

DISTRICT OF COLUMBIA  
WATER AND SEWER AUTHORITY

Board of Directors

Finance and Budget Committee

Thursday, October 22, 2015

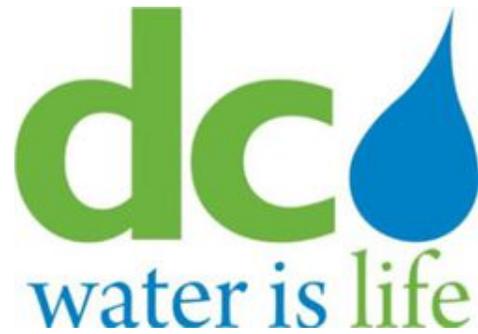
11:00 a.m.

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

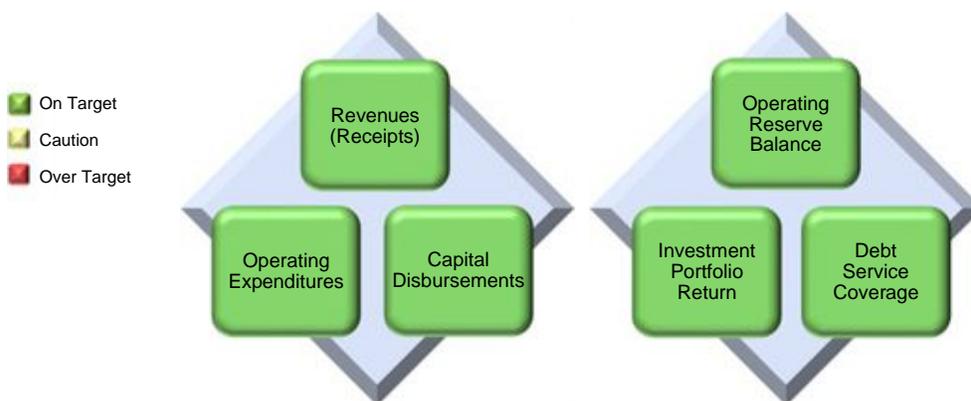
**Syed Khalil**, Manager, Financial Planning & Revenues

**John Madrid**, Controller

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                |       | Actual % |
|------------------------------|---------|---------|-------------------------|-------|----------|
|                              |         |         | Favorable (Unfavorable) |       | Budget   |
| <b>Revenues (Receipts)</b>   | \$542.6 | \$546.1 | \$3.5                   | 0.6%  | 101%     |
| <b>Expenditures</b>          | \$516.0 | \$458.2 | \$57.7                  | 11.2% | 89%      |
| <b>Capital Disbursements</b> | \$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%        |
| <b>TOTAL</b>          | <b>\$542,643</b> | <b>\$546,096</b> | <b>100.6%</b> | <b>\$3,453</b> | <b>0.6%</b> |

### 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%        |
| <b>SUBTOTAL O&amp;M</b>            | <b>\$308,950</b> | <b>\$297,127</b> | <b>96.2%</b> | <b>\$11,823</b> | <b>3.8%</b>  |
| 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%       |
| <b>TOTAL OPERATING</b>             | <b>\$515,959</b> | <b>\$458,235</b> | <b>88.8%</b> | <b>\$57,724</b> | <b>11.2%</b> |
| Capital Labor                      | (17,266)         | (18,741)         | 108.5%       | 1,475           | (8.5%)       |
| <b>TOTAL NET OPERATING</b>         | <b>\$498,693</b> | <b>\$439,494</b> | <b>88.1%</b> | <b>\$59,199</b> | <b>11.9%</b> |

#### 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%         |
| <b>SUBTOTAL: CAPITAL PROJECTS</b>       | <b>\$585,183</b> | <b>\$562,134</b> | <b>96.1%</b> | <b>\$23,050</b> | <b>3.9%</b>  |
| 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%)      |
| <b>SUBTOTAL: ADD'L CAPITAL PROGRAMS</b> | <b>\$40,091</b>  | <b>\$27,033</b>  | <b>67.4%</b> | <b>\$13,058</b> | <b>32.6%</b> |
| <b>TOTAL</b>                            | <b>\$625,274</b> | <b>\$589,167</b> | <b>94.2%</b> | <b>\$36,107</b> | <b>5.8%</b>  |

**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 3<sup>rd</sup> 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                  | <u>160.1</u>   |
| <b>Operating Cash Balance Including RSF</b> | <b>\$193.6</b> |
| Debt Service Reserve - Series 1998          | 23.6           |
| Bond Fund- Construction Fund 2014A          | 67.6           |
| Reserves and Bond Proceeds                  | 91.2           |
| <b>Total All Funds</b>                      | <b>\$284.8</b> |

**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<br>Budget<br>Cash Basis | YTD<br>Actual Cash |
|--|--------------------------------|--------------------|
| <b>OPERATING BUDGET</b>  |                                |                    |
| <b>Cash Provided</b>   |                                |                    |
| Retail   | \$384,025                      | \$382,011          |
| Wholesale  | 81,365                         | 81,230             |
| Other  | 69,634                         | 75,250             |
| Transfer from Rate Stabilization Fund                                  | 7,500                          | 7,500              |
| <b>Total Cash Provided</b>   | <b>542,524</b>                 | <b>545,992</b>     |
| <b>Operating Cash Used</b>   |                                |                    |
| 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                |
| <b>Total Operating Cash Used</b>                                       | <b>291,684</b>                 | <b>273,486</b>     |
| Defeasance D.S./Cash Financed Capital Improvements                     | 20,229                         |                    |
| <b>Other Cash Used</b>   |                                |                    |
| Debt Service   | 163,242                        | 140,671            |
| Payment In Lieu of Taxes/Right of Way                                  | 20,437                         | 20,437             |
| <b>Total Other Cash Used</b>   | <b>183,680</b>                 | <b>161,109</b>     |
| <b>Total Cash Used</b>   | <b>495,592</b>                 | <b>434,595</b>     |
| <b>Net Cash Provided (Used) by Operating Act.</b>                      | <b>46,931</b>                  | <b>111,397</b>     |
| <b>CAPITAL BUDGET</b>  |                                |                    |
| <b>Cash Provided</b>   |                                |                    |
| 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            |
| <b>Total Cash Provided</b>   | <b>583,735</b>                 | <b>505,114</b>     |
| <b>Cash Used</b>   |                                |                    |
| DC Water Capital Program   | 615,275                        | 577,416            |
| Washington Aqueduct Projects   | 10,000                         | 11,750             |
| <b>Total Cash Used</b>   | <b>625,275</b>                 | <b>589,166</b>     |
| <b>Net Cash/PAYGO Provided (Used) by Cap. Act.</b>                     | <b>(\$41,540)</b>              | <b>(\$84,052)</b>  |
| <b>Beginning Balance, October 1 (Net of Rate Stab. Fund) Projected</b> | <b>\$157,642</b>               | <b>\$157,642</b>   |
| 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)           |
| <b>Balance Attributable to O&amp;M Reserve</b>                         | <b>\$140,000</b>               | <b>\$160,055</b>   |
| <b>OTHER CASH RESERVES</b>   |                                |                    |
| <b>Rate Stabilization Fund</b>   | <b>\$32,450</b>                |                    |
| <b>DC Insurance Reserve</b>  | <b>\$1,039</b>                 |                    |

CSO Long-Term Control Plan Appropriation

Year End  
Balance

**Monthly Financial Report**

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APPENDIX

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

Operating Revenues Detail

(\$ in millions)

| Revenue Category                              | Budget         | Actual         | Variance                  |              | % of Budget   |
|---|----------------|----------------|---------------------------|--------------|---------------|
|   |                |                | Favorable / (Unfavorable) |              |               |
| 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%        |
| <b>Subtotal (before Other Revenues)</b>       | <b>\$485.9</b> | <b>\$485.4</b> | <b>-\$0.5</b>             | <b>-0.1%</b> | <b>99.9%</b>  |
| 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%        |
| <b>Subtotal</b>                               | <b>\$49.2</b>  | <b>\$53.2</b>  | <b>\$4.1</b>              | <b>8.3%</b>  | <b>108.3%</b> |
| Rate Stabilization Fund Transfer              | \$7.5          | \$7.5          | \$0.0                     | 0.0%         | 100.0%        |
| <b>Other Revenue Subtotal</b>                 | <b>\$56.7</b>  | <b>\$60.7</b>  | <b>\$4.1</b>              | <b>7.1%</b>  | <b>107.1%</b> |
| <b>Grand Total</b>                            | <b>\$542.6</b> | <b>\$546.1</b> | <b>\$3.5</b>              | <b>0.6%</b>  | <b>100.6%</b> |

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

| Customer Category    | FY 2015 Budget  | Actual          | Variance                  |                      | Actual % of Budget |
|----------------------|-----------------|-----------------|---------------------------|----------------------|--------------------|
|                      |                 |                 | Favorable / <Unfavorable> | Variance % 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%               |
| <b>Total:</b>        | <b>\$81,853</b> | <b>\$86,002</b> | <b>\$4,149</b>            | <b>5%</b>            | <b>105%</b>        |

| 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            |
| <b>Total:</b>        | <b>\$135,769</b> | <b>\$149,129</b> | <b>\$86,002</b> | <b>\$11,111</b> | <b>\$382,011</b> |

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

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%         |
| <b>Total</b>              | <b>124,675</b>     | <b>7,033</b>        | <b>131,708</b>   | <b>9,297</b>                        | <b>\$ 5,608,685</b> | <b>2,684</b> | <b>\$ 873,629</b> | <b>12,192</b>    | <b>\$ 6,551,026</b> | <b>11,981</b>   | <b>\$ 6,482,314</b> | <b>100%</b> |

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%             |
| <b>Total DC WATER</b>                        | <b>\$6,067,920</b> | <b>\$7,467,307</b> | <b>123.1%</b>      | <b>7.8%</b>      |

- 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)

| Service Areas                              | Budget           | Actual              |                 |                  |               |
|--|------------------|---------------------|-----------------|------------------|---------------|
|  | Annual           | Oct 2014 - Aug 2015 | Sep 2015        | Total            | % of Budget   |
| <b>WASTEWATER TREATMENT</b>                |                  |                     |                 |                  |               |
| 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%        |
| <b>Subtotal</b>                            | <b>206,260</b>   | <b>187,531</b>      | <b>22,493</b>   | <b>210,024</b>   | <b>101.8%</b> |
| <b>SANITARY SEWER</b>                      |                  |                     |                 |                  |               |
| 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%         |
| <b>Subtotal</b>                            | <b>40,258</b>    | <b>36,972</b>       | <b>2,391</b>    | <b>39,363</b>    | <b>97.8%</b>  |
| <b>COMBINED SEWER OVERFLOW</b>             |                  |                     |                 |                  |               |
| 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%         |
| <b>Subtotal</b>                            | <b>271,101</b>   | <b>223,036</b>      | <b>23,476</b>   | <b>246,512</b>   | <b>90.9%</b>  |
| <b>STORMWATER</b>                          |                  |                     |                 |                  |               |
| 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%          |
| <b>Subtotal</b>                            | <b>2,559</b>     | <b>1,183</b>        | <b>191</b>      | <b>1,374</b>     | <b>53.7%</b>  |
| <b>WATER</b>                               |                  |                     |                 |                  |               |
| 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%        |
| <b>Subtotal</b>                            | <b>65,006</b>    | <b>59,524</b>       | <b>5,338</b>    | <b>64,861</b>    | <b>99.8%</b>  |
| <b>Capital Projects</b>                    | <b>585,183</b>   | <b>508,245</b>      | <b>53,889</b>   | <b>562,134</b>   | <b>96.1%</b>  |
| <b>CAPITAL EQUIPMENT and AMR/CIS</b>       |                  |                     |                 |                  |               |
| 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%          |
| <b>Subtotal</b>                            | <b>30,091</b>    | <b>13,870</b>       | <b>1,412</b>    | <b>15,283</b>    | <b>50.8%</b>  |
| <b>WASHINGTON AQUEDUCT</b>                 |                  |                     |                 |                  |               |
|  | 10,000           | 11,750              | -               | 11,750           | 117.5%        |
| <b>Additional Capital Projects</b>         | <b>40,091</b>    | <b>25,621</b>       | <b>1,412</b>    | <b>27,033</b>    | <b>67.4%</b>  |
| <b>Total</b>                               | <b>\$625,274</b> | <b>\$533,865</b>    | <b>\$55,302</b> | <b>\$589,167</b> | <b>94.2%</b>  |

Monthly Financial Report

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

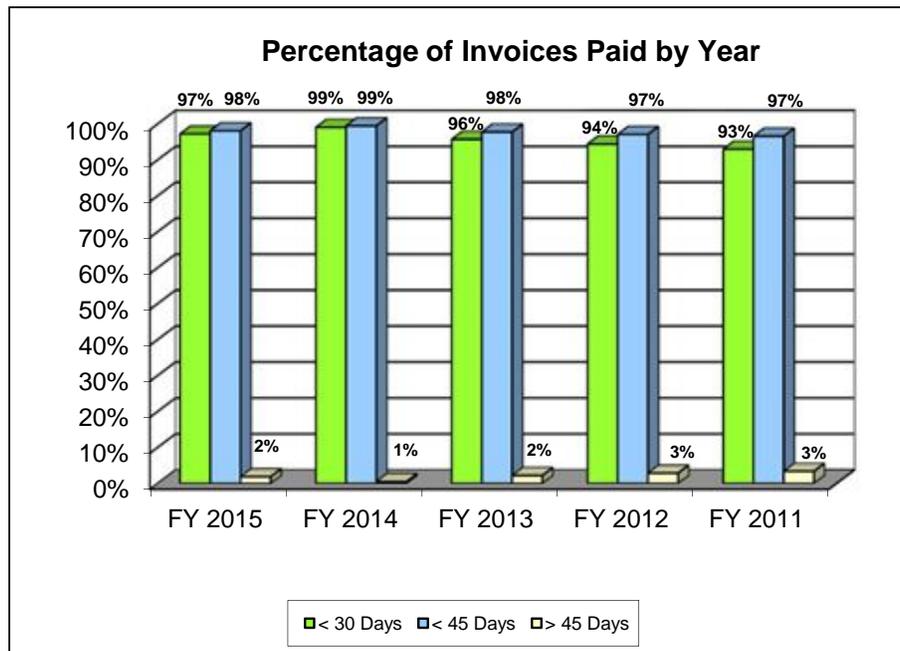
**Accounts Payable**

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%        |
| <b>Sub-Total</b>             | <b>19,496</b> | <b>100%</b> | <b>17,395</b> | <b>100%</b> |
| Retainage/Dispute            | 455           |             | 452           |             |
| <b>Total</b>                 | <b>19,951</b> |             | <b>17,847</b> |             |

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

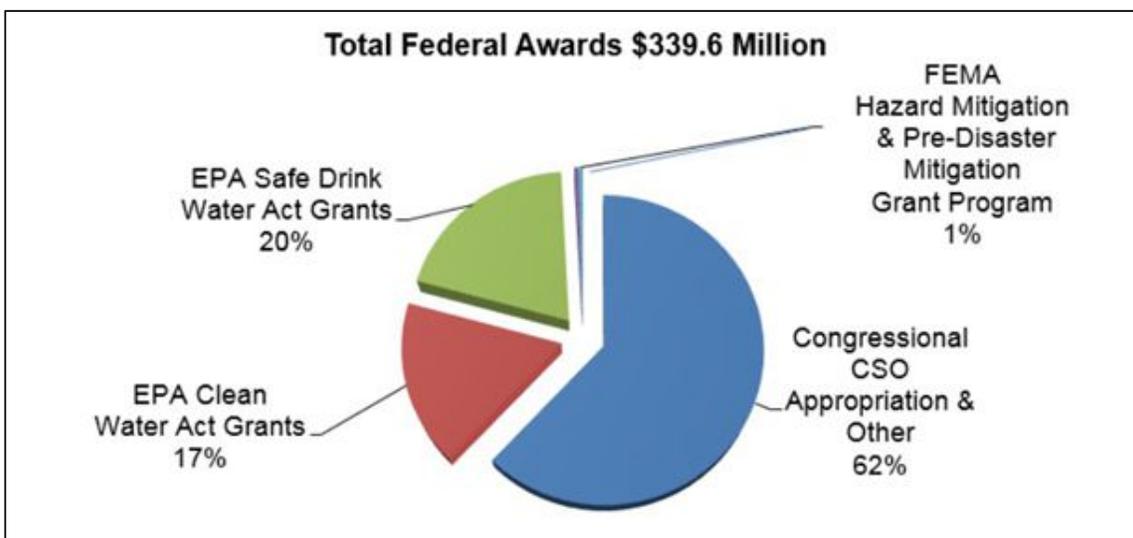
**Grants Report**

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.



