APPROVED BUDGETS

DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY

Section VI
CAPITAL FINANCING, CASH AND DEBT

$ in thousands

Sources of Funds

	Amount	Percentage
Debt Financing [(1)]	$ 1,519,576	39.7%
Wholesale Capital Payments	713,146	18.7%
EPA Grants & CSO Appropriations	224,082	5.9%
Interest Income on Bond Proceeds	13,600	0.4%
Pay-Go Financing [(2)]	1,295,222	33.9%
System Availability Fee (SAF)	57,750	1.5%
Total Sources	**$ 3,823,376**	**100.0%**

(1) Debt financing refers to the borrowing of funds through long-term revenue bonds, commercial paper and other short-term notes

(2) Pay-go financing is any funds available after meeting the reserves and rate stabilization fund deposits

$ in thousands

Capital Improvement Program

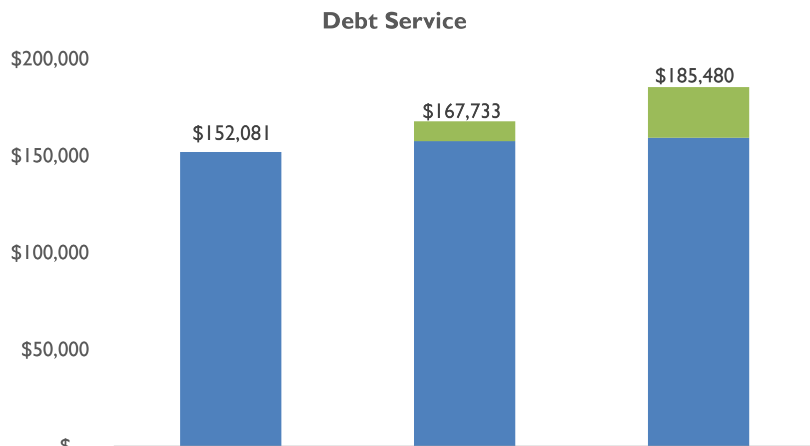
FY 2016 - FY 2018

	FY 2016 Actual	FY 2017 Approved	FY 2017 Revised	FY 2018 Approved
Sources				
Beginning Balance	$ 68,443,585	$ 113,337	$ 106,057	$ 133,720
New Debt Proceeds / Commercial Paper/ EMCP (1)	454,453	300,000	300,000	154,938
Proceeds for Notes pay - off	(112,000)	-	-	-
System Availalbity Fee	-	-	-	1,925
Pay-Go Financing	71,759	78,725	100,633	93,589
EPA Grants	25,306	22,129	25,013	23,093
CSO Appropriations (2)	14,023	-	-	-
Wholesale Customer Capital Payments	140,156	97,321	107,732	80,043
Interest Income	925	2,415	1,283	1,365
Total Sources	$ 594,622	$ 500,590	$ 534,661	$ 354,953
Uses				
Water Projects	$ 78,335	$ 62,537	$ 58,819	$ 51,738
WasteWater Treatment	163,369	117,814	123,789	98,423
Sanitary Sewer Projects	47,380	61,144	38,302	39,294
Combined Sewer & LTCP Projects	235,322	151,125	184,387	130,475
Stormwater Projects	2,185	1,430	1,706	2,682
Non Process Facilities	5,200	28,613	34,150	20,030
Washington Aqueduct	7,153	10,838	10,896	11,768
Capital Equipment	13,139	29,530	28,151	23,586
Meter Replacement / AMR / CIS	4,926	9,207	26,798	9,311
Total Uses	$ 557,009	$ 472,238	$ 506,998	$ 387,306
Sources Minus Uses	**$ 37,613**	**$ 28,352**	**$ 27,663**	**$ (32,354)**

$ in thousands

	FY 2016 Actual	FY 2017 Approved	FY 2017 Revised	FY 2018 Approved
Beginning O&M Reserve Balance (Net of Rate Stabilization Fund)	$ 160,055	$ 140,000	$ 162,652	$ 140,000
Operating Surplus	94,364	78,407	82,660	75,821
Wholesale Customer Prior Year Billing Reconciliation	(13,017)	(5,000)	(10,000)	(7,000)
Transfer to Rate Stabilization Fund	(19,000)	-	-	-
Federal Customer Prior Year Billing Reconciliation	(11,679)	(19,201)	(19,201)	(9,019)
Interest Earned from Bond Proceeds	213	505	323	452
Pay-Go Capital Financing	(48,284)	(54,711)	(76,434)	(60,255)
Ending O&M Reserve Balance (Net of Rate Stabilization Fund)	**$ 162,652**	**$ 140,000**	**140,000**	**140,000**
Rate Stabilization Fund	$ 51,450	$ 19,450	$ 51,450	$ 51,450

$ in thousands



	Actual FY 2016	Revised FY 2017	Approved FY 2018
New Debt		$10,195	$26,135
Existing Debt	$152,081	$157,538	$159,345

