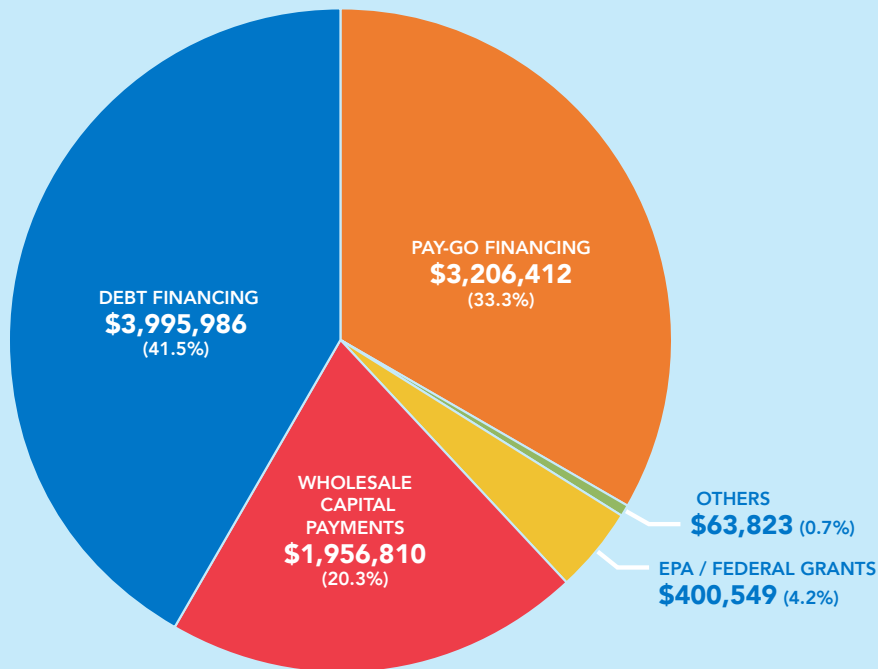




Approved FY 2026 Budgets

Section VI: Cash and Debt Financing

TEN-YEAR SOURCES OF FUNDS \$ THOUSANDS



SENIOR BOND RATINGS (BY JUNE 2024)



AAA

STANDARD AND POOR'S CORPORATION

Aa1

MOODY'S INVESTOR SERVICE

AA+

FITCH'S RATING

ASSET VALUE AND OUTSTANDING DEBT FY 2025



NET ASSETS




\$8.7B



OUTSTANDING DEBT

\$3.9B

DEBT SERVICE COVERAGE

| DEBT LEVEL | MASTER INDENTURE | BOARD RESOLUTION | MANAGEMENT PRACTICE | TEN YEAR PLAN (AVERAGE) |
|--|------------------|------------------|---------------------|-------------------------|
|  SENIOR | 140x | 140x | 140x | 696x |
|  SUBORDINATE | 100x | 100x | 100x | 235x |
|  COMBINED | NA | 160x | 160x | 197x |

Overview

DC Water relies on several funding sources to finance its capital projects and cash flow needs. The process of identifying, obtaining, and managing these funds is a combined effort throughout the Authority. This includes future revenues, collections, grant applications, planning and debt service management.

Approximately 42% percent of DC Water's Capital Program is funded by debt, 33% is funded by Pay-Go, 20% of the funds are contributed by the wholesale capital payments, 4% is funded by EPA/Federal Grants and the remaining estimated 1% comes from other available funds.

Below is the list of various funding sources and the percentage contribution to DC Water's overall CIP needs.

