

## DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY

### Board of Directors

*Finance and Budget Committee*

*Thursday, September 22, 2011*

11:00 a.m.

1. **Call to Order** ..... Timothy Firestine, Chairperson
2. **August 2011 Financial Report (Attachment 1)** ..... Yvette Downs
  - A. Operating Revenues & Expenditures
  - B. Cash Reserves & Investments
  - C. Capital Disbursements Summary
  - D. **FY 2011 Year-End Projections (Attachment 2)**
3. **Investment Policy Revisions (Attachment 3)** ..... Robert Hunt
4. **FY 2013 Proposed Budget** ..... Olu Adebo
  - A. **Budget Calendar (Attachment 4)**
5. **Review of DC Water Procurement Policy and Practice Regarding Local Participation** ....  
..... George Hawkins
6. **Action Item**
  - A. **HR/Payroll System - Ceridian (Attachment 5)**
  - B. **Changes to Investment Policy (Attachment 6)**
7. **Agenda for October 27<sup>th</sup> Committee Meeting (Attachment 7)** ..... Timothy Firestine
8. **Adjournment**

#### ***FOLLOW-UP ITEMS – Finance & Budget Committee (Meeting held July 28, 2011)***

1. In the operating expenditures report show PILOT and ROW on two separate lines. **(Mr. Bardin) Status:** See Financial Report pg. #5.
2. Include a brief report in the narrative section showing month-by-month budget, spending, and variance on the LTCP (Clean Rivers Project). **(Ms. Nancoo & Mr. Bardin) Status:** Addressed in the August Financial Report
3. Mr. Bardin wanted to know if DC Water was getting a grant from VA / HUD as stated on the table on page 24 of the package. **(Mr. Bardin) Status:** See Financial Report pg. #16.



## August 2011 FINANCIAL REPORT

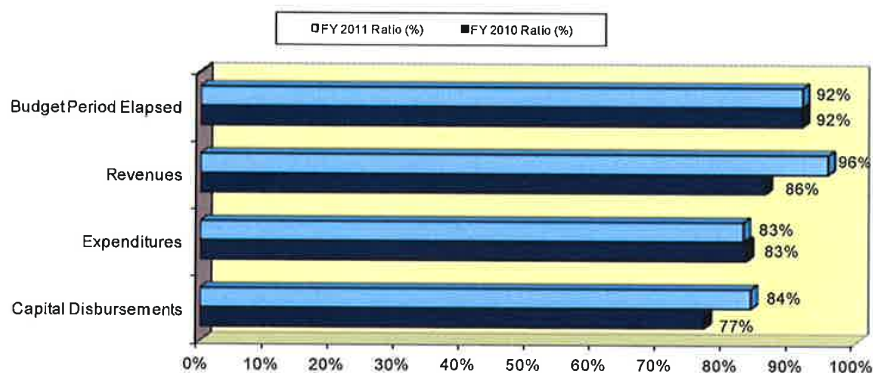
### FY 2011 FINANCIAL PERFORMANCE

At the end of August, with approximately 92 percent of the fiscal year completed, we are on track with budgetary expectations. We anticipate on completing the fiscal year within 101.3 percent of projected revenues and under budget for operating expenses and capital disbursements. The table below summarizes detailed information as discussed later in this report. This report also provides updated year-end projections, and revises the preliminary projections that were previously provided in May of this fiscal year.

#### Financial Performance As of August 31, 2011 (\$ in millions)

	Approved	Revised Budget	YTD Budget	YTD	Variance		Year-End Projection	% Revised Budget
				Actual	Favorable (Unfavorable)	92% of Budget		
Revenues (Receipts)*	\$395.9	\$399.1	\$365.9	\$381.7	\$15.8	4.3%	\$404.3	101.3%
Expenditures*	\$408.1	\$403.3	\$369.8	\$333.8	\$36.0	9.8%	\$374.5	92.9%
Capital Disbursements	\$383.7	\$325.2	\$293.0	\$272.8	\$20.2	7.0%	\$303.5	93.3%

\* Straight-lined (11/12 of revised budget)



#### 120-day Operating Reserve Analysis (\$ in millions)

FY 2011 120-day Operating Reserve Objective	\$125.5
Actual Average Daily Balances	\$140.4
Difference	\$14.9

## OPERATING REVENUES & RECEIPTS

At the end of August 2011, cash receipts totaled \$381.7 million, or 95.6 percent of the revised FY 2011 budget. Several categories of customers make payments on a quarterly basis, including the federal and District governments, and wholesale customers. The table below provides a summary of operating receipts at the end of August as well as updated year-end projections for each revenue category.

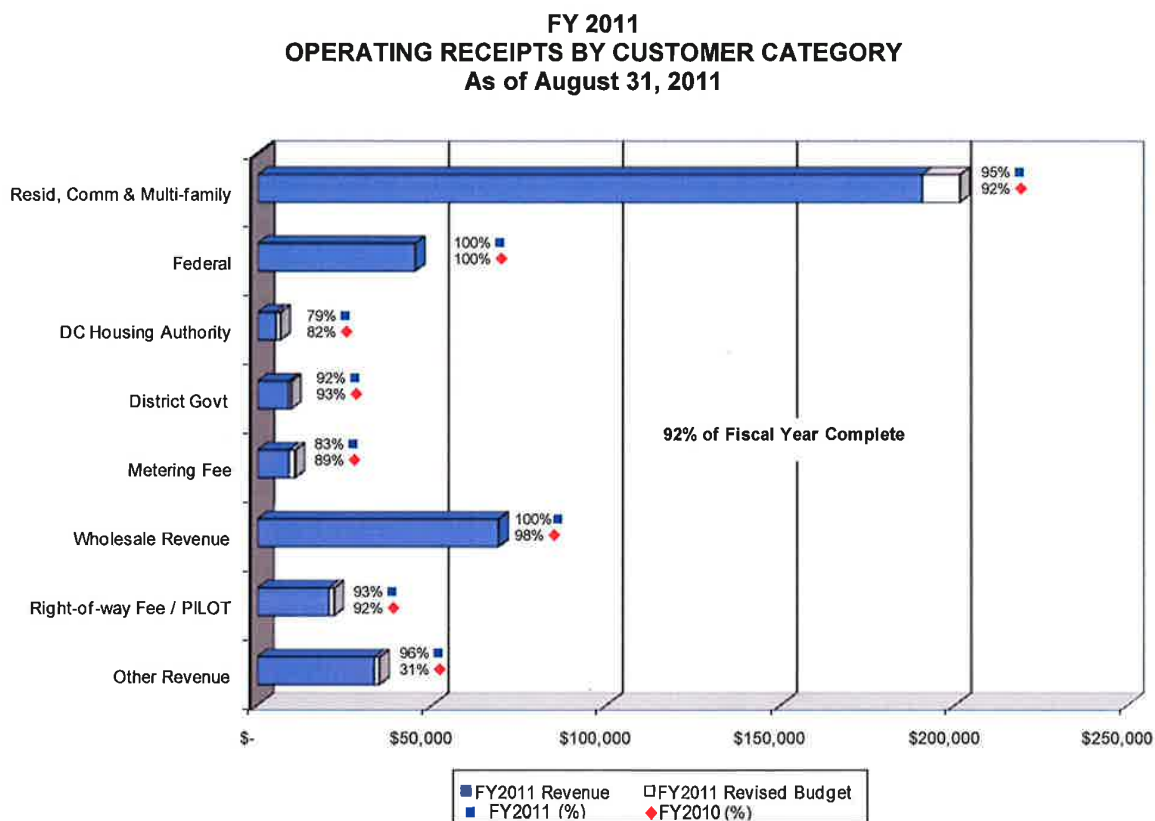
### REVENUE VARIANCE BY CATEGORY (In millions) As of August 31, 2011

Revenue Category	FY 2011 Budget	Year-to- Date Budget	Actual Received	Variance		Actual % of Budget	Revised FY 11 Year End Projections	Variance Proj v. Bud	Percent
				Favorable	(Unfavorable)				
Residential, Commercial, and Multifamily	201.5	184.7	190.6	5.9	3.2%	95%	209.6	8.1	104.0%
Federal	44.9	41.2	45.0	3.8	9.3%	100%	44.9	0.0	100.0%
District Government	9.7	8.9	8.9	0.0	0.1%	92%	8.9	(0.8)	91.8%
DC Housing Authority	6.5	6.0	5.2	(0.8)	-12.7%	79%	5.9	(0.6)	90.8%
Customer Metering Fee	10.8	9.9	9.0	(0.9)	-9.1%	83%	9.8	(1.0)	90.7%
Wholesale	68.8	63.1	69.0	5.9	9.4%	100%	69.0	0.2	100.3%
Right-of-Way Fee/PILOT	22.0	20.2	20.5	0.3	1.6%	93%	22.3	0.3	101.4%
Sub-Total (before Other Revenues)	\$364.2	\$333.9	\$348.2	\$14.3	4.3%	96%	\$370.4	\$6.2	101.7%
Other Revenue without RSF									
IMA Indirect Cost Reimb. For Capital Projects	4.0	3.7	4.0	0.3	9.1%	100.0%	4.0	0.0	100.0%
DC Fire Protection Fee	13.3	12.2	10.9	(1.3)	-10.6%	82.0%	10.9	(2.4)	82.0%
Stormwater (MS4)	0.8	0.7	0.6	(0.1)	-13.6%	81.0%	0.6	(0.2)	75.0%
Interest	0.8	0.8	1.1	0.4	52.6%	139.9%	1.2	0.4	143.0%
Developer Fees (Water & Sewer)	3.0	2.8	5.2	2.4	89.1%	173.3%	5.5	2.5	183.3%
Others	3.5	3.2	2.1	(1.1)	-34.5%	60.0%	2.2	(1.3)	62.9%
Sub-Total	\$25.4	\$23.3	\$24.0	0.7	3.0%	95.0%	\$24.4	(1.0)	95.9%
Rate Stabilization Fund Transfer	\$9.5	\$8.7	\$9.5	0.8	9.1%	100.0%	\$9.5	\$0.0	100.0%
Other Revenue Sub-Total	\$34.9	\$32.0	\$33.5	1.5	4.6%	95.9%	\$33.9	(1.0)	97.0%
Grand Total	\$399.1	\$365.9	\$381.7	15.8	4.3%	95.6%	\$404.3	\$5.2	101.3%

The total revenues for FY 2011 are projected to be slightly higher at 404.3 million or 101.3 percent of the revised budget. Over the summer months, we have seen increased water consumption primarily in the residential, commercial and multi-family categories, which have resulted in higher than anticipated revenue receipts. Consumption is slightly lower than anticipated in the categories of D.C. Housing Authority and DC Government and we anticipate ending fiscal year within 8 to 9 percent of budget for these two retail rates categories.

Receipts for the Customer Metering fee in the first eleven months of the year total \$9.0 million or 83 percent of the revised FY 2011 budget. In October 2010, the Customer Metering fee was increased for all meter sizes and higher revenues have been anticipated for FY 2011. A review of trends indicates this to be true. However, there is a lag between billing the new fee and collection of the new fee that contributes to the variance in this revenue category.

The other revenue category is expected to end the year slightly under revised budget at \$33.9 million or 97 percent. This is primarily due to a catch-up payment the portion of DC Fire Protection Fee pertaining to prior period payments. Since an Memorandum of Understanding (MOU) was not completed in FY 2011, the \$2.34 million catch-up payment for the DC Fire Protection Fee is not expected to be received in this fiscal year.



**BREAKDOWN OF RETAIL RECEIPTS BY CUSTOMER CATEGORY****August 31, 2011****(\$ in 000's)**

<b>Customer Category</b>	<b>Water</b>	<b>Sewer</b>	<b>Clean Rivers IAC</b>	<b>Metering Fee</b>	<b>Total</b>
Residential	21,443	32,299	4,101	4,206	62,049
Commercial	34,647	43,374	5,116	2,744	85,882
Multi-family	19,381	28,710	1,531	1,006	50,628
Federal	18,974	23,473	2,548	504	45,499
District Govt	3,149	4,568	1,186	395	9,298
DC Housing Authority	2,013	3,007	190	116	5,326
<b>Total:</b>	<b>99,607</b>	<b>135,432</b>	<b>14,673</b>	<b>8,971</b>	<b>258,683</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

**Clean Rivers IAC – Actual vs Budget****August 31, 2011****(\$ in 000's)**

<b>Customer Category</b>	<b>FY2011 Budget</b>	<b>Year-To-Date Budget</b>	<b>Actual Received</b>	<b>Variance Favorable / &lt;Unfavorable&gt;</b>	<b>Variance % of YTD Budget</b>	<b>Actual % of Budget</b>
Residential	4,047	3,710	4,101	391	11%	101%
Commercial	5,158	4,728	5,116	388	8%	99%
Multi-family	1,752	1,606	1,531	(75)	-5%	87%
Federal	2,548	2,336	2,548	212	9%	100%
District Govt	1,182	1,083	1,186	103	10%	100%
DC Housing Authority	213	195	190	(5)	-3%	89%
<b>Total:</b>	<b>14,900</b>	<b>13,658</b>	<b>14,673</b>	<b>1,014</b>	<b>7%</b>	<b>98%</b>

## OPERATING EXPENDITURES

At the end of August, with approximately 92 percent of the fiscal year completed, operating expenditures totaled \$333.8 million (including debt service and the right of way and PILOT fees). This is approximately 83 percent of the FY 2011 revised budget, which totals \$403.4 million. These numbers include estimated incurred but unpaid invoices. We anticipate completing the fiscal year at approximately 93 percent of the total O&M budget. The table which follows provides updated projections for each major budget category.

### EXPENDITURE VARIANCE BY CATEGORY (in millions) As of August 31, 2011

	FY 2010 Actual YE Percent of Budget	FY 2011							FY 2012 Board Revised Budget
		Board Revised Budget	YTD Budget	YTD as of 08/31/2011	Percent of Budget	Revised Year-End Projections	Projection Percent of Budget	Year-End Variance	
Personnel Services	102%	105,292	96,518	94,124	89%	102,569	97%	2,723	111,114
Contractual Services	90%	79,114	72,521	80,812	77%	73,771	93%	5,343	79,745
Water Purchases	91%	33,000	30,250	24,378	74%	27,014	82%	5,986	31,517
Chemicals and Supplies	91%	29,234	26,798	22,584	77%	25,980	89%	3,254	29,946
Utilities	81%	34,938	32,027	28,503	76%	30,402	87%	4,536	37,447
Small Equipment	95%	1,095	1,004	509	47%	698	64%	397	995
<b>Subtotal O &amp; M Expenditures</b>	<b>93%</b>	<b>282,674</b>	<b>259,117</b>	<b>228,910</b>	<b>81%</b>	<b>260,434</b>	<b>92%</b>	<b>22,239</b>	<b>290,765</b>
Debt Service	92%	98,726	90,499	84,705	86%	92,068	93%	6,658	102,613
Payment in Lieu of Taxes	100%	16,882	15,475	15,475	92%	16,882	100%	-	16,882
Right of Way	100%	5,100	4,675	4,675	92%	5,100	100%	-	5,100
<b>Total O &amp; M Expenditures</b>	<b>93%</b>	<b>403,382</b>	<b>369,766</b>	<b>333,768</b>	<b>83%</b>	<b>374,484</b>	<b>93%</b>	<b>28,897</b>	<b>415,360</b>
Personnel Services Charged to Capital Projects	107%	(11,000)	(10,083)	(9,833)	89%	(10,716)	97%	(284)	(14,000)
<b>Total Net Operating Expenditures</b>	<b>93%</b>	<b>392,382</b>	<b>359,683</b>	<b>323,933</b>	<b>83%</b>	<b>363,768</b>	<b>93%</b>	<b>28,613</b>	<b>401,360</b>

Note: Actuals include accruals

## Discussion

*Personnel services (\$105.3 million annual budget; 37.2 percent of O&M budget)* – At the end of August, personnel costs total \$94.1 million or 89 percent of budget. Of the 1,137 positions budgeted (1,165 positions authorized), 1,037 positions were filled at the end of August. Overtime spending totals \$4.9 million of the annual budget of \$5.0 million, or 7 percent of regular payroll costs. Emergency response to water main breaks, snow removal efforts, after-hour infrastructure repairs and other weather-related activities experienced this year resulted in higher overtime. We expect to end the fiscal year at approximately 97 percent in this category primarily due to higher vacancy rate.

*Water Purchases (\$33.0 million annual budget; 11.7 percent of O&M budget)* – At the end of August, water purchases incurred total \$24.4 million or approximately 74 percent of budget. The current variance in this category is primarily due to the federal freeze in employee salaries and delay in the go live date of the new sodium hypochlorite facility operations of the hypochlorite project, which is now projected to begin in early FY 2012. We anticipate ending the fiscal year at approximately 82 percent in this category.

