DISTRICT OF COLUMBIA
WATER AND SEWER AUTHORITY

Board of Directors

Finance and Budget Committee
Thursday, September 27, 2012
11:00 a.m..

1. **Call to Order**...Timothy L. Firestine, Chairperson
2. **August 2012 Financial Report (Attachment 1)**.......................... Yvette Downs and Robert Hunt
   - A. Operating Revenues & Expenditures
   - B. Cash Reserves & Investments
   - C. Capital Disbursements Summary
   - D. FY 2012 Year-End Projections
   - E. Investment Report
3. **Debt Policy & Guidelines Review (Attachment 2)**..Robert Hunt
   - A. Glossary (Attachment 2A)
   - B. Multi-modal (SIFMA Index) Bonds Policy (Attachment 2B)
   - C. Use of Proceeds Checklist (Attachment 2C)
4. **Rolling Owner-Controlled Insurance Update - ROCIP 3 (Attachment 3)**............Tanya DeLeon
5. **Action Items**.. Olu Adebo
   - A. Debt Policy & Guidelines **(Attachment 4)**
   - B. Approval for Electricity Generation & Transmission Services Contract – HESS **(Attachment 5)**
   - C. Bond Counsel Contract **(Attachment 6)**
   - D. Recommendation for ROCIP 3 Broker Services **(Attachment 7)**
6. **Agenda for October Joint Committee Meeting (Attachment 8)** ....Timothy L. Firestine
7. **Other Business** .... Yvette Downs
   - A. DC Incentive Program
8. **Adjournment**

FOLLOW-UP ITEMS – Finance & Budget Committee (Follow-up Items from the Meeting held July 26, 2012)

1. Expand and incorporate a comprehensive derivatives policy within the Debt Policy and Guidelines document. **(Mr. Firestine) Status:** *Completed*
2. Consider the Bond Counsel to include serving as the Disclosure Counsel as well to the Authority. **(Ms. Nancoo) Status:** *Completed*
3. Provide periodic financial update on the Biosolids Project. **(Ms. Nancoo) Status:** *On-going*

ATTACHMENT 1

dc water is life

August 2012 FINANCIAL REPORT

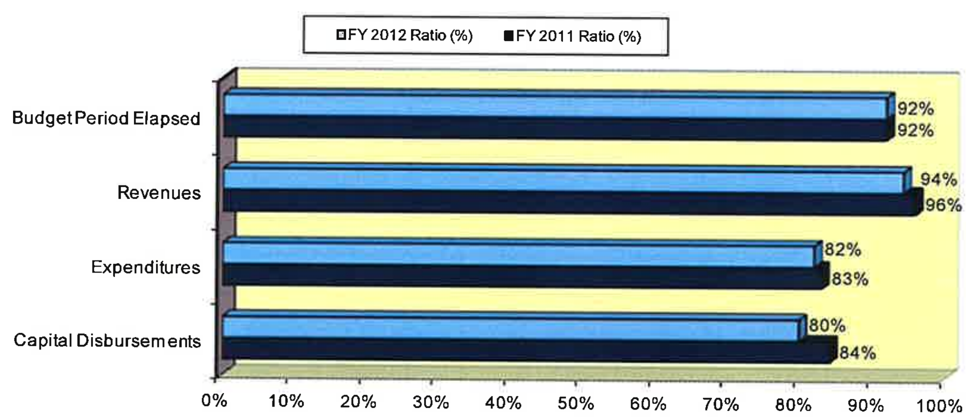
FY 2012 FINANCIAL PERFORMANCE

At the end of August, with approximately 92 percent of the fiscal year completed, we are on track with budgetary expectations. We anticipate completing the fiscal year with 100 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, 2012
($ in millions)

	Approved	Revised Budget	YTD Budget	YTD *Actual*	*Variance Favorable (Unfavorable)*		*% Revised Budget*	Year-End Projection
					92% of Budget			
Revenues (Receipts)*	$412.2	$426.4	$390.9	$401.2	$10.3	2.6%	94.1%	$426.9
Expenditures*	$422.4	$415.4	$380.7	$339.6	$41.1	10.8%	81.8%	$384.5
Capital Disbursements	$555.8	$531.7	$482.4	$423.6	$58.8	12.2%	79.7%	$462.5

Straight-lined (11/12 of revised budget)



120-day Operating Reserve Analysis
($ in millions)

FY 2012 120-day Operating Reserve Objective	$125.5
Actual Average Daily Balances	$161.2
Difference	$35.7

OPERATING REVENUES & RECEIPTS

At the end of August 2012, cash receipts totaled $401.2 million, or 94.1 percent of the revised FY 2012 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.

REVENUE VARIANCE BY CATEGORY
($ in 000's)
As of August 31, 2012

Revenue Category	FY 2012 Revised Budget	Year-to-Date Budget	Actual Received	Variance Favorable	Variance (Unfavorable)	Actual % of Budget	Year End Projections	Variance Proj v. Bud	Percent
Residential, Commercial, and Multi-family	226.2	207.4	204.0	(3.4)	-1.6%	90.2%	225.0	(1.2)	99.5%
Federal	47.5	43.5	46.5	3.0	6.8%	97.9%	47.5	0.0	100.0%
District Government	11.1	10.2	8.4	(1.8)	-17.4%	75.7%	8.4	(2.7)	75.7%
DC Housing Authority	6.4	5.9	6.5	0.6	11.0%	101.3%	7.0	0.6	109.4%
Customer Metering Fee	10.8	9.9	10.2	0.3	3.3%	94.7%	11.0	0.2	102.1%
Wholesale	74.4	68.2	74.7	6.5	9.5%	100.4%	74.7	0.3	100.4%
Right-of-Way Fee/PILOT	22.5	20.6	21.0	0.4	1.7%	93.1%	22.7	0.2	100.8%
Subtotal (before Other Revenues)	$398.9	$365.7	$371.3	$5.6	1.5%	93.1%	$396.4	($2.5)	99.4%
Other Revenue without RSF									
IMA Indirect Cost Reimb. For Capital Projects	4.0	3.6	6.0	2.4	66.1%	151.0%	6.0	2.0	150.9%
DC Fire Protection Fee	6.2	5.7	6.2	0.5	8.6%	99.5%	6.2	0.0	99.6%
Stormwater (MS4)	1.1	1.0	0.8	(0.2)	-21.7%	69.1%	0.8	(0.3)	69.1%
Interest	0.8	0.7	0.7	0.0	0.0%	85.8%	0.7	(0.1)	89.5%
Developer Fees (Water & Sewer)	6.0	5.5	8.2	2.7	48.4%	136.0%	8.7	2.7	144.5%
Others	2.9	2.7	1.5	(1.2)	-44.0%	53.1%	1.6	(1.3)	56.8%
Subtotal	$21.0	$19.2	$23.4	4.2	21.9%	111.5%	$24.0	$3.0	114.3%
Rate Stabilization Fund Transfer	$6.5	$6.0	$6.5	0.5	9.1%	100.0%	$6.5	$0.0	100.0%
Other Revenue Subtotal	$27.5	$25.2	$29.9	4.7	18.8%	108.8%	$30.5	$3.0	110.9%
Grand Total	$426.4	$390.9	$401.2	$10.3	2.6%	94.1%	$426.9	$0.5	100.1%

Discussion of Relevant Variance

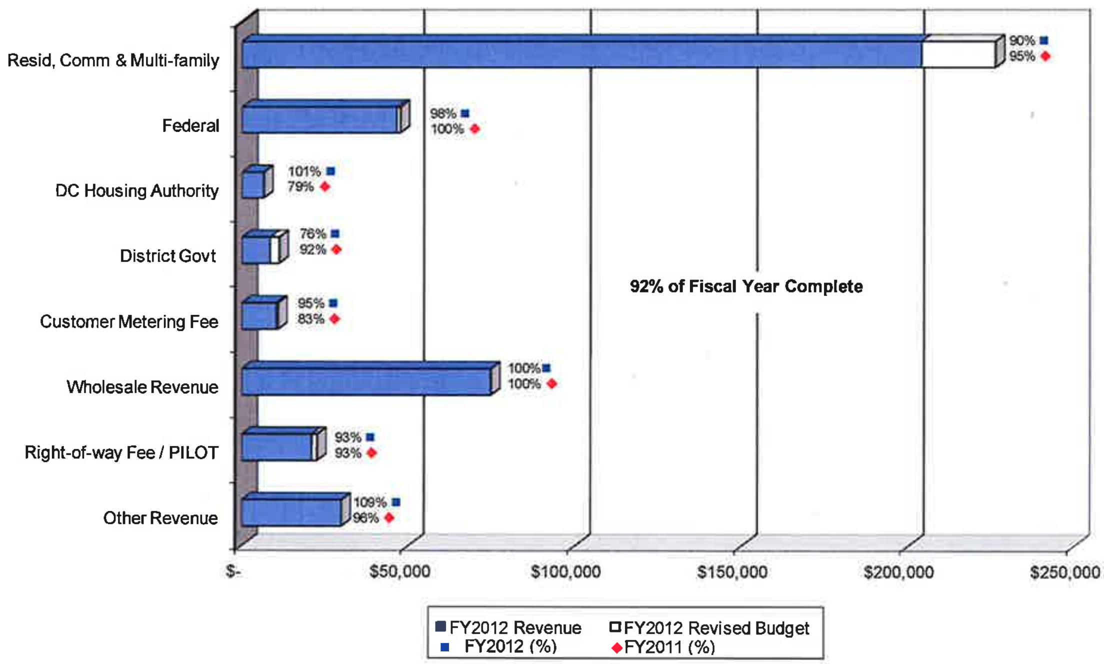
In general, the revenues are on target with 94.1 percent of the total revenues received through 92 percent of the year completed. We anticipate completing the fiscal year at 100.1 percent of the revised budget.

Receipts for Residential, Commercial and Multi-Family categories in August were $21.8 million and cumulative receipts totaled $204 million, or 90.2 percent of the revised FY 2012 budget. The consumption is lower than anticipated and the receipts in these categories are projected to be lower than the revised budget. We expect to end the fiscal year at approximately 99.5 percent of budget in this category.

The District Government actual receipts for the four quarters total $8.4 million or 75.7 percent of the revised FY 2012 budget. The District Government has disputed consumption on a large account, withholding a portion of their quarterly payment while the account is being investigated. Staff is meeting with the officials to complete the review. Receipts in this area are projected to be lower than the revised budget.

At the end of August, Other Revenues total $29.9 million or approximately 108.8 percent of the budget. We expect to end the fiscal year at approximately 111 percent of budget in this category. The primary drivers of this increase are the increased developer fees as well as higher than anticipated IMA reimbursement for indirect capital costs.

FY 2012
OPERATING RECEIPTS BY CUSTOMER CATEGORY
As of August 31, 2012



BREAKDOWN OF RETAIL RECEIPTS BY CUSTOMER CATEGORY
($ in 000's)
As of August 31, 2012

Customer Category	Water	Sewer	Clean Rivers IAC	Metering Fee	Total
Residential	24,712	30,449	7,862	4,558	67,581
Commercial	39,411	40,541	9,851	3,065	92,869
Multi-family	21,924	26,367	2,886	1,073	52,250
Federal	20,188	20,269	6,052	948	47,456
District Govt	2,816	3,455	2,148	462	8,881
DC Housing Authority	2,766	3,394	349	123	6,633
Total:	**111,817**	**124,475**	**29,148**	**10,230**	**275,670**

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
($ in 000's)
As of August 31, 2012

Customer Category	FY 2012 Budget	Year-To-Date Budget	Actual Received	Variance Favorable / <Unfavorable>	Variance % of YTD Budget	Actual % of Budget
Residential	8,178	7,496	7,862	366	5%	96%
Commercial	9,714	8,905	9,851	947	11%	101%
Multi-family	3,235	2,965	2,886	(79)	-3%	89%
Federal	6,052	5,547	6,052	504	9%	100%
District Govt	2,131	1,953	2,148	195	10%	101%
DC Housing Authority	380	349	349	1	0%	92%
Total:	**29,690**	**27,215**	**29,148**	**1,933**	**7%**	**98%**

OPERATING EXPENDITURES

At the end of August, with 92 percent of the fiscal year completed, operating expenditures (including debt service and the right of way and PILOT fees) totaled $339.6 million, or 82 percent of the FY 2012 Board-revised budget of $415.4 million. These numbers include estimated incurred but unpaid invoices.

EXPENDITURE VARIANCE BY CATEGORY
($ in 000's)
As of August 31, 2012

	FY 2012									FY 2013
	Board Revised Budget	YTD Budget	YTD as of 08/31/2012	YTD Variance Favorable/(Unfavorable) $$	%	Percent of Budget	Preliminary Year-End Projections	Projection Percent of Budget	Year-End Variance	Board Revised Budget
Personnel Services	111,114	101,855	95,950	5,905	5.8%	86%	110,711	100%	403	116,609
Contractual Services	79,747	73,101	60,158	12,943	17.7%	75%	68,354	86%	11,393	82,350
Water Purchases	31,517	28,891	25,949	2,941	10.2%	82%	27,906	89%	3,611	31,513
Chemicals and Supplies	29,947	27,451	23,415	4,037	14.7%	78%	27,619	92%	2,328	31,360
Utilities	37,446	34,326	23,953	10,373	30.2%	64%	27,464	73%	9,982	34,185
Small Equipment	995	912	911	2	0.2%	92%	1,177	118%	(182)	993
Subtotal O & M Expenditures	290,765	266,537	230,335	36,201	13.6%	79%	263,231	91%	27,534	297,009
Debt Service	102,613	94,062	89,089	4,972	5.3%	87%	99,250	97%	3,363	121,330
Payment in Lieu of Taxes	16,882	15,475	15,475	-	0.0%	92%	16,882	100%	-	16,882
Right of Way	5,100	4,675	4,675	-	0.0%	92%	5,100	100%	-	5,100
Total O & M Expenditures	415,360	380,749	339,575	41,174	10.8%	82%	384,463	93%	30,897	440,321
Personnel Services Charged to Capital Projects	(14,000)	(12,833)	(12,089)	744	-5.8%	86%	(13,949)	100%	(51)	(16,690)
Total Net Operating Expenditures	401,360	367,915	327,486	40,430	11.0%	82%	370,513	92%	30,847	423,631

Note: Actuals include accruals

Discussion

Personnel Services ($111.1 million annual budget; 38.2 percent of O&M budget) – At the end of August, personnel costs total $96 million or 86 percent of budget. Of the 1,171 positions budgeted (1,202 positions authorized), 1,041 positions were filled at the end of August. Overtime spending totals $4.6 million of the annual budget of $5.0 million, or 6.6 percent of regular payroll costs. Overtime costs remain significantly below the level of spending for the same period last year due to tighter controls and milder winter months experienced to date. We expect to end the fiscal year at approximately 100 percent of the budget in this category, which includes year-end payroll adjustments.

Water Purchases ($31.5 million annual budget; 10.8 percent of O&M budget) – At the end of August, water purchases incurred total $25.9 million or 82 percent of budget. The current variance in this category is attributable to hiring delays and lower than anticipated water demand at the Washington Aqueduct. We anticipate ending the fiscal year at approximately 89 percent in this category.

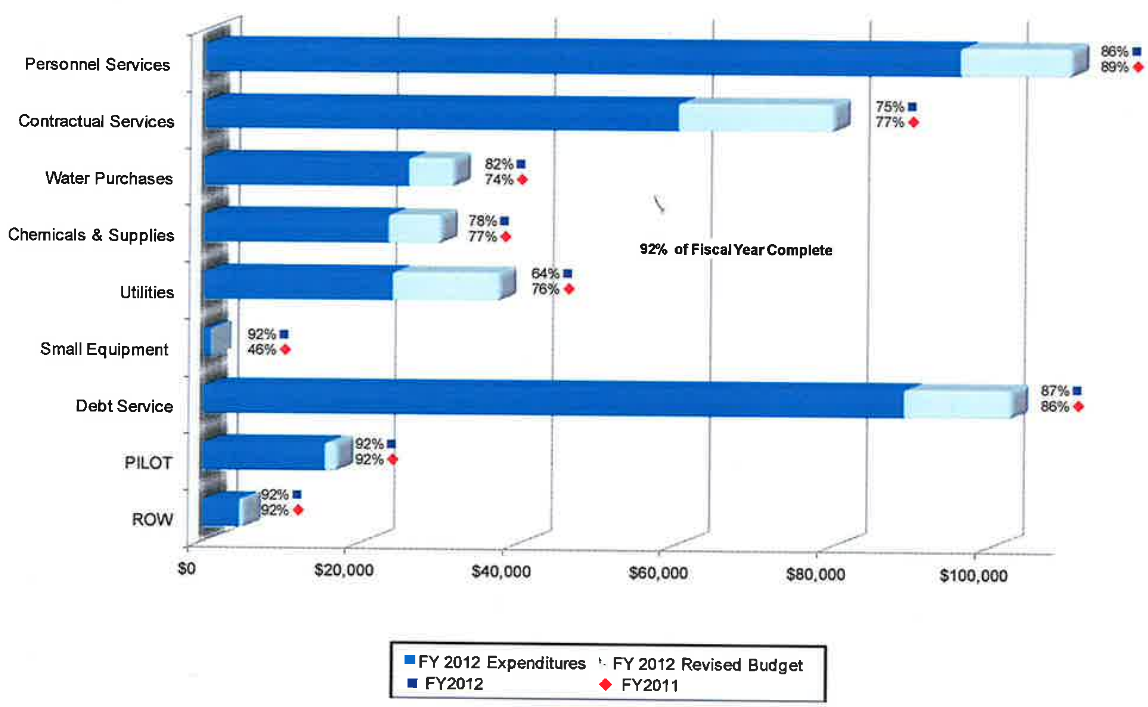
Chemicals and Supplies ($29.9 million annual budget; 10.3 percent of O&M budget) – At the end of August, chemical and supplies costs total $23.4 million or 78 percent of budget. We continue to experience lower than anticipated spending on major chemicals, including ferric chloride, caustic soda (sodium hydroxide), various polymer and sodium hypochlorite resulting from lower flows. We continue to monitor the market and currently anticipate completing the fiscal year within budget for this category at approximately 92 percent.

Utilities ($37.4 million annual budget; 12.9 percent of O&M budget) – At the end of August, utilities expenditures total $24 million or 64 percent of the budget. Later in the report is additional information concerning actual performance in this category.

Debt Service ($102.6 million annual budget) – At the end of August, debt service expenditures total $89.1 million or 87 percent of the budget. We expect to end the year at approximately 97 percent of the budget in this category. The estimated savings is mainly attributable to the successful issuance of the 2012 bond series at a lower than anticipated All-in-Tic of 3.27 percent.

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. We are accruing in accordance with the MOU on PILOT payments. The actual 2007 Board directive was to continue paying at the FY 2007 level until questions were resolved between DC Water and the City Administrator, which is still currently under discussion. The difference in the amount paid to the District annually and what is left in budget will be placed into an escrow account until the account is settled.

FY 2012 Operating Expenditures
by Category
($ in 000's)
As of August 31, 2012



CAPITAL SPENDING

For the month of August 2012, actual disbursements totaled $40.3 million, with year-to-date disbursements totaling $423.6 million or 80 percent of the FY 2012 Revised disbursements budget. Planned capital disbursements through August 2012 were $482.4 million, or 91 percent of the FY 2012 Revised disbursements budget.

Capital Disbursements Variance
($ in 000's)
As of August 31, 2012

	FY 2012 Revised Disbursements Budget		Actual Disbursements			% of FY 2012 Revised Disbursements Budget		FY 2012 *Projected Disbursements Budget	
Description	Annual	YTD	Oct. -'11 to July -'12	AUG -'12	1 YTD	Variance Compared to Plan	Percent of Annual Budget	Amount	Percent of Annual Budget
Wastewater Treatment	$275,845	$249,099	207,807	$22,838	$230,645	7%	84%	$254,765	92%
Sanitary Sewer	39,922	36,329	19,605	1,512	21,117	42%	53%	23,073	58%
Combined Sewer Overflow	132,016	120,094	98,472	6,071	104,542	13%	79%	113,052	86%
Stormwater	2,775	2,568	3,232	28	3,260	-27%	117%	3,353	121%
Water	54,461	50,275	36,660	3,832	40,492	19%	74%	43,473	80%
Washington Aqueduct	11,373	10,000	6,357	4,929	11,286	-13%	99%	11,286	99%
Capital Equipment	15,349	14,070	11,153	1,066	12,219	13%	80%	13,499	88%
Total Capital Projects	$ 531,741	$482,434	$ 383,286	$ 40,278	$423,564	12%	80%	$462,500	87%

* include Actuals thru Aug., and projections for Sep. 2012

Discussion

The spending variance between the FY 2012 Revised Disbursements Budget and Actual disbursements, on a year-to-date basis, amounted to $58.9 million, resulting from under-spending in all service areas except Stormwater, and Washington Aqueduct.

Spending in the Wastewater Treatment Service Area is 93 percent of the anticipated year-to-date disbursements through August 2012. The major under-spending in this Area continues to be in the Solids Processing Program, and is primarily attributable to a lag in contract award for two contracts for the New Digestion Facilities (Project XA), and lower disbursements for Program Management costs. The overall spending in the Wastewater Treatment area is estimated to be at 92 percent for FY 2012.

Projects under the Sanitary Sewer Service Area continue to experience year-to-date reduced spending, and recovery is not projected to occur in FY 2012. As indicated in previous months, this is due to a reprioritization that will result in additional inspection work being done to refine project scopes, prior to the awarding of construction contracts.

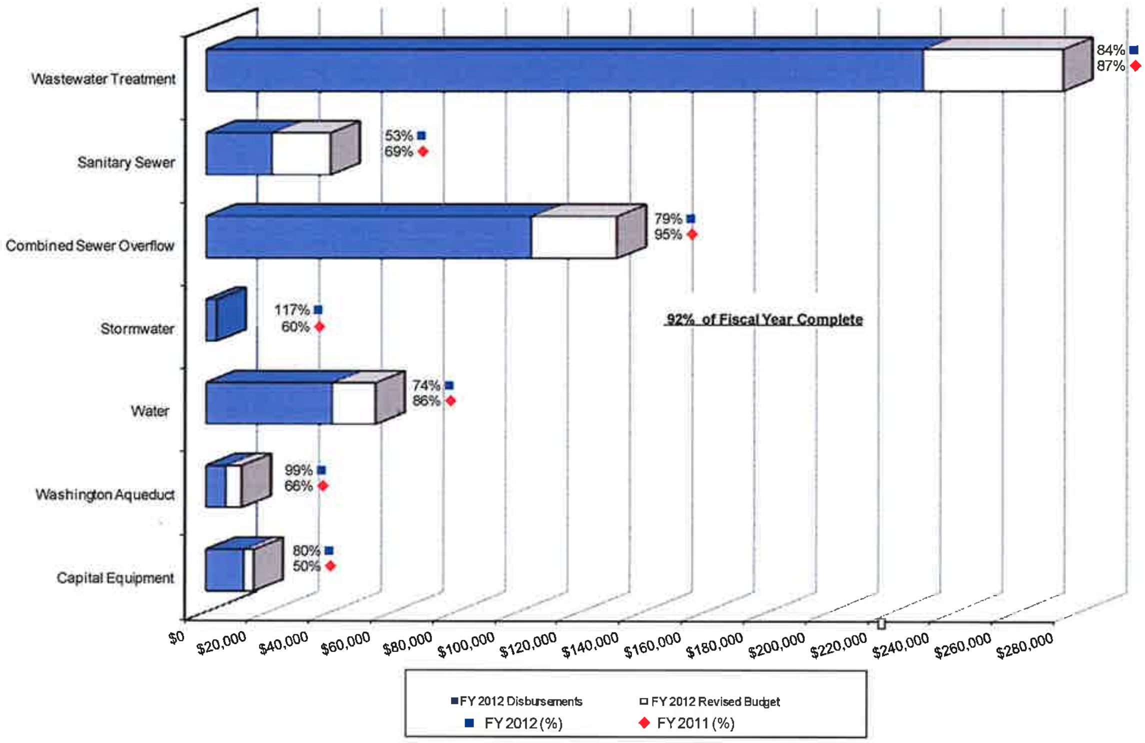
In the Combined Sewer Overflow Service Area, spending for the Clean Rivers Project is 87 percent of anticipated year-to-date spending. There is no impact on project progress, and spending for this project is estimated to be at 90 percent by the end of the fiscal year (86 percent for the entire service area). As indicated previously, the under-spending in the Combined Sewer Projects Program (due to a delayed close-out process related to the Outfall Sewer Rehabilitation -Project D2, and the Main & O Pump Station -Project K1) is expected to continue for the remainder of FY 2012.

The Stormwater Service Area disbursements continue to be ahead of schedule, and are estimated to be about 21 percent above the FY 2012 budget amount.

The Water Service Area under-spending of approximately $9.8 million is mainly driven by the Lead, Water Pumping Facilities, and Water Distribution Programs. Activity under the Lead Program has been relatively low, and, therefore, spending is not anticipated to recover. With regards to the Pumping Program, the reduced spending is attributable to the Conversion of Anacostia Pump Station to Customer Service (Project HD) and Rehabilitation of Bryant St. Pump Station (Project M6). There are a number of items impacting the spending at the Bryant St. Pump Station (painting, change order for the hydraulic loop, SCADA, etc.) none of which are critical to the project, but the spending is not anticipated to recover in FY 2012. Customer Services is now scheduled to move to M Street S.E. and thus the renovations at the Anacostia Pump Station are not needed. Under-spending in the Water Distribution Program is related to the Crosstown Watermain Rehabilitation, and some of the Small Diameter Watermain Rehabilitation projects. Portions of the Crosstown Watermain project have been delayed due to constructability issues and will not recover this year. With regards to the latter, there are a variety of factors related to the lower level of disbursements in the Small Diameter Watermain Rehabilitation projects. These factors range from coordinated adjustments to the start for design on one project, up to and including close-out of completed construction on another. It is anticipated that spending for the Water service area will approximate 80 percent of the FY 2012 budget.

Capital Equipment spending, estimated on a pro-rata basis for the fiscal year, is in close proximity to the budgeted disbursements on a year-to-date basis.