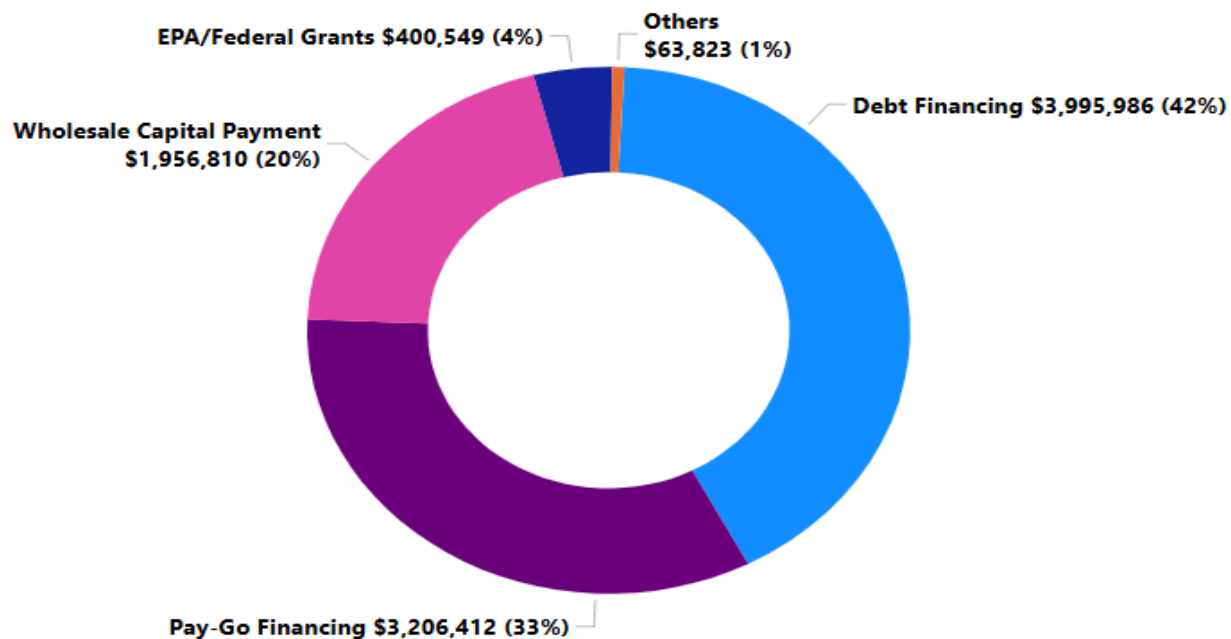
(\$ in thousands)

| Ten-Year Sources of Funds | Amount (\$) |
|---------------------------|------------------|
| Debt Financing | 3,995,986 |
| Pay-Go Financing | 3,206,412 |
| Wholesale Capital Payment | 1,956,810 |
| EPA/Federal Grants | 400,549 |
| Others | 63,823 |
| Total | 9,623,580 |

- Debt Financing refers to the borrowing of funds through long term revenue bonds, commercial paper and other short-term notes.
- Pay-Go financing is any funds available after meeting the reserves and rate stabilization fund deposits. It also comprises System Availability Fee (SAF) and Clean Rivers Impervious Area Charge (CRIAC)
- Other financing comprises Interest Income on Bond Proceeds and Curing Pad and Solar.

(\$ in thousands)

Ten Year Sources Of Funds



\$ in thousands

Sources and Uses Of Fund

| Particulars | FY 2024 Actual | FY 2025 Approved | FY 2025 Revised | FY 2026 Approved |
|--|-------------------|---------------------|--------------------|---------------------|
| Sources | | | | |
| Beginning Balance | \$ 366,735 | \$ 184,103 | \$ 238,907 | \$ 269,051 |
| New Debt Proceeds / Commercial Paper / EMCP ⁽¹⁾ | 26,014 | 351,000 | 351,000 | 486,620 |
| Curing Pad and Solar | - | - | - | 1,000 |
| System Availability Fee (SAF) | 2,603 | 7,700 | 7,700 | 7,700 |
| Clean Rivers Impervious Area Charge (CRIAC) | 63,348 | 60,977 | 60,977 | 69,711 |
| Pay-Go Financing | 167,392 | 127,369 | 189,859 | 170,335 |
| Federal Grants - Infrastructure Funding | - | 29,755 | 32,267 | 37,036 |
| EPA Grants | 24,185 | 20,144 | 21,792 | 13,461 |
| CSO Appropriation | 8,112 | - | - | - |
| Wholesale Customer Capital Contributions | 81,481 | 88,796 | 103,703 | 137,800 |
| Interest Income | 1,622 | 10,592 | 10,592 | 9,244 |
| Total Sources | \$ 374,757 | \$ 696,333 | \$ 777,889 | \$ 932,908 |
| Uses | | | | |
| Water Projects | 163,737 | 222,494 | 185,094 | 270,680 |
| Wastewater Treatment | 51,117 | 103,291 | 68,282 | 106,353 |
| Sanitary Sewer Treatment | 82,772 | 92,235 | 146,901 | 148,796 |
| Combined Sewer & LTCP Projects | 138,861 | 213,408 | 223,832 | 250,386 |
| Stormwater Projects | 6,026 | 13,565 | 8,209 | 17,360 |
| Non-Process Facilities | 5,352 | 19,900 | 18,181 | 51,570 |
| Washington Aqueduct | 35,594 | 35,770 | 35,770 | 35,770 |
| Capital Equipment | 18,481 | 24,532 | 24,532 | 29,401 |
| Meter Replacement / AMR/ CIS | 645 | 6,944 | 6,944 | 3,080 |
| Total Uses | \$ 502,585 | \$ 732,139 | \$ 717,745 | \$ 913,396 |
| Capital Contingency Reserve for LTCP | 33,432 | 30,000 | 30,000 | 30,000 |
| Ending Balance | \$ 238,907 | \$ 118,297 | \$ 269,051 | \$ 258,563 |

