



**MINUTES OF THE MEETING
FINANCE AND BUDGET COMMITTEE
JUNE 26, 2025
(Via Microsoft Teams)**

COMMITTEE MEMBERS PRESENT

1. Anthony Giancola, Principal, Chair, District of Columbia
2. Jonathan Butler, Alternate, Vice Chair, Prince George's County
3. Richard Jackson, Principal, District of Columbia
4. Sarah Motsch, Alternate, Fairfax County

OTHER BOARD MEMBER PRESENT

1. Unique Morris-Hughes, Principal, District of Columbia

DC WATER STAFF

1. David Gadis, Chief Executive Officer and General Manager
2. Matthew Brown, Chief Financial Officer and EVP
3. Marc Battle, Chief Legal Officer and EVP
4. Kirsten Williams, Chief Administration Officer and EVP
5. Jeffrey Thompson, Chief Operating Officer and EVP
6. Lola Oyeyemi, Vice President, Budget
7. Syed Khalil, Vice President, Rates and Revenue
8. Ivan Boykin, Vice President, Finance
9. Tanya DeLeon, Risk Manager
10. Paul McGowan, Senior Manager, Procurement
11. Michelle Rhodd, Secretary to the Board

Anthony Giancola, Chair, called the meeting to order at 9:30 AM. The meeting was conducted via MS Teams. Secretary to the Board, Michelle Rhodd, called the roll.

I. MONTHLY REPORT TO THE FINANCE AND BUDGET COMMITTEE

Lola Oyeyemi, Vice President of Budget, presented the Financial Report for the period ending May 31, 2025, by exception. As of the end of May 2025, with approximately 67 percent of the fiscal year completed, total operating revenues were \$663.9 million or 69.7 percent of the budget; operating expenditures were \$452.6 million or 57.4 percent of the

budget; and capital disbursements were \$350.5 million or 48.8 percent of the revised budget.

Finance met with Moody's, S&P, and Fitch in the first two weeks of June to obtain ratings for DC Water's upcoming \$325 million bond deal. Members of the Finance Department will also attend the 119th Government Finance Officers Association (GFOA) Annual Conference in Washington, DC, on June 29 through July 2, 2025.

Total operating revenues were \$663.8 million, with a favorable variance in the Residential, Commercial, and Multi-Family categories partly due to higher CRIAC receipts. Total operating expenses were \$452.6 million or 57.4 percent of the budget, with favorable variances mostly in personnel and debt services.

Capital disbursements totaled \$350.5 million or 48.8 percent of the budget. The year-to-date favorable variances were for the Combined Sewer Overflow (CSO) area due to the closeout of the Northeast Boundary tunnel and the Potomac Interceptor project. Higher spending in the Water Service area was due to Water On-Going Projects and Water Distribution projects progressing ahead of plans.

Cash investments, including the Rate Stabilization Fund (RSF) balance of \$35.6 million, totaled \$585.35 million. Operating interest income for the year to date was ahead of the \$4.7 million budget, with \$1.3 million earned in May and \$9.7 million earned year-to-date.

Delinquent accounts totaled \$34.6 million at the end of May 2025, which was a decrease of \$1 million along with a slight reduction in the number of accounts compared to the previous month. Multi-family customer category accounted for 53 percent of the total delinquencies. Overtime was trending higher at 78.3 percent due to the high number of watermain breaks during the winter period. Developer deposits totaled \$36.44 million in credit balances (liability) and \$11.17 million in debit balances (receivables). In May 2025, 15 developer refund accounts were processed totaling \$301,949.

Chair Giancola noted the strong effort of the team to clear the developer deposit backlog and bring the project to a neutral point where the balance will remain relatively consistent as projects continue to be added and closed out.

II. FY 2025 MID-YEAR PROJECTIONS AND RECOMMENDATION

Matthew Brown, Chief Financial Officer and EVP, discussed the annual process to forecast revenues and expenditures and seek the Committee's recommendation to the Board for allocation of projected year-end cash. He explained that this year's process was

complicated by the congressional action limiting DC Water's spending authority for FY 2025 to FY 2024 levels. The current projection is for expenditures to be \$51.4 million below the revised budget, which is slightly more than the required reduction to allow some margin.