*Chemicals and Supplies (\$29.2 million annual budget; 10.3 percent of O&M budget)* – At the end of August, chemicals and supplies costs total \$22.6 million or 77 percent of budget. Savings in chemicals is primarily due to lower than anticipated pricing for some of the major chemicals used in our wastewater treatment process (ferric chloride, sodium hypochlorite,

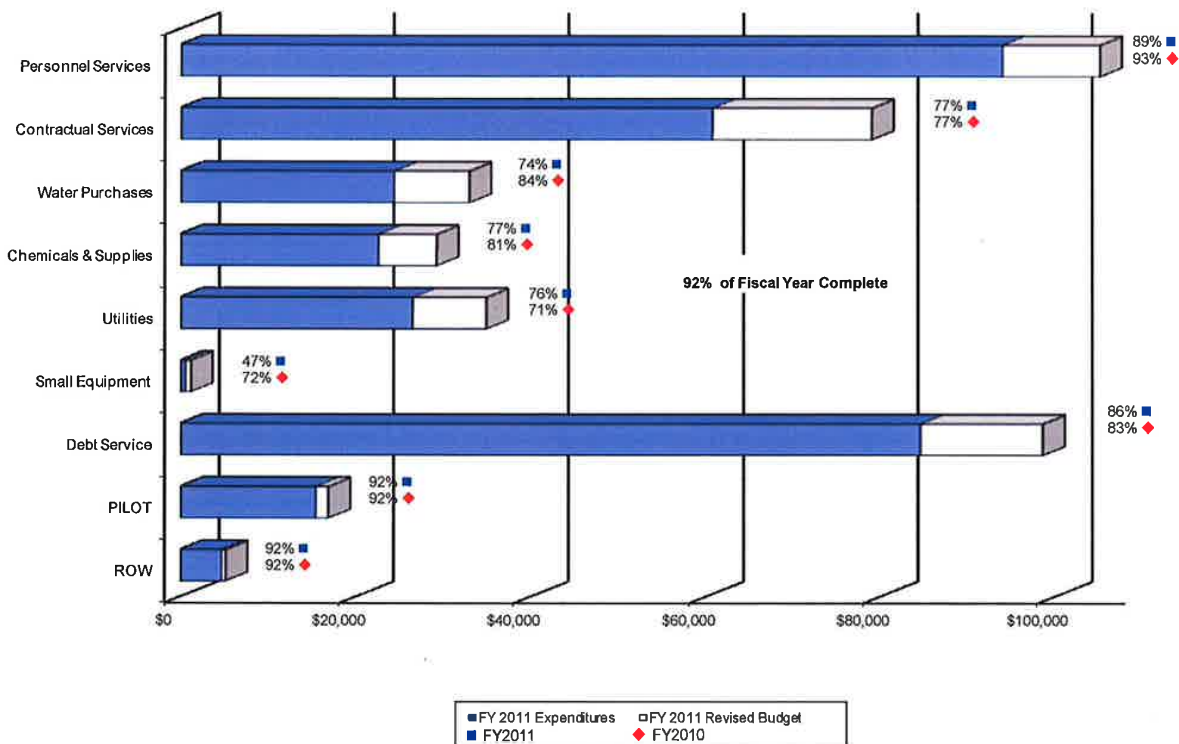
caustic soda and lime). There was also a slight decline in influent flows, which resulted in lower chemical usage. We continue to monitor the market and currently anticipate completing the fiscal year within budget for this category at approximately 89 percent.

*Utilities (34.9 million annual budget; 12.4 percent of O&M budget)* – At the end of August, utilities expenditures total \$26.5 million or 76 percent of the budget. We expect to end the fiscal year at approximately 87 percent of the revised budget in this category with projected savings mainly from electricity expenditure. Later in the report is additional information detailing actual performance in this category.

*Debt Service (98.7 million annual budget)* – At the end of August, debt service expenditures total \$84.7 million or 86 percent of the budget. We expect to end the fiscal year at 93 percent of the revised operating budget in this category. The savings reflect net debt service payment on Series 2010A Federally Taxable Issuer Subsidy Build America Bonds and favorable interest rates on the commercial paper.

*Payment in Lieu of Taxes – (\$16.9 million annual budget)* – Payments and accrued expenses for the District's PILOT fee totaled \$15.5 million. Actual payment differs due to previous Board direction and resulting offsets associated with the Fire Protection fee.

**FY 2011 Operating Expenditures  
by Category  
(\$ in 000's)  
As of August 31, 2011**





## CAPITAL SPENDING

For the month of August 2011 disbursements totaled \$44.3 million, with year-to-date disbursements totaling \$272.8 million, or 84 percent of the FY 2011 Revised (Annual) disbursements budget. Planned capital disbursements through August 2011 were \$293 million, or 90 percent of the FY 2011 Revised disbursements budget.

### Capital Disbursements Variance (dollars in thousands) As of August 31, 2011

Description	FY 2011 Revised Disbursements Budget		Actual Disbursements			Percent of FY 2011 Revised Disbursements Budget		FY 2011 Revised Year-End *Projections	
	Annual	YTD	Oct. '10 to July. '11	Aug. '11	<sup>1</sup> YTD	Variance Compared to Plan	Percent of Annual Budget	Amount	Percent of Annual Budget
Wastewater Treatment	133,128	117,901	91,828	23,637	115,465	2%	87%	128,186	96%
Sanitary Sewer	33,996	30,234	20,722	2,869	23,590	22%	69%	26,132	77%
Combined Sewer Overflow	76,084	71,536	61,640	10,774	72,415	-1%	95%	80,182	105%
Stormwater	3,491	3,182	1,408	679	2,087	34%	60%	2,479	71%
Water	50,612	46,782	38,284	5,275	43,559	7%	86%	46,750	92%
Washington Aqueduct	10,449	7,354	6,909	0	6,909	6%	66%	9,491	91%
Capital Equipment	17,462	16,006	7,741	1,034	8,775	45%	50%	10,230	59%
<b>Total Capital Projects</b>	<b>\$ 325,222</b>	<b>\$292,995</b>	<b>\$ 228,530</b>	<b>\$ 44,268</b>	<b>\$272,798</b>	<b>7%</b>	<b>84%</b>	<b>\$303,450</b>	<b>93%</b>

\* Revised Projections : include Actuals thru Aug., and projections for Sep. 2011

## Discussion

We anticipate completing the fiscal year within 7 percent of the FY 2011 Disbursement budget (or \$303.5 million). Variances between FY 2011 Revised Disbursements Budget as compared to the FY 2011 Projected Disbursements are primarily due to OCIP accruals and delayed spending. Spending lags in the Plantwide Program and ENRF within Wastewater Treatment area due to delay in start dates for some projects (including ENRF) as well as delayed invoicing for work in the Process Computer Control System. The ENRF project is still scheduled to be completed on time. Spending variances are projected in the Sanitary Sewer area primarily in the area of program management and sanitary on-going projects. The reduced spending of the Program Management Area is the result of a lag in billing due to the transition to a new program manager. Spending in the areas of the Washington Aqueduct and Capital Equipment continue to lag the reduced spending related to the Washington Aqueduct is the result of lower billings in FY 2011. Under-spending in the Capital Equipment area is still mainly related to IT projects. Reduced spending is partially offset by increased spending within solid processing area (within Wastewater Treatment) and the CSO service area (specifically the Outfall Sewer Rehabilitation



(Project D2) and the Main & O Pump Station (Project K1). Currently, all projects are on target, and there are no major progress issues within the Capital Improvement Program.

The spending in the CSO Service area is projected to exceed the FY 2011 Revised Disbursements Budget. This increased spending is primarily related to a number of projects in the Combined Sewer Projects Program: specifically, the Outfall Sewer Rehabilitation (Project D2) and the Main & O Pump Station (Project K1).

Projects in the Wastewater Treatment service area led the disbursements at \$23.6 million followed by projects in Combined Sewer Overflow service area at \$10.8 million. Disbursements for the Water service area totaled \$5.3 million, followed by disbursements for the Sanitary Sewer, and the Capital Equipment service areas at \$2.9 million and \$1 million, respectively. Stormwater service area disbursements were relatively low, at only \$0.7 million.

*Wastewater Treatment (Blue Plains):* the Enhanced Nitrogen Removal Facilities Program (formerly, BTN - the Total Nitrogen Program) had the highest disbursements, \$14.8 million, primarily for the Nitrogen Removal Facilities, and the Wet Weather Peak Mitigation (aka Blue Plains Tunnel) projects. Solids processing program disbursements came in next, at \$7.1 million, primarily for the New Digestion Facilities, and the Centrifuge Thickener Facility projects. Laboratory Upgrades, and the Miscellaneous projects throughout Blue Plains accounted for major disbursements under the Plantwide Program.

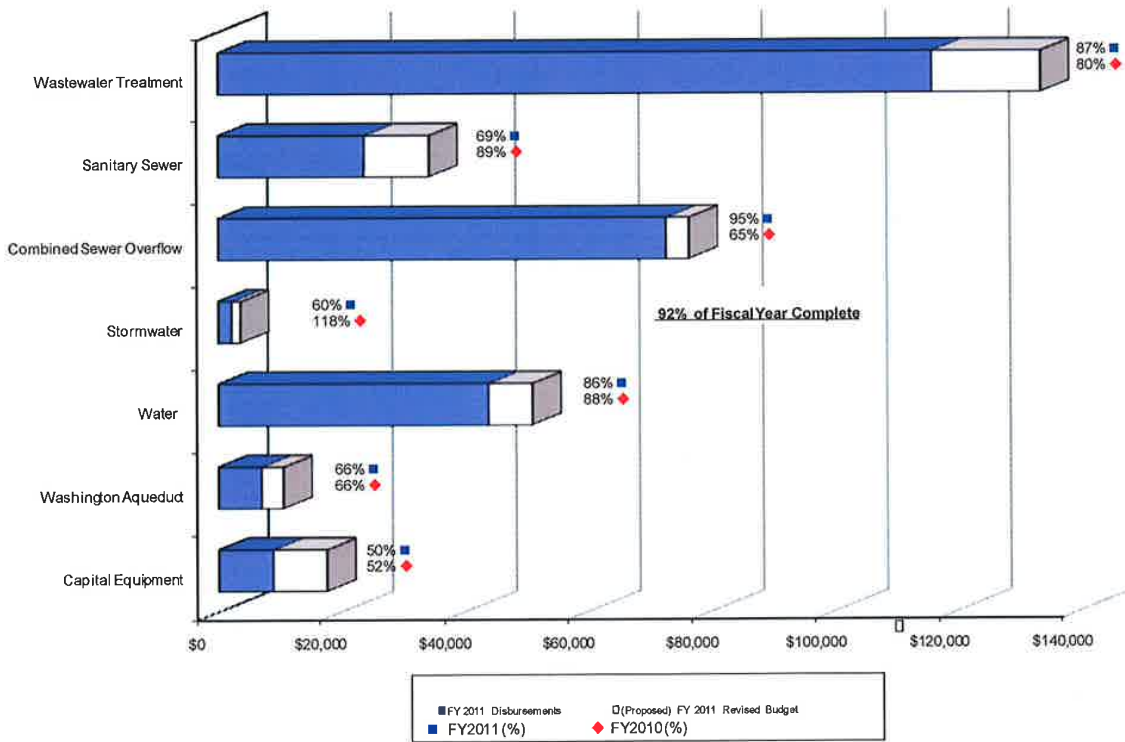
*Combined Sewer Overflow (CSO) service area:* D.C. Clean Rivers Project (aka Long Term Control Plan, or LTCP) disbursements were \$10 million, almost all of which was for the Anacostia LTCP Projects. 'Combined Sewer Projects' Program disbursements, at \$0.7 million, were primarily for the 'Nine Minimum Control' group of projects, e.g., Rock Creek CSO projects, and the Outfall Sewer Rehabilitation project.

*Water Service area:* Annual water projects accounted for disbursements of \$1.9 million under the DDOT Water Projects Program. Water Distribution (Systems) program disbursements totaled \$1.7 million—mainly for various Small Diameter Watermain Rehabilitation contracts, and the Crosstown Water Main Rehabilitation projects. Water On-Going Projects Program disbursements, \$0.9 million, were entirely for annual DWS Water Projects. Automated Meter Reading (AMR) Meter Replacements related disbursements amounted to \$0.2 million.

*Sanitary Sewer Service area:* disbursements for Sanitary Interceptor/Trunk Force Sewers program amounted to \$1.7 million, primarily for the Potomac Sewer System Rehabilitation, and the Future Sewer Systems Upgrades projects. The 'Sewer On-going Projects' program disbursements of \$0.8 million were mainly attributable to the FY 2011 DSS Sanitary Sewer projects.

*Capital Equipment service area:* disbursements totaled \$1 million. Disbursements under this area were made for the Desktop Replacement Systems, Telephone Renewal, and Fleet Management.

**FY 2011 Capital Disbursements Compared to Plan  
By Service Area  
(\$ in 000's)  
As of August 31, 2011**



## CASH AND INVESTMENT BALANCES

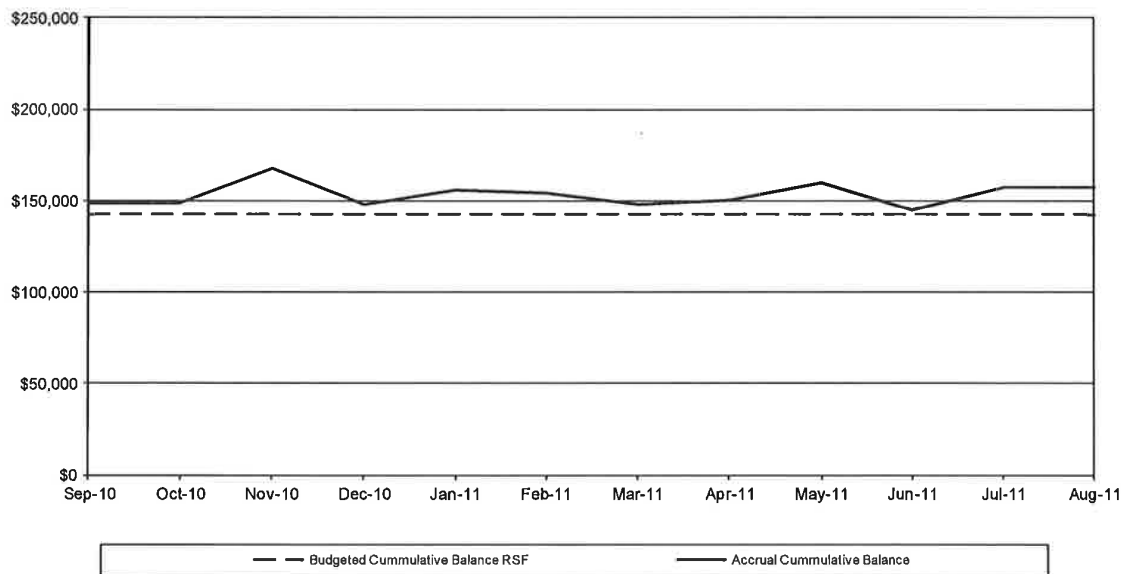
At the end of August, our operating reserve balance was \$140.5 million as compared to the FY 2011 operating reserve level objective of \$125.5 million. The following table provides a summary of all cash and investment account balances.

### Cash Balances As of August 31, 2011 (\$ in millions)

Rate Stabilization Fund Account (RSF)	<b>\$16.7</b>
Operating Reserve Accounts	<b>140.5</b>
<b>Operating Cash Balance Including RSF</b>	<b>157.2</b>
Debt Service Reserve - Series 98	24.0
Bond Construction Fund - Series 10	176.0
Capital Interest Fund - Series 10	9.1
CSO LTCP Appropriations Account	<b>61.3</b>
<b>Total All Funds</b>	<b>\$427.6</b>

**Note:** In September, DC Water established a new escrow account to separate PILOT payments withheld by DC Water pending resolution of an on-going dispute.

### FY 2011 Operating Cash Balances (\$ in 000's) (Operating Reserve and RSF)



### Overall Portfolio Performance

As of August, DC Water's total investment portfolio continues to perform well and is in compliance with the Authority's Investment Policy. Returns continue to exceed the established benchmarks for short term (less than one year) and core (one plus years) funds. Interest income for August (**on a cash basis**) was \$71,350, and year-to-date income is \$889,883 as compared to the budget of \$542,519 for the year.

### Discussion of Investment Policy Modifications

DC Water's Statement of Investment Policy was adopted on October 4, 2007. As a result of recent market conditions and the downgrading of Federal Agency Obligations (Fannie Mae, Freddie Mac, FHLB notes) from "AAA" to "AA" by Standard & Poor's (S&P), DC Water staff and our financial advisors have reviewed our current policy related to these types of investments. Based on this review, recommendations will be made to modify the ratings requirement for Federal Agency Obligations, allow for the purchase of FDIC Insured Certificates of Deposit (CDARS) and allow bank deposits to be collateralized with an established line of credit. These options and recommendations will be presented to the Finance and Budget Committee in September 2011.

## OTHER STATUS REPORTS

### BUDGET PRESENTATION AWARD

DC Water recently received the Distinguished Budget Presentation Award presented by the Government Finance Officers Association (GFOA) recognizing DC Water's annual budget for the Fiscal year beginning 2011. To receive this award, a government unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communications device. This is the eleventh straight year that DC Water's Finance and Budget Department has won this prestigious award. The GFOA budget award reflects the commitment of DC Water's governing body and staff to meeting the highest principles of governmental budgeting.