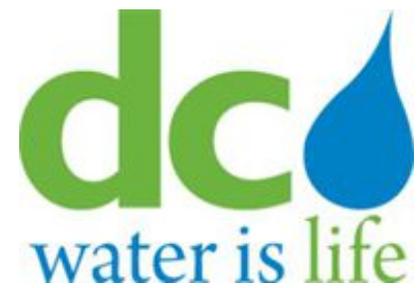
DC Water has received sixteen separate Congressional CSO appropriations totaling \$210.8 million plus accrued interest of \$12.3 million resulting in total CSO funding of \$223.1 million. The cumulative CSO appropriation life-to-date cash disbursement for requested reimbursement is \$223.1 million through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



# DC Water

*Investment Performance Report – September 2015*



DC Water  
Finance Division  
Economic Update

**ECONOMIC COMMENTARY**

- As expected in a 9 to 1 vote, the FOMC left short-term rates unchanged at their September 17 meeting. According to Janet Yellen, “Recent global economic and financial developments may restrain economic activity somewhat and are likely to put further downward pressure on inflation in the near term”.
- Fed officials continue to anticipate higher rates but lowered their median estimate for the Federal Funds rate at the end of 2016 to 1.375% from their June forecast of 1.615%.
- The September employment report was disappointing. The economy only added 142,000 jobs in September, well below estimates of 200,000 to 225,000. Job gains in August were also revised downward by 37,000 jobs and the labor force participation rate fell to 62.4%, the lowest level since October 1977.
- The unemployment rate remains at 5.1%.

**PORTFOLIO RECAP**

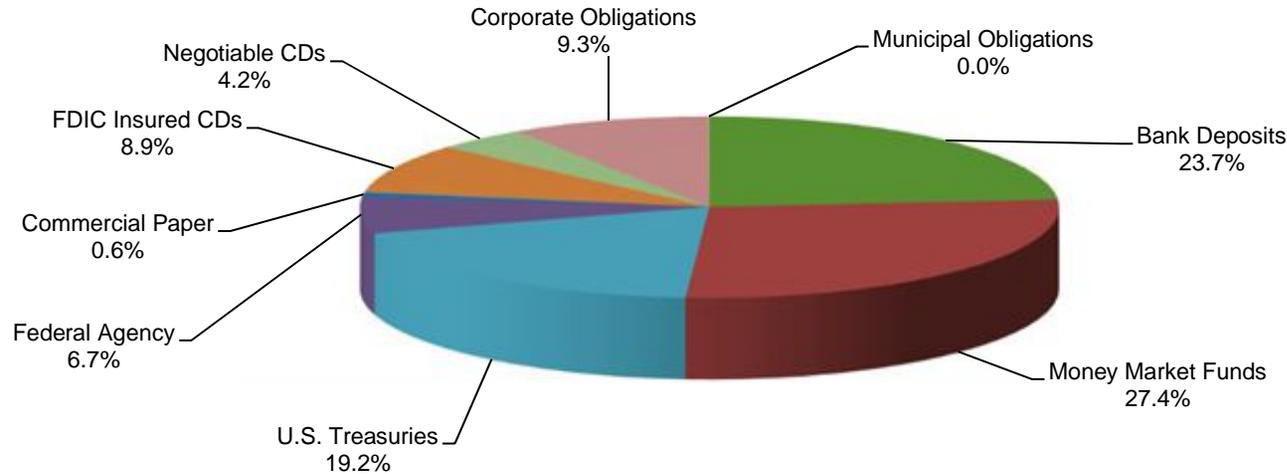
- The portfolio is diversified among Bank Deposits, U.S. Treasuries, Federal Agencies, Commercial Paper, Negotiable CDs, Corporate Notes/Bonds, Municipal Bonds, FDIC Insured CDs, and SEC registered money market funds.
- The overall yield-to-maturity on cost of the portfolio is 0.58%.

**2014A Construction Fund**

- During the month, \$18 million of commercial paper and \$17 million of Federal Agencies matured.



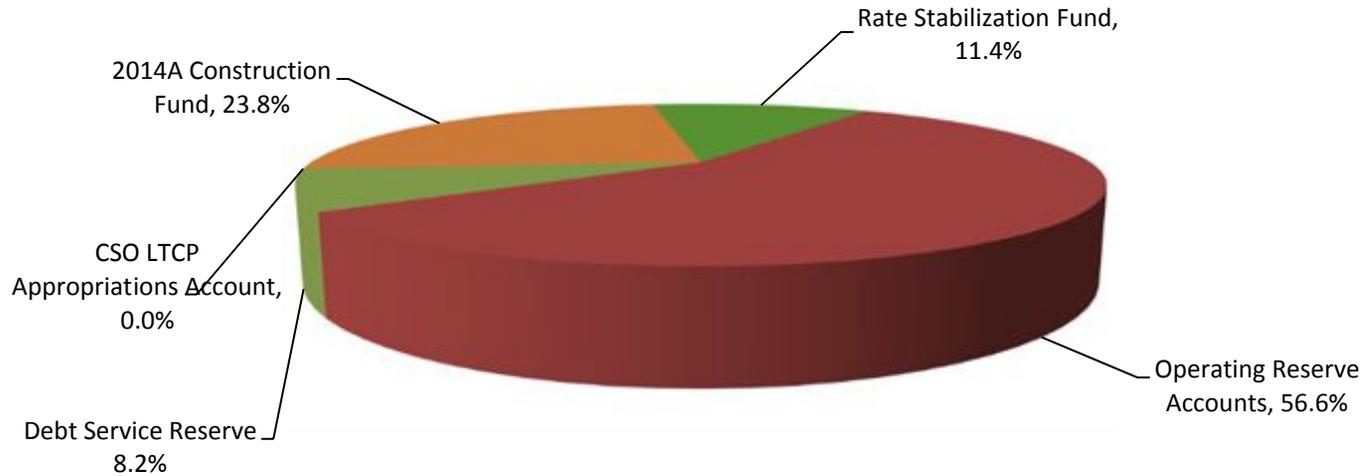
**DC Water  
Finance Division  
Investments - By Security Type  
As of September 30, 2015**



| Security Type         | Accrued Interest      | Allocation    | By Policy |
|-----------------------|-----------------------|---------------|-----------|
| Bank Deposits         | 67,717,993            | 23.7%         | 100.0%    |
| Money Market Funds    | 77,939,076            | 27.4%         | 100.0%    |
| U.S. Treasuries       | 54,570,694            | 19.2%         | 100.0%    |
| Federal Agency        | 18,963,002            | 6.7%          | 80.0%     |
| Commercial Paper      | 1,793,459             | 0.6%          | 35.0%     |
| FDIC Insured CDs      | 25,297,859            | 8.9%          | 30.0%     |
| Negotiable CDs        | 12,033,154            | 4.2%          | 30.0%     |
| Corporate Obligations | 26,401,119            | 9.3%          | 30.0%     |
| Municipal Obligations | 120,654               | 0.0%          | 20.0%     |
| <b>Total</b>          | <b>\$ 284,837,010</b> | <b>100.0%</b> |           |



**DC Water  
Finance Division  
Investment Analysis – By Fund  
As of September 30, 2015**

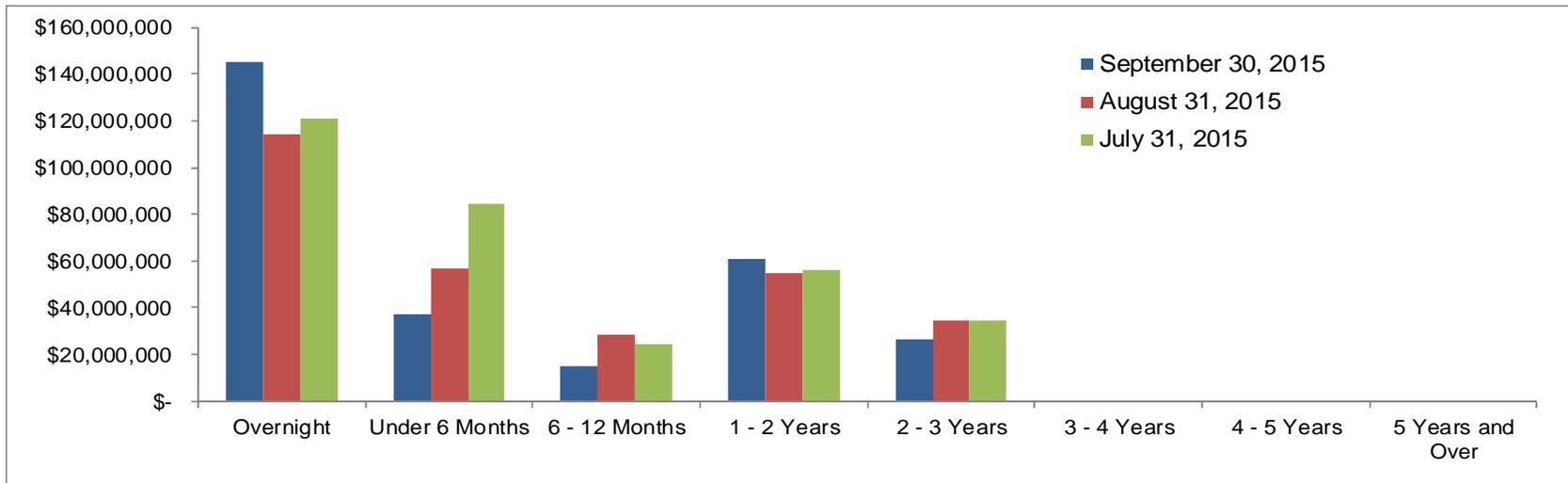


| Fund Name                       | Book Value +<br>Accrued Interest | Yield-to-<br>Maturity<br>at Cost | Effective<br>Duration<br>(years) | Weighted<br>Average<br>Maturity (days) |
|---------------------------------|----------------------------------|----------------------------------|----------------------------------|--|
| Rate Stabilization Fund         | \$ 32,450,000                    | 0.63%                            | 0.00                             | 1.0                                    |
| Operating Reserve Accounts      | \$ 161,337,552                   | 0.82%                            | 0.94                             | 346.3                                  |
| Debt Service Reserve            | \$ 23,444,311                    | 0.56%                            | 1.15                             | 428.1                                  |
| CSO LTCP Appropriations Account | \$ 884                           | 0.90%                            | 0.00                             | 1.0                                    |
| 2014A Construction Fund         | \$ 67,604,262                    | 0.01%                            | 0.00                             | 1.0                                    |
| <b>Total</b>                    | <b>\$ 284,837,010</b>            | <b>0.58%</b>                     | <b>0.63</b>                      | <b>231.7</b>                           |



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

| Maturity Distribution | September 30, 2015       | August 31, 2015          | July 31, 2015         |
|-----------------------|--------------------------|--------------------------|-----------------------|
| Overnight \$          | 145,657,069.51 \$        | 114,034,522.67 \$        | 120,752,823.29        |
| Under 6 Months        | 37,134,351.18            | 57,027,013.48            | 84,401,639.26         |
| 6 - 12 Months         | 14,921,805.28            | 28,477,314.20            | 24,125,702.23         |
| 1 - 2 Years           | 60,558,275.13            | 54,632,716.76            | 56,404,931.55         |
| 2 - 3 Years           | 26,565,508.62            | 34,230,008.80            | 34,230,030.89         |
| 3 - 4 Years           | -                        | -                        | -                     |
| 4 - 5 Years           | -                        | -                        | -                     |
| 5 Years and Over      | -                        | -                        | -                     |
| <b>Totals \$</b>      | <b>284,837,009.72 \$</b> | <b>288,401,575.91 \$</b> | <b>319,915,127.22</b> |





**DC Water  
Finance Division  
Investments – Issuer Allocation**

|   | Credit Ratings<br>S&P / Moody's | Book Value           |              | Investment Policy<br>Limit | Compliance with<br>Investment Policy |
|---|---------------------------------|----------------------|--------------|----------------------------|--------------------------------------|
| <b>Bank Deposits</b>                                  |                                 |                      |              |                            |                                      |
| TD Bank   |                                 | 62,630,047.32        | 22.0%        | 100.0%                     | Yes                                  |
| Capital One Bank                                      |                                 | 5,087,945.74         | 1.8%         | 100.0%                     | Yes                                  |
| <b>Sub-Total Bank Deposits</b>                        |                                 | <b>67,717,993.06</b> | <b>23.8%</b> | 100.0%                     | Yes                                  |
| <b>Money Market Mutual Funds</b>                      |                                 |                      |              |                            |                                      |
| Wells Fargo Treasury Plus MMF                         | AAAm                            | 67,657,302.79        | 23.8%        | 50.0%                      | Yes                                  |
| Wells Fargo Government MMF                            | AAAm                            | 164,907.88           | 0.1%         | 0.0%                       | No **                                |
| Federated Government MMF                              | AAAm                            | 10,116,865.78        | 3.6%         | 50.0%                      | Yes                                  |
| <b>Sub-Total Money Market Mutual Funds</b>            |                                 | <b>77,939,076.45</b> | <b>27.4%</b> | 100.0%                     | Yes                                  |
| <b>U.S. Treasuries</b>                                |                                 |                      |              |                            |                                      |
| Treasury Note   | AA+ / Aaa                       | 54,570,694.42        | 19.2%        | 100.0%                     | Yes                                  |
| <b>Sub-Total Treasuries</b>                           |                                 | <b>54,570,694.42</b> | <b>19.2%</b> | 100.0%                     | Yes                                  |
| <b>Federal Agencies</b>                               |                                 |                      |              |                            |                                      |
| Fannie Mae  | AA+ / Aaa                       | 4,544,589.78         | 1.6%         | 40.0%                      | Yes                                  |
| Federal Home Loan Bank                                | AA+ / Aaa                       | 13,401,677.20        | 4.7%         | 40.0%                      | Yes                                  |
| Freddie Mac   | AA+ / Aaa                       | 1,016,734.67         | 0.4%         | 40.0%                      | Yes                                  |
| <b>Sub-Total Federal Agencies</b>                     |                                 | <b>18,963,001.65</b> | <b>6.7%</b>  | 80.0%                      | Yes                                  |
| <b>Commercial Paper</b>                               |                                 |                      |              |                            |                                      |
| JP Morgan Securities LLC                              | A-1 / P-1                       | 1,793,459.00         | 0.6%         | 5.0%                       | Yes                                  |
| <b>Sub-Total Commercial Paper</b>                     |                                 | <b>1,793,459.00</b>  | <b>0.6%</b>  | 35.0%                      | Yes                                  |
| <b>FDIC Insured Certificates of Deposit</b>           |                                 |                      |              |                            |                                      |
| CDARS - Placed by Industrial Bank                     | NR / NR                         | 15,184,682.19        | 5.3%         | 5.0%                       | Yes *                                |
| CDARS - Placed by City First Bank                     | NR / NR                         | 10,113,176.33        | 3.6%         | 5.0%                       | Yes                                  |
| <b>Sub-Total FDIC-Insured Certificates of Deposit</b> |                                 | <b>25,297,858.52</b> | <b>8.9%</b>  | 30.0%                      | Yes                                  |

\* Compliance to the Investment Policy is determined by the book value at the date of acquisition.

\*\* During the month, funds were inadvertently invested in a Wells Fargo Government money market fund. Government money market mutual funds are not permitted under the bond indenture. The custodian bank has been informed and has been subsequently corrected.