Syed Khalil, Vice President, Rates and Revenue, reviewed the revenue projections. Overall revenue is projected to be approximately \$18.4 million or 1.9 percent higher than the revised budget of \$951.9 million with favorable variances in the Residential, Commercial, and Multi-Family categories, Customer Metering Fee, PILOT/ROW Fee, and Water System Replacement Fee (WSRF), Interest Earnings and Washington Aqueduct Backwash. DC Housing Authority and Municipal revenue are projected to be below budget due to lower-than-anticipated consumption. The Other Revenue category is projected to be \$3.4 million above budget due to DC Water's share of the Blue Drop contribution of \$4.9 million, but part of it has been offset by lower Miscellaneous Fee and Funding for Non-Rate-payer Fund.

Ms. Oyeyemi reviewed the capital disbursement projections provided by the Engineering team in May. Disbursements are projected at \$648 million or 90 percent of budget. Non-Process Facilities disbursements are expected to be approximately 50.1 percent of budget as projects are re-evaluated to conform to the collaborative delivery model. Other areas of favorable variances are for the DC Clean Rivers project due to delay in the project closeout of the Northeast Boundary tunnel and Sanitary Sewer due to the realignment of Potomac Interceptor program work. The unfavorable variance in the Water category is primarily due to the emergency work exceeding the baseline and the Lead Free DC program is expected to be within budget. Capital Equipment spending is expected to be below budget due to lower use of reserves and lower spending on the metering project. The spending for the Washington Aqueduct project is expected to be at budget.

Chair Giancola encouraged keeping the execution rate of the capital program over 90 percent.

Ms. Oyeyemi noted that the enacted law that restricts FY 2025 spending to FY 2024 levels was passed in March, halfway through the fiscal year, necessitating collaboration between management and department directors and leadership to revise spending plans to align with the mandated reduction. Total operating expenditures are projected at \$736.8 million or 93 percent of the budget.

The favorable variance in personnel services of \$9 million is due the hiring freeze implemented to comply with the mandate and the elimination of vacant positions during the FY 2026 budget process. The unfavorable variance of \$1.9 million for Supplies is due to

inflationary cost pressures, while utility costs are projected to be lower than budget. Contractual services is where the majority of the effort was undertaken to reduce spending. The projected favorable variance of \$9.4 million is from various professional services including temporary staffing, and other strategic initiatives. Spending for the Washington Aqueduct is forecasted at 97 percent of budget, reflecting the FY 2024 spending level. The debt service category is projected to be \$19.2 million below the budget due to favorable interest rates, a delay in the issuance, refinancing opportunities and includes \$2.4 million allocated for 50 percent payment for the Build America Bond Subsidy (BABS). There is an additional favorable variance of \$11.4 million due to reduced use of Cash Financed Capital Projects (CFCI) for Paygo capital.

Mr. Brown discussed considerations for allocating cash and noted the Board policy goal of achieving 350 days of cash through the allocation of year-end surpluses by 2032. Current Financial Plan projection is for 267 days of cash at year end. Each day of cash is approximately \$1.2 million, and an additional 83 days is needed to meet the goal. Mr. Brown added that DC Water will issue about \$4.2 billion in new debt to finance the capital program and using cash to fund a portion of capital program would reduce debt service costs. With Federal government actions and uncertainty in the economy, adding funds to the RSF could provide a contingency if there are revenue impacts. This would help ensure financial resilience, something that is considered favorably by the rating agencies. Mr. Brown noted that for Permits Department to continue to process refunds, funds should be available so that effort does not impact the cash balance.

