



# FY 2020 Approved Budget

Approved by the Board of Directors on April 4, 2019



STEWARDSHIP

ACCOUNTABILITY

SUSTAINABILITY





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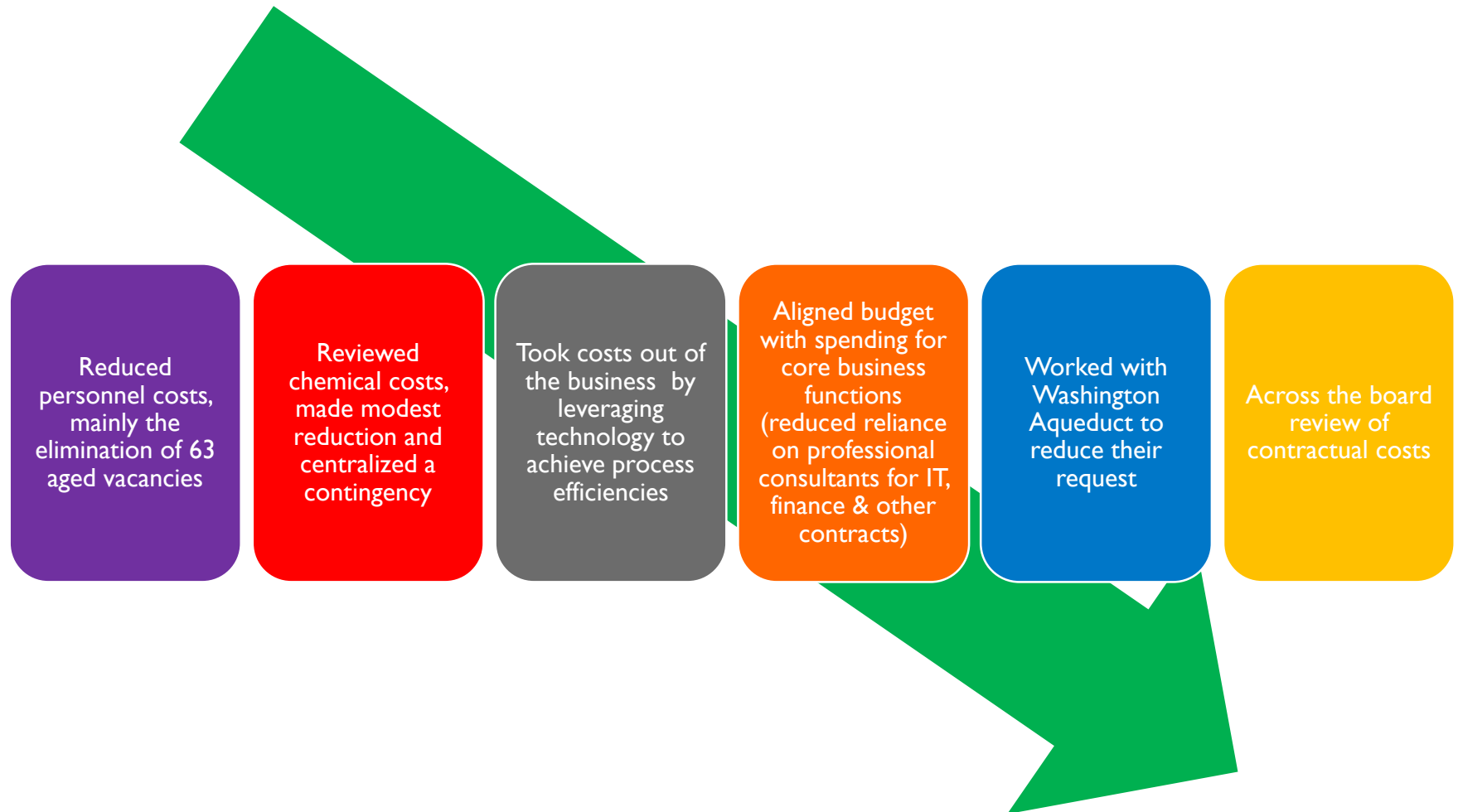
# Executive Summary

- 💧 Builds on efforts that have taken **\$27.7 million of cost out of the business** including renegotiation of goods and services contracts, reduced hauling and energy costs from the Combined Heat & Power Facilities project, and optimization of usage of chemicals
- 💧 Eliminates 63 vacancies, a **savings of \$7 million a year**
- 💧 Shifts a portion of Clean Rivers costs from the Impervious Area Charge to the sewer volumetric rate, **bringing more equity to Clean Rivers** funding
- 💧 **Increases investment in capital infrastructure** including small diameter water mains that deliver water to our customers, and renews aging sewer infrastructure
- 💧 Helps ensure that all **users pay their fair share**, by appropriately recovering costs from users through revised engineering fees and the new Fats, Oils, and Grease and Backflow Preventer programs



# Tough Choices to Balance the Budget

- DC Water made tough budget choices that help ensure that we deliver the best service to our customers



## 💧 The Operating Budget funds ongoing needs

- It's \$614.5 million, an increase of \$31.7 million over the FY 2019 approved budget
- Operations & Maintenance (O&M) - \$348.6 million, an increase of \$13.5 million mainly in personnel, chemicals and water purchases
- Non O&M - \$265.9 million, an increase of \$16.3 million for debt service, \$1.6 million for Cash Financed Capital Improvements, and \$0.3 million for PILOT consistent with District agreement (total of \$22 million to the District)

## 💧 The Capital Budget funds infrastructure investments

- 10-year disbursements of \$4.96 billion, an increase of \$0.95 billion over previous plan
- Spending levels for FY 2019 and FY 2020 remain the same as previous approval
- Capital Projects - Beginning in FY 2021, additional \$745.4 million for the increased funding requirements primarily for water and sewer infrastructure
- Capital Equipment - Increase of \$142.2 million mainly to fully account for planned spending
- Washington Aqueduct (WAD) - Increase of \$67.1 million for DC Water's share of WAD's capital program

# Capital Improvement Program (CIP)

# Capital Infrastructure

- DC Water, like with many utilities around the nation, faces the challenge of making improvements to its ageing infrastructure
- This budget increases the 10-year capital plan to \$5 billion in order to fund:
  - Rehabilitation of District stormwater pumping stations that clear water from low-lying roads
  - Increases investment in sewer infrastructure to help reduce the risk of failure (The average age is currently over 90 years vs expected service life of 110 to 120 years)
  - Adds additional funds from water infrastructure renewal (The average age is currently over 80 years vs expected service life of 100 to 120 years)





- The Board of Directors had a year-long discussion about our infrastructure, visiting water, sewer and stormwater pump stations, touring the Blue Plains Wastewater Facility, and reviewing the related customer impacts of increased investments needed to fully meet asset management principles for the capital program
  - Much of our capital program is largely driven by mandates,
  - DC Water wants to invest in our linear water and sewer systems to reduce water main breaks and sewer failures
  - Major upgrades are needed for the vertical assets in our pumping and treatment facilities, with some of our critical wastewater facilities approaching the end of service life
  - Pumps, valves, piping, ventilation and other equipment replacements and major upgrades needed in the 16 stormwater pump stations

***The Board examined multiple scenarios and adopted a plan that best balances infrastructure investment with ratepayer affordability***