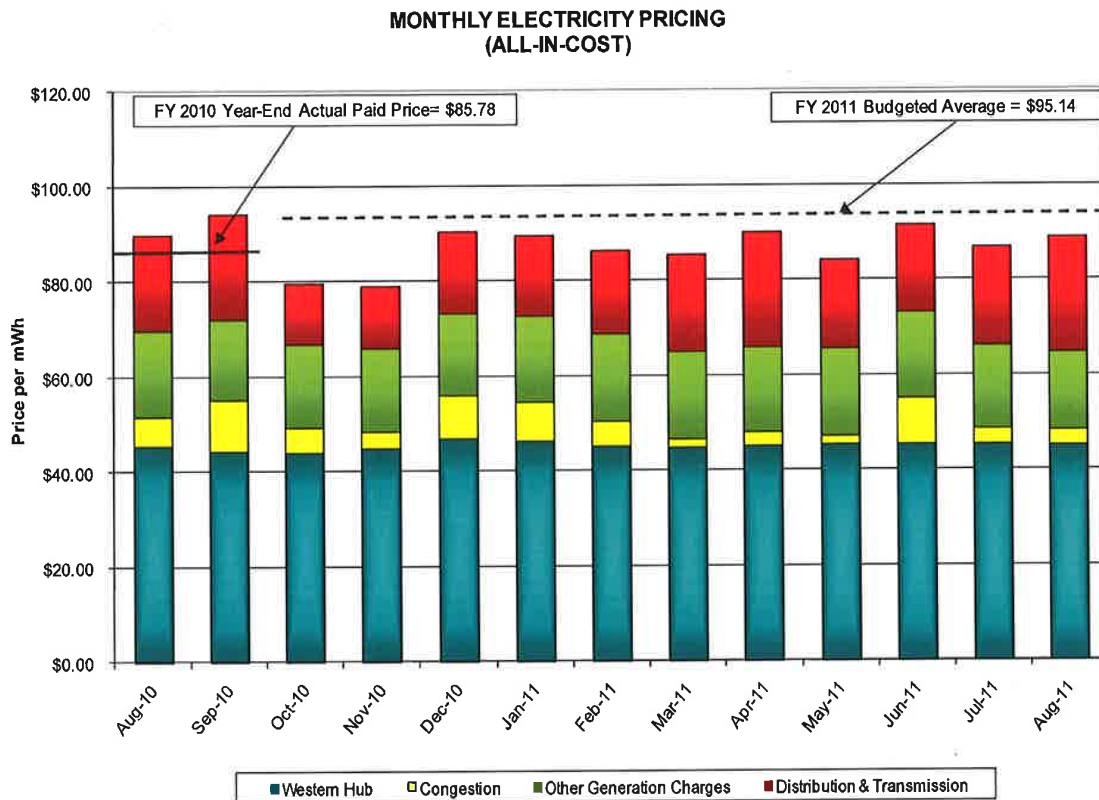


## ELECTRICITY

The overall objective of our procurement strategy is to mitigate DC Water's exposure to daily electricity spot market prices in the deregulated electricity market. In view of the above, staff has adopted the strategy to purchase long and short term blocks of electricity at a mix of Western Hub future market prices with the unlocked portions floating at spot market prices.

In line with this strategy and the Board's directive, we have locked approximately 90 percent or 27MW of the Authority's monthly electricity load for FY 2011 at the Western Hub price of \$45.39/mWh.

The chart, which follows, depicts the all-in-cost for the electricity purchased by the Authority. As indicated in the chart, electricity prices generally increase during the winter and summer peak months. The average all-in-cost estimated for August 2011 was \$89.00/mWh, with the year-to-date average at \$86.65/mWh. We expect to end the fiscal year at approximately \$87.43/mWh for the all-in pricing well below the budgeted average.



Notes: A) Other generation charges include the capacity charges, loss factor adjustments, ancillary costs, and other adder (administrative) fees associated with electricity procurement over the spot market  
B) July and August FY 2011 prices include accruals for invoices not yet received.

## ELECTRICITY COSTS

The revised FY 2011 electricity budget of \$26.9 million represents 77 percent of the total utilities budget and assumes an average all-in-cost of \$95.14/mWh.

The current purchasing strategy can be compared to two benchmarks: the Standard Offer Service (S.O.S.) and Pepco DC Zone spot market prices. As indicated in the chart below, DC Water average year-to-date actual prices are lower than the spot market average prices and significantly below the S.O.S. prices.

	All-In-Cost (\$/mWh)		
	Unit Price		
	Standard Offer Service (S.O.S.)	Spot Market	Actual <sup>1</sup>
Oct-10	\$158.24	\$71.42	\$79.78
Nov-10	\$152.48	\$72.00	\$79.07
Dec-10	\$155.93	\$100.31	\$90.37
Jan-11	\$153.78	\$95.93	\$89.68
Feb-11	\$154.33	\$85.69	\$86.54
Mar-11	\$151.86	\$80.81	\$85.69
Apr-11	\$149.94	\$88.59	\$90.21
May-11	\$159.36	\$86.93	\$84.24
Jun-11	\$157.92	\$96.03	\$91.70
Jul-11	\$155.78	\$96.06	\$86.93
Aug-11	\$156.05	\$87.05	\$89.00
YTD Average	\$155.06	\$87.35	\$86.65

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

Electricity Budget (\$000)			
Amount		Variance	
Budgeted	Actual	Budgeted vs Actual	
Oct-10	\$2,478	\$1,694	\$784
Nov-10	\$2,187	\$1,758	\$429
Dec-10	\$2,388	\$2,356	\$32
Jan-11	\$2,386	\$2,005	\$381
Feb-11	\$1,877	\$1,718	\$159
Mar-11	\$1,968	\$1,776	\$192
Apr-11	\$1,896	\$1,890	\$6
May-11	\$1,976	\$1,731	\$245
Jun-11	\$2,146	\$2,017	\$128
Jul-11	\$2,631	\$1,777	\$855
Aug-11	\$2,284	\$1,893	\$391
YTD Total	\$24,217	\$20,615	\$3,602
Remainder	\$2,706		
Total Budget	\$26,923		

The current purchasing strategy is tracking favorably to the FY 2011 budget. We expect to end the fiscal year with significant savings in electricity expenditure mainly attributable to the adopted block purchasing strategy coupled with estimated 2.8 percent reduction in consumption experienced this fiscal year in comparison to prior year.



**RETAIL & WHOLESALE ACCOUNTS RECEIVABLE**

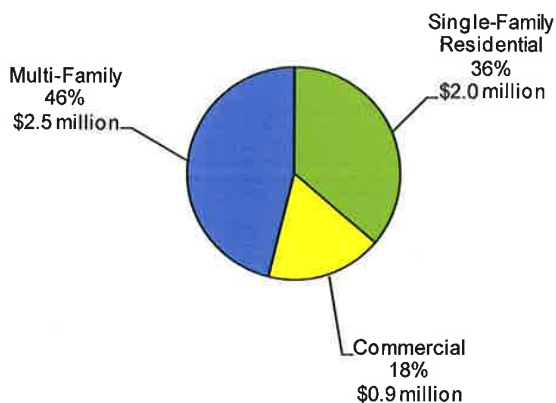
The following tables and chart show retail and wholesale accounts receivable over 90 days including a breakdown by customer class.

**Delinquent Accounts Receivable  
Greater Than 90 Days by Customer  
August 31, 2011**

	<b>RETAIL</b>		<b>WHOLESALE</b>		<b>TOTAL</b>	
	<b>Greater than 90 Days</b>		<b>Greater than 90 Days</b>		<b>Greater than 90 Days</b>	
	<b>\$ in millions</b>	<b># of accounts</b>	<b>\$ in millions</b>	<b># of accounts</b>	<b>\$ in millions</b>	<b># of accounts</b>
December 31, 2005	\$10.6	14,613	\$31.7	4	\$42.3	14,617
December 31, 2006	\$7.2	15,101	\$0.0	0	\$7.2	15,101
December 31, 2007	\$6.3	16,101	\$0.0	0	\$6.3	16,101
December 31, 2008	\$6.1	16,345	\$0.0	0	\$6.1	16,345
December 31, 2009	\$5.2	15,469	\$0.0	0	\$5.2	15,469
December 31, 2010	\$5.4	14,107	\$0.0	0	\$5.4	14,107
January 31, 2011	\$5.7	14,369	\$0.0	0	\$5.7	14,369
February 28, 2011	\$5.9	14,217	\$0.0	0	\$5.9	14,217
March 31, 2011	\$5.7	13,633	\$0.0	0	\$5.7	13,633
April 30, 2011	\$5.3	13,134	\$0.0	0	\$5.3	13,134
May 31, 2011	\$5.4	12,576	\$0.0	0	\$5.4	12,576
June 30, 2011	\$5.5	13,502	\$0.0	0	\$5.5	13,502
July 31, 2011	\$5.5	13,686	\$0.0	0	\$5.5	13,686
August 31, 2011	\$5.4	13,228	\$0.0	0	\$5.4	13,228

*\*In June 09 the Authority wrote off approximately \$1.3M of bad debt*

**Retail Accounts  
Greater Than 90 Days by Customer Class  
August 31, 2011**



**Delinquent Accounts Receivable  
Greater Than 90 Days by Customer  
August 31, 2011**

	Number of Accounts			Month of August (All Categories)				Total Delinquent			
	W & S a/c	Impervious Only a/c	Total No. of a/c	Active		Inactive		No. of a/c July		Amount (\$)	
Commercial	11,717	3,419	15,136	No. of a/c	Amount (\$)	No. of a/c	Amount (\$)	No. of a/c July	Amount (\$)	No. of a/c August	Amount (\$)
				1,851	805,885.90	134	144,535.64	2,051	999,481.20	1,985	950,221.54
Multi-family	7,389	484	7,873	1,011	2,156,156.66	108	332,051.49	1,159	2,513,864.75	1,119	2,488,208.15
Single-Family Residential	103,830	3,052	106,882	8,635	1,265,083.41	1,489	686,486.88	10,476	1,969,073.88	10,124	1,951,570.29
<b>Total</b>	<b>122,936</b>	<b>6,965</b>	<b>129,901</b>	<b>11,497</b>	<b>4,226,925.97</b>	<b>1,731</b>	<b>1,163,074.01</b>	<b>13,686</b>	<b>5,482,399.83</b>	<b>13,228</b>	<b>5,389,998.98</b>

**Notes:**

-Included in the above \$4.23m (or 11,497 accounts) of the DC Water Over 90 days delinquent accounts, \$539,595.19 (or 3,221 accounts) represents impervious only Accounts over 90 days delinquent.

-Reportable delinquencies do not include balances associated with long-standing disputes between DC Water and two large commercial customers.

## UPDATE ON HURRICANE IRENE

During the hurricane Irene event of August 2011, the Authority undertook actions and preparations to ensure continuity of service to customers, ensure the safety and welfare of its employees and provide support to the District. The estimated cost of the hurricane to the Authority for emergency provisions at various facilities and support provided to the District is currently being gathered in order to seek reimbursement from the Homeland Security and Emergency Management Agency (HSEMA) through the District.

## FOLLOW-UP ITEMS

The following question was raised in the July 28 meeting of the Finance & Budget Committee:  
Is DC Water getting a grant from VA/HUD as stated in the table on page 24 of the Finance & Budget Committee Meeting package?

### Response

We received a grant in the amount of \$1,746,000 in July, 2002 which was funded by the Veteran's Administration and HUD as a direct appropriation and administered by EPA. The purpose of the grant was to mitigate combined sewer overflows into the Anacostia and Potomac Rivers through sewer separation. Through June 30, 2011, \$965,700 has been expended.

**D.C. WATER AND SEWER AUTHORITY  
FY 2011 CASH FLOW SUMMARY  
through 8/31/11  
(\$ in 000's)**

	<b>Annual Budget Cash Basis</b>	<b>YTD 92% Of Cash Budget</b>	<b>YTD Actual Cash Oct 1, 2010 - Aug. 31, 2011</b>	<b>Variance Favorable (Unfavorable)</b>	<b>Revised FY11 Year End Projection</b>
<b>OPERATING BUDGET</b>					
<b>Cash Provided</b>					
Retail	273,374	250,492	258,683	8,190	279,069
Wholesale	68,825	63,065	68,990	5,926	68,990
Other	47,133	43,188	44,264	1,076	46,469
Transfer from Rate Stabilization Fund	9,500	8,705	9,500	795	9,500
<b>Total Cash Provided</b>	<b>398,832</b>	<b>365,450</b>	<b>381,437</b>	<b>15,987</b>	<b>404,028</b>
<b>Operating Cash Used</b>					
Personnel Services	94,265	86,375	85,312	1,063	91,853
Contractual Services	79,114	72,492	65,596	6,896	73,771
Chemicals & Supplies	29,234	26,787	25,429	1,358	27,980
Utilities	34,965	32,038	25,492	6,546	28,402
Water Purchases	33,000	30,238	24,275	5,963	26,991
Small Equipment	1,095	1,003	1,045	(42)	1,044
<b>Total Operating Cash Used</b>	<b>271,673</b>	<b>248,934</b>	<b>227,149</b>	<b>21,785</b>	<b>250,041</b>
<b>Other Cash Used</b>					
Debt Service	96,334	88,270	84,705	3,565	92,068
Payment In Lieu of Taxes/Right of Way	30,748	28,175	20,618	7,557	20,617
<b>Total Other Cash Used</b>	<b>127,082</b>	<b>116,445</b>	<b>105,323</b>	<b>11,122</b>	<b>112,685</b>
<b>Total Cash Used</b>	<b>398,755</b>	<b>365,379</b>	<b>332,473</b>	<b>32,907</b>	<b>362,726</b>
<b>Net Cash Provided (Used) by Operating Act.</b>	<b>77</b>	<b>70</b>	<b>48,964</b>	<b>48,894</b>	<b>41,302</b>
<b>CAPITAL BUDGET</b>					
<b>Cash Provided</b>					
Debt Proceeds	166,497	152,561	118,811	(33,750)	168,999
Capital Equipment Financing	8,000	7,330		(7,330)	5,000
EPA Grants	33,445	30,646	13,964	(16,682)	15,961
CSO Grants	25,108	23,006	28,259	5,253	28,259
Interest Income	286	262	742	480	758
Wholesale Capital Contributions	89,421	81,936	82,005	69	82,005
<b>Total Cash Provided</b>	<b>322,757</b>	<b>295,742</b>	<b>243,781</b>	<b>(51,960)</b>	<b>300,982</b>
<b>Cash Used</b>					
WASA Capital Program	314,773	288,426	265,889	22,537	293,958
Washington Aqueduct Projects	10,449	9,574	6,909	2,666	9,490
<b>Total Cash Used</b>	<b>325,222</b>	<b>298,001</b>	<b>272,798</b>	<b>25,203</b>	<b>303,448</b>
<b>Net Cash/PAYGO Provided (Used) by Cap. Act.</b>	<b>(2,465)</b>	<b>(2,259)</b>	<b>(29,016)</b>	<b>(26,757)</b>	<b>(2,466)</b>
<b>Beginning Balance, October 1 (Net of Rate Stab. Fund)</b>	<b>131,996</b>	<b>120,948</b>	<b>131,996</b>		<b>131,996</b>
Plus (Less) Operating Surplus	77	70	48,964		41,302
Wholesale Customer Refunds from Prior Years	(5,053)	(4,630)	(3,861)		(3,860)
Interest Earned From Bond Reserve	277	254	257		257
Transfer to Rate Stabilization Fund	(1,000)	(916)	(9,500)		(9,500)
Transfer to DC PILOT Fund	0	0	0		(10,000)
Prior Year Federal Billing Reconciliation	1,669	1,529	1,669		1,669
Cash Used for Capital	(2,465)	(2,259)	(29,016)		(2,466)
<b>Balance Attributable to O&amp;M Reserve</b>	<b>125,500</b>	<b>114,996</b>	<b>140,510</b>		<b>149,399</b>
<b>OTHER CASH RESERVES</b>					
	<b>Current Balance</b>				
Rate Stabilization Fund	16,700				
CSO Long-Term Control Plan Appropriation	61,332				

**Comparative Statement of Expenditures**  
as of August 31, 2011  
(\$000's)

		August						
	FY 2010 Actual YE Percent of Budget	FY 2011						FY 2012 Board Revised Budget
		Board Revised Budget	YTD Budget	YTD as of 08/31/2011	Percent of Budget	Revised Year-End Projections	Projection Percent of Budget	Year-End Variance
Personnel Services	102%	105,292	96,518	94,124	89%	102,569	97%	2,723
Contractual Services	90%	79,114	72,521	60,812	77%	73,771	93%	5,343
Water Purchases	91%	33,000	30,250	24,378	74%	27,014	82%	5,986
Chemicals and Supplies	91%	29,234	26,798	22,584	77%	25,980	89%	3,254
Utilities	81%	34,938	32,027	26,503	76%	30,402	87%	4,536
Small Equipment	95%	1,095	1,004	509	47%	698	64%	397
<b>Subtotal O &amp; M Expenditures</b>	<b>93%</b>	<b>282,674</b>	<b>259,117</b>	<b>228,910</b>	<b>81%</b>	<b>280,434</b>	<b>92%</b>	<b>22,239</b>
Debt Service	92%	98,726	90,499	84,705	86%	92,068	93%	6,658
Payment in Lieu of Taxes	100%	16,882	15,475	15,475	92%	16,882	100%	-
Right of Way	100%	5,100	4,675	4,675	92%	5,100	100%	-
<b>Total O &amp; M Expenditures</b>	<b>93%</b>	<b>403,382</b>	<b>369,766</b>	<b>333,766</b>	<b>83%</b>	<b>374,484</b>	<b>93%</b>	<b>28,897</b>
Personnel Services Charged to Capital Projects	107%	(11,000)	(10,083)	(9,833)	89%	(10,716)	97%	(284)
<b>Total Net Operating Expenditures</b>	<b>93%</b>	<b>392,382</b>	<b>359,683</b>	<b>323,933</b>	<b>83%</b>	<b>363,768</b>	<b>93%</b>	<b>28,613</b>

Note: Actuals include accruals

PS & NPS (1,265)  
Total O&M (4,241)