It is projected that just over \$52.1 million will be available at year end to be allocated by the Board with these considerations. Management provided the following allocation recommendations:

- \$5.0 million of the projected net cash surplus to RSF due to uncertainty of any consumption decline;
- \$27.6 million to PAYGO to reduce future borrowing;
- \$2.0 million to FY2025 Ending Cash Balance to carryover to FY2026 for permit refunds.; and
- \$17.5 million to Ending Cash Balance to increase Days of Cash on Hand from 267 to 282 days.

Mr. Giancola expressed appreciation for the financial strategy, particularly the balanced allocation of funds and the emphasis on increasing cash reserves despite some reservations about contributing to the Rate Stabilization Fund. He emphasized that

boosting cash reserves sends a strong, positive signal to bonding agencies about sound financial management.

Committee member Sarah Motsch inquired about the ratio between allocations to the RSF and PAYGO to reduce future borrowing. Mr. Brown noted it was a judgement call to add funds where it was thought to provide the best value to the organization, but that there were considerations about federal government revenue, potential consumption impacts, and reducing the amount of debt that would need to be issued for the nearly \$10 billion capital program.

III. INSURANCE RENEWAL UPDATE

Tanya DeLeon, Risk Manager, provided the July 1, 2025, insurance renewal update. DC Water renewed its insurance on July 1 consistent with Board authorization to proceed at a value not to exceed \$5.6 million. All coverages were bound at a cost of \$5.563 million. Savings were achieved through two credits: a \$198,000 membership credit from the mutual property insurer, and a \$132,000 credit for investments in resiliencies, totaling \$330,000.

IV. SUMMER 2025 FINANCING ACTIVITIES

Ivan Boykin, Vice President, Finance, presented a request for the Committee's recommendation to the full Board to approve the proposed plan of finance and the following related documents:

- Series 2025 A (Subordinate Lien, Fixed Rate Bonds)
- Series 2025 B (Subordinate Lien, Fixed Rate Green Bonds)
- Series 2025 C (Subordinate Lien, Variable Rate Demand Bonds)
- Extension of Liquidity Facility for 2014 Variable Rate Demand Bonds

The first activity is the liquidity extension for series 2014 Variable Rate Demand Bonds (VRDBs), and the second is approval of the liquidity standby purchase agreement in support of the 2014 VRDBs.

Underwriters for the fixed rate portion of the transaction will be Siebert Williams Shank, a minority firm, from the senior pool of underwriters. Goldman Sachs and JP Morgan will manage the variable rate portion.

The Series 2025 A refunding, bonds will be issued on the subordinate lien as tax-exempt, fixed-rate bonds to refund outstanding bonds for debt service savings. DC Water is also

evaluating refunding its existing Build America Bonds and seeks authorization to refund should favorable market conditions present an opportunity.

Series 2025 B Green Bonds will be issued on the subordinate lien as tax-exempt, fixed-rate bonds to provide \$150 million of new funding for Clean Rivers and refund outstanding Green Bonds for debt service savings. Under current market conditions, DC Water anticipates net present value savings of \$1 million and refunding the principal of \$37.3 million or three percent of refunded savings.

Series 2025 C bonds will be issued on the subordinate lien as tax-exempt VRDBs to provide \$175 million of new money funding for general CIP projects. VRDBs require a bank-provided liquidity facility that offers investors the ability to tender bonds on an ongoing basis. DC Water conducted a competitive procurement process and selected Bank of America, N.A. to provide liquidity for a three-year term.

V. Action Items

Mr. Brown presented the following action items for recommendation by the Committee:

- Recommendation for Approval of FY 2025 Use of Projected Net Cash Surplus;
- Recommendation for Approval of Series 2014B Liquidity Extension Documents; and
- Recommendation for Approval of Bond Resolutions and Related Documents.

Paul McGowan, Senior Manager, Procurement presented the following action items:

- Recommendation for Approval of Liquidity Standby Bond Purchase Agreement in Support of VRDBs.

The Committee agreed to recommend the action items to the full Board for approval.

VI. AGENDA FOR THE JULY 2025 COMMITTEE MEETING

The July 24, 2025, agenda includes the June 2025 Financial Report.

VII. ADJOURNMENT

The meeting adjourned at 10:21 AM.