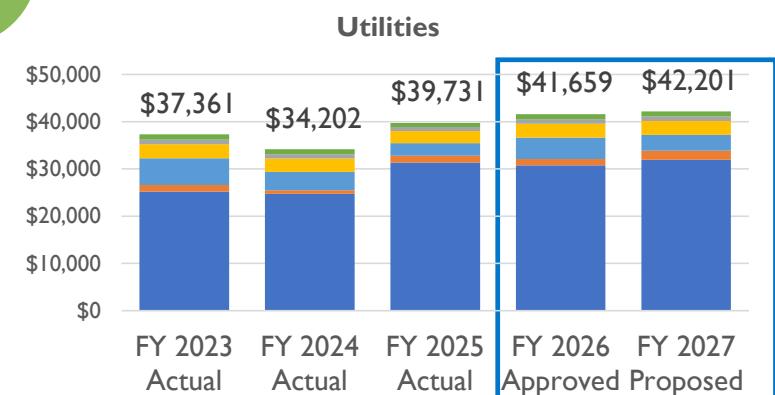
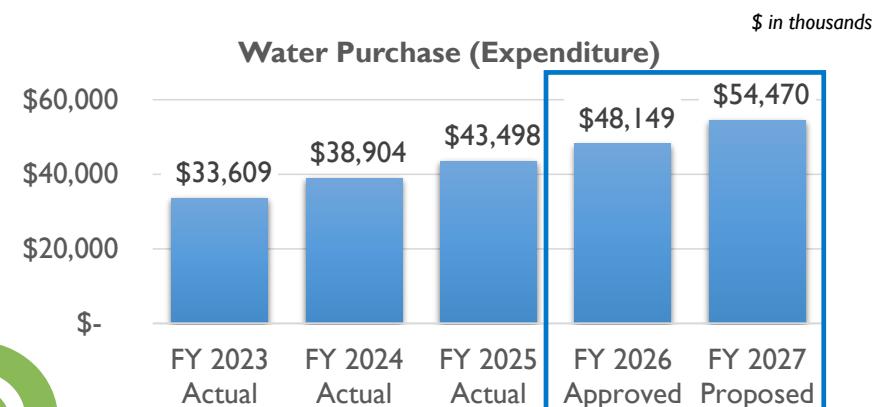
## Water Purchases and Utilities

## Water Purchase – \$54.5 million, increase of \$6.3 million

- DC Water purchases drinking water from the Washington Aqueduct and is responsible for approximately 75% of the Aqueduct's projected operating costs
- This includes funding for DC Water's share of the McMillan Sewer backwash with offsetting revenue opportunity, and funds the dredging of the Little Seneca Reservoir

## Utilities – \$42.2 million, increase of \$0.5 million

- Electricity – Represents a \$1.2 million increase for systemwide energy needs. Budget assumes onsite energy generation of 7MW from the Combined Heat & Power Facility and solar to mitigate cost increases and reduce reliance on the power grid
- Telecommunications and Rentals – Shows a \$0.02 million reduction based on current expenditure trends
- Water Usage – Shows a \$1.2 million decrease driven by improved spending trends following the resolution of water leakage issues at the Plant
- Gas & Automotive Fuel – \$0.6 million increase driven by forecasted energy market fuel prices





## Budget Risks

- ❖ Personnel - Overtime during emergencies, increased healthcare cost, lower than anticipated vacancy rate, outcome of compensation assessments and other leave adjustments typically funded by vacancies
- ❖ Supplies & Chemicals - Market volatilities, inflation, increased capacity energy prices based on peak demand, rain events, and process optimization
- ❖ Utilities - Market volatilities, onsite energy optimization, solar project output & timeline
- ❖ Professional Services - Biosolids/BLOOM - Hauling/marketing of 65,000 tons, Locate and Mark Utilities – Increased cost and volume
- ❖ Litigation & Insurance - Impacts of unanticipated legal cases and insurance policy requirements



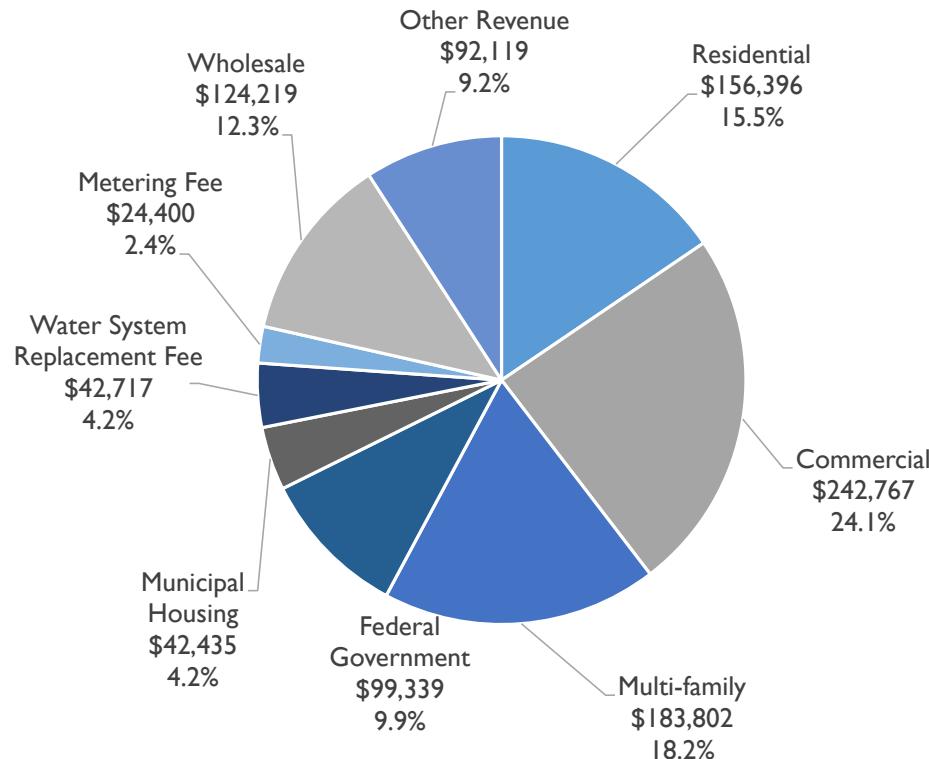
## Operating Revenues, Rates, Fees and Charges



