



DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY

Board of Directors

Finance and Budget Committee

Thursday, October 22, 2015

11:00 a.m.

1. **Call to Order**.....Timothy L. Firestine, Chairperson
2. **September 2015 Financial Report (Attachment 1)**.....Gail Alexander-Reeves
3. **Series 2015 A/B Bond Issue Update (Attachment 2)**.....Robert Hunt
4. **Blue Horizon 2020 Progress (Attachment 3)**Sarah Neiderer
5. **Capital Improvement Program Quarterly Report (Attachment 4)**.....Liliana Maldonado
6. **Risk Management Update (Attachment 5)**Tanya DeLeon
7. **Action Items**
 - A. **Approval for ROCIP IV Insurance Premium (Attachment 6)**Tanya DeLeon
8. **Agenda for November Committee Meeting (Attachment 7)**.....Timothy L. Firestine
9. **Executive Session***
10. **Adjournment**

FOLLOW-UP ITEMS –Follow-up Items from the meeting held September 10, 2015.

1. Provide an update on the Digester project and fiscal impact analysis. (Chairperson Firestine) **Status:** *Will be provided to the Committee in November.*
2. Brief Committee and seek approval before executing final agreement with the District government regarding RFK bill dispute. (Mr. Mallet) **Status:** *To be discussed in executive session.*
3. Provide Committee debrief on bond sale. (Chairperson Firestine) **Status:** *Will be provided during Agenda Item 3 at the meeting.*

* The DC Water Board of Directors may go into executive session at this meeting pursuant to the District of Columbia Open Meetings Act of 2010, if such action is approved by a majority vote of the Board members who constitute a quorum to discuss: matters prohibited from public disclosure pursuant to a court order or law under D.C. Official Code § 2-575(b)(1); contract negotiations under D.C. Official Code § 2-575(b)(1); legal, confidential or privileged matters under D.C. Official Code § 2-575(b)(4); collective bargaining negotiations under D.C. Official Code § 2-575(b)(5); facility security under D.C. Official Code § 2-575(b)(8); disciplinary matters under D.C. Official Code § 2-575(b)(9); personnel matters under D.C. Official Code § 2-575(b)(10); proprietary matters under D.C. Official Code § 2-575(b)(11); decision in an adjudication action under D.C. Official Code § 2-575(b)(13); civil or criminal matters where disclosure to the public may harm the investigation under D.C. Official Code § 2-575(b)(14), and other matters provided in the Act.



Fiscal Year 2015

Monthly Financial Report

Period Ending September 30, 2015

DEPARTMENT OF FINANCE, ACCOUNTING & BUDGET

Mark Kim, Chief Financial Officer

Gail Alexander-Reeves, Director, Budget

Robert Hunt, Director, Finance

Syed Khalil, Manager, Financial Planning & Revenues

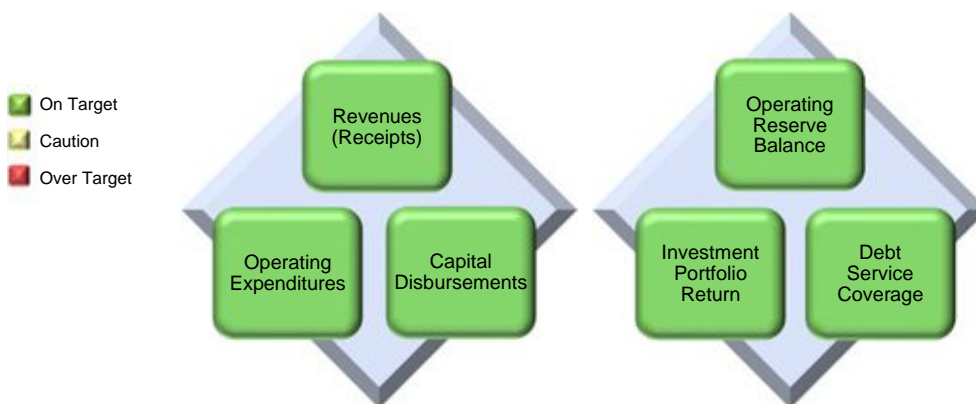
John Madrid, Controller

Monthly Financial Report

SEPTEMBER 2015

EXECUTIVE SUMMARY

DC Water ended FY 2015 favorably with estimated revenues above budget and operating expenditures and capital disbursements below budget. The year-to-date actual numbers below are estimates and subject to change based on results of the annual financial statement audit.



(\$ in millions)

	Budget	Actual	Variance Favorable (Unfavorable)		Actual % Budget
Revenues (Receipts)	\$542.6	\$546.1	\$3.5	0.6%	101%
Expenditures	\$516.0	\$458.2	\$57.7	11.2%	89%
Capital Disbursements	\$625.3	\$589.2	\$36.1	5.8%	94%

Highlights:

- The audit of the FY 2015 financial statements is currently underway and will be conducted in accordance with auditing standards generally accepted in the United States
- The CEO/GM's Proposed FY 2017 budget briefing (Operating, 10-year CIP and 10-year Financial Plan) at Budget Workshop immediately following the board meeting on November 5, 2015
- DC Water issued \$350 million in tax-exempt fixed rate bonds. This included the Authority's second green bond issuance of \$100 million

Mark T. Kim, Chief Financial Officer

Monthly Financial Report

Fiscal Year-to-Date
As of September 30, 2015

Operating Revenues (\$000's)

Category	BUDGET	ACTUAL	ACTUAL %	VARIANCE \$	VARIANCE %
			BUDGET	Fav/(Unfav)	Fav/(Unfav)
Res. / Comm. / Multi.	\$291,347	\$291,867	100.2%	\$520	0.2%
Federal	58,695	59,171	100.8%	477	0.8%
Municipal (DC Govt.)	15,735	12,894	81.9%	(2,841)	(18.1%)
DC Housing	7,472	6,968	93.3%	(504)	(6.7%)
Metering Fee	10,776	11,111	103.1%	335	3.1%
Wholesale	81,365	81,230	99.8%	(135)	(0.2%)
PILOT/ROW	20,547	22,098	107.5%	1,551	7.5%
All Other	56,706	60,756	107.1%	4,051	7.1%
TOTAL	\$542,643	\$546,096	100.6%	\$3,453	0.6%

VARIANCE ANALYSIS FOR MAJOR REPORTED ITEMS

At the end of September 2015, cash receipts totaled \$546.1 million, or 100.6 percent of the revised FY 2015 budget. Several categories of customers make payments on a quarterly basis, including the Federal and wholesale customers.

District Government – Receipts are lower at \$12.9 million or 81.9 percent of the revised budget. As previously discussed with the Committee, the short payment is due to DC Government disputing the Clean Rivers Impervious Surface Area Charges (CRIAC) associated with RFK Stadium. The DC Events/Sports Authority, which falls under Commercial category, paid \$2.6 million on October 5, 2015 (FY 2016), which will be reflected in next month's report. Additional information will be provided in the executive session at the meeting.

DC Housing Authority – Receipts are lower at \$7.0 million or 93.3 percent of the revised budget. The DC Housing Authority has not paid August billed amount of \$807,477.89. The payment is expected to be received in October (FY 2016).

Other Revenue – Receipts are slightly higher than the straight-lined budget at \$60.8 million or 107.1 percent of the budgeted category primarily due to increase in Fire Protection Fee in FY 2015 by approximately \$4 million based on February 2015 Cost of Service Study.

Monthly Financial Report

Fiscal Year-to-Date
As of September 30, 2015

Operating Expenditures (\$000's)

Category	BUDGET	ACTUAL	ACTUAL %	VARIANCE \$	VARIANCE %
			BUDGET	Fav/(Unfav)	Fav/(Unfav)
Personnel	\$135,544	\$134,263	99.1%	\$1,281	0.9%
Contractual Services	76,944	70,535	91.7%	6,409	8.3%
Water Purchases	28,831	29,200	101.3%	(369)	(1.3%)
Supplies & Chemicals	36,187	31,332	86.6%	4,855	13.4%
Utilities	30,416	31,261	102.8%	(845)	(2.8%)
Small Equipment	1,028	536	52.1%	492	47.9%
SUBTOTAL O&M	\$308,950	\$297,127	96.2%	\$11,823	3.8%
Debt Service	160,264	140,671	87.8%	19,593	12.2%
PILOT/ROW	26,687	20,437	76.6%	6,250	23.4%
Cash Financed Capital Improvements	20,058	0	0.0%	20,058	100.0%
TOTAL OPERATING	\$515,959	\$458,235	88.8%	\$57,724	11.2%
Capital Labor	(17,266)	(18,741)	108.5%	1,475	(8.5%)
TOTAL NET OPERATING	\$498,693	\$439,494	88.1%	\$59,199	11.9%

VARIANCE ANALYSIS FOR MAJOR REPORTED ITEMS

At the end of fiscal year 2015, operating expenditures are at 88.8 percent of the budget and consistent with previously reported year-end projections. CFCI was not used this fiscal year. These numbers include estimated, incurred but unpaid, invoices and are subject to results of the final year-end closeout process.

Personnel Services – The year-end estimated spending is consistent with expectation and reflects increased hiring efforts to reduce Authority-wide vacancies and higher overtime during the extreme cold season. Of the 1260 positions authorized, 1127 positions were filled and 11% vacancy rate. The capital labor charges are higher than expectation due to realignment of costs for employees working on designated capital projects.

Contracts - Underspending is attributable to various contracts throughout the Authority. This includes materialized savings from biosolids hauling costs which assumed 647 wet tons a day in contrast to the annual average of 581 and the impact of the delayed fee of \$4 million contract to operate the CHP Project, which is undergoing acceptance testing for the next few months.

Supplies & Chemicals – Underspending in parts and supplies reflects lower than planned issuances from the warehouse. Chemicals expenditures are estimated at \$4.1 million below budget because of lower demand for both sodium hydroxide and methanol due to lower than anticipated ammonia nitrogen load in the recycle from thermally hydrolyzed digested solids and savings in polymers due to better performance of Pre-Dewatering Centrifuges and Final Dewater Belt Filter Press equipment.

Utilities – Overspending is mainly in the areas of natural gas and water usage costs. With the CHP project which became operational in June, the unplanned use of natural gas for steam production and the associated cost of \$1.5 million has been reclassified from operating to capital. Additionally, the high water usage attributable to the overbilling in the Blue Plains accounts for the Clean Rivers and CHP meters has been corrected. High water usage for Sewer Service is due to a reconciliation of estimated reads versus actuals crossing two fiscal years. Further investigation and review, are ongoing.

Debt Service – Underspending is primarily due to lower interest rates on existing debt and the issuance of additional debt later in the calendar year (FY 2016) than originally planned.

Payment In Lieu of Taxes (PILOT) – Expenditures of \$15.3 million is based on the current MOU with the District which totals \$15.3 million.

Cash Financed Capital Improvements (CFCI) – No budget transfer executed during FY 2015 because of favorable O&M position, pending final year-end closeout.

Monthly Financial Report

Fiscal Year-to-Date
As of September 30, 2015

Capital Disbursements (\$000's)

Service Area	BUDGET	ACTUAL	ACTUAL %	VARIANCE \$	VARIANCE %
			BUDGET	Fav/(Unfav)	Fav/(Unfav)
Wastewater	\$206,260	\$210,024	101.8%	(\$3,764)	(1.8%)
Sanitary Sewer	40,258	39,363	97.8%	895	2.2%
Combined Sewer Overflow	271,101	246,512	90.9%	24,589	9.1%
Stormwater	2,559	1,374	53.7%	1,185	46.3%
Water	65,006	64,861	99.8%	145	0.2%
SUBTOTAL: CAPITAL PROJECTS	\$585,183	\$562,134	96.1%	\$23,050	3.9%
Capital Equipment	22,191	9,351	42.1%	12,840	57.9%
Automated Meter Reading (AMR)	5,314	5,870	110.5%	(556)	(10.5%)
Customer Information System (CIS)	2,586	61	2.4%	2,525	97.6%
Washington Aqueduct	10,000	11,750	117.5%	(1,750)	(17.5%)
SUBTOTAL: ADD'L CAPITAL PROGRAMS	\$40,091	\$27,033	67.4%	\$13,058	32.6%
TOTAL	\$625,274	\$589,167	94.2%	\$36,107	5.8%

VARIANCE ANALYSIS FOR MAJOR REPORTED ITEMS

At the end of the year, capital disbursements are at 94.2 percent of the revised FY 2015 budget and consistent with previously reported year-end projections.

Capital Projects - Capital projects implementation performance has been nominal. Project performance for the 3rd quarter will be presented by DETS during the Finance and Budget Committee meeting on October 22, 2015. The year-end project performance will be reviewed in detail as part of the quarterly CIP update by DETS in the Environmental Quality and Sewerage Services Committee meeting on November 19, 2015.

Capital Equipment - The favorable position is driven by the unspent reserve funds in the Office of the CFO to accommodate requests for projects Authority-wide. Other contributors include available Capital Project funds for similar work, pending prioritization of various system implementations, and inventory coding challenges with Materials Management. Procurement is working with core business staff to retrain personnel on work order coding and improve efficiencies in Materials Management system.

CIS - Lower than anticipated spending for Customer Information and Billing System (CIS) driven by postponement of CIS project to FY 2016.