INTEREST RATE ASSUMPTIONS

Budget Appropriation and Financial Plan

- Variable rate
  - 2.50% for FY 2017 and FY 2018
- Fixed rate
  - 5.75% (FY 2017) and 6.50 (FY 2018)
  - Plus cost of issuance and insurance

CAPITAL FINANCING PLAN

DC Water's comprehensive capital financing plan contains three key goals: 1) minimize cost of capital; 2) increase operational flexibility; and 3) optimize asset/liability matching through:

- Interim financing
- Permanent bond financing
- Pay-Go financing
- Federal grants

SENIOR BOND RATINGS		
Moody's Investor Service	Aa1	Stable Outlook
Standard & Poor's Corporation	AAA+	Stable Outlook
Fitch's Rating	AA	Stable Outlook

DEBT SERIES	Actual FY 2016			Revised FY 2017			Approved FY 2018		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
Senior Lien									
1998*	$ 13,920	$ 9,448	$ 23,368	$ 14,750	$ 8,613	$ 23,363	$ 15,565	$ 7,802	$ 23,367
Series 2009 A	3,495	3,116	6,611	3,815	364	4,179	4,225	211	4,436
Series 2014 A	-	16,849	16,849	-	16,849	16,849	-	16,849	16,849
Total Senior Lien	**$ 17,788**	**$ 29,846**	**$ 46,829**	**$ 18,565**	**$ 25,826**	**$ 44,391**	**$ 20,190**	**$ 25,267**	**$ 44,652**
Subordinate									
Jennings Randolph Bonds	$ 373	$ 432	$ 805	387	418	$ 805	400	405	$ 805
WASA Bonds	-	-	-	-	10,195	10,195	-	26,135	26,135
Series 2007 A	-	1,893	1,893	-	-	-	-	-	-
Series 2008 A	6,600	3,369	9,969	6,735	680	7,415	6,865	343	7,208
Series 2010 A	417	10,813	11,230	-	11,094	11,094	-	11,094	11,094
Series 2012 A, B-1, B-2, C	4,915	16,192	21,107	5,140	15,918	21,058	5,345	15,713	21,058
Series 2013 A	-	14,994	14,994	-	14,994	14,994	-	14,994	14,994
Series 2014 B	-	252	252	-	1,998	1,998	-	3,250	3,250
Series 2014 C	-	17,468	17,468	-	17,468	17,468	-	17,648	17,648
Series 2015 A,B	-	16,793	16,793	-	17,521	17,521	580	17,521	18,101
Series 2016 A	-	10,500	10,500	-	17,420	17,420	-	17,420	17,420
Series 2016 B	-	-	-	-	867	867	-	858	858
EMCP	-	149	149	-	1,592	1,592	-	1,558	1,558
Commercial Paper	-	93	93	-	915	915	-	879	879
Total Subordinate Lien Debt	**$ 12,304**	**$ 92,854**	**$ 105,252**	**$ 12,262**	**$ 111,079**	**$ 123,342**	**$ 13,190**	**$ 127,818**	**$ 140,828**
Total Debt	**$ 30,092**	**$ 122,700**	**$ 152,081**	**$ 30,827**	**$ 136,905**	**$ 167,733**	**$ 33,380**	**$ 153,085**	**$ 185,480**

* Revenue Bond

$ in thousands

	Interest Rates (%)	Final Maturity	Amount Outstanding
Senior Debt			
Series 1998 Bonds	5.50-6.00	2028	$156,605
Series 2009A Bonds	3.00-5.50	2039	8,040
Series 2014A Bonds	4.814	2114	$350,000
Total Senior Debt			$514,645
Subordinate Debt			
Series 2008A Bonds	5	2034	13,600
Series 2010A Bonds	4.07-5.523	2044	300,000
Series 2012A Bonds	3.00-5.00	2037	158,740
Series 2012C Bonds	4.00-5.00	2033	163,215
Series 2013A Bonds	4.75-5.00	2048	300,000
Series 2014B Bonds	VR4	2050	100,000
Series 2014C Bonds	3.00-5.00	2044	377,110
Series 2015A Bonds	2.00-5.00	2045	100,000
Series 2015B Bonds	5.00-5.25	2044	250,000
Series 2016A Bonds			389,110
Series 2016B Bonds	3.43	2046	25,000
Government Notes			
Jennings Randolph Reservoir Debt	3.25%	2041	$12,841
Commercial Paper Notes ("CP Notes")			
Series C CP Notes (taxable)	VR	20207	$29,200
Extendable Municipal Commercial Paper Notes ("EMCP Notes")			
Series A EMCP Notes	VR	N/A	$50,000
Total Subordinate Debt			$2,268,816
Total Debt Outstanding			**$2,783,461**

DEBT LIMIT: DC Water is not subject to any legal debt limitations. However, prior to any new debt issuance, DC Water must meet an additional bonds test and certify revenue sufficiency