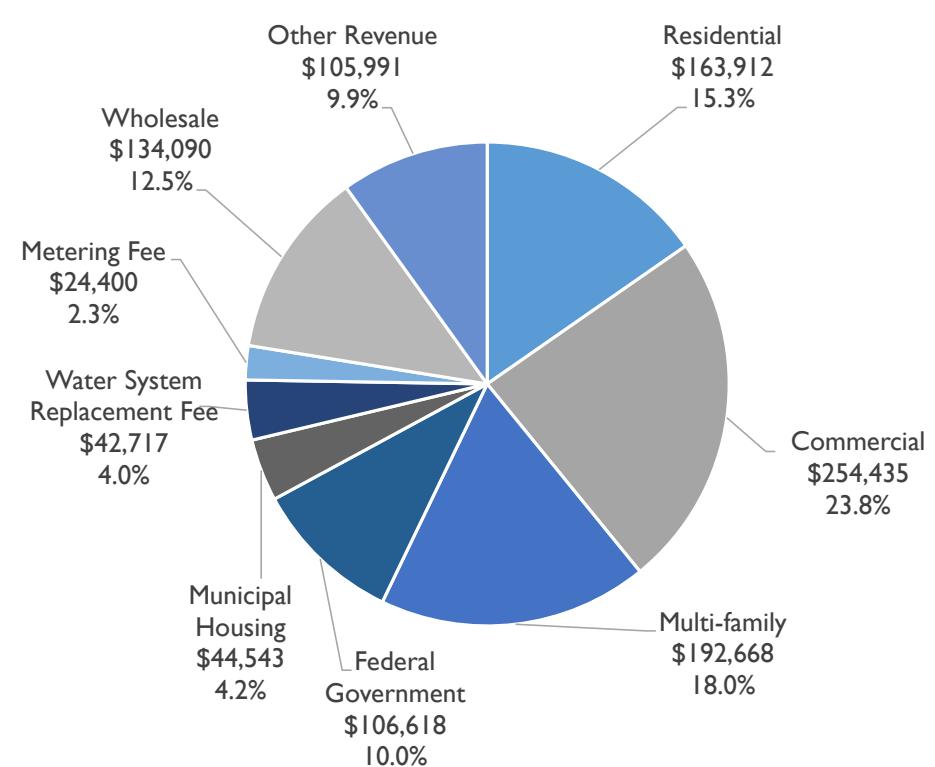
## FY 2026 vs. FY 2027 Operating Revenues

\$ in thousands

**Revised FY 2026**  
**\$1,008.2 million**



**Proposed FY 2027**  
**\$1,069.4 million**





## Revenue Comparison by Customer Class

- >Total revenue is projected to increase by \$61.2 million or 6.1% for FY 2027 and \$52.0 million or 4.9% for FY 2028 mainly due to rate increase
  - Retail Revenue – Increase by \$37.4 million or 4.7% in FY 2027 and \$43.9 million or 5.3% in FY 2028
  - Wholesale Revenue – Increase by \$9.9 million or 7.9% in FY 2027 and \$6.0 million or 4.4% in FY 2028 due to increase in indirect cost rate from 20% to 25% and operations and maintenance expense projection. Revenue estimates are based on most recent flow data.

\$ in thousands	Revised FY 2026	Proposed FY 2027	Proposed FY 2028	Revised FY 2026 vs Proposed FY 2027		Proposed FY 2027 vs Proposed FY 2028	
				Incr/(Decr)		Incr/(Decr)	
				\$	%	\$	%
Retail Revenue	\$791,856	\$829,293	\$873,213	\$37,437	4.7%	\$43,920	5.3%
Wholesale Revenue							
Potomac Interceptor (PI)	5,154	5,154	5,154	-	0.0%	-	0.0%
Loudoun County Sanitation Authority (LCSA)	11,051	11,900	12,443	849	7.7%	543	4.6%
Washington Suburban Sanitary Commission (WSSC)	86,411	93,707	98,056	7,296	8.4%	4,349	4.6%
Fairfax County	21,603	23,330	24,402	1,727	8.0%	1,072	4.6%
Total Wholesale Revenue	\$124,219	\$134,091	\$140,055	9,872	7.9%	5,964	4.4%
Other Revenue	92,119	105,991	108,101	13,872	15.1%	2,110	2.0%
Rate Stabilization Fund (RSF)	-	-	-	-	0.0%	-	0.0%
<b>Total Revenues</b>	<b>\$1,008,194</b>	<b>\$1,069,375</b>	<b>\$1,121,369</b>	<b>\$61,181</b>	<b>6.1%</b>	<b>\$51,994</b>	<b>4.9%</b>



## Proposed FY 2027 & FY 2028 Rates, Charges & Fees

- Starting FY 2027, a new Public Inconvenience Fee of \$0.42 per Ccf will be effective to recover the charges associated with occupancy permits when construction projects in public spaces extend beyond 30 days