Washington Aqueduct - Higher disbursements represents DC Water's PAYGO share of capital expenditures for the fourth quarter of FY 2014, with spending primarily in the following projects:

- McMillian East Shaft Pumping Station
- Georgetown Reservoir Building Improvements
- McMillian Clearwell Maintenance and Improvements North Facility

Monthly Financial Report

Fiscal Year-to-Date
As of September 30, 2015

Cash Investments and Insurance (\$ in millions)

Cash Balances

Rate Stabilization Fund Account (RSF)	\$32.5
DC Insurance Reserve	1.0
Operating Reserve Accounts	160.1
Operating Cash Balance Including RSF	\$193.6
Debt Service Reserve - Series 1998	23.6
Bond Fund- Construction Fund 2014A	67.6
Reserves and Bond Proceeds	91.2
Total All Funds	\$284.8

OVERALL PORTFOLIO PERFORMANCE

- The operating reserve balance was \$160.1 million as compared to the operating reserve level objective of \$125.5 million for FY 2015
- Average cash balance for the month of September was \$163.2 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 September (on a cash basis) was \$65,692 and year-to-date total is above budget at \$742,082
- A detailed investment performance report is attached

Monthly Financial Report

Fiscal Year-to-Date
As of September 30, 2015

Cash Flow Summary (\$000's)

	Annual Budget Cash Basis	YTD Actual Cash
OPERATING BUDGET		
Cash Provided		
Retail	\$384,025	\$382,011
Wholesale	81,365	81,230
Other	69,634	75,250
Transfer from Rate Stabilization Fund	7,500	7,500
Total Cash Provided	542,524	545,992
Operating Cash Used		
Personnel Services	118,278	115,793
Contractual Services	76,944	74,331
Chemicals & Supplies	36,187	32,973
Utilities	30,416	21,951
Water Purchases	28,831	27,912
Small Equipment	1,028	527
Total Operating Cash Used	291,684	273,486
Defeasance D.S./Cash Financed Capital Improvements	20,229	
Other Cash Used		
Debt Service	163,242	140,671
Payment In Lieu of Taxes/Right of Way	20,437	20,437
Total Other Cash Used	183,680	161,109
Total Cash Used	495,592	434,595
Net Cash Provided (Used) by Operating Act.	46,931	111,397
CAPITAL BUDGET		
Cash Provided		
Debt Proceeds	261,361	290,589
Transfer from Operations	20,229	
EPA Grants	51,771	21,819
CSO Grants	22,200	46,336
Interest Income	429	977
Wholesale Capital Contributions	227,745	145,394
Total Cash Provided	583,735	505,114
Cash Used		
DC Water Capital Program	615,275	577,416
Washington Aqueduct Projects	10,000	11,750
Total Cash Used	625,275	589,166
Net Cash/PAYGO Provided (Used) by Cap. Act.	(\$41,540)	(\$84,052)
Beginning Balance, October 1 (Net of Rate Stab. Fund) Projected	\$157,642	\$157,642
Plus (Less) Operating Surplus	46,931	111,397
Wholesale Customer Refunds from Prior Years/ROW	(18,100)	(2,483)
Interest Earned From Bond Reserve	120	104
Transfer to Rate Stabilization Fund		(17,500)
Prior Year Federal Billing Reconciliation	(5,053)	(5,053)
Customer Rebate		
Cash Used for Capital	(41,540)	(84,052)
Balance Attributable to O&M Reserve	\$140,000	\$160,055
OTHER CASH RESERVES		
Rate Stabilization Fund	\$32,450	
DC Insurance Reserve	\$1,039	

CSO Long-Term Control Plan Appropriation

Monthly Financial Report

APPENDIX

Operating Revenues Detail.....	9
Retail Accounts Receivable	10
Overtime by Department	11
Capital Disbursements Detail	12
Accounts Payable Report	13
Grants Report	14
Investment Report	15

Monthly Financial Report

Fiscal Year-to-Date
As of September 30, 2015

Operating Revenues Detail

(\$ in millions)

Revenue Category	Budget	Actual	Variance Favorable / (Unfavorable)		% of Budget
Residential, Commercial, and Multi-family	\$291.3	\$291.9	\$0.6	0.2%	100.2%
Federal	58.7	59.2	0.5	0.8%	100.8%
District Government	15.7	13.0	(2.8)	-18.1%	81.9%
DC Housing Authority	7.5	7.0	(0.5)	-6.7%	93.3%
Customer Metering Fee	10.8	11.1	0.3	3.1%	103.1%
Wholesale	81.4	81.2	(0.1)	-0.2%	99.8%
Right-of-Way Fee/PILOT	20.6	22.1	1.5	7.5%	107.5%
Subtotal (before Other Revenues)	\$485.9	\$485.4	-\$0.5	-0.1%	99.9%
Other Revenue without RSF					
IMA Indirect Cost Reimb. For Capital Projects	10.0	9.5	(0.5)	-4.6%	95.4%
DC Fire Protection Fee	6.9	10.8	3.9	56.5%	156.6%
Stormwater (MS4)	1.0	0.9	(0.1)	10.0%	90.0%
Interest	0.6	0.8	0.2	33.3%	133.3%
Developer Fees (Water & Sewer)	7.7	8.0	0.3	3.9%	114.3%
Others	23.0	23.2	0.2	0.9%	100.9%
Subtotal	\$49.2	\$53.2	\$4.1	8.3%	108.3%
Rate Stabilization Fund Transfer	\$7.5	\$7.5	\$0.0	0.0%	100.0%
Other Revenue Subtotal	\$56.7	\$60.7	\$4.1	7.1%	107.1%
Grand Total	\$542.6	\$546.1	\$3.5	0.6%	100.6%

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

Customer Category	FY 2015 Budget	Actual	Variance Favorable / <Unfavorable>	Variance % of Budget	Actual % of Budget
Residential	\$21,241.00	\$22,357.26	\$1,116.26	5%	105%
Commercial	26,211	31,290	5,079	19%	119%
Multi-family	8,199	8,225	26	0%	100%
Federal	15,787	15,787	0	0%	100%
District Govt	9,434	7,333	(2,101)	-22%	78%
DC Housing Authority	981	1,009	28	3%	103%
Total:	\$81,853	\$86,002	\$4,149	5%	105%

Customer Category	Water	Sewer	Clean Rivers		Total
			IAC	Metering Fee	
Residential	\$30,852	\$37,556	\$22,357	\$5,057	\$95,821
Commercial	50,942	52,492	31,290	3,482	138,205
Multi-family	26,518	31,636	8,225	1,190	67,569
Federal	22,256	21,128	15,787	813	59,985
District Govt	2,502	3,058	7,333	433	13,327
DC Housing Authority	2,699	3,259	1,009	136	7,104
Total:	\$135,769	\$149,129	\$86,002	\$11,111	\$382,011

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

Monthly Financial Report

Fiscal Year-to-Date
As of September 30, 2015

Retail Accounts Receivable (Delinquent Accounts)

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

Greater Than 90 Days by Month

	\$ in millions	# of accounts
September 30, 2012	\$5.5	13,063
September 30, 2013	\$4.9	11,920
September 30, 2014	\$5.3	12,442
October 31, 2014	\$5.4	12,034
November 30, 2014	\$5.6	12,261
December 31, 2014	\$6.5	13,180
January 31, 2015	\$6.5	13,111
February 28, 2015	\$6.2	13,132
March 31, 2015	\$6.2	12,866
April 30, 2015	\$6.1	12,187
May 31, 2015	\$6.5	12,516
June 30, 2015	\$6.5	12,865
July 31, 2015	\$6.6	12,349
August 31, 2015	\$6.6	12,192
September 30, 2015	\$6.5	11,981

Greater Than 90 Days by Customer

	Number of Accounts			Month of September (All Categories)				Total Delinquent					
	W & S a/c	Impervious Only a/c	Total No. of a/c	Active		Inactive		No. of a/c Aug	Amount (\$)	No. of a/c Sept	Amount (\$)		%
				No. of a/c	Amount (\$)	No. of a/c	Amount (\$)						
Commercial	10,801	3,293	14,094	1,153	1,365,995	170	129,505	1,334	\$ 1,503,543	1,323	\$ 1,495,500	23%	
Multi-family	8,139	449	8,588	682	1,574,106	161	87,118	853	1,737,053	843	\$ 1,661,224	27%	
Single-Family Residential	105,735	3,291	109,026	7,462	2,668,584	2,353	657,006	10,005	3,310,430	9,815	\$ 3,325,590	51%	
Total	124,675	7,033	131,708	9,297	\$ 5,608,685	2,684	\$ 873,629	12,192	\$ 6,551,026	11,981	\$ 6,482,314	100%	

Notes: Included in the above \$5.61M (or 9,297 accounts) of the DC Water Over 90 days delinquent accounts, \$2,009,428.86 (or 2,230 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 September 30, 2015

Overtime by Department

Department	FY 2015			
	Budget	Actual	Actual % of Budget	% of Regular Pay
Office of the Board Secretary	\$4,000	\$15,133	378.3%	7.0%
General Manager	5,000	11,243	224.9%	0.7%
General Counsel	2,000	0	0.0%	0.0%
External Affairs	27,000	843	3.1%	0.1%
Internal Audit	0	0	0.0%	0.0%
Information Technology	20,000	15,447	77.2%	0.6%
Procurement	30,000	28,723	95.7%	1.2%
Customer Service	240,000	266,299	111.0%	3.2%
Finance, Accounting & Budget	30,000	35,533	118.4%	0.7%
Assistant General Manager - Support Services	1,030	3,175	308.3%	1.0%
Human Capital Management	5,000	3,987	79.7%	0.1%
Occupational Safety and Health	2,000	414	20.7%	0.0%
Facilities Management	200,000	234,944	117.5%	5.9%
Department of Security	0	57	0.0%	0.0%
Distribution and Conveyance System	553,000	804,324	145.4%	13.7%
Engineering and Technical Services	1,070,000	1,278,014	119.4%	7.4%
Water Services	960,000	1,635,658	170.4%	14.1%
Clean Rivers	5,000	0	0.0%	0.0%
Sewer Services	767,000	880,148	114.8%	11.7%
Wastewater Treatment - Operations	1,233,890	1,216,487	98.6%	12.2%
Wastewater Treatment - Process Engineering	100,000	62,583	62.6%	2.5%
Maintenance Services	800,000	967,062	120.9%	11.5%
Permit Operations	11,000	1,821	16.6%	0.1%
Fleet Management	2,000	5,411	270.6%	0.9%
Total DC WATER	\$6,067,920	\$7,467,307	123.1%	7.8%

- Overtime cost to date includes 11 days of accrual
- Engineering and Technical Services department includes overtime that will be charged/transferred to capital projects as part of the year-end close out process by the Accounting department

Monthly Financial Report

Fiscal Year-to-Date
As of September 30, 2015

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

	Budget	Actual			
Service Areas	Annual	Oct 2014 - Aug 2015	Sep 2015	Total	% of Budget
WASTEWATER TREATMENT					
Liquid Processing Projects	\$20,566	\$17,547	\$985	\$18,533	90.1%
Plantwide Projects	18,322	16,278	2,019	18,297	99.9%
Solids Processing Projects	58,333	46,979	5,404	52,382	89.8%
Enhanced Nitrogen Removal Facilities	109,039	106,727	14,085	120,812	110.8%
Subtotal	206,260	187,531	22,493	210,024	101.8%
SANITARY SEWER					
Sanitary Collection Sewers	5,933	516	3	518	8.7%
Sanitary On-Going Projects	8,256	16,415	253	16,668	201.9%
Sanitary Pumping Facilities	1,377	872	689	1,562	113.4%
Sanitary Sewer Program Management	10,106	6,880	423	7,303	72.3%
Sanitary Interceptor/Trunk Force Sewers	14,586	12,289	1,023	13,311	91.3%
Subtotal	40,258	36,972	2,391	39,363	97.8%
COMBINED SEWER OVERFLOW					
CSO Program Management	4,423	4,747	353	5,100	115.3%
Combined Sewer Projects	10,769	10,339	1,202	11,541	107.2%
D.C. Clean Rivers Project	255,909	207,950	21,921	229,871	89.8%
Subtotal	271,101	223,036	23,476	246,512	90.9%
STORMWATER					
Stormwater Local Drainage	28	231	32	263	940.0%
Stormwater On-Going Program	489	697	-	697	142.5%
Stormwater Pumping Facilities	-	-	-	-	0.0%
DDOT Stormwater Program	27	-	-	-	0.0%
Stormwater Research and Program Management	518	227	123	350	67.6%
Stormwater Trunk/Force Sewers	1,497	28	36	64	4.3%
Subtotal	2,559	1,183	191	1,374	53.7%
WATER					
Water Distribution Systems	33,291	30,763	3,489	34,252	102.9%
Water Lead Program	2,350	2,089	119	2,209	94.0%
Water On-Going Projects	7,070	8,941	791	9,732	137.7%
Water Pumping Facilities	6,074	6,314	150	6,463	106.4%
DDOT Water Projects	2,121	493	-	493	23.2%
Water Storage Facilities	6,323	2,986	740	3,726	58.9%
Water Projects Program Management	7,777	7,937	49	7,986	102.7%
Subtotal	65,006	59,524	5,338	64,861	99.8%
Capital Projects	585,183	508,245	53,889	562,134	96.1%
CAPITAL EQUIPMENT and AMR/CIS					
Capital Equipment	22,191	8,414	937	9,351	42.1%
Automated Meter Reading	5,314	5,395	475	5,870	110.5%
Customer Information System	2,586	61	0	61	2.4%
Subtotal	30,091	13,870	1,412	15,283	50.8%
WASHINGTON AQUEDUCT	10,000	11,750	-	11,750	117.5%
Additional Capital Projects	40,091	25,621	1,412	27,033	67.4%
Total	\$625,274	\$533,865	\$55,302	\$589,167	94.2%

Monthly Financial Report

Fiscal Year-to-Date
As of September 30, 2015

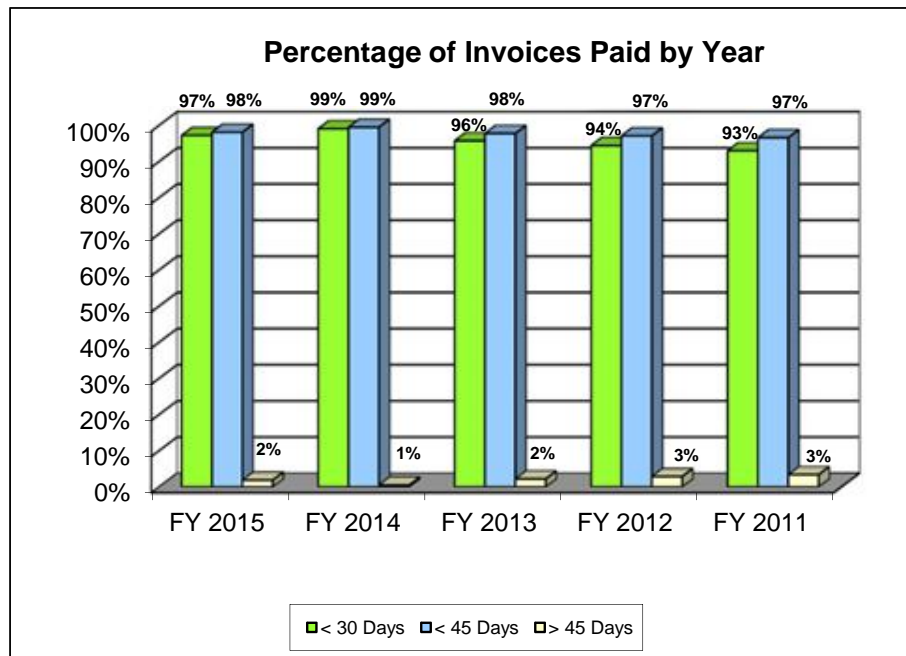
Accounts Payable

For fiscal year 2015, a total of 18,958 vendor payments were processed and paid with 30 days compared to 17,236 in FY 2014 (as shown in the table below) and with a dollar value of \$830.1 million compared to \$861.3 million for FY 2014.

