



**DISTRICT OF COLUMBIA
WATER AND SEWER AUTHORITY**

Board of Directors

Finance and Budget Committee

Thursday, May 22, 2014

11:00 a.m.

1. **Call to Order** Timothy L. Firestine, Chairperson
2. **April 2014 Financial Report** Gail Alexander-Reeves and Robert Hunt
 - A. Operating Revenues & Expenditures
 - B. Capital Disbursements Summary
 - C. Cash Reserves & Investments
 - D. **Investment Report**
 - E. Budget Kickoff – May 6, 2014
 - F. GFOA Conference – May 17-21, 2014
3. **FY 2014 Year-End Operating Budget Projections** Gail Alexander-Reeves
4. **Capital Improvement Program** David McLaughlin
 - A. **Quarterly Update**
 - B. **Spending**
5. **Accounts Receivable Balances & Collection Efforts** Lauren Preston
6. **Rolling Owner Controlled Insurance Program (ROCIP) Update** Tanya DeLeon
7. **2014 Plan of Finance Update** Mark Kim
8. **Debt Policy Update** Mark Kim
9. **Action Items** Mark Kim
 - A. Approval of Revised Debt Policy and Guidelines
 - B. **Modification of Raftelis Contract**
10. **Agenda for June Committee Meeting** Timothy L. Firestine
11. **Executive Session**
12. **Adjournment**

FOLLOW-UP ITEMS –Follow-up Items from the meeting held April 24, 2014.

1. Identify the pros and cons of issuing century bonds and impact on DC Water’s current and future assets **(Mr. Patteson) Status:**



Fiscal Year 2014

Monthly Financial Report

Period Ending April 30, 2014

DEPARTMENT OF FINANCE, ACCOUNTING & BUDGET

Mark Kim, Chief Financial Officer

Gail Alexander-Reeves, Director, Budget

Robert Hunt, Manager, Debt & Treasury

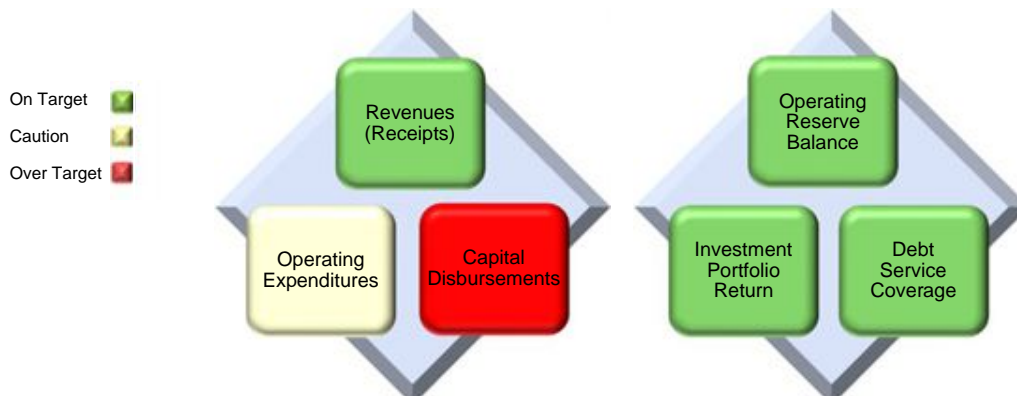
Syed Khalil, Manager, Financial Planning & Revenues

John Madrid, Controller

APRIL 2014

EXECUTIVE SUMMARY

As of the end of April 30, 2014, with approximately 58 percent of the fiscal year completed, find below the current trend of budgetary expectations and targeted performance metrics.



(\$ in millions)

	Approved Budget	Revised Budget	YTD Budget	YTD Actual	Variance Favorable (Unfavorable)	% Revised Budget	Year-End Projections
Revenues (Receipts)*	\$477.6	\$467.2	\$272.5	\$276.3	\$3.8 1.4%	59%	\$475.2
Expenditures*	\$479.5	\$441.7	\$257.7	\$245.6	\$12.1 4.7%	56%	\$440.8
Capital Disbursements	\$557.1	\$557.1	\$365.6	\$401.4	(\$35.8) (9.8%)	72%	\$637.7

* Straight-lined (7/12 of revised budget)

Highlights:

- FY 2014 preliminary projections completed and included in this report. Capital Disbursements are projected higher than budget and will be reviewed in detailed at the meeting
- FY 2015 Revised Budget Proposals for Committee review and action anticipated in June 2014
- Two year rate proposals for FY 2016 and FY 2017 are underway
- Implementation of new and enhanced financial system (Lawson) security is underway
- Implementation of new Day Force workforce management system is underway, which will provide tangible efficiencies in workforce management, planning, scheduling and costing to DC Water. Go-live date is August 2014
- Completion of various surveys due May 15th including: AECOM questionnaire on Economic and Labor Impact Analysis of Water and Wastewater Utilities and American Water Works Association (AWWA) Water Audit Software and Utility Practices Survey
- Public Hearing for the FY 2015 Proposed Rates is scheduled for May 14, 2014

Mark T. Kim, Chief Financial Officer

Monthly Financial Report

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

Operating Revenues (\$000's)

Category	A	B*	C	D = C/A	E = C - B	F = E/B	G	H = G/A
	FY 2014 BUDGET	YTD BUDGET	YTD ACTUAL	YTD % BUDGET	YTD \$ Fav/(Unfav)	YTD % Fav/(Unfav)	Year-End Projections	% of Budget
Res. / Comm. / Multi.	\$256,193	\$149,446	\$152,549	59.5%	\$3,103	2.1%	\$260,049	101.5%
Federal	55,141	32,166	41,782	75.8%	9,616	29.9%	55,141	100.0%
Municipal (DC Govt.)	9,675	5,644	7,437	76.9%	1,794	31.8%	11,937	123.4%
DC Housing	6,685	3,900	5,114	76.5%	1,215	31.2%	7,839	117.3%
Metering Fee	10,776	6,286	6,714	62.3%	428	6.8%	11,230	104.2%
Wholesale	71,126	41,490	35,431	49.8%	(6,058)	(14.6%)	71,126	100.0%
PILOT/ROW	25,181	14,689	14,097	56.0%	(592)	(4.0%)	23,361	92.8%
All Other	32,410	18,906	13,153	40.6%	(5,753)	(30.4%)	34,508	106.5%
TOTAL	\$467,187	\$272,526	\$276,279	59.1%	\$3,753	1.4%	\$475,192	101.7%

* Straight-lined (7/12 of revised budget)

VARIANCE ANALYSIS FOR MAJOR REPORTED ITEMS

At the end of April 2014, cash receipts totaled \$276.3 million, or 59.1 percent of the revised FY 2014 budget. Several categories of customers make payments on a quarterly basis, including the Federal and District governments, and wholesale customers.

District Government – Receipts are much higher at \$7.4 million or 76.9 percent of the revised budget. In FY 2014, the District Government switched from quarterly to monthly payments, which resulted in DC Water receiving two additional monthly payments.

Wholesale – The Wholesale customers' actual receipts through April total \$35.4 million or 49.8 percent of the revised FY 2014 budget. The wholesale customers will make their quarterly payment in May 2014.

Other Revenue – Receipts are lower than the straight-lined budget at \$13.2 million or 40.6 percent of the budgeted category primarily due to IMA Indirect Cost Reimbursement and transfer of Rate Stabilization Fund. The IMA indirect capital reimbursement is not anticipated to be received until the fourth quarter of the fiscal year. The Rate Stabilization Fund transfer is anticipated in the fourth quarter of the fiscal year.

Monthly Financial Report

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

Operating Expenditures (\$000's)

Category	A	B*	C	D=C/A	E=B-C	F=E/B	G	H=G/A
	FY 2014 BUDGET	YTD BUDGET	YTD ACTUAL	YTD % BUDGET	YTD \$ Fav/(Unfav)	YTD % Fav/(Unfav)	Year-End Projections	% of Budget
Personnel	\$119,765	\$69,863	\$71,771	59.9%	(\$1,908)	(2.7%)	\$125,490	104.8%
Contractual Services	76,044	44,359	38,728	50.9%	5,631	12.7%	70,143	92.2%
Water Purchases	27,991	16,328	14,973	53.5%	1,355	8.3%	27,006	96.5%
Supplies & Chemicals	30,909	18,030	16,354	52.9%	1,676	9.3%	28,448	92.0%
Utilities	30,715	17,917	20,134	65.6%	(2,217)	(12.4%)	34,658	112.8%
Small Equipment	993	579	291	29.3%	288	49.8%	726	73.1%
SUBTOTAL O&M	\$286,416	\$167,076	\$162,251	56.6%	\$4,825	2.9%	\$286,471	100.0%
Debt Service	130,120	75,903	68,650	52.8%	7,253	9.6%	129,120	99.2%
PILOT/ROW	25,181	14,689	14,689	58.3%	(0)	(0.0%)	25,181	100.0%
TOTAL OPERATING	\$441,717	\$257,668	\$245,590	55.6%	\$12,078	4.7%	\$440,772	99.8%
Capital Labor	(12,960)	(7,560)	(9,054)	69.9%	1,494	(19.8%)	(16,120)	124.4%
TOTAL NET OPERATING	\$428,757	\$250,108	\$236,536	55.2%	\$13,572	5.4%	\$424,652	99.0%

* Straight-lined (7/12 of revised budget)

VARIANCE ANALYSIS FOR MAJOR REPORTED ITEMS

At the end of April 2014, with 58 percent of the fiscal year completed, operating expenditures are at 55.6 percent of the revised budget. These numbers include estimated, incurred but unpaid, invoices and are subject to revision in subsequent reports.

Personnel Services – Higher expenditures are in line with expectation and attributable to the impact of wage increases and overtime costs. Year-to-date overtime expenditures total \$4.3 million or 8.2 percent of regular pay. Primary drivers of overtime include: increased after hours work requests due to equipment failures, short-staffing due to retirements in the maintenance department, and higher water main breaks due to extreme cold temperatures during the winter season. At the end of April, 1,079 positions were filled and 181 authorized positions were vacant. The year-to-date spending on capital labor charges are consistent with expectations through this period.

Contractual Services – Underspending attributable to operational contract savings throughout the Authority, including; electrical equipment, controls and systems maintenance in Blue Plains, water main emergency repairs and repaving work and Potomac Interceptor meters maintenance.

Supplies and Chemicals – Under spending in parts and supplies is primarily due to the new warehouse inventory system, processes and procedures. It is anticipated that parts needed for preventive maintenance may increase based on issuances from the warehouse during the latter part of the fiscal year. The year-to-date chemicals expenditures are \$13.3 million, which is at par with budget at this time of the fiscal year.

Utilities – As a result of uncharacteristic electric price hikes for December 2013 through March 2014, we experienced exorbitant prices which significantly increased our electricity expenditures for the past three months. Additional information is provided in the Appendix on page 12.

Monthly Financial Report

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

Capital Disbursements (\$000's)

Service Area	A	B	C	D=C/A	E=B-C	F=E/B	G	H=G/A
	FY 2014 BUDGET	YTD BUDGET	YTD ACTUAL	YTD % BUDGET	YTD \$ Fav/(Unfav)	YTD % Fav/(Unfav)	Year-End Projections	% of Budget
Wastewater	\$268,192	\$194,662	229,576	85.6%	(\$34,914)	(17.9%)	\$342,036	127.5%
Sanitary Sewer	29,818	17,284	14,601	49.0%	2,683	15.5%	\$26,915	90.3%
Combined Sewer Overflow	166,509	101,549	112,432	67.5%	(10,883)	(10.7%)	\$194,608	116.9%
Stormwater	2,843	1,877	1,112	39.1%	765	40.8%	\$2,138	75.2%
Water	63,136	34,738	29,446	46.6%	5,292	15.2%	\$49,342	78.2%
Washington Aqueduct	10,000	5,833	7,361	73.6%	(1,527)	(26.2%)	\$10,000	100.0%
Capital Equipment	16,627	9,699	6,902	41.5%	2,797	28.8%	\$12,671	76.2%
TOTAL	\$557,125	\$365,643	\$401,429	72.1%	(\$35,787)	(9.8%)	\$637,711	114.5%

VARIANCE ANALYSIS FOR MAJOR REPORTED ITEMS

At the end of April 2014, with 58 percent of the fiscal year completed, capital disbursements are at 72 percent of the FY 2014 Revised budget. Current year end projection is estimated at \$637.7 million with overage in the Wastewater and Combined Sewer Overflow service areas. The Department of Engineering and Technical Services will elaborate on the FY 2014 projections and status of the CIP projects at the Committee meeting in May.

Wastewater Treatment - Current YTD and projected disbursements are higher than planned because of the following:

- Mobilization and design changes
- Catch-up work in FY 2014 due to slow starts in FY 2013
- Overages in various Plant-wide projects
- Increased cost due to scope change for the Dual Purpose Rehabilitation project

Combined Sewer Overflow (CSO) - Current YTD and projected disbursements are higher than planned because of the following:

- Re-engineering to accommodate green infrastructure
- Acceleration and re-modification of some projects

Water Service Area - Current YTD and projected disbursements are lower than planned because of the following:

- Slow start in Small Diameter Rehabilitation work
- Delayed District Department of Transportation (DDOT) invoicing

Capital Equipment - Disbursements are projected to be lower than anticipated at the end of the fiscal year primarily in Wastewater Treatment, Maintenance, Water, and Process Engineering. The disbursements may increase based on issuances from the warehouse during the latter part of the fiscal year.

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

Cash and Investments (\$ in millions)

Cash Balances

Rate Stabilization Fund Account (RSF)	\$28.9
DC PILOT Fund	22.4
DC ROW Fund	2.6
Operating Reserve Accounts	<u>129.3</u>
Operating Cash Balance Including RSF	\$183.2
Debt Service Reserve - Series 1998	23.5
Bond Fund - Series 2012 (Cap. Int.)	1.8
Bond Construction Fund - Series 2013	64.8
CSO LTCP Appropriations Account	<u>28.1</u>
Total All Funds	\$301.4

OVERALL PORTFOLIO PERFORMANCE

- Operating reserve balance was \$129.3 million as compared to the FY 2014 operating reserve level objective of \$125.5 million
- Average cash balance for the month of April was \$172.9 million
- Total investment portfolio was in compliance with the Authority's Investment Policy
- Returns exceeded the established benchmarks for short term (less than one year) and core (one plus years) funds
- Operating funds interest income for April (on a cash basis) was \$6,683; total year-to-date is \$235,649 as compared to the budget of \$380,527 for the year
- A detailed investment performance report is attached

Monthly Financial Report

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

Cash Flow Summary (\$000's)

	Annual Budget Cash Basis	YTD 58% Cash Budget	YTD Actual Cash Oct. 1, 2013 - Apr. 30, 2014	Variance Favorable (Unfavorable)		FY 2014 Mid-Year Projections
OPERATING BUDGET						
Cash Provided						
Retail	\$338,470	\$197,441	\$213,597	\$16,156	8%	\$346,198
Wholesale	71,126	\$41,490	35,431	(6,058)	-15%	\$71,126
Other	50,972	\$29,733	27,114	(2,620)	-9%	\$51,231
Transfer from Rate Stabilization Fund	6,500	\$3,792		(3,792)	-100%	\$6,500
Total Cash Provided	467,067	272,456	276,142	3,686	1%	475,055
Operating Cash Used						
Personnel Services	106,805	62,303	64,395	(2,092)	-3%	109,370
Contractual Services	76,043	44,358	42,423	1,936	4%	73,519
Chemicals & Supplies	30,909	18,030	21,544	(3,514)	-19%	28,448
Utilities	30,714	17,917	22,771	(4,855)	-27%	34,658
Water Purchases	27,991	16,328	15,392	936	6%	27,006
Small Equipment	993	579	646	(67)	-12%	726
Total Operating Cash Used	273,455	159,515	167,172	(7,656)	-5%	273,727
Other Cash Used						
Debt Service	130,120	75,903	68,650	7,253	10%	129,120
Payment In Lieu of Taxes/Right of Way	25,181	14,689	6,207	8,482	58%	25,181
Total Other Cash Used	155,301	90,592	74,857	15,735	17%	154,301
Total Cash Used	428,756	250,108	242,029	8,079	3%	428,028
Net Cash Provided (Used) by Operating Act.	38,311	22,348	34,113	11,765		47,026
CAPITAL BUDGET						
Cash Provided						
Debt Proceeds	316,861	184,836	217,646	32,810	18%	396,861
EPA Grants	19,541	11,399	10,011	(1,388)	-12%	19,541
CSO Grants	21,141	12,332	8,857	(3,475)	-28%	21,141
Interest Income	159	93	128	35	38%	174
Wholesale Capital Contributions	175,673	102,476	125,417	22,941	22%	175,673
Total Cash Provided	533,376	311,136	362,059	50,923	16%	613,391
Cash Used						
WASA Capital Program	547,125	319,156	394,068	(74,912)	-23%	627,711
Washington Aqueduct Projects	10,000	5,833	7,361	(1,527)	-26%	10,000
Total Cash Used	557,125	324,990	401,429	(76,440)	-24%	637,711
Net Cash/PAYGO Provided (Used) by Cap. Act.	(23,749)	(13,854)	(39,370)	(25,516)		(24,320)
Beginning Balance, October 1 (Net of Rate Stab. Fund) Projected						
Plus (Less) Operating Surplus	141,518		141,518			141,518
Wholesale Customer Refunds from Prior Years	38,311	22,348	34,113			47,026
Interest Earned From Bond Reserve	(9,700)	(5,658)				(9,700)
Transfer to Rate Stabilization Fund	120	70	137			137
Prior Year Federal Billing Reconciliation	(6,000)	(3,500)	(4,500)			(6,000)
Transfer to Right of Way (ROW) Reserve			(2,550)			(5,100)
Cash Used for Capital	(23,749)	(13,854)	(39,370)			(24,320)
Balance Attributable to O&M Reserve	\$140,500		\$129,348			\$143,561
OTHER CASH RESERVES						
Rate Stabilization Fund						\$28,950
DC PILOT Reserve Fund						\$22,385
Right of Way Reserve Fund						\$2,550
CSO Long-Term Control Plan Appropriation						\$28,034

APPENDIX

Operating Revenues Detail.....9
Retail Accounts Receivable 10
Overtime by Department..... 11
Operating Expenditures Detail – Electricity..... 12
Capital Disbursements Detail 13
Investment Report 14

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

Operating Revenues Detail

(\$ in millions)

Revenue Category	Budget	YTD Budget	YTD Actual	Variance Favorable / (Unfavorable)	YTD % Budget	Year-End Projections	Variance Proj v. Bud	% of Budget
Residential, Commercial, and Multi-family	\$256.2	149.5	152.6	3.1	59.5%	260.1	3.9	101.5%
Federal	55.1	32.1	41.8	9.6	75.8%	55.1	0.0	100.0%
District Government	9.7	5.6	7.4	1.8	76.9%	11.9	2.3	123.4%
DC Housing Authority	6.7	3.9	5.1	1.2	76.5%	7.8	1.1	117.3%
Customer Metering Fee	10.8	6.3	6.7	0.4	62.3%	11.2	0.4	104.2%
Wholesale	71.1	41.5	35.4	(6.0)	49.8%	71.1	0.0	100.0%
Right-of-Way Fee/PILOT	25.2	14.7	14.1	(0.6)	56.0%	23.4	(1.8)	92.8%
Subtotal (before Other Revenues)	\$434.8	\$253.6	\$263.1	\$9.5	60.5%	\$440.6	\$5.9	101.3%
Other Revenue without RSF								
IMA Indirect Cost Reimb. For Capital Projects	8.6	5.0	0.0	(5.0)	0.0%	9.2	0.6	107.0%
DC Fire Protection Fee	6.9	4.0	5.2	1.1	74.8%	6.9	0.0	100.0%
Stormwater (MS4)	1.0	0.6	0.7	0.1	69.2%	0.9	(0.1)	90.0%
Interest	0.5	0.3	0.4	0.1	74.3%	0.4	(0.1)	80.0%
Developer Fees (Water & Sewer)	6.0	3.5	5.2	1.7	86.7%	8.0	2.0	133.3%
Others	2.9	1.7	1.7	0.0	60.0%	2.6	(0.3)	89.7%
Subtotal	\$25.9	\$15.1	\$13.2	(1.9)	50.8%	\$28.0	\$2.1	108.1%
Rate Stabilization Fund Transfer	\$6.5	\$3.8	\$0.0	(3.8)	0.0%	\$6.5	\$0.0	100.0%
Other Revenue Subtotal	\$32.4	\$18.9	\$13.2	(5.7)	40.6%	\$34.5	\$2.1	106.5%
Grand Total	\$467.2	\$272.5	\$276.3	\$3.8	59.1%	\$475.2	\$8.0	101.7%

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

Customer Category	Water	Sewer	Clean Rivers IAC	Metering Fee	Total
Residential	\$17,632	\$21,464	\$9,245	\$2,936	\$51,277
Commercial	27,656	28,401	11,934	2,000	69,991
Multi-family	14,983	17,874	3,360	692	36,910
Federal	16,191	15,370	10,221	669	42,450
District Govt	1,449	1,771	4,217	336	7,774
DC Housing Authority	2,126	2,567	422	81	5,195
Total:	\$80,037	\$87,448	\$39,398	\$6,714	\$213,597

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

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

Retail Accounts Receivable (Delinquent Accounts)

The following tables show retail accounts receivable over 90 days including a breakdown by customer class as of April 30, 2014.

Greater Than 90 Days by Month

	\$ in millions	# of accounts
September 30, 2012	\$5.5	13,063
September 30, 2013	\$4.9	11,920
October 31, 2013	\$4.9	12,547
November 30, 2013	\$5.3	13,680
December 31, 2013	\$5.4	13,955
January 31, 2014	\$5.6	13,674
February 28, 2014	\$5.6	13,252
March 31, 2014	\$5.7	12,873
April 30, 2014	\$5.4	11,741

Due to increased collection efforts, the accounts receivable balance has declined from \$5.7 million in March to \$5.4 million in April 2014.

Greater Than 90 Days by Customer

	Number of Accounts			Month of April (All Categories)				Total Delinquent				
	W & S a/c	Impervious Only a/c	Total No. of a/c	Active		Inactive		No. of a/c Mar.	Amount (\$)	No. of a/c Apr.	Amount (\$)	%
				No. of a/c	Amount (\$)	No. of a/c	Amount (\$)					
Commercial	12,040	3,339	15,379	1,125	\$ 1,218,696	146	\$ 111,742	1,442	\$ 1,457,434	1,271	\$ 1,330,438	25%
Multi-family	7,352	422	7,774	691	1,277,330	141	255,161	916	1,581,950	832	1,532,490	29%
Single-Family Residential	104,732	3,145	107,877	7,521	1,929,086	2,117	622,063	10,515	2,683,932	9,638	2,551,149	47%
Total	124,124	6,906	131,030	9,337	\$ 4,425,112	2,404	\$ 988,965	12,873	\$ 5,723,316	11,741	\$ 5,414,077	100%

Notes: Included in the above \$4.43m (or 9,337 accounts) of the DC Water Over 90 days delinquent accounts, \$1,061,515.89 (or 1,883 accounts) represents Impervious only accounts over 90 days delinquent.
-Reportable delinquencies do not include balances associated with a long standing dispute between DC Water and a large commercial customer.