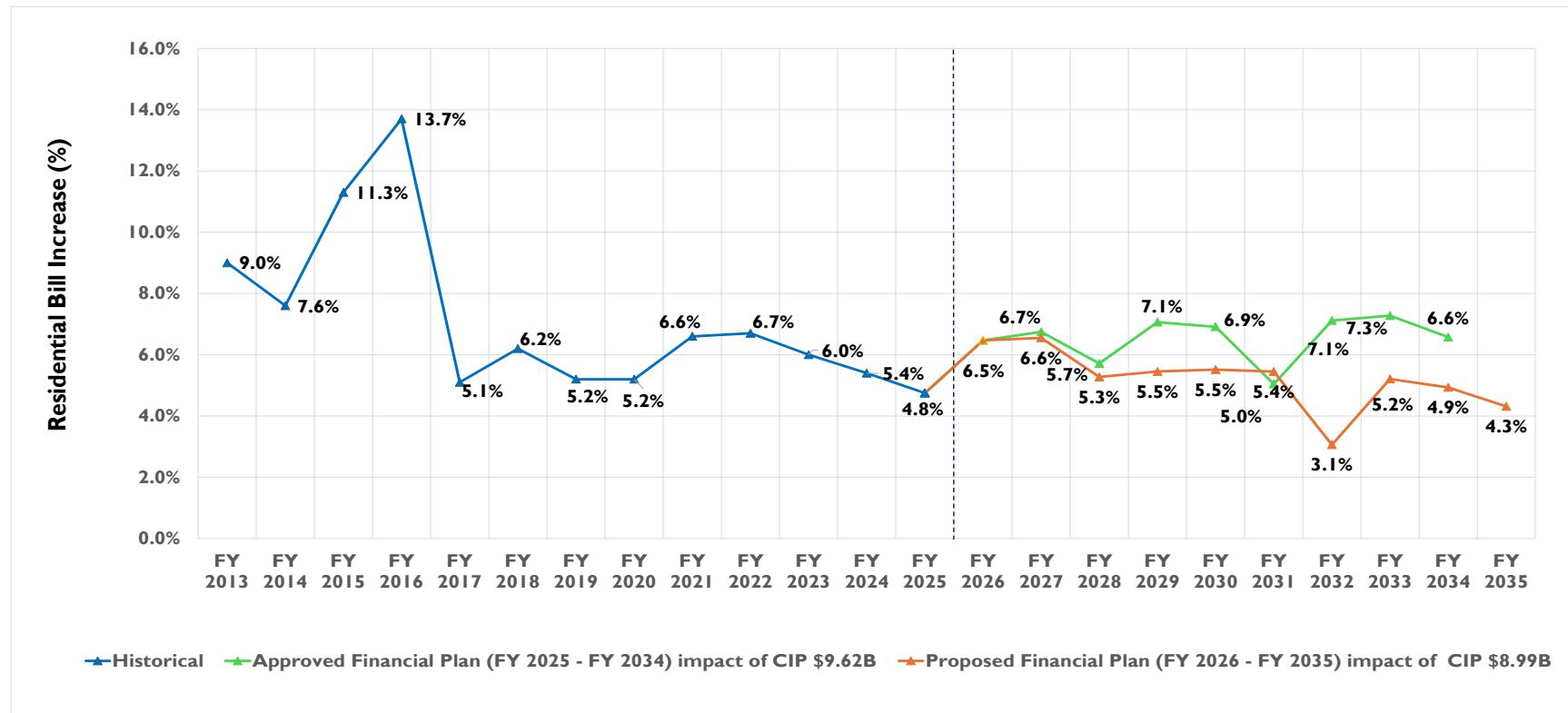
	Units	Current FY 2026	Proposed FY 2027	Proposed FY 2028	Incr. / (Decr.) FY 2026 vs FY		Incr. / (Decr.) FY 2027 vs FY	
					\$	%	\$	%
<b>DC Water Retail Rates – Water:</b>								
Residential – Lifeline (0- 4 Ccf)	Ccf	\$5.78	\$6.49	\$7.11	\$0.71	12.28%	\$0.62	9.55%
Residential – (> 4 Ccf)	Ccf	7.60	8.4	9.40	0.80	10.53	1.00	11.90
Multi-family	Ccf	6.47	7.21	7.98	0.74	11.44	0.77	10.68
Non-Residential	Ccf	7.84	8.66	9.71	0.82	10.46	1.05	12.12
DC Water Retail Rates – Sewer	Ccf	12.52	12.91	13.39	0.39	3.12	0.48	3.72
Groundwater	Ccf	3.76	3.90	3.90	0.14	3.72	-	-
High-Flow Filter Backwash	Ccf	3.54	3.54	3.54	-	-	-	-
DC Water Clean Rivers IAC	ERU	24.23	25.5	27.22	1.27	5.24	1.72	6.75
DC Water Customer Metering Fee	5/8"	7.75	7.75	7.75	-	-	-	-
DC Water System Replacement Fee	5/8"	6.30	6.30	6.30	-	-	-	-
District of Columbia PILOT Fee	Ccf	0.62	0.62	0.63	-	-	0.01	1.61
District of Columbia Right of Way Fee	Ccf	0.20	0.20	0.20	-	-	-	-
District of Columbia Inconvenience Fee	Ccf	-	0.42	0.42	0.42	-	-	-
District of Columbia Stormwater Fee	ERU	2.67	2.67	2.67	-	-	-	-

\*Rate impact in FY2027 is 6.0% and 6.0% in FY2028 and that has bill impact of 6.6% in FY2027 and 5.3% in FY2028. The shift in the balance between water and sewer rates has been determined by the recent cost of service study.



## Historical and Projected Combined Rate Increases

- From FY 2027 and beyond, forecasted rates are lower than previously estimated costs





# Average Residential Customer Monthly Bill

	Units	Current FY 2026	Proposed FY 2027	Proposed FY 2028
DC Water Water and Sewer Retail Rates (1)	Ccf	\$ 101.77	\$ 107.86	\$ 114.36
DC Water Clean Rivers IAC (2)	ERU	24.23	25.50	27.22
DC Water Customer Metering Fee	5/8"	7.75	7.75	7.75
DC Water Water System Replacement Fee (4)	5/8"	6.30	6.30	6.30
<b>Subtotal DC Water Rates &amp; Charges</b>		<b>\$ 140.05</b>	<b>\$ 147.41</b>	<b>\$ 155.63</b>
Increase / Decrease		\$ 8.84	\$ 7.36	\$ 8.22
Percent Increase in DC Water Portion of Bill		<b>6.74%</b>	<b>5.26%</b>	<b>5.58%</b>
District of Columbia PILOT Fee (1)	Ccf	3.36	3.36	3.41
District of Columbia Right-of-Way Fee (1)	Ccf	1.08	1.08	1.08
District of Columbia Right of Way / PILOT Fee		4.44	4.44	4.49
District of Columbia Public Inconvenience Fee	Ccf	-	2.28	2.28
District of Columbia Stormwater Fee (3)	ERU	2.67	2.67	2.67
<b>Subtotal District of Columbia Charges</b>		<b>\$ 7.11</b>	<b>\$ 9.39</b>	<b>\$ 9.44</b>
<b>Total Amount Appearing on DC Water Bill</b>		<b>\$ 147.16</b>	<b>\$ 156.80</b>	<b>\$ 165.07</b>
Increase / Decrease Over Prior Year		\$ 8.94	\$ 9.64	\$ 8.27
<b>Percent increase in Total Bill</b>		<b>6.5%</b>	<b>6.6%</b>	<b>5.3%</b>

