

Presented and Adopted: November 1, 2007
SUBJECT: Approval of Rate Stabilization Fund Policy

#07-87
RESOLUTION OF THE
BOARD OF DIRECTORS
OF THE
DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY

The Board of Directors (the "Board") of the District of Columbia Water and Sewer Authority, (the "Authority") at its meeting on November 1, 2007, upon consideration of a non-joint use matter decided by a vote of six (6) in favor and none (0) opposed to take the following action with respect to the approval of the Rate Stabilization Fund Policy.

WHEREAS, on December 4, 1997 the Board of Directors, in Resolution, 97-124, approved Rate Setting Policies ("Policies") (a matter not affecting the general management of joint-use sewerage facilities) for the District of Columbia Water and Sewer Authority which state that as cash reserves and/or revenues permit, WASA will establish a rate stabilization fund or other innovative approaches to assist in mitigating annual rate increases; and

WHEREAS, on March 26, 1998 the Board of Directors approved the Authority's Master Indenture of Trust; and

WHEREAS, Section 603 and Section 604 of the Master Indenture of Trust formalized certain requirements of the Rate Stabilization Fund; and

WHEREAS, on October 23, 2007, the General Manager recommended the attached "Rate Stabilization Fund Policy" to the Retail Rates Committee; and

WHEREAS, upon consideration the Retail Rates Committee finds the revised "Rate Stabilization Fund Policy" to be consistent with the principles expressed in Resolution 97-124, and therefore recommends adoption; and

NOW THEREFORE BE IT RESOLVED THAT:

The Board hereby approves the attached "Rate Stabilization Fund Policy" and authorizes the General Manager to implement the policy.

This resolution is effective immediately.


Secretary to the Board of Directors

RATE STABILIZATION FUND POLICY

The District of Columbia Water & Sewer Authority (the "Authority") has established a Rate Stabilization Fund (RSF), consistent with Board of Directors' Resolution #97-124 and the Authority's Master Indenture of Trust (the "Indenture"). The purpose of the RSF is to help mitigate rate spikes and allow smoothing of annual rate increases.

The following policies will govern the management of the RSF:

1. The RSF will be held as a separate account of the Authority and segregated from other Authority funds.
2. The RSF will be invested in a manner consistent with the Authority's cash management and investment policies.
3. The RSF will be managed in a manner consistent with the Authority's Indenture and in a manner consistent with maintaining the highest bond ratings possible.
4. The General Manager [or designee] will prepare a ten-year financial plan as part of the annual operating budget process which will be delivered to the Board of Directors each fall. The ten year financial plan will include the planned utilization of the RSF over the ten years
5. The planned utilization (transfers out) of the RSF will be formally approved by the WASA Board of Directors' as part of its annual approval of the operating and capital budgets.
6. At any time during the fiscal year, the General Manager may transfer the approved amounts from the RSF to the Authority General Fund.
7. Transfers into the RSF would be determined annually based on financial performance, and at other times at the direction of the Board and must be approved by the WASA Board of Directors.
 - a. During the fourth quarter of each fiscal year, the General Manager [or designee] will conduct an analysis of the Authority's financial performance, including operating revenues, operating expenditures, capital disbursements and reserves.
 - b. The General Manager will report the results of this analysis and his recommendations to the Finance & Budget Committee no later than its regularly scheduled meeting in September, for recommendation of Board action at its October meeting.
8. Interest earned in the RSF account will be accounted for as general revenues and may be transferred out of the RSF anytime to the Authority Revenue Fund.