PUBLIC UTILITY SENIOR LIEN REVENUE BONDS: 1) Series 1998, (fixed-rate, Aaa/AAA/AAA, FSA insured, March 1998); and 2) Series 2009A (fixed-rate, Aa3/AA/AA-, January 2009)

PUBLIC UTILITY SUBORDINATE LIEN REVENUE BONDS: 1) Series 2007A (fixed-rate, Aaa/AAA/AAA, FGIC insured, May 2007); and 2) Series 2013A (fixed-rate, Aa3/AA/AA-, July 2013)

PUBLIC UTILITY SUBORDINATE LIEN REVENUE BONDS (FEDERALLY TAXABLE ISSUER SUBSIDY BUILD AMERICA BONDS): 1) Series 2010A (fixed-rate, Aa3/AA-/AA, October 2010)

PUBLIC UTILITY SUBORDINATE LIEN MULTIMODAL REVENUE BONDS: 1) Series 2012B-1 and Series 2012B-2 (SIFMA indexed variable-rate Aa3/AA/AA- , March 2012)

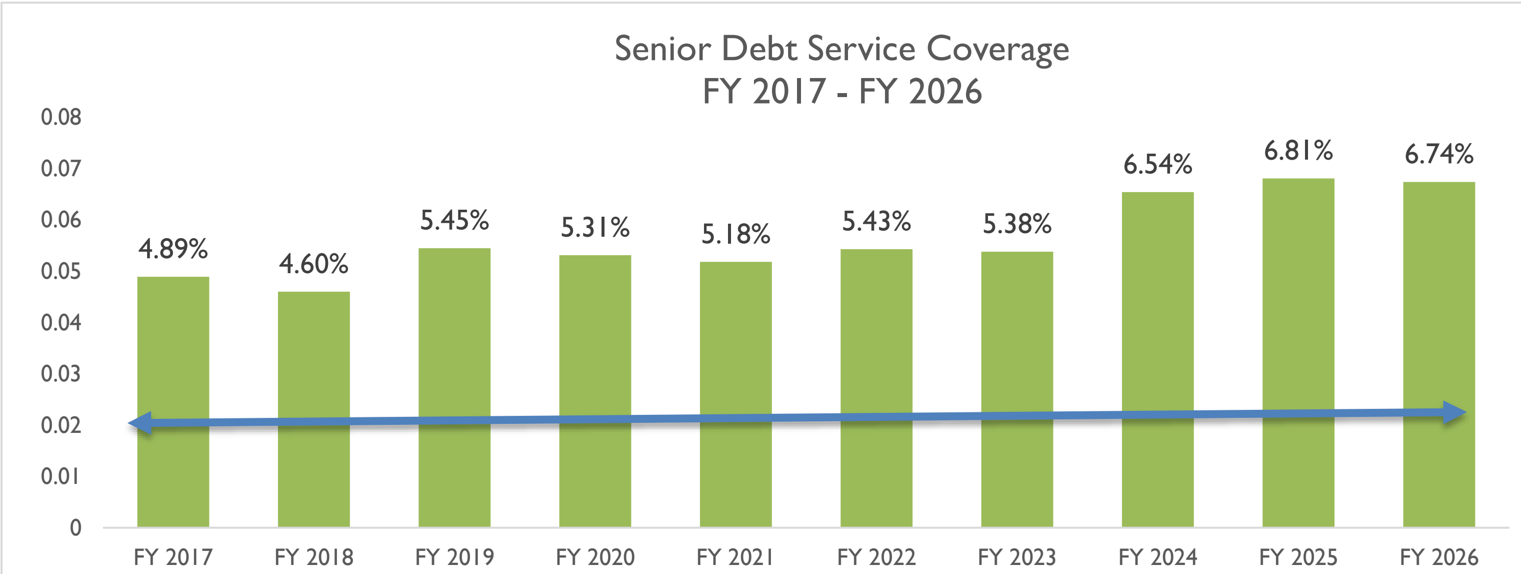
PUBLIC UTILITY SUBORDINATE LIEN REVENUE REFUNDING BONDS: 1) Series 2008A: (refunded Series 2004, fixed-rate, Aaa/AAA/AAA, Assured Guaranty insured, April 2008; 2) Series C taxable commercial paper: (refunded Series 2007B, April 2008); and 3) Series 2012C: (advance refunded Series 2003, fixed-rate, Aa3/AA/AA-, March 2012)

NOTES FOR JENNINGS RANDOLPH RESERVOIR: The note payable to the Federal government for improvements to the Jennings Randolph Reservoir is considered subordinate debt under the Master Indenture of Trust. The notes were issued to provide a backup water supply facility for the Authority. DC Water's share of operating and capital cost is 30 percent

NOTES FOR LITTLE SENECA RESERVOIR: The note payable to Washington Suburban Sanitary Commission (WSSC) is considered subordinate debt under the Master Indenture of Trust. The notes were issued by WSSC for construction of the Little Seneca Dam and Lake for backup and peak-day water supply for the Authority. DC Water's share of operating and capital costs is 40 percent. DC Water prepaid the note in full in August 2013