For FY 2015, approximately 97.2% of the invoices were paid within 30 days compared to 99.1% for FY 2014. The Authority's goal is to pay 97% of all undisputed invoices within 30 days.

Accounts Payable Performance				
Days	FY 2015		FY 2014	
	Number	Percent	Number	Percent
Less than 30	18,958	97.2%	17,236	99.1%
Less than 45	19,130	98.1%	17,306	99.5%
Greater than 45	366	1.9%	89	0.5%
Sub-Total	19,496	100%	17,395	100%
Retainage/Dispute	455		452	
Total	19,951		17,847	

The chart below shows cumulative year to date historical performance for fiscal year 2011 through fiscal year 2015.



Monthly Financial Report

Fiscal Year-to-Date
As of September 30, 2015

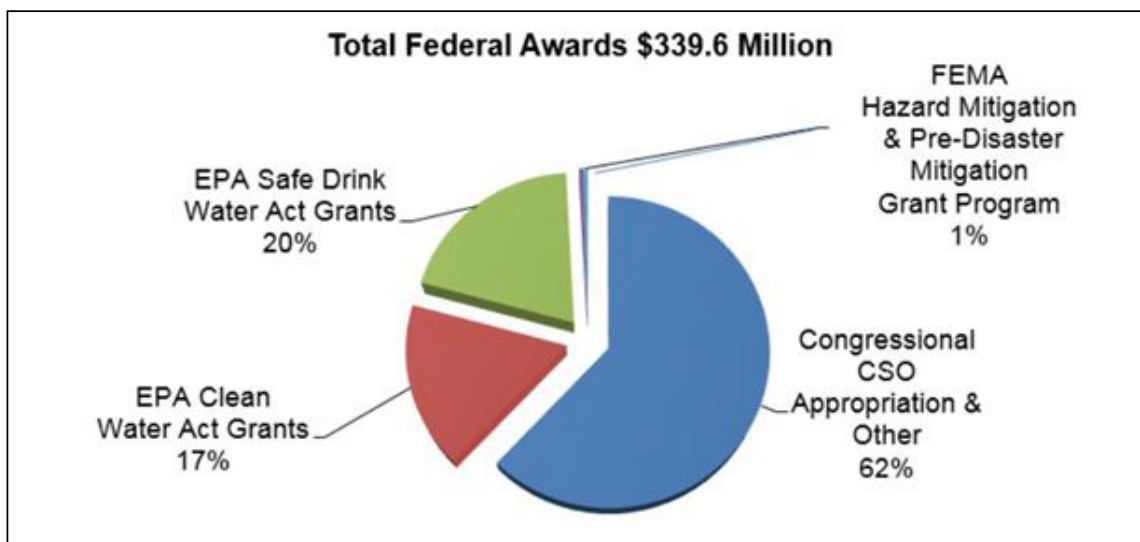
Grants Report

The Authority currently receives grants to fund portions of its capital project costs from the U.S. Environmental Protection Agency (EPA) and starting in Fiscal Year 2015 additional grants awarded from the Federal Emergency Management Agency (FEMA).

The EPA grants are issued under two acts, the Clean Water Act of 1972 and the Safe Drinking Water Act of 1974.

The FEMA mitigation grants are issued under the Robert T. Stafford Disaster Relief and Emergency Assistance Act through the Hazard Mitigation Grant Program (HMGP) act of 1993 and the Pre-Disaster Mitigation Grant Program (PDM) act of 2000.

As of September 30 2015, DC Water has a total of \$339.6 million awarded in federal funds for active projects, of which CSO appropriations total \$210.8 million, EPA Grants total \$125.9 million and FEMA Grants total \$2.9 million.



DC Water has received sixteen separate Congressional CSO appropriations totaling \$210.8 million plus accrued interest of \$12.3 million resulting in total CSO funding of \$223.1 million. The cumulative CSO appropriation life-to-date cash disbursement for requested reimbursement is \$223.1 million through September 30, 2015 which has depleted all the CSO appropriations funding.

The remaining balance of the EPA funding as of September 30, 2015 is \$26.5 million and FEMA's funding balance remains the same at \$2.9 million.



Budget & Finance Committee Briefing

2015A/B Bond Issuance Summary

October 22, 2015

Series 2015A/B Bond Transaction Highlights



☐ ***DC Water achieved significant objectives with the 2015A/B Bond Sale***

- Successfully placed \$350 million in subordinate lien bonds to fund Clean Rivers and other capital improvements
 - Successfully locked in a borrowing cost of 3.89% for 30-year debt, among the lowest average interest rate for any DC Water new money borrowing
 - Greater than \$475 million in priority orders with key orders from large institutional investors that anchored demand for the transaction
- Series 2015A Bonds for Clean Rivers certified as DC Water's second "Green Bond"
 - Appealed to investors focused on "Socially Responsible Investments"
 - Received positive feedback from investors and other third parties on certification
- Investor outreach program was successful
 - DC Investor conference on September 24-25 attracted more than 25 institutional investors, and DC Water met with several institutional investors in 1x1 meetings
 - DC Water conducted tour of Blue Plains for more than 10 largest investors
 - Included media campaign for the 2015 Bonds, including radio and Internet ads
- Received affirmation of ratings and outlook from all 3 rating agencies
 - Provided all agencies with update on the CIP and other material developments
 - Financing plan was well received

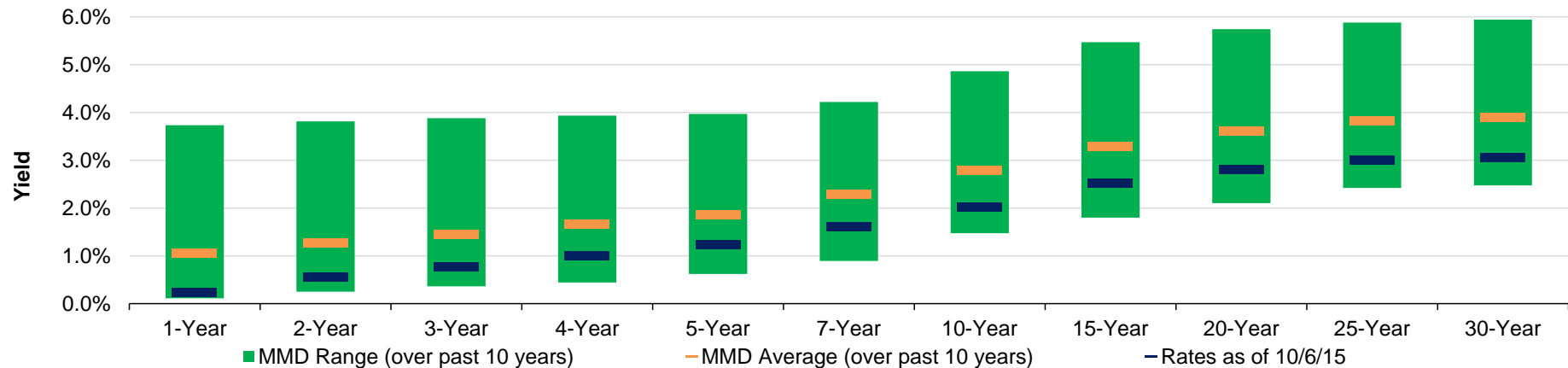
Market Overview

Historical Tax-Exempt Interest Rates



Focus on market conditions allowed DC Water to nimbly access the capital markets and execute at favorable rates near historical lows

MMD Rate Range History



Recent Interest Rate History

Summary of Current vs. Historical (last 10 years) MMD Rates

Statistic	1-Year	2-Year	3-Year	4-Year	5-Year	7-Year	10-Year	15-Year	20-Year	25-Year	30-Year
October 6, 2015	0.23%	0.55%	0.77%	0.99%	1.23%	1.60%	2.01%	2.52%	2.80%	2.99%	3.06%
10-Year Avg.	1.04%	1.26%	1.45%	1.65%	1.86%	2.29%	2.79%	3.28%	3.60%	3.82%	3.88%
Spread to Avg.	-0.81%	-0.71%	-0.68%	-0.66%	-0.63%	-0.69%	-0.78%	-0.76%	-0.80%	-0.83%	-0.82%
Min.	0.11%	0.25%	0.36%	0.44%	0.62%	0.89%	1.47%	1.80%	2.10%	2.42%	2.47%
Spread to Min.	0.12%	0.30%	0.41%	0.55%	0.61%	0.71%	0.54%	0.72%	0.70%	0.57%	0.59%
Max.	3.73%	3.81%	3.88%	3.93%	3.97%	4.22%	4.86%	5.47%	5.74%	5.88%	5.94%
Spread to Max.	-3.50%	-3.26%	-3.11%	-2.94%	-2.74%	-2.62%	-2.85%	-2.95%	-2.94%	-2.89%	-2.88%

Historical Tax-Exempt Interest Rates

MMD Rate Progression



❑ **MMD rates remain low, and DC Water went to market , amidst lowest rates in months**

MMD	1Y Prior 10/6/2014	6M Prior 4/7/2015	3M Prior 7/6/2015	1M Prior 9/8/2015	B&F Meeting 9/10/2015	10/1/2015	10/2/2015	10/5/2015	10/6/2015	10/7/2015	10/8/2015
1-Year	0.13%	0.19%	0.30%	0.23%	0.23%	0.23%	0.23%	0.23%	0.23%	0.23%	0.23%
2-Year	0.37%	0.51%	0.64%	0.61%	0.61%	0.57%	0.55%	0.55%	0.55%	0.55%	0.55%
3-Year	0.60%	0.82%	0.94%	0.88%	0.89%	0.81%	0.77%	0.77%	0.77%	0.77%	0.77%
4-Year	0.88%	1.05%	1.12%	1.14%	1.17%	1.03%	0.99%	0.99%	0.99%	0.99%	0.99%
5-Year	1.17%	1.22%	1.36%	1.38%	1.42%	1.27%	1.23%	1.23%	1.23%	1.23%	1.23%
6-Year	1.44%	1.38%	1.61%	1.65%	1.68%	1.45%	1.41%	1.41%	1.41%	1.41%	1.41%
7-Year	1.68%	1.57%	1.85%	1.83%	1.86%	1.64%	1.59%	1.60%	1.60%	1.60%	1.60%
8-Year	1.91%	1.70%	2.00%	1.98%	2.01%	1.81%	1.76%	1.78%	1.78%	1.79%	1.80%
9-Year	2.04%	1.82%	2.13%	2.09%	2.12%	1.92%	1.87%	1.90%	1.90%	1.91%	1.93%
10-Year	2.12%	1.92%	2.26%	2.20%	2.23%	2.03%	1.98%	2.01%	2.01%	2.02%	2.04%
11-Year	2.20%	2.04%	2.39%	2.32%	2.35%	2.14%	2.09%	2.12%	2.13%	2.14%	2.16%
12-Year	2.28%	2.16%	2.51%	2.41%	2.44%	2.25%	2.20%	2.23%	2.24%	2.25%	2.27%
13-Year	2.36%	2.28%	2.61%	2.50%	2.53%	2.34%	2.30%	2.33%	2.34%	2.35%	2.37%
14-Year	2.42%	2.36%	2.69%	2.59%	2.62%	2.43%	2.39%	2.42%	2.43%	2.44%	2.46%
15-Year	2.48%	2.43%	2.76%	2.67%	2.70%	2.52%	2.48%	2.51%	2.52%	2.53%	2.55%
16-Year	2.54%	2.49%	2.82%	2.74%	2.77%	2.59%	2.55%	2.58%	2.59%	2.60%	2.62%
17-Year	2.60%	2.54%	2.87%	2.79%	2.83%	2.65%	2.61%	2.64%	2.65%	2.66%	2.68%
18-Year	2.66%	2.58%	2.92%	2.84%	2.88%	2.70%	2.66%	2.69%	2.70%	2.71%	2.73%
19-Year	2.72%	2.62%	2.96%	2.88%	2.92%	2.75%	2.71%	2.74%	2.75%	2.76%	2.78%
20-Year	2.77%	2.65%	3.00%	2.91%	2.96%	2.80%	2.76%	2.79%	2.80%	2.81%	2.83%
21-Year	2.82%	2.68%	3.04%	2.95%	3.00%	2.84%	2.81%	2.84%	2.85%	2.86%	2.88%
22-Year	2.87%	2.70%	3.08%	2.98%	3.04%	2.88%	2.85%	2.88%	2.89%	2.90%	2.92%
23-Year	2.91%	2.72%	3.12%	3.01%	3.07%	2.92%	2.89%	2.92%	2.93%	2.94%	2.96%
24-Year	2.93%	2.74%	3.16%	3.04%	3.10%	2.95%	2.92%	2.95%	2.96%	2.97%	2.99%
25-Year	2.95%	2.75%	3.19%	3.07%	3.13%	2.97%	2.95%	2.98%	2.99%	3.00%	3.02%
26-Year	2.97%	2.76%	3.22%	3.09%	3.15%	2.99%	2.97%	3.00%	3.01%	3.02%	3.04%
27-Year	2.99%	2.77%	3.24%	3.11%	3.17%	3.01%	2.99%	3.02%	3.03%	3.04%	3.06%
28-Year	3.01%	2.78%	3.25%	3.12%	3.18%	3.02%	3.00%	3.03%	3.04%	3.05%	3.07%
29-Year	3.02%	2.79%	3.26%	3.13%	3.19%	3.03%	3.01%	3.04%	3.05%	3.06%	3.08%
30-Year	3.03%	2.80%	3.27%	3.14%	3.20%	3.04%	3.02%	3.05%	3.06%	3.07%	3.09%



