



DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY

Board of Directors

Finance and Budget Committee

Thursday, September 23, 2021

9:30 a.m.

Microsoft Teams

Join on your computer or mobile app

Click here to join the meeting

Or call in (audio only)

+1 202-753-6714,,811892611#

Phone Conference ID: 811 892 611#

- 1. Call to Order... Anthony Giancola, Chairperson
2. Roll Call... Linda Manley, Board Secretary
3. August 2021 Financial Report (Attachment 1)... Lola Oyeyemi
4. Capital Improvement Program Quarterly Update (Attachment 2)... Paul Guttridge
5. Financial Policies Revisions (Attachment 3)... Ivan Boykin
6. Rolling Owner Controlled Insurance Program (ROCIP) IV Program Extension (Attachment 4)... Tanya DeLeon
7. Proposed Green Bond Framework (Attachment 5)... Matthew T. Brown
8. Action Item... Matthew T. Brown
A. Recommendation for Approval of Revised Statement of Financial Policies (Attachment 6)
1. Statement of Financial Policies
2. Statement of Financial Policies - Redline
3. DC Water Debt Policy and Guidelines
B. Recommendation for Approval to Extend ROCIP IV Insurance Services (Attachment 7)
C. Recommendation for Approval of Proposed Green Bond Framework (Attachment 8)
9. Agenda for October Committee Meeting (Attachment 9)... Anthony Giancola
10. Executive Session*
11. Adjournment

FOLLOW-UP ITEMS

Follow-up item from the April 22, 2021 Finance and Budget Committee meeting.

- 1. Provide a plan of action to revise the investment policy last adopted in May 2014. (Mr. Giancola) Status: Will be provided at the November Finance & Budget Committee Meeting

1 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)(2); legal, confidential or privileged matters under D.C. Official Code § 2-575(b)(4)(A); 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); train and develop members of a public body and staff under D.C. Official Codes § 2-575(b)(12); 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 2021

Monthly Financial Report

Period Ending August 31, 2021

DEPARTMENT OF FINANCE

Matthew T. Brown, CFO & Executive Vice President, Finance and Procurement

Ivan Boykin, Director, Finance

Syed Khalil, Director, Rates & Revenue

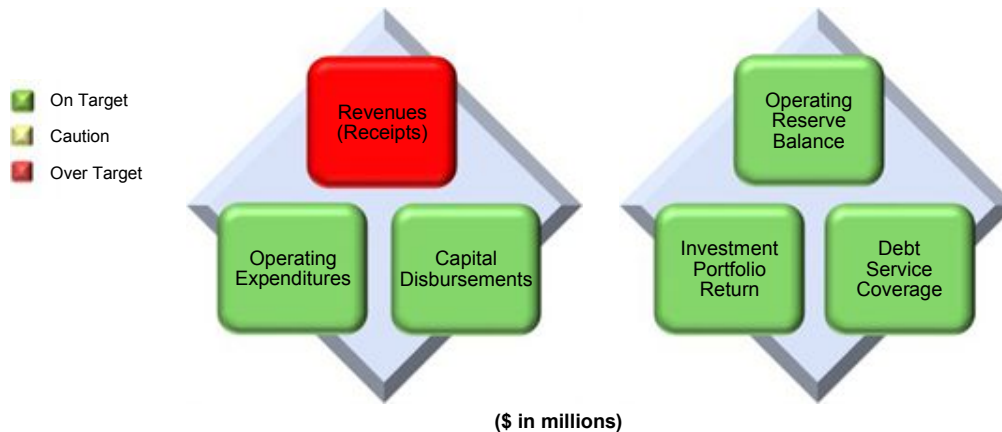
Genes Malasy, Controller

Lola Oyeyemi, Director, Budget

AUGUST 2021

EXECUTIVE SUMMARY

As of the end of August 2021, with approximately 92 percent of the fiscal year completed, we are on track with budgetary expectations and targeted performance metrics, with the exception of revenue receipts due to the decline in consumption and the increase in receivables from the impact of the COVID-19 pandemic.



	Budget	YTD Budget	Actual	Variance Favorable	(Unfavorable)	Actual % Budget	Y/E Projection
Revenues (Receipts)	\$733.7	\$685.4	\$656.4	(\$29.0)	-4.2%	89.5%	\$688.6
Expenditures	\$642.7	\$553.9	\$513.6	\$40.3	7.3%	79.9%	\$599.6
Capital Disbursements	\$471.3	\$442.9	\$337.2	\$105.7	23.9%	71.6%	\$410.9

Highlights:

- On-going development of Proposed FY 2023 operating and ten-year capital budget requests. The Budget Workshop and Committee reviews are planned for early 2022 and Board adoption in March 2022
- FY 2021 Interim Financial Statement and Uniform Guidance audit processes are underway
- FY 2021 year-end closeout preparations are underway
- Held kickoff call for the Series 2022 bond sale of \$400 million, which is tentatively scheduled for January 2022
 - Fixed Rate Transaction
 - Variable Rate Transaction

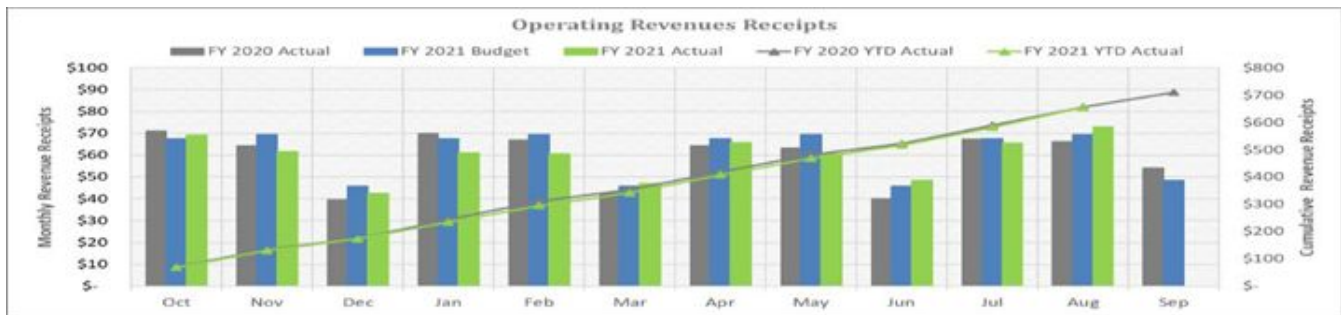
Matthew T. Brown, Executive Vice President & Chief Financial Officer

Fiscal Year-to-Date
As of August 31, 2021

Operating Revenues (\$000's)

FY 2020 Actual		CATEGORY	FY 2021					Projections		
Total Annual	YTD August		Year-to-Date Performance				Year-End Projections	% of Budget		
			Annual Budget	YTD Budget	Actual	% of Budget	Variance \$ Fav(Unfav)	Variance % Fav(Unfav)		
\$396,884	\$363,676	Residential / Commercial / Multi-Family*	\$421,633	\$386,497	\$359,923	85.4%	(\$26,574)	(6.9%)	\$381,971	90.6%
71,954	71,954	Federal	77,571	77,571	76,206	98.2%	(1,366)	(1.8%)	76,689	98.9%
18,067	16,328	Municipal (DC Govt.)	18,377	16,846	18,933	103.0%	2,088	12.4%	20,324	110.6%
10,998	10,064	DC Housing Authority	11,941	10,946	11,170	93.5%	225	2.1%	12,533	105.0%
11,829	10,940	Metering Fee	15,405	14,189	13,652	88.6%	(536)	(3.8%)	14,780	95.9%
41,456	38,627	Water System Replacement Fee (WSRF)	39,717	36,912	39,253	98.8%	2,341	6.3%	41,423	104.3%
79,157	79,142	Wholesale	81,986	81,986	82,930	101.2%	945	1.2%	81,986	100.0%
21,546	19,899	PILOT/ROW	22,463	20,823	19,768	88.0%	(1,055)	(5.1%)	20,738	92.3%
58,206	45,267	All Other	44,645	39,677	34,591	77.5%	(5,086)	(12.8%)	38,200	85.6%
\$710,097	\$655,897	TOTAL	\$733,738	\$685,446	\$656,426	89.5%	(\$29,020)	(4.2%)	\$688,644	93.9%

* Residential, Commercial & Multi-family receipts include credits for October 2020 through May 2021 for District's ERRP (\$1,073,964.11), DC Water Cares Residential (\$612,048.41) and DC Water Cares Multi-family (\$2,188,038.51).



VARIANCE ANALYSIS FOR MAJOR REPORTED ITEMS

At the end of August 2021, cash receipts totaled \$656.4 million, or 89.5 percent of the FY 2021 budget. The lower YTD receipts are mainly due to decline in consumption on account of the impact of COVID-19. The total receipts for August were \$74.0 million as compared to the budgeted \$69.4 million. Several categories of customers make payments on a quarterly basis, including the Federal Government (which made their fourth quarterly payment in July), and wholesale customers (which made their fourth quarter payment in August). The Loudoun County made their fourth quarter payment in July earlier than the scheduled payment date of August 2021.

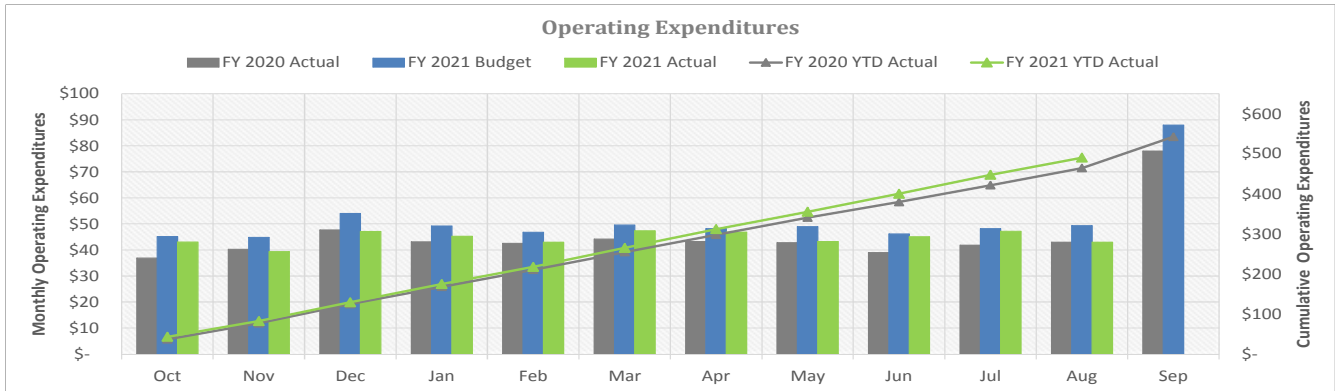
Areas of Overcollection	Areas of Undercollection
<p>District Government – Receipts are slightly higher at \$18.9 million or 103.0 percent of the budget. The August 2021 receipts of \$2.4 million are higher by \$0.8 million dollars as compared to the monthly budget.</p> <p>DC Housing - Receipts are slightly higher at \$11.2 million or 93.5 percent of the budget. The August 2021 receipts are slightly higher by sixteen thousand dollars as compared to the monthly budget of \$1.0 million.</p> <p>Wholesale – The wholesale customers actual receipts through August 2021 total \$82.9 million or 101.2 percent of FY 2021 budget. The wholesale customers made their fourth quarter payment of \$19.0 million in August 2021. Loudoun County made their fourth quarter payment of \$1.9 million in July earlier than the scheduled payment date of August 2021.</p>	<p>Residential, Commercial and Multi-Family – Receipts for this category are lower at \$359.9 million or 85.4 percent of the budget. The lower receipts are mainly due to decline in consumption in Commercial category on account of the impact of COVID-19. The August 2021 receipts were higher by \$4.5 million or 12.9 percent as compared to the monthly budget of \$35.1 million.</p> <p>Federal - Actual receipts through August 2021 total \$76.2 million or 98.2 percent of the budget. The Federal government made their fourth quarter payment in July 2021. The lower actual Federal receipt is mainly due to disputed accounts of Soldiers Home. On January 9, 2018, DC Water filed a complaint, first in the U.S. District Court for the District of Columbia (later transferred to U.S. Court of Federal Claims) to resolve the dispute over Armed Forces Retirement Home's (AFRH) payment for sewer service charges. As of May 24, 2021, DC Water and AFRH submitted the requested documents to the court. DC Water currently awaits the court's decision.</p> <p>PILOT/ROW – The YTD receipts for PILOT/ROW are slightly lower at \$19.8 million or 88.0 percent of the budget. The August 2021 receipts are slightly higher by 0.3 million dollars as compared to the monthly budget.</p> <p>Other Revenue - Receipts are lower at \$34.6 million or 77.5 percent of the budget. The \$5.1 million lower receipts are primarily due to (i) \$2.1 million lower receipts from System Availability Fee, (ii) \$0.4 million lower receipts in Developer Water and Sewer Fees and (iii) \$3.2 million lower miscellaneous receipts. The August 2021 Other Revenue receipts were \$5.6 million or 100.0 percent as compared to the monthly budget.</p>

Monthly Financial Report

Fiscal Year-to-Date
As of August 31, 2021

Operating Expenditures (\$000's)

FY 2020		CATEGORY	FY 2021						Projections	
Actual			Year-to-Date Performance				Variance		Year-End Projections	% of Budget
Total Annual	YTD August		Annual Budget	YTD Budget	Actual	% of Budget	Variance \$	%		
\$159,244	\$145,331	Personnel	\$177,863	\$ 160,717	\$150,772	84.8%	\$9,945	6.2%	\$170,896	96.1%
74,503	63,934	Contractual Services	88,532	78,948	71,775	81.1%	7,173	9.1%	79,052	89.3%
31,696	25,694	Water Purchases	36,250	30,865	30,298	83.6%	567	1.8%	33,750	93.1%
28,659	26,766	Supplies & Chemicals	36,081	32,965	28,831	79.9%	4,134	12.5%	31,741	88.0%
24,705	22,657	Utilities	27,911	25,439	23,211	83.2%	2,228	8.8%	25,608	91.7%
806	520	Small Equipment	1,030	750	533	51.7%	217	28.9%	457	44.4%
\$319,613	\$284,902	SUBTOTAL O&M	\$367,667	\$329,684	\$305,420	83.1%	\$24,264	7.4%	\$341,504	92.9%
199,056	182,275	Debt Service	222,268	203,727	187,656	84.4%	16,071	7.9%	205,414	92.4%
22,034	20,198	PILOT/ROW	22,374	20,510	20,510	91.7%	0	0.0%	22,372	100.0%
28,556	0	Cash Financed Capital Improvements	30,355	0	0	0.0%	0	0.0%	30,355	100.0%
\$569,258	\$487,375	TOTAL OPERATING	\$642,664	\$553,921	\$513,586	79.9%	\$40,335	7.3%	\$599,645	93.3%
(24,906)	(22,914)	Capital Labor	(24,382)	(22,804)	(20,604)	84.5%	(2,200)	9.6%	(26,266)	107.7%
\$544,352	\$464,461	TOTAL NET OPERATING	\$618,281	\$531,117	\$492,982	79.7%	\$38,135	7.2%	\$573,379	92.7%



VARIANCE ANALYSIS FOR MAJOR REPORTED ITEMS

Total operating expenditures for this period (including debt service and the Right-of-Way & PILOT fees) totaled \$513.6 million or 79.9 percent of the FY 2021 Board-approved budget of \$642.7 million.

These numbers include estimated incurred but unpaid invoices and are subject to revision in subsequent months.

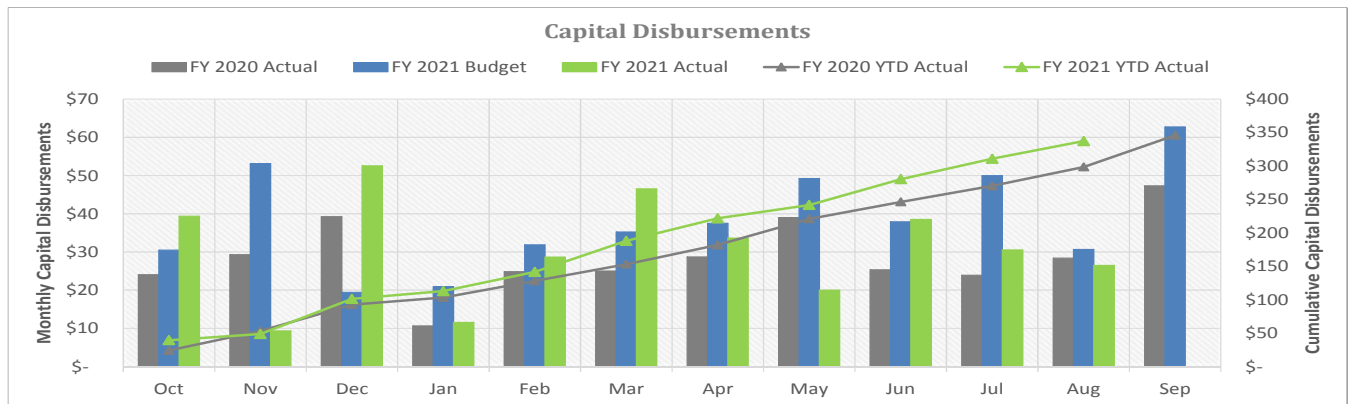
Areas of Underspending
<p>Personnel Services – YTD underspending is due to deliberate pause in the hiring process with the exception of critical positions to align overall expenditures with the reduced revenue forecasts. Of the 1231 positions authorized, 1097 were filled at the end of August with a vacancy rate of 11 percent. Additionally, employee benefits and overtime costs are lower compared to budget. Overtime spending totals \$6.1 million or 74.7 percent of the annual budget and is lower than historical trends.</p>
<p>Contractual Services – Spending is in line with expectations at this time of the fiscal year. Non-critical expenses have been curtailed to ensure that we are performing critical operational and maintenance activities.</p>
<p>Water Purchases – Spending is based on the volume of water purchased from the Washington Aqueduct at established rates.</p>
<p>Supplies & Chemicals – Underspending in chemicals is due to lower than budgeted unit prices for some of the major chemicals used at Blue Plains, coupled with lower influent coming into Blue Plains. Staff continues to monitor the market for any significant changes in unit prices of major chemicals as well as impacts of the reopening efforts in the District for the remainder of the fiscal year.</p>
<p>Utilities – Underspending is primarily due to lower than budgeted electricity prices. A total of 5MW of the Authority’s electric load is locked at an average Western Hub price of \$27.03/MWh, representing 19 percent of the total usage of 25.6MW.</p>
<p>Small Equipment – Spending is consistent with purchases at this time of the fiscal year.</p>
<p>Debt Service – The YTD underspending of \$16 million is mainly due to the refinancing, refunding, and lower interest rates on existing debt, plus a reduction in the revised planned debt.</p>

Monthly Financial Report

Fiscal Year-to-Date
As of August 31, 2021

Capital Disbursements (\$'000's)

FY 2020 Actual		CATEGORY	FY 2021						Projections	
Total Annual	YTD August		Year-to-Date Performance				Variance %		Year-End Projections	% of Revised Budget
			Annual Revised Budget	YTD Budget	Actual	% of Budget	Variance \$	Fav(Unfav)		
\$10,016	\$9,213	Non Process Facilities	\$38,004	\$35,588	\$19,135	50.3%	\$16,453	46.2%	\$25,818	67.9%
48,987	42,367	Wastewater Treatment	78,992	75,154	66,742	84.5%	8,412	11.2%	80,761	102.2%
181,745	153,954	Combined Sewer Overflow	170,842	158,147	146,282	85.6%	11,865	7.5%	163,850	95.9%
2,587	2,580	Stormwater	5,931	5,307	1,710	28.8%	3,597	67.8%	3,151	53.1%
23,359	21,540	Sanitary Sewer	50,547	45,589	25,847	51.1%	19,741	43.3%	34,793	68.8%
41,721	37,996	Water	75,362	69,106	50,896	67.5%	18,210	26.4%	68,469	90.9%
\$308,415	\$267,650	SUBTOTAL CAPITAL PROJECTS	\$419,678	\$388,891	\$310,613	74.0%	\$78,278	20.1%	\$376,841	89.8%
24,371	20,597	Capital Equipment	36,207	33,273	17,030	47.0%	16,243	48.8%	21,602	59.7%
13,073	10,297	Washington Aqueduct	15,382	20,736	9,588	62.3%	11,148	53.8%	12,415	80.7%
\$37,444	\$30,894	SUBTOTAL ADD'L CAPITAL PROGRAMS	\$51,589	\$54,010	\$26,619	51.6%	\$27,391	50.7%	\$34,017	65.9%
\$345,858	\$298,544	TOTAL	\$471,267	\$442,900	\$337,231	71.6%	\$105,669	23.9%	\$410,858	87.2%



VARIANCE ANALYSIS FOR MAJOR REPORTED ITEMS

At the end of August 2021, capital disbursements totaled \$337.2 million or 71.6 percent of the FY 2021 revised budget.

The year-to-date underspending in various service areas reflects management's efforts to mitigate potential impacts of reduced revenue due to the coronavirus pandemic.

Capital Projects	Additional Capital Programs
Overall project performance will be reviewed in detail as part of the quarterly CIP update by the Department of CIP Infrastructure Management to the Environmental Quality & Operations and Finance & Budget Committees in September 2021.	<p><u>Capital Equipment</u> – Lower YTD disbursements are primarily due to delays in Procurement and delivery of Fleet equipment for specification requirements, unused funds in the Authority-wide reserves, and lower than anticipated spending for pumps, meters & other equipment items.</p> <p><u>Washington Aqueduct</u> – YTD disbursement is consistent with expectation for this reporting period. The fourth quarter invoice is anticipated to be received and paid in October 2021.</p>

Monthly Financial Report

Fiscal Year-to-Date
As of August 31, 2021

Cash Investments (\$ in millions)

Cash Balances

Rate Stabilization Fund Balance	\$90.24
DC Insurance Reserve Balance	1.00

Operating Reserve Accounts	
Renewal & Replacement Balance	35.00
O & M Reserve per Indenture	50.03
Undesignated Reserve Balance	40.47
O & M Reserve per Board Policy	125.50
Excess Above O & M Reserve	59.50
Management O & M Reserve Target	185.00
Excess Revenue	29.21
Operating Reserve Accounts	214.21

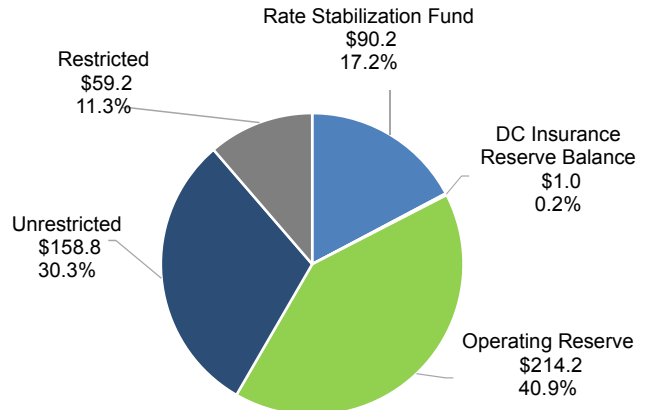
Operating Cash Balance Including RSF	305.46
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Additional Reserve Accounts	
Unrestricted	
TD Bank - Deposits (CSO)	8.00
Bond Fund - Construction 2019A	50.66
Bond Fund - Construction 2019C	100.14
Unrestricted Total	158.80

Restricted	
Debt Service Reserve - Series 1998	18.67
DC Water - CARES Residential Relief Fund	1.70
DC Water - CARES Multi-Family Relief Fund	4.57
DC Water - CARES FY2022 Targeted Assistance	5.00
DC Water - DDOT Projects	1.55
District Funds	23.87
DOEE - CRIAC Res + Emergency Res Relief	0.17
DOEE - CRIAC Non-Profit Relief	1.99
DOEE - Lead Pipe Replacement (LPRAP)	1.20
DOEE - Lead Service Line Replacement (ERW)	0.50
Restricted Total	59.22

Total All Funds	\$523.47
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Breakdown of Cash Balances



Overall Portfolio Performance

- The operating reserve balance was \$214.2 million as compared to the operating reserve management target level of \$185.0 million for FY 2021
- Average cash balance for the month of August was \$211.2 million; year end target is \$185 million
- Total investment portfolio was in compliance with the Authority's Investment Policy
- Operating funds interest income for August (on a cash basis) was \$194,477; YTD \$3,091,725
- A detailed investment performance report is attached

Monthly Financial Report

Fiscal Year-to-Date
As of August 31, 2021

FY 2021 Cash Flow Summary (\$000's)

	Annual Budget Cash Basis	YTD Cash Budget	YTD Actual Cash Oct. 1, 2020 - Aug 31, 2021	Variance Favorable (Unfavorable)	
OPERATING BUDGET					
Cash Provided					
Retail	\$549,310	\$543,532	\$519,137	(24,395)	-4%
Wholesale	81,709	81,986	82,930	945	1%
Other	61,185	60,731	54,256	(6,476)	-11%
Total Cash Provided	692,205	686,249	656,323	(29,926)	-4%
Operating Cash Used					
Personnel Services	143,827	137,913	127,918	9,995	7%
Contractual Services	82,987	78,948	73,897	5,051	6%
Chemicals & Supplies	33,763	32,965	34,324	(1,359)	-4%
Utilities	27,771	25,439	26,014	(575)	-2%
Water Purchases	33,750	30,865	31,552	(687)	-2%
Small Equipment	1,028	750	421	329	44%
Total Operating Cash Used	323,126	306,880	294,126	12,754	4%
Defeasance D.S./Cash Financed Capital Construction	30,355	27,826	0	27,826	100%
Other Cash Used					
Debt Service	217,944	199,782	187,656	12,126	6%
Payment In Lieu of Taxes/Right of Way	22,372	20,510	22,372	(1,862)	-9%
Total Other Cash Used	240,316	220,292	210,028	10,263	5%
Total Cash Used	593,797	554,997	504,154	50,843	9%
Net Cash Provided (Used) by Operating Act.	98,407	90,207	152,169	61,962	
CAPITAL BUDGET					
Cash Provided					
Debt Proceeds	256,862	235,457	115,271	(120,185)	-51%
Cash Financed Capital Improvements	0				0%
System Availability Fee	7,000	6,417		(6,417)	0%
EPA Grants	32,645	29,924	20,691	(9,233)	-31%
CSO Grants					0%
Interest Income	1,749	1,603	1,145	(458)	-29%
Wholesale Capital Contributions	75,803	69,486	70,842	1,356	2%
Total Cash Provided	374,058	342,887	207,949	(134,937)	-39%
Cash Used					
DC Water Capital Program	455,885	422,164	327,796	94,368	22%
Washington Aqueeduct Projects	15,382	20,736	9,588	11,148	54%
Total Cash Used	471,267	442,900	337,384	105,516	24%
Net Cash/PAYGO Provided (Used) by Cap. Act.	(\$97,209)	(\$89,109)	(\$129,435)	(\$40,326)	
Beginning Balance, October 1 (Net of Rate Stab. Fund) Projects	\$186,827		\$186,827		
Plus (Less) Operating Surplus	98,407	90,207	152,169		
Wholesale Customer Refunds from Prior Years	(5,243)	(4,806)	2,313		
Interest Earned From Bond Reserve	57	52	103		
Transfer to Rate Stabilization Fund					
Transfer to CAP Fund					
Transfer from CAP Fund					
Transfer from SAF					
Prior Year Federal Billing Reconciliation	6,161	5,648	2,233		
Project Billing Refunds	(4,000)	(3,667)			
Cash Used for Capital	(97,209)	(89,109)	(129,435)		
Balance Attributable to O&M Reserve	\$185,000		\$214,211		
OTHER CASH RESERVES					
Rate Stabilization Fund	\$90,244				
DC Insurance Reserve	1,000				
Unrestricted Reserves	158,798				
Restricted Reserves	59,215				

APPENDIX

Operating Revenues Detail	9
Retail Accounts Receivable.....	10
Overtime Spending.....	11
Capital Disbursements Detail	12
Investment Report.....	13

Monthly Financial Report

Fiscal Year-to-Date
As of August 31, 2021

Operating Revenues Detail

(\$ in millions)

Revenue Category	FY 2021 Budget	YTD Budget	Actual	Variance Favorable / (Unfavorable)		Actual % of Budget	Year-End Projections	Variance Proj vs Budg	% of Budget
Residential, Commercial, and Multi-family	\$421.6	\$386.5	\$359.9	(\$26.6)	-6.9%	85.4%	\$382.0	(\$39.7)	90.6%
Federal	77.6	77.6	76.2	(1.4)	-1.8%	98.2%	76.7	(0.9)	98.9%
District Government	18.4	16.8	18.9	2.1	12.4%	103.0%	20.3	1.9	110.6%
DC Housing Authority	11.9	10.9	11.2	0.2	2.1%	93.5%	12.5	0.6	105.0%
Customer Metering Fee	15.4	14.2	13.7	(0.5)	-3.8%	88.6%	14.8	-0.6	95.9%
Water System Replacement Fee (WSRF)	39.7	36.9	39.3	2.3	6.3%	98.8%	41.4	1.7	104.3%
Wholesale	82.0	82.0	82.9	0.9	1.2%	101.2%	82.0	0.0	100.0%
Right-of-Way Fee/PILOT	22.5	20.8	19.8	(1.1)	-5.1%	88.0%	20.7	(1.7)	92.3%
Subtotal (before Other Revenues)	\$689.1	\$645.8	\$621.8	(\$23.9)	-3.7%	90.2%	\$650.4	(\$38.6)	94.4%
IMA Indirect Cost Reimb. For Capital Projects	5.1	4.7	4.9	0.2	4.3%	96.1%	4.5	(0.6)	88.2%
DC Fire Protection Fee	12.5	12.5	12.5	0.0	0.0%	100.0%	12.5	0.0	100.0%
Stormwater (MS4)	1.0	0.9	1.1	0.2	22.2%	110.0%	1.1	0.1	110.0%
Interest	3.4	3.1	3.2	0.1	3.2%	94.1%	3.4	0.0	100.0%
Developer Fees (Water & Sewer)	6.0	5.5	5.1	(0.4)	-7.3%	85.0%	5.0	(1.0)	83.3%
System Availability Fee (SAF)	7.7	7.1	5.0	(2.1)	-29.6%	64.9%	5.4	(2.3)	70.1%
Others	6.4	5.9	2.7	(3.2)	-54.2%	42.2%	3.7	(2.7)	57.8%
Subtotal	\$42.1	\$39.7	\$34.6	(\$5.1)	-12.8%	82.1%	\$35.7	(\$6.4)	84.7%
Rate Stabilization Fund Transfer	\$2.5	\$0.0	\$0.0	\$0.0	0.0%	0.0%	\$2.5	\$0.0	100.0%
Other Revenue Subtotal	\$44.6	\$39.7	\$34.6	(\$5.1)	-12.8%	77.5%	\$38.2	(\$6.4)	85.6%
Grand Total	\$733.7	\$685.4	\$656.4	(\$29.0)	-4.2%	89.5%	\$688.6	(\$45.1)	93.9%

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

Customer Category	Clean Rivers					Total
	Water	Sewer	IAC	Metering Fee	WSRF	
Residential	\$32,422	\$51,140	\$25,058	\$6,074	\$8,710	\$123,404
Commercial	\$51,687	\$58,519	\$30,653	\$4,181	\$15,418	\$160,458
Multi-family	\$39,012	\$60,003	\$11,429	\$1,963	\$6,981	\$119,388
Federal	\$25,583	\$29,082	\$21,541	\$804	\$6,063	\$83,073
District Govt	\$4,674	\$6,323	\$7,936	\$480	\$1,698	\$21,111
DC Housing Authority	\$4,081	\$6,045	\$1,045	\$149	\$383	\$11,703
Total:	\$157,458	\$211,112	\$97,662	\$13,652	\$39,253	\$519,137

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

Clean Rivers IAC - Actual vs Budget
(\$ in 000's)

Customer Category	FY2021 Budget	Year-To-Date Budget	Actual Received	Variance Favorable / <Unfavorable>	Variance % of YTD Budget	Actual % of Budget
Residential	\$24,793	\$22,727	\$25,058	\$2,331	10%	101%
Commercial	\$28,102	\$25,760	\$30,653	\$4,893	19%	109%
Multi-family	\$11,370	\$10,423	\$11,429	\$1,006	10%	101%
Federal	\$21,541	\$21,541	\$21,541	\$0	0%	100%
District Govt	\$7,663	\$7,024	\$7,936	\$912	13%	104%
DC Housing Authority	\$1,135	\$1,040	\$1,045	\$5	0%	92%
Total:	\$94,604	\$88,515	\$97,662	\$9,146	10%	103%

Monthly Financial Report

Fiscal Year-to-Date
As of August 31, 2021

Retail Accounts Receivable (Delinquent Accounts)

The following tables show retail accounts receivable over 90 days (from the billing date) 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
September 30, 2015	\$6.5	11,981
September 30, 2016	\$7.7	12,406
September 30, 2017	\$8.4	11,526
September 30, 2018	\$13.4	16,273
September 30, 2019	\$10.6	8,744
September 30, 2020	\$17.9	13,775
October 31, 2020	\$18.9	14,276
November 30, 2020	\$19.8	14,772
December 31, 2020	\$22.7	15,605
January 31, 2021	\$23.4	15,444
February 28, 2021	\$24.0	14,973
March 31, 2021	\$23.6	14,613
April 30, 2021	\$24.0	14,707
May 31, 2021	\$25.0	14,672
June 30, 2021	\$25.3	14,177
July 31, 2021	\$25.9	13,902
August 31, 2021	\$26.4	13,603

Notes: The increase in the accounts receivable over 90 days (from the billing date) is due to the temporary suspension of collections procedures because of the new billing system VertexOne, which was implemented in December 2017. The increase in accounts receivable from March 2020 to August 2021 is primarily due to increased delinquencies and deferred payments due to the impact of COVID-19.

Greater Than 90 Days by Customer

	Number of Accounts			Month of Aug (All Categories)				Total Delinquent				
	W & S		Total No. of	Active		Inactive		Jul		Aug		
	Impervious Only	a/c		No. of	Amount	No. of	Amount	No. of	Amount	No. of	Amount	%
	a/c	a/c	a/c	a/c	(\$)	a/c	(\$)	a/c	(\$)	a/c	(\$)	
Commercial	9,030	2,217	11,247	1,407	\$6,297,635	47	\$125,391	1,501	\$6,300,613	1,454	\$6,423,026	24%
Multi-family	8,490	341	8,831	1,231	\$9,416,050	18	\$99,118	1,253	\$9,241,027	1,249	\$9,515,168	36%
Single-Family Residential	106,869	2,195	109,064	10,757	\$10,328,714	143	\$144,056	11,148	\$10,363,763	10,900	\$10,472,770	40%
Total	124,389	4,753	129,142	13,395	\$26,042,399	208	\$368,565	13,902	\$25,905,403	13,603	\$26,410,964	100%

Notes: Included in the above \$26.4 million (or 13,603 accounts) of the DC Water over 90 days delinquent accounts, \$4,277,688.71 (or 1,522 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.
- Delinquent accounts (13,603) as a percentage of total accounts (129,142) is 10.5 percent.

