


Government of the District of Columbia
Office of the Chief Financial Officer



Jeffrey S. DeWitt
Chief Financial Officer

MEMORANDUM

TO: The Honorable Phil Mendelson
Chairman, Council of the District of Columbia

FROM: Jeffrey S. DeWitt
Chief Financial Officer 

DATE: October 26, 2020

SUBJECT: Fiscal Impact Statement – District of Columbia Water and Sewer
Authority Omnibus Amendment Act of 2020

REFERENCE: Bill 23-640, Draft Committee Print as provided to the Office of Revenue
Analysis on October 22, 2020

Conclusion

Funds are not sufficient in the fiscal year 2021 through fiscal year 2024 budget and financial plan to implement the bill. The bill's implementation will require an additional \$246,000 annually above current budgeted resources for a total of \$984,000 over the four-year financial plan to support the proposed expansion of the planned, emergency, and customer-initiated lead service line replacements program.

Background

DC Water and the Department of Energy and Environment (DOEE) jointly manage two assistance programs for District resident DC Water customers. The first is a bill payment assistance program for nonprofit organizations to help defray the cost of the Clean Rivers Impervious Area Charge (CRIAC).¹ The CRIAC charge pays for impervious surface areas on a property and is dedicated to helping the District improve stormwater management efforts. The second program is a lead water service line replacement and financial assistance program.² Under this program, DC Water may not replace public

¹ District of Columbia Water and Sewer Authority Rate Increase Mitigation Amendment Act of 2018, effective October 30, 2018 (D.C. Law 22-168; D.C. Official Code § 34-2202.16b).

² Lead Service Line Priority Replacement Assistance Act of 2004, effective December 7, 2004 (D.C. Law 15-205; D.C. Official Code § 34-2151 et seq.).

space lead water service line pipes if it does not also replace the lead service line pipe in private space. The program also includes a financial assistance component where eligible residents can request a private space service line replacement if their public space lead service line was previously replaced. The financial assistance program is administered jointly by DC Water and DDOE.

The bill imposes new CRIAC reporting requirements for both DC Water and DOEE. The bill requires DC Water to report the average CRIAC charges for residential customers, both District-wide and by ward. DC Water must also report on its efforts to publicize the CRIAC financial assistance programs available to customers. DC Water should transmit this report to the Mayor and the Council within 60 days of the end of each fiscal year. The bill requires DOEE to also report on its CRIAC financial assistance efforts to the Mayor and the Council within 60 days of the end of each fiscal year. DOEE report must include the amount of assistance funding available at the end of the fiscal year, the number of nonprofit and residential applicants, the number that received assistance, the amount of assistance,³ the time it took for DOEE to process applications, and DOEE's efforts to publicize the financial assistance program.

The bill amends both the overall lead water service line replacement program and the lead water service line financial assistance program. Current law prohibits DC Water from replacing a lead public side water service line without replacing a lead private side service line. Under the bill, the prohibition is expanded to any type of public side service line replacement without including the private side if it is lead. The bill also expands the definition of lead service line to include brass or galvanized service lines. The bill delays DC Water's ability to repair a damaged or leaking service line by giving a property owner 14 days to respond to a written request to change the private side lead water service line. If DC Water does not hear within 14 days,⁴ it must follow-up with a phone call or email. The bill requires DC Water to replace the private side lead service line within 30 days of requesting consent from the property owner if the owner gives consent. The bill also requires DC Water to provide the property owner with information on the health risks of not replacing lead pipes.

The bill expands the lead service line financial assistance program to include the costs of any lead portion of the public space service line that was only partially replaced during a previous construction project. The bill requires DC Water to publish a list of contractors that residents can use to complete their projects and to update such list at least once each fiscal year. The bill does allow a property owner to use a contractor not on the list so long as they obtain DC Water's written approval prior to beginning any work.