Source: Thomson Reuters

Series 2015A/B Financing Summary



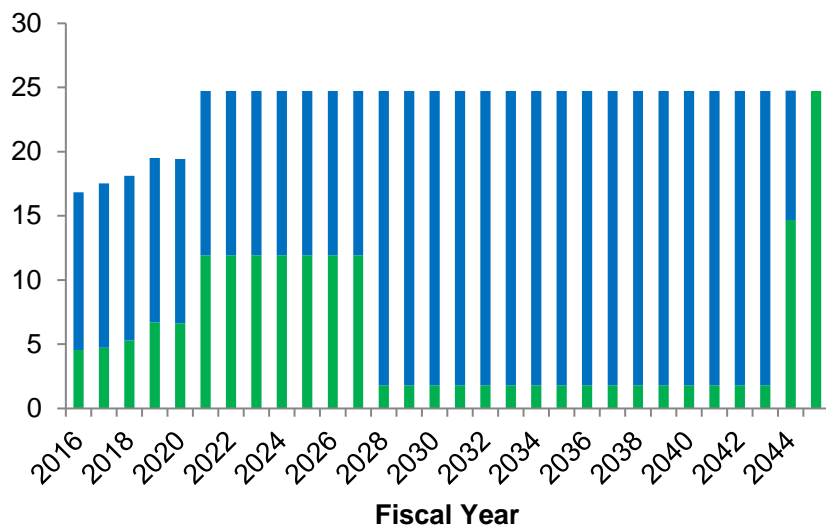
Series 2015A (Green Bonds)

- Sale Date: October 6, 2015 (retail/green order period October 5, 2015)
- Par Amount: \$100.0 million
- Purpose: New money for Clean Rivers Project
- Term: 30 years
- Tax Status: Tax-Exempt
- Debt Structure: Level debt service structure w/ 2015B

Series 2015B

- Sale Date: October 6, 2015
- Par Amount: \$250.0 million
- Purpose: New money for CIP and Series B CP note fix-out
- Term: 30 years
- Tax Status: Tax-Exempt
- Debt Structure: Level debt service structure w/ 2015A

Series 2015A/B Annual Debt Service (\$Millions)



Series	2015A	2015B	Total
Par Amount (\$)	100,000,000	250,000,000	350,000,000
Projects Funded (\$)	115,869,359	226,583,882	342,453,241
Refunded CP (\$)	-	62,000,000	62,000,000
Arbitrage Yield	3.09%	3.09%	3.09%
TIC	3.44%	4.05%	3.89%



■ Series 2015A (Green Bonds) ■ Series 2015B

Series 2015A Green Bond Highlights



☐ ***DC Water achieved a number of specific goals with the 2015A Green Bond Sale, notably targeted placement to retail investors and Green buyers***

- Series 2015A certified as DC Water's second "Green Bond" (other was Series 2014 Century Bonds)
- Formal certification by independent consultant Vigeo, along with ongoing compliance monitored by KPMG
- First DC Water tax-exempt debt offering certified as Green Bonds
- 2015A transaction offered priority to retail and Green investors during first day of order period (prior to offering to institutional investors) – the first program to offer priority orders for Green investors
- Coupon and debt structure tailored to maximized demand from Green investors
- Substantial investor interest in 2015A Bonds, particularly in years 2020-2027, with oversubscription in many maturities that allowed DC Water to lower yields
- Although no current proven price differential for Green Bonds, hope is that with market growth in green bonds will build investor base that does offer a price differential
- DC Water now has \$450 million of certified Green Bonds outstanding

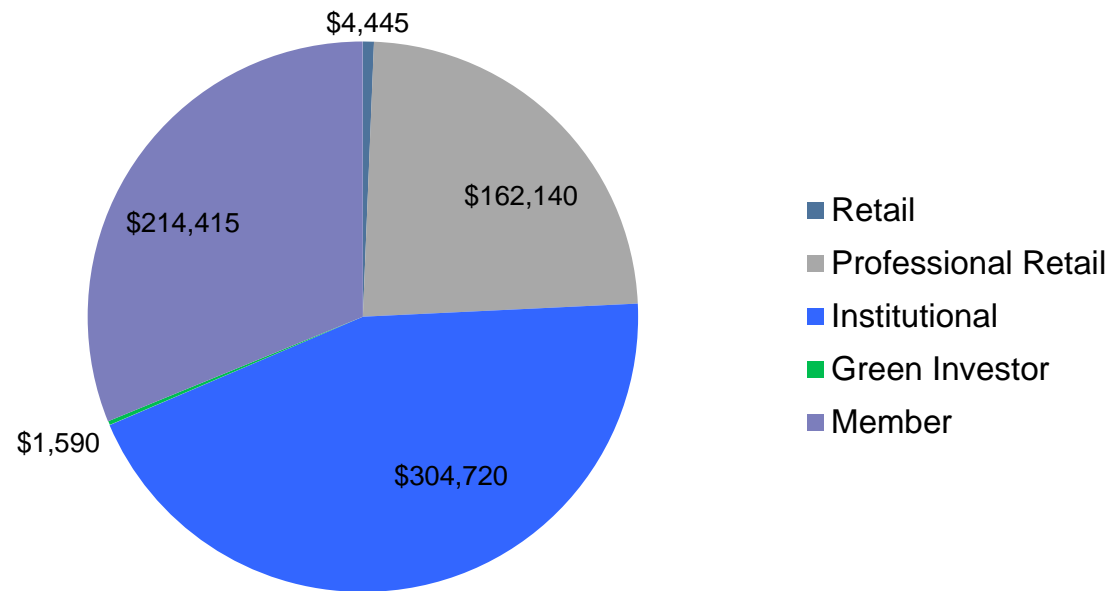


Retail and Green Fund Demand

☐ ***Dedicated retail/green order period played in DC Water's favor***

- DC Water offered the entirety (\$100 million) of Series A and \$11.2 million of Series B to verified retail or green investors during a day-long retail order period on October 5
- Approximately \$190 million in orders were received from retail and green investors alone
- Due to strong demand, the order period was not opened to institutions for those bonds on October 6 and DC Water was able to lower yields even in the face of increases in MMD

Series 2015A/B Orders by Type (000s)



DC Investor Conference



☐ ***DC Water timed 2015A/B Bond Sale to take advantage of inaugural DC Investor Conference***

- Inaugural DC Investor conference took place on September 24 and September 25
- DC Water timed release of POS to be available for review and open for discussion at the investor meeting
- DC Water presented alongside other regional issuers (DC, MWAA, and WMATA) to an audience of institutional investors and offered a tour of Blue Plains facility
- DC Water hosted breakout one-on-one meetings with 6 institutional investors, and an additional 10 investors attended a tour of the Blue Plains facility
- Positive feedback received both on the DC Investor conference – both on content and access to issuers – and the specific DC Water credit and debt program





Major Investor Orders

- ❑ ***The 2015A/B bonds received strong demand despite aggressive pricing in a difficult market***

Investor	Amount (\$000s)
Susquehanna Investments	84,870
Blackrock Group (Funds)	61,575
Gannett Welsh & Kotler	49,625
Chubb Insurance	21,810
Nuveen Asset Management	20,550
Alliance Bernstein	18,745
J.P. Morgan Securities Inc.	17,470
Wellington Management Company Llp	17,055
Northern Trust	15,685
Polar Securities	15,000
Pacific Western Bancorp	14,935
RBC Bank Portfolio	14,580
Eagle Asset Management, Inc.	12,775
Bessemer Trust	11,275
American Century	10,135

Investor	Amount (\$000s)
Samson Capital Advisors	9,775
First Empire Securities	8,000
NexBank	5,160
Putnam	5,000
Preston Hollow Capital LLC	5,000
Rembrandt Capital	5,000
SAGE ADVISORY SERVICES LTD CO	4,210
Neuberger Berman (Customer)	3,970
Prime Advisors	3,000
Scudder Kemper Investments	3,000
Performance Trust	3,000
Income Research & Management Inc.	3,000
Boston Company	2,125
Blackrock Institutional (BRI)	2,000
Bess Investments	2,000



Next Steps – 2015 Plan of Finance

The 2015AB Bonds were the first and primary part of the 2015 plan of finance that was approved by the DC Water Board on October 1.

- 2015A and 2015B Bonds successfully closed on October 15
- DC Water continues to make progress on Extendable Maturity Commercial Paper (EMCP), for which it has received highest short-term ratings from all three ratings agencies
- EMCP transaction expected to close by mid November 2015, with initial draw in early December for refinancing of SIFMA notes
- Investment of debt service funds through the forward purchase agreement (FPA) to capture higher investment yield also being finalized
- Documents for FPA largely complete and execution with Barclays expected in next few weeks, assuming investment rate considerations remain favorable

Appendix



1. Bond Buyer article – “Market Digests Flood of Water Deals, Preps for O’Hare,” October 8, 2015
2. Bloomberg article – “D.C. Water Unsure Whether to Thank Market or Green Status,” October 8, 2015

10/8/2015

Market Digests Flood of Water Deals, Preps for O'Hare | The Bond Buyer

THE BOND BUYER

Thursday, October 8, 2015 | as of 10:34
AM ET

Market Close

Market Digests Flood of Water Deals, Preps for O'Hare

by [Aaron Weitzman](#)

OCT 6, 2015 4:18pm ET

Prices of top-quality municipal bonds were slightly weaker at close on Tuesday, according to traders with yields on some maturities strengthening as much as one basis point.

New issuance flowed into the primary on Tuesday, as water deals from Washington D.C. and Texas hit screens, along with a deal from the Massachusetts Development Finance Agency.

Primary Market

Citi priced and then re-priced the Texas Water Development Board's \$795.62 million of state water implementation revenue bonds, which is comprised of \$783.64 million for Series 2015 A Master Trust and \$11.98 million of Series B taxable bonds. The Series A bonds were priced to yield from 0.23% with a 2% coupon in 2016 to 3.46% with a 4% coupon in 2035. A 2040 term bond was priced as 4s and as 5s in a split maturity to yield 3.66% and 3.26%, respectively. A 2045 term bond was priced as 4s and as 5s in a split maturity to yield 3.73% and 3.33%, respectively. A term bond in 2050 was priced as 4s to yield 3.85%.

The \$11.98 million of taxable series b bonds were priced at par to yield from 0.45% in 2016 to 3.053% in 2025. The bonds were also priced at par in term bonds in 2030, 2035 and 2050, to yield 3.703%, 4.248% and 4.648%. The deal is rated triple-A by both S&P and Fitch Ratings.

Bank of America Merrill Lynch priced the District of Columbia Water and Sewer Authority's \$350 million of public utility subordinate lien revenue bonds and green bonds, after a retail order period on Monday. The series 2015A green bonds for \$100 million were priced to yield from 0.87% with a 3% coupon in 2018 to 2.56% with a 5% coupon in 2027. A 2045 term bond was priced as 4s and as 5s to yield 3.75% and 3.50% in a split maturity.

The \$250 million of Series 2015B were priced to yield from 2.70% with a 5% coupon in 2028 to 3.28% with a 5% coupon in 2037. A 2040 term bond was priced to yield 3.36% with a 5.25% coupon. A 2044 term bond was priced to yield 3.42% with a 5.25% coupon. The deal is rated Aa3 by Moody's, AA by Standard and Poor's and AA-minus by Fitch.

Mark T. Kim, Chief Financial Officer, DC Water said both sales were successful.

"The highlight of the deal for us was the success of our second green bond issue," said Kim.

10/8/2015

Market Digests Flood of Water Deals, Preps for O Hare | The Bond Buyer

"Our strategy of offering a priority order period for green portfolio and retail investors one day prior to pricing was successful and generated a strong response with almost every single maturity being oversubscribed. We lowered yields on the Series A green bonds across most maturities by 2-6 basis points, notwithstanding MMD moving higher in yields throughout the day. We believe that this is the first issue to give green portfolio investors priority order status and brought new first-time green investors to DC Water."

The deal was a follow-up to DC Water's first ever green bond last year. The proceeds will go toward the DC Clean River Project, where the proceeds of the inaugural green bond went last year. Last year's deal was a taxable century bond from the senior lien, whereas this green bond issue is tax-exempt and more of a traditional 30 year structure, from the subordinate lien.

The proceeds from the Series B bonds will be used to fund a portion of DC Water's capital improvement program.

"It was a really strong day for DC water and the rate payers, as the TIC will be less than 4% on an all in basis and will actually be closer to 3.89%, which would make it one of the lowest cost to funds DC water has ever received," said Kim. "It is a good time to access the market and we did so under favorable conditions. We are thrilled with the response, especially for the green bond and it is likely we will come to market with additional green bonds in the future."

Elsewhere, Citi priced and then re-priced the Massachusetts Development Finance Agency's \$234.245 million of revenue bonds, Series 2015F for the Lahey Health System Obligated Group. The bonds were priced as 5s to yield from 2.45% in 2024 to 3.56% in 2035. Term bonds in 2040 and 2045 were also priced as 5s, but to yield 3.73% and 3.80%, respectively. The deal is rated A-plus by both Moody's and S&P.

JP Morgan priced the Industrial Development Authority of Wise Co. Va.'s \$105 million of solid waste and sewage disposal revenue bonds, for the Virginia Electric and Power Company project. The bond was priced at par with a 1.875% coupon, with a mandatory put date of June 1, 2020. The deal is rated A2 by Moody's and A-minus by S&P.

In the competitive arena, Louisville and Jefferson County Metropolitan Sewer District, sold roughly \$257.1 million in two separate series.

Series A of \$175 million of sewer and drainage system revenue bonds was won by Bank of America Merrill Lynch with a true interest cost of 3.79%. The bonds were priced to yield from 0.52% with a 4% coupon in 2017 to 3.78% with a 4% coupon in 2040. A 2046 term bond was priced as 4s to yield 3.89%.

The Series B for \$87.485 million of sewer and drainage system revenue refunding bonds was won by Hutchinson Shockey with a TIC of 3.26%. No other pricing information was immediately available.

The last time the district competitively sold bonds was Nov. 4, 2014, when it sold \$80 million to Citi with a TIC of 3.81%.

Washington State sold \$161.61 million of certificates of participation, Series 2015C for State and Local Agency Real and Person Property. JP Morgan won the bidding war with a TIC of 2.81%. The COPs were priced to yield from 0.24% with a 2% coupon in 2016 to 0.66% with a 5% coupon in 2017. They were also priced to yield from 0.93% with a 5% coupon in 2017 to 3.77% with a 4% coupon in 2038.