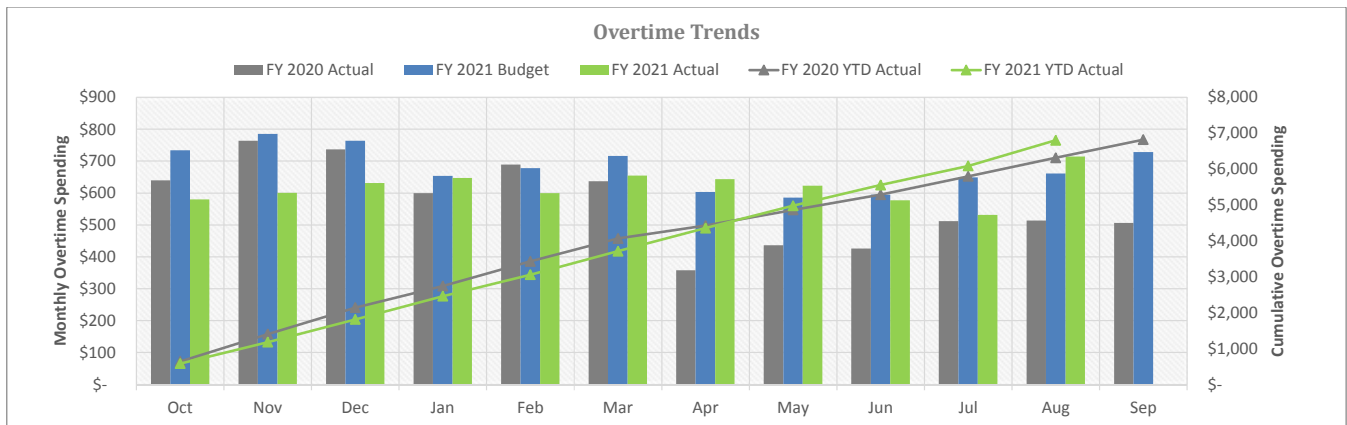
Monthly Financial Report

Fiscal Year-to-Date
As of August 31, 2021

Overtime by Department

Department	FY 2021			
	Budget	Actual	YTD Actual % of Budget	% of Regular Pay
Administrative Office	\$0	\$0	0.0%	0.0%
Board	11,000	0	0.0%	0.0%
CIP Infrastructure	0	683	0.0%	0.0%
Clean Rivers	0	0	0.0%	0.0%
Customer Service	462,000	313,873	67.9%	3.6%
Engineering	938,000	773,719	82.5%	8.8%
Facilities	250,000	193,435	77.4%	5.3%
Finance	40,000	31,134	77.8%	0.5%
Fleet*	5,000	6,518	130.4%	0.8%
Information Technology	10,000	2,776	27.8%	0.0%
Legal Affairs	3,000	0	0.0%	0.0%
Marketing & Communications	0	901	0.0%	0.1%
Maintenance	630,000	490,935	77.9%	6.7%
Occupational Safety		0	0.0%	0.0%
Office of OCEO	0	0	0.0%	0.0%
Office of Emergency Management	5,000	0	0.0%	0.0%
People & Talent **	5,000	5,087	101.7%	0.1%
Permit Operations	45,000	26,814	59.6%	1.2%
Process Engineering	50,000	20,841	41.7%	0.7%
Procurement & Compliance***	30,000	51,947	173.2%	1.2%
Pumping & Sewer	2,068,000	1,994,075	96.4%	15.7%
Security	1,000	14	1.4%	0.0%
Wastewater Engineering	25,000	19,563	78.3%	1.6%
Wastewater Treatment Operations	1,796,000	1,519,705	84.6%	13.6%
Water	1,780,000	1,351,423	75.9%	10.7%
Total DC WATER	\$8,154,000	\$6,803,443	83.4%	6.7%

*Fleet Management - Overtime used to cover administrative activities
 **People and Talent - Overtime used to cover ERP tasks
 ***Procurement & Compliance - Overtime used for afterhours inventory count

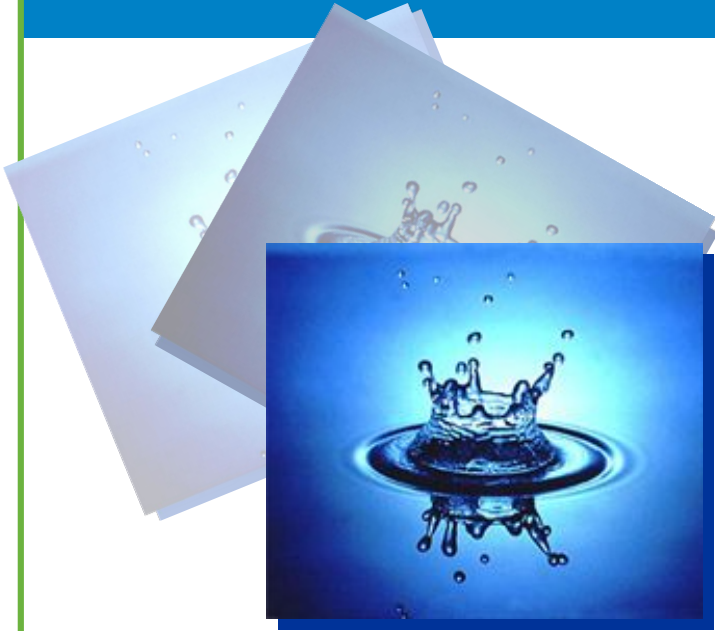


Monthly Financial Report

Fiscal Year-to-Date
As of August 31, 2021

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

Service Areas	Budget					Variance			Projections	
	REVISED BUDGET	YTD BUDGET	Oct 2020 - Jul 2021	Aug 2021	YTD	ACTUAL % BUDGET	VARIANCE \$ Fav/(Unfav)	VARIANCE % Fav/(Unfav)	Year-End Projection	% of Budget
NON PROCESS FACILITIES										
Facility Land Use	\$38,004	\$35,588	\$16,391	\$2,744	\$19,135	50.3%	\$16,453	46.2%	\$25,818	67.9%
Subtotal	38,004	35,588	16,391	2,744	19,135	50.3%	16,453	46.2%	25,818	67.9%
WASTEWATER TREATMENT										
Liquids Processing	27,817	26,315	\$18,272	\$1,058	\$19,330	69.5%	6,985	26.5%	24,225	87.1%
Plantwide	18,011	16,909	\$13,202	\$385	\$13,587	75.4%	3,322	19.6%	18,160	100.8%
Solids Processing	25,763	24,553	\$26,207	\$2,903	\$29,110	113.0%	(4,557)	-18.6%	30,356	117.8%
Enhanced Nitrogen Removal Facilities	7,401	7,377	\$4,715	\$0	\$4,715	63.7%	2,662	36.1%	8,019	108.3%
Subtotal	78,992	75,154	62,397	4,346	66,742	84.5%	8,412	11.2%	80,761	102.2%
COMBINED SEWER OVERFLOW										
D.C. Clean Rivers	165,435	153,041	\$139,900	\$5,382	\$145,282	87.8%	7,759	5.1%	161,496	97.6%
Program Management	-	-	\$0	\$0	\$0	0.0%	-	0.0%	0	0.0%
Combined Sewer	5,407	5,106	\$964	\$37	\$1,001	18.5%	4,105	80.4%	2,354	43.5%
Subtotal	170,842	158,147	140,864	5,418	146,282	85.6%	11,865	7.5%	163,850	95.9%
STORMWATER										
Local Drainage	-	-	\$0	\$0	\$0	0.0%	-	0.0%	0	0.0%
On-Going	649	550	\$592	\$0	\$592	91.2%	(42)	-7.6%	768	118.3%
Pumping Facilities	5,023	4,538	\$959	\$90	\$1,049	20.9%	3,489	76.9%	2,292	45.6%
Research and Program Management	164	130	\$60	\$3	\$63	38.5%	67	51.4%	64	39.1%
Trunk/Force Sewers	95	89	\$6	\$0	\$6	6.1%	83	93.5%	27	28.3%
Subtotal	5,931	5,307	1,617	94	1,710	28.8%	3,597	67.8%	3,151	53.1%
SANITARY SEWER										
Collection Sewers	2,914	2,887	\$1,598	\$16	\$1,614	55.4%	1,273	44.1%	2,469	84.7%
On-Going	13,267	12,205	\$10,429	\$1,887	\$12,316	92.8%	(111)	-0.9%	12,793	96.4%
Pumping Facilities	2,076	1,679	\$503	\$21	\$524	25.2%	1,155	68.8%	717	34.5%
Program Management	7,728	7,182	\$2,146	\$314	\$2,460	31.8%	4,722	65.7%	4,631	59.9%
Interceptor/Trunk Force Sewers	24,562	21,636	\$7,899	\$1,035	\$8,934	36.4%	12,702	58.7%	14,183	57.7%
Subtotal	50,547	45,589	22,575	3,272	25,847	51.1%	19,741	43.3%	34,793	68.8%
WATER										
Distribution Systems	46,643	42,282	\$19,292	\$3,030	\$22,323	47.9%	19,959	47.2%	31,031	66.5%
Lead Program	6,179	5,692	\$7,276	\$303	\$7,579	122.7%	(1,887)	-33.1%	12,245	198.2%
On-Going	12,126	11,341	\$12,944	\$719	\$13,663	112.7%	(2,322)	-20.5%	14,266	117.6%
Pumping Facilities	1,328	1,178	\$452	\$3	\$455	34.3%	723	61.3%	896	67.5%
DDOT	1,016	997	\$49	\$2	\$51	5.0%	946	94.9%	747	73.5%
Storage Facilities	4,521	4,480	\$4,353	\$4	\$4,357	96.4%	123	2.7%	6,044	133.7%
Program Management	3,550	3,136	\$2,467	\$1	\$2,468	69.5%	668	21.3%	3,240	91.3%
Subtotal	75,362	69,106	46,834	4,062	50,896	67.5%	18,210	26.4%	68,469	90.9%
Capital Projects	419,678	388,891	290,677	19,936	310,613	74.0%	78,278	20.1%	376,841	89.8%
CAPITAL EQUIPMENT	36,207	33,273	15,190	1,840	17,030	47.0%	16,243	48.8%	21,602	59.7%
WASHINGTON AQUEDUCT	15,382	20,736	4,865	4,723	9,588	62.3%	11,148	53.8%	12,415	80.7%
Additional Capital Programs	51,589	54,010	20,056	6,563	26,619	51.6%	27,391	50.7%	34,017	65.9%
Total	\$471,267	\$442,900	\$310,733	\$26,499	\$337,231	71.6%	\$105,668	23.9%	\$410,858	87.2%



DC Water

Investment Performance Report – August 2021





**DC Water
Finance Division
Economic Update**

ECONOMIC COMMENTARY

- The U.S. economy grew slightly faster in the second quarter of 2021 than initially estimated. In its second estimate of U.S. gross domestic product (“GDP”) for the second quarter of 2021, the Bureau of Economic Analysis reported an annualized growth rate of 6.6%, a modest increase from the first estimate of 6.5%. Personal consumption continued to be a lead factor in GDP growth, as it grew at 11.9%. The increase in second quarter GDP reflected the continued economic recovery, reopening of establishments, and ongoing government response related to the pandemic.
- Federal Chairman Powell’s speech at the Jackson Hole symposium was dovish in nature but kept the central bank on a path to begin tapering of asset purchases closer to the end of this year, assuming that economic and inflation readings continue to support tapering. Chairman Powell’s remarks mentioned the economy’s rapid progress and solid outlook, and further defined this current inflationary period as “transitory.” The risks associated with the Delta variant continue to loom over economic recovery plans and the discussions about asset purchases.
- The Consumer Price Index (CPI) rose 0.5% for July, holding the year-over-year figure at an elevated 5.4%, the highest reading since 2008. Core CPI, stripping out volatile food and energy prices, rose 4.3% year-over-year, a bit lower than last month’s reading. Prices have surged for used cars, new cars, airline fares, and tobacco products. Faced with supply constraints and surging demand, businesses are raising prices as cost pressures mount. Ongoing challenges, including materials shortages, shipping bottlenecks, and hiring difficulties, will likely continue to put broader upward pressure on prices in the months ahead. At the same time, some of the price surges linked to the economy’s reopening are beginning to subside.
- U.S. hiring shifted downwards due to the Delta variant and hiring challenges in August with the smallest job gains in seven months. Approximately 235,000 jobs were added to the U.S. Labor Market in August along with an upward revision to 1,050,000 added jobs in July.

PORTFOLIO RECAP

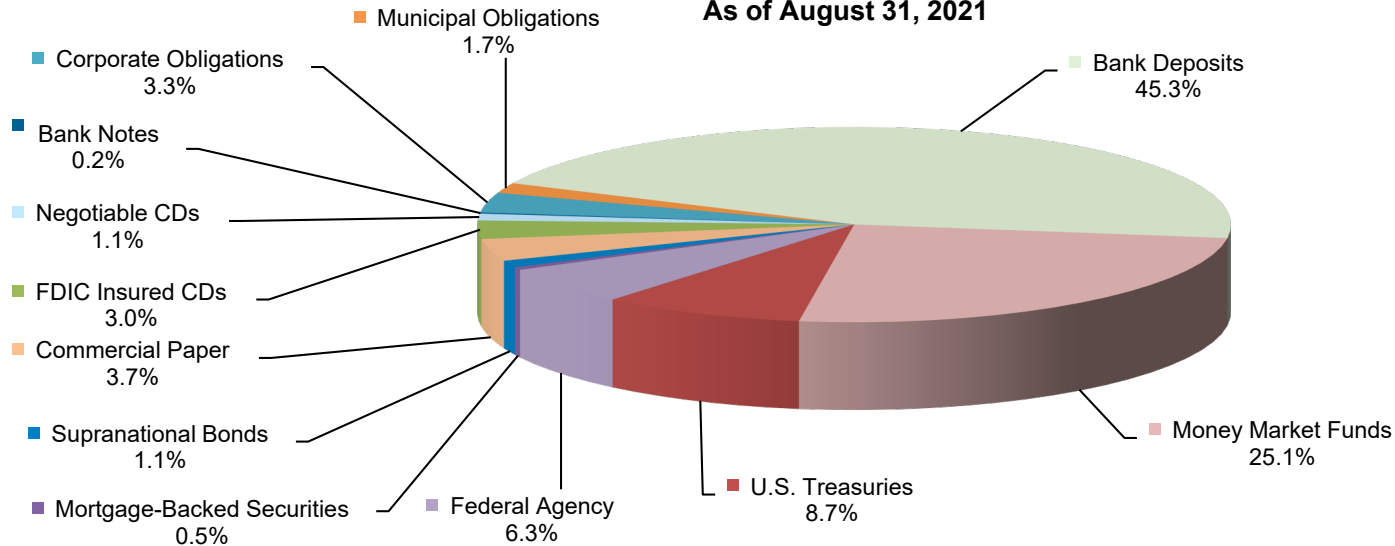
- The portfolio is diversified among Bank Deposits, U.S. Treasuries, Federal Agencies, Mortgage-Backed Securities, Commercial Paper, Supranational Bonds, Negotiable CDs, Corporate Notes/Bonds, Municipal Bonds, FDIC Insured CDs, Bank Notes and SEC registered money market funds.
- The overall yield-to-maturity on cost of the portfolio is 0.19%.

Operating Reserve

- The investment advisor (PFM) purchased a combined \$1.0 million in corporate notes from various issuers during the month of August.
- Later in the month, value was found in \$1.6 million in U.S. Treasury notes
- PFM also purchased \$0.4 million of federal agency notes.



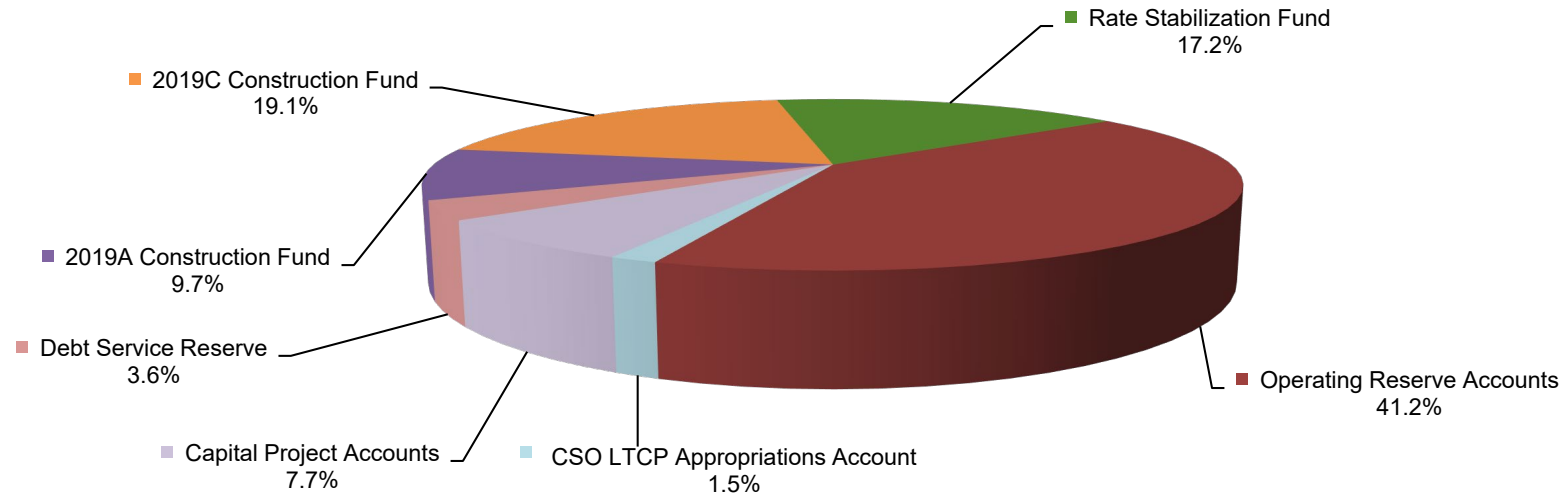
**DC Water
Finance Division
Investments - By Security Type
As of August 31, 2021**



Security Type	Book Value + Accrued Interest	Asset Allocation	Permitted By Policy
Bank Deposits	237,410,238	45.3%	100.0%
Money Market Funds	131,617,257	25.1%	100.0%
U.S. Treasuries	45,651,600	8.7%	100.0%
Federal Agency	32,820,967	6.3%	80.0%
Mortgage-Backed Securities	2,485,904	0.5%	30.0%
Supranational Bonds	5,995,462	1.1%	30.0%
Commercial Paper	19,293,719	3.7%	35.0%
FDIC Insured CDs	15,923,147	3.0%	30.0%
Negotiable CDs	5,930,473	1.1%	30.0%
Bank Notes	928,523	0.2%	40.0%
Corporate Obligations	17,292,587	3.3%	30.0%
Municipal Obligations	8,865,233	1.7%	20.0%
Total	\$ 524,215,108	100.0%	



**DC Water
Finance Division
Investment Analysis – By Fund
As of August 31, 2021**

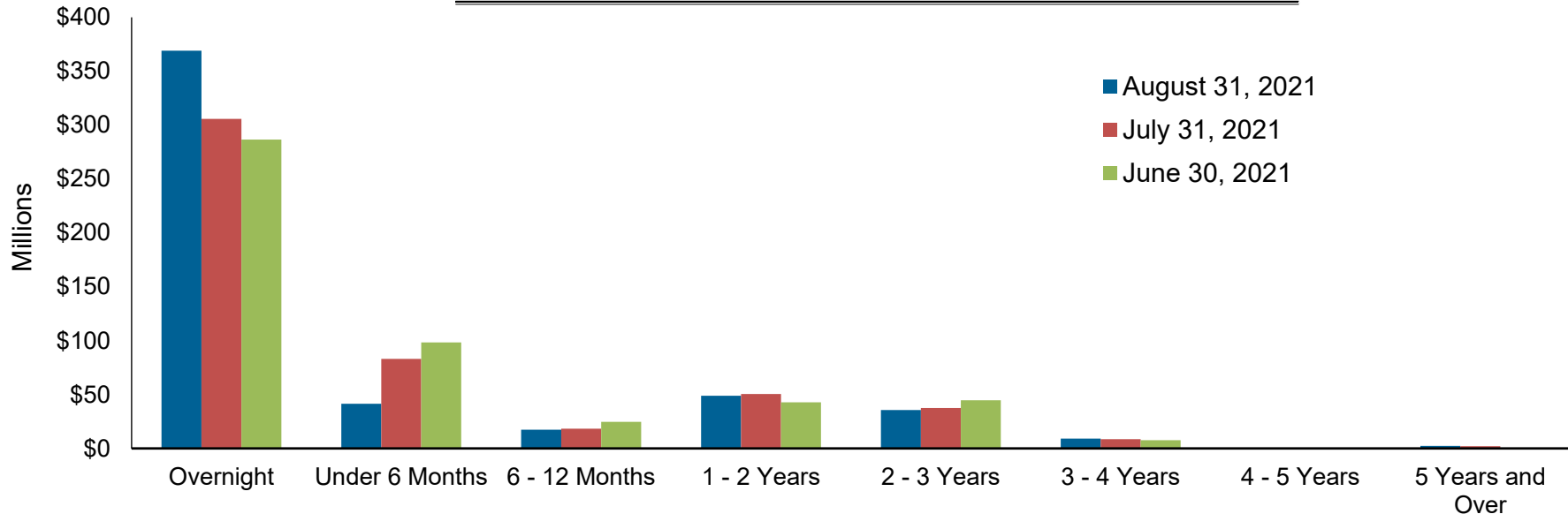


Fund Name	Book Value + Accrued Interest	Yield-to- Maturity at Cost	Effective Duration (years)	Weighted Average Maturity (days)
Rate Stabilization Fund	\$ 90,412,531	0.00%	0.00	1.0
Operating Reserve Accounts	\$ 215,787,906	0.40%	0.89	363.4
CSO LTCP Appropriations Account	\$ 8,003,415	0.00%	0.00	1.0
Capital Project Accounts	\$ 40,549,103	0.00%	0.00	1.0
Debt Service Reserve	\$ 18,652,070	0.31%	1.18	432.4
2019A Construction Fund	\$ 50,658,843	0.01%	0.00	1.0
2019C Construction Fund	\$ 100,151,240	0.01%	0.04	12.7
Total	\$ 524,215,108	0.19%	0.42	167.8



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

Maturity Distribution	August 31, 2021	July 31, 2021	June 30, 2021
Overnight \$	369,027,494.76	\$305,809,468.41	\$286,624,633.05
Under 6 Months	41,463,357.95	83,127,890.41	98,417,307.29
6 - 12 Months	17,411,205.39	18,377,778.84	24,802,244.29
1 - 2 Years	48,953,966.95	50,557,408.00	42,871,890.86
2 - 3 Years	35,720,321.24	37,589,075.02	44,696,987.83
3 - 4 Years	9,152,858.17	8,715,943.32	7,721,736.28
4 - 5 Years	-	-	246,541.05
5 Years and Over	2,485,903.68	2,126,366.43	2,192,323.83
Totals \$	524,215,108 \$	506,303,930 \$	507,573,664





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

	Credit Ratings		Book Value	Investment Policy Limit	Compliance with Investment Policy	
	S&P / Moody's					
Bank Deposits						
TD Bank			237,410,238.26	45.3%	100.0%	Yes
Sub-Total Bank Deposits			237,410,238.26	45.3%	100.0%	Yes
Money Market Mutual Funds						
Wells Fargo Treasury Plus MMF	AAA	Am	3,835.28	0.0%	50.0%	Yes
Wells Fargo Government MMF	AAA	Am	97,057.38	0.0%	50.0%	Yes
Wells Fargo 100% Treasury MMF	AAA	Am	131,516,363.84	25.1%	50.0%	Yes
Sub-Total Money Market Mutual Funds			131,617,256.50	25.1%	100.0%	Yes
U.S. Treasuries						
Treasury Note	AA+	Aaa	45,651,599.55	8.7%	100.0%	Yes
Sub-Total Treasuries			45,651,599.55	8.7%	100.0%	Yes
Federal Agencies						
Fannie Mae	AA+	Aaa	13,279,278.54	2.5%	40.0%	Yes
Federal Home Loan Bank	AA+	Aaa	2,608,124.22	0.5%	40.0%	Yes
Freddie Mac	AA+	Aaa	16,933,563.78	3.2%	40.0%	Yes
Sub-Total Federal Agencies			32,820,966.54	6.3%	80.0%	Yes
Mortgage-Backed Securities						
Fannie Mae	AA+	Aaa	1,567,696.21	0.3%	5.0%	Yes
Freddie Mac	AA+	Aaa	918,207.47	0.2%	5.0%	Yes
Sub-Total Mortgage-Backed Securities			2,485,903.68	0.5%	30.0%	Yes
Supranational Bonds						
African Development Bank	AAA	Aaa	801,878.68	0.2%	5.0%	Yes
Asian Development Bank	AAA	Aaa	2,914,862.42	0.6%	5.0%	Yes
Inter-American Development Bank	AAA	Aaa	505,584.20	0.1%	5.0%	Yes
International Bank for Reconstruction and Development	AAA	Aaa	1,773,136.72	0.3%	5.0%	Yes
Sub-Total Supranational Bonds			5,995,462.02	1.1%	30.0%	Yes
Commercial Paper						
ASB Bank Ltd (Commonwealth Bank of Australia)	A-1+	P-1	2,998,255.83	0.6%	5.0%	Yes
Collat Comm Paper V Co (JP Morgan)	A-1	P-1	2,999,746.67	0.6%	5.0%	Yes
LMA Americas LLC (Credit Agricole SA)	A-1	P-1	2,999,500.00	0.6%	5.0%	Yes

CDARS holdings are not managed by PFMAM, and we therefore cannot guarantee the accuracy of holdings information provided.



**DC Water
Finance Division
Investments – Issuer Allocation (Continued)**

	Credit Ratings			Investment Policy	Compliance with
	S&P / Moody's	Book Value		Limit	Investment Policy
Commercial Paper					
Mizuho Bank Ltd	A-1 / P-1	799,742.89	0.2%	5.0%	Yes
Santander UK PLC	A-1 / P-1	2,998,938.33	0.6%	5.0%	Yes
Skandinav Enskilda Bank	A-1 / P-1	499,777.09	0.1%	5.0%	Yes
Societe Generale	A-1 / P-1	2,997,968.33	0.6%	5.0%	Yes
Svenska Handelsbanken AB	A-1+ / P-1	2,999,790.00	0.6%	5.0%	Yes
Sub-Total Commercial Paper		19,293,719.14	3.7%	35.0%	Yes
FDIC Insured Certificates of Deposit					
CDARS - Placed by Industrial Bank	NR	15,923,146.94	3.0%	5.0%	Yes
Sub-Total FDIC-Insured Certificates of Deposit		15,923,146.94	3.0%	30.0%	Yes
Negotiable Certificates of Deposit					
Barclays Bank PLC NY	A-1 / P-1	2,028,278.81	0.4%	5.0%	Yes
Nordea Bank AB NY	A-1+ / P-1	1,450,447.08	0.3%	5.0%	Yes
Skandinaviska Enskilda Bank	A-1 / P-1	1,450,449.50	0.3%	5.0%	Yes
UBS AG Stamford CT	A-1 / P-1	1,001,297.50	0.2%	5.0%	Yes
Sub-Total Negotiable Certificates of Deposit		5,930,472.89	1.1%	30.0%	Yes
Corporate Obligations					
Amazon	AA / A1	1,405,130.32	0.3%	5.0%	Yes
Apple	AA+ / Aa1	461,358.64	0.1%	5.0%	Yes
Bank of America	A- / A2	757,469.48	0.1%	5.0%	Yes
Bank of Montreal	A- / A2	888,401.76	0.2%	5.0%	Yes
Bank of New York Mellon	A / A1	814,873.63	0.2%	5.0%	Yes
Bank of Nova Scotia Houston	A- / A2	1,092,064.57	0.2%	5.0%	Yes
Berkshire Hathaway Inc.	AA / Aa2	517,663.26	0.1%	5.0%	Yes
Canadian Imperial Bank NY	BBB+ / A2	1,000,681.00	0.2%	5.0%	Yes
Chevron	AA- / Aa2	490,951.97	0.1%	5.0%	Yes
JP Morgan	A- / A2	1,277,511.27	0.2%	5.0%	Yes
Microsoft Corp	AAA / Aaa	502,974.86	0.1%	5.0%	Yes
Nordea Bank AB	AA- / Aa3	375,590.62	0.1%	5.0%	Yes
Procter & Gamble Co	AA- / Aa3	951,166.06	0.2%	5.0%	Yes
Royal Bank of Canada NY	A / A2	1,191,393.49	0.2%	5.0%	Yes
Skandinaviska Enskilda	NR / NR	439,375.20	0.1%	5.0%	Yes
Svenska Handelsbanken AB	AA- / Aa2	425,216.67	0.1%	5.0%	Yes

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**DC Water
Finance Division
Investments – Issuer Allocation (Continued)**

	Credit Ratings			Investment Policy	Compliance with
	S&P / Moody's	Book Value		Limit	Investment Policy
Corporate Obligations					
Swedbank AB	A+ / Aa3	501,674.26	0.1%	5.0%	Yes
Toronto Dominion Bank NY	A / A1	1,503,714.42	0.3%	5.0%	Yes
UBS AG London	A+ / Aa3	910,010.66	0.2%	5.0%	Yes
US Bank Cincinnati	AA- / A1	497,342.62	0.1%	5.0%	Yes
Visa	AA- / Aa3	930,438.61	0.2%	5.0%	Yes
Wal-Mart Stores Inc.	AA / Aa2	357,583.63	0.1%	5.0%	Yes
Sub-Total Corporate Obligations		17,292,587.00	3.3%	30.0%	Yes
Bank Notes					
Citibank	A+ / Aa3	449,730.02	0.1%	5.0%	Yes
US Bank Cincinnati	AA- / A1	478,792.73	0.1%	5.0%	Yes
Sub-Total Bank Notes		928,522.75	0.2%	30.0%	Yes
Municipal Obligations					
Avondale School District, Michigan	NR / Aa1	935,038.33	0.2%	5.0%	Yes
Florida State Board of Administration	AA / Aa3	245,513.68	0.0%	5.0%	Yes
Honolulu, Hawaii	NR / Aa1	390,565.18	0.1%	5.0%	Yes
Louisiana State	AA- / Aa3	480,780.00	0.1%	5.0%	Yes
Maryland State	AAA / Aaa	500,170.83	0.1%	5.0%	Yes
Mississippi State	AA / Aa2	375,527.50	0.1%	5.0%	Yes
New York City, New York	AA / Aa2	1,196,036.04	0.2%	5.0%	Yes
New York State Urban Development	AA+ / NR	2,511,044.37	0.5%	5.0%	Yes
NYC Transitional Finance Authority	AAA / Aa1	932,770.00	0.2%	5.0%	Yes
Oklahoma State Turnpike Authority	AA- / Aa3	355,475.70	0.1%	5.0%	Yes
Prince George County	AAA / Aaa	501,390.25	0.1%	5.0%	Yes
San Jose, California	AA+ / Aa1	440,920.99	0.1%	5.0%	Yes
Sub-Total Municipal Obligations		8,865,232.87	1.7%	20.0%	Yes
Grand Total		\$ 524,215,108.14	100.0%		

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**DC Water
Finance Division
Book Value Performance
As of August 31, 2021**

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

	Trailing 1 Month		Trailing 3 Months		Trailing 6 Months		Trailing 12 Months	Trailing 24 Months
	Periodic	Annualized	Periodic	Annualized	Periodic	Annualized		
Rate Stabilization Fund	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.17%	0.70%
Operating Reserve Accounts	0.09%	1.01%	0.32%	1.27%	0.77%	1.54%	1.96%	2.51%
Debt Service Reserve	0.03%	0.31%	0.08%	0.31%	0.15%	0.31%	0.50%	1.72%
2019A Construction Fund	0.001%	0.01%	0.00%	0.01%	0.01%	0.02%	0.05%	n/a
2019C Construction Fund	0.01%	0.09%	0.03%	0.12%	0.06%	0.13%	0.36%	n/a
Short Term Consolidated Composite	0.01%	0.08%	0.02%	0.09%	0.05%	0.10%	0.13%	0.65%
ICE BoAML 3-Month Treasury Index (Book Value) ¹	0.00%	0.05%	0.01%	0.05%	0.02%	0.03%	0.05%	0.46%
Core (1+Years) Consolidated Composite	0.06%	0.67%	0.18%	0.72%	0.39%	0.78%	1.03%	1.68%
ICE BoAML 1-3 Year Treasury Index (Book Value) ²	0.02%	0.22%	0.06%	0.22%	0.10%	0.20%	0.17%	0.52%