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

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

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

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



# CAP+, CAP, CAP2 and CAP3 Discounts

## ◆ CAP+, CAP, CAP2 and CAP3 discounts and income thresholds

Program	Income Threshold <sup>6</sup>	Charges (Discounts)	Current FY2026	Proposed FY2027	Proposed FY2028
CAP+ <sup>2</sup>	\$39,642 (20% SMI)	<b>Total Amount before Discounts <sup>1</sup></b>	\$ 147.16	\$ 156.80	\$ 165.07
		<b>Discounts</b>	(130.68)	(137.73)	(145.58)
		<b>Total Amount Appearing on DC Water Bill</b>	\$ 16.48	\$ 19.07	\$ 19.49
CAP <sup>3</sup>	\$118,926 (60% SMI)	<b>Total Amount before Discounts <sup>1</sup></b>	\$ 147.16	\$ 156.80	\$ 165.07
		<b>Discounts</b>	(100.95)	(106.31)	(112.04)
		<b>Total Amount Appearing on DC Water Bill</b>	\$ 46.21	\$ 50.49	\$ 53.03
CAP2 <sup>4</sup>	\$131,100 (80% AMI)	<b>Total Amount before Discounts <sup>1</sup></b>	\$ 147.16	\$ 156.80	\$ 165.07
		<b>Discounts</b>	(67.02)	(70.95)	(75.11)
		<b>Total Amount Appearing on DC Water Bill</b>	\$ 80.14	\$ 85.85	\$ 89.96
CAP3 <sup>5</sup>	\$163,900 (100% AMI)	<b>Total Amount before Discounts <sup>1</sup></b>	\$ 147.16	\$ 156.80	\$ 165.07
		<b>Discounts</b>	(18.17)	(19.13)	(20.42)
		<b>Total Amount Appearing on DC Water Bill</b>	\$ 128.99	\$ 137.67	\$ 144.65

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

(2) CAP+ provides a discount on the first 600 cubic feet (4,488 gallons) of water, sewer, PILOT and ROW fee, 75 percent reduction in the monthly CRIAC fee and VWSRF waiver

(3) CAP provides a discount on the first 400 cubic feet (2,992 gallons) of water, sewer, PILOT and ROW fee, 75 percent reduction in the monthly CRIAC fee and VWSRF waiver

(4) CAP2 provides a discount on the first 300 cubic feet (2,244 gallons) of water and sewer services (with the exception of PILOT and ROW fees) and a 50 percent reduction in the monthly CRIAC fee

(5) CAP3 provides a discount of 75 percent of the monthly CRIAC

(6) Income Thresholds are based on a family of four

DEEP DIVE

# Average CAP Customer Monthly Bill

	Units	Current FY 2026	Proposed FY 2027	Proposed FY 2028
DC Water Water and Sewer Retail Rates <sup>(1)</sup>	Ccf	\$ 101.77	\$ 107.86	\$ 114.36
DC Water Clean Rivers IAC <sup>(5)</sup>	ERU	24.23	25.50	27.22
DC Water Customer Metering Fee	5/8"	7.75	7.75	7.75
DC Water Water System Replacement Fee <sup>(3)</sup>	5/8"	6.30	6.30	6.30
<b>Subtotal DC Water Rates &amp; Charges</b>		<b>\$ 140.05</b>	<b>\$ 147.41</b>	<b>\$ 155.63</b>
Increase / Decrease		\$ 140.05	\$ 7.36	\$ 8.22
District of Columbia PILOT Fee <sup>(2)</sup>	Ccf	\$ 3.36	\$ 3.36	\$ 3.41
District of Columbia Right-of-Way Fee <sup>(2)</sup>	Ccf	1.08	1.08	1.08
District of Columbia Public Inconvenience Fee	Ccf	-	2.28	2.28
District of Columbia Stormwater Fee <sup>(4)</sup>	ERU	2.67	2.67	2.67
<b>Subtotal District of Columbia Charges</b>		<b>\$ 7.11</b>	<b>\$ 9.39</b>	<b>\$ 9.44</b>
<b>Total Amount</b>		<b>\$ 147.16</b>	<b>\$ 156.80</b>	<b>\$ 165.07</b>
Less: CAP Discount (4Ccf per month)		(76.48)	(80.88)	(85.32)
CAP Discount (100% WSRF per month)		(6.30)	(6.30)	(6.30)
CAP Discount (75% CRIAC per month)		(18.17)	(19.13)	(20.42)
Total CAP Discount		(100.95)	(106.31)	(112.04)
<b>Total Amount Appearing on DC Water Bill</b>		<b>\$ 46.21</b>	<b>\$ 50.49</b>	<b>\$ 53.03</b>
Increase / Decrease Over Prior Year		\$ 2.53	\$ 4.28	\$ 2.54
<b>CAP Customer Discount as a Percent of Total Bill</b>		<b>-68.60%</b>	<b>-67.80%</b>	<b>-67.87%</b>

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

(2) Expansion of CAP program in FY2009 assumes discount to first 4 Ccf of water, sewer, and further expansion in FY2011 assumes discount to first 4 Ccf of PILOT and ROW fee

(3) Assumes 100 percent discount for Water System Replacement Fee (WSRF) to CAP customers effective October 1, 2015

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

(5) Assumes 75% discount for the Clean Rivers IAC effective October 1, 2020

DEEP DIVE

# Average CAP+ Customer Monthly Bill

	Units	Current FY 2026	Proposed FY 2027	Proposed FY 2028
DC Water Water and Sewer Retail Rates <sup>(1)</sup>	Ccf	\$ 101.77	\$ 107.86	\$ 114.36
DC Water Clean Rivers IAC <sup>(4)</sup>	ERU	24.23	25.50	27.22
DC Water Customer Metering Fee	5/8"	7.75	7.75	7.75
DC Water Water System Replacement Fee <sup>(3)</sup>	5/8"	6.30	6.30	6.30
<b>Subtotal DC Water Rates &amp; Charges</b>		<b>\$ 140.05</b>	<b>\$ 147.41</b>	<b>\$ 155.63</b>
Increase / Decrease		\$ 8.84	\$ 7.36	\$ 8.22
District of Columbia PILOT Fee <sup>(2)</sup>	Ccf	\$ 3.36	\$ 3.36	\$ 3.41
District of Columbia Right-of-Way Fee <sup>(2)</sup>	Ccf	1.08	1.08	1.08
District of Columbia Public Inconvenience Fee	Ccf	-	2.28	2.28
District of Columbia Stormwater Fee	ERU	2.67	2.67	2.67
<b>Subtotal District of Columbia Charges</b>		<b>\$ 7.11</b>	<b>\$ 9.39</b>	<b>\$ 9.44</b>
<b>Total Amount</b>		<b>\$ 147.16</b>	<b>\$ 156.80</b>	<b>\$ 165.07</b>
Less: CAP+ Discount (5.42 Ccf per month)		(106.21)	(112.30)	(118.86)
CAP+ Discount (100% WSRF per month)		(6.30)	(6.30)	(6.30)
CAP+ Discount (75% CRIAC per month)		(18.17)	(19.13)	(20.42)
Total CAP Discount		(130.68)	(137.73)	(145.58)
<b>Total Amount Appearing on DC Water Bill</b>		<b>\$ 16.48</b>	<b>\$ 19.07</b>	<b>\$ 19.49</b>
Increase / Decrease Over Prior Year		\$ 0.75	\$ 2.59	\$ 0.42
<b>CAP Customer Discount as a Percent of Total Bill</b>		<b>-88.80%</b>	<b>-87.84%</b>	<b>-88.19%</b>