10/8/2015

Market Digests Flood of Water Deals, Preps for O'Hare | The Bond Buyer

San Francisco sold \$226 million of general obligation bonds, Morgan Stanley won with a TIC of 2.98%. The bonds were priced to yield from 0.19% with a 3% coupon in 2016 to 3.54% with a 3.5% coupon in 2035. The deal is rated Aa2 by Moody's and AA-minus by S&P.

Tuesday's action preceded the mega deals that will be pricing on Wednesday and Thursday, when JPMorgan prices Chicago's O'Hare International Airport's \$1.99 billion deal and Wells Fargo prices the Port Authority of New York and New Jersey's \$2 billion deal.

The airport's finances are well-segregated from the troubles of the city government, but the city's general credit deterioration coupled with the mammoth size of the deal is likely to create yield penalties compared to similar revenue debt, market participants said.

"There is headline risk there: will O'Hare get hit with some of the burden? Yes. Is it fair? No, but life isn't fair. That is the way the market acts," said John Mousseau, executive vice president and director of fixed income at Cumberland Advisors. "That being said, O'Hare will be a good deal and the credit is very good, but it's an example of an issuer getting penalized at the margin for the city's problem."

According to a market source, the deal is being premarketed with a top yield of 4.53% in the \$349.115 million of Series A bonds, a top yield of 3.79% in the \$1.27 billion of Series B bonds and a top yield of 4.35% in the \$195.14 million of Series C bonds.

Since 1995, O'Hare has come to market with roughly \$12.29 billion of debt. The years of 2005 and 2012 saw the highest issuance with \$1.5 billion and \$1.2 billion, respectively. The international airport did not come to market at all in 1997, 2000, 2004, 2007, 2009 and 2014.

Secondary Trading

The yield on the 10-year benchmark muni general obligation closed flat on Tuesday from 2.01% on Monday, while the yield on the 30-year GO was one basis point higher to 3.06% from 3.05% on Monday, according to a final read of the Municipal Market Data's triple-A scale.

The 10-year muni to Treasury ratio was calculated on Tuesday at 98.8% versus 97.6% on Monday, while the 30-year muni to Treasury ratio stood at 106.5% compared to 105.1%, according to MMD.

Treasury prices were mostly stronger on Tuesday at the close, with the yield on the two-year Treasury staying flat 0.61% from Monday, while the 10-year yield dipped to 2.04% from 2.06% and the 30-year yield decreased to 2.88% from 2.90%.

Bond Buyer Visible Supply

The Bond Buyer's 30-day visible supply calendar fell \$1.929 billion to \$13.045 billion on Tuesday. The total is comprised of \$3.389 billion competitive sales and \$9.656 billion of negotiated deals.

MSRB Previous Session's Activity

The Municipal Securities Rulemaking Board reported 32,478 trades on Monday on volume of \$3.761 billion.



10/8/2015

Market Digests Flood of Water Deals, Preps for O Hare | The Bond Buyer

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D.C. Water Unsure Whether to Thank Market or Green Status

2015-10-08 13:59:39.558 GMT

By Kate Smith

(Bloomberg) -- It's clear that investors paid up to invest in Washington D.C.'s green bond on Tuesday. What's not clear is why, says the water authority's chief financial officer Mark Kim.

D.C. Water, the sewer authority serving the Washington D.C. metro area, priced its second-ever "green bond" on Tuesday, borrowing \$100 million of tax-exempt securities with maturities ranging from 2018 to 2045. Compared with the authority's otherwise identical but non-green securities trading in the secondary market, investors paid up to 23 basis points more for the new debt, according to data compiled by Bloomberg.

Before bringing the deal to market, Kim said this comparison would be how he would determine the deal's success and whether its green designation provided a rate benefit. Now he's not sure.

"I'd love to say that because we issued this as a green bond it priced through that trading curve, but I'm having a hard time making that argument definitively," Kim said.

Monday's strong municipal bond market may have helped D.C.'s deal more than its eco-friendly purpose as the muni 10-year benchmark hit its lowest yield since [April 23](#). Per the advice of their lead underwriter, Bank of America Merrill Lynch, D.C. Water held a pre-marketing period on Monday for retail and proven green investors, Kim said. On Monday alone, nearly all of the \$100 million of bonds had been spoken for, Kim said.

"Yields were at an absolute low on Monday as you saw the Fed continue to not raise rates," Kim said. "Of course we benefited tremendously from that."

If D.C. benefited from the green designation alone, it'd be following a trend already appearing in the corporate market.

Last month, a Barclays research report authored by Analysts Ryan Preclaw and Anthony Bakshi found that investors have been paying an extra 20 basis points for self-titled corporate green bonds.

Kim was hoping that this month's deal would be the first to have clearly benefited from its green bond distinction in the municipal market.

Despite an explosion in green bond issuance among states and cities in the past two years, the pricing benefits haven't been seen yet, data from Bloomberg shows. In fact, a general understanding of what makes a green bond different from a regular municipal bond hasn't been obvious to many investors.

"Whether we looked at that deal has nothing to do with if it was a green bond or not, it was because of the credit," said Hugh McGuirk, Baltimore-based head of municipal investment at T. Rowe Price Group Inc., which oversees \$22 billion of state and local debt. McGuirk said that while his fund does have green bonds, the purchases weren't because of the designation.

"What's the value of buying them?" McGuirk asked.

According to Kim, a green bond captures a wider audience than just a regular municipal bond with the same credit fundamentals. Because of that, green bonds should offer investors better liquidity in trading than non-green bonds in theory.

After seeing Tuesday's deal price, Kim thinks those benefits may not appear for another three and five years, or when total green bond issuance is between five and ten percent of total annual municipal bond

supply. So far this year, it's only about one percent, data from Bloomberg shows.

Until then, D.C. Water is committed to the change. D.C. Water's \$2.5 billion debt portfolio is already nearly 20 percent green bonds; Kim anticipates another \$1 billion of the eco- friendly debt to be issued within the next 15 years.

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To contact the reporter on this story:

Kate Smith in New York at [+1-212-617-3654](tel:+1-212-617-3654) or ksmith304@bloomberg.net To contact the editor responsible for this story:

joe mysak at [+1-212-617-2323](tel:+1-212-617-2323) or jmysakjr@bloomberg.net

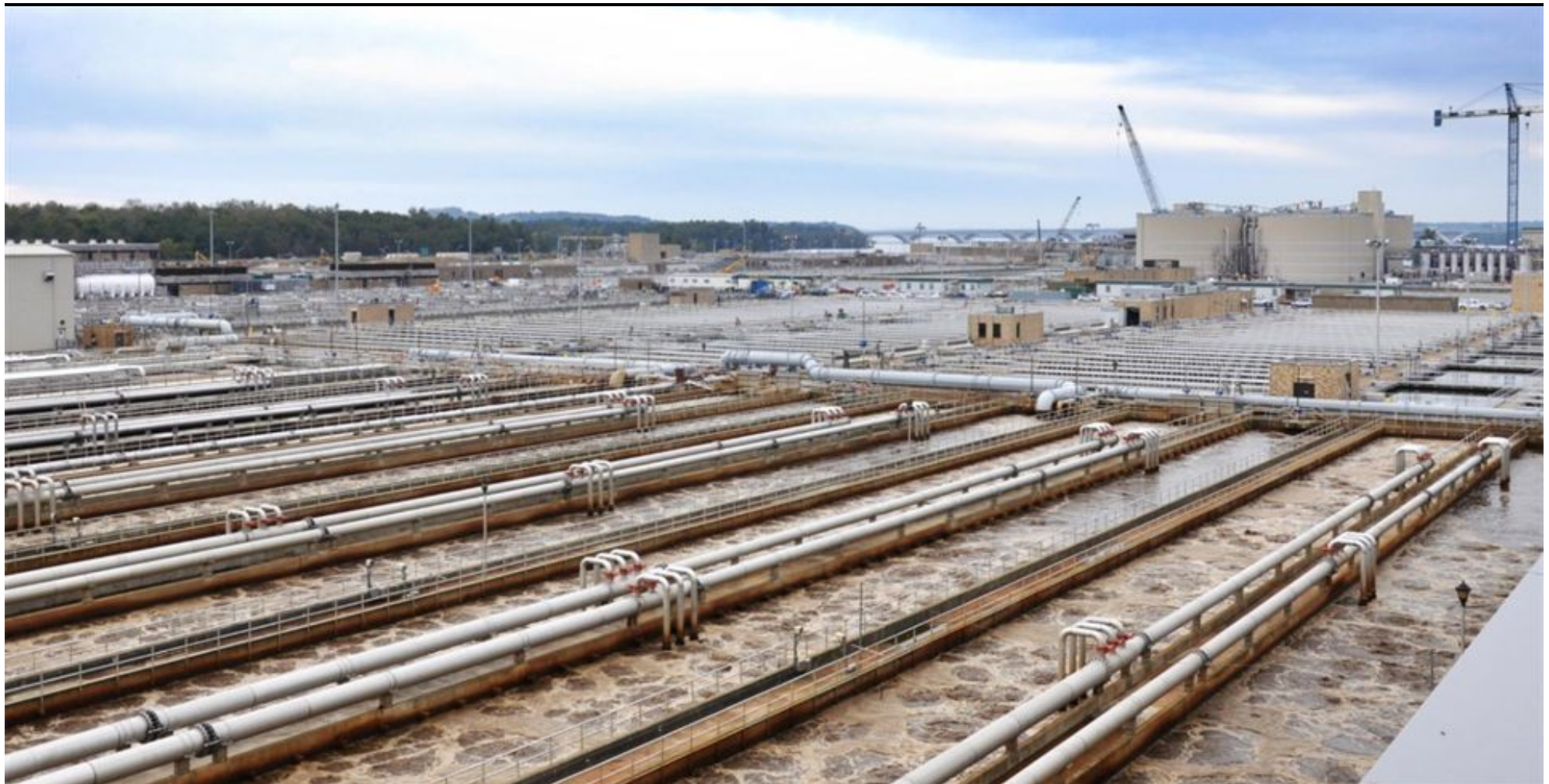


BLUE HORIZON 2020 STRATEGIC PLAN

Implementation Progress Report and Proposed Revisions

Presentation to the DC Water Finance and Budget Committee

October 22, 2015





Agenda

- Blue Horizon 2020 Overview
- Goal 5: Implementation Progress
- Goal 5: Proposed Revisions



DC Water's Strategic Direction

Vision

To be a world-class utility

Values

Respect, Ethics, Vigilance and Accountability

Mission

Exceed expectations by providing high quality water services in a safe, environmentally friendly, and efficient manner



LEADERSHIP



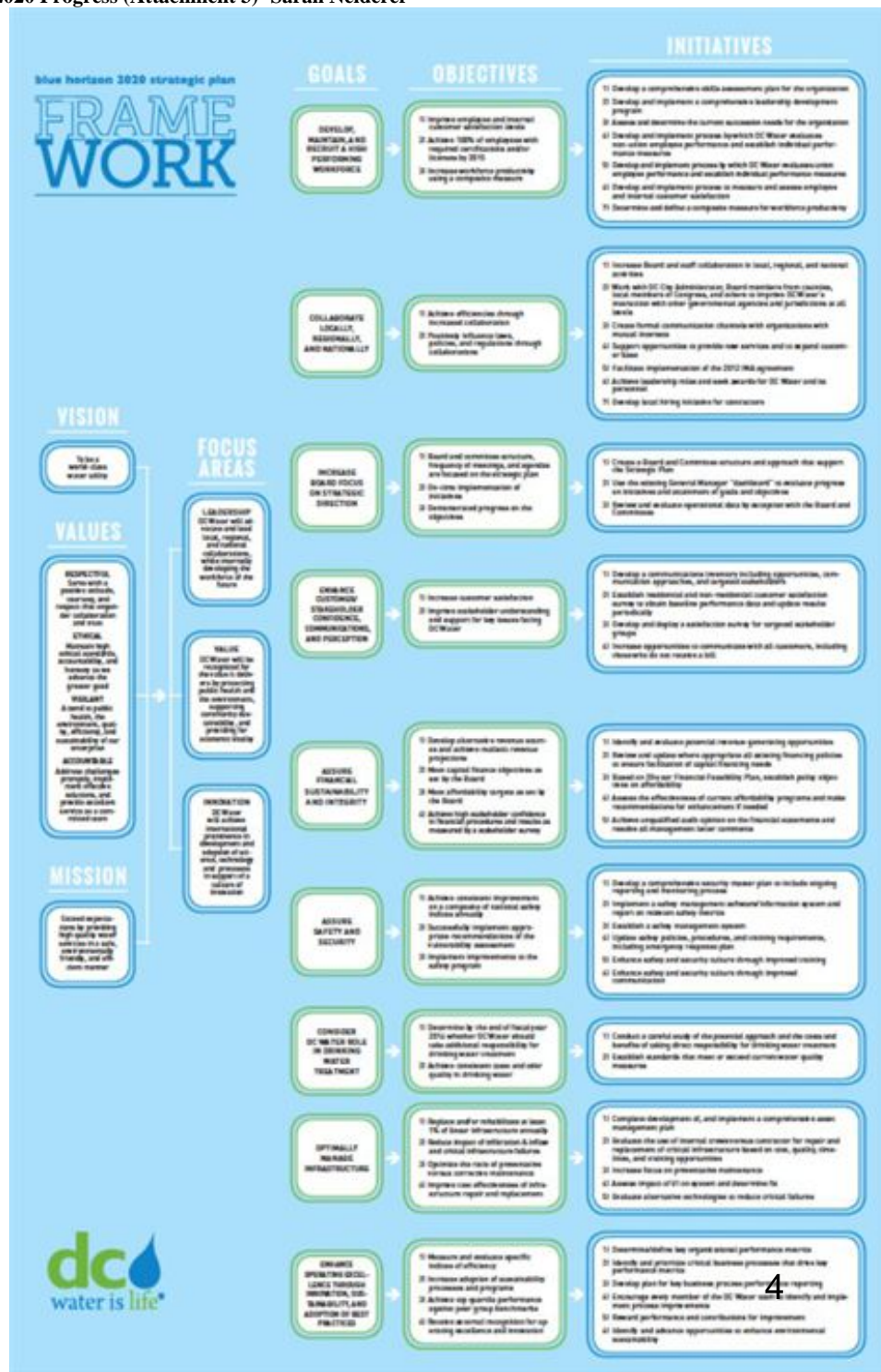
VALUE



INNOVATION



- 9 Goals
- 27 Objectives
- 44 Initiatives
- 146 Milestones





Blue Horizon 2020 Goals

GOAL		COMMITTEE	GOAL CHAMPION
1	Develop, Maintain and Recruit a High Performing Workforce	Human Resources/Labor Relations	Rosalind Inge
2	Collaborate Locally, Regionally, and Nationally	Governance	John Lisle
3	Increase Board Focus on Strategic Direction	Strategic Planning	Randy Hayman
4	Enhance Customer/Stakeholder Confidence, Communications, and Perception	Water Quality and Water Services	Charlie Kiely
5	Assure Financial Sustainability and Integrity	Finance and Budget/DC Retail Water and Sewer Rates	Mark Kim
6	Assure Safety and Security	Human Resources/Labor Relations	Aklile Tesfaye
7	Consider DC Water Role in Drinking Water Treatment	Water Quality and Water Services	Charlie Kiely
8	Optimally Manage Infrastructure	Environmental Quality and Sewerage Services	Len Benson
9	Enhance Operating Excellence Through Innovation, Sustainability, and Adoption of Best Practices	Audit	Biju George