Monthly Financial Report

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

Overtime by Department

Department	FY 2014			
	Budget	YTD Actual	YTD % of Budget	% of Regular Pay
Office of the Board Secretary	\$4,000	\$1,224	30.6%	1.4%
General Manager	10,000	1,377	13.8%	0.2%
General Counsel	2,000	0	0.0%	0.0%
External Affairs	4,000	239	6.0%	0.0%
Internal Audit	0	0	0.0%	0.0%
Information Technology	20,000	10,204	51.0%	1.0%
Procurement	30,000	41,122	137.1%	2.7%
Customer Service	240,000	121,623	50.7%	2.7%
Finance, Accounting & Budget	30,000	16,843	56.1%	0.6%
Risk Management	1,000	0	0.0%	0.0%
Assistant General Manager - Support Services	1,000	13	1.3%	0.0%
Human Capital Management	5,000	1,195	23.9%	0.1%
Occupational Safety and Health	2,000	68	3.4%	0.0%
Facilities Management and Security	200,000	205,648	102.8%	8.7%
Water/Sewer Pump Maintenance	200,000	51,887	25.9%	2.9%
Engineering and Technical Services	780,000	581,600	74.6%	6.1%
Water Services	980,000	862,473	88.0%	12.9%
Clean Rivers	5,000	508	10.2%	0.3%
Sewer Services	900,000	870,183	96.7%	14.9%
Wastewater Treatment - Operations	1,108,100	751,255	67.8%	14.7%
Wastewater Treatment - Process Engineering	100,000	49,918	49.9%	4.3%
Maintenance Services	725,000	685,067	94.5%	15.9%
Permit Operations	11,000	1,648	15.0%	0.2%
Fleet Management	1,000	881	88.1%	0.3%
Total DC WATER	\$5,359,100	\$4,254,975	79.4%	8.2%

Notes:

- FY 2014 year-to-date actual includes accrual for 11 days (4/20/14 - 4/30/14)
- Engineering and Technical Services includes overtime that will be charged/transferred to capital projects
- The Authority's overtime target is 6 percent of regular pay
- The budget excludes assumptions for impact of hourly wage increases, actual data reflects these changes

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

Operating Expenditure Detail (Electricity)

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

Electricity market conditions for the months of January through March reached record prices primarily due to extreme weather conditions. These factors contributed to low natural gas storage levels and energy market instability.

The market stabilized in April which enabled us to lock 20MW at an average price of \$47.33 per MWh effective May 2014 through the end of the fiscal year. Using our new vendor, Con Edison Solutions, we also locked another 5MW of the electric load for FY 2015 effective October 1, 2014 at an average Western Hub unit price of \$46.00 per MWh. Staff continues to monitor the futures market with intent to purchase additional electric loads for FY 2014 and FY 2015, if market conditions are appropriate and in line with budget assumptions and adopted electricity purchase strategy.

The electric costs for the tunneling project, under Clean Rivers, are billed quarterly and allocated to the related capital project at the end of the fiscal year. As of March total consumption was 1,004,941 kwh (or an average of 0.9 MW per month) for a total cost of approximately \$494k.

As indicated in the chart below, DC Water's average year-to-date actual price is lower than the spot market price but higher than the S.O.S. price primarily due to the aforementioned unusually high prices experienced during the January to March billing cycles. We expect to end the year at 118 percent of budget for electricity costs.

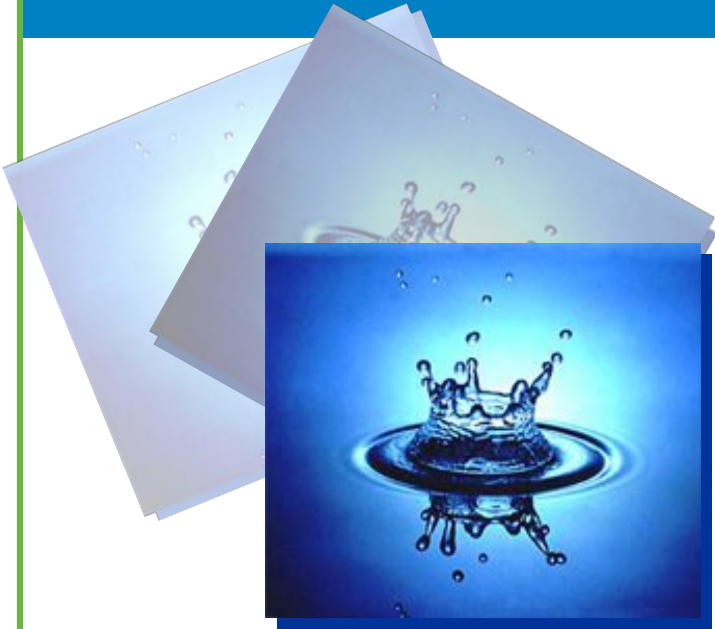
	All-In-Cost (\$/mWh)			Electricity Budget (\$000)		
	Unit Price			Amount		Variance
	Standard Offer Service (S.O.S.)	Spot Market	Actual ¹	Budget	Actual	Budget vs Actual
Oct-13	\$95.57	\$75.25	\$82.95	\$1,668	\$1,108	\$560
Nov-13	95.06	75.62	83.03	1,674	1,579	95
Dec-13	99.77	80.80	84.31	1,885	1,953	(68)
Jan-14	95.61	213.31	162.36	2,011	2,566	(555)
Feb-14	95.86	113.00	113.00	1,885	3,832	(1,947)
Mar-14	94.74	124.47	124.47	1,964	3,052	(1,088)
Apr-14	95.00	78.48	78.48	1,776	1,773	4
YTD Average	\$95.94	\$108.70	\$104.09	\$12,862	\$15,862	-\$3,000
				Remainder	\$9,964	
				Total Budget	\$22,826	

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

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

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

Service Areas	Disbursements Budget		Actual Disbursements			YTD: Budget vs YTD	% of Disbursements Budget	Year End		
	Annual	YTD	Oct.- Mar. 2014	April 2014	YTD	Annual	YTD %	Projection	% of Budget	Commitments
Wastewater Treatment										
Liquid Processing Projects	\$18,072	\$12,020	\$18,958	\$2,193	\$21,151	117%	176%	\$29,462	163%	\$436,508
Plantwide Projects	18,782	12,453	24,191	7,203	31,394	167%	252%	25,139	134%	97,683
Solids Processing Projects	138,222	107,725	89,781	16,928	106,709	77%	99%	162,543	118%	1,692
Enhanced Nitrogen Removal Facilities	93,116	62,464	56,959	13,362	70,322	76%	113%	124,893	134%	109,725
Total Wastewater Treatment	268,192	194,662	189,889	39,686	229,576	86%	118%	342,036	128%	645,608
Sanitary Sewer										
Sanitary Collection Sewers	1,478	533	695	147	842	57%	158%	1,488	101%	-
Sanitary On-Going Projects	9,653	6,611	4,442	692	5,134	53%	78%	9,577	99%	9,821
Sanitary Pumping Facilities	957	621	321.23	2	323	34%	52%	839	88%	-
Sanitary Sewer Program Management	4,814	3,012	3,429	701	4,130	86%	137%	7,941	165%	7,984
Sanitary Interceptor/Trunk Force Sewer	12,916	6,507	2,768	1,404	4,173	32%	64%	7,071	55%	3,458
Total Sanitary Sewer	29,818	17,284	11,655	2,946	14,601	49%	84%	26,915	90%	21,263
Combined Sewer Overflow										
CSO Program Management	2,280	1,411	2,184	341	2,525	111%	179%	4,233	186%	-
Combined Sewer Projects	11,904	7,904	5,516	1,404	6,921	58%	88%	12,594	106%	4,328
D.C. Clean Rivers Project	152,325	92,233	75,286	27,700	102,986	68%	112%	177,781	117%	47,504
Total Combined Sewer Overflow	166,509	101,549	82,987	29,445	112,432	68%	111%	194,608	117%	51,832
Stormwater										
Stormwater Local Drainage	122	97	10	3	12	10%	13%	983	806%	-
Stormwater On-Going Program	446	346	461	292	753	169%	218%	581	130%	1,613
Stormwater Pumping Facilities	-	-	-	-	-	0%	0%	-	0%	-
DDOT Stormwater Program	-	1	-	-	-	0%	0%	-	0%	-
Stormwater Research and Program Man	436	244	97	24	121	28%	50%	295	68%	-
Stormwater Trunk/Force Sewers	1,839	1,190	107	119	226	12%	19%	278	15%	-
Total Stormwater	2,843	1,877	674	437	1,112	39%	59%	2,138	75%	1,613
Water										
Water Distribution Systems	31,493	16,664	11,935	1,359	13,293	42%	80%	22,919	73%	131,832
Water On-Going Projects	8,770	5,002	2,062	607	2,670	30%	53%	5,633	64%	2,821
Water Pumping Facilities	3,710	1,886	3,432	1,037	4,469	120%	237%	6,336	171%	3,227
DDOT Water Projects	4,869	3,085	1,318	-	1,318	27%	43%	1,236	25%	2,210
Water Storage Facilities	2,173	909	1,000	44	1,044	48%	115%	1,805	83%	-
Water Projects Program Management	3,565	2,063	3,556	391	3,946	111%	191%	6,873	193%	-
Water Lead Program	2,823	1,786	1,689	285	1,974	70%	111%	2,152	76%	197,992
AMR Installation / Replacement	5,733	3,344	595	137	731	13%	22%	2,389	42%	7
Total Water	63,136	34,738	25,587	3,859	29,446	47%	85%	49,342	78%	338,089
Washington Aqueduct	10,000	5,833	2,970	4,391	7,361	74%	126%	10,000	100%	-
Capital Equipment	16,627	9,699	5,919	983	6,902	42%	71%	12,671	76%	7,327
Total Capital Projects	\$557,125	\$365,643	\$319,681	\$81,748	\$401,429	72%	110%	\$637,711	114%	\$1,065,732



DC Water

Investment Performance Report – April 2014



DC Water
Finance Division
Economic Update

ECONOMIC COMMENTARY

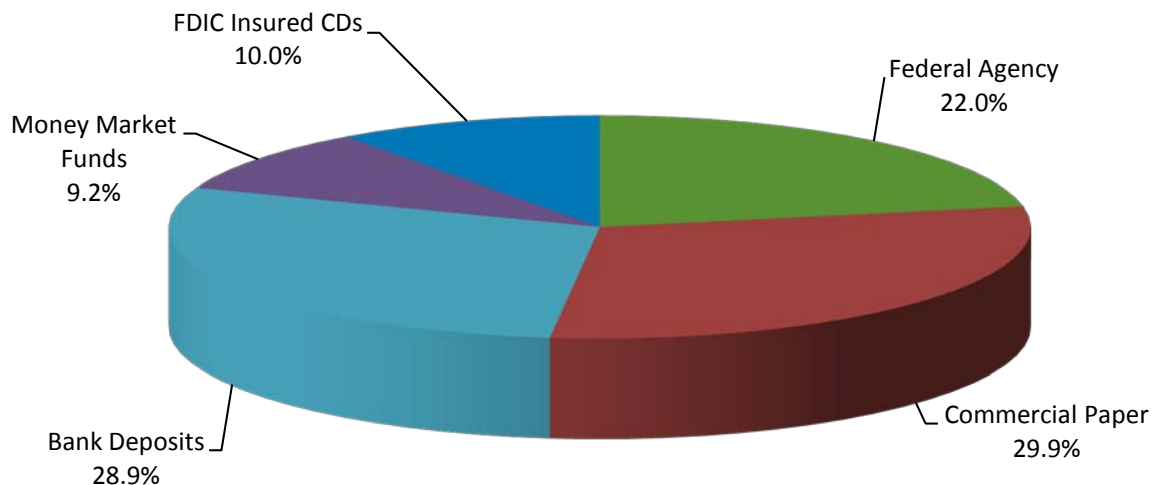
- Treasury yields paused in April from their recent grind higher. By month end, the yield curve had flattened as the benchmark 30-year Treasury fell 10 basis points while short- and intermediate-maturity yields were unchanged.
- Gross domestic product for the 1st quarter was an anemic 0.1%.
- However, the economy seemed to pick up steam in April, which gave investors hope that the winter slump would blossom into a productive spring.
- Nonfarm payrolls increased by 288,000 jobs in April, above expectations of 215,000. The unemployment rate fell to 6.3%, the lowest level since September 2008.
- At the April FOMC meeting, the pace of asset purchases was tapered by an additional \$10 billion. The Federal Reserve is still currently buying \$45 billion of U.S. Treasuries and mortgage-backed securities per month—down from \$85 billion at the end of 2013.

PORTFOLIO RECAP

- The portfolio is diversified among Bank Deposits, Commercial Paper, Federal Agencies, Treasury Notes, FDIC Insured CDs, and SEC registered money market funds.
- The overall yield-to-maturity on cost of the portfolio is 0.38%.
- The portfolio is in compliance with the Authority's Investment Policy.
- The Authority did not purchase any securities during the month of April.



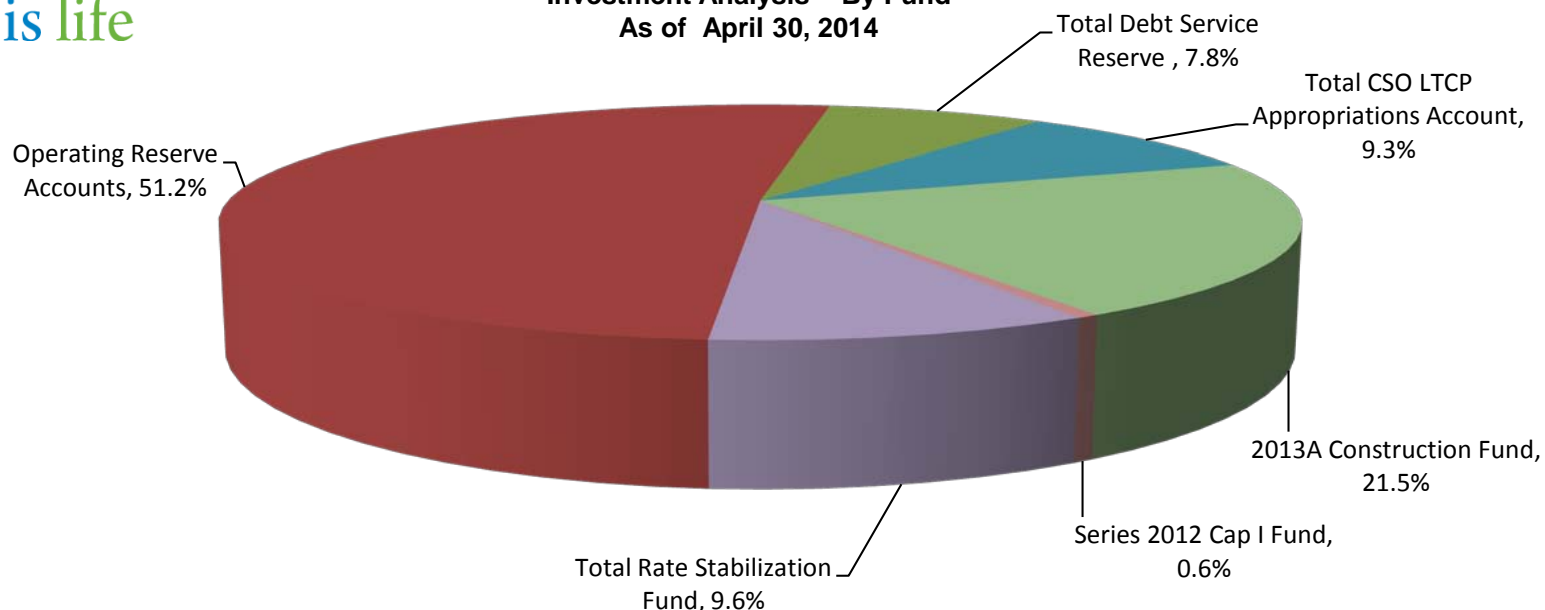
**DC Water
Finance Division
Investments - By Security Type
As of April 30, 2014**



Security Type	Book Value + Accrued Interest	Asset Allocation	Permitted By Policy
Bank Deposits	\$ 87,135,008	28.9%	100.0%
Money Market Funds	27,762,333	9.2%	100.0%
Bankers Acceptances	-	0.0%	40.0%
Commercial Paper	89,986,042	29.9%	35.0%
U.S. Treasuries	-	0.0%	100.0%
Federal Agency	66,293,764	22.0%	80.0%
FDIC Insured CDs	30,240,162	10.0%	30.0%
Municipal Obligations	-	0.0%	20.0%
Total	\$ 301,417,310	100.0%	



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

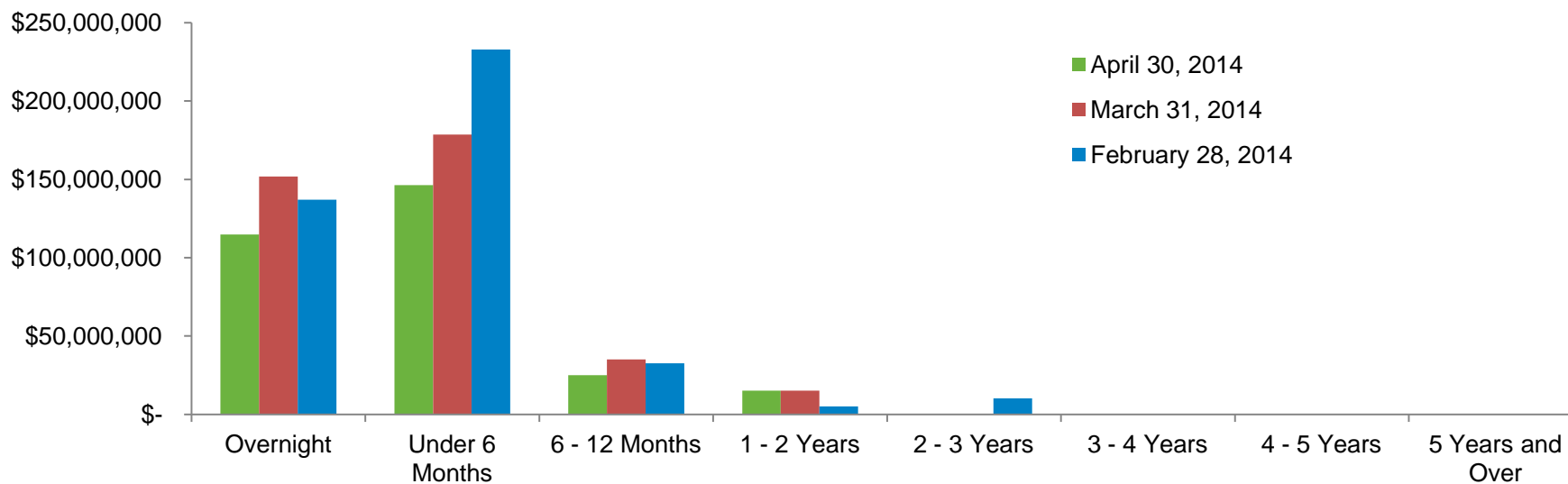


Fund Name	Book Value + Accrued Interest	Yield-to- Maturity at Cost	Effective Duration (years)	Weighted Average Maturity (days)
Total Rate Stabilization Fund	\$ 28,953,503	0.63%	0.03	11.0
Operating Reserve Accounts	\$ 154,351,461	0.50%	0.20	74.1
Total Debt Service Reserve	\$ 23,522,295	0.30%	1.14	418.5
Series 2010A Bond Construction Fund- Cap I	\$ -	0.00%	-	-
Total CSO LTCP Appropriations Account	\$ 28,040,606	0.17%	0.06	23.1
Series 2012 Bond Construction Fund	\$ -	0.00%	-	-
2013A Construction Fund	\$ 64,797,384	0.11%	0.10	35.2
Series 2012 Cap I Fund	\$ 1,752,062	0.01%	0.00	1.0
Total	\$ 301,417,310	0.38%	0.22	81.4



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

Maturity Distribution	April 30, 2014	March 31, 2014	February 28, 2014
Overnight \$	114,897,341.69 \$	151,766,045.26 \$	136,985,034.80
Under 6 Months	146,247,710.00	178,662,304.56	232,769,641.08
6 - 12 Months	25,071,393.04	35,148,650.69	32,621,852.14
1 - 2 Years	15,200,865.08	15,194,787.35	5,061,509.17
2 - 3 Years	-	-	10,161,804.52
3 - 4 Years	-	-	-
4 - 5 Years	-	-	-
5 Years and Over	-	-	-
Totals \$	301,417,309.81 \$	380,771,787.86 \$	417,599,841.71





**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		77,037,167.79	25.6%	100.0%	Yes
Premier Bank		5,035,409.75	1.7%	100.0%	Yes
Capital One Bank		5,062,430.94	1.7%	100.0%	Yes
Sub-Total Bank Deposits		87,135,008.48	28.9%	100.0%	Yes
Money Market Mutual Funds					
American Beacon MMF	AAAm	1,483,747.05	0.5%	50.0%	Yes
Williams Capital Money Market Fund	AAAm	2,500,610.15	0.8%	50.0%	Yes
Merrill Lynch MMF	AAAm	1,185,656.69	0.4%	50.0%	Yes
Wells Fargo Advantage Treasury Plus	AAAm	-	0.0%	50.0%	Yes
Wells Fargo Government MMF	AAAm	22,592,319.32	7.5%	50.0%	Yes
Sub-Total Money Market Mutual Funds		27,762,333.21	9.2%	100.0%	Yes
Certificates of Deposit					
CDARs - Placed by Industrial Bank	NR / NR	20,182,805.47	6.7%	30.0%	Yes
CDARs - Placed by City First Bank	NR / NR	10,057,356.81	3.3%	30.0%	Yes
Sub-Total Certificates of Deposit		30,240,162.28	10.0%	30.0%	Yes
Commercial Paper					
Bank Of Nova Scotia Ny Comm Paper	A-1 / P-1	9,999,133.30	3.3%	5.0%	Yes
Baylor University Comm Paper	A-1+ / NR	9,998,825.00	3.3%	5.0%	Yes
General Elec Cap Corp Comm Paper	A-1+ / P-1	9,998,952.80	3.3%	5.0%	Yes
Honeywell Intl Comm Paper	A-1 / P-1	9,998,416.70	3.3%	5.0%	Yes
Hsbc Usa Inc Comm Paper	A-1 / P-1	9,997,166.70	3.3%	5.0%	Yes
Mizuho Funding Llc Comm Paper	A-1 / P-1	9,996,850.00	3.3%	5.0%	Yes
Sumitomo Mitsui Bank Ny Comm Paper	A-1 / P-1	10,000,000.00	3.3%	5.0%	Yes
Toyota Motor Credit Corp Comm Paper	A-1+ / P-1	9,998,900.00	3.3%	5.0%	Yes
Union Bank Na Comm Paper	A-1 / P-1	9,997,797.20	3.3%	5.0%	Yes
Sub-Total Commercial Paper		89,986,041.70	29.9%	35.0%	Yes
Federal Agencies					
Federal Home Loan Bank	AA+ / Aaa	66,293,764.14	22.0%	40.0%	Yes
Sub-Total Federal Agencies		66,293,764.14	22.0%	100.0%	Yes
Total		\$ 301,417,309.81	100.0%		