(1) Commercial Paper and Extendable Municipal Commercial Paper are used for interim financing and capital equipment

\$ in thousands

Cash Reserve Summary

| Particulars | FY 2024 Actual | FY 2025 Approved | FY 2025 Revised | FY 2026 Approved |
|--|-------------------|---------------------|--------------------|---------------------|
| Beg. O&M Reserve Balance (Net of Rate Stabilization Fund) | \$ 286,889 | \$ 296,600 | \$ 320,513 | \$ 309,600 |
| Operating Surplus | 213,017 | 171,719 | 197,305 | 203,758 |
| Wholesale Customer Refunds/Payments for Prior Years | 1,564 | (7,700) | (3,000) | (3,000) |
| Federal Customer Refund/Payments for Prior Years | (4,330) | (13,813) | (11,049) | (11,310) |
| Interest Earned from Bond Reserve | 229 | 404 | 404 | 401 |
| Pay-As-You-Go Capital Financing | (174,769) | (135,609) | (192,573) | (173,849) |
| Project Billing Refunds | (2,088) | (2,000) | (2,000) | - |
| Ending O&M Reserve Balance (Net of Rate Stabilization Fund) | \$ 320,513 | \$ 309,600 | \$ 309,600 | \$ 325,600 |
| Rate Stabilization Fund | \$ 35,644 | \$ 31,644 | \$ 33,644 | \$ 33,644 |

Capital Financing Plan

Purpose to Issue Debt

- Finance the cost associated with the CIP.
- Refund existing debt to obtain Debt Service savings and/or restructure certain terms for existing debt.

Successful Strategy

On 30 July 2024, DC Water successfully issued Subordinate Lien Multimodal Revenue Refunding Bond Series 2024 A and B. This strategic move resulted in interest savings of approximately \$75 million. In addition, The Authority Partnered with Goldman Sachs & Co and JPMorgan Securities to modernize and expand its Commercial Paper Program. The program's capacity increased from \$150 million (Series B and C) to \$250 million (2024 Series D), enhancing financial flexibility and supporting capital improvements. This expansion ensures ongoing access to taxable and tax-exempt capital markets and optimizes long-term debt issuance timing, with TD Bank, NA continuing to provide liquidity and credit support for the next five years.