COMMERCIAL PAPER: These notes issued are considered subordinate debt under the Master Indenture of Trust. DC Water's commercial paper program is issued in increments with maturities less than 270 days. As described in Section III, the Board approved the commercial paper program in early FY 2002; proceeds from the sale of the notes are used for interim bond financing, short-term financing for capital equipment and certain taxable costs for the Washington Aqueduct. Each new bond issuance is evaluated to determine the most cost effective way of reducing the amount of taxable commercial paper. Normal market conditions for commercial paper carries significantly lower interest rates than long-term debt. In April 2013, DC Water successfully extended the Letter of Credit with JP Morgan Chase Bank and US Bank. The $200 million commercial paper program includes: 1) Series A (tax-exempt) aggregate principal amount not to exceed $75 million; 2) Series B (tax-exempt) aggregate principal amount not to exceed $50 million; and (3) Series C (taxable) aggregate principal amount not to exceed $75 million.

DEBT POLICY: DC Water's comprehensive debt policy can be found on our website at www.dcwater.com.


Senior Debt Service Coverage
FY 2017 - FY 2026
0.08
0.07
0.06
0.05
0.04
0.03
0.02
0.01
0
4.89%
4.60%
5.45%
5.31%
5.18%
5.43%
5.38%
6.54%
6.81%
6.74%
FY 2017
FY 2018
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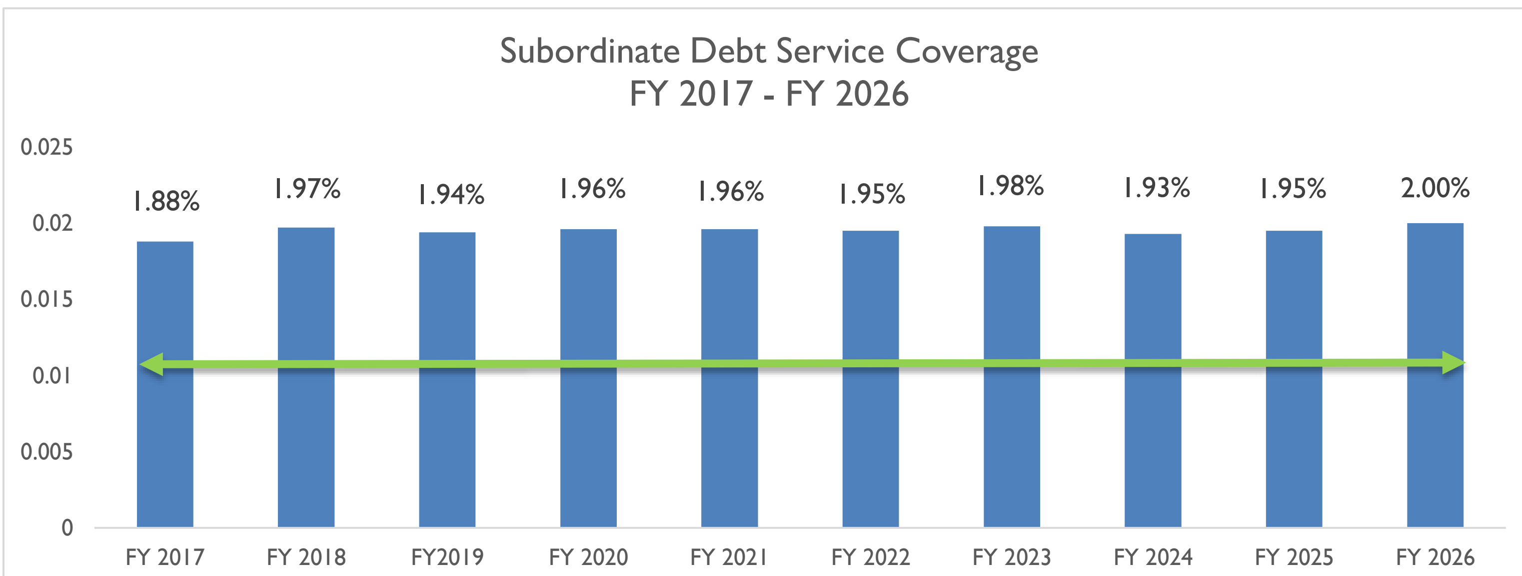
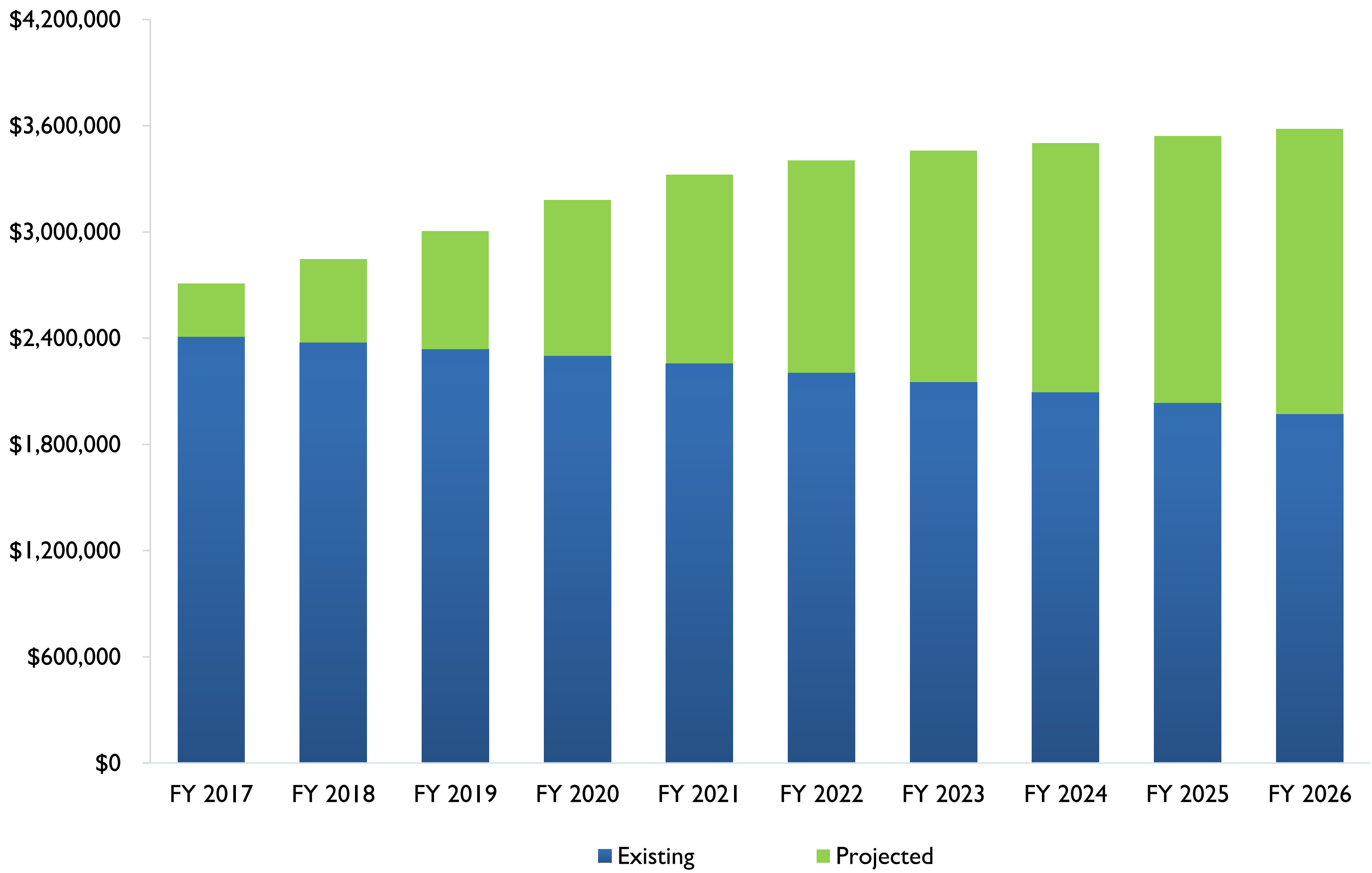
FY 2024
FY 2025
FY 2026


