



**DISTRICT OF COLUMBIA  
WATER AND SEWER AUTHORITY**

**Board of Directors**

*Finance and Budget Committee*

*Thursday, July 24, 2014*

11:00 a.m.

1. **Call to Order** ..... Timothy L. Firestine, Chairperson
2. **June 2014 Financial Report (Attachment 1)** ..... Gail Alexander-Reeves and Robert Hunt
  - A. Operating Revenues & Expenditures
  - B. Capital Disbursements Summary
  - C. Cash Reserves & Investments
  - D. **Investment Report**
3. **FY 2015 Revised Budget Proposal (Attachment 2)** ..... Mark Kim
4. **Series 2014A & B Bond Sale Update (Attachment 3)** ..... Mark Kim & Dan Hartman, PFM
5. **Agenda for September Committee Meeting (Attachment 4)** ..... Timothy L. Firestine
6. **Executive Session**
7. **Adjournment**

***FOLLOW-UP ITEMS –There were no Follow-up Items from the meeting held June 26, 2014.***



Fiscal Year 2014

## Monthly Financial Report

Period Ending June 30, 2014

### DEPARTMENT OF FINANCE, ACCOUNTING & BUDGET

**Mark Kim**, Chief Financial Officer

**Gail Alexander-Reeves**, Director, Budget

**Robert Hunt**, Finance Director (Acting)

**Syed Khalil**, Manager, Financial Planning & Revenues

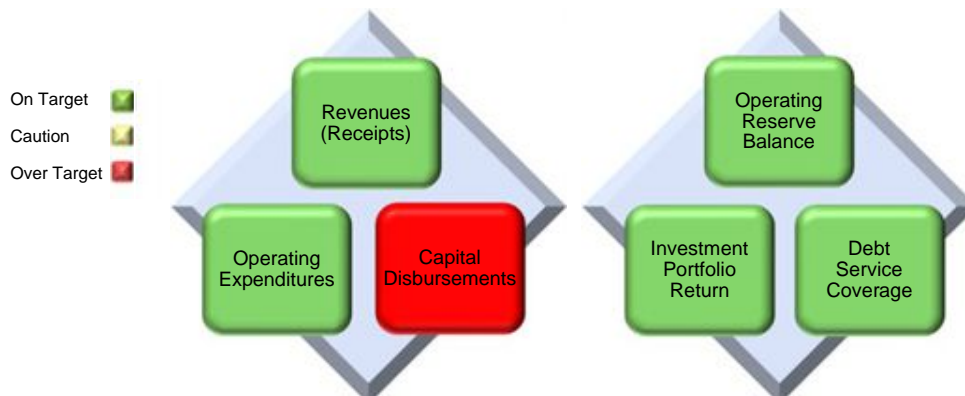
**John Madrid**, Controller

Monthly Financial Report

JUNE 2014

EXECUTIVE SUMMARY

As of the end of June 30, 2014, with approximately 75 percent of the fiscal year completed, find below the current trend of budgetary expectations and targeted performance metrics.



(\$ in millions)

	Approved Budget	Revised Budget	YTD Budget	YTD Actual	Variance Favorable (Unfavorable)		% Revised Budget	Year-End Projections
Revenues (Receipts)*	\$477.6	\$467.2	\$350.4	\$347.1	(\$3.3)	(0.9%)	74%	\$475.2
Expenditures*	\$479.5	\$441.7	\$331.3	\$316.8	\$14.5	4.4%	72%	\$440.8
Capital Disbursements	\$557.1	\$557.1	\$440.2	\$507.6	(\$67.4)	(15.3%)	91%	\$637.7

\* Straight-lined (9/12 of revised budget)

Highlights:

- DC Water issued \$350 million in taxable, green century bonds, marking several firsts for the Authority and the municipal sector.
- Completed revisions to FY 2015 operating and capital budgets.
- First week of E-payables enrollment program by Bank of America resulted in 25 vendor enrollments.
- Wholesale Customer briefing on FY 2014 performance and projected FY 2015 budgets – July 18, 2014.

Mark T. Kim, Chief Financial Officer

## Monthly Financial Report

Fiscal Year-to-Date  
As of June 30, 2014

### Operating Revenues (\$000's)

Category	A	B*	C	D=C/A	E=C-B	F=E/B	G	H=G/A
	FY 2014 BUDGET	YTD BUDGET	YTD ACTUAL	YTD % BUDGET	YTD \$ Fav/(Unfav)	YTD % Fav/(Unfav)	Year-End Projections	% of Budget
Res. / Comm. / Multi.	\$256,193	\$192,145	\$196,579	76.7%	\$4,434	2.3%	\$260,049	101.5%
Federal	55,141	41,356	41,782	75.8%	426	1.0%	55,141	100.0%
Municipal (DC Govt.)	9,675	7,256	9,151	94.6%	1,895	26.1%	11,937	123.4%
DC Housing	6,685	5,014	6,255	93.6%	1,241	24.8%	7,839	117.3%
Metering Fee	10,776	8,082	8,431	78.2%	349	4.3%	11,230	104.2%
Wholesale	71,126	53,344	52,644	74.0%	(701)	(1.3%)	70,784	100.0%
PILOT/ROW	25,181	18,886	17,271	68.6%	(1,615)	(8.6%)	23,361	92.8%
All Other	32,410	24,308	14,966	46.2%	(9,342)	(38.4%)	34,801	106.5%
<b>TOTAL</b>	<b>\$467,187</b>	<b>\$350,390</b>	<b>\$347,078</b>	<b>74.3%</b>	<b>(\$3,313)</b>	<b>(0.9%)</b>	<b>\$475,142</b>	<b>101.7%</b>

\*Straight-lined (9/12 of revised budget)

### VARIANCE ANALYSIS FOR MAJOR REPORTED ITEMS

At the end of June 2014, cash receipts totaled \$347.1 million, or 74.3 percent of the revised FY 2014 budget. Several categories of customers make payments on a quarterly basis, including the Federal and District governments, and wholesale customers.

District Government – Receipts are much higher at \$9.2 million or 94.6 percent of the revised budget. In FY 2014, the District Government switched from quarterly to monthly payments, which resulted in DC Water receiving two additional monthly payments.

DC Housing Authority – The receipts for DC Housing Authority are higher at \$6.3 million or 93.6 percent of the revised budget. The DC Housing Authority was behind two monthly payments at the end of September 30, 2013 (FY 2013). These payments were received in October 2013, which resulted in two extra payments pertaining to previous year.

Wholesale – The Wholesale customers' actual receipts through June total \$52.6 million or 74.0 percent of the revised FY 2014 budget. The Wholesale customers made their quarterly payment in May 2014.

Other Revenue – Receipts are lower than the straight-lined budget at \$15.0 million or 46.2 percent of the budgeted category primarily due to IMA Indirect Cost Reimbursement and transfer of Rate Stabilization Fund. The IMA indirect capital reimbursement is not anticipated to be received until the fourth quarter of the fiscal year. The Rate Stabilization Fund transfer is anticipated in the fourth quarter of the fiscal year.

Monthly Financial Report

Fiscal Year-to-Date  
As of June 30, 2014

**Operating Expenditures (\$000's)**

Category	A	B*	C	D=C/A	E=B-C	F=E/B	G	H=G/A
	FY 2014	YTD	YTD	YTD %	YTD \$	YTD %	Year-End	%
	BUDGET	BUDGET	ACTUAL	BUDGET	Fav/(Unfav)	Fav/(Unfav)	Projections	of Budget
Personnel	\$119,765	\$89,824	\$92,589	77.3%	(\$2,765)	(3.1%)	\$125,490	104.8%
Contractual Services	76,044	57,033	48,359	63.6%	8,673	15.2%	70,143	92.2%
Water Purchases	27,991	20,993	20,207	72.2%	787	3.7%	27,006	96.5%
Supplies & Chemicals	30,909	23,181	22,283	72.1%	898	3.9%	28,448	92.0%
Utilities	30,715	23,036	24,506	79.8%	(1,470)	(6.4%)	34,658	112.8%
Small Equipment	993	745	317	32.0%	427	57.4%	726	73.1%
<b>SUBTOTAL O&amp;M</b>	<b>\$286,416</b>	<b>\$214,812</b>	<b>\$208,262</b>	<b>72.7%</b>	<b>\$6,550</b>	<b>3.0%</b>	<b>\$286,471</b>	<b>100.0%</b>
Debt Service	130,120	97,590	89,606	68.9%	7,984	8.2%	129,120	99.2%
PILOT/ROW	25,181	18,886	18,886	75.0%	0	0.0%	25,181	100.0%
<b>TOTAL OPERATING</b>	<b>\$441,717</b>	<b>\$331,288</b>	<b>\$316,754</b>	<b>71.7%</b>	<b>\$14,534</b>	<b>4.4%</b>	<b>\$440,772</b>	<b>99.8%</b>
Capital Labor	(12,960)	(9,720)	(12,541)	96.8%	2,821	(29.0%)	(16,120)	124.4%
<b>TOTAL NET OPERATING</b>	<b>\$428,757</b>	<b>\$321,568</b>	<b>\$304,212</b>	<b>71.0%</b>	<b>\$17,356</b>	<b>5.4%</b>	<b>\$424,652</b>	<b>99.0%</b>

\* Straight-lined (9/12 of revised budget)

**VARIANCE ANALYSIS FOR MAJOR REPORTED ITEMS**

At the end of June 2014, with 75 percent of the fiscal year completed, operating expenditures are at 71.7 percent of the revised budget. These numbers include estimated, incurred but unpaid, invoices and are subject to revision in subsequent reports.

Personnel Services – As reported in prior months, the year-to-date expenditures are in line with expectation and attributable to the impact of wage increases and overtime costs. Year-to-date overtime expenditures total \$5.7 million or 8.5 percent of regular pay. Primary drivers of overtime include: increased after hours work requests due to equipment failures, short-staffing due to retirement in the Maintenance Department, and higher water main breaks due to extreme cold temperatures during the winter season. At the end of June, 1,080 positions were filled and 180 authorized positions were vacant. The year-to-date capital labor charges are consistent with expectations through this period.

Contractual Services – Underspensing attributable to contract savings throughout the Authority, including: electrical equipment, controls and systems maintenance in Blue Plains, water main emergency repairs and Potomac Interceptor maintenance contracts.

Supplies and Chemicals – There was an uptick in spending this month for parts and supplies with YTD expenditures totaling \$5.2 million. As previously reported, parts needed for preventive maintenance may increase based on issuances from the Warehouse during the latter part of the fiscal year. The year-to-date chemicals expenditures are \$17.1 million, which is at par with budget at this time of the fiscal year.

Utilities – The energy market was stable in June, notwithstanding, uncharacteristic electric price during the winter months will significantly impact our electricity expenditure for the year. Additional information is provided in the Appendix on page 12.

Monthly Financial Report

Fiscal Year-to-Date  
As of June 30, 2014

**Capital Disbursements (\$000's)**

Service Area	A	B	C	D=C/A	E=B-C	F=E/B	G	H=G/A
	FY 2014 BUDGET	YTD BUDGET	YTD ACTUAL	YTD % BUDGET	YTD \$ Fav/(Unfav)	YTD % Fav/(Unfav)	Year-End Projections	% of Budget
Wastewater	\$268,192	\$228,591	274,388	102.3%	(\$45,797)	(20.0%)	\$342,036	127.5%
Sanitary Sewer	29,818	22,214	19,068	63.9%	3,146	14.2%	\$26,915	90.3%
Combined Sewer Overflow	166,509	124,246	157,096	94.3%	(32,850)	(26.4%)	\$194,608	116.9%
Stormwater	2,843	2,349	2,523	88.7%	(174)	(7.4%)	\$2,138	75.2%
Water	63,136	45,026	38,832	61.5%	6,194	13.8%	\$49,343	78.2%
Washington Aqueduct	10,000	6,670	7,361	73.6%	(691)	(10.4%)	\$10,000	100.0%
Capital Equipment	16,627	11,090	8,287	49.8%	2,803	25.3%	\$12,671	76.2%
<b>TOTAL</b>	<b>\$557,125</b>	<b>\$440,183</b>	<b>\$507,555</b>	<b>91.1%</b>	<b>(\$67,372)</b>	<b>(15.3%)</b>	<b>\$637,711</b>	<b>114.5%</b>

**VARIANCE ANALYSIS FOR MAJOR REPORTED ITEMS**

As of the end of June 2014, with 75 percent of the fiscal year completed, capital disbursements are at approximately 91 percent of the revised FY 2014 budget.

Wastewater Treatment - Higher than planned disbursements are attributable to:

- Mobilization and design changes in the Enhanced Clarification Facilities and the Tunnel Dewatering Pumping Station
- Closeout/retention payments for work completed on the New Warehouse/Visitor Center/Security Facility
- Electrical rehabilitation work in the Nitrification/Denitrification Facility
- Change in scope to accommodate additional basins for the Dual Purpose Rehabilitation project
- Catch-up work in FY 2014 due to slow starts in FY 2013

Combined Sewer Overflow (CSO) - Disbursements are higher than planned primarily due to the work on the following tunnel projects:

- Division E – Structure Diversions
- Anacostia River and Blue Plains Tunnels
- Joint Base Anacostia-Bolling Overflow Facility
- Program management cost to accommodate re-modification of projects

Capital Equipment – Lower disbursements are attributable to major purchases expected to be procured near the end of the fiscal year.

Monthly Financial Report

Fiscal Year-to-Date  
As of June 30, 2014

Cash and Investments (\$ in millions)

Cash Balances

Rate Stabilization Fund Account (RSF)	\$28.9
DC PILOT Fund	22.4
DC ROW Fund	3.8
Operating Reserve Accounts	<u>135.2</u>
<b>Operating Cash Balance Including RSF</b>	<b>\$190.3</b>
Debt Service Reserve - Series 1998	23.5
Bond Fund - Series 2012 (Cap. Int.)	1.7
CSO LTCP Appropriations Account	<u>37.1</u>
<b>Total All Funds</b>	<b>\$252.6</b>

OVERALL PORTFOLIO PERFORMANCE

- Operating reserve balance was \$135.2 million as compared to the FY 2014 operating reserve level objective of \$125.5 million.
- Average cash balance for the month of June was \$169.1 million.
- Total investment portfolio was in compliance with the Authority’s Investment Policy.
- Returns exceeded the established benchmarks for short term (less than one year) and core (one plus years) funds.
- Operating funds interest income for June (on a cash basis) was \$32,289; total year-to-date is \$283,656 as compared to the budget of \$380,527 for the year.
- A detailed investment performance report is attached.

