



APPROVED BUDGETS



DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY

Section VI CAPITAL FINANCING, CASH AND DEBT

New administrative headquarters
for DC Water under construction

\$ in thousands

Sources of Funds

	<u>Amount</u>	<u>Percentage</u>
Debt Financing ⁽¹⁾	\$ 1,552,364	39.4%
Wholesale Capital Payments	727,398	18.5%
EPA Grants & CSO Appropriations	245,683	6.2%
Interest Income on Bond Proceeds	17,262	0.4%
Pay-Go Financing ⁽²⁾	937,860	23.8%
CRIAC	389,782	9.9%
System Availability Fee (SAF)	65,450	1.7%
Total Sources	\$ 3,935,798	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

Sources & Uses of Funds

[summary](#)
[overview](#)
[financial plan](#)
[rates&rev](#)
[capital](#)
[financing](#)
[departmental](#)
[glossary](#)

\$ in thousands

	FY 2017 Actual	FY 2018 Approved	FY 2018 Revised	FY 2019 Approved
Sources				
Beginning Balance	\$ 106,057	\$ 133,720	\$ 172,706	\$ 249,878
New Debt Proceeds / Commercial Paper/ EMCP (I)	332,373	154,938	300,000	110,000
Environmental Impact Bond	25,000	-	-	-
System Availability Fee	-	1,925	1,925	3,850
CRIAC	-	-	13,513	30,824
Pay-Go Financing	117,272	93,589	87,803	65,948
EPA Grants	14,246	23,093	23,620	44,339
CSO Appropriations	14,021	-	8,500	-
Wholesale Customer Capital Payments	107,288	80,043	90,214	65,851
Interest Income	1,764	1,365	1,549	2,981
Total Sources	\$ 611,964	\$ 354,953	\$ 527,124	\$ 323,793
Uses				
Water Projects	\$ 47,309	\$ 51,738	\$ 58,044	\$ 45,747
WasteWater Treatment	148,104	98,423	95,485	74,617
Sanitary Sewer Projects	40,059	39,294	29,802	32,947
Combined Sewer & LTCP Projects	229,425	130,475	181,816	200,343
Stormwater Projects	1,384	2,682	945	4,909
Non Process Facilities	25,189	20,030	32,194	33,107
Washington Aqueduct	15,483	11,768	11,768	12,930
Capital Equipment	18,324	23,586	27,135	27,400
Meter Replacement / AMR / CIS	20,038	9,311	12,763	7,118
Total Uses	\$ 545,315	\$ 387,307	\$ 449,952	\$ 439,118
Sources Minus Uses	\$ 66,649	\$ (32,354)	\$ 77,172	\$ (115,325)

(I) Commercial Paper and Extendable Municipal Commercial Paper is used for interim financing and capital equipment

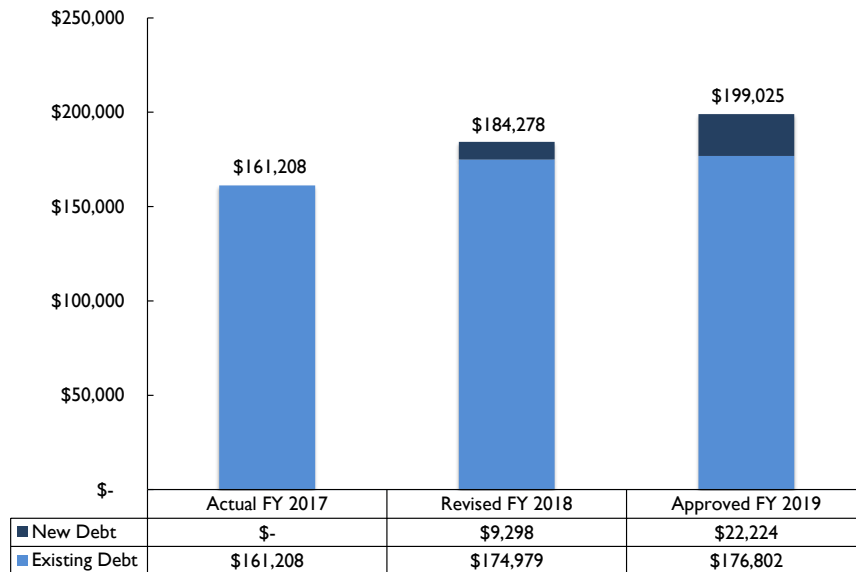
Cash Reserve Summary

[summary](#)
[overview](#)
[financial plan](#)
[rates&rev](#)
[capital](#)
[financing](#)
[departmental](#)
[glossary](#)

