



**DISTRICT OF COLUMBIA
WATER AND SEWER AUTHORITY**

Board of Directors

Finance and Budget Committee

Wednesday, December 14, 2016

11:30 a.m.

MEETING MINUTES

Committee Members (via conference call)

Timothy L. Firestine, Committee Chairperson
Matthew Brown, District of Columbia
Sara Motsch, Fairfax County

DC Water Staff

Mark Kim, Chief Financial Officer
George Hawkins, General Manager
Linda Manley, Board Secretary

Other Presenters and Guests

Ryan Callender, Bond Counsel, Squire Patton
Boggs

Call to Order

Chairperson Timothy L. Firestine called the meeting to order at 11:33 am.

November 2016 Financial Report

Mr. Mark Kim, CFO, reported that DC Water's operating revenues and expenses are on track for the period to date. Total revenues are at \$111.5 million or 19 percent, operating expenditures at \$73.6 million or 14.4 percent and capital disbursements at \$92.4 million or 18.2 percent of budget in the respective categories.

He noted that the higher than budgeted year-to-date capital disbursements were for the Clean Rivers project, however it is anticipated that they will come back in line with the budget later in the fiscal year.

Mr. Kim apprised the committee that the financial audit is currently in progress and management expects an opinion from KPMG by December 20, 2016.

FY 2017 Plan of Finance

Mr. Kim reported that management is preparing for the upcoming bond offering of \$300 million with targeted sale date of late January/early February 2017. This bond deal will comprise of \$200 million in traditional debt and \$100 million in green bonds, to finance a portion of the Clean Rivers project. The committee members had a discussion and reviewed the financing terms and documentations, which include the Board Resolution, Preliminary Offering Statement, Twenty-Second Supplemental Indenture and the Bond Purchase Agreement.

Mr. Kim reported that the fixed income markets are extremely volatile and have been since the Presidential election, with increases in overall interest rates up to 100 basis points. The market conditions are being monitored by staff and the finance team expects continued volatility through the Fed's next FOMC meeting in January 2017. The sale will be dependent on market conditions.

Chairperson Firestine asked whether management has considered the possibility of financing the entire deal with a green bond. Mr. Kim replied that it has, but at the current time the Authority has only designated the DC Clean Rivers Project to be a "green" project. In order to extend the designation to other capital projects, it would likely want to hire an independent sustainability consultant to establish the appropriate environmental outcomes and metrics. Mr. Kim stated that the Authority will continue to monitor the green bond market for additional opportunities and noted that both Moody's and S&P have entered the market by offering issuers green bond ratings. The Authority is presently in conversations with both credit rating agencies regarding our proposed green bond and will keep the Committee apprised.

Action Items

The Committee reviewed and recommended the 2017A bond resolution and related documents for the Board's consideration:

1. Board Resolution
2. Preliminary Offering Statement
3. Twenty-Second Supplemental Indenture
4. Bond Purchase Agreement

Agenda for January Committee Meeting

Mr. Kim briefly reviewed the draft agenda for the January committee meeting.

Adjournment

Hearing no further business, Chairperson Firestine adjourned the meeting at 11:43 am.

FOLLOW-UP ITEM:

Provide explanation regarding the nature of the late revenues received in December and if it was from FEMS for the fire hydrants or for something else. **(Chairman Brown)** STATUS: completed immediately following committee meeting via email on 12/14/16.