**Finance and Budget Committee Meeting - 2. August 2011 Financial Report (Attachment 1) - Yvette Downs**

**FY 2011 Overtime  
Budget vs Actual  
Period Ended August**

Department	FY 2010				FY 2011						
	Annual Budget	Percent of Budget Expended	Actual	Actual to Budget \$ Variance	Annual Budget	Percent of Annual Budget Expended	FY 2011 Year-to-Date				
							Straight-Line Budget 10/01/10 - 08/27/11	Actual 10/01/10 - 08/27/11	Actual to Straight-Line Budget Variance	Percentage YTD Straight-Line Budget Expended	YTD Overtime as % of YTD Regular
Office of the Secretary	3,000	141%	4,230	(1,230)	4,000	42%	2,728	1,695	1,033	62%	1%
General Manager	20,000	45%	9,051	10,949	15,000	4%	18,187	671	17,516	4%	0%
General Counsel	2,000	56%	1,110	890	2,000	126%	1,819	2,521	(703)	139%	0%
Public Affairs	2,000	39%	787	1,213	2,000	110%	1,819	2,195	(376)	121%	0%
Internal Audit	-	-	-	-	-	0%	0	0	0	0%	0%
Information Technology	25,000	107%	26,785	(1,785)	25,000	57%	22,734	14,152	8,582	62%	1%
Procurement/Materiel Mgmt	40,000	61%	24,241	15,759	30,000	79%	36,374	23,571	12,802	65%	1%
Customer Service	260,000	85%	220,601	39,399	250,000	71%	236,429	177,727	58,701	75%	3%
Finance & Budget	35,000	61%	21,208	13,792	30,000	92%	31,827	27,695	4,132	87%	1%
Risk Management	1,000	3%	32	968	1,000	9%	909	94	815	10%	0%
Assistant General Manager	1,000	61%	607	393	1,000	7%	909	70	839	8%	0%
Human Resources	10,000	33%	3,347	6,653	5,000	56%	9,093	2,816	6,278	31%	0%
Safety & Security	2,000	31%	628	1,372	2,000	8%	1,819	154	1,664	8%	0%
Facilities Management	150,000	168%	251,635	(101,635)	150,000	129%	136,401	193,342	(56,941)	142%	6%
Water / Sewer Pump Maintenance	200,000	62%	124,619	75,381	200,000	50%	181,868	99,517	82,351	55%	7%
Engineering Services	500,000	116%	582,418	(82,418)	549,960	103%	454,670	565,938	(111,267)	124%	6%
Water Services	1,000,000	138%	1,379,488	(379,488)	1,080,000	98%	909,341	1,060,425	(151,085)	117%	11%
Long-Term Control Plan	1,000	91%	910	90	10,000	35%	909	3,488	(2,579)	384%	0%
Sewer Services	900,000	134%	1,204,082	(304,082)	900,000	108%	818,407	973,681	(155,275)	119%	11%
Wastewater Treatment	950,000	116%	1,100,335	(150,335)	956,000	96%	863,874	919,076	(55,203)	106%	12%
Maintenance Services	800,000	119%	950,854	(150,854)	800,000	101%	727,473	811,877	(84,405)	112%	10%
Permits	1,000	0%	0	1,000	1,000	125%	909	1,248	(338)	137%	0%
Fleet Services	1,000	127%	1,268	(268)	1,000	93%	909	926	(16)	102%	0%
<b>Total WASA</b>	<b>\$4,904,000</b>	<b>120%</b>	<b>\$5,908,237</b>	<b>\$ (1,004,237)</b>	<b>\$5,014,960</b>	<b>97%</b>	<b>\$4,459,407</b>	<b>\$4,882,880</b>	<b>-\$423,473</b>	<b>109%</b>	<b>7%</b>

**Notes:**

(1) "Budget 10/01/10 - 08/27/11 " reflects annual budget straight-lined

(2) " % YTD Budget Expended" reflects variance between straight-lined budget to-date and actual overtime

**Finance and Budget Committee Meeting - 2. August 2011 Financial Report (Attachment 1) - Yvette Downs**

**Capital Projects**  
FY 2011 Disbursements Analysis  
As of August 31, 2011  
(dollars in thousands)

Description	FY 2011 Revised Disbursements Budget		Annual - *Projected	Actual Disbursements			% of FY 2011 Revised Disbursements Budget		Commitments  Balance
	Annual	YTD		Oct. '10 to July. '11	Aug. '11	<sup>1</sup> YTD	Annual	YTD	
								<i>92% of Fiscal Year Completed</i>	
<b>Wastewater Treatment</b>									
Liquid Processing Projects	12,660	11,189	11,623	10,257	552	10,809	85%	97%	51,673
Plantwide Projects	22,894	21,495	17,758	14,848	1,120	15,968	70%	74%	23,785
Solids Processing Projects	45,849	40,518	50,479	37,882	7,129	45,012	98%	111%	256,401
Enhanced Nitrogen Removal Facilities (formerly Total Nitrogen Program)	<u>51,725</u>	<u>44,699</u>	<u>48,326</u>	<u>28,841</u>	<u>14,836</u>	<u>43,676</u>	84%	98%	<u>324,276</u>
<b>Total Wastewater Treatment</b>	<b>133,128</b>	<b>117,901</b>	<b>128,186</b>	<b>91,828</b>	<b>23,637</b>	<b>115,465</b>	<b>87%</b>	<b>98%</b>	<b>656,134</b>
<b>Sanitary Sewer</b>									
Sanitary Collection Sewers	1,293	1,224	1,778	1,571	18	1,589	123%	130%	1,731
Sanitary On-Going Projects	10,281	9,233	7,593	6,290	814	7,104	69%	77%	3,155
Sanitary Pumping Facilities	681	618	205	136	49	185	27%	30%	325
Sanitary Sewer Program Management	7,328	6,573	3,852	2,980	307	3,287	45%	50%	22,354
Sanitary Interceptor/Trunk Force Sewers	<u>14,413</u>	<u>12,586</u>	<u>12,704</u>	<u>9,745</u>	<u>1,680</u>	<u>11,425</u>	79%	91%	<u>15,272</u>
<b>Total Sanitary Sewer</b>	<b>33,996</b>	<b>30,234</b>	<b>26,132</b>	<b>20,722</b>	<b>2,869</b>	<b>23,590</b>	<b>69%</b>	<b>78%</b>	<b>42,838</b>
<b>Combined Sewer Overflow</b>									
CSO Program Management	3,480	3,077	1,543	1,065	24	1,089	31%	35%	14,124
Combined Sewer Projects	28,669	27,733	38,554	33,979	717	34,697	121%	125%	17,828
Clean Rivers Project (aka Long-Term Control Plan)	<u>43,935</u>	<u>40,726</u>	<u>40,085</u>	<u>26,596</u>	<u>10,033</u>	<u>36,629</u>	83%	90%	<u>249,595</u>
<b>Total Combined Sewer Overflow</b>	<b>76,084</b>	<b>71,536</b>	<b>80,182</b>	<b>61,640</b>	<b>10,774</b>	<b>72,415</b>	<b>95%</b>	<b>101%</b>	<b>281,548</b>
<b>Stormwater</b>									
Stormwater Local Drainage	11	10	-	0	0	0	0%	0%	239
Stormwater On-Going Program	841	703	105	0	105	105	12%	15%	581
Stormwater Pumping Facilities	-	0	-	0	0	0			0
DDOT Stormwater Program	35	34	-	0	0	0	0%	0%	0
Stormwater Research and Program Management	1,157	1,085	973	457	379	836	72%	77%	1,648
Stormwater Trunk/Force Sewers	<u>1,446</u>	<u>1,350</u>	<u>1,401</u>	<u>950</u>	<u>196</u>	<u>1,146</u>	79%	85%	<u>2,210</u>
<b>Total Stormwater</b>	<b>3,491</b>	<b>3,182</b>	<b>2,479</b>	<b>1,408</b>	<b>679</b>	<b>2,087</b>	<b>60%</b>	<b>66%</b>	<b>4,679</b>
<b>Water</b>									
Water Distribution Systems	26,301	24,900	21,375	17,902	1,724	19,626	75%	79%	28,991
Water On-Going Projects	6,260	5,358	8,557	7,299	909	8,208	131%	153%	5,919
Water Pumping Facilities	5,568	4,935	1,844	1,545	116	1,662	30%	34%	5,852
DDOT Water Projects	-	0	3,740	1,856	1,884	3,740			7,292
Water Storage Facilities	2,577	2,373	1,245	1,079	36	1,115	43%	47%	1,860
Water Projects Program Management	3,963	3,652	4,387	3,718	336	4,054	102%	111%	14,526
Water Lead Program	3,323	3,164	2,671	2,327	114	2,441	73%	77%	6,045
AMR Installation / Replacement	<u>2,619</u>	<u>2,400</u>	<u>2,931</u>	<u>2,557</u>	<u>156</u>	<u>2,713</u>	104%	113%	<u>272</u>
<b>Total Water</b>	<b>50,612</b>	<b>46,782</b>	<b>46,750</b>	<b>38,284</b>	<b>5,275</b>	<b>43,559</b>	<b>86%</b>	<b>93%</b>	<b>70,756</b>
<b>Washington Aqueduct</b>	<b>10,449</b>	<b>7,354</b>	<b>9,491</b>	<b>6,909</b>	<b>0</b>	<b>6,909</b>	<b>66%</b>	<b>94%</b>	
<b>Capital Equipment</b>	<b>17,462</b>	<b>18,006</b>	<b>10,230</b>	<b>7,741</b>	<b>1,034</b>	<b>8,775</b>	<b>50%</b>	<b>55%</b>	<b>8,008</b>
<b>Total Capital Projects</b>	<b>325,222</b>	<b>292,995</b>	<b>303,450</b>	<b>228,530</b>	<b>44,268</b>	<b>272,798</b>	<b>84%</b>	<b>93%</b>	<b>1,063,963</b>

\* Revised Projections : include Actuals thru Aug., and projections for Sep. 2011

Notes:

<sup>1</sup> Includes actual OCIP related disbursements of \$524,660.58



**DC Water**  
*Investment Performance Report— August 2011*



The graphic on the left shows a stack of white papers with a blue-tinted water splash image on top. The splash is a crown-like shape with droplets, set against a dark blue background. The splash image is partially overlapping the papers.



## Investment Performance Report- August 2011

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### DC Water Finance Division Economic Update

#### ECONOMIC COMMENTARY

- Interest rates declined sharply in August. The yield on the 2-year U.S. Treasury Note declined from 0.36% to 0.20%. Longer-term yields declined more sharply with 5 to 10 year obligations falling by 36 to 52 basis points.
- In an unprecedented action, the Federal Reserve on August 9<sup>th</sup> stated that economic conditions are “likely to warrant exceptionally low levels for the federal funds rate at least through mid-2013.” This was the driving factor in pushing interest rates lower during the month.
- The ISM Manufacturing Index, a barometer of manufacturing activity in the United States, remained low at a level of 50.6 in August. This compares a level of 60.4 just 4 months earlier and indicates a slowing of the manufacturing sector.
- The August employment report was quite disappointing showing no net job creation. The unemployment rate remains elevated at 9.1%.

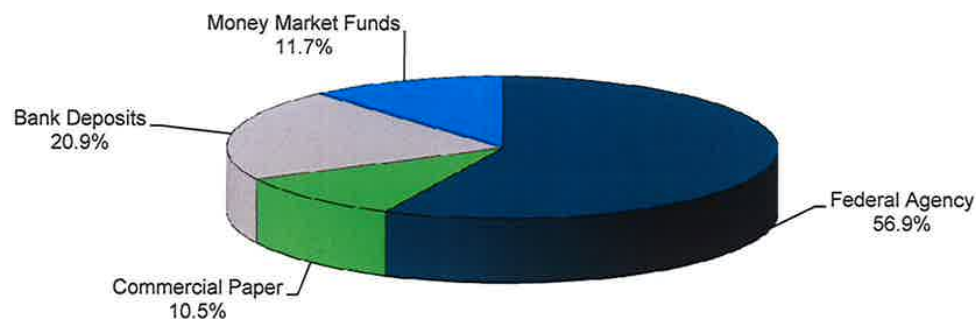
#### PORTFOLIO RECAP

- The portfolio is diversified among Bank Deposits, Commercial Paper, Federal Agencies and SEC registered money market funds.
- The overall yield-to-cost of the portfolio is 0.51%.
- The portfolio is in compliance with the Authority’s Investment Policy.
- There was no trade activity in August. The Authority will need to update its Investment Policy to permit the purchase of Federal Agencies for its portfolio.



## Investment Performance Report- August 2011

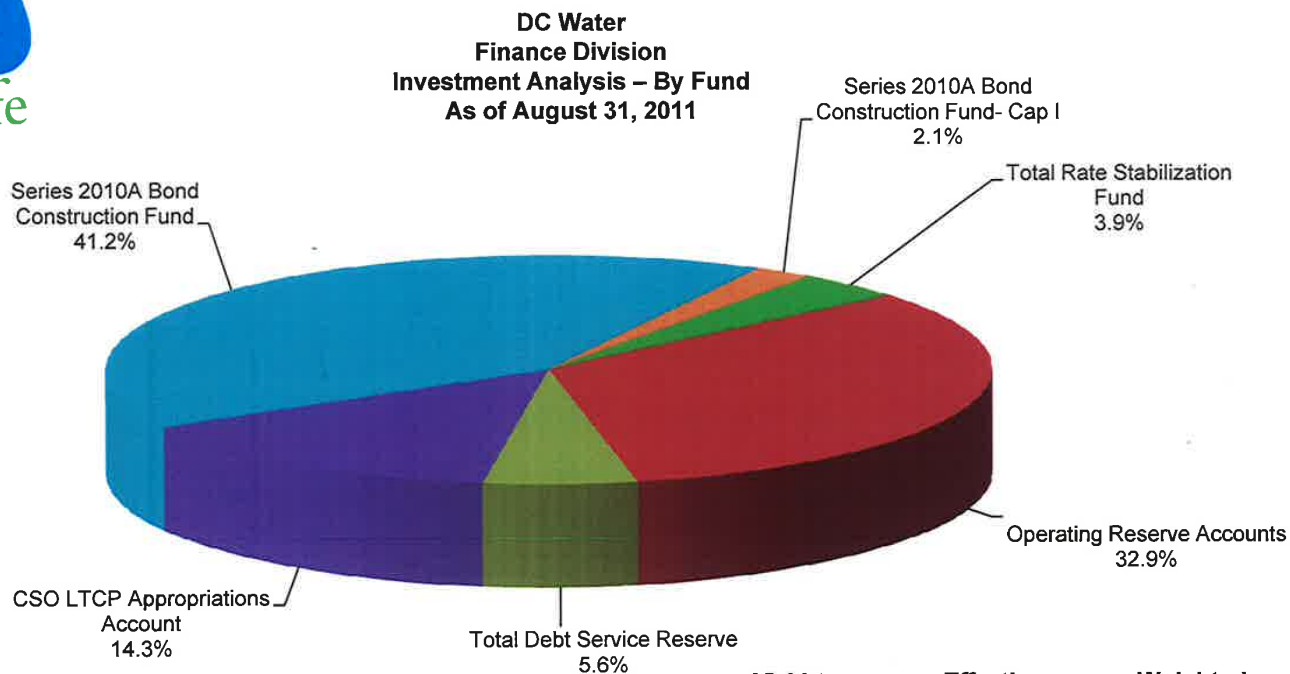
DC Water  
Finance Division  
Investments - By Security Type  
As of August 31, 2011



Security Type	Book Value + Accrued Interest	Asset Allocation	Permitted By Policy
Bank Deposits	\$ 89,095,046	20.9%	100.0%
Money Market Funds	49,761,356	11.7%	100.0%
Bankers Acceptances	-	0.0%	40.0%
Commercial Paper	44,990,648	10.5%	35.0%
U.S. Treasuries	-	0.0%	100.0%
Federal Agency	242,907,822	56.9%	100.0%
Negotiable CDs	-	0.0%	30.0%
Municipal Obligations	-	0.0%	20.0%
<b>Total</b>	<b>\$ 426,754,872</b>	<b>100.0%</b>	



Investment Performance Report- August 2011



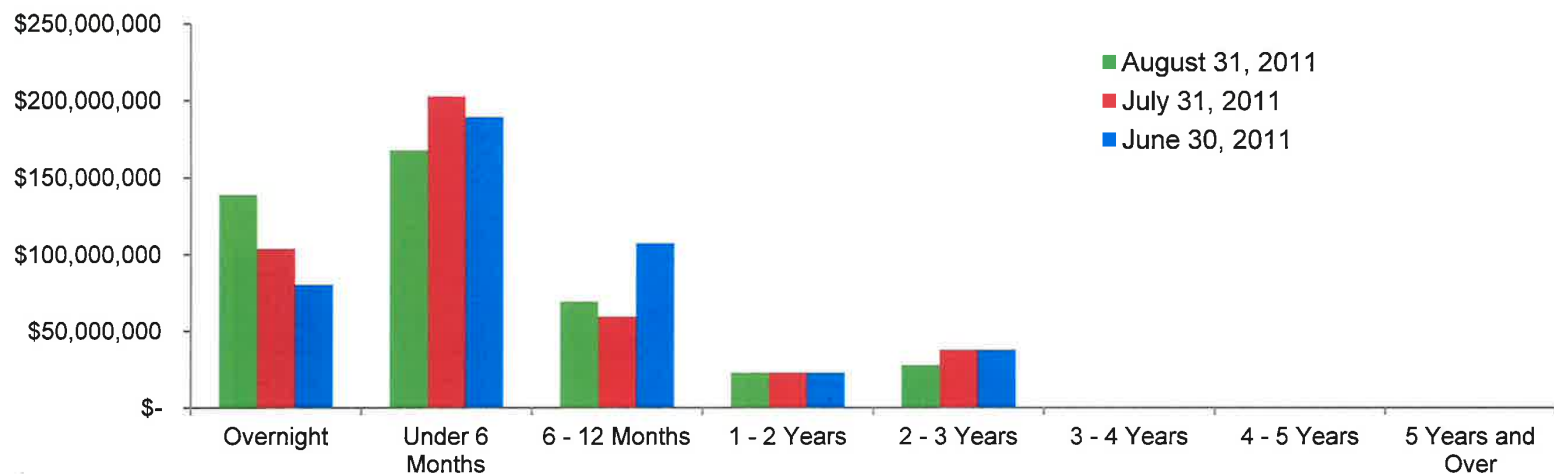
Fund Name	Book Value + Accrued Interest	Yield-to- Maturity at Cost	Effective Duration (years)	Weighted Average Maturity (days)
Total Rate Stabilization Fund	\$ 16,702,361	0.79%	0.02	7.0
Operating Reserve Accounts	140,372,294	0.78%	0.48	227.9
Total Debt Service Reserve	23,839,804	0.62%	1.11	413.9
Series 2010A Bond Construction Fund	175,634,482	0.23%	0.21	76.4
Series 2010A Bond Construction Fund- Cap I	9,077,305	0.59%	1.21	450.7
Total CSO LTCP Appropriations Account	61,128,626	0.57%	0.33	123.0
<b>Total</b>	<b>\$ 426,754,872</b>	<b>0.51%</b>	<b>0.38</b>	<b>157.0</b>