FY 2012 Capital Disbursements Compared to Plan
By Service Area
($ in 000's)
As of August 31, 2012



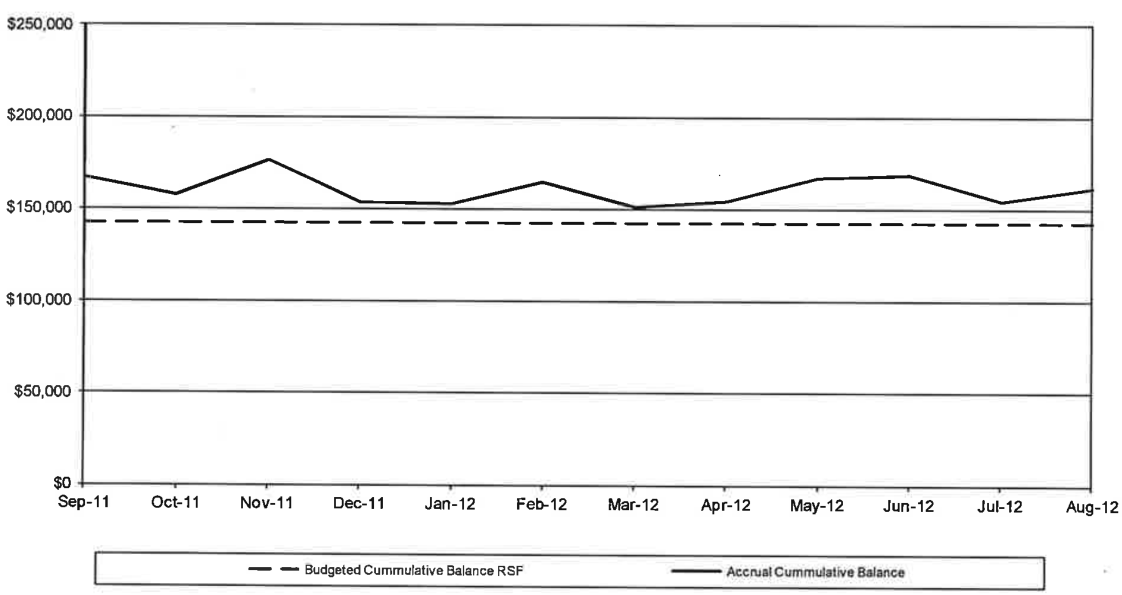
CASH AND INVESTMENT BALANCES

At the end of August, our operating reserve balance was $161.0 million as compared to the FY 2012 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, 2012
($ in millions)

Rate Stabilization Fund Account (RSF)	$27.9
Operating Reserve Accounts	161.0
DC PILOT Fund	10.0
Operating Cash Balance Including RSF	**198.9**
Debt Service Reserve - Series 98	24.0
Bond Construction Fund - Series 10	56.3
Bond Construction Fund - Series 12	216.2
CSO LTCP Appropriations Account	48.2
Total All Funds	**$543.6**

FY 2012 Operating Cash Balances
($ in 000's)
(Operating Reserve and RSF)



Overall Portfolio Performance

As of August 2012, DC Water's total investment portfolio continues to perform well and complies 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 $4,282 with year-to-date totals of $432,524 as compared to the budget of $535,376 for the year. A detailed investment performance report is attached.

DC Water Debt Policy and Guidelines

Included with the package this month is the final version of the DC Water Debt Policy and Guidelines. Also included are the Glossary, Refunding Guidelines and SIFMA Policy. If the Committee approves, the policy will be forwarded to the Board for action.

OTHER STATUS REPORTS

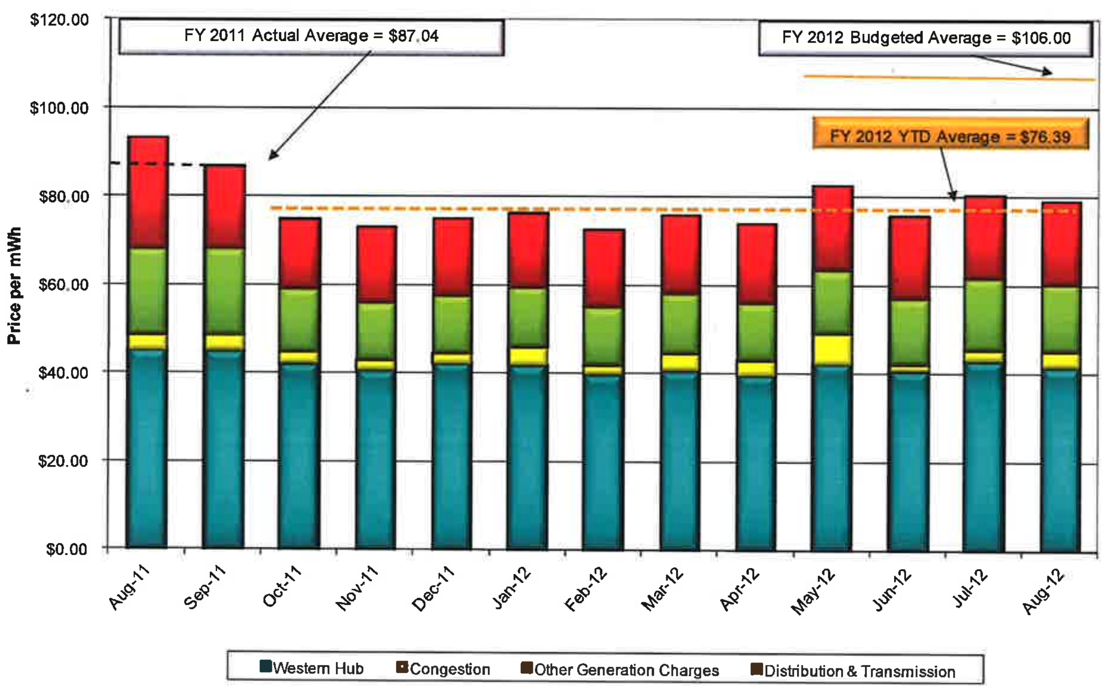
ELECTRICITY

As of August 2012, we have purchased approximately 79 percent, or 23MW, of the Authority's electric load at annual Western Hub average unit price of $43.67/mWh. For FY 2013, staff has already purchased approximately 69 percent, or 20MW, of the Authority's electric load through January 31 at the Western Hub average unit price of $39.98/mWh.

Electricity market conditions continue to be significantly below prior years' experience. Staff continues to monitor the futures market with intent to purchase additional electric loads for FY 2013 if market conditions are appropriate and in line with budget assumptions.

The chart below 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 paid for August 2012 was $79.35/mWh, with the year-to-date average at $76.39/mWh. We anticipate ending the fiscal year at an average of $77.48/mWh.

MONTHLY ELECTRICITY PRICING
(ALL-IN-COST)



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) Prices include accruals for invoices not yet received.

Electricity Costs

The revised FY 2012 electricity budget of $29.2 million represents 78 percent of the total utilities budget and assumes an average all-in-cost of $106.00/mWh.

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

	All-In-Cost ($/mWh)		
	Unit Price		
	Standard Offer Service (S.O.S.)	Spot Market	Actual[1]
Oct-11	$127.19	69.51	74.96
Nov-11	$128.01	67.03	73.07
Dec-11	$127.72	66.39	75.07
Jan-12	$128.30	67.79	76.41
Feb-12	$125.39	62.97	72.65
Mar-12	$126.91	65.34	76.15
Apr-12	$128.24	63.33	73.84
May-12	$127.15	74.63	82.65
Jun-12	$127.29	62.58	75.85
Jul-12	$129.06	81.75	80.33
Aug-12	$132.95	73.39	79.35
YTD Average	**$128.02**	**$68.61**	**$76.39**

[1] 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-11	$1,943	$1,103	$840
Nov-11	$1,933	$1,641	$292
Dec-11	$2,475	$1,550	$925
Jan-12	$2,474	$1,734	$740
Feb-12	$2,515	$1,503	$1,011
Mar-12	$1,878	$1,521	$357
Apr-12	$1,876	$1,568	$308
May-12	$2,269	$1,567	$702
Jun-12	$2,724	$1,506	$1,219
Jul-12	$3,217	$1,856	$1,360
Aug-12	$2,672	$1,795	$876
YTD Total	**$25,976**	**$17,346**	**$8,630**
Remainder	$3,242		
Total Budget	**$29,218**		

Overall, the FY 2012 electricity expenditure to date continues to track favorably to budget. We expect to end the fiscal year at approximately 66 percent of the budget in this category mainly attributable to lower than anticipated market prices for electricity.

The current electricity purchasing contract expires in January 2013. In order to assess the current wholesale electricity market, DC Water staff issued an expression of interest from firms willing to serve as the load serving entity (LSE) pursuant to PJM rules, to purchase electricity and ancillary services in the PJM wholesale market. While the information gained from this process may be beneficial after the commissioning of the new biosolids system, we are currently recommending a one-year extension of the existing contract to allow us to continue with our existing purchasing strategy through FY 2013 while we develop a new RFP with the information obtained. We plan to have a new contract for Board approval in FY 2014.

RETAIL & WHOLESALE ACCOUNTS RECEIVABLE

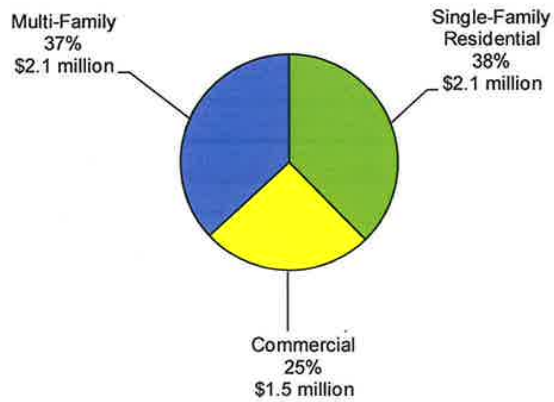
The following tables and chart show retail and wholesale accounts receivable over 90 days including a breakdown by customer class.

Delinquent Accounts Receivable
Greater Than 90 Days by Customer
August 31, 2012

	RETAIL Greater than 90 Days		WHOLESALE Greater than 90 Days		TOTAL Greater than 90 Days	
	$ in millions	# of accounts	$ in millions	# of accounts	$ in millions	# of accounts
September 30, 2006	$7.4	14,762	$0.0	0	$7.4	14,762
September 30, 2007	$7.1	14,917	$0.0	0	$7.1	14,917
September 30, 2008	$6.1	15,635	$0.0	0	$6.1	15,635
September 30, 2009	$4.9	10,211	$0.0	0	$4.9	10,211
September 30, 2010	$5.1	13,441	$0.0	0	$5.1	13,441
September 30, 2011	$5.5	13,039	$0.0	0	$5.5	13,039
October 31, 2011	$5.5	12,831	$0.0	0	$5.5	12,831
November 30, 2011	$5.4	12,629	$0.0	0	$5.4	12,629
December 31, 2011	$5.6	13,549	$0.0	0	$5.6	13,549
January 31, 2012	$5.6	13,541	$0.0	0	$5.6	13,541
February 29, 2012	$5.6	12,938	$0.0	0	$5.6	12,938
March 31, 2012	$5.4	12,533	$0.0	0	$5.4	12,533
April 30, 2012	$5.5	12,384	$0.0	0	$5.5	12,384
May 31, 2012	$5.5	12,232	$0.0	0	$5.5	12,232
June 30, 2012	$5.6	13,244	$0.0	0	$5.6	13,244
July 31, 2012	$5.7	13,295	$0.0	0	$5.7	13,295
August 31, 2012	$5.7	12,924	$0.0	0	$5.7	12,924

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

Retail Accounts
Greater Than 90 Days by Customer Class
August 31, 2012


Multi-Family
37%
$2.1 million
Single-Family
Residential
38%
$2.1 million
Commercial
25%
$1.5 million

Delinquent Accounts Receivable
Greater Than 90 Days by Customer
August 31, 2012

	Number of Accounts			*Month of August (All Categories)*				Total Delinquent			
				Active		*Inactive*					
	W &S a/c	Impervious Only a/c	Total No. of a/c	No. of a/c	Amount ($)	No. of a/c	Amount ($)	No. of a/c July	Amount ($)	No. of a/c Aug.	Amount ($)
Commercial	11,852	3,408	15,260	1,750	1,305,897.63	155	139,586.21	1,946	1,363,781.22	1,905	1,445,483.84
Multi-family	7,373	454	7,827	910	1,943,015.14	147	149,746.90	1,084	2,145,759.71	1,057	2,092,762.04
Single-Family Residential	103,832	3,320	107,152	8,253	1,511,559.97	1,709	627,409.06	10,265	2,194,180.44	9,962	2,138,969.03
Total	123,057	7,182	130,239	10,913	4,760,472.74	2,011	916,742.17	13,295	5,703,721.37	12,924	5,677,214.91

-Included in the above $4.76m (or 10,913 accounts) of the DC Water Over 90 days delinquent accounts, 1,063,136.76 (or 3,420 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.

D.C. WATER AND SEWER AUTHORITY
FY 2012 CASH FLOW SUMMARY
through 8/31/12
($ in 000's)

	Annual Budget Cash Basis	YTD 92% Cash Budget	YTD Actual Cash Oct. 1, 2011 - Aug. 31, 2012	Variance Favorable (Unfavorable)		JUNE FY 2012 Year End Projection	SEPT FY 2012 Year End Projection (Revised)
OPERATING BUDGET							
Cash Provided							
Retail	302,041	277,878	275,670	(2,207)	-1%	297,506	299,026
Wholesale	74,361	68,412	74,705	6,293	9%	74,361	74,705
Other	43,259	39,798	44,070	4,272	11%	43,919	46,429
Transfer from Rate Stabilization Fund	6,500	5,980	6,500	520	9%	6,500	6,500
Total Cash Provided	**426,161**	**392,068**	**400,946**	**8,878**	**2%**	**422,285**	**426,660**
Operating Cash Used							
Personnel Services	97,114	89,345	89,726	(381)	0%	93,852	97,361
Contractual Services	79,746	73,366	63,426	9,940	14%	73,516	70,492
Chemicals & Supplies	29,946	27,550	26,603	948	3%	26,112	29,481
Utilities	37,447	34,451	21,090	13,361	39%	29,800	27,464
Water Purchases	31,517	28,996	25,311	3,685	13%	29,400	28,270
Small Equipment	995	915	851	65	7%	787	1,077
Total Operating Cash Used	**276,765**	**254,624**	**227,006**	**27,618**	**11%**	**253,467**	**254,145**
Other Cash Used							
Debt Service	100,776	92,714	89,089	3,625	4%	99,025	99,250
Payment In Lieu of Taxes/Right of Way	22,365	20,576	17,514	3,061	15%	21,982	17,516
Total Other Cash Used	123,141	113,290	106,604	6,686	6%	121,007	116,766
Total Cash Used	**399,906**	**367,913**	**333,610**	**34,304**	**9%**	**374,474**	**370,911**
Net Cash Provided (Used) by Operating Act.	**26,255**	**24,154**	**67,336**	**43,181**		**47,811**	**55,749**
CAPITAL BUDGET							
Cash Provided							
Debt Proceeds	258,889	238,178	166,162	(72,016)	-30%	249,477	188,937
Capital Equipment Financing	8,184	7,529		(7,529)	-100%	8,184	7,500
EPA Grants	25,455	23,419	22,456	(963)	-4%	23,905	25,455
CSO Grants	31,332	28,825	27,990	(835)	-3%	21,065	27,990
Interest Income	93	86	520	434	505%	305	768
Wholesale Capital Contributions	175,242	161,223	174,259	13,037	8%	164,571	174,259
Total Cash Provided	**499,195**	**459,260**	**391,387**	**(67,873)**	**-15%**	**467,507**	**424,909**
Cash Used							
WASA Capital Program	520,368	478,739	412,277	66,461	14%	488,680	451,212
Washington Aqueduct Projects	11,373	10,463	11,286	(822)	-8%	11,373	11,285
Total Cash Used	**531,741**	**489,202**	**423,563**	65,639	**13%**	**500,053**	**462,497**
Net Cash/PAYGO Provided (Used) by Cap. Act.	**(32,546)**	**(29,942)**	**(32,176)**	**(2,234)**		**(32,546)**	**(37,588)**
Beginning Balance, October 1 (Net of Rate Stab. Fund)	150,035		150,035			150,035	150,035
Plus (Less) Operating Surplus	26,255	24,155	67,336			47,811	55,749
Wholesale Customer Refunds from Prior Years	(5,250)	(4,830)	(5,661)			(5,661)	(5,661)
Interest Earned From Bond Reserve	256	235	246			223	246
Transfer to Rate Stabilization Fund	(12,250)	(11,270)	(17,750)			(12,250)	(17,750)
Prior Year Federal Billing Reconciliation	(1,000)	(920)	(1,000)			(1,000)	(1,000)
PILOT Reserve Fund							(4,468)
Cash Used for Capital	(32,546)	(29,943)	(32,176)			(32,546)	(37,588)
Balance Attributable to O&M Reserve	**125,500**		**161,031**			**146,613**	**139,564**

OTHER CASH RESERVES	Current Balance
Rate Stabilization Fund	27,950
CSO Long-Term Control Plan Appropriation	48,168
DC PILOT Reserve Fund	10,004

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FY 2012 Overtime
Budget vs Actual
Period Ended August 31, 2012

Department	FY 2011				FY 2012		FY 2012 Year-to-Date				
	Annual Budget	Actual	Percent of Budget Expended	Actual to Budget $ Variance	Annual Budget	Percent of Annual Budget Expended	Straight-Line Budget 10/01/11 - 08/31/12	Actual 10/01/11 - 08/31/12	Actual to Straight-Line Budget Variance	Percentage YTD Straight-Line Budget Expended	YTD Overtime as % of YTD Regular
Office of the Secretary	4,000	1,854	46%	2,146	4,000	2342%	3,667	93,692	(90,025)	2555%	54%
General Manager	15,000	671	4%	14,329	13,000	11%	11,917	1,366	10,551	11%	0%
General Counsel	2,000	2,731	137%	(731)	2,000	27%	1,833	536	1,297	29%	0%
External Affairs	2,000	2,703	135%	(703)	2,000	54%	1,833	1,075	758	59%	0%
Internal Audit	-	-	0%	-	-	0%	0	0	0	0%	0%
Information Technology	25,000	15,471	62%	9,529	24,006	92%	22,006	22,038	(33)	100%	2%
Procurement	30,000	24,545	82%	5,455	30,000	107%	27,500	32,200	(4,700)	117%	1%
Customer Service	250,000	188,688	75%	61,312	240,000	69%	220,000	165,076	54,924	75%	3%
Finance & Budget	30,000	28,140	94%	1,860	30,000	57%	27,500	17,209	10,291	63%	1%
Risk Management	1,000	94	9%	906	1,000	13%	917	132	785	14%	0%
Assistant General Manager	1,000	222	22%	778	1,000	86%	917	863	54	94%	0%
Human Capital Management	5,000	2,852	57%	2,148	5,000	94%	4,583	4,705	(122)	103%	0%
Occupational Safety & Health	2,000	154	8%	1,846	2,000	46%	1,833	924	910	50%	0%
Facilities & Security	150,000	203,883	136%	(53,883)	150,000	118%	137,500	176,768	(39,268)	129%	5%
Water / Sewer Pump Maintenance	200,000	110,681	55%	89,319	200,000	67%	183,333	133,010	50,323	73%	7%
Engineering & Technical Services	549,960	611,204	111%	(61,244)	548,481	117%	502,774	640,508	(137,734)	127%	7%
Water Services	1,080,000	1,111,758	103%	(31,758)	1,080,000	72%	990,000	782,757	207,243	79%	8%
Clean Rivers	10,000	3,745	37%	6,255	25,000	15%	22,917	3,796	19,120	17%	1%
Sewer Services	900,000	1,063,680	118%	(163,680)	900,000	99%	825,000	892,044	(67,044)	108%	10%
Wastewater Treatment	956,000	1,010,473	106%	(54,473)	956,000	106%	876,333	1,012,659	(136,325)	116%	12%
Maintenance Services	800,000	880,595	110%	(80,595)	800,000	80%	733,333	640,279	93,055	87%	9%
Permit Operations	1,000	1,503	150%	(503)	2,500	67%	2,292	1,675	617	73%	0%
Fleet Management	1,000	926	93%	74	1,000	49%	917	495	422	54%	0%
Total DC WATER	**$5,014,960**	**$5,266,573**	**105%**	**-$251,613**	**$5,016,987**	**92%**	**$4,598,905**	**$4,623,807**	**-$24,902**	**101%**	**6.6%**

Notes:

(1) "Budget 10/01/11 - 08/31/12 " reflects annual budget straight-lined

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

(3) "Actual 10/01/11 thru. 08/31/12" includes 6 days accruals for August.

(4) YTD payroll does not include fringe benefits

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Capital Projects
FY 2012 Disbursements Analysis
As of August 31, 2012
($ in 000's)

Description	FY 2012 Revised Disbursements Budget			Actual Disbursements			% of FY 2012 Revised Disbursements Budget		Commitments
	Annual	YTD	* Annual - Projected	Oct. -'11 to July -'12	AUG -'12	[1] YTD	Annual	YTD	
								92% of Fiscal Year Completed	
Wastewater Treatment									
Liquid Processing Projects	$23,263	$20,978	$23,392	$16,621	$4,426	$21,047	90%	100%	33,108
Plantwide Projects	18,018	16,915	16,988	14,558	840	15,398	85%	91%	22,451
Solids Processing Projects	119,295	107,211	101,833	81,296	8,561	89,857	75%	84%	363,059
Enhanced Nitrogen Removal Facilities *(formerly Total Nitrogen Program)*	115,269	103,995	112,552	95,332	9,011	104,344	91%	100%	237,834
Total Wattewater Treatment	**275,845**	**249,099**	**254,765**	**207,807**	**22,838**	**230,645**	**84%**	**93%**	**656,452**
Sanitary Sewer									
Sanitary Collection Sewers	2,140	2,023	1,318	1,214	64	1,278	60%	63%	1,763
Sanitary On-Going Projects	16,081	14,477	7,030	5,901	529	6,430	40%	44%	7,962
Sanitary Pumping Facilities	659	628	171	155	10	165	25%	26%	640
Sanitary Sewer Program Management	6,880	6,435	5,333	4,238	395	4,633	67%	72%	17,050
Sanitary Interceptor/Trunk Force Sewers	14,162	12,766	9,222	8,097	515	8,612	61%	67%	17,992
Total Sanitary Sewer	**39,922**	**36,329**	**23,073**	**19,605**	**1,512**	**21,117**	**53%**	**58%**	**45,427**
Combined Sewer Overflow									
CSO Program Management	1,590	1,510	1,828	1,543	135	1,678	106%	111%	12,230
Combined Sewer Projects	14,504	13,887	9,114	8,426	239	8,665	60%	62%	10,427
D.C. Clean Rivers Project *(aka Long-Term Control Plan)*	115,922	104,697	102,111	88,502	5,697	94,199	81%	90%	256,417
Total Combined Sewer Overflow	**132,016**	**120,094**	**113,052**	**98,472**	**6,071**	**104,542**	**79%**	**87%**	**279,074**
Stormwater									
Stormwater Local Drainage	17	15	-	0	0	0	0%	0%	239
Stormwater On-Going Program	731	629	1,189	1,184	0	1,184	162%	188%	400
Stormwater Pumping Facilities	-	-	-	0	0	0			0
DDOT Stormwater Program	2	-	-	0	0	0	0%		0
Stormwater Research and Program Management	499	482	298	276	12	288	58%	60%	1,343
Stormwater Trunk/Force Sewers	1,527	1,442	1,867	1,771	17	1,787	117%	124%	747
Total Stormwater	**2,775**	**2,568**	**3,353**	**3,232**	**28**	**3,260**	**117%**	**127%**	**2,729**
Water									
Water Distribution Systems	23,024	21,447	21,335	17,595	2,392	19,987	87%	93%	34,564
Water On-Going Projects	8,239	7,514	7,081	6,139	597	6,736	82%	90%	3,467
Water Pumping Facilities	5,327	4,594	2,378	2,046	127	2,173	41%	47%	15,817
DDOT Water Projects	4,002	3,739	3,867	3,311	266	3,577			6,663
Water Storage Facilities	2,083	1,942	1,373	1,680	(317)	1,363	65%	70%	605
Water Projects Program Management	4,109	3,781	3,868	2,865	613	3,478	85%	92%	10,643
Water Lead Program	4,801	4,621	1,758	1,514	94	1,608	33%	35%	6,742
AMR Installation / Replacement	2,876	2,637	1,812	1,512	60	1,572	55%	60%	1,138
Total Water	**54,461**	**50,275**	**43,473**	**36,660**	**3,832**	**40,492**	**74%**	**81%**	**79,639**
Washington Aqueduct	**11,373**	**10,000**	**11,286**	**6,357**	**4,929**	**11,286**	**99%**	**113%**	
Capital Equipment	**15,349**	**14,070**	**13,499**	**11,153**	**1,066**	**12,219**	**80%**	**87%**	**8,073**
Total Capital Projects	**$531,741**	**$482,434**	**462,500**	**$383,286**	**$40,278**	**$423,564**	**80%**	**88%**	**1,071,395**

* Includes Actuals thru Aug., and projections for Sep. 2012

[1] Includes actual OCIP related disbursements of **$1,566,723.78**

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DC Water

Investment Performance Report – August 2012

dc water is life

DC Water
Finance Division
Economic Update

ECONOMIC COMMENTARY

- Ben Bernanke, Chairman of the Federal Reserve, indicated on August 31, 2012 that further action by the central bank may be required to stimulate the U.S. economy.
- In August, the unemployment rate fell 0.2% to 8.1%. Non-farm payrolls increased by 96,000.
- Yields on short-term U.S. Treasuries decreased during the month while long-term yields increased. The yield on the 3-month Treasury bill fell by 0.02%.
- Agency spreads tightened in August as the U.S. Treasury announced its intention to wind down Freddie Mac and Fannie Mae more quickly than expected.

PORTFOLIO RECAP

- The portfolio is diversified among Bank Deposits, Commercial Paper, Federal Agencies, U.S. Treasuries, FDIC Insured CDs, and SEC registered money market funds.
- The overall yield-to-cost of the portfolio is 0.36%.
- The portfolio is in compliance with the Authority's Investment Policy.

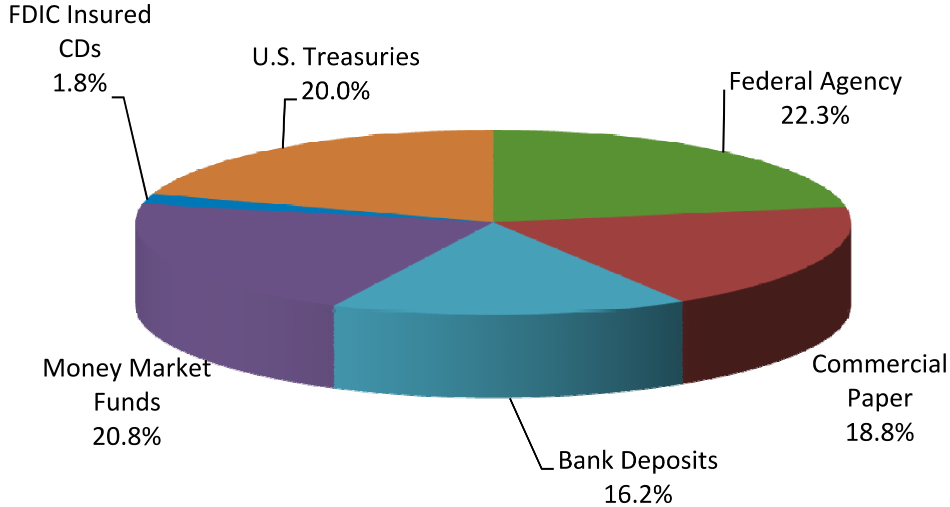
Operating Reserve Account

- The Authority purchased $20 million of 3 to 5 month commercial paper with an average yield of 0.31%.