**DC Water  
Finance Division  
Investments – Issuer Allocation**

|   | Credit Ratings<br>S&P / Moody's | Book Value               |               | Investment Policy<br>Limit | Compliance with<br>Investment Policy |
|---|---------------------------------|--------------------------|---------------|----------------------------|--------------------------------------|
| <b>Negotiable Certificates of Deposit</b>           |                                 |                          |               |                            |                                      |
| BNP Paribas NY Branch                               | A-1 / P-1                       | 1,805,740.00             | 0.6%          | 5.0%                       | Yes                                  |
| Canadian Imperial Bank NY                           | A-1 / P-1                       | 1,808,635.50             | 0.6%          | 5.0%                       | Yes                                  |
| Credit Suisse NY                                    | A-1 / P-1                       | 1,801,708.50             | 0.6%          | 5.0%                       | Yes                                  |
| HSBC Bank USA NA                                    | A-1+ / P-1                      | 1,801,980.00             | 0.6%          | 5.0%                       | Yes                                  |
| Nordea Bank Finland NY                              | AA- / Aa3                       | 1,807,187.50             | 0.6%          | 5.0%                       | Yes                                  |
| Rabobank Nederland NV                               | A-1 / P-1                       | 1,808,239.00             | 0.6%          | 5.0%                       | Yes                                  |
| US Bank NA Cincinnati                               | AA- / A1                        | 1,199,663.34             | 0.4%          | 5.0%                       | Yes                                  |
| <b>Sub-Total Negotiable Certificates of Deposit</b> |                                 | <b>12,033,153.84</b>     | <b>4.2%</b>   | 30.0%                      | Yes                                  |
| <b>Corporate Obligations</b>                        |                                 |                          |               |                            |                                      |
| ANZ Banking Group Ltd.                              | AA- / Aa2                       | 1,758,614.18             | 0.6%          | 5.0%                       | Yes                                  |
| Bank of Montreal                                    | A+ / Aa3                        | 1,756,013.66             | 0.6%          | 5.0%                       | Yes                                  |
| Bank of New York Mellon                             | A+ / A1                         | 1,809,614.79             | 0.6%          | 5.0%                       | Yes                                  |
| Bank of Nova Scotia                                 | A+ / Aa2                        | 1,808,588.33             | 0.6%          | 5.0%                       | Yes                                  |
| Cisco Systems Inc.                                  | AA- / A1                        | 1,557,149.44             | 0.5%          | 5.0%                       | Yes                                  |
| Chevron   | AA / Aa1                        | 1,789,618.38             | 0.6%          | 5.0%                       | Yes                                  |
| Exxon Mobil   | AAA / Aaa                       | 1,801,631.25             | 0.6%          | 5.0%                       | Yes                                  |
| General Electric Capital Corporation                | AA+ / A1                        | 1,840,169.59             | 0.6%          | 5.0%                       | Yes                                  |
| IBM   | AA- / Aa3                       | 2,248,477.27             | 0.8%          | 5.0%                       | Yes                                  |
| Merck & Co.   | AA / A2                         | 734,231.03               | 0.3%          | 5.0%                       | Yes                                  |
| Royal Bank of Canada                                | AA- / Aa3                       | 1,761,452.20             | 0.6%          | 5.0%                       | Yes                                  |
| Toronto Dominion Bank NY                            | AA- / Aa1                       | 1,997,954.94             | 0.7%          | 5.0%                       | Yes                                  |
| Toyota Motor Credit Corp                            | AA- / Aa3                       | 1,528,661.30             | 0.5%          | 5.0%                       | Yes                                  |
| US Bank   | AA- / A1                        | 551,881.43               | 0.2%          | 5.0%                       | Yes                                  |
| Walmart Stores Inc.                                 | AA / Aa2                        | 834,094.31               | 0.3%          | 5.0%                       | Yes                                  |
| Wells Fargo & Company                               | A+ / A2                         | 1,207,634.48             | 0.4%          | 5.0%                       | Yes                                  |
| Westpac Banking                                     | AA- / Aa2                       | 1,415,332.20             | 0.5%          | 5.0%                       | Yes                                  |
| <b>Sub-Total Corporate Obligations</b>              |                                 | <b>26,401,118.78</b>     | <b>9.3%</b>   | 30.0%                      | Yes                                  |
| <b>Municipal Obligations</b>                        |                                 |                          |               |                            |                                      |
| Mississippi State                                   | AA / Aa2                        | 120,654.00               | 0.0%          | 5.0%                       | Yes                                  |
| <b>Sub-Total Municipal Obligations</b>              |                                 | <b>120,654.00</b>        | <b>0.0%</b>   | 20.0%                      | Yes                                  |
| <b>Grand Total</b>                                  |                                 | <b>\$ 284,837,009.72</b> | <b>100.0%</b> |                            |                                      |



**DC Water  
Finance Division  
Book Value Performance  
As of September 30, 2015**

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

|   | Trailing 1 Months |              | Trailing 3 Months |              | Trailing 6 Months |              | Trailing 12 Months |
|---|-------------------|--------------|-------------------|--------------|-------------------|--------------|--------------------|
|   | Periodic          | Annualized   | Periodic          | Annualized   | Periodic          | Annualized   |                    |
| Total Rate Stabilization Fund                                   | 0.05%             | 0.63%        | 0.14%             | 0.54%        | 0.26%             | 0.52%        | 0.54%              |
| Operating Reserve Accounts                                      | 0.07%             | 0.81%        | 0.21%             | 0.82%        | 0.40%             | 0.80%        | 0.75%              |
| Total Debt Service Reserve                                      | 0.05%             | 0.56%        | 0.14%             | 0.56%        | 0.38%             | 0.77%        | 0.63%              |
| 2014A Construction Fund   | 0.00%             | 0.03%        | 0.02%             | 0.09%        | 0.06%             | 0.13%        | 0.16%              |
| <b>Short-Term</b>   | <b>0.03%</b>      | <b>0.43%</b> | <b>0.09%</b>      | <b>0.35%</b> | <b>0.17%</b>      | <b>0.34%</b> | <b>0.34%</b>       |
| Merrill Lynch 3-Month Treasury Index (Book Value) <sup>1</sup>  | 0.00%             | 0.00%        | 0.00%             | 0.02%        | 0.01%             | 0.01%        | 0.01%              |
| <b>Core (1+ Years)</b>  | <b>0.08%</b>      | <b>0.95%</b> | <b>0.24%</b>      | <b>0.94%</b> | <b>0.45%</b>      | <b>0.89%</b> | <b>0.79%</b>       |
| Merrill Lynch 1-3 Year Treasury Index (Book Value) <sup>2</sup> | 0.05%             | 0.61%        | 0.16%             | 0.65%        | 0.31%             | 0.61%        | 0.59%              |

- (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      |
|---|------------|---------------|-------------|---------------|-----------------|-------------|---------------|---------------------------------|-----------------------------------|------------------|
| <b>Rate Stabilization Fund</b>          |            |               |             |               |                 |             |               |                                 |                                   |                  |
| TD BANK BANK DEPOSIT                    |            | \$ 22,450,000 |             | 10/1/2015     |                 | 0.90%       | \$ 22,450,000 | \$ 22,450,000                   | \$ 22,450,000                     |                  |
| FEDERATED GOVERNMENT MONEY MARKET FUND  |            | 10,000,000    |             | 10/1/2015     |                 | 0.01%       | 10,000,000    | 10,000,000                      | 10,000,000                        |                  |
|   |            |               |             |               |                 |             |               |                                 |                                   | \$ 32,450,000.00 |
| <b>Operating Reserve Accounts</b>       |            |               |             |               |                 |             |               |                                 |                                   |                  |
| TD BANK BANK DEPOSIT                    |            | \$ 40,179,163 |             | 10/1/2015     |                 | 0.90%       | \$ 40,179,163 | \$ 40,179,163                   | \$ 40,179,163                     |                  |
| CAPITAL ONE BANK                        |            | 5,087,946     |             | 10/1/2015     |                 | 0.50%       | 5,087,946     | 5,087,946                       | 5,087,946                         |                  |
| FEDERATED GOVERNMENT MONEY MARKET FUND  |            | 116,866       |             | 10/1/2015     |                 | 0.01%       | 116,866       | 116,866                         | 116,866                           |                  |
| INDUSTRIAL BANK CDARS                   |            | 5,000,000     | 0.350       | 10/15/2015    | 10/16/2014      | 0.35%       | 5,000,000     | 5,016,831                       | 5,016,831                         |                  |
| INDUSTRIAL BANK CDARS                   |            | 5,024,994     | 0.400       | 11/12/2015    | 11/13/2014      | 0.40%       | 5,024,994     | 5,042,800                       | 5,042,800                         |                  |
| CITY FIRST BK OF WASHINGTON, DC (CDARS) |            | 5,019,985     | 0.300       | 11/12/2015    | 11/13/2014      | 0.30%       | 5,019,985     | 5,033,326                       | 5,033,326                         |                  |
| BNP PARIBAS NY BRANCH CERT DEPOS        | 05574RSY2  | 1,800,000     | 0.560       | 12/4/2015     | 3/10/2015       | 0.56%       | 1,800,000     | 1,806,283                       | 1,805,740                         |                  |
| INDUSTRIAL BANK CDARS                   |            | 2,545,282     | 0.750       | 1/21/2016     | 1/23/2014       | 0.75%       | 2,545,282     | 2,577,651                       | 2,577,651                         |                  |
| INDUSTRIAL BANK CDARS                   |            | 2,539,450     | 0.450       | 1/21/2016     | 1/22/2015       | 0.45%       | 2,539,450     | 2,547,400                       | 2,547,400                         |                  |
| CITY FIRST BK OF WASHINGTON, DC (CDARS) |            | 2,530,097     | 0.400       | 3/17/2016     | 3/20/2014       | 0.40%       | 2,530,097     | 2,545,666                       | 2,545,666                         |                  |
| CITY FIRST BK OF WASHINGTON, DC (CDARS) |            | 2,530,097     | 0.300       | 3/17/2016     | 3/19/2015       | 0.30%       | 2,530,097     | 2,534,184                       | 2,534,184                         |                  |
| JP MORGAN SECURITIES LLC COMM PAPER     | 46640PDV2  | 1,800,000     | -           | 4/29/2016     | 8/3/2015        | 0.62%       | 1,791,630     | 1,795,208                       | 1,793,459                         |                  |
| CREDIT SUISSE NEW YORK CERT DEPOS       | 22549VX73  | 1,800,000     | 0.670       | 5/6/2016      | 8/11/2015       | 0.67%       | 1,800,000     | 1,803,341                       | 1,801,709                         |                  |
| US TREASURY NOTES                       | 912828WQ9  | 3,650,000     | 0.500       | 6/30/2016     | 7/15/2014       | 0.46%       | 3,652,994     | 3,660,886                       | 3,655,757                         |                  |
| WELLS FARGO & COMPANY                   | 94974BFL9  | 1,200,000     | 1.250       | 7/20/2016     | 7/16/2014       | 0.76%       | 1,211,664     | 1,208,123                       | 1,207,634                         |                  |
| US TREASURY NOTES                       | 912828QX1  | 3,035,000     | 1.500       | 7/31/2016     | 7/15/2014       | 0.50%       | 3,096,767     | 3,071,597                       | 3,067,868                         |                  |
| HSBC BANK USA NA CD                     | 40428AC54  | 1,800,000     | 0.880       | 8/15/2016     | 2/13/2015       | 0.88%       | 1,800,000     | 1,804,016                       | 1,801,980                         |                  |
| FHLB NOTES                              | 3130A2T97  | 1,595,000     | 0.500       | 9/28/2016     | 8/7/2014        | 0.61%       | 1,591,411     | 1,596,282                       | 1,593,398                         |                  |
| US TREASURY NOTES                       | 912828WF3  | 4,600,000     | 0.625       | 11/15/2016    | 7/15/2014       | 0.64%       | 4,598,563     | 4,621,223                       | 4,610,168                         |                  |
| US TREASURY NOTES                       | 912828MD9  | 4,225,000     | 3.250       | 12/31/2016    | 11/24/2014      | 0.61%       | 4,457,375     | 4,405,485                       | 4,398,031                         |                  |
| US TREASURY NOTES                       | 912828RX0  | 5,000,000     | 0.875       | 12/31/2016    | 11/21/2014      | 0.60%       | 5,029,102     | 5,036,121                       | 5,028,315                         |                  |
| US TREASURY NOTES                       | 912828RX0  | 3,075,000     | 0.875       | 12/31/2016    | 12/9/2014       | 0.69%       | 3,086,531     | 3,097,215                       | 3,088,802                         |                  |
| GENERAL ELEC CAP CORP GLOBAL NOTES      | 36962G5N0  | 1,200,000     | 2.900       | 1/9/2017      | 7/15/2014       | 1.03%       | 1,254,912     | 1,238,093                       | 1,236,227                         |                  |
| US BANK CORP NOTE (CALLABLE)            | 90331HMC4  | 550,000       | 1.100       | 1/30/2017     | 11/26/2014      | 0.98%       | 551,430       | 551,880                         | 551,881                           |                  |
| US TREASURY NOTES                       | 912828SC5  | 3,500,000     | 0.875       | 1/31/2017     | 7/14/2014       | 0.72%       | 3,513,945     | 3,523,297                       | 3,512,482                         |                  |
| US TREASURY NOTES                       | 912828SM3  | 100,000       | 1.000       | 3/31/2017     | 10/6/2014       | 0.80%       | 100,488       | 100,732                         | 100,298                           |                  |
| CANADIAN IMPERIAL BANK NY YCD           | 13606JY9   | 1,800,000     | 1.010       | 4/6/2017      | 4/10/2015       | 1.01%       | 1,800,000     | 1,806,494                       | 1,808,636                         |                  |
| RABOBANK NEDERLAND NV CERT DEPOS        | 21684BXH2  | 1,800,000     | 1.070       | 4/21/2017     | 4/27/2015       | 1.07%       | 1,800,000     | 1,804,963                       | 1,808,239                         |                  |
| FNMA NOTES                              | 3135G0JA2  | 4,500,000     | 1.125       | 4/27/2017     | 11/21/2014      | 0.80%       | 4,535,370     | 4,559,033                       | 4,544,590                         |                  |
| TORONTO DOMINION BANK NY CORP NT        | 89114QAQ1  | 1,200,000     | 1.125       | 5/2/2017      | 7/15/2014       | 1.14%       | 1,199,628     | 1,207,325                       | 1,205,378                         |                  |
| TORONTO DOMINION BANK NY CORP NT        | 89114QAQ1  | 790,000       | 1.125       | 5/2/2017      | 11/26/2014      | 1.21%       | 788,317       | 794,822                         | 792,577                           |                  |
| NORDEA BANK FINLAND NY CD               | 65558LFA5  | 1,800,000     | 1.150       | 5/26/2017     | 5/29/2015       | 1.15%       | 1,800,000     | 1,803,372                       | 1,807,188                         |                  |
| FHLB GLOBAL NOTES                       | 3130A5EP0  | 1,775,000     | 0.625       | 5/30/2017     | 5/15/2015       | 0.67%       | 1,773,527     | 1,778,908                       | 1,777,526                         |                  |
| ANZ BANKING GROUP LTD CORP NOTES        | 05253JAF8  | 1,200,000     | 1.250       | 6/13/2017     | 10/30/2014      | 1.15%       | 1,203,084     | 1,202,689                       | 1,206,514                         |                  |
| ANZ BANKING GROUP LTD CORP NOTES        | 05253JAF8  | 550,000       | 1.250       | 6/13/2017     | 11/26/2014      | 1.25%       | 550,055       | 551,233                         | 552,100                           |                  |
| US TREASURY NOTES                       | 912828TB6  | 1,850,000     | 0.750       | 6/30/2017     | 11/3/2014       | 0.79%       | 1,848,121     | 1,858,588                       | 1,852,269                         |                  |
| BANK OF MONTREAL CORP NOTES (CALLABLE)  | 06366RVD4  | 1,200,000     | 1.300       | 7/14/2017     | 7/15/2014       | 1.27%       | 1,201,116     | 1,207,395                       | 1,203,995                         |                  |
| BANK OF MONTREAL CORP NOTES (CALLABLE)  | 06366RVD4  | 550,000       | 1.300       | 7/14/2017     | 11/26/2014      | 1.25%       | 550,726       | 553,389                         | 552,019                           |                  |
| FREDDIE MAC GLOBAL NOTES                | 3137EADJ5  | 1,015,000     | 1.000       | 7/28/2017     | 8/14/2014       | 1.00%       | 1,014,932     | 1,023,642                       | 1,016,735                         |                  |
| US TREASURY NOTES                       | 912828NR7  | 150,000       | 2.375       | 7/31/2017     | 7/18/2014       | 0.97%       | 156,311       | 155,442                         | 154,429                           |                  |
| US TREASURY NOTES                       | 912828TG5  | 3,260,000     | 0.500       | 7/31/2017     | 2/4/2015        | 0.63%       | 3,249,685     | 3,256,718                       | 3,255,141                         |                  |
| US TREASURY NOTES                       | 912828TG5  | 100,000       | 0.500       | 7/31/2017     | 2/10/2015       | 0.84%       | 99,164        | 99,899                          | 99,463                            |                  |
| US BANK NA CINCINNATI (CALLABLE) CD     | 90333V/PF1 | 1,200,000     | 1.375       | 9/11/2017     | 9/11/2014       | 1.41%       | 1,198,068     | 1,199,207                       | 1,199,663                         |                  |
| MS ST TXBL GO BONDS                     | 605581FX0  | 120,000       | 1.090       | 10/1/2017     | 2/18/2015       | 1.09%       | 120,000       | 120,720                         | 120,654                           |                  |