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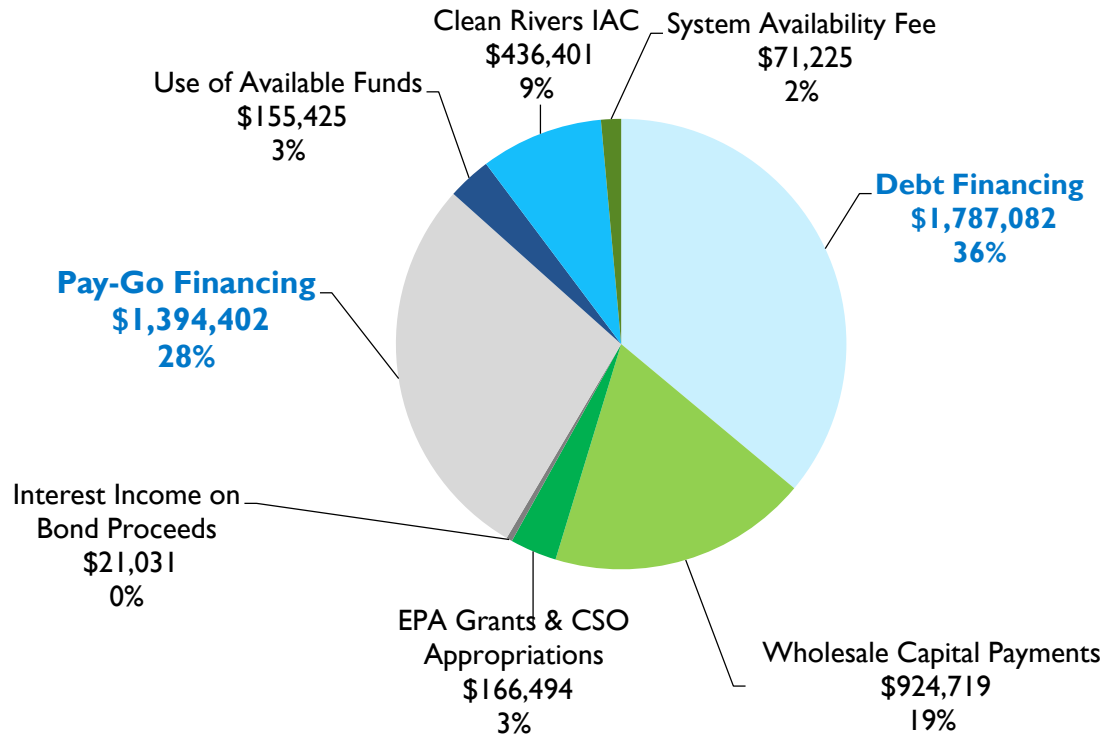
- The Board adopted a ten year plan that increases capital spending by \$0.95 billion
  - Budget fully invests in critical infrastructure needs at the Washington Aqueduct that produces water for our customers
  - Invests in water and sewer infrastructure that will help reduce the risk of sewer failures, additional water quality complaints, and service disruptions
  - Funds major upgrades and rehabilitation of various facilities at our Wastewater Treatment Plant, including the Final Dewatering Facility, Centrifuge Pre-Dewatering, Combined Heat & Power and Digesters for permit compliance
  - Adds funding for projects identified for the Potomac Interceptor and Sewer Creekbed to reduce failures
  - Funds various upgrades, including Floodproofing, Generators, and other rehabilitation projects needed to improve the condition and drainages of the stormwater pump stations
  - Pays for HVAC & Roofing replacements, Main & O Seawall and other historic restoration work needed



# Ten Year CIP: Sources of Funds

(\$000's)

Approximately 64% of the capital program is financed with debt and pay-go



- Pay-go Financing is any funds available after funding the greater of 120 days or \$125.5 million operating and maintenance reserve, approximately \$140.0 million in FY 2019. These transfers reduce the amount of new debt issuance
- Debt financing refers to the borrowing of funds through long-term revenue bonds, commercial paper/Extendable Municipal Commercial Paper (EMCP) and other short-term notes



# 10-Year CIP: Disbursements & Lifetime

- The Board-approved ten-year capital disbursement of \$4.96 billion reflects the increased investments in the ageing water & sewer system and the stormwater pump stations, beginning in FY 2021
- The lifetime budget of \$12.1 billion is for active projects prior to, during, and beyond the ten-year window

Service Area (\$000's)	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	10-Yr Total	Lifetime Budget
Non-Process Facilities	15,309	36,002	26,793	20,665	6,831	11,058	10,396	3,901	3,553	3,560	138,067	212,833
Wastewater Treatment	69,979	66,620	76,510	97,635	110,047	82,434	81,249	133,338	137,575	123,351	978,738	3,566,060
Clean Rivers	187,859	147,208	139,786	191,573	151,411	64,415	55,689	144,295	97,067	83,286	1,262,589	2,764,255
Combined Sewer	7,491	4,219	9,444	8,015	8,646	13,520	8,852	5,800	5,593	7,598	79,178	269,293
Stormwater	4,220	8,571	8,118	8,586	3,725	4,987	7,564	7,494	5,239	10,102	68,608	123,574
Sanitary Sewer	44,927	43,646	57,249	85,588	97,220	98,194	115,011	140,020	134,664	140,615	957,135	2,070,599
Water	61,884	71,720	96,300	101,039	84,395	96,491	103,325	106,145	105,338	118,378	945,015	2,204,622
<b>CAPITAL PROJECTS</b>	<b>391,669</b>	<b>377,987</b>	<b>414,200</b>	<b>513,102</b>	<b>462,275</b>	<b>371,098</b>	<b>382,087</b>	<b>540,993</b>	<b>489,029</b>	<b>486,890</b>	<b>4,429,330</b>	<b>11,211,236</b>
Capital Equipment	34,518	26,823	36,907	33,086	32,725	36,680	35,540	35,426	34,339	34,279	340,324	340,324
Washington Aqueduct	12,930	15,532	15,909	15,536	35,006	14,830	32,731	9,034	12,298	23,321	187,127	187,127
<b>ADDITIONAL CAPITAL PROGRAMS</b>	<b>47,448</b>	<b>42,355</b>	<b>52,816</b>	<b>48,622</b>	<b>67,731</b>	<b>51,509</b>	<b>68,272</b>	<b>44,461</b>	<b>46,637</b>	<b>57,600</b>	<b>527,450</b>	<b>527,450</b>
LABOR												<b>389,258</b>
<b>TOTAL CIP</b>	<b>439,117</b>	<b>420,342</b>	<b>467,016</b>	<b>561,724</b>	<b>530,006</b>	<b>422,608</b>	<b>450,358</b>	<b>585,454</b>	<b>535,665</b>	<b>544,490</b>	<b>4,956,780</b>	<b>12,127,945</b>
Last Years CIP	439,118	420,342	402,681	445,647	385,312	326,284	318,360	439,427	375,004		4,002,126	11,131,895
(Increase)/Decrease	1	(0)	(64,335)	(116,077)	(144,694)	(96,324)	(131,998)	(146,027)	(160,661)	(544,490)	(954,655)	(996,051)



# Overview of Additional Capital Programs

## Capital Equipment

- \$142.2 million increase over the ten-year period is to right-size the latter years for projected needs

## Washington Aqueduct

- \$67.1 million increase is for DC Water’s proportionate share of WAD’s infrastructure improvements to achieve established service levels. These excludes the Federally Owned Water Mains, Travillah Quarry Acquisition Outfitting and Advanced Treatment projects