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



**DC Water
Finance Division
Portfolio Holdings by Fund**

DESCRIPTION	CUSIP	PAR AMOUNT	COUPON RATE	MATURITY DATE	SETTLEMENT DATE	YTM AT COST	ORIGINAL COST	MARKET VALUE + ACCRUED INTEREST	AMORTIZED COST + ACCRUED INTEREST	TOTAL VALUE
Rate Stabilization Fund										
TD BANK BANK DEPOSIT		\$ 90,412,531		9/1/2021		0.00%	\$ 90,412,531	\$ 90,412,531	\$ 90,412,531	\$ 90,412,531.03
Operating Reserve Accounts										
TD BANK BANK DEPOSIT		\$ 97,445,189		9/1/2021		0.00%	\$ 97,445,189	\$ 97,445,189	\$ 97,445,189	
DC RESERVES TD BANK DEPOSIT		1,000,000		9/1/2021		0.00%	1,000,000	1,000,000	1,000,000	
WELLS FARGO GOVERNMENT MMF		97,057		9/1/2021		0.01%	97,057	97,057	97,057	
NYC, NY TXBL GO BONDS	64966QED8	385,000	1.680	10/1/2021	10/22/2019	1.68%	385,000	388,192	387,695	
INDUSTRIAL BANK CDARS		5,279,271	0.100	11/4/2021	5/6/2021	0.10%	5,279,271	5,280,978	5,280,978	
INDUSTRIAL BANK CDARS		2,705,463	0.100	1/13/2022	1/14/2021	0.10%	2,705,463	2,707,168	2,707,168	
INDUSTRIAL BANK CDARS		2,748,428	0.100	1/13/2022	1/14/2021	0.10%	2,748,428	2,750,160	2,750,160	
BARCLAYS BANK PLC NY CERT DEPOS	06742TWL6	2,025,000	0.290	2/4/2022	2/12/2021	0.29%	2,025,000	2,029,247	2,028,279	
US TREASURY NOTES	9128286C9	1,250,000	2.500	2/15/2022	4/3/2019	2.29%	1,257,275	1,265,311	1,252,602	
US TREASURY NOTES	9128286C9	400,000	2.500	2/15/2022	3/5/2019	2.54%	399,563	404,899	400,394	
NY ST DORM AUTH PITS TXBL REV BONDS	64990FRJ5	450,000	1.935	2/15/2022	1/3/2020	1.93%	450,000	453,942	450,387	
UBS AG STAMFORD CT CERT DEPOS	90275DNS5	1,000,000	0.270	3/11/2022	3/15/2021	0.27%	1,000,000	1,001,669	1,001,298	
NY ST DORM AUTH PITS TXBL REV BONDS	64990FVY0	760,000	0.550	3/15/2022	10/15/2020	0.55%	760,000	763,311	761,927	
INDUSTRIAL BANK CDARS		5,182,767	0.100	4/7/2022	4/8/2021	0.10%	5,182,767	5,184,841	5,184,841	
US TREASURY NOTES	9128286M7	810,000	2.250	4/15/2022	5/3/2019	2.23%	810,570	827,933	817,041	
AVONDALE SCH DIST, MI TXBL GO BONDS	054375VQ0	460,000	1.600	5/1/2022	2/25/2020	1.60%	460,000	466,566	462,453	
FEDERAL HOME LOAN BANK	313379Q69	1,275,000	2.125	6/10/2022	7/1/2019	1.86%	1,284,575	1,301,114	1,283,608	
US TREASURY NOTES	9128282P4	3,050,000	1.875	7/31/2022	6/5/2019	1.85%	3,052,502	3,105,012	3,055,696	
HONOLULU, HI TXBL GO BONDS	438687KR5	390,000	1.739	8/1/2022	8/21/2019	1.74%	390,000	396,528	390,565	
PROCTER & GAMBLE CO/THE CORP NOTES	742718EU9	950,000	2.150	8/11/2022	6/21/2019	2.15%	950,105	968,808	951,166	
NORDEA BANK ABP NEW YORK CERT DEPOS	65558TLL7	1,450,000	1.850	8/26/2022	8/29/2019	1.84%	1,450,000	1,473,534	1,450,447	
SKANDINAV ENSKILDA BANK LT CD	83050PDR7	1,450,000	1.860	8/26/2022	9/3/2019	1.85%	1,450,000	1,473,679	1,450,450	
US TREASURY NOTES	9128282S8	600,000	1.625	8/31/2022	10/4/2019	1.34%	604,922	609,214	601,714	
SAN JOSE, CA TXBL GO BONDS	798135H44	435,000	2.300	9/1/2022	7/25/2019	2.08%	437,854	449,281	440,921	
APPLE INC CORPORATE NOTES	037833DL1	140,000	1.700	9/11/2022	9/11/2019	1.71%	139,976	143,273	141,116	
PRINCE GEORGES CNTY, MD TXBL GO BONDS	7417017E0	500,000	0.603	9/15/2022	6/16/2020	0.60%	500,000	504,165	501,390	
VISA INC (CALLABLE) NOTE	92826CAG7	925,000	2.150	9/15/2022	5/24/2019	2.56%	913,086	951,629	930,439	
NYC, NY TXBL GO BONDS	64966QEE6	385,000	1.690	10/1/2022	10/22/2019	1.69%	385,000	393,709	387,711	
US TREASURY NOTES	912828YK0	625,000	1.375	10/15/2022	11/4/2019	1.55%	621,826	637,151	627,057	
US TREASURY NOTES	912828YK0	3,175,000	1.375	10/15/2022	12/4/2019	1.63%	3,152,676	3,236,725	3,182,851	
BANK OF MONTREAL CORP NOTES	06367WRC9	500,000	2.050	11/1/2022	10/21/2019	2.09%	499,415	513,582	503,192	
NYC, NY TXBL GO BONDS	64966QLD0	420,000	0.450	11/1/2022	9/9/2020	0.45%	420,000	421,247	420,630	
NYC TRANS FIN AUTH, NY TXBL REV BONDS	64971XHY7	925,000	2.520	11/1/2022	4/12/2019	2.52%	925,000	957,717	932,770	
TORONTO-DOMINION BANK	89114QCD8	500,000	1.900	12/1/2022	10/10/2019	1.94%	499,445	512,817	502,155	
US TREASURY NOTES	912828Z29	1,700,000	1.500	1/15/2023	2/5/2020	1.33%	1,708,367	1,735,201	1,707,226	
BANK OF NOVA SCOTIA	064159QD1	410,000	2.375	1/18/2023	7/18/2019	2.39%	409,807	423,119	411,087	
BANK OF NY MELLON CORP NOTES (CALLABLE)	06406RAM9	325,000	1.850	1/27/2023	1/28/2020	1.87%	324,773	332,485	325,461	
US TREASURY NOTES	912828P38	1,325,000	1.750	1/31/2023	1/6/2020	1.61%	1,330,383	1,357,243	1,329,499	
US TREASURY NOTES	91282CBG5	3,000,000	0.125	1/31/2023	2/3/2021	0.11%	3,000,703	2,999,857	3,000,826	
US TREASURY NOTES	912828Z86	625,000	1.375	2/15/2023	3/4/2020	0.78%	635,864	636,627	630,759	
FEDERAL HOME LOAN BANKS NOTES	3130AJ7E3	1,325,000	1.375	2/17/2023	2/21/2020	1.44%	1,322,562	1,349,127	1,324,516	
BERKSHIRE HATHAWAY FIN (CALLABLE) NOTES	084670BR8	500,000	2.750	3/15/2023	3/9/2020	1.16%	523,550	522,951	517,663	

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**DC Water
Finance Division
Portfolio Holdings by Fund (Continued)**

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
Operating Reserve Accounts										
NY ST URBAN DEV CORP TXBL REV BONDS	650036DR4	225,000	0.480	3/15/2023	12/23/2020	0.48%	225,000	226,171	225,498	
NY ST URBAN DEV CORP TXBL REV BONDS	650036AR7	375,000	0.720	3/15/2023	6/25/2020	0.72%	375,000	378,743	376,245	
AFRICAN DEVELOPMENT BANK SUPRANATL	008281BC0	800,000	0.750	4/3/2023	4/3/2020	0.80%	798,888	809,259	801,879	
INTL BK OF RECON AND DEV NOTE	459058JV6	715,000	0.125	4/20/2023	4/20/2021	0.23%	713,520	714,644	714,117	
FREDDIE MAC NOTES	3137EAEQ8	2,475,000	0.375	4/20/2023	4/20/2020	0.46%	2,468,813	2,486,119	2,475,010	
AVONDALE SCH DIST, MI TXBL GO BONDS	054375VR8	470,000	1.650	5/1/2023	2/25/2020	1.65%	470,000	482,516	472,585	
FREDDIE MAC NOTES	3137EAE6	1,865,000	0.375	5/5/2023	5/7/2020	0.39%	1,864,217	1,872,923	1,866,816	
FREDDIE MAC NOTES	3137EAE6	1,200,000	0.375	5/5/2023	6/4/2020	0.35%	1,200,960	1,205,098	1,202,001	
APPLE INC CORPORATE NOTES	037833DV9	320,000	0.750	5/11/2023	5/11/2020	0.84%	319,130	323,470	320,243	
FANNIE MAE NOTES	3135G04Q3	1,975,000	0.250	5/22/2023	5/22/2020	0.35%	1,969,055	1,978,281	1,972,948	
FANNIE MAE NOTES	3135G04Q3	1,125,000	0.250	5/22/2023	6/4/2020	0.36%	1,121,355	1,126,869	1,123,658	
INTER-AMERICAN DEVEL BK NOTES	4581XDM7	505,000	0.500	5/24/2023	4/24/2020	0.51%	504,828	508,437	505,584	
UBS AG LONDON CORPORATE NOTES	902674YF1	555,000	0.375	6/1/2023	6/1/2021	0.43%	554,406	554,860	555,001	
AMAZON.COM INC CORPORATE NOTES	023135BP0	535,000	0.400	6/3/2023	6/3/2020	0.45%	534,251	536,987	535,085	
CHEVRON CORP	166764AH3	475,000	3.191	6/24/2023	2/27/2020	1.62%	499,097	499,069	490,952	
FREDDIE MAC NOTES	3137EAE54	1,820,000	0.250	6/26/2023	6/26/2020	0.35%	1,814,686	1,822,359	1,817,604	
WAL-MART STORES INC CORP NOTES	931142EK5	340,000	3.400	6/26/2023	5/6/2020	0.80%	367,339	360,557	357,584	
FANNIE MAE NOTES	3135G05G4	1,915,000	0.250	7/10/2023	7/10/2020	0.32%	1,910,883	1,917,396	1,913,133	
FANNIE MAE NOTES	3135G05G4	750,000	0.250	7/10/2023	10/8/2020	0.26%	749,730	750,938	750,084	
ASIAN DEVELOPMENT BANK NOTES	045167EV1	1,000,000	0.250	7/14/2023	7/14/2020	0.31%	998,330	1,000,820	999,288	
US TREASURY NOTES	912828S92	519,000	1.250	7/31/2023	5/28/2021	0.16%	531,306	530,025	530,382	
MD ST TXBL GO BONDS	574193TP3	500,000	0.410	8/1/2023	8/5/2020	0.41%	500,000	501,926	500,171	
FANNIE MAE NOTES (CALLABLE)	3135G05R0	1,525,000	0.300	8/10/2023	8/12/2020	0.36%	1,522,255	1,526,269	1,523,489	
FREDDIE MAC NOTES	3137EAEV7	1,810,000	0.250	8/24/2023	8/21/2020	0.28%	1,808,154	1,811,460	1,808,874	
FREDDIE MAC NOTES	3137EAEW5	285,000	0.250	9/8/2023	9/4/2020	0.24%	285,052	285,505	285,377	
FREDDIE MAC NOTES	3137EAEW5	1,240,000	0.250	9/8/2023	9/4/2020	0.26%	1,239,591	1,242,198	1,241,215	
FREDDIE MAC NOTES	3137EAEW5	750,000	0.250	9/8/2023	10/8/2020	0.26%	749,760	751,329	750,735	
TORONTO-DOMINION BANK CORPORATE NOTES	89114QCJ5	500,000	0.450	9/11/2023	9/11/2020	0.50%	499,285	501,550	500,579	
ROYAL BANK OF CANADA CORPORATE NOTES	78015K7J7	690,000	0.500	10/26/2023	10/26/2020	0.52%	689,572	692,918	690,891	
MS ST TXBL GO BONDS	605581MY0	375,000	0.422	11/1/2023	8/6/2020	0.42%	375,000	376,821	375,528	
US TREASURY NOTES	91282CAW1	4,000,000	0.250	11/15/2023	12/3/2020	0.22%	4,003,750	4,003,587	4,005,765	
INTL BK RECON & DEVELOP NOTES	459058JM6	1,060,000	0.250	11/24/2023	11/24/2020	0.32%	1,057,721	1,059,223	1,059,020	
FREDDIE MAC NOTES	3137EAF2	1,155,000	0.250	12/4/2023	12/4/2020	0.28%	1,153,857	1,155,655	1,154,837	
BANK OF MONTREAL CORPORATE NOTES	06368EA36	385,000	0.450	12/8/2023	12/8/2020	0.47%	384,750	384,936	385,210	
CANADIAN IMPERIAL BANK CORPORATE NOTES	13607GRS5	1,000,000	0.500	12/14/2023	12/14/2020	0.52%	999,490	1,000,351	1,000,681	
OK ST TURNPIKE AUTH TXBL REV BONDS	679111ZR8	355,000	0.804	1/1/2024	10/29/2020	0.80%	355,000	357,485	355,476	
US TREASURY NOTES	91282CBE0	3,250,000	0.125	1/15/2024	2/3/2021	0.18%	3,244,795	3,238,342	3,246,341	
CITIBANK NA BANK NOTES	17325FAS7	425,000	3.650	1/23/2024	5/12/2020	1.31%	460,696	457,095	449,730	
US TREASURY NOTES	91282CBM2	3,000,000	0.125	2/15/2024	3/3/2021	0.27%	2,986,992	2,988,455	2,989,360	
TORONTO-DOMINION BANK CORPORATE NOTES	89114QCQ9	500,000	0.550	3/4/2024	3/4/2021	0.58%	499,555	501,208	500,981	
NY ST URBAN DEV CORP TXBL REV BONDS	650036DS2	695,000	0.620	3/15/2024	12/23/2020	0.62%	695,000	697,334	696,987	
SWEDBANK AB CORPORATE NOTES	87020PAM9	500,000	0.850	3/18/2024	3/18/2021	0.87%	499,705	503,789	501,674	
BANK OF NOVA SCOTIA CORPORATE NOTES	0641593X2	450,000	0.700	4/15/2024	4/19/2021	0.71%	449,892	451,136	451,060	

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**DC Water
Finance Division
Portfolio Holdings by Fund (Continued)**

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
Operating Reserve Accounts										
US TREASURY NOTES	912828X70	1,000,000	2.000	4/30/2024	4/5/2021	0.37%	1,049,648	1,050,958	1,049,788	
AMAZON.COM INC CORPORATE NOTES	023135BW5	870,000	0.450	5/12/2024	5/12/2021	0.50%	868,730	870,988	870,045	
NORDEA BANK AB CORPORATE NOTES	65559CAC5	375,000	0.625	5/24/2024	5/24/2021	0.63%	374,955	375,665	375,591	
LA ST TXBL GO BONDS	546417DP8	480,000	0.650	6/1/2024	10/14/2020	0.65%	480,000	483,818	480,780	
ASIAN DEVELOPMENT BANK CORPORATE NOTES	045167FE8	1,915,000	0.375	6/11/2024	6/9/2021	0.40%	1,913,851	1,915,228	1,915,575	
SVENSKA HANDELSBANKEN AB CORPORATE NOTES	86959LAG8	425,000	0.550	6/11/2024	6/11/2021	0.58%	424,673	423,984	425,217	
US TREASURY N/B NOTES	91282CCG4	2,850,000	0.250	6/15/2024	7/7/2021	0.47%	2,831,520	2,842,612	2,834,002	
US TREASURY N/B NOTES	91282CCL3	580,000	0.375	7/15/2024	8/9/2021	0.38%	579,932	580,102	580,217	
US TREASURY N/B NOTES	91282CCL3	1,025,000	0.375	7/15/2024	8/10/2021	0.41%	1,023,919	1,025,181	1,024,443	
ROYAL BANK OF CANADA CORPORATE NOTES	78016EZU4	500,000	0.650	7/29/2024	7/30/2021	0.64%	500,220	500,265	500,502	
BANK OF NOVA SCOTIA CORPORATE NOTES	0641596E1	230,000	0.650	7/31/2024	8/3/2021	0.68%	229,795	229,708	229,917	
UBS AG LONDON CORPORATE NOTES	902674YK0	355,000	0.700	8/9/2024	8/9/2021	0.71%	354,854	354,517	355,009	
SKANDINAVISKA ENSKILDA CORPORATE NOTES	83051GAS7	440,000	0.650	9/9/2024	9/9/2021	0.70%	439,375	439,375	439,375	
JPMORGAN CHASE & CO CORPORATE NOTES (CAL	46647PBS4	375,000	0.653	9/16/2024	9/16/2020	0.65%	375,000	376,752	376,122	
JPMORGAN CHASE & CO CORPORATE NOTES (CAL	46647PBS4	125,000	0.653	9/16/2024	9/30/2020	0.66%	124,968	125,584	125,349	
US TREASURY NOTES	912828YM6	3,250,000	1.500	10/31/2024	5/6/2021	0.44%	3,368,701	3,375,099	3,374,134	
US TREASURY NOTES	912828YV6	1,050,000	1.500	11/30/2024	6/7/2021	0.42%	1,088,965	1,089,440	1,090,332	
US BANK NA CINCINNATI (CALLABLE) CORPORA	90331HPL1	475,000	2.050	1/21/2025	10/14/2020	0.70%	501,937	496,319	497,343	
US BANK NA CINCINNATI CORP NOTE (CALLABL	90331HMS9	450,000	2.800	1/27/2025	3/8/2021	0.95%	481,631	481,328	478,793	
MICROSOFT CORP (CALLABLE) NOTES	594918BB9	475,000	2.700	2/12/2025	3/10/2021	0.98%	506,388	506,788	502,975	
JPMORGAN CHASE & CO CORP NOTES (CALLABLE	46647PBY1	305,000	0.563	2/16/2025	2/16/2021	0.56%	305,000	303,616	305,072	
BANK OF AMERICA CORP CORP NOTES	06051GHR3	700,000	3.458	3/15/2025	7/26/2021	1.53%	747,635	757,801	757,469	
BANK OF NY MELLON (CALLABLE) CORP NOTES	06406RAN7	475,000	1.600	4/24/2025	3/8/2021	0.91%	488,329	490,126	489,412	
JPMORGAN CHASE & CO CORPORATE NOTES	46647PCH7	470,000	0.824	6/1/2025	6/1/2021	0.82%	470,000	471,544	470,968	
FL ST BOARD OF ADMIN TXBL REV BONDS	341271AD6	245,000	1.258	7/1/2025	9/16/2020	1.26%	245,000	248,633	245,514	
FG J20795	31306X3C5	302,162	2.500	10/1/2027	3/24/2020	2.35%	305,183	316,684	305,234	
FANNIE MAE POOL	3138MRLV1	313,070	2.500	1/1/2028	2/18/2020	2.25%	318,647	328,053	318,211	
FR ZS6941	3132A7WA5	307,305	2.000	3/1/2028	5/18/2020	1.61%	316,044	318,915	315,109	
FG J23552	31307B5M8	292,720	2.500	5/1/2028	2/18/2020	2.25%	298,300	307,046	297,865	
FN BM4614	3140J9DU2	390,737	3.000	3/1/2033	8/17/2021	2.35%	416,379	417,620	417,264	
FN FM0047	3140X3BR8	445,805	3.000	12/1/2034	6/17/2021	2.45%	474,016	475,687	474,694	
FN FM3770	3140X7FL8	336,300	3.000	7/1/2035	8/19/2020	2.48%	358,212	358,334	357,527	
										\$ 215,787,905.66
Debt Service Reserve										
WELLS FARGO TREASURY PLUS MMF		\$ 3,835		9/1/2021		0.01%	\$ 3,835	\$ 3,835	\$ 3,835	
US TREASURY NOTES	912828F21	6,840,000	2.125	9/30/2021	10/9/2020	0.13%	6,972,792	6,911,846	6,911,976	
US TREASURY NOTES	912828L57	1,290,000	1.750	9/30/2022	11/1/2019	1.53%	1,298,113	1,322,477	1,302,503	
FANNIE MAE NOTES	3135G05G4	6,000,000	0.250	7/10/2023	7/10/2020	0.31%	5,990,040	6,007,507	5,995,967	
FREDDIE MAC NOTES	3137EAEW5	4,325,000	0.250	9/8/2023	9/4/2020	0.24%	4,326,341	4,332,666	4,331,095	
US TREASURY NOTES	9128285D8	100,000	2.875	9/30/2023	7/30/2021	0.23%	105,723	106,694	106,694	
										\$ 18,652,069.93
CSO LTCP Appropriations Account										
TD BANK BANK DEPOSIT		\$ 8,003,415		9/1/2021		0.00%	\$ 8,003,415	\$ 8,003,415	\$ 8,003,415	
										\$ 8,003,415.28

CDARS holdings are not managed by PFMAM, and we therefore cannot guarantee the accuracy of holdings information provided.



**DC Water
Finance Division
Portfolio Holdings by Fund (Continued)**

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
Capital Project Accounts										
TD BANK - DEPOSITS (DC WATER - COVID RESIDENTIAL RELIEF FUND)		\$ 1,697,860		9/1/2021		0.00%	\$ 1,697,860	\$ 1,697,860	\$ 1,697,860	
TD BANK - DEPOSITS (DC WATER - CAP MULTI-FAMILY BLDGS)		4,574,353		9/1/2021		0.00%	4,574,353	4,574,353	4,574,353	
TD BANK - DEPOSITS (DC WATER - CAP FY2022 TARGETED ASSIST.)		5,000,000		9/1/2021		0.00%	5,000,000	5,000,000	5,000,000	
TD BANK - REPLACEMENT OF WATER MAINS AT MASS AVE		1,545,000		9/1/2021		0.00%	1,545,000	1,545,000	1,545,000	
TD BANK - DEPOSITS (DISTRICT FUNDS)		23,873,213		9/1/2021		0.00%	23,873,213	23,873,213	23,873,213	
TD BANK - DEPOSITS (DOEE - CRIAC RES + EMERGENCY RES RELIEF)		171,350		9/1/2021		0.00%	171,350	171,350	171,350	
TD BANK - DEPOSITS (DOEE - CAP3 + NON-PROFIT RELIEF)		1,986,635		9/1/2021		0.00%	1,986,635	1,986,635	1,986,635	
TD BANK - DEPOSITS (DOEE - LEAD SERVICE LINE-LRPAP)		1,200,488		9/1/2021		0.00%	1,200,488	1,200,488	1,200,488	
TD BANK - DEPOSITS (DOEE - LEAD SERVICE LINE-ERW)		500,204		9/1/2021		0.00%	500,204	500,204	500,204	
										\$ 40,549,103.26
2019A Construction Fund										
WELLS FARGO 100% TREASURY MMF		\$ 50,658,843		9/1/2021		0.01%	\$ 50,658,843	\$ 50,658,843	\$ 50,658,843	
										\$ 50,658,843.10
2019C Construction Fund										
WELLS FARGO 100% TREASURY MMF		\$ 80,857,521		9/1/2021		0.01%	\$ 80,857,521	\$ 80,857,521	\$ 80,857,521	
SVENSKA HANDELSBANKEN AB COMM PAPER	86960JWF8	3,000,000	-	9/15/2021	3/17/2021	0.18%	2,997,270	2,999,913	2,999,790	
COLLAT COMM PAPER V CO COMM PAPER	19424HWH9	3,000,000	-	9/17/2021	3/17/2021	0.19%	2,997,087	2,999,745	2,999,747	
LMA AMERICAS LLC COMM PAPER	53944QX13	3,000,000	-	10/1/2021	3/17/2021	0.20%	2,996,700	2,999,673	2,999,500	
MIZUHO BANK LTD/NY COMM PAPER	60689FYV4	800,000	-	11/29/2021	7/19/2021	0.13%	799,616	799,789	799,743	
ASB FINANCE LTD LONDON COMM PAPER	0020P2Z17	3,000,000	-	12/1/2021	3/17/2021	0.23%	2,995,036	2,999,025	2,998,256	
SANTANDER UK PLC COMM PAPER	80285PZ13	3,000,000	-	12/1/2021	7/19/2021	0.14%	2,998,425	2,999,151	2,998,938	
SOCIETE GENERALE COMM PAPER	83368YFV4	3,000,000	-	12/16/2021	3/16/2021	0.23%	2,994,729	2,999,034	2,997,968	
SKANDINAV ENSKILDA BANK COMM PAPER	83050TZH7	500,000	-	12/17/2021	7/19/2021	0.15%	499,685	499,794	499,777	
										\$ 100,151,239.88
							\$ 524,107,247.28	\$ 524,846,702.88	\$ 524,215,108.14	\$ 524,215,108.14

CDARS holdings are not managed by PFMAM, and we therefore cannot guarantee the accuracy of holdings information provided.



**DC Water
Finance Division
Security Purchases
Last 6 Months**

CUSIP	DESCRIPTION	PAR	COUPON	MATURITY DATE	TRADE DATE	SETTLE DATE	YTM	TRANSACTION AMOUNT
Operating Reserve Accounts								
89114QCQ9	TORONTO-DOMINION BANK CORPORATE NOTES	500,000.00	0.55	3/4/2024	3/1/2021	3/4/2021	0.58	499,555.00
91282CBM2	US TREASURY NOTES	3,000,000.00	0.13	2/15/2024	3/1/2021	3/3/2021	0.27	2,987,157.94
06406RAN7	BANK OF NY MELLON (CALLABLE) CORP NOTES	475,000.00	1.60	4/24/2025	3/4/2021	3/8/2021	0.91	491,157.39
90331HMS9	US BANK NA CINCINNATI CORP NOTE (CALLABL	450,000.00	2.80	1/27/2025	3/4/2021	3/8/2021	0.95	483,065.50
594918BB9	MICROSOFT CORP (CALLABLE) NOTES	475,000.00	2.70	2/12/2025	3/8/2021	3/10/2021	0.98	507,385.50
87020PAM9	SWEDBANK AB CORPORATE NOTES	500,000.00	0.85	3/18/2024	3/9/2021	3/18/2021	0.87	499,705.00
90275DNS5	UBS AG STAMFORD CT CERT DEPOS	1,000,000.00	0.27	3/11/2022	3/11/2021	3/15/2021	0.27	1,000,022.50
912828X70	US TREASURY NOTES	1,000,000.00	2.00	4/30/2024	4/1/2021	4/5/2021	0.37	1,058,267.22
RE1330886	INDUSTRIAL BANK CDARS	5,182,766.98	0.10	4/7/2022	4/8/2021	4/8/2021	0.10	5,182,766.98
459058JV6	INTL BK OF RECON AND DEV NOTE	715,000.00	0.13	4/20/2023	4/13/2021	4/20/2021	0.23	713,519.95
0641593X2	BANK OF NOVA SCOTIA CORPORATE NOTES	450,000.00	0.70	4/15/2024	4/14/2021	4/19/2021	0.71	449,892.00
912828YM6	US TREASURY NOTES	3,250,000.00	1.50	10/31/2024	5/4/2021	5/6/2021	0.44	3,369,496.01
RE1330845	INDUSTRIAL BANK CDARS	5,279,271.17	0.10	11/4/2021	5/6/2021	5/6/2021	0.10	5,279,271.17
023135BW5	AMAZON.COM INC CORPORATE NOTES	870,000.00	0.45	5/12/2024	5/10/2021	5/12/2021	0.50	868,729.80
65559CAC5	NORDEA BANK AB CORPORATE NOTES	375,000.00	0.63	5/24/2024	5/17/2021	5/24/2021	0.63	374,955.00
46647PCH7	JPMORGAN CHASE & CO CORPORATE NOTES	470,000.00	0.82	6/1/2025	5/24/2021	6/1/2021	0.82	470,000.00
902674YF1	UBS AG LONDON CORPORATE NOTES	555,000.00	0.38	6/1/2023	5/24/2021	6/1/2021	0.43	554,406.15
912828S92	US TREASURY NOTES	519,000.00	1.25	7/31/2023	5/26/2021	5/28/2021	0.16	533,402.77
045167FE8	ASIAN DEVELOPMENT BANK CORPORATE NOTES	1,915,000.00	0.38	6/11/2024	6/2/2021	6/9/2021	0.40	1,913,851.00
912828YV6	US TREASURY NOTES	1,050,000.00	1.50	11/30/2024	6/2/2021	6/7/2021	0.42	1,089,266.07
86959LAG8	SVENSKA HANDELSBANKEN AB CORPORATE NOTES	425,000.00	0.55	6/11/2024	6/7/2021	6/11/2021	0.58	424,672.75
3140X3BR8	FN FM0047	475,801.72	3.00	12/1/2034	6/10/2021	6/17/2021	2.45	506,545.45
91282CCG4	US TREASURY N/B NOTES	2,850,000.00	0.25	6/15/2024	7/1/2021	7/7/2021	0.47	2,831,947.81
06051GHR3	BANK OF AMERICA CORP CORP NOTES	700,000.00	3.46	3/15/2025	7/22/2021	7/26/2021	1.53	756,443.29
0641596E1	BANK OF NOVA SCOTIA CORPORATE NOTES	230,000.00	0.65	7/31/2024	7/27/2021	8/3/2021	0.68	229,795.30
78016EZU4	ROYAL BANK OF CANADA CORPORATE NOTES	500,000.00	0.65	7/29/2024	7/28/2021	7/30/2021	0.64	500,229.03
3140J9DU2	FN BM4614	390,736.74	3.00	3/1/2033	8/3/2021	8/17/2021	2.35	416,899.82
902674YK0	UBS AG LONDON CORPORATE NOTES	355,000.00	0.70	8/9/2024	8/3/2021	8/9/2021	0.71	354,854.45
91282CCL3	US TREASURY N/B NOTES	580,000.00	0.38	7/15/2024	8/5/2021	8/9/2021	0.38	580,079.79
91282CCL3	US TREASURY N/B NOTES	1,025,000.00	0.38	7/15/2024	8/9/2021	8/10/2021	0.41	1,024,190.52
83051GAS7	SKANDINAVISKA ENSKILDA CORPORATE NOTES	440,000.00	0.65	9/9/2024	8/31/2021	9/9/2021	0.70	439,375.20
Total Debt Service Reserve								
9128285D8	US TREASURY NOTES	100,000.00	2.88	9/30/2023	7/29/2021	7/30/2021	0.23	106,673.14
2019C Construction Fund								
0020P2Z17	ASB FINANCE LTD LONDON COMM PAPER	3,000,000.00	0.000	12/1/2021	3/16/2021	3/17/2021	0.230	2,995,035.83
19424HWH9	COLLAT COMM PAPER V CO COMM PAPER	3,000,000.00	0.000	9/17/2021	3/16/2021	3/17/2021	0.190	2,997,086.67
53944QX13	LMA AMERICAS LLC COMM PAPER	3,000,000.00	0.000	10/1/2021	3/16/2021	3/17/2021	0.200	2,996,700.00
83368YFV4	SOCIETE GENERALE COMM PAPER	3,000,000.00	0.000	12/16/2021	3/16/2021	3/16/2021	0.230	2,994,729.17
86960JWF8	SVENSKA HANDELSBANKEN AB COMM PAPER	3,000,000.00	0.000	9/15/2021	3/16/2021	3/17/2021	0.180	2,997,270.00
60689FYV4	MIZUHO BANK LTD/NY COMM PAPER	800,000.00	0.000	11/29/2021	7/19/2021	7/19/2021	0.130	799,615.78
80285PZ13	SANTANDER UK PLC COMM PAPER	3,000,000.00	0.000	12/1/2021	7/19/2021	7/19/2021	0.140	2,998,425.00
83050TZH7	SKANDINAV ENSKILDA BANK COMM PAPER	500,000.00	0.000	12/17/2021	7/19/2021	7/19/2021	0.150	499,685.42

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



**DC Water
Finance Division
Security Sales
Last 6 Months**

CUSIP	DESCRIPTION	PAR	COUPON	MATURITY DATE	TRADE DATE	SETTLE DATE	REALIZED GAIN/LOSS	TRANSACTION AMOUNT
Operating Reserve Accounts								
30231GBB7	EXXON MOBIL CORPORATION CORPORATE NOTES	345,000.00	1.90	8/16/2022	3/1/2021	3/3/2021	8,342.10	353,651.97
3135G0U92	FANNIE MAE NOTES	935,000.00	2.63	1/11/2022	3/1/2021	3/3/2021	20,538.47	958,890.81
3135G0U92	FANNIE MAE NOTES	925,000.00	2.63	1/11/2022	3/1/2021	3/3/2021	20,057.82	948,635.29
589331A74	MERCK & CO INC CORP NOTES	450,000.00	2.40	9/15/2022	3/1/2021	3/3/2021	14,530.16	467,554.50
9128285V8	US TREASURY NOTES	50,000.00	2.50	1/15/2022	3/1/2021	3/3/2021	1,070.11	51,211.12
9128285V8	US TREASURY NOTES	475,000.00	2.50	1/15/2022	3/2/2021	3/4/2021	10,146.82	486,519.90
9128285V8	US TREASURY NOTES	950,000.00	2.50	1/15/2022	3/4/2021	3/8/2021	20,028.79	973,042.46
665859AN4	NORTHERN TRUST COMPANY CORP NOTES	475,000.00	2.38	8/2/2022	3/8/2021	3/10/2021	11,021.73	489,923.05
3137EAEW5	FREDDIE MAC NOTES	500,000.00	0.25	9/8/2023	3/9/2021	3/16/2021	(70.27)	500,032.78
9128285V8	US TREASURY NOTES	975,000.00	2.50	1/15/2022	3/12/2021	3/15/2021	20,089.70	998,663.15
9128285V8	US TREASURY NOTES	950,000.00	2.50	1/15/2022	4/1/2021	4/5/2021	18,397.49	973,283.78
313379Q69	FEDERAL HOME LOAN BANK	625,000.00	2.13	6/10/2022	4/13/2021	4/20/2021	12,421.13	644,033.51
064159SH0	BANK OF NOVA SCOTIA HOUSTON CORP NOTES	500,000.00	2.00	11/15/2022	4/15/2021	4/19/2021	13,474.08	517,672.78
3137EAEZ8	FREDDIE MAC NOTES	1,000,000.00	0.25	11/6/2023	5/4/2021	5/6/2021	640.55	999,890.00
9128285V8	US TREASURY NOTES	1,200,000.00	2.50	1/15/2022	5/4/2021	5/6/2021	20,798.52	1,229,589.51
9128285V8	US TREASURY NOTES	1,000,000.00	2.50	1/15/2022	5/4/2021	5/6/2021	16,518.84	1,024,657.94
665859AN4	NORTHERN TRUST COMPANY CORP NOTES	500,000.00	2.38	8/2/2022	5/11/2021	5/12/2021	5,122.80	516,598.61
912828V72	US TREASURY NOTES	300,000.00	1.88	1/31/2022	5/11/2021	5/12/2021	5,250.46	305,530.35
912828V72	US TREASURY NOTES	325,000.00	1.88	1/31/2022	5/18/2021	5/24/2021	5,446.76	331,015.47
09247XAJ0	BLACKROCK INC CORP NOTES	775,000.00	3.38	6/1/2022	5/25/2021	6/1/2021	24,793.26	799,536.50
46647PBB1	JPMORGAN CHASE & CO BONDS	200,000.00	3.21	4/1/2023	5/25/2021	6/1/2021	4,854.00	205,923.00
93974EHJ8	WA ST T/E GO BONDS	475,000.00	5.00	7/1/2023	5/26/2021	5/28/2021	9,653.75	533,076.67
912828V72	US TREASURY NOTES	1,850,000.00	1.88	1/31/2022	6/2/2021	6/9/2021	29,077.41	1,884,329.77
045167ET6	ASIAN DEVELOPMENT BANK SUPRANATL	920,000.00	0.63	4/7/2022	6/3/2021	6/7/2021	4,369.04	924,978.73
09247XAJ0	BLACKROCK INC CORP NOTES	150,000.00	3.38	6/1/2022	6/3/2021	6/7/2021	4,706.38	154,741.88
912828V72	US TREASURY NOTES	425,000.00	1.88	1/31/2022	6/8/2021	6/11/2021	6,616.30	432,880.79
3137EAF2	FREDDIE MAC NOTES	500,000.00	0.25	12/4/2023	6/10/2021	6/17/2021	646.85	500,285.14
9128286C9	US TREASURY NOTES	1,775,000.00	2.50	2/15/2022	7/1/2021	7/7/2021	26,679.93	1,818,685.09
912828V72	US TREASURY NOTES	900,000.00	1.88	1/31/2022	7/1/2021	7/7/2021	12,258.90	916,529.66
9128286C9	US TREASURY NOTES	650,000.00	2.50	2/15/2022	7/22/2021	7/26/2021	9,021.26	666,113.93
9128286C9	US TREASURY NOTES	200,000.00	2.50	2/15/2022	7/27/2021	8/3/2021	2,664.77	204,959.25
9128286C9	US TREASURY NOTES	475,000.00	2.50	2/15/2022	7/28/2021	7/30/2021	6,479.20	486,795.45
9128286C9	US TREASURY NOTES	350,000.00	2.50	2/15/2022	8/4/2021	8/9/2021	4,538.17	358,700.67
73358W4V3	PORT AUTH OF NY/NJ TXBL REV BONDS	285,000.00	1.09	7/1/2023	8/5/2021	8/9/2021	4,178.10	289,504.81
73358W4V3	PORT AUTH OF NY/NJ TXBL REV BONDS	285,000.00	1.09	7/1/2023	8/5/2021	8/9/2021	3,116.43	289,504.81
9128286C9	US TREASURY NOTES	1,000,000.00	2.50	2/15/2022	8/9/2021	8/10/2021	12,769.89	1,024,732.83
9128286C9	US TREASURY NOTES	300,000.00	2.50	2/15/2022	8/17/2021	8/17/2021	3,723.37	303,708.73