Monthly Financial Report

Fiscal Year-to-Date  
As of June 30, 2014

Cash Flow Summary (\$000's)

	Annual Budget Cash Basis	YTD 75% Cash Budget	YTD Actual Cash Oct. 1, 2013 - June 30, 2014	Variance Favorable (Unfavorable)		FY14 Year-End Projections
<b>OPERATING BUDGET</b>						
<b>Cash Provided</b>						
Retail	\$338,470	\$253,852	\$262,197	\$8,345	3%	\$369,558
Wholesale	71,126	\$53,344	52,644	(701)	-1%	\$70,784
Other	50,972	\$38,229	32,100	(6,129)	-16%	\$28,164
Transfer from Rate Stabilization Fund	6,500	\$4,875		(4,875)	-100%	\$6,500
<b>Total Cash Provided</b>	<b>467,067</b>	<b>350,300</b>	<b>346,941</b>	<b>(3,359)</b>	<b>-1%</b>	<b>475,005</b>
<b>Operating Cash Used</b>						
Personnel Services	106,805	80,104	78,447	1,657	2%	109,370
Contractual Services	76,043	57,032	53,916	3,116	5%	73,519
Chemicals & Supplies	30,909	23,182	27,296	(4,115)	-18%	28,448
Utilities	30,714	23,036	26,706	(3,671)	-16%	34,658
Water Purchases	27,991	20,993	19,967	1,027	5%	27,006
Small Equipment	993	745	692	53	7%	726
<b>Total Operating Cash Used</b>	<b>273,455</b>	<b>205,091</b>	<b>207,023</b>	<b>(1,932)</b>	<b>-1%</b>	<b>273,727</b>
<b>Other Cash Used</b>						
Debt Service	130,120	97,590	89,606	7,984	8%	120,803
Payment In Lieu of Taxes/Right of Way	25,181	18,886	9,311	9,575	51%	12,414
<b>Total Other Cash Used</b>	<b>155,301</b>	<b>116,476</b>	<b>98,916</b>	<b>17,559</b>	<b>15%</b>	<b>133,217</b>
<b>Total Cash Used</b>	<b>428,756</b>	<b>321,567</b>	<b>305,940</b>	<b>15,627</b>	<b>5%</b>	<b>406,944</b>
<b>Net Cash Provided (Used) by Operating Act.</b>	<b>38,311</b>	<b>28,733</b>	<b>41,001</b>	<b>12,268</b>		<b>68,061</b>
<b>CAPITAL BUDGET</b>						
<b>Cash Provided</b>						
Debt Proceeds	316,861	237,646	282,422	44,776	19%	307,482
EPA Grants	19,541	14,656	14,374	(282)	-2%	28,700
CSO Grants	21,141	15,856	13,840	(2,016)	-13%	21,141
Interest Income	159	119	159	39	33%	174
Wholesale Capital Contributions	175,673	131,755	167,688	35,933	27%	255,893
<b>Total Cash Provided</b>	<b>533,376</b>	<b>400,032</b>	<b>478,483</b>	<b>78,451</b>	<b>20%</b>	<b>613,390</b>
<b>Cash Used</b>						
DC Water Capital Program	547,125	410,344	500,194	(89,851)	-22%	627,711
Washington Aqueduct Projects	10,000	7,500	7,361	139	2%	10,000
<b>Total Cash Used</b>	<b>557,125</b>	<b>417,844</b>	<b>507,555</b>	<b>(89,712)</b>	<b>-21%</b>	<b>637,711</b>
<b>Net Cash/PAYGO Provided (Used) by Cap. Act.</b>	<b>(23,749)</b>	<b>(17,812)</b>	<b>(29,072)</b>	<b>(11,261)</b>		<b>(24,321)</b>
<b>Beginning Balance, October 1 (Net of Rate Stab. Fund) Projects</b>	<b>141,518</b>		<b>141,518</b>			<b>141,518</b>
Plus (Less) Operating Surplus	38,311	28,733	41,001			68,061
Wholesale Customer Refunds from Prior Years	(9,700)	(7,275)	(10,069)			(10,069)
Interest Earned From Bond Reserve	120	90	137			137
Transfer to Rate Stabilization Fund						
Prior Year Federal Billing Reconciliation	(6,000)	(4,500)	(4,500)			(6,000)
Transfer to PILOT Reserve						(7,676)
Transfer to Right of Way (ROW) Reserve			(3,825)			(5,100)
Cash Used for Capital	(23,749)	(17,812)	(29,072)			(24,321)
<b>Balance Attributable to O&amp;M Reserve</b>	<b>\$140,500</b>		<b>\$135,190</b>			<b>\$156,550</b>
<b>OTHER CASH RESERVES</b>						
<b>Current Balance</b>						
Rate Stabilization Fund			\$28,950			
DC PILOT Reserve Fund			\$22,387			
Right of Way Reserve Fund			\$3,825			
CSO Long-Term Control Plan Appropriation			\$37,063			



**Monthly Financial Report**

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APPENDIX

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Monthly Financial Report

Fiscal Year-to-Date  
As of June 30, 2014

Operating Revenues Detail

(\$ in millions)

Revenue Category	Budget	YTD Budget	YTD Actual	Year-End Variance	Variance Favorable / (Unfavorable)		YTD Actual Budget %
Residential, Commercial, and Multi-family	\$256.2	\$192.2	\$196.6	\$59.6	\$4.4	2.3%	76.7%
Federal	55.14	41.4	41.8	13.4	0.4	1.0%	75.8%
District Government	9.7	7.3	9.2	0.5	1.9	26.1%	94.6%
DC Housing Authority	6.7	5.0	6.3	0.4	1.3	25.8%	94.3%
Customer Metering Fee	10.8	8.1	8.4	2.4	0.3	4.3%	78.2%
Wholesale	71.1	53.3	52.6	18.5	(0.7)	-1.3%	74.0%
Right-of-Way Fee/PILOT	25.2	18.9	17.3	7.9	(1.6)	-8.6%	68.6%
<b>Subtotal (before Other Revenues)</b>	<b>\$434.8</b>	<b>\$326.1</b>	<b>\$332.2</b>	<b>\$102.7</b>	<b>\$6.0</b>	<b>1.9%</b>	<b>76.4%</b>
Other Revenue without RSF							
IMA Indirect Cost Reimb. For Capital Projects	8.6	6.5	0.0	8.6	(6.5)	-100.0%	0.0%
DC Fire Protection Fee	6.9	5.2	5.2	1.7	0.0	0.0%	74.8%
Stormwater (MS4)	1.0	0.8	0.7	0.3	(0.1)	-7.7%	69.2%
Interest	0.5	0.4	0.4	0.1	0.0	11.8%	83.8%
Developer Fees (Water & Sewer)	6.0	4.5	6.8	(0.8)	2.3	50.4%	112.8%
Others	2.9	2.2	1.9	1.0	(0.3)	-11.7%	66.2%
<b>Subtotal</b>	<b>\$25.9</b>	<b>\$19.4</b>	<b>\$15.0</b>	<b>\$10.9</b>	<b>(\$4.5)</b>	<b>-23.0%</b>	<b>57.8%</b>
Rate Stabilization Fund Transfer	\$6.5	\$4.9	\$0.0	\$6.5	(\$4.9)	-100.0%	0.0%
<b>Other Revenue Subtotal</b>	<b>\$32.4</b>	<b>\$24.3</b>	<b>\$15.0</b>	<b>\$17.4</b>	<b>(\$9.3)</b>	<b>-38.5%</b>	<b>46.2%</b>
<b>Grand Total</b>	<b>\$467.2</b>	<b>\$350.4</b>	<b>\$347.1</b>	<b>\$120.1</b>	<b>-\$3.3</b>	<b>-0.9%</b>	<b>74.3%</b>

BREAKDOWN OF RETAIL RECEIPTS BY CUSTOMER CATEGORY  
(\$ in 000's)

Customer Category	Water	Sewer	Clean Rivers IAC	Metering Fee	Total
Residential	\$22,494	\$27,382	\$11,903	\$3,777	\$65,556
Commercial	36,003	37,018	15,262	2,582	90,865
Multi-family	19,246	22,960	4,311	890	47,407
Federal	16,191	15,370	10,221	669	42,450
District Govt	1,733	2,118	5,301	410	9,561
DC Housing Authority	2,588	3,125	542	103	6,358
<b>Total:</b>	<b>\$98,254</b>	<b>\$107,973</b>	<b>\$47,540</b>	<b>\$8,431</b>	<b>\$262,197</b>

Note: The breakdown of Collections into Residential, Commercial, & Multi-family and Water and Sewer is approximate as it is based on percentages of historical data and does not take into account adjustments and timing differences

Monthly Financial Report

Fiscal Year-to-Date  
As of June 30, 2014

**Retail Accounts Receivable (Delinquent Accounts)**

The following tables show retail accounts receivable over 90 days including a breakdown by customer class.

**Greater Than 90 Days by Month**

September 30, 2012	\$5.5	13,063
September 30, 2013	\$4.9	11,920
October 31, 2013	\$4.9	12,547
November 30, 2013	\$5.3	13,680
December 31, 2013	\$5.4	13,955
January 31, 2014	\$5.6	13,674
February 28, 2014	\$5.6	13,252
March 31, 2014	\$5.7	12,873
April 30, 2014	\$5.4	11,741
May 31, 2014	\$5.5	12,009
June 30, 2014	\$5.5	12,348

**Greater Than 90 Days by Customer**

	Number of Accounts			Month of June (All Categories)				Total Delinquent				
	W & S a/c	Impervious Only a/c	Total No. of a/c	Active		Inactive		No. of a/c May	Amount (\$)	No. of a/c June	Amount (\$)	%
				No. of a/c	Amount (\$)	No. of a/c	Amount (\$)					
Commercial	12,056	3,340	15,396	1,269	1,301,544	145	\$ 104,247	1,261	\$ 1,537,507	1,414	\$ 1,405,791	25%
Multi-family	7,349	420	7,769	695	1,296,417	138	59,370	805	1,314,728	833	1,355,787	26%
Single-Family Residential	104,822	3,129	107,951	7,926	2,124,224	2,175	644,441	9,943	2,665,042	10,101	2,768,664	50%
<b>Total</b>	<b>124,227</b>	<b>6,889</b>	<b>131,116</b>	<b>9,890</b>	<b>\$ 4,722,184</b>	<b>2,458</b>	<b>\$ 808,059</b>	<b>12,009</b>	<b>\$ 5,517,277</b>	<b>12,348</b>	<b>\$ 5,530,243</b>	<b>100%</b>

Notes: Included in the above \$4.72M (or 9,890 accounts) of the DC Water Over 90 days delinquent accounts, \$1,128,485.32 (or 2,240 accounts) represents Impervious only accounts over 90 days delinquent.

-Reportable delinquencies do not include balances associated with a long standing dispute between DC Water and a large commercial customer.

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**Overtime by Department**

Department	FY 2014			
	Budget	YTD Actual	YTD % of Budget	% of Regular Pay
Office of the Board Secretary	\$4,000	\$4,819	120.5%	3.8%
General Manager	10,000	3,245	32.4%	0.4%
General Counsel	2,000	0	0.0%	0.0%
External Affairs	4,000	412	10.3%	0.0%
Internal Audit	0	0	0.0%	0.0%
Information Technology	20,000	14,760	73.8%	1.1%
Procurement	30,000	48,446	161.5%	2.5%
Customer Service	240,000	156,368	65.2%	2.6%
Finance, Accounting & Budget	30,000	20,678	68.9%	0.6%
Risk Management	1,000	0	0.0%	0.0%
Assistant General Manager - Support Services	1,000	12	1.2%	0.0%
Human Capital Management	5,000	1,200	24.0%	0.1%
Occupational Safety and Health	2,000	65	3.3%	0.0%
Facilities Management and Security	200,000	214,823	107.4%	7.0%
Water/Sewer Pump Maintenance	200,000	93,258	46.6%	4.0%
Engineering and Technical Services	780,000	750,158	96.2%	6.1%
Water Services	980,000	1,071,450	109.3%	12.4%
Clean Rivers	5,000	521	10.4%	0.3%
Sewer Services	900,000	1,237,601	137.5%	16.7%
Wastewater Treatment - Operations	1,108,100	1,071,390	96.7%	16.2%
Wastewater Treatment - Process Engineering	100,000	60,417	60.4%	3.9%
Maintenance Services	725,000	910,729	125.6%	16.3%
Permit Operations	11,000	1,889	17.2%	0.2%
Fleet Management	1,000	1,441	144.1%	0.4%
<b>Total DC WATER</b>	<b>\$5,359,100</b>	<b>\$5,663,682</b>	<b>105.7%</b>	<b>8.5%</b>

**Notes:**

- FY 2014 YTD actual includes accruals for two days (06/29/14 - 06/30/14)
- Engineering and Technical Services includes overtime that will be charged/transferred to capital projects
- The Authority’s overtime target is 6 percent of regular pay
- The budget excludes assumptions for impact of hourly wage increases, actual data reflects these changes

Monthly Financial Report

Fiscal Year-to-Date  
As of June 30, 2014

**Operating Expenditure Detail (Electricity)**

The revised FY 2014 electricity budget of \$22.8 million represents 74 percent of the total utilities budget and assumes an average all-in-cost of \$85.81/mWh.

During the month of June, the market continued to remain stable. Our total loads locked for the remainder of FY 2014 is 27MW at an average price of \$47.87 per MWh. For FY 2015, we have 15MW of the Authority's electric load locked at an average Western Hub unit price of \$45.40 per MWh. Staff continues to monitor the futures market with intent to purchase additional electric loads for FY 2015, if market conditions are appropriate and in line with budget assumptions and adopted electricity purchase strategy.