<sup>(1)</sup> Assumes average monthly consumption of 5.42 Ccf, or (4,054 gallons)

<sup>(2)</sup> Expansion of CAP+ program in FY 2025 assumes CAP discount plus additional 2 Ccf discount on Water and Sewer, PILOT and ROW

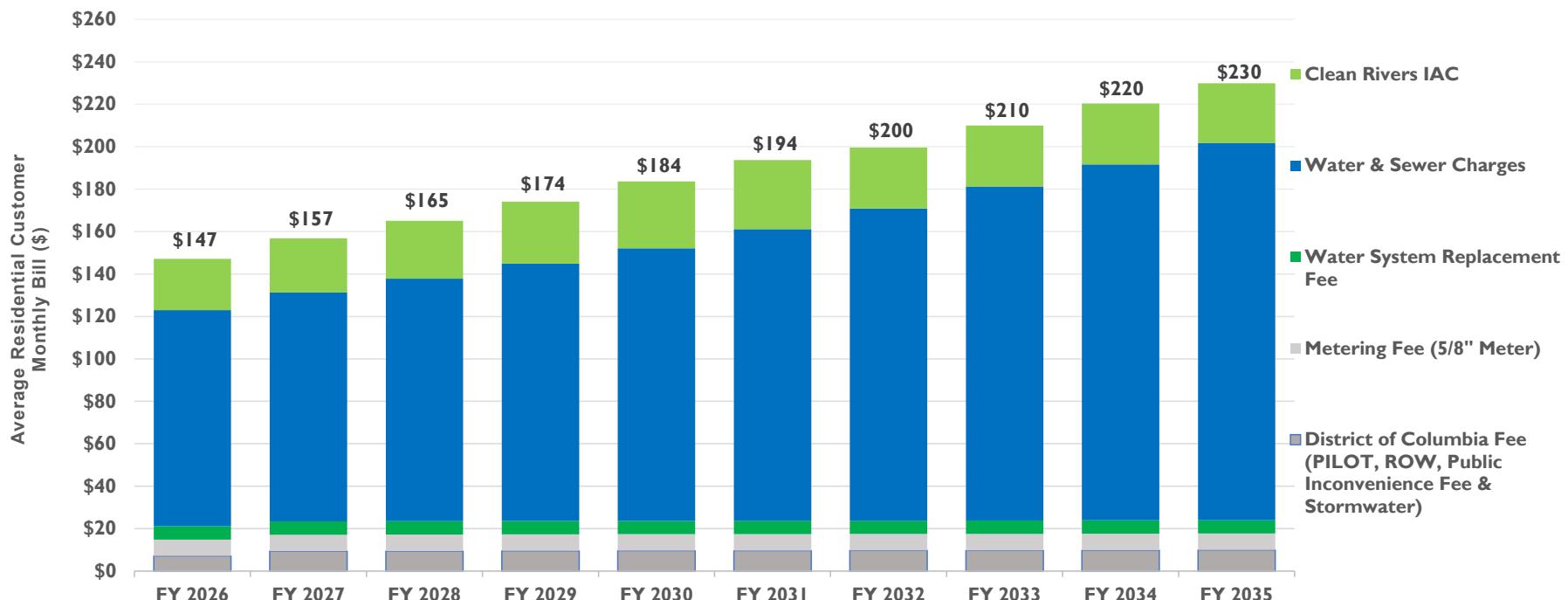
<sup>(3)</sup> Assumes 100 percent discount for Water System Replacement Fee (WSRF) to CAP customers effective October 1, 2015

<sup>(4)</sup> Assumes 75% discount for the Clean Rivers IAC effective October 1, 2020.



## Projected Average Residential Customer Bill

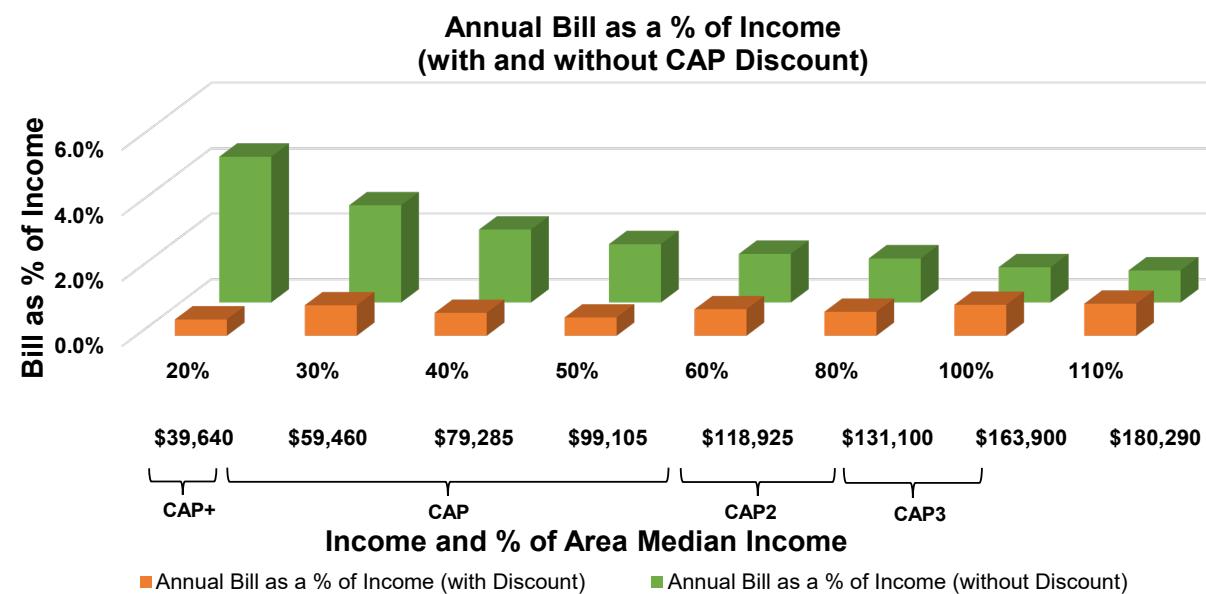
- Projected average monthly residential customer bill ranges from \$147 in FY 2026 to \$230 in FY 2035, which is lower than projected in previous financial plan (\$138 in FY 2025 to \$245 in FY 2034)