Implementation Progress

Goal 5

Assure Financial Sustainability and Integrity

5	Assure Financial Sustainability and Integrity	% COMPLETE
5.1	Develop alternative revenue sources and achieve realistic revenue projections	
5.1.1	Identify and evaluate potential revenue-generating opportunities	85
5.2	Meet capital finance objectives as set by the Board	
5.2.1	Review and update where appropriate all existing financing policies to ensure facilitation of capital financing needs	100
5.3	Meet affordability targets as set by the Board	
5.3.1	Based on the 20-year Financial Feasibility Plan, establish policy objectives on affordability	100
5.3.2	Assess the effectiveness of current affordability programs and make recommendations for enhancement if needed	100
5.4	Achieve high stakeholder confidence in financial procedures and results as measured by a stakeholder survey	
5.4.1	Achieve unqualified audit opinion on the financial statements and resolve all management letter comments	100



Proposed Revisions

Goal 5

Assure Financial Sustainability and Integrity



Goal 5

Adopted in 2013

- **Goal**
 - Assure Financial Sustainability and Integrity
- **Objectives**
 - Develop alternative revenue sources and achieve realistic revenue projections
 - Meet capital finance objectives as set by the Board
 - Meet affordability targets as set by the Board
 - Achieve high stakeholder confidence in financial procedures and results as measured by a stakeholder survey

Proposed Revisions

- **Goal**
 - Promote Financial Sustainability, Integrity and Responsible Resource Allocation
- **Objectives**
 - Achieve treasury, debt and risk management objectives
 - Achieve an affordable and fair rate structure
 - Ensure robust internal controls at DC Water
 - Ensure timely preparation, adoption and administration of DC Water's operating and capital budgets
 - Ensure integrity of DC Water's Financial Systems



Goal 5 Initiatives

5.1 Achieve treasury, debt and risk management objectives

- Maintain financial policies
- Ensure adequate liquidity
- Ensure access to capital markets
- Ensure adequate risk management
- Ensure bond indenture requirements are satisfied

5.2 Achieve an affordable and fair rate structure

- Establish rate structure that achieves policy goals and objectives
- Develop and maintain effective affordability programs and initiatives

5.3 Ensure robust internal controls at DC Water

- Achieve unqualified audit opinion on the financial statements and A-133 single audit
- Manage and oversee internal audit program
- Maintain accounting policies

5.4 Ensure timely preparation, adoption and administration of DC Water's operating and capital budgets

- Develop fiscally responsible and prudent annual operating and capital budgets.
- Maintain budget policies
- Design, develop and implement budget reporting tools and capabilities for DC Water management.

5.5 Ensure integrity of DC Water's Financial Systems

- Maintain and support integrity of Financial Systems (Infor Lawson and related software) and interfaces with other technology systems and applications at DC Water
- Design, develop, and implement strategic enhancements and upgrades to improve internal controls and functionality of Financial Systems
- Maintain financial system policies



Questions?

District of Columbia Water and Sewer Authority

Capital Improvement Program Report



**FY-2015 3rd Quarter
April 1st through June 30th, 2015**

**Board of Directors
Finance and Budget Committee**

**George S. Hawkins, General Manager
Leonard R. Benson, Chief Engineer**

September 2015

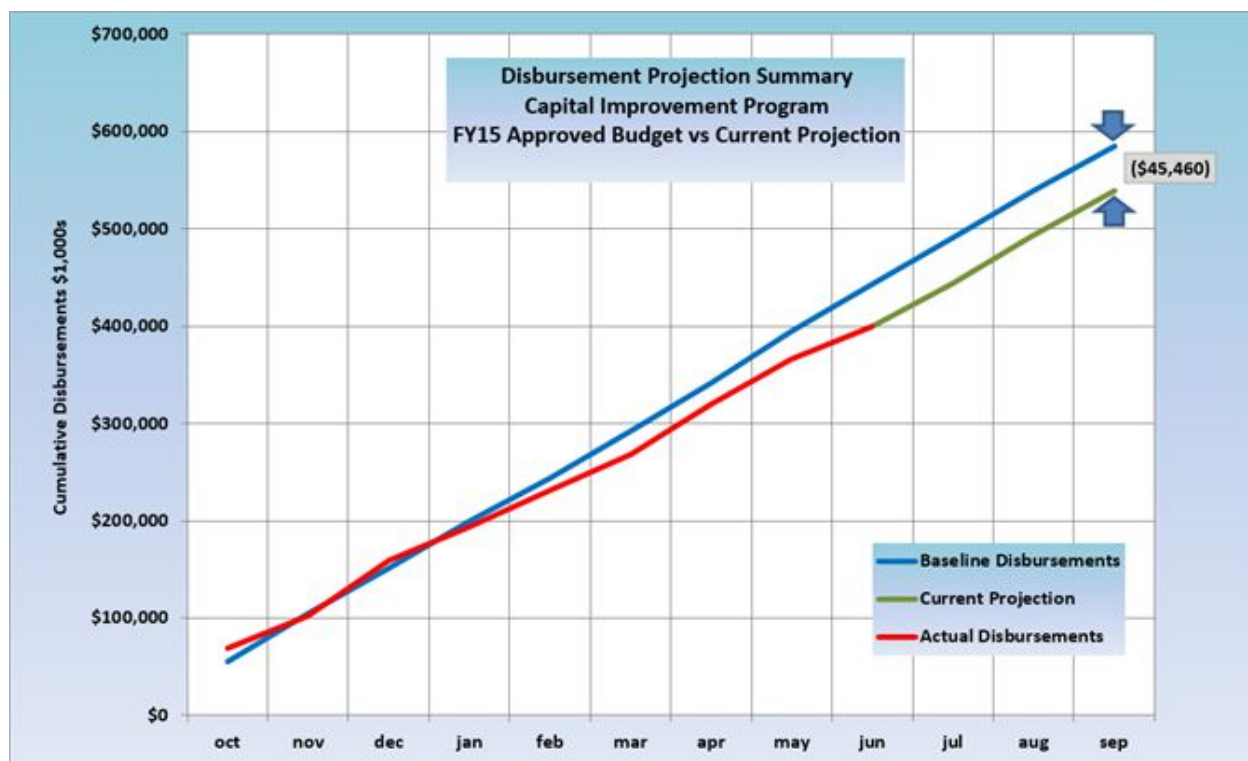


Capital Improvement Program Report 3rd Quarter FY2015

CIP Disbursement Performance

Current projected program disbursements through the end of the fiscal year compared with the approved FY15 projections are shown in the chart below:

Disbursement Projections Summary



Current projected fiscal year 2015 CIP disbursements are \$539,723,000 through the end of June, which is 8% below the baseline disbursement projections of \$585,182,000.

Current disbursement projections within the service areas are as follows:

Wastewater Treatment Service Area

Baseline Disbursements \$206,259,000

Projected Disbursements \$194,956,000 (\$11.3M below baseline projection)

Significant project variances are listed below:

- *Solids Processing Program Area – (Projected to be \$12.8M below baseline)*
 - The disbursements for Project XA – New Digestion Facilities are projected to be \$11.3 million below baseline largely due to delayed release of retention for the 3 main construction



Capital Improvement Program Report

3rd Quarter FY2015

contracts. Although DC Water has had beneficial use of the main project elements since the summer of 2015, there are outstanding contractual requirements that prevent release of retention. It is anticipated that the majority of the retention will be released in 2016.

- *Enhanced Nitrogen Removal Program Area – (Projected to be \$3.8M above baseline)*
 - The projected disbursements are expected to be \$10.0 million below baseline for Project EE - Filtrate Treatment Facilities; this is a result of undocumented underground utilities encountered during site preparation, which delayed the mass excavation start by 2.5 months, and in addition, slower than expected major process equipment submittal approval that has delayed the payment schedule for those items. It is anticipated the contract will be completed within budget.
 - Project EG - Blue Plains Tunnel proceeded favorably with mining completed in midsummer 2015, following which disbursements have reduced, in addition, a conservative approach to projection of retention under estimated disbursements, contributing to anticipated fiscal year end disbursements of \$11.7 million above baseline projection.
 - Disbursements are projected to be \$2.5 million above baseline on project BI Enhanced Nitrogen Removal (ENR) North partly due to favorable construction progress and additional scope required during blower renovation.

CSO Service Area

Baseline Disbursements \$271,100,000

Projected Disbursements \$247,048,000 (\$24.1M below baseline projection)

Significant project variances are listed below:

- *Clean Rivers Program – (Projected to be \$23.5M below baseline)*
 - Currently projected disbursements in Project CY – Anacostia LTCP Projects are \$22.1M below baseline partly due to the ground inflow incident at the Anacostia River Tunnel (ART) Inter Shaft Connecting Tunnel at the CSO 019 construction site; disbursements for this contract are expected recover in the next fiscal year. DC Water is working with Design/Builder for the ART to mitigate delays caused by the ground inflow incident. In addition, the First Street Tunnel (FST) Design/Builder is currently behind his baseline schedule thus also contributing to the less than baseline disbursements. DC Water requested the FST Design Builder to recover current schedule delays. DC Water is expected to meet all its consent decree milestones.

Stormwater Service Area

Baseline Disbursements \$2,559,000

Projected Disbursements \$885,000 (\$1.7M below baseline projection)

Significant project variances are listed below:

- Stormwater Trunk/Force Sewers



Capital Improvement Program Report 3rd Quarter FY2015

- The emerging needs that Project BO – Future Stormwater Projects was created to fund have not materialized this fiscal year to date and as a result disbursements are predicted to be \$1.5 million less than baseline projection.

Sanitary Sewer Service Area

Baseline Disbursements \$40,258,000

Projected Disbursements \$37,382,000 (\$2.9M below baseline projection)

Significant project variances are listed below:

- *Sanitary Collection Sewers Program Area – (Projected to be \$5.2M below baseline)*
 - Currently projected disbursements are \$2.0 million below baseline in Project G1 – Small Local Sewer Rehab 1 due to delayed construction procurement resulting from development of the Cured in Place Pipe specifications to better align level of quality with economic viability.
- *Sanitary On-Going Projects – (Projected to be \$7.9M above baseline)*
 - Disbursements for project D6 – FY2014 – DSS Sanitary Sewer Projects and DI – FY2015 - Sanitary Sewer Projects are projected to be \$5.8 million above baseline partly as a result of emergency repairs to the North East Boundary Tunnel following unauthorized construction of an apartment building over the sewer.
- *Sanitary Interceptor/Trunk/ Force Sewers – (Projected to be \$2.7M Below Baseline)*
 - Preliminary inspection in Project IN – Upper East Side Trunk Sewer Rehabilitation revealed less debris than anticipated and therefore, the cost for full cleaning and inspection was greatly reduced. As a result projected disbursements are \$1.3 million below baseline.
- *Sanitary Sewer Program Management – (Projected to be \$2.6M Below Baseline)*
 - Projected disbursements for Project DN – Sewer Inspection Program are \$1.9M below baseline projections generally due to moving funds from FY15 into FY16 in order to procure an unusually large heavy cleaning and inspection contract for the Upper Potomac Interceptor Relief Sewer which is responding to an emerging need.

Water Service Area

Baseline Disbursements \$65,006,000

Projected Disbursements \$59,452,000 (\$5.6M below baseline projection)

Significant project variance listed below:

- *Water Distribution Program Area – (Projected to be \$3.7M below baseline)*
 - Projected disbursements are \$3.5 million below baseline in Project O1 – Small Diameter Water Main Rehab 9, due to slow construction progress at the start of the year partly attributed to quality control concerns that are now largely resolved.



Capital Improvement Program Report 3rd Quarter FY2015

- *Water Storage Facility Program Area – (Projected to be \$3.6M below baseline)*
 - Projected disbursements are \$2.9 million below baseline projections in Project FA – Water Storage Facility Upgrades due to construction delays caused by permitting and other construction issues.
- *Water On-Going Projects – (Projected to be \$3.3M above baseline)*
 - Disbursements for project D5 – FY2014 – DWS Water Projects and DG – FY2015 – Water Projects are projected to be \$2.7 million above baseline largely due to an increased number of water main repairs.
- *DDOT Water Program Area – (Projected to be \$2.0M below baseline)*
 - The DDOT program is currently projected to be about \$2.0 million below the baseline mainly due to DDOT's focus on major projects rather than focusing on constructing road projects that include water main work.



Capital Improvement Program Report 3rd Quarter FY2015

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

All priority 1 projects are on schedule and within budget.