**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              |
|---|-----------|---------------|-------------|---------------|-----------------|-------------|--------------------------|---------------------------------|-----------------------------------|--------------------------|
| <b><u>Operating Reserve Accounts</u></b>      |           |               |             |               |                 |             |                          |                                 |                                   |                          |
| ROYAL BANK OF CANADA CORP NOTES               | 78010U4A2 | 1,200,000     | 1.400       | 10/13/2017    | 10/15/2014      | 1.41%       | 1,199,820                | 1,207,238                       | 1,207,717                         |                          |
| ROYAL BANK OF CANADA CORP NOTES               | 78010U4A2 | 550,000       | 1.400       | 10/13/2017    | 11/26/2014      | 1.39%       | 550,198                  | 553,317                         | 553,735                           |                          |
| CHEVRON CORP NOTE                             | 166764AL4 | 885,000       | 1.345       | 11/15/2017    | 11/18/2014      | 1.35%       | 885,000                  | 892,563                         | 889,497                           |                          |
| CHEVRON CORP (CALLABLE) GLOBAL NOTES          | 166764AA8 | 900,000       | 1.104       | 12/5/2017     | 11/26/2014      | 1.26%       | 895,743                  | 899,594                         | 900,122                           |                          |
| GENERAL ELECTRIC CO NOTES                     | 369604BC6 | 550,000       | 5.250       | 12/6/2017     | 11/26/2014      | 1.45%       | 611,727                  | 605,104                         | 603,943                           |                          |
| TOYOTA MOTOR CREDIT CORP NOTE                 | 89236TCA1 | 590,000       | 1.450       | 1/12/2018     | 1/12/2015       | 1.50%       | 589,192                  | 592,565                         | 591,260                           |                          |
| WESTPAC BANKING CORP NOTES                    | 961214BZ5 | 1,400,000     | 1.600       | 1/12/2018     | 4/29/2015       | 1.27%       | 1,412,306                | 1,409,370                       | 1,415,332                         |                          |
| IBM CORP NOTES                                | 459200HZ7 | 2,250,000     | 1.125       | 2/6/2018      | 2/6/2015        | 1.23%       | 2,243,138                | 2,248,422                       | 2,248,477                         |                          |
| WAL MART STORES INC. CORP NOTES               | 931142CJ0 | 750,000       | 5.800       | 2/15/2018     | 6/12/2015       | 1.30%       | 838,382                  | 837,128                         | 834,094                           |                          |
| EXXON MOBIL CORP NOTES                        | 30231GAL6 | 1,800,000     | 1.305       | 3/6/2018      | 3/6/2015        | 1.31%       | 1,800,000                | 1,805,879                       | 1,801,631                         |                          |
| US TREASURY NOTES                             | 912828UU2 | 2,200,000     | 0.750       | 3/31/2018     | 2/27/2015       | 1.04%       | 2,180,578                | 2,196,895                       | 2,184,293                         |                          |
| US TREASURY NOTES                             | 912828UU2 | 4,400,000     | 0.750       | 3/31/2018     | 3/27/2015       | 1.00%       | 4,368,031                | 4,393,789                       | 4,373,509                         |                          |
| MERCK & CO GLOBAL NOTES                       | 58933YAG0 | 731,000       | 1.300       | 5/18/2018     | 3/27/2015       | 1.31%       | 730,664                  | 734,872                         | 734,231                           |                          |
| BANK OF NEW YORK MELLON CORP                  | 06406HDB2 | 1,800,000     | 1.600       | 5/22/2018     | 5/29/2015       | 1.60%       | 1,799,838                | 1,806,183                       | 1,809,615                         |                          |
| BANK OF NOVA SCOTIA CORP NOTE (CALLABLE)      | 064159GM2 | 1,800,000     | 1.700       | 6/11/2018     | 6/11/2015       | 1.72%       | 1,799,154                | 1,806,621                       | 1,808,588                         |                          |
| CISCO SYSTEMS INC CORP NOTE                   | 17275RAU6 | 1,550,000     | 1.650       | 6/15/2018     | 6/17/2015       | 1.66%       | 1,549,737                | 1,568,680                       | 1,557,149                         |                          |
| TOYOTA MOTOR CREDIT CORP                      | 89236TCP8 | 935,000       | 1.550       | 7/13/2018     | 7/13/2015       | 1.58%       | 934,205                  | 942,398                         | 937,402                           |                          |
| US TREASURY NOTES                             | 912828VQ0 | 1,975,000     | 1.375       | 7/31/2018     | 7/6/2015        | 1.11%       | 1,990,893                | 2,006,036                       | 1,994,259                         |                          |
|   |           |               |             |               |                 |             |                          |                                 |                                   | \$ 161,337,552.36        |
| <b><u>Debt Service Reserve</u></b>            |           |               |             |               |                 |             |                          |                                 |                                   |                          |
| WELLS FARGO TREASURY PLUS MMF                 |           | \$ 53,041     |             | 10/1/2015     |                 | 0.01%       | \$ 53,041                | \$ 53,041                       | \$ 53,041                         |                          |
| WELLS FARGO GOVERNMENT MMF                    |           | \$ 164,908    |             | 10/1/2015     |                 | 0.01%       | \$ 164,908               | \$ 164,908                      | \$ 164,908                        |                          |
| FHLB NOTES                                    | 313375RN9 | 10,000,000    | 1.000       | 3/11/2016     | 5/22/2013       | 0.43%       | 10,158,100               | 10,040,336                      | 10,030,753                        |                          |
| US TREASURY NOTES                             | 912828MV9 | 6,538,000     | 3.250       | 3/31/2017     | 6/29/2015       | 0.56%       | 6,844,213                | 6,806,403                       | 6,800,178                         |                          |
| US TREASURY NOTES                             | 912828PA2 | 6,257,000     | 1.875       | 9/30/2017     | 6/29/2015       | 0.76%       | 6,412,692                | 6,408,696                       | 6,395,431                         |                          |
|   |           |               |             |               |                 |             |                          |                                 |                                   | \$ 23,444,311.26         |
| <b><u>CSO LTCP Appropriations Account</u></b> |           |               |             |               |                 |             |                          |                                 |                                   |                          |
| TD BANK BANK DEPOSIT                          |           | \$ 884        |             | 10/1/2015     |                 | 0.90%       | \$ 884                   | \$ 884                          | \$ 884                            |                          |
|   |           |               |             |               |                 |             |                          |                                 |                                   | \$ 884.43                |
| <b><u>2014A Construction Fund</u></b>         |           |               |             |               |                 |             |                          |                                 |                                   |                          |
| WELLS FARGO TREASURY PLUS MMF                 |           | \$ 67,604,262 |             | 10/1/2015     |                 | 0.01%       | \$ 67,604,262            | \$ 67,604,262                   | \$ 67,604,262                     |                          |
|   |           |               |             |               |                 |             |                          |                                 |                                   | \$ 67,604,261.67         |
|   |           |               |             |               |                 |             | <b>\$ 284,865,500.17</b> | <b>\$ 285,020,641.27</b>        | <b>\$ 284,837,009.72</b>          | <b>\$ 284,837,009.72</b> |

Investment Performance Report – September 2015



DC Water  
Finance Division  
Security Purchases  
Last 6 Months

| CUSIP                             | DESCRIPTION                              | PAR           | COUPON | MATURITY DATE | SETTLE DATE | YTM  | TRANSACTION AMOUNT |
|-----------------------------------|--|---------------|--------|---------------|-------------|------|--------------------|
| <b>Operating Reserve Accounts</b> |  |               |        |               |             |      |                    |
| 13606JYY9                         | CANADIAN IMPERIAL BANK NY YCD            | 1,800,000.00  | 1.01   | 4/6/2017      | 4/10/2015   | 1.00 | 1,800,000.00       |
| 21684BXH2                         | RABOBANK NEDERLAND NV CERT DEPOS         | 1,800,000.00  | 1.07   | 4/21/2017     | 4/27/2015   | 1.06 | 1,800,000.00       |
| 961214BZ5                         | WESTPAC BANKING CORP NOTES               | 1,400,000.00  | 1.60   | 1/12/2018     | 4/29/2015   | 1.27 | 1,418,963.78       |
| 3130A5EP0                         | FHLB GLOBAL NOTES                        | 1,775,000.00  | 0.63   | 5/30/2017     | 5/15/2015   | 0.67 | 1,773,526.75       |
| 06406HDB2                         | BANK OF NEW YORK MELLON CORP             | 1,800,000.00  | 1.60   | 5/22/2018     | 5/29/2015   | 1.60 | 1,799,838.00       |
| 65558LFA5                         | NORDEA BANK FINLAND NY CD                | 1,800,000.00  | 1.15   | 5/26/2017     | 5/29/2015   | 1.15 | 1,800,000.00       |
| 064159GM2                         | BANK OF NOVA SCOTIA CORP NOTE (CALLABLE) | 1,800,000.00  | 1.70   | 6/11/2018     | 6/11/2015   | 1.72 | 1,799,154.00       |
| 931142CJ0                         | WAL MART STORES INC. CORP NOTES          | 750,000.00    | 5.80   | 2/15/2018     | 6/12/2015   | 1.30 | 852,519.75         |
| 17275RAU6                         | CISCO SYSTEMS INC CORP NOTE              | 1,550,000.00  | 1.65   | 6/15/2018     | 6/17/2015   | 1.66 | 1,549,736.50       |
| 912828VQ0                         | US TREASURY NOTES                        | 2,900,000.00  | 1.38   | 7/31/2018     | 7/6/2015    | 1.11 | 2,940,519.64       |
| 89236TCP8                         | TOYOTA MOTOR CREDIT CORP                 | 935,000.00    | 1.55   | 7/13/2018     | 7/13/2015   | 1.58 | 934,205.25         |
| 46640PDV2                         | JP MORGAN SECURITIES LLC COMM PAPER      | 1,800,000.00  | -      | 4/29/2016     | 8/3/2015    | 0.63 | 1,791,630.00       |
| 22549VX73                         | CREDIT SUISSE NEW YORK CERT DEPOS        | 1,800,000.00  | 0.67   | 5/6/2016      | 8/11/2015   | 0.68 | 1,800,000.00       |
| <b>Total Debt Service Reserve</b> |  |               |        |               |             |      |                    |
| 912828MV9                         | US TREASURY NOTES                        | 6,538,000.00  | 3.25   | 3/31/2017     | 6/29/2015   | 0.56 | 6,896,463.77       |
| 912828PA2                         | US TREASURY NOTES                        | 6,257,000.00  | 1.88   | 9/30/2017     | 6/29/2015   | 0.76 | 6,441,540.63       |
| <b>2014A Construction Fund</b>    |  |               |        |               |             |      |                    |
| 22533UUD3                         | CREDIT AGRICOLE CIB NY COMM PAPER        | 12,000,000.00 | -      | 7/13/2015     | 5/1/2015    | 0.15 | 11,996,350.00      |
| 06538CVU2                         | BANK OF TOKYO MITS UFJ LTD COMM PAPER    | 6,000,000.00  | -      | 8/28/2015     | 6/12/2015   | 0.23 | 5,997,048.33       |
| 36959JWB5                         | GENERAL ELEC CAP CORP COMM PAPER         | 6,000,000.00  | -      | 9/11/2015     | 6/12/2015   | 0.19 | 5,997,118.33       |
| 89233HWG5                         | TOYOTA MOTOR CREDIT CORP COMM PAPER      | 6,000,000.00  | -      | 9/16/2015     | 6/12/2015   | 0.21 | 5,996,640.00       |
| 09659CWB0                         | BNP PARIBAS NY BRANCH COMM PAPER         | 6,000,000.00  | -      | 9/11/2015     | 6/29/2015   | 0.24 | 5,997,040.00       |

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

Investment Performance Report – September 2015



DC Water  
Finance Division  
Security Sales  
Last 6 Months

| CUSIP                             | DESCRIPTION                             | PAR           | COUPON | MATURITY DATE | SETTLE DATE | YTM  | TRANSACTION AMOUNT |
|-----------------------------------|---|---------------|--------|---------------|-------------|------|--------------------|
| <b>Operating Reserve Accounts</b> |   |               |        |               |             |      |                    |
| 912828SM3                         | US TREASURY NOTES                       | 1,750,000.00  | 1.00   | 3/31/2017     | 4/10/2015   | 0.52 | 1,767,021.11       |
| 912828WQ9                         | US TREASURY NOTES                       | 300,000.00    | 0.50   | 6/30/2016     | 4/27/2015   | 0.33 | 301,082.47         |
| 06538CRU7                         | BANK OF TOKYO MITSUBISHI UFJ COMM PAPER | 1,500,000.00  | -      | 4/28/2015     | 4/27/2015   | 0.13 | 1,499,994.58       |
| 3130A0SD3                         | FEDERAL HOME LOAN BANK GLOBAL NOTES     | 1,000,000.00  | 0.38   | 2/19/2016     | 4/29/2015   | 0.26 | 1,001,669.17       |
| 912828QF0                         | US TREASURY NOTES                       | 400,000.00    | 2.00   | 4/30/2016     | 4/29/2015   | 0.27 | 410,899.78         |
| 912828MD9                         | US TREASURY NOTES                       | 1,775,000.00  | 3.25   | 12/31/2016    | 5/15/2015   | 0.47 | 1,876,318.95       |
| 912828QF0                         | US TREASURY NOTES                       | 1,775,000.00  | 2.00   | 4/30/2016     | 5/29/2015   | 0.27 | 1,806,017.28       |
| 912828QF0                         | US TREASURY NOTES                       | 1,075,000.00  | 2.00   | 4/30/2016     | 5/29/2015   | 0.26 | 1,093,869.09       |
| 912828QP8                         | US TREASURY NOTES                       | 550,000.00    | 1.75   | 5/31/2016     | 5/29/2015   | 0.30 | 562,751.81         |
| 912828QP8                         | US TREASURY NOTES                       | 1,775,000.00  | 1.75   | 5/31/2016     | 6/11/2015   | 0.31 | 1,800,617.16       |
| 912828TG5                         | US TREASURY NOTES                       | 850,000.00    | 0.50   | 7/31/2017     | 6/12/2015   | 0.79 | 846,370.03         |
| 912828TG5                         | US TREASURY NOTES                       | 310,000.00    | 0.50   | 7/31/2017     | 6/17/2015   | 0.81 | 308,576.44         |
| 912828TG5                         | US TREASURY NOTES                       | 1,240,000.00  | 0.50   | 7/31/2017     | 6/17/2015   | 0.81 | 1,234,305.79       |
| 912828QP8                         | US TREASURY NOTES                       | 2,675,000.00  | 1.75   | 5/31/2016     | 7/6/2015    | 0.30 | 2,714,400.41       |
| 912828VQ0                         | US TREASURY NOTES                       | 925,000.00    | 1.38   | 7/31/2018     | 7/13/2015   | 0.94 | 942,795.31         |
| 912828WQ9                         | US TREASURY NOTES                       | 450,000.00    | 0.50   | 6/30/2016     | 8/3/2015    | 0.30 | 451,016.47         |
| 912828WQ9                         | US TREASURY NOTES                       | 600,000.00    | 0.50   | 6/30/2016     | 8/11/2015   | 0.35 | 601,115.83         |
| <b>Total Debt Service Reserve</b> |   |               |        |               |             |      |                    |
| 313384KQ1                         | FEDERAL HOME LOAN BANKS DISC NOTE       | 200,000.00    | -      | 8/19/2015     | 4/9/2015    | 0.10 | 199,926.67         |
| 912828QX1                         | US TREASURY NOTES                       | 3,550,000.00  | 1.50   | 7/31/2016     | 6/29/2015   | 0.36 | 3,615,876.80       |
| 912828QX1                         | US TREASURY NOTES                       | 1,200,000.00  | 1.50   | 7/31/2016     | 6/29/2015   | 0.36 | 1,222,268.22       |
| 912828TG5                         | US TREASURY NOTES                       | 3,600,000.00  | 0.50   | 7/31/2017     | 6/29/2015   | 0.70 | 3,592,502.59       |
| 313384KQ1                         | FEDERAL HOME LOAN BANKS DISC NOTE       | 4,900,000.00  | -      | 8/19/2015     | 6/29/2015   | 0.06 | 4,899,618.21       |
| <b>2014A Construction Fund</b>    |   |               |        |               |             |      |                    |
| 3130A45M0                         | FHLB NOTES                              | 12,000,000.00 | 0.13   | 9/11/2015     | 6/12/2015   | 0.11 | 12,005,963.33      |
| 3134G3ZA1                         | FREDDIE MAC GLOBAL NOTES                | 6,000,000.00  | 0.50   | 8/28/2015     | 6/12/2015   | 0.11 | 6,013,826.67       |
| 3130A45M0                         | FHLB NOTES                              | 6,000,000.00  | 0.13   | 9/11/2015     | 6/29/2015   | 0.11 | 6,003,230.00       |

