

**PRESENTED AND ADOPTED: JULY 2, 2009**  
**SUBJECT: Approval of Revised Financial Policies**

**#09-86**  
**RESOLUTION**  
**OF THE**  
**BOARD OF DIRECTORS**  
**OF THE**  
**DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY**

The Board of Directors ("Board") of the District of Columbia Water and Sewer Authority (the "Authority"), at the Board meeting held on July 2, 2009, upon consideration of a joint-use matter, decided by a vote of ten (10) in favor and none (0) opposed to approve the following action.

WHEREAS, the Board at its meeting December 4, 1997 approved Resolution #97-121 stating financial policies for the District of Columbia Water and Sewer Authority; and

WHEREAS, on March 5, 1998 the Board of Directors, in Resolution 98-08, approved further amendments to the Policies which were intended to establish strong levels of cash reserves and strong debt service coverage; and

WHEREAS, on April 2, 2004 the Board of Directors, in Resolution 04-30, approved additional amendments to the Policies which further describes the establishment of strong levels of cash reserves and debt service coverage; and

WHEREAS, the Finance and Budget Committee met on June 25, 2009, and recommended that the Board adopt the attached revised financial policies.

**NOW THEREFORE BE IT RESOLVED THAT:**

The Board hereby approves the attached revised "Statement of Financial Policies" and authorizes the General Manager to implement the policy.

1. This resolution shall take effect immediately.

  
Secretary to the Board of Directors

DISTRICT OF COLUMBIA WATER & SEWER AUTHORITY  
STATEMENT OF FINANCIAL POLICIES

The following are the basic finance policies that will guide WASA's use of debt financing and development of WASA's ten year plan.

- WASA will maintain financial practices and policies that result in high-quality investment grade bond ratings so as to ensure the lowest practical cost of debt necessary to finance WASA's long-term capital program.
- WASA will maintain strong levels of operating cash reserves, equivalent to 120 days of budgeted operations and maintenance costs calculated on an average daily balance basis , with the objective of maintaining at least \$125.5 million in operating reserves.
  - The annual reserve amount will be formally approved by the Board as part of its annual approval of the operating and capital budgets.
  - The operating reserve requirement will be evaluated every five years by WASA's independent rate consultant in conjunction with the Indenture-required system assessment.

The operating reserve will, at a minimum, include any reserve requirements contained in WASA's Master Indenture of Trust (the "Indenture"), excluding any debt service reserve funds and the rate stabilization fund, as follows:

- Operating Reserve – equivalent to sixty days' operating costs
  - Renewal & Replacement Reserve - \$35 million. This reserve requirement will be evaluated every five years by WASA's independent rate consultant in conjunction with the Indenture-required system assessment
  - District of Columbia General Obligation Debt Reserve – equivalent to 10 percent of WASA's share of subsequent year's D.C. general obligation bond debt service
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- WASA will maintain senior debt service coverage of 140 percent, in excess of WASA's Indenture requirement of 120 percent. Senior debt service coverage will be calculated in accordance with WASA's Indenture.
  - In general, WASA will utilize operating cash in excess of the Board's reserve requirement and any other significant one-time cash infusions for capital financing or for repayment of higher cost debt.
  - WASA will whenever possible use the least costly type of financing for capital projects, based on a careful evaluation of WASA's capital and operating requirements and financial position for each year.
  - WASA will attempt to match the period of debt repayment, in total, with the lives of the assets financed by any such debt.