As indicated in the chart below, DC Water's average year-to-date actual price is lower than the spot market price but higher than the S.O.S. price primarily due to the extreme weather conditions in the winter season, resulting in unusually high prices experienced during the January to March billing cycles. The year-to-date expenditures are exclusive of \$494K for Clean Rivers electric billing for the tunnel boring machines.

	All-In-Cost (\$/mWh)			Electricity Budget (\$000)		
	Unit Price			Amount		Variance
	Standard Offer Service (S.O.S.)	Spot Market	Actual <sup>1</sup>	Budget	Actual	Budget vs Actual
Oct-13	\$95.57	\$75.25	\$82.95	\$1,668	\$1,073	\$595
Nov-13	95.06	75.62	83.03	1,674	1,556	118
Dec-13	99.77	80.80	84.31	1,885	1,918	(34)
Jan-14	95.61	213.31	162.36	2,011	2,456	(445)
Feb-14	95.86	113.00	113.00	1,885	3,660	(1,775)
Mar-14	95.69	122.86	122.86	1,964	2,888	(924)
Apr-14	95.02	77.51	77.51	1,776	1,756	21
May-14	95.09	89.79	92.44	1,811	1,818	(7)
Jun-14	95.96	84.78	88.88	2,014	1,993	\$21
<b>YTD Average</b>	<b>\$95.96</b>	<b>\$103.66</b>	<b>\$100.82</b>	<b>\$16,688</b>	<b>\$19,119</b>	<b>(\$2,431)</b>
				Remainder	\$6,138	
				<b>Total Budget</b>	<b>\$22,826</b>	

<sup>1</sup> Actual prices are inclusive of the price mix of monthly block purchases and spot market unit prices

Monthly Financial Report

Fiscal Year-to-Date  
As of June 30, 2014

Capital Disbursements Detail by Program (\$000's)

Service Areas	Disbursements Budget		Actual Disbursements			% of Disbursements Budget	Year End	
	Annual	YTD	Oct.- May 2014	Jun 2014	YTD	YTD %	Projection	% of Budget
<b>Wastewater Treatment</b>								
Liquid Processing Projects	\$18,072	\$15,073	\$22,998	\$1,247	\$24,245	161%	\$29,462	163%
Plantwide Projects	18,782	\$15,468	34,459	1,855	36,314	235%	25,139	134%
Solids Processing Projects	138,222	123,379	115,236	10,304	125,540	102%	162,543	118%
Enhanced Nitrogen Removal Facilities	93,116	74,670	80,788	7,501	88,289	118%	124,893	134%
<b>Total Wastewater Treatment</b>	<b>268,192</b>	<b>228,591</b>	<b>253,481</b>	<b>20,907</b>	<b>274,388</b>	<b>120%</b>	<b>342,036</b>	<b>128%</b>
<b>Sanitary Sewer</b>								
Sanitary Collection Sewers	1,478	704	1,017	106	1,123	160%	1,488	101%
Sanitary On-Going Projects	9,653	8,068	5,680	629	6,309	78%	9,577	99%
Sanitary Pumping Facilities	957	780	327	53	380	49%	839	88%
Sanitary Sewer Program Management	4,814	3,747	5,028	819	5,846	156%	7,941	165%
Sanitary Interceptor/Trunk Force Sewers	12,916	8,915	4,987	421	5,409	61%	7,071	55%
<b>Total Sanitary Sewer</b>	<b>29,818</b>	<b>22,214</b>	<b>17,039</b>	<b>2,029</b>	<b>19,068</b>	<b>86%</b>	<b>26,915</b>	<b>90%</b>
<b>Combined Sewer Overflow</b>								
CSO Program Management	2,280	1,764	2,920	567	3,487	198%	4,233	186%
Combined Sewer Projects	11,904	9,824	7,308	1,488	8,796	90%	12,594	106%
D.C. Clean Rivers Project	152,325	112,658	128,218	16,594	144,813	129%	177,781	117%
<b>Total Combined Sewer Overflow</b>	<b>166,509</b>	<b>124,246</b>	<b>138,447</b>	<b>18,649</b>	<b>157,096</b>	<b>126%</b>	<b>194,608</b>	<b>117%</b>
<b>Stormwater</b>								
Stormwater Local Drainage	122	118	21	236	257	217%	983	806%
Stormwater On-Going Program	446	376	1,238	4	1,242	330%	581	130%
Stormwater Pumping Facilities	-	-	-	-	-	0%	-	0%
DDOT Stormwater Program	-	1	-	-	-	0%	-	0%
Stormwater Research and Program Management	436	320	171	105	276	86%	295	68%
Stormwater Trunk/Force Sewers	1,839	1,534	578	170	749	49%	278	15%
<b>Total Stormwater</b>	<b>2,843</b>	<b>2,349</b>	<b>2,008</b>	<b>514</b>	<b>2,523</b>	<b>107%</b>	<b>2,138</b>	<b>75%</b>
<b>Water</b>								
Water Distribution Systems	31,493	22,093	15,367	1,853	17,220	78%	22,919	73%
Water On-Going Projects	8,770	6,601	3,510	443	3,952	60%	5,633	64%
Water Pumping Facilities	3,710	2,523	5,365	420	5,785	229%	6,336	171%
DDOT Water Projects	4,869	3,926	2,844	0	2,844	72%	1,236	25%
Water Storage Facilities	2,173	1,252	1,050	16	1,065	85%	1,805	83%
Water Projects Program Management	3,565	2,661	4,440	135	4,575	172%	6,873	193%
Water Lead Program	2,823	2,147	2,009	201	2,211	103%	2,152	76%
AMR Installation / Replacement	5,733	3,824	857	324	1,181	31%	2,389	42%
<b>Total Water</b>	<b>63,136</b>	<b>45,026</b>	<b>35,441</b>	<b>3,392</b>	<b>38,832</b>	<b>86%</b>	<b>49,343</b>	<b>78%</b>
<b>Washington Aqueduct</b>	<b>10,000</b>	<b>6,670</b>	<b>7,361</b>	<b>-</b>	<b>7,361</b>	<b>110%</b>	<b>10,000</b>	<b>100%</b>
<b>Capital Equipment</b>	<b>16,627</b>	<b>11,090</b>	<b>7,590</b>	<b>697</b>	<b>8,287</b>	<b>75%</b>	<b>12,671</b>	<b>76%</b>
<b>Total Capital Projects</b>	<b>\$557,125</b>	<b>\$440,186</b>	<b>\$461,367</b>	<b>\$46,188</b>	<b>\$507,555</b>	<b>115%</b>	<b>\$637,711</b>	<b>114%</b>

Monthly Financial Report

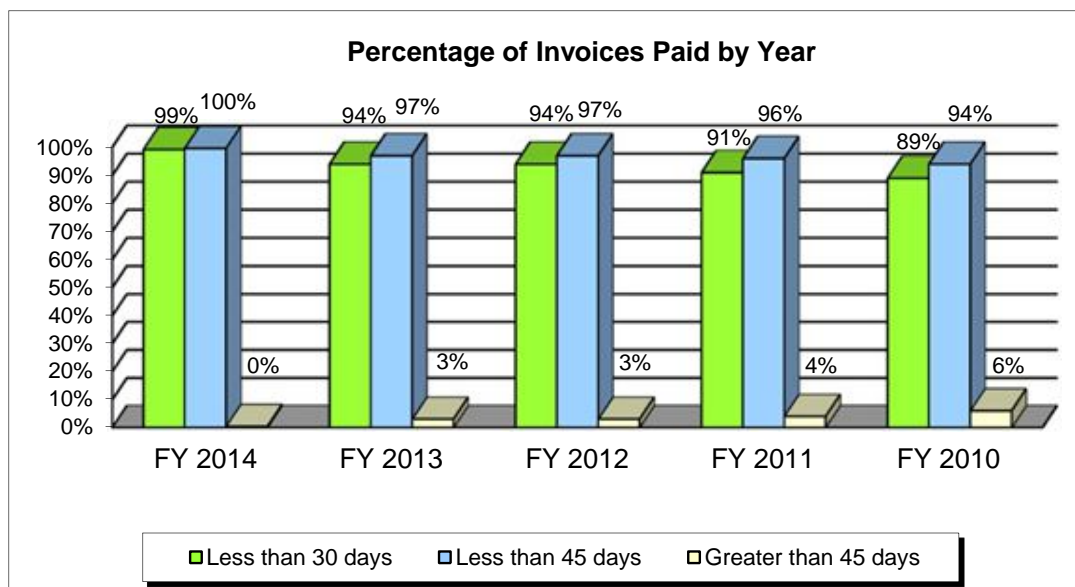
Fiscal Year-to-Date  
As of June 30, 2014

Accounts Payable

During the first nine months of FY 2014, 12,910 vendor payments were processed and paid compared to 8,602 in FY 2013 (as shown in the table below) and with a dollar value of \$627.6 million compared to \$439.8 million for FY 2013. For FY 2014, approximately 99.2 percent of the invoices, less retainage and disputes were paid within 30 days compared to 94.6% paid within 30 days during FY 2013. The percentages for April, May and June 2014 were 99.7%, 98.5% and 98.7% respectively. The Authority's goal is to pay 97 percent of all undisputed invoices within 30 days.

Accounts Payable Performance FY 2014 v. FY 2013				
Days	FY 2014		FY 2013	
	Number	Percent	Number	Percent
Less than 30	12,466	99.2%	4,965	94.6%
Less than 45	12,518	99.6%	8,011	97.2%
Greater than 45	501	0.4%	231	2.8%
<b>Subtotal</b>	<b>12,568</b>	<b>100.0%</b>	<b>8,242</b>	<b>100.0%</b>
Retainage/Disputes	342		360	
<b>Total</b>	<b>12,910</b>		<b>8,602</b>	

The chart below shows historical performance for fiscal year 2010 through fiscal year 2014.



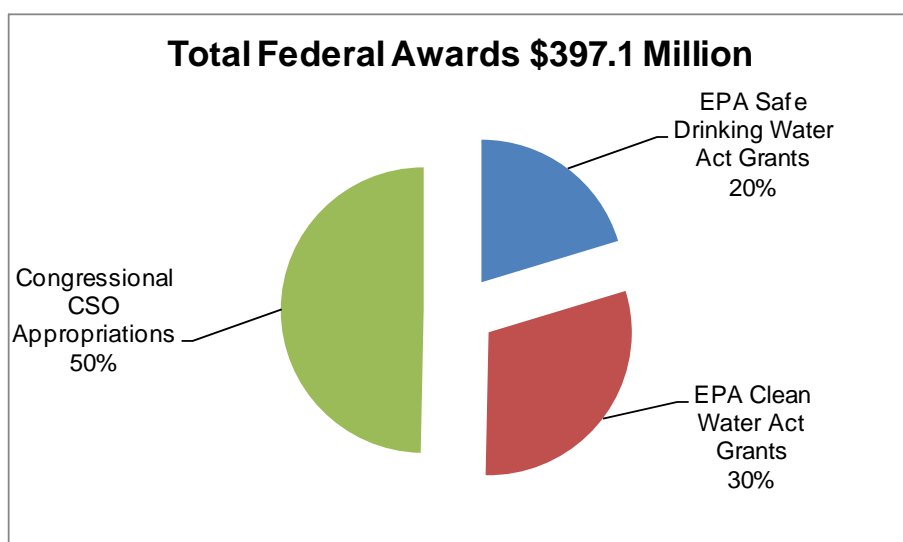
Monthly Financial Report

Fiscal Year-to-Date  
As of June 30, 2014

Grants Report

The Authority receives grants to fund a portion of its capital costs from the U.S. Environmental Protection Agency (EPA) under two acts, the Clean Water Act of 1972 and the Safe Drinking Water Act of 1974. We have now received fifteen Congressional CSO appropriations (including \$14.4 million) as of June 14, 2014.

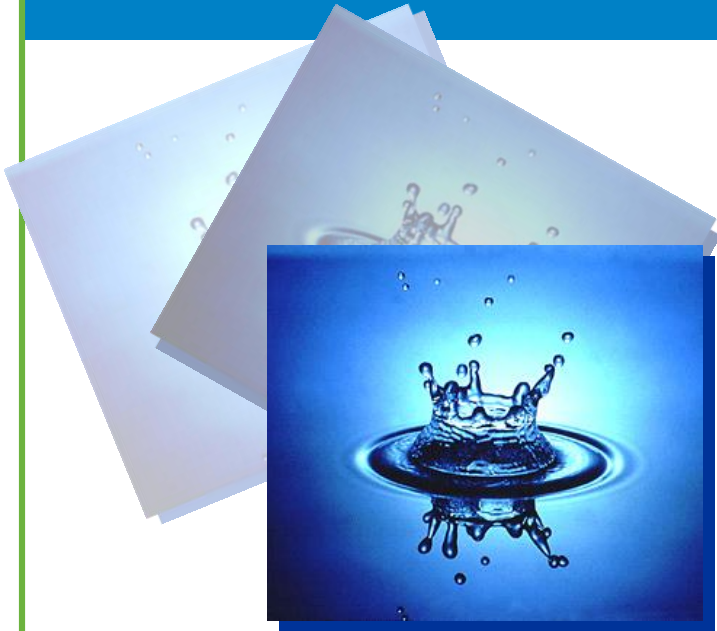
As of June 30, 2014, including the CSO appropriation, DC Water has a total of \$397.1 million awarded in federal funds for active projects.



EPA allocation for the District is \$6.8 million in Clean Water funding and \$8.8 million in Safe Drinking Water funding for FY 2014.

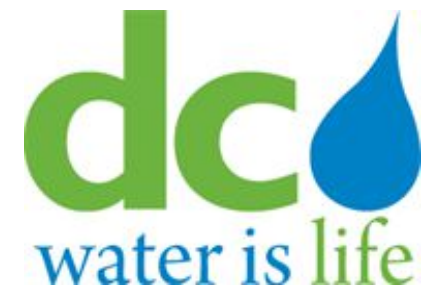
The cumulative federal appropriation for CSO increased to \$197.2 million with the additional appropriation of \$14.4 million on June 14, 2014. The cumulative life-to-date cash disbursement for the CSO appropriation is \$177.0 million through June 30, 2014. Based on the projected FY 2014 and FY 2015 capital spending on the Clean Rivers' projects and no additional funding, all remaining CSO funds is projected to be depleted before the end of FY 2015.