Cash Disbursements, in \$000’s

Years	Capital Equipment			Washington Aqueduct			Total Additional Capital Programs		
	Approved	Proposed	(Inc)/Dec	Approved	Proposed	(Inc)/Dec	Approved	Proposed	(Inc)/Dec
FY 2019	\$ 34,518	\$ 34,518	\$ 0	\$ 12,930	\$ 12,930	\$ -	\$ 47,448	\$ 47,448	\$ 0
FY 2020	29,383	26,823	2,560	12,944	15,532	(2,588)	42,327	42,355	(28)
FY 2021	27,998	36,907	(8,909)	13,039	15,909	(2,870)	41,037	52,816	(11,779)
FY 2022	9,579	33,086	(23,507)	13,039	15,536	(2,497)	22,618	48,622	(26,004)
FY 2023	10,306	32,725	(22,419)	12,312	35,006	(22,694)	22,618	67,731	(45,113)
FY 2024	10,850	36,680	(25,830)	11,768	14,830	(3,062)	22,618	51,509	(28,892)
FY 2025	11,177	35,540	(24,363)	11,441	32,731	(21,291)	22,618	68,272	(45,654)
FY 2026	12,122	35,426	(23,305)	10,496	9,034	1,462	22,618	44,461	(21,843)
FY 2027	12,303	34,339	(22,037)	10,315	12,298	(1,983)	22,617	46,637	(24,019)
FY 2028	39,898	34,279	5,619	11,768	23,321	(11,553)	51,666	57,600	(5,935)
<b>Ten-Year Total</b>	<b>\$ 198,133</b>	<b>\$ 340,324</b>	<b>\$ (142,191)</b>	<b>\$ 120,052</b>	<b>\$ 187,127</b>	<b>\$ (67,074)</b>	<b>\$ 318,185</b>	<b>\$ 527,450</b>	<b>\$ (209,265)</b>