## DEEP DIVE

# Average Residential Customer Bill as a Percentage of Income

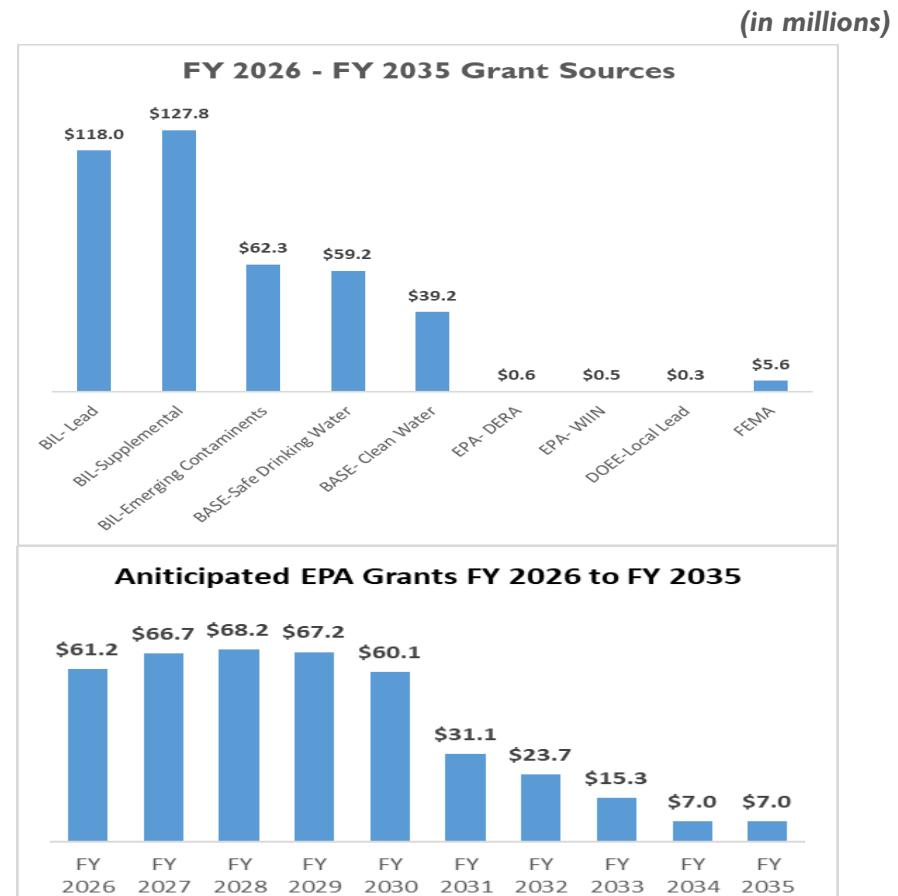
- The average residential customer bill as a percentage of median household income (MHI at 60%) is about 1.5%, an affordability metric
- For residential customers with incomes below MHI, DC Water offers robust assistance programs



## DEEP DIVE

## Grants

- Over the ten-year period, DC Water anticipates receiving \$413.5 million in grants, about 5.0% of anticipated capital expenditures:
  - \$308.6 million - Bi-Partisan Infrastructure Law (BIL) for lea, supplemental and emerging contaminants
  - \$99.4 million EPA funding for Safe Drinking Water, Clean Water and Diesel Emission Reduction Act (DERA) Grants and Water Infrastructure Improvement for the Nation (WIIN)
  - \$5.6 million - FEMA Grants FY26-FY27
  - \$0.4 million - DOEE Lead FY26
- Additionally, DC Water plans to draw \$52.1 million in remaining funds from the \$156.4 million EPA WIFIA Loan Facility during FY26 and FY27



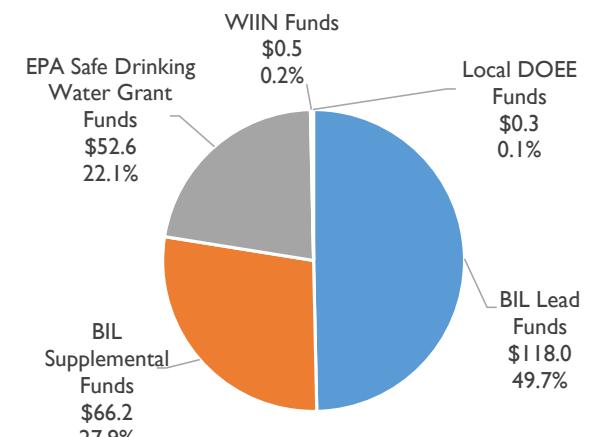
## DEEP DIVE

## Grants, continued

- With the requirement to replace brass as part of the Lead-Free DC Program, EPA and DOEE funds are anticipated to be used as follows:
  - \$237.6 million** for the removal of lead lines on private property
    - Federal grant funds for private-side lead replacements will be fully utilized in FY 2032 with full brass replacement or FY 2034 without brass
  - \$175.9 million** in EPA funding will be available for other (non-lead) projects
- Additional **\$5.6 million** funding available from FEMA Grants for other ongoing designated projects

\$ in Millions

### Funding for Private Lead Line Replacements - \$237.6 million





# Financial Plan



## Financial Plan Objectives

- DC Water's 10-year financial plan serves as the fiscal roadmap to achieve the Board's strategic plan
- It is one of management's key tools to monitor progress in meeting financial goals and targets
- It also ensures meeting or exceeding all debt-related legal and policy requirements, as well as maintaining sufficient liquidity to meet all current financial obligations
- DC Water's financial plan objectives focus on:
  - Minimizing rate increases while meeting all financial obligations;
  - Satisfying all indenture requirements and Board policies; and
  - Maintaining DC Water's current credit ratings of AAA/Aa1/AA+





## Financial Metrics

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

- Board of Directors added to the cash balance at the end of FY2023 to reach 267 Days of Cash and increase it to 350 days by FY2032. On July 3, 2025, the Board approved to transfer from the net Projected Cash Surplus \$17.5 million to Ending Cash Balance to increase Days of Cash on Hand from 267 to 282 days.