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	TRADE DATE	SETTLE DATE	TRANSACTION AMOUNT
Operating Reserve Accounts							
RE1332742	INDUSTRIAL BANK CDARS	5,180,183.21	0.10	4/8/2021	4/8/2021	4/8/2021	5,182,766.21
RE1332650	INDUSTRIAL BANK CDARS	5,276,639.11	0.10	5/6/2021	5/6/2021	5/6/2021	5,279,270.20
2019A Construction Fund							
9127962F5	US TREASURY BILL	35,000,000.00	-	3/25/2021	3/25/2021	3/25/2021	35,000,000.00
9127962Q1	US TREASURY BILL	25,000,000.00	-	4/22/2021	4/22/2021	4/22/2021	25,000,000.00
912828S27	US TREASURY NOTES	1,800,000.00	1.13	6/30/2021	6/30/2021	6/30/2021	1,810,125.00
2019C Construction Fund							
00084BUG7	ABN AMRO FUNDING USA LLC COMM PAPER	3,000,000.00	-	7/16/2021	7/16/2021	7/16/2021	3,000,000.00
09659BUK4	BNP PARIBAS NY BRANCH COMM PAPER	3,000,000.00	-	7/19/2021	7/19/2021	7/19/2021	3,000,000.00
62479LUK9	MUFG BANK LTD/NY COMM PAPER	3,000,000.00	-	7/19/2021	7/19/2021	7/19/2021	3,000,000.00
63873JUK4	NATIXIS NY BRANCH COMM PAPER	3,000,000.00	-	7/19/2021	7/19/2021	7/19/2021	3,000,000.00
78009AUK8	ROYAL BANK OF CANADA COMM PAPER	5,000,000.00	-	7/19/2021	7/19/2021	7/19/2021	5,000,000.00
63307LUL3	NATIONAL BANK OF CANADA COMM PAPER	3,000,000.00	-	7/20/2021	7/20/2021	7/20/2021	3,000,000.00
912828WY2	US TREASURY NOTES	5,000,000.00	2.25	7/31/2021	7/31/2021	7/31/2021	5,056,250.00
9128282F6	US TREASURY NOTES	45,550,000.00	1.13	8/31/2021	8/31/2021	8/31/2021	45,806,218.75

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
09/01/21	INTEREST	798135H44	SAN JOSE, CA TXBL GO BONDS	2.300	09/01/22	435,000	0.00	5,002.50	5,002.50
09/04/21	INTEREST	89114QCQ9	TORONTO-DOMINION BANK CORPORATE NOTES	0.550	03/04/24	500,000	0.00	1,375.00	1,375.00
09/08/21	INTEREST	3137EAEW5	FREDDIE MAC NOTES	0.250	09/08/23	4,325,000	0.00	5,406.25	5,406.25
09/08/21	INTEREST	3137EAEW5	FREDDIE MAC NOTES	0.250	09/08/23	2,275,000	0.00	2,843.75	2,843.75
09/11/21	INTEREST	037833DL1	APPLE INC CORPORATE NOTES	1.700	09/11/22	140,000	0.00	1,190.00	1,190.00
09/11/21	INTEREST	89114QCJ5	TORONTO-DOMINION BANK CORPORATE NOTES	0.450	09/11/23	500,000	0.00	1,125.00	1,125.00
09/15/21	INTEREST	084670BR8	BERKSHIRE HATHAWAY FIN (CALLABLE) NOTES	2.750	03/15/23	500,000	0.00	6,875.00	6,875.00
09/15/21	INTEREST	92826CAG7	VISA INC (CALLABLE) NOTE	2.150	09/15/22	925,000	0.00	9,943.75	9,943.75
09/15/21	INTEREST	06051GHR3	BANK OF AMERICA CORP CORP NOTES	3.458	03/15/25	700,000	0.00	12,103.00	12,103.00
09/15/21	INTEREST	31307B5M8	FG J23552	2.500	05/01/28	292,720	0.00	609.83	609.83
09/15/21	INTEREST	31306X3C5	FG J20795	2.500	10/01/27	302,162	0.00	629.50	629.50
09/15/21	INTEREST	7417017E0	PRINCE GEORGES CNTY, MD TXBL GO BONDS	0.603	09/15/22	500,000	0.00	1,507.50	1,507.50
09/15/21	INTEREST	650036AR7	NY ST URBAN DEV CORP TXBL REV BONDS	0.720	03/15/23	375,000	0.00	1,350.00	1,350.00
09/15/21	INTEREST	64990FYV0	NY ST DORM AUTH PITS TXBL REV BONDS	0.550	03/15/22	760,000	0.00	2,090.00	2,090.00
09/15/21	INTEREST	650036DR4	NY ST URBAN DEV CORP TXBL REV BONDS	0.480	03/15/23	225,000	0.00	540.00	540.00
09/15/21	INTEREST	650036DS2	NY ST URBAN DEV CORP TXBL REV BONDS	0.620	03/15/24	695,000	0.00	2,154.50	2,154.50
09/15/21	MATURITY	86960JWF8	SVENSKA HANDELSBANKEN AB COMM PAPER	-	09/15/21	3,000,000	3,000,000.00	0.00	3,000,000.00
09/16/21	INTEREST	46647PBS4	JPMORGAN CHASE & CO CORPORATE NOTES (CAL	0.653	09/16/24	500,000	0.00	1,632.50	1,632.50
09/17/21	MATURITY	19424HWH9	COLLAT COMM PAPER V CO COMM PAPER	-	09/17/21	3,000,000	3,000,000.00	0.00	3,000,000.00
09/18/21	INTEREST	87020PAM9	SWEDBANK AB CORPORATE NOTES	0.850	03/18/24	500,000	0.00	2,125.00	2,125.00
09/25/21	INTEREST	3138MRLV1	FANNIE MAE POOL	2.500	01/01/28	313,070	0.00	652.23	652.23
09/25/21	INTEREST	3132A7WA5	FR ZS6941	2.000	03/01/28	307,305	0.00	512.17	512.17
09/25/21	INTEREST	3140X7FL8	FN FM3770	3.000	07/01/35	336,300	0.00	840.75	840.75
09/25/21	INTEREST	3140X3BR8	FN FM0047	3.000	12/01/34	445,805	0.00	1,114.51	1,114.51



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

DATE	TRANSACTION	CUSIP	DESCRIPTION	COUPON	MATURITY DATE	PAR VALUE/SHARES	PRINCIPAL	INTEREST	TOTAL
09/25/21	INTEREST	3140J9DU2	FN BM4614	3.000	03/01/33	390,737	0.00	976.84	976.84
09/30/21	INTEREST	912828L57	US TREASURY NOTES	1.750	09/30/22	1,290,000	0.00	11,287.50	11,287.50
09/30/21	MATURITY	912828F21	US TREASURY NOTES	2.125	09/30/21	6,840,000	6,840,000.00	72,675.00	6,912,675.00
09/30/21	INTEREST	9128285D8	US TREASURY NOTES	2.875	09/30/23	100,000	0.00	1,437.50	1,437.50

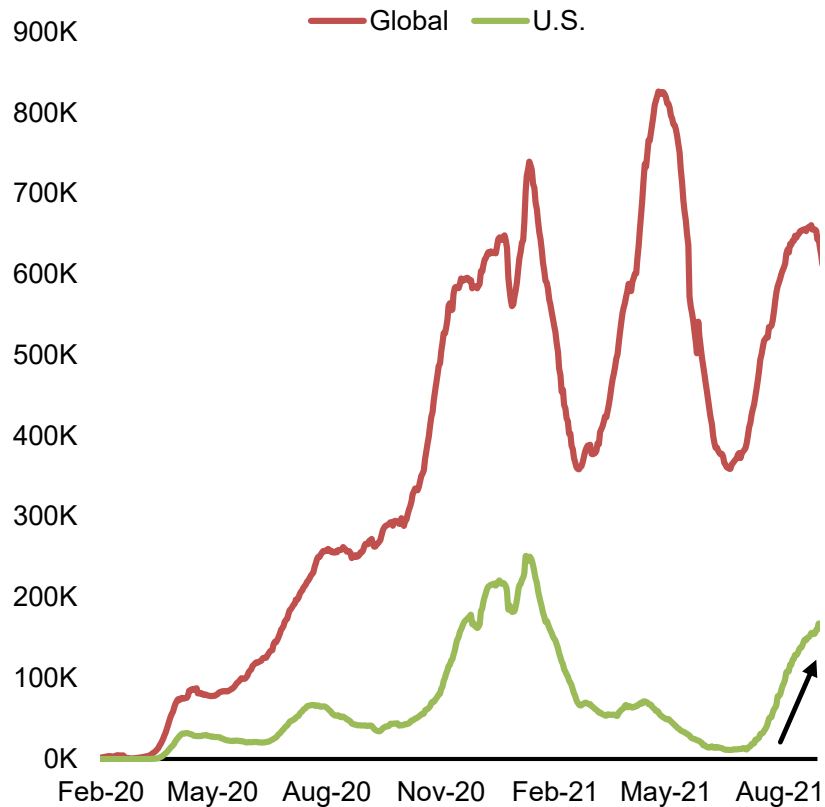


Appendix: Economic Update

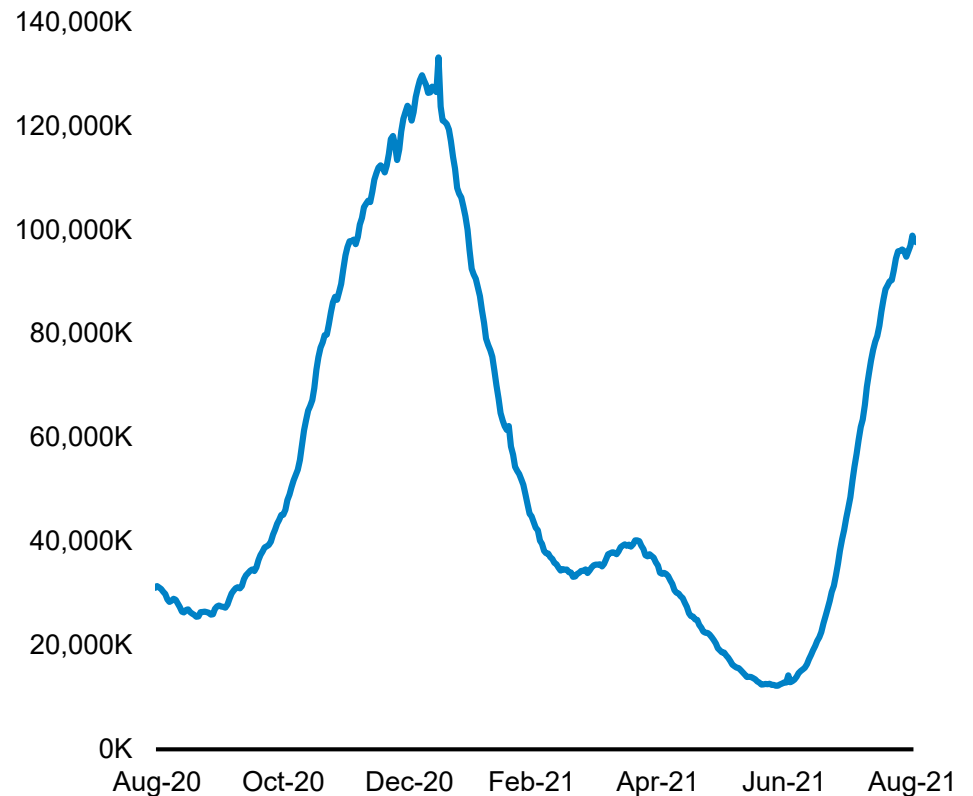


COVID Variants Presenting a Greater Concern for Economic Growth

**U.S. New Cases Reported Daily
7-Day Moving Average**



U.S. COVID-19 Patients in Hospital

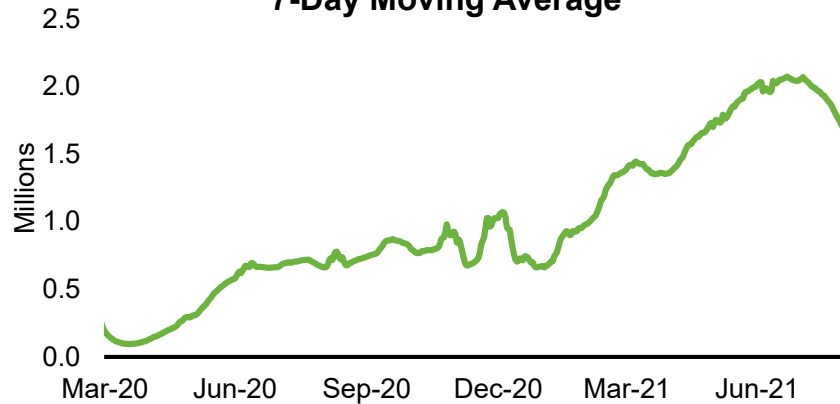


Source: John Hopkins University Coronavirus Resource Center, PFM calculations; as of 8/31/2021.

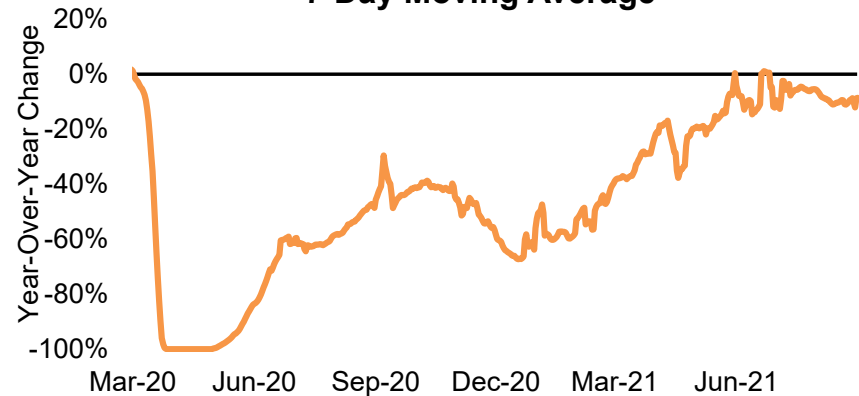


Consumer Activity and Mobility Are Beginning to Trend Lower

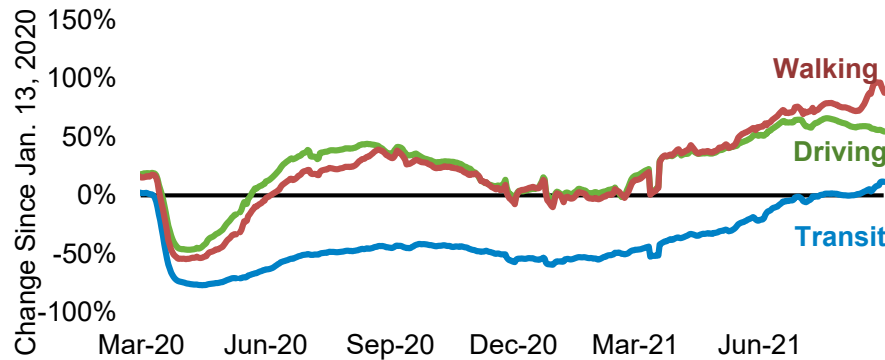
**TSA Checkpoint Travel Numbers
7-Day Moving Average**



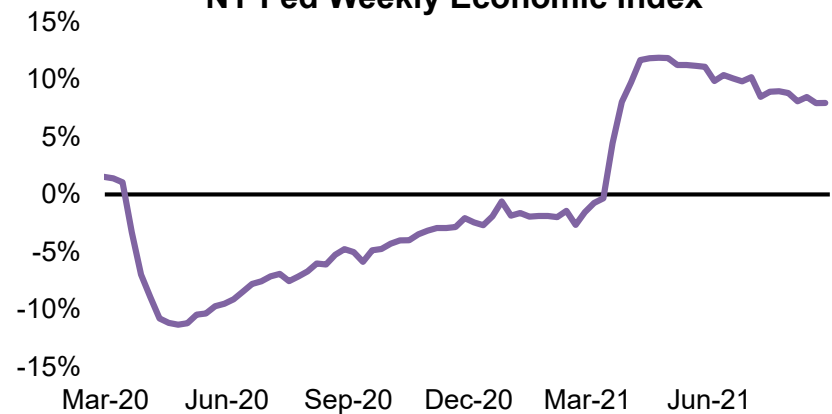
**U.S. OpenTable Restaurant Reservations
7-Day Moving Average**



**Requests for Directions in Apple Maps
7-Day Moving Average**



NY Fed Weekly Economic Index

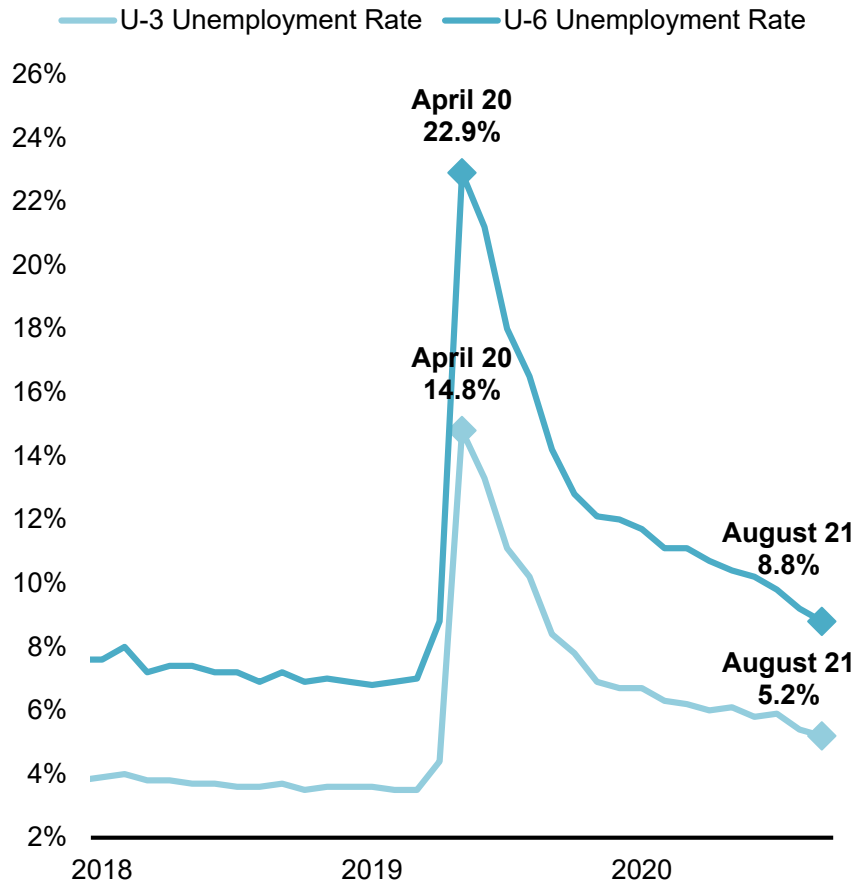


Source: (top left) Transportation Security Administration, PFM calculations, as of 8/31/2021. (top right) Includes phone, online, and walk-in diners; OpenTable, PFM calculations, most recent data as of 8/31/2021. (bottom left) Data for May 11-12 not available; Apple, PFM calculations, most recent data as of 8/31/2021. (bottom right) Federal Reserve Bank of New York, most recent data as of 8/31/2021.

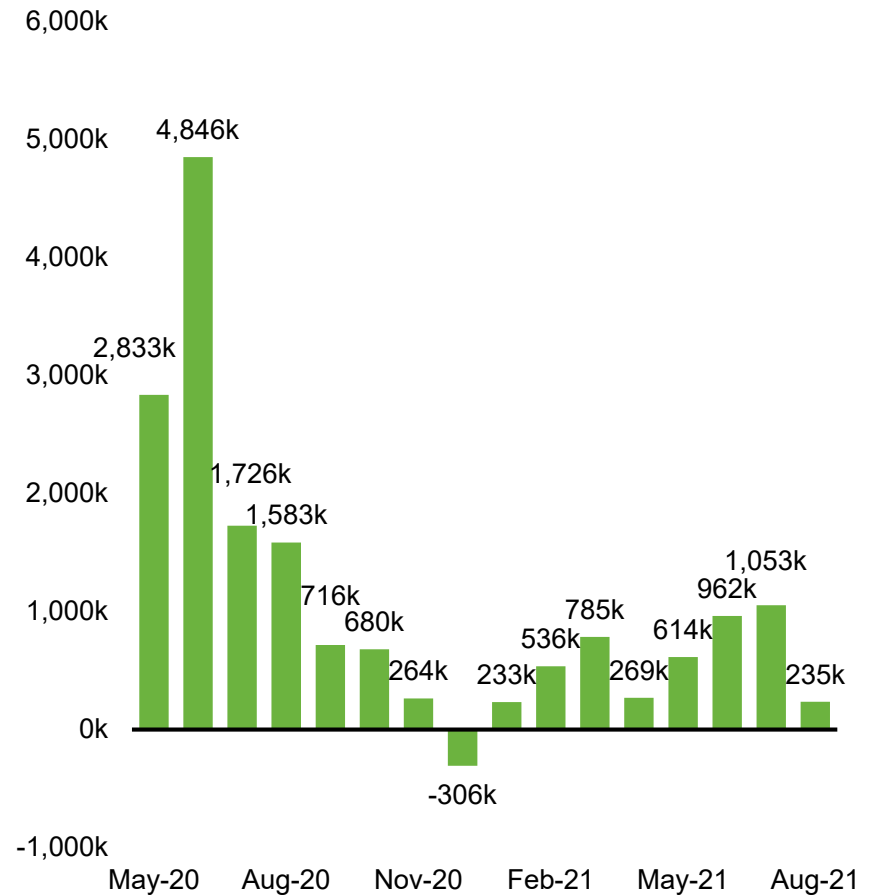


Hiring Slows Sharply in August as New Covid-19 Cases Impedes Job Gains

Unemployment Rate



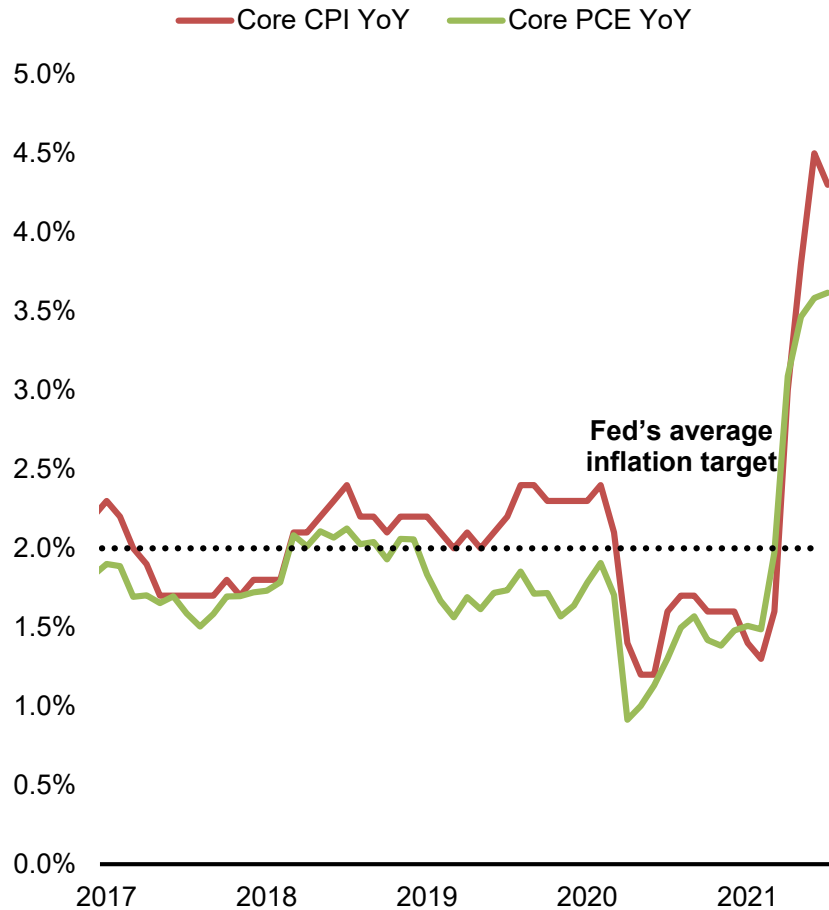
Nonfarm Payrolls MoM



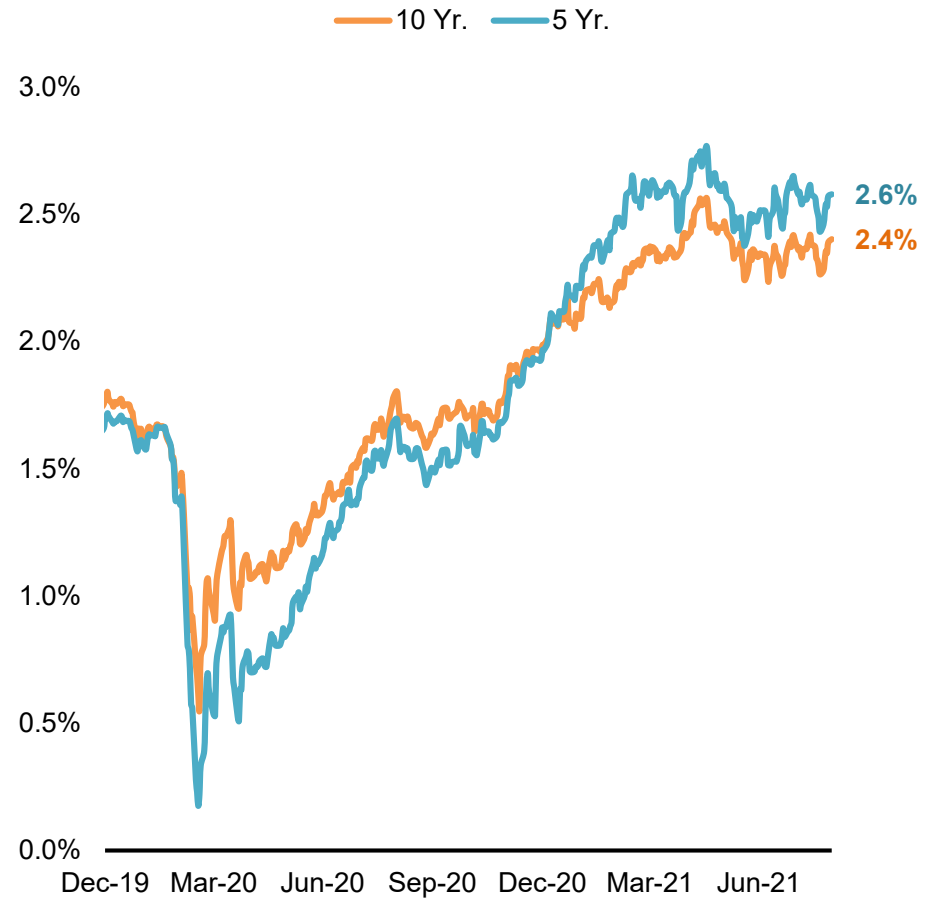
Source: Bloomberg, as of 8/31/2021. Data is seasonally adjusted.



Inflation Indicators



Breakeven Inflation Rates



Source: Bloomberg, as of 8/31/2021.



Jackson Hole Federal Reserve Symposium

- **Tapering:** announcement by end of year; currently stands at \$120 billion per month in bond buying
- **Rate lift-off:** separate from tapering; economy has seen “substantial further progress” towards inflation goals, but needs to see more improvements in *employment* framework

*“I was of the view... that if the economy evolved broadly as anticipated, it could be appropriate to start reducing the pace of asset purchases this year. The intervening month has brought **more progress** in the form of a strong employment report for July, but also the **further spread** of the delta variant.”*

*-Jerome Powell, 8/27/21
at Jackson Hole Symposium*

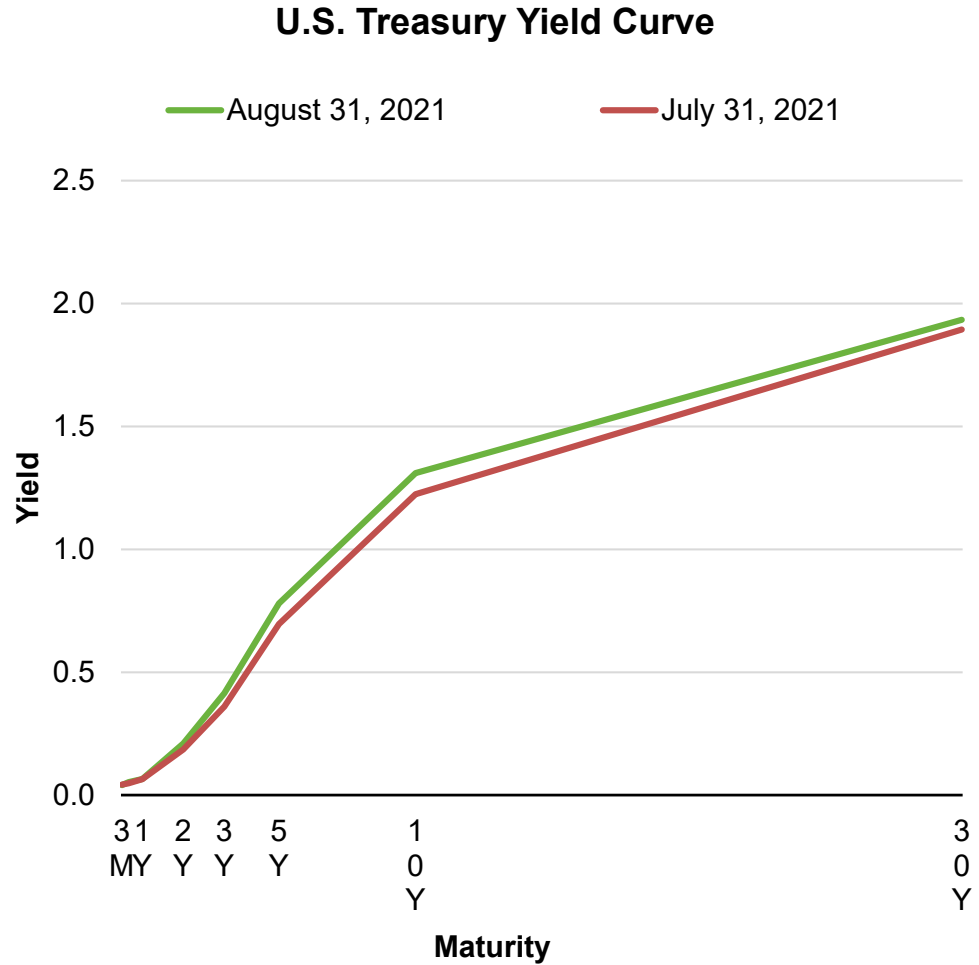


Source: Bloomberg, Federal Reserve, as of August 2021.



Treasury Yield Curve Relatively Unchanged Month-Over-Month

	7/31/2021	8/31/2021	Change
3 month	0.04%	0.04%	0.00%
6 month	0.05%	0.05%	0.00%
1 year	0.07%	0.07%	0.00%
2 year	0.19%	0.21%	0.02%
3 year	0.36%	0.42%	0.06%
5 year	0.70%	0.78%	0.08%
10 year	1.22%	1.31%	0.09%
30 year	1.89%	1.93%	0.04%



Source: Bloomberg, as of 7/31/2021 and 8/31/2021, as indicated.



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District of Columbia Water and Sewer Authority

Capital Improvement Program Report



FY-2021 3rd Quarter
April 1st through June 30th, 2021

Board of Directors
Finance and Budget Committee

David L. Gadis, CEO and General Manager
Kishia L. Powell, Chief Operating Officer

September 2021

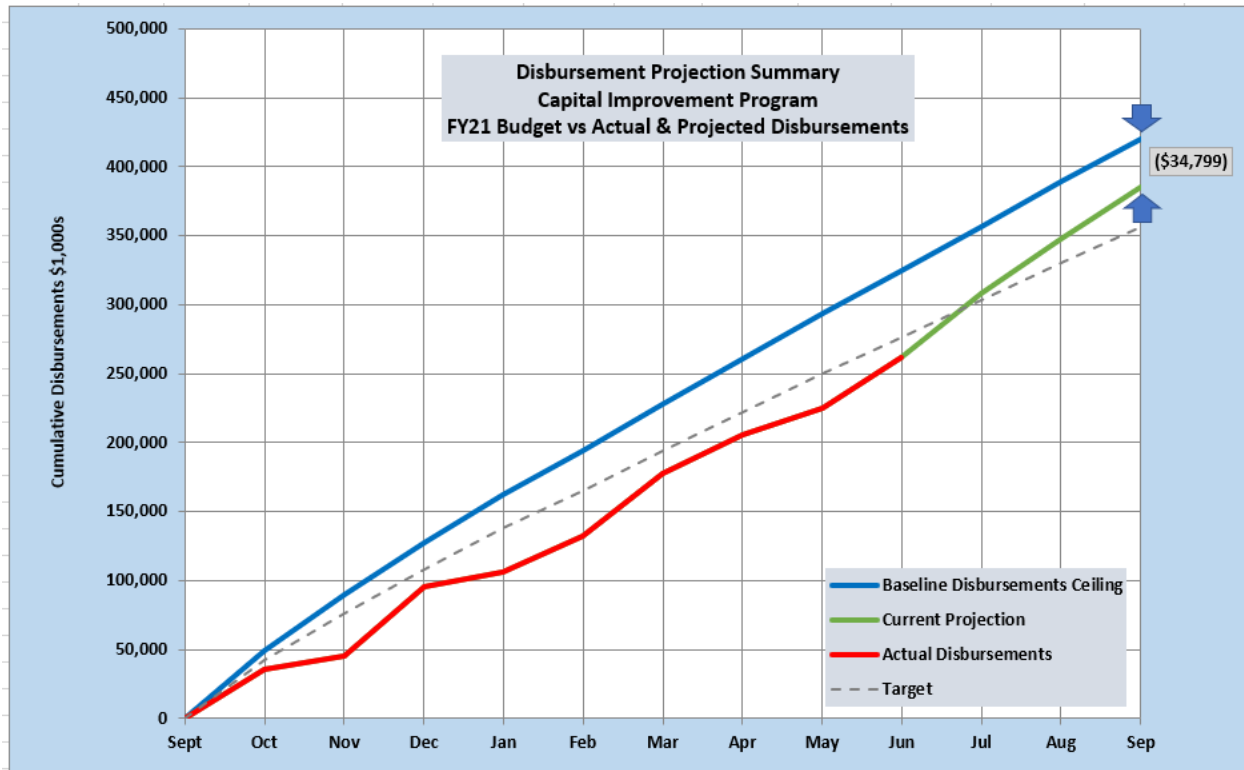


Capital Improvement Program Report 3rd Quarter FY2021

CIP Disbursement Performance

Current projected program disbursements through the end of the fiscal year compared with the proposed FY21 baseline budget ceiling are shown in the chart below:

Disbursement Summary



Current projected fiscal year 2021 CIP disbursements are \$384,874,000 through the end of September 2021, which is on track to not exceed the approved baseline disbursement projection of \$419,673,000.

Current disbursement projections within the service areas are as follows:

Non-Process Facilities

Baseline Disbursements	\$38,002,000
Projected Disbursements	\$24,819,000 (\$13.2 below baseline projection)



Capital Improvement Program Report 3rd Quarter FY2021

Significant project variances are listed below:

- *Facility Land Use Program Area:*
 - The forecast disbursements for Project HH Main & O Redevelopment Efforts (Formerly New Fleet Management Facility) are \$8.5M under the baseline due permitting delays for the Fleet Facility.

Wastewater Treatment Service Area

Baseline Disbursements	\$78,993,000
Projected Disbursements	\$85,238,000 (\$6.2 above baseline projection)

Significant project variances are listed below:

- *Solids Processing Program Area – (\$5.0M above baseline)*
 - The forecast disbursements for Project BX - Gravity Thickener Upgrades Phase II are \$3.4M above the baseline due to work currently progressing slightly ahead of the forecast baseline schedule; additionally, an invoice anticipated to be paid in September was paid in October.
 - The forecast disbursements for Project AM - Solids Processing Program Management are \$2.4M above the baseline due to invoices anticipated to be paid in September being paid in October and a re-adjustment of the remaining spending forecast.
- *Liquid Processing Program Area – (\$0.9M below baseline)*
 - Project IZ - Replace Influent Screens is projected \$1.9M under for FY21 due to delays in installation of new screen equipment.
- *Plantwide Program Area – (\$1.1M above baseline)*
 - The disbursements for Project AL - Plantwide Project Program Management, are \$1.7M over the baseline due to invoices anticipated to be paid in September paid in October and a re-adjustment of the remaining spending forecast.
- *Nitrogen Removal Program area – (\$1.1M above baseline)*
 - The disbursements for Project LM - ENR Program Management are \$1.1M above baseline due to an invoice anticipated to be paid in September that was paid in October.