# Operating Expenditure

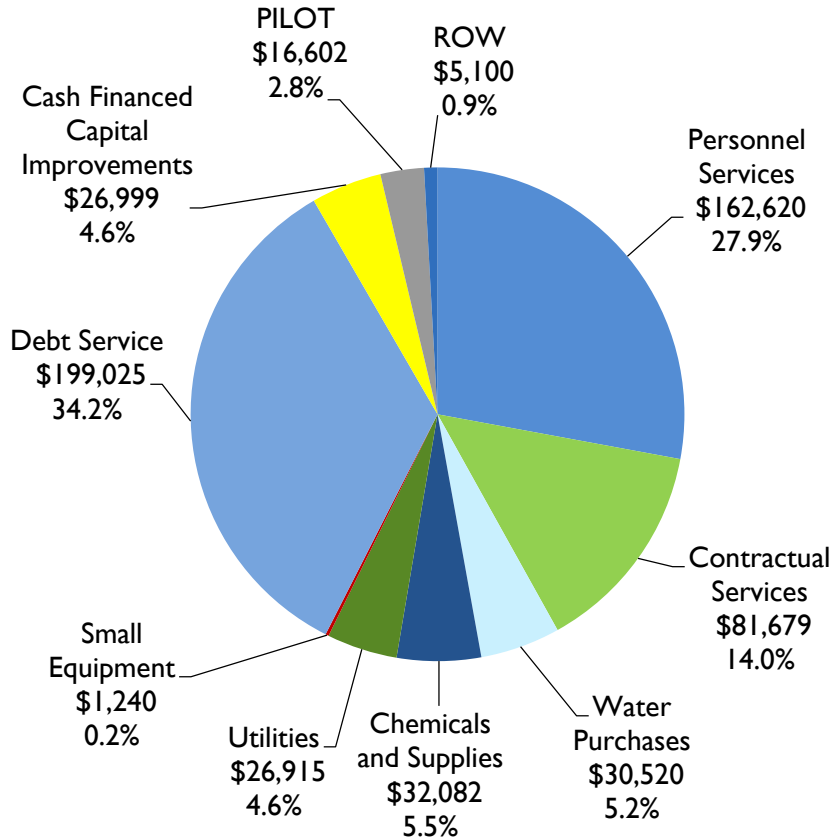


# FY 2019 vs. FY 2020 Expenditure Budgets

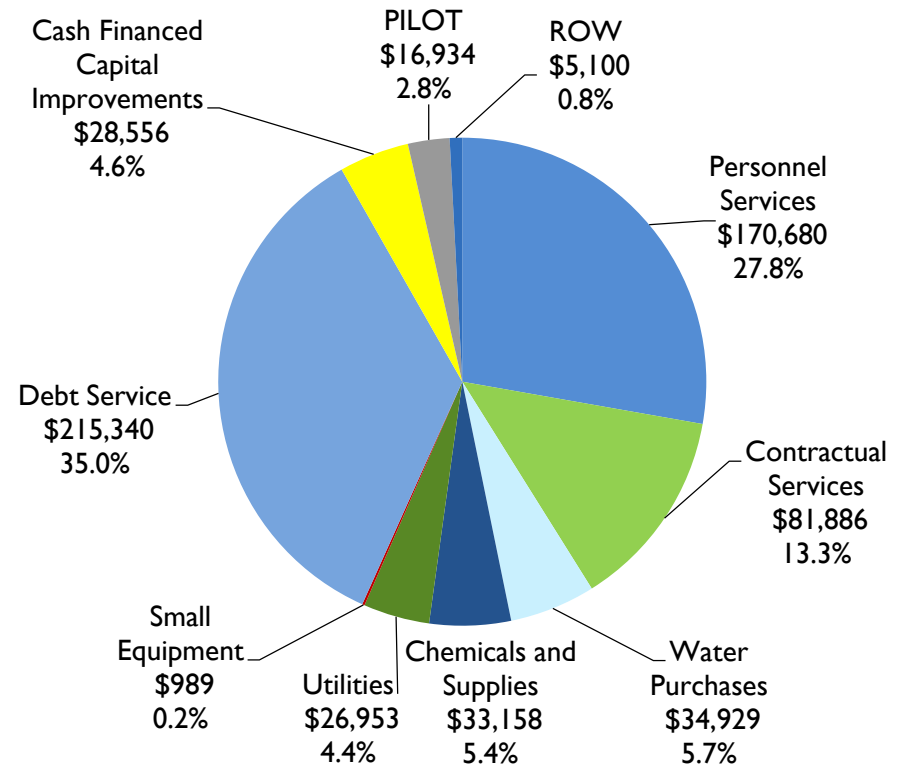
\$ in thousands

Debt service is the major component of the operating budget, at 35% in FY 2020

**Approved FY 2019**  
**\$582,781**



**Approved FY 2020**  
**\$614,523**





# Comparative Operating Budgets

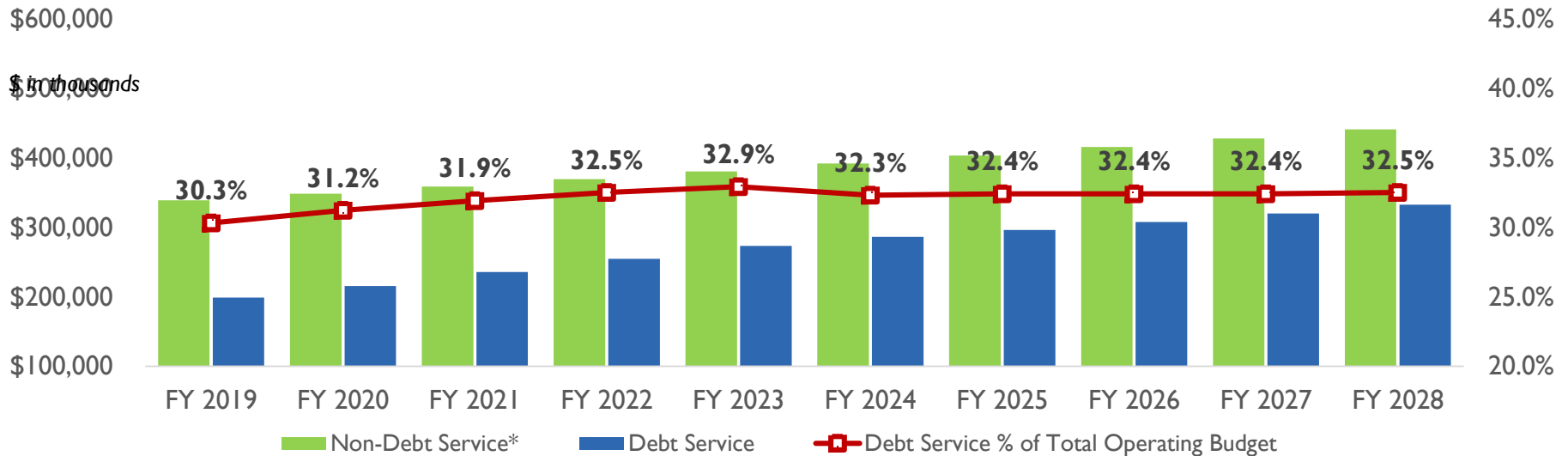
- Net operating expenditures increase about 4.8%, driven mainly by increases in personnel services, water purchases and debt service

(\$000's)	FY 2019		FY 2020		Incr/(Decr)	
	Approved	Approved	\$	%		
Total Personnel Services	\$ 162,620	\$ 170,680	\$ (8,060)	-5.0%		
Non-Personnel Services						
Chemicals & Supplies	32,082	33,157	(1,075)	-3.4%		
Utilities	26,915	26,953	(38)	-0.1%		
Contractual Services	81,679	81,886	(207)	-0.3%		
Water Purchases	30,520	34,929	(4,409)	-14.4%		
Small Equipment	1,240	989	251	20.2%		
Total Non-Personnel Services	172,435	177,914	(5,479)	-3.2%		
Total Operations & Maintenance	\$ 335,055	\$ 348,594	\$ (13,539)	-4.0%		
Debt Service	199,025	215,340	(16,315)	-8.2%		
PILOT & ROW	21,702	22,034	(332)	-1.5%		
Cash Financed Capital Improvements	26,999	28,556	(1,557)	-5.8%		
Total Non-O&M	247,726	265,929	(18,203)	-7.3%		
Total Operating Expenditure	\$ 582,781	\$ 614,523	\$ (31,742)	-5.4%		
Capital Labor Charges	(18,259)	(22,748)	4,489	-24.6%		
Net Operating Expenditure	\$ 564,522	\$ 591,775	\$ (27,253)	-4.8%		



- Debt service is one of the fastest growing components of the budget
  - It represents 30% and 31% of the total operating budget in FY 2019 and FY 2020, respectively

FY2019 - FY2028 Projected Debt Service Costs



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

# Operating Revenue, Rates & Fees



# Proposed Rates and Fee Changes

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- The rate proposal incorporates feedback from our stakeholders and various customers
  - The budget shifts a portion of the Clean Rivers Impervious Area Charge (CRIAC) to the Sewer Volumetric Rate provides customers the ability to reduce their bills
    - Starting with 18% in FY 2020, 28% in FY 2021, and 37% in FY 2022 and beyond
    - Based on methodology that allocates volume of Sanitary Wastewater, Stormwater runoff and CSO
    - Decreases the Clean Rivers Impervious Area Charge (CRIAC) from projected \$25.58 in FY 2020 to \$20.94 per ERU, per month and increases the Water & Sewer rate by 11.5% in FY 2020
- Starting FY 2021 and beyond, the projected rates support year-long review discussions and commitment by the Board to increase capital investments by \$0.95 billion, thereby addressing infrastructural challenges
- Increase from 4% to 20% CRIAC discount for Stormwater Best Management Practices
- Overall household charges increase of 5.7% is the same as previously forecasted for FY 2020 (Average household charge changes from \$114.48 to \$114.49)



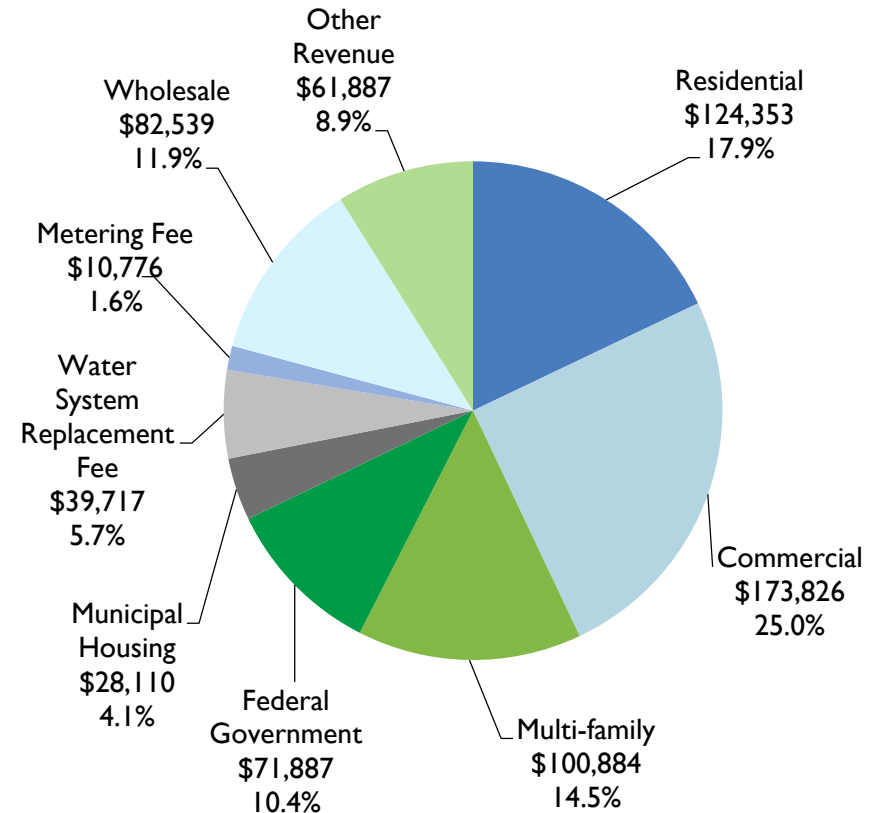
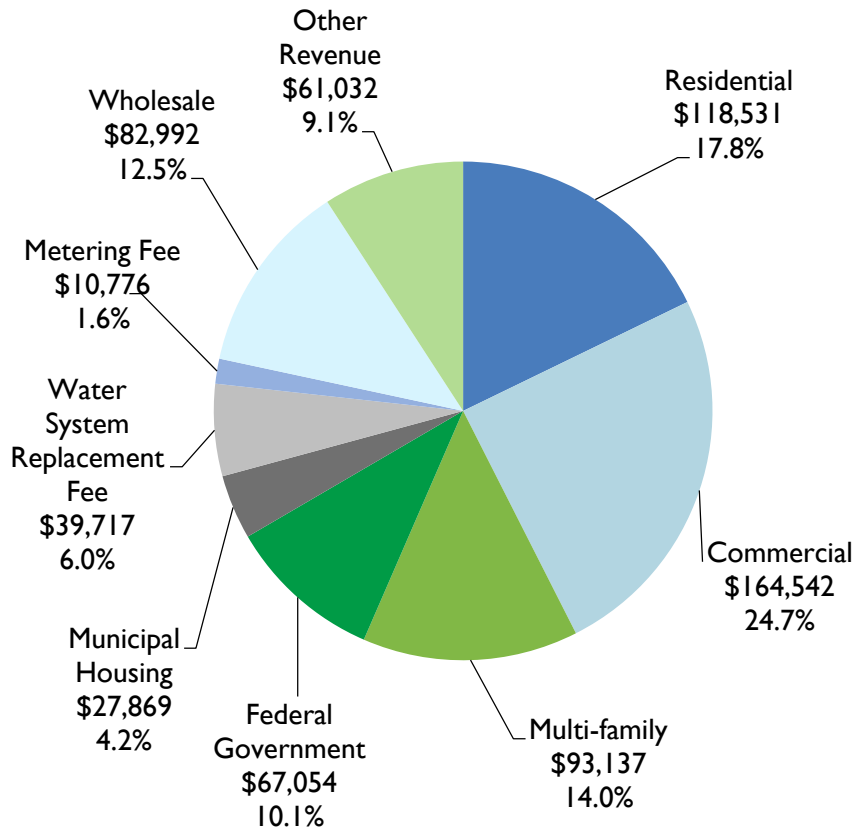
# FY 2019 vs. FY 2020 Operating Revenues