Rate Stabilization Fund

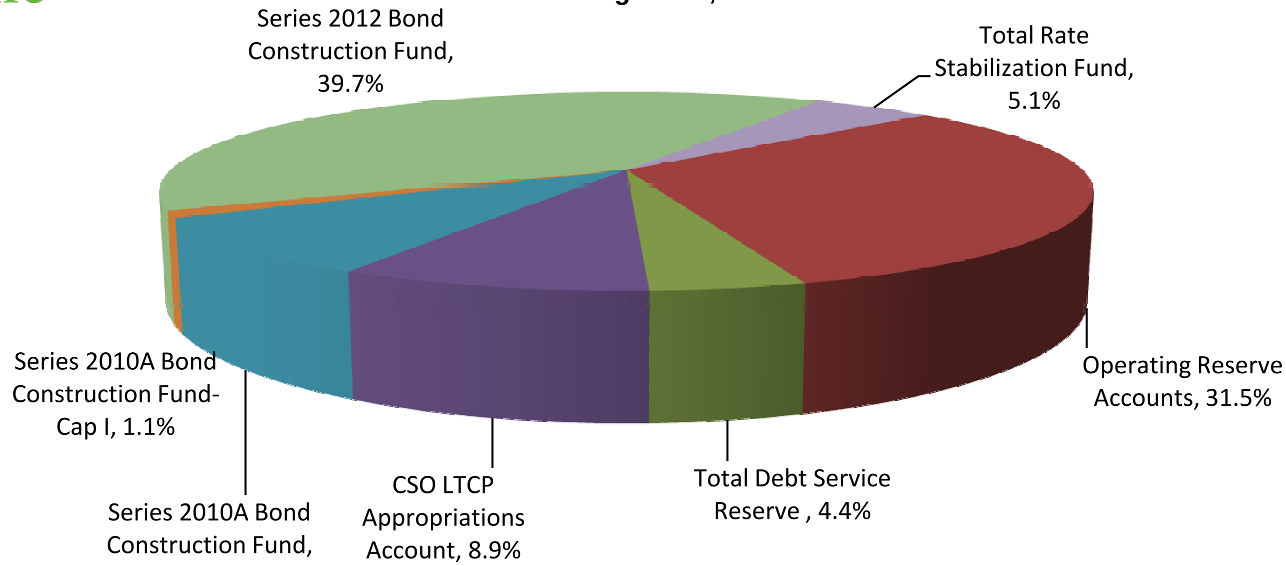
- The Authority purchased $10 million of 4 month commercial paper at a yield of 0.37%.

DC Water
Finance Division
Investments - By Security Type
As of August 31, 2012



Security Type		Book Value + Accrued Interest	Asset Allocation	Permitted By Policy
Bank Deposits	$	87,897,142	16.2%	100.0%
Money Market Funds		112,992,838	20.8%	100.0%
Bankers Acceptances		-	0.0%	40.0%
Commercial Paper		102,462,399	18.8%	35.0%
U.S. Treasuries		108,942,907	20.0%	100.0%
Federal Agency		121,278,553	22.3%	80.0%
FDIC Insured CDs		10,033,172	1.8%	30.0%
Municipal Obligations		-	0.0%	20.0%
Total	**$**	**543,607,010**	**100.0%**	

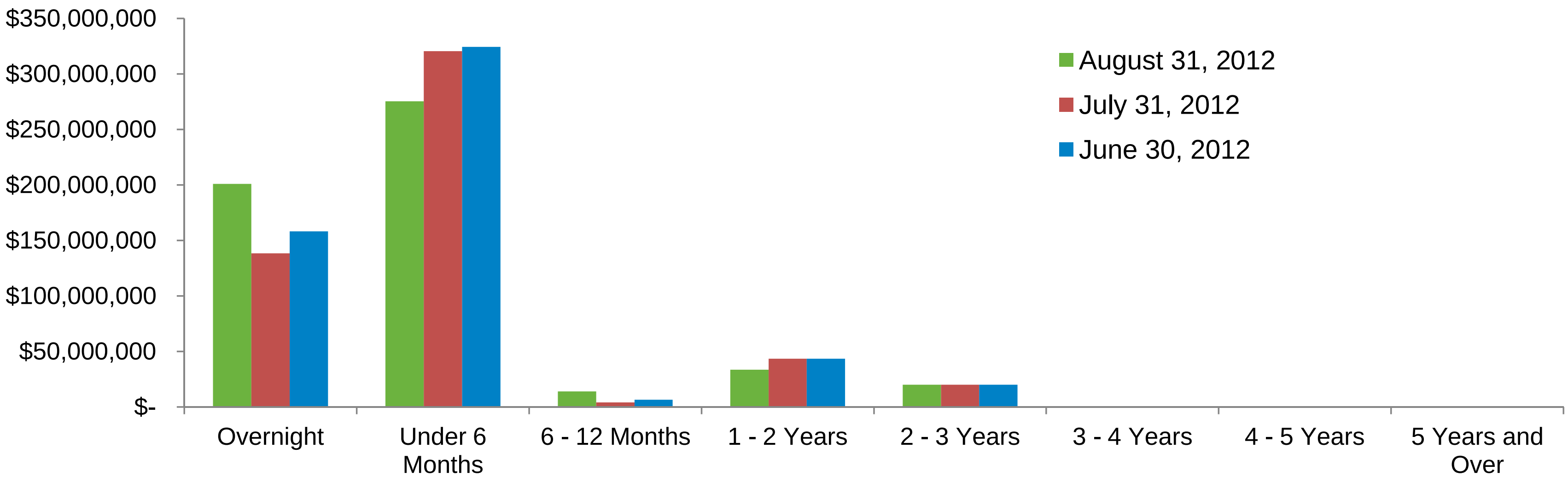
DC Water
Finance Division
Investment Analysis – By Fund
As of August 31, 2012



Fund Name		Book Value + Accrued Interest	Yield-to-Maturity at Cost	Effective Duration (years)	Weighted Average Maturity (days)
Total Rate Stabilization Fund	$	27,950,300	0.80%	0.11	40.3
Operating Reserve Accounts	$	171,165,900	0.66%	0.29	207.4
Total Debt Service Reserve	$	23,975,305	0.53%	0.39	145.2
Series 2010A Bond Construction Fund	$	50,215,457	0.07%	0.02	8.0
Series 2010A Bond Construction Fund- Cap I	$	6,074,981	0.77%	0.74	272.6
Total CSO LTCP Appropriations Account	$	48,176,429	0.36%	0.05	18.6
2012 Bond Construction Fund	$	216,048,639	0.09%	0.08	29.2
Total	**$**	**543,607,010**	**0.36%**	**0.16**	**90.8**

DC Water
Finance Division
Investment Analysis – By Maturity

Maturity Distribution	August 31, 2012	July 31, 2012	June 30, 2012
Overnight	$ 200,889,979.33	$ 138,315,085.50	$ 158,038,714.34
Under 6 Months	275,329,878.87	320,408,832.49	324,381,753.21
6 - 12 Months	13,979,820.40	3,952,707.49	6,456,182.99
1 - 2 Years	33,365,046.90	43,361,554.71	43,332,850.96
2 - 3 Years	20,042,284.96	20,028,105.74	20,013,926.60
3 - 4 Years	-	-	-
4 - 5 Years	-	-	-
5 Years and Over	-	-	-
Totals	**$ 543,607,010.46**	**$ 526,066,285.93**	**$ 552,223,428.10**



water is life

DC Water
Finance Division
Investments – Issuer Allocation

	Credit Ratings S&P / Moody's	Book Value		Investment Policy Limit	Compliance with Investment Policy
Bank Deposits					
TD Bank		77,847,220.35	14.3%	100.0%	Yes
Premier Bank		5,025,390.94	0.9%	100.0%	Yes
Capital One Bank		5,024,530.51	0.9%	100.0%	Yes
Sub-Total Bank Deposits		**87,897,141.80**	**16.2%**	100.0%	Yes
Money Market Mutual Funds					
American Beacon MMF	AAAm	1,482,655.85	0.3%	50.0%	Yes
Williams Capital Money Market Fund	AAAm	2,500,135.57	0.5%	50.0%	Yes
Merrill Lynch MMF	AAAm	1,184,504.28	0.2%	50.0%	Yes
Wells Fargo Cash MMF	AAAm	-	0.0%	50.0%	Yes
Wells Fargo Advantage Treasury Plus	AAAm	18,259,176.04	3.4%	50.0%	Yes
Wells Fargo Government MMF	AAAm	89,566,365.79	16.5%	50.0%	Yes
Sub-Total Money Market Mutual Funds		**112,992,837.53**	**20.8%**	100.0%	Yes
Certificates of Deposit					
CDARs - Placed by Industrial Bank	NR / NR	5,021,000.00	0.9%	30.0%	Yes
CDARs - Placed by City First Bank	NR / NR	5,012,172.13	0.9%	30.0%	Yes
Sub-Total Certificates of Deposit		**10,033,172.13**	**1.8%**	30.0%	Yes
Commercial Paper					
Bank Of Nova Scotia Ny Comm Paper	A-1+ / P-1	9,999,708.30	1.8%	5.0%	Yes
Vanderbilt University Comm Paper	A-1+ / P-1	9,999,500.00	1.8%	5.0%	Yes
Union Bank Na Comm Paper	A-1 / P-1	9,999,747.20	1.8%	5.0%	Yes
Fcar Owner Trust Comm Paper	A-1+ / P-1	9,999,644.40	1.8%	5.0%	Yes
Jp Morgan Chase & Co Comm Paper	A-1 / P-1	4,999,361.10	0.9%	5.0%	Yes
General Elec Cap Corp Comm Paper	A-1+ / P-1	9,998,916.70	1.8%	5.0%	Yes
Metlife Short Term Funding Comm Paper	A-1+ / P-1	9,998,500.00	1.8%	5.0%	Yes
Wells Fargo & Company Comm Paper	A-1 / P-1	9,996,083.30	1.8%	5.0%	Yes
Mizuho Funding Llc Comm Paper	A-1 / P-1	9,989,000.00	1.8%	5.0%	Yes
Private Export Funding Comm Paper	A-1 / P-1	7,498,850.03	1.4%	5.0%	Yes
Sumitomo Corp Of America Comm Paper	A-1 / P-1	9,983,087.50	1.8%	5.0%	Yes
Sub-Total Commercial Paper		**102,462,398.53**	**18.8%**	35.0%	Yes
Federal Agencies					
Fannie Mae	AA+ / Aaa	22,832,774.76	4.2%	40.0%	Yes
Freddie Mac	AA+ / Aaa	50,045,395.54	9.2%	40.0%	Yes
Federal Home Loan Bank	AA+ / Aaa	48,400,383.06	8.9%	40.0%	Yes
Sub-Total Federal Agencies		**121,278,553.36**	**22.3%**	100.0%	Yes
Treasuries					
Treasury Note	AA+ / Aaa	108,942,907.11	20.0%	100.0%	Yes
Sub-Total Treasuries		**108,942,907.11**	**20.0%**	100.0%	Yes
Total		**$ 543,607,010.46**	**100.0%**		

water is life

DC Water
Finance Division
Book Value Performance
As of August 31, 2012

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

	Trailing 1 Months		Trailing 3 Months		Trailing 6 Months		Trailing 12 Months
	Periodic	Annualized	Periodic	Annualized	Periodic	Annualized	
Total Rate Stabilization Fund	0.05%	0.64%	0.19%	0.75%	0.33%	0.65%	0.64%
Operating Reserve Accounts	0.05%	0.56%	0.14%	0.57%	0.30%	0.60%	0.59%
Total Debt Service Reserve	0.05%	0.54%	0.14%	0.54%	0.26%	0.52%	0.57%
Total CSO LTCP Appropriations Account	0.01%	0.13%	0.04%	0.15%	0.11%	0.22%	0.34%
2010A Construction Fund	0.01%	0.07%	0.02%	0.08%	0.04%	0.08%	0.15%
2010A Capitalized Interest Fund	0.06%	0.77%	0.20%	0.78%	0.38%	0.76%	0.72%
2012 Construction Fund	0.01%	0.12%	0.03%	0.12%	n/a	n/a	n/a
Short-Term	**0.03%**	**0.30%**	**0.07%**	**0.29%**	**0.14%**	**0.28%**	**0.39%**
Merrill Lynch 3-Month Treasury Index (Book Value)[1]	0.01%	0.09%	0.02%	0.09%	0.04%	0.09%	0.05%
Core (1+ Years)	**0.07%**	**0.83%**	**0.21%**	**0.82%**	**0.42%**	**0.83%**	**0.88%**
Merrill Lynch 1-3 Year Treasury Index (Book Value)[2]	0.02%	0.24%	0.07%	0.27%	0.15%	0.29%	0.28%

(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

water is life

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
Total Rate Stabilization Fund									
TD BANK BANK DEPOSIT	$ 17,961,300		9/1/2012		1.05%	$ 17,961,300	$ 17,961,300	$ 17,961,300	
MIZUHO FUNDING LLC COMM PAPER	10,000,000	-	12/20/2012	8/29/2012	0.36%	9,988,700	9,988,440	9,989,000	
									$ 27,950,300.00
Operating Reserve Accounts									
TD BANK BANK DEPOSIT	$ 48,214,516		9/1/2012		1.05%	$ 48,214,516	$ 48,214,516	$ 48,214,516	
CAPITAL ONE BANK	5,024,531		9/1/2012		0.50%	5,024,531	5,024,531	5,024,531	
WILLIAMS CAPITAL MONEY MARKET FUND	2,500,136		9/1/2012		0.00%	2,500,136	2,500,136	2,500,136	
FCAR OWNER TRUST COMM PAPER	10,000,000	-	9/5/2012	5/21/2012	0.32%	9,990,489	9,999,740	9,999,644	
JP MORGAN CHASE & CO COMM PAPER	5,000,000	-	9/24/2012	5/24/2012	0.20%	4,996,583	4,999,620	4,999,361	
GENERAL ELEC CAP CORP COMM PAPER	10,000,000	-	9/27/2012	6/29/2012	0.15%	9,996,250	9,999,480	9,998,917	
METLIFE SHORT TERM FUNDING COMM PAPER	10,000,000	-	9/28/2012	5/21/2012	0.20%	9,992,778	9,998,520	9,998,500	
WELLS FARGO & COMPANY COMM PAPER	10,000,000	-	12/4/2012	8/29/2012	0.15%	9,995,958	9,989,790	9,996,083	
SUMITOMO CORP OF AMERICA COMM PAPER	10,000,000	-	1/14/2013	8/29/2012	0.45%	9,982,712	9,984,830	9,983,088	
INDUSTRIAL BANK CDARS	2,500,000	0.500	1/27/2013	1/26/2012	0.50%	2,500,000	2,507,500	2,507,500	
CITY FIRST BK OF WASHINGTON, DC (CDARS)	2,500,000	0.500	3/23/2013	3/23/2012	0.50%	2,500,000	2,507,526	2,505,533	
FHLB NOTES	10,000,000	0.750	8/28/2013	5/18/2011	0.72%	10,008,025	10,074,895	10,025,212	
FREDDIE MAC (CALLABLE) GLOBAL NOTES	10,000,000	0.500	10/18/2013	10/18/2011	0.56%	9,987,200	10,021,332	10,011,220	
FHLB TAP BONDS	10,000,000	3.125	12/13/2013	5/19/2011	0.99%	10,675,134	10,435,688	10,339,236	
INDUSTRIAL BANK CDARS	2,500,000	0.900	1/27/2014	1/26/2012	0.90%	2,500,000	2,513,500	2,513,500	
CITY FIRST BK OF WASHINGTON, DC (CDARS)	2,500,000	0.600	3/23/2014	3/23/2012	0.60%	2,500,000	2,511,607	2,506,639	
FHLMC NOTES (CALLABLE)	10,000,000	0.875	11/14/2014	11/18/2011	0.87%	10,000,972	10,035,537	10,026,007	
FNMA NOTES (CALLABLE)	10,000,000	0.800	11/21/2014	11/21/2011	0.83%	9,992,000	10,032,242	10,016,278	
									$ 171,165,899.55
Total Debt Service Reserve									
WELLS FARGO GOVERNMENT MMF	$ 103,905		9/1/2012		0.01%	$ 103,905	$ 103,905	$ 103,905	
MERRILL LYNCH MMF	1,184,504		9/1/2012		0.06%	1,184,504	1,184,504	1,184,504	
PRIVATE EXPORT FUNDING COMM PAPER	7,500,000	-	9/24/2012	5/21/2012	0.24%	7,493,700	7,499,183	7,498,850	
FHLMC NOTES	10,000,000	0.515	11/26/2012	11/22/2010	0.64%	9,981,294	10,022,120	10,010,641	
FHLB TAP BONDS	5,000,000	3.125	12/13/2013	5/25/2011	0.87%	5,354,034	5,217,844	5,177,405	
									$ 23,975,305.43

dc water is life

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
Series 2010A Bond Construction Fund									
WELLS FARGO ADVANTAGE TREASURY PLUS	$ 18,098,861		9/1/2012		0.01%	$ 18,098,861	$ 18,098,861	$ 18,098,861	
WELLS FARGO GOVERNMENT MMF	2,117,640		9/1/2012		0.01%	2,117,640	2,117,640	2,117,640	
BANK OF NOVA SCOTIA NY COMM PAPER	10,000,000	-	9/11/2012	7/31/2012	0.11%	9,998,775	9,999,630	9,999,708	
VANDERBILT UNIVERSITY COMM PAPER	10,000,000	-	9/13/2012	6/26/2012	0.15%	9,996,708	9,999,200	9,999,500	
UNION BANK NA COMM PAPER	10,000,000	-	9/14/2012	7/31/2012	0.07%	9,999,125	9,999,240	9,999,747	
									$ 50,215,457.04
Series 2010A Bond Construction Fund- Cap I									
WELLS FARGO GOVERNMENT MMF	$ 237,589		9/1/2012		0.01%	$ 237,589	$ 237,589	$ 237,589	
WELLS FARGO ADVANTAGE TREASURY PLUS	160,315		9/1/2012		0.01%	160,315	160,315	160,315	
FHLB GLOBAL BONDS	1,400,000	1.625	9/26/2012	3/16/2011	0.43%	1,436,191	1,411,065	1,410,954	
FHLB TAP BONDS	1,400,000	3.875	3/8/2013	3/16/2011	0.70%	1,488,359	1,452,441	1,449,076	
FNMA NOTES	1,400,000	1.125	9/30/2013	3/16/2011	0.97%	1,412,681	1,420,220	1,408,929	
FNMA NOTES (EX-CALLABLE)	1,400,000	1.250	3/14/2014	3/16/2011	1.19%	1,402,617	1,429,395	1,408,118	
									$ 6,074,980.61
Total CSO LTCP Appropriations Account									
TD BANK BANK DEPOSIT	$ 11,671,404		9/1/2012		1.05%	$ 11,671,404	$ 11,671,404	$ 11,671,404	
PREMIER BANK DEPOSIT	5,025,391		9/1/2012		0.24%	5,025,391	5,025,391	5,025,391	
AMERICAN BEACON MMF	1,482,656		9/1/2012		0.07%	1,482,656	1,482,656	1,482,656	
FANNIE MAE DISC NOTE	10,000,000	-	9/19/2012	6/29/2012	0.11%	9,997,494	9,999,406	9,999,450	
FHLMC DISC NOTE	10,000,000	-	9/24/2012	6/26/2012	0.10%	9,997,500	9,999,227	9,999,361	
FHLMC DISC NOTE	10,000,000	-	10/15/2012	4/18/2012	0.15%	9,992,500	9,998,437	9,998,167	
									$ 48,176,428.81
Series 2012 Bond Construction Fund									
WELLS FARGO GOVERNMENT MMF	$ 87,107,232		9/1/2012		0.01%	$ 87,107,232	$ 87,107,232	$ 87,107,232	
FHLB DISC NOTE	20,000,000	-	9/28/2012	7/31/2012	0.10%	19,996,722	19,998,154	19,998,500	
US TREASURY NOTES	49,500,000	0.375	9/30/2012	3/27/2012	0.15%	49,648,792	49,585,827	49,587,101	
US TREASURY NOTES	34,500,000	1.375	10/15/2012	3/27/2012	0.15%	34,945,706	34,727,320	34,730,947	
US TREASURY NOTES	24,500,000	1.125	12/15/2012	3/27/2012	0.18%	24,743,133	24,625,723	24,624,860	
									$ 216,048,639.02
						$ 544,382,112.52	**$ 543,874,658.88**	**$ 543,607,010.46**	**$ 543,607,010.46**

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DC Water
Finance Division
Security Transactions
Last 6 Months

ACCOUNT	CUSIP	DESCRIPTION	PAR	COUPON	MATURITY DATE	SETTLE DATE	YTM		TRANSACTION AMOUNT
Purchases									
DC WASA 2010A CONSTRUCTION FUND	31398AT77	FNMA GLOBAL NOTES	9,000,000	1.125	07/30/12	04/18/12	0.120	$	9,047,548.80
DC WASA 2010A CONSTRUCTION FUND	313384YR4	FHLB DISC NOTE	15,000,000	-	06/27/12	04/25/12	0.101	$	14,997,375.00
DC WASA 2010A CONSTRUCTION FUND	11563VGL5	BROWN-FORMAN CORP COMM PAPER	10,000,000	-	07/20/12	05/21/12	0.162	$	9,997,333.33
DC WASA 2010A CONSTRUCTION FUND	92181NJD0	VANDERBILT UNIVERSITY COMM PAPER	10,000,000	-	09/13/12	06/26/12	0.152	$	9,996,708.33
DC WASA 2010A CONSTRUCTION FUND	06416JJB0	BANK OF NOVA SCOTIA NY COMM PAPER	10,000,000	-	09/11/12	07/31/12	0.107	$	9,998,775.00
DC WASA 2010A CONSTRUCTION FUND	90526MJE8	UNION BANK NA COMM PAPER	10,000,000	-	09/14/12	07/31/12	0.071	$	9,999,125.00
DC WASA OPERATING RESERVE ACCOUNTS	RE0857798	CITY FIRST BK OF WASHINGTON, DC (CDARS)	2,500,000	0.500	03/23/13	03/23/12	0.507	$	2,500,000.00
DC WASA OPERATING RESERVE ACCOUNTS	RE0857806	CITY FIRST BK OF WASHINGTON, DC (CDARS)	2,500,000	0.600	03/23/14	03/23/12	0.608	$	2,500,000.00
DC WASA OPERATING RESERVE ACCOUNTS	4662J0GR7	JP MORGAN CHASE & CO COMM PAPER	5,000,000	-	07/25/12	04/25/12	0.152	$	4,998,104.17
DC WASA OPERATING RESERVE ACCOUNTS	3024A6J52	FCAR OWNER TRUST COMM PAPER	10,000,000	-	09/05/12	05/21/12	0.325	$	9,990,488.89
DC WASA OPERATING RESERVE ACCOUNTS	59157TJU8	METLIFE SHORT TERM FUNDING COMM PAPER	10,000,000	-	09/28/12	05/21/12	0.203	$	9,992,777.78
DC WASA OPERATING RESERVE ACCOUNTS	4662J0JQ6	JP MORGAN CHASE & CO COMM PAPER	5,000,000	-	09/24/12	05/24/12	0.203	$	4,996,583.33
DC WASA OPERATING RESERVE ACCOUNTS	60688FHU6	MIZUHO FUNDING LLC COMM PAPER	5,000,000	-	08/28/12	05/24/12	0.345	$	4,995,466.67
DC WASA OPERATING RESERVE ACCOUNTS	36959HJT5	GENERAL ELEC CAP CORP COMM PAPER	10,000,000	-	09/27/12	06/29/12	0.152	$	9,996,250.00
DC WASA OPERATING RESERVE ACCOUNTS	**9497F0M41**	**WELLS FARGO & COMPANY COMM PAPER**	**10,000,000**	**-**	**12/04/12**	**08/29/12**	**0.152**	**$**	**9,995,958.33**
DC WASA OPERATING RESERVE ACCOUNTS	**86561ANE3**	**SUMITOMO CORP OF AMERICA COMM PAPER**	**10,000,000**	**-**	**01/14/13**	**08/29/12**	**0.458**	**$**	**9,982,711.67**
DC WASA TOTAL CSO LTCP APPROPRIATIONS	313396K77	FHLMC DISC NOTE	10,000,000	-	10/15/12	04/18/12	0.152	$	9,992,500.00
DC WASA TOTAL CSO LTCP APPROPRIATIONS	06416JGR8	BANK OF NOVA SCOTIA NY COMM PAPER	10,000,000	-	07/25/12	04/25/12	0.152	$	9,996,208.33
DC WASA TOTAL CSO LTCP APPROPRIATIONS	313396H22	FHLMC DISC NOTE	10,000,000	-	09/24/12	06/26/12	0.101	$	9,997,500.00
DC WASA TOTAL CSO LTCP APPROPRIATIONS	313588G58	FANNIE MAE DISC NOTE	10,000,000	-	09/19/12	06/29/12	0.112	$	9,997,494.45
DC WASA TOTAL DEBT SERVICE RESERVE	7426M4JQ1	PRIVATE EXPORT FUNDING COMM PAPER	7,500,000	-	09/24/12	05/21/12	0.244	$	7,493,700.00
DC WASA RATE STABILIZATION FD	**60688FML0**	**MIZUHO FUNDING LLC COMM PAPER**	**10,000,000**	**-**	**12/20/12**	**08/29/12**	**0.365**	**$**	**9,988,700.00**
DC WASA 2012 CONSTRUCTION FUND	31398AT77	FNMA GLOBAL NOTES	12,405,000	1.125	07/30/12	03/27/12	0.130	$	12,469,239.67
DC WASA 2012 CONSTRUCTION FUND	912828LR9	US TREASURY NOTES	34,500,000	1.375	10/15/12	03/27/12	0.150	$	34,945,706.01
DC WASA 2012 CONSTRUCTION FUND	912828MB3	US TREASURY NOTES	24,500,000	1.125	12/15/12	03/27/12	0.183	$	24,743,133.01
DC WASA 2012 CONSTRUCTION FUND	912828NX4	US TREASURY NOTES	49,500,000	0.375	09/30/12	03/27/12	0.146	$	49,648,791.62
DC WASA 2012 CONSTRUCTION FUND	912828PH7	US TREASURY NOTES	25,000,000	0.375	08/31/12	03/27/12	0.137	$	25,032,269.03
DC WASA 2012 CONSTRUCTION FUND	313384YJ2	FHLB DISC NOTE	50,000,000	-	06/20/12	03/27/12	0.086	$	49,989,965.28
DC WASA 2012 CONSTRUCTION FUND	313384YJ2	FHLB DISC NOTE	2,800,000	-	06/20/12	03/27/12	0.086	$	2,799,438.06
DC WASA 2012 CONSTRUCTION FUND	313396D67	FHLMC DISC NOTE	25,000,000	-	08/27/12	03/30/12	0.101	$	24,989,583.33
DC WASA 2012 CONSTRUCTION FUND	313374K25	FHLB NOTES	20,000,000	0.250	06/29/12	04/18/12	0.108	$	20,020,738.89
DC WASA 2012 CONSTRUCTION FUND	43851TFS0	HONEYWELL INTERNATIONAL COMM PAPER	10,000,000	-	06/26/12	04/18/12	0.142	$	9,997,316.67
DC WASA 2012 CONSTRUCTION FUND	66844CHW7	NORTHWEST UNIVERSITY COMM PAPER	10,000,000	-	08/30/12	06/26/12	0.172	$	9,996,930.56
DC WASA 2012 CONSTRUCTION FUND	313384H69	FHLB DISC NOTE	20,000,000	-	09/28/12	07/31/12	0.101	$	19,996,722.22