## Investment Performance Report- August 2011

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

Maturity Distribution	August 31, 2011	July 31, 2011	June 30, 2011
Overnight \$	138,856,402.07 \$	103,849,733.20 \$	80,510,785.74
Under 6 Months	167,663,820.97	202,619,282.13	189,344,760.94
6 - 12 Months	69,480,839.70	59,429,044.77	107,436,730.86
1 - 2 Years	22,947,483.88	22,983,064.40	22,970,276.82
2 - 3 Years	27,806,325.34	37,809,975.51	37,785,089.43
3 - 4 Years	-	-	-
4 - 5 Years	-	-	-
5 Years and Over	-	-	-
<b>Totals \$</b>	<b>426,754,871.96 \$</b>	<b>426,691,100.01 \$</b>	<b>438,047,643.79</b>





Investment Performance Report- August 2011

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		\$ 79,083,444.16	18.5%	100.0%	Yes
Premier Bank		5,011,601.71	1.2%	100.0%	Yes
Capital One Bank		5,000,000.00	1.2%	100.0%	Yes
<b>Sub-Total Money Market Mutual Funds</b>		<b>89,095,045.87</b>	<b>20.9%</b>	<b>100.0%</b>	<b>Yes</b>
<b>Money Market Mutual Funds</b>					
American Beacon MMF	AAAm	1,481,790.13	0.3%	50.0%	Yes
Williams Capital Money Market Fund	AAAm	2,500,000.00	0.6%	50.0%	Yes
Merrill Lynch MMF	AAAm	3,499,707.26	0.8%	50.0%	Yes
Wells Fargo Advantage Treasury Plus	AAAm	37,305,886.09	8.7%	50.0%	Yes
Wells Fargo Government MMF	AAAm	4,973,972.72	1.2%	50.0%	Yes
<b>Sub-Total Money Market Mutual Funds</b>		<b>49,761,356.20</b>	<b>11.7%</b>	<b>100.0%</b>	<b>Yes</b>
<b>Commercial Paper</b>					
Abbey National	A-1+ / P-1	4,999,023.60	1.2%	5.0%	Yes
Dexia Delaware Lic Comm Paper	A-1 / P-1	4,998,563.90	1.2%	5.0%	Yes
FORD Motor Credit	A-1+ / P-1	4,998,786.10	1.2%	5.0%	Yes
General Elec Cap Svcs Comm Paper	A-1+ / P-1	4,999,527.80	1.2%	5.0%	Yes
Intesa Funding Comm Paper	A-1 / P-1	4,999,050.00	1.2%	5.0%	Yes
Natixis Comm Paper	A-1 / P-1	9,996,821.55	2.3%	5.0%	Yes
Sumitomo Corp Of America Comm Paper	A-1 / P-1	9,998,875.00	2.3%	5.0%	Yes
<b>Sub-Total Commercial Paper</b>		<b>44,990,647.95</b>	<b>10.5%</b>	<b>35.0%</b>	<b>Yes</b>
<b>Federal Agencies</b>					
Fannie Mae	AA+ / Aaa	30,564,169.55	7.2%	40.0%	Yes
Freddie Mac	AA+ / Aaa	92,175,275.65	21.6%	40.0%	Yes
Federal Home Loan Bank	AA+ / Aaa	120,168,376.74	28.2%	40.0%	Yes
Federal Farm Credit Bank	AA+ / Aaa	-	0.0%	40.0%	Yes
<b>Sub-Total Federal Agencies</b>		<b>242,907,821.94</b>	<b>56.9%</b>	<b>100.0%</b>	<b>Yes</b>
<b>Total</b>		<b>\$ 426,754,871.96</b>	<b>100.0%</b>		



## Investment Performance Report- August 2011

**DC Water  
Finance Division  
Book Value Performance  
As of August 31, 2011**

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

	Trailing 1 Months		Trailing 3 Months		Trailing 6 Months		Trailing 12 Months	WAM* (days)	WAM* (years)
	Periodic	Annualized	Periodic	Annualized	Periodic	Annualized			
Total Rate Stabilization Fund	0.07%	0.79%	0.15%	0.59%	0.21%	0.43%	0.29%	7.0	0.02 years
Operating Reserve Accounts	0.04%	0.51%	0.15%	0.58%	0.29%	0.58%	0.45%	227.9	0.62 years
Total Debt Service Reserve	0.05%	0.61%	0.15%	0.61%	0.32%	0.64%	0.59%	413.9	1.13 years
Total CSO LTCP Appropriations Account	0.03%	0.41%	0.09%	0.37%	0.20%	0.39%	0.34%	123.0	0.34 years
2010A Construction Fund	0.02%	0.23%	0.07%	0.26%	0.14%	0.27%	n/a	76.4	0.21 years
2010A Capitalized Interest Fund	0.05%	0.59%	0.14%	0.57%	0.23%	0.45%	n/a	450.7	1.23 years
<b>Short-Term</b>	<b>0.04%</b>	<b>0.46%</b>	<b>0.10%</b>	<b>0.39%</b>	<b>0.18%</b>	<b>0.35%</b>	<b>0.28%</b>		
Merrill Lynch 3-Month Treasury Index (Book Value) <sup>1</sup>	0.01%	0.10%	0.01%	0.06%	0.04%	0.08%	0.11%	90.0	0.25 years
<b>Core (1+ Years)</b>	<b>0.08%</b>	<b>0.93%</b>	<b>0.23%</b>	<b>0.91%</b>	<b>0.43%</b>	<b>0.85%</b>	<b>0.85%</b>		
Merrill Lynch 1-3 Year Treasury Index (Book Value) <sup>2</sup>	0.03%	0.37%	0.11%	0.43%	0.27%	0.54%	0.50%	-	1.78 years

(1) The Merrill Lynch 3-Month Treasury Bill is an unmanaged index tracking the on-the-run 3-month 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 1-3 Year Treasury Index 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.

(3) Performance prior to February 2011 provided by the Authority.

\*Weighted average maturity

## Investment Performance Report- August 2011



**DC Water  
Finance Division  
Portfolio Holdings by Fund**

DESCRIPTION	PAR AMOUNT	COUPON RATE	MATURITY DATE	SETTLEMENT DATE	YTM AT COST	ORIGINAL COST	MARKET VALUE + ACCRUED INTEREST	AMORTIZED COST + ACCRUED INTEREST	TOTAL VALUE
<b>Total Rate Stabilization Fund</b>									
TD BANK BANK DEPOSIT	\$ 11,702,833		9/1/2011		1.05%	\$ 11,702,833	\$ 11,702,833	\$ 11,702,833	
GENERAL ELEC CAP SVCS COMM PAPER	5,000,000	-	9/21/2011	5/24/2011	0.17%	4,997,167	4,999,740	4,999,528	
									\$ 16,702,361.13
<b>Operating Reserve Accounts</b>									
TD BANK BANK DEPOSIT	\$ 53,115,546		9/1/2011		1.05%	\$ 53,115,546	\$ 53,115,546	\$ 53,115,546	
CAPITAL ONE BANK	5,000,000		9/1/2011		0.50%	5,000,000	5,000,000	5,000,000	
WILLIAMS CAPITAL MONEY MARKET FUND	2,500,000		9/1/2011		0.01%	2,500,000	2,500,000	2,500,000	
SUMITOMO CORP OF AMERICA COMM PAPER	5,000,000	-	9/7/2011	6/14/2011	0.21%	4,997,521	4,999,845	4,999,825	
ABBIEY NATL N AMERICA LLC COMM PAPER	5,000,000	-	9/20/2011	6/14/2011	0.37%	4,994,964	4,999,530	4,999,024	
NATIXIS COMM PAPER	5,000,000	-	10/11/2011	7/6/2011	0.28%	4,996,228	4,998,640	4,998,444	
NATIXIS US FIN COMM PAPER	5,000,000	-	10/12/2011	6/14/2011	0.29%	4,995,250	4,998,590	4,998,377	
FHLB NOTES	10,000,000	0.625	1/13/2012	12/16/2010	0.37%	10,053,892	10,022,433	10,017,666	
FHLMC DISC NOTE	10,000,000	-	1/20/2012	1/26/2011	0.30%	9,970,582	9,996,668	9,988,446	
FHLMC NOTES	10,000,000	1.000	8/28/2012	7/27/2010	0.73%	10,068,578	10,074,143	10,027,462	
FHLB NOTES	10,000,000	0.750	8/28/2013	5/18/2011	0.72%	10,008,025	10,097,405	10,028,536	
FHLB TAP BONDS	10,000,000	3.125	12/13/2013	5/19/2011	0.99%	10,675,134	10,681,358	10,548,493	
FHLB NOTES (CALLABLE)	9,000,000	2.000	4/25/2014	4/27/2011	1.49%	9,134,740	9,165,231	9,150,475	
									\$ 140,372,293.88
<b>Total Debt Service Reserve</b>									
WELLS FARGO GOVERNMENT MMF	\$ 242,384		9/1/2011		0.01%	\$ 242,384	\$ 242,384	\$ 242,384	
MERRILL LYNCH MMF	3,499,707		9/1/2011		0.06%	3,499,707	3,499,707	3,499,707	
FHLB TAP BONDS	4,600,000	5.000	3/9/2012	6/22/2010	0.76%	4,997,236	4,825,340	4,811,341	
FHLMC NOTES	10,000,000	0.515	11/26/2012	11/22/2010	0.64%	9,981,294	10,042,660	9,998,188	
FHLB TAP BONDS	5,000,000	3.125	12/13/2013	5/25/2011	0.87%	5,354,034	5,340,679	5,288,183	
									\$ 23,839,803.85





## Investment Performance Report- August 2011

**DC Water**  
**Finance Division**  
**Portfolio Holdings by Fund**

DESCRIPTION	PAR AMOUNT	COUPON RATE	MATURITY DATE	SETTLEMENT DATE	YTM AT COST	ORIGINAL COST	MARKET VALUE + ACCRUED INTEREST	AMORTIZED COST + ACCRUED INTEREST	TOTAL VALUE
<b><u>Series 2010A Bond Construction Fund</u></b>									
WELLS FARGO ADVANTAGE TREASURY PLUS	\$ 4,494,000		9/1/2011		0.01%	\$ 4,494,000	\$ 4,494,000	\$ 4,494,000	
WELLS FARGO GOVERNMENT MMF	37,033,541		9/1/2011		0.01%	37,033,541	37,033,541	37,033,541	
FHLMC DISC NOTE	8,500,000	-	9/15/2011	1/25/2011	0.21%	8,488,447	8,499,947	8,499,306	
INTESA FUNDING COMM PAPER	5,000,000	-	9/19/2011	5/20/2011	0.38%	4,993,561	4,999,410	4,999,050	
DEXIA DELAWARE LLC COMM PAPER	5,000,000	-	9/23/2011	5/20/2011	0.47%	4,991,775	4,999,405	4,998,564	
FHLMC DISC NOTE	28,000,000	-	10/14/2011	1/26/2011	0.23%	27,953,310	27,999,155	27,992,308	
FHLB NOTES	37,000,000	0.320	12/9/2011	1/26/2011	0.28%	37,027,008	37,043,064	37,030,590	
FNMA GLOBAL NOTES	27,500,000	2.000	1/9/2012	1/26/2011	0.30%	27,969,272	27,761,192	27,744,995	
FHLMC NOTES	22,500,000	1.720	3/14/2012	1/26/2011	0.37%	22,985,250	22,862,585	22,842,129	
									\$ 175,634,481.69
<b><u>Series 2010A Bond Construction Fund- Cap I</u></b>									
WELLS FARGO ADVANTAGE TREASURY PLUS	\$ 237,589		9/1/2011		0.01%	\$ 237,589	\$ 237,589	\$ 237,589	
WELLS FARGO GOVERNMENT MMF	272,346		9/1/2011		0.01%	272,346	272,346	272,346	
FHLMC DISC NOTE	1,400,000	-	9/23/2011	3/16/2011	0.16%	1,398,812	1,399,984	1,399,863	
FHLMC GLOBAL NOTES	1,400,000	2.125	3/23/2012	3/16/2011	0.27%	1,440,656	1,427,834	1,427,574	
FHLB GLOBAL BONDS	1,400,000	1.625	9/26/2012	3/16/2011	0.43%	1,436,191	1,430,101	1,427,626	
FHLB TAP BONDS	1,400,000	3.875	3/8/2013	3/16/2011	0.70%	1,488,359	1,501,828	1,493,133	
FNMA NOTES	1,400,000	1.125	9/30/2013	3/16/2011	0.97%	1,412,681	1,427,711	1,411,057	
FNMA NOTES (EX-CALLABLE)	1,400,000	1.250	3/14/2014	3/16/2011	1.19%	1,402,617	1,435,082	1,408,118	
									\$ 9,077,305.03
<b><u>Total CSQ LTCP Appropriations Account</u></b>									
TD BANK BANK DEPOSIT	\$ 14,265,065		9/1/2011		1.05%	\$ 14,265,065	\$ 14,265,065	\$ 14,265,065	
ADAMS NATIONAL BANK	5,011,602		9/1/2011		0.25%	5,011,602	5,011,602	5,011,602	
AMERICAN BEACON MMF	1,481,790		9/1/2011		0.13%	1,481,790	1,481,790	1,481,790	
SUMITOMO CORP OF AMERICA COMM PAPER	5,000,000	-	10/7/2011	7/7/2011	0.19%	4,997,572	4,998,825	4,999,050	
FCAR OWNER TRUST COMM PAPER	5,000,000	-	10/17/2011	7/6/2011	0.19%	4,997,282	4,998,560	4,998,786	
FHLB TAP BONDS	10,000,000	1.125	3/9/2012	6/21/2010	0.84%	10,080,075	10,102,570	10,068,494	
FHLB GLOBAL BONDS	10,000,000	2.250	4/13/2012	3/7/2011	0.32%	10,301,743	10,210,020	10,205,041	
FHLB TAP BONDS	10,000,000	1.375	6/8/2012	11/22/2010	0.50%	10,197,461	10,118,111	10,098,799	
									\$ 61,128,626.38
						\$ 427,643,118.40	\$ 427,314,050.27	\$ 426,754,871.96	\$ 426,754,871.96



## Investment Performance Report- August 2011

DC Water  
Finance Division  
Security Transactions  
Last 6 Months (Page 1 of 2)

ACCOUNT	CUSIP	DESCRIPTION	PAR	COUPON	MATURITY DATE	SETTLE DATE	YTM	TRANSACTION AMOUNT
<b>Purchases</b>								
DC WASA 2010A CONSTRUCTION FUND	22532CUE2	CREDIT AGRICOLE NA COMM PAPER	5,000,000	-	07/14/11	03/11/11	0.325	\$ 4,994,444.44
DC WASA 2010A CONSTRUCTION FUND	4042F1UF4	HSBC FINANCE CORP COMM PAPER	5,000,000	-	07/15/11	03/11/11	0.294	\$ 4,994,925.00
DC WASA 2010A CONSTRUCTION FUND	4611K1WK7	INTESA FUNDING COMM PAPER	5,000,000	-	09/19/11	05/20/11	0.386	\$ 4,993,561.11
DC WASA 2010A CONSTRUCTION FUND	2521E1WP6	DEXIA DELAWARE LLC COMM PAPER	5,000,000	-	09/23/11	05/20/11	0.477	\$ 4,991,775.00
DC WASA 2010A CONSTRUCTION FUND	313384KX6	FHLMC DISC NOTE	10,000,000	-	08/26/11	06/14/11	0.061	\$ 9,998,783.33
DC WASA 2010A CONSTRUCTION FUND	25153KVF1	DEUTSCHE BANK FINL LLC COMM PAPER	5,000,000	-	08/15/11	07/14/11	0.081	\$ 4,999,644.44
DC WASA OPERATING RESERVE ACCOUNTS	31398A6J6	FNMA NOTES (CALLED, OMD 12/27/2012)	10,000,000	0.550	06/27/11	03/08/11	0.693	\$ 9,985,347.22
DC WASA OPERATING RESERVE ACCOUNTS	86561BUC7	SUMITOMO CORP OF AMERICA COMM PAPER	5,000,000	-	07/12/11	03/21/11	0.305	\$ 4,995,291.67
DC WASA OPERATING RESERVE ACCOUNTS	6323A1UK0	NATIXIS COMM PAPER	5,000,000	-	07/19/11	03/21/11	0.447	\$ 4,992,666.67
DC WASA OPERATING RESERVE ACCOUNTS	313372UM4	FHLB NOTES (CALLED, OMD 3/25/2013)	10,000,000	1.000	05/25/11	03/28/11	1.000	\$ 10,000,833.33
DC WASA OPERATING RESERVE ACCOUNTS	90262DUV5	UBS FINANCE DELAWARE LLC COMM PAPER	5,000,000	-	07/29/11	03/29/11	0.254	\$ 4,995,763.89
DC WASA OPERATING RESERVE ACCOUNTS	2521E1VQ5	DEXIA DELAWARE LLC COMM PAPER	5,000,000	-	08/24/11	04/26/11	0.498	\$ 4,991,833.33
DC WASA OPERATING RESERVE ACCOUNTS	313373CH3	FHLB NOTES (CALLABLE)	9,000,000	2.000	04/25/14	04/27/11	1.491	\$ 9,134,740.00
DC WASA OPERATING RESERVE ACCOUNTS	80280PGR2	SANTANDER SA COMM PAPER	5,000,000	-	08/19/11	05/12/11	0.396	\$ 4,994,637.50
DC WASA OPERATING RESERVE ACCOUNTS	05950YVC5	BANCO BILBAO COMM PAPER	5,000,000	-	08/12/11	05/13/11	0.457	\$ 4,994,312.50
DC WASA OPERATING RESERVE ACCOUNTS	313373S37	FHLB NOTES	10,000,000	0.750	08/28/13	05/18/11	0.716	\$ 10,008,025.36
DC WASA OPERATING RESERVE ACCOUNTS	3133XSP93	FHLB TAP BONDS	10,000,000	3.125	12/13/13	05/19/11	0.990	\$ 10,675,133.97
DC WASA OPERATING RESERVE ACCOUNTS	86561BW76	SUMITOMO CORP OF AMERICA COMM PAPER	5,000,000	-	09/07/11	06/14/11	0.213	\$ 4,997,520.83
DC WASA OPERATING RESERVE ACCOUNTS	0027A1VL9	ABBIEY NATL N AMERICA LLC COMM PAPER	5,000,000	-	09/20/11	06/14/11	0.376	\$ 4,994,963.89
DC WASA OPERATING RESERVE ACCOUNTS	6323A1XC5	NATIXIS US FIN COMM PAPER	5,000,000	-	10/12/11	06/14/11	0.289	\$ 4,995,250.00
DC WASA OPERATING RESERVE ACCOUNTS	6323A1XB7	NATIXIS COMM PAPER	5,000,000	-	10/11/11	07/06/11	0.284	\$ 4,996,227.78