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



DC Water  
Finance Division  
Security Maturities  
Last 6 Months

| CUSIP                             | DESCRIPTION                                | PAR                  | COUPON      | MATURITY DATE    | SETTLE DATE      | YTM         | TRANSACTION AMOUNT   |
|-----------------------------------|--|----------------------|-------------|------------------|------------------|-------------|----------------------|
| <b>Operating Reserve Accounts</b> |  |                      |             |                  |                  |             |                      |
| 69349KV31                         | PNC BANK NA COMM PAPER                     | 1,225,000.00         | -           | 8/3/2015         | 8/3/2015         | 0.00        | 1,225,000.00         |
| 17304UYB0                         | CITIBANK NA FLOATING CERT DEPOS            | 1,200,000.00         | 0.42        | 8/11/2015        | 8/11/2015        | 0.00        | 1,200,000.00         |
| <b>2014A Construction Fund</b>    |  |                      |             |                  |                  |             |                      |
| 31359MA45                         | FNMA GLOBAL BENCHMARK NOTES                | 13,150,000.00        | 5.00        | 4/15/2015        | 4/15/2015        | 0.00        | 13,150,000.00        |
| 46640QRQ6                         | JP MORGAN SECURITIES LLC COMM PAPER        | 16,750,000.00        | -           | 4/24/2015        | 4/24/2015        | 0.00        | 16,750,000.00        |
| 74977LRQ2                         | RABOBANK USA FIN CORP COMM PAPER           | 16,750,000.00        | -           | 4/24/2015        | 4/24/2015        | 0.00        | 16,750,000.00        |
| 313379ER6                         | FEDERAL HOME LOAN BANK BONDS               | 12,235,000.00        | 0.50        | 6/12/2015        | 6/12/2015        | 0.00        | 12,235,000.00        |
| 313379ER6                         | FEDERAL HOME LOAN BANK BONDS               | 2,345,000.00         | 0.50        | 6/12/2015        | 6/12/2015        | 0.00        | 2,345,000.00         |
| 3133XWNB1                         | FHLB TAP BONDS                             | 6,000,000.00         | 2.88        | 6/12/2015        | 6/12/2015        | 0.00        | 6,000,000.00         |
| 3133XWNB1                         | FHLB TAP BONDS                             | 8,955,000.00         | 2.88        | 6/12/2015        | 6/12/2015        | 0.00        | 8,955,000.00         |
| 3135G0LN1                         | FANNIE MAE GLOBAL NOTES                    | 6,000,000.00         | 0.50        | 7/2/2015         | 7/2/2015         | 0.00        | 6,000,000.00         |
| 3134G4TH1                         | FHLMC NOTES                                | 24,000,000.00        | 0.30        | 7/8/2015         | 7/8/2015         | 0.00        | 24,000,000.00        |
| 22533UUD3                         | CREDIT AGRICOLE CIB NY COMM PAPER          | 12,000,000.00        | -           | 7/13/2015        | 7/13/2015        | 0.00        | 12,000,000.00        |
| 31398AU34                         | FNMA NOTES                                 | 24,450,000.00        | 2.38        | 7/28/2015        | 7/28/2015        | 0.00        | 24,450,000.00        |
| 3130A2WK8                         | FHLB AGENCY NOTES                          | 16,950,000.00        | 0.13        | 8/28/2015        | 8/28/2015        | 0.00        | 16,950,000.00        |
| 3134G3ZA1                         | FREDDIE MAC GLOBAL NOTES                   | 2,000,000.00         | 0.50        | 8/28/2015        | 8/28/2015        | 0.00        | 2,000,000.00         |
| 06538CVU2                         | BANK OF TOKYO MITS UFJ LTD COMM PAPER      | 6,000,000.00         | -           | 8/28/2015        | 8/28/2015        | 0.00        | 6,000,000.00         |
| <b>3130A45M0</b>                  | <b>FHLB NOTES</b>                          | <b>17,000,000.00</b> | <b>0.13</b> | <b>9/11/2015</b> | <b>9/11/2015</b> | <b>0.00</b> | <b>17,012,891.67</b> |
| <b>09659CWB0</b>                  | <b>BNP PARIBAS NY BRANCH COMM PAPER</b>    | <b>6,000,000.00</b>  | <b>-</b>    | <b>9/11/2015</b> | <b>9/11/2015</b> | <b>0.00</b> | <b>6,000,000.00</b>  |
| <b>36959JWB5</b>                  | <b>GENERAL ELEC CAP CORP COMM PAPER</b>    | <b>6,000,000.00</b>  | <b>-</b>    | <b>9/11/2015</b> | <b>9/11/2015</b> | <b>0.00</b> | <b>6,000,000.00</b>  |
| <b>89233HWG5</b>                  | <b>TOYOTA MOTOR CREDIT CORP COMM PAPER</b> | <b>6,000,000.00</b>  | <b>-</b>    | <b>9/16/2015</b> | <b>9/16/2015</b> | <b>0.00</b> | <b>6,000,000.00</b>  |
| <b>2014B Construction Fund</b>    |  |                      |             |                  |                  |             |                      |
| 06538CSV4                         | BANK OF TOKYO MITSUBISHI LTD COMM PAPER    | 16,000,000.00        | 0.00        | 5/29/2015        | 5/29/2015        | 0.00        | 16,000,000.00        |
| 0556N1T86                         | BNP PARIBAS FINANCE INC COMM PAPER         | 16,000,000.00        | 0.00        | 6/8/2015         | 6/8/2015         | 0.00        | 16,000,000.00        |

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        |
|----------|-------------|-----------|----------------------------------|--------|---------------|------------------|--------------|-----------|--------------|
| 10/01/15 | INTEREST    | 605581FX0 | MS ST TXBL GO BONDS              | 1.090  | 10/01/17      | 120,000.00       | 0.00         | 654.00    | 654.00       |
| 10/06/15 | INTEREST    | 13606JYY9 | CANADIAN IMPERIAL BANK NY YCD    | 1.010  | 04/06/17      | 1,800,000.00     | 0.00         | 8,888.00  | 8,888.00     |
| 10/13/15 | INTEREST    | 78010U4A2 | ROYAL BANK OF CANADA CORP NOTES  | 1.400  | 10/13/17      | 550,000.00       | 0.00         | 3,850.00  | 3,850.00     |
| 10/13/15 | INTEREST    | 78010U4A2 | ROYAL BANK OF CANADA CORP NOTES  | 1.400  | 10/13/17      | 1,200,000.00     | 0.00         | 8,400.00  | 8,400.00     |
| 10/15/15 | MATURITY    | RE0908153 | INDUSTRIAL BANK CDARS            | 0.350  | 10/15/15      | 5,000,000.00     | 5,000,000.00 | 17,500.00 | 5,017,500.00 |
| 10/21/15 | INTEREST    | 21684BXH2 | RABOBANK NEDERLAND NV CERT DEPOS | 1.070  | 04/21/17      | 1,800,000.00     | 0.00         | 9,309.00  | 9,309.00     |
| 10/27/15 | INTEREST    | 3135G0JA2 | FNMA NOTES                       | 1.125  | 04/27/17      | 4,500,000.00     | 0.00         | 25,312.50 | 25,312.50    |



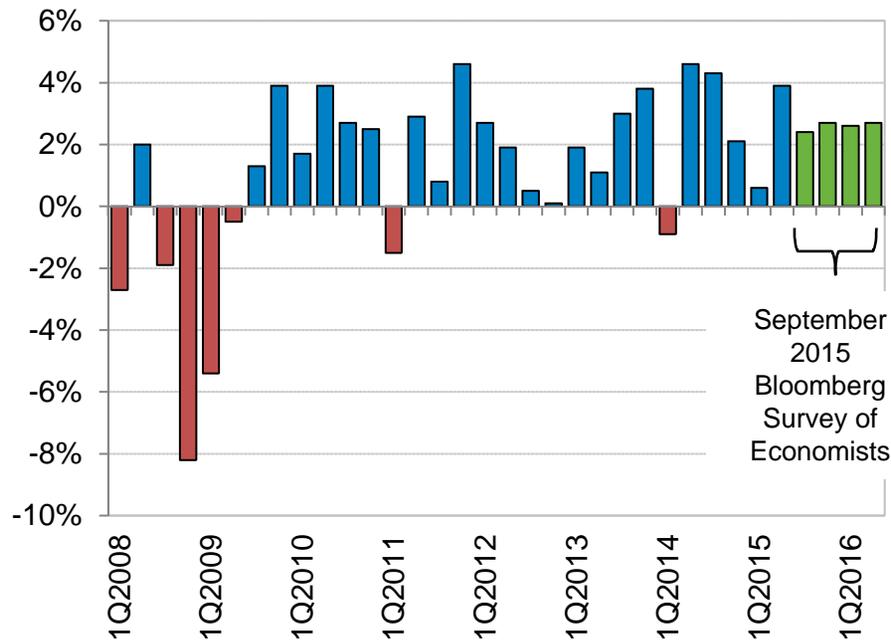
# Appendix: Economic Update



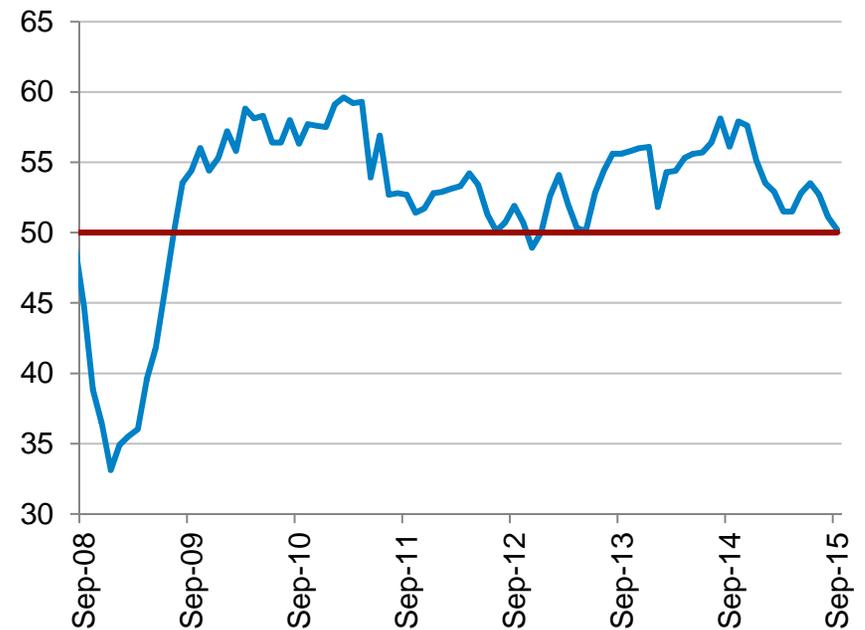
# Gross Domestic Product

- U.S. Gross Domestic Product (“GDP”) growth for the second quarter of 2015 was 3.9%.
- The pace of growth in the manufacturing sector slowed further in September.

**Gross Domestic Product  
January 2008 – June 2016 (Projected)**



**ISM Manufacturing Index  
September 2008 – September 2015**



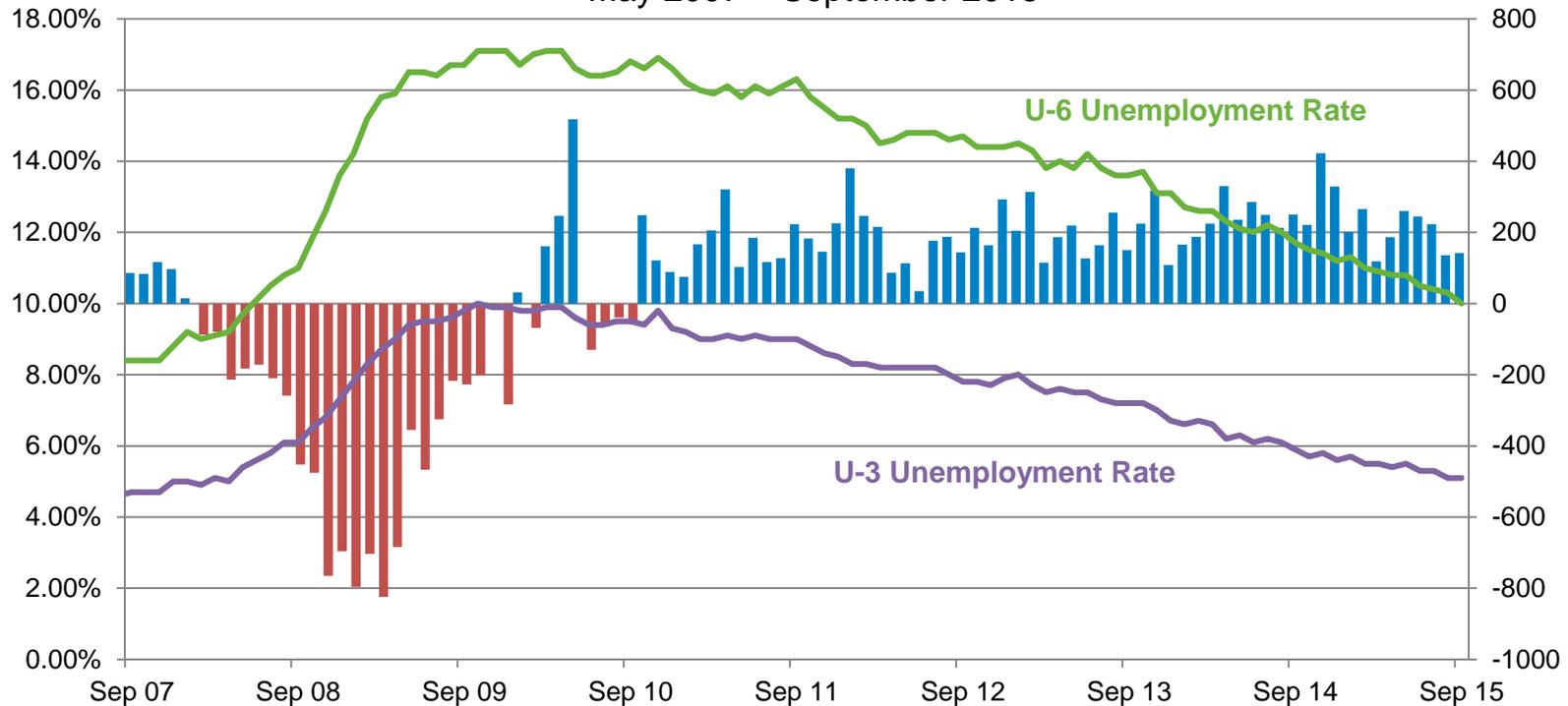
Source: Bloomberg



## Employment Growth – Well Below Expectations

- In September, the U.S economy added only 142,000 jobs well below estimates of 200,000 to 225,000 for the month. Job gains in August were also revised downward by 37,000 jobs.
- The unemployment rate remained unchanged at 5.1%, the lowest since April 2008.