The Key Goals of DC Water's Comprehensive Capital Financial Plans

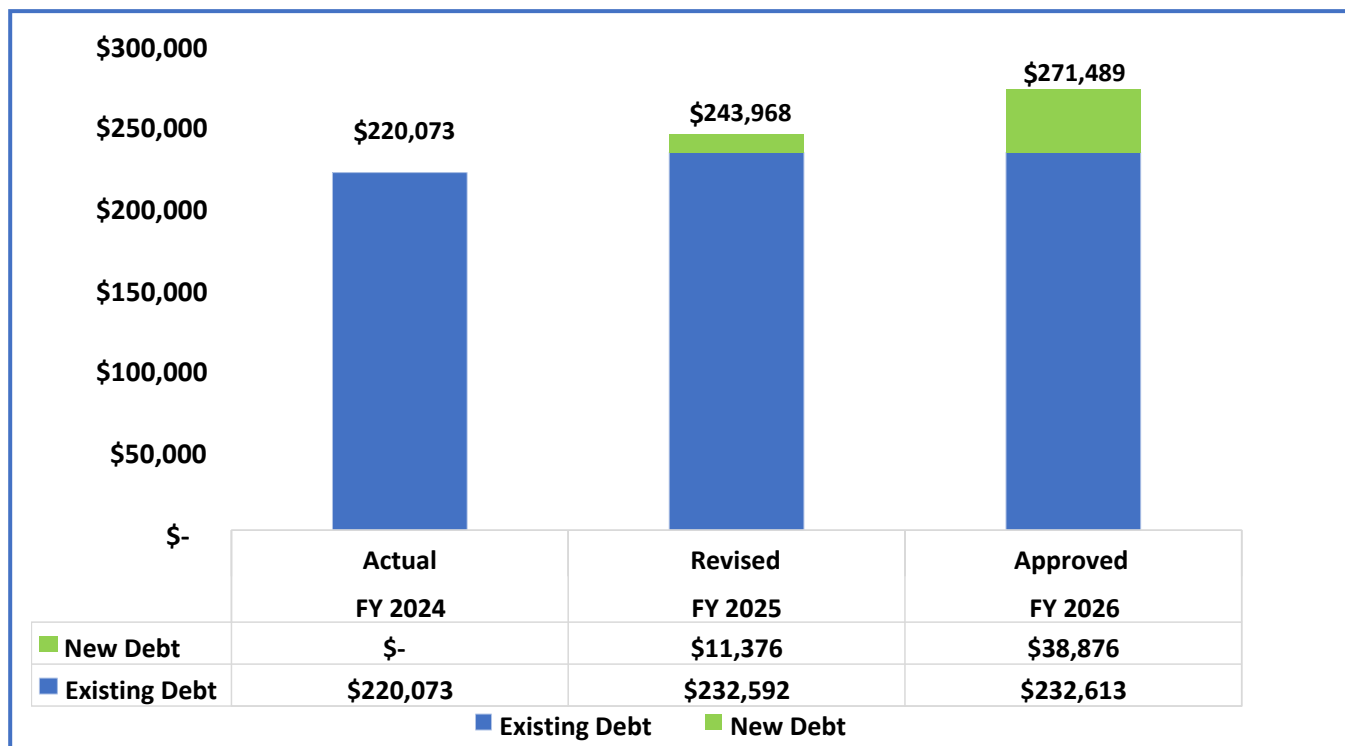
Minimize
the cost
of capital

Increase
operational
flexibility

Optimize assets/liability
matching through Interim
financing, Pay Go Financing
and Federal Grants

\$ in thousands

Debt Service FY 2024-2026



Debt Service FY 2024-FY 2026

The chart below shows debt service payment of principal and interest for a three-year outlook.
\$ in thousands

| Bond Series | FY 2024 Actual | FY 2025 Revised | FY 2026 Approved |
|---------------------------------------|-------------------|--------------------|---------------------|
| Senior Lien | | | |
| Series 1998 | 2,278 | 8,114 | 8,114 |
| Series 2014A | 16,657 | 16,849 | 16,849 |
| Series 2017A&B | 17,598 | 14,608 | 14,604 |
| Series 2018A&B | 17,935 | 16,527 | 16,529 |
| WIFIA Loan | 1,045 | 2,924 | 2,924 |
| Total Senior Lien | \$ 55,514 | \$ 59,022 | \$ 59,020 |
| Subordinate Lien | | | |
| Series 2010A | 22,224 | 15,372 | 15,313 |
| Series 2014B | 3,534 | 3,996 | 4,000 |
| Series 2014C | 15,561 | 2,747 | 2,747 |
| Series 2015A&B | 19,236 | 14,189 | 14,186 |
| Series 2016 | 15,885 | 11,638 | 11,638 |
| Series 2019A&B | 7,544 | 11,045 | 11,049 |
| Series 2019C | 1,579 | - | - |
| Series 2019D | 12,017 | 10,288 | 9,105 |
| Series 2022A | 36,558 | 28,668 | 28,568 |
| Series 2022B | 3,831 | 3,979 | 3,979 |
| Series 2022C-1 | 8,921 | 8,921 | 8,921 |
| Series 2022C-2 | 177 | 177 | 177 |
| Series 2022D | 10,404 | 9,685 | 9,413 |
| Series 2022E | 2,835 | 2,891 | 2,891 |
| Series 2024A | - | 42,303 | 43,928 |
| Series 2024 B1,B2 | 577 | 3,978 | 3,982 |
| Extendable Municipal Commercial Paper | 1,809 | 2,889 | 2,892 |
| Commercial Paper | 1,062 | - | - |
| Jennings Randolph Bond | 805 | 805 | 805 |
| Total Subordinate Lien | \$ 164,559 | \$ 173,570 | \$ 173,593 |
| Planned Debt Service | - | \$ 11,376 | \$ 38,876 |
| Total Debt Service | \$ 220,073 | \$ 243,968 | \$ 271,489 |

Bond Ratings (June 2024)

| Bond Type | Rating Agencies | | |
|-----------------------|------------------------------------|-----------------------------|---------------|
| | Standard & Poor's Global Rating | Moody's Investor Service | Fitch Ratings |
| Long Term Senior | AAA | Aa1 | AA+ |
| Long Term Subordinate | AA+ | Aa2 | AA+ |
| Short Term | A-1+ | P-1 | F1+ |