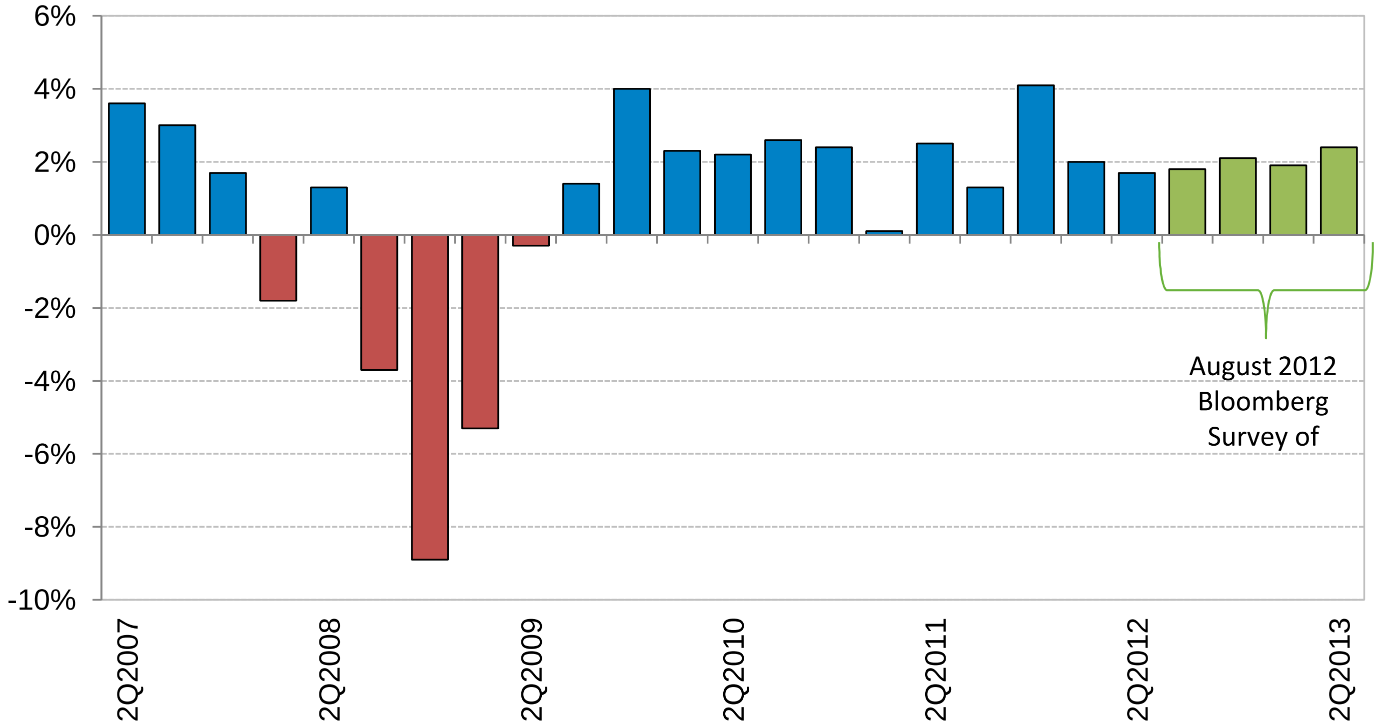
Securities highlighted in ***blue font*** *denote trades executed during the current month.*

Appendix:
Economic Update

GDP Grows at a Modest Rate

- In the second quarter, the economy grew by 1.7%, above the previously reported 1.5%.

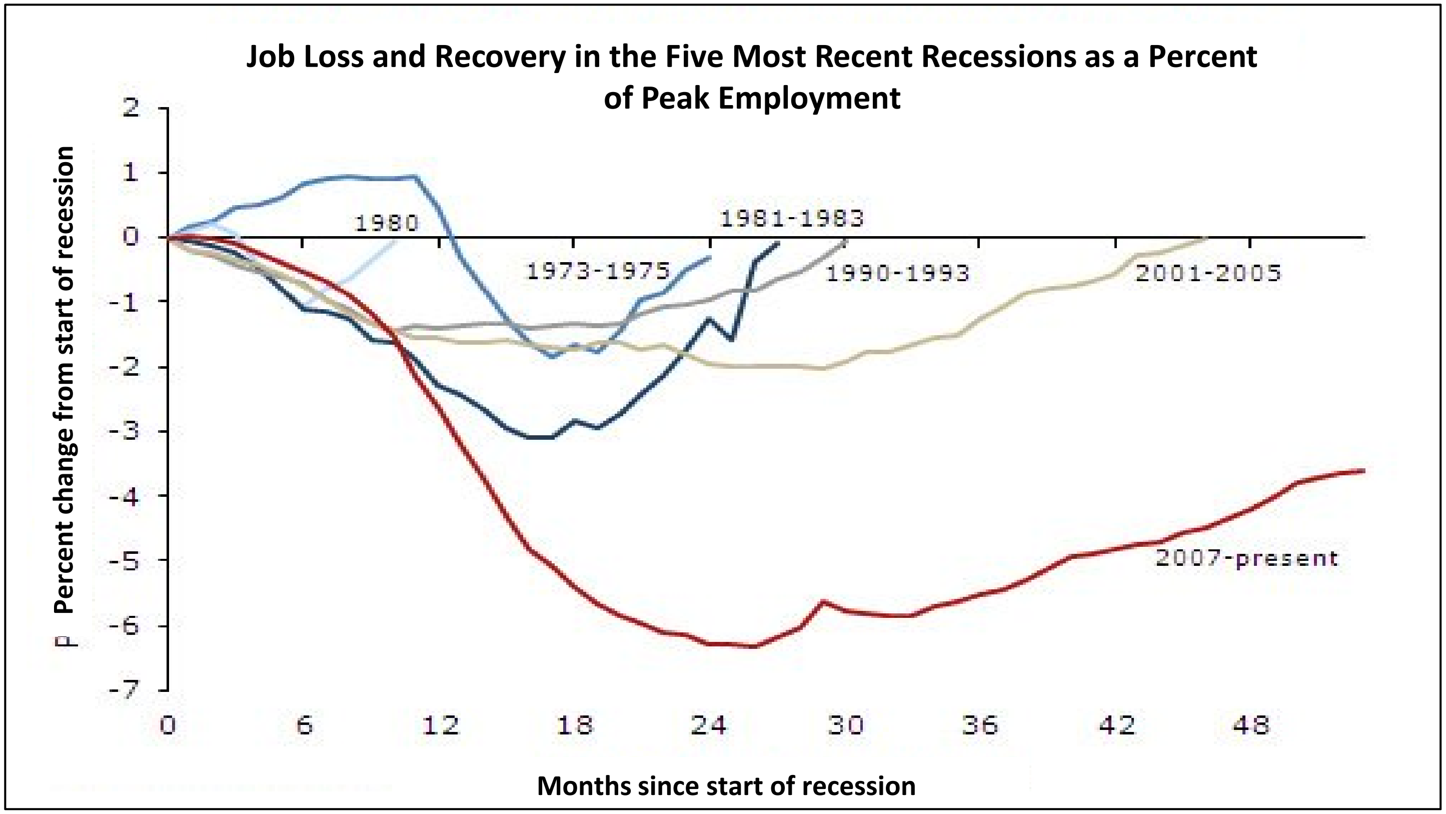
GDP Growth
March 2007 – June 2012 (projected)



Source: Bloomberg

Job Creation Slipping Below Population Growth

- In August, the U.S. economy added 96,000 jobs, lower than the expectations of 103,000. It is estimated that 100,000 jobs need to be added per month just to keep pace with growth in the labor force.
- The unemployment rate fell from 8.3% in July to 8.1% in August as workers left the labor force.



Source: Center for Economic and Policy Research; Bureau of Labor Statistics

Fed Seeks Further Improvement – 8/31/2012

"The Federal Reserve will provide additional policy accommodation as needed to promote a stronger economic recovery and sustained improvement in labor market conditions in a context of price stability."

– Ben Bernanke, Chairman of the Federal Reserve

United States Monetary Policy

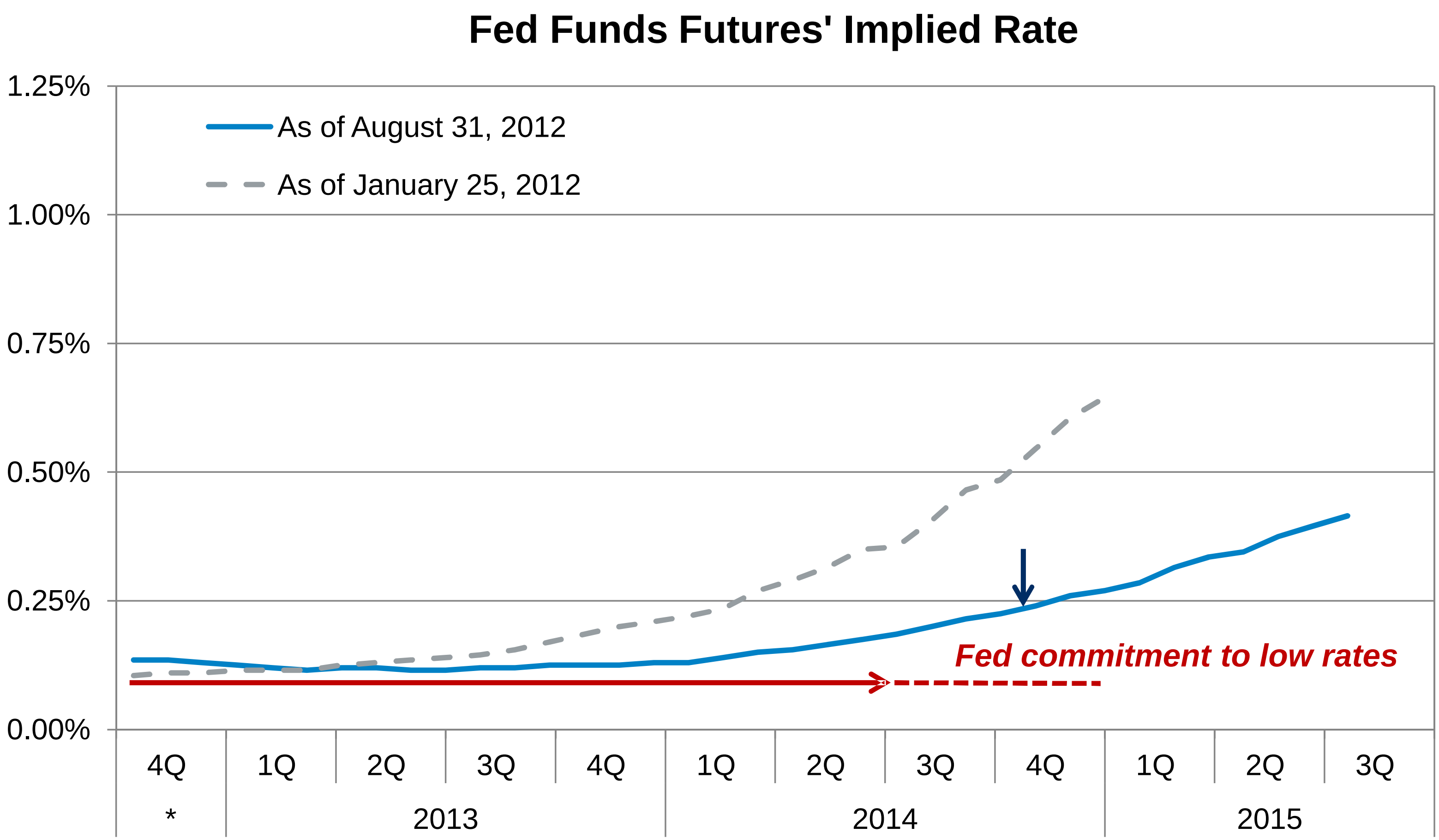
Federal Reserve Action Since 2007

- Reduction of Fed Funds target rate to 0.00% to 0.25%
- Extended term loans to banks
- Establishment of emergency lending facilities
- Acquisition of longer-term Treasury and agency securities (QE1 and QE2)
- Increased transparency and forward guidance

Current Headwinds

- Elevated unemployment rate
- Housing sector
- Fiscal policy at federal, state, and local levels
- Stressed credit and financial markets
- Uncertainty in Europe

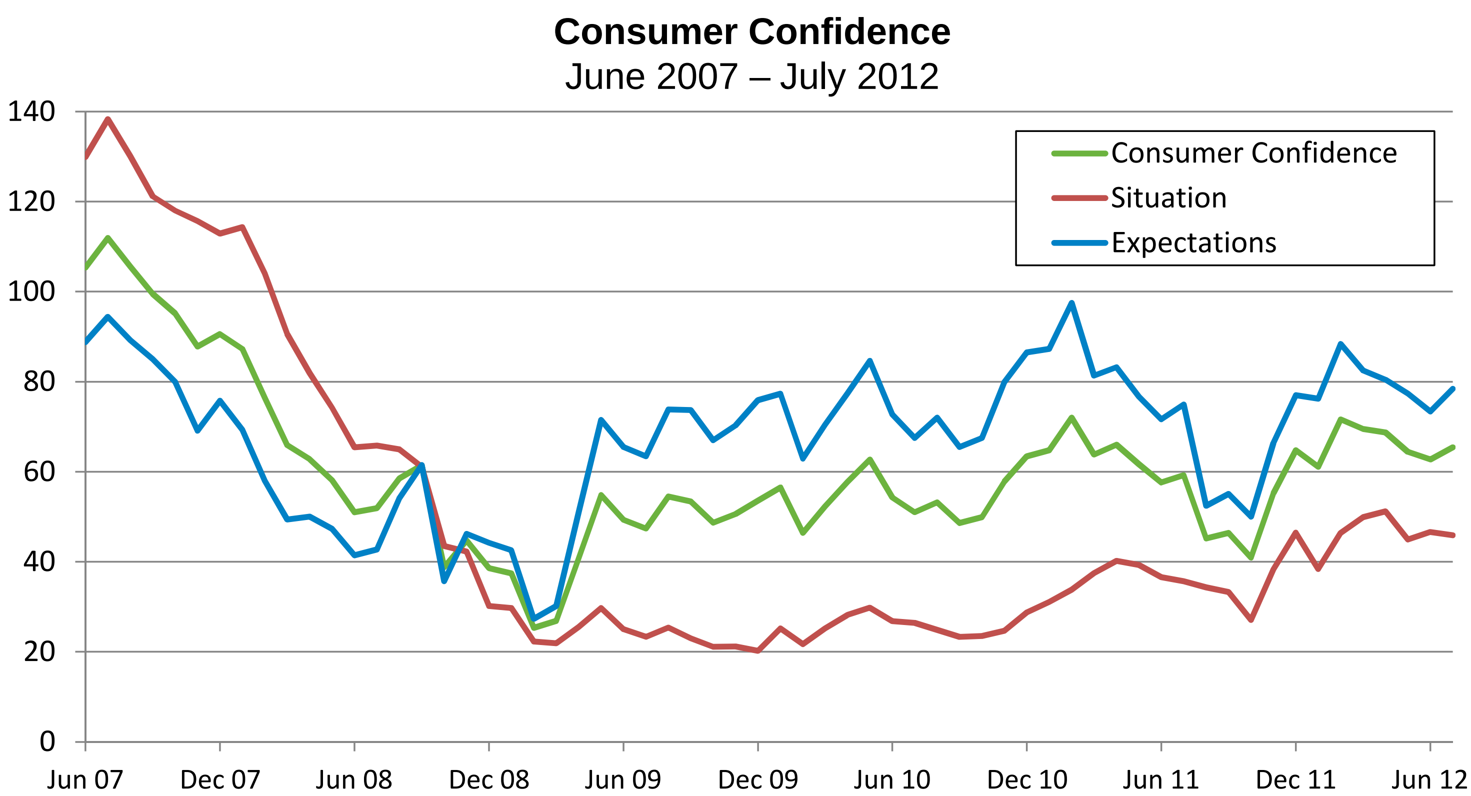
Fed Funds Below 0.25% Until 2Q 2014



Source: Bloomberg

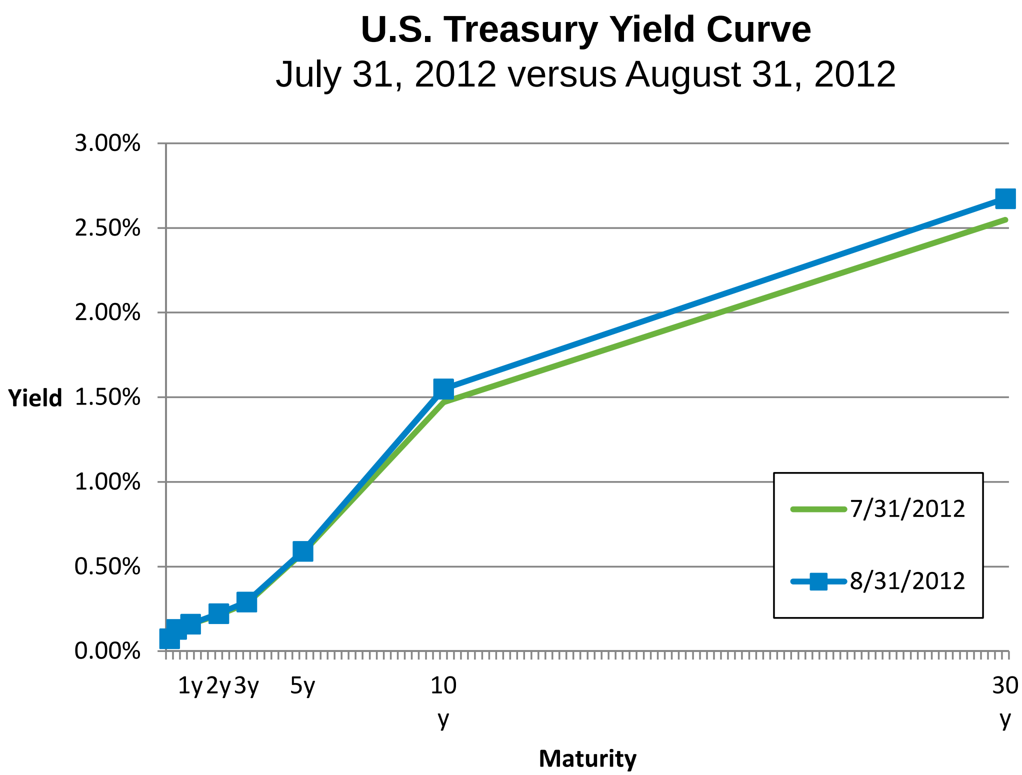
Erosion in Confidence Threatens Spending

- Consumer Confidence declined for four consecutive months due to lower expectations. A slight uptick in July may signal a positive change.



Source: Bloomberg

Interest Rates Increased Modestly



	7/31/2012	8/31/2012	Change
3 month	0.10%	0.07%	-0.03%
6 month	0.13%	0.13%	0.00%
1 year	0.16%	0.16%	0.00%
2 year	0.21%	0.22%	0.01%
3 year	0.28%	0.29%	0.01%
5 year	0.58%	0.59%	0.01%
10 year	1.47%	1.55%	0.08%
30 year	2.55%	2.67%	0.13%

Source: Bloomberg

ATTACHMENT 2

DC Water Debt Policy and Guidelines

____

Chief Financial Officer

TABLE OF CONTENTS

SECTION I: INTRODUCTION

The District of Columbia Water and Sewer Authority ("DC Water") is an independent Authority of the District of Columbia (the "District"). DC Water was created in April 1996 and began operating on October 1, 1996, under and pursuant to an act of the Council of the District (the "Council") entitled the "Water and Sewer Authority Establishment and Department of Public Works Reorganization Act of 1996" (D.C. Law 11-111) (D.C. Code §§ 34-2201.01 *et seq.*), as amended and supplemented (the "Act"), and an act of the United States Congress entitled the "District of Columbia Water and Sewer Authority Act of 1996" (Public Law 104-184) (the "Federal Act"). The same legislation (§§ 34-2201.01) that created DC Water in 1996 also delegated to DC Water the authority to issue debt.

SECTION II: PURPOSE

The purpose of DC Water's Debt Policy and Guidelines (the "Debt Policy") is to provide DC Water officials and staff a comprehensive guide to DC Water's use, and issuance of, debt to fund capital projects or to refund/refinance/restructure outstanding debt. The advantages of adopting and adhering to a clear, concise and comprehensive debt policy are:

- Enhancing the quality of decisions
- Documenting the decision-making process
- Identifying objectives clearly to facilitate staff implementation
- Demonstrating a commitment to Long-Term financial planning objectives that result in a sound financial position
- Enhancing the positive assessment of credit quality by the bond Rating Agencies in order to maintain and improve DC Water's high credit ratings
- Integrating the Debt Policy with the operating and capital budgets, the multi-year Capital Improvement Program (CIP), Multi-Year Financial Plan and other financial policies

The financial policies outlined in this document, in most cases, impose higher standards than the legal requirements contained in DC Water's Master Indenture of Trust dated as of April 1, 1998 as amended and supplemented from time to time (the "Indenture") and other legal requirements.

SECTION III: SCOPE

This Debt Policy applies to all debt issued by DC Water and debt issued on behalf of DC Water.

SECTION IV: DEBT POLICY OBJECTIVES

DC Water's Debt Policy objectives are:

1. **Compliance:** Ensure compliance with all laws, legal agreements, contracts, best practices and adopted policies related to debt issuance and management, including:
   - Enabling Legislation, Master Indenture of Trust and Supplemental Indentures

*See Glossary for definitions for terms capitalized in the document.

- Policies adopted by DC Water's Board of Directors (the "Board")
- Government Finance Officers Association (GFOA) Best Practices
- Federal, State and local laws and regulations, as applicable

2. **Efficiency:** Promote cooperation and coordination with all stakeholders in the financing and delivery of services by:
   - Seeking the lowest cost of capital reasonably available and minimizing financing costs for capital projects and other debt issuances.
   - Establishing criteria to determine use of financing sources (long and Short-Term debt, Pay-As-You-Go (PAYGO) financing, grants and other Alternative Forms of Financing).
   - Evaluating debt issuance options including the amount and type of debt.
   - Minimizing the use of unplanned, Short-Term cash flow borrowings by maintaining adequate working capital and authorizing the minimum amount required to offset mismatches between available cash and cash outflows determined by cash flow analysis.
3. **Effectiveness:** Promote sound financial management to maximize and best utilize future debt capacity by:
   - Maximizing administrative and operating flexibility.
   - Minimizing Legal and Financial Risk to current and future budgets.
   - Protecting DC Water's credit ratings in order to maintain access, on the best available terms, to local, regional and national credit markets.
   - Maintaining an appropriate level of operating cash reserves.
   - Maintaining reasonable and justifiable levels of rates and fees that address the current and future needs of stakeholders.
   - Improving the quality of decisions and parameters for justification on debt structure.
4. **Accountability and Transparency:** Ensure that the duties and responsibilities of those charged with the implementation of the Debt Policy are clearly conveyed and understood, and that the Debt Policy is implemented in accordance with the following tenets:
   - Providing all stakeholders with information as required and sufficient for assessment purposes.
   - Addressing and mitigating debt portfolio risks to DC Water's short and Long-Term operations.
   - Avoiding conflicts of interest.
   - Fully disclosing all proposed and actual costs in a timely manner, to include the selection of and payment for professional services associated with the issuance of debt.
   - Reviewing the debt financing decision, implementation, and maintenance plans with the Board.

- Timely providing all disclosures required by law.

SECTION V: USE OF DEBT

Debt is a financing tool which should be used judiciously. Generally, DC Water will issue debt for two purposes:

1. Finance the costs associated with the CIP.
2. Refund existing debt to obtain Debt Service savings and/or restructure certain terms of existing debt, (See the attached checklist, “Refunding Guidelines”).

SECTION VI: RESPONSIBLE PARTIES

Several DC Water officials and staff, District officials and outside advisors are critical in the debt issuance process. This includes but is not limited to:

- DC Water’s Board is responsible for authorizing all debt (including Refunding Bonds, notes or other obligations) issuance via a Board resolution. The Board is also responsible for approving the Debt Policy and any material changes to it.
- DC Water’s Board Chairman, General Manager and/or the Chief Financial Officer, by delegation through a board resolution, are responsible for executing all documents related to debt issuance.
- DC Water’s Chief Financial Officer (the “CFO”), through the Office of Treasury and Debt Management, is responsible for the administration and issuance of debt including the completion of specific tasks and responsibilities included in this Debt Policy.
- DC Water’s General Counsel is responsible for providing an opinion on certain legal matters associated with the debt transaction.
- The DC Auditor, pursuant to the Act, must certify that the revenues of DC Water are sufficient to pay its costs (including the principal and interest on the proposed new debt issuance) prior to any new debt issuance.
- Bond Counsel will be retained by DC Water to issue an opinion as to the legality and tax status of all debt obligations. DC Water also may seek the advice of Bond Counsel on other types of financing and on any other questions involving local, state or federal law. Bond Counsel is also is responsible for the preparation of the resolution authorizing issuance of obligations, certain bond and Closing documents necessary for the execution of the debt issuance, and the performance of other services as defined by contract approved by the Authority.
- Disclosure Counsel may be retained by DC Water, at the discretion of the CFO, to assist with development of the Official Statement and Continuing Disclosure Agreements. Disclosure Counsel will advise DC Water on matters pertaining to Continuing Disclosure needs and requirements. Disclosure Counsel may also be Bond Counsel.
- Financial Advisor(s) will be retained by DC Water to provide DC Water with a comprehensive analysis of options available to DC Water. The Financial Advisor(s) will

advise on the structuring and execution of all debt and debt-related transactions and provide other services as defined by approved contracts.