Large Contract Actions Anticipated – 6 Month Look-Ahead

Project MA – Saint Elizabeth’s Water Tank
Construction Contract (\$20M - \$25M), WQ&WS Nov, BOD Dec

Project O3 – Small Diameter Watermain Rehab 11a
Construction Contract (\$5M - \$10M), WQ&WS Jul, BOD Sep

Project CY – Div U - Advance Utility Relocations for NEBT
Construction Contract (\$15M - \$20M), WQ&WS Mar, BOD Apr

Project DR – Low Area Trunk Sewer - Rehabilitation
Construction Contract (\$10M - \$15M), EQ&SS Dec, BOD Jan

Project O3 – Small Diameter Watermain Rehab 11b
Construction Contract (\$5M - \$10M), EQ&SS Dec, BOD Jan

Project I8 – Large Valve Replacements 12
Construction Contract (\$5M - \$10M), WQ&WS Sep, BOD Oct

Project DR – Low Area Trunk Sewer - Rehabilitation
Construction Contract (\$10M - \$15M), EQ&SS Dec, BOD Jan

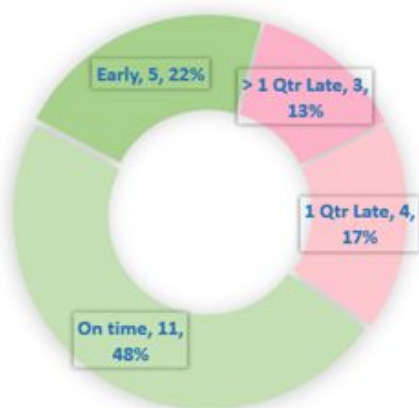


Capital Improvement Program Report 3rd Quarter FY2015

Schedule - Key Performance Indicators, Capital Improvement Program

KPI Performance Through End Quarter 3

All KPIs



For the 3rd Quarter, one of the Key Performance Indicators (KPIs) was achieved early in the second quarter and two were achieved on time; three of the remaining planned KPIs were not achieved, as follows:

1. The construction start milestone for Pope Branch Stream Restoration. This contract was rebid to meet MBE/WBE goals.
2. The National Arboretum Sewer Rehab, due to a longer than expected amount of time needed to procure permits.
3. The design start milestone for Steel Water Mains Contract 3 due to elimination of the job and combining the funding with Steel Water Mains Contract 2 after repair scope increased for both jobs.

KPI Performance Through End Quarter 3

Design Start



KPI Performance Through End Quarter 3

Construction Start



KPI Performance Through End Quarter 3

Construction Substantial Completion



KPI Performance Through End Quarter 3

Consent Order





Capital Improvement Program Report 3rd Quarter FY2015

FY2015 - KPI Report

DS	Design Start	Planned		On time	
CS	Construction Start	Early		1 Quarter Late	
CSC	Construction Substantial Completion			> 1 Quarter Late	
CO/PC	Consent Oder/Permit Compliance				

				QUARTER				To Date
Qtr.	Project	Job Name	KPI Name	1	2	3	4	
2	E901	Nitrogen Removal Facilities - Contract 2	PC					Early
1	FY01	Rehab Upper Part of Rock Creek Main Interceptor	DS					On time
1	IF02	Sanitary Sewer Rehab and Repair Phase 6	DS					On time
2	DE01	Small Diameter Water Main Repl 12A	DS					On time
2	IL07	Creekbed Sewer Rehabilitation Bingham Drive	DS					Early
2	DS01	New Headquarters Building	DS					On time
3	F603	Steel Water Mains Contract 3	DS					1 Qtr Late
4	FA03	Soldiers Home Reservoir Upgrade	DS					
4	DE02	Small Diameter Water Main Repl 12B	DS					
4	BP01	Grit Chamber Facilities Phase II	DS					
4	BQ01	Primary Treatment Facilities Ph II	DS					
1	FA06	Brentwood Reservoir Upgrade	CS					On time



Capital Improvement Program Report 3rd Quarter FY2015

FY2015 - KPI Report

DS	Design Start	Planned		On time	
CS	Construction Start	Early		1 Quarter Late	
CSC	Construction Substantial Completion			> 1 Quarter Late	
CO/PC	Consent Oder/Permit Compliance				

				QUARTER				To Date
Qtr.	Project	Job Name	KPI Name	1	2	3	4	
1	FA04	Ft. Stanton Reservoir No. 1 Upgrade	CS					On time
1	FS01	Div D - JBAB Overflow and Diversion Structures	CS					On time
2	CY21	Div Z - Poplar Point Pumping Sta. Replacement	CS					On time
2	O202	Small Dia Watermain Repl 10b	CS					Early
3	GA01	Small Local Sewer Rehab 4	CS					On time
3	Q302	Pope Branch Stream Restoration	CS					1 Qtr Late
3	G100	Lining & Repair of Local Sewers	CS					On time
3	J306	National Arboretum Sewer Rehab	CS					1 Qtr Late
4	MA01	St. Elizabeth Water Tank	CS					
4	O301	Small Dia Watermain Repl 11a	CS					
4	I802	Large Valve Replacements 12	CS					
4	I803	Large Valve Replacements 13	CS					
1	XA12	Biosolids Final Dewatering	CSC					> 1 Qtr Late



Capital Improvement Program Report 3rd Quarter FY2015

FY2015 - KPI Report

DS	Design Start	Planned		On time	
CS	Construction Start	Early		1 Quarter Late	
CSC	Construction Substantial Completion			> 1 Quarter Late	
CO/PC	Consent Oder/Permit Compliance				

				QUARTER				To Date
Qtr.	Project	Job Name	KPI Name	1	2	3	4	
1	XA08	Biosolids Main Process Train (MPT)	CSC					1 Qtr Late
1	XA10	Biosolids Combined Heat and Power (CHP)	CSC					> 1 Qtr Late
1	XA12	Biosolids Final Dewatering	CSC					> 1 Qtr Late
2	CY04	Div E - CSO 015-017 Structures/Diversions	CSC					Early
3	O001	Small Dia Watermain Rehab 8-1	CSC					On time
3	BZ03	Large Valve Replacements 10	CSC					Early
4	N712	Potomac Sewer - Odor Remedy (VA Sites)	CSC					
4	E901	Nitrogen Removal Facilities - Contract 2	CSC					
4	FA02	Ft. Reno Reservoir No. 1 Upgrade	CSC					
4	FH01	Discharge Piping Bryant Street Pump Station	CSC					

ATTACHMENT 5**Executive Summary****Rolling Owner-Controlled Insurance Program IV**

ROCIP- Under this program, DC Water procures insurance protection on a direct basis rather than reimbursing contractors and subcontractors for purchasing separate insurance on their own. The contractors have reduced the cost of the work in amounts equal to or greater than DC Water's cost of the ROCIP since DC water has provided the ROCIP. This program began in October 2004.

The ROCIP IV program is designed to include all CIP construction projects for the term November 15, 2015 through October 15, 2020 with planned construction activity budgeted costs of \$1,401,894,390. DC Water retains the right not to include a particular project if the risk characteristics are unfavorable.

The Authority's insurance Broker/Administrator, Wells Fargo Insurance, presented quotations from eight carriers. First and foremost, our objective for ROCIP IV was to maintain continuity of coverage with carriers who participate on ROCIP III as long as their terms and conditions were maintained and/or enhanced.

Insurance Structure- The ROCIP insurance program structure is as follows:

- Combined Workers Compensation and General Liability loss responsive rating plan.
- \$500,000 per loss deductible (self-insured retention) subject to multi-line "clash" cap of \$750,000.
- Maximum aggregate stop loss caps retained losses at a minimum of \$17,750,000 at projected payroll.
- Excess Workers Compensation limits are statutory.
- General and Excess liability combined limits are \$200 million.

Significant Insurance Limit Applies - The program has provided significantly higher liability limits of insurance subject to a broad scope of coverage for enrolled projects.

MBE/ LSDBE Participation – By granting access to the ROCIP program, minority contractors are on a level playing field when it comes to insurance protection provided under their contracts.

Safety – DC Water's contractor's safety record is tracking more successfully than local and national statistics.

Coordinated Claims Response - Insurance claims from third parties, customers and injured workers are handled in a unified, effective and expedited manner

Savings – The ROCIP plan provides an opportunity for significant insurance savings. The avoided cost savings forecast for these projects are \$6.9 MM.

Ongoing Service Requirements-

ROCIP activity will continue until enrolled projects are finished and all open claims are closed.

ROCIP Benefits -

ROCIP utilization has benefited DC Water by:

- shifting the risk of construction accidents from each contractor's insurer to a known and controlled risk financing insurance plan at nominal risk to DC Water
- support for improved inter - departmental cooperation and construction risk assessment
- providing more coordinated and responsive customer response to damage claims
- providing substantially higher insurance coverage liability limit (\$200MM) than required by contractor under the traditional contract approach (\$5MM)
- enhanced coordination with and influence on contractor safety & added control through unified insurance claim response
- improved opportunity for MBE / LSDBE participation

Briefing on:

Rolling Owner Controlled Insurance Program (ROCIP)

Update on ROCIP 4 Insurance Implementation

October 22, 2015

Briefing for:

Finance & Budget Committee

DC Water Rolling Owner Controlled Insurance Programs (ROCIP)

- AGENDA

What is a ROCIP?

~History and Background

ROCIP Goals and Accomplishments

~Consistent with DC Water Goals

Current Programs Overview and Results

~Positive and achieving forecasted goals

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

~ Upcoming key action plan

Overview

An OCIP is an alternative insurance program in which a project owner provides and maintains insurance coverages to protect the owner, design builders, prime contractors and subcontractors working on identified projects; OCIP's are typically used on large construction projects involving multiple contractors and subcontractors.

OCIPs provide an opportunity to achieve:

- Strengthened construction risk management and insurance program
- Multiple interests coverage using master insurance policies
 - allows for multiple insureds to be bundled (or wrapped up) into one combined and controlled program
- Mutual identified insurance coverage including higher limits
- Uniform insurance claims handling, loss prevention and safety
- Joint defense, limited cross-liability and coordinated post-loss management

A “Rolling” OCIP covers a long-term capital improvement plan or similar group of separate projects.

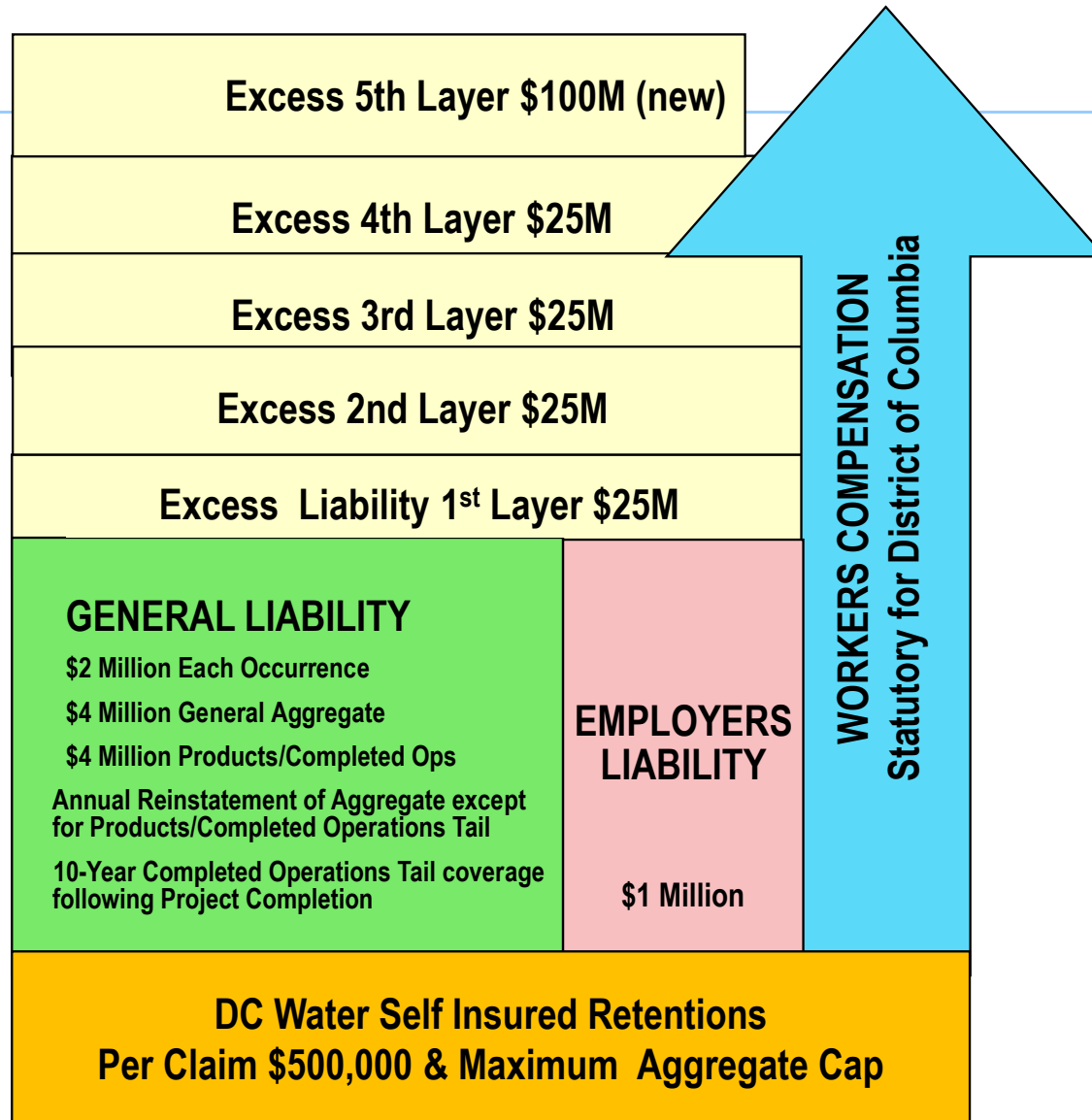
Background and History

- 2003 Study Project to improve Construction Insurance Practices
- 2004 ROCIP 1 Program authorized to facilitate DCWASA Goals through 4-15-2012
- 2009 ROCIP 2 For Construction projects starting 10-15-2009 / 10-15-2012 and complete by 1-15-16+
- 2012 ROCIP 3 For Construction projects starting 10-15-2012 / 11-15-2015 and complete by 10-15-17
- **2015 ROCIP 4 Insurance Broker and Administrator Procurement process complete for 11-15-2015/20+ bindable insurance quotations have been obtained and are recommended for implementation.**