# Ten-Year Financial Plan

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

<b>OPERATING</b>	<b>FY 2026</b>	<b>FY 2027</b>	<b>FY 2028</b>	<b>FY 2029</b>	<b>FY 2030</b>	<b>FY 2031</b>	<b>FY 2032</b>	<b>FY 2033</b>	<b>FY 2034</b>	<b>FY 2035</b>
<i>Retail</i>	<b>816,012</b>	<b>853,845</b>	<b>898,154</b>	<b>942,103</b>	<b>989,001</b>	<b>1,038,284</b>	<b>1,066,317</b>	<b>1,116,185</b>	<b>1,164,677</b>	<b>1,207,724</b>
<i>Wholesale</i>	<b>124,219</b>	<b>134,090</b>	<b>140,055</b>	<b>145,657</b>	<b>151,484</b>	<b>157,543</b>	<b>163,845</b>	<b>170,399</b>	<b>177,215</b>	<b>184,303</b>
<i>Other</i>	<b>67,963</b>	<b>81,440</b>	<b>83,160</b>	<b>84,536</b>	<b>88,174</b>	<b>84,233</b>	<b>86,575</b>	<b>89,609</b>	<b>95,076</b>	<b>86,040</b>
<i>RSF</i>	<b>0</b>	<b>-</b>								
<b>Operating Receipts <sup>(1)</sup></b>	<b>\$ 1,008,194</b>	<b>\$ 1,069,375</b>	<b>\$ 1,121,369</b>	<b>\$ 1,172,296</b>	<b>\$ 1,228,658</b>	<b>\$ 1,280,060</b>	<b>\$ 1,316,736</b>	<b>\$ 1,376,192</b>	<b>\$ 1,436,968</b>	<b>\$ 1,478,067</b>
<b>Operating Expenses</b>	<b>461,839</b>	<b>478,001</b>	<b>500,730</b>	<b>520,158</b>	<b>540,356</b>	<b>561,353</b>	<b>583,182</b>	<b>605,876</b>	<b>629,469</b>	<b>653,997</b>
<b>Debt Service</b>	<b>247,448</b>	<b>257,898</b>	<b>300,831</b>	<b>331,501</b>	<b>356,875</b>	<b>380,840</b>	<b>406,900</b>	<b>427,353</b>	<b>454,080</b>	<b>472,555</b>
<b>Cash Financed Capital Improvement</b>	<b>\$ 97,938</b>	<b>\$ 76,846</b>	<b>\$ 80,834</b>	<b>\$ 84,789</b>	<b>\$ 89,010</b>	<b>\$ 93,446</b>	<b>\$ 95,968</b>	<b>\$ 100,457</b>	<b>\$ 104,821</b>	<b>\$ 108,695</b>
<b>Net Revenues After Debt Service</b>	<b>\$ 200,968</b>	<b>\$ 256,630</b>	<b>\$ 238,975</b>	<b>\$ 235,848</b>	<b>\$ 242,417</b>	<b>\$ 244,421</b>	<b>\$ 230,685</b>	<b>\$ 242,507</b>	<b>\$ 248,598</b>	<b>\$ 242,820</b>
<b>Operating Reserve-Beg Balance</b>	<b>333,716</b>	<b>341,600</b>	<b>354,600</b>	<b>372,600</b>	<b>386,600</b>	<b>401,600</b>	<b>418,600</b>	<b>434,600</b>	<b>450,900</b>	<b>468,900</b>
<b>Other Misc (Disbursements)/Receipts</b>										
Wholesale/Federal True Up	<b>(14,310)</b>	<b>(497)</b>	<b>(10,000)</b>	<b>-</b>						
Project Billing Refunds	<b>(2,000)</b>	<b>-</b>								
Transfers to RSF	<b>-</b>									
Pay-Go Financing	<b>(176,775)</b>	<b>(243,133)</b>	<b>(210,975)</b>	<b>(221,848)</b>	<b>(227,417)</b>	<b>(227,421)</b>	<b>(214,685)</b>	<b>(226,207)</b>	<b>(230,598)</b>	<b>(223,820)</b>
<b>Operating Reserve - Ending Balance</b>	<b>\$ 341,600</b>	<b>\$ 354,600</b>	<b>\$ 372,600</b>	<b>\$ 386,600</b>	<b>\$ 401,600</b>	<b>\$ 418,600</b>	<b>\$ 434,600</b>	<b>\$ 450,900</b>	<b>\$ 468,900</b>	<b>\$ 487,900</b>
<b>Rate Stabilization Fund Balance RSF <sup>(2)</sup></b>	<b>\$ 40,644</b>									
<b>Senior Debt Service Coverage</b>	<b>939%</b>	<b>1043%</b>	<b>1017%</b>	<b>1045%</b>	<b>861%</b>	<b>902%</b>	<b>815%</b>	<b>790%</b>	<b>860%</b>	<b>856%</b>
<b>Combined Debt Service Coverage</b>	<b>224%</b>	<b>239%</b>	<b>211%</b>	<b>204%</b>	<b>200%</b>	<b>196%</b>	<b>187%</b>	<b>187%</b>	<b>184%</b>	<b>180%</b>
<b>Actual/Projected Water/Sewer Rate Incr</b>	<b>6.00%</b>	<b>6.00%</b>	<b>6.00%</b>	<b>6.00%</b>	<b>6.00%</b>	<b>7.00%</b>	<b>7.00%</b>	<b>7.00%</b>	<b>6.50%</b>	<b>6.00%</b>
<b>Operating Receipts \$ Increase/Decrease</b>										
Retail	<b>13,069</b>	<b>37,833</b>	<b>44,309</b>	<b>43,949</b>	<b>46,898</b>	<b>49,283</b>	<b>28,033</b>	<b>49,868</b>	<b>48,492</b>	<b>43,047</b>
Wholesale	<b>9,878</b>	<b>9,871</b>	<b>5,965</b>	<b>5,602</b>	<b>5,826</b>	<b>6,059</b>	<b>6,302</b>	<b>6,554</b>	<b>6,816</b>	<b>7,089</b>
<b>Operating Receipts % Increase/Decrease</b>										
Retail	<b>1.6%</b>	<b>4.6%</b>	<b>5.2%</b>	<b>4.9%</b>	<b>5.0%</b>	<b>5.0%</b>	<b>2.7%</b>	<b>4.7%</b>	<b>4.3%</b>	<b>3.7%</b>
Wholesale	<b>8.6%</b>	<b>7.9%</b>	<b>4.4%</b>	<b>4.0%</b>						