Debt Service Coverage

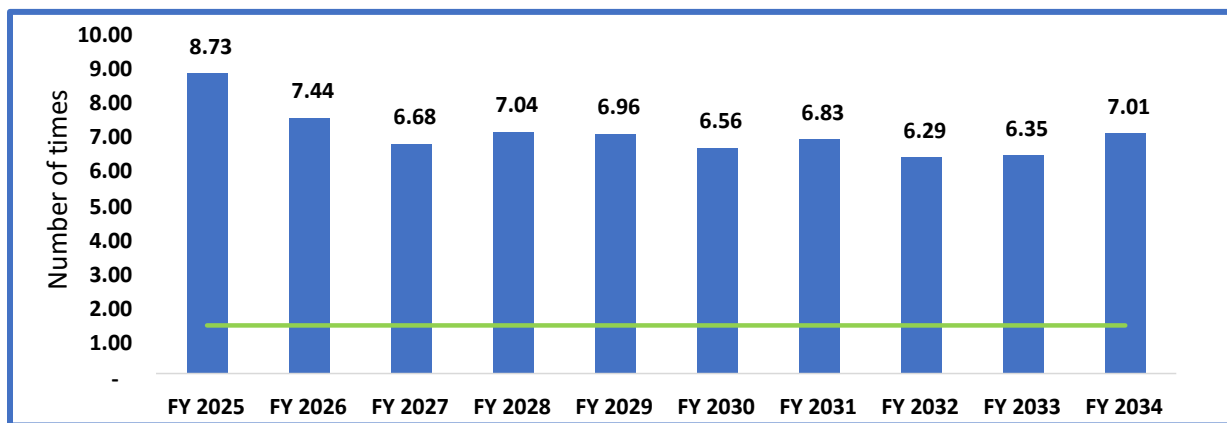
Debt Service Coverage (FY 2025-FY 2034)

DC Water is authorized to issue additional debt only to the extent that it can satisfy the Debt Service Coverage (annual net revenues as a percent of annual debt service) requirements established in the Indenture and certain Board policies.

| Debt Level | Master Indenture | Board Resolution | Management Practice |
|-------------|------------------|------------------|---------------------|
| Senior | 120X | 140X | 140X |
| Subordinate | 100X | 100X | 100X |
| Combined | NA | 160X | 160X |

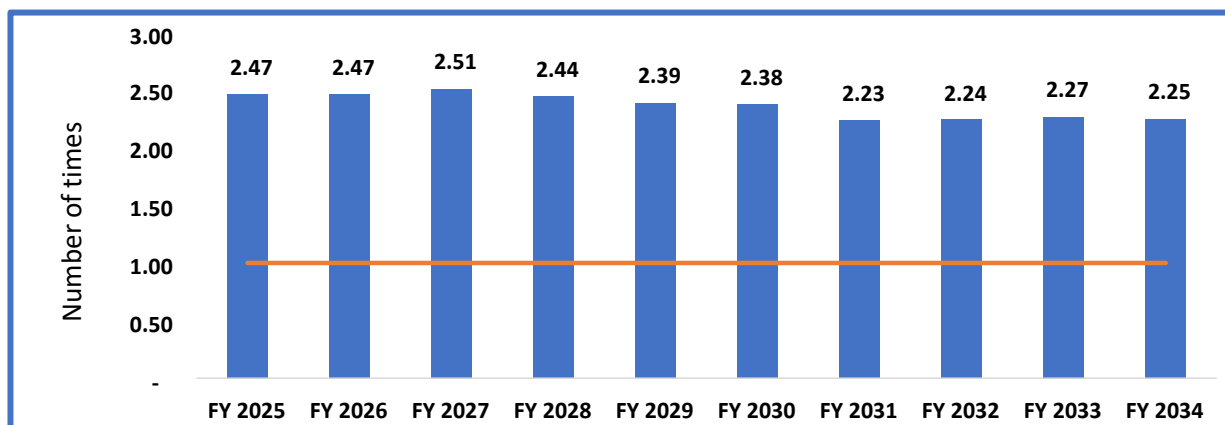
Senior Debt Service Coverage

Senior Debt Service Coverage (Management target = 140x)