ROCIP Program Overview

- Insurance Plan Components
 - Combined Workers Compensation and General Liability **paid** loss rating plan includes a fixed premium rate based upon Contractor site payroll
 - Deductible -\$500,000/ per line per loss deductible \$750,000 all lines per loss “clash”
 - Maximum aggregate stop loss rate locked, amount variable based on actual contractor payroll
- General Liability Limits are \$2 MIL/ \$4 MIL per Occurrence / Aggregate
 - Extended Term Completed Operations
- Excess General Liability limits are \$200 MIL
- Workers Compensation limits are statutory
- Employers Liability limits are \$1 MIL

ROCIP Insurance Limits



Program Goals

- Availability of controlled insurance terms and condition protection with higher dedicated limits for contractors (provides better protection for DC Water)
- An opportunity for lower construction cost resulting from:
 - lower overall insurance costs
 - volume discounts on insurance purchases; and
 - reduced losses from effective, comprehensive, safety and loss control programs
 - lock in insurance rates over several years
- Targeted, superior, safety programs are included
 - Multiple layers of oversight are initiated
 - Contractor accountability is enhanced

Program Goals (*Continued*)

- Simplified insurance claims procedures
 - Reduced litigation since one insurance company defends all protected parties in a lawsuit
 - Increased ability to influence the claim handling and outcome
 - Reduction in delays that may result from sorting out multiple insurers and agendas
- Substantial reduction in the amount of time required for obtaining certificates of insurance from contractors
- Insurance requirements no longer an obstacle for contractors bidding work
 - Barriers removed for Disadvantaged Business Enterprises (MBE/LSDBE) firms

Major Accomplishments

Broader Insurance Coverage with Higher Limits

- All enrolled contractors have dedicated limits & comprehensive coverage
- \$100MM in excess liability coverage under the ROCIP
- Completed Operations coverage to Statute of Repose (Ten Years)

Lower Construction Costs with Reduced Insurance Costs

- Purchasing insurance for the Contractors on a wholesale basis generates insurance savings for DC Water; on target for significant avoided costs savings as demonstrated by successful ROCIP 1,2 & 3
- DC Water has maximized its purchasing power because of large volume of the CIP

Enhanced Risk Services for Claims Handling and Loss Prevention

- Quarterly insurance claim review with Insurers/ Adjusters
- All enrolled contractors are required to adhere to DC Water safety standards for their safety programs for ROCIP work
- Centralized oversight of all ROCIP Contractor safety
- Additional safety staff reflects strong commitment to safety by DC Water

Major Accomplishments

Reduced Litigation

- Single insurance carrier for all enrolled Contractors minimizes cost with respect to subrogation and litigation

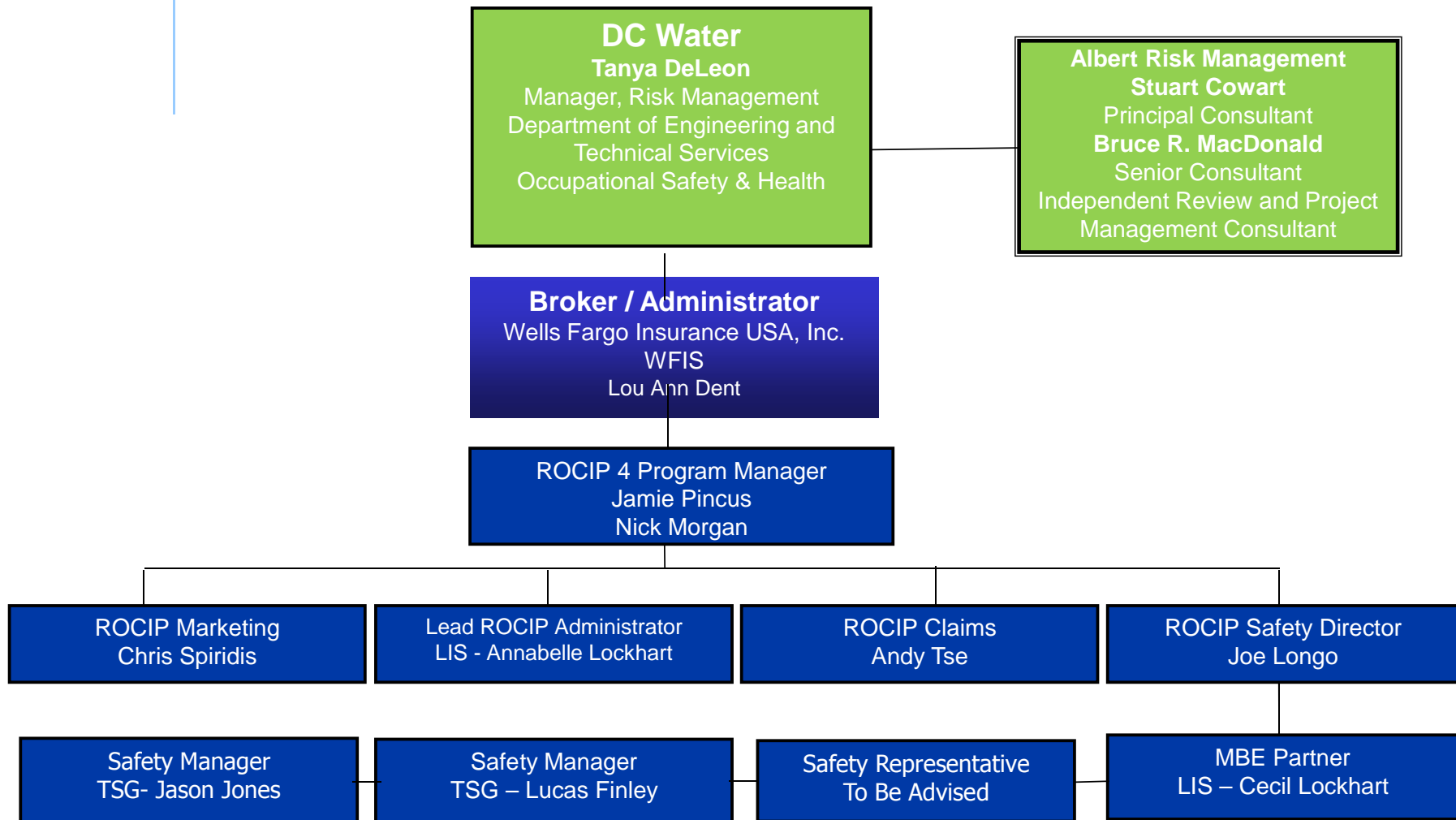
Insurance requirements are no obstacle for Contractors

- Allows and encourages DB & Prime Contractors to hire sub-contractors that might not be in a position to bid without a ROCIP Insurance program in place
- Contractors without high limits of insurance can win bids
- Helps local small business build experience to develop their businesses
- Qualified MBE/LSDBE participants may end up bidding as Prime Contractors on future jobs
- DC Water MBE/LSDBE participation is above national wrap-up average

Program Utilization

	ROCIP 1	ROCIP 2	ROCIP 3	ROCIP 1-3 Total		ROCIP 4
Projects Included	65	47	59	168		
Contractors Covered	391	771	555	1,717		
Construction Value	\$598 MIL	\$1,211 MIL	\$1,121 MIL	\$2,930 MIL		\$1,354 MIL
Contractor Payroll	\$102 MIL	\$220 MIL	\$167 MIL	\$489 MIL		\$230 MIL
Avoided Insurance Cost	\$ 5.3 MIL	\$ 8.0 MIL	\$ 13.1 MIL	\$ 26.4 MIL		\$ 6.9MIL
As of 10/1/2015						

ROCIP 4 Team Composition



Key Observations

- Documented avoided insurance cost benefit opportunities projected for the prior and recommended ROCIP 4 plan
- Actual insurance claim amounts are better than expected for R2 & R3
- Utilization is high all other program factors are on or exceeding forecast
- High level of MBE/LSDBE contractor participation
- Measurable safety performance benchmarks continue to surpass local and national benchmarks
- This multi department initiative continues to promote enhanced internal information sharing/communication and construction risk management beneficial practices

ROCIP 4 Timeline

<u>ROCIP 4 Task</u>	<u>Status</u>	<u>Proposed Milestones</u>
Feasibility evaluation for ROCIP extension	Completed	December 2014 - February 2015 – Current data and positive results suggest an extension of the program may produce an opportunity to achieve additional benefits for DCWater. Independent insurance consultant and DC WASA project team recommend ROCIP extension, initiated Broker / Administrator procurement process
Procurement Broker/ Administrator Selection	Completed	February – July 2015 – As approved by F&B Committee RFP for Broker/Administrator process initiated, interviews conducted, references verified, services agreement addressed. Initial activity validates feasibility study assumptions – Broker / administrator award moved to the full board by Finance and Budget Committee
Board authorization to Award Broker Administrator	Completed	July 2015 – Board approval provided, one actions~ 1) the board authorized the General Manager to execute Contract with successful broker administrator to implement ongoing ROCIP 4 broker services
ROCIP 4 Insurance Procurement	Completed	August – October 2015 – Completed ROCIP insurance marketing activity, presentation and recommendation to Finance and Budget Committee meeting in October 2015
Board Approval	Pending	October 2015 - If approved by F&B Committee, present to Board for approval at November meeting, If Board approval provided, one action ~ 1) the board authorizes the General Manager to proceed with the ROCIP Insurances through November 2015-20.
Bind and Verify ROCIP 4 Insurance Program	Pending	No later than November 15, 2015
Start Date – 11/15/15	Pending	November 2015- if authorized, provide verification of ROCIP 4 binding evidence and Contractor enrollment to Departments for construction contract execution.

Next Action

- Our independent insurance advisor, Albert Risk Management Consultants, and the project team recommend DC Water proceed to approve another multiyear ROCIP(4) plan for future CIP construction insurance risk protection.
- This recommendation is based upon the successful implementation and achievement of the ROCIP goals to date, and the knowledge of future planned large construction projects.



Update:
Cyber Insurance

October 22, 2015

Tanya DeLeon, Risk Manager



Background

- As communicated at the June F&B update, the Authority successfully renewed its Property, Workers' Compensation, Public Officials' Liability, Umbrella/Excess Liability, Crime and Fiduciary insurance coverages on July 1.
- The Authority presently purchases \$2 million of cyber insurance as part of its property insurance group purchase program. However, this coverage is subject to a \$25 million annual aggregate limit for all purchasing group members.
- We obtained quotes to secure dedicated coverage and increase the overall limit of protection.
- Five insurers quoted. Negotiations are still underway, but we anticipate binding coverage as follows.



Cyber Insurance Overview

Notification / Credit Monitoring

- Unlimited coverage for notification and credit monitoring expenses for up to 250,000 affected parties
- \$500,000 for other Privacy Event expenses incl. legal, computer forensics, PR, etc.

Third Party Liability / Cyber Extortion

- \$5 million aggregate limit for Network Security Liability, Privacy Liability, Cyber Extortion, Privacy Regulatory Proceedings
- \$400,000 Payment Card Industry fines and penalties

Other First Party Coverage

- \$60,000 hourly sublimit for Business Interruption, up to \$5 million
- \$200,000 Business Interruption Forensic Expense
- \$225,000 Dependent Business Interruption (services we depend upon)



Cyber Insurance (cont.)

Deductible / Coverage Threshold

- 100 affected individuals for notification coverage
- \$10,000 for legal / computer expert expenses
- \$100,000 all other coverages

Insurer / Providers

- Lloyd's of London – Beazley Syndicates (A.M. Best rating of A, XV)
- Pre-arranged task force of legal, computer, PR & other cyber breach response experts

Est. Cost

- \$63,000 annual premium

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

ACTION REQUESTED

GOODS AND SERVICES CONTRACT

INSURANCE PREMIUMS

(JOINT-USE)

PURPOSE

Approval to purchase insurance for the Rolling Owner-Controlled Insurance Program (ROCIP 4) through DC Water's broker of record in an amount not to exceed \$11,070,945.00.

CONTRACTOR/SUB/VENDOR INFORMATION

PRIME (BROKER): Wells Fargo Insurances Services USA, Inc. 1750 H Street, NW Washington, DC 20006	PARTICIPATION: 0%	SUBS (CARRIERS): AIG XL Starr Great American Ironshore/National Union	PARTICIPATION: 0%
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DESCRIPTION AND PURPOSE

Actions	Value	Period
Original Contract	\$11,070,945.00	11/15/15 - 11/14/20

Purpose of the Contract:

The purpose of this action is to pay the five (5) year insurance premium for construction contractors on DC Water's capital projects. This provides greater insurance coverage on DC Water's projects, increases the number of eligible firms that can bid on DC Water's contracts, and provides cost savings. The cost breakdown is as follows:

Primary Coverage: \$6,825,689.00

Excess Coverage: \$4,245,256.00

Note: This award involves the purchase of primary and excess insurance coverage marketed by DC Water's broker of record. No minority owned carriers are available to provide the level of coverage needed for this program.

PROCUREMENT INFORMATION

Contract Type:	ROCIP Insurance Payment	Award Based On:	Lowest Priced Offer for the Insurance Products
Commodity:	Primary and Excess Insurance	Contract Number:	N/A
Contractor Market:	Insurance Broker Marketing of DC Water's ROCIP 4 Requirements.		

BUDGET INFORMATION

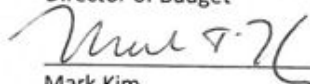
Funding:	Capital	Department:	Chief Financial Office
Service Area:	DC Water Wide	Department Head:	Robert Hunt

ESTIMATED USER SHARE INFORMATION

User	Share %	Dollar Amount
District of Columbia	41.22%	\$ 4,563,444.00
Washington Suburban Sanitary Commission	45.84%	\$ 5,074,921.00
Fairfax County	8.38%	\$ 927,745.00
Loudoun County	3.73%	\$ 412,946.00
Potomac Interceptor	0.83%	\$ 91,889.00
Total Estimated Dollar Amount	100.00%	\$11,070,945.00

 / 10/13/15
 Dan Bae
 Director of Procurement
 Date

 / 10/13/15
 Gail Alexander-Reeves
 Director of Budget
 Date

 / 10/15/15
 Mark Kim
 Chief Financial Officer
 Date

_____/_____
 George S. Hawkins
 General Manager
 Date



ATTACHMENT 7

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

Friday, November 20, 2015; 11:00 a.m.
Blue Plains Wastewater Treatment Plant
5000 Overlook Avenue, SW, DC
AGENDA

Call to Order	Chairman
October 2015 Financial Report	Chief Financial Officer
Agenda for December Committee Meeting	Chairman
Adjournment	Chairman

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