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

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



## **Intent to Reimburse Capital Expenditures with Proceeds of a Borrowing**



## Intent to Reimburse Capital Expenditures

- Approval to reimburse DC Water for “Costs of the System” as defined in the Master Indenture; allows DC Water to reimburse itself for capital expenditures with debt proceeds
- For FY 2027 amount requested is \$476 million; DC Water has three years from the time of the last expenditure to make the reimbursement
  - DC Water plans to enter the market Summer 2027
- As part of the request to issue a specific series of debt in the future, the Board will be asked to adopt a specific resolution that confirms the intent for the actual amount financed with actual reimbursed expenses





## Next Steps



## Management Recommendation

**In February, management will present the following recommendations to the respective Committees for appropriate actions to the full Board for approval:**

- ◆ Proposed Operating Expenditure Budget
  - Amended FY 2026 budget of \$838.1 million and Proposed FY 2027 budget of \$844.1 million
- ◆ Proposed Capital Budget
  - Revised FY 2026 budget of \$776.8 million and Proposed FY 2027 budget of \$1.07 billion
  - FY 2026 – FY 2035 Capital Disbursements of \$9.69 billion
  - Lifetime Project Budget of \$17.4 billion
- ◆ Revised FY 2026 and Proposed 2027 & 2028 Operating Revenues
- ◆ Proposed FY 2027 & 2028 Rates and Fees
- ◆ Proposed FY 2026 – FY 2035 Financial Plan, including the revenue requirements to support the operating and capital budgets
- ◆ Intent to Reimburse Capital Expenditures with Proceeds of a Borrowing





# Budget Adoption Calendar

- ◆ **Stay Informed:** Review details of budget and rates proposal [online](#)
- ◆ **Contact Us:** Submit budget-related questions to the Board Secretary at [michelle.rhodd@dcwater.com](mailto:michelle.rhodd@dcwater.com)
  - Questions will be distributed to appropriate staff with formal response to the full Board
- ◆ **Get Involved:** Committee recommendations and actions on the proposed budgets and rates expected in February!

## Committee Reviews, Recommendations & Actions

	Environmental Quality & Operations	DC Retail Water & Sewer Rates	Finance & Budget
Committee Meeting Dates	Feb. 19	Feb. 23	Feb. 26
FY 2026 - FY 2035 Capital Budget (Disbursements & Lifetime)	Action Required		Action Required
FY 2027 Operating Expenditure Budget			Action Required
Intent to Reimburse Capital Expenditures with Proceeds of a Borrowing			Action Required
FY 2026 - FY 2035 Financial Plan		Action Required	Action Required
FY 2027 & FY 2028 Revenues, Rates, Charges and Fees		Action Required	

March 5  
Board Adoption



# Public Communication

Complete Budget Briefing available online at <https://www.dcwater.com/budget-and-rate-review-documents-0>

The Board's Strategic Plan and 10-year financial plan provide the framework for the formulation, prioritization, implementation and monitoring of the annual budget process.

The annual budget process typically begins with planning in June and official kickoff in July of each year for the Operating and Capital Budgets. Plans and budgets are prepared at an appropriate level of detail for each management level. Assumptions inherent in the plans and budgets reflect the entity's historical experience, current conditions and Executive Team's directives. Once decisions are finalized for the operating and capital budgets, management develops the financial plan and rate model including various scenarios to ensure a balanced budget for recovery of costs. Further review is undertaken with independent consultants including benchmarking our proposed rates with peers in the industry. DC Water develops two-year rate proposals. The benefits of multi-year rates include greater revenue certainty, increased budget discipline and better alignment between revenues and expenditures.

The proposed budgets are finalized during the fall of each year, and introduced to the Board during the Budget Workshop (typically in January). The Committees then submit their recommendations to the full Board for adoption and DC Water's adopted budget is included in the District of Columbia's budget submission to U.S. Congress.

DC Water's adopted budget and proposed rates are communicated via various news and media outlets as well as town hall meetings in each ward and a public hearing to provide customers the opportunity to comment on the changes. Once the budgets are appropriated by Congress and the final rates approved by the Board, they become effective on October 1st of each year.

DEVELOPMENT	REVIEW	RECOMMENDATION	BOARD	PUBLIC REVIEW (RATE MAKING)	BOARD APPROVAL
<ul style="list-style-type: none"> <li>Operating - Capital</li> <li>- Rates and Revenue</li> <li>- Financial Plan</li> </ul>	<ul style="list-style-type: none"> <li>Departments - Management</li> <li>- Executive Team</li> </ul>	<ul style="list-style-type: none"> <li>Annual Operating Budget</li> <li>- 10 Year Capital Budget</li> <li>- 10 Year Financial Plan</li> <li>- Operating Revenue</li> <li>- Proposed Multi-Year Rates</li> </ul>	<ul style="list-style-type: none"> <li>- Reviewers</li> <li>- Recommendation</li> <li>- Adoption</li> </ul>	<ul style="list-style-type: none"> <li>- Publish Notice of Proposed Rulemaking (NOPR) in D.C. Register for Proposed Rates</li> <li>- Outreach and Public Comment Period</li> <li>- Public Hearing</li> </ul>	<ul style="list-style-type: none"> <li>Board approves rates, charges and fees</li> <li>- Publish NOPR in D.C. Register for Amended Rates</li> <li>- Amended Rates, Charges and Fees Go-Live</li> </ul>

## Budget And Rate Review Documents

Budget Review Documents	
Date	Title
January 22, 2026	Environmental Quality and Operations Proposed FY 2026 – FY 2035 Capital Improvement Program
January 16, 2026	Wholesale Customer Briefing DC Water's Proposed FY 2027 Budget
January 15, 2026	Budget Workshop with the Board FY 2027 Proposed Budget & Two-Year Rates

Thank you for your participation and partnership!