Subordinate Debt Service Coverage
FY 2017 - FY 2026
0.025
0.02
0.015
0.01
0.005
0
1.88%
1.97%
1.94%
1.96%
1.96%
1.95%
1.98%
1.93%
1.95%
2.00%
FY 2017
FY 2018
FY2019
FY 2020
FY 2021
FY 2022
FY 2023
FY 2024
FY 2025
FY 2026

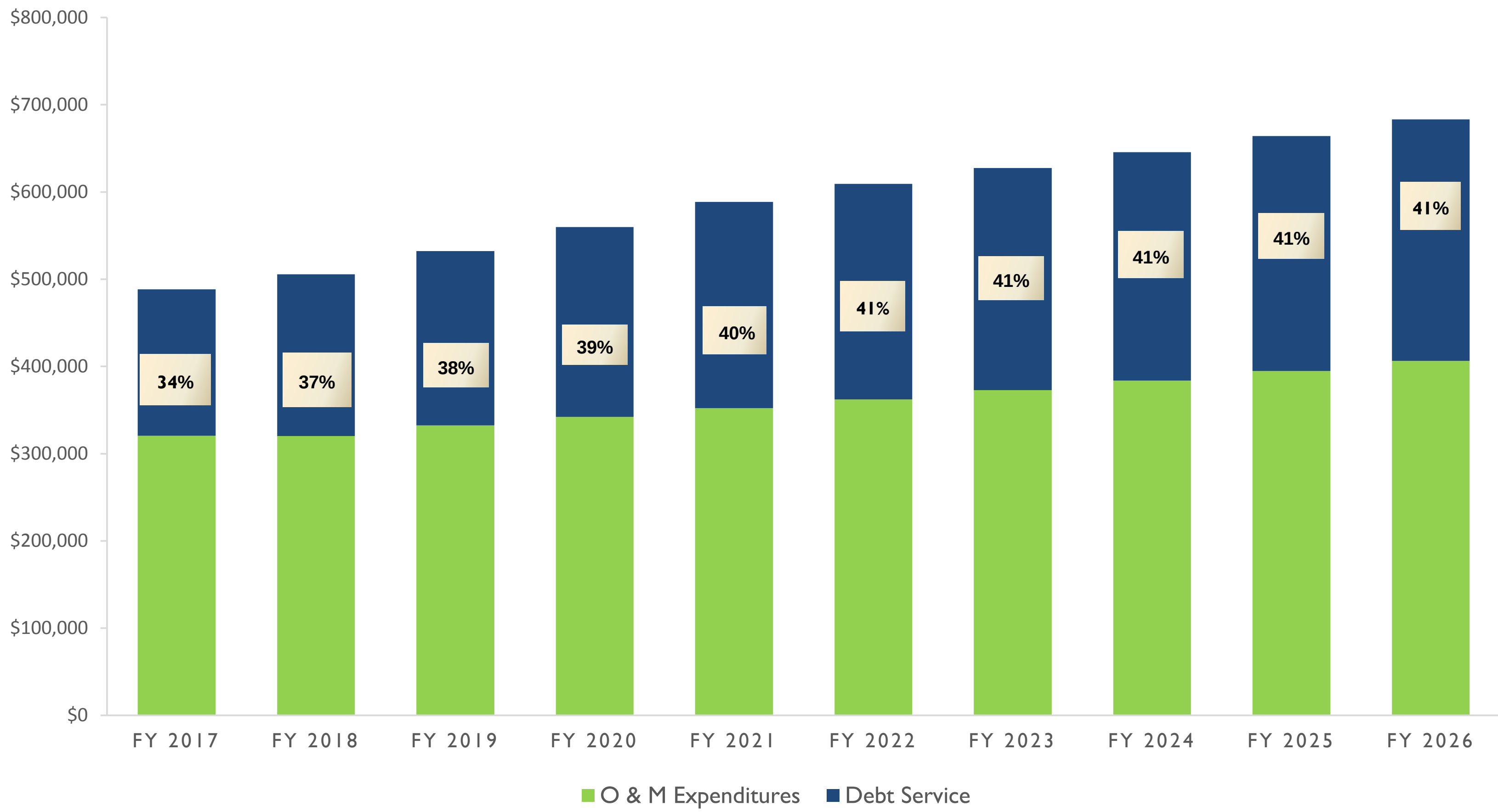
Existing & Projected Debt Service

$ in thousands



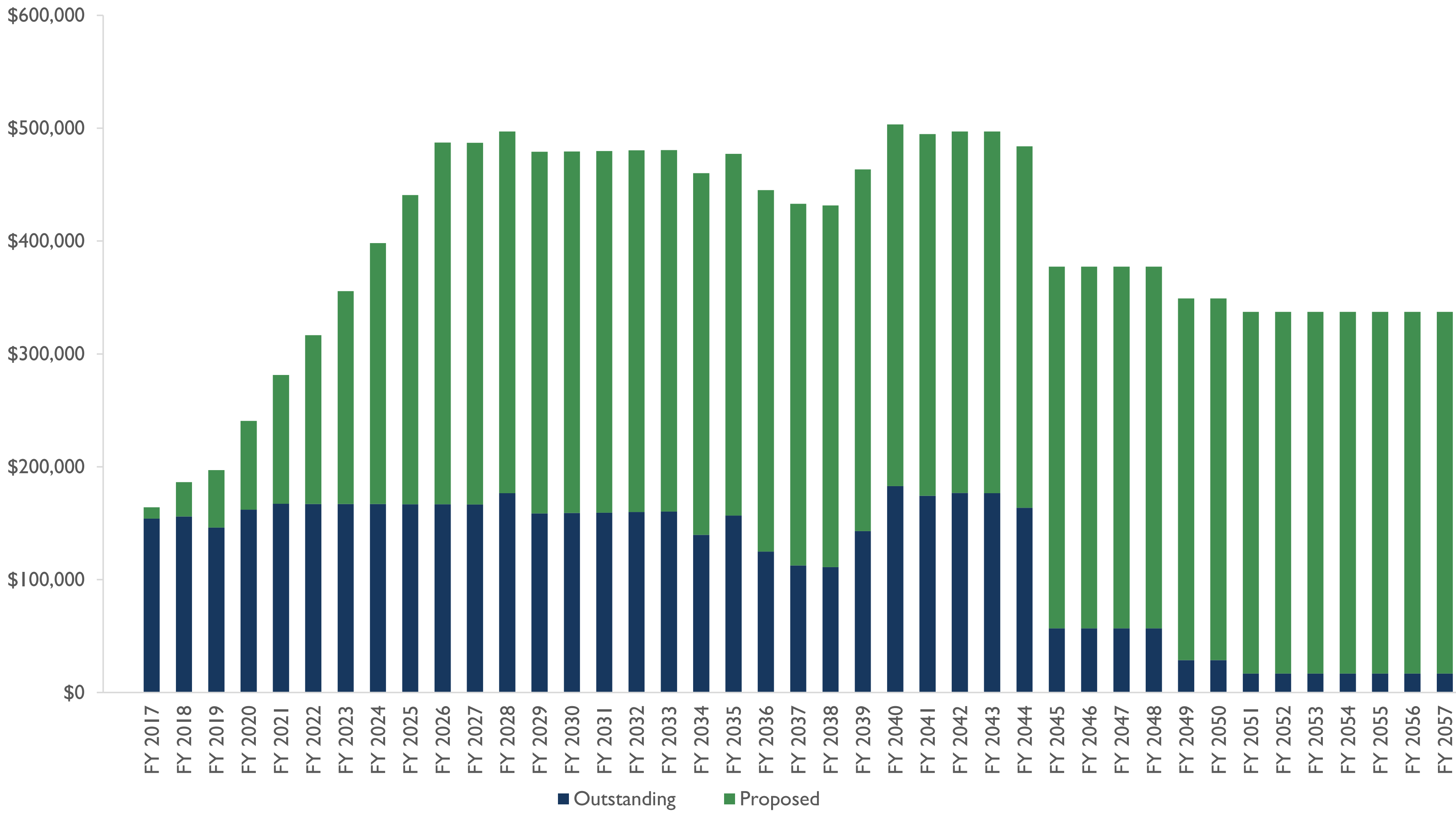
Debt Service as Percentage of O&M Expenditures