For clarity, the Combined Sewer Overflow (CSO) Service Area comments are addressed separately by the CSO and DC Clean Rivers Program Areas:

CSO Program Area

Baseline Disbursements	\$5,403,000
Projected Disbursements	\$3,459,000 (\$2.0M below baseline projection)

Significant project variances are listed below:



Capital Improvement Program Report 3rd Quarter FY2021

- The disbursements for Project FQ – Main & O Pump Stations Intermediate Upgrades are \$1.1M below the baseline. This work is associated with Miscellaneous Contract 7, which is proceeding later than expected.

DC Clean Rivers Program Area

Baseline Disbursements	\$165,434,000
Actual Disbursements	\$159,677,000 (\$5.8M below baseline projection)

There are no significant project variances currently projected over the fiscal year.

Stormwater Service Area

Baseline Disbursements	\$5,936,000
Projected Disbursements	\$3,617,000 (\$2.3M below baseline projection)

Significant project variances are listed below:

- *Storm Pumping Facilities Program Area – (\$2.7M below baseline)*
 - The disbursements for Project NG - Storm Pump Stations Rehabilitation are \$2.0M below the baseline due to the Kenilworth DDOT construction contract procurement being delayed. Additionally, 1st and D Street pump station work was rescheduled to allow for higher priority work (Inflatable Dams) to proceed.

Sanitary Sewer Service Area

Baseline Disbursements	\$50,538,000
Projected Disbursements	\$37,769,000 (\$12.8M below baseline projection)

Significant project variances are listed below:

- *Interceptor/ Trunk Force Sewers Program Area (\$9.3M below baseline)*
 - The disbursements for Project LZ – Potomac Interceptor Projects – Rehab Phase II are \$4.0 M below the baseline due to an extended schedule for the Concept Finalization Report and National Environmental Policy Act requirements and design for Clara Barton Parkway.
 - The disbursements for Project RA – Major Sewer Assessment and Heavy Cleaning 1 are \$1.9M below the baseline due to postponed procurements to alleviate spending concerns due to Covid.
 - The disbursements for Project RD – Major Sewer Rehab 2 are \$1.2M below the baseline. This project will now be executed in partnership with DOEE and other agencies to create a holistic improvement to Oxon Run, the sewers, the adjacent park land, and other infrastructure. As such, our schedule will be adjusted to follow DDOE’s plan for bidding and executing this work, which is later than we previously planned.
- *Sanitary Program Management Program Area (\$3.1M below baseline)*
 - The disbursements for Project AU – Sanitary Sewer Program Management are \$2.1 M below baseline due to transition to the new Program Management Agreement.



Capital Improvement Program Report 3rd Quarter FY2021

Water Service Area

Baseline Disbursements \$75,367,000

Projected Disbursements \$70,294,000 (\$5.1M below baseline projection)

Significant project variances are listed below:

- *Water Distribution System Program (\$12.0M below baseline projection)*
 - The disbursements for Project F1 - Small Diameter Water Main Rehab 13 are \$1.6M below the forecast partially due to cost savings from transfer of paving to a Pepco project.
 - The disbursements for Project GR - Small Diameter Water Main Rehab 15 are \$1.9M below baseline due to Oregon Avenue DDOT activity as payment depends on DDOT schedule.
 - The disbursements for Project FT – Water Main Rehab Phase 2 are \$3.4M below baseline due to delaying the schedule to coordinate with the Clean Rivers project.
 - The disbursements for Project HX - Small Diameter Water Main Rehab 16 are \$3.4M below baseline due to Florida Avenue DDOT activity as payment depends on DDOT schedule.
- *Water Lead-free DC Program Area (\$2.9M above baseline projection)*
 - The disbursements for Project BW – Lead Free DC Project – are \$2.9M above the baseline due to the higher-than-expected participation by homeowners to replace their lead services under the voluntary program.
- *Water Ongoing Program Area (\$3.8M above baseline projection)*
 - The disbursements for Project JA- FY2020 - DWS Water Projects are \$2.0M over due to higher than anticipated water main break work. This is within the limits of forecasting accuracy for this program area as the number and size of emergency work is difficult to predict year-on-year.



Capital Improvement Program Report 3rd Quarter FY2021

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

All priority 1 projects are on schedule and within budget.

Significant Contract Actions Anticipated – 6 Month Look-Ahead

Project	Name	Contract Type	Joint Use?	Cost Range	Committee	BOD
F200	Constitution Avenue Small Diameter Watermain	Construction	No	\$10M-\$15M	EQ & Ops Oct	Nov
GR00	Small Diameter Watermain Rehab 15A	Construction	No	\$10M-\$15M	EQ & Ops Oct	Nov
Various	Construction Management BOA (DCFA-506)	Construction Management	Yes	\$5M-\$10M	EQ & Ops Nov	Dec
DZ00	Rock Creek Project B Green Infrastructure	Design/Build	No	\$15M-\$25M	EQ & Ops Nov	Dec
Various	Water Main As-Builts – 2 Contracts	Design	No	\$5M-\$15M	EQ & Ops Dec	Jan
GR00	Small Diameter Watermain Rehab 15B	Construction	No	\$10M-\$15M	EQ & Ops Dec	Jan
Various	Construction Management BOA (DCFA-514)	Construction Management	Yes	\$5M-\$10M	EQ & Ops Jan	Feb
Various	Water and Sewer Assessment Support Services	Construction	Yes	\$5M-\$15M	EQ & Ops Feb	Mar
GR00	Small Diameter Watermain Rehab 15D	Construction	No	\$10M-\$15M	EQ & Ops Feb	Mar



Capital Improvement Program Report 3rd Quarter FY2021

Schedule - Key Performance Indicators Capital Improvement Program

Summary:

For the 3rd Quarter, the Key Performance Indicators (KPIs) completed this period were achieved within 90 days or earlier of their target date, except as noted.

#	Performance
17	KPIs completed within threshold
0	KPIs completed outside threshold
17	Total KPIs completed to date
33	Total KPIs due this year

Reasons for any KPIs not meeting the 90-day threshold this period:

Job LZ07 delays due to change in field conditions and need for Land Water Conservation Fund permits.
 Job DE04 in process of negotiating a Change Order with contractor for resolution of issue at Colonial Village, NW which will extend contract time.
 Job IL06 scope is being modified to incorporate all new requirements of National Park Service/National Environmental Policy Act that came into effect since the original design in 2018.

The table below provides a detailed breakdown of each KPI due date grouped by Quarter:

Quarter	Job Code	Job Name	Activity Name	Due Date (Baseline)	Estimated Complete Date	Actual Complete Date	Variance (positive is early)	Met within 90 days
Q2	RC07	Major Sewer Rehab 1-5 Northeast Boundary	Design Start Milestone	1-Jan-21		22-Mar-21	-80	✓
Q2	KE01	Small Dia Water Main Rehab 18A	Design Start Milestone	28-Jan-21		9-Dec-20	50	✓
Q2	SD01	Main PS Building Modifications - Historic Restoration	KPI Design Start Milestone	29-Jan-21	29-Oct-21		-273	☐
Q2	F201	Small Diameter Water Main Repl 14A	Construction Start Milestone	2-Feb-21		1-Feb-21	1	✓
Q2	LD00	Pre-Dewatering Additional Centrifuges	Design Start Milestone	4-Feb-21		1-Mar-21	-25	✓



Capital Improvement Program Report 3rd Quarter FY2021

Quarter	Job Code	Job Name	Activity Name	Due Date (Baseline)	Estimated Complete Date	Actual Complete Date	Variance (positive is early)	Met within 90 days
Q2	KE02	Small Dia Water Main Rehab 18B	Design Start Milestone	22-Feb-21		1-Jan-21	52	✓
Q2	CZ05	CSO 025/026 Separation	Consent Decree Construction Start KPI	22-Mar-21		26-Jan-21	55	✓
Q3	SC01	Main & O Seawall Restoration (Phase 2 HQO)	KPI Design Start Milestone	31-Mar-21	29-Oct-21		-212	☐
Q3	HH02	New Sewer Services Headquarters	Construction Substantial Completion Milestone	31-May-21	30-Sep-21		-122	☐
Q3	BV01	RWWPS No. 2 Upgrades	Construction Substantial Completion Milestone	1-Apr-21		9-Mar-21	23	✓
Q3	KE03	Small Dia Water Main Rehab 18C	Design Start Milestone	3-Apr-21		8-Feb-21	54	✓
Q3	KF01	SDWM Renewal 19A	Design Start Milestone	29-Apr-21		1-Mar-21	59	✓
Q3	DE04	Small Dia Water Main Repl 12B2 (Colonial Village & Bunker Hill)	Construction Substantial Completion	30-Apr-21	31-Jul-21		-92	☐
Q3	FA03	Soldiers Home Reservoir Upgrade	Construction Substantial Completion	21-May-21	31-Jul-21		-71	☐
Q3	KF02	SDWM Renewal 19B	Design Start Milestone	30-May-21		10-May-21	20	✓
Q3	IY03	High & Low PSW Pumps Evaluation and Replacement	Construction Start Milestone	7-Jun-21	21-Jul-21		-44	☐
Q3	LZ07	PI Phase 5 Pipe Rehab between MH31 and MH30	Design-Build NTP - Phase II	13-Jun-21	15-Dec-21		-185	☐
Q4	JF03	Construction of Flood Seawall Segment C	Segment C Construction Substantial Completion Milestone	14-Jun-21		14-Jun-21	0	✓
Q4	G502	Creekbed Sewer Rehabilitation Soapstone Valley	Construction Start Milestone	1-Jul-21	1-Jul-21		0	☐
Q4	IL06	Creekbed Sewer Rehabilitation Fenwick Branch E Beach Dr & Red Bud Lane	Design Start KPI Milestone	1-Jul-21	30-Oct-21		-121	☐
Q4	FT03	Out of Service LDWM Elimination Contract 1	Design Start Milestone	10-Jul-21		10-May-21	61	✓



Capital Improvement Program Report 3rd Quarter FY2021

Quarter	Job Code	Job Name	Activity Name	Due Date (Baseline)	Estimated Complete Date	Actual Complete Date	Variance (positive is early)	Met within 90 days
Q4	F102	Small Diameter Water Main Repl 13B	Construction Substantial Completion	13-Jul-21		30-Apr-21	74	✓
Q4	F202	Small Diameter Water Main Repl 14B	Construction Start Milestone	15-Jul-21		30-Jun-21	15	✓
Q4	F101	Small Diameter Water Main Repl 13A	Construction Substantial Completion	16-Jul-21		24-Feb-21	142	✓
Q4	QS02	Local Sewer Rehab Project 5-2	Design Start Milestone	16-Jul-21		9-Apr-21	98	✓
Q4	KF03	SDWM Renewal 19C	Design Start Milestone	30-Jul-21		1-Apr-21	120	✓
Q4	EK01	Long Term Rehabilitation - Main Pump Station - Ph. 1	Concept Design Start Milestone	1-Aug-21	1-Oct-22		-426	☐
Q4	IY10	Filter Underdrain and Backwash System Upgrade (FUBS)	Design Start Milestone	2-Aug-21	3-Jan-22		-154	☐
Q4	F203	Small Diameter Water Main Repl 14C	Construction Start Milestone	10-Aug-21	12-Jul-21		29	☐
Q4	NG05	Stormwater Pump Station Rehab - 1st and D	Construction Start Milestone	9-Sep-21	3-Aug-22		-328	☐
Q4	I801	Large Valve Replacements 11R	Construction Substantial Completion	30-Sep-21	30-Sep-21		0	☐
Q4	IL10	Creekbed Sewer Rehabilitation Rock Creek Oregon Avenue	Construction Substantial Completion	30-Sep-21	30-Sep-21		0	☐
Q4	F103	Small Diameter Water Main Repl 13C	Construction Substantial Completion	30-Sep-21	30-Sep-21		0	☐

Table Key: Positive variance = Finishing earlier than baseline plan **Bold** = Actual Date achieved

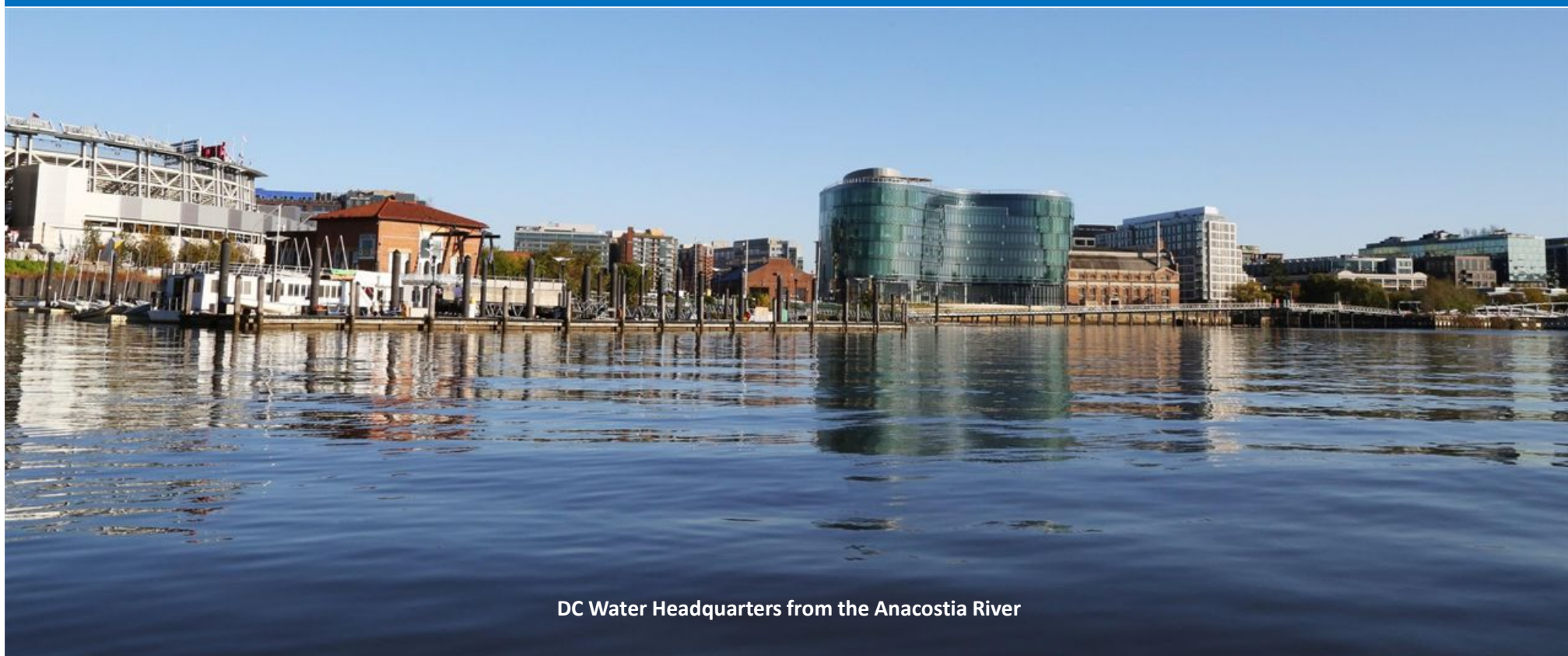


Financial Policy Revisions

ATTACHMENT 3

Presentation to the Finance and Budget Committee, September 23, 2021
Ivan Boykin, Finance Director

District of Columbia Water and Sewer Authority



DC Water Headquarters from the Anacostia River



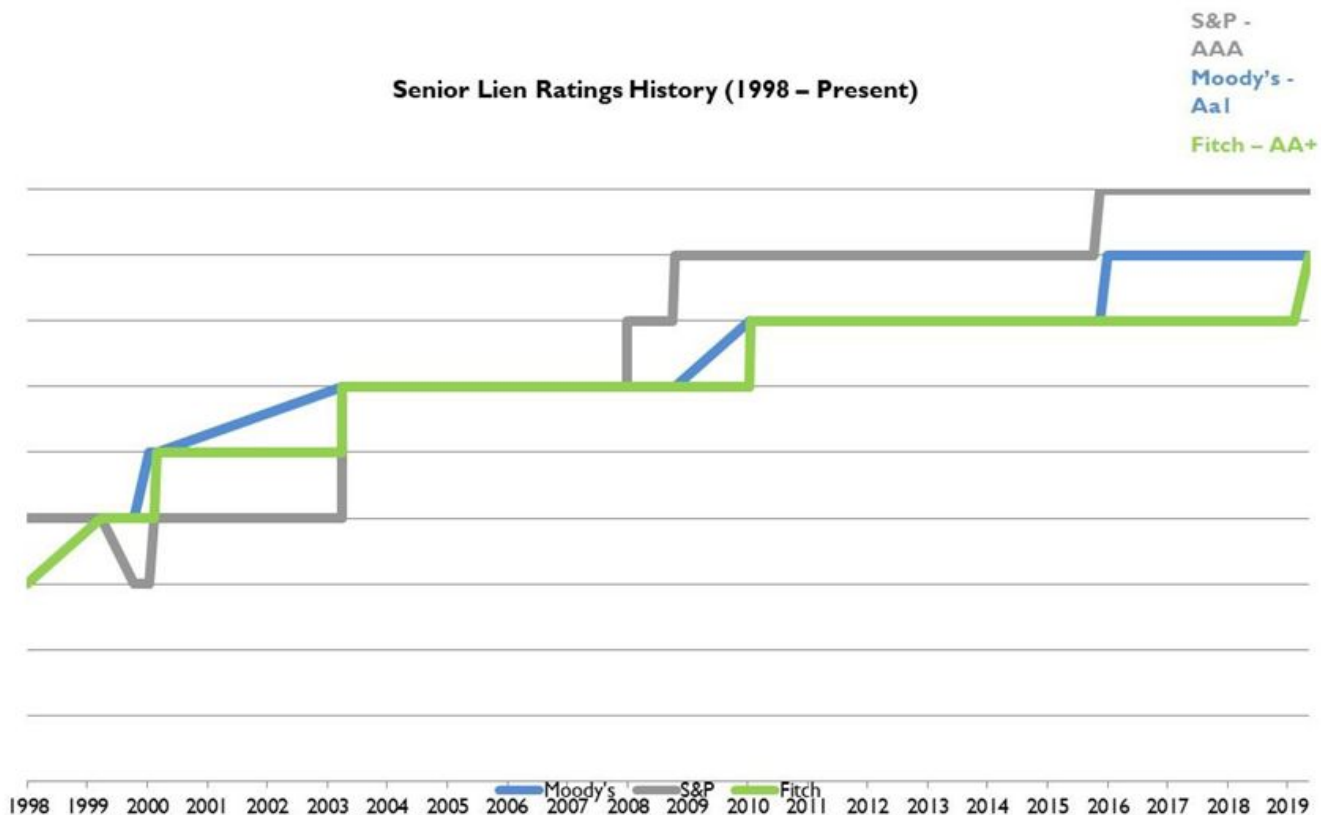
Purpose

- Seek Committee’s recommendation to the Board to:
 - Approve the revised Statement of Financial Policies approved by Board through Resolution #15-57; and
 - Conform the debt service coverage requirements in the Debt Policy and Guidelines approved by the Board through Resolution #15-83 to those in the revised Statement of Financial Policies; and
 - Rescind Resolution #11-22, “Pay-As-You-Go” Capital Financial Policy, whose provisions are included in proposed revised Statement of Financial Policies.



DC Water Bond Ratings

- As DC Water's finances strengthened, credit ratings improved





Financial Metrics of Selected Peer Group

- DC Water’s financial metrics compare favorably with select peers
- DC Water maintains 250 days of cash; in this comparison of peers, only Dallas & St. Louis maintain fewer days of cash

Selected Peer	Type	Moody's Rating (Senior)	S&P Rating (Senior)	Fitch Rating (Senior)	Total Operating Revenues (\$000s)	Total Annual Debt Service (\$000s)	Debt Ratio	Long Term Debt (\$000s)	Total Debt Service Coverage	DS as a % of Total Operating Revenues	Days Cash on Hand	Average Bill as % of Median Effective Buying Income
Atlanta, GA	Water & Sewer	Aa2	AA-	AA-	488,089	206,344	44.7%	3,158,564	2.6x	42.3%	1,357	3.6%
Charlotte, NC	Water & Sewer	Aaa	AAA	AAA	424,327	148,053	36.6%	1,471,334	1.9x	34.9%	960	1.6%
Dallas, TX	Water & Sewer	Aa2	AAA	AA+	617,510	212,157	45.2%	2,673,660	1.6x	34.4%	274	1.8% ¹
DC Water	Water & Sewer	Aa1	AAA	AA+	710,097	199,056	42.9%	3,531,049	1.9x	28.0%	335	1.6%
Louisville MSD, KY	Sewer	Aa3	AA	AA-	294,368	154,986	58.3%	1,959,198	1.4x	52.7%	283	1.3% ¹
Metro St. Louis Sewer District, MO	Sewer	Aa1	AAA	AA+	401,109	84,025	41.0%	1,510,664	2.9x	20.9%	516	1.2%
NE Ohio Regional Sewer District	Sewer	Aa1	AA+	NR	340,213	90,278	50.3%	1,717,167	2.6x	26.5%	966	2.3% ¹
NYC Water	Water & Sewer	Aa1	AAA	AA+	3,819,799	694,100	92.0%	30,045,906	3.6x	18.2%	305	2.0%
San Antonio, TX	Water & Sewer	Aa1	AA+	AA+	733,179	192,701	42.1%	2,824,280	2.2x	26.3%	505	2.0%



- DC Water received comments on its current financial policies from a variety of sources regarding the appropriate “Days of Cash on Hand” and debt service coverage:
 - Rating Agencies have referenced the 250 Days of Cash and 1.6X coverage are indicators of financial strength
 - DC Water’s Chief Financial Officer advised the Board that maintaining these metrics is essential to maintaining current bond ratings
 - Board members have expressed that the 250 Days of Cash should be maintained without including funds obligated for the Rate Stabilization Fund
 - DC Water’s Chief Financial Officer concurs with the Board regarding the dual obligation of the Rate Stabilization Fund
 - Balances in the Rate Stabilization Fund show financial strength; this has helped improve the bond rating and reduce borrowing costs for all customers



Path Forward

- 💧 DC Water will issue debt in January 2022
- 💧 Financial Policies must be updated prior to meeting with the Rating Agencies in December 2021
- 💧 As a separate action in October, the Finance and Budget Committee will be asked to:
 - Recommend approval a revised Financial Plan and the transfer of funds from the Rate Stabilization Fund to the Operating Cash Reserves (Cash Balance) to maintain 250 days of cash outside of the Rate Stabilization Fund
 - The Retail Rates Committee will also be asked to recommend approval the revised Financial Plan



Path Forward

- Current financial metrics are contained in the Trust Indenture, Board Policy, and Management Targets:

Metrics	Trust Indenture	Board Policy	Management Target
Days of Cash on Hand	60 Days	\$125.5 million or 120 Days	250 Days
Combined Debt Service Coverage Ratio	–	–	1.6X
Senior Coverage	1.2X	1.4X	1.4X
Subordinate Coverage	1.0X	–	1.0X
Debt Service as a % of Revenue	–	–	33% of Revenue or Less
Rate Stabilization Fund	–	–	10% of Revenue



Revised Policy Proposals

Policy	Statement of Financial Policies	“Pay-As-You-Go” Capital Financing	Debt Policy & Guidelines	Rate Stabilization Fund (RSF)	Investment	Rate Setting
Last Modified Resolution #	May 2013 #13-57	February 2011 #11-22	October 2015 #15-83	July 2010 #10-76	May 2014 #14-32	January 2011 #11-10
Scope	Days of Cash, senior debt service coverage, use of one-time cash infusions	Schedule of PAYGO to be in Financial Plan, 4 th Quarter Financial Projection process	Use of debt, timing, size of transaction, investment of proceeds, etc.	Mechanics of Fund including 4 th Quarter Financial Projection	Overall administration and investment management of funds in DC Water’s portfolio	Guidance on rate and rate structures
Proposal	Revise to standard format; Update to 250 days of cash outside RSF and 1.60x overall coverage	Eliminate and incorporate in Financial Policy	Conform coverage to revised Statement of Financial Policies	Finance & Budget Committee to review and recommend; will also be discussed with the Retail Rates Committee	Revisions to be presented to the Finance and Budget Committee - December 2021	None



Pay-As-You-Go Capital Financing Policy

Recommend elimination of a stand-alone policy and incorporation of provisions into the Statement of Financial Policy

Current	Proposed (In Financial Policy)
The financial plan developed as part of the annual operating budget process will include a schedule showing projected annual cash balances and planned annual PAYGO financing of capital projects	The Financial Plan will include the annual projected cash balances and the planned PAYGO financing of capital projects
Planned annual PAYGO financing will be approved by the Board of Directors as part of its annual approval of the ten-year financial plan, and operating and capital budgets	The Financial Plan will include the annual projected cash balances and the planned PAYGO financing of capital projects
During the fourth quarter of each fiscal year, the General Manager (or designee) will conduct an analysis of DC Water's financial performance	In the third quarter of the fiscal year the CEO will present a report to the Board of Directors that includes year-to-date and a forecast of annual expenditures and revenues
In October, the General Manager will report to the Board of Directors the actual usage of PAYGO financing for the just-completed fiscal year	In October the CEO will report to the Board of Directors the actual usage of PAYGO for the just-completed fiscal year



Financial Policy

Current	Proposed
Senior debt service coverage will be maintained at 140%	Combined debt coverages in the proposed and adopted financial plan will be at least 160%
Cash reserves will be maintained at a level equivalent to 120 days operating expenses (objective \$125.5 million)	The Financial Plan will include 250 Days of Cash in all years, and this balance will not include the Rate Stabilization Fund
A portion of the capital program will be financed on a pay-go basis from cash reserves that exceed the operating and maintenance reserve level, thereby reducing the need for long-term debt.	Will use a combination of debt and cash for the capital program; levels will be established in the Financial Plan
DC Water will, whenever possible, use the least costly type of financing	DC Water will, whenever possible, use the least costly type of financing
DC Water will attempt to match the period of debt repayment wit the lives of the assets	DC Water will attempt to match the period of debt repayment wit the lives of the assets
	Includes standard definitions of terms
	Financial Performance report to be presented in third quarter (from PAYGO Policy)
	DC Water will use one-time revenues for one-time expenses



Revised Policy – 250 Days of Cash

Under the revised policy:

- 250 Days of Cash in “Operating Cash Reserves,” including:
 - \$35 million in the Renewal and Replacement Fund
 - 60 Days of operating expenditures in the “Operating Reserve Fund”
 - Additional cash to meet 250 day requirement





Rate Stabilization Fund

- ▶ DC Water currently maintains a cash balance of \$185.0 million; this amount is the equivalent of 207 Days of Cash
 - An estimated \$40 million would need to be transferred from the RSF to Cash Balance to maintain 250 Days of Cash outside of the RSF

- ▶ A revised Financial Plan will be presented to the Finance and Budget Committee and Retail Rates Committee in October
 - The Finance and Budget Committee will also be asked to approve transfer of funds from the Rate Stabilization Fund to the Operating Cash Reserves

		Balance
Current Balance		\$90.24 million
Less FY2021 Board-approved withdrawal	- \$2.5 million	\$87.74 million
Less FY2022 Board-approved withdrawal	- \$10.5 million	\$77.24 million
Less estimated amount for 250 Days of Cash outside Rate Stabilization Fund	- \$40.0 million	\$37.24 million



Recommendation

💧 That recommend to the full Board:

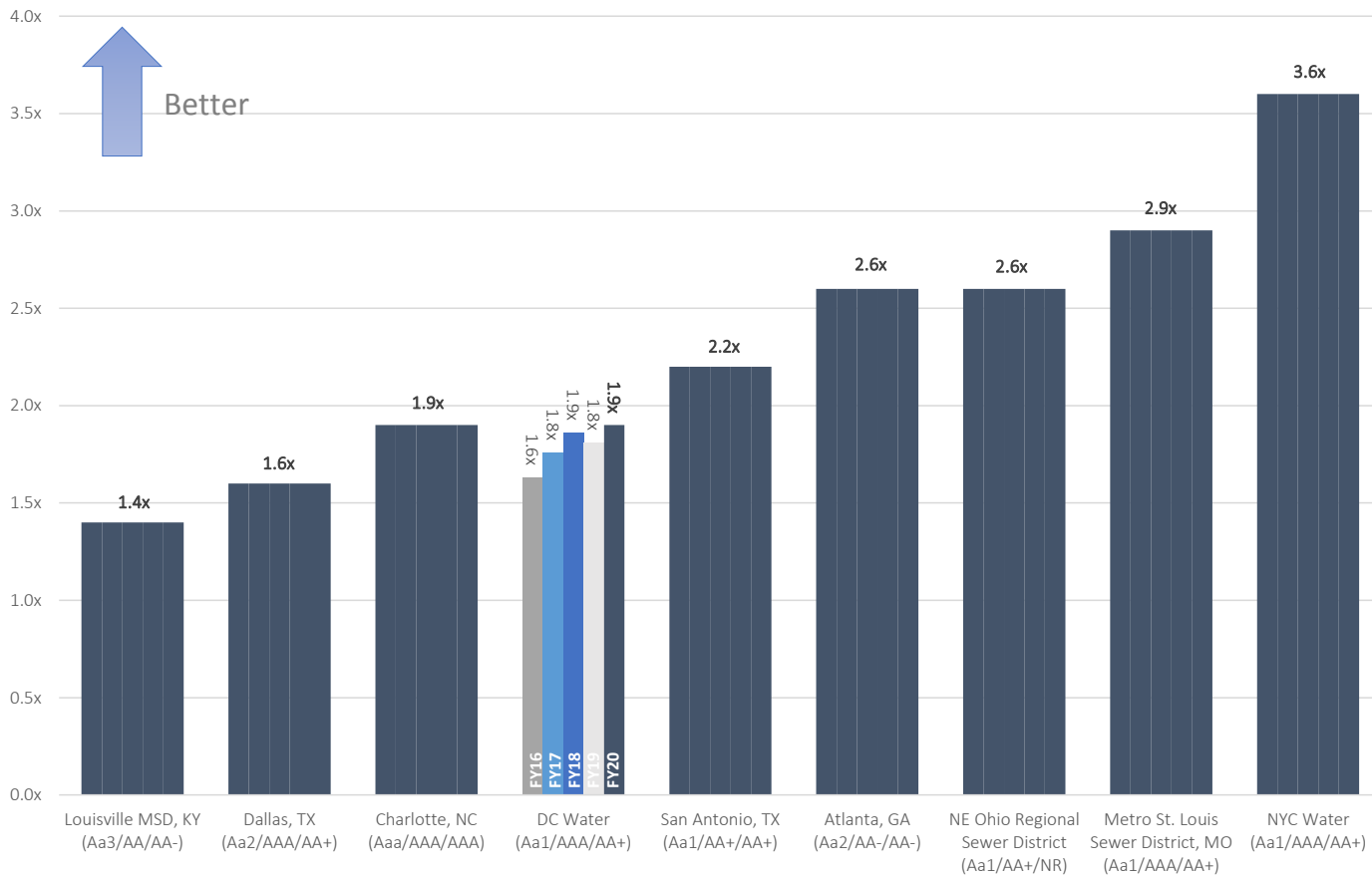
- The adoption of the revised Statement of Financial Policies
- Conform the debt service coverage requirements in the Debt Policy and Guidelines to those in the the revised Statement of Financial Policies
- Rescind the “Pay-As-You-Go” Financial Policy (as provisions are included in new proposed Statement of Financial Policies)



Appendix



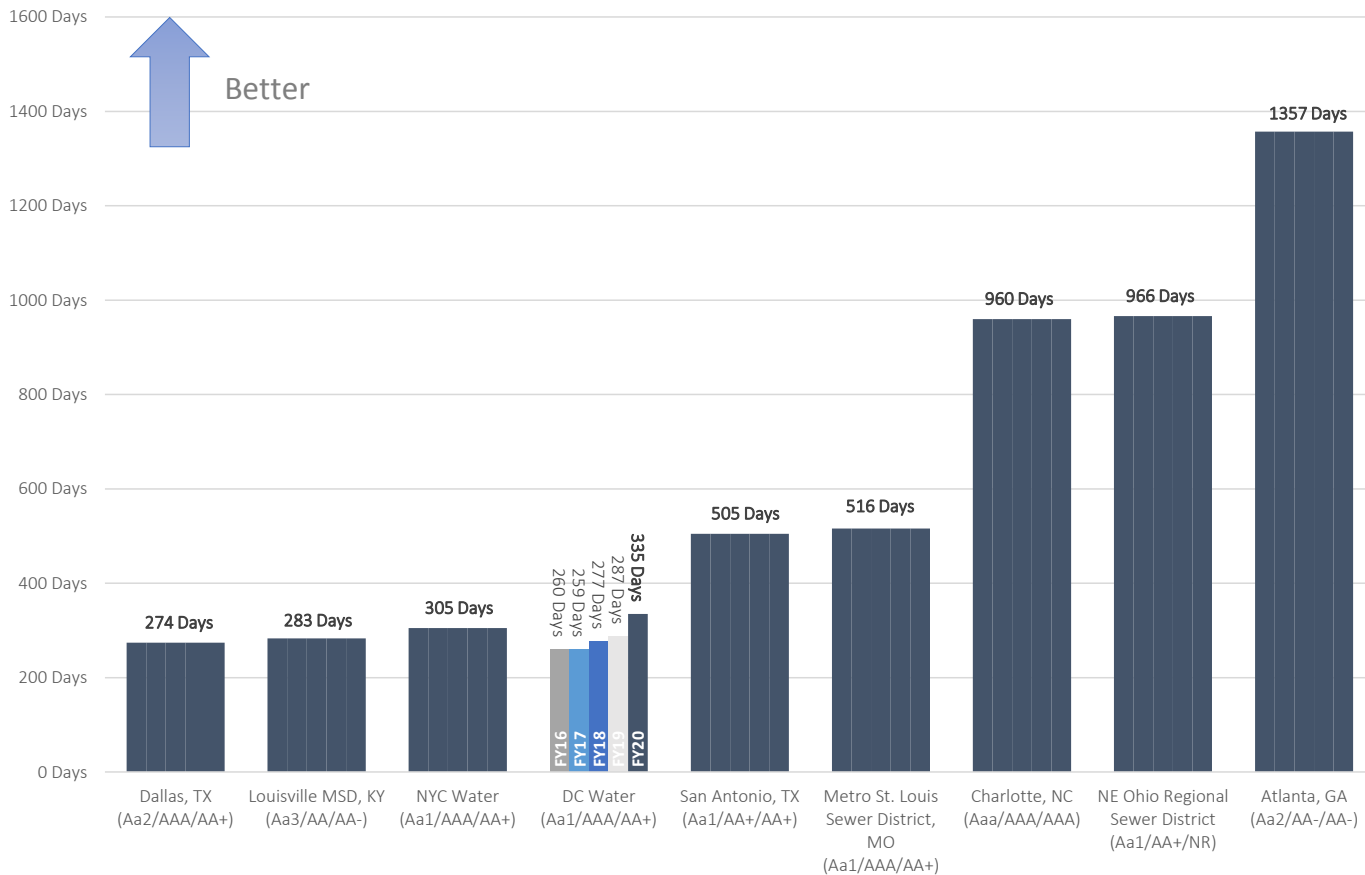
Peer Comparison of Debt Service Coverage



Source: Moody's Financial Ratio Analysis database for peer data, and Authority Records for DC Water data. All peer data is as of FY19.