# DC Water

*Investment Performance Report – June 2014*



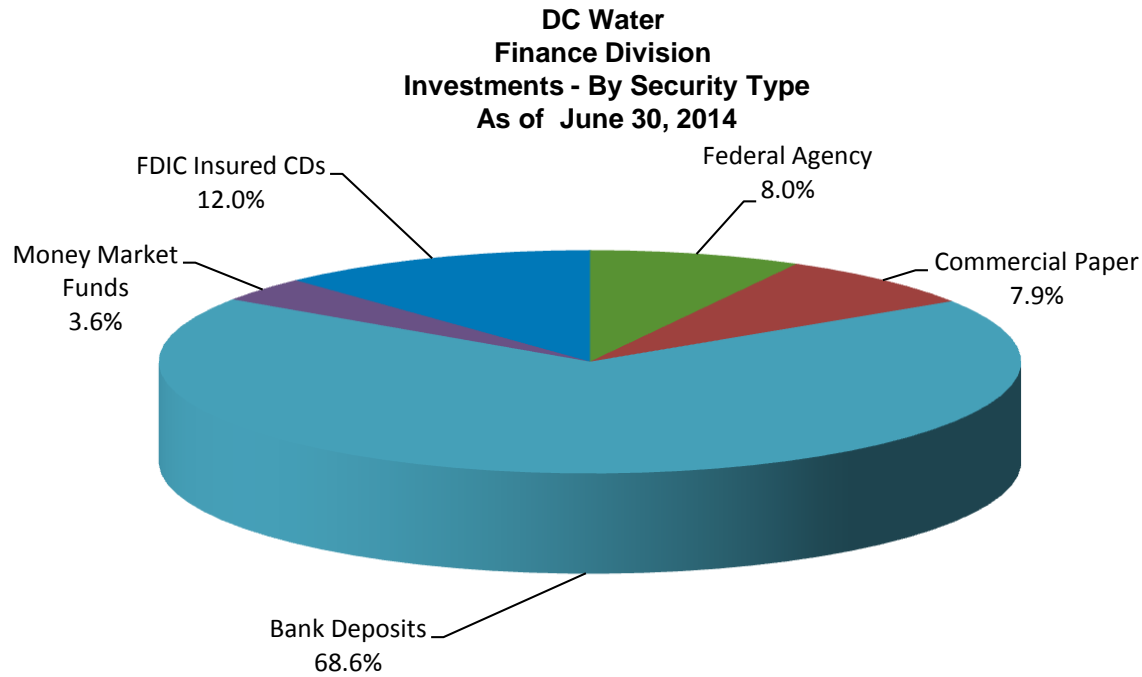
DC Water  
Finance Division  
Economic Update

## ECONOMIC COMMENTARY

- In June, first quarter U.S. gross domestic product (GDP) growth was revised downward from a loss of 1.0% to a loss of 2.9%, the economy's worst performance in five years. However, most economists believe that we will see a rebound in GDP readings for the second quarter. Forecasts show the economy expanding at an average rate of over 3% in the remaining two quarters of 2014.
- Recent strides in the labor market underscore the economy's snapback from a first-quarter contraction. In June, non-farm payrolls increased by 288,000 jobs, exceeding the expectation of 215,000, while April and May numbers were also revised upwards. The unemployment rate fell to a six-year low of 6.1%.
- The yield curve steepened slightly in June, particularly for intermediate-term maturities. Short-term rates remain anchored by Fed policy. During its June 17-18 meeting, the Federal Open Market Committee (FOMC) reduced its bond buying program by another \$10 billion, resulting in monthly purchases of \$35 billion.

## PORTFOLIO RECAP

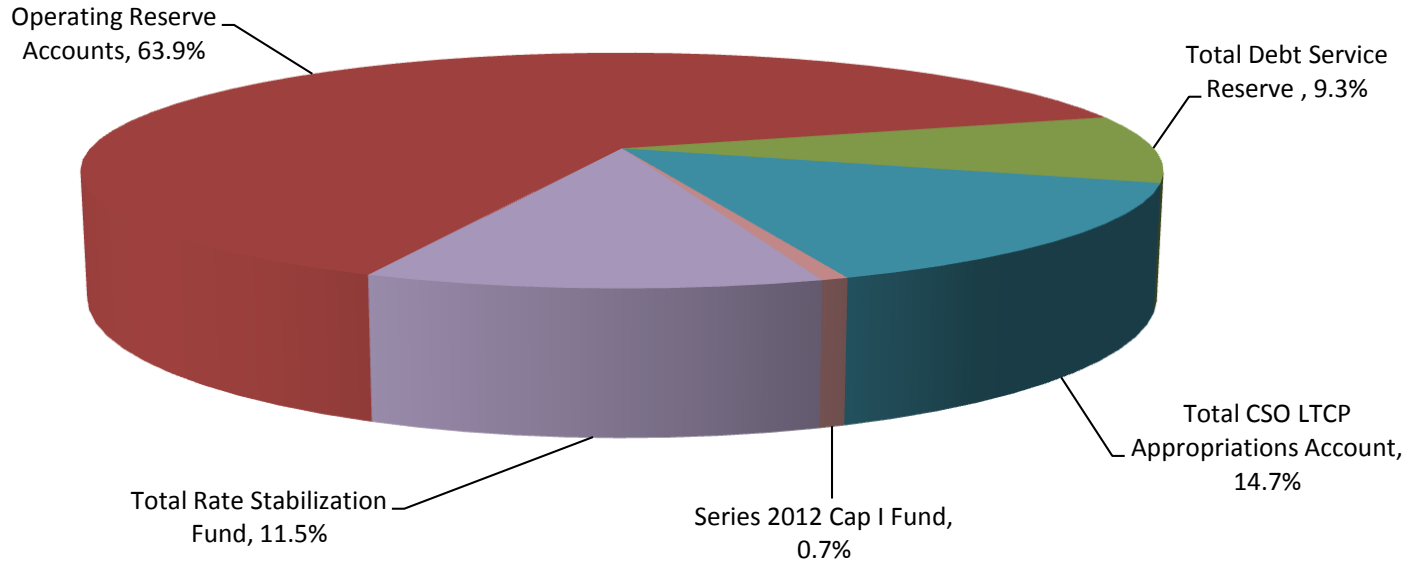
- The portfolio is diversified among Bank Deposits, Commercial Paper, Federal Agencies, FDIC Insured CDs, and SEC registered money market funds.
- The overall yield-to-maturity on cost of the portfolio is 0.48%.
- The portfolio is in compliance with the Authority's Investment Policy.
- The Authority did not purchase any securities during the month of June.



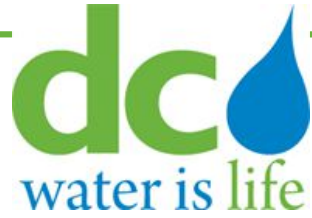
Security Type	Book Value + Accrued Interest	Asset Allocation	Permitted By Policy
Bank Deposits	\$ 173,251,403	68.6%	100.0%
Money Market Funds	9,086,772	3.6%	100.0%
Bankers Acceptances	-	0.0%	40.0%
Commercial Paper	19,998,867	7.9%	35.0%
U.S. Treasuries	-	0.0%	100.0%
Federal Agency	20,133,105	8.0%	80.0%
FDIC Insured CDs	30,265,441	12.0%	30.0%
Municipal Obligations	-	0.0%	20.0%
<b>Total</b>	<b>\$ 252,735,588</b>	<b>100.0%</b>	



**DC Water  
Finance Division  
Investment Analysis – By Fund  
As of June 30, 2014**

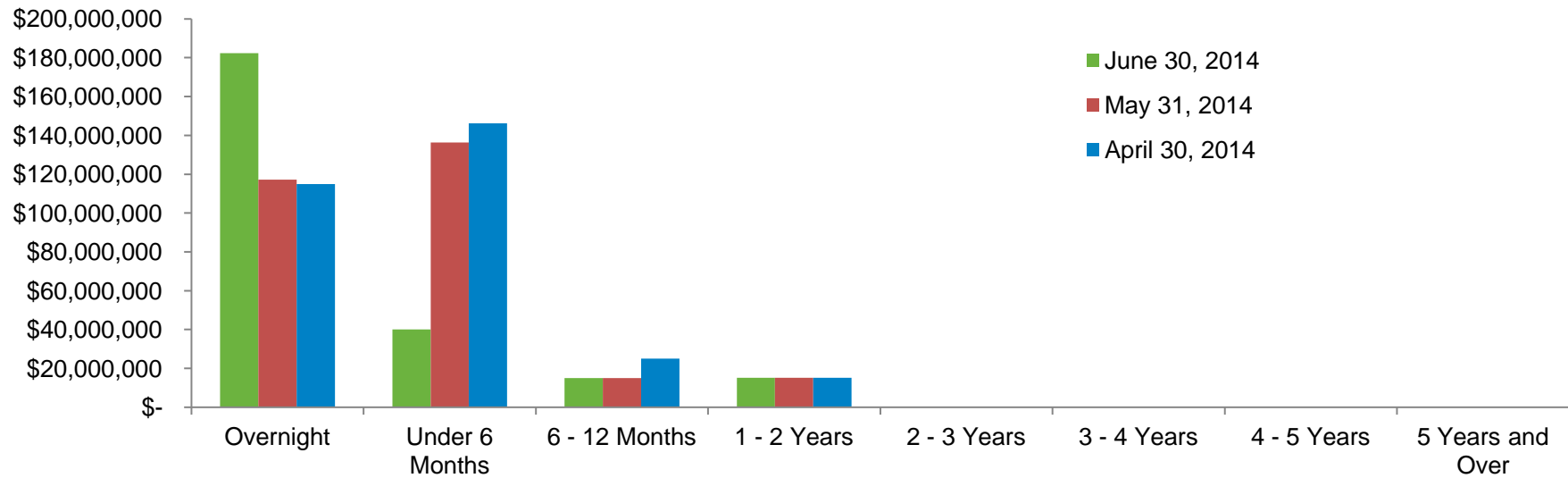


Fund Name	Book Value + Accrued Interest	Yield-to- Maturity at Cost	Effective Duration (years)	Weighted Average Maturity (days)
Total Rate Stabilization Fund	\$ 28,950,756	0.62%	0.05	18.6
Operating Reserve Accounts	\$ 161,486,433	0.75%	0.12	42.2
Total Debt Service Reserve	\$ 23,533,945	0.30%	0.99	366.4
Total CSO LTCP Appropriations Account	\$ 37,062,916	0.77%	0.00	1.0
Series 2012 Cap I Fund	\$ 1,701,537	0.01%	0.00	1.0
<b>Total</b>	<b>\$ 252,735,588</b>	<b>0.69%</b>	<b>0.17</b>	<b>63.3</b>



**DC Water  
Finance Division  
Investment Analysis – By Maturity**

Maturity Distribution	June 30, 2014	May 31, 2014	April 30, 2014
Overnight \$	182,338,175.37 \$	117,152,638.42 \$	114,897,341.69
Under 6 Months	40,125,227.72	136,289,666.19	146,247,710.00
6 - 12 Months	15,059,082.64	15,054,774.06	25,071,393.04
1 - 2 Years	15,213,101.92	15,207,024.08	15,200,865.08
2 - 3 Years	-	-	-
3 - 4 Years	-	-	-
4 - 5 Years	-	-	-
5 Years and Over	-	-	-
<b>Totals \$</b>	<b>252,735,587.65 \$</b>	<b>283,704,102.75 \$</b>	<b>301,417,309.81</b>





**DC Water  
Finance Division  
Investments – Issuer Allocation**

	Credit Ratings S&P / Moody's	Book Value		Investment Policy Limit	Compliance with Investment Policy
<b>Bank Deposits</b>					
TD Bank		163,145,730.93	64.6%	100.0%	Yes
Premier Bank		5,037,065.42	2.0%	100.0%	Yes
Capital One Bank		5,068,606.67	2.0%	100.0%	Yes
<b>Sub-Total Bank Deposits</b>		<b>173,251,403.02</b>	<b>68.6%</b>	100.0%	Yes
<b>Money Market Mutual Funds</b>					
American Beacon MMF	AAAm	1,483,759.31	0.6%	50.0%	Yes
Williams Capital Money Market Fund	AAAm	2,500,635.16	1.0%	50.0%	Yes
Merrill Lynch MMF	AAAm	1,185,715.86	0.5%	50.0%	Yes
Wells Fargo Government MMF	AAAm	3,916,662.02	1.5%	50.0%	Yes
<b>Sub-Total Money Market Mutual Funds</b>		<b>9,086,772.35</b>	<b>3.6%</b>	100.0%	Yes
<b>Certificates of Deposit</b>					
CDARs - Placed by Industrial Bank	NR / NR	20,200,562.54	8.0%	30.0%	Yes
CDARs - Placed by City First Bank	NR / NR	10,064,878.30	4.0%	30.0%	Yes
<b>Sub-Total Certificates of Deposit</b>		<b>30,265,440.84</b>	<b>12.0%</b>	30.0%	Yes
<b>Commercial Paper</b>					
Coca-Cola Company Comm Paper	A-1+ / P-1	9,998,866.70	4.0%	5.0%	Yes
Union Bank Na Comm Paper	A-1 / P-1	10,000,000.00	4.0%	5.0%	Yes
<b>Sub-Total Commercial Paper</b>		<b>19,998,866.70</b>	<b>7.9%</b>	35.0%	Yes
<b>Federal Agencies</b>					
Federal Home Loan Bank	AA+ / Aaa	20,133,104.74	8.0%	40.0%	Yes
<b>Sub-Total Federal Agencies</b>		<b>20,133,104.74</b>	<b>8.0%</b>	100.0%	Yes
<b>Total</b>		<b>\$ 252,735,587.65</b>	<b>100.0%</b>		