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



## Investment Performance Report- August 2011

DC Water  
Finance Division  
Security Transactions  
Last 6 Months (Page 2 of 2)

ACCOUNT	CUSIP	DESCRIPTION	PAR	COUPON	MATURITY DATE	SETTLE DATE	YTM	TRANSACTION AMOUNT
<b>Purchases</b>								
DC WASA TOTAL CSO LTCP APPROPRIATIONS	36959STW3	GENERAL ELECTRIC CO COMM PAPER	5,000,000	-	06/30/11	03/07/11	0.213	\$ 4,996,645.83
DC WASA TOTAL CSO LTCP APPROPRIATIONS	4042F1TW9	HSBC USA INC COMM PAPER	5,000,000	-	06/30/11	03/07/11	0.284	\$ 4,995,527.78
DC WASA TOTAL CSO LTCP APPROPRIATIONS	3133XTAW6	FHLB GLOBAL BONDS	10,000,000	2.250	04/13/12	03/07/11	0.320	\$ 10,301,743.34
DC WASA TOTAL CSO LTCP APPROPRIATIONS	3024A1U50	FORD MOTOR CREDIT CO COMM PAPER	5,000,000	-	07/05/11	03/21/11	0.355	\$ 4,994,847.22
DC WASA TOTAL CSO LTCP APPROPRIATIONS	83365SVK6	SOCIETE GENERALE NA COMM PAPER	5,000,000	-	08/19/11	03/21/11	0.442	\$ 4,990,877.08
DC WASA TOTAL CSO LTCP APPROPRIATIONS	3024A7XH8	FCAR OWNER TRUST COMM PAPER	5,000,000	-	10/17/11	07/06/11	0.193	\$ 4,997,281.94
DC WASA TOTAL CSO LTCP APPROPRIATIONS	86561BX75	SUMITOMO CORP OF AMERICA COMM PAPER	5,000,000	-	10/07/11	07/07/11	0.193	\$ 4,997,572.22
DC WASA TOTAL DEBT SERVICE RESERVE	3133XSP93	FHLB TAP BONDS	5,000,000	3.125	12/13/13	05/25/11	0.870	\$ 5,354,034.09
DC WASA RATE STABILIZATION FD	25153KTU1	DEUTSCHE BANK FINL LLC COMM PAPER	5,000,000	-	06/28/11	03/15/11	0.409	\$ 4,994,125.00
DC WASA RATE STABILIZATION FD	36959SWM1	GENERAL ELEC CAP SVCS COMM PAPER	5,000,000	-	09/21/11	05/24/11	0.173	\$ 4,997,166.67
DC WASA CAPITALIZED INTEREST FD	313396MB6	FHLMC DISC NOTE	1,400,000	-	09/23/11	03/16/11	0.162	\$ 1,398,811.56
DC WASA CAPITALIZED INTEREST FD	3137EABY4	FHLMC GLOBAL NOTES	1,400,000	2.125	03/23/12	03/16/11	0.274	\$ 1,440,655.93
DC WASA CAPITALIZED INTEREST FD	3133XUJ00	FHLB GLOBAL BONDS	1,400,000	1.625	09/26/12	03/16/11	0.430	\$ 1,436,191.11
DC WASA CAPITALIZED INTEREST FD	3133XQ2D3	FHLB TAP BONDS	1,400,000	3.875	03/08/13	03/16/11	0.700	\$ 1,488,358.64
DC WASA CAPITALIZED INTEREST FD	31398A2M3	FNMA NOTES	1,400,000	1.125	09/30/13	03/16/11	0.970	\$ 1,412,680.50
DC WASA CAPITALIZED INTEREST FD	31398A3K6	FNMA NOTES (EX-CALLABLE)	1,400,000	1.250	03/14/14	03/16/11	1.189	\$ 1,402,617.22

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



# Appendix: Economic Update



## Debt Ceiling Deal

- On August 2, President Obama signed a last minute debt-limit deal which prevented the U.S. from defaulting.
  - The deal specifies \$917 billion in discretionary spending cuts over the next 10 years and increases the debt limit initially by \$900 billion.
  - A 12-person, bipartisan congressional “Super Committee” must then find another \$1.5 trillion in cuts by **November 23**, and both houses of Congress must vote on this legislation by **December 23**.
- On August 5, Standard and Poor’s cut the long-term AAA rating of the United States to AA+.
  - Subsequently, the Government-sponsored enterprises were downgraded to AA+ on August 8.
  - The United States is still on a negative outlook.
- Both Moody’s Investor Services and Fitch Rating Agency reaffirmed the AAA rating of the United States and GSEs.

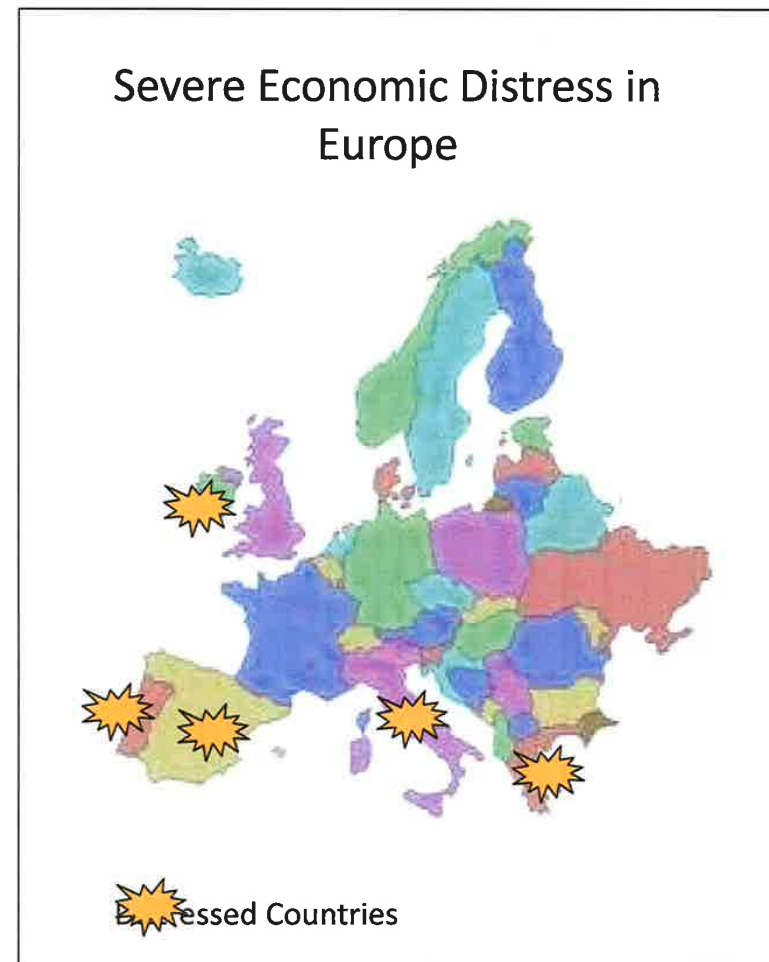


**STANDARD  
& POOR’S**



## European Debt Problems Continue

- Greece, Ireland, and Portugal have already received bailouts from the European Union and the International Monetary Fund totaling \$520 billion.
  - Greece's sovereign debt is now rated CCC, the lowest in the world.
  - Italy and Spain, which are much larger economies, may need bailouts as well.
- Large-scale economic issues regarding welfare and inequality in England erupted into riots in early August.
- Pressure on French banks caused concern as investors pointed to the nation as being a candidate to lose their AAA rating.

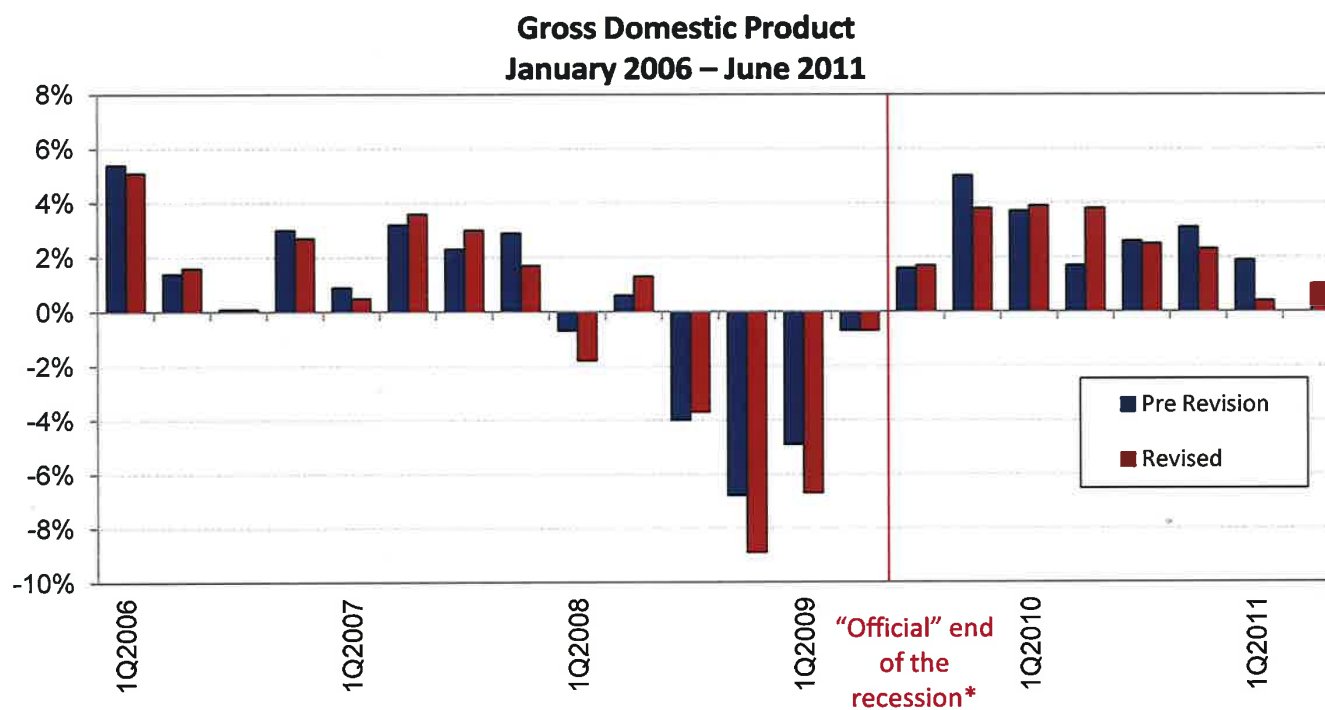






## Sharp Downward Revisions to GDP

- Every July, the Commerce Department revises historical GDP estimates.
- These revisions show that the 2007-2009 recession was deeper, and the subsequent period of expansion less robust, than originally reported.



Source: Bloomberg

\* According to the National Bureau of Economic Research

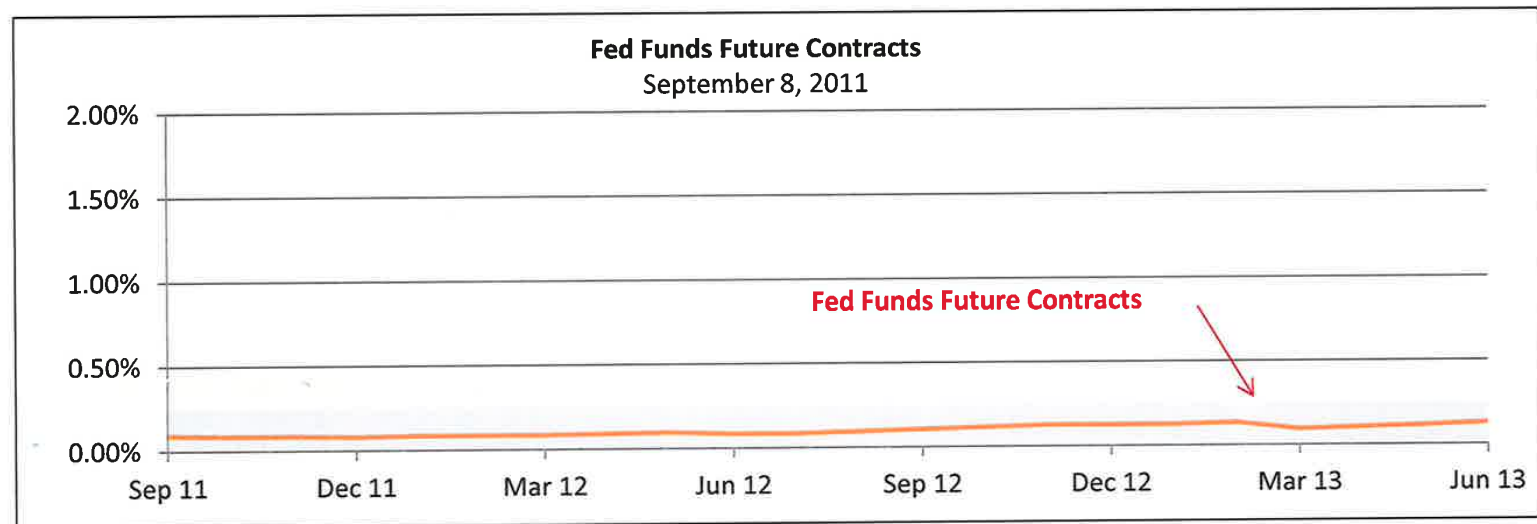
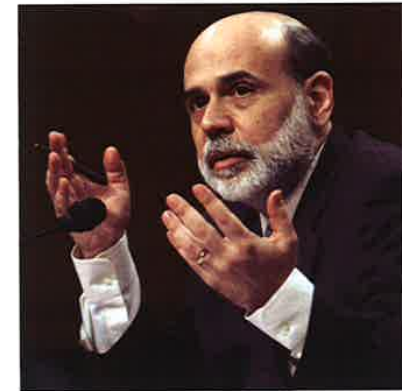




## Federal Reserve's Reaction

From the FOMC's statement from its August 9, 2011, meeting:

- *"The Committee currently anticipates that economic conditions—including low rates of resource utilization and a subdued outlook for inflation over the medium run—are likely to warrant exceptionally low levels for the federal funds rate at least through **mid-2013**."*