- Feasibility Consultant(s) will be retained by DC Water to provide an engineering feasibility report as well as a financial feasibility opinion. The engineering feasibility report will have findings and recommendations regarding the maintenance of DC Water's system and the adequacy of the CIP. The financial feasibility opinion addresses DC Water's ability to effectively execute its mission, operate its system to provide uninterrupted service, maintain regulatory compliance and finance and implement the current CIP within the parameters established in the indenture as well as Board policies. Both can be incorporated into the bond offering documents.

SECTION VII: FINANCING TEAM

DC Water must assemble a Financing Team that will provide advice and support for the best execution of each debt financing. The following applies to members of the Financing Team:

1. May consist of multiple parties with distinct responsibilities and is generally comprised of both DC Water staff and outside professional consultants. These outside professional consultants include the Financial Advisor, Bond and Tax Counsel, Feasibility Consultant, Independent Consulting Engineer, Underwriters, Underwriter's Counsel, Printer, Trustee, Verification Agent, Escrow Agent, and others as deemed necessary by the CFO.
2. DC Water will select the members of the Financing Team through a competitive process. However, DC Water may also directly engage consultants on a case-by-case basis, if it is determined to be in the best interest of DC Water.
3. DC Water requires that its consultants and advisors provide objective advice and analysis, maintain the confidentiality of DC Water's financial plans, and be free from any conflicts of interest.
4. All Financing Team Members will be required to provide full and complete disclosure, relative to agreements with other Financing Team members and outside parties. The extent of disclosure may vary depending on the nature of the transaction. However, in general terms, no agreements shall be permitted which could compromise the firm's ability to provide independent advice which is solely in the Authority's best interests or which could reasonably be perceived as a conflict of interest.

VIII: GUIDELINES FOR A DEBT TRANSACTION

The following section discusses several of the decisions that must be made for each debt issuance. Each and every debt transaction is unique. DC Water's Chief Financial Officer, when making these decisions, will confer with the Financial Advisors and other members of the Financing Team to evaluate the relative costs and benefits of each decision individually and collectively. DC Water's Chief Financial Officer will then provide a recommendation to the Board, to be specified in the Board's resolution, authorizing that Series of debt. The following areas must be addressed to successfully close a transaction:

1. **Debt Capacity Limits:** DC Water's is authorized to issue additional debt only to the extent that it can satisfy the Debt Service Coverage (annual net revenues as a percent of annual Debt Service) requirements established in the Indenture and certain Board polices as set forth below:

Debt Service Coverage Requirements			
Debt Security Level	**Master Indenture**	**Board Resolution**	**Management Practice**
Senior	120%	140%	140%
Subordinate	100%	100%	100%
Combined	Not Applicable	Not Applicable	120%

2. **Size of the Bond Transaction:** DC Water shall use a variety of tools for determining the size of the debt issuance. The CIP is the primary driver of funding requirements. Debt will be issued to fund that portion of the CIP which will not be financed through other sources such as PAYGO, wholesale customer contributions and grants. Additional factors that may impact the size of the bond transaction include the amount of Costs of Issuance/Underwriter's Discount, the use of a Debt Service Reserve Fund and/or Capitalized Interest for the transaction.

    - **Costs of Issuance/Underwriter's Discount**: Costs of Issuance are those fees and expenses incurred by DC Water during, or associated with, the sale of debt. Underwriter's Discount represents the fees and expenses of the Underwriters payable by DC Water. These costs are typically funded through the issuance of Additional Bonds and are capped by the Board via the Authorizing Resolution.

      All the agreed upon Costs of Issuance/Underwriter's Discount, will be communicated to all parties by the Chief Financial Officer prior to the sale date.

    - **Debt Service Reserve Fund (the "DSRF"):** DC Water may consider providing a DSRF for a Series of bonds. The DSRF is typically funded in its entirety with bond proceeds at the time of issuance but can also be funded through a Letter of Credit or a Surety Bond.

    - **Capitalized Interest:** DC Water may choose to issue bonds to pay interest on all or a portion of that bond issue for a specified time after issuance and during the construction period.

3. **Timing of the Debt Issuance:** The scheduling and timing of the sale of debt will be determined by:

    - **Multi-Year Financial Plan and CIP Needs:** Represent the primary drivers of the timing of the bond transaction.

    - **Refunding Timeline:** When economic conditions are advantageous and/or other considerations demand, DC Water may refund existing debt. The nature of the Refunding – Current Refunding or Advance Refunding – will impact the timing of the Refunding transaction. See the Attached checklist, "Refunding Guidelines". Additionally, see DC Water's "Policy Considerations for Multi-Modal (SIFMA Index) Bonds and the attached checklist for SIFMA Index Bonds.

- **Market Access and Conditions:** DC Water, with advice of its Finance Team, prefers to issue debt in favorable market conditions. However, in the event of debt market stress, it might be difficult to issue debt in a cost effective manner. If this situation arises, DC Water may choose to initially fund project costs with cash on hand and to reimburse these expenditures from a future debt financing.

4. **Method of Sale:** The method of sale determines the process by which debt will be sold, the purchasers of the debt, and how the purchase price will be established. There are three primary options for each debt transaction:

   - **Negotiated Sale:** DC Water can sell its bonds to the Underwriter(s) selected by DC Water at a price to be determined pursuant to negotiation. Bonds with complex security structures (e.g. revenue bonds), certain structural characteristics (e.g. Variable Rate bonds), and/or certain credit ratings (e.g. lower) frequently achieve best Pricing execution via a Negotiated Sale process.

   - **Competitive Sale:** DC Water can sell its bonds to the bidder providing the lowest true interest cost as long as the bid adheres to the requirements set forth in the official Notice of Sale. Competitive Sales lend themselves most readily to very highly rated, simple security structures (e.g. general obligation bonds).

   - **Private Placement:** From time to time, DC Water may elect to privately place its debt. Such placement shall only be considered if this method is demonstrated to result in a cost savings or other benefit to DC Water relative to other methods of debt issuance.

5. **Security Provisions:** DC Water's Bond Indenture pledges the net operating revenues (generally, the revenues net of operating expenses) to secure the debt obligations that DC Water issues under the Bond Indenture. In connection with each particular bond issue, DC Water must determine whether to issue the proposed bonds with a Senior or Subordinate pledge of net revenues. In addition, DC Water also has the ability to use a third lien, when appropriate and approved by the Board.

6. **Debt Structure**: In addition to making the decisions detailed previously, DC Water must also make several significant structural choices regarding the proposed bonds. These structural decisions directly impact the associated Debt Service and, consequently, the Multi-Year Financial Plan, DC Water’s operations and ratepayers. These structural decisions address:

   - **Term**: When determining the final maturity of proposed bonds, DC Water must consider the average life of the assets being financed, the beneficial use of the assets, the relative level of interest rates, the year-to-year differential in interest rates, and the Marketability of the longer Term Bonds. Generally, the term of the bonds shall not exceed the useful life of the assets being financed. The most basic decision DC Water must make regarding term is whether to use Long-Term or Short-Term debt:

     - <u>Long-Term Debt</u> is generally structured where the Amortization of the debt matches the expected useful life of the project. Long-Term debt is generally considered to be debt with a maturity greater than 15 years.

- Short-Term Debt may take several forms, including commercial paper and bond anticipation notes with either fixed or Variable Rates. DC Water will consider using Short-Term debt to finance shorter-term assets, obtain lower interest costs, and/or provide interim financing for certain projects.

▪ **Fixed versus Variable Rate:** When determining the balance between fixed and Variable Rate debt, the goal is to provide DC Water with a balanced debt portfolio that manages the desire for the certainty of known quantity of future Debt Service payments provided by Fixed Rate debt versus the historically lower interest costs provided by Variable Rate debt. The fixed and/or Variable Rate decision will be influenced and guided by several factors:

- Market Conditions: In certain market conditions, Variable Rate issuance may provide DC Water with a material cost advantage.
- Cash and Investment Balances: The amount of cash and short term assets DC Water has on hand provides a "natural hedge" for Variable Rate debt. While changes in interest rates impact both assets and liabilities, the change is in opposite directions. For example, an increase in interest rates results in increased Debt Service on Variable Rate debt. However, this increased Debt Service is offset by the increased interest earnings on the short term investments.
- Credit Considerations: In general, Rating Agencies prefer a prudent balance between fixed and Variable Rate debt. This preference is to insulate issuers from sudden, sharp increases in interest rates and Debt Service costs. In general, Rating Agencies prefer the percentage of variable-rate debt outstanding (excluding debt which has been converted to synthetic Fixed Rate debt) shall not exceed 20-25%.

▪ **Debt Service Payments (Level, Wrapped or Loaded):** DC Water has to determine the Amortization Schedule of the bonds. This is a significant decision that will directly influence the amount of Debt Service required each year and, as a result, will have a significant impact on the amount of revenue which must be raised each year. In general, there are three primary options available:

- Level Debt Service: Creates equal annual Debt Service payments (i.e., principal plus interest) over the life of the issued bonds. The debt will be structured while still matching Debt Service to the useful life of the financed facilities (discussed previously).
- Wrapped Debt Service: Conforms the Debt Service on the new debt to DC Water's existing Debt Service burden, projected cash flows and other circumstances to create an overall Debt Service schedule that meets the objectives and parameters of DC Water.
- Loaded Debt Service: Creates a principal maturity structure to achieve a desired goal for DC Water. Generally, principal is either "front-loaded" or "back-loaded".

- **Serial versus Term Bonds:** To achieve desired Debt Service levels while balancing the Marketability of the bonds, DC Water may issue a combination of Serial and Term Bonds and can, if appropriate, incorporate Sinking Funds.
- **Redemption Provisions:** In some circumstances, DC Water may redeem (repurchase bonds from the bond holder) outstanding debt prior to its stated maturity. The most common redemption provisions are:
    - **Optional Redemption (Call option)**: Allows DC Water the ability, at its option and subject to certain conditions, to re-purchase selected bonds prior to their stated maturity. Pursuant to the Act, all bonds issued by DC Water shall be callable not more than 11 years from the date of the issuance of the respective bond.
    - **Mandatory Redemption:** Requires DC Water to re-purchase outstanding debt prior to its stated maturity according to a Sinking Fund schedule established in the authorizing documents. Usually, Mandatory Redemption provisions allow issuer's to structure the annual Debt Service to match projected repayment sources. In other instances, a Mandatory Redemption can be triggered by the occurrence of certain one-time or extraordinary events.
- **Couponing of Bonds:** The Coupons associated with bonds compared to the Yield determine if the bonds will sell at a Premium, Discount or at Par. DC Water will consider the relative benefits and costs of Couponing each maturity based on specific structuring requirements and prevailing market conditions.

7. **Credit Enhancement:** DC Water may consider the use of credit enhancement such as letter-of-credit or bond insurance in order to reduce the cost of borrowing. The use of credit enhancement will be made on a case-by-case basis whereby the cost of the credit enhancement will be weighed against the reduction in Debt Service resulting from improved Marketability of the bonds and lower interest cost.

8. **Derivative Instruments:** DC Water recognizes that, in certain circumstances, a derivatives transaction (e.g., Swaps, Swaptions and interest rate collars) can manage risk exposures and produce a lower cost of financing. However, each Derivative instrument can raise complex risk and credit issues. DC Water's over-arching goals for a derivatives transaction address the following:

- DC Water shall not enter into a derivatives transaction for the purpose of speculation.
- When compared to conventional market transactions, DC Water will achieve more savings or more flexibility in meeting its overall financial objectives.
- Achieve diversification of a bond offering or achieve a debt management goal through the Derivative instrument.
- Reduce or hedge exposure (to changes in interest rates, commodity prices, etc) in relation to the overall asset/liability portfolio management of DC Water.
- Take advantage of market opportunities to produce a lower net cost of borrowing with respect to debt obligations.

By recommendation of the CFO, the Board is responsible for the approval to execute a derivatives transaction. The authorizing derivatives resolution will approve the derivatives transaction and its details, including notional amount, security, payment, risks and other conditions relating to the transaction. In the Authorizing Resolution, DC Water must state the goals of the derivatives transaction and each resolution will identify the appropriate official to execute and make changes, within limits, to the derivatives transaction being considered.

DC Water must receive an evaluation from its Financial Advisor(s) stating that the proposed Derivative transaction is in DC Water's best interest. DC Water must also receive an opinion from Bond Counsel that the approved Derivative transaction is a legal and valid obligation of DC Water. Actions approved by the Board must comply with applicable law and not violate existing Indenture and other contracts.

IX: DOCUMENTATION

The completion of a debt transaction requires the Financing Team to develop, review, and adopt/execute several documents. While not exhaustive, the following represents the key documents in a debt transaction:

1. **Authorizing Resolution:** A document, approved by the Board, that authorizes DC Water to issue the bonds subject to several financial and other parameters as set forth in Authorizing Resolution as well as the Indenture and other Board Resolutions. Bond Counsel is the primary drafter of this document.
2. **Supplemental Indenture:** A document, approved by the Board, that amends the terms of the Indenture to incorporate the provisions of the additional debt being issued. Bond Counsel is the primary drafter of this document.
3. **Official Statement:** The offering document that is used to disclose details about the transaction as well as DC Water’s financial and operating information. The document, in preliminary form (the Preliminary Official Statement), is used to assist in marketing the transaction Investors prior to Pricing. Currently, Underwriter’s Counsel is the primary drafter of this document but this can also be authored by Disclosure Counsel, if appropriate.
4. **Bond Purchase Agreement (BPA):** The contract between the Underwriter and DC Water sets forth the final terms, prices and conditions upon which the Underwriter purchases a new issue of municipal securities in a Negotiated Sale. Underwriter’s Counsel is the primary drafter of this document.

X: MARKETING

The goals of a marketing plan are to achieve the lowest cost of finance for a transaction and to have a diversified investor base. This is achieved by clearly developing and delivering the requisite message and information to key DC Water stakeholders, Investors and the Rating Agencies. Marketing involves different channels of communication:

1. **Investors:** Retail and Institutional Investors purchase DC Water's bonds. While both classes of investors rely on the formal credit ratings, Institutional investors generally do an independent review and approval of DC Water's credit before making an investment decision. Information is critical for both of these investor classes and, in addition to providing a Preliminary Official Statement to the Underwriters, DC Water will endeavor to maintain timely financial and operational data on the DC Water's web site and Investor Relations web page. DC Water can target these investors through different channels:
   - **Retail Investors.** Retail marketing plans typically include print and online advertising and radio ads. Retail proxies (investment managers, trust departments, etc.) also can be reached via internet road show.
   - **Institutional Investors.** To reach these investors, DC Water can conduct an Institutional investor outreach program for each transaction. This program might include face-to-face meetings, calls with investors (individually or in groups) or an Internet-based presentation (NetRoadShow). All of these can inform investors and brokers of the upcoming sale and provide other salient updates. In addition, print and internet advertising is also an available marketing channel. DC Water can also engage Institutional Investors throughout the year to keep them informed of DC Water's current financial and operational position and the status of the CIP.

   At the end of each sale, certain metrics will be used to assess the most suitable and successful means of marketing the new issue of bonds to investors. This information will inform the next transaction and improve future marketing efforts.
2. **Rating Agencies:** The Rating Agencies evaluate the credit quality of DC Water by measuring the probability of the timely repayment of principal and interest on the bonds. To help achieve the lowest cost of debt, DC Water will strive to achieve the highest, most cost-effective credit Ratings. DC Water's debt management activities will be conducted to maintain its strong credit Ratings, consistent with DC Water's financing objectives. Generally, DC Water obtains at least one credit rating for each debt issuance.

XI. PRICING THE TRANSACTION

Pricing represents the process by which DC Water, with assistance from the Financial Advisor(s) and Underwriters, determines the interest rates and prices at which the new issue will be offered to the public. The goal of Pricing is to sell the bonds to a wide variety of investors at the lowest rate through the development of:

1. **Syndicate Policies:** Syndicate policies describe the Priority of Orders, designation policy, definition of "Retail Order", and Underwriters' Liability governing the upcoming sale.
2. **Priority of Orders:** The agreed upon Priority of Orders will establish the sequence in which Orders are honored or "filled" during the allocation process.
3. **Designation Policies:** Establishes the rules that will govern the allocation of the Takedown or sales commission among the Underwriting Syndicate in the case of a Net Designated order.

XII: POST-PRICING AND CLOSING ACTIVITIES

Immediately following the Pricing of the bond transaction, several events occur:

1. **Bond Purchase Agreement:** DC Water and the Senior Manager are the signatories to the BPA. Prior to signing the BPA, the Senior Manager will review the orders and allocations of the Bonds with DC Water. The purpose of this review is to ensure an equitable distribution of the bonds across investor classes and Underwriters.
2. **Posting the Official Statement:** The Official Statement is required to be delivered to investors within business 7 days of signing the BPA.
3. **Closing and Bond Transcript:** Typically 1-2 weeks after Pricing, the transaction is Closed. This is the formal signing of all of the required legal documentation for the bond transaction. Once all Closing documents are executed, DC Water will deliver the securities in exchange for the Purchase Price of the bonds from the Underwriter. The Purchase Price will be wired to the designated accounts in the pre-determined amounts to achieve the purpose of the transaction as detailed in the Closing memorandum. Closing involves the participation of DC Water, Bond Counsel, the Underwriter(s), Underwriter's Counsel, the Trustee and the Financial Advisor. Subsequent to Closing, Bond Counsel will deliver the Closing transcript. The Closing transcript includes all of the legal and financial documents, including Bond Counsel's opinion and other legal opinions, associated with the transaction. DC Water will incorporate the Closing transcript into their official records.
4. **Evaluation**: Determining the efficiency and effectiveness of the transaction and the performance of the Finance Team is an important activity. DC Water, through both formal and informal means, will review the bond transaction purpose, process and timing and compare this to the goals that were established for the transaction. The performance of all members of the Finance Team will be reviewed and evaluated for future reference. In addition, the Financial Advisor will provide a written report to DC Water of the transaction and how the Pricing of the bonds compared to similar transactions concurrently in the market. This comparison will illustrate the borrowing costs of DC Water's new issue compared to similarly-rated entities. A review of investor's orders and allotments will also be provided.
5. **Reports:** The CFO, the Financial Advisor and Underwriter will provide the evaluation to the Board. This will be done no later than 30 days after the transaction and will also address market conditions, Pricing results, investor response and a review of the Cost of Issuance and Underwriter's Discount (and applicable expenses) associated with the transaction.

XIII. INVESTMENT OF PROCEEDS, POST ISSUANCE COMPLIANCE AND MONITORING

The Treasury and Debt Management department under the CFO is responsible for the investment of proceeds, as well as all post issuance and compliance activities.

1. **Investment of Bond Proceeds.** The Treasury and Debt Management department, after receipt of Bond proceeds, will invest the funds based on the Bond Indenture, DC Water's Investment Policy and Federal regulations.

2. **Project Compliance (See attached "Use of Proceeds Checklist" and "Private Use Checklist")**

   - **Arbitrage**: DC Water does not pay federal income tax and generally DC Water's bond holders do not pay federal income tax on interest earned from bonds issued by DC Water. With the investment of Bond proceeds, the treatment of interest earned on the permitted investments during this period is governed by IRS Arbitrage rules designed to eliminate any Arbitrage incentive to:

     - Issue more bonds than needed,
     - Issue bonds earlier than needed, and
     - Leave bonds outstanding longer than needed

     To accomplish the purpose of the bond issuance, DC Water must follow IRS rules governing the Yield restriction (when you may legally earn the Arbitrage Yield from investing bond proceeds) and Arbitrage rebate (when you must return the invested earnings above the Arbitrage Yield back to the IRS). The following guidelines apply:

     - The Tax Certificate for the transaction provides the relevant information.
     - DC Water may retain the services of a qualified Arbitrage rebate agent to calculate any Arbitrage due to the IRS on outstanding bond issuances with proceeds remaining.
     - Arbitrage consultant selected by a RFP or RFQ will be used to determine compliance and rebates (see attached flowcharts).

   - **Annual Review:** DC Water will review expenditures and reimbursements to determine if any private business use in facilities that were constructed using tax-exempt debt, except as specifically disclosed prior to sale of debt or as subsequently opined by nationally recognized Bond Counsel, do not impact the tax-exempt status of the debt.

   - **Bond Proceeds:** DC Water will track Bond proceeds, ensuring expenditures are within the legally allowable construction period and other parameters to comply with legal requirements.

   - **Document Retention:** DC Water will retain documents related to the debt issue for the life of an issue or the life of the Refunding of the issue plus three years.

3. **Continuing Disclosure Compliance.** The Official Statement and the Continuing Disclosure Agreement for the transaction will detail what information is required to be disclosed and on what timeline. To meet these disclosure requirements:

   - A DC Water staff member or a contracted dissemination/disclosure agent shall be named as responsible for the required reporting for each debt issue requiring Continuing Disclosure under Securities and Exchange Commission Rule 15c2-12.

- Dissemination of the required information is accomplished through the Electronic Municipal Market Access system (EMMA).
- Treasury and Debt staff will monitor required reporting dates to ensure annual and periodic reporting requirements are satisfied.
- Bond Counsel shall be consulted to determine compliance and updates in Continuing Disclosure.
- Compliance status shall be reported annually to the Board at a public meeting.

4. Refunding Opportunities Monitoring

- The CFO through the Office of Treasury and Debt Management staff and in conjunction with the Financial Advisor(s), will periodically monitor Refunding opportunities.
- As Refunding opportunities are more further defined and achieve financial targets, this information shall be reported to the Board.
- See the Attached checklist, “Refunding Guidelines.”

ATTACHMENT 2A

DC Water Debt Policy and Guidelines

Glossary[1]

For additional information see
http://www.dcwater.com/about/board.cfm

ADDITIONAL BONDS – An issue of bonds having a lien on the revenues or other security pledged to outstanding bonds issued under the same bond contract. Additional bonds typically are issued on a parity with the outstanding bonds, although in some cases additional bonds can have either a junior lien or a senior lien on pledged revenues or other security.

ADDITIONAL BONDS TEST – The financial test, sometimes referred to as a "parity test," that must be satisfied under the bond contract securing outstanding revenue bonds as a condition to issuing additional bonds. Typically, the test would require that historical revenues (plus, in some cases, future estimated revenues) exceed projected debt service requirements for both the outstanding issue and the proposed issue by a certain ratio.

ADVANCE REFUNDING – For purposes of certain tax and securities laws and regulations, a refunding in which the refunded issue remains outstanding for a period of more than 90 days after the issuance of the refunding issue. The proceeds of the refunding issue are generally invested in Treasury securities or federal agency securities (although other instruments are sometimes used), with principal and interest from these investments being used (with limited exceptions) to pay principal and interest on the refunded issue. Bonds are "escrowed to maturity" when the proceeds of the refunding issue are deposited in an escrow account for investment in an amount sufficient to pay the principal of and interest on the issue being refunded on the original interest payment and maturity dates, although in some cases an issuer may expressly reserve its right (pursuant to certain procedures delineated by the SEC) to exercise an early call of bonds that have been escrowed to maturity. Bonds are considered "prerefunded" when the refunding issue's proceeds are escrowed only until a call date or dates on the refunded issue, with the refunded issue redeemed at that time. The Internal Revenue Code and regulations thereunder restrict the yield that may be earned on investment of the proceeds of a refunding issue.

ALTERNATIVE FORMS OF FINANCING AND FINANCING PRODUCTS – As the economic and political landscape changes, new forms of debt and debt instruments may become available as an alternative to traditional debt financing through a bond transaction. Some of the more common types are listed below:

> ***Inter-fund Transfers*** – Under some circumstances, one fund, often the general fund, will provide financial resources to another fund to support its operations. This support can take place either as a transfer payment of a loan. Board approval is generally required for the Inter-fund transfers.

[1] Adapted from the Municipal Securities Rulemaking Board (www.msrb.org) glossary.

Leases – Lease debt encompasses a wide-range of instruments (lease-purchase agreements, lease revenue bonds and certificates of participation) whose most common characteristic is usually the lower cost of issuance and whose payment is specified in the multi-year annual financial plan. Leasing is usually appropriate for smaller borrowings where the interest rate disadvantage of a lease (compared to traditional borrowing) do not have as big of an impact.

Other Forms of Debt – As the municipal market adapts to legislative, regulatory and economic change, new products will avail themselves to potential use as a means to issue debt. DC Water will consider each product on a case by case basis with a thorough examination of the risks associated with each product. An example of this was the establishment in 2009 of Build America Bonds program which provided a federal subsidy on the taxable interest expense associated with the bonds issued under this program.

AMORTIZATION – The process of paying the principal amount of an issue of securities by periodic payments either directly to holders of the securities or to a sinking fund for the benefit of security holders.

AMORTIZATION SCHEDULE – A table showing the periodic repayment of an amount of indebtedness, such as a mortgage or bond. This table is often set up to show interest payments in addition to principal repayments.

ARBITRAGE – (1) With respect to the issuance of municipal securities, arbitrage usually refers to the difference between the interest paid on tax-exempt bonds and the interest earned by investing the proceeds of the bonds in higher-yielding taxable securities. Federal income tax laws generally restrict the ability to earn arbitrage in connection with tax-exempt bonds.

AUTHORIZING RESOLUTION – With respect to an issue of municipal securities, the document adopted by the issuer that implements its power to issue the securities. The legal grant of such authority may be found in the enabling provisions of the constitution, statutes, charters and ordinances applicable to the issuer. Adoption of an authorizing resolution by the issuer's governing body is a condition precedent to the issuance of the proposed securities. Typically, an issuer will be required to adopt a final "award" or "sale" resolution setting forth the specific terms of the offering. In certain jurisdictions, the governing body will act by means of an ordinance ("authorizing ordinance") rather than by resolution.

BOND – A security evidencing the issuer's obligation to repay a specified principal amount on a date certain (maturity date), together with interest either at a stated rate or according to a formula for determining that rate. Bonds are distinguishable from notes, which usually mature in a much shorter period of time. Bonds may be classified according to, among other characteristics, maturity structure (serial vs. term), source of payment (general obligation vs. revenue), issuer (state vs. municipality vs. special district), price (discount vs. premium), rating (rated vs. unrated, or among different categories of ratings) or purpose of financing (transportation vs. health care).

BOND COUNSEL – An attorney or law firm, typically retained by the issuer, to give a legal opinion that the issuer is authorized to issue proposed municipal securities, the issuer has met all legal requirements necessary for issuance and interest on the proposed securities (if they are intended to be tax-exempt bonds) will be excluded from gross income of the holders thereof for federal income tax purposes and, where applicable, from state and local taxation. Typically, bond counsel may prepare, or review and advise the issuer regarding, authorizing resolutions, trust indentures, official statements, validation proceedings and litigation.