**DC Water  
Finance Division  
Book Value Performance  
As of June 30, 2014**

*The portfolio is in compliance with the Authority's Investment Policy*

	Trailing 1 Months		Trailing 3 Months		Trailing 6 Months		Trailing 12 Months
	Periodic	Annualized	Periodic	Annualized	Periodic	Annualized	
Total Rate Stabilization Fund	0.05%	0.62%	0.13%	0.51%	0.22%	0.44%	0.47%
Operating Reserve Accounts	0.02%	0.30%	0.07%	0.28%	0.14%	0.28%	0.33%
Total Debt Service Reserve	0.02%	0.30%	0.07%	0.30%	0.15%	0.30%	0.36%
Total CSO LTCP Appropriations Account	0.00%	0.02%	0.02%	0.09%	0.05%	0.09%	0.11%
2010A Capitalized Interest Fund	0.00%	0.00%	0.05%	0.20%	0.30%	0.61%	0.87%
2013A Construction Fund	0.01%	0.16%	0.03%	0.12%	0.06%	0.12%	n/a
Series 2012 Cap I Fund	0.00%	0.01%	0.00%	0.01%	0.01%	0.01%	n/a
<b>Short-Term</b>	<b>0.06%</b>	<b>0.73%</b>	<b>0.13%</b>	<b>0.52%</b>	<b>0.21%</b>	<b>0.42%</b>	<b>0.39%</b>
Merrill Lynch 3-Month Treasury Index (Book Value) <sup>1</sup>	0.00%	0.04%	0.01%	0.03%	0.02%	0.04%	0.04%
<b>Core (1+ Years)</b>	<b>0.04%</b>	<b>0.48%</b>	<b>0.12%</b>	<b>0.48%</b>	<b>0.23%</b>	<b>0.47%</b>	<b>0.45%</b>
Merrill Lynch 1-3 Year Treasury Index (Book Value) <sup>2</sup>	0.03%	0.39%	0.10%	0.42%	0.20%	0.39%	0.37%

- (1) The Merrill Lynch 3-Month Treasury Bill is an unmanaged index tracking the on-the-run Treasury Bill. The Index is produced and maintained by Merrill Lynch & Co. Performance for this index is shown on a book value basis.
- (2) The Merrill Lynch 3-Month Treasury Bill is an unmanaged index tracking a basket of U.S. Treasuries with 1 to 3 year maturities. The Index is produced and maintained by Merrill Lynch & Co. Performance for this index is shown on a book value basis.

Investment Performance Report – June 2014



DC Water  
Finance Division  
Portfolio Holdings by Fund

DESCRIPTION	CUSIP	PAR AMOUNT	COUPON RATE	MATURITY DATE	SETTLEMENT DATE	YTM AT COST	ORIGINAL COST	MARKET VALUE + ACCRUED INTEREST	AMORTIZED COST + ACCRUED INTEREST	TOTAL VALUE
<b>Rate Stabilization Fund</b>										
TD BANK BANK DEPOSIT		\$ 18,951,889		7/1/2014		0.90%	\$ 18,951,889	\$ 18,951,889	\$ 18,951,889	
COCA-COLA COMPANY COMM PAPER	19121BHM4	10,000,000	-	8/21/2014	5/28/2014	0.08%	9,998,111	9,998,500	9,998,867	
										\$ 28,950,755.59
<b>Operating Reserve Accounts</b>										
TD BANK BANK DEPOSIT		\$ 113,651,751		7/1/2014		0.90%	\$ 113,651,751	\$ 113,651,751	\$ 113,651,751	
CAPITAL ONE BANK		5,068,607		7/1/2014		0.50%	5,068,607	5,068,607	5,068,607	
WILLIAMS CAPITAL MONEY MARKET FUND		2,500,635		7/1/2014		0.00%	2,500,635	2,500,635	2,500,635	
UNION BANK NA COMM PAPER	90526NG17	10,000,000	-	7/1/2014	3/26/2014	0.13%	-	9,999,970	10,000,000	
INDUSTRIAL BANK CDARS		5,000,000	0.650	10/16/2014	10/18/2012	0.65%	5,000,000	5,055,295	5,055,295	
INDUSTRIAL BANK CDARS		5,030,007	0.350	10/16/2014	10/17/2013	0.35%	5,030,007	5,042,575	5,042,575	
CITY FIRST BK OF WASHINGTON, D.C (CDARS)		5,000,000	0.400	11/13/2014	11/14/2013	0.40%	5,000,000	5,012,663	5,012,663	
INDUSTRIAL BANK CDARS		5,000,000	0.500	11/13/2014	11/14/2013	0.50%	5,000,000	5,015,829	5,015,829	
INDUSTRIAL BANK CDARS		2,528,080	0.450	1/22/2015	1/23/2014	0.45%	2,528,080	2,533,104	2,533,104	
CITY FIRST BK OF WASHINGTON, DC (CDARS)		2,500,000	0.600	3/19/2015	3/21/2013	0.60%	2,500,000	2,519,239	2,519,239	
INDUSTRIAL BANK CDARS		2,545,282	0.750	1/21/2016	1/23/2014	0.75%	2,545,282	2,553,760	2,553,760	
CITY FIRST BK OF WASHINGTON, DC (CDARS)		2,530,097	0.400	3/17/2016	3/20/2014	0.40%	2,530,097	2,532,976	2,532,976	
										\$ 161,486,433.41
<b>Total Debt Service Reserve</b>										
MERRILL LYNCH MMF		\$ 1,185,716		7/1/2014		0.06%	\$ 1,185,716	\$ 1,185,716	\$ 1,185,716	
WELLS FARGO GOVERNMENT MMF	94975P405	2,215,125		7/1/2014		0.01%	2,215,125	2,215,125	2,215,125	
FHLB NOTES	3130A0FX3	5,000,000	0.210	2/18/2015	12/17/2013	0.21%	4,999,745	5,005,699	5,003,741	
FEDERAL HOME LOAN BANK GLOBAL NOTES	313381YP4	5,000,000	0.250	2/20/2015	1/30/2013	0.30%	4,995,000	5,008,004	5,002,998	
FHLB NOTES	313375RN9	10,000,000	1.000	3/11/2016	5/22/2013	0.43%	10,158,100	10,117,426	10,126,365	
										\$ 23,533,945.43
<b>Total CSO LTCP Appropriations Account</b>										
TD BANK BANK DEPOSIT		\$ 30,542,091		7/1/2014		0.90%	\$ 30,542,091	\$ 30,542,091	\$ 30,542,091	
PREMIER BANK DEPOSIT		5,037,065		7/1/2014		0.24%	5,037,065	5,037,065	5,037,065	
AMERICAN BEACON MMF	02368W200	1,483,759		7/1/2014		0.01%	1,483,759	1,483,759	1,483,759	
										\$ 37,062,916.03
<b>Series 2012 Cap I Fund</b>										
WELLS FARGO GOVERNMENT MMF	94975P405	\$ 1,701,537		7/1/2014		0.01%	\$ 1,701,537	\$ 1,701,537	\$ 1,701,537	
										\$ 1,701,537.19
							\$ 242,622,596.33	\$ 252,733,214.55	\$ 252,735,587.65	\$ 252,735,587.65





DC Water  
Finance Division  
Security Transactions  
Last 6 Months

ACCOUNT	CUSIP	DESCRIPTION	PAR	COUPON	MATURITY DATE	SETTLE DATE	YTM	TRANSACTION AMOUNT
<b>Purchases</b>								
DC WASA OPERATING RESERVE ACCOUNTS	RE0907981	INDUSTRIAL BANK CDARS	2,528,080	0.450	01/22/2015	01/23/2014	0.456	\$ 2,528,079.57
DC WASA OPERATING RESERVE ACCOUNTS	RE0907999	INDUSTRIAL BANK CDARS	2,545,282	0.750	01/21/2016	01/23/2014	0.756	\$ 2,545,282.08
DC WASA OPERATING RESERVE ACCOUNTS	40427SFW4	HSBC USA INC COMM PAPER	10,000,000	-	06/30/2014	02/28/2014	0.173	\$ 9,994,238.89
DC WASA OPERATING RESERVE ACCOUNTS	60688GFQ5	MIZUHO FUNDING LLC COMM PAPER	10,000,000	-	06/24/2014	02/28/2014	0.213	\$ 9,993,233.33
DC WASA OPERATING RESERVE ACCOUNTS	86562LE16	SUMITOMO MITSUI BANK NY COMM PAPER	10,000,000	-	05/01/2014	02/28/2014	0.152	\$ 9,997,416.67
DC WASA OPERATING RESERVE ACCOUNTS	RE0908013	CITY FIRST BK OF WASHINGTON, DC (CDARS)	2,530,097	0.400	03/17/2016	03/20/2014	0.404	\$ 2,530,096.57
DC WASA OPERATING RESERVE ACCOUNTS	07286NFH7	BAYLOR UNIVERSITY COMM PAPER	10,000,000	-	06/17/2014	03/26/2014	0.091	\$ 9,997,925.00
DC WASA OPERATING RESERVE ACCOUNTS	43851UFT5	HONEYWELL INTL COMM PAPER	10,000,000	-	06/27/2014	03/26/2014	0.101	\$ 9,997,416.70
DC WASA OPERATING RESERVE ACCOUNTS	90526NG17	UNION BANK NA COMM PAPER	10,000,000	-	07/01/2014	03/26/2014	0.132	\$ 9,996,497.22
DC WASA TOTAL CSO LTCP APPROPRIATIONS	06416KET3	BANK OF NOVA SCOTIA NY COMM PAPER	10,000,000	-	05/27/2014	01/24/2014	0.122	\$ 9,995,900.00
DC WASA TOTAL CSO LTCP APPROPRIATIONS	89233HF66	TOYOTA MOTOR CREDIT CORP COMM PAPER	10,000,000	-	06/06/2014	01/27/2014	0.112	\$ 9,996,027.78
DC WASA RATE STABILIZATION FD	25153KDW4	DEUTSCHE BANK FINL LLC COMM PAPER	10,000,000	-	04/30/2014	01/24/2014	0.213	\$ 9,994,400.00
DC WASA RATE STABILIZATION FD	36959JEW9	GENERAL ELEC CAP CORP COMM PAPER	10,000,000	-	05/30/2014	01/24/2014	0.132	\$ 9,995,450.00
DC WASA RATE STABILIZATION FD	19121BHM4	COCA-COLA COMPANY COMM PAPER	10,000,000	-	08/21/2014	05/28/2014	0.081	\$ 9,998,111.11

Securities highlighted in **blue font** denote trades executed during the current month.



DC Water  
 Finance Division  
 Upcoming Transaction Cash Flows  
 Next 30 Days

DATE	TRANSACTION	CUSIP	DESCRIPTION	COUPON	MATURITY DATE	PAR VALUE/SHARES	PRINCIPAL	INTEREST	TOTAL
<u>Operating Reserve Account</u>									
07/01/14	MATURITY	90526NG17	UNION BANK NA COMM PAPER		07/01/14	10,000,000	9,996,497.22	3,502.78	10,000,000.00



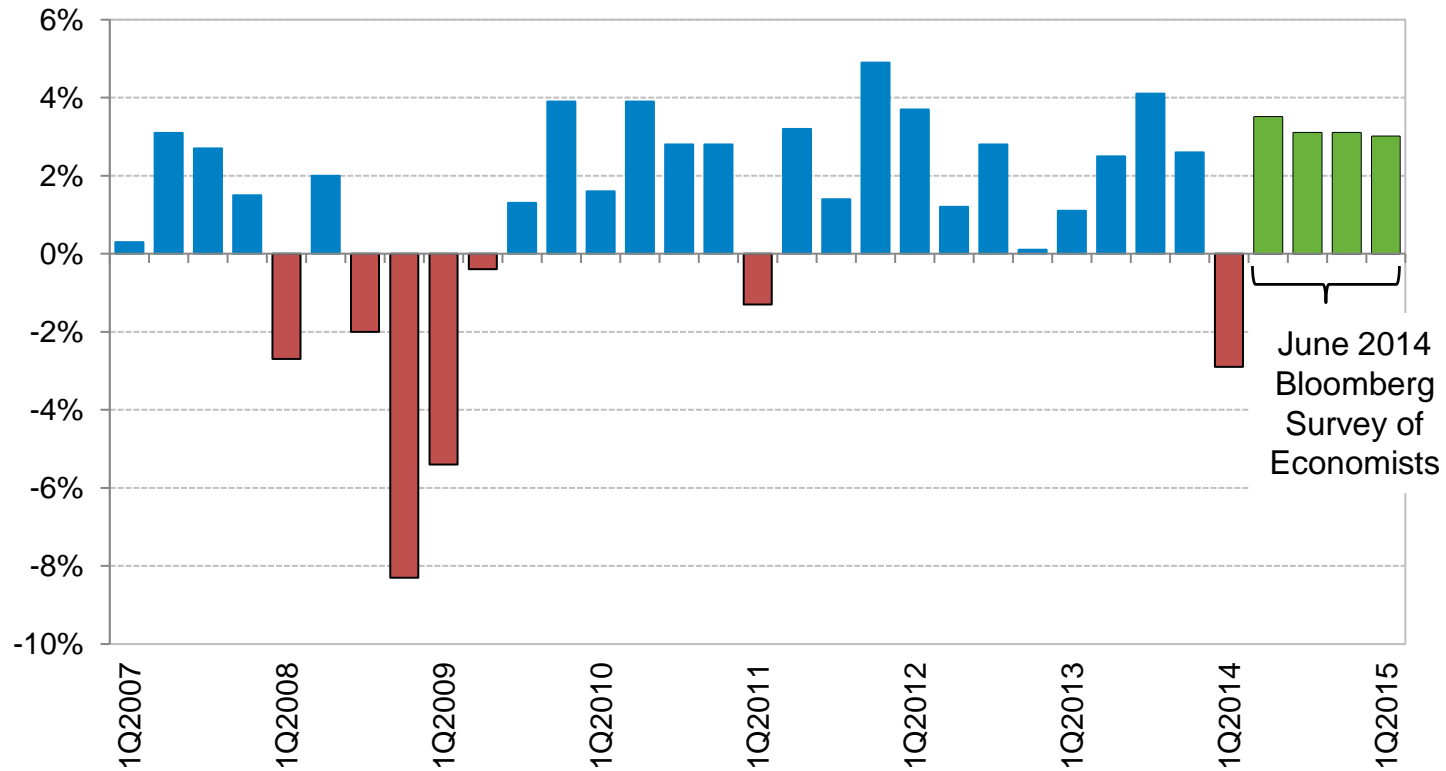
# Appendix: Economic Update



# Gross Domestic Product

- First-quarter U.S. gross domestic product (GDP) growth was revised downward from -1.0% to -2.9%. However, consensus estimates project a rebound for the remainder of 2014.