Source: Bloomberg



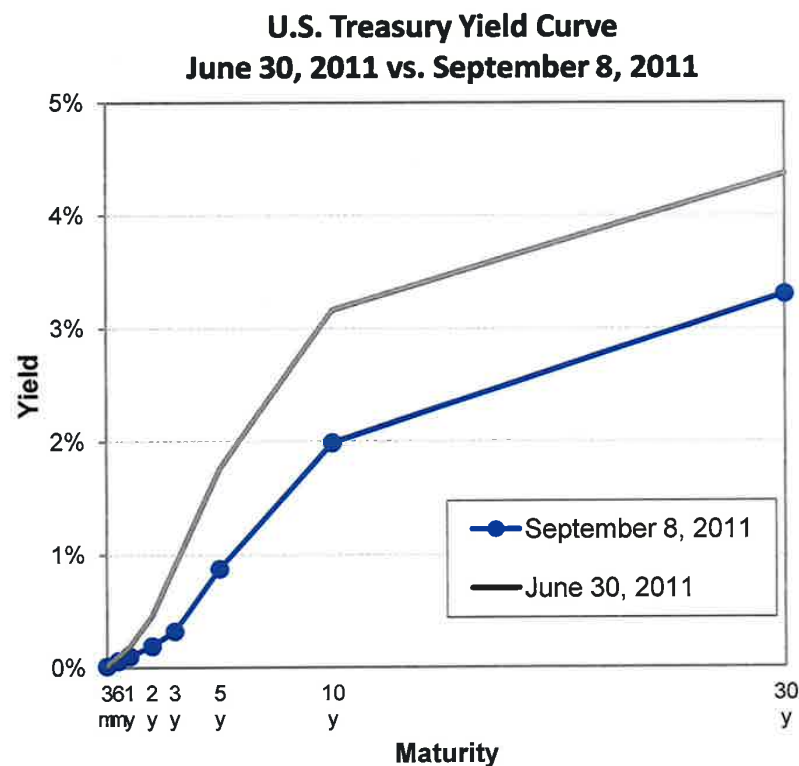
## U.S. Treasury Yields Have Plummeted



Source: Bloomberg



## Interest Rates are Down in All Maturities



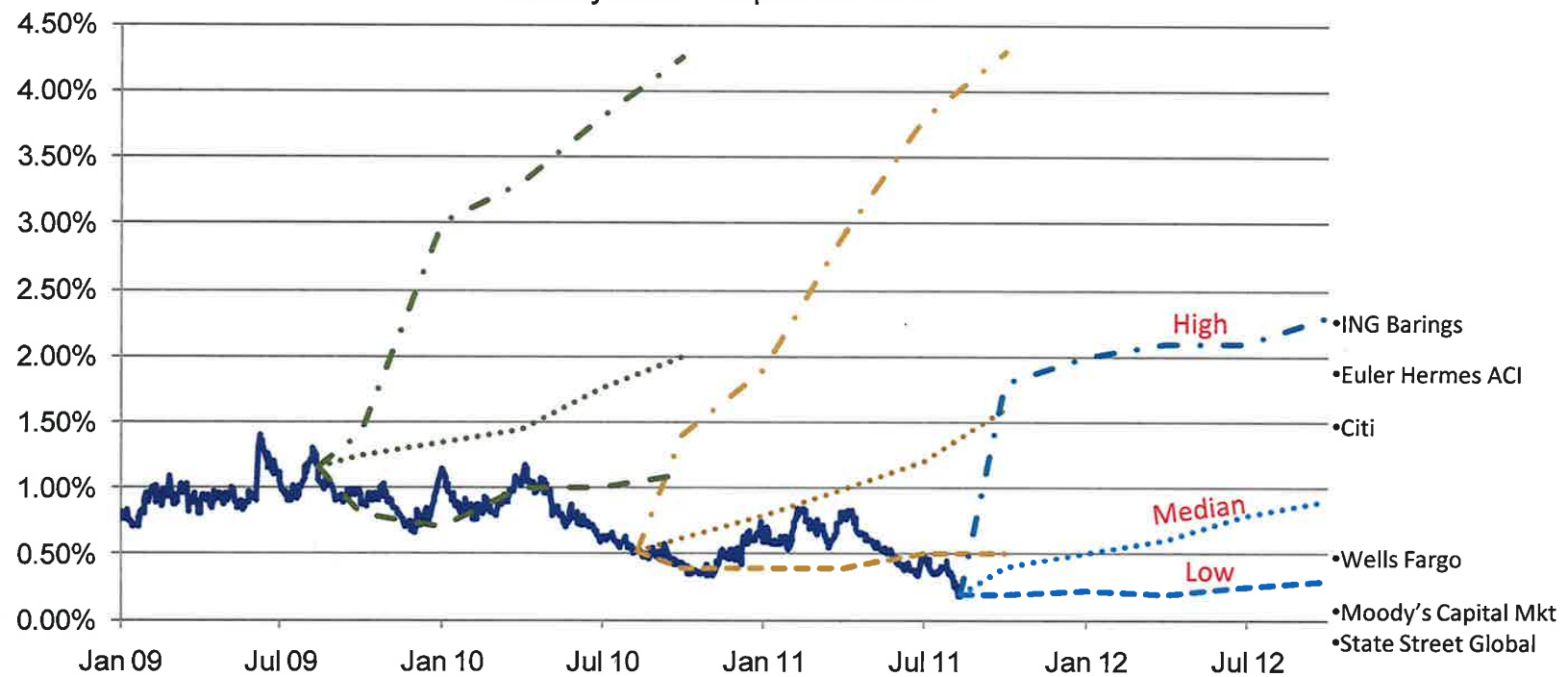
	<u>6/30/11</u>	<u>9/8/11</u>	<u>Change</u>
3 month	0.02%	0.01%	- 0.01%
6 month	0.10%	0.06%	- 0.04%
1 year	0.19%	0.10%	- 0.09%
2 year	0.46%	0.19%	- 0.27%
3 year	0.80%	0.32%	- 0.48%
5 year	1.76%	0.88%	- 0.89%
10 year	3.16%	1.99%	- 1.17%
30 year	4.37%	3.31%	- 1.06%

Source: Bloomberg



## Interest Rate Projections

**2-Year U.S. Treasury Note Yield History and Forecasts**  
January 2009 – September 2012



Source: August 2009, 2010, and 2011 Bloomberg Surveys of Economists



## ATTACHMENT 2

# FY 2011 Year-End Projections

Finance and Budget Committee  
September 22, 2011

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# **FY 2011 FINANCIAL PERFORMANCE**

## ***(CASH BASIS)***

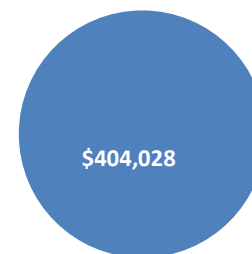


\$41M in Net Operating Cash, resulting in \$24M in excess cash above the operating reserve requirement is anticipated at year-end

FY 2012 Cash Flow Summary (\$ in 000's)			
Description	Budget	Projected	Variance
Revenue Receipts	399,109	404,285	5,176
Operating Expenditure	(271,673)	(250,041)	21,632
Debt Service	(96,334)	(92,068)	4,266
PILOT/ROW	(30,748)	(20,617)	10,131
<b>Net Operating Cash</b>	<b>354</b>	<b>41,559</b>	<b>41,205</b>
<b>Beginning Cash Balance</b>	<b>131,996</b>	<b>131,996</b>	<b>-</b>
Net Operating Cash	354	41,559	41,205
Transfer to RSF	(1,000)	(9,500)	(8,500)
Transfer to PILOT Escrow	-	(10,000)	(10,000)
Other Misc Use	(3,385)	(2,190)	1,195
Cash Used for Capital (Pay-Go)	(2,465)	(2,466)	(1)
<b>Ending Cash Balance</b>	<b>125,500</b>	<b>149,399</b>	<b>23,899</b>

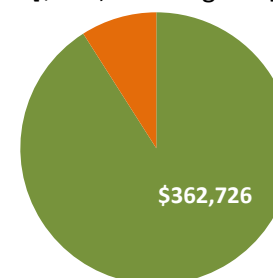
Please note that unpaid PILOT fees have been accrued and transferred to an escrow account pending resolution of PILOT dispute.

Cashflow Revenue Projections  
[\$399,109 Budgeted]



■ Year-end projections ■ Rev. Variance

Cashflow Expenditure Projections  
[\$398,755 Budgeted]



■ Year-end projections ■ Exp. Variance



## Projected Operating Surplus is primarily attributed to:

- 💧 FY 2011 revenues over budget by approx \$6M or 1.3%:
  - IAC projected to be slightly above budget
  - Commercial, Multi-Family and Residential collections higher by 4%
  - Other Revenues are projected to be close to budget
  - Full draw down of \$9.5M RSF made
  - Wholesale Revenue is in line with budget.
- 💧 Operating cash used projected to be below budget by approx \$21M or 8%:
  - Personnel Services (\$2.4M)
  - Water purchases (\$6M)
  - Utilities(\$4.5M)
  - Contractual Services (\$5.3M)
  - Chemicals (\$3.3M)
- 💧 PILOT payment projected to be below budget by approx \$10M:
  - This amount has been transferred to an escrow account for future payment if and when resolved
- 💧 Debt Service payments projected to be below budget by \$4.3M:
  - Primarily because of October BABS credit that was received in September





# **MANAGEMENT'S RECOMMENDATIONS FOR PAYGO AND RSF**



## PROPOSED USE OF FY 2011 OPERATING SURPLUS

Priority	Options	Recommended
1.	Increase FY 2011 PAY GO	<b>√ - fund prior to Sept 30, 2011</b>
2.	Fund RSF in FY 2012 to preserve future flexibility	<b>√ - transfer will be in FY 2012</b>
3.	Other Uses – non recurring initiatives that might boost rev or decrease exp	<b>√ - proposal will be made in FY 2012</b>
4.	Rebates	Not currently recommended



## PAYGO AND RSF RECOMMENDATIONS

Management recommends use of the estimated excess FY 2011 year-end cash balance of \$24M as follows:

- 💧 Wholesale Customers – Refund of approximately \$5.25 M in FY 2012
- 💧 FY 2011 Pay-Go Use of additional \$6.5 M
  - Total FY 2011 Pay-Go would be ~\$9 M
- 💧 Transfer to Rate Stabilization Fund in FY 2012 – \$12.25M
  - FY 2012 Year-end RSF Balance would increase from current \$16.7M to \$28.95M



# APPENDIX



## YEAR-END CASH PROJECTED \$24M ABOVE \$125.5m OPERATING RESERVE TARGET

### D.C. WATER AND SEWER AUTHORITY FY 2011 CASH FLOW SUMMARY YEAR-END PROJECTIONS (\$ in 000's)

	Annual Budget Cash Basis	September FY11 Year End Projection	May FY11 Year End Projection	May-September Variance
<b>OPERATING BUDGET</b>				
Total Cash Provided	398,832	404,028	396,116	7,912
Total Operating Cash Used	271,673	250,041	257,508	(7,467)
<b>Other Cash Used</b>				
Debt Service	96,334	92,068	92,189	(121)
Payment In Lieu of Taxes/Right of Way	30,748	20,617	30,748	(10,131)
<b>Total Other Cash Used</b>	<b>127,082</b>	<b>112,685</b>	<b>122,937</b>	<b>(10,252)</b>
<b>Total Cash Used</b>	<b>398,755</b>	<b>362,726</b>	<b>380,445</b>	<b>(17,719)</b>
<b>Net Cash Provided (Used) by Operating Act.</b>	<b>77</b>	<b>41,302</b>	<b>15,671</b>	<b>25,632</b>
<b>CAPITAL BUDGET</b>				
Total Cash Provided	322,757	300,982	299,835	1,147
Total Cash Used	325,222	303,448	302,275	1,173
<b>Net Cash/PAYGO Provided (Used) by Cap. Act.</b>	<b>(2,465)</b>	<b>(2,466)</b>	<b>(2,440)</b>	<b>(26)</b>
<b>Beginning Balance, October 1 (Net of Rate Stab. Fund)</b>	131,996	131,996	131,996	
Plus (Less) Operating Surplus	77	41,302	15,671	25,632
Wholesale Customer Refunds from Prior Years	(5,053)	(3,860)	(3,880)	20
Interest Earned From Bond Reserve	277	257	131	126
Transfer to Rate Stabilization Fund	(1,000)	(9,500)	(1,000)	(8,500)
Transfer to DC PILOT Fund	0	(10,000)		(10,000)
Prior Year Federal Billing Reconciliation	1,669	1,669	1,669	
Cash Used for Capital	(2,465)	(2,466)	(2,440)	(26)
<b>Balance Attributable to O&amp;M Reserve</b>	<b>125,500</b>	<b>149,399</b>	<b>142,147</b>	<b>7,252</b>

\$24 Million

- Actual retail revenues are higher than originally projected
- Chemical costs, utilities and contractual services costs are less than projected in May
- ~\$10m in PILOT payment from previous years not made due to lack of final MOU



# DC Water

## *Discussion of Investment Policy Modifications*

September 22, 2011





## Federal Agency Obligations

On August 8<sup>th</sup>, Standard & Poor's downgraded the Federal Agencies from AAA to AA+. This action was a result of S&P's decision to lower the sovereign credit rating of the United States.

Current Policy: Federal Agency Obligations. Bonds, notes, debentures, or other obligations or securities issued by any 'AAA' rated federal government agency or instrumentality, except Collateralized Mortgage Obligations. These obligations shall be limited to a maximum maturity of five (5) years at the time of purchase.

**Comment:** Current policy does not specify whether 'AAA' is required from any one or all three major rating agencies.



## Federal Agency Obligations

DC Water is currently not buying Federal Agency securities because of the Investment Policy's ambiguity. Here are three options for Policy modification that would allow the purchase of Federal Agencies:

	Credit Rating Requirement	Maximum Allocation
Option 1	Require a 'AAA' rating by 2 major credit rating agencies	100%
Option 2	Require a 'AA' rating by 2 major credit rating agencies	80%
Option 3	No rating requirement	60%





## Proposed Revised Language

### **Option #1: AAA Credit Rating**

*Federal Agency Obligations.* Bonds, notes, debentures, or other obligations or securities issued by a federal government agency or instrumentality, except Collateralized Mortgage Obligations, with a rating of at least 'AAA' or equivalent from 2 major rating agencies. These obligations shall be limited to a maximum maturity of five (5) years at the time of purchase.

**Comment:** Maintains current policy but clarifies the ambiguity regarding the number of rating agencies required at the 'AAA' level. Current maximum allocation remains at 100%.

### **Option #2: AA Rating requirement**

*Federal Agency Obligations.* Bonds, notes, debentures, or other obligations or securities issued by a federal government agency or instrumentality, except Collateralized Mortgage Obligations, with a rating of at least 'AA' or equivalent from 2 major rating agencies. These obligations shall be limited to a maximum maturity of five (5) years at the time of purchase.

**Comment:** Relaxes current 'AAA' requirement by all three rating agencies. Requires 'AA' rating from any two major rating agencies. To mitigate the exposure the maximum allocation is reduced from 100% to 80%.



## Proposed Revised Language (cont'd)

### **Option #3: No rating requirement**

*Federal Agency Obligations.* Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality, except Collateralized Mortgage Obligations. These obligations shall be limited to a maximum maturity of five (5) years at the time of purchase.

**Comment:** This option gives maximum flexibility. No rating from major rating agencies required. Maximum allocation would be reduced to 60%.



## FDIC Insured CD's

DC Water is considering adding FDIC insured CD's to the list of permitted investments in the investment policy. There are two primary approaches that DC Water should consider:

- 1) **CDARS** – A CD placement service in which FDIC insured CD deposits are initiated through a participating bank. The initial bank determines the interest rates and banks used for deposit and holds the CD's in “custody.”
  - a) Access to a very significant list of banks
  - b) Easy to administer
  - c) Custody is unclear
  - d) Reporting may be unclear
  - e) Use of one bank will help prevent deposit amounts exceeding FDIC limits
- 2) **FDIC insured CD placement services** – This services is offered by a wide variety of providers including banks, brokerage firms, and registered investment advisors.
  - a) Bank list may be limited
  - b) May be easy or hard to administer depending on who originates wires
  - c) Important to understand custody (“Broker deposits” or actual account)
  - d) Reporting may or may not be unclear
  - e) Use of one bank will help prevent deposit amounts exceeding FDIC limits



## FDIC Insured CD's continued

CDARS language for the Investment Policy:

**FDIC Insured Certificates of Deposit.** The Authority may invest the moneys belonging to them or within their control in accordance with the following conditions:

- 1) The moneys are initially invested through any federally insured bank or savings institution (the “initial” bank or savings “institution”);
- 2) The selected bank or savings institution arranges for the deposit of the moneys in one or more federally insured banks or savings institutions wherever located, for the account of the DC Water;
- 3) The full amount of principal and any accrued interest of each such deposit is covered by federal deposit insurance;
- 4) The selected initial institution acts as custodian for the DC Water with respect to each bank deposit issued for the DC Water’s account; and
- 5) At the same time that DC Water’s moneys are deposited, the initial institution receives an amount of deposits from customers of other financial institutions wherever located equal to or greater than the amount of moneys invested by the public entity through the selected bank or savings institution.



## FDIC Insured CD's continued

FDIC Insured CD's for the Investment Policy:

**FDIC Insured Certificates of Deposit.** The Authority may invest the moneys belonging to them or within their control in accordance with the following conditions:

- 1) The moneys are initially invested or deposited in a permitted investment or collateralized bank deposit account;
- 2) DC Water may use a bank, broker, or registered investment advisor to assist: 1) in the identification of one or more federally insured banks or savings institutions, wherever located, for the deposit of the DC Water's moneys and 2) in the administration of the deposits;
- 3) The full amount of principal and any accrued interest of each such deposit is covered by federal deposit insurance; and
- 4) Each selected bank or savings institution holds the deposit under DC Water's Federal TAX ID/EIN and provides DC Water with a safekeeping receipt issued in DC Water's name.



## FDIC Insured CD's continued

In order to maintain adequate portfolio diversification, we would suggest imposing a maximum allocation. Since Collateralized Certificates of Deposit have a similar credit profile as FDIC Insured CDs, we would suggest a combined maximum asset allocation.

### *Under the Portfolio Diversification Section*

	Asset Class	Maximum Allocation
Current Language	Collateralized Certificates of Deposit	30%
Proposed Language	Collateralized <b>and FDIC Insured Certificates</b> of Deposit	30%



## Collateral – Letter of Credit

Some banks have been able to offer more competitive interest rates on bank deposits by using a Letter of Credit issued by the Federal Home Loan Bank.

We view a Letter of Credit issued by one of the major Federal Agencies to offer the same level of security and protection as collateral in the form of Federal Agencies.

The following language is suggested to expressly permit Letters of Credit to be used for collateralizing bank deposits.