Peer Comparison of Days Cash on Hand



Source: Moody's Financial Ratio Analysis database for peer data, and Authority Records for DC Water data. All peer data is as of FY19.



ROCIP IV Extension Update

ATTACHMENT 4

Matthew T. Brown, CFO and EVP Finance & Procurement
September 23, 2021

District of Columbia Water and Sewer Authority





Purpose

- Provide ROCIP IV update and seek the Committee's recommendation to the Board to approve Workers Compensation, General Liability and Excess Liability insurance final extension premium for ROCIP IV October 15, 2022 to October 15, 2023



- Owner Controlled Insurance Program “OCIP”:
 - An insurance program where the project owner provides and maintains insurance coverages to protect the owner, design builders, prime contractors and subcontractors
- OCIP’s are typically used on large construction projects involving multiple contractors and subcontractors.
- OCIPs provide an opportunity to achieve:
 - Strengthened construction risk management, risk reduction, alternative insurance program
 - Uniform insurance claims handling, loss prevention and safety
 - Joint defense, limited cross-liability and coordinated post-loss management
- A “Rolling” OCIP (ROCIP) covers a long-term capital improvement program or similar group of separate projects



ROCIP Program Periods

- DC Water began the ROCIP program in FY 2005
 - ROCIP I from FY 2005 to FY 2008 effective October 2004 to April 2012
 - ROCIP II from FY 2009 to FY 2011 effective October 2009 to April 2016
 - ROCIP III from FY 2012 to FY 2016 effective October 2012 to October 2017
 - ROCIP IV from FY 2016 to FY 2021 effective October 2015 to April 2021
 - Currently ongoing projects include the Northeast Boundary Tunnel, Gravity Thickener Upgrade, Small Diameter Water Main Replacement I3D and Miscellaneous Facilities Upgrade Phase #6
 - At the end of November 2020, the program was extended for 6 months at no additional cost
 - The 2nd program extension was approved and is effective through October 15, 2022
 - ROCIP IV needs a 3rd program extension from October 15, 2022 – October 15, 2023
 - ROCIP V from November 2020 to November 2023



ROCIP IV Background & Timeline

- ROCIP IV must be extended a final time to continue coverage for current projects
 - Insurer premium quotes received middle August 2021
 - Current insurance markets continue to harden. There is less capacity and available limits, higher insurance premiums, and more stringent underwriting
 - These hard market conditions require this final extension to be finalized now
- Insurance brokers have reported an average increase of 25+% for Workers Compensation, General Liability and Excess Liability in the past several months alone. The majority of increases are in the excess liability insurance tower.
 - The same insurance environment exists for contractors of all tiers, which would raise the overall cost of construction to DC Water in the absence of an OCIP
- DC Water recommends Board approval for a not to exceed figure to ensure coverage from October 15, 2022 to October 15, 2023



Final Extension for ROCIP IV

- Coverage is provided in layers by multiple carriers based on the construction value and the estimate of payroll for the projects
- The cost of the excess liability coverage for the extension is higher than anticipated.
- Insurers are commanding higher increases based on the following commercial insurance market conditions:
 - Increased reinsurance costs
 - Sharp decrease of available limits, reducing capacity
 - Continued inflated claims costs resulting from social inflation (higher jury awards)
 - Insurers require extension premiums now to lock in premiums and rates
 - Contractors are experiencing the same issues with their corporate liability programs



ROCIP IV Final Program Extension Costs

- The current ROCIP underwriters offered premium quotations to extend their current coverage insurance limits of \$200 million until October 15, 2023, for an additional premium of \$739,770
- Coverage continues for DC Water, its enrolled Design Builders, Contractors and Subcontractors

DC Water ROCIP IV Excess Liability Premium and Limits of Liability	ROCIP IV Extension October 15, 2023
Construction Value Estimate	\$252,048,719
Contractor Payroll Estimate	\$42,848,282
Final Extension Term in Months	12
Chubb (Primary)	\$125,000
AIG Lead \$25M	\$300,000
AXA XL \$25M xs \$25M	\$101,670
Starr \$25M xs \$50M	\$40,000
GAIC \$25M xs \$75M	\$37,500
Ironshore \$50 M xs \$100M	\$35,600
AIG Cat \$50 M xs \$150M	\$100,000
ROCIP IV Total Final Extension	\$739,770



ROCIP IV Board Approval vs. Not to Exceed Amount

- \$11,607,838 is approved by the Board for inception 5 year period of program and 2nd extension, with \$11,607,838 in premium paid to date
- The extension premium without any remaining approved funds, leaves a balance of \$739,770

	Amount
Initial ROCIP IV plus 2 nd extension Board approval not to exceed amount	\$ 11,607,838
Paid to date	\$ <u>11,607,838</u>
Balance	\$ 0
Final ROCIP IV extension premium cost	\$ <u>739,770</u>
Amount requires Board approval	\$ 739,770



Recommendation

- That the Committee recommend to the Board approval of a ROCIP IV Insurance final extension for the term October 15, 2022 through October 15, 2023, in an amount not to exceed \$739,770

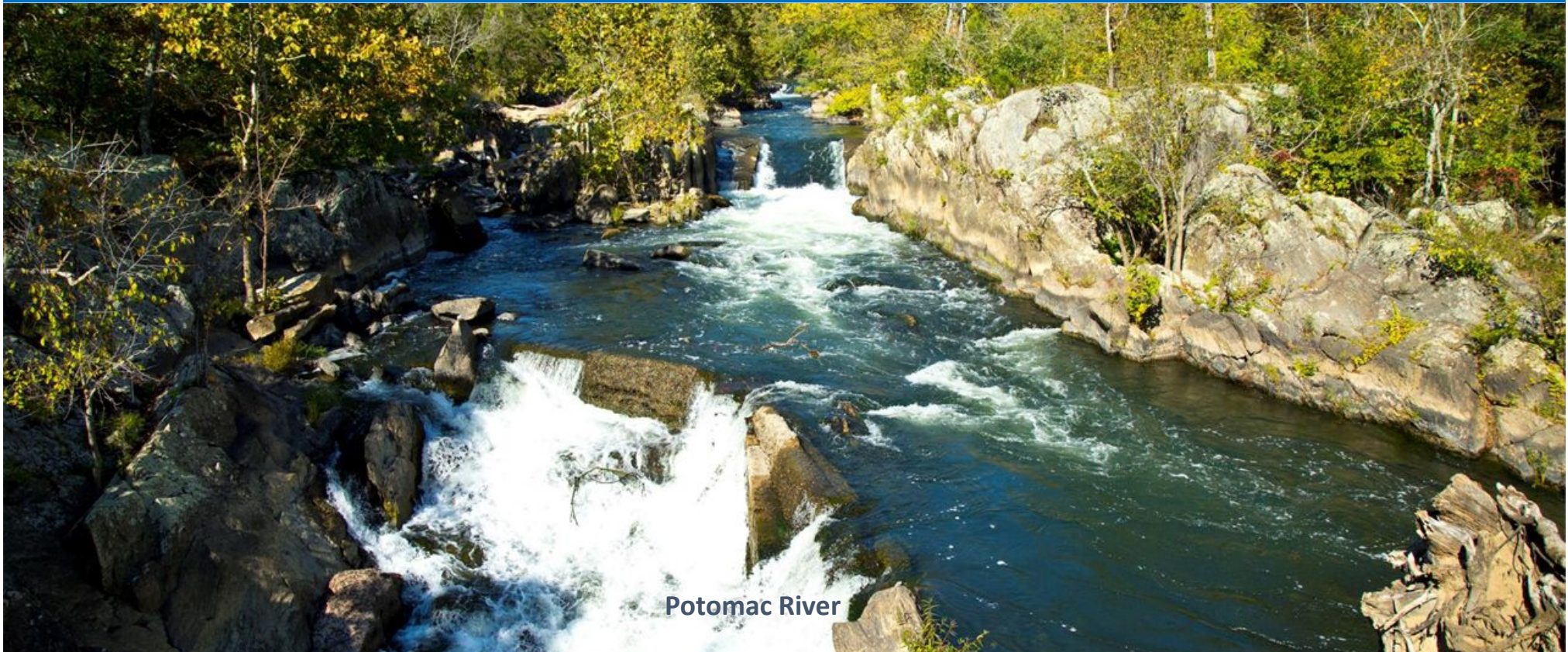


Proposed Green Bond Framework

ATTACHMENT 5

Presentation to Finance and Budget Committee on September 23, 2021
Matthew Brown, CFO & EVP of Finance and Procurement

District of Columbia Water and Sewer Authority



Potomac River



Purpose

- Seek committee's recommendation to the Board for approval of DC Water's proposed Green Bond Framework



DC Water and Green Bonds

- DC Water has been a leader in Green Bonds since its inaugural issue in 2014 of \$350 million
 - The 100-year final maturity was the first municipal century bond issued by a water/wastewater utility in the United States
 - Independent opinions have been provided by Vigeo and Moody's
 - DC Water's Green Bond report is published annually and reviewed by KPMG
- DC Water will continue to lead in the Green Bond space, and recommends:
 - Enhancing the Green Bond Report
 - Publishing a separate report highlighting our leadership in Environmental, Social, and Governance (ESG) factors
 - Adopting a formal Green Bond Framework





Green Bond Principles – 4 Core Components

- Voluntary guidelines developed by the International Capital Market Association (ICMA)
- Promote integrity in the Green Bond market through guidelines that recommend transparency, disclosure, and reporting



Use of Proceeds

- Amount of funds used for Green Projects
- Green Projects should have clear environmental benefits
- Financing vs. Refinancing

Management of proceeds

- Net proceeds should be tracked using a formal internal process
- High level of transparency
- External review by auditor or third-party

Project evaluation & selection

- Environmental sustainability objectives
- Process to determine Green Project eligibility
- Related eligibility criteria

Reporting

- Annual report
- Qualitative/quantitative performance measures
- Disclosure of underlying methodology



Use of Proceeds

- Net proceeds will be used to finance, in part or in full, projects falling under one Green Project Category
- DC Water will communicate amounts to be used for initial project financing (“new money”) and any amounts used for refinancing





Project Evaluation and Selection

• The ICMA eligible Green Project Categories are:

- Renewable energy
- Energy efficiency
- Pollution prevention and control ●
- Environmentally sustainable management of living natural resources and land use
- Terrestrial and aquatic biodiversity conservation
- Clean transportation
- Sustainable water and wastewater management ●
- Climate change adaptation ●
- Eco-efficient and/or circular economy adapted products, production technologies and processes
- Green buildings



- Areas that DC Water has pursued (Clean Rivers)



Project Evaluation and Selection

- DC Water will use Green Bonds for the \$2.7 billion Clean Rivers program; the program includes goals of:
 - Pollution prevention and control, specifically improving water quality
 - Sustainable water and wastewater management
 - Climate change adaption
- DC Water may consider financing additional projects with Green Bonds that meet these goals or other categories in the future
 - The CEO may propose that the Board approve the use of Green Bonds
 - The recommendation will include the environmental sustainability objectives, a statement of how the proposed projects meet the categories, and the criteria used to evaluate the project





Management of Proceeds

- The Department of Finance, within the Finance Division is responsible for managing the funds
- The net proceeds of the issuance will be deposited in a segregated account of the Construction Fund
 - Funds will be held in US Treasury securities and bank deposits only
- All proceeds will be allocated within three years to eligible project expenditures
- The balances will be tracked and will be included in the annual audit and the Green Bond Report
 - The Green Bond will be reviewed each year by the external auditor



Reporting

- 💧 DC Water will continue to publish a Green Bond report for projects until they are complete
 - The project will include both the funds allocation and the project's environmental and social benefits
- 💧 The report will include appropriate performance measures for Environmental, Social, and Governance factors associated with the project and with DC Water
- 💧 The report will transparently communicate the share of the total cost of the eligible project which is financed by other funds, and to apply this ratio to the measured environmental and social benefits of the overall DC Clean Rivers project
- 💧 The report will be reviewed by the external auditor



Recommendation

- That the Committee recommend to the full board approval of the proposed Green Bond Framework

ATTACHMENT 6

FINANCE & BUDGET COMMITTEE

ACTION ITEM

REVISED STATEMENT OF FINANCIAL POLICIES

District of Columbia Water and Sewer Authority

Statement of Financial Policies

Anticipated Approval: October 7, 2021

District of Columbia Water and Sewer Authority

Statement of Financial Policies

Purpose

The purpose of this document is to set forth financial policies for the District of Columbia Water and Sewer Authority (DC Water).

These policies are designed to promote sound financial management, achieve high-quality investment grade bond ratings to help ensure the lowest cost of debt necessary to finance DC Water's long-term capital program, guide day-to-day financial and management decisions by DC Water, and reduce financial risk associated with events that would interrupt customer payments, require a large unanticipated outlay of cash (major repair), or the interruption to financial markets.

It shall be the policy of DC Water that all financial decisions meet or exceed the Master Indenture requirements.

Scope of the Financial Policy

The Financial Policy governs financial planning and management. The policy does not include the issuance of debt, rate setting, the Rate Stabilization Fund, or investments. Those items are addressed in stand-alone policies.

Definitions

The following are definition for terms used in this policy. See the Master Indenture for definitions of additional terms.

Annual Debt Service - the total principal and interest paid in a calendar year, fiscal year, or bond fiscal year.

Average Annual Debt Service - the average debt service payable each year on an issue.

Combined Debt Service Coverage – the ratio of net revenues available annually to pay debt service to meet the annual debt service requirement including all senior and subordinate debt.

Days of Cash on Hand – the Operating Expenses calculated on an average daily balance.

Debt Defeasance – the use of available cash to reduce outstanding debt.

Debt Service – the amount of money necessary to pay interest on outstanding bonds, the principal of maturing bonds and the required contributions to a sinking fund for term bonds. This amount is also known as the “debt service requirement.”

Debt Service Coverage – the ratio of net revenues available annually to pay debt service to meet the annual debt service requirement.

Master Indenture of Trust (Master Indenture) - the Master Indenture of Trust dated as of April 1, 1998, between DC Water and the Trustee, including all amendments.

Operating Cash Reserve – the cash balance and includes the reserve funds established and required by the Master Indenture (Renewal and Replacement Reserve, and the Operating Reserve Fund). The Operating Cash Reserve does not include the Rate Stabilization Fund, DC Insurance Reserve Fund, bond funds, or debt service reserve funds.

Operating Revenues – revenues received from providing services in connection with DC Water’s principal ongoing operations, including water and wastewater user charges and charges for wholesale wastewater treatment. Revenues from user charges and sales of services are recognized as the related services are provided.

Operating Expenses – current expenses directly or indirectly attributable to the ownership or operation of the system, including personnel services, chemicals, materials and supplies, water purchases, utilities and rent, contractual services, Payment in lieu of taxes and right of way fee, depreciation and amortization and the purchase of small equipment. Operating costs do not include capital expenditures or debt service.

Net Revenues – revenues less operating expenses.

Pay-As-You-GO (PAYGO) – the use of any cash for capital project expenditures, in contrast with debt financing.

Senior Debt – payments of DC Water’s bonds and other system indebtedness.

Subordinate Debt - payments of the DC Water’s subordinate debt is made after payments of senior debt and after certain reserves have been funded.

Total Debt Service - the total principal and interest paid throughout the life of a bond issue.

Financial Plan

As part of the annual budget process, DC Water will propose and the Board will approve a financial plan that includes a ten-year projection of capital and operating costs, rates required to support those costs, assumptions about current and projected debt to support the capital program, fund balances, the use of PAYGO. The Financial Plan will meet the requirements of the Master Indenture and this Financial Policy.

Operating Cash Reserves

DC Water will maintain strong levels of Operating Cash Reserves that exceed the Master Indenture requirements. Strong cash reserves are important to maintaining DC Water's bond rating.

In the Financial Plan that is proposed by the CEO and General Manager and approved by the Board, 250 days of cash will be maintained in each fiscal year based on projected Operating Expenses. Days of Cash on Hand will be calculated on an average daily balance basis for the projections in the Financial Plan.

The calculation of Operating Cash Reserves will include any reserve funds established and required by the Master Indenture (including the Renewal and Replacement Reserve Fund, and the Operating Reserve Fund). In recognition of the importance of consistency in managing operating cash balances and the distinct purpose of the Rate Stabilization Fund (as defined in the Rate Stabilization Fund Policy), the Rate Stabilization Fund balance will be excluded from the calculation of the Operating Cash Reserve requirement.

The Renewal and Replacement Fund is \$35 million. The Operating Reserve Fund is equivalent to 60 days operating costs. The Renewal and Replacement Fund and Operating Reserve Fund requirements will be evaluated every five years by DC Water's independent rate consultant in conjunction with the system assessment required by the Master Indenture.

Debt Service Coverage

Debt service coverage is a key financial metric that impacts DC Water's credit quality and borrowing costs. In order to maintain the highest credit quality and lowest borrowing costs, it is the policy of the Board that the Financial Plan developed by the CEO and General Manager and adopted by the Board will contain a minimum combined debt service coverage of 1.60x for the budget and all years of the Financial Plan. Debt service coverage will be calculated in accordance with the Master Indenture.

Use of Debt

DC Water will, whenever possible, use the least costly type of financing for capital projects, based on a careful evaluation of DC Water's capital and operating requirements and financial position for each year. DC Water will attempt to match the period of debt repayment, in total, with the lives of the assets financed by any such debt.

The Financial Plan will include reasonable assumptions about the timing and cost of debt required to finance the projected capital expenditures.

PAYGO

The use of cash for the capital program reduces long-term borrowing costs. However, DC Water's capital program is extensive, and the useful life of assets to be funded is generally many years. In recognition thereof, DC Water will use a combination of debt and cash for the capital program. One-time sources of funding (such as from Legal Settlements) will be considered for use as PAYGO in order to reduce the use of debt while maintaining structural balance.

The Financial Plan will include the projected annual cash balances and planned annual PAYGO financing of capital projects. The Board may consider using any net cash surplus for PAYGO.

In October, the CEO and General Manager will report to the Board of Directors the actual usage of PAYGO for the just-completed fiscal year.

One-Time Revenues

DC Water will use operating cash in excess of the Board's Operating Cash Reserve requirement and any other significant one-time cash infusions for capital financing, repayment of higher cost debt (debt defeasance), or non-recurring expenses that reduce ongoing costs.

The budget and the financial plan will be structurally balanced; DC Water will use one-time revenues for one-time expenses.

Financial Performance

In the third quarter of the fiscal year the CEO and General Manager will present a report to the Board of Directors that includes year-to-date and a forecast of annual expenditures and revenues.

The CEO and General Manager will also present a recommendation regarding a projected surplus or shortfall of funds versus the Board-approved Financial Plan. Potential uses of excess funds include a deposit into the Rate Stabilization Fund, utilization for PAYGO, the repayment of higher interest debt, or an increase in the cash balance.

If the projected net cash position is a shortfall, the CEO and General Manager will propose measures to reduce expenditures.

District of Columbia Water and Sewer Authority

Statement of Financial Policies

Anticipated Approval: October 7, 2021

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District of Columbia Water and Sewer Authority

Statement of Financial Policies DISTRICT OF COLUMBIA WATER & SEWER AUTHORITY STATEMENT OF FINANCIAL POLICIES

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Purpose

The purpose of this document is to set forth

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The following are the basic finance policies that will guide DC Water's use of debt financing and development of DC Water's ten year plan:

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DC Water will maintain financial practices and policies for the District of Columbia Water and Sewer Authority (DC Water).

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These policies that result in are designed to promote sound financial management, achieve high-quality investment grade bond ratings so as to help ensure the lowest practical cost of debt necessary to finance DC Water's long-term capital program, guide day-to-day financial and management decisions by DC Water, and reduce financial risk associated with events that would interrupt customer payments, require a large unanticipated outlay of cash (major repair), or the interruption to financial markets.

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It shall be the policy of DC Water that all financial decisions meet or exceed the Master Indenture requirements.

Scope of the Financial Policy

The Financial Policy governs financial planning and management. The policy does not include the issuance of debt, rate setting, the Rate Stabilization Fund, or investments. Those items are addressed in stand-alone policies.

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Definitions

The following are definition for terms used in this policy. See the Master Indenture for definitions of additional terms.

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Annual Debt Service - the total principal and interest paid in a calendar year, fiscal year, or bond fiscal year.

Average Annual Debt Service - the average debt service payable each year on an issue.

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Combined Debt Service Coverage – the ratio of net revenues available annually to pay debt service to meet the annual debt service requirement including all senior and subordinate debt.

Days of Cash on Hand – the Operating Expenses calculated on an average daily balance.

Debt Defeasance – the use of available cash to reduce outstanding debt.

Debt Service – the amount of money necessary to pay interest on outstanding bonds, the principal of maturing bonds and the required contributions to a sinking fund for term bonds. This amount is also known as the “debt service requirement.”

Debt Service Coverage – the ratio of net revenues available annually to pay debt service to meet the annual debt service requirement.

Master Indenture of Trust (Master Indenture) - the Master Indenture of Trust dated as of April 1, 1998, between DC Water and the Trustee, including all amendments.

Operating Cash Reserve – the cash balance and includes the reserve funds established and required by the Master Indenture (Renewal and Replacement Reserve, and the Operating Reserve Fund). The Operating Cash Reserve does not include the Rate Stabilization Fund, DC Insurance Reserve Fund, bond funds, or debt service reserve funds.

Operating Revenues – revenues received from providing services in connection with DC Water’s principal ongoing operations, including water and wastewater user charges and charges for wholesale wastewater treatment. Revenues from user charges and sales of services are recognized as the related services are provided.

Operating Expenses – current expenses directly or indirectly attributable to the ownership or operation of the system, including personnel services, chemicals, materials and supplies, water purchases, utilities and rent, contractual services, Payment in lieu of taxes and right of way fee, depreciation and amortization and the purchase of small equipment. Operating costs do not include capital expenditures or debt service.

Net Revenues – revenues less operating expenses.

Pay-As-You-GO (PAYGO) – the use of any cash for capital project expenditures, in contrast with debt financing.

Senior Debt – payments of DC Water’s bonds and other system indebtedness.

Subordinate Debt - payments of the DC Water’s subordinate debt is made after payments of senior debt and after certain reserves have been funded.

Total Debt Service - the total principal and interest paid throughout the life of a bond issue.

Financial Plan

As part of the annual budget process, DC Water will propose and the Board will approve a financial plan that includes a ten-year projection of capital and operating costs, rates required to support those costs, assumptions about current and projected debt to support the capital program, fund balances, the use of PAYGO. The Financial Plan will meet the requirements of the Master Indenture and this Financial Policy.

Operating Cash Reserves

DC Water will maintain strong levels of operating cash reserves, equivalent to 120 days of budgeted operations and maintenance costs calculated on an average daily balance basis, with the objective of Operating Cash Reserves that exceed the Master Indenture requirements. Strong cash reserves are important to maintaining at least \$125.5 million in operating reserves DC Water's bond rating. The annual reserve amount will be formally approved by the Board as part of its annual approval of the operating and capital budgets.

In the Financial Plan that is proposed by the CEO and General Manager and approved by the Board, 250 days of cash will be maintained in each fiscal year based on projected Operating Expenses. Days of Cash on Hand will be calculated on an average daily balance basis for the projections in the Financial Plan.

The calculation of Operating Cash Reserves will include any reserve funds established and required by the Master Indenture (including the Renewal and Replacement Reserve Fund, and the Operating Reserve Fund). In recognition of the importance of consistency in managing operating cash balances and the distinct purpose of the Rate Stabilization Fund (as defined in the Rate Stabilization Fund Policy), the Rate Stabilization Fund balance will be excluded from the calculation of the Operating Cash Reserve requirement.

The Renewal and Replacement Fund is \$35 million. The Operating Reserve Fund is equivalent to 60 days of the operating reserve requirement costs. The Renewal and Replacement Fund and Operating Reserve Fund requirements will be evaluated every five years by DC Water's independent rate consultant in conjunction with the Indenture required system assessment required by the Master Indenture.

Debt Service Coverage

Debt service coverage is a key financial metric that impacts DC Water's Master Indenture of Trust (the "Indenture"), excluding any debt service reserve funds, Water's credit quality and the rate stabilization fund, as follows:

Operating Reserve equivalent to sixty days' operating borrowing costs
Renewal & Replacement Reserve \$35 million. This reserve requirement will be evaluated every five years by DC Water's independent rate consultant in conjunction with the Indenture required system assessment

DC Water will, in order to maintain senior the highest credit quality and lowest borrowing costs, it is the policy of the Board that the Financial Plan developed by the CEO and General Manager and

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~~adopted by the Board will contain a minimum combined debt service coverage of 140 percent, in excess of DC Water's Indenture requirement of 120 percent. Senior debt 1.60x for the budget and all years of the Financial Plan. Debt service coverage will be calculated in accordance with DC Water's the Master Indenture.~~

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- ~~• In general, DC Water will utilize operating cash in excess of the Board's reserve requirement and any other significant one-time cash infusions for capital financing or for repayment of higher cost debt.~~
- ~~• DC Water will~~

Use of Debt

~~DC Water will, whenever possible, use the least costly type of financing for capital projects, based on a careful evaluation of DC Water's capital and operating requirements and financial position for each year.~~

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~~DC Water will attempt to match the period of debt repayment, in total, with the lives of the assets financed by any such debt.~~

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DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY (DC WATER)

'Pay-As-You-Go' (Paygo) Capital Financing Policy

This Paygo Policy is to provide more specific guidance from The Financial Plan will include reasonable assumptions about the DC Water Board timing and cost of Directors on debt required to finance the critical decision-making of financing and projected capital expenditures.

PAYGO

The use of excess cash for the capital program reduces long-term borrowing costs. However, DC Water's capital program is extensive, and the useful life of assets to be funded is generally many years. In recognition thereof, DC Water will use a combination of debt and cash for the capital program. One-time sources of funding (such as from Legal Settlements) will be considered for use as PAYGO in order to reduce the use of debt while maintaining structural balance.

The Financial Plan will include the **Definitions:**

'Paygo' financing shall mean any cash financing of capital projects.

'Excess cash' shall mean any cash balance greater than needed or its use restricted to meet DC

Water's financial policy requirements as contained in the **Statement of Financial**

Policies, including:

- Operating reserve
- Renewal and replacement reserve
- District of Columbia General Obligation Debt Reserve
- Any other reserves that may be established by DC Water
- Rate Stabilization Fund deposits

Background:

DC Water's **Statement of Financial Policies** directs that operating cash in excess be used for capital financing or for repayment of higher cost debt and that whenever possible, the least costly capital financing be used for capital projects. The Revised Rate Stabilization Fund provides additional guidance and direction from the Board regarding the decision processes for adjusting the balance of that reserve fund.

Taken together, the Board policies and decisions require DC Water to continually monitor and evaluate its cash balances, reserve requirements, capital financing requirements and market interest rates, and determine the optimal financing package to produce the lowest practical cost of debt for financing its capital projects.

To implement these policies and determine the amount of paygo financing necessary:

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- ~~1. The General Manager will include in the annual ten-year financial plan, developed as part of the annual operating budget process, a separate schedule showing projected annual cash balances and planned annual paygo PAYGO financing of capital projects.~~
- ~~2. The planned annual paygo financing will be formally approved by the Board of Directors as part of its annual approval of the ten-year financial plan, operating and capital budgets.~~
- ~~3. At any time during the fiscal year, the General Manager may use paygo financing for capital projects, as approved by the Board of Directors.~~
- ~~4. During the fourth quarter of each fiscal year, the General Manager (or designee) will conduct an analysis of DC Water's financial performance.~~

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~~5. The General Manager will report the results of this analysis and his recommendations, including updated projected annual cash balances and annual paygo financing, to the Finance and Budget Committee no later than its regularly scheduled meeting in July, for recommendation to the Board for action at its September meeting. Board may consider using any net cash surplus for PAYGO.~~

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~~In October, the CEO and General Manager will report to the Board of Directors the actual usage of paygo financing PAYGO for the just-completed fiscal year.~~

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One-Time Revenues

DC Water will use operating cash in excess of the Board's Operating Cash Reserve requirement and any other significant one-time cash infusions for capital financing, repayment of higher cost debt (debt defeasance), or non-recurring expenses that reduce ongoing costs.

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The budget and the financial plan will be structurally balanced; DC Water will use one-time revenues for one-time expenses.

Financial Performance

In the third quarter of the fiscal year the CEO and General Manager will present a report to the Board of Directors that includes year-to-date and a forecast of annual expenditures and revenues.

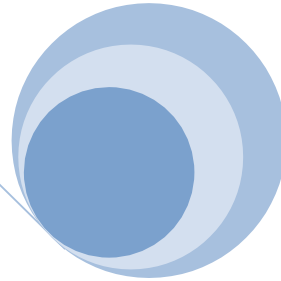
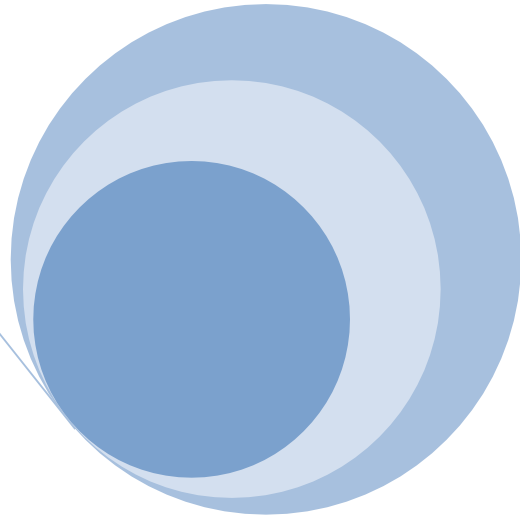
The CEO and General Manager will also present a recommendation regarding a projected surplus or shortfall of funds versus the Board-approved Financial Plan. Potential uses of excess funds include a deposit into the Rate Stabilization Fund, utilization for PAYGO, the repayment of higher interest debt, or an increase in the cash balance.

If the projected net cash position is a shortfall, the CEO and General Manager will propose measures to reduce expenditures.

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DC Water Debt Policy and Guidelines

Chief Financial Officer

As of: October 1, 2015

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

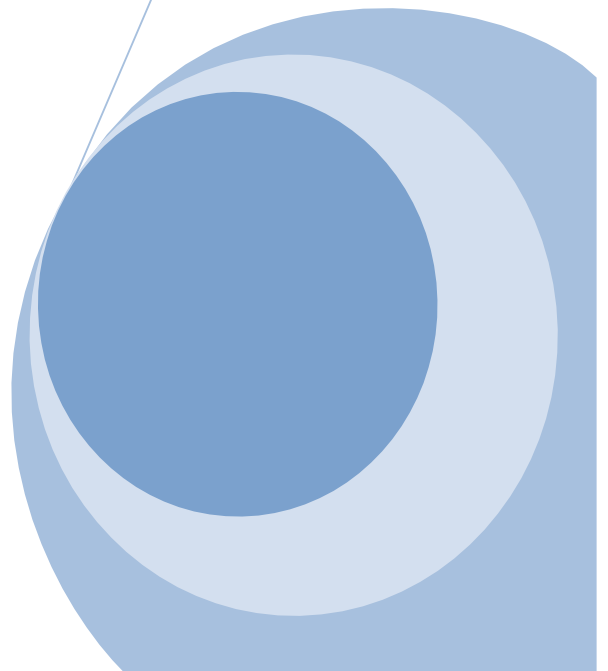


TABLE OF CONTENTS

Section	Topic	Page
I	Introduction	3
II	Purpose	3
III	Scope	3
IV	Debt Policy Objectives	4
V	Use of Debt	5
VI	Responsible Parties	5
VII	Financing Team	6
VIII	Guidelines for a Debt Transaction	7
IX	Documentation	12
X	Marketing	13
XI	Pricing the Transaction	14
XII	Post Pricing and Closing Activities	14
XIII	Investment of Proceeds, Post issuance Compliance and Monitoring, Other	15
	Debt Policy Appendices	
	- Glossary	
	- Use of Proceeds Checklist	
	- Private Use Checklist	
	- Arbitrage Rebate	
XIV	- Refunding Guidelines	
	- Timing and Considerations for Variable Rate Debt (i.e. Floating Rate Notes)	
	- Multit-Modal (SIFMA Index) Bonds Policy	
	- Extendable Municipal Commercial Paper Program Policy	

SECTION I: INTRODUCTION

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

SECTION II: PURPOSE

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

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

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

SECTION III: SCOPE

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

SECTION IV: DEBT POLICY OBJECTIVES

DC Water's Debt Policy objectives are:

1. **Compliance:** Ensure compliance with all laws, legal agreements, contracts, best practices and adopted policies related to debt issuance and management, including:
 - Enabling Legislation, Master Indenture of Trust and Supplemental Indentures
 - Policies adopted by DC Water's Board of Directors (the "Board")
 - Government Finance Officers Association (GFOA) Best Practices
 - Federal, State and local laws and regulations, as applicable
2. **Efficiency:** Promote cooperation and coordination with all stakeholders in the financing and delivery of services by:
 - Seeking the lowest cost of capital reasonably available and minimizing financing costs for capital projects and other debt issuances.
 - Establishing criteria to determine use of financing sources (Long and Short-Term debt, Pay-As-You-Go (PAYGO) financing, grants and other Alternative Forms of Financing).
 - Evaluating debt issuance options including the amount and type of debt.
 - Minimizing the use of unplanned, Short-Term cash flow borrowings by maintaining adequate working capital and authorizing the minimum amount required to offset mismatches between available cash and cash outflows determined by cash flow analysis.
3. **Effectiveness:** Promote sound financial management to maximize and best utilize future debt capacity by:
 - Maximizing administrative and operating flexibility.
 - Minimizing Legal and Financial Risk to current and future budgets.
 - Protecting DC Water's credit ratings in order to maintain access, on the best available terms, to local, regional and national credit markets.
 - Maintaining an appropriate level of operating cash reserves to meet both expected and unexpected cash flow needs, including amounts sufficient to address potential short maturities or put redemptions of DC Water's various debt instruments
 - Maintaining reasonable and justifiable levels of rates and fees that address the current and future needs of stakeholders.
 - Improving the quality of decisions and parameters for justification on debt structure.
4. **Accountability and Transparency:** Ensure that the duties and responsibilities of those charged with the implementation of the Debt Policy are clearly conveyed and understood, and that the Debt Policy is implemented in accordance with the following tenets:

- Providing the Board and all of DC Water’s stakeholders with the required information, in sufficient detail and with ample time, to allow for assessment and guidance.
- Addressing and mitigating debt portfolio risks to DC Water’s Short and Long-Term operations. For example, if DC Water has SIFMA-Index Floating Rate Notes outstanding, the Board will review potential options and provide feedback to address a mandatory tender of the bonds approximately 9 months prior to the mandatory tender date. Similarly, for DC Water’s Extendable Municipal Commercial Paper Program (EMCP), the Board will be apprised of the program’s status and the potential for the need to address a redemption or extension of the EMCP.
- Avoiding conflicts of interest.
- Fully disclosing all proposed and actual costs in a timely manner, to include the selection of and payment for professional services associated with the issuance of debt.
- Reviewing the debt financing decision, implementation, and maintenance plans with the Board.
- Timely providing all disclosures required by law.