The bill imposes new reporting requirements for DC Water and DOEE for the water service line replacement and financial assistance programs as well. Within 60 days of the end of each fiscal year, DC Water must report to the Mayor and the Council the number of times a public property water line was replaced and DC Water requested the private property owner's consent to perform the private property water line replacement; the private property owners' responses to the consent request, and the locations⁵ where DC Water replaced the public property water line without replacing the

³ DOEE should report this information separately for all customers, excluding emergency relief, and all customers that request emergency relief.

⁴ Currently, a property owner must respond within 24 hours.

⁵ The locations should be broken down by ward and by Advisory Neighborhood Commission.

private side. The bill requires DC Water to report on the agency's progress with the financial assistance program. DC Water should report the number of contractors who submitted invoices, the locations of the work, and whether the contractor was paid the approved amount; the common reasons why invoices were not paid; the number of private property lead service pipes outstanding in the District; the time to make a financial assistance payment to contractors; and DC Water's efforts to publicize the program. The bill also requires DOEE to report on property owners that applied for financial assistance by eligibility category and location, owners approved by eligibility category and location, common reasons for denial of financial assistance, and efforts to publicize the financial assistance program.

The bill also enhances some of DC Water's meeting, notice, and customer complaint requirements. The bill requires DC Water to provide a virtual attendance option for all public DC Water Board meetings, Board committee meetings, and rate-setting meetings. The bill imposes two notice and reporting requirements related to emergency events⁶ in the District. First, DC Water must inform the Office of the People's Counsel (OPC) and affected Advisory Neighborhood Commission chairpersons and ward councilmembers within five days following an emergency event. This notice must include a description of the emergency event,⁷ affected properties, any actions DC Water has taken and intends to take, and a DC Water point of contact of the emergency event. Second, DC Water must formally report to the same entities within thirty days of the event detailing the number of affected households, providing incident-specific information depending on the type of emergency event, and actions taken, including any relief provided and outreach made to residents. The bill also establishes a public comment period for establishing and setting DC Water rates. Currently, DC Water must hold a public hearing for rate setting actions and must provide at least 45 days' notice of the hearing. The bill requires DC Water to begin a public comment period beginning on the hearing notice date through five days after the public hearing. Additionally, DC Water must respond to comments by transmitting a report to the DC Water Board and publishing those responses on its website within 15 days of the close of the comment period. The bill requires DC Water to transmit its Independent Review of the Proposed Rates Report and Cost of Service study to the Mayor and the Council at least 45 days prior to the public rate setting hearing. The bill establishes that a customer's complaint is considered timely if it is received within 20 days after the date the bill in question is rendered and is made in writing. DC Water must suspend the customer's responsibility to pay the bill in question until the investigation has been completed. DC Water must also provide customer assistance and OPC contact information on residential bills and on its website, and it must include the date a complaint is due on the front of residential bills.

Financial Plan Impact

Funds are not sufficient in the fiscal year 2021 through fiscal year 2024 budget and financial plan to implement the bill. DC Water requires an additional \$246,000 annually to fund required private side service line replacements when it replaces public side lines under planned and emergency line replacement or when a customer initiates a request for a private side water line replacement because

⁶ The bill defines an emergency event as one resulting in a major service disruption, the issuance of a Tier 1 public notice pursuant to the EPA Public Notification Rule, or an extreme weather event.

⁷ Including what caused the issuance of a Tier 1 public notice, if applicable.

the bill expands the definition to include brass or galvanized service lines. The total cost over the four-year financial plan period is \$984,000.