DC Water has a diversified customer base and stable revenue structure which is necessary to recoup the cost of services

Revised FY 2019  
\$665,650

(\$000's)

Approved FY 2020  
\$693,979





# Revenue Comparison by Customer Class

- 💧 Total revenue is projected to increase by \$28.3 million or 4.3%
- 💧 Retail revenue is projected to increase by \$27.9 million or 5.4%
- 💧 Wholesale revenue is projected to decrease by \$0.5 million or 0.5% because of flows

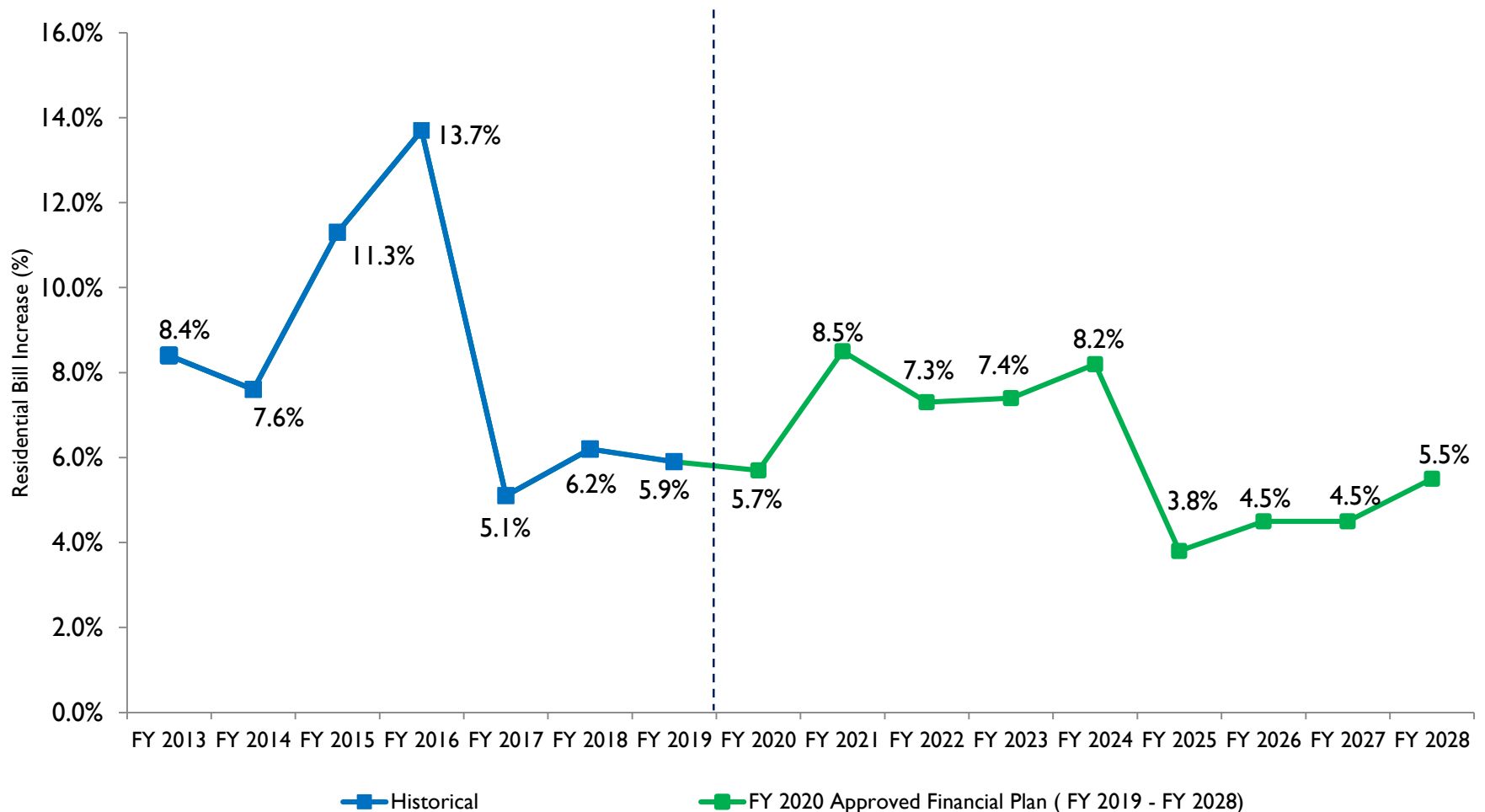
(\$000's)	Revised	Approved	Incr/(Decr)	
	FY 2019	FY 2020	\$	%
Retail Revenue	\$521,626	\$549,553	\$27,927	5.4%
Wholesale Revenue				
Potomac Interceptor (PI)	2,715	2,715	-	-
Loudoun County Sanitation Authority (LCSA)	7,541	7,758	217	2.9%
Washington Suburban Sanitary Commission (WSSC)	58,335	57,284	(1,051)	(1.8%)
Fairfax County	14,401	14,782	381	2.6%
Total Wholesale Revenue	\$82,992	\$82,539	(\$453)	(0.5%)
Other Revenue	61,032	61,887	855	1.4%
<b>Total Revenues</b>	<b>\$665,650</b>	<b>\$693,979</b>	<b>\$28,329</b>	<b>4.3%</b>

*DC Water's revenue comes from rates paid by our retail and jurisdictional customers for their proportionate share of the cost of operations*



