

Financial Policies

DC Water's Board of Directors has adopted a series of key financial policies for financing, rate-setting, and cash and investment management. These policies have served as the key parameters used to successfully develop DC Water's ten-year financial plan, Capital Improvement Program, and operating budgets. The policies will continue to guide the development and implementation of the Authority's long term financial plans.

Capital Financing and Reserves Policy

- Combined debt service coverage will be 160% per Board policy, exceeding DC Water's bond indenture requirements of senior debt service coverage at 120% and subordinate debt service coverage at 100%.
- Cash reserves will be maintained at a level equivalent to 250 days operating expenses for the current fiscal year. The 250 days cash requirement 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.
- The budget and the financial plan will be structurally balanced; DC Water will use one-time revenues for one-time expenses.
- DC Water will secure the least costly financing for capital projects based on careful evaluation of the Authority's financial position and capital operating needs.

Rate-setting and Budgetary Policy

To the extent annual revenues exceed costs, the Board's policy will continue to utilize all available options to mitigate future customer impacts and annual increases, including transferring some or all of such excess funds to the Rate Stabilization Fund.

- Rates that, together with other revenue sources, cover current costs and meet or exceed all bond and other financial requirements.
- Rates that yield a reliable and predictable stream of revenues.
- Rates based on annually updated forecasts of operating and capital budgets.
- Rates structures that are legally defensible.
- Rates structures customers can understand.
- Rate increases, if required, that are implemented transparently and predictably.

Cash Management and Investment Policy

The goals of DC Water's cash management and investment policy are safety, liquidity, diversity and return on investment.

Debt Policy

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.

Board Resolutions

The following Board of Directors' resolutions provide additional information on DC Water's Financial and Investment Policies:

- [Board Resolution 22-02: Approval of 2022 Amended Revised Statement of Investment Policy](#)
- [Board Resolution 21-84: Approval of Revised Statement of Financial Policies and Debt Policy and Guidelines](#)
- [Board Resolution 11-10: Approval of Rate Setting Policies](#)
- [Board Resolution 10-76: Approval of Revised Rate Stabilization Fund Policy](#)