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

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

	Trailing 1 Months		Trailing 3 Months		Trailing 6 Months		Trailing 12 Months
	Periodic	Annualized	Periodic	Annualized	Periodic	Annualized	
Total Rate Stabilization Fund	0.01%	0.16%	0.08%	0.32%	0.17%	0.35%	0.40%
Operating Reserve Accounts	0.02%	0.26%	0.07%	0.28%	0.15%	0.30%	0.36%
Total Debt Service Reserve	0.02%	0.30%	0.07%	0.31%	0.17%	0.33%	0.38%
Total CSO LTCP Appropriations Account	0.01%	0.09%	0.02%	0.09%	0.05%	0.09%	0.12%
2010A Capitalized Interest Fund	0.05%	0.60%	0.20%	0.81%	0.51%	1.03%	1.04%
2013A Construction Fund	0.01%	0.10%	0.02%	0.10%	0.05%	0.11%	n/a
Series 2012 Cap I Fund	0.00%	0.01%	0.00%	0.01%	0.01%	0.01%	n/a
Short-Term	0.03%	0.38%	0.08%	0.34%	0.17%	0.33%	0.36%
Merrill Lynch 3-Month Treasury Index (Book Value) ¹	0.00%	0.01%	0.01%	0.03%	0.02%	0.04%	0.04%
Core (1+ Years)	0.04%	0.48%	0.12%	0.49%	0.22%	0.44%	0.45%
Merrill Lynch 1-3 Year Treasury Index (Book Value) ²	0.04%	0.44%	0.09%	0.38%	0.18%	0.37%	0.35%

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



DC Water
Finance Division
Portfolio Holdings by Fund

DESCRIPTION	CUSIP	PAR AMOUNT	COUPON RATE	MATURITY DATE	SETTLEMENT DATE	YTM AT COST	ORIGINAL COST	MARKET VALUE + ACCRUED INTEREST	AMORTIZED COST + ACCRUED INTEREST	TOTAL VALUE
Rate Stabilization Fund										
TD BANK BANK DEPOSIT		\$ 18,954,550		5/1/2014		0.90%	\$ 18,954,550	\$ 18,954,550	\$ 18,954,550	
GENERAL ELEC CAP CORP COMM PAPER	36959JEW9	10,000,000	-	5/30/2014	1/24/2014	0.13%	9,995,450	9,999,670	9,998,953	
										\$ 28,953,502.80
Operating Reserve Accounts										
TD BANK BANK DEPOSIT		\$ 56,559,202		5/1/2014		0.90%	\$ 56,559,202	\$ 56,559,202	\$ 56,559,202	
CAPITAL ONE BANK		5,062,431		5/1/2014		0.50%	5,062,431	5,062,431	5,062,431	
WILLIAMS CAPITAL MONEY MARKET FUND		2,500,610		5/1/2014		0.00%	2,500,610	2,500,610	2,500,610	
SUMITOMO MITSUI BANK NY COMM PAPER	86562LE16	10,000,000	-	5/1/2014	2/28/2014	0.15%	-	9,999,960	10,000,000	
BAYLOR UNIVERSITY COMM PAPER	07286NFH7	10,000,000	-	6/17/2014	3/26/2014	0.09%	9,997,925	9,997,925	9,998,825	
MIZUHO FUNDING LLC COMM PAPER	60688GFQ5	10,000,000	-	6/24/2014	2/28/2014	0.21%	9,993,233	9,997,150	9,996,850	
HONEYWELL INTL COMM PAPER	43851UFT5	10,000,000	-	6/27/2014	3/26/2014	0.10%	9,997,417	9,998,080	9,998,417	
HSBC USA INC COMM PAPER	40427SFW4	10,000,000	-	6/30/2014	2/28/2014	0.17%	9,994,239	9,997,450	9,997,167	
UNION BANK NA COMM PAPER	90526NG17	10,000,000	-	7/1/2014	3/26/2014	0.13%	9,996,497	9,997,060	9,997,797	
INDUSTRIAL BANK CDARS		5,000,000	0.650	10/16/2014	10/18/2012	0.65%	5,000,000	5,049,863	5,049,863	
INDUSTRIAL BANK CDARS		5,030,007	0.350	10/16/2014	10/17/2013	0.35%	5,030,007	5,039,592	5,039,592	
CITY FIRST BK OF WASHINGTON, D.C (CDARS)		5,000,000	0.400	11/13/2014	11/14/2013	0.40%	5,000,000	5,009,333	5,009,333	
INDUSTRIAL BANK CDARS		5,000,000	0.500	11/13/2014	11/14/2013	0.50%	5,000,000	5,011,667	5,011,667	
INDUSTRIAL BANK CDARS		2,528,080	0.450	1/22/2015	1/23/2014	0.45%	2,528,080	2,531,176	2,531,176	
CITY FIRST BK OF WASHINGTON, DC (CDARS)		2,500,000	0.600	3/19/2015	3/21/2013	0.60%	2,500,000	2,516,753	2,516,753	
INDUSTRIAL BANK CDARS		2,545,282	0.750	1/21/2016	1/23/2014	0.75%	2,545,282	2,550,508	2,550,508	
CITY FIRST BK OF WASHINGTON, DC (CDARS)		2,530,097	0.400	3/17/2016	3/20/2014	0.40%	2,530,097	2,531,271	2,531,271	
										\$ 154,351,461.10
Total Debt Service Reserve										
MERRILL LYNCH MMF		\$ 1,185,657		5/1/2014		0.06%	\$ 1,185,657	\$ 1,185,657	\$ 1,185,657	
WELLS FARGO GOVERNMENT MMF	94975P405	2,215,088		5/1/2014		0.01%	2,215,088	2,215,088	2,215,088	
FHLB NOTES	3130A0FX3	5,000,000	0.210	2/18/2015	12/17/2013	0.21%	4,999,745	5,005,234	5,001,955	
FEDERAL HOME LOAN BANK GLOBAL NOTES	313381YP4	5,000,000	0.250	2/20/2015	1/30/2013	0.30%	4,995,000	5,008,145	5,000,509	
FHLB NOTES	313375RN9	10,000,000	1.000	3/11/2016	5/22/2013	0.43%	10,158,100	10,126,539	10,119,087	



DC Water
Finance Division
Portfolio Holdings by Fund

DESCRIPTION	CUSIP	PAR AMOUNT	COUPON RATE	MATURITY DATE	SETTLEMENT DATE	YTM AT COST	ORIGINAL COST	MARKET VALUE + ACCRUED INTEREST	AMORTIZED COST + ACCRUED INTEREST	TOTAL VALUE
										\$ 23,522,294.93
Series 2010A Bond Construction Fund- Cap I										
WELLS FARGO ADVANTAGE TREASURY PLUS	94975H296	\$ -		5/1/2014		0.01%	\$ -	\$ -	\$ -	\$ -
										\$ -
Total CSO LTCP Appropriations Account										
TD BANK BANK DEPOSIT		\$ 1,523,416		5/1/2014		0.90%	\$ 1,523,416	\$ 1,523,416	\$ 1,523,416	
PREMIER BANK DEPOSIT		5,035,410		5/1/2014		0.24%	5,035,410	5,035,410	5,035,410	
AMERICAN BEACON MMF	02368W200	1,483,747		5/1/2014		0.01%	1,483,747	1,483,747	1,483,747	
BANK OF NOVA SCOTIA NY COMM PAPER	06416KET3	10,000,000	-	5/27/2014	1/24/2014	0.12%	9,995,900	9,999,450	9,999,133	
TOYOTA MOTOR CREDIT CORP COMM PAPER	89233HF66	10,000,000	-	6/6/2014	1/27/2014	0.11%	9,996,028	9,999,440	9,998,900	
										\$ 28,040,605.76
Series 2012 Bond Construction Fund										
WELLS FARGO GOVERNMENT MMF	94975P405	\$ -		5/1/2014		0.01%	\$ -	\$ -	\$ -	\$ -
										\$ -
2013A Bond Construction Fund										
WELLS FARGO GOVERNMENT MMF	94975P405	\$ 18,625,170		5/1/2014		0.01%	\$ 18,625,170	\$ 18,625,170	\$ 18,625,170	
FHLB GLOBAL BONDS	3133X7FK5	45,000,000	5.250	6/18/2014	8/8/2013	0.15%	46,974,150	46,175,483	46,172,214	
										\$ 64,797,383.58
Series 2012 Cap I Fund										
WELLS FARGO GOVERNMENT MMF	94975P405	\$ 1,752,062		5/1/2014		0.01%	\$ 1,752,062	\$ 1,752,062	\$ 1,752,062	
										\$ 1,752,061.64
							\$ 292,124,490.46	\$ 301,439,089.81	\$ 301,417,309.81	\$ 301,417,309.81



DC Water
Finance Division
Security Transactions
Last 6 Months

ACCOUNT	CUSIP	DESCRIPTION	PAR	COUPON	MATURITY DATE	SETTLE DATE	YTM	TRANSACTION AMOUNT
Purchases								
DC WASA OPERATING RESERVE ACCOUNTS	RE0907890	CITY FIRST BK OF WASHINGTON, D.C (CDARS)	5,000,000	0.400	11/13/2014	11/14/2013	0.405	\$ 5,000,000.00
DC WASA OPERATING RESERVE ACCOUNTS	RE0907908	INDUSTRIAL BANK CDARS	5,000,000	0.500	11/13/2014	11/14/2013	0.506	\$ 5,000,000.00
DC WASA OPERATING RESERVE ACCOUNTS	912828SL5	US TREASURY NOTES	10,000,000	0.250	03/31/2014	11/19/2013	0.088	\$ 10,009,293.45
DC WASA OPERATING RESERVE ACCOUNTS	00915TBC3	AIR PRODUCTS & CHEMICALS COMM PAPER	10,000,000	-	02/12/2014	11/19/2013	0.112	\$ 9,997,402.78
DC WASA OPERATING RESERVE ACCOUNTS	90526NCK9	UNION BANK NA COMM PAPER	10,000,000	-	03/19/2014	11/19/2013	0.203	\$ 9,993,333.30
DC WASA OPERATING RESERVE ACCOUNTS	313385UN4	FEDERAL HOME LOAN BANKS DISC NOTE	10,000,000	-	03/21/2014	11/19/2013	0.101	\$ 9,996,611.10
DC WASA OPERATING RESERVE ACCOUNTS	46640QCK5	JP MORGAN SECURITIES LLC COMM PAPER	10,000,000	-	03/19/2014	11/20/2013	0.223	\$ 9,992,727.78
DC WASA OPERATING RESERVE ACCOUNTS	RE0907981	INDUSTRIAL BANK CDARS	2,528,080	0.450	01/22/2015	01/23/2014	0.456	\$ 2,528,079.57
DC WASA OPERATING RESERVE ACCOUNTS	RE0907999	INDUSTRIAL BANK CDARS	2,545,282	0.750	01/21/2016	01/23/2014	0.756	\$ 2,545,282.08
DC WASA OPERATING RESERVE ACCOUNTS	40427SFW4	HSBC USA INC COMM PAPER	10,000,000	-	06/30/2014	02/28/2014	0.173	\$ 9,994,238.89
DC WASA OPERATING RESERVE ACCOUNTS	60688GFG5	MIZUHO FUNDING LLC COMM PAPER	10,000,000	-	06/24/2014	02/28/2014	0.213	\$ 9,993,233.33
DC WASA OPERATING RESERVE ACCOUNTS	86562LE16	SUMITOMO MITSUI BANK NY COMM PAPER	10,000,000	-	05/01/2014	02/28/2014	0.152	\$ 9,997,416.67
DC WASA OPERATING RESERVE ACCOUNTS	RE0908013	CITY FIRST BK OF WASHINGTON, DC (CDARS)	2,530,097	0.400	03/17/2016	03/20/2014	0.404	\$ 2,530,096.57
DC WASA OPERATING RESERVE ACCOUNTS	07286NFH7	BAYLOR UNIVERSITY COMM PAPER	10,000,000	-	06/17/2014	03/26/2014	0.091	\$ 9,997,925.00
DC WASA OPERATING RESERVE ACCOUNTS	43851UFT5	HONEYWELL INTL COMM PAPER	10,000,000	-	06/27/2014	03/26/2014	0.101	\$ 9,997,416.70
DC WASA OPERATING RESERVE ACCOUNTS	90526NG17	UNION BANK NA COMM PAPER	10,000,000	-	07/01/2014	03/26/2014	0.132	\$ 9,996,497.22
DC WASA TOTAL CSO LTCP APPROPRIATIONS	06416KET3	BANK OF NOVA SCOTIA NY COMM PAPER	10,000,000	-	05/27/2014	01/24/2014	0.122	\$ 9,995,900.00
DC WASA TOTAL CSO LTCP APPROPRIATIONS	89233HF66	TOYOTA MOTOR CREDIT CORP COMM PAPER	10,000,000	-	06/06/2014	01/27/2014	0.112	\$ 9,996,027.78
DC WASA TOTAL DEBT SERVICE RESERVE	3130A0FX3	FHLB NOTES	5,000,000	0.210	02/18/2015	12/17/2013	0.214	\$ 4,999,890.83
DC WASA RATE STABILIZATION FD	25153KDW4	DEUTSCHE BANK FINL LLC COMM PAPER	10,000,000	-	04/30/2014	01/24/2014	0.213	\$ 9,994,400.00
DC WASA RATE STABILIZATION FD	36959JEW9	GENERAL ELEC CAP CORP COMM PAPER	10,000,000	-	05/30/2014	01/24/2014	0.132	\$ 9,995,450.00

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



**DC Water
Finance Division
Upcoming Transaction Cash Flows
Next 30 Days**

DATE	TRANSACTION	CUSIP	DESCRIPTION	COUPON	MATURITY DATE	PAR VALUE/SHARES	PRINCIPAL	INTEREST	TOTAL
Total Rate Stabilization Fund									
05/30/14	MATURITY	36959JEW9	GENERAL ELEC CAP CORP COMM PAPER		05/30/14	10,000,000	9,995,450.00	4,550.00	10,000,000.00
Operating Reserve Accounts									
05/01/14	MATURITY	86562LE16	SUMITOMO MITSUI BANK NY COMM PAPER		05/01/14	10,000,000	9,997,416.67	2,583.33	10,000,000.00
DC WASA CSO LTCP Appropriations									
05/27/14	MATURITY	06416KET3	BANK OF NOVA SCOTIA NY COMM PAPER		05/27/14	10,000,000	9,995,900.00	4,100.00	10,000,000.00

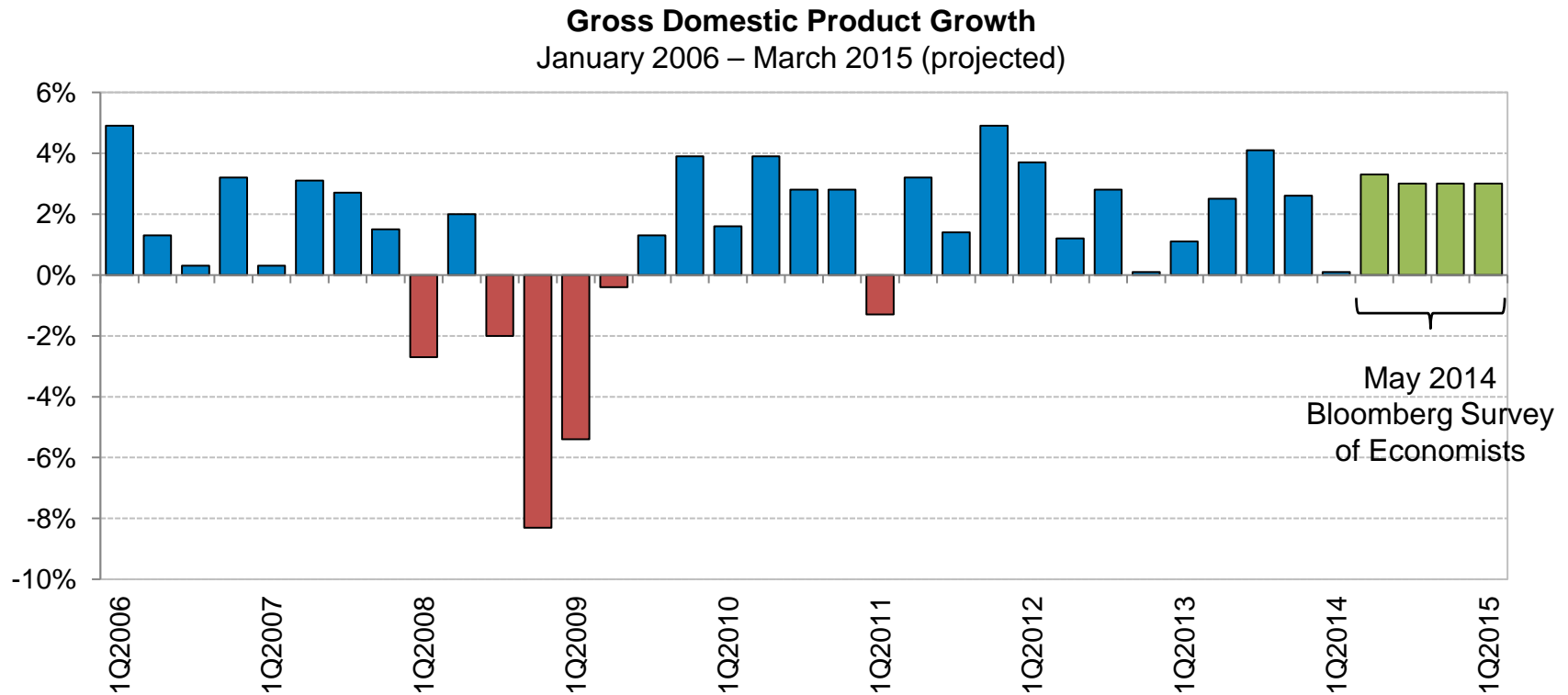


Appendix: Economic Update



Gross Domestic Product

- For the first quarter, U.S. gross domestic product (GDP) barely expanded, posting a growth rate of 0.1% as business investment, government spending, and exports lagged. The figure was below the consensus estimate of 1.1%.



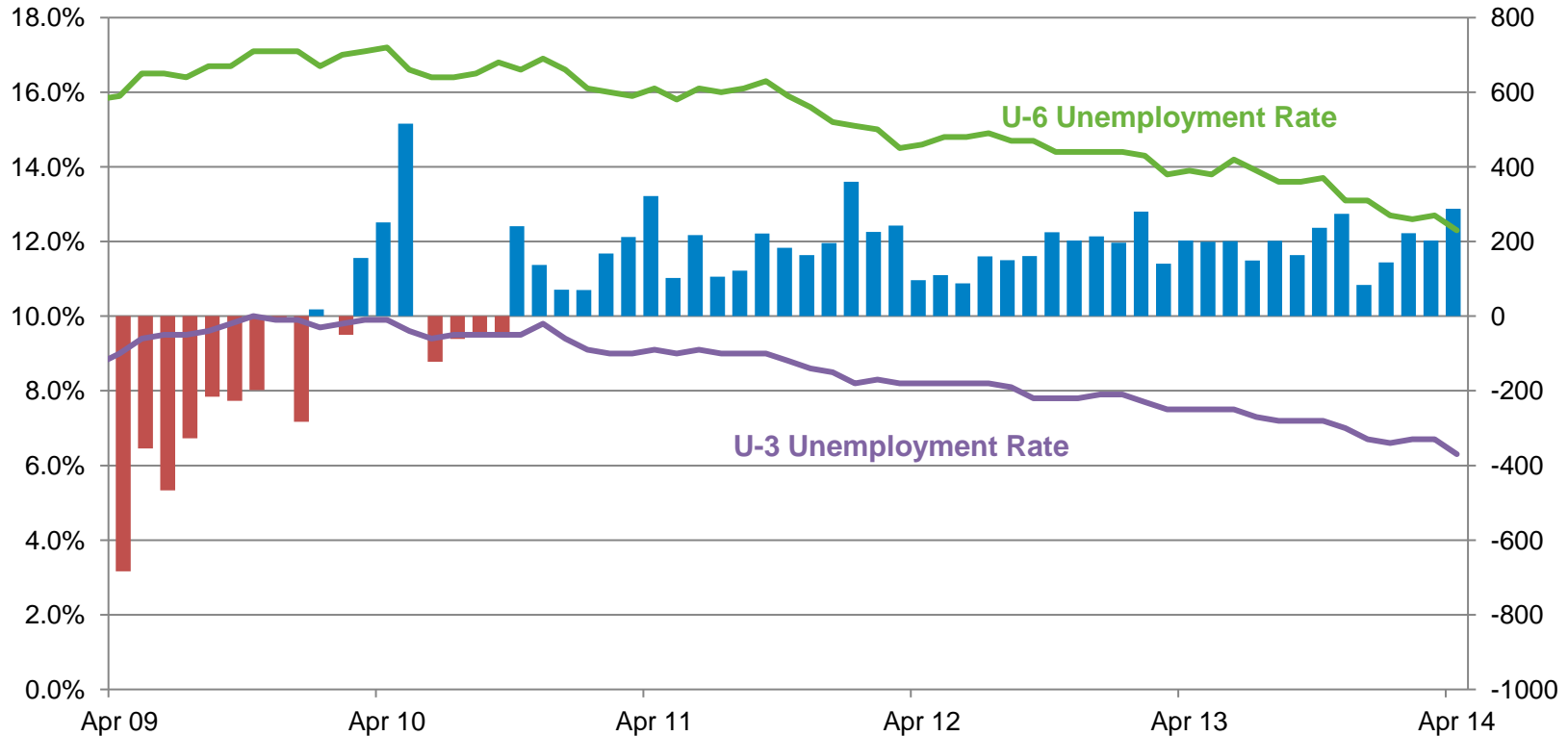
Source: Bloomberg



April Job Growth was Encouraging

- Nonfarm payrolls expanded by 288,000 jobs in April, marking the best month for job creation since January 2012. March was revised upward to 203,000 from 192,000. The unemployment rate fell to 6.3% from 6.7%.