# Historic and Projected Combined Household Increases for Residential Customers

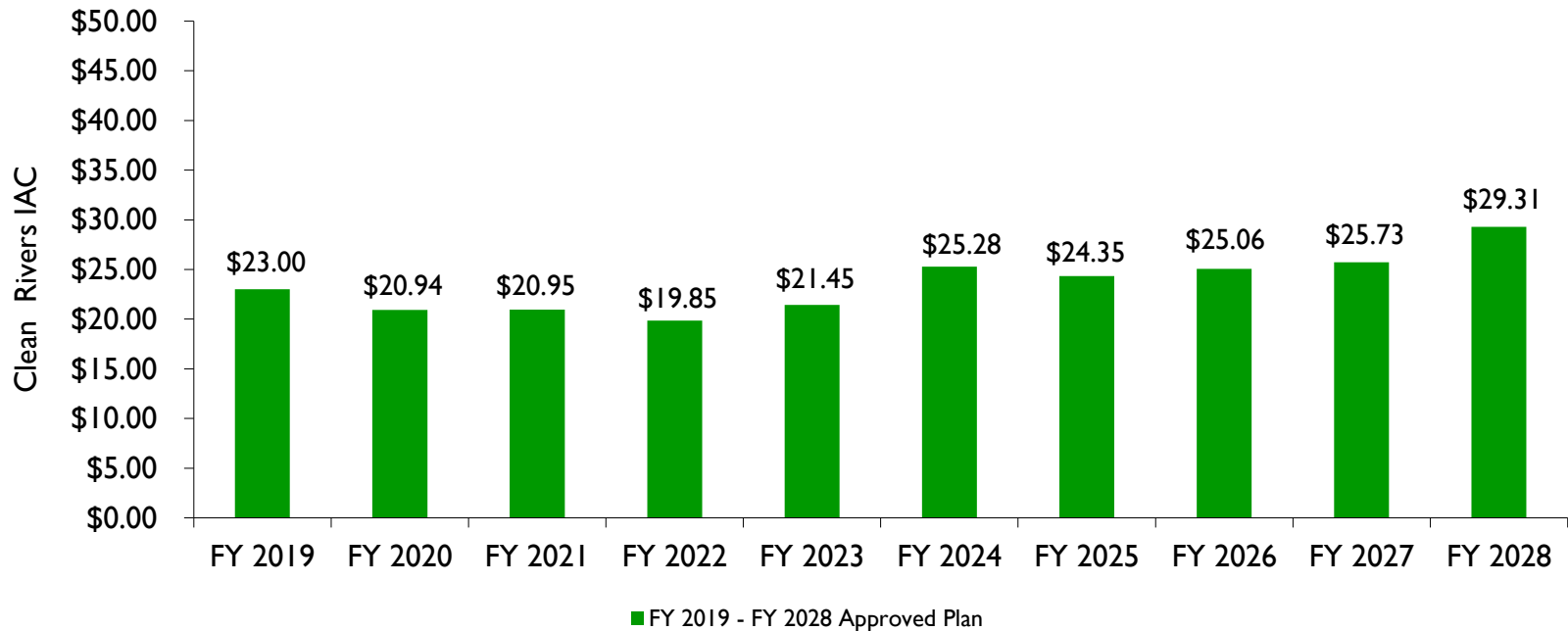
- The projected increases for the average residential household supports the additional capital investments, starting FY 2021 to address the infrastructural challenges



- 💧 This year's budget proposal includes a phase-in approach to shift some of the CRIAC costs to Sewer Volumetric Rates
  - 18% in FY 2020, 28% in FY 2021 and 37% in FY 2022 and beyond
- 💧 Shifting some of the Clean Rivers cost recovery to the volumetric rate gives customers more control over the amount that they pay towards the project
- 💧 As a class, the Multi-family and Commercial who use more water would pay more, while Federal Government would pay less
- 💧 Small volume customers in every class would generally pay less
- 💧 Average Residential customers would pay about the same



# dc Projected Clean Rivers Impervious Area Charge



- Charges are driven by debt service costs necessary to support the \$2.7 billion Clean Rivers Project
- CRIAC charges reflect shift of project costs to Sewer Volumetric, with 18% in FY 2020, 28% in FY 2021 and 37% in FY 2022 and beyond
- The annual Clean Rivers Project costs for the average residential customer (700 – 2,000 sq. ft. of impervious area) is projected to increase from \$251.28 in FY 2020 to \$351.72 in FY 2028





# Sample of DC Water's Customers and Projected Monthly Bills

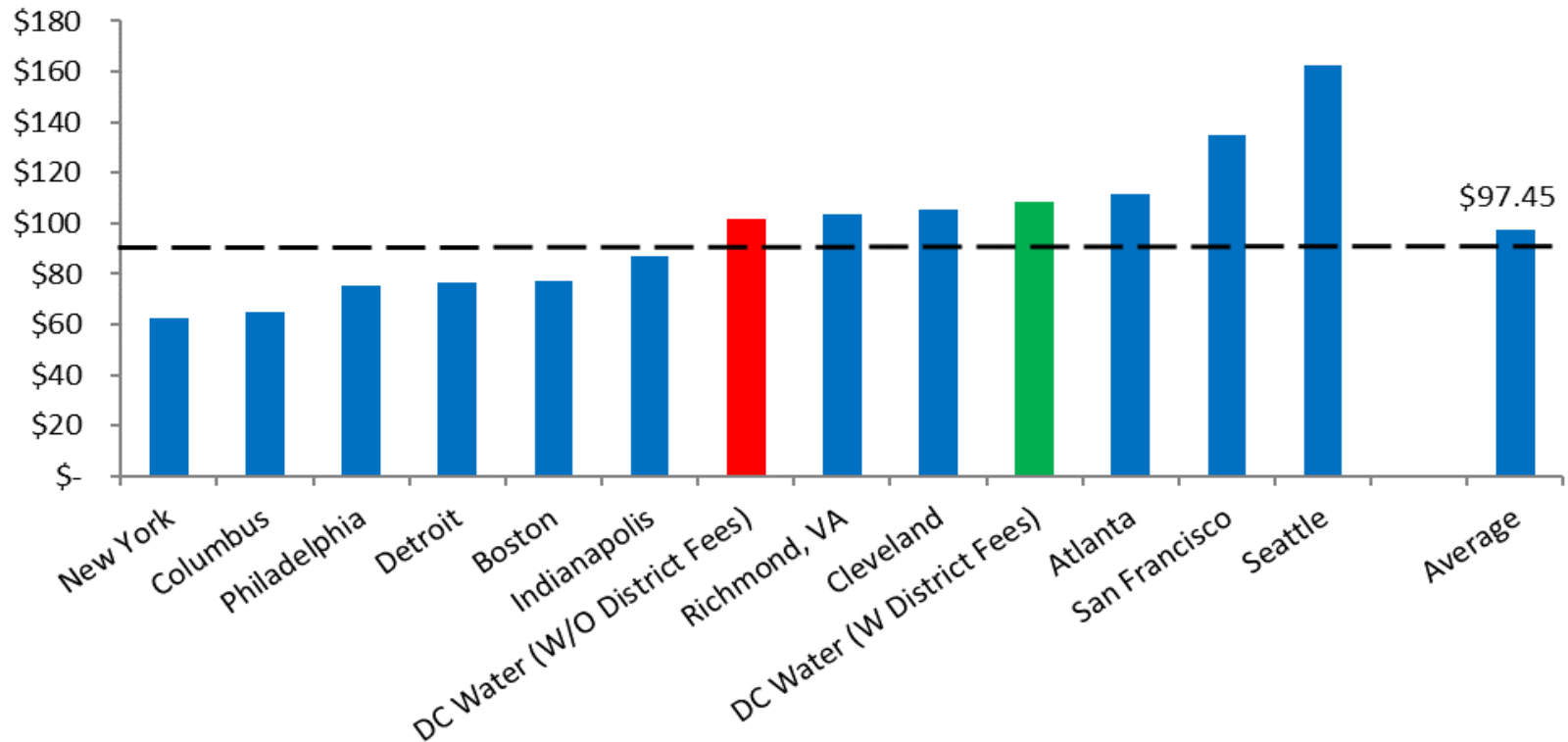
<b>Residential – Avg. 6.2 Ccf / 1ERU Baseline \$5.0B Phase-In 18%-28%-37%</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>
Water & Sewer Rate (%)	13.0%	11.5%	12.5%	11.5%	8.5%	7.5%	6.0%	5.5%	5.5%	4.5%
CRIAC (\$/ERU)	\$23.00	\$20.94	\$20.95	\$19.85	\$21.45	\$25.28	\$24.35	\$25.06	\$25.73	\$29.31
Avg. Customer Bill (\$)	\$108	\$114	\$124	\$133	\$143	\$155	\$161	\$168	\$176	\$185
Avg. Customer Bill (%)	5.9%	5.7%	8.5%	7.3%	7.4%	8.2%	3.8%	4.5%	4.5%	5.5%