$ in thousands



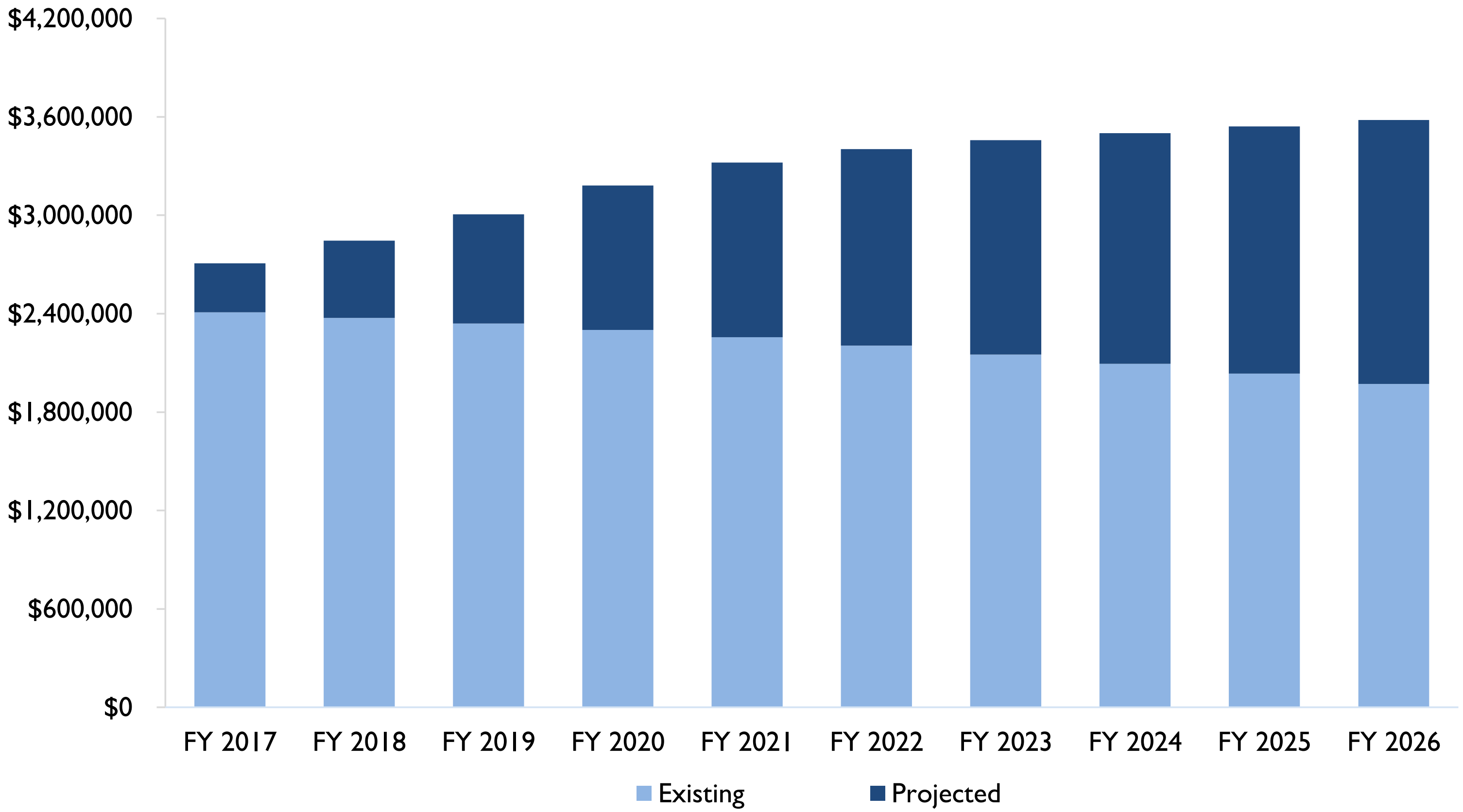
Total Proposed and Outstanding Debt

$ in thousands



Principal Debt Outstanding

$ in thousands

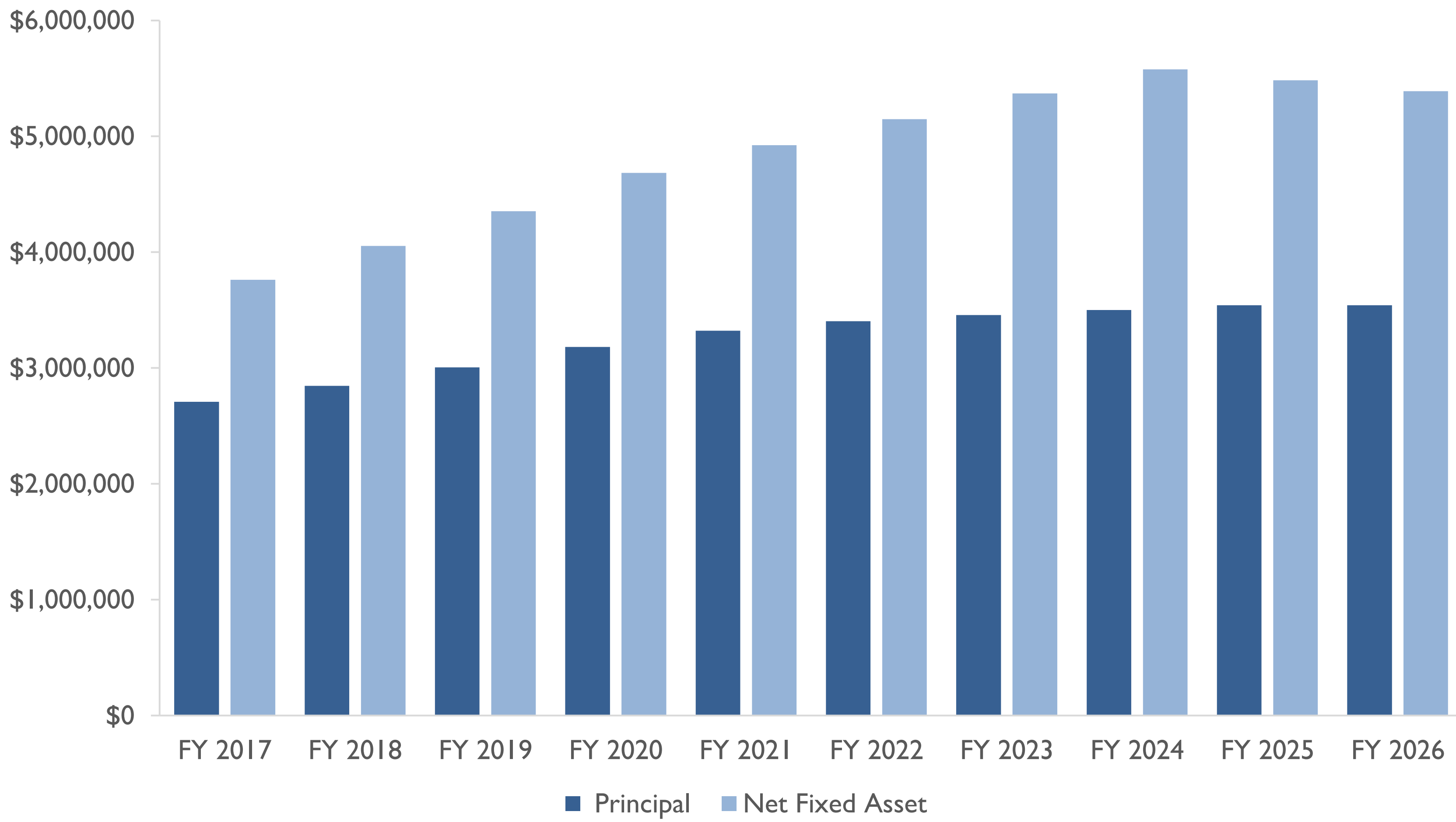


- The largest source of funding for DC Water's Capital Improvement Program is debt

- Over the next 10 - years, DC Water will issue approximately $1.8 Billion in debt (this includes the funding of Reserves and Costs of Issuance), increasing total Debt Outstanding to $3.6 Billion at the end of FY 2025

Principal vs. Net Fixed Assets

$ in thousands



Debt to Net Fixed Assets Ratio