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

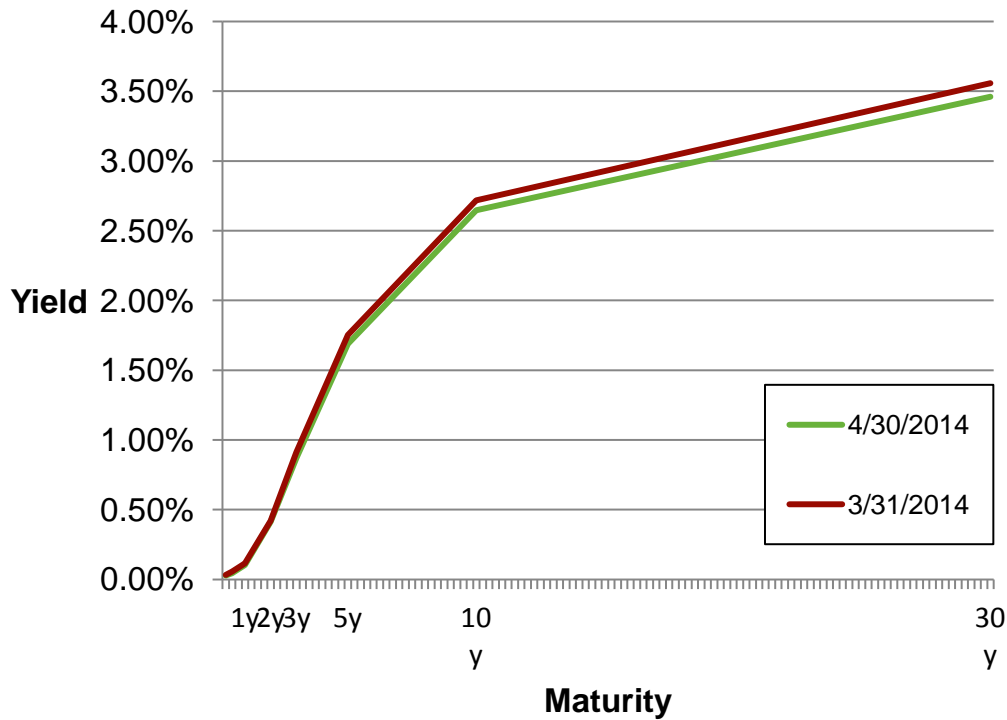


Source: Bloomberg



Yields Were Little Changed in April

U.S. Treasury Yield Curve
April 30, 2014 versus March 31, 2014



	<u>4/30/2014</u>	<u>3/31/2014</u>	<u>Change</u>
3 month	0.03%	0.03%	-0.00%
6 month	0.04%	0.06%	-0.02%
1 year	0.10%	0.11%	-0.01%
2 year	0.41%	0.42%	-0.01%
3 year	0.87%	0.91%	-0.04%
5 year	1.69%	1.75%	-0.06%
10 year	2.65%	2.72%	-0.07%
30 year	3.46%	3.56%	-0.10%

Source: Bloomberg



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

PFMAM makes judgmental evaluations before recommending specific investment opportunities. In making these evaluations, PFMAM uses its best efforts to review sources of information that it has found to be valuable, accurate and reliable, but it may not survey all sources of publicly available information.

The views expressed within this material constitute the perspective and judgment of PFMAM at the time of distribution and are subject to change. Any forecast, projection, or prediction of the market, the economy, economic trends, and equity or fixed-income markets are based upon current opinion as of the date of issue, and are also subject to change. Opinions and data presented are not necessarily indicative of future events or expected performance. PFMAM cannot and does not claim to be able to accurately predict the future investment performance of any individual security or of any asset class.

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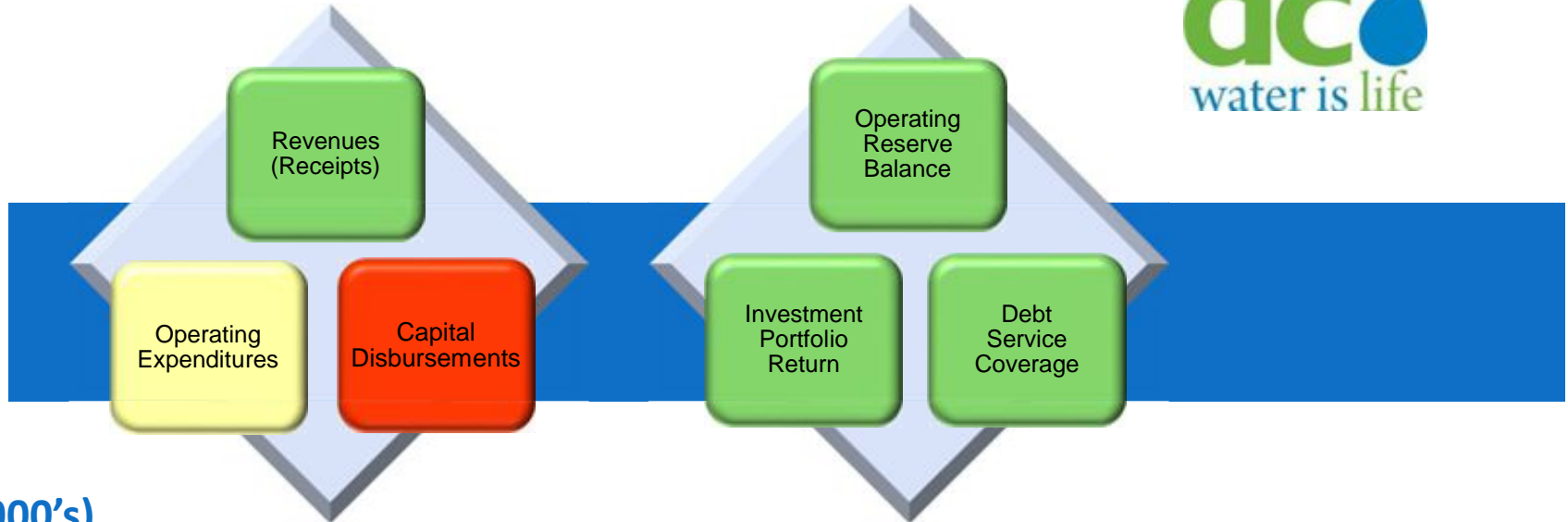
FY 2014 Operating and Capital Budget Projections

Presentation to the Finance & Budget Committee

Gail Alexander-Reeves, *Director, Budget*

May 22, 2014

Summary (as of April 30, 2014)



(\$ in 000's)

	Revised Budget	YTD Actual	YTD % of Budget	Year-End Projections	YE % Budget
Revenues/Receipts	\$467.2	\$276.3	59.1%	\$475.2	101.7%
Operating Expenditures	\$441.7	\$245.6	55.6%	\$440.8	99.8%
Capital Disbursements	\$557.1	\$401.4	72.1%	\$637.7	114.5%
Cash Position	\$467.2	\$276.3	59.1%	\$475.2	101.7%



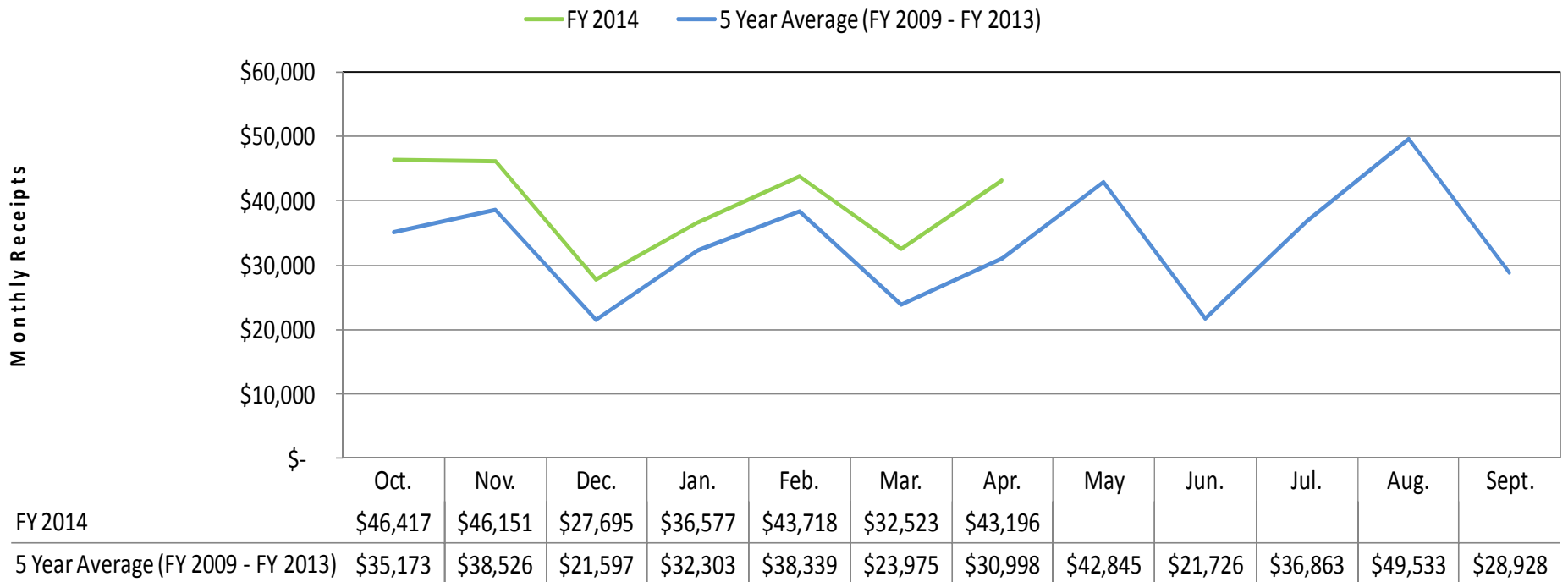
OPERATING REVENUES (\$ MILLIONS)

Category	Revised Budget	YTD Actual	YTD % of Budget	Year-End Projections	Year-End Variance	Y/E % of Budget
Residential, Commercial, and Multi-family	\$256.2	152.6	59.5%	260.1	3.9	101.5%
Federal	55.1	41.8	75.8%	55.1	0.0	100.0%
District Government	9.7	7.4	76.9%	11.9	2.3	123.4%
DC Housing Authority	6.7	5.1	76.5%	7.8	1.1	117.3%
Customer Metering Fee	10.8	6.7	62.3%	11.2	0.4	104.2%
Wholesale	71.1	35.4	49.8%	71.1	0.0	100.0%
Right-of-Way Fee/PILOT	25.2	14.1	56.0%	23.4	(1.8)	92.8%
Subtotal (before Other Revenues)	\$434.8	\$263.1	60.5%	\$440.6	\$5.9	101.3%
Other Revenue without RSF:						
IMA Indirect Cost Reimb. For Capital Project:	8.6	0.0	0.0%	9.2	1	107.0%
DC Fire Protection Fee	6.9	5.2	74.8%	6.9	0	100.0%
Stormwater (MS4)	1.0	0.7	69.2%	0.9	(0)	90.0%
Interest	0.5	0.4	74.3%	0.4	(0)	80.0%
Developer Fees (Water & Sewer)	6.0	5.2	86.7%	8.0	2	133.3%
Others	2.9	1.7	60.0%	2.6	(0)	89.7%
Subtotal	\$25.9	\$13.2	50.8%	\$28.0	\$2.1	108.1%
Rate Stabilization Fund Transfer	\$6.5	\$0.0	0.0%	\$6.5	\$0.0	100.0%
Other Revenue Subtotal	\$32.4	\$13.2	40.6%	\$34.5	\$2.1	106.5%
Grand Total	\$467.2	\$276.3	59.1%	\$475.2	\$8.0	101.7%



REVENUES: HISTORICAL TREND

Historical Trend: Revenues Received by Month (\$000s)





OPERATING EXPENDITURES (\$000'S)

Category	Revised Budget	YTD Actual	YTD% of Budget	Year-End Projections	Year-End Variance	Y/E % of Budget
Personnel	\$119,765	\$71,771	59.9%	\$125,490	(\$5,725)	104.8%
Contractual Services	76,044	38,728	50.9%	70,143	5,901	92.2%
Water Purchases	27,991	14,973	53.5%	27,006	985	96.5%
Supplies & Chemicals	30,909	16,354	52.9%	28,448	2,461	92.0%
Utilities	30,715	20,134	65.6%	34,658	(3,943)	112.8%
Small Equipment	993	291	29.3%	726	267	73.1%
SUBTOTAL O&M	\$286,416	\$162,251	56.6%	\$286,471	(\$55)	100.0%
Debt Service	130,120	68,650	52.8%	129,120	1,000	99.2%
PILOT/ROW	25,181	14,689	58.3%	25,181	0	100.0%
TOTAL OPERATING	\$441,717	\$245,590	55.6%	\$440,772	\$945	99.8%
Capital Labor	(12,960)	(9,054)	69.9%	(16,120)	3,160	124.4%
TOTAL NET OPERATING	\$428,757	\$236,536	55.2%	\$424,652	\$4,105	99.0%



OPERATING EXPENDITURES: MAJOR VARIANCES

Personnel Services – \$(5.7M)

↑ **Regular Pay** – Projecting higher expenditures attributable to unbudgeted wage increases effective in FY 2014.

↑ **Over me** – Consistent with higher YTD spending attributable to higher wages. Other drivers of overtime include, increased overtime activities i.e., equipment failures, short staffing due to retirements in maintenance services, water main breaks due to extremely cold temperatures

↑ **Bene ts** – Consistent with impact of wage adjustments.

Water Purchases – \$.9M

↓ **Washington Aqueduct's** lower than expected expenses on maintenance and AE contracts. Also, due to fewer emergencies requiring the purchase of outside services.

Contractual Services – \$5.9 M

↓ **Professional services**
Underspending attributable to operational contract savings throughout the Authority, including; electrical equipment, controls and systems maintenance in Blue Plains, water main emergency repairs and repaving work and Potomac Interceptor meters maintenance.



OPERATING EXPENDITURES: MAJOR VARIANCES

Utilities – (\$3.9M)

↑ **Electricity** Exorbitant hike in spot market unit prices and inability to lock electric loads pending ratification of contract extension with HESS and the new vendor. Projections assume purchasing additional loads for the summer peak periods.

Chemicals & Supplies – \$2.5 M

↓ **Supplies** – Projections for parts and supplies may vary significantly due to the implementation of the new Warehouse inventory system, processes and procedures. These estimates are subject to revision and excludes quantifiable fiscal impact of planned issuances for preventive maintenance from the warehouse during the second half of the year.

↓ **Chemicals** – Year-end projections assume increases in pricing and dosage for the 2nd half of the year. Estimates subject to revision based on year-end analysis/review of Scale Evaluation receipts Settlement process.

Debt Service - \$1M

↓ **Interest rates** – Lower rates on 2013 bonds, SIFMA Notes and commercial paper.



CAPITAL DISBURSEMENTS (\$000'S)

Service Area	Revised Budget	YTD Actual	YTD% of Budget	Year-End Projections	Year-End Variance	Y/E % of Budget
Wastewater	\$268,192	\$229,576	85.6%	\$342,036	(\$73,844)	127.5%
Sanitary Sewer	29,818	14,601	49.0%	26,915	2,903	90.3%
Combined Sewer Overflow	166,509	112,432	67.5%	194,608	(28,099)	116.9%
Stormwater	2,843	1,112	39.1%	2,138	705	75.2%
Water	63,136	29,446	46.6%	49,342	13,794	78.2%
Washington Aqueduct	10,000	7,361	73.6%	10,000	0	100.0%
Capital Equipment	16,627	6,902	41.5%	12,671	3,956	76.2%
TOTAL	\$557,125	\$401,429	72.1%	\$637,711	(\$80,585)	114.5%



CAPITAL DISBURSEMENTS: MAJOR VARIANCES

↑ Wastewater Treatment

Projected disbursements are higher than planned in Enhanced Nitrogen Removal (BTN), Solids Processing, Plant-wide and Liquid Processing programs

↑ Combined Sewer Overflow (CSO)

Projected disbursements are higher than planned in CSO Program Management, Combined Sewer Projects and DC Clean Rivers Project

↓ Water Service Area

Overall this service area is projected to be lower than the planned disbursements budget

Washington Aqueduct

Spending is in line with plan for work associated with required improvements to the Aqueduct facility

↓ Capital Equipment

Disbursements are projected to be lower than anticipated at the end of the fiscal year primarily in Wastewater Treatment, Maintenance, Water and Process Engineering. The disbursements may increase based on issuances from the warehouse during the latter part of the fiscal year



CASH POSITION (\$000S)

\$6.4M excess cash above the operating reserve requirement is projected at year-end

	Revised Budget	YTD Actual	Year-End Projections	Year-End Variance	Y/E % of Budget
OPERATING BUDGET					
Total Cash Provided	\$467,067	\$276,142	\$475,055	\$7,987	102%
Total Operating Cash Used	273,455	163,034	270,351	3,104	99%
Total Other Cash Used	155,301	74,857	154,301	1,000	99%
Total Cash Used	428,756	237,891	424,652	4,104	99%
Net Cash Provided (Used) by Operating Act.	38,311	38,251	50,403	12,091	132%
CAPITAL BUDGET					
Total Cash Provided	533,376	362,059	613,391	80,015	115%
Total Cash Used	557,125	401,429	637,711	(80,586)	114%
Net Cash/PAYGO Provided (Used) by Cap. Act.	(23,749)	(39,370)	(24,320)	(571)	102%
Beginning Balance, October 1 (Net of Rate Stab. Fund) Projected	141,518	141,518	141,518	-	100%
Plus (Less) Operating Surplus	38,311	38,251	50,403	12,091	132%
Wholesale Customer Refunds from Prior Years	(9,700)		(9,700)	-	100%
Interest Earned From Bond Reserve	120	137	137	17	114%
Transfer to Rate Stabilization Fund				-	
Prior Year Federal Billing Reconciliation	(6,000)	(4,500)	(6,000)	-	100%
Transfer to Right of Way (ROW) Reserve		(2,550)	(5,100)	(5,100)	
Cash Used for Capital	(23,749)	(39,370)	(24,320)	(571)	102%
Balance Attributable to O&M Reserve	\$140,500	\$129,348	\$146,937	\$6,437	105%



NEXT STEPS

June – Committee Review of:

- ✓ FY 2014 Recommendations
 - PAYGO
 - Rate Stabilization Fund
- ✓ Revised FY 2015 Budget Proposal

July – Board Adoption of:

- ✓ Revised FY 2015 Recommendations
 - Operating budget
 - Retail rates
 - PAYGO
 - Rate Stabilization Fund

District of Columbia Water and Sewer Authority

Capital Improvement Program Report



FY2014 2nd Quarter
January 1st through March 31st, 2014

Board of Directors
Finance & Budget Committee

Leonard R. Benson, Chief Engineer
David McLaughlin, Director

May 2014

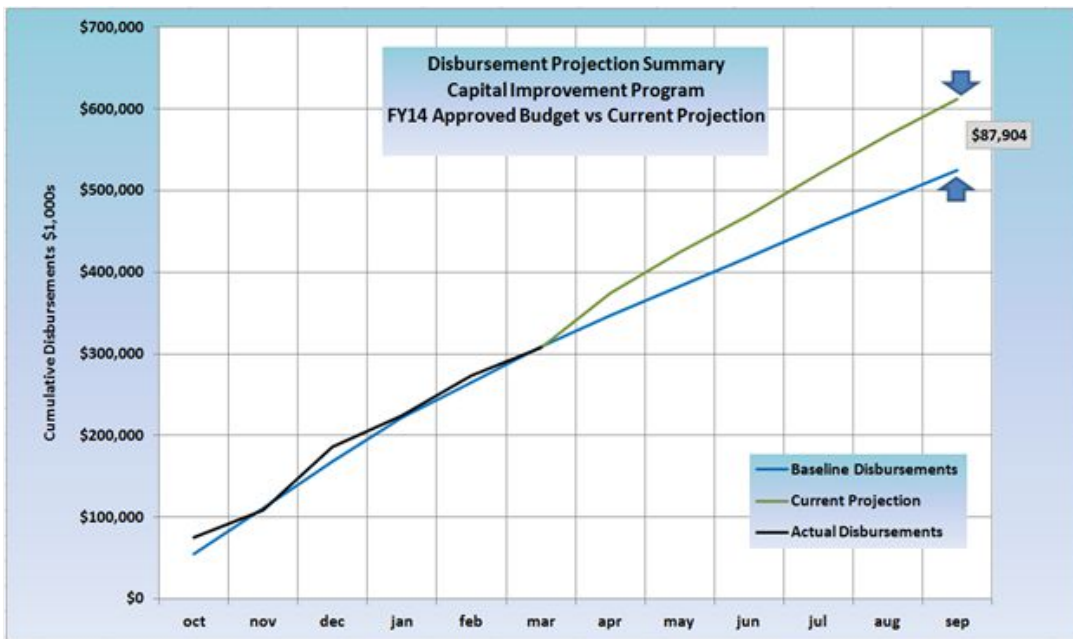


Capital Improvement Program Report 2nd Quarter FY2014

Program Performance

Current projected program disbursements through the end of the fiscal year compared with the approved FY14 projections are shown in the chart below:

Disbursement Projections Summary



Overall, year-to-date projected disbursements were \$309,146,000 compared to actual disbursements of \$308,393,000. The current projected fiscal year 2014 CIP disbursements are \$612,651,000, which is 17% above the baseline disbursement projections of \$524,748,000.

Current disbursement projections through the end of the fiscal year within the service areas are as follows:

Wastewater Treatment Service Area

Baseline Disbursements \$268,192,000
 Projected Disbursements \$342,036,000 (\$73.8M above baseline projection)

Significant project variances listed below:



Capital Improvement Program Report 2nd Quarter FY2014

- *Liquid Processing Program Area – (Projected to be \$11.4M above baseline)*
 - Currently projected disbursements in Project BG – Dual Purpose Rehabilitation are \$5.1M above baseline due to work proceeding in 4 basins simultaneously rather than 2 as originally planned.

- *Enhanced Nitrogen Removal Program Area – (Projected to be \$31.8M above baseline)*
 - Baseline projections did not fully anticipate the actual costs resulting from mobilization and design in Projects E8 – Enhanced Clarification Facilities and FR – BP Tunnel Dewatering Pumping Station resulting in currently projected disbursements totaling \$12.1M above baseline. The project remains within budget.
 - Current projected disbursements for project BI – Enhanced Nitrogen Removal (ENR) North are \$4.8M above baseline due to payment for early delivery of equipment that is stored on site.

- *Plantwide Program Area – (Projected to be \$6.4M above baseline)*
 - Construction closeout payments for Project HC - New Warehouse/Visitor Center/Security Facility result in currently projected disbursements of \$0.9M above baseline
 - Release of retention on the construction contract contributed to the currently projected disbursements of \$1.5M above baseline for project TA – Process Computer Control System

- *Solids Processing Program Area – (Projected to be \$24.3M above baseline)*
 - Expected substantial completion of construction work in fiscal year 2014 in project XA – New Digestion Facilities, together with executed change orders, has resulted in disbursements for FY 14 projected to be \$23.5M above baseline. The project remains within budget.

CSO Service Area

Baseline Disbursements \$166,508,000
 Projected Disbursements \$194,608,000 (\$28.1M above baseline projection)

Significant project variance listed below:

- *Clean Rivers Program – (Projected to be \$25.4M above baseline)*
 - Currently projected disbursements in Project CY – Anacostia LTCP Projects are \$24.8M above baseline due to work on the Blue Plains Tunnel Division A and the CSO 015 & 017 Division E construction contracts proceeding favorably with anticipated on time completion. In addition the acceleration of the First Street Tunnel as part of the Bloomingdale flood alleviation is also proceeding well. The projects remain within budget.

Stormwater Service Area

Baseline Disbursements \$2,843,000
 Projected Disbursements \$2,138,000 (\$0.7M below baseline projection)



Capital Improvement Program Report 2nd Quarter FY2014

Sanitary Sewer Service Area

Baseline Disbursements	\$29,818,000
Projected Disbursements	\$26,915,000 (\$2.8M below baseline projection)

Water Service Area

Baseline Disbursements	\$57,402,000
Projected Disbursements	\$46,954,000 (\$10.4M below baseline projection)

Significant project variances listed below:

- *Water Distributions System Program Area – (Projected to be \$8.5M below baseline)*
 - Currently projected disbursements in Project O3 – Small Diameter Rehab 11 are \$4.3M below baseline due to inclusion of budget for DDOT work that is now expected to occur later than originally anticipated.
 - Later than planned Construction contract advertisement for two contracts in Project O1 - Small Diameter Rehab 9 due to added scope resulted in currently projected disbursements of \$2.2M below baseline.
 - Extended contractual negotiations at construction close out contributed to the lower disbursements on Project MU - Small Diameter Water Main Rehab 2 resulting in currently projected disbursements of \$1.0M below baseline.