**Gross Domestic Product Growth**  
January 2007 – March 2015 (projected)



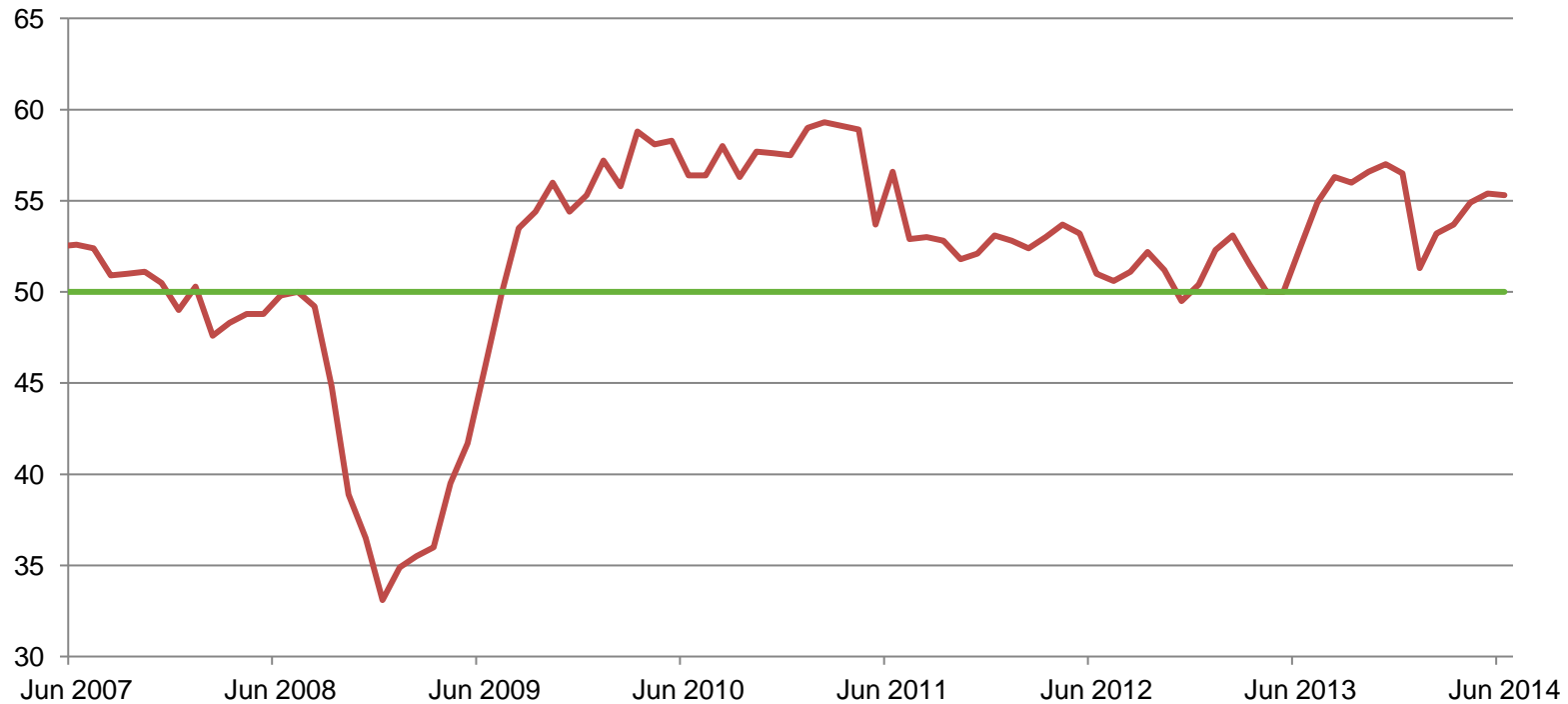
Source: Bloomberg



## Positive Manufacturing Data in June

- Growth at U.S. factories in June held near the fastest pace of the year, a sign that manufacturing helped boost the economy in the second quarter.
- The Institute for Supply Management’s factory index was 55.3 after a five-month high of 55.4 in May. Readings above 50 indicate expansion.

**ISM Manufacturing Index**  
June 2007 – June 2014



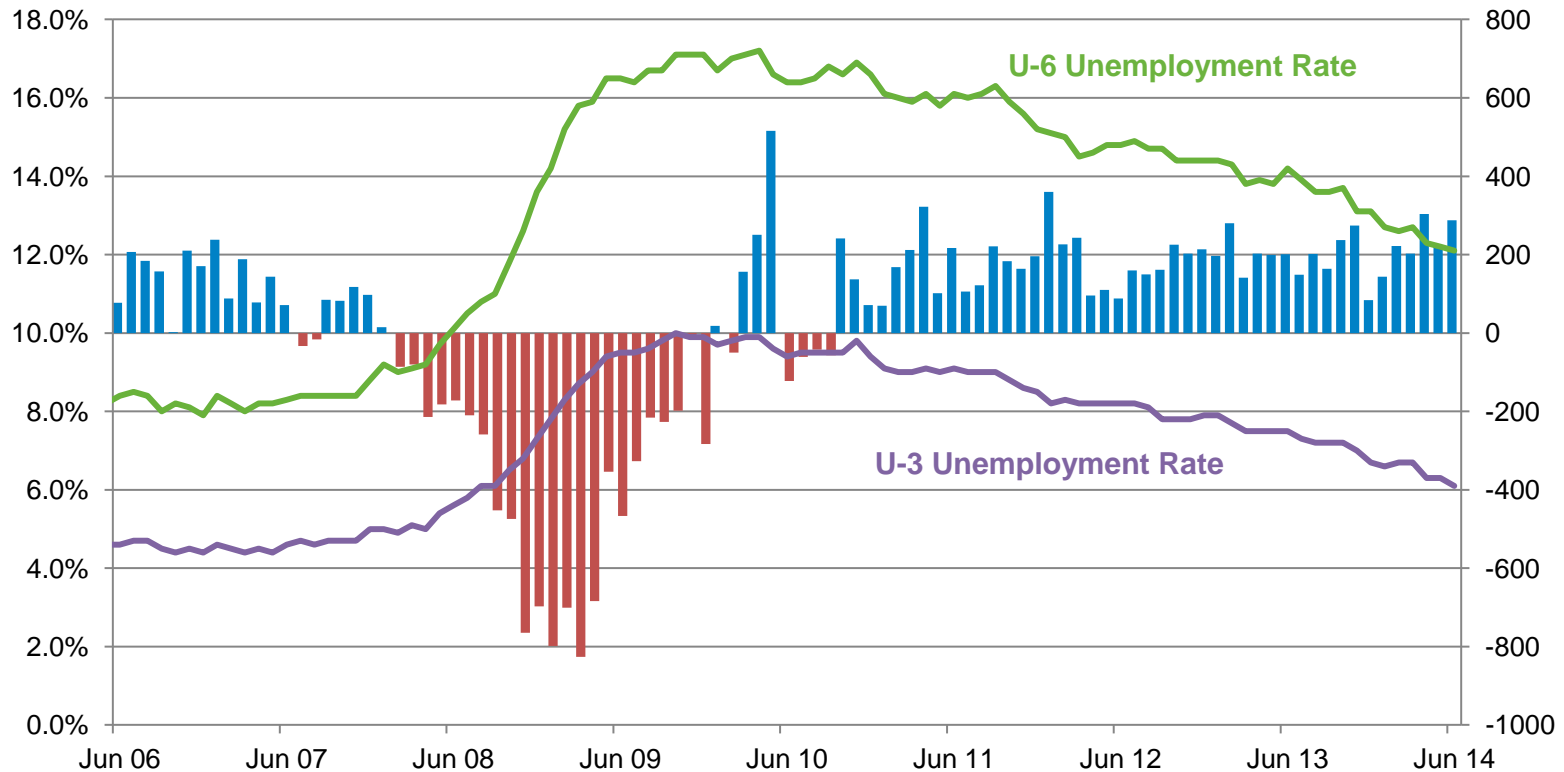
Source: Bloomberg



## Positive Job Growth in June

- Nonfarm payrolls expanded by 288,000 jobs in June, greatly exceeding expectations. The unemployment rate fell to a six-year low of 6.1%.

**Unemployment vs. Non-Farm Payrolls**  
April 2009 – June 2014

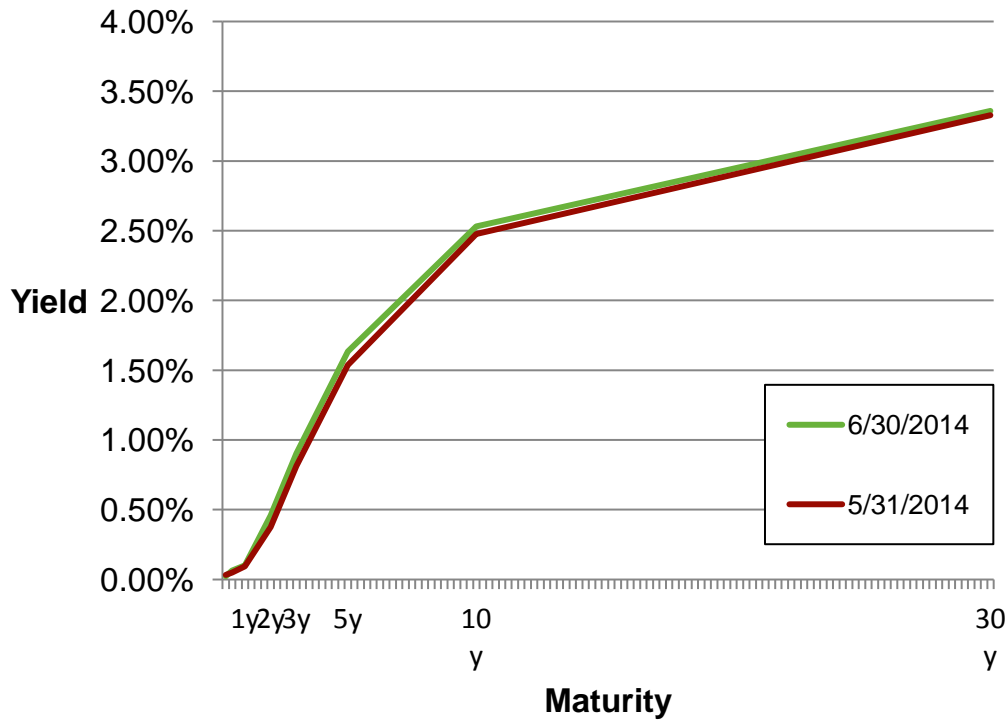


Source: Bloomberg



# The Yield Curve Steepened Slightly During June

**U.S. Treasury Yield Curve**  
June 30, 2014 versus May 31, 2014



	<u>6/30/2014</u>	<u>5/31/2014</u>	<u>Change</u>
3 month	0.02%	0.03%	-0.01%
6 month	0.06%	0.05%	0.01%
1 year	0.10%	0.09%	0.01%
2 year	0.46%	0.38%	0.08%
3 year	0.90%	0.81%	0.09%
5 year	1.63%	1.54%	0.09%
10 year	2.53%	2.48%	0.05%
30 year	3.36%	3.33%	0.03%

Source: Bloomberg



*This material is based on information obtained from sources generally believed to be reliable and available to the public; however, PFM Asset Management LLC (PFMAM) cannot guarantee its accuracy, completeness or suitability.*

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# Revised FY 2015 Budget Proposal

## Finance and Budget Committee

### July 24, 2014

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Presented by:

George S. Hawkins  
General Manager

Mark Kim  
Chief Financial Officer



## AGENDA

-  FY 2015 Revised Budget Updates
  - Operating Expenditures
  - Operating Revenues
  - Capital Improvement Plan
  - Managing Operational Risks
-  Next Steps



# FY 2015 REVISED BUDGET UPDATES



<b>Operating Expenditures (\$000's)</b>			
	<b>FY 2014 Revised</b>	<b>FY 2015 Approved</b>	<b>FY 2015 Revised</b>
Personnel Services	\$ 119,765	\$ 135,544	\$ 135,544
Contractual Services	76,043	76,944	76,944
Water Purchases	27,991	28,831	28,831
Chemicals and Supplies	30,909	36,187	36,187
Utilities	30,714	30,416	30,416
Small Equipment	993	1,028	1,028
<b>Subtotal O&amp;M Expenditures</b>	<b>\$ 286,416</b>	<b>\$ 308,950</b>	<b>\$ 308,950</b>
Debt Service	130,120	160,264	160,264
Cash Financed Capital Improvements	-	20,058	20,058
Payment in Lieu of Taxes	20,081	21,587	21,587
Right of Way	5,100	5,100	5,100
<b>Subtotal Debt Service &amp; PILOT/ROW</b>	<b>\$ 155,301</b>	<b>\$ 207,009</b>	<b>\$ 207,009</b>
<b>Total O&amp;M Expenditures</b>	<b>\$ 441,717</b>	<b>\$ 515,959</b>	<b>\$ 515,959</b>
Personnel Services charged to Capital Projects	(12,960)	(17,266)	(17,266)
<b>Total Net Operating Expenditures</b>	<b>\$ 428,757</b>	<b>\$ 498,693</b>	<b>\$ 498,693</b>

Operating Expenditures Budget remains at the Board-approved level with reallocations for projected departmental personnel costs



<b>Operating Revenues (\$000's)</b>					
	<b>FY 2014 Revised</b>	<b>FY 2015 Approved</b>	<b>FY 2015 Revised</b>	<b>Increase / (Decrease)</b>	<b>Percentage Change</b>
Retail Revenue	\$ 338,470	\$ 374,479	\$ 383,981	\$ 9,502	2.5%
Wholesale Revenue:					
Potomac Interceptor (PI)	2,302	2,302	1,960	(342)	-14.9%
Loudoun County Sanitation Authority (LCSA)	5,002	5,065	5,753	688	13.6%
Washington Suburban Sanitary Commission (WSSC)	50,873	54,349	59,239	4,890	9.0%
Fairfax County	12,949	13,409	14,413	1,004	7.5%
<b>Total Wholesale Revenue</b>	<b>71,126</b>	<b>75,125</b>	<b>81,365</b>	<b>6,240</b>	<b>8.3%</b>
Other Revenue	51,091	50,798	54,524	3,226	6.4%
Rate Stabilization Fund	6,500	14,500	17,500	3,000	20.7%
<b>Total Operating Revenue</b>	<b>\$ 467,187</b>	<b>\$ 514,902</b>	<b>\$ 537,370</b>	<b>\$ 22,468</b>	<b>4.4%</b>

**Consumption assumption**

Revenue projections assume a 1.0% decline in consumption and beyond





**Wholesale Revenue**

Additional \$4.9M in Biosolids cost.