BOND PURCHASE AGREEMENT (BPA) – The contract between the underwriter and the issuer setting forth the final terms, prices and conditions upon which the underwriter purchases a new issue of municipal securities in a negotiated sale. A conduit borrower also is frequently a party to the bond purchase agreement in a conduit financing. The bond purchase agreement is sometimes referred to as the "purchase contract" or, less commonly, the "underwriting agreement."

BOND RESOLUTION – The document or documents in which the issuer authorizes the issuance and sale of municipal securities. Issuance of the securities is usually approved in the authorizing resolution, and sale is usually authorized in a separate document known as the "sale" or "award" resolution. All such resolutions, read together, constitute the bond resolution, which describes the nature of the obligation, the issuer's duties to the bondholders and the issuer's rights with respect to the obligations and the security for the obligations. In certain jurisdictions, the governing body will act by means of an ordinance ("bond ordinance") rather than by resolution.

CALLABLE BOND – A bond that the issuer is permitted or required to redeem before the stated maturity at a specified price, usually at or above par, by giving notice of redemption in a manner specified in the bond contract.

CAPITAL IMPROVEMENT PROGRAM (CIP) – The CIP represents a 10 year plan of major capital asset investments. These investments address programs and projects that will improve and enhance the operation of the system. The CIP normally includes all mandated projects as well as rehabilitation of assets required to meet permit and other regulatory requirements and all service needs. The CIP development process includes a review of major accomplishments, priorities, status of major projects and emerging regulatory and related issues impacting the capital program. The CIP is integrated into the Multi-Year Financial Plan. Due to the size of the CIP, it is the primary driver of rate changes as well as the timing and size of debt transactions.

CAPITALIZED INTEREST – A portion of the proceeds of an issue that is set aside to pay interest on the securities for a specified period of time. Interest is commonly capitalized for the construction period of a revenue-producing project, and sometimes for a period thereafter, so that debt service expense does not begin until the project is expected to be operational and producing revenues. Capitalized interest is sometimes referred to as "funded interest."

CLOSING – The exchange of securities for payment in a new issue. This generally involves participation of representatives of the issuer, bond counsel, the underwriter and other relevant parties on the date of delivery of a new issue of municipal securities. On the closing date, the issuer delivers the securities and the requisite legal documents in exchange for the purchase price. In the case of book-entry securities, global certificates typically are delivered to a registered clearing agency in advance of closing, with the registered clearing agency effecting final delivery of the securities to the underwriter on the closing date by means of book entries.

Sometimes a "pre-closing" is held before delivery, typically on the day preceding closing, to review the adequacy of the closing procedures and documents.

COMPETITIVE SALE – A method of sale where underwriters submit proposals for the purchase of a new issue of municipal securities and the securities are awarded to the underwriter or underwriting syndicate presenting the best bid according to stipulated criteria set forth in the notice of sale. The underwriting of securities in this manner is also referred to as a "public sale" or "competitive bid."

CONSULTING ENGINEER – An industry-recognized expert who assists in the preparation of feasibility studies for proposed construction projects and whose products and analysis may be included in the offering document.

CONTINUING DISCLOSURE – Disclosure of material information relating to municipal securities provided to the marketplace from time to time by the issuer of the securities or any other entity obligated with respect to the securities. Such disclosures include, but are not necessarily limited to, annual financial information and material event notices provided by the issuer or obligor to various information repositories for the benefit of holders of the issuer's securities under Rule 15c2-12.

COSTS OF ISSUANCE – The expenses associated with the sale of a new issue of municipal securities, including such items as printing, legal and rating agency fees and others. In certain cases, the underwriter's discount may be considered one of the costs of issuance. The Internal Revenue Code restricts the use of bond proceeds to pay costs of issuance for certain types of tax-exempt bonds, such as private activity bonds.

COUPON – A colloquial term for a bond's interest rate.

COUPON RATE – The annual rate of interest payable on a security expressed as a percentage of the principal amount. The coupon rate, sometimes referred to as the "nominal interest rate," does not take into account any discount (or premium) in the purchase price of the security.

COVENANT or BOND COVENANT – The issuer's enforceable promise to perform or refrain from performing certain actions. With respect to municipal securities, covenants are generally stated in the bond contract. Covenants commonly made in connection with a bond issue may include covenants to charge fees sufficient to provide required pledged revenues (called a "rate covenant"); to maintain casualty insurance on the project; to complete, maintain and operate the project; not to sell or encumber the project; not to issue parity bonds unless certain tests are met (called an "additional bonds covenant"); and not to take actions that would cause the bonds to be arbitrage bonds. A covenant whereby the issuer is affirmatively obligated to undertake a duty in order to protect the interests of bondholders (e.g., to maintain insurance) is called a "protective covenant." A covenant whereby the issuer obligates itself to refrain from performing certain actions (e.g., not to sell the project) is called a "negative covenant."

COVERAGE – The ratio of pledged revenues available annually to pay debt service to the annual debt service requirement. This ratio is one indication of the availability of revenues for payment of debt service. The formula for determining coverage, often referred to as "debt service coverage" or the "coverage ratio," is as follows:

Coverage	=	$\frac{\text{Pledged Revenues}}{\text{Debt Service Requirement}}$

EXAMPLE:

Coverage	=	$\frac{\$2{,}000{,}000}{\$1{,}200{,}000}$	=	1.66

CURRENT REFUNDING – A refunding transaction where the municipal securities being refunded will all mature or be redeemed within 90 days or less from the date of issuance of the refunding issue. Certain federal income tax rules relating to permitted yields of invested proceeds of the refunding issue, rebate of arbitrage earnings and the ability to refund certain types of municipal securities are significantly less restrictive in the case of current refundings as contrasted with advance refundings. In addition, underwriters are not obligated to submit refunding documents to the MSRB under Rule G-36 in the case of current refundings.

DEBT SERVICE – The amount of money necessary to pay interest on outstanding bonds, the principal of maturing bonds and the required contributions to a sinking fund for term bonds. This amount is also known as the "debt service requirement." "Annual debt service" refers to the total principal and interest paid in a calendar year, fiscal year, or bond fiscal year. "Total debt service" refers to the total principal and interest paid throughout the life of a bond issue. "Average annual debt service" refers to the average debt service payable each year on an issue.

DEBT SERVICE RESERVE FUND – The amount required by the bond contract to be maintained in the debt service reserve fund. A typical debt service reserve fund requirement (sometimes referred to as the "reserve fund requirement" or "reserve requirement") might be 10% of the par value of the issue, although the size and investment of the debt service reserve fund generally is subject to arbitrage regulations. Other options for sizing include maximum annual debt service or average annual debt service.

DEBT SERVICE SCHEDULE – A table listing the periodic payments necessary to meet principal and interest requirements over the period of time securities are to be outstanding.

DEFEASANCE – Termination of the rights and interests of the bondholders and of their lien on the pledged revenues or other security in accordance with the terms of the bond contract for an issue of securities. This is sometimes referred to as a "legal defeasance." Defeasance usually occurs in connection with the refunding of an outstanding issue after provision has been made for future payment of all obligations under the outstanding bonds through funds provided by the issuance of a new series of bonds. In some cases, particularly where the bond contract does not provide a procedure for termination of these rights, interests and lien other than through payment of all outstanding debt in full, funds deposited for future payment of the debt may make the pledged revenues available for other purposes without effecting a legal defeasance. This is sometimes referred to as an "economic defeasance" or "financial defeasance." If for some reason the funds deposited in an economic or financial defeasance prove insufficient to make future payment of the outstanding debt, the issuer would continue to be legally obligated to make payment on such debt from the pledged revenues.

DERIVATIVE– A product, whose value is derived from an underlying security, structured to deliver varying benefits to different market segments and participants. The term encompasses a wide range of products offered in the marketplace including interest rate swaps, caps, floors, collars and other synthetic variable rate or synthetic fixed rate products.

DISCLOSURE COUNSEL – An attorney or law firm retained by the issuer to provide advice on issuer disclosure obligations and to prepare the official statement and continuing disclosure agreement.

ESCROW ACCOUNT – A fund established to hold monies pledged and to be used solely for a designated purpose, typically to pay debt service on an outstanding issue in an advance refunding.

ESCROWED SECURITIES – Securities that are held, typically in an escrow account, to be used solely for a designated purpose.

FINANCING TEAM – A team of internal staff and outside consultants that will provide advice and support for the execution of each debt financing. Outside professional consultants that may include Financial Advisor, Bond and Tax Counsel, Feasibility Consultant, Independent Consulting Engineer, Underwriters, Underwriter's Counsel, Printer, Trustee, Verification Agent, Escrow Agent, and others as deemed necessary by the CFO.

FINANCIAL ADVISOR – With respect to an issue of municipal securities, a consultant who advises the issuer on matters pertinent to the issue, such as structure, timing, marketing, fairness of pricing, terms and bond ratings. A financial advisor may also be employed to provide advice on subjects unrelated to an issue of municipal securities, such as advising on cash flow and investment matters. The financial advisor is sometimes referred to as a "fiscal consultant" or "fiscal agent." A broker-dealer that acts as a financial advisor is subject to MSRB rules.

FIXED RATE – An interest rate on a security that does not change for the remaining life of the security

FLOW OF FUNDS – The order and priority of handling, depositing and disbursing pledged revenues, as set forth in the bond indenture and documents. Generally, the revenues are deposited, as received, into a general collection account or revenue fund for disbursement into the other accounts established by the bond contract. Such other accounts generally provide for payment of the costs of debt service, debt service reserve deposits, operation and maintenance costs, renewal and replacement and other requirements. Described below are funds and accounts commonly used in the bond indenture and documents. Not all such funds and accounts may exist in every bond contract and other funds and accounts not described below may be created under a particular bond contract:

> ***Debt Service Fund*** – A fund into which the issuer makes periodic deposits to assure the timely availability of sufficient moneys for the payment of debt service requirements. Typically, the amounts of the revenues to be deposited into the debt service fund and the timing of such deposits are structured to ensure a proper matching between debt service fund deposits and debt service payments becoming due. For many issues, the debt service fund may contain a separate "principal account" and "interest account" in which

moneys for such respective purposes are held. In addition, the debt service fund for many variable rate securities may contain a "letter of credit account" or "reimbursement account" in which moneys are held to reimburse the issuer of a liquidity facility for draws made to pay amounts owing on the securities.

Debt Service Reserve Fund or Reserve Fund – A fund in which moneys are placed in reserve to be used to pay debt service if pledged revenues are insufficient to satisfy the debt service requirements. The debt service reserve fund may be entirely funded with bond proceeds at the time of issuance, may be funded over time through the accumulation of pledged revenues, or may be funded only upon the occurrence of a specified event (e.g., upon failure to comply with a covenant in the bond contract). In addition, issuers may sometimes authorize the provision of a surety bond or letter of credit to satisfy the debt service reserve fund requirement in lieu of cash. If the debt service reserve fund is used in whole or part to pay debt service, the issuer usually is required to replenish the fund from the first available revenues.

Sinking Fund – A fund into which moneys are placed to be used to redeem securities in accordance with a redemption schedule in the bond contract. This term is sometimes used interchangeably with the term "mandatory redemption fund."

INSTITUTIONAL – For purposes of MSRB rules, the account of (i) a bank, savings and loan association, insurance company, or registered investment company; (ii) an investment adviser registered either with the SEC under the Investment Advisers Act of 1940 or with a state securities commission (or any agency or office performing like functions); or (iii) any other entity (whether a natural person, corporation, partnership, trust, or otherwise) with total assets of at least $50 million. The term is sometimes used more generally to refer to an institutional customer.

INSTITUTIONAL INVESTOR – A term that generally refers to banks, financial institutions, bond funds, insurance companies or other business organizations that possess or control considerable assets for large scale investing.

LETTER OF CREDIT (LOC) – A commitment, usually made by a commercial bank, to honor demands for payment of a debt upon compliance with conditions and/or the occurrence of certain events specified under the terms of the commitment. In municipal financings, bank letters of credit are sometimes used as additional sources of security for issues of municipal notes, commercial paper or bonds, with the bank issuing the letter of credit committing to pay principal of and interest on the securities in the event that the issuer is unable to do so. A letter of credit may also be used to provide liquidity for commercial paper, variable rate demand obligations and other types of securities.

LEVEL DEBT SERVICE – A debt service schedule in which the combined annual amount of principal and interest payments remains relatively constant over the life of the issue of bonds.

EXAMPLE:

Level Debt Service Assumptions:
Size of issue: $10,000,000
Interest rate: 7%
Maturity of issue: 5 years

Debt Service Schedule

Years	Principal	Interest	Total*
1	$ 1,740,000	$ 700,000	$ 2,440,000
2	1,860,000	578,200	2,438,200
3	1,990,000	448,000	2,438,000
4	2,130,000	308,700	2,438,700
5	2,280,000	159,600	2,439,600
Total	$ 10,000,000	$ 2,194,500	$ 12,194,500

*Total of principal and interest remains substantially level throughout life of issue.

Compare: **LEVEL PRINCIPAL**. See: **DEBT SERVICE**.

LEVEL PRINCIPAL – A debt service schedule in which the combined annual amount of principal payments remains relatively constant over the life of the issue of bonds, resulting in declining annual debt service as the annual amount of interest payments declines. This is sometimes referred to as declining debt service.

EXAMPLE:

Level Principal Assumptions:
Size of issue: $10,000,000
Interest rate: 7%
Maturity of issue: 5 years

Debt Service Schedule

Years	Principal*	Interest	Total*
1	$ 2,000,000	$ 700,000	$ 2,700,000
2	2,000,000	560,000	2,560,000
3	2,000,000	420,000	2,420,000
4	2,000,000	280,000	2,280,000
5	2,000,000	140,000	2,140,000
Total	$ 10,000,000	$ 2,100,000	$ 12,100,000

*Principal remains level and total debt service declines throughout life of issue.

LIQUIDITY FACILITY – A letter of credit, standby bond purchase agreement or other arrangement used to provide liquidity to purchase securities that have been tendered to the issuer or its agent but which cannot be immediately remarketed to new investors. The provider of the liquidity facility, typically a bank, purchases the securities (or provides funds to the issuer or its agent to purchase the securities) until such time as they can be remarketed.

LONG-TERM – A designation given to maturities of a serial issue and term bonds typically having maturities of more than 15 years from issuance.

MANAGEMENT FEE – (1) A component of the underwriter's discount. (2) A fee paid by an issuer of municipal fund securities to its investment advisor for management of the underlying investment portfolio and other services rendered. Typically, the management fee is based on a percentage of the portfolio's asset value and is paid from portfolio assets. Thus, the management fee ultimately is paid by the investor.

MANAGER – The member (or members) of an underwriting syndicate charged with primary responsibility for conducting the affairs of the syndicate. The manager generally takes the largest underwriting commitment.

> ***Lead Manager, Senior Manager or Bookrunning Manager*** – The underwriter serving as head of the syndicate. The lead manager generally handles negotiations in a negotiated underwriting of a new issue of municipal securities or directs the processes by which a bid is determined for a competitive underwriting. The lead manager also is charged with allocating securities among the members of the syndicate according to the terms of the agreement among underwriters and the orders received.
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> ***Joint Manager or Co-Manager*** – Any member of the management group (although the term is often used to refer to a member other than the lead manager).

MARKETABILITY – The ease or difficulty with which securities can be sold in the market. An issue's marketability depends upon many factors, including its coupon, security provisions, maturity, credit quality and the existence of ratings. In the case of a new issue, marketability also depends upon the size of the issue, the timing of its issuance, and the volume of comparable issues being sold.

MASTER INDENTURE – The document stating the general terms and conditions under which an issuer can offer more than one series of bonds. Among the terms that generally must be satisfied in order for a new series of bonds to be issued is the "additional bonds" test. Typically, an issuer will enter into a supplemental indenture in connection with each series of bonds issued under a master indenture.

MASTER RESOLUTION – The document stating the general terms and conditions under which an issuer can offer more than one series of bonds. Among the terms that generally must be satisfied in order for a new series of bonds to be issued is the "additional bonds" test. Typically, an issuer will adopt a series resolution in connection with each series of bonds issued under a master resolution.

MATURITY SCHEDULE – An amortization schedule listing the maturity dates and maturity values of each maturity of an issue of bonds.

MUNICIPAL SECURITIES RULEMAKING BOARD (MSRB) – The Municipal Securities Rulemaking Board is an independent self-regulatory organization, consisting of representatives of securities firms, dealer banks and the public, that is charged with primary rulemaking authority over dealers, dealer banks and brokers in connection with their municipal securities activities. MSRB rules are approved by the SEC and enforced by NASD for broker-dealers other than dealer banks and by the appropriate regulatory agencies for dealer banks.

MSRB Rule G-17. A rule published by the MSRB that details each broker, dealer, municipal securities dealer, and municipal advisor shall deal fairly with all persons and shall not engage in any deceptive, dishonest, or unfair practice. In particular, G-17 requires that underwriters disclose to municipal issuers (who must acknowledge) the risks associated with both fixed and variable rate bond offerings. Some of these risks are:

Financial Risk – Umbrella term for multiple types of risk associated with financing.

Issuer Default Risk – Funds pledges to secure bonds are not sufficient to pay the debt service or maintain specific financial ratios as detailed in the covenants of the Indenture. A default will likely negatively impact credit ratings as well as limit future access to capital borrowings at market rates.

Legislative (Legal) Risk – Decisions made by a legislative body can impact the operations of issuers. Laws that made a given debt instrument permissible or attractive to employ (such as tax laws) can change.

Political Risk– Broadly refers to the complications issuers may face as a result of political decisions that may change or alter the expected outcome and value of a given economic action by changing the probability of achieving the issuer desired objectives. Political Risk exists at all levels of government, from local to national, as governing bodies are asked to vote on issuer plans or legislation that might impact the issuer. In most instances, political risk can be understood and managed with reasoned foresight, planning and communication.

Redemption Risk – Depending on the optional redemption terms in the offering documents of a bond issue, the ability to redeem bonds at the specified call date may be limited. In the events that market rates increase, there would be no incentive to redeem outstanding bonds for a higher rate compared to the existing bonds.

Refinancing Risk – If the financing plan contemplates the refinancing of some or all bonds when those bonds reach maturity, there is a risk that market conditions or changes in law could limit or prevent this refinancing. For example, limitations in the federal tax rules on advance refunding of bonds may restrict the ability to refund bonds to take advantage of lower interest rates.

Reinvestment Risk – Proceeds from bonds can be invested for a period of time prior to their intended use. Based on market conditions, the rate of interest actually earned on these invested proceeds can be lower than the forecasted and anticipated rate.

Tax Compliance Risk – The issuance of tax-exempt bonds is subject to a number of requirements under the U.S. Internal Revenue Code, as enforced by the Internal Revenue Service. Prior to the issuance of tax-exempt bonds, certain steps and representations are required. Additionally, issuers must covenant to take certain actions after the issuance of the tax-exempt bonds. A breach of these representations and covenants may cause the interest of the bonds in question to be retroactively taxed to the date of issuance. This change in tax status could cause a higher rate of interest to be paid on the bonds or require a mandatory tender of the bonds. Additionally, the IRS may also elect to do an audit of the bonds and issuer. If the bonds are declared taxable or the IRS is conducting an audit, the market price of the bonds may be impacted and the future ability to issue tax-exempt debt may come into question.

Interest Rate Risk – Reflects the risk that the debt service costs associated with variable rate debt increase and negatively impact coverage ratios and liquidity. Overall market rates can increase due to broader economic conditions or to specific concerns about the region/sector or issuer.

Liquidity Risk – Some debt issues carry an imbedded option, where the investor can "put" the bond to the issuer and demand payment. For Floating Rate Notes (FRNs), this is typically a pre-determined date. For other variable rate debt, such as Variable Rate Demand Obligations (VRDO), this put option can be as often as weekly or even daily. If these "put" bonds cannot be remarketed and resold to another investor or refinanced, the issuer must have sufficient liquidity or liquidity support to purchase these tendered bonds on the day in question.

MULTI-YEAR FINANCIAL PLAN – The Multi-Year Financial represents a strategic budget that uses a 10 year planning horizon to address regulatory requirements, infrastructure needs, Board-determined priorities, general operations as well as funding and rate impacts on customers. A component of the Multi-Year Financial Plan is the Capital Improvement Program.

NEGATIVE ARBITRAGE – Investment of bond proceeds and other related funds at a rate below the bond yield.

NEGOTIATED SALE – The sale of an issue of municipal securities by an issuer directly to an underwriter or underwriting syndicate selected by the issuer. A negotiated sale is distinguished from a sale by competitive bid, which requires public bidding by the underwriters. Among the primary points of negotiation for an issuer are the interest rate, call features and purchase price of the issue. The sale of a new issue of securities in this manner is also known as a negotiated underwriting.

OFFICIAL STATEMENT (O.S.) – A document or documents prepared by or on behalf of the issuer of municipal securities in connection with a primary offering that discloses material information on the offering of such securities. For primary offerings subject to Rule 15c2-12, the "final official statement" must include, at a minimum, information on the terms of the securities, financial information or operating data concerning the issuer and other entities, enterprises, funds, accounts or other persons material to an evaluation of the offering, and a description of the continuing disclosure undertaking made in connection with the offering (including an indication of any failures to comply with such undertaking during the past 5 years). Official statements typically also include information regarding the purposes of the issue, how the securities will be repaid, and the financial and economic characteristics of the issuer or obligor with respect to the offered securities. Investors may use this information to evaluate the credit quality of the securities. Although functionally equivalent to the prospectus used in connection with registered securities, an official statement for municipal securities is exempt from the prospectus requirements of the Securities Act of 1933.

ORIGINAL ISSUE DISCOUNT (O.I.D. or Discount) – An amount by which the par value of a security exceeded its public offering price at the time of its original issuance. The original issue discount is amortized over the life of the security and, on a municipal security, is generally treated as tax-exempt interest. When the investor sells the security before maturity, any profit realized on such sale is calculated (for tax purposes) on the adjusted book value, which is calculated for each year the security is outstanding by adding the accretion value to the original offering price. The amount of the accretion value (and the existence and total amount of original issue discount) is determined in accordance with the provisions of the Internal Revenue Code and the rules and regulations of the Internal Revenue Service.

ORIGINAL ISSUE DISCOUNT BOND or O.I.D. BOND – A bond that was sold at the time of issue at a price that included an original issue discount.

ORIGINAL ISSUE PREMIUM (O.I.P. or Premium) – The amount by which the public offering price of a security at the time of its original issuance exceeded its par value. The original issue premium is amortized over the life of the security and results in an adjustment to the basis of the security. Original issue premium generally is not deductible for federal income tax purposes. The amount of original issue premium received by the issuer in a primary offering, also known as the "bond premium," is generally treated as proceeds of the issue.

PARITY BONDS – Two or more issues of bonds that have the same priority of claim or lien against pledged revenues or other security. Parity bonds are also referred to as "pari passu bonds."

PRELIMINARY OFFICIAL STATEMENT (P.O.S.) – A preliminary version of the official statement, which is used to describe the proposed new issue of municipal securities prior to the determination of the interest rate(s) and offering price(s). The preliminary official statement may be used to gauge interest in an issue and is often relied upon by potential purchasers in making their investment decisions. Normally, offers for the sale of or acceptance of securities are not made on the basis of the preliminary official statement and a statement to that effect appears on the face of the document generally in red print, which gives the document its nickname, "red herring."

PREMIUM – The amount by which the price paid for a security exceeds the security's par value. For tax purposes, the actual amount of premium with respect to a particular security may be affected by the existence of any original issue premium or original issue discount.

PRESENT VALUE – The current value of a lump sum of funds or a stream of funds over time that are expected to be received (or disbursed) in the future discounted at a given interest rate or rates.

PRESENT VALUE SAVINGS – Difference expressed in terms of current dollars between the debt service on an refunded bond issue and the debt service on a refunding bond issue for an issuer. It is calculated by discounting the difference in the future debt service payments on the two issues at a given rate.

PRICING – In a negotiated offering of an issue of municipal securities, the process by which the issuer and underwriters determine the interest rates and prices at which the issue will be offered to the public. The pricing of an issue typically occurs immediately before, or the day preceding, the execution of the bond purchase agreement between the issuer and the underwriters.

PRIORITY OF ORDERS (PRIORITY PROVISIONS AND DESIGNATION) – The rules adopted by an underwriting syndicate specifying the priority to be given different types of orders received by the syndicate. MSRB rules require syndicates to adopt priority provisions in writing and to make them available to all interested parties. For competitive underwritings, orders received prior to the sale ("pre-sale orders") generally are given top priority. In some negotiated offerings, retail orders or other restrictions designated by the issuer are given priority. Once the order period begins for either negotiated or competitive underwritings, the most common priority provision gives group net orders top priority, followed by designated orders and member orders. These types of orders are described below:

> ***Designated Order*** – An order submitted by a syndicate member on behalf of a buyer on which all or a portion of the takedown is to be credited to certain members of the syndicate. The buyer directs the percentage of the total designation each member will receive. Generally two or more syndicate members will be designated to receive a portion of the takedown.
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> ***Group Net Order*** – An order that, if allocated, is allocated at the public offering price without deducting the concession or takedown. A group net order benefits all syndicate members according to their percentage participation in the account and consequently is normally accorded the highest priority of all orders received during the order period.
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> ***Member Order*** – An order submitted by a syndicate member where the securities would be confirmed to that member at syndicate terms (e.g., less the total takedown). Other priorities, such as retail orders or orders from local residents, may supercede those noted above.

PROFESSIONAL RETAIL CUSTOMER – A customer other than an institutional customer that typically purchases large blocks of bonds for centrally managed individual accounts or for municipal bond funds.

RATING AGENCY – A company that provides ratings that indicate the relative credit quality or liquidity characteristics of securities.

RATINGS – Evaluations of the credit quality of notes and bonds made by rating agencies. Ratings are intended to measure the probability of the timely repayment of principal of and interest on municipal securities. Ratings often are assigned upon issuance and are periodically reviewed and may be amended to reflect changes in the issuer's credit position. Ratings also are sometimes assigned after the initial issuance, often on bonds that have been advance refunded.

The factors upon which the rating agencies base their credit ratings vary with each type of issue. The ratings may derive from the credit worthiness of the issuer itself or from a credit enhancement feature of the security (e.g. guarantor, letter of credit provider, bond insurer, etc.). In the case of short term obligations, liquidity generally is a significant factor in determining a short term rating. Some rating agencies provide both long term and short term ratings on variable rate demand obligations.