Priority 1 Projects (Court Ordered, Stipulated Agreements, etc)

All priority 1 projects are on schedule and within budget.



Capital Improvement Program Report 2nd Quarter FY2014

Large Contract Actions Anticipated – 6 Month Look-Ahead

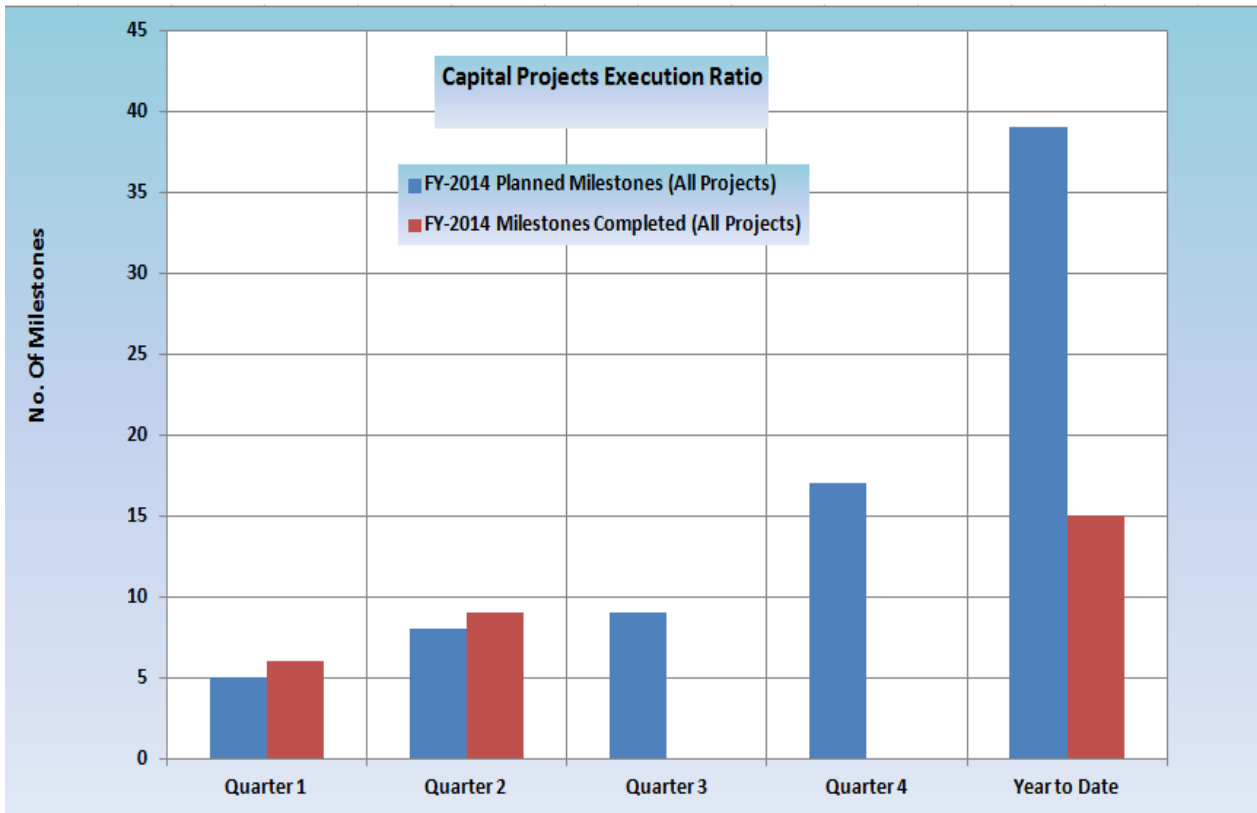
- Project G1 – Lining and Repair of Local Sewers
Construction Contract (\$10M - \$15M), EQ&SS Jul, BOD Sep
- Project EJ – Potomac Pump Station Phase III Rehabilitation
Construction Contract (\$10M - \$15M), EQ&SS Sep, BOD Oct
- Project J3 – National Arboretum Sewer Rehab
Construction Contract (\$5M - \$10M), EQ&SS Jul, BOD Sep
- Project O2 – Small Diameter Watermain Replacements Contract 10a
Construction Contract (\$5M - \$10M), WQ&WS Sep, BOD Oct
- Project O2 – Small Diameter Watermain Replacements Contract 10b
Construction Contract (\$5M - \$10M), WQ&WS Oct, BOD Nov
- Project GA/IF – Service Life Restoration Project 3
Construction Contract (\$10M - \$15M), EQ&SS Nov, BOD Dec
- Project CY – Division Z Poplar Point Pumping Station
Construction Contract (\$35M - \$45M), EQ&SS Oct, BOD Nov
- Project FS – Division D Bolling Overflow & Diversion
Construction Contract (\$25M - \$35M), EQ&SS Jul, BOD Sep



Capital Improvement Program Report 2nd Quarter FY2014

Key Performance Indicators, Capital Improvement Program

Key performance indicators related to the Capital Improvement Program are shown below.



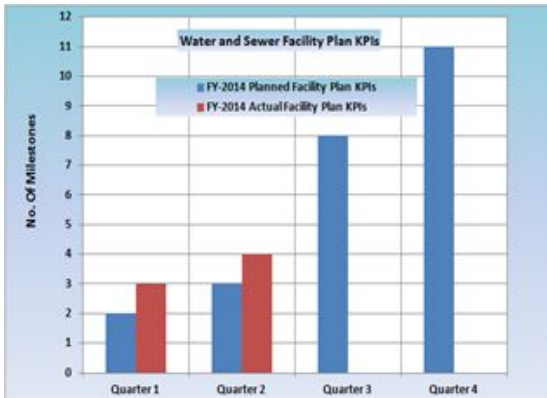
Note: Capital Projects Execution Ratio measures the completion of critical project milestones for large capital projects during the fiscal year. Critical project milestones include: Design Starts, Construction Starts and Construction Substantial Completions as well as Consent Decree and Permit mandated milestones.

For the 2nd Quarter, 7 of the 8 planned KPI Milestones were met. The Biosolids Final Dewatering Contract 1C Substantial Completion milestone was not met in the second quarter, but is expected to be completed later in the third quarter.

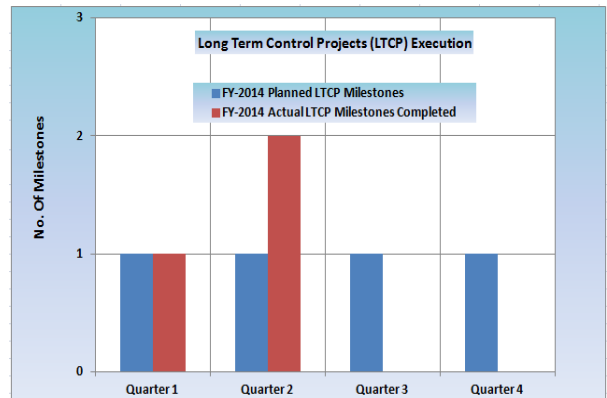
In addition, two milestones scheduled for completion in the third quarter were completed in the second quarter. These included the substantial completion milestones for both the Division B – Tingey Street Diversions and Large Valve Contract 9b.



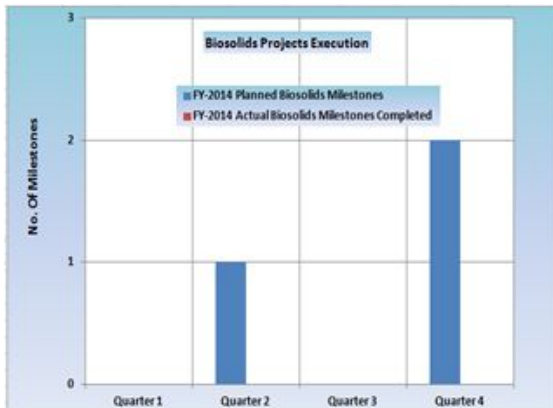
Capital Improvement Program Report 2nd Quarter FY2014



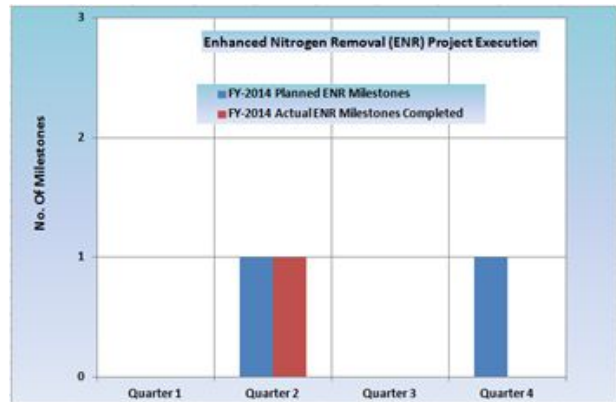
Note: Water and Sewer Facility Plan KPIs measure the completion of critical project milestones for projects developed through either the Water or the Sewer Facility Plan. For Variance, see note above.



Note: LTCP Project Execution measures the completion of critical project milestones for the LTCP projects during the fiscal year. Critical project milestones include all those required to meet Consent Decree dates. For Variance, see note above.



Note: Biosolids Project Execution measures the completion of critical project milestones for the Biosolids projects during the fiscal year. For Variance, see note above.

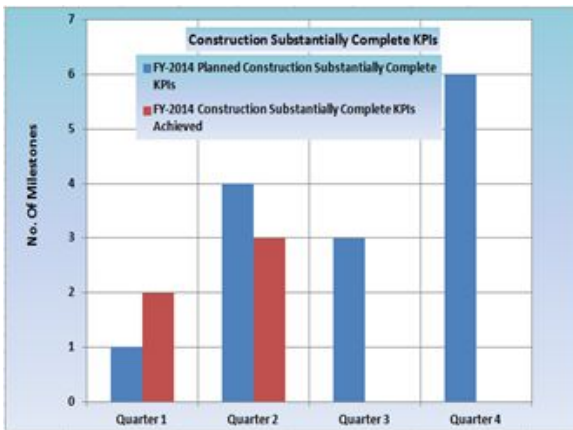
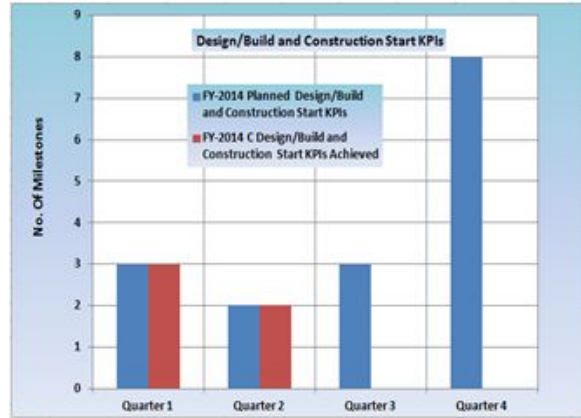
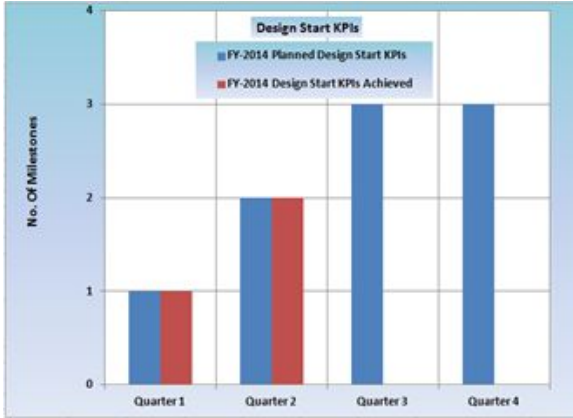


Note: Enhanced Nitrogen Removal Execution measures the completion of critical project milestones for the Enhanced Nitrogen Removal (ENR) projects during the fiscal year.



Capital Improvement Program Report 2nd Quarter FY2014

Key Performance Indicators by category: Design Start, Construction Start and Construction Substantial Completion





Capital Improvement Program Report
2nd Quarter FY2014

For FY14, the following KPI Milestones will be monitored:

Qtr.	Project	Job Name	KPI Name	KPI Achieved?
1st	Q302	Pope Branch Stream Restoration and Sewer Replacement	Construction Start Milestone	Y
1st	CY25	Div P - First Street NW Branch Tunnel (Bloomingdale)	Design/Build Start Milestone	Y
1st	BR04	Nitrification RAS Piping Rehabilitation	Construction Substantial Completion	Y
1st	UC06	Upgrades to FIPS 1-10	Design Start Milestone	Y
1st	O101	Small Dia. Watermain Replacement 9a	Construction Start Milestone	Y
2nd	BT01	Filtration / Disinfection Facility Ph II	Construction Substantial Completion	Y
2nd	GH01	Large Sewer Rehab 3	Design Start Milestone	Y
2nd	N901	Small Dia. Watermain Rehab 7-1	Construction Substantial Completion	Y
2nd	BV01	RWWPS No. 2 Upgrades	Design Start Milestone	Y
2nd	O103	Small Dia. Watermain Replacement 9b	Construction Start Milestone	Y
2nd	EE01	Filtrate Treatment Facilities	Construction Start Milestone	Y
2nd	BA01	Low Impact Development Projects	Consent Order Milestone	Y
2nd	XA12	Biosolids Final Dewatering	Construction Substantial Completion	N
3rd	BH01	Rock Creek CSO Regulator Adjustment	Construction Substantial Completion	Y (1 st Q)
3rd	IN01	Cleaning and Inspection of Upper Eastside Interceptor	Inspection Start Milestone	
3rd	O301	Small Dia. Watermain Replacement 11a	Design Start Milestone	
3rd	CY01	Div. B - Tingey Street Diversions	Construction Substantial Completion	Y (2 nd Q)
3rd	I803	Large Valve Replacements 13	Design Start Milestone	
3rd	FA02	Ft. Reno Reservoir No. 1 Upgrade	Construction Start Milestone	
3rd	S503	Large Dia. Water Main Internal Repairs 3	Construction Start Milestone	
3rd	BZ02	Large Valve Replacement Contract 9	Construction Substantial Completion	Y (2 nd Q)
3rd	GA01	Small Local Sewer Rehab 4	Design Start Milestone	
4th	XA10	Biosolids Combined Heat and Power (CHP)	Construction Substantial Completion	
4th	XA08	Biosolids Main Process Train (MPT)	Construction Substantial Completion	
4th	CY13	Div I - Main Pumping Sta. Diversions and Outfall Sewer Diversion	Construction Start Milestone	
4th	G100	Lining & Repair of Local Sewers	Construction Start Milestone	
4th	G703	Comb Sewer Rehab and Repair Phase 4	Design Start Milestone	
4th	EJ01	Potomac Pumping Station - Ph III Rehab	Construction Start Milestone	
4th	BR01	Nitrification / Denitrification Fac	Construction Substantial Completion	
4th	G504	Creekbed Sewer Rehab – Klinge Valley	Design Start Milestone	
4th	O302	Small Dia. Watermain Replacement 11b	Design Start Milestone	



Capital Improvement Program Report
2nd Quarter FY2014

Qtr.	Project	Job Name	KPI Name	KPI Achieved?
4th	I801	Large Valve Replacements 11	Construction Start Milestone	
4th	MA01	St. Elizabeth Water Tank	Construction Start Milestone	
4th	E901	Nitrogen Removal Facilities - Contract 2	Consent Order Milestone	
4th	F601	Steel Water Mains - Contract 1	Construction Substantial Completion	
4th	S501	Large Dia. Watermain Internal Repairs 2	Construction Substantial Completion	
4th	J306	National Arboretum Sewer Rehab	Construction Start Milestone	
4th	G800	Small Local Sewer Rehab 2	Construction Start Milestone	
4th	O201	Small Dia. Watermain Replacement 10a	Construction Start Milestone	



District of Columbia Water and Sewer Authority
George S. Hawkins, General Manager

Capital Spending: Projections and Process

Presentation to:

The DC Water Finance and Budget Committee

*David McLaughlin,
Director Engineering and Technical Services*

May 22, 2014

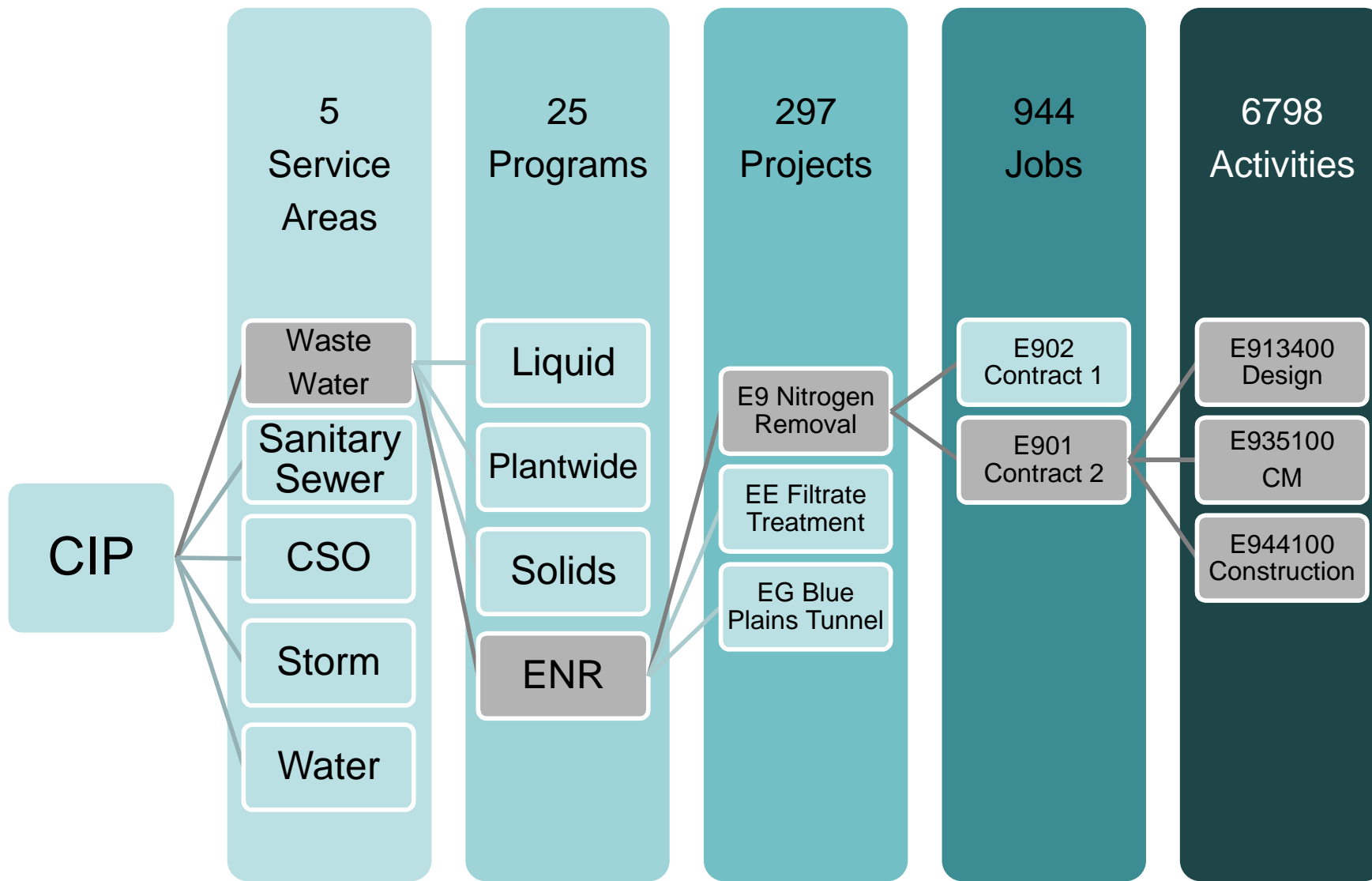


Topics to be Covered

1. Structure of CIP
2. Disbursement Projection
 1. Step 1 – Initial projection
 2. Step 2 – Final projection
3. Disbursement Tracking and Reasons for Variances
4. Historical Accuracy of Projections
5. Conclusions



Structure of CIP





Structure of CIP - Video

File Edit View Project Enterprise Tools Admin Help

Activities

Layout: Screen Dump for Video Filter All: (WASA Master Activities)

WASA CIP	Activity ID	Activity Name	Start	Finish	Cost % Complete	Budgeted Total Cost
0000		Current WASA CIP	06/03/1996 A	07/27/2028	33.85%	\$8,525,404,916.21



Disbursement Projection - STEP 1

Of the 6,700 + CIP activities there are 3,600 that are cost loaded

Each activity comprises:

- Start date – estimated or actual
- Finish date – estimated or actual
- Cost – estimated (excludes contingencies)
- **Cost Curve*** – **estimated**

* Cost curve is the estimated disbursement profile relating cost to time

Using the above estimates for all cost loaded activities, an initial disbursement forecast can be generated for a specified time period.



Disbursement Projection - STEP 1

Focusing on one of the 3,600 + cost loaded activities within the CIP:

XA44126 –Biosolids Final Dewatering Facilities Contract 2C

- Current Cost \$78,081,000 (bid price + change orders)
- Start June 2012 (Contract Actual Notice to Proceed)
- Finish March 2015 (estimated final payment date)

Cost distributed over the activity duration according to the 'cost curve' that matches the contractor's cost loaded schedule or best estimate of curve, if contract not started.