## Capital Improvement Plan – Cash Disbursements Basis (\$000's)

	FY 2014 Revised	FY 2015 Approved	FY 2015 Revised	Increase/ (Decrease)	Percentage Change
Wastewater Treatment	\$ 268,191	\$ 174,364	\$ 198,433	\$ 24,069	13.8%
Sanitary Sewer	29,817	49,276	48,906	(370)	-0.8%
Combined Sewer Overflow	166,508	283,908	264,110	(19,798)	-7.0%
Stormwater	2,845	2,035	2,247	212	10.4%
Water	63,137	92,005	79,387	(12,618)	-13.7%
Washington Aqueduct	10,000	10,000	10,000	0	0.0%
Capital Equipment	16,627	17,191	22,191	5,000	29.1%
<b>DC Water CIP</b>	<b>\$ 557,125</b>	<b>\$ 628,779</b>	<b>\$ 625,274</b>	<b>\$ (3,505)</b>	<b>-0.6%</b>

-  **Wastewater Treatment:** +\$14M Filtrate Treatment, +\$6M Digester,+ \$3M Grit Chambers
-  **Combined Sewer Overflow:** -\$11M DC Clean Rivers, -\$8M Green Infrastructure
-  **Water:** -\$5M Saint Elizabeth Water Tank, -\$7M Small Diameter Water Mains
-  **Capital Equipment:** +\$5M Infrastructure Improvements



## Managing Operational Risks

### Operational risks to FY 2015 Revised Budget

- Chemicals and Utilities
  - Actual Plant flows above budgeted projections
- Contractual Services
  - Biosolids production and hauling
  - Claims and litigation
- Debt Service
  - Higher interest rates

### The Revised FY 2015 budget provides for the management of these operational risks

- Flexibility to transfer budget from the Cash Financed Capital Improvements as financial needs arise within the Authority



## NEXT STEPS





## NEXT STEPS

- 💧 Committee Recommendations – July
- 💧 Board Adoption – September
  - Revised FY 2015 Operating Budget
  - FY 2015 Retail Rates and Fees



**\$350,000,000**

**4.814% Public Utility Senior Lien  
Revenue Bonds  
Series 2014A  
(Federally Taxable)  
(Green Bonds)**

**\$100,000,000**

**Public Utility Subordinate Lien  
Multimodal Revenue Bonds  
Series 2014 B-1 and B-2  
(Tax-Exempt)**

## **Transaction Overview to the Finance & Budget Committee July 23, 2014**





# Overview

- A. Transaction Highlights
- B. Series 2014 Financing Summary
- C. Market Conditions and Pricing
- D. Comparable Taxable Transactions



# Transaction Highlights

- First public utility to issue a Century Bond
  - Achieved a yield and coupon for the Century Bond of 4.814%
  - Matched the life of the tunnel assets to the maturity of the debt
  - Established inter-generational equity and fairness for financing of the project
- Certified as “Green Bond” by Vigeo
  - Appealed to investors focused on “Green Bonds” and “Socially Responsible Investments”
  - Received positive press reports due to “Green” nature of the project
- Achieved significant demand through a rigorous marketing strategy
  - Received over \$1 billion in orders from 36 different investors
  - Attracted new investors to DC Water – some concerned for Socially Responsible Investments
- Ratings affirmed by all 3 rating agencies
  - Met with rating agencies several times to ensure understanding of project, transaction and rationale
  - Assuaged concerns through updated Debt Policy guidelines for future Century Bond issuances
- Continued to implement an Asset – Liability matching program through 2014B Variable Rate Demand Bonds
  - Received strong demand from money market funds



# Transaction Highlights

## 2014 Transaction Team

Senior Managers and Joint Book Runners, 2014 A :	Barclays Capital Inc.
	Goldman Sachs & Co.
Senior Manager and Remarketing Agent, 2014 B-1	Bank of America Merrill Lynch
Senior Manager and Remarketing Agent, 2014 B-2	Loop Capital Markets
Co-Underwriter's Counsels:	Orrick, Herrington & Sutcliffe LLP
	McKenzie & Associates PC
Co-Bond Counsels:	Squire Patton Boggs LLP
	Leftwich & Ludaway LLC
Co-Financial Advisors:	Public Financial Management, Inc.
	G~Entry Principle
Sustainability Consultant	Vigeo enterprises
Financial Feasibility Consultant	Amawalk Consulting Group



# Series 2014 Financing Summary

## Series Details

**\$350,000,000**  
**Public Utility Senior Lien**  
**Revenue Bonds**  
**Series 2014A**  
**(Federally Taxable) (Green)**

Series	2014A
<b>Par Amount (\$)</b>	350,000,000
<b>Purpose</b>	Clean Rivers
<b>Tax Status</b>	Taxable
<b>Coupon</b>	Fixed rate, 4.814%
<b>Debt Structure</b>	Back-Loaded
<b>Structure (\$)</b>	2105: \$28,069,000 2106: \$29,420,000 2107: \$30,837,000 2108: \$32,321,000 2109: \$33,877,000 2110: \$35,508,000 2111: \$37,217,000 2112: \$39,009,000 2113: \$40,887,000 2114: \$42,855,000
<b>Net Proceeds (\$)</b>	346,777,729
<b>Debt Service in Years</b>	4/1/2015 through 10/1/2114
<b>Average Life (years)<sup>2</sup></b>	96.1 years
<b>Arbitrage Yield<sup>2</sup></b>	4.81%
<b>All-In-TIC<sup>2</sup></b>	4.87%

**\$100,000,000**  
**Public Utility Subordinate Lien Multimodal**  
**Revenue Bonds**  
**Series 2014 B-1 and B-2**  
**(Tax-Exempt)**

Series	2014 B-1	2014 B-2
<b>Par Amount (\$)</b>	50,000,000	50,000,000
<b>Purpose</b>	New Money	
<b>Tax Status</b>	Tax-exempt	
<b>Coupon</b>	Variable Rate, SIFMA	
<b>Debt Structure</b>	Back-Loaded	
<b>Structure (\$)</b>	2041: \$4,315,000 2042: \$4,450,000 2043: \$4,595,000 2044: \$4,745,000 2045: \$4,900,000 2046: \$5,060,000 2047: \$5,225,000 2048: \$5,390,000 2049: \$5,570,000 2050: \$5,750,000	2041: \$4,310,000 2042: \$4,455,000 2043: \$4,595,000 2044: \$4,745,000 2045: \$4,900,000 2046: \$5,060,000 2047: \$5,220,000 2048: \$5,395,000 2049: \$5,570,000 2050: \$5,750,000
<b>Net Proceeds (\$)</b>	49,922,500	49,919,398
<b>Debt Service in Years</b>	8/1/2014 through 10/1/2050	
<b>Average Life (years)<sup>2</sup></b>	31.9 years	
<b>Arbitrage Yield<sup>2</sup></b>	3.08%	
<b>All-In-TIC<sup>2</sup></b>	~3.12%	

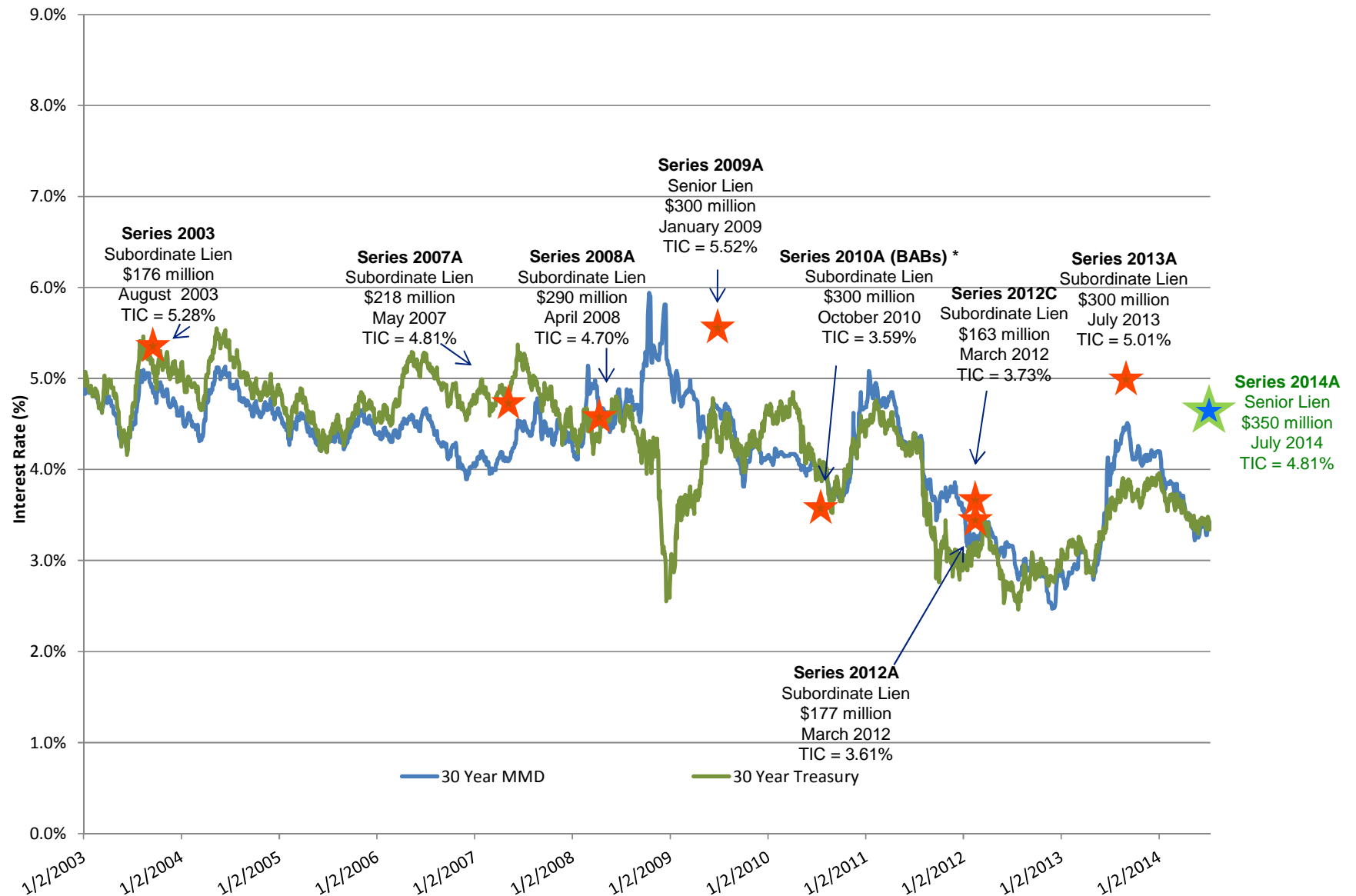
<sup>1</sup>. Annual debt service prior to debt amortization is \$16,849,000

<sup>2</sup>. Based on assumed interest rate of 1% in 2014 and 2015, 2% in FY 16 and 3.25% thereafter