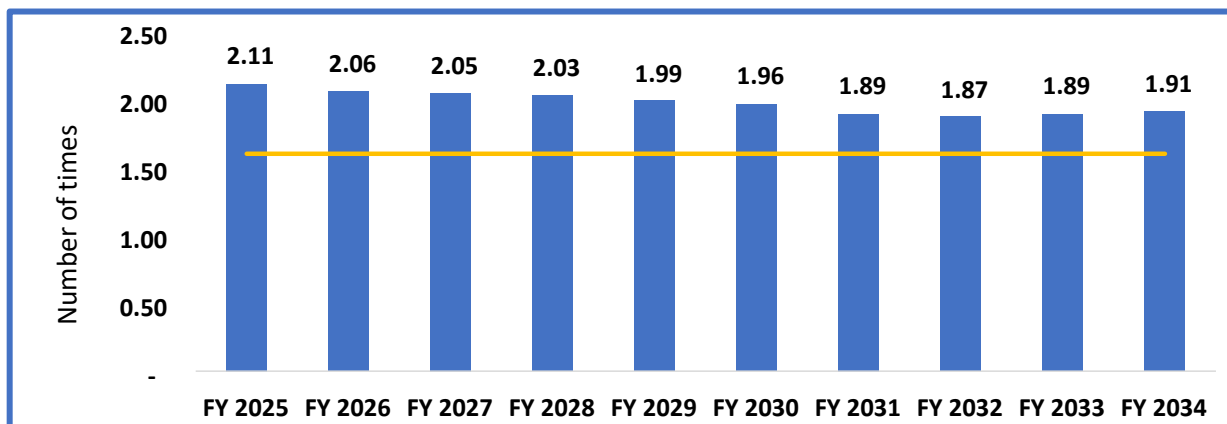
Subordinate Debt Service Coverage

Subordinate Debt Service (Board/Management target = 100x)



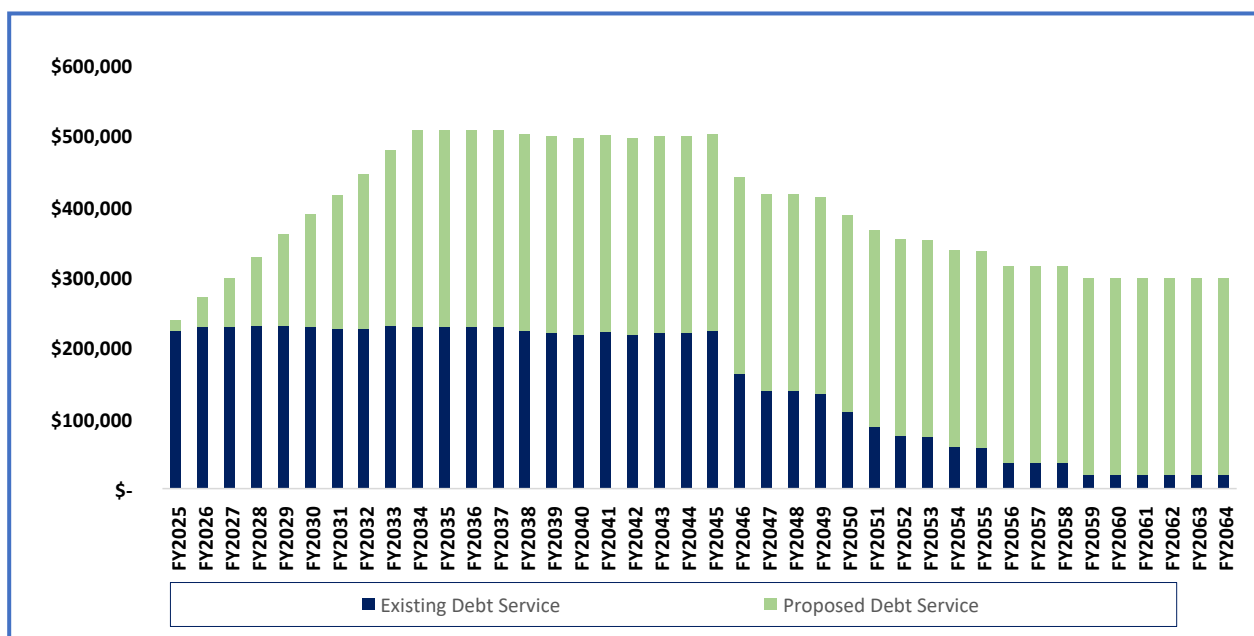
Combined Debt Service Coverage

Combined Debt Service (Board/Management target = 160x)