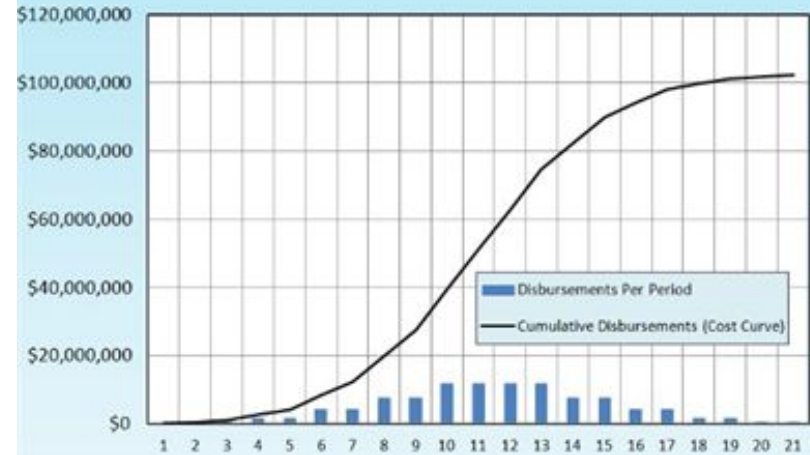


Cost Curve Examples - STEP 1

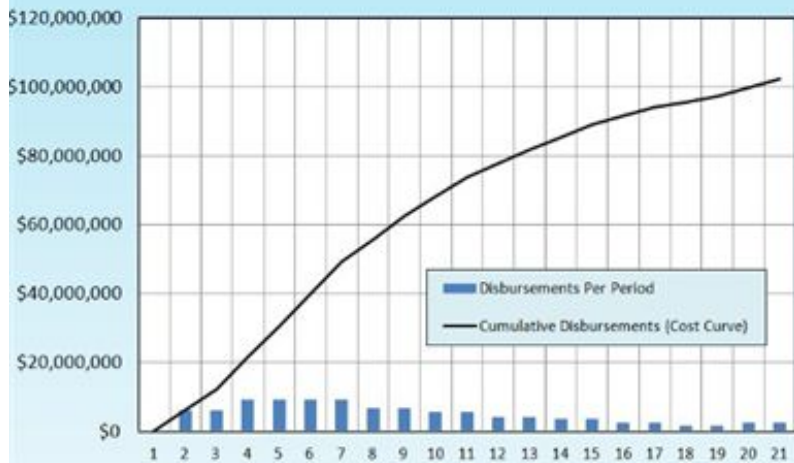
Linear Curve



Standard 'S' Curve



Front Loaded Curve



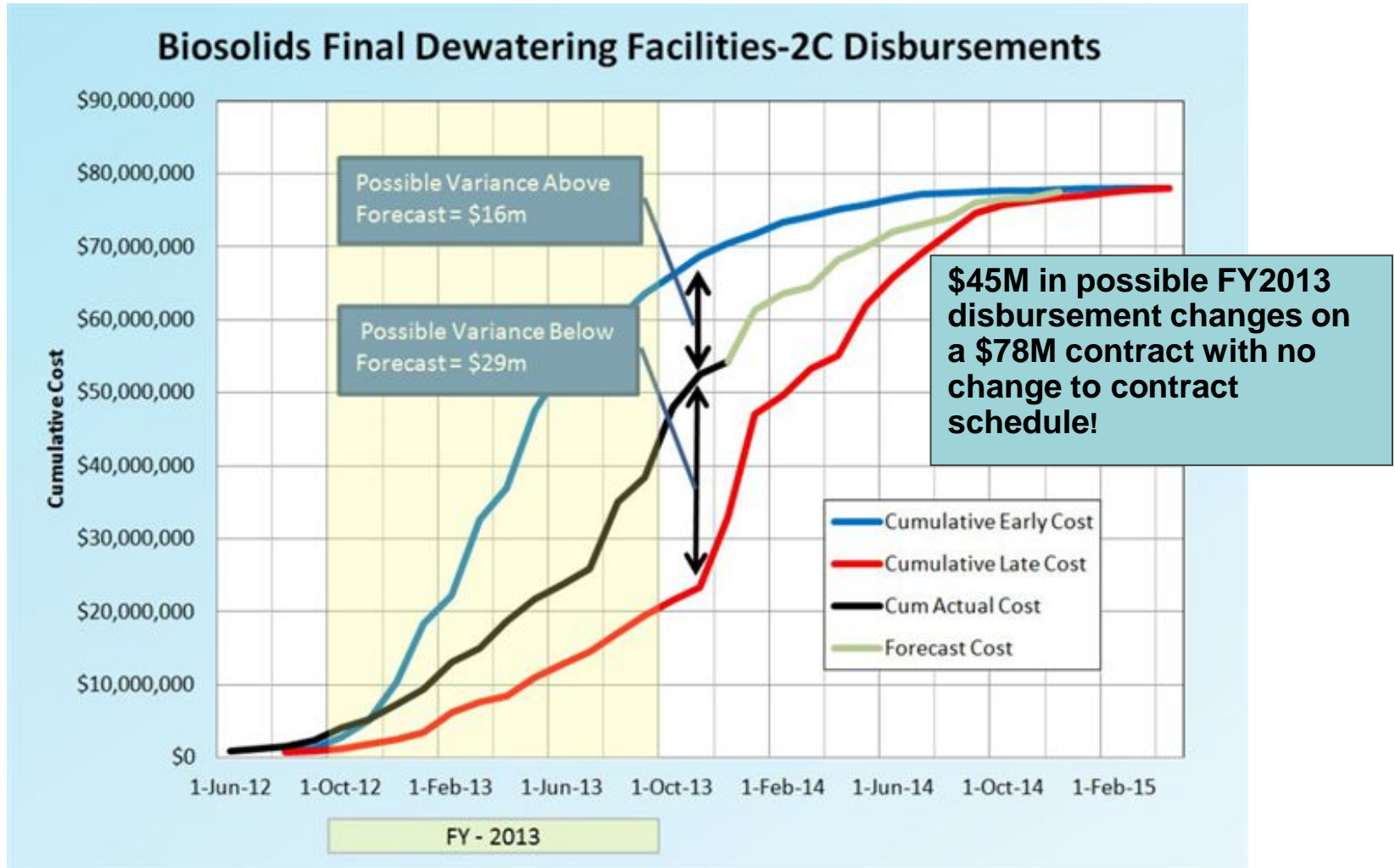
Standard Blue Plains Construction Curve





Example of Variability Caused by Cost Curve – Step 1

Contractor can complete non critical work early or late and still be on time; two different curves.





Disbursement Projection – STEP 2

Adjustments made to the initial disbursement forecast for each contract are used to generate a final disbursement forecast for the CIP, using the following factors:

- Historical performance
- Program phase, such as planning, design, construction or start up
- Project priority, such as consent decree or permit compliance activities
- Proximity to start date

The projections after the above adjustments are made are submitted for BOD approval.



Disbursement Tracking

Variations affecting disbursements:

•Cost

- Timing of CIP development requires accuracy 1.5 years before activity starts
- Changes in cost estimates – range of accuracy narrows as project is implemented
- Scope changes affect schedule and cost, for example unforeseen events such as acceleration of First Street Tunnel (Bloomingdale)

•Billing/Invoicing

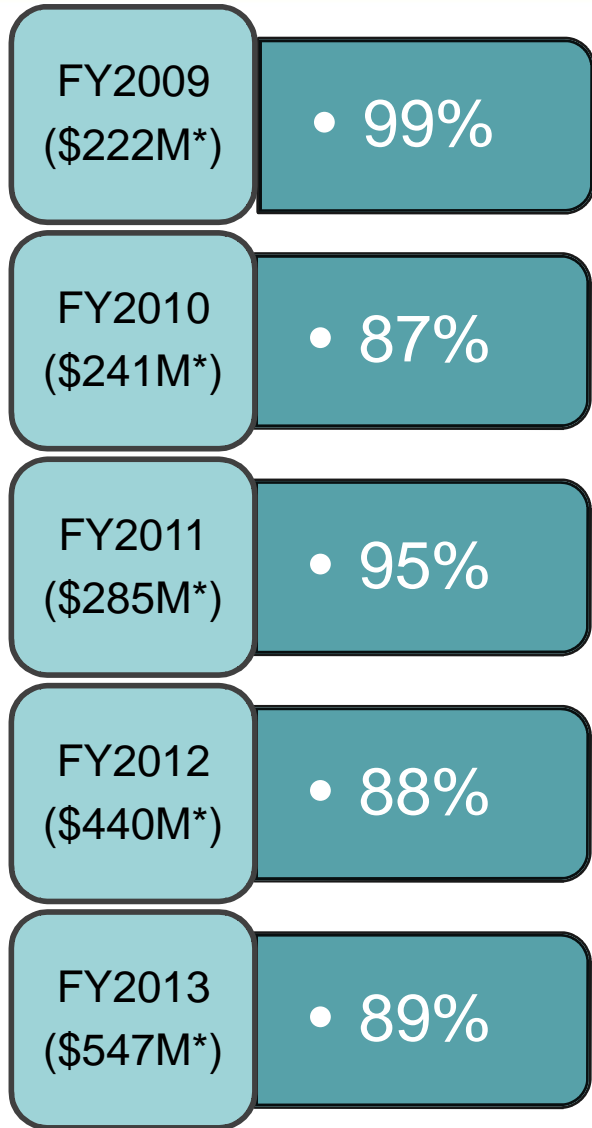
- Contractor billing performance often lags work done
- Dates checks are cut affect monthly spending numbers

•Schedule

- Changing start and finish dates
- Changes in spending rate – cost curve not as originally predicted. Can be a major factor when looking at spending over a fixed time period.



Historical Accuracy of Annual Projections



Average accuracy of projection compared to approved baseline:

- Last 5 years = 92%
- Last 10 years = 90%
- Performance Goal = 85%

*Total Disbursements in \$000's, including ROCIP accrual
• % Achievement



Conclusions

- A comparison of actual disbursements with projected disbursements is not an accurate indicator of project, program, service area or CIP health !
- Accurate disbursement projections are vital to ensure economical capital financing and for rate setting



Questions

Questions?



Accounts Receivable Balances & Collection Efforts

Presentation to the Finance & Budget
Committee

Lauren Preston
May 22, 2014



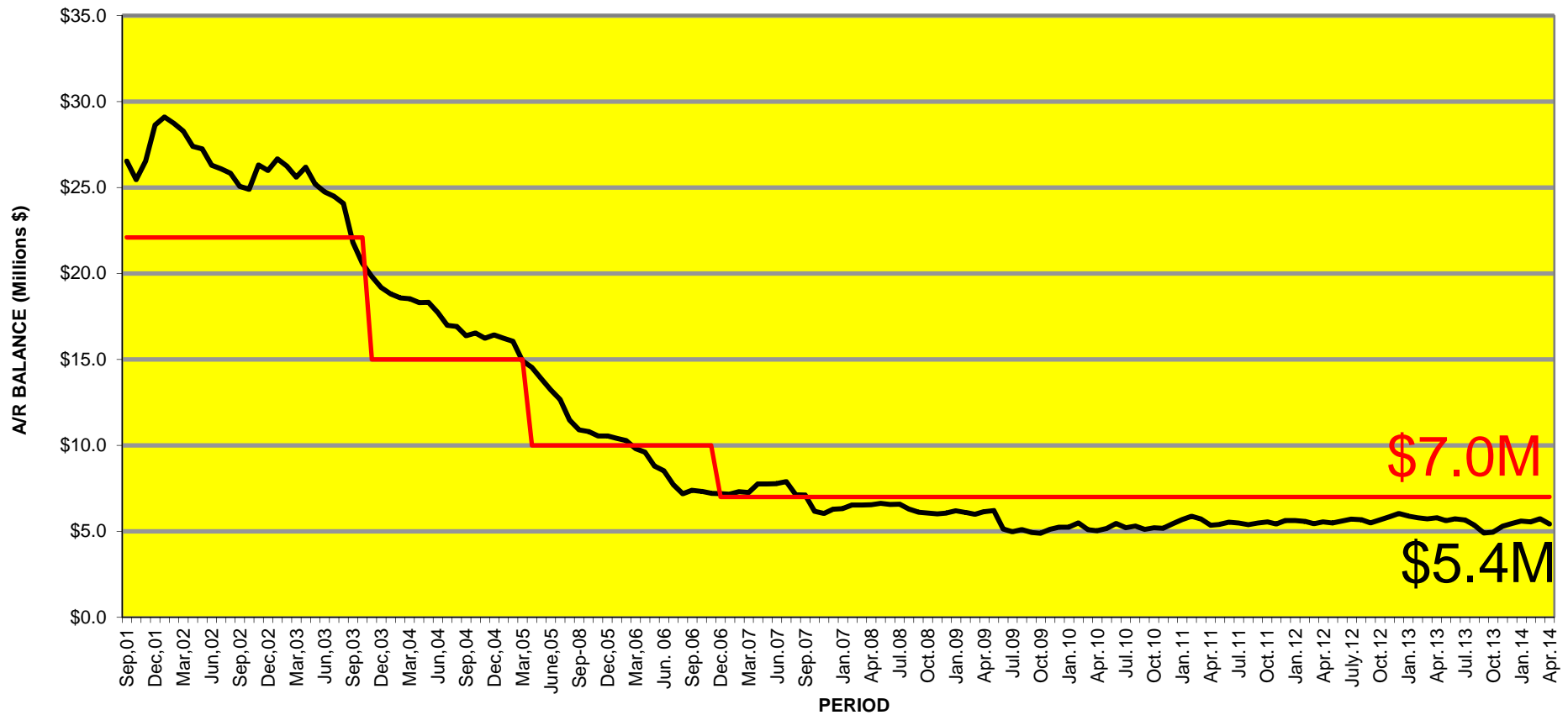
Background

- In the last 12 years, DC Water has reduced its 90 day delinquent customer accounts receivable by 80% from \$29 million to \$5.4 million as of April 2014
- This was achieved through a combination of strategies focused on providing customers accurate timely bills, friendly reminders, reasonable payment terms, and payment assistance where needed. We also used disconnection when other efforts failed, and legal action when necessary
- Since October 2009, the arrears have ranged from \$4.9 million to \$6.0 million, and have been managed even through rate increases
- Arrears typically are higher in the summer, due to higher consumption, and again in the winter due to curtailed collection and shutoff activities
- Support is provided for training and supervision that focuses on respectful, polite, and professional collection techniques for our staff



DC Water Collection History 90-Day Receivables*

Accounts Receivable & Bad Debt vs Target



*Active and inactive services

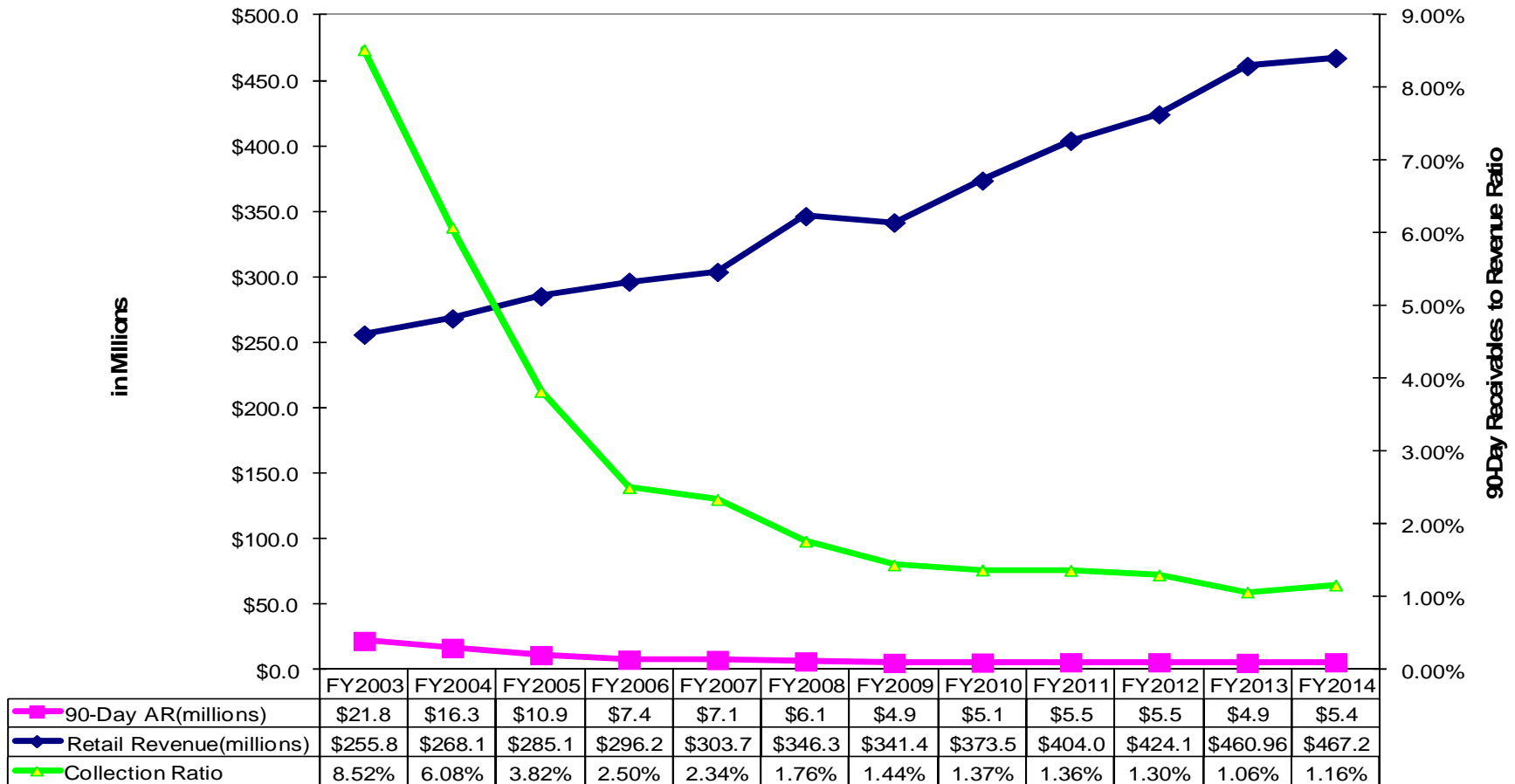


- The \$7 million target is an internal departmental goal to help stay below the agency's published target.



90-Days Receivable to Revenue Trend

Accounts Receivables vs Retail Revenue Analysis



Note – FY 2014 Retail Revenue is projected based on first & second quarter revenue



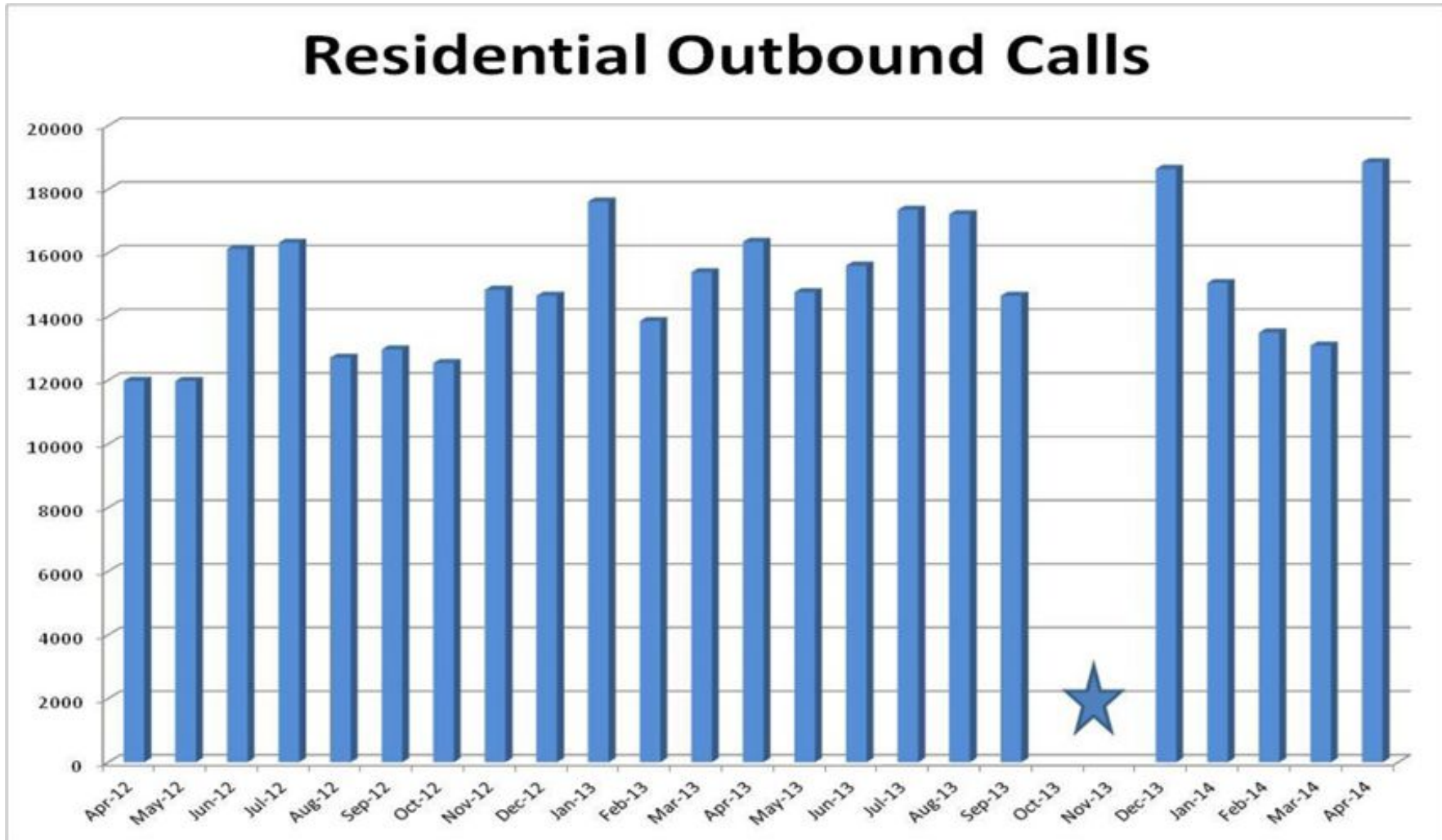
Arrears Management

Our arrears management plan includes technology and other tools to control arrears:

- Reminder Notices
- Outbound calling – Dialing for Dollars
- Automatic lien process
- Tax Sale
- Disconnections
- Payment plans
- Budget billing
- Receivership
- Service Level Agreements with Meter and Legal services



Collection Tools: Residential Collection Calls

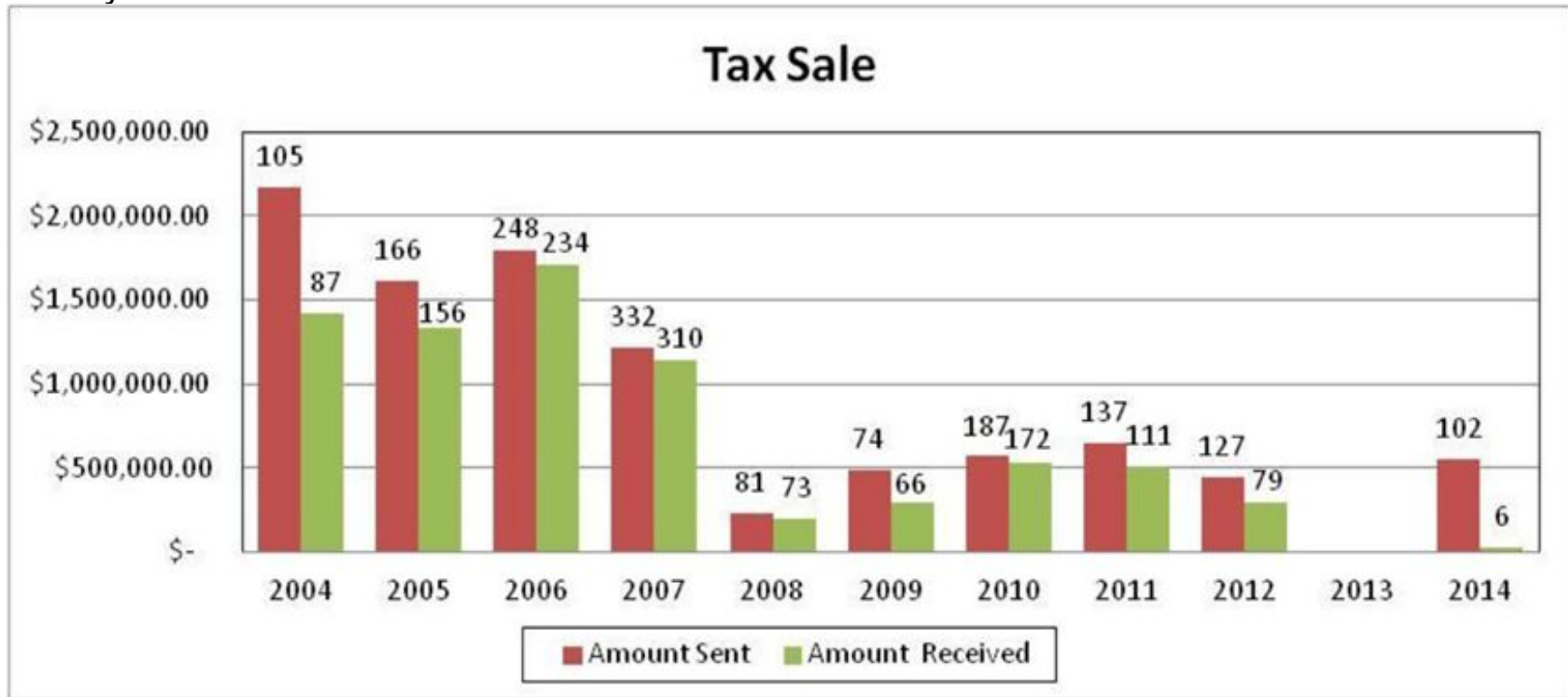


★ Calls suspended during Federal Government shutdown



Collection Tools: Tax Sale

From 2004 - 2007, as our arrears decreased, the inventory of accounts to send to tax sale declined. In 2008, when the lending markets and property values had greater uncertainty we saw fewer people willing to bid on tax sale properties. These liens may not be redeemed for several years.