<b>Multi-family – Avg. 92.6 Ccf / 6.3 ERU Baseline \$5.0B Phase-In 18%-28%-37%</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>
Water & Sewer Rate (%)	13.0%	11.5%	12.5%	11.5%	8.5%	7.5%	6.0%	5.5%	5.5%	4.5%
CRIAC (\$/ERU)	\$23.00	\$20.94	\$20.95	\$19.85	\$21.45	\$25.28	\$24.35	\$25.06	\$25.73	\$29.31
Avg. Customer Bill (\$)	\$1,303	\$1,413	\$1,558	\$1,704	\$1,837	\$1,981	\$2,077	\$2,180	\$2,289	\$2,403
Avg. Customer Bill (%)	9.2%	8.5%	10.3%	9.4%	7.8%	7.8%	4.8%	5.0%	5.0%	4.9%

<b>Commercial – Avg. 114 Ccf / 13.1 ERU Baseline \$5.0B Phase-In 18%-28%-37%</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>
Water & Sewer Rate (%)	13.0%	11.5%	12.5%	11.5%	8.5%	7.5%	6.0%	5.5%	5.5%	4.5%
CRIAC (\$/ERU)	\$23.00	\$20.94	\$20.95	\$19.85	\$21.45	\$25.28	\$24.35	\$25.06	\$25.73	\$29.31
Avg. Customer Bill (\$)	\$1,850	\$1,978	\$2,164	\$2,345	\$2,527	\$2,732	\$2,852	\$2,990	\$3,134	\$3,299
Avg. Customer Bill (%)	7.7%	6.9%	9.4%	8.3%	7.7%	8.1%	4.4%	4.8%	4.8%	5.2%

# dc DC Water Compared to CSO Communities

- DC Water is implementing an expensive consent decree program, \$2.7 billion paid for by 700,000 residents (or 125,000 customer accounts)
- Some other communities have lower consent decree programs and larger population sizes



\* Assumes average residential consumption of 6.20 Ccf, or 4,638 gallons, per month. Ccf = hundred cubic feet, or 748 gallons  
 Reflects rates and fees in place as of November 1, 2018



# Customer Assistance Program (CAP)

Eligible customers for CAP, as administered by DOEE, would receive a discount of 58.8% in FY 2020

	Units	Current FY 2019	Proposed FY 2020
DC Water Water and Sewer Retail Rates <sup>(1)</sup>	Ccf	\$ 68.27	\$ 76.38
DC Water Clean Rivers IAC	ERU	23.00	20.94
DC Water Customer Metering Fee	5/8"	3.86	3.86
DC Water Water System Replacement Fee	5/8"	6.30	6.30
<b>Subtotal DC Water Rates &amp; Charges</b>		<b>\$ 101.43</b>	<b>\$ 107.48</b>
Increase / Decrease		\$ 5.96	\$ 6.05
District of Columbia PILOT Fee <sup>(1)</sup>	Ccf	\$ 3.10	\$ 3.16
District of Columbia Right-of-Way Fee <sup>(1)</sup>	Ccf	1.12	1.18
District of Columbia Stormwater Fee <sup>(4)</sup>	ERU	2.67	2.67
<b>Subtotal District of Columbia Charges</b>		<b>\$ 6.89</b>	<b>\$ 7.01</b>
<b>Total Amount</b>		<b>\$ 108.32</b>	<b>\$ 114.49</b>
Increase / Decrease Over Prior Year		\$ 6.02	\$ 6.17
<b>Percent Increase in Total Bill</b>		<b>5.9%</b>	<b>5.7%</b>
Less: CAP Discount (4 Ccf per month) <sup>(1), (2)</sup>		(45.36)	(50.60)
Water System Replacement Fee (WSRF) <sup>(3)</sup>		(6.30)	(6.30)
Clean Rivers IAC <sup>(5)</sup>		(11.50)	(10.47)
<b>Total Amount Appearing on DC Water Bill</b>		<b>\$ 45.16</b>	<b>\$ 47.12</b>
Increase / Decrease Over Prior Year		\$ 1.99	\$ 1.96
<b>CAP Customer Discount as a Percent of Total Bill</b>		<b>-58.3%</b>	<b>-58.8%</b>

(1) Assumes average monthly consumption of 6.2 Ccf, or (4,638 gallons)

(2) Expansion of CAP program in FY 2009 to first 4 Ccf of Water and Sewer and to first 4 Ccf of PILOT and ROW in FY 2011