SECTION V: USE OF DEBT

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

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

SECTION VI: RESPONSIBLE PARTIES

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

- DC Water’s Board is responsible for authorizing all debt (including Refunding Bonds, notes or other obligations) issuance via a Board resolution. The Board is also responsible for approving the Debt Policy and any material changes to it.
- DC Water’s Board Chairman, General Manager and/or the Chief Financial Officer, by delegation through a Board resolution, are responsible for executing all documents related to debt issuance.
- DC Water’s Chief Financial Officer (the “CFO”), through the Office of Treasury and Debt Management, is responsible for the administration and issuance of debt including the completion of specific tasks and responsibilities included in this Debt Policy.

- DC Water’s General Counsel is responsible for providing an opinion on certain legal matters associated with the debt transaction.
- Bond Counsel will be retained by DC Water to issue an opinion as to the legality and tax status of all debt obligations. DC Water also may seek the advice of Bond Counsel on other types of financing and on any other questions involving local, state or federal law. Bond Counsel is also responsible for the preparation of the resolution authorizing issuance of obligations, certain bond and Closing documents necessary for the execution of the debt issuance, and the performance of other services as defined by contract approved by the Authority.
- Disclosure Counsel will be retained by DC Water to assist with development of the Official Statement and Continuing Disclosure agreements. Disclosure Counsel will advise DC Water on matters pertaining to Continuing Disclosure needs and requirements. Disclosure Counsel will also provide a Due Diligence Opinion (“Rule 10(b)(5) opinion”) at Closing to DC Water. Disclosure Counsel may also be Bond Counsel.
- Financial Advisor(s) will be retained by DC Water to provide DC Water with a comprehensive analysis of options available to DC Water. The Financial Advisor(s) will advise on the structuring and execution of all debt and debt-related transactions and provide other services as defined by approved contracts.
- Feasibility Consultant(s) will be retained by DC Water, as required by the Master Indenture, to provide a necessary engineering feasibility report as well as a financial feasibility opinion. The engineering feasibility report will have findings and recommendations regarding the maintenance of DC Water’s system and the adequacy of the CIP. The financial feasibility opinion addresses DC Water’s ability to effectively execute its mission, operate its system to provide uninterrupted service, maintain regulatory compliance and finance and implement the current CIP within the parameters established in the indenture as well as Board policies. In addition, for debt associated with the Clean Rivers Project, DC Water will evaluate the need to have a feasibility consultant review the program in order to provide a “Green Bond” opinion on the debt. All reports can be incorporated into the bond offering documents, as necessary.

SECTION VII: FINANCING TEAM

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

1. May consist of multiple parties with distinct responsibilities and is generally comprised of both DC Water staff and outside professional consultants. These outside professional consultants include the Financial Advisor; Bond, Disclosure and Tax Counsel; feasibility consultant; Independent Consulting Engineer; Underwriters; Underwriter’s Counsel; printer; Trustee; Verification Agent; escrow agent; and others as deemed necessary by the CFO.
2. DC Water will select the members of the Financing Team through a competitive process. However, DC Water may also directly engage consultants on a case-by-case basis, if it is determined to be in the best interest of DC Water.

3. DC Water requires that its consultants and advisors provide objective advice and analysis, maintain the confidentiality of DC Water’s financial plans, and be free from any conflicts of interest.
4. All Financing Team Members will be required to provide full and complete disclosure, relative to agreements with other Financing Team members and outside parties. The extent of disclosure may vary depending on the nature of the transaction. However, in general terms, no agreements shall be permitted which could compromise the firm’s ability to provide independent advice which is solely in the Authority’s best interests or which could reasonably be perceived as a conflict of interest.

VIII: GUIDELINES FOR A DEBT TRANSACTION

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

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

Debt Service Coverage Requirements			
Debt Security Level	Master Indenture	Board Resolution	Management Practice
Senior	120%	140%	140%
Subordinate	100%	100%	100%
Combined	Not Applicable	160%	160%

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

by DC Water. These costs are typically funded through the issuance of Additional Bonds and are capped by the Board via the Authorizing Resolution.

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

- **Debt Service Reserve Fund (the "DSRF"):** DC Water may consider providing a DSRF as market conditions dictate. A DSRF can be established to support each individual series of bonds or as a common reserve that can support more than one series of bond's Debt Service. The DSRF is typically funded in its entirety with bond proceeds at the time of issuance but can also be funded through a Letter of Credit or a Surety Bond.
 - **Capitalized Interest:** DC Water may choose to issue bonds to pay interest on all or a portion of that bond issue for a specified time after issuance and during the construction period.
3. **Timing of the Debt Issuance:** The scheduling and timing of the sale of debt will be determined by:
- **Multi-Year Financial Plan and CIP Needs:** Represent the primary drivers of the timing of the bond transaction.
 - **Refunding Timeline:** When economic conditions are advantageous and/or other considerations demand, DC Water may refund existing debt. The nature of the Refunding – Current Refunding or Advance Refunding – will impact the timing of the Refunding transaction. See the Attached checklist, "Refunding Guidelines". Additionally, see DC Water's "Multi-Modal (SIFMA Index) Bonds Policy" and the attached checklist, "Timing and Considerations for Variable Rate Debt".
 - **Market Access and Conditions:** DC Water, with advice of its Finance Team, prefers to issue debt in favorable market conditions. However, in the event of debt market stress, it might be difficult to issue debt in a cost effective manner. If this situation arises, DC Water may choose to initially fund project costs with cash on hand and to reimburse these expenditures from a future debt financing. Likewise, certain variable rate debt, such as SIFMA notes and EMCP, have a "put" feature or short maturity date and requires the Finance Team to be aware of market access conditions as that redemption date approaches.
4. **Method of Sale:** The method of sale determines the process by which debt will be sold, the purchasers of the debt, and how the purchase price will be established. There are three primary options for each debt transaction:
- **Negotiated Sale:** DC Water can sell its bonds to the Underwriter(s) selected by DC Water at a price to be determined pursuant to negotiation. Bonds with complex security structures (e.g. revenue bonds), certain structural characteristics (e.g. Variable Rate bonds), and/or certain credit ratings (e.g. lower) frequently achieve best Pricing execution via a Negotiated Sale process.
 - **Competitive Sale:** DC Water can sell its bonds to the bidder providing the lowest true interest cost as long as the bid adheres to the requirements set forth in the official

Notice of Sale. Competitive Sales lend themselves most readily to very highly rated, simple security structures (e.g. general obligation bonds).

- **Private Placement:** From time to time, DC Water may elect to privately place its debt. Such placement shall only be considered if this method is demonstrated to result in a cost savings or other benefit to DC Water relative to other methods of debt issuance.
5. **Security Provisions:** DC Water's Bond Indenture pledges the net operating revenues (generally, the revenues net of operating expenses) to secure the debt obligations that DC Water issues under the Bond Indenture. In connection with each particular bond issue, DC Water must determine whether to issue the proposed bonds with a Senior or Subordinate pledge of net revenues. In addition, DC Water also has the ability to use a third lien, when appropriate and approved by the Board.
6. **Debt Structure:** In addition to making the decisions detailed previously, DC Water must also make several significant structural choices regarding the proposed bonds. These structural decisions directly impact the associated Debt Service and, consequently, the Multi-Year Financial Plan, DC Water's operations and ratepayers. These structural decisions address:
- **Term:** When determining the final maturity of proposed bonds, DC Water will primarily consider the useful life of the assets being financed, the depreciation schedule relating to the financed assets and the time period ratepayers have beneficial use of these assets. Other factors that DC Water will consider when determining the term of a bond issuance are the absolute level of interest rates, the relative level of interest rates, applicable rating agency criteria, and the marketability of the bonds. Generally, the term of the bonds shall not exceed the useful life of the assets being financed so DC Water must make a decision regarding the use of Long-Term or Short-Term debt:
 - Long-Term Debt is generally structured where the Amortization of the debt approaches the expected useful life of a long-lived asset. Long-term debt may be issued as fixed or variable rate debt. Long-term debt is defined as debt with a final maturity greater than or equal to 15 years.

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

- Short-Term Debt may take several forms, including variable rate demand bonds, commercial paper (both traditional CP and Extendable Municipal CP), and bond anticipation notes with either fixed or variable Rates. DC Water will consider using Short-Term debt to finance shorter-term assets, obtain lower interest costs, and/or provide interim financing for certain projects. Short term debt is defined as debt with a final maturity of less than 15 years.

- **Fixed versus Variable Rate:** When determining the balance between Fixed and Variable Rate debt, the goal is to provide DC Water with a balanced debt portfolio that manages the desire for the certainty of known quantity of future Debt Service payments provided by Fixed Rate debt versus the historically lower interest costs provided by Variable Rate debt. The Fixed and/or Variable Rate decision will be influenced and guided by several factors:
 - Market Conditions: In certain market conditions, Variable Rate issuance may provide DC Water with a material cost advantage.
 - Cash and Investment Balances: The amount of cash and short term assets DC Water has on hand provides a “natural hedge” for Variable Rate debt. While changes in interest rates impact both assets and liabilities, the change is in opposite directions. For example, an increase in interest rates results in increased Debt Service on Variable Rate debt. However, this increased Debt Service is offset by the increased interest earnings on the short term investments.
 - Credit Considerations: In general, Rating Agencies prefer a prudent balance between Fixed and Variable Rate debt. This preference is to insulate issuers from sudden, sharp increases in interest rates and Debt Service costs. In general, Rating Agencies prefer the percentage of variable-rate debt outstanding shall not exceed 20-25%. For calculation purposes, this ratio will exclude both Variable Rate debt which has been converted through a hedging transaction to synthetically Fixed Rate debt and debt that is “naturally hedged” by cash and investment balances.
 - Target Variable Rate Percentage: Given the historical cost advantage of variable rate debt compared to fixed rate debt, DC Water will have a target of net variable rate debt comprising 20-25% of the total debt portfolio. DC Water will plan for the prudent use of its variable rate debt component while considering market alternatives and the risk profile of the overall debt portfolio when adding additional variable rate debt.

- **Debt Service Payments (Level, Wrapped or Loaded):** DC Water has to determine the Amortization Schedule of the bonds. This is a significant decision that will directly influence the amount of Debt Service required each year and, as a result, will have a significant impact on the amount of revenue which must be raised each year. DC Water will have a balanced approach when determining debt service structures. In general, there are three primary options available:
 - Level Debt Service: Creates equal annual Debt Service payments (i.e., principal plus interest) over the life of the issued bonds. The debt will be structured while

- still matching Debt Service to the useful life of the financed facilities (discussed previously).
- **Wrapped Debt Service:** Conforms the Debt Service on the new debt to DC Water’s existing Debt Service burden, projected cash flows and other circumstances to create an overall Debt Service schedule that meets the objectives and parameters of DC Water.
 - **Loaded Debt Service:** Creates a principal maturity structure to achieve a desired goal for DC Water. Generally, principal can be either “front-loaded” or “back-loaded”.
- **Serial versus Term Bonds:** To achieve desired Debt Service levels while balancing the Marketability of the bonds, DC Water may issue a combination of Serial and Term Bonds and can, if appropriate, incorporate Sinking Funds.
 - **Redemption Provisions:** In some circumstances, DC Water may redeem (repurchase bonds from the bond holder) outstanding debt prior to its stated maturity. The most common redemption provisions are:
 - **Optional Redemption (Call option):** Allows DC Water the ability, at its option and subject to certain conditions, to re-purchase selected bonds prior to their stated maturity. Pursuant to the Act, all bonds issued by DC Water shall be callable not more than 11 years from the date of the issuance of the respective bond.
 - **Mandatory Redemption:** Requires DC Water to re-purchase outstanding debt prior to its stated maturity according to a Sinking Fund schedule established in the authorizing documents. Usually, Mandatory Redemption provisions allow issuer’s to structure the annual Debt Service to match projected repayment sources. In other instances, a Mandatory Redemption can be triggered by the occurrence of certain one-time or extraordinary events.
 - **Couponing of Bonds:** The Coupons associated with bonds compared to the Yield determine if the bonds will sell at a Premium, Discount or at Par. DC Water will consider the relative benefits and costs of Couponing each maturity based on specific structuring requirements, prevailing market conditions and the Marketability of the bonds.
7. **Credit Enhancement:** DC Water may consider the use of credit enhancement such as letter-of-credit or bond insurance in order to reduce the cost of borrowing. For variable rate debt transactions that require credit enhancement (such as Variable Rate Demand Bonds), DC Water will consider credit enhancement products such as a Standby Bond Purchase Agreement or a Letter of Credit, that are typically required by investors. DC Water will consider the cost and marketability implications of each variable rate product and supporting credit enhancement product prior to each transaction on a case-by-case basis. In addition, to manage business and counterparty risk, DC Water will consider a diversity of credit enhancement providers.

- a. **Liquidity Considerations:** For certain variable rate issuance, DC Water may consider utilizing products that do not require a traditional bank letter of credit or standby bond purchase agreement facility (such as Extendable Municipal Commercial Paper). DC Water will limit the amount of such products to a maximum of \$100 million or an amount approved by the Board.

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

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

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

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

IX: DOCUMENTATION

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

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

X: MARKETING

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

1. **Investors:** Retail, Professional Retail and Institutional Investors purchase DC Water's bonds. While both classes of investors rely on the formal credit ratings, Institutional investors generally do an independent review and approval of DC Water's credit before making an investment decision. Information is critical for these investor classes and, in addition to providing a Preliminary Official Statement to the Underwriters, DC Water will endeavor to maintain timely financial and operational data on the DC Water's web site and Investor Relations web page. DC Water can target these investors through different channels:
 - **Retail Investors.** Retail marketing plans typically include print and online advertising and radio ads. Retail proxies (investment managers, trust departments, etc.) also can be reached via internet road show.
 - **Professional Retail Investors.** Professional Retail investors (money managers and bank trust departments that manage money on behalf of wealthy clients and often aggregate individual orders in a given transaction) have emerged recently and can have an important influence on the pricing of a transaction. Typically, marketing to Professional Retail is accomplished in the same way as marketing to Institutional Investors.
 - **Institutional Investors.** To reach these investors, DC Water can conduct an Institutional investor outreach program for each transaction. This program might include face-to-face meetings, calls with investors (individually or in groups) or an Internet-based presentation (e.g., NetRoadShow). All of these can inform investors

and brokers of the upcoming sale and provide other salient updates. In addition; print, radio and internet advertising is also an available marketing channel. DC Water can also engage Institutional Investors throughout the year to keep them informed of DC Water's current financial and operational position and the status of the CIP.

At the end of each sale, certain metrics will be used to assess the most suitable and successful means of marketing the new issue of bonds to investors. This information will inform the next transaction and improve future marketing efforts.

- 2. Rating Agencies:** The Rating Agencies evaluate the credit quality of DC Water by measuring the probability of the timely repayment of principal and interest on the bonds. To help achieve the lowest cost of debt, DC Water will strive to achieve the highest, most cost-effective credit Ratings. DC Water's debt management activities will be conducted to maintain its strong credit Ratings, consistent with DC Water's financing objectives. Generally, DC Water obtains at least one credit rating for each debt issuance.

XI. PRICING THE TRANSACTION

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

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

XII: POST-PRICING AND CLOSING ACTIVITIES

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

- 1. Bond Purchase Agreement:** DC Water and the Senior Manager are the signatories to the BPA. Prior to signing the BPA, the Senior Manager will review the orders and allocations of the Bonds with DC Water. The purpose of this review is to ensure an equitable distribution of the bonds across investor classes and Underwriters.
- 2. Posting the Official Statement:** The Official Statement is required to be delivered to investors within business 7 days of signing the BPA.
- 3. Closing and Bond Transcript:** Typically 1-2 weeks after Pricing, the transaction is Closed. This is the formal signing of all of the required legal documentation for the bond transaction. Once all Closing documents are executed, DC Water will deliver the securities in exchange for the Purchase Price of the bonds from the Underwriter. The Purchase Price will be wired to the designated accounts in the pre-determined amounts to

achieve the purpose of the transaction as detailed in the Closing memorandum. Closing involves the participation of DC Water, Bond Counsel, Disclosure Counsel, the Underwriter(s), Underwriter's Counsel, the Trustee and the Financial Advisor. Subsequent to Closing, Bond Counsel will deliver the Closing transcript. The Closing transcript includes all of the legal and financial documents, including Bond Counsel's opinion and other legal opinions (e.g. Disclosure Counsel's Rule 10(b)(5) Opinion), associated with the transaction. DC Water will incorporate the Closing transcript into their official records.

4. **Evaluation:** Determining the efficiency and effectiveness of the transaction and the performance of the Finance Team is an important activity. DC Water, through both formal and informal means, will review the bond transaction purpose, process and timing and compare this to the goals that were established for the transaction. The performance of all members of the Finance Team will be reviewed and evaluated for future reference. In addition, the Financial Advisor will provide a written report to DC Water of the transaction and how the Pricing of the bonds compared to similar transactions concurrently in the market. This comparison will illustrate the borrowing costs of DC Water's new issue compared to similarly-rated entities. A review of investor's orders and allotments will also be provided.
5. **Reports:** The CFO, the Financial Advisor and Underwriter will provide the evaluation to the Board. This will be done no later than 30 days after the transaction and will also address market conditions, Pricing results, investor response and a review of the Cost of Issuance and Underwriter's Discount (and applicable expenses) associated with the transaction.

XIII. INVESTMENT OF PROCEEDS, POST ISSUANCE COMPLIANCE AND MONITORING, OTHER COMPLIANCE REQUIREMENTS

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

1. **Investment of Bond Proceeds.** The Treasury and Debt Management department, after receipt of Bond proceeds, will invest the funds based on the Bond Indenture, DC Water's Investment Policy and Federal regulations.
2. **Project Compliance (See attached "Use of Proceeds Checklist" and "Private Use Checklist")**
 - **Arbitrage:** DC Water does not pay federal income tax and generally DC Water's bond holders do not pay federal income tax on interest earned from bonds issued by DC Water. With the investment of Bond proceeds, the treatment of interest earned on the permitted investments during this period is governed by IRS Arbitrage rules designed to eliminate any Arbitrage incentive to:
 - Issue more bonds than needed,
 - Issue bonds earlier than needed, and
 - Leave bonds outstanding longer than needed

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

- The Tax Certificate for the transaction provides the relevant information.
 - DC Water may retain the services of a qualified Arbitrage rebate agent to calculate any Arbitrage due to the IRS on outstanding bond issuances with proceeds remaining.
 - Arbitrage consultant selected by a RFP or RFQ will be used to determine compliance and rebates (see attached flowcharts).
- **Annual Review:** DC Water will review expenditures and reimbursements to determine if any private business use in facilities that were constructed using tax-exempt debt, except as specifically disclosed prior to sale of debt or as subsequently opined by nationally recognized Bond Counsel, do not impact the tax-exempt status of the debt.
 - **Bond Proceeds:** DC Water will track Bond proceeds, ensuring expenditures are within the legally allowable construction period and other parameters to comply with legal requirements.
 - **Document Retention:** DC Water will retain documents related to the debt issue for the life of an issue or the life of the Refunding of the issue plus three years.
3. **Continuing Disclosure Compliance.** The Official Statement and the Continuing Disclosure Agreement for the transaction will detail what information is required to be disclosed and on what timeline. To meet these disclosure requirements:
- DC Water will use a Dissemination / Disclosure Agent whom shall be named as responsible for the required reporting for each debt issue requiring Continuing Disclosure under Securities and Exchange Commission Rule 15(c)(2)(12).
 - Dissemination of the required information is accomplished through the Electronic Municipal Market Access system (EMMA).
 - Treasury and Debt staff will monitor required reporting dates to ensure annual and periodic reporting requirements are satisfied.
 - Disclosure Counsel shall be consulted to determine compliance and updates in Continuing Disclosure.
 - Compliance status shall be reported annually to the Board at a public meeting.
4. **Refunding Opportunities Monitoring**
- The CFO through the Office of Treasury and Debt Management staff and in conjunction with the Financial Advisor(s), will periodically monitor Refunding opportunities.
 - As Refunding opportunities are more further defined and achieve financial targets, this information shall be reported to the Board.

- See the Attached checklist, “Refunding Guidelines.”

5. Municipal Advisor Rule Compliance.

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

DC Water Debt Policy and Guidelines

Glossary¹

For additional information see
<http://www.dewater.com/about/board.cfm>

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

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

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

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

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

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

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

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

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

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

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

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

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

BOND COUNSEL – An attorney or law firm, typically retained by the issuer, to give a legal opinion that the issuer is authorized to issue proposed municipal securities, the issuer has met all

legal requirements necessary for issuance and interest on the proposed securities (if they are intended to be tax-exempt bonds) will be excluded from gross income of the holders thereof for federal income tax purposes and, where applicable, from state and local taxation. Typically, bond counsel may prepare, or review and advise the issuer regarding, authorizing resolutions, trust indentures, official statements, validation proceedings and litigation.

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

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

CALLABLE BOND – A bond that the issuer is permitted or required to redeem before the stated maturity at a specified price, usually at or above par, by giving notice of redemption in a manner specified in the bond contract. Bond is said to have a “Call Option” as part of an Optional Redemption at the discretion of the issuer. Optional redemptions often can be exercised only on or after a specified date, typically beginning approximately ten years after the issue date.

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

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

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

registered clearing agency in advance of closing, with the registered clearing agency effecting final delivery of the securities to the underwriter on the closing date by means of book entries. Sometimes a “pre-closing” is held before delivery, typically on the day preceding closing, to review the adequacy of the closing procedures and documents.

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

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

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

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

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

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

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

COVERAGE – The ratio of pledged revenues available annually to pay debt service to the annual debt service requirement. This ratio is one indication of the availability of revenues for payment

of debt service. The formula for determining coverage, often referred to as “debt service coverage” or the “coverage ratio,” is as follows:

Coverage	=	<u>Pledged Revenues</u>
		<u>Debt Service Requirement</u>

EXAMPLE:

Coverage	=	\$2,000,000	=	1.66
		\$1,200,000		

I

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

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

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

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

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

reason the funds deposited in an economic or financial defeasance prove insufficient to make future payment of the outstanding debt, the issuer would continue to be legally obligated to make payment on such debt from the pledged revenues.

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

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

DISSEMINATION / DISCLOSURE AGENT – Acts on behalf of the issuer or obligated person to provide timely and accurate disclosure information to meet regulatory and other mandates.

DUE DILIGENCE OPINION – A letter of counsel, often referred to as a “10b-5 opinion,” generally based upon an investigation of specified facts, and addressing the accuracy and completeness of the official statement. A due diligence opinion customarily states that, based on certain specified inquiries, nothing has come to such counsel’s attention indicating that the official statement contains any misstatements of material facts or any material omissions. A due diligence opinion may or may not be issued, depending on the nature and complexities of the new issue of municipal securities.

ENABLING LEGISLATION – a piece of legislation by which a legislative body grants an entity, which depends on it for authorization or legitimacy, the power to take certain actions.

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

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

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

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

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

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

Debt Service Fund – A fund into which the issuer makes periodic deposits to assure the timely availability of sufficient moneys for the payment of debt service requirements. Typically, the amounts of the revenues to be deposited into the debt service fund and the timing of such deposits are structured to ensure a proper matching between debt service fund deposits and debt service payments becoming due. For many issues, the debt service fund may contain a separate “principal account” and “interest account” in which moneys for such respective purposes are held. In addition, the debt service fund for many variable rate securities may contain a “letter of credit account” or “reimbursement account” in which moneys are held to reimburse the issuer of a liquidity facility for draws made to pay amounts owing on the securities.

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

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

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

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

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

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

EXAMPLE:

Level Debt Service Assumptions:

Size of issue: \$10,000,000

Interest rate: 7%

Maturity of issue: 5 years

Debt Service Schedule

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

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

EXAMPLE:

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

<u>Debt Service Schedule</u>			
Years	<u>Principal*</u>	<u>Interest</u>	Total*
1	\$ 2,000,000	\$ 700,000	\$ 2,700,000
2	2,000,000	560,000	2,560,000
3	2,000,000	420,000	2,420,000
4	2,000,000	280,000	2,280,000
5	2,000,000	140,000	2,140,000
Total	\$ 10,000,000	\$ 2,100,000	\$ 12,100,000

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

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

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

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

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

Lead Manager, Senior Manager or Bookrunning Manager – The underwriter serving as head of the syndicate. The lead manager generally handles negotiations in a negotiated underwriting of a new issue of municipal securities or directs the processes by which a bid is determined for a competitive underwriting. The lead manager also is charged with allocating securities among the members of the syndicate according to the terms of the agreement among underwriters and the orders received.

Joint Manager or Co-Manager – Any member of the management group (although the term is often used to refer to a member other than the lead manager).

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The amount of original issue premium received by the issuer in a primary offering, also known as the “bond premium,” is generally treated as proceeds of the issue.

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

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

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

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

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

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

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

Designated Order – An order submitted by a syndicate member on behalf of a buyer on which all or a portion of the takedown is to be credited to certain members of the syndicate. The buyer directs the percentage of the total designation each member will receive. Generally two or more syndicate members will be designated to receive a portion of the takedown.

Group Net Order – An order that, if allocated, is allocated at the public offering price without deducting the concession or takedown. A group net order benefits all syndicate members according to their percentage participation in the account and consequently is normally accorded the highest priority of all orders received during the order period.

Member Order – An order submitted by a syndicate member where the securities would be confirmed to that member at syndicate terms (e.g., less the total takedown). Other priorities, such as retail orders or orders from local residents, may supercede those noted above.

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

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

RATINGS – Evaluations of the credit quality of notes and bonds made by rating agencies. Ratings are intended to measure the probability of the timely repayment of principal of and interest on municipal securities. Ratings often are assigned upon issuance and are periodically reviewed and may be amended to reflect changes in the issuer's credit position. Ratings also are sometimes assigned after the initial issuance, often on bonds that have been advance refunded. The factors upon which the rating agencies base their credit ratings vary with each type of issue. The ratings may derive from the credit worthiness of the issuer itself or from a credit enhancement feature of the security (e.g. guarantor, letter of credit provider, bond insurer, etc.). In the case of short term obligations, liquidity generally is a significant factor in determining a short term rating. Some rating agencies provide both long term and short term ratings on variable rate demand obligations.

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

<p>Fitch Ratings (www.fitchratings.com)</p>	<p>Moody's Investors Service (www.moodys.com)</p>	<p>Standard & Poor's (www.standardandpoors.com)</p>
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Long Term Ratings:

<u>AAA</u>	<u>Aaa</u>	<u>AAA</u>
AA+, AA, AA-	Aa1, Aa2, Aa3	AA+, AA, AA-
A+, A, A-	A1, A2, A3	A+, A, A-
BBB+, BBB, BBB-	Baa1, Baa2, Baa3	BBB+, BBB, BBB-
BB+, BB, BB-	Ba1, Ba2, Ba3	BB+, BB, BB-
B+, B, B-	B1, B2, B3	B+, B, B-
CCC+, CCC, CCC-	Ca1, Ca2, Ca3	CCC+, CCC, CCC-
CC	Ca	CC
C	C	C
DDD	--	D
DD	--	--
D	--	--

Short Term Ratings:

F1+, F1	MIG 1/VMIG 1	SP-1+, SP-1
F2	MIG 2/VMIG 2	SP-2
F3	MIG 3/VMIG 3	SP-3
B	SG	--
C	--	--
D	--	--

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

REFUNDING BONDS – Bonds issued to refund outstanding bonds.

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

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

RULE 10(b)(5) – An SEC rule that makes it unlawful for any person, in connection with the purchase or sale of any security, to employ any device, scheme, or artifice to defraud; to make any untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; or to engage in any act, practice, or course of business which operates or would operate as a fraud or deceit upon any person. Normally pertains to Disclosure and the information contained in the Official Statement.

RULE 15(c)(2)(12) – An SEC rule setting forth certain obligations of (i) underwriters to receive, review and disseminate official statements prepared by issuers of most primary offerings of municipal securities, (ii) underwriters to obtain continuing disclosure agreements from issuers and other obligated persons to provide material event disclosures and annual financial information on a continuing basis, and (iii) broker-dealers to have access to such continuing disclosure in order to make recommendations of municipal securities in the secondary market.

SERIAL BONDS – Bonds of an issue that mature in consecutive years.

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

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

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

SUPPLEMENTAL INDENTURE – An agreement entered into by an issuer that supplements the issuer’s master indenture or trust indenture. Often, a supplemental indenture is executed in

connection with the issuance of one or more series of additional bonds under the master or trust indenture. In some cases, a supplemental indenture merely amends terms of the master or trust indenture without providing for the issuance of additional bonds.

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

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

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

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

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

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

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

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

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

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

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

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

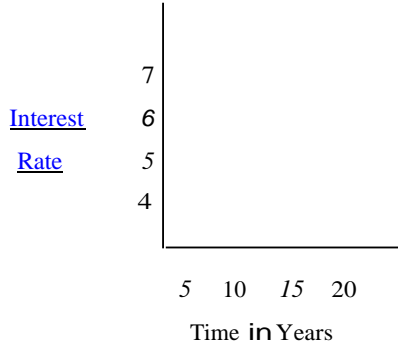
VERIFICATION AGENT – A certified public accountant or other independent third party that provides the Verification Report.

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

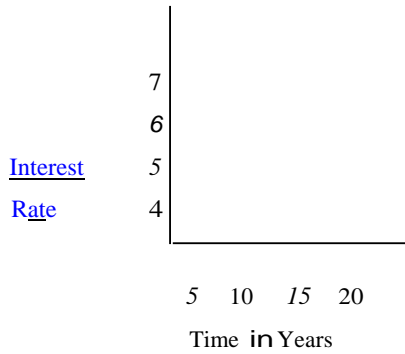
YIELD – The annual rate of return on an investment, based on the purchase price of the investment, its coupon rate and the length of time the investment is held.

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

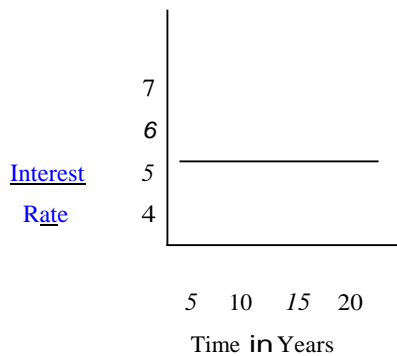
Normal or Positive Held Out... Indicates that [short-term securities](#) have a lower [interest rate](#) than [long-term securities](#).



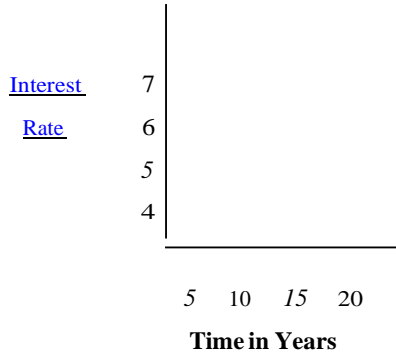
Inverted or Negative Held Out... Reflects the situation of [short-term](#) rates exceeding [long-term](#) rates.



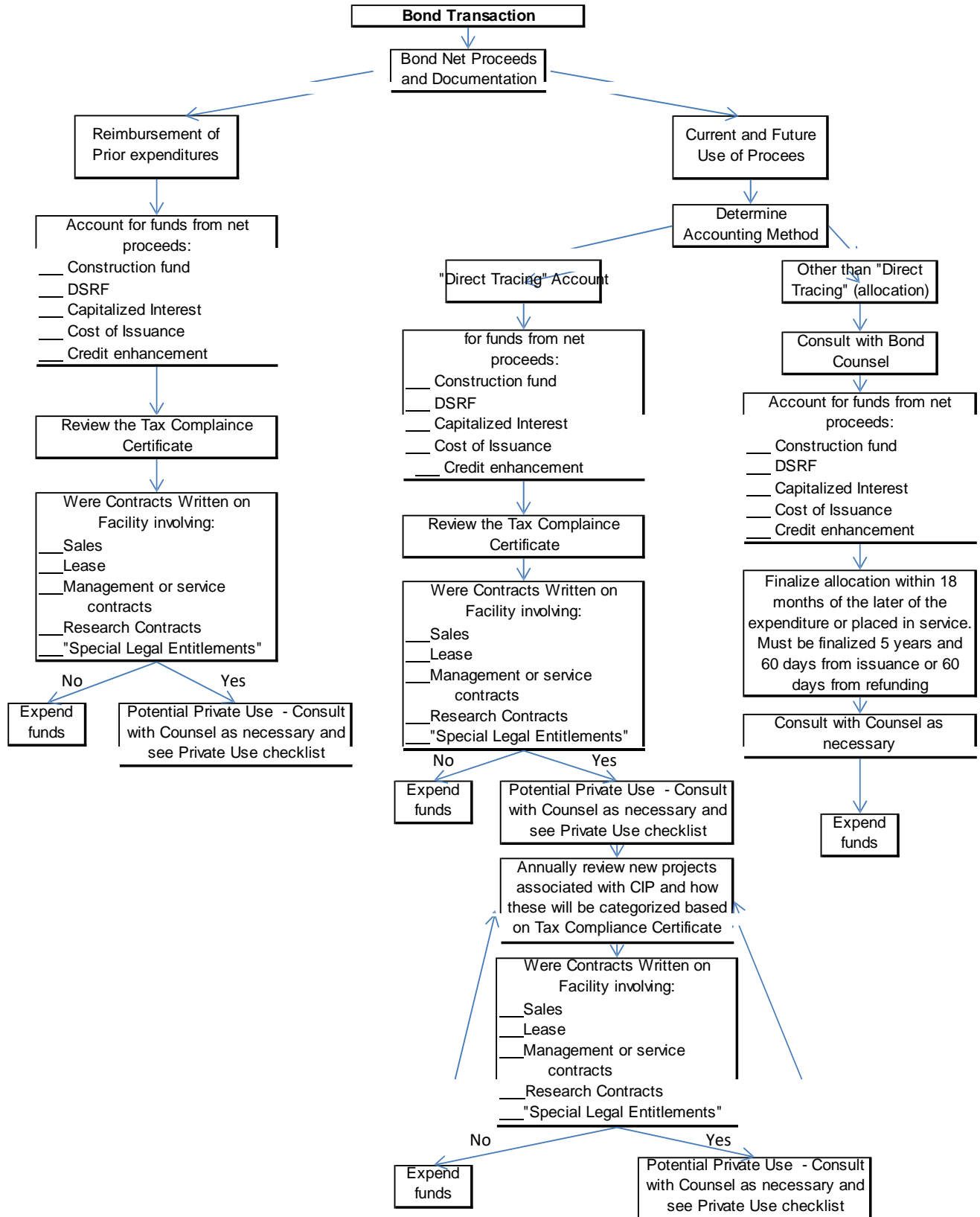
Flat Held Out... Reflects the situation when [short-](#) and [long-term](#) rates are approximately the same.