Note 1 :The amount received is related to the FY year in which payment was received; however, there is some overlap

Note 2 : The DC 2013 tax sale was scheduled to take place July 15, 2013. We did not participate this year.



Collection Tools: Multi-family Property Receivership

Year	Accounts Referred	Delinquent Amount	Amount Collected as of April 30,2014	Percentage (%)
FY 2010	188	\$1,051,970.75	\$992,462.00	94%
FY 2011	173	\$1,416,076.08	\$1,357,493.24	96%
FY 2012	119	\$710,359.06	\$623,397.91	88%
FY 2013	127	\$705,472.70	\$603,202.35	86%
FY 2014	90	\$418,244.37	\$138,980.44	33%



Collection Tools: Recent one year period



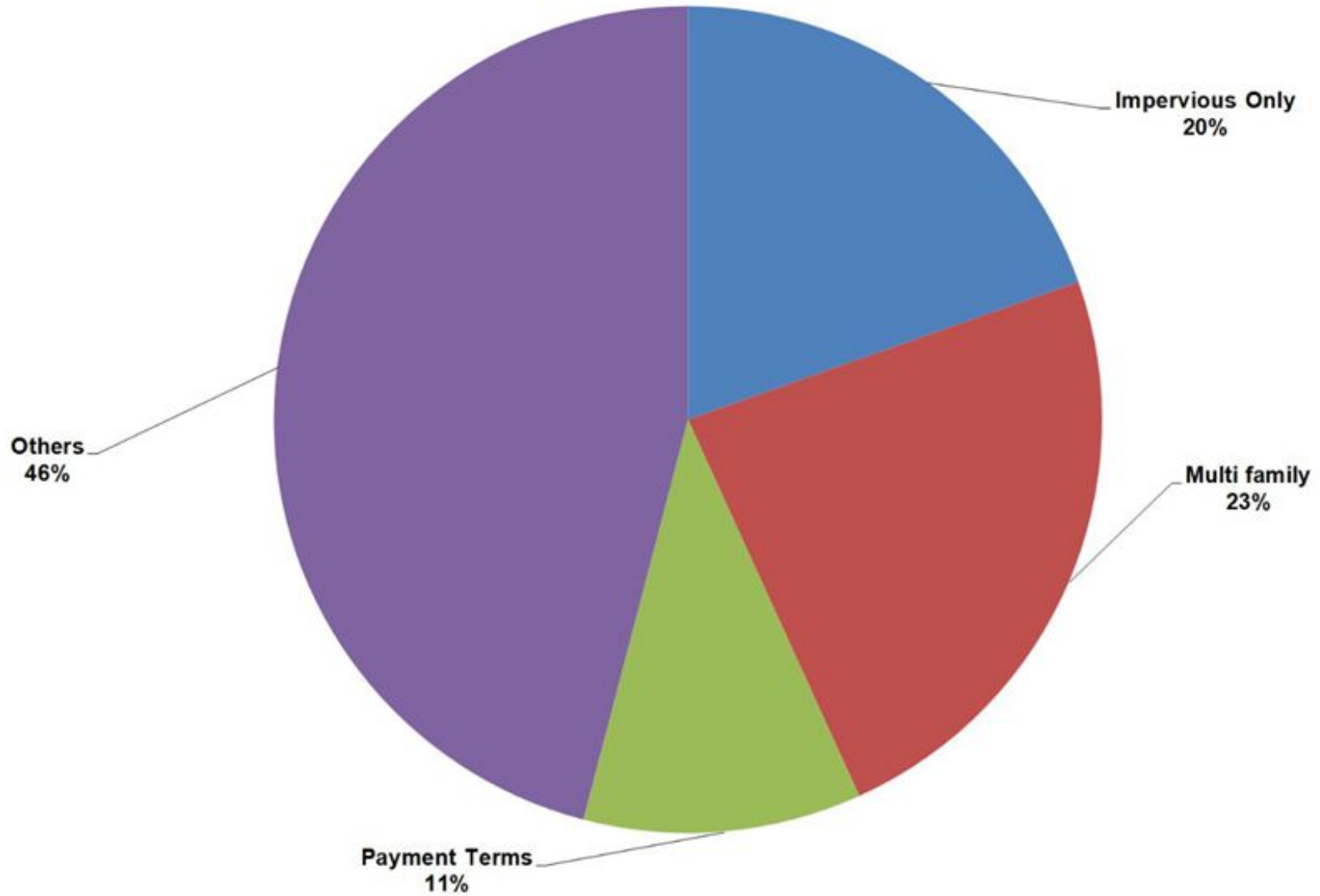
Accounts Receivable Collection Challenges

- **Multi-Family accounts:** currently multi-family accounts are not typically shut off when they are eligible for disconnection. Instead, we use receivership and subsequent tax sale. These are worth 24% of the chronic \$5.4 million - \$6.0 million in 90 day arrears, and are concentrated in about 40 properties
- **Real estate transactions:** Slower property sales and refinancing activities in recent years delayed the release of water bill related liens
- **Impervious Only accounts:** We cannot shutoff these properties, so we use liens instead. They are worth 20% of chronic arrears, and may increase as the Clean Rivers Impervious Area Charge rises
- **Other difficult to resolve high balance cases:** Places of worship, foreign embassies, condominium complexes with insufficient dues collections, abandoned properties with pending litigation issues or building code violations



Breakdown of 90-Day Arrears

(A/R Balance of \$5.4 million as of April 30, 2014)





90-Day Arrears Variance

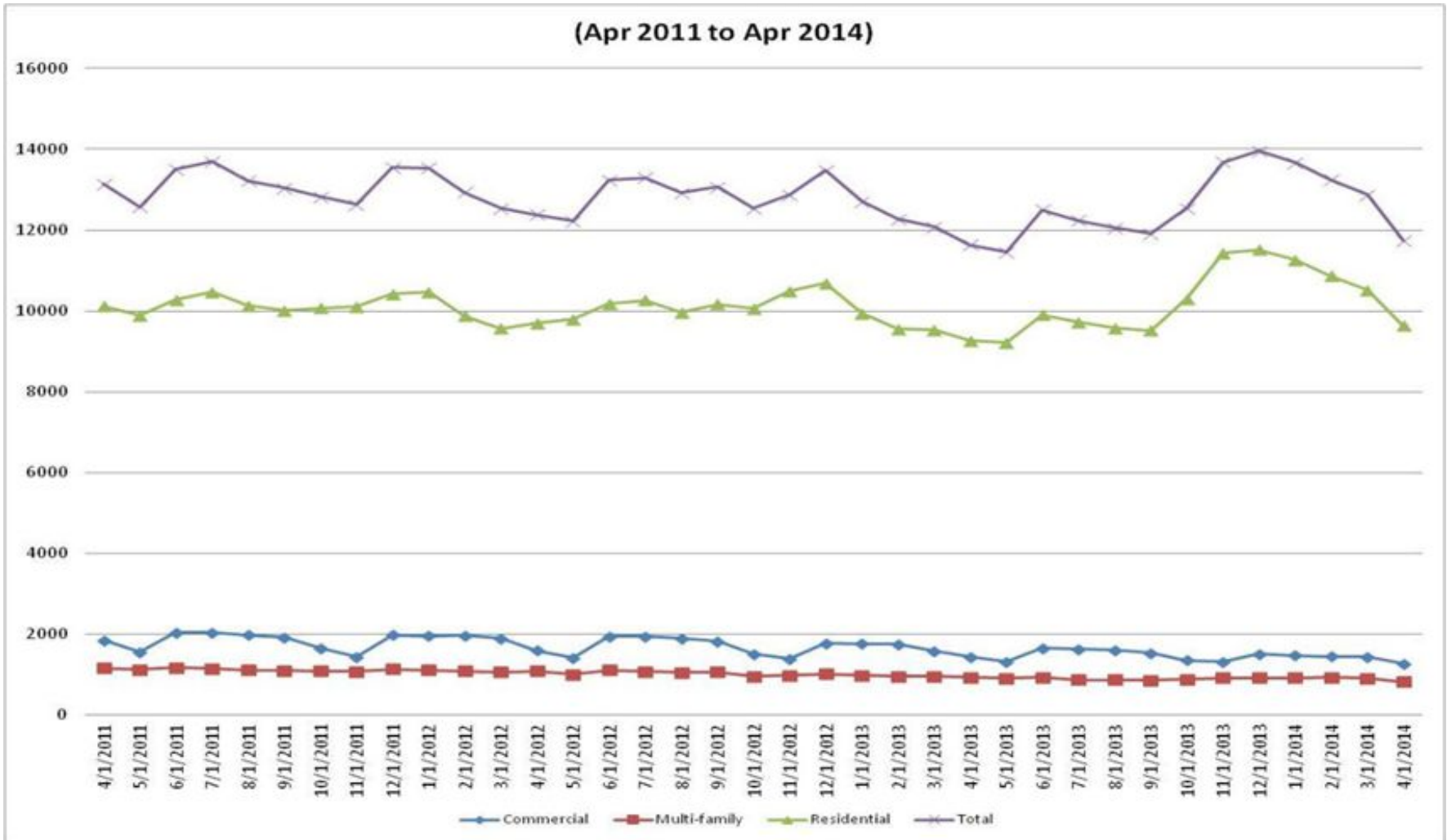
The relative scale of arrears among different customer categories remains largely the same, with the exception of impervious only accounts which are steadily growing.

Multifamily properties remain the largest component of chronic arrears, for a relatively small number of properties (about 1,000 with 40 properties representing 15% of our chronic arrears).

The credit department monitors the top 250 accounts every week to make sure every possible action is taken to collect up to and including tax sale. Some of these are properties that are sensitive, a private housing apartment development for low income residents, several tenant-purchased cooperatives, embassies, churches and social service organizations. These tend to turn over and get paid more slowly than commercial accounts.



Delinquent Accounts Comparison



Update Briefing on

Rolling Owner Controlled Insurance Program (ROCIP)

Finance and Budget Committee

**Tanya DeLeon
Manager, Risk**

May 22, 2014





DC Water Rolling Owner Controlled Insurance Program (ROCIP)

- Progress Update

ROCIP Program Goals

~Consistent with DC Water goals

Current program overview and results to date

~Positive and exceeding forecasts

Status report on activities to extend the program for the next period of planned construction

~Key observations and action



ROCIP Program Goals

- Higher Contractor insurance coverage limits
- Enhanced coordination of contractor safety program
- Added control through unified insurance claim response
- Increased opportunity for MBE/WBE/LBE/LSBE firm participation
- Potential for significant cost savings with marginal upside cost risk
- Multi department communication and cooperation of Construction Risk Management objectives



ROCIP Program Overview

- ROCIP 1, 2 and 3 are multi-year programs – started 2004, new contract rolling project enrollment ends 10-15-15
- Insurance Plan Characteristics
 - Combined Workers Compensation and General Liability paid loss rating plan
 - Rate is fixed, final premium is adjustable based upon Contractors actual unburdened WC payroll
 - Deductible - \$500,000 each policy WC and GL - one common event deductible protection \$750,000 combined WC and GL
 - Maximum aggregate stop loss cap includes fixed guaranteed rate, dollar amount variable based on actual contractor payroll
- General Liability insured limits are \$2 MIL/ \$4 MIL per Occurrence / Aggregate
- Workers Compensation limits are statutory
- Employers Liability insurance limits are \$1 MIL
- Excess Liability insurance limit is \$100 MIL ~ premium cost is fixed for term



ROCIP 1,2 & 3 Performance Summary

Data thru April 2014	Planned	To Date
Contractor Enrollment		
<ul style="list-style-type: none"> •Number of Projects Enrolled (includes projects out to bid but not yet awarded) <ul style="list-style-type: none"> ○ Active // Closed Projects •Number of Contractors Enrolled <ul style="list-style-type: none"> ○ Active Prime // Sub Contractors 		147 37 // 91 1149 37 // 709
•Value of Enrolled Contracts	\$2,228,000,000	\$2,677,453,567
•Associated Contractor Payroll Estimate	\$417,968,692	\$440,817,786
•Contractor Person Hours		10,007,544
• MBE/WBE/LBE/LSBE Participation		67 of 147 Primes
Safety		
•Recordable Incidence Rate - Industry // ROCIP		3.6 // 3.1
•Lost Time Incidence Rate - Industry // ROCIP		1.3 // 0.9
Insurance Cost Savings Opportunity		
• @ Expected Loss Rate		\$22,068,235
• @ Maximum Loss Rate		\$ 9,172,035



Contractor Insurance Claims

Insurance Claims	Reported thru April 2014
General Liability Losses	660
CLOSED	622
OPEN	38
• Paid General Liability Losses	\$ 3,181,427
• Reserved General Liability Losses	\$ 562,036
Total Incurred	\$ 3,743,463
Excess Liability Losses	1
Workers Compensation Losses	228
CLOSED	196
OPEN	32
• Paid Workers Compensation Losses	\$ 2,601,835
• Reserved Workers Compensation Losses	\$ 1,837,856
Total Incurred	\$ 4,439,691
Total Incurred (WC and GL)	\$ 8,183,154
Total Expected Losses	\$17,726,004



Key Observations

- Savings projected for the ROCIP plans
- Actual incurred loss values are as expected or better
- All program factors are on target
- High level of MBE/WBE/LBE/LSBE contractor participation
- Safety performance continues to trend better than local and national benchmarks
- This multi department initiative continues to promote enhanced internal information sharing/communication and construction risk management beneficial practices



Next Action

- Our independent insurance consultant recommends DC Water proceed with a multi department review of ROCIP performance and prepare a feasibility study to consider and schedule advance procurement work.
- This will occur in the first quarter of FY 2015 to present for future consideration another multiyear ROCIP (4) plan for a future Controlled Insurance Program insurance plan.



Presentation to Finance and Budget Committee

*Preliminary 2014 Plan of
Finance*

May 22, 2014



Transaction Overview

- **DC Water expects to issue \$350-400 million of Series 2014 A&B Bonds**
 - \$250-300 million of 2014A bonds are expected to be issued as a taxable fixed rate Century Bond to finance a portion of the DC Clean Rivers Project
 - \$100 million of 2014B bonds are expected to be issued as tax-exempt variable rate demand bonds to finance other CIP projects

- **Series 2014A Century Bond is part of a strategic financing solution**
 - Asset-liability matching
 - Intergenerational equity and fairness
 - Committed, long-term, low-cost capital
 - Flexibility for other planned CIP projects and potential unexpected future financing needs

- **Prudent and pragmatic management of proposed Century Bond issuance**
 - Conservative interest rate assumptions in financial plan
 - Principal is expected to begin amortizing in the final 10 years
 - Proposed debt policy revisions restrict use of Century Bonds for Clean Rivers

Financing Clean Rivers with a Century Bond

■ **Asset-Liability Matching**

- Financing targeted to a “once in a century” project
- Minimal on-going operating or maintenance costs
- Not routine replacement and renewal of traditional infrastructure assets

■ **Intergenerational equity and fairness**

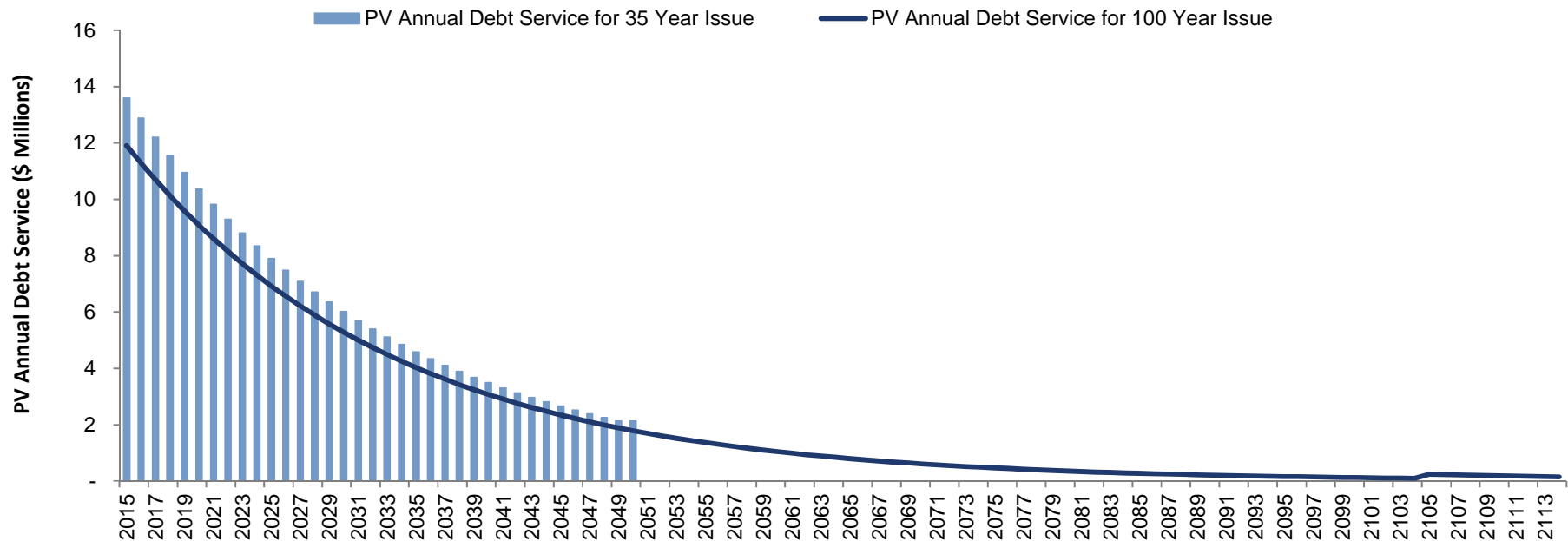
- One-time expansion of capacity for a system built in the late 19th century
- Future generations will benefit from the investment over the 100-year life of the asset
- Financing plan amortizes the costs both affordably and more fairly over those who will benefit

■ **Committed, long-term, low-cost capital**

- Opportunistic, market-driven financing
- Absolute interest rates remain low by historical standards
- Relative tax-exempt/taxable spreads remain compressed by historical standards
- Eliminates interest rate and market access risk versus alternative options

Century Bond Preserves Operational Flexibility

- Century Bond preserves financing capacity for other CIP investments
- Century Bond structure saves \$1.8 million per year through 2049 versus a traditional 35-year amortization
 - Savings can fund additional pay-go contributions or incremental debt capacity of nearly \$30 million
- Aggregate incremental debt service of Century Bond is only \$7.4 million on a present value basis
 - Annual debt service is approximately \$1.8 million on a PV basis by 2050 (year 36)
 - Incremental debt service has negligible impact on rates



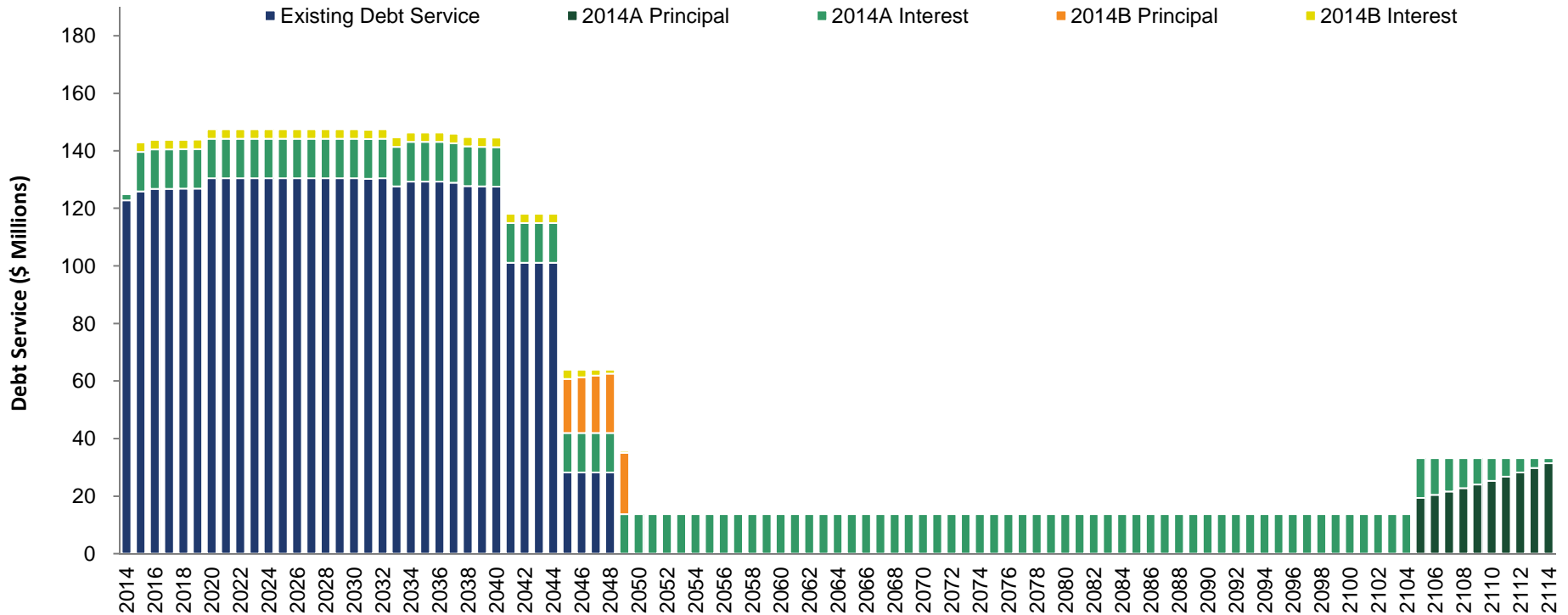
Note: Present value discounted at 5.5%, the assumed interest rate for century bond.