The principal rating agencies in the municipal securities market use the following system of ratings as of the date of this publication – ratings from different rating agencies with the same or similar designation do not necessarily represent equivalent ratings – explanations of the significance of each rating classification are available from the rating agencies at the websites indicated:

	Fitch Ratings (www.fitchratings.com)	Moody's Investors Service (www.moodys.com)	Standard & Poor's (www.standardandpoors.com)
Long Term Ratings:			
	AAA	Aaa	AAA
	AA+, AA, AA-	Aa1, Aa2, Aa3	AA+, AA, AA-
	A+, A, A-	A1, A2, A3	A+, A, A-
	BBB+, BBB, BBB-	Baa1, Baa2, Baa3	BBB+, BBB, BBB-
	BB+, BB, BB-	Ba1, Ba2, Ba3	BB+, BB, BB-
	B+, B, B-	B1, B2, B3	B+, B, B-
	CCC+, CCC, CCC-	Caa1, Caa2, Caa3	CCC+, CCC, CCC-
	CC	Ca	CC
	C	C	C
	DDD	--	D
	DD	--	--
	D	--	--
Short Term Ratings:			
	F1+, F1	MIG 1/VMIG 1	SP-1+, SP-1
	F2	MIG 2/VMIG 2	SP-2
	F3	MIG 3/VMIG 3	SP-3
	B	SG	--
	C	--	--
	D	--	--

REFUNDING – A procedure whereby an issuer refinances outstanding bonds by issuing new bonds. There are generally two major reasons for refunding: to reduce the issuer's interest costs or to remove a burdensome or restrictive covenant imposed by the terms of the bonds being refinanced. The proceeds of the new bonds are either deposited in escrow to pay the debt service on the outstanding bonds when due or used to promptly (typically within 90 days) retire the outstanding bonds. The new bonds are referred to as the "refunding bonds," and the outstanding bonds being refinanced are referred to as the "refunded bonds" or the "prior issue." Generally, refunded bonds are not considered a part of the issuer's debt because the lien of the holders of the refunded bonds, in the first instance, is on the escrowed funds, not on the originally pledged source of revenues.

REFUNDING BONDS – Bonds issued to refund outstanding bonds.

REQUEST FOR PROPOSALS (RFP) – A formal process by which an issuer gathers written information from professionals for the purpose of selecting underwriters, financial advisors, attorneys and providers of other services.

RETAIL CUSTOMER – Any customer other than an institutional customer. Retail customers generally include individual investors and small organizations.

SERIES OF BONDS – Bonds of an issue sharing the same lien on revenues and other basic characteristics. A series of bonds may consist of serial bonds, term bonds or both. An issue of bonds can consist of one or more series of bonds. Typically, where a single issue consists of more than one series of bonds, the series are distinguished from one another based on one or more key characteristics. For example, one series may be senior lien bonds and the other may be junior lien bonds; two series may have liens on different revenue sources; one series may consist of capital appreciation bonds and the other may consist of current interest paying bonds; one series may be tax-exempt bonds and the other may be taxable municipal securities; one series may bear interest at a fixed rate and the other may bear interest at a variable rate.

SHORT-TERM – Generally have a maturity of less than 15 years. A designation given to maturities of a serial issue typically having maturities of shorter than three years from issuance. However, depending upon the context, a shorter period to maturity may be intended (e.g., nine or thirteen months).

SLGS – An acronym (pronounced "slugs") for "State and Local Government Series." SLGS are special Treasury securities sold by the United States Treasury Department to states, municipalities and other local government bodies. The interest rates and maturities of SLGS can be subscribed for by an issuer of municipal securities in such a manner as to comply with arbitrage restrictions imposed under the Internal Revenue Code. SLGS are most commonly used for deposit in an escrow account in connection with the issuance of refunding bonds.

SUPPLEMENTAL INDENTURE – An agreement entered into by an issuer that supplements the issuer's master indenture or trust indenture. Often, a supplemental indenture is executed in connection with the issuance of one or more series of additional bonds under the master or trust indenture. In some cases, a supplemental indenture merely amends terms of the master or trust indenture without providing for the issuance of additional bonds.

SURETY BOND – An instrument that provides security against a default in payment. Surety bonds are sometimes used in lieu of a cash deposit in a debt service reserve fund.

SWAP – A derivative transaction involving the sale of a security and the simultaneous purchase of another security for purposes of enhancing the investor's holdings. The swap may be used to achieve desired tax results, to gain income or principal, or to alter various features of a bond portfolio, including call protection, diversification or consolidation, and marketability of holdings.

SWAPTION – An option held by one party that provides that party the right to require that a counter-party enter into a swap contract on certain specified terms.

SYNDICATE – A group of underwriters formed to purchase an issue of municipal securities from the issuer and offer it for resale to the general public. The syndicate is organized for the purposes of sharing the risks of underwriting the issue, obtaining sufficient capital to purchase an issue and broadening the distribution channels of the issue to the investing public. One of the underwriting firms will be designated as the syndicate, senior or lead manager to administer the operations of the syndicate.

SYNDICATE POLICIES - Syndicate policies describe, among other things, the priority of orders, designation policy, definition of "Retail Order", and Underwriters' Liability governing the upcoming sale.

TERM BONDS – Bonds comprising a part or all of a particular issue that come due in a single maturity, typically due more than one year after the final amortization of the serial bonds. The issuer agrees to make periodic payments into a sinking fund for mandatory redemption of term bonds before maturity or for payment at maturity.

TRUSTEE – A financial institution with trust powers that acts in a fiduciary capacity for the benefit of the bondholders in enforcing the terms of the trust indenture. In many cases, the trustee also acts as paying agent, registrar and/or transfer agent for the bonds.

TRUST INDENTURE – A contract between the issuer of municipal securities and a trustee for the benefit of the bondholders. The trustee administers the funds or property specified in the indenture in a fiduciary capacity on behalf of the bondholders. The trust indenture, which is generally part of the bond contract, establishes the rights, duties, responsibilities and remedies of the issuer and trustee and determines the exact nature of the security for the bonds. The trustee is generally empowered to enforce the terms of the trust indenture on behalf of the bondholders. In many governmental issues (particularly for general obligation bonds and some types of limited tax bonds and revenue bonds), the issuer may forego using a trust indenture and set forth the duties of the issuer and the rights of bondholders in the bond resolution.

UNDERWRITER – A broker-dealer that purchases an issue of municipal securities from the issuer for resale in a primary offering. The underwriter may acquire the securities either by negotiation with the issuer or by award on the basis of competitive bidding.

UNDERWRITER'S COUNSEL – An attorney or law firm retained to represent the interests of an underwriter in connection with the purchase of a new issue of municipal securities. The duties of underwriter's counsel may include review of the issuer's bond resolution and documentation on behalf of the underwriter; review of the accuracy and adequacy of disclosure in the official statement; preparation of the agreement among underwriters, purchase contract and/or the official statement; assisting the underwriter in meeting the underwriter's due diligence obligation; and delivery of a due diligence opinion.

UNDERWRITER'S DISCOUNT – The costs incurred/charged by the underwriter and the underwriting syndicate. It normally includes several cost categories. The costs of operating the syndicate for which the senior manager may be reimbursed is Underwriter Expense. The Management Fee is the amount paid to the senior manager and/or co-managers for handling the affairs of the syndicate and providing guidance on the transaction. Takedown is normally the largest component of the Underwriter's Discount, similar to a commission, and represents the income derived from the sale of the securities by syndicate members. The senior manager shall submit an itemized list of expenses charged to members of the underwriting group. Any additional expenses must be substantiated

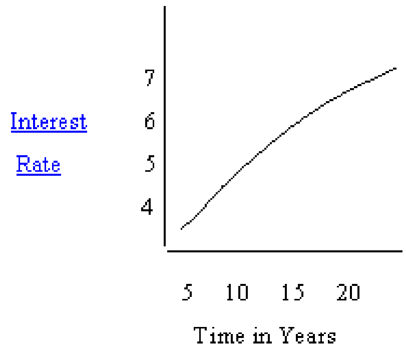
VARIABLE RATE – An interest rate, sometimes referred to as a "floating rate," on a security that changes at intervals according to market conditions or a predetermined index or formula.

VERIFICATION REPORT – In a refunding, a report, prepared by a certified public accountant or other independent third party, that demonstrates that the cash flow from investments purchased with the proceeds of the refunding bonds and other moneys are sufficient to pay the principal of and interest on the refunded bonds that are being defeased.

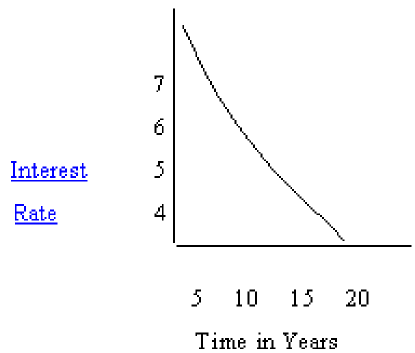
YIELD – The annual rate of return on an investment, based on the purchase price of the investment, its coupon rate and the length of time the investment is held.

YIELD CURVE – A graph that plots market yields on securities of equivalent quality but different maturities at a given point in time. The vertical axis represents the yields, while the horizontal axis depicts time to maturity. The relationship of interest rates over time, as reflected by the yield curve, will vary according to market conditions, resulting in a variety of yield curve configurations, as follows:

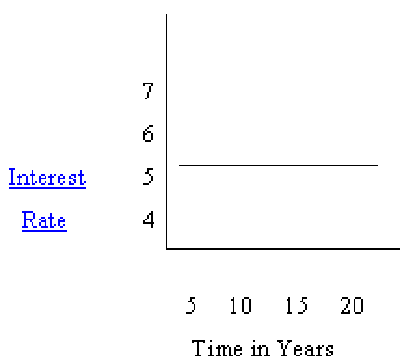
Normal or Positive Yield Curve – Indicates that short-term securities have a lower interest rate than long-term securities.



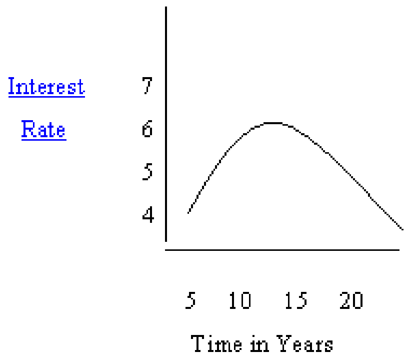
Inverted or Negative Yield Curve – Reflects the situation of short-term rates exceeding long-term rates.



Flat Yield Curve – Reflects the situation when short- and long-term rates are approximately the same.



Humpbacked or Bell-Shaped Yield Curve – An unusual shape, indicating that rates are low in the early years, peak in the middle years and decline in later years.



ATTACHMENT 2B

D.C. Water and Sewer Authority
Multi-modal (SIFMA Index) Bonds Policy

SUBJECT **Multi-modal (SIFMA Index) Bonds**	

This policy sets-forth the methodologies and procedures that DC Water will undertake in structuring and utilizing SIFMA-Indexed Bonds.

The purpose of this policy is to provide more than adequate time to effect the remarketing or refunding of SIFMA Indexed Bonds well in advance of any mandatory tender or maturity date and, in addition, provides significant redundancy to safeguard against any liquidity risk to the Authority of the hard put/hard maturity feature of SIFMA Index Bonds.

In order to prudently manage its debt portfolio and ensure the orderly and timely remarketing or refunding of such securities prior to any mandatory tender dates or hard maturity dates, DC Water will:

1. Structure any SIFMA-Indexed or similar bonds with an optional redemption feature of at least six months prior to any mandatory tender or maturity date which affords the Authority an extended window to remarket or refund the SIFMA Index Bonds and not be subject to limited periods of no market access.

2. Throughout the three months preceding any Purchase Date, maintain sufficient liquidity (either in cash or cash equivalents) to cover the full amount of the Purchase Price payable on that Purchase Date; and

3. Maintain strong credit ratings to ensure market access.

The Authority will adhere to the schedule set-forth below to ensure timely and orderly remarketing or refunding of such securities:

1. The Authority will begin its review, preparation and strategy for remarketing/refunding approximately nine (9) months prior to each mandatory or stated maturity date for the SIFMA Index Bonds. During this period, the Authority will:
   a. Assess and evaluate its options, taking into consideration the current market conditions;
   b. Decide upon a preferred option and remarketing /refinancing strategy; and
   c. Develop a formal plan of action with a timeline and details for completion, (including initiating the transactional dialogue with the rating agencies)

2. No later than 180 days (6-months) prior to the mandatory tender or stated maturity, the Authority will have determined the plan of finance, made the appropriate notifications as required by the Indenture, obtained, or be in the process of obtaining, all legal authorizations and will proceed with the bond issuance activities:

Approved by	Date Approved	Revision No.	Supersedes	Page
Olu Adebo, Chief Financial Officer	March 7, 2012			1 of 2

D.C. Water and Sewer Authority
Multi-modal (SIFMA Index) Bonds Policy

SUBJECT Multi-modal (SIFMA Index) Bonds	

To the extent that the Authority determines to Refund the bonds:

a. 180-120 days prior to mandatory tender or stated maturity: complete near-final drafts of financing documents; circulate credit package to rating agencies.
b. No later than required: send required notices to trustee, bondholders and other notice parties. Finalize financing documents.
c. Approximately 100 days prior to mandatory tender or stated maturity: receive credit ratings; mail offering documents; price refinancing bonds; prepare for closing:
d. No later than 30 days prior to mandatory tender date or stated maturity: close on the refunding transaction for the outstanding SIFMA Index Bonds.

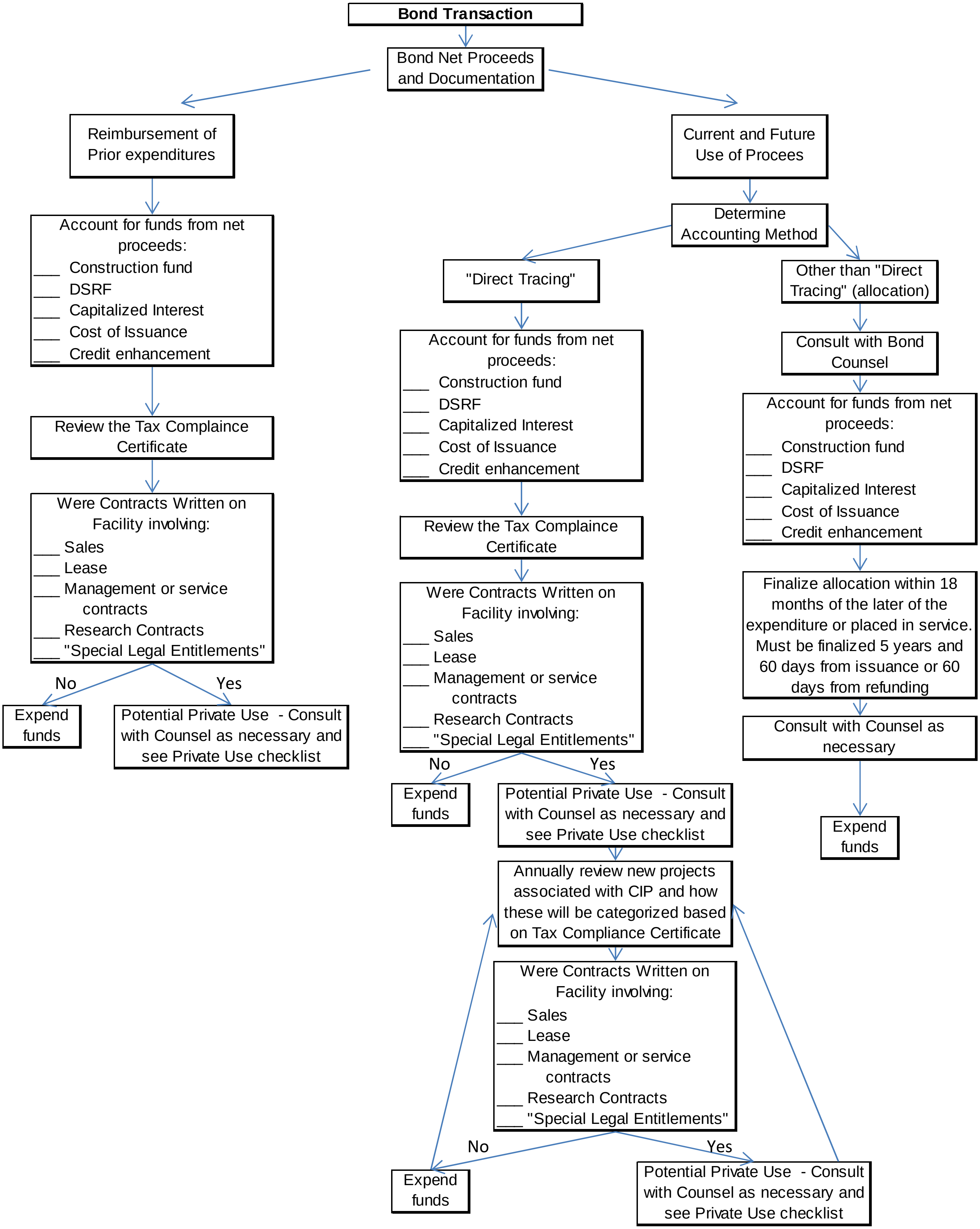
To the extent that the Authority determines to remarket the mandatory tender bonds:

a. No later than 90 days, make all necessary arrangement to meet Indenture liquidity requirements, by ensuring availability of:
   1. Sufficient cash and/or cash equivalents; or
   2. Commercial Paper capacity;
b. 120-90 days prior to mandatory tender: complete near-final drafts of financing documents; circulate credit package to rating agencies.
c. No later than required, send required notices to trustee, bondholders and other notice parties. Finalize financing documents.

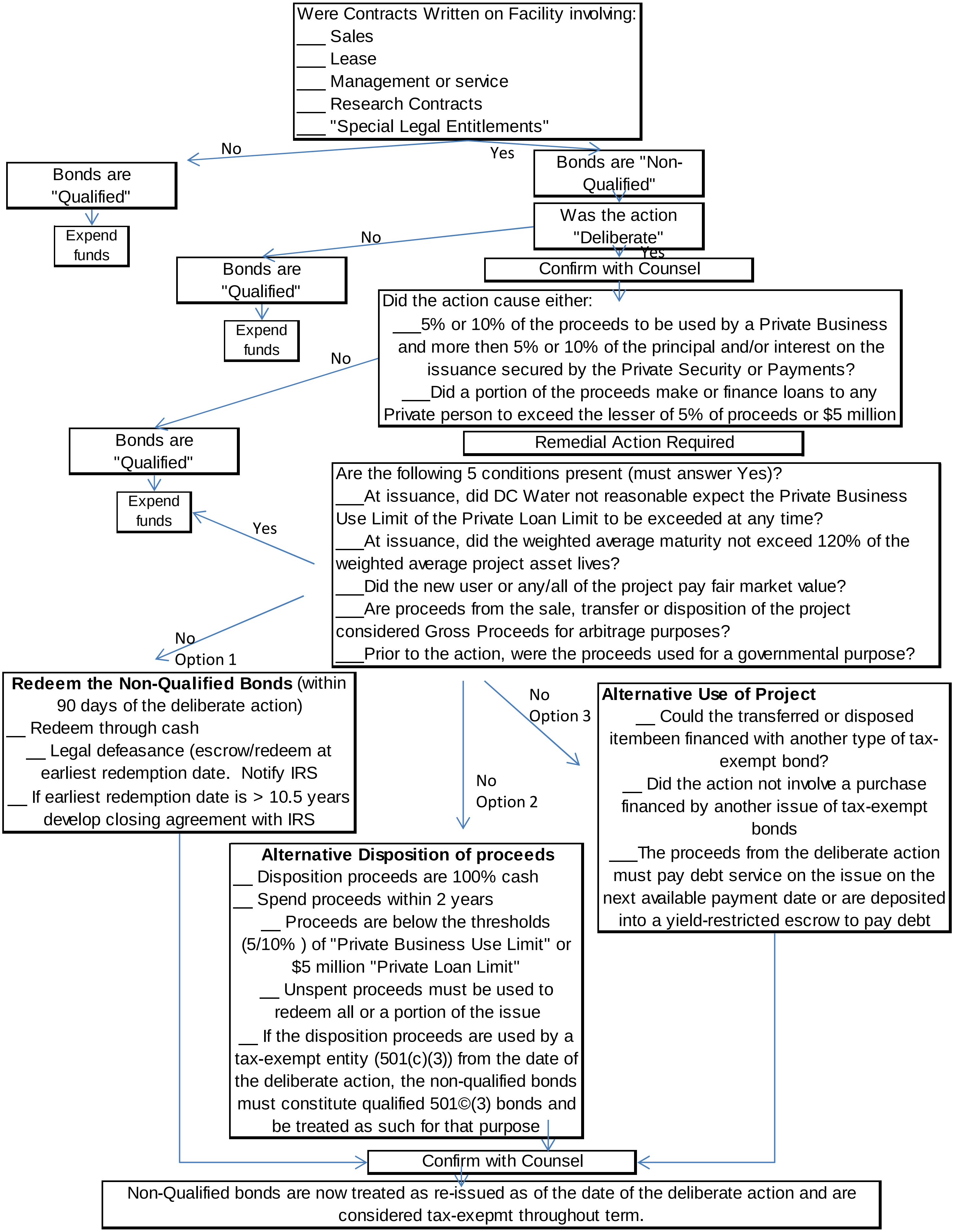
Approved by	Date Approved	Revision No.	Supersedes	Page
Olu Adebo, Chief Financial Officer	March 7, 2012			2 of 2

ATTACHMENT 2C

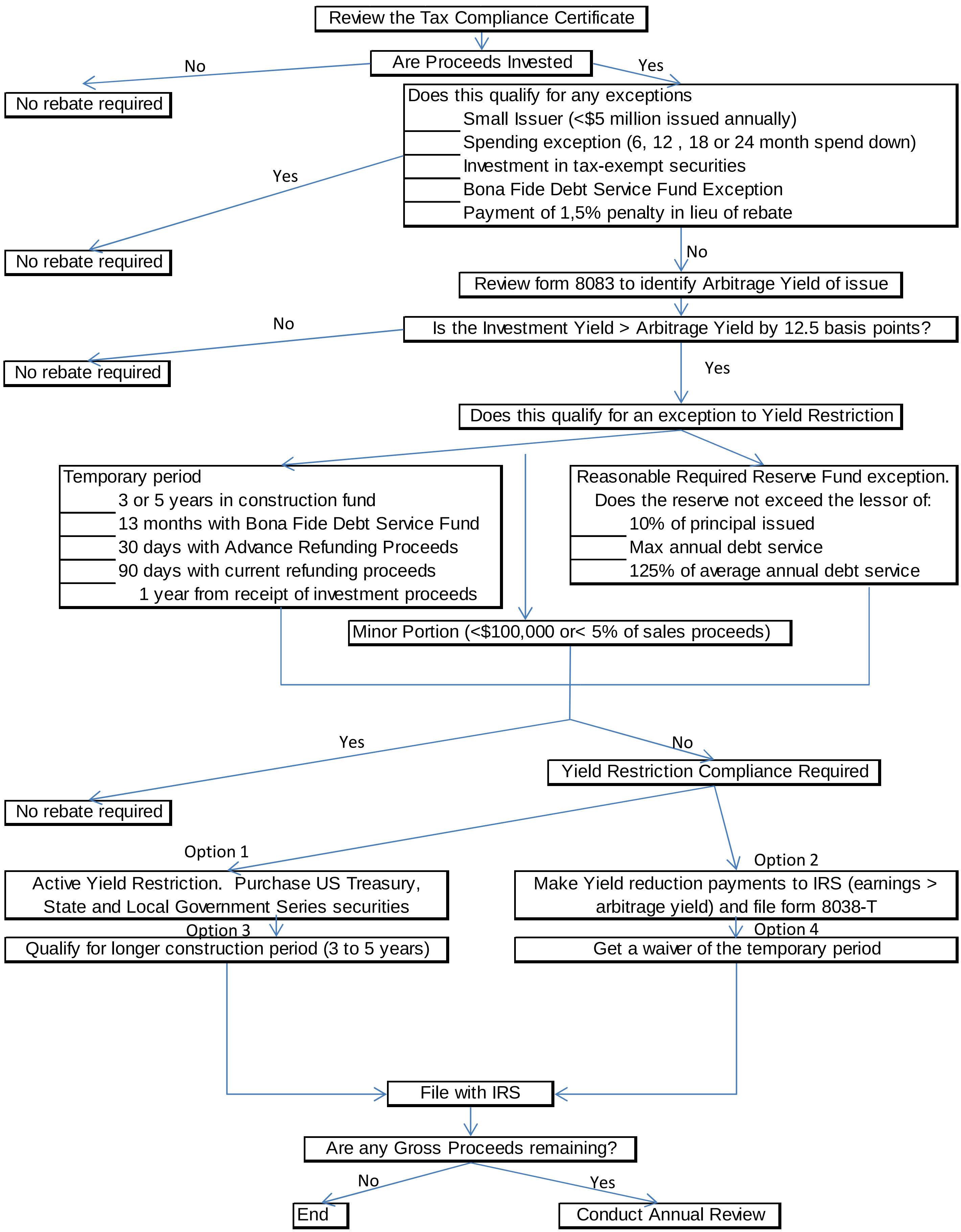
DC Water – Use of Proceeds Checklist



DC Water – Private Use Checklist



DC Water – Arbitrage Rebate



DC Water – Refunding Guidelines (1 of 2)

The CFO (or designee), with assistance from DC Water's Financial Advisor, has the responsibility to analyze outstanding bond issues for refunding opportunities. Normally, DC Water will refinance bonds to accomplish a Current Refunding, an Advanced Refunding or a Restructuring of existing debt. Such refunding will be limited to restructuring to meet unanticipated revenue expectations, achieve cost savings, mitigate irregular debt service payments, release reserve funds, and/or remove unduly restrictive bond covenants or administrative requirements.

DC Water will consider the following criteria when analyzing possible Refunding and Restructuring opportunities:
Cash Flow Savings: by maturity or by total issue, the newly issued bonds' (the refunding bonds) debt service to the current debt service of the proposed refunded bonds.
Net Present Value Savings: by maturity or by total issue, the newly issued bonds' (the refunding bonds) debt service to the current debt service of the proposed refunded bonds and discounts the debt service difference back to the proposed closing date. This can be viewed in the aggregate or, as preferred, the present value savings for that maturity is calculated as a percentage of the par value of the refunded bonds. DC Water has a target of a minimum present value savings threshold of 3%.

However, other factors may be considered.

> **Option Value**: Refunded bonds have an imbedded call option and this call option has value based on several variables (e.g. prevailing rates, market volatility, yield curve environment, time to exercise option). This value can be calculated and compared to the present value savings of the refunded bonds. DC Water has a goal of capturing 70% of the option value. However, other factors will also be considered.
>
> **Negative Arbitrage**: For bonds that are advanced refunded, an escrow will normally be established to legally defease the bonds debt service over time. An escrow, as detailed previously, is normally invested in low yielding, SLGS or Treasury securities. The difference between the yield of the escrow and the yield of the refunded bonds represents the negative arbitrage for that maturity. DC Water has a goal of minimizing the negative arbitrage in the escrow. However, other factors will also be considered.