\$ in thousands

Total Outstanding & Proposed Debt Service

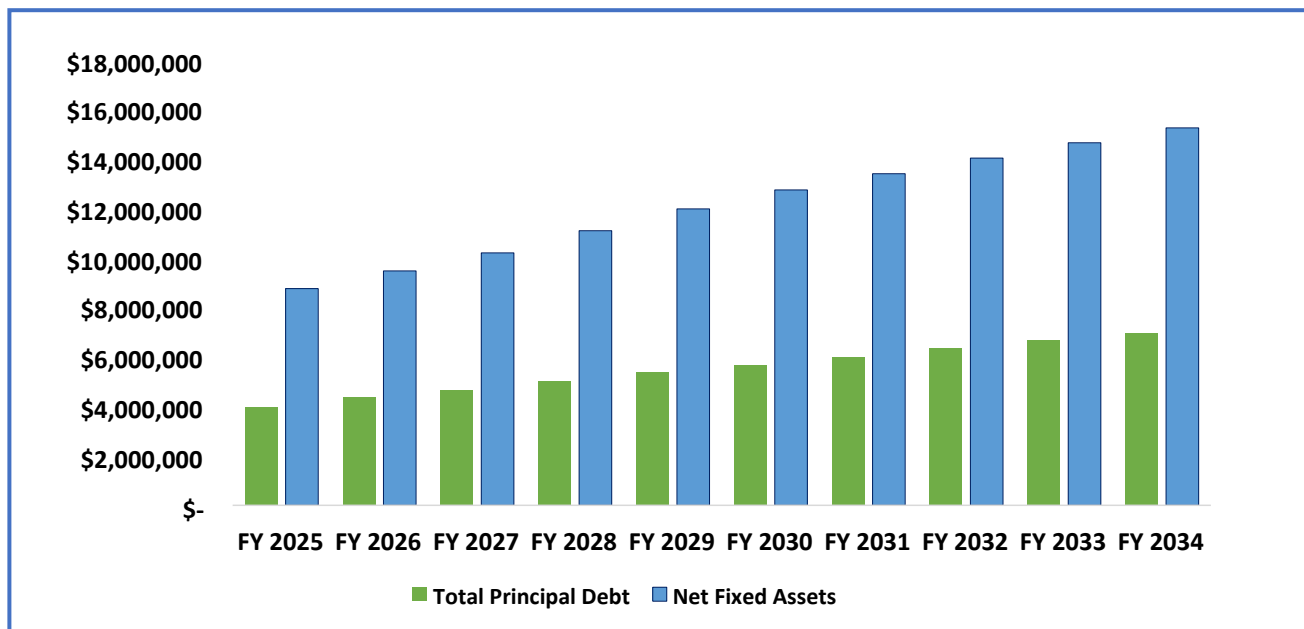


Note: 40-year debt service schedule above assumes no new debt issuances after FY 2034

Over the next 10 years, DC Water plans to disburse \$9.62 billion for its capital program. As of FY 2025, its net fixed assets total \$8.7 billion, with projections reaching \$15.2 billion by FY 2034. To support these investments, DC Water anticipates issuing approximately \$4.2 billion in new debt over the period. Outstanding debt stands at \$3.9 billion in FY 2025 and is expected to grow to \$6.9 billion by FY 2034.

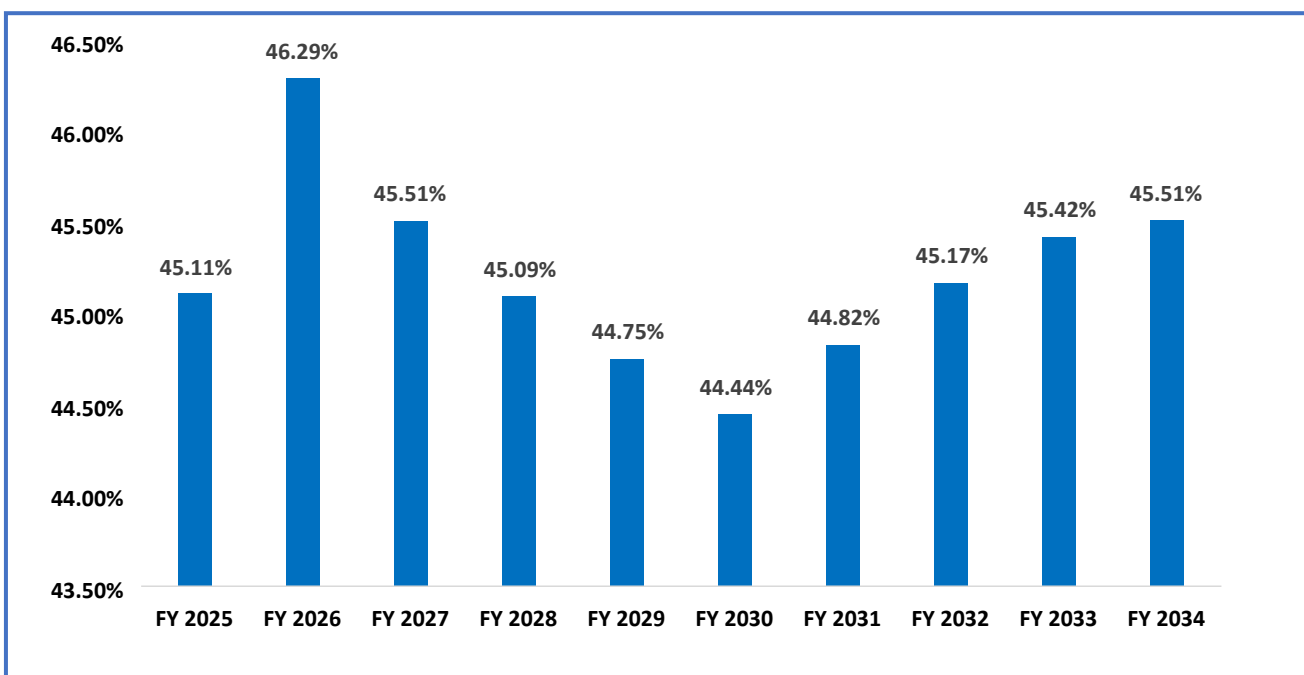
\$ in thousands

Principal vs Net Fixed Assets



Note: Outstanding debt in the above graph illustrates principal vs the net fixed asset amount over 10 years