**Unemployment vs. Non-Farm Payrolls**  
May 2007 – September 2015



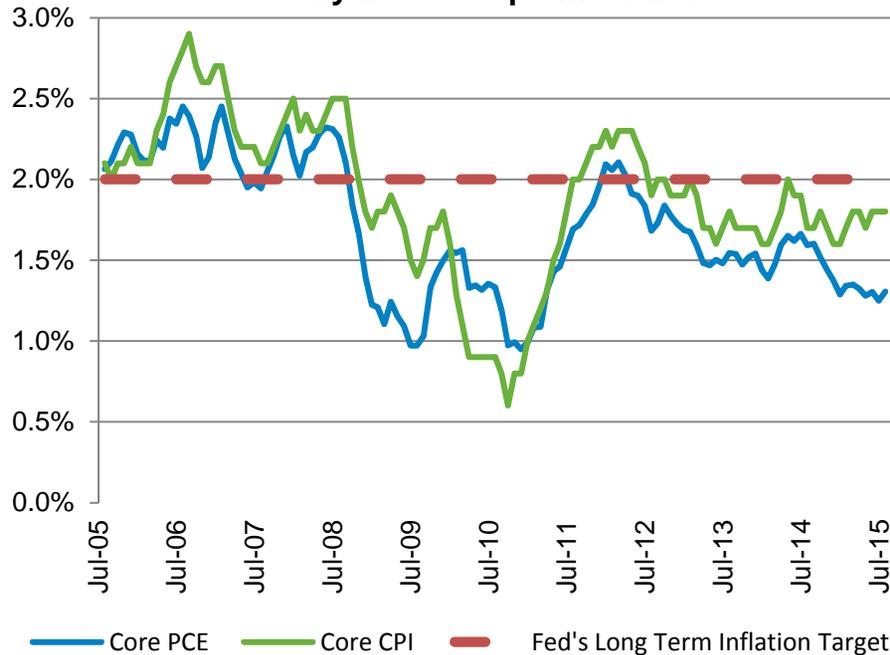
Source: Bloomberg



## Inflation Remains Muted / Housing Relatively Strong

- The personal consumption expenditures (PCE) price index, the Fed's preferred gauge of core inflation, continues to undershoot the 2% target. It advanced just 1.2% year-over-year in August.
- Existing home sales rose to their highest level since 2007 in July before dipping in August.

**Consumer Price Index vs Personal Consumption Expenditures  
July 2005 – September 2015**



**Existing Home Sales (in millions, saar)  
August 2012 – August 2015**

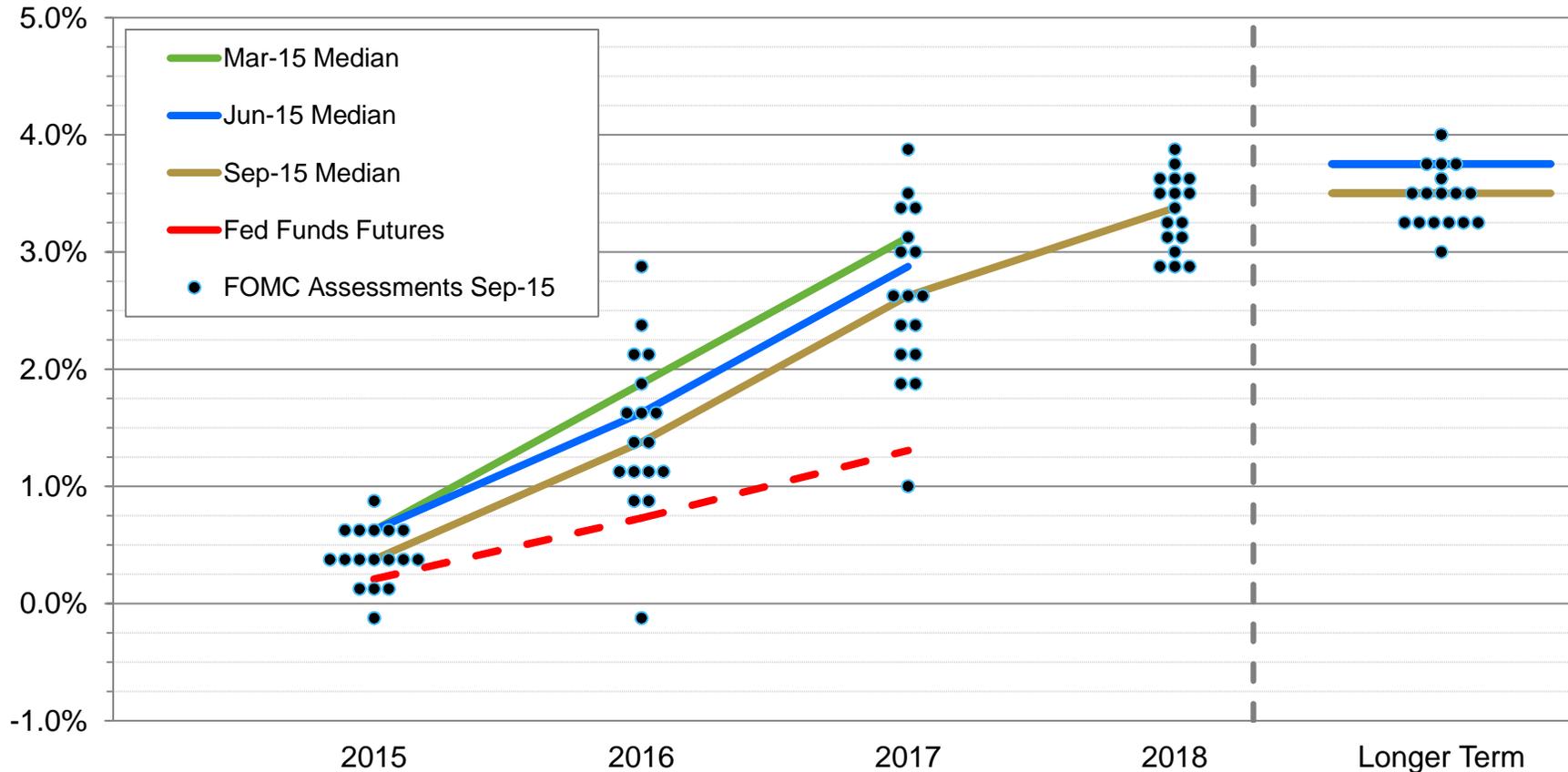


Source: Bloomberg, SAAR is the seasonally adjusted annualized rate



# FOMC Leaves Short-Term Rates Unchanged

- At the September meeting, the FOMC decided to leave rates unchanged amid concerns about inflation and economic developments.

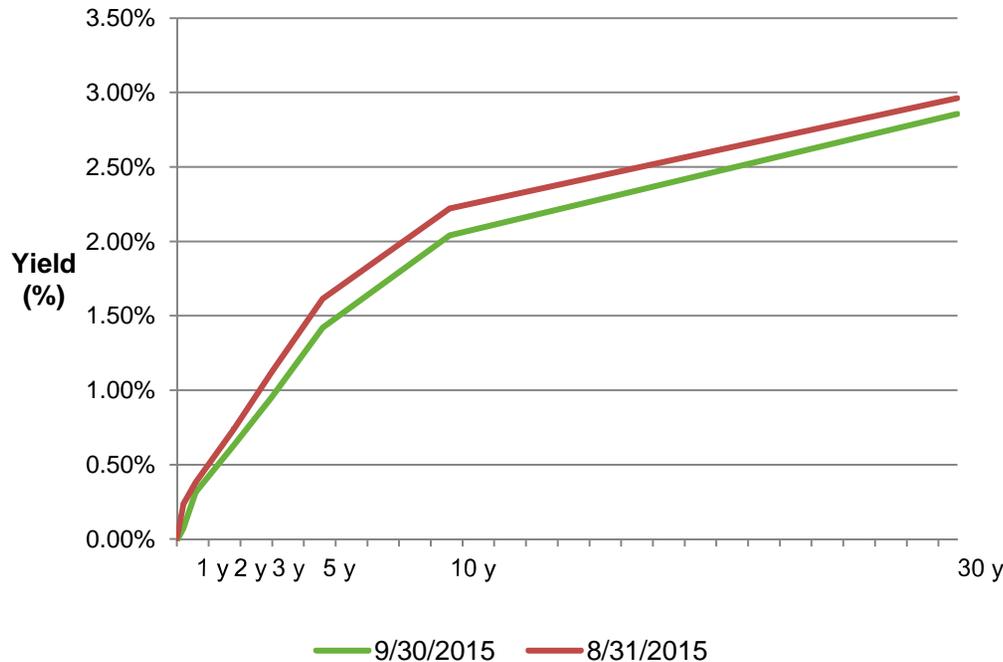


Source: Bloomberg, Fed Funds Futures as of 9/18/2015



# Interest Rates Fell Sharply in September

**U.S. Treasury Yield Curve**  
September 30, 2015 vs. August 31, 2015



|         | <b>8/31/2015</b> | <b>9/30/2015</b> | <b>Change</b> |
|---------|------------------|------------------|---------------|
| 3 month | 0.00%            | -0.02%           | -0.02%        |
| 6 month | 0.23%            | 0.07%            | -0.16%        |
| 1 year  | 0.38%            | 0.31%            | -0.07%        |
| 2 year  | 0.74%            | 0.63%            | -0.11%        |
| 3 year  | 1.12%            | 0.96%            | -0.17%        |
| 5 year  | 1.61%            | 1.42%            | -0.19%        |
| 10 year | 2.22%            | 2.04%            | -0.18%        |
| 30 year | 2.96%            | 2.85%            | -0.11%        |

Source: Bloomberg



## Disclosure

*This material is based on information obtained from sources generally believed to be reliable and available to the public, however PFM Asset Management LLC cannot guarantee its accuracy, completeness or suitability. This material is for general information purposes only and is not intended to provide specific advice or a specific recommendation. All statements as to what will or may happen under certain circumstances are based on assumptions, some but not all of which are noted in the presentation. Assumptions may or may not be proven correct as actual events occur, and results may depend on events outside of your or our control. Changes in assumptions may have a material effect on results. Past performance does not necessarily reflect and is not a guaranty of future results. The information contained in this presentation is not an offer to purchase or sell any securities.*



## 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

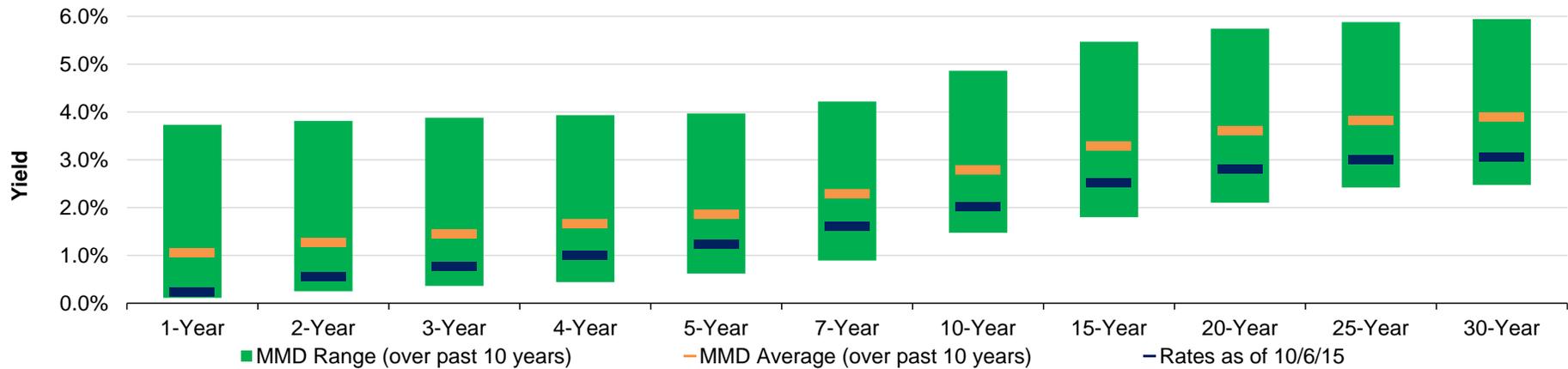
# Market Overview

## 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%  |



Source: Thomson Reuters

# 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<br>10/6/2014 | 6M Prior<br>4/7/2015 | 3M Prior<br>7/6/2015 | 1M Prior<br>9/8/2015 | B&F Meeting<br>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

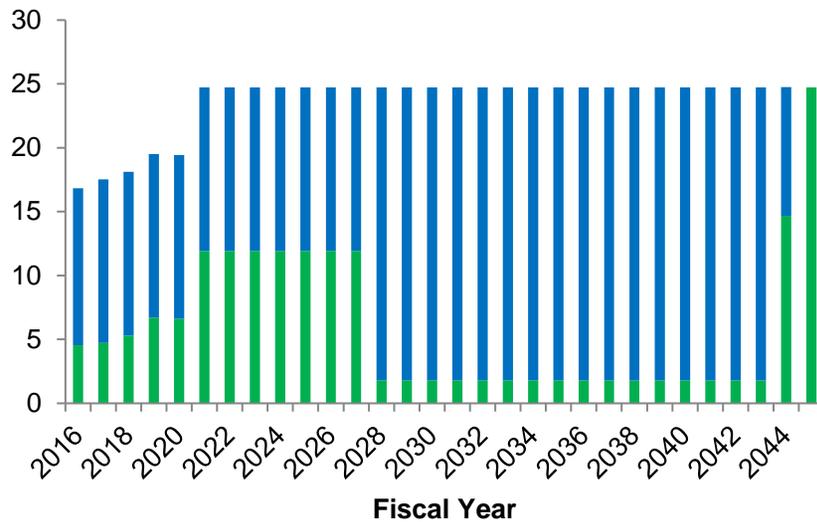
## Series 2015A (Green Bonds)

- 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       |
|-----------------------------|-------------|-------------|-------------|
| <b>Par Amount (\$)</b>      | 100,000,000 | 250,000,000 | 350,000,000 |
| <b>Projects Funded (\$)</b> | 115,869,359 | 226,583,882 | 342,453,241 |
| <b>Refunded CP (\$)</b>     | -           | 62,000,000  | 62,000,000  |
| <b>Arbitrage Yield</b>      | 3.09%       | 3.09%       | 3.09%       |
| <b>TIC</b>                  | 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