When the lead service pipe program was passed into law in 2018, DC Water had nearly 82,000 private property service pipes of unknown material, in addition to 7,500 known lead service pipes. The Office of Revenue Analysis (ORA) assumed that roughly 34,000 of those unknown and the 7,500 lead service pipes would be replaced under DC Water's planned and emergency work and through customer-initiated requests. ORA assumed an additional 13,600 would be eligible for replacement under the financial assistance program. To date, DC Water has replaced approximately 350 private side lead service pipes through planned and emergency projects and residents who requested that DC Water replace both the public and private side service pipes. DC Water has also approved approximately 190 private side service pipe replacements through the financial assistance program. In fiscal year 2020, the Council allocated \$1 million annually to fund planned, emergency, and customer-initiated lead service line replacements on private property, \$1.8 million for the financial assistance program, and approximately \$167,000 for one DOEE employee and administrative costs to manage the program. In fiscal year 2021, the Council reduced the combined budget for these two programs to a total of \$1.85 million. After accounting for staff and administrative costs, DOEE has approximately \$1.68 million available to replace pipes through the replacement and financial assistance programs.

The bill adds brass and galvanized pipes as eligible pipes for replacement under both programs. Since the program launched, DC Water has gained a greater understanding of the materials of the District's service pipes. Including the bill's expansion, DC Water estimates that nearly 28,000 service pipes are eligible for replacement under the planned, emergency, and customer-initiated program and over 12,000 under the financial assistance program. While this represents a reduction in the number of eligible pipes, despite the addition of brass and galvanized, DC Water has also determined that the cost of replacements has increased to around \$3,900⁸ relative to the 2018 estimate of \$2,000. Due to emergency and planned public line replacement work, the bill's expansion of eligible private line replacements will increase the needed replacements to approximately 500 annually,⁹ for a total annual cost of \$1.93 million. This cost represents an additional \$246,000 over the amount funded for the program in fiscal year 2021 and each year of the financial plan.

Under existing law, DOEE and DC Water can only provide financial assistance for private property service line replacements where the public side had been previously been replaced if there is funding available. In fiscal year 2020, DOEE approved 192 applicants for financial assistance. Given the budget reduction, and the cost of the planned, emergency, and customer-initiated replacements under the bill's expanded eligible materials, DOEE and DC Water do not have any funding available for the financial assistance program.

The bill imposes two new reporting requirements on DOEE for both lead service water line replacement and CRIAC financial assistance and programs. DOEE currently collects the required data and annually reporting that information to the Mayor and the Council does not require any additional financial resources.

⁸ This includes DC Water's direct (15%) and indirect (10%) costs.

⁹ In fiscal year 2020, DC Water replaced approximately 350 private property lead service lines under this portion of the program.

The Honorable Phil Mendelson

FIS: Bill 23-640, "District of Columbia Water and Sewer Authority Omnibus Amendment Act of 2020," Draft Committee Print as provided to the Office of Revenue Analysis on October 22, 2020

The new CRIAC and lead water service line financial assistance program reporting requirements encompass data that DC Water collects and can be reported with no additional financial resources. DC Water can also implement the virtual meetings, notice, and complaint provisions within its existing resources. Aside from special programs, such as the lead water line service replacement program, DC Water's costs are funded out of ratepayer payments.

The chart below outlines the net fiscal impact of the bill on the District's budget and financial plan.

District of Columbia Water and Sewer Authority Omnibus Amendment Act of 2020					
Bill 23-640					
Fiscal Impact Analysis^a					
Fiscal Year 2021 – Fiscal Year 2024					
(\$ thousands)					
	FY 2021	FY 2022	FY 2023	FY 2024	Total
Current Budget	\$1,850	\$1,850	\$1,850	\$1,850	\$7,400
Existing DOEE Administrative Costs	(\$167)	(\$167)	(\$167)	(\$167)	(\$668)
Net available budget	\$1,683	\$1,683	\$1,683	\$1,683	\$6,732
Expanded Pipe Replacement Program	(\$1,929)	(\$1,929)	(\$1,929)	(\$1,929)	(\$7,716)
Net Fiscal Impact	(\$246)	(\$246)	(\$246)	(\$246)	(\$984)

Table Notes

^a This chart does not reflect any funding for the lead pipe replacement financial assistance program as that program is not required to be funded.