DC Water – Refunding Guidelines (2 of 2)

Holistically, DC Water will review all of the above criteria for each refunded maturity. While DC Water will strive to achieve the applicable thresholds, other circumstances and considerations may warrant refunding bonds that do not meet these thresholds. For example, the Board will normally delegate to the CFO or his designee for the transaction, the ability to complete a refunding if it is determined that there will be limited opportunities in the future to achieve the necessary savings. The decision to take savings on an upfront or deferred basis must be explicitly approved by DC Water.
For debt restructuring, the Board can waive the present value savings goal if it is in the best interest of DC Water to complete the restructure without achieving the refinancing savings. DC Water will refund bonds within the term of the originally issued debt. However, DC Water may consider maturity extension, when necessary to achieve a desired outcome, provided that such extension is legally permissible based on remaining asset life. DC Water may also consider shortening the term of the originally issued debt to realize greater savings.

Criteria for Current Refundings: For bonds redeemed within 90 days of their respective redemption date, the following criteria will be used to determine which bonds to be current refunded: Cash Flow Savings, Net Present Value Savings, and Option Value.

Criteria for Advanced Refunding: For bonds redeemed more than 90 days of their respective redemption date, the following criteria will be used to determine which bonds to be advanced refunded: Cash Flow Savings, Net Present Value Savings, Option Value and Negative Arbitrage.

DC Water – Timing and Considerations for variable Rate Debt (i.e. Floating Rate Notes (FRNs))

DC Water recognizes that variable rate debt can be prudently issued in order to lower the effective cost of borrowing to DC Water and its ratepayers.

Currently, DC Water's Series 2012B are Floating Rate Notes that provide variable rate exposure . The interest rate for these bonds is based on a set spread to the floating SIFMA index. One of the unique features of the 2012 Series B notes is that they have a "hard put" date (called the "Initial Index Rate Bonds Purchase Date") where the bondholders will tender their bonds to purchase prior to the stated final maturity. Specifically:

Sub-Series	Par	Maturity	Initial Index Rate Bonds Purchase Date	Rate
2012B-1	52,690,000	10/1/2044	6/1/2015	SIFMA Index + .48%
2012B-2	47,310,000	10/1/2040	6/1/2016	SIFMA Index + .58%

One of the risks associated with FRNs is refinancing risk. In this case, as the Initial Index Rate Bonds Purchase Date approaches, DC Water must have a comprehensive plan that addresses the upcoming tender of the bonds. The following actions will assist DC Water in addressing this risk:

<u>When *planning* a FRN transaction</u>:

_____ Limit the amount subject to a mandatory tender in any one year.

_____ Compare the planned transaction size with DC Water's planned cash balance and/or CP capacity to ensure the tender amount can be addressed if there are market access problems. Make adjustments to the cash balance / CP as needed.

_____ Include 6 month call option on FRNs in the documentation, allowing for additional time to remarket tendered bonds.

_____ Incorporate provisions into documentation that allow DC Water to purchase tendered bonds.

<u>Once FRNs are issued (for financial planning):</u>

_____ Determine the years in which there is a hard put for the bonds.

_____ Incorporate the hard put date and call date into the multi-year financial plan.

_____ Review timing of planned bond transactions to ensure alignment with call date and hard put date.

_____ Determine if FRN's should be refinanced with fixed-rate or variable rate debt

_____ Incorporate necessary tender amount into planned bond offering

_____ Review cash balance and CP capacity to address tender in the event of market access problems.

ATTACHMENT 3

Briefing on

Owner Controlled Insurance Program

Finance and Budget Committee

September 27, 2012

ROCIP Program Goals

- Better protection for DC Water construction with broader insurance coverage and higher dedicated limits
- Opportunity for lower construction costs
- Targeted, superior, comprehensive insurance claims handling, loss control and safety
- Reduced barriers for Disadvantaged Business Enterprises (Insurance requirements are no longer an obstacle for contractors bidding the DC Water work)

ROCIP 3 Program

Recommendation Update

ROCIP 3 Program Goals remain consistent with DC Water Goals

Current Program results to date are positive and exceeding forecasts

- Forecast for ROCIP 1 & 2 cost savings opportunity is $12.5MM

Status report on activities to extend the program for the upcoming period

- New ROCIP 3 program bid complete
- ROCIP cost components maintained or reduced in many areas
- Recommend ROCIP 3 insurance be approved to be bound with ACE insurers and others for 10-15-2012

Background and History

- 2003 Driven by DC Water's sizeable CIP, a study was conducted to evaluate the feasibility of an OCIP
- 2004 ROCIP 1 Program authorized to facilitate construction projects from 10-15-2004 through 4-15-2012 (Complete)
- 2008 Review of performance and success supported renewal/extension of the ROCIP concept
- 2009 ROCIP 2 Procurement authorization
- 2009 ROCIP 2 Implemented for planned Construction Projects started 10-15-2009 / 10-15-2012
- 2012 ROCIP 3 Broker Administrator procurement completed for October 2012
- 2012 ROCIP 3 Insurance quotations received, recommendation to implement presented.

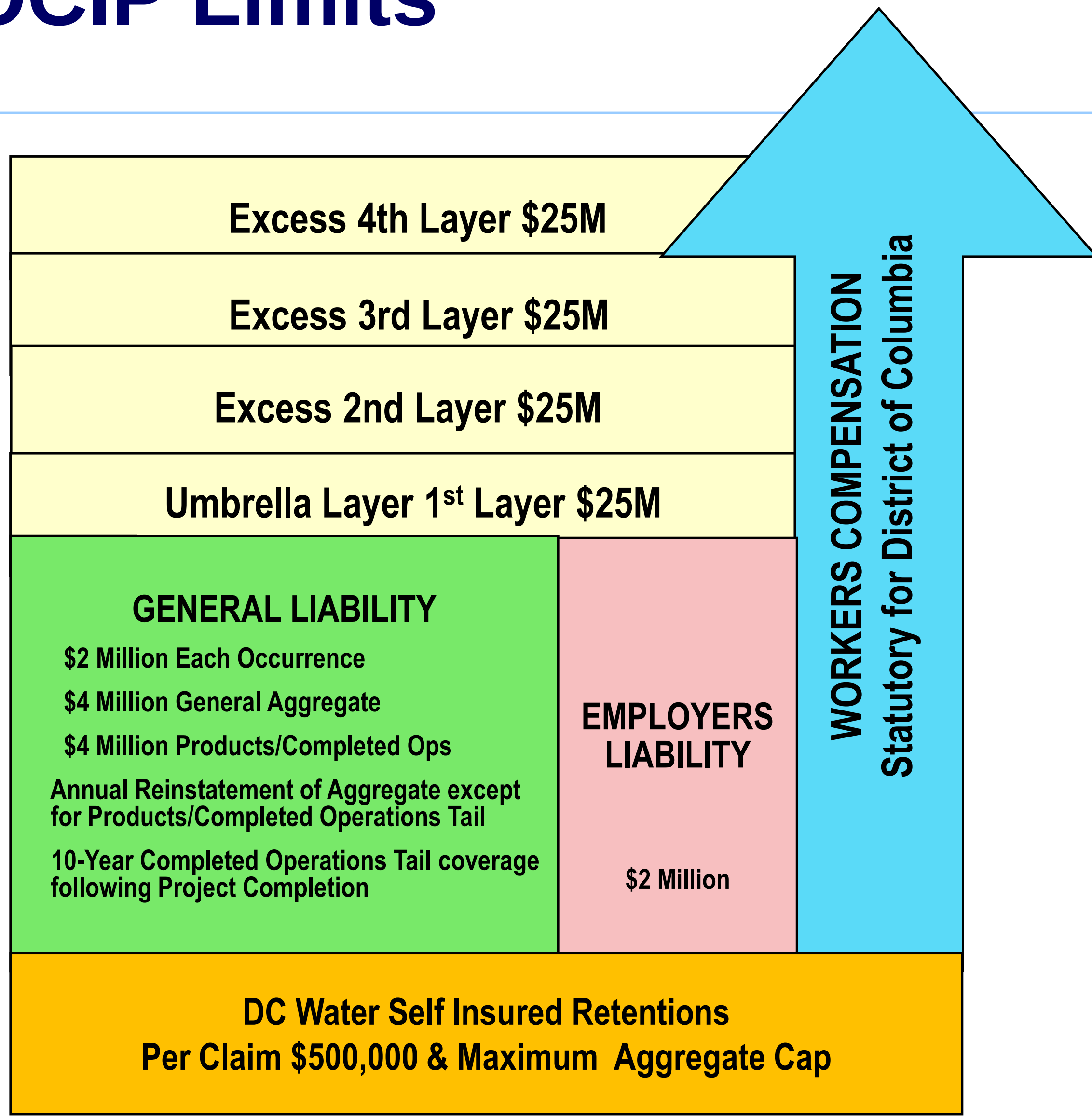
ROCIP 1 & 2 Program Overview

- ROCIP 1 & 2 multi-year programs – started 2004, new contract rolling project enrollment ends October 15, 2012
- Insurance Plan Characteristics
  - Combined Workers Compensation and General Liability paid loss rating plan includes a fixed premium rate based upon Contractor site payroll
  - Deductible -$500,000/ per line per loss deductible $750,000 all lines per loss “clash”
  - Maximum aggregate stop loss guaranteed rate, dollar amount variable based on actual contractor payroll
- General Liability Limits are $2 MIL/ $4MIL per Occurrence / Aggregate
- Excess General Liability limits are $100 million ~ premium cost is fixed
- Workers Compensation limits are statutory
- Employers Liability limits are $2 MIL
- Insurance Premium Avoided Cost Savings are $7.1MM for ROCIP 1 and forecast at $6.8MM+ for ROCIP 2

ROCIP 3 Program Overview

- ROCIP 3 multi-year program – For projects forecast to start 2012-2015, work ends October 15, 2017 Total CV Estimated at $942MM
- Insurance Plan Characteristics comparable to ROCIP 1 & 2
- Ace American Insurance
  - General Liability Limits are $2 MIL/ $4MIL per Occurrence / Aggregate
  - Workers Compensation limits are statutory
  - Employers Liability limits are $2 MIL
    - Renewal Rates have been maintained or reduced at the 2009 ROCIP 2 level
- Excess General Liability limits are $100 million with Chartis and XL Insurance
  - Premium cost has increased by 34% due to the conditions of the construction insurance market and the risks associated with the planned work. Increase is $785,800 for the five year term
  - ROCIP 3 Insurance Cost is fixed for the term

ROCIP Limits



Next Action

- Our independent insurance consultant, Albert Risk Management Consultants, and the project team recommend DC Water proceed with a recommendation to present for approval another multiyear ROCIP plan for future CIP construction insurance risk protection.
- Based on the opportunity for success, sizeable CIP and documented performance to date, Management recommends we extend ROCIP for an additional 5 year period.
- Recommendation of insurance contracts.

Next Steps

ROCIP 3 Task	Status	Proposed Milestones
Feasibility evaluation for ROCIP extension	Complete	December 2011 - February 2012 – Indicates extension of the program may produce significant benefits for DC Water. Independent insurance consultant and DC Water project team recommend extension, initiated Broker / Administrator procurement process
Finance & Budget Committee Review	Complete	February 23, 2012 -Briefing to the Finance and Budget Committee -Recommendation to extend program
Procurement Broker/ Administrator Selection	Complete	February - April 2012 - Proceed with RFP for Broker/Administrator, conduct interviews, verify references.
Committee and Board authorization to Award Broker Administrator	Complete	June/July 2012 – Board approval , two actions~ 1) the Board authorizes the General Manager to proceed with the ROCIP 3 and 2) the Board authorizes the General Manager to execute Contract with successful broker administrator to implement ongoing ROCIP 3 broker/administration services
ROCIP 3 Insurance Procurement	Complete	June - August 2012 – Execute contract with Broker/Administrator and Complete ROCIP 3 insurance marketing bidding activity
Finance & Budget Committee Review	Presentation	September 2012 – Fact Sheet with presentation briefing to the Finance and Budget Committee
Board Approval	Pending	October 2012 – Present resolution for Board Action
Bind and Verify ROCIP 3 Insurance Program	Pending	ROCIP 2 enrollment period ends October 15, 2012
ROCIP 3 Start Date – 10/15/12	Pending	

ATTACHMENT 4

FINANCE & BUDGET COMMITTEE
PROPOSED DEBT POLICY

ACTION ITEM 4-A: DEBT POLICY AND GUIDELINES

The Board will be asked to approve a resolution to approve a debt policy and guidelines which will provide DC Water staff and stakeholders with a comprehensive approved policy detailing the Authority's processes and decisions required with issuing debt.

The benefits derived from a comprehensive policy will be:

a. Enhancing the quality of decisions
b. Documenting the decision-making process
c. Identifying objectives clearly to facilitate staff implementation
d. Demonstrating a commitment to long-term financial planning
e. Enhancing the positive assessment of credit quality
f. Implementing GFOA "Best Practices"

ATTACHMENT 4

DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY
BOARD OF DIRECTORS CONTRACTOR FACT SHEET

ACTION REQUESTED

GOODS AND SERVICES CONTRACT MODIFICATION:

Electricity Generation & Transmission Services (Joint Use)

Approval to execute a modification in the amount of $25,300,000 for a twelve month contract extension.

CONTRACTOR/SUB/VENDOR INFORMATION

PRIME:	SUBS:	PARTICIPATION:
Hess Corporation 1 Hess Plaza Woodbridge, NJ 07095	N/A	N/A

DESCRIPTION AND PURPOSE

Original Contract Value:	$112,000,000.00
Original Contract Dates:	02-01-2006—01-31-2011
No. of Option Years in Contract:	0
Option Year Values:	N/A
Option Year Dates:	N/A
Contract Modification Values (1-2):	$47,000,000.00
Contract Modification Dates:	02-01-2011—01-31-2013
This Contract Modification Value:	$25,300,000.00
This Contract Modification Dates:	02-01-2013—01-31-2014

Purpose of the Contract:

To contract for the provision of 320,000 megawatt hours of electricity annually at various wastewater treatment, water and sewer facilities including:

Blue Plains;
Anacostia Water Pumping Station;
Main & O Street Sewer Pumping Station;
Potomac Sewer Pumping Station;
Eastside Sewer Pumping Station; and
Swirl Facility.

Contract Scope:

This contract is for electricity generation and transmission and does not include distribution services incurred under approved Potomac Electric Power Company (PEPCO) tariffs. DC Water will have the ability to lock in blocks of power at a fixed price when future pricing meets budget targets. To the degree that DC Water does not lock in blocks, pricing will be established each day at market rates with direct pass through of all costs. The dollar value of the contract is based on current twelve-month market prices plus approximately ten percent to accommodate potential price volatility.

Spending Previous Year:

Cumulative Contract Value:	02-01-2006 to 01-31-2013—$159,000,000.00
Cumulative Contract Spending:	02-01-2006 to 09-30-2012—$132,284,081.00

Contractor's Past Performance:

The contractor's past performance has been satisfactory.

PROCUREMENT INFORMATION

Contract Type:	Unit Price	**Award Based On:**	Highest Ranking Score
Commodity:	Electricity Generation & Transmission Services	**Contract Number:**	WAS-05-026-AA-VW
Contractor Market:	Open Market		

BUDGET INFORMATION

Funding:	Operating	**Department:**	WWT, Water Services, Sewer Services, and DC Clean Rivers
Service Area:	DC Water wide	**Department Head:**	Aklile Tesfaye, Cuthbert Braveboy', Charles Sweeney, and Carlton Ray

ESTIMATED USER SHARE INFORMATION

User	Share %	Dollar Amount
District of Columbia	43.67%	$ 11,048,510
Washington Suburban Sanitary Commission	41.71%	$10,552,630
Fairfax County	10.07%	$ 2,547;710
Loudoun County	3.91%	$ 989,230
Potomac Interceptor	0.64%	$ 161,920
Total Estimated Dollar Amount	**100.00%**	**$ 25,300,000**

NOTE: The facilities that will receive electricity generation and transmission services under this contract are both joint use and non-joint use. For Board approval purposes, the user shares shown above are based on Blue Plains' user shares because approximately 90 percent of DC Water's power usage occurs at Blue Plains. Actual costs will be directly charged to participating facilities, and each user shall pay its proportionate share.

_____________________ / 9/20/12

Rosalind R. Inge Date
Director of Procurement

_____________________ / 9/20/12

Yvette Downs Date
Director of Finance & Budget

_____________________ / 9/20/12

Olu Adebo Date
Chief Financial Officer

_____________________ / _____

George S. Hawkins Date
General Manager

ATTACHMENT 5

DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY
BOARD OF DIRECTORS CONTRACTOR FACT SHEET

ACTION REQUESTED

GOODS AND SERVICES CONTRACT: NEW AWARD

Bond Counsel Services
(Non-Joint Use)

Approval to execute a contract for a base period of one (1) year, with up to four (4) one-year options, in the amount of $1,725,000.

CONTRACTOR/SUB/VENDOR INFORMATION

PRIME:	PARTNER:	PARTICIPATION:
Squire Sanders (US) LLP 1200 19th Street, N.W., Suite 300 Washington, DC 20036	Leftwich & Ludaway, LLC 1400 K Street, NW, Suite 1000 Washington, D.C. 20005-2403 (Local Small Business Enterprise)	30%

DESCRIPTION AND PURPOSE

Base Year Contract Value:	$335,000
Contract Base Period:	365 days (1) year
Number of Option Years:	4
Anticipated Contract Start Date:	10-15-2012
Anticipated Contract Completion Date:	10-14-2017
Proposal Closing Date:	07-10-2012
Proposals Received:	9
Proposal Range:	$1,682,500 - $2,363,750
Preference Points Received:	3

Purpose of the Contract:

To contract for the provision of bond counsel services for the District of Columbia Water and Sewer Authority's (DC Water) Finance & Budget Department. The contract will provide legal advice to the Authority regarding the sale of bonds, commercial paper and other instruments of indebtedness.

Note:

The cost for the base year is $335,000. The cumulative costs for option years one (1) through four (4) are $1,390,000.

This was a Request for Proposal (RFP). Award will be made to one firm. Squire Sanders (US) LLP and its partner, Leftwich & Ludaway, LLC, are the highest rated proposer of all firms. The names of all qualified firms submitting proposals are listed below:

Proposals Received:

D. Seaton & Associates
Orrick, Herrington & Sutcliffe
Reed-Smith LLP
Hunton & Williams LLP

Proposals Received cont'd.:

- Nixon Peabody LLP
- Bryant Miller Olive
- Edwards Wildman Palmer LLP
- Squires Sanders / Leftwich & Ludaway
- Kutak Rock LLP

PROCUREMENT INFORMATION

Contract Type:	Fixed Price	**Award Based On:**	Highest Rating
Commodity:	Bond Counsel Services	**Contract Number:**	WAS-12-052-AA-SS
Contractor Market:	Open Market with preference for Local Business Enterprise (LBE) / Local Small Business Enterprise (LSBE)		

BUDGET INFORMATION

Funding:	Operating	**Department:**	Finance & Budget
Service Area:	DC Water Wide	**Department Head:**	Olu Adebo

ESTIMATED USER SHARE INFORMATION

User	Share %	Dollar Amount
District of Columbia	100%	$ 1,725,000
Washington Suburban Sanitary Commission		
Fairfax County		
Loudoun County & Potomac Interceptor		
Other, Specify		
Total Estimated Dollar Amount	**100.00%**	**$1,725,000**

_________________ / 9/20/12

Rosalind R. Inge — Date

Director of Procurement

_________________ / 9/7/12

Yvette Downs — Date

Director of Finance & Budget

_________________ / 9/20/12

Olu Adebo — Date

Chief Financial Officer

Finance & Budget

_________________ / ______

George S. Hawkins — Date

General Manager

2 of 2

ATTACHMENT 7

DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY
BOARD OF DIRECTORS CONTRACTOR FACT SHEET

ACTION REQUESTED

GOODS AND SERVICES CONTRACT:

Insurance Premiums
(Joint Use)

Approval to purchase insurance for the Rolling Owner-Controlled Insurance Program (ROCIP) through DC Water's broker on record.

CONTRACTOR/SUB/VENDOR INFORMATION

PRIME:	CARRIERS:	PARTICIPATION:
Aon Risk Services of Washington, DC 1120 20th Street, NW Suite 500 Washington, DC 20036	ACE Group 436 Walnut Street Philadelphia, PA. 19106	N/A

DESCRIPTION AND PURPOSE

Premium Value:	$4,222,281.00
Contract Period:	1825days
Number of Years:	5
Anticipated Effective Start Date:	10-15-2012
Anticipated Effective Completion Date:	10-15-2017

Purpose of the Action:

The purpose of this action is to provide insurance coverage for construction contractors on DC Water's capital projects. This provides greater insurance coverage on DC Water's projects, increases the number of eligible firms that can bid on DC Water's contracts, and provides cost savings, as described in detail attachment.

PROCUREMENT INFORMATION

Contract Type:	Fixed Price	**Award Based On:**	N/A
Commodity:	Insurance Premiums	**Contract Number:**	N/A
Contractor Market:	N/A		

BUDGET INFORMATION

Funding:	Capital Various Projects	**Department:**	Risk Management
Service Area:	DC Water Wide	**Department Head:**	Tanya DeLeon

ESTIMATED USER SHARE INFORMATION

User	Share %	Dollar Amount
District of Columbia	41.22%	$ 1,740,424.23
Washington Suburban Sanitary Commission	45.84%	$ 1,935,493.61
Fairfax County	8.38%	$ 353,827.15
Loudoun County & Potomac Interceptor	4.56%	$ 192,536.01
Total Estimated Dollar Amount	**100.00%**	**$ 4,222,281.00**

Note:

The capital projects that are anticipated to participate in this program include both joint and non-joint use projects. The user shares shown below are based on Blue Plains projects, although actual costs of the program will be directly charged to participating projects, and each user will pay its proportionate share of the respective projects.

_________________ / 9/24/12
Rosalind R. Inge Date
Director of Procurement

_________________ / 9/24/12
Yvette Downs Date
Director of Finance & Budget

_________________ / 9/24/12
Olu Adebo Date
Chief Financial Officer

_________________ /______
George S. Hawkins Date
General Manager

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Service Provided	Firm	Cost	Additional Information
ROCIP Marketing, Administration and Safety oversight	Aon Insurance Services	$946,520	Reflects first year cost in 2012. Contract with Aon can be extended annually at WASA's option; annual projected cost of $946,520
Insurance & servicing Workers Compensation premium WC Claims Administration General Liability premium GL Claims Administration Risk Control services Non Premium Surcharge Paid loss deposit fund	ACE	$2,090,849 71,920 1,645,150 155,050 167,700 167,986 125,000	Covers all enrolled contractor workers' compensation and employer liability claims after deductible of $500,000 per claim; also performs all claims handling services Term is 5 years. All projects must be enrolled prior to 10/15/2015and completed by 10/15/2017, except as specifically mutually agreed. Covers all enrolled contractor primary general liability claims after deductible of $500,000 per claim up to $2million per occurrence, $4 million annual aggregate and extended completed operations; also performs all claims handling services and provides risk and safety consultation services. Term is 5 years as described
Excess general liability $25 million lead layer	Chartis	$1,800,000	Provide excess liability coverage up to $25 million above the primary general and employer's liability coverage described above. Term is 5 years as described.
Excess coverage of $25 million over underlying lead $25 million	XL	570,300	
Excess coverage of $50 million over underlying of $50 million	Chartis	720,000	Term is 5 years as described. Note: Terrorism coverage cost included in premiums
Projected claims cost		8,062,000	Based on AON's analysis of projected claims costs paid as part of WASA deductibles
Project management	Albert Risk Management	350,000	Assist WASA staff in general project and vendor oversight under insurance advisory service agreement
Letter of credit			Direct purchase cost to be determined by procurement activity
Projected Five Year Costs		20,612,231	Includes option years under Aon administration contract
Projected avoided contractor insurance cost		30,085,029	
Expected Opportunity for savings		5,634,798 to 9,472,798	

Draft

DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY
BOARD OF DIRECTORS CONTRACTOR FACT SHEET

ACTION REQUESTED

GOODS AND SERVICES CONTRACT:

Insurance Premiums
(Joint Use)

Approval to purchase umbrella insurance coverage for the Rolling Owner-Controlled Insurance Program (ROCIP) through DC Water's broker on record.

CONTRACTOR/SUB/VENDOR INFORMATION

PRIME:	CARRIERS:	PARTICIPATION:
Aon Risk Services of Washington, DC 1120 20th Street, NW Suite 500 Washington, DC 20036	Chartis 175 Water Street New York, NY 10038 (See below for remaining carriers.)	N/A

DESCRIPTION AND PURPOSE

Premium Value:	$3,090,300.00
Contract Period:	1825 days
Number of Years:	5
Anticipated Effective Start Date:	10-15-2012
Anticipated Effective Completion Date:	10-15-2017

Purpose of the Action:

The purpose of this action is to provide insurance coverage for construction contractors on DC Water's capital projects. This provides greater insurance coverage on DC Water's projects, increases the number of eligible firms that can bid on DC Water's contracts, and provides cost savings, as described in detail attachment.

Carriers:

XL Group
115 Perimeter Group
Atlanta, GA 30346

Chartis
175 Water Street
New York, NY 10038

PROCUREMENT INFORMATION

Contract Type:	Fixed Price	**Award Based On:**	N/A
Commodity:	Insurance Premiums	**Contract Number:**	N/A
Contractor Market:	N/A		

BUDGET INFORMATION

Funding:	Capital Various Projects	**Department:**	Risk Management
Service Area:	DC Water Wide	**Department Head:**	Tanya DeLeon

ESTIMATED USER SHARE INFORMATION

User	Share %	Dollar Amount
District of Columbia	41.22%	$1,273,821.66
Washington Suburban Sanitary Commission	45.84%	$ 1,416,593.52
Fairfax County	8.38%	$ 258,967.14
Loudoun County & Potomac Interceptor	4.56%	$ 140,917.68
Total Estimated Dollar Amount	**100.00%**	**$ 3,090,300.00**

Note:

The capital projects that are anticipated to participate in this program include both joint and non-joint use projects. The user shares shown below are based on Blue Plains projects, although actual costs of the program will be directly charged to participating projects, and each user will pay its proportionate share of the respective projects.

_____________ / 9/24/12
Rosalind R. Inge Date
Director of Procurement

_____________ / 9/24/12
Yvette Downs Date
Director of Finance & Budget

_____________ / 9/24/12
Olu Adebo Date
Chief Financial Officer

_____________ /_____
George S. Hawkins Date
General Manager

ATTACHMENT 6

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

Thursday, October 25, 2012; 9:30 a.m.
Blue Plains Wastewater Treatment Plant
5000 Overlook Avenue, SW, DC
AGENDA

Call to Order	Chairman
September 2012 Financial Report	Director of Finance & Budget
Action Items	Chairman
Agenda for November Committee Meeting	Chairman
Adjournment	Chairman

*Detailed agenda can be found on DC Water's website at www.dcwater.com/about/board_agendas.cfm