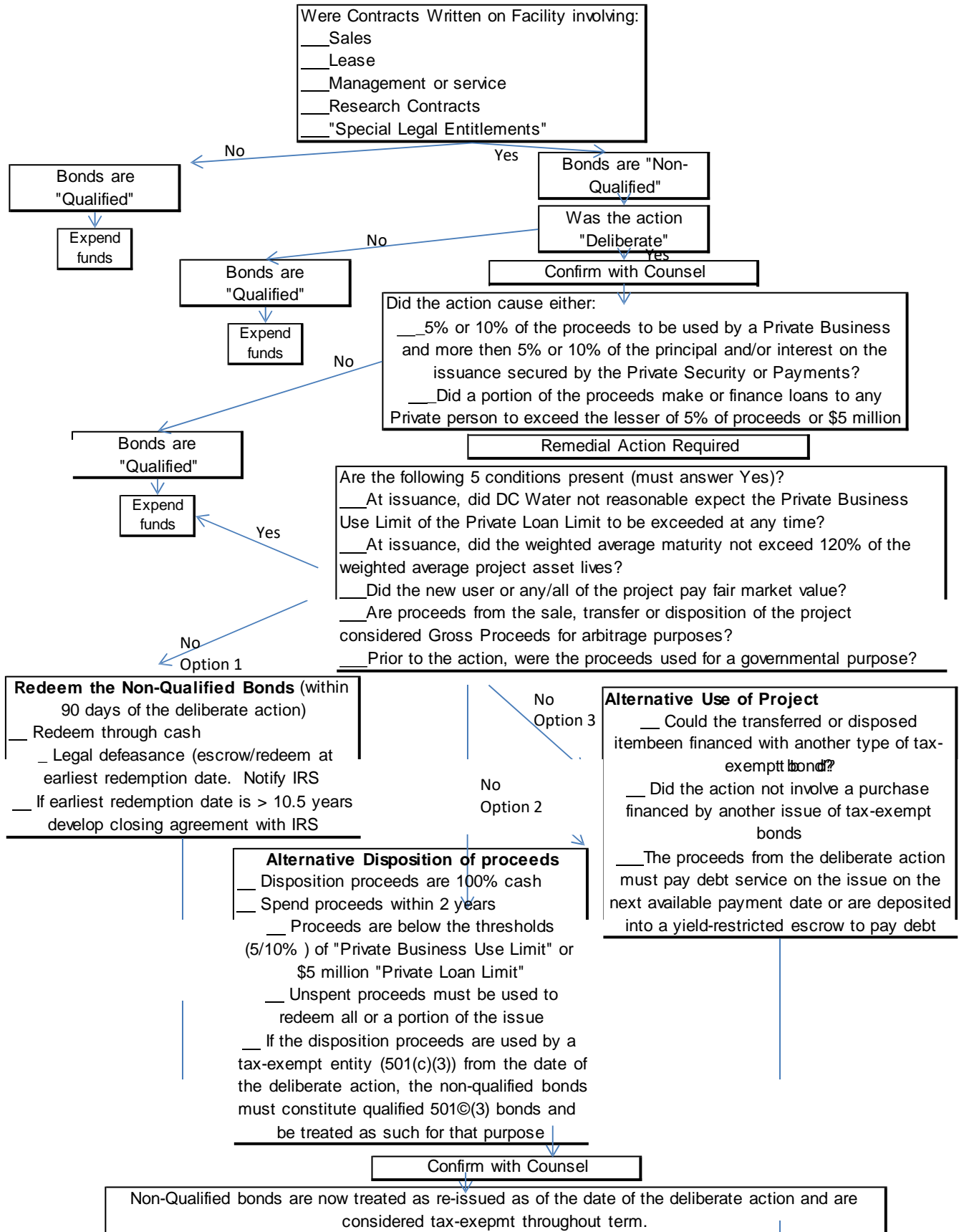
Humpback, or Bimodal Yield Curve-An unusual shape, indicating that rates are low in the early years, peak in the middle years and decline in later years.



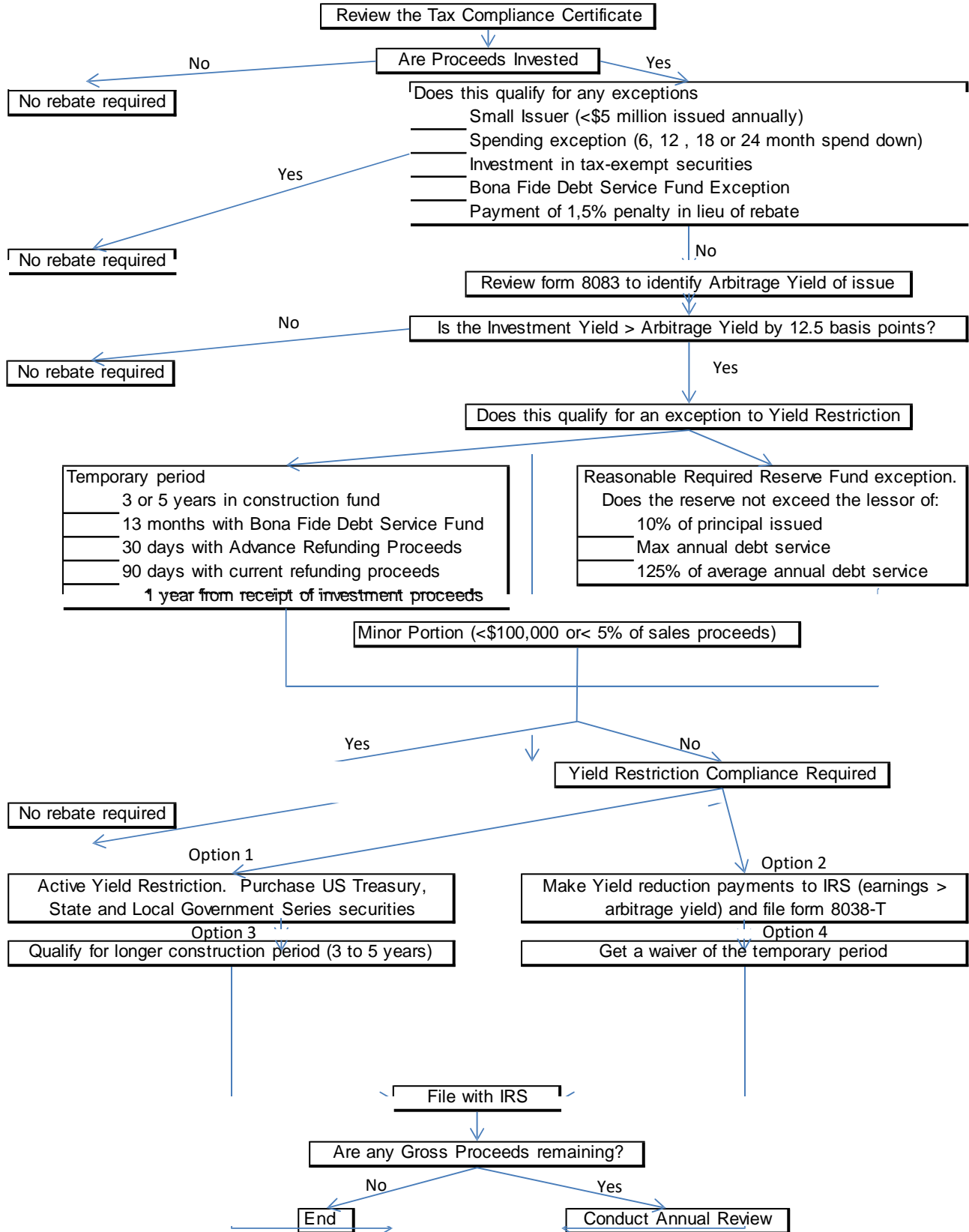
DC Water – Use of Proceeds Checklist



DC Water – Private Use Checklist



DC Water – Arbitrage Rebate



DC Water – Refunding Guidelines (1 of 2)

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

DC Water will consider the following criteria when analyzing possible Refunding and Restructuring opportunities:

Cash Flow Savings: by maturity or by total issue, the newly issued bonds’ (the refunding bonds) debt service to the current debt service of the proposed refunded bonds.

Net Present Value Savings: by maturity or by total issue, the newly issued bonds’ (the refunding bonds) debt service to the current debt service of the proposed refunded bonds and discounts the debt service difference back to the proposed closing date. This can be viewed in the aggregate or, as preferred, the present value savings for that maturity is calculated as a percentage of the par value of the refunded bonds.

DC Water has minimum present value savings threshold target of 3% based on the entire transaction.

However, other factors may be considered.

Option Value: Refunded bonds have an imbedded call option and this call option has value based on several variables (e.g. prevailing rates, market volatility, yield curve environment, time to exercise option). This value can be calculated and compared to the present value savings of the refunded bonds. DC Water has a goal of capturing 70% of the option value. However, other factors will also be considered.

Negative Arbitrage: For bonds that are advanced refunded, an escrow will normally be established to legally defease the bonds debt service over time. An escrow, as detailed previously, is normally invested in low yielding, SLGS or Treasury securities. The difference between the yield of the escrow and the yield of the refunded bonds represents the negative arbitrage for that maturity. DC Water has a goal of minimizing the negative arbitrage in the escrow. However, other factors will also be considered.

DC Water – Refunding Guidelines (2 of 2)

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

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

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

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

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

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

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

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

When *planning* a FRN transaction:

- _____ Limit the amount subject to a mandatory tender in any one year.
- _____ Compare the planned transaction size with DC Water’s planned cash balance and/or CP capacity to ensure the tender amount can be addressed if there are market access problems. Make adjustments to the cash balance / CP as needed.
- _____ Include 6 month call option on FRNs in the documentation, allowing for additional time to remarket tendered bonds.
- _____ Incorporate provisions into documentation that allow DC Water to purchase tendered bonds.

Once FRNs are issued (for financial planning):

- _____ Determine the years in which there is a hard put for the bonds.
- _____ Incorporate the hard put date and call date into the multi-year financial plan.
- _____ Review timing of planned bond transactions to ensure alignment with call date and hard put date.
- _____ Determine if FRN’s should be refinanced with fixed-rate or variable rate debt
- _____ Incorporate necessary tender amount into planned bond offering
- _____ Review cash balance and CP capacity to address tender in the event of market access problems.

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

SUBJECT	
Multi-modal (SIFMA Index) Bonds	

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

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

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

1. Structure any SIFMA-Indexed or similar bonds with an optional redemption feature of at least six months prior to any mandatory tender or maturity date which affords the Authority an extended window to remarket or refund the SIFMA Index Bonds and not be subject to limited periods of no market access.
2. Throughout the three months preceding any Purchase Date, maintain sufficient liquidity (either in cash or cash equivalents) to cover the full amount of the Purchase Price payable on that Purchase Date; and
3. Maintain strong credit ratings to ensure market access.

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

1. The Authority will begin its review, preparation and strategy for remarketing/ refunding approximately nine (9) months prior to each mandatory or stated maturity date for the SIFMA Index Bonds. During this period, the Authority will:
 - a. Assess and evaluate its options, taking into consideration the current market conditions;
 - b. Decide upon a preferred option and remarketing /refinancing strategy; and
 - c. Develop a formal plan of action with a timeline and details for completion, (including initiating the transactional dialogue with the rating agencies)
2. No later than 180 days (6 months) prior to the mandatory tender or stated maturity, the Authority will have determined the plan of finance, made the appropriate notifications as required by the Indenture, obtained, or be in the process of obtaining, all legal authorizations and will proceed with the bond issuance activities:

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

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

SUBJECT <h3 style="text-align: center; margin: 0;">Multi-modal (SIFMA Index) Bonds</h3>	
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To the extent that the Authority determines to Refund the bonds:

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

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

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

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

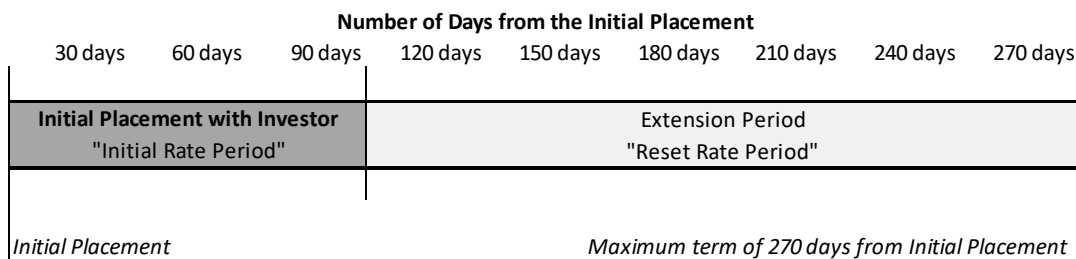
**DC Water
Extendable Municipal Commercial Paper Program Policy**

This policy sets-forth the methodologies and procedures that DC Water will undertake in structuring and utilizing Extendable Municipal Commercial Paper (EMCP).

The purpose of this policy is to ensure the successful remarketing or refunding of EMCP. Additionally, this policy provides a process to address any liquidity risk to the Authority of the short maturity date feature of EMCP.

General Characteristics and Mechanics of EMCP Compared to Commercial Paper (CP) are:

- Establishing the EMCP program provides diversification of the variable rate products available to address DC Water’s Interim Financing needs. EMCP can also be a lower cost financing vehicle given there is no additional cost associated for a credit facility. Additionally, the EMCP program can reduce the reliance on bank-supported financing products.
- EMCP, as with traditional CP, has a maximum maturity from its initial placement with an investor of 270 days.
- The EMCP is placed with an investor for an Initial Rate Period, at a market-based rate determined by the EMCP dealer with the concurrence and approval of DC Water.
- EMCP, as with traditional CP, typically relies on market liquidity provided by investors to “roll” the commercial paper at the end of each placement period. That is, the proceeds from the new investor are used, along with interest payment proceeds from DC Water, to pay off the original investor.
- In the event of a market dislocation where the EMCP dealer cannot identify a new investor, there is a provision with EMCP that allows DC Water to extend the maturity date of the outstanding EMCP beyond the Initial Rate Period to a maximum of 270 days from the date of the original issuance. If the EMCP is extended, the *existing* investors continue to hold the EMCP and the EMCP rate resets to a higher “penalty rate” (the “Reset Rate”) established by a pre-determined formula. The Reset Rate is intended to provide additional incentive to redeem the extended EMCP as soon as possible. The EMCP is callable at any time during the Reset Rate Period. Graphically, this is depicted below:



- If, at the end of the Reset Rate Period (270 days from the initial placement), the EMCP cannot be remarketed to a new investor, DC Water will be required to provide the total proceeds to the existing investor. Typically, proceeds are from the proceeds of other CP (backed with bank credit facilities), long term bonds, lines of credit, or available cash reserves.
- EMCP ratings are directly tied to the short-term ratings of DC Water, which reflect a combination of DC Water's long-term credit quality, ability to withstand short-term market events and market access. Conversely, traditional CP is backed by a bank-provided credit facility and in the event of a failed remarketing, this credit facility could be used to provide the proceeds to address the failed remarketing. Therefore, for traditional CP, the short-term ratings are based on the underlying credit ratings of the bank providing the credit facility.

Guidelines for the EMCP Program:

1. The **maximum authorized amount of the EMCP program will not exceed \$100 million** or an amount approved by the Board.
2. Given the maximum maturity of the EMCP is 270 days, the **Initial Rate Period will not exceed 90 days**. This allows DC Water up to 180 days (6 months) to address the maturity of the EMCP in the event the EMCP dealer cannot identify a new investor after the Initial Rate Period.
3. Given the potential for DC Water to fund the repayment of outstanding EMCP at the final maturity (in the event of an unremarketed maturity), **DC Water acknowledges the importance of maintaining timely market access**. For prudence, DC Water will **maintain sufficient cash reserves and traditional commercial paper capacity** to fully redeem any outstanding EMCP.
4. DC Water, in conjunction with the EMCP dealer, will **monitor market conditions during the Reset Rate Period to determine if the EMCP can be rolled** to a new investor.
5. DC Water, in conjunction with its Financial Advisors, will **determine an appropriate financing vehicle** to address a potential need to redeem the EMCP at the end of the Reset Rate Period. Options include:
 - a. Available cash reserves
 - b. Available capacity in DC Water's traditional commercial paper program, or proceeds from another credit facility
 - c. Capital markets, long-term debt transaction.
6. This policy will include a **form of Authorizing Resolution and Supplemental Resolution** to address a potential bond transaction to fix-out the EMCP.
7. **Reset Rate will not exceed the maximum rate (12% per annum)** authorized by DC Water's Board.

General Timing for the EMCP Program in Event of Extension/Potential Unremarketed Maturity:

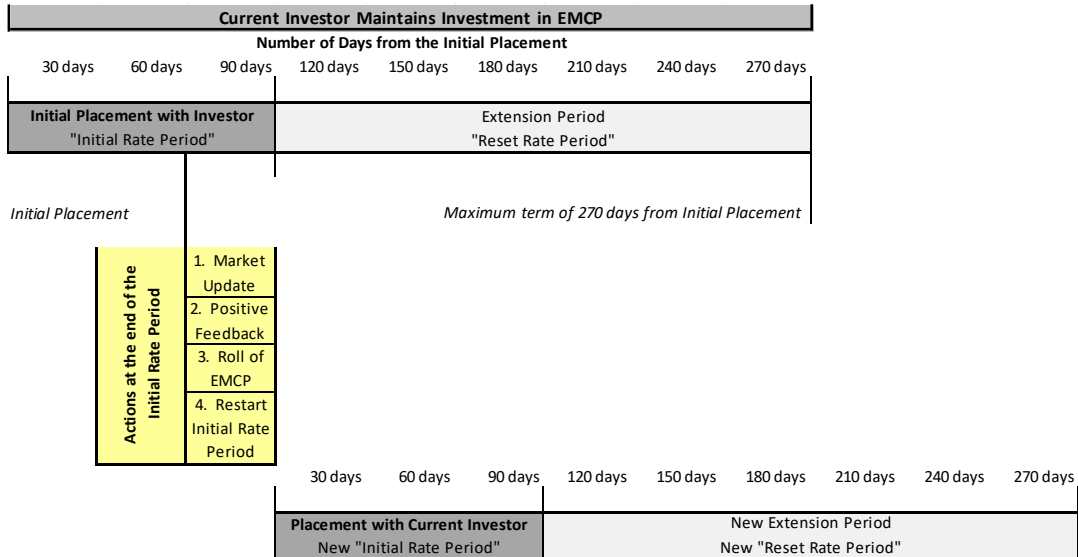
1. As long as there is EMCP outstanding, no less than two weeks prior to the end of the Initial Rate Period for any tranche of EMCP, the EMCP dealer and DC Water will have a market update call. At this market update, DC Water will detail whether the EMCP

should be rolled or if DC Water intends to redeem the EMCP. If electing to roll the EMCP, the EMCP dealer will provide thoughts on EMCP market tone and trends.

Specifically, the update will focus on three potential outcomes at the end of the Initial Rate Period and the following actions required:

- a. **Current Investor will maintain current position, with a new negotiated rate for the EMCP and a new Initial Rate Period. DC Water will:**
 - i. Monitor market conditions, with the assistance of the EMCP dealer, in the days leading to the end of the Initial Rate Period
 - ii. Discuss and define parameters of roll of the EMCP (new rate and new minimum Initial Rate Period) with the EMCP dealer
 - iii. Approve new rate and Initial Rate Period for roll of EMCP

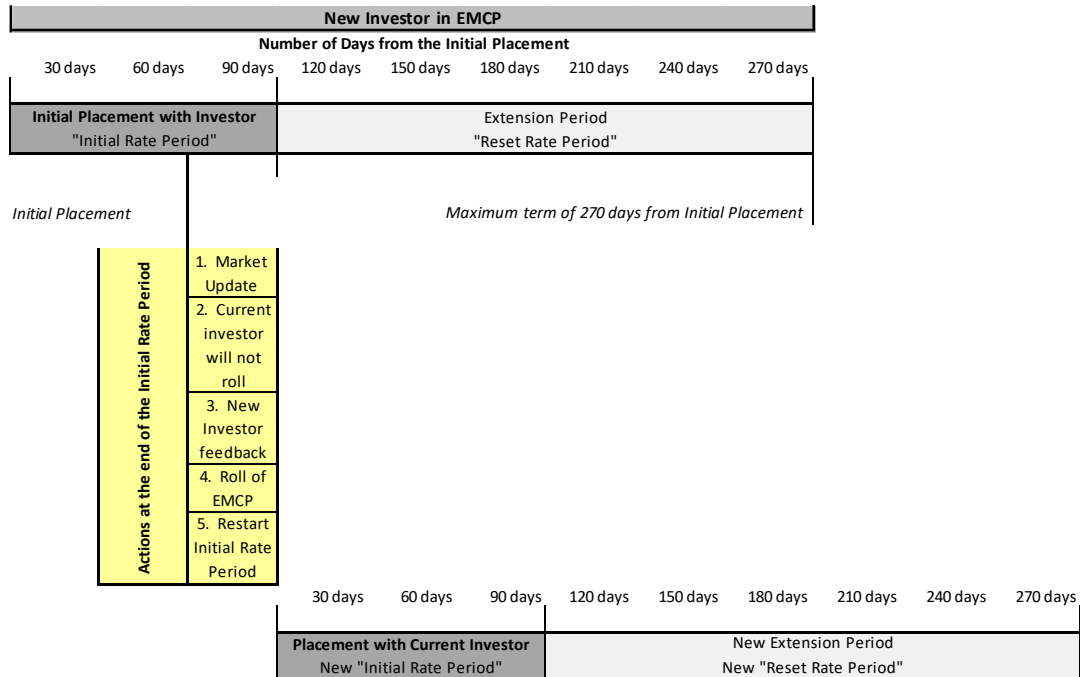
Graphically, this is depicted below:



- b. **Current Investor will no longer hold the EMCP but market conditions are favorable for a new investor and a successful roll of the EMCP, DC Water will:**

- i. Monitor market conditions, with the assistance of the EMCP dealer, in the days leading to the end of the Initial Rate Period.
- ii. Discuss and define parameters of roll of the EMCP (new rate and new minimum Initial Rate Period) with the EMCP dealer
- iii. Approve new rate and Initial Rate Period for roll of EMCP

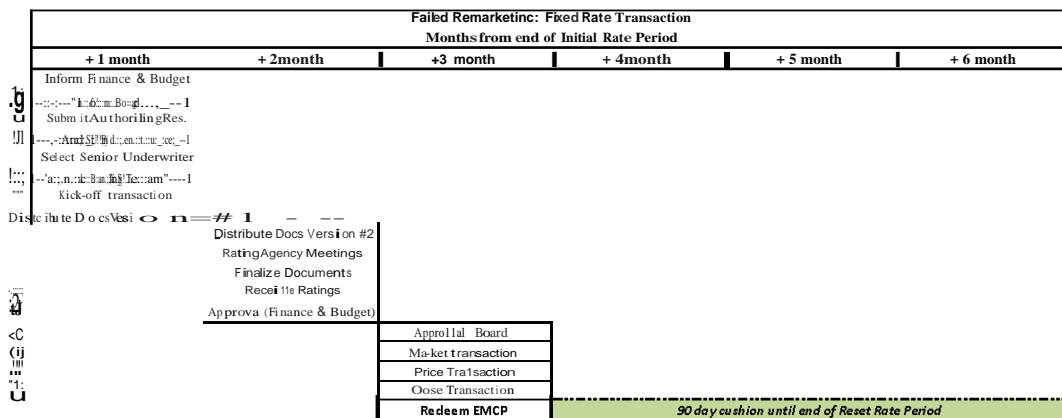
Graphically, this is depicted below:



c. **Current Investor will no longer hold the EMCP and market conditions are not favorable for a new investor. Therefore, there is the potential for the EMCP to enter the extension period (Reset Rate Period).**

- i. Inform the Finance & Budget Committee of the potential for an extension or “failed remarketing” of the EMCP based on market update.
- ii. Determine financing vehicle to address redemption of EMCP (cash reserves, traditional CP, bond transaction).
- iii. Inform the Finance & Budget Committee of an extension of the EMCP at the end of the Initial Rate Period, if not remarketed (or otherwise redeemed by DC Water).
- iv. Receive weekly updates from the EMCP dealer on remarketing efforts after the failed remarketing.
- v. Review with the financing team the options for addressing the Extension Period:
 1. Cash Reserves: Review balances and potential impacts on working capital requirements and operations
 2. Capacity in Commercial Paper or other available credit facilities and potential impacts.
 3. If a Bond transaction is the preferred vehicle for refinancing, submit, no later than 1 week after the failed remarketing, the necessary Authorizing Resolution and Supplemental Indenture (Exhibit A and B) in the event that poor EMCP market conditions are expected to continue for the duration of the Reset Rate Period.

a. Proceed with the activities required with a bond transaction, as depicted in the timeline below:



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

ACTION REQUESTED

**GOODS AND SERVICES CONTRACT MODIFICATION
ROCIP IV Insurance Services
(Joint Use-Direct)**

Approval to extend Rolling Owner Controlled Insurance Program (ROCIP IV) Insurance Services for an additional 12 months to cover excess program services in the total amount not to exceed \$739,770.00.

CONTRACTOR/SUB/VENDOR INFORMATION

PRIME: AON Risk Insurance Services (AON) 2001 K Street, NW, Suite 625N Washington, DC 20036	SUBS: N/A	PARTICIPATION: N/A
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DESCRIPTION AND PURPOSE

Original Insurance Premium Value:	\$11,070,945.00
Original Insurance Dates:	11-15-2015 - 11-14-2020
Contract Extension No. 1 Value:	\$0.00
Contract Extension No. 1 Dates:	11-15-2020 - 04-14-2021
Contract Extension No. 2 (18 Months) Premium Values:	\$536,893.00
Contract Extension No. 2 (18 Months) Dates:	04-15-2021 - 10-14-2022
Contract Extension No. 3 (12 Months) Premium Values:	\$739,770.00
Contract Extension No. 3 (12 Months) Dates:	10-15-2022 - 10-14-2023

Purpose of the Contract:

Payment of insurance premiums for construction contractors on DC Water Capital projects through DC Water's broker of record.

Scope of Services:

AON is the broker for the Rolling Owner Controlled Insurance Program (ROCIP IV) who markets and places specified insurance coverages and ensures premium payments until project completion.

Premium Extension:

Premium payment will ensure continued coverage for current ROCIP IV projects. The coverage includes Workers Compensation, General Liability and Excess Liability insurance for the term of 10/15/2022-10/14/2023.

Spending Previous Years:

Cumulative Contract Values:	11-15-2015 - 10-14-2022: \$11,607,838.00
Cumulative Contract Spending:	11-15-2015 - 09-15-2021: \$11,607,838.00

Contractor's Past Performance:

According to the COTR, the Contractor's quality of services; timeliness of responses; conformance to DC Water's policies, procedures and contract terms; and invoicing all meet expectations.

No LBE/LSBE participation

PROCUREMENT INFORMATION

Contract Type:	Fixed Unit Price	Award Based On:	Highest Ranked Offeror
Commodity:	Insurance Services	Contract Number:	15-PR-CFO-32
Contractor Market:	Open Market with Preference for LBE and LSBE Participation		

BUDGET INFORMATION

Funding:	Capital	Department:	Finance
Service Area:	DC Water Wide	Department Head:	Ivan Boykin

ESTIMATED USER SHARE INFORMATION

User	Share %	Dollar Amount
District of Columbia	41.22%	\$304,936.00
Washington Suburban Sanitary Commission	45.84%	\$339,114.00
Fairfax County	8.38%	\$61,993.00
Loudoun Water	3.75%	\$27,594.00
Other (PI)	.83%	\$6,140.00
TOTAL ESTIMATED DOLLAR AMOUNT	100 %	\$739,770.00

 9/16/2021
 Ivan Boykin Date
 Director of Finance

_____/_____
 Dan Bae Date
 VP of Procurement and Compliance

_____/_____
 Matthew T. Brown Date
 CFO and EVP of Finance and Procurement

_____/_____
 David L. Gadis Date
 CEO and General Manager

ATTACHMENT 8

FINANCE & BUDGET COMMITTEE

ACTION ITEM

PROPOSED GREEN BOND FRAMEWORK

DC Water Green Bond Framework



Adopted by the Board of Directors on October XX, 2021

Background

The District of Columbia Water and Sewer Authority (DC Water) provides retail drinking water and wastewater services to the District of Columbia (District) and wholesale wastewater treatment services to several adjoining municipalities in Maryland and Virginia. DC Water was created in 1996 under District law, with the approval of the United States Congress, as an independent authority of the District government with legal, financial and operational autonomy. DC Water is governed by an 11-member Board of Directors, with representatives from the District, Montgomery and Prince George's counties in Maryland, and Fairfax County in Virginia. The Board is responsible for adopting DC Water's policies and procedures, and its District representatives are vested with the sole authority to set DC Water's rates, fees and charges.

Purpose

The purpose of this Green Bond Framework is to formalize the process and commitments that govern DC Water's issuance of Green Bonds.

Framework

This framework has been developed to correspond with the four pillars of the Green Bond Principles:

- Use of Proceeds
- Project Evaluation and Selection Process
- Management of Proceeds
- Reporting

Use of Proceeds; Project Evaluation and Selection Process

Issuance for Clean Rivers Project

DC Water may use the net proceeds of each Green Bond issuance to fund the Clean Rivers Project. The Clean Rivers Project meets the following specific Green Project Categories outlined in the Green Bond Principles: pollution prevention and control, sustainable water and wastewater management, climate change adaptation.

Issuance for Other Projects

DC Water may consider financing projects other than the Clean Rivers Project with the net proceeds of Green Bonds. Green Bond issuance for other projects must be authorized by the Board, at the recommendation of the CEO. The CEO's recommendation will include the environmental sustainability objectives, a statement of how the proposed projects meet the Green Project Categories, and the criteria that will be used to evaluate the project.

Net proceeds must be used to finance projects falling under one or more Green Project Categories. The Green Project Categories include:

- Renewable energy
- Energy efficiency
- Pollution prevention and control
- Environmentally sustainable management of living natural resources and land use
- Terrestrial aquatic biodiversity
- Clean Transportation
- Sustainable water and wastewater management
- Climate change adaptation
- Circular economy adapted products, production technologies and process and/or certified eco-efficient products
- Green buildings

Amounts Used for Initial Project Financing and Refinancing

- DC Water will specify amounts to be used for initial project financing as well as any amounts used for refinancing. Such amounts will be contained within the Official Statement for the relevant Green Bond issuance.

Description of the Clean Rivers Project

Like many older cities in the United States, the sewer system in the District is comprised of both combined sewers and separate sanitary sewers. In a combined sewer system, sewage from homes and businesses during dry weather is conveyed to DC Water's Blue Plains Advanced Wastewater Treatment Plant (Blue Plains) located in the southwestern part of the District on the east bank of the Potomac River. At Blue Plains, wastewater is treated to remove pollutants prior to being discharged into the Potomac River. When the capacity of a combined sewer is exceeded during storms, the excess flow, which is a mixture of sewage and stormwater runoff, is discharged into the Anacostia and Potomac Rivers and Rock Creek. This excess flow is called combined sewer overflow (CSO). There are 47 active CSO outfalls in the District's combined sewer system.

Communities in the United States with combined sewer systems were required to prepare long term control plans for managing CSO in accordance with Section 402(q) of the Clean Water Act (CWA). A United States Environmental Protection Agency (EPA) Report to Congress on the Impacts and Controls of CSOs and Sanitary Sewer Overflows (EPA 833-R-04-001 dated August 26, 2004 or the "2004 EPA Report") concluded that occurrence of CSOs are widespread and cause or contribute to adverse environmental and human health impacts. DC Water, in compliance with the requirements of the CWA and its National Pollutant Discharge Elimination System (NPDES) permit issued by the EPA, prepared a Long-Term Control Plan (LTCP). The LTCP is a plan that outlines infrastructure improvements with a proposed implementation schedule to control CSO discharges into the area waterways.

In addition to controlling CSO discharges into the area waterways, select projects in the LTCP have also been deemed to relieve and mitigate flooding in certain areas of the District by the Mayor's Task Force on the Prevention of Flooding in Bloomingdale and LeDroit Park (Mayor's Task Force).

The LTCP infrastructure improvements that have been determined to provide flood relief and mitigation include:

- Irving Street Green Infrastructure
- First Street Tunnel
- Northeast Boundary Tunnel

A draft of the LTCP was submitted for public comment, as well as to the EPA and the District Department of Health in June 2001. After addressing public comments, the final LTCP proposed significant reductions in CSO compared to the draft plan and was approved by the District Department of Health in August 2003 and by EPA in November 2004. On March 25, 2005, DC Water and the District government entered into a Consent Decree (Civil Action No. 1:00-cv-00183-TFH) with the United States Department of Justice (DOJ) and the EPA. This Consent Decree established a schedule for the implementation of the LTCP. In 2010, DC Water renamed the LTCP the DC Clean Rivers Project. On May 20, 2015, DC Water, the District of Columbia, EPA and DOJ announced an agreement to modify the March 2005 consent decree to allow for large scale green infrastructure (GI) installations and other modifications to the DC Clean Rivers Project impacting the Potomac River and Rock Creek watersheds. The modification was approved and became effective on January 14, 2016.

Management of Proceeds

Net proceeds related to the issuance of Green Bonds will be specifically directed to pay the costs of design, construction, property acquisition, and other related expenses necessary for the eligible projects. Green Bond proceeds may also be used to pay the cost of issuance and underwriter's fees related to the transaction. The Department of Finance, within the Finance Division, is responsible for managing the funds.

The net proceeds of the Green Bond issuance will be deposited in a segregated account of the Construction Fund established under DC Water's Master Indenture of Trust, as amended and supplemented. Funds will be held exclusively in US Treasury securities or bank deposits.

All proceeds will be allocated within three years to eligible project expenses. Balances will be tracked and will be included in the annual audit and the Green Bond Report.

Reporting

DC Water will publish a Green Bond Report annually for projects until they have reached completion. The report will include appropriate performance measures for Environmental, Social, and Governance factors associated with the project and with DC Water. The report will transparently communicate the share of the total cost of the eligible project, which is financed by other funds, and to apply this ratio to the measured environmental and social benefits of the overall DC Clean Rivers project.

The Green Bond Report will include a description of the projects and reporting on the use of proceeds, environmental and social outcomes achieved, and responsible management of the project and DC Water. The report will be publicly available on DC Water's website and posted to the Electronic Municipal Market

Access website hosted by the Municipal Securities Regulatory Board, accessible at emma.msrb.org. The annual Green Bond Report will be reviewed by DC Water's external auditor.

Reporting for the Clean Rivers Project

For the Clean Rivers Project, these indicators will include:

- Use of Proceeds
 - The total amount of net proceeds deposited into the segregated Bond accounts
 - The total amount of Bond Draws
 - The total amount of unspent proceeds and details surrounding investment holdings (possible new indicator)
- Environmental and Social Outcomes
 - Percent Reduction in Predicted Pollutants
 - Tunnel Construction Progress
 - Flood Relief and Mitigation Projects Progress
 - Pollutants Removed at Blue Plains
 - Carbon measure (possible new indicator)
 - Biosolids re-use measure (possible new indicator)
- Responsible Management
 - DC Clean Rivers Project fulltime employees by gender, age, and ethnicity (indicators of diversity)
 - Total number of incidents of discrimination and actions taken
 - Percent of DC Clean Rivers Project employees receiving a performance review during the fiscal year
 - Number of project person hours spent on the DC Clean Rivers Project
 - Number of safety committee meetings
 - Number of safety observation reports
 - DC Clean Rivers Project recorded injuries incident rate
 - Health and safety incidents for contractors
 - Predicted volume of CSO discharged per average rainfall year
 - Percent of all DC Water invoices paid within 30 and 45 days
 - Percentage of EPA Fair Share Objective construction contracts awarded to Women and Minority Business Enterprises
 - Total number of contractors employed by the DC Clean Rivers Project and Percentage of DC Clean Rivers Project contractors that reside within the District or DC Water's service territory
 - Number of public meetings

Reporting for Other Projects

DC Water may consider financing projects other than the Clean Rivers Project with the net proceeds of Green Bonds. Prior to funding any such projects, DC Water will develop appropriate performance measures for Environmental Social, and Governance factors associated with the project. These performance measures will be incorporated into the annual Green Bond Report.

Second Party Opinion



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

**Thursday, October 28, 2021; 11:00 a.m.
DC Water Headquarters
1385 Canal Street, SE, DC
AGENDA**

Call to Order	Chairperson
September 2021 Financial Report	Chief Financial Officer
Agenda for November Committee Meeting	Chairperson
Adjournment	Chairperson

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