# Series 2014 Financing Summary

## Comparative Cost of Capital—Century Bond

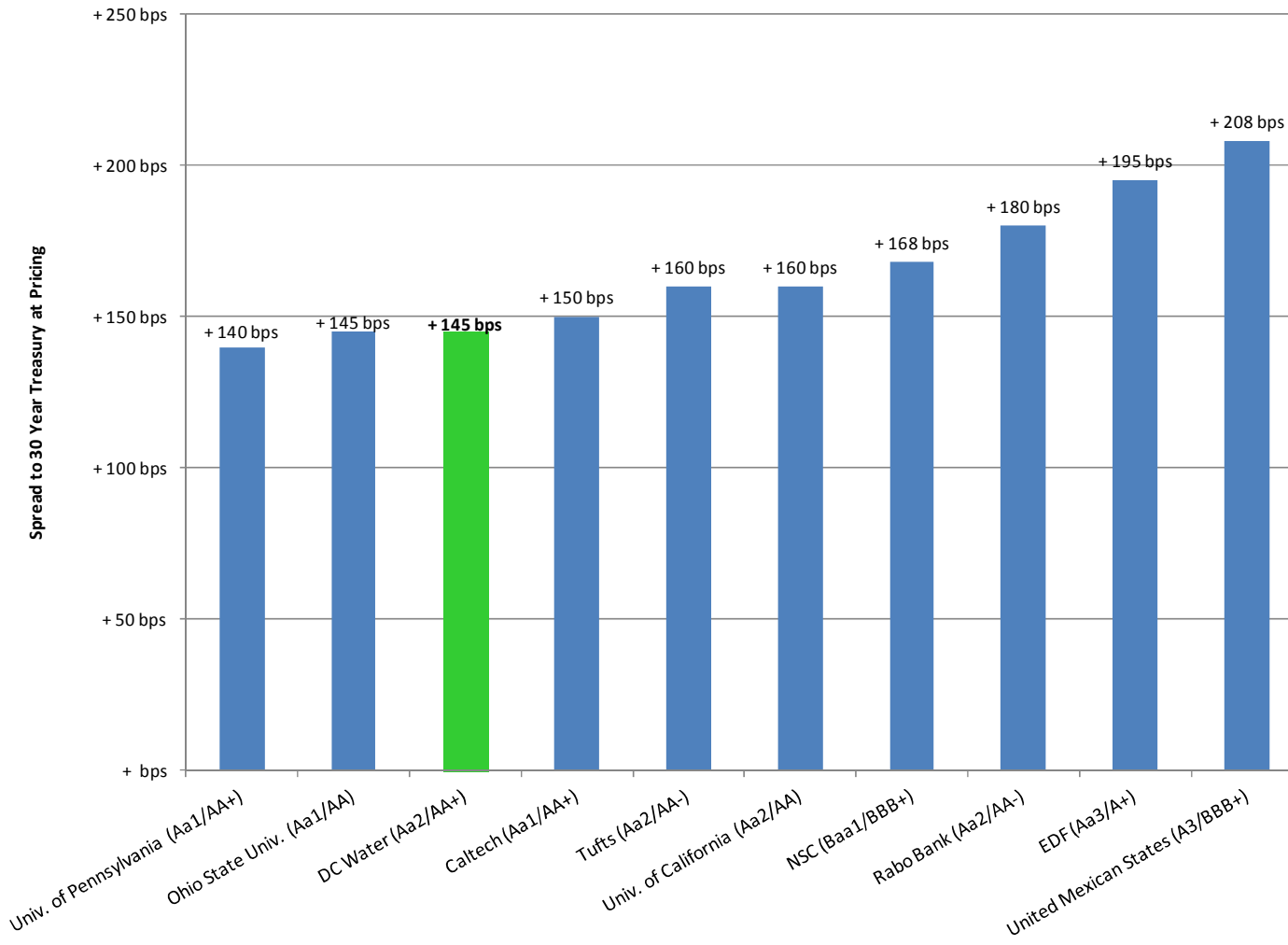


\* 2010 A TIC accounts for 35% federal subsidy



# Market Conditions and Pricing

## Comparable Century Bonds Pricing

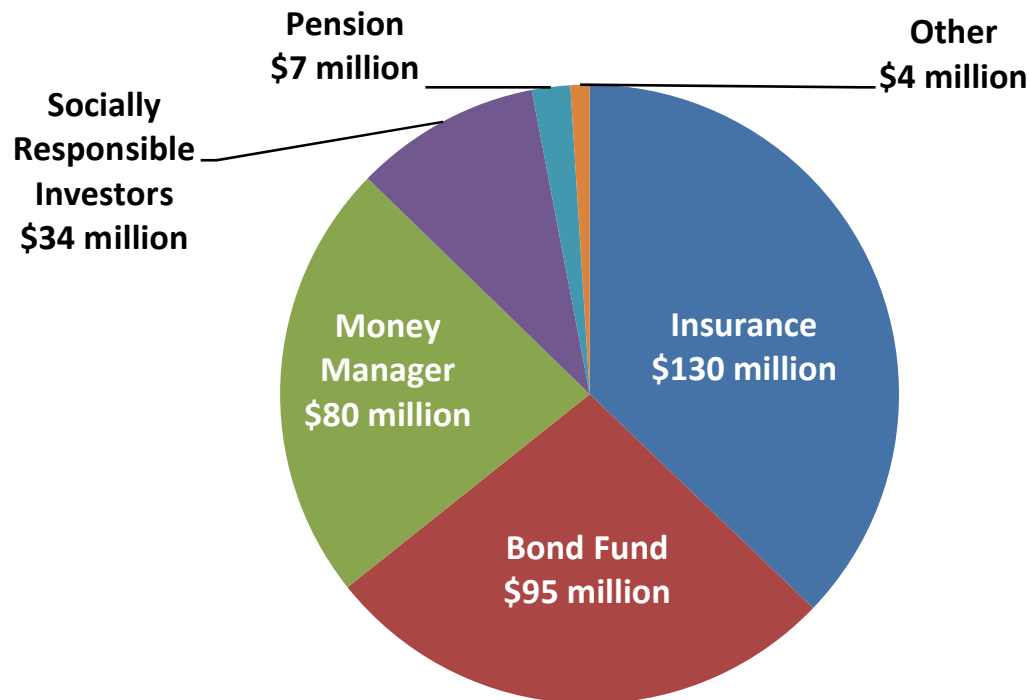


- Century Bonds were priced at a spread of 145 basis points to the 30 year treasury
- Excess demand for Century Bonds allowed the team to reduce the spread during pricing
- Priced very favorable compared to higher education issuers (some with greater name recognition and higher ratings)
- Century Bond yield was 4.814%



# Market Conditions and Pricing

## Century Bond Investors



- Significant demand for DC Water's Century Bonds, over \$1 billion in interest

Attracted \$85 million in orders from Socially Responsible Investors (SRI) due to "Green Bonds". SRIs were allocated \$34 million in Century Bonds

"Green Bonds" prompted many other inquiries from more traditional investors

Several "anchor orders" of at least \$100 million ensured success of pricing

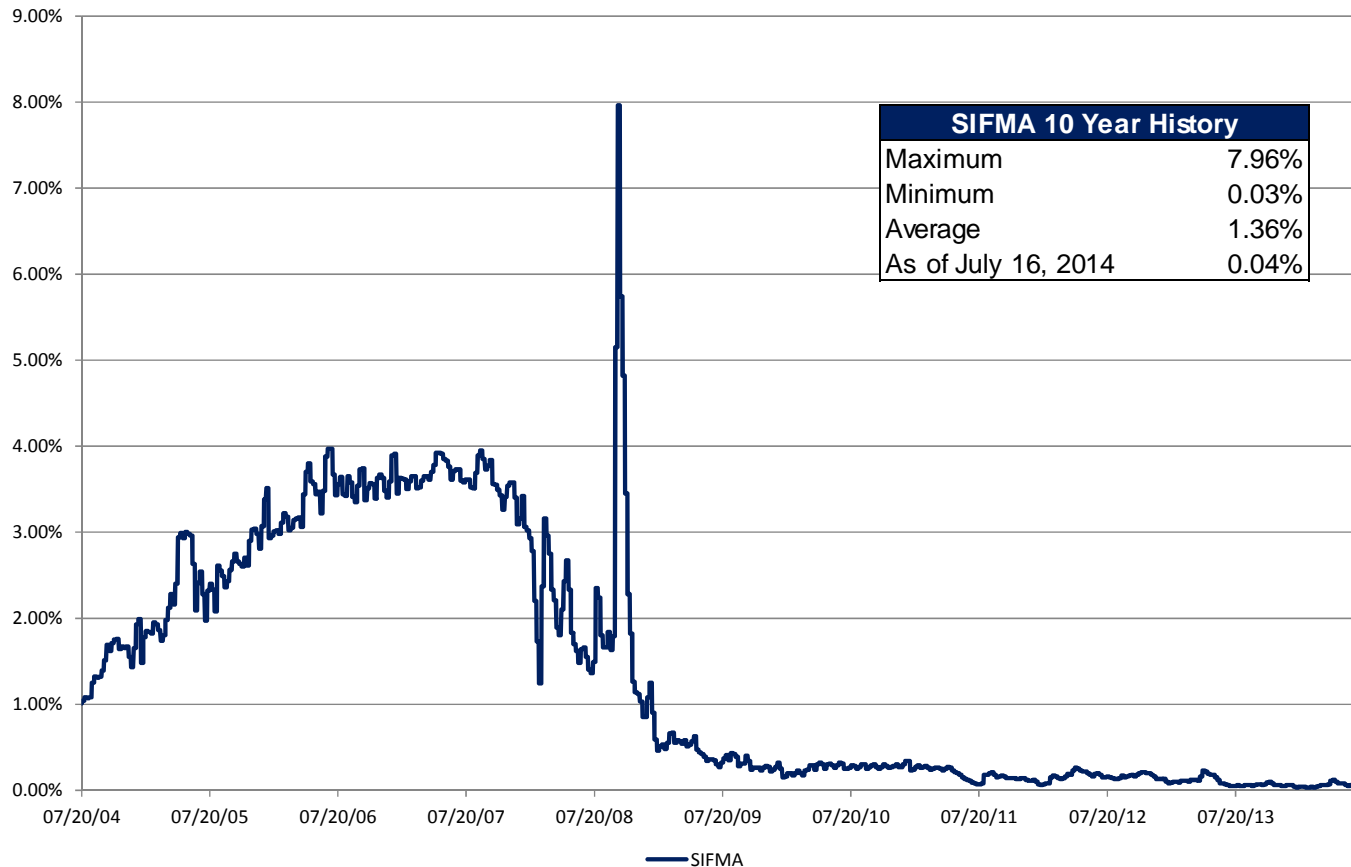
- Marketing effort yielded tremendous results

# Market Conditions and Pricing

## Short Term Rates for the 2014B VRDBs



**SIFMA**  
Ten Year History



- 2014 B Bonds are Variable Rate Demand Bonds with rates based on SIFMA
- SIFMA currently 4 basis points
- Continues to move to DC Water's target of 20-25% of variable rate debt in the portfolio
- Credit support provided by TD Bank



**\$350,000,000**

**4.814% Public Utility Senior Lien  
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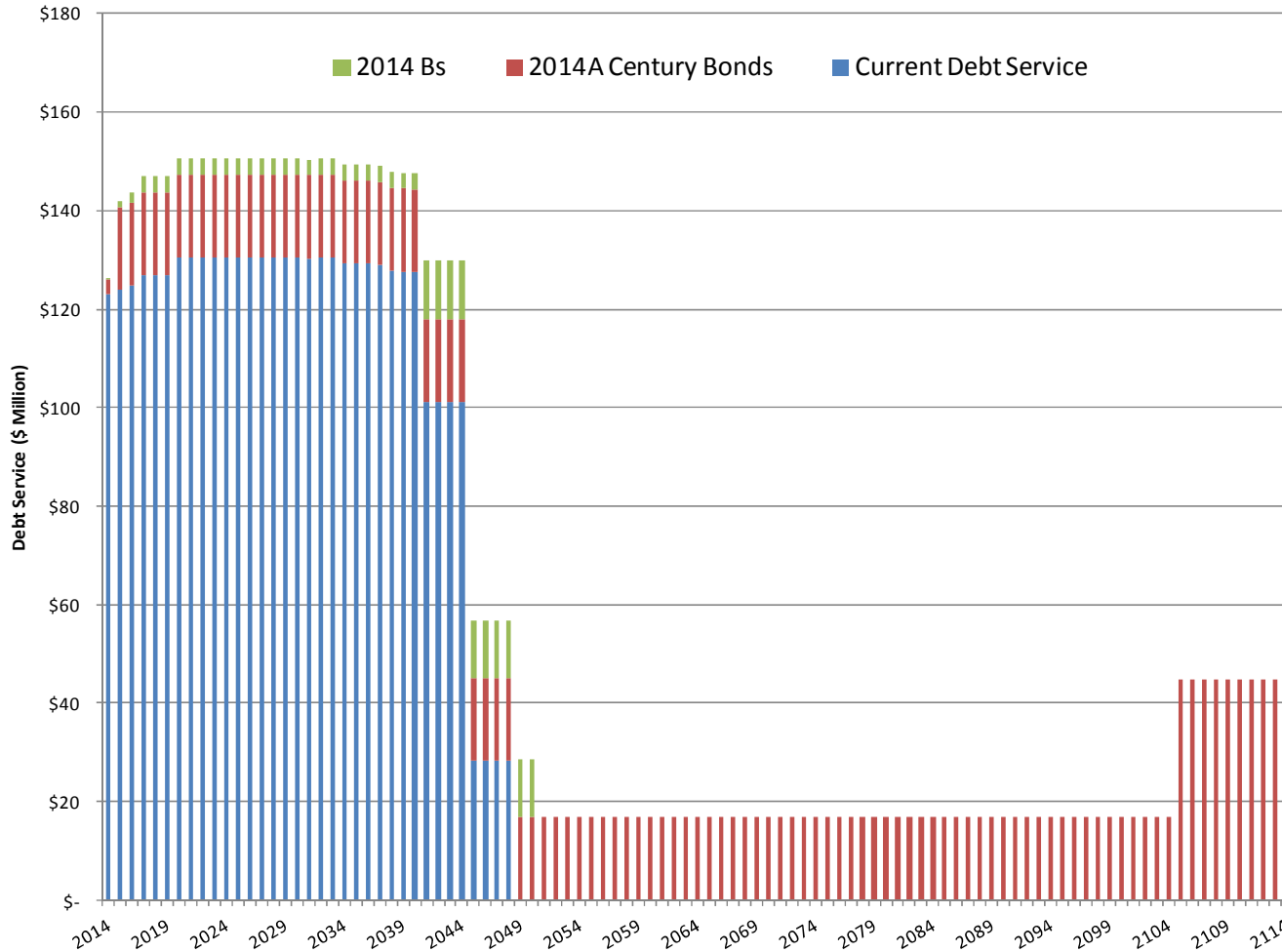
## **Transaction Overview to the Finance & Budget Committee July 23, 2014**





# Series 2014 Financing Summary

## Resulting Debt Service



- Resulting debt service preserves future borrowing capacity
- Updated Debt Policy allows for future Century Bond issuances, subject to established parameters
- Conservative interest rate assumptions used for 2014B variable rate bonds



D.C. WATER AND SEWER AUTHORITY  
BOARD OF DIRECTORS  
FINANCE & BUDGET  
SEPTEMBER COMMITTEE MEETING

Thursday, September 25, 2014; 11:00 a.m.  
Blue Plains Wastewater Treatment Plant  
5000 Overlook Avenue, SW, DC  
AGENDA

<b>Call to Order</b>	Chairman
<b>August 2014 Financial Report</b>	Budget Director, Finance Director
<b>Agenda for October Committee Meeting</b>	Chairman
<b>Adjournment</b>	Chairman

\*Detailed agenda can be found on DC Water's website at [www.dewater.com/about/board\\_agendas.cfm](http://www.dewater.com/about/board_agendas.cfm)