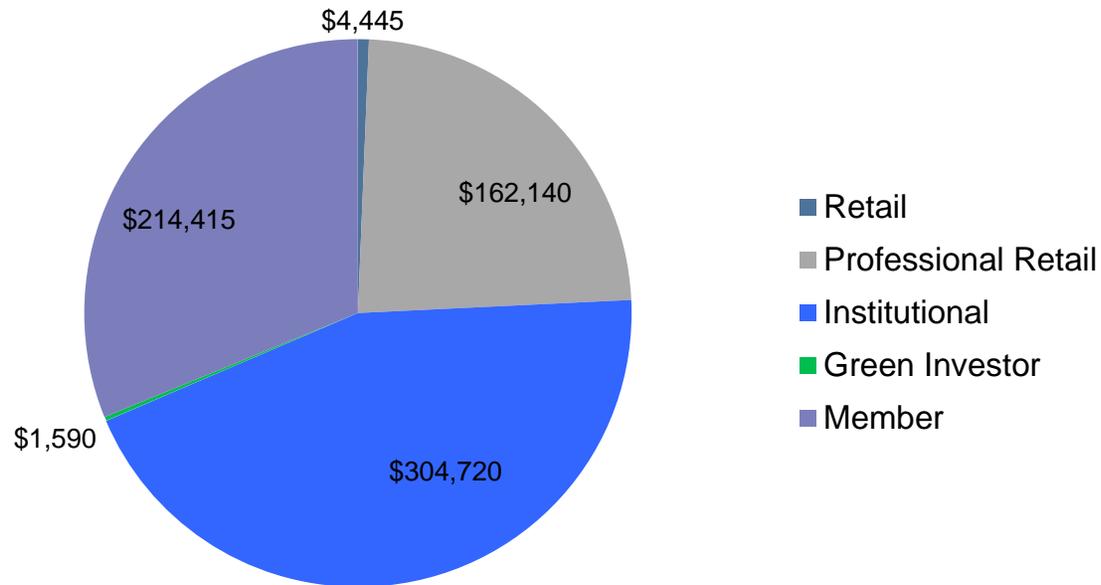


# Retail and Green Fund Demand

**☐ 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

# 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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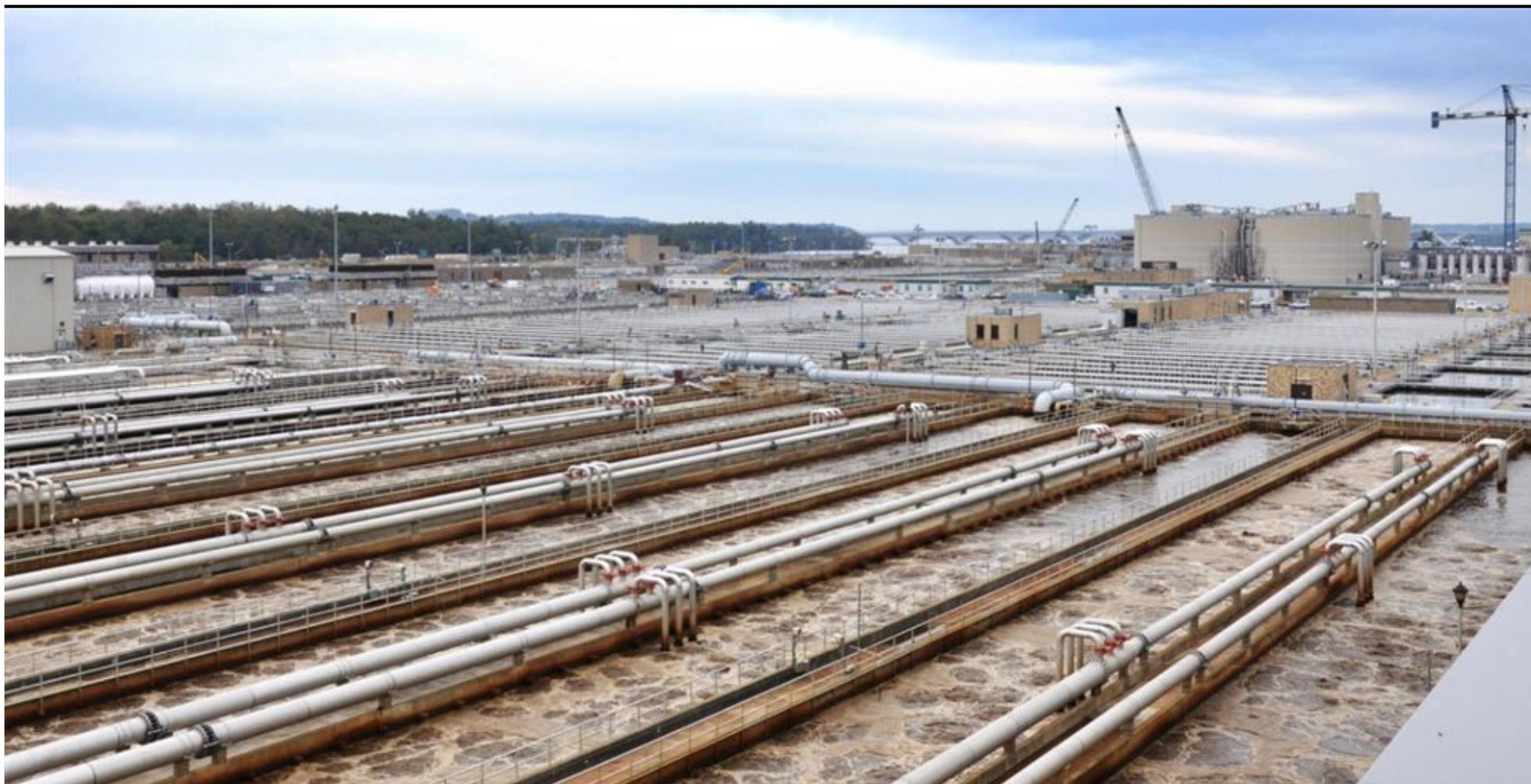


## BLUE HORIZON 2020 STRATEGIC PLAN

### Implementation Progress Report and Proposed Revisions

*Presentation to the DC Water Finance and Budget Committee*

*October 22, 2015*





# Agenda

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



# DC Water's Strategic Direction

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## 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



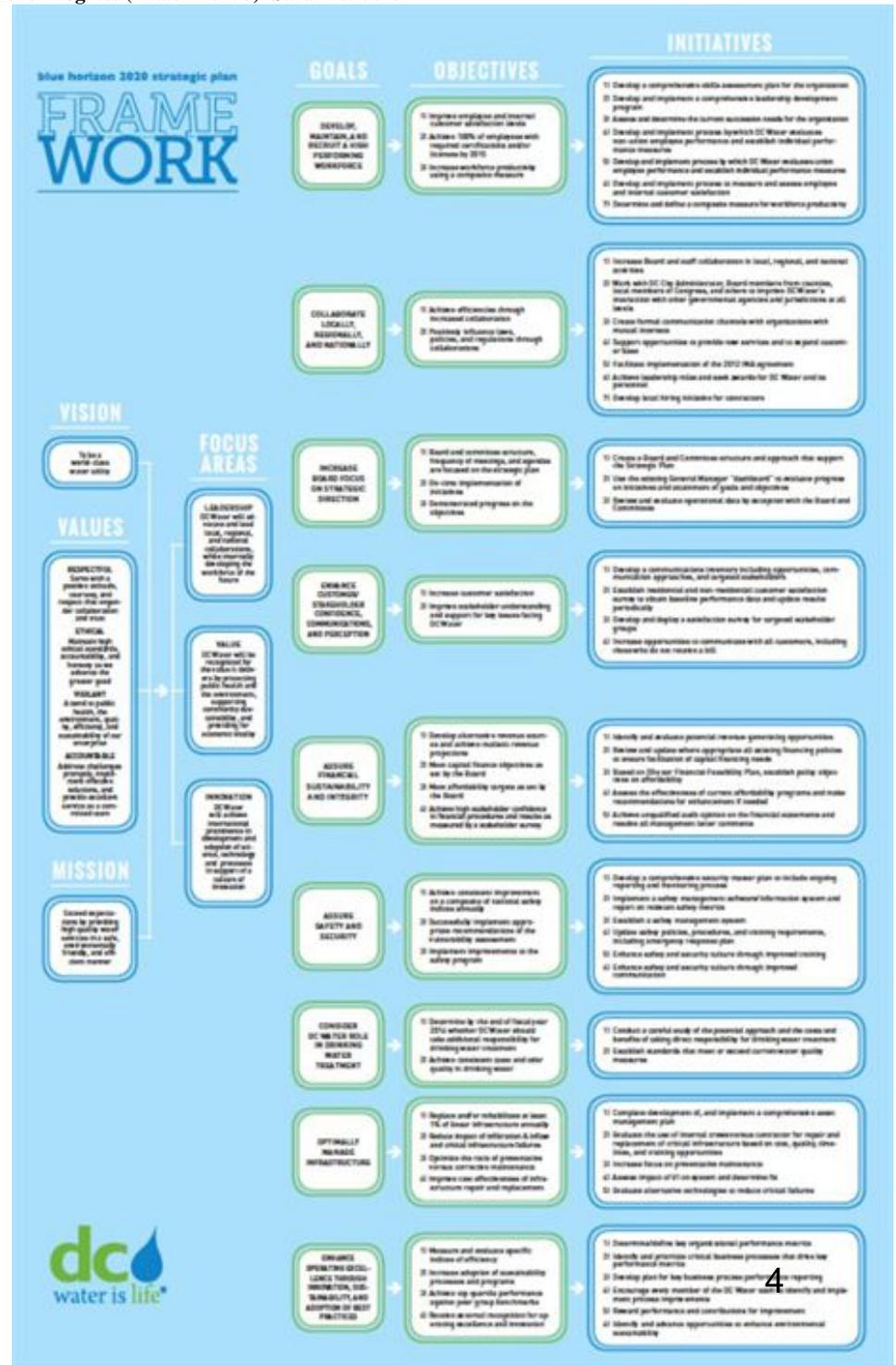
VALUE



INNOVATION



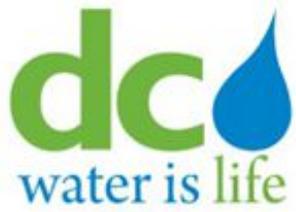
- 9 Goals
- 27 Objectives
- 44 Initiatives
- 146 Milestones





## 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    |



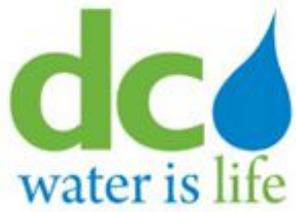
# Implementation Progress

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## *Goal 5*

*Assure Financial Sustainability and Integrity*

| <b>5</b>   | <b>Assure Financial Sustainability and Integrity</b>  | <b>% COMPLETE</b> |
|------------|---|-------------------|
| <b>5.1</b> | <b>Develop alternative revenue sources and achieve realistic revenue projections</b>                                  |                   |
| 5.1.1      | Identify and evaluate potential revenue-generating opportunities  | 85                |
| <b>5.2</b> | <b>Meet capital finance objectives as set by the Board</b>  |                   |
| 5.2.1      | Review and update where appropriate all existing financing policies to ensure facilitation of capital financing needs | 100               |
| <b>5.3</b> | <b>Meet affordability targets as set by the Board</b>   |                   |
| 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               |
| <b>5.4</b> | <b>Achieve high stakeholder confidence in financial procedures and results as measured by a stakeholder survey</b>    |                   |
| 5.4.1      | Achieve unqualified audit opinion on the financial statements and resolve all management letter comments              | 100               |



# *Proposed Revisions*

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## *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

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## **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?

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# **District of Columbia Water and Sewer Authority**

## **Capital Improvement Program Report**



**FY-2015 3<sup>rd</sup> Quarter  
April 1<sup>st</sup> through June 30<sup>th</sup>, 2015**

**Board of Directors  
Finance and Budget Committee**

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

**September 2015**

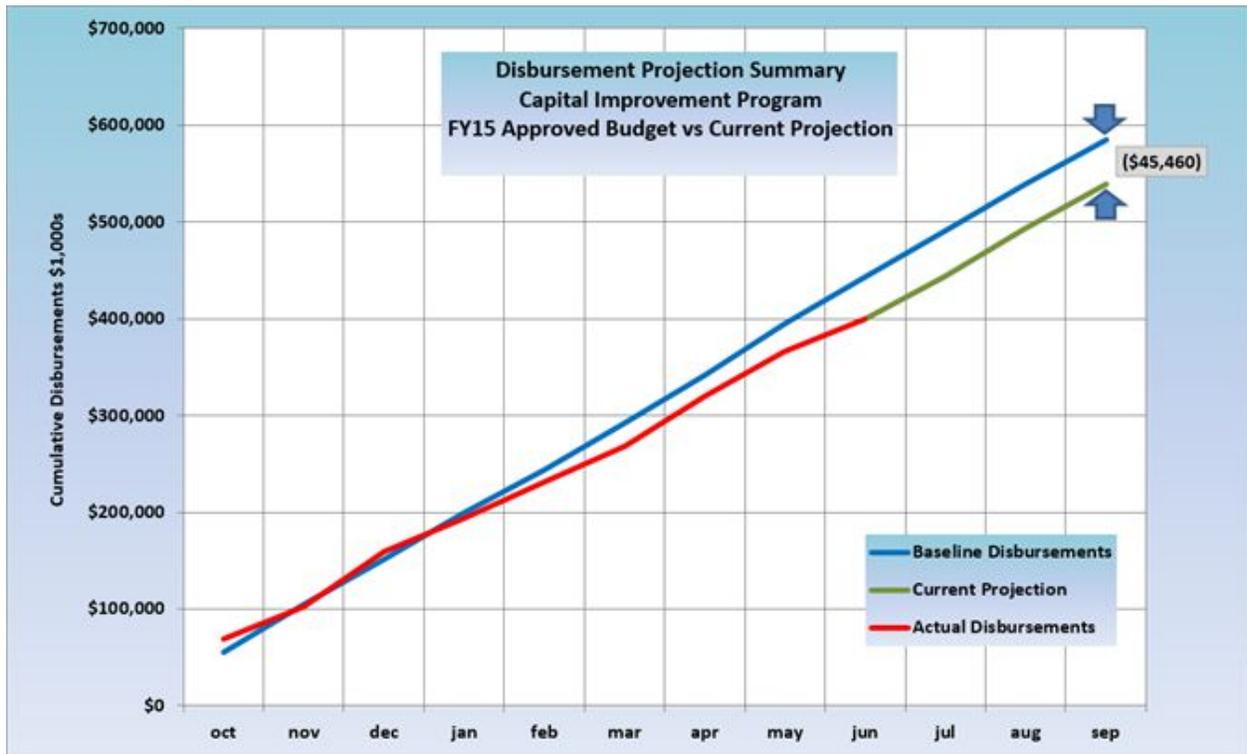


## Capital Improvement Program Report 3<sup>rd</sup> Quarter FY2015

### 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 3<sup>rd</sup> 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 3<sup>rd</sup> 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 3<sup>rd</sup> Quarter FY2015

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- *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 3<sup>rd</sup> Quarter FY2015

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### **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

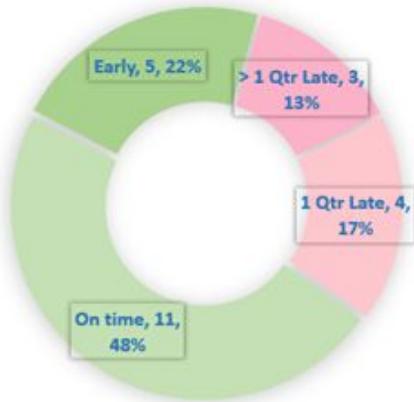


## Capital Improvement Program Report 3<sup>rd</sup> Quarter FY2015

### Schedule - Key Performance Indicators, Capital Improvement Program

**KPI Performance Through End Quarter 3**

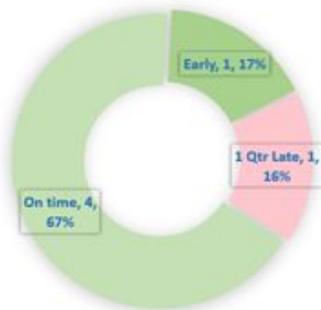
**All KPIs**



For the 3<sup>rd</sup> 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**



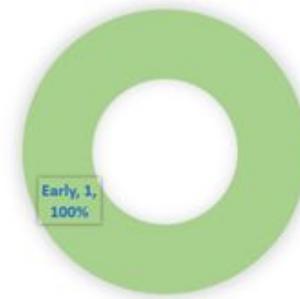
**KPI Performance Through End Quarter 3**  
**Construction Start**



**KPI Performance Through End Quarter 3**  
**Construction Substantial Completion**



**KPI Performance Through End Quarter 3**  
**Consent Order**





## Capital Improvement Program Report 3<sup>rd</sup> Quarter FY2015

### FY2015 - KPI Report

|       |                                     |         |   |                  |   |
|-------|-------------------------------------|---------|---|------------------|---|
| DS    | Design Start                        | Planned | <span style="background-color: #cccccc; border: 1px solid black; display: inline-block; width: 20px; height: 10px;"></span> | On time          | <span style="background-color: #d9ead3; border: 1px solid black; display: inline-block; width: 20px; height: 10px;"></span> |
| CS    | Construction Start                  | Early   | <span style="background-color: #d9ead3; border: 1px solid black; display: inline-block; width: 20px; height: 10px;"></span> | 1 Quarter Late   | <span style="background-color: #f4cccc; border: 1px solid black; display: inline-block; width: 20px; height: 10px;"></span> |
| CSC   | Construction Substantial Completion |         |   | > 1 Quarter Late | <span style="background-color: #f4cccc; border: 1px solid black; display: inline-block; width: 20px; height: 10px;"></span> |
| CO/PC | Consent Oder/Permit Compliance      |         |   |                  |   |

| Qtr. | Project | Job Name  | KPI Name | QUARTER   |   |   |   | To Date    |
|------|---------|---|----------|---|---|---|---|------------|
|      |         |   |          | 1   | 2   | 3   | 4   |            |
| 2    | E901    | Nitrogen Removal Facilities - Contract 2        | PC       | <span style="background-color: #d9ead3; border: 1px solid black; display: inline-block; width: 20px; height: 10px;"></span> | <span style="background-color: #cccccc; border: 1px solid black; display: inline-block; width: 20px; height: 10px;"></span> |   |   | Early      |
| 1    | FY01    | Rehab Upper Part of Rock Creek Main Interceptor | DS       | <span style="background-color: #d9ead3; border: 1px solid black; display: inline-block; width: 20px; height: 10px;"></span> |   |   |   | On time    |
| 1    | IF02    | Sanitary Sewer Rehab and Repair Phase 6         | DS       | <span style="background-color: #d9ead3; border: 1px solid black; display: inline-block; width: 20px; height: 10px;"></span> |   |   |   | On time    |
| 2    | DE01    | Small Diameter Water Main Repl 12A              | DS       |   | <span style="background-color: #d9ead3; border: 1px solid black; display: inline-block; width: 20px; height: 10px;"></span> |   |   | On time    |
| 2    | IL07    | Creekbed Sewer Rehabilitation Bingham Drive     | DS       | <span style="background-color: #d9ead3; border: 1px solid black; display: inline-block; width: 20px; height: 10px;"></span> | <span style="background-color: #cccccc; border: 1px solid black; display: inline-block; width: 20px; height: 10px;"></span> |   |   | Early      |
| 2    | DS01    | New Headquarters Building                       | DS       |   | <span style="background-color: #d9ead3; border: 1px solid black; display: inline-block; width: 20px; height: 10px;"></span> |   |   | On time    |
| 3    | F603    | Steel Water Mains Contract 3                    | DS       |   |   | <span style="background-color: #cccccc; border: 1px solid black; display: inline-block; width: 20px; height: 10px;"></span> |   | 1 Qtr Late |
| 4    | FA03    | Soldiers Home Reservoir Upgrade                 | DS       |   |   |   | <span style="background-color: #cccccc; border: 1px solid black; display: inline-block; width: 20px; height: 10px;"></span> |            |
| 4    | DE02    | Small Diameter Water Main Repl 12B              | DS       |   |   |   | <span style="background-color: #cccccc; border: 1px solid black; display: inline-block; width: 20px; height: 10px;"></span> |            |
| 4    | BP01    | Grit Chamber Facilities Phase II                | DS       |   |   |   | <span style="background-color: #cccccc; border: 1px solid black; display: inline-block; width: 20px; height: 10px;"></span> |            |
| 4    | BQ01    | Primary Treatment Facilities Ph II              | DS       |   |   |   | <span style="background-color: #cccccc; border: 1px solid black; display: inline-block; width: 20px; height: 10px;"></span> |            |
| 1    | FA06    | Brentwood Reservoir Upgrade                     | CS       | <span style="background-color: #d9ead3; border: 1px solid black; display: inline-block; width: 20px; height: 10px;"></span> |   |   |   | On time    |