### ***Under the Collateralization of Bank Deposits Section***

	Asset Class
Current Language	b) Collateralization with any combination of the following (i) U.S. Treasury obligations, and (ii) Federal Agency obligations.
Proposed Language	b) Collateralization with any combination of the following (i) U.S. Treasury obligations, (ii) Federal Agency obligations, <b><i>or (iii) a Letter of Credit issued by the Federal Home Loan Bank.</i></b>



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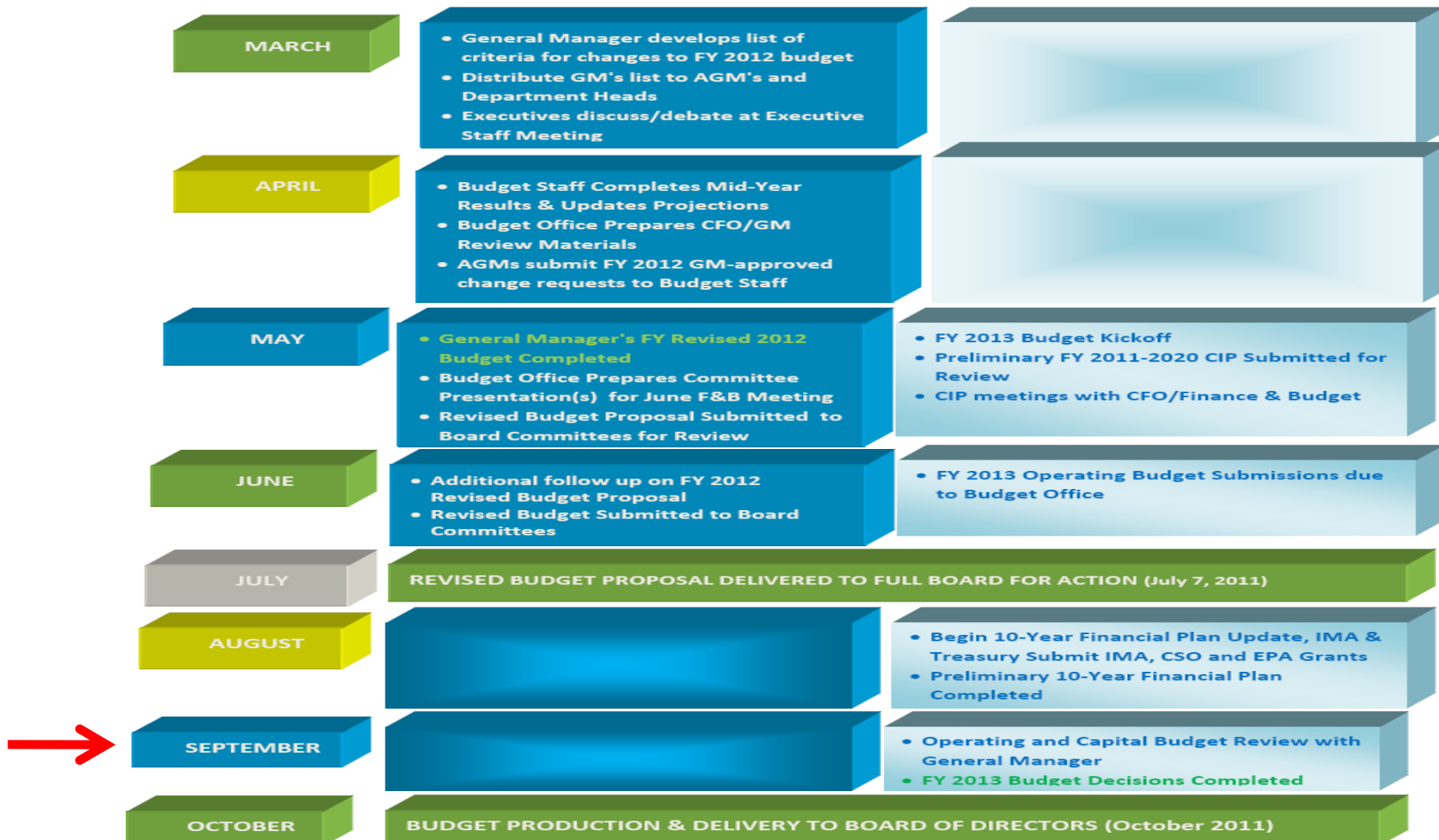




## BUDGET PLANNING CALENDAR

### FY 2012 REVISED BUDGET

### FY 2013 PROPOSED BUDGET



Finance & Budget Committee Meeting September 22, 2011



*Briefing on*  
**DC Water Policy and Practice to Support  
Contracting with Local Businesses**

*Presented to:*  
*DC Water Board of Directors*  
**Finance and Budget Committee**  
**Chairperson, Timothy Firestine**

**September 22, 2011**

**George S. Hawkins, General Manager**



## **I. Previous Related BOD Assignments and Discussions**

### **A. Governance Committee, June 8, 2011 Meeting**

Blue Plains Tunnel Design Build Contract Employment and Business Development Program Compliance

### **B. Environmental Quality and Sewerage Services Committee, June 16, 2011 Meeting**

DC Water Business Development Program and Contractor Employment Practices Requirements

### **C. Governance Committee, September 14, 2011 Meeting**

Compliance Monitoring and Reporting Concerning Hiring Practices of the Design-Build Contractor for the Blue Plains Tunnel (A follow-on to the June 8, 2011 Governance Committee meeting)



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## **I. Previous Related BOD Assignments and Discussions (Conti.)**

- D. Finance and Budget Committee, September 22, 2011 Meeting  
Review of DC Water Procurement Policy and Practice concerning Preference for  
Local Contractors
  
- E. Note that no assignment was made concerning DC Water  
contractual requirements with regard to hiring local residents other  
than First Source Agreement for Blue Plains Tunnel



## **II. Finance and Budget Committee, September 22, 2011 Meeting - Assignment**

- A. Assignment made by Board of Directors Chair at July 7<sup>th</sup> Full Board Meeting
- B. Assignment evolved from discussion with regard to potential need to change DC Water Business Plan, policy and practice with regard to contracting with local contractors to effect an increase in hiring of local residents.
- C. Board of Directors asked to be briefed on DC Water procurement policy and practice with regard to contracting with local contractors
  - 1. Existing opportunities
  - 2. Potential opportunities
  - 3. Legal considerations
- D. Chairman Walker asked that the Committee findings and recommendations be reported to full Board of Directors at the October 6, 2011 meeting



### **III. Current Policy and Practice**

- A. Reference materials presented at the June 16, 2011 Environmental Quality & Sewerage Services Committee meeting
  
- B. Essentially – the DC Water Business Plan local preference program has resulted in little influence on contractor selection over past 14 years
  - For construction services only 2 contractors benefited from the preference program
  - For goods and services only 4 contractors benefited from the preference program



## **IV. DC Water Historical Contracting with Local Firms, FY '06 thru FY '10 - Summary**

- A. Definition of “Local Firms”: A business enterprise having a substantial business presence in the DC Water Service Area jurisdictions (District, Fairfax County, Loudon County, Montgomery County, Prince Georges County)
  - “Local” is a DC Water term of art for this discussion
  - User Jurisdiction: Only DC has a “local” only certification. However, for the other user jurisdictions location is considered in its certification and a local business is a firm with its principal place of business physically located and registered in their county. This is applicable for DC Water’s Local Preference contracting program.
- B. Summary Capital Construction Contracting for FY '06 – FY '10: Local firms were awarded 98.6% of the \$556 million contracted.
- C. Summary A/E Services Contracting FY '06 – FY '10: Local Firms were awarded 82.1% of the \$268 million contracted.
- D. Summary combined construction and A/E Services, FY '06 – '10: 6  
Local Firms were awarded 93.3% of the \$776 million contracted.



#### **IV. DC Water Historical Contracting with Local Firms, FY '06 thru FY '10 – Summary (Cont.)**

- E. Summary Goods and Services contracting FY '07 – FY '10: Local Firms were awarded 86.9% of the \$263.4 million contracted
  
- F. Summary – All contracts FY '06\* – FY '10: Local firms were awarded 96% of the \$1.04 billion contracted.

\*Goods and Services for years FY'07-'10 only





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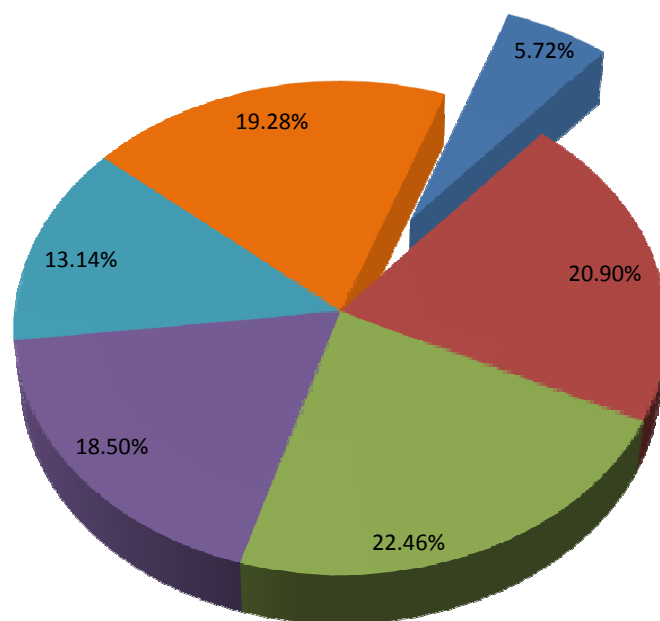
**V. Look at typical report on residency of workers employed on DC Water Construction Contracts?**

- A. Data available thru required certified payrolls and DOES documents
- B. See next slide
- C. More than 80% of the work force for DC Water Construction Contracts was local residents.



## DC Water FY 11 Projects Summary Employment Data

### Snapshot of DC Water Construction Contractor Workforce October 2010 through July 2011



Total Number of Contractor Employees  
Transferred to the Project\*: 1416

- District of Columbia Residents - 81
- Montgomery County Residents - 296
- Prince Georges County Residents - 318
- Fairfax County Residents - 262
- Loudoun County Residents - 186
- Out of Region Residents - 273

Data for this slide taken from: Certified Payroll Reports; Monthly Employment Utilization reports; and Monthly DOES Contract Compliance Reports

\* The figures in this slide represent an aggregate of "snapshots" of peak employment activity of primes and subs on individual projects in FY 2011. It is not inferred or suggested that workers were on site at the same time.



## VI. Summary

- A. DC Water local preference Business Plan has seemingly resulted in insignificant number of local firms displacing firms without local certifications. (Historical – last 14 years: 2 construction contracts, 0 A/E contracts, 4 goods & services contracts)
- B. Contracting with local firms - 96% of contracting dollars for '06 – '10 was with local firms.
- C. A “snap shot” of residency of the DC Water contracted construction work force is FY '11 shows 82% of employees were residents of jurisdictions in the BP Service Area
- D. Data on residency of contractor personnel is not generally available other than thru “certified payrolls,” thus is limited.



## **VII. What issue is the Board of Directors seeking to address?**

- A. Contracting with local firms, do we change the DC Water Business Plan to contract a larger portion of work with local firms?
- Not compatible with Federal funding assistance procurements.
  - Not compatible with M/WBE procurements (Federal Regulation Law).
  - Would preclude contracting to get “special skills” that are not available locally?
  - Would fundamentally change focus of DC Water Business plan from social goals (gender, race past discrimination) to political goals (tax revenue and political influence).
  - As a practical matter a very large portion of DC Water contractors – 96% - are local firms.
- B. Employment of people residing in BP Service Area Jurisdictions?
- The Board of Directors discussions often start with hiring local contractors and seamlessly evolves into discussion of hiring local people
  - Are these two the same?
  - As a practical matter, a very large portion of construction contractor personnel – 80% - are local residents. (Likely same generally for all contracting?)



## **VIII. What issue is the Board of Directors seeking to address?**

### **C. Hiring DC Residents?**

- The First Source employment program seems ineffective
- The Mayor is working to reestablish this program.
- The Board of Directors asked if DC Water could have a program with similar goals as DC's First Source: General Counsel advised that there are no legal impediments to doing so
- The Board of Directors asked if other DC Water service area jurisdictions have programs similar to DC's First Source Program: Our investigation reveals they do not



## **VIII. Committee Findings and Recommendations to the Full Board of Directors**

1. Question: Is the current approved Business Development Plan Local Preference Program still 'ok'?
  - Board of Directors approved the Plan in Spring 2009?
2. Question: Would a revised local contracting preference program be an effective approach to changing the residency of DC Waters contracted work force?
3. Question: Should DC Water adopt a contractor hiring program similar to DC's First Source Program?
4. Question: Are there other programmatic approaches that warrant assessment as to likelihood of changing the residency profile of the DC Water contractor work force?
5. Question: Are there "other" issues findings, or recommendations the Committee would like to discuss with the full BOD on October 6, 2011.

13

## ATTACHMENT 5

**DC WATER AND SEWER AUTHORITY  
BOARD OF DIRECTORS CONTRACTOR FACT SHEET**

**ACTION REQUESTED**

**GOODS AND SERVICES CONTRACT MODIFICATION  
Human Resource/Payroll (HR/PR) System and Services  
(Joint Use - Indirect)**

Approval to extend the Contract for an additional three year period and modify the Contract value by \$643,817.91 to cover services during the extension period.

**CONTRACTOR/SUB/VENDOR INFORMATION**

<b>PRIME:</b>	<b>SUBS:</b>	<b>PARTICIPATION:</b>
Ceridian Corporation 3311 East Old Shakopee Road Minneapolis, Minnesota 55425-164	Not Applicable	Not Applicable

**DESCRIPTION AND PURPOSE**

Original Contract Value:	\$600,000.00
Original Contract Date:	09/01/1999 – 09/13/2002
Original Contract Time:	1095 Days
Value of Modifications, to date:	\$2,311,602.00
Modification Time Period:	03/01/2002 – 12/31/2011
Cumulative contract value, to date:	\$2,911,602.00
Total Contract Extensions Time, to date:	3285 Days
Remaining Options:	None
Value of this Contract Extension:	\$643,817.91
Contract Extension Date:	01/01/2012 -12/31/2014

**Purpose of the Contract:**

The purpose of the Contract is to provide payroll and human resource services for DC Water's Payroll and Human Resources Departments.

**Original Contract Scope:**

- To provide Human Resources and Payroll processing and tax filing services.
- To provide maintenance and support for the HR/PR, Time and Attendance, and Employee Self Service Portal systems.
- To provide for upgrades and product enhancements, training, implementation and consulting services, as needed.

**Previous Change Order Scope:**

- Implemented an employee service portal, to give employees on line access to various benefit and payroll information.
- Installed automated time clocks, to eliminate timesheets and simplify the payroll time entry process.

- Transferred/migrated to the Ceridian hosted environment several IT functions.
- Implemented e-recruit for Human Resources.

**New Change Order Scope:**

- This modification extends the Contract Period of Performance for five (5) years, a three-year base and two (2) option years, commencing on January 1, 2012.

**Spending Previous Year:**

- Cumulative Contract Value: (09/01/1999 – 12/31/2011) - \$2,911,602.00
- Cumulative Contract Spending: (09/01/1999 – 08/31/2011) - \$2,059,146.44


**Contractor's Past Performance:**

- The Contractor's performance has been satisfactory.

**Note:** The recommendation to extend the contract with Ceridian Corporation is necessary for continuity of payroll and human resource functionality. We anticipate a thorough review of potential system integration and perspective enterprise systems in the near future. This strategic review will establish a roadmap for future procurement options to meet these service needs. Thus, it is in the best interest of the Authority to extend the contract at this time.

PROCUREMENT INFORMATION			
Contract Type:	Fixed Price	Award Based On:	Contract Modification
Commodity:	Services	Contract Number:	WAS-9079-AA-AB
Contractor Market:	Open Market		
BUDGET INFORMATION			
Funding:	Operating	Department:	Chief Finance Office
Project Area:	Human Resources	Department Head:	Olu Adebo
Project:			
USER SHARE INFORMATION			
User	Share %	Dollar Amount	
District of Columbia	81.45%	\$524,389.69	
Washington Suburban Sanitary Commission	13.49%	\$ 86,851.04	
Fairfax County	3.26%	\$ 20,988.46	
Loudoun County	1.61%	\$ 10,365.47	
Other Potomac Interceptor	0.19%	\$ 1,223.25	
Total Estimated Dollar Amount		\$643,817.91	

  
 Yvette Downs  
 Director of Finance & Budget  
 Date 9/16/11

  
 Olu Adebo  
 Chief Financial Officer  
 Date 9/16/11

  
 Rosalind R. Inge  
 Director of Procurement  
 Date 9/16/11

  
 George S. Hawkins  
 General Manager  
 Date



**FINANCE & BUDGET COMMITTEE  
PROPOSED MODIFICATIONS TO THE STATEMENT OF INVESTMENT POLICY**

**ACTION ITEM 6B: Modifications to the Statement of Investment Policy**

The following modifications to the Statement of Investment Policy are to be considered by the Board of Directors:

**1. Authorized Investments:**

The current policy states DC Water shall be permitted to invest in Federal Agency Obligations defined as:

Federal Agency Obligations. Bonds, notes, debentures, or other obligations or securities issued by any “AAA” rated federal government agency or instrumentality, except Collateralized Mortgage Obligations. These obligations shall be limited to a maximum maturity of five (5) years at the time of purchase. Maximum allocation permitted is 100% of the portfolio.

Current policy does not specify whether “AAA” is required from any one or all three major rating agencies.

**Recommendation: Revise policy to read:**

**Federal Agency Obligations. Bonds, notes, debentures, or other obligations or securities issued by a federal government agency or instrumentality, except Collateralized Mortgage Obligations, with a rating of at least “AA” or equivalent from 2 major rating agencies. These obligations shall be limited to a maximum maturity of five (5) years at the time of purchase.**

**Maximum allocation permitted will be 80% of the portfolio.**

**2. Additions to Authorized Investments:**

Current policy allows for the purchase of negotiable and collateralized certificates of deposit.

**a. Recommendation: Authorize the addition of FDIC insured Certificates of Deposit.**

**FDIC insured Certificates of Deposit would be obtained thru CD placement services including – Certificate of Deposit Account Registry Service (CDARS).**

**Collateralization of Bank Deposits:**

Current policy allows for collateralization of bank deposits using U.S. Treasury obligations and Federal Agency obligations.

**b. Recommendation: Authorize the addition of a Letter of Credit issued by the Federal Home Loan Bank as collateral for bank deposits.**



**ATTACHMENT 7**

**D.C. WATER AND SEWER AUTHORITY  
BOARD OF DIRECTORS  
FINANCE AND BUDGET, ENVIRONMENTAL QUALITY &  
SEWERAGE SERVICES, WATER QUALITY & WATER  
SERVICES, and DC RETAIL WATER & SEWER RATES  
JOINT COMMITTEE MEETING**

Thursday, October 27, 2011; 9:30 a.m.  
Blue Plains Wastewater Treatment Plant  
5000 Overlook Avenue, SW, DC  
**AGENDA**

<b>Call to Order</b>	Chairman
<b>September 2011 Financial Report</b>	Director of Finance & Budget
<b>Committee Review of Proposed FY 2013 Budget</b>	General Manager
<b>Agenda for November 17<sup>th</sup> Joint 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)