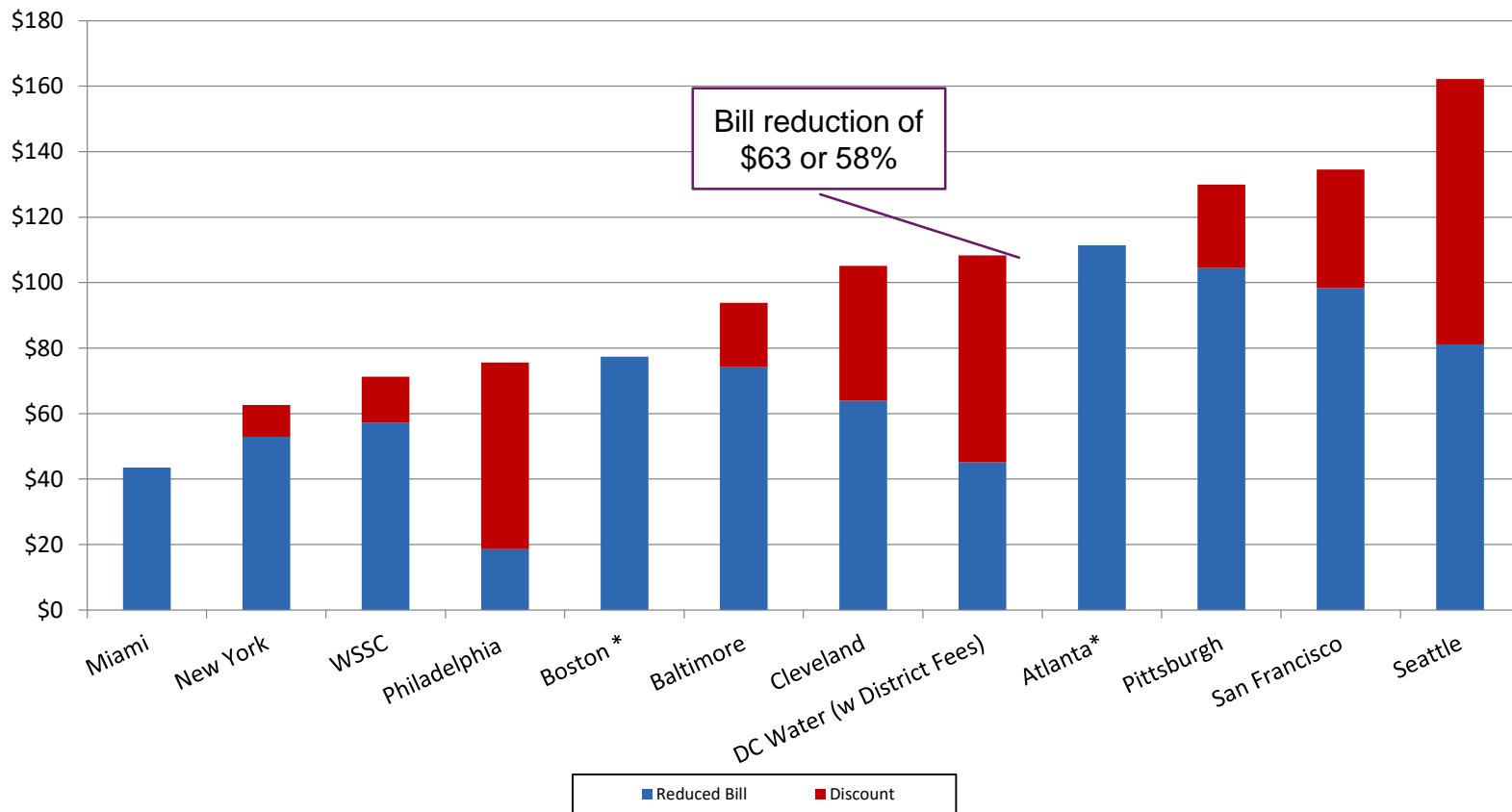
(3) Assumes 100 percent discount for Water System Replacement Fee (WSRF) to CAP customers effective October 1, 2015

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

(5) Assumes 50 percent discount for the Clean Rivers IAC effective May 1, 2017



# SFR Monthly Bills – Comparison of Charges With & With Out Income-Based Affordability Programs

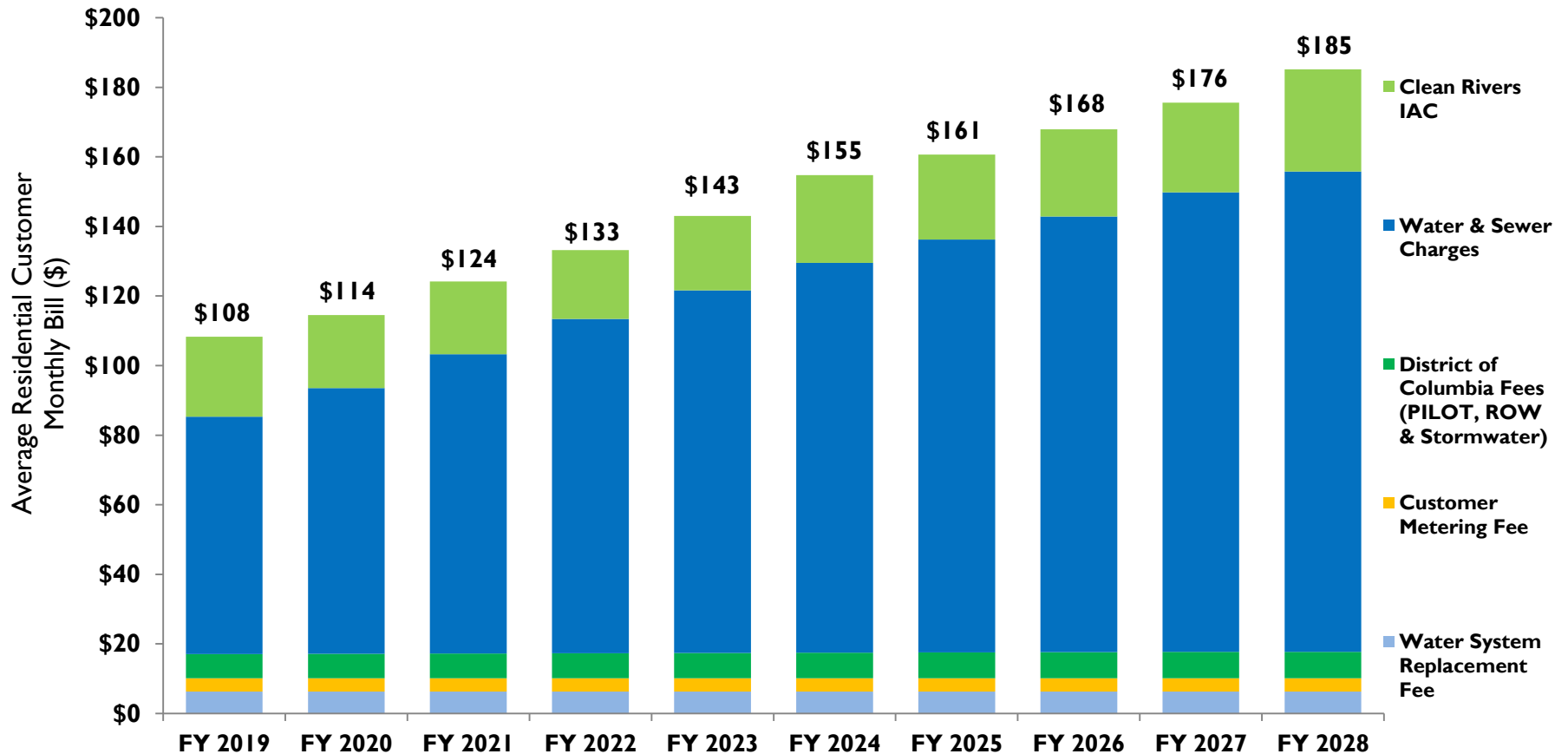


\* Boston provides a 30% discount on water bills for senior citizens or fully disabled customers with no income eligibility requirement. Atlanta provides a 30% discount on bills for seniors citizens who meet income eligibility requirement.



# Projected Average Residential Customer Bill

Projected average monthly residential customer bill ranges from \$108 in FY 2019 to \$185 in FY 2028





# Increased CRIAC Discount to Customers

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- Resolution #13-80 – DC Water established the Clean Rivers Impervious Surface Area Charge (CRIAC) Incentive Discount Program
  - 4% maximum incentive credit
  - Concern about ensuring that DC Water has sufficient resources to pay mandated Clean Rivers costs
  
- The Incentive Program
  - Customers who manage stormwater on their property through the use of approved best management practices such as rain gardens, rain barrels, pervious paving, green roofs, bioretention practices, and stormwater
  - Eligibility determinations are made by the District Department of Energy and the Environment (DOEE)
  
- This budget proposal increases the discount from 4% to 20% for stormwater best management practices



# DC Water's Promise to Our Customers

DC Water is committed to providing superior service, ingenuity and stewardship to our customers

- 💧 We are efficient with our rate payers money
- 💧 We are devoted to improving water quality
- 💧 We provide work to small and minority businesses
- 💧 We continue to explore and invest in initiatives with great environmental benefits (Clean Rivers, Solar Project)
- 💧 We are a great place to work



Saint Elizabeth Water Tower



Boat Skimmers to Clean the Anacostia River



Anacostia River Tunnel