## Capital Improvement Program Report 3<sup>rd</sup> Quarter FY2015

### FY2015 - KPI Report

|       |                                     |         |   |                  |   |
|-------|-------------------------------------|---------|---|------------------|---|
| DS    | Design Start                        | Planned | <span style="background-color: #cccccc; border: 1px solid black; display: inline-block; width: 20px; height: 10px;"></span> | On time          | <span style="background-color: #c6efce; border: 1px solid black; display: inline-block; width: 20px; height: 10px;"></span> |
| CS    | Construction Start                  | Early   | <span style="background-color: #c6efce; border: 1px solid black; display: inline-block; width: 20px; height: 10px;"></span> | 1 Quarter Late   | <span style="background-color: #f4cccc; border: 1px solid black; display: inline-block; width: 20px; height: 10px;"></span> |
| CSC   | Construction Substantial Completion |         |   | > 1 Quarter Late | <span style="background-color: #f4cccc; border: 1px solid black; display: inline-block; width: 20px; height: 10px;"></span> |
| CO/PC | Consent Oder/Permit Compliance      |         |   |                  |   |

| Qtr. | Project | Job Name                                       | KPI Name | QUARTER   |   |   |   | To Date      |
|------|---------|--|----------|---|---|---|---|--------------|
|      |         |  |          | 1   | 2   | 3   | 4   |              |
| 1    | FA04    | Ft. Stanton Reservoir No. 1 Upgrade            | CS       | <span style="background-color: #c6efce; border: 1px solid black; display: inline-block; width: 20px; height: 10px;"></span> |   |   |   | On time      |
| 1    | FS01    | Div D - JBAB Overflow and Diversion Structures | CS       | <span style="background-color: #c6efce; border: 1px solid black; display: inline-block; width: 20px; height: 10px;"></span> |   |   |   | On time      |
| 2    | CY21    | Div Z - Poplar Point Pumping Sta. Replacement  | CS       |   | <span style="background-color: #c6efce; border: 1px solid black; display: inline-block; width: 20px; height: 10px;"></span> |   |   | On time      |
| 2    | O202    | Small Dia Watermain Repl 10b                   | CS       | <span style="background-color: #c6efce; border: 1px solid black; display: inline-block; width: 20px; height: 10px;"></span> | <span style="background-color: #cccccc; border: 1px solid black; display: inline-block; width: 20px; height: 10px;"></span> |   |   | Early        |
| 3    | GA01    | Small Local Sewer Rehab 4                      | CS       |   |   | <span style="background-color: #c6efce; border: 1px solid black; display: inline-block; width: 20px; height: 10px;"></span> |   | On time      |
| 3    | Q302    | Pope Branch Stream Restoration                 | CS       |   |   | <span style="background-color: #cccccc; border: 1px solid black; display: inline-block; width: 20px; height: 10px;"></span> |   | 1 Qtr Late   |
| 3    | G100    | Lining & Repair of Local Sewers                | CS       |   |   | <span style="background-color: #c6efce; border: 1px solid black; display: inline-block; width: 20px; height: 10px;"></span> |   | On time      |
| 3    | J306    | National Arboretum Sewer Rehab                 | CS       |   |   | <span style="background-color: #cccccc; border: 1px solid black; display: inline-block; width: 20px; height: 10px;"></span> |   | 1 Qtr Late   |
| 4    | MA01    | St. Elizabeth Water Tank                       | CS       |   |   |   | <span style="background-color: #cccccc; border: 1px solid black; display: inline-block; width: 20px; height: 10px;"></span> |              |
| 4    | O301    | Small Dia Watermain Repl 11a                   | CS       |   |   |   | <span style="background-color: #cccccc; border: 1px solid black; display: inline-block; width: 20px; height: 10px;"></span> |              |
| 4    | I802    | Large Valve Replacements 12                    | CS       |   |   |   | <span style="background-color: #cccccc; border: 1px solid black; display: inline-block; width: 20px; height: 10px;"></span> |              |
| 4    | I803    | Large Valve Replacements 13                    | CS       |   |   |   | <span style="background-color: #cccccc; border: 1px solid black; display: inline-block; width: 20px; height: 10px;"></span> |              |
| 1    | XA12    | Biosolids Final Dewatering                     | CSC      | <span style="background-color: #cccccc; border: 1px solid black; display: inline-block; width: 20px; height: 10px;"></span> |   |   |   | > 1 Qtr Late |



## Capital Improvement Program Report 3<sup>rd</sup> 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      |         |  |                  |  |

| Qtr. | Project | Job Name                                    | KPI Name | QUARTER |   |   |   | To Date      |
|------|---------|---|----------|---------|---|---|---|--------------|
|      |         |   |          | 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      |         |   |   |   |              |

**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.**

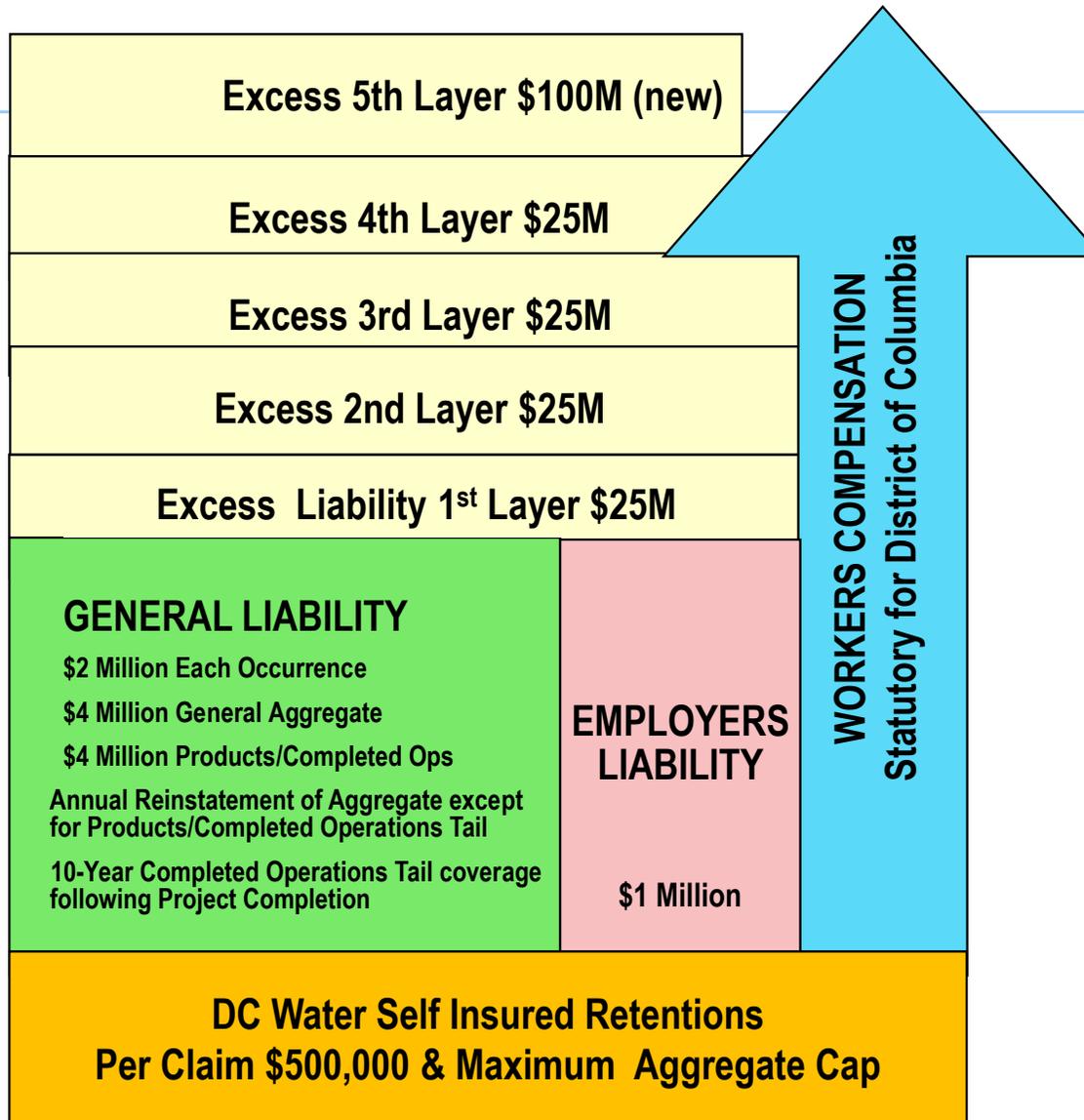
# Background and History

- 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

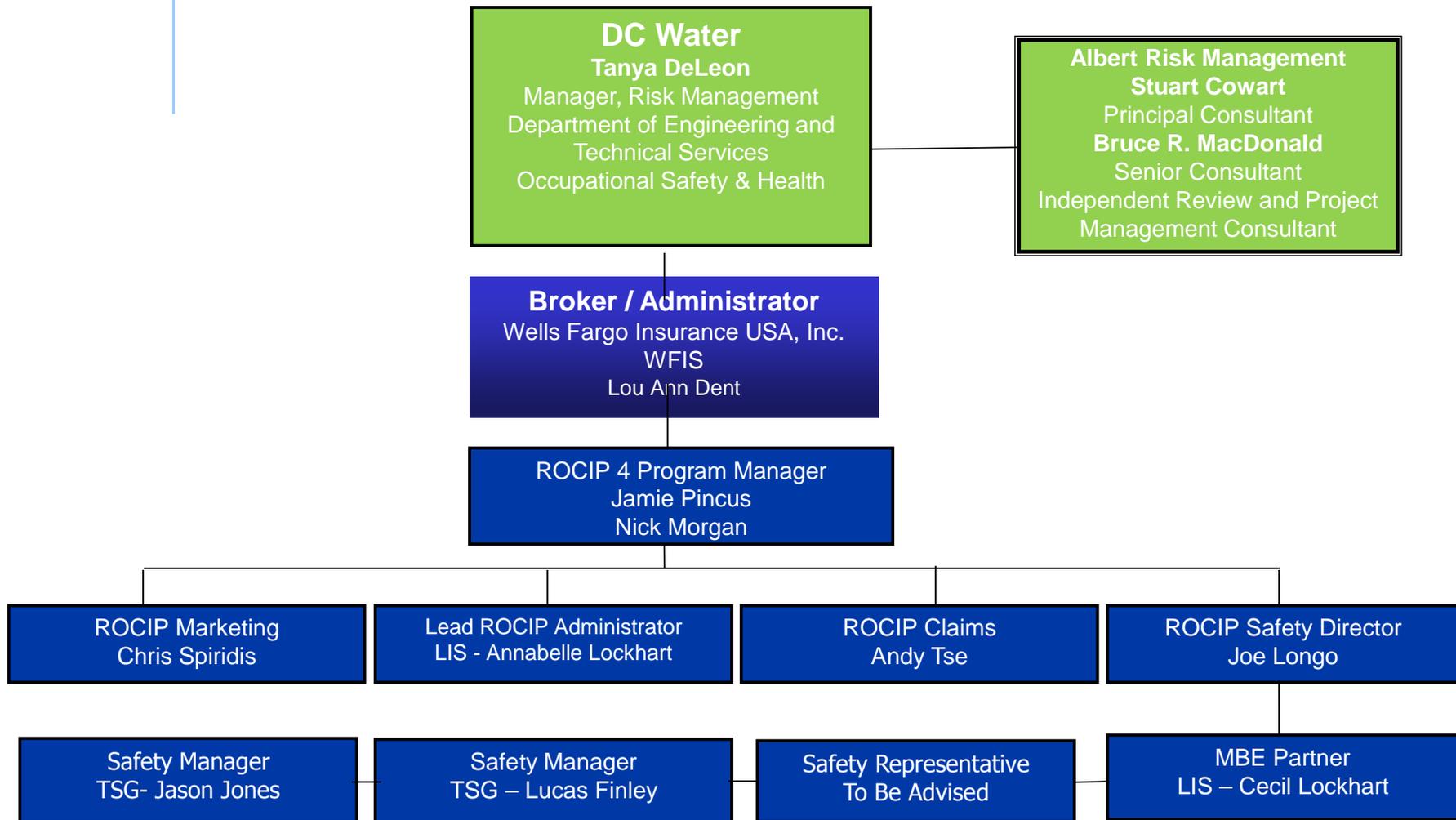
## Insurance requirements are no obstacle for Contractors

- 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<br>1 | ROCIP<br>2  | ROCIP<br>3  | ROCIP<br>1-3<br>Total | ROCIP<br>4  |
|------------------------------|------------|-------------|-------------|-----------------------|-------------|
| Projects<br>Included         | 65         | 47          | 59          | 168                   |             |
| Contractors<br>Covered       | 391        | 771         | 555         | 1,717                 |             |
| Construction<br>Value        | \$598 MIL  | \$1,211 MIL | \$1,121 MIL | \$2,930 MIL           | \$1,354 MIL |
| Contractor<br>Payroll        | \$102 MIL  | \$220 MIL   | \$167 MIL   | \$489 MIL             | \$230 MIL   |
| Avoided<br>Insurance<br>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**

|   |                             |   |                             |
|---|-----------------------------|---|-----------------------------|
| <b>PRIME (BROKER):</b><br>Wells Fargo Insurances<br>Services USA, Inc.<br>1750 H Street, NW<br>Washington, DC 20006 | <b>PARTICIPATION:</b><br>0% | <b>SUBS (CARRIERS):</b><br>AIG<br>XL<br>Starr<br>Great American<br>Ironshore/National Union | <b>PARTICIPATION:</b><br>0% |
|---|-----------------------------|---|-----------------------------|

**DESCRIPTION AND PURPOSE**

| <b>Actions</b>    | <b>Value</b>    | <b>Period</b>       |
|-------------------|-----------------|---------------------|
| 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**

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

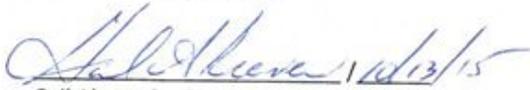
**BUDGET INFORMATION**

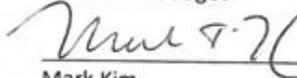
|                      |               |                         |                        |
|----------------------|---------------|-------------------------|------------------------|
| <b>Funding:</b>      | Capital       | <b>Department:</b>      | Chief Financial Office |
| <b>Service Area:</b> | DC Water Wide | <b>Department Head:</b> | 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           |
| <b>Total Estimated Dollar Amount</b>    | <b>100.00%</b> | <b>\$11,070,945.00</b> |

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

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

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

\_\_\_\_\_/\_\_\_\_\_  
 George S. Hawkins Date  
 General Manager



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

|  |                         |
|--|-------------------------|
| <b>Call to Order</b>                         | Chairman                |
| <b>October 2015 Financial Report</b>         | Chief Financial Officer |
| <b>Agenda for December Committee Meeting</b> | Chairman                |
| <b>Adjournment</b>                           | Chairman                |

\*Detailed agenda can be found on DC Water's website at [www.dewater.com/about/board\\_agendas.cfm](http://www.dewater.com/about/board_agendas.cfm)