Debt to Net Fixed Assets Ratio



Note: The above graph illustrates the debt to net fixed asset ratio over 10 years

DEBT LIMIT

DC Water is not subject to any legal debt limitations. However, prior to any new debt issuance, DC Water must meet an additional bonds test and certify revenue sufficiency.

PUBLIC UTILITY SENIOR LIEN REVENUE BONDS: 1) Series 1998; 2) Series 2014A; 3) Series 2017A 4) Series 2017B; 5) Series 2018A; 6) Series 2018B; 7) 2021 WIFIA Loan

PUBLIC UTILITY SUBORDINATE LIEN REVENUE BONDS: 1) Series 2012A; 2) Series 2014B; 3) Series 2015A; 4) Series 2015B; 5) Series 2016B (Environmental Impact Bond; 6) Series 2019A; 7) Series 2019B; 8) Series 2019C; 9) Series 2022B; 10) Series 2022C; 11) Series 2022D; and 12) Series 2022E

PUBLIC UTILITY SUBORDINATE LIEN REVENUE BONDS (FEDERALLY TAXABLE ISSUER SUBSIDY BUILD AMERICA BONDS): 1) Series 2010A.

PUBLIC UTILITY SUBORDINATE LIEN REVENUE REFUNDING BONDS: 1) Series C taxable commercial paper: (refunded Series 2007B, April 2008) 2) Series 2014C: (advanced refunded all or a portion of Series 2007A, 2008A, 2009A, and 2012B, October 2014); 3) Series 2016A: (advanced refunded all or a portion of Series 2007A, 2008A, and 2009A, January 2016); 4) Series 2019D: (advanced refunded all of Series 2013A); 5) Series 2022C: (refunded portion of Series 2014C, 2015A and 2015B, February 2022); 6) Series 2022D: (refunded portion of Series 2014C, February 2022); 7) Series 2022A: (forward direct purchase agreement to refund all Series 2012A and 2012C, July 2022) ; 8) Series 2024 A: (partial refunded portion of 2014C, 2015A, 2015B, 2016A, 2017B, 2018A, 2018B,2019D and 2022D) ; 9) Series 2024 B (full refunded 2019 C)

NOTES FOR JENNINGS RANDOLPH RESERVOIR: The note payable to the Federal government for improvements to the Jennings Randolph Reservoir is considered subordinate debt under the Master Indenture of Trust. The notes were issued to provide a backup water supply facility for the Authority. DC Water's share of operating and capital cost is 30 percent.

COMMERCIAL PAPER: These notes issued are considered subordinate debt under the Master Indenture of Trust. DC Water's commercial paper program is issued in increments with maturities less than 270 days. As described in Section III, the Board approved the commercial paper program in early FY 2002; proceeds from the sale of the notes are used for interim bond financing, short-term financing for capital equipment and certain taxable costs for the Washington Aqueduct. Each new bond issuance is evaluated to determine the most cost-effective way of reducing the amount of taxable commercial paper. Normal market conditions for commercial paper carries significantly lower interest rates than long-term debt. In August 2024, DC Water revised the commercial paper (CP) program with Board authorization up to \$ 250 million. The CP program includes Series D (tax exempt) and (taxable). Additionally, DC Water selected JP Morgan Chase Bank and Goldman Sachs & Co. LLC as the dealers.

EXTENDABLE MUNICIPAL COMMERCIAL PAPER: This program will provide interim financing for a portion of the Authority's Capital Improvement Program. Under this program the notes are issued backed by the liquidity and credit rating of the Authority. Each Series A EMCP Note will mature on its respective "Original Maturity Date", which may range from one to 90 days from the date of issuance, unless its maturity is extended on the "Original Maturity Date" to the "Extended Maturity Date", which will be the date that is 270 days after the date of issuance of the Series A EMCP Note. The notes are payable from and secured by a subordinate lien on the Authority's net revenues, as further described in the Authority's master trust indenture as supplemented. In November 2015, DC Water authorized the dealer for the EMCP program as Goldman, Sachs & Co. The \$100 million extendable municipal commercial paper program includes: (1) Series A (tax-exempt) aggregate principal amount not to exceed \$100 million.

DEBT POLICY: DC Water's comprehensive debt policy can be found on our website at www.dewater.com.