Preliminary Term Sheet*

	Series 2014A	Series 2014B
Par Amount	■ \$250,000,000 - \$300,000,000	■ \$100,000,000
Uses of Funds	■ Fund Clean Rivers Project	■ Fund other CIP projects
Tax Status	■ Taxable	■ Tax-exempt
Bond Structure¹	<ul style="list-style-type: none"> ■ Fixed Rate Bond ■ Century Bond 	<ul style="list-style-type: none"> ■ Variable Rate Demand Bonds ■ Multi-modal flexibility
Security	■ Senior Lien pledge of Net Revenues	■ Subordinate Lien pledge of Net Revenues
Final Maturity	■ 2114 (100 years)	■ 2049 (35 years)
Optional Redemption	■ Make-whole call	■ Callable on any interest payment date
Mandatory Redemption	■ Sinking funds in the final 10 years	■ Sinking fund schedule in the final 5 years
Lead Underwriter	■ Goldman, Sachs & Co. and Barclays Capital	■ Bank of America Merrill Lynch and Loop Capital

* Preliminary, subject to change.

Pro Forma Bond Debt Profile*



- Upon issuance of 2014 Bonds, vast majority of debt continues to amortize on a level debt basis within 35 years
- *Pro forma* debt service coverage with Century Bond issuance exceeds both indenture requirements and board policies

*Preliminary, subject to change.

Note: Series 2010A Bonds are Build America Bonds. Interest on \$86 million of the Series 2010A Bonds is capitalized through April 2014 and amount shown is net of capitalized interest. Total Debt Service is calculated including the impact of the direct payment of the federal BABs subsidy.

Note: Series 2012B Bonds have a variable rate based on SIFMA plus a spread to that benchmark of 48 bps and 58 bps for the Sub-Series B-1 and B-2, respectively. For calculation of the debt service requirement, the 2014 rate was assumed to be 1.25%. For 2015 and beyond, an all-inclusive rate of 3.25% was used for both Sub-Series and the 2014Bs. The 2012B-1 bonds is capitalized through May 2015 and amount shown is net of capitalized interest.

Note: The Authority currently has \$41.2 million of Commercial Paper outstanding. Debt service is based on a hypothetical amortization of 20 years with an assumed interest rate of 3.25%.

Note: Includes the Authority's Debt Service requirements for Government Notes associated with Jennings Randolph and Little Seneca Reservoir.

Preliminary Financing Schedule*

Timing	Event																																																																																																																		
May	<ul style="list-style-type: none"> ■ Discuss Preliminary Finance Plan with Rating Agencies ■ Finance & Budget Committee review of Debt Policy 	<table border="1"> <thead> <tr> <th colspan="7">May 2014</th> <th colspan="7">June 2014</th> </tr> <tr> <th>S</th><th>M</th><th>T</th><th>W</th><th>T</th><th>F</th><th>S</th> <th>S</th><th>M</th><th>T</th><th>W</th><th>T</th><th>F</th><th>S</th> </tr> </thead> <tbody> <tr> <td></td><td></td><td></td><td></td><td>1</td><td>2</td><td>3</td> <td>1</td><td>2</td><td>3</td><td>4</td><td>5</td><td>6</td><td>7</td> </tr> <tr> <td>4</td><td>5</td><td>6</td><td>7</td><td>8</td><td>9</td><td>10</td> <td>8</td><td>9</td><td>10</td><td>11</td><td>12</td><td>13</td><td>14</td> </tr> <tr> <td>11</td><td>12</td><td>13</td><td>14</td><td>15</td><td>16</td><td>17</td> <td>15</td><td>16</td><td>17</td><td>18</td><td>19</td><td>20</td><td>21</td> </tr> <tr> <td>18</td><td>19</td><td>20</td><td>21</td><td>22</td><td>23</td><td>24</td> <td>22</td><td>23</td><td>24</td><td>25</td><td>26</td><td>27</td><td>28</td> </tr> <tr> <td>25</td><td>26</td><td>27</td><td>28</td><td>29</td><td>30</td><td>31</td> <td>29</td><td>30</td><td></td><td></td><td></td><td></td><td></td> </tr> </tbody> </table>		May 2014							June 2014							S	M	T	W	T	F	S	S	M	T	W	T	F	S					1	2	3	1	2	3	4	5	6	7	4	5	6	7	8	9	10	8	9	10	11	12	13	14	11	12	13	14	15	16	17	15	16	17	18	19	20	21	18	19	20	21	22	23	24	22	23	24	25	26	27	28	25	26	27	28	29	30	31	29	30																			
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	July	<ul style="list-style-type: none"> ■ Post 2014A POS ■ Investor Meetings ■ Price Series 2014A Century Bonds ■ Price Series 2014B (VRDBs) ■ Finance & Budget Committee Transaction Summary 	<table border="1"> <thead> <tr> <th colspan="7">July 2014</th> <th colspan="7">August 2014</th> </tr> <tr> <th>S</th><th>M</th><th>T</th><th>W</th><th>T</th><th>F</th><th>S</th> <th>S</th><th>M</th><th>T</th><th>W</th><th>T</th><th>F</th><th>S</th> </tr> </thead> <tbody> <tr> <td></td><td></td><td></td><td>1</td><td>2</td><td>3</td><td>4</td> <td></td><td></td><td></td><td></td><td></td><td>1</td><td>2</td> </tr> <tr> <td>6</td><td>7</td><td>8</td><td>9</td><td>10</td><td>11</td><td>12</td> <td>3</td><td>4</td><td>5</td><td>6</td><td>7</td><td>8</td><td>9</td> </tr> <tr> <td>13</td><td>14</td><td>15</td><td>16</td><td>17</td><td>18</td><td>19</td> <td>10</td><td>11</td><td>12</td><td>13</td><td>14</td><td>15</td><td>16</td> </tr> <tr> <td>20</td><td>21</td><td>22</td><td>23</td><td>24</td><td>25</td><td>26</td> <td>17</td><td>18</td><td>19</td><td>20</td><td>21</td><td>22</td><td>23</td> </tr> <tr> <td>27</td><td>28</td><td>29</td><td>30</td><td>31</td><td></td><td></td> <td>24</td><td>25</td><td>26</td><td>27</td><td>28</td><td>29</td><td>30</td> </tr> <tr> <td></td><td></td><td></td><td></td><td></td><td></td><td></td> <td>31</td><td></td><td></td><td></td><td></td><td></td><td></td> </tr> </tbody> </table>		July 2014							August 2014							S	M	T	W	T	F	S	S	M	T	W	T	F	S				1	2	3	4						1	2	6	7	8	9	10	11	12	3	4	5	6	7	8	9	13	14	15	16	17	18	19	10	11	12	13	14	15	16	20	21	22	23	24	25	26	17	18	19	20	21	22	23	27	28	29	30	31			24	25	26	27	28	29	30								31					
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*Preliminary, subject to change.

ATTACHMENT 8a



DC Water Debt Policy and Guidelines

Chief Financial Officer

TABLE OF CONTENTS

Section	Topic	Page
I	Introduction	1
II	Purpose	1
III	Scope	1
IV	Debt Policy Objectives	2
V	Use of Debt	3
VI	Responsible Parties	3
VII	Financing Team	4
VIII	Guidelines for a Debt Transaction	5
IX	Documentation	9
X	Marketing	10
XI	Pricing the Transaction	11
XII	Post Pricing and Closing Activities	11
XIII	Investment of Proceeds, Post Issuance Compliance and Monitoring	12

Section	Topic	Page
I	Introduction	1
II	Purpose	1
III	Scope	1
IV	Debt Policy Objectives	2
V	Use of Debt	3
VI	Responsible Parties	3
VII	Financing Team	4
VIII	Guidelines for a Debt Transaction	5
IX	Documentation	10
X	Marketing	10
XI	Pricing the Transaction	11
XII	Post Pricing and Closing Activities	12
XIII	Investment of proceeds, Post issuance Compliance and Monitoring, Other	13

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 issuance and use 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
 - 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 the Board and all of DC Water’s stakeholders with the required information, in sufficient detail and with ample time to allow for assessment and guidance. For example, for DC Water’s SIFMA-Index Floating Rate Notes, the Board will review potential options and provide feedback to address a mandatory tender of the bonds approximately 9 months prior to the mandatory tender date.
 - 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 will be retained by DC Water 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 will also provide a Due Diligence Opinion (“Rule 10(b)(5) opinion”) at Closing to DC Water. 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, Disclosure 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 review these options with the Board and provide a recommendation on the preferred option, 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 policies as set forth below:

Debt Security Level	Debt Service Coverage Requirements		
	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 as market conditions dictate. A DSRF can be established to support each individual series of bonds or as a common reserve that can support more than one series of bond’s Debt Service. 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 “Multi-Modal (SIFMA Index) Bonds Policy” and the attached checklist, “Timing and Considerations for Variable Rate Debt”.
 - **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 will~~ primarily consider the average useful life of the assets being financed, the depreciation schedule relating to the financed assets and the time period ratepayers have beneficial use of ~~the assets, the these~~ assets. Other factors that DC Water will consider when determining the term of a bond issuance are the absolute level of interest rates, the relative level of interest rates, the year-to-year differential in interest rates applicable rating agency criteria, and the Marketability ~~marketability~~ of the ~~longer Term Bonds~~ bonds. Generally, the term of the bonds shall not exceed the useful life of the assets being financed. ~~The most basic decision so~~ DC Water must make a decision regarding ~~term is whether to the~~ use of Long-Term or Short-Term debt:

 - Long-Term Debt is generally structured where the Amortization of the debt matches approaches the expected useful life of ~~the project a long-lived asset~~. Long-Term term debt may be issued as fixed or variable rate debt. Long-term debt is generally considered to be defined as debt with a final maturity greater than or equal to 15 years.

 - For capital projects that have been identified as part of the DC Clean Rivers Projects (DCCR), the final maturity will be further informed by a technical memorandum from DC Water's Department of Engineering and Technical Services (DETS) establishing the minimum service life of the assets associated with DCCR, as well as by a second opinion obtained from an independent engineering review that confirms the estimated useful life of the assets. In any case, the maximum maturity of long-term debt associated with DCCR may not exceed the lesser of the useful life of the assets being financed or 100 years. Further, the weighted average maturity of all the outstanding debt associated with DCCR may not exceed 60 years.
 - Short-Term Debt may take several forms, including commercial paper and bond anticipation notes with either Fixed ~~fixed~~ or Variable ~~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. Short term debt is defined as debt with a final maturity of less than 15 years.
- **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.

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- 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 shall not exceed 20-25%. For calculation purposes, this ratio will exclude both Variable Rate debt which has been converted through a hedging transaction to synthetically Fixed Rate debt and debt that is “naturally hedged” by cash and investment balances.
- Target Variable Rate Percentage: Given the historical cost advantage of variable rate debt compared to fixed rate debt, DC Water will have a target of net variable rate debt comprising 20-25% of the total debt portfolio. DC Water will plan for the prudent use of its variable rate debt component while considering market alternatives and the risk profile of the overall debt portfolio when adding additional variable rate debt.
- **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. DC Water will have a balanced approach when determining debt service structures. 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 can be 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.
 - **Coupons 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, prevailing market conditions and the Marketability of the bonds.
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. For variable rate debt transactions that require credit enhancement (such as Variable Rate Demand Bonds), DC Water will consider credit enhancement products such as a Standby Bond Purchase Agreement or a Letter of Credit, that are typically required by investors. DC Water will consider the cost and marketability implications of each variable rate product and supporting credit enhancement product prior to each transaction on a case-by-case basis. In addition, to manage business and counterparty risk, DC Water will consider a diversity of credit enhancement providers.~~
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. Disclosure Counsel is the primary drafter of this document.
- 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, Professional 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.

- **Professional Retail Investors.** Professional Retail investors (money managers and bank trust departments that manage money on behalf of wealthy clients and often aggregate individual orders in a given transaction) have emerged recently and can have an important influence on the pricing of a transaction. Typically, marketing to Professional Retail is accomplished in the same way as marketing to Institutional Investors.

- **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.

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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, Disclosure 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 (e.g. Disclosure Counsel’s Rule 10(b)(5) Opinion), 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, OTHER COMPLIANCE REQUIREMENTS

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:

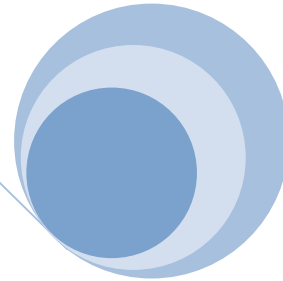
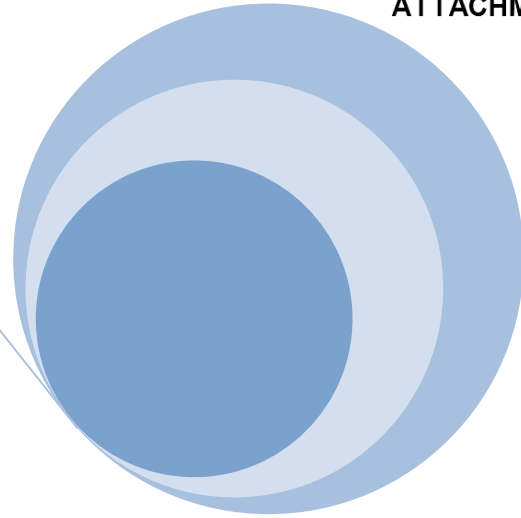
- DC Water will use a Dissemination / Disclosure Agent whom shall be named as responsible for the required reporting for each debt issue requiring Continuing Disclosure under Securities and Exchange Commission Rule 15(c)(2)(12).
- Dissemination of the required information is accomplished through the Electronic Municipal Market Access system (EMMA).
- Treasury and Debt staff will monitor required reporting dates to ensure annual and periodic reporting requirements are satisfied.
- Disclosure 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.”

5. Municipal Advisor Rule Compliance.

- The Securities and Exchange Commission and the Municipal Securities Rulemaking Board, as mandated by the Dodd-Frank Wall Street Reform Act, are expected to issue the procedures and requirements associated with the registration and conduct of Municipal Advisors (“MA Rules”) by July 1, 2014. The MA Rules will generally impose additional requirements for financial advisors to municipal entities, including DC Water’s Municipal Advisors. The MA Rules will also impact the way and manner in which DC Water relates and receives information and recommendations from municipal bond underwriters, to include underwriters already approved in DC Water’s Underwriting Pool. DC Water will continue to monitor the implementation of the MA Rules and implement changes as necessary.



DC Water Debt Policy and Guidelines

Chief Financial Officer

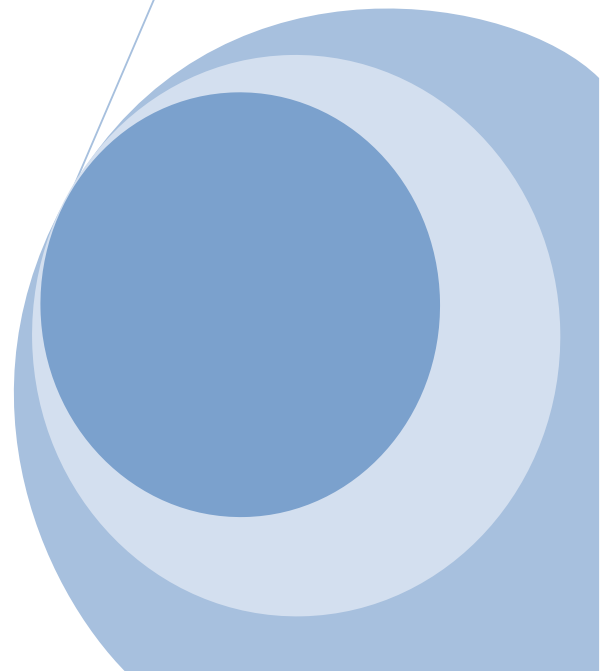


TABLE OF CONTENTS

Section	Topic	Page
I	Introduction	1
II	Purpose	1
III	Scope	1
IV	Debt Policy Objectives	2
V	Use of Debt	3
VI	Responsible Parties	3
VII	Financing Team	4
VIII	Guidelines for a Debt Transaction	5
IX	Documentation	10
X	Marketing	10
XI	Pricing the Transaction	11
XII	Post Pricing and Closing Activities	12
XIII	Investment of proceeds, Post issuance Compliance and Monitoring, Other	13

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 issuance and use 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.

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

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
 - 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 the Board and all of DC Water's stakeholders with the required information, in sufficient detail and with ample time to allow for assessment and guidance. For example, for DC Water's SIFMA-Index Floating Rate Notes, the

Board will review potential options and provide feedback to address a mandatory tender of the bonds approximately 9 months prior to the mandatory tender date.

- 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.
- 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 will be retained by DC Water 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 will also provide a Due Diligence Opinion (“Rule 10(b)(5) opinion”) at Closing to DC Water. 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, Disclosure 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 review these options with the Board and provide a recommendation on the preferred option, 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 policies 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 as market conditions dictate. A DSRF can be established to support each individual series of bonds or as a common reserve that can support more than one series of bond’s Debt Service. 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 “Multi-Modal (SIFMA Index) Bonds Policy” and the attached checklist, “Timing and Considerations for Variable Rate Debt”.
 - **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 will primarily consider the useful life of the assets being financed, the depreciation schedule relating to the financed assets and the time period ratepayers have beneficial use of these assets. Other factors that DC Water will consider when determining the term of a bond issuance are the absolute level of interest rates, the relative level of interest rates, applicable rating agency criteria, and the marketability of the bonds. Generally, the term of the bonds shall not exceed the useful life of the assets being financed so DC Water must make a decision regarding the use of Long-Term or Short-Term debt:

- Long-Term Debt is generally structured where the Amortization of the debt approaches the expected useful life of a long-lived asset. Long-term debt may be issued as fixed or variable rate debt. Long-term debt is defined as debt with a final maturity greater than or equal to 15 years.

For capital projects that have been identified as part of the DC Clean Rivers Projects (DCCR), the final maturity will be further informed by a technical memorandum from DC Water’s Department of Engineering and Technical Services (DETS) establishing the minimum service life of the assets associated with DCCR, as well as by a second opinion obtained from an independent engineering review that confirms the estimated useful life of the assets. In any case, the maximum maturity of long-term debt associated with DCCR may not exceed the lesser of the useful life of the assets being financed or 100 years. Further, the weighted average maturity of all the outstanding debt associated with DCCR may not exceed 60 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. Short term debt is defined as debt with a final maturity of less than 15 years.

- **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 shall not exceed 20-25%. For calculation purposes, this ratio will exclude both Variable Rate debt which has been converted through a hedging transaction to synthetically Fixed Rate debt and debt that is “naturally hedged” by cash and investment balances.
 - Target Variable Rate Percentage: Given the historical cost advantage of variable rate debt compared to fixed rate debt, DC Water will have a target of net variable rate debt comprising 20-25% of the total debt portfolio. DC Water will plan for the prudent use of its variable rate debt component while considering market alternatives and the risk profile of the overall debt portfolio when adding additional variable rate debt.
- **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. DC Water will have a balanced approach when determining debt service structures. 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 can be 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, prevailing market conditions and the Marketability of the bonds.
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. For variable rate debt transactions that require credit enhancement (such as Variable Rate Demand Bonds), DC Water will consider credit enhancement products such as a Standby Bond Purchase Agreement or a Letter of Credit, that are typically required by investors. DC Water will consider the cost and marketability implications of each variable rate product and supporting credit enhancement product prior to each transaction on a case-by-case basis. In addition, to manage business and counterparty risk, DC Water will consider a diversity of credit enhancement providers.
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. Disclosure Counsel is the primary drafter of this document.
- 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, Professional 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.
- **Professional Retail Investors.** Professional Retail investors (money managers and bank trust departments that manage money on behalf of wealthy clients and often aggregate individual orders in a given transaction) have emerged recently and can have an important influence on the pricing of a transaction. Typically, marketing to Professional Retail is accomplished in the same way as marketing to Institutional Investors.
- **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, Disclosure 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 (e.g. Disclosure Counsel's Rule 10(b)(5) Opinion), 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, OTHER COMPLIANCE REQUIREMENTS

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:
- DC Water will use a Dissemination / Disclosure Agent whom shall be named as responsible for the required reporting for each debt issue requiring Continuing Disclosure under Securities and Exchange Commission Rule 15(c)(2)(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.
 - Disclosure 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.”
- 5. Municipal Advisor Rule Compliance.**
- The Securities and Exchange Commission and the Municipal Securities Rulemaking Board, as mandated by the Dodd-Frank Wall Street Reform Act, are expected to issue the procedures and requirements associated with the registration and conduct of Municipal Advisors (“MA Rules”) by July 1, 2014. The MA Rules will generally impose additional requirements for financial advisors to municipal entities, including DC Water’s Municipal Advisors. The MA Rules will also impact the way and manner in which DC Water relates and receives information and recommendations from municipal bond underwriters, to include underwriters already approved in DC Water’s Underwriting Pool. DC Water will continue to monitor the implementation of the MA Rules and implement changes as necessary.

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

ACTION REQUESTED

GOODS AND SERVICES CONTRACT OPTION:

**Financial Consultant Services
(Non-Joint Use)**

Approval to execute an option year four (4) for financial consultant services in the amount of \$200,000.00.

CONTRACTOR/SUB/VENDOR INFORMATION

PRIME: Raftelis Financial Consultant, Inc. 1031 S. Caldwell Street, Suite 100 Charlotte, North Carolina 28203	SUBS: N/A	PARTICIPATION: N/A
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DESCRIPTION AND PURPOSE

Original Contract Value:	\$100,000.00
Original Contract Dates:	07-02-2010—07-01-2011
No. of Option Years in Contract:	4
Option Year (1-3) Value:	\$435,000.00
Option Year (1-3) Dates:	07-02-2011—07-01-2014
Contract Modification Value:	\$370,995.00
Contract Modification Dates:	12-01-2010—07-01-2012
Fourth Option Value:	\$200,000.00
Fourth Option Dates:	07-02-2014—07-01-2015

Purpose of the Contract:

To contract for the provision of financial consultant services for the District of Columbia Water and Sewer Authority's Finance and Budget Department.

Spending Previous Year:

Cumulative Contract Value:	07-02-2010 to 07-01-2014— \$905,995.00
Cumulative Contract Spending:	07-02-2010 to 04-30-2014— \$616,464.63

Contractor's Past Performance:

The contractor's past performance has been satisfactory.

PROCUREMENT INFORMATION

Contract Type:	Firm Fixed Labor Hour	Award Based On:	Highest Rated Proposal
Commodity:	Financial Consultant Services	Contract Number:	WAS-10-033-AC-JR
Contractor Market:	Open Market with Preference Points for Local and Small Business Enterprise		

BUDGET INFORMATION

Funding:	Operational	Department:	Finance, Accounting and Budget
Service Area:	DC Water wide	Department Head:	Mark Kim

ESTIMATED USER SHARE INFORMATION

User	Share %	Dollar Amount
District of Columbia	100%	\$ 200,000.00
TOTAL ESTIMATED DOLLAR AMOUNT	100.00%	\$ 200,000.00

 5-19-14
 Katy Chang Date
 Acting Director of Procurement

 5/19/14
 Gail Alexander - Reeves Date
 Director of Budget

for  5/19/14
 Mark Kim Date
 Chief Financial Officer

 George S. Hawkins Date
 General Manager



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

Thursday, June 26, 2014; 11:00 a.m.
Blue Plains Wastewater Treatment Plant
5000 Overlook Avenue, SW, DC
AGENDA

Call to Order	Chairman
May 2014 Financial Report	Budget Director, Treasury & Debt Manager
Agenda for July Committee Meeting	Chairman
Adjournment	Chairman

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