\$ in thousands

	FY 2017 Actual	FY 2018 Approved	FY 2018 Revised	FY 2019 Approved
Beginning O&M Reserve Balance (Net of Rate Stabilization Fund)	\$ 162,652	\$ 140,000	\$ 147,212	\$ 140,000
Operating Surplus	117,601	75,822	80,449	84,520
Wholesale Customer Prior Year Billing Reconciliation	(10,906)	(7,000)	(7,000)	(1,500)
Project Billing Refund	-	-	(4,000)	(4,000)
Transfer to Rate Stabilization Fund	(10,000)	-	-	-
Federal Customer Prior Year Billing Reconciliation	(19,201)	(9,019)	(9,019)	(5,821)
Interest Earned from Bond Proceeds	140	452	340	424
Pay-Go Capital Financing	(93,073)	(60,255)	(67,982)	(73,624)
Ending O&M Reserve Balance (Net of Rate Stabilization Fund)	\$ 147,212	\$ 140,000	\$ 140,000	\$ 140,000
Rate Stabilization Fund	\$ 61,450	\$ 51,450	\$ 61,450	\$ 61,450

\$ in thousands



INTEREST RATE ASSUMPTIONS

Budget Appropriation and Financial Plan

- Variable rate
 - 2.50% for FY 2017 and FY 2018
- Fixed rate
 - 5.00% for FY 2018 and 5.50% for FY 2019
 - 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
- Pay-Go financing
- Permanent bond 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 2017			Revised FY 2018			Approved FY 2019		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
Senior Lien									
1998*	14,750	7,721	\$ 22,471	15,565	7,802	\$ 23,367	16,420	6,946	23,366
Series 2009 A	3,815	348	4,163	4,225	211	4,436	-	-	-
Series 2014 A	-	16,849	16,849	-	16,849	16,849	-	16,849	16,849
Series 2017 A & B	-	8,488	8,488	3,045	14,027	17,072	3,195	13,874	17,069
Total Senior Lien	\$ 18,565	\$ 33,406	\$ 51,971	\$ 22,835	\$ 38,889	\$ 61,724	\$ 16,420	\$ 23,795	\$ 57,284
Subordinate									
Jennings Randolph Bonds	387	418	\$ 805	400	405	\$ 805	413	392	\$ 805
WASA Bonds	-	-	-	9,298	-	9,298	22,224	-	22,224
Series 2008 A	6,735	657	7,392	6,865	343	7,208	-	-	-
Series 2010 A	-	10,744	10,744	-	11,094	11,094	-	11,094	11,094
Series 2012 A, B-1, B-2, C	5,140	15,848	20,988	5,345	15,713	21,058	5,590	15,471	21,061
Series 2013 A	-	14,940	14,940	-	14,994	14,994	-	14,994	14,994
Series 2014 B	-	698	698	-	3,250	3,250	-	3,250	3,250
Series 2014 C	-	17,444	17,444	-	17,468	17,468	530	17,468	17,998
Series 2015 A,B	-	17,511	17,511	580	17,521	18,101	2,000	17,503	19,503
Series 2016 A	-	17,397	17,397	-	17,420	17,420	11,535	17,420	28,955
Series 2016 B	-	863	863	-	858	858	-	858	858
EMCP	-	455	455	-	500	500	-	500	500
Commercial Paper	-	-	-	-	500	500	-	500	500
Total Subordinate Lien Debt	\$ 12,262	\$ 96,975	\$ 109,237	\$ 22,488	\$ 100,065	\$ 122,554	\$ 42,292	\$ 99,450	\$ 141,741
Total Debt	\$ 30,827	\$ 130,381	\$ 161,208	\$ 45,323	\$ 138,954	\$ 184,278	\$ 58,712	\$ 123,245	\$ 199,025

* Revenue Bond

Outstanding Debt

[summary](#)
[overview](#)
[financial plan](#)
[rates&rev](#)
[capital](#)
[financing](#)
[departmental](#)
[glossary](#)

\$ in thousands

	Interest Rates (%)	Final Maturity	Amount Outstanding*
Senior Debt			
Series 1998	5.50-6.00	2028	\$ 141,855
Series 2009A	3.00-5.50	2018	4,225
Series 2014A	4.814	2114	350,000
Series 2017A	4.00-5.00	2052	100,000
Series 2017B	4.00-5.00	2044	200,000
Total Senior Debt			\$796,080
Subordinate Debt			
Series 2008A	5.00	2018	\$ 6,865
Series 2010A	4.07-5.52	2044	300,000
Series 2012A	3.00-5.00	2037	153,600
Series 2012C	4.00-5.00	2033	163,215
Series 2013A	4.75-5.00	2048	300,000
Series 2014B	VR	2050	100,000
Series 2014C	3.00-5.00	2044	377,110
Series 2015A	2.00-5.00	2045	100,000
Series 2015B	5.00-5.25	2044	250,000
Series 2016A	5.00-5.25	2039	389,110
Series 2016B	3.43	2046	25,000
Government Notes			
Jennings Randolph Reservoir Debt	3.25	2041	\$ 12,453
Commercial Paper Notes ("CP Notes")			
Series C CP Notes (taxable)	VR	N/A	\$ 29,200
Extendable Municipal Commercial Paper Notes ("EMCP Notes")			
Series A EMCP Notes	VR	N/A	\$ 50,000
Total Subordinate Debt			\$ 2,256,553
Total Debt Outstanding			\$3,052,633

* Amount outstanding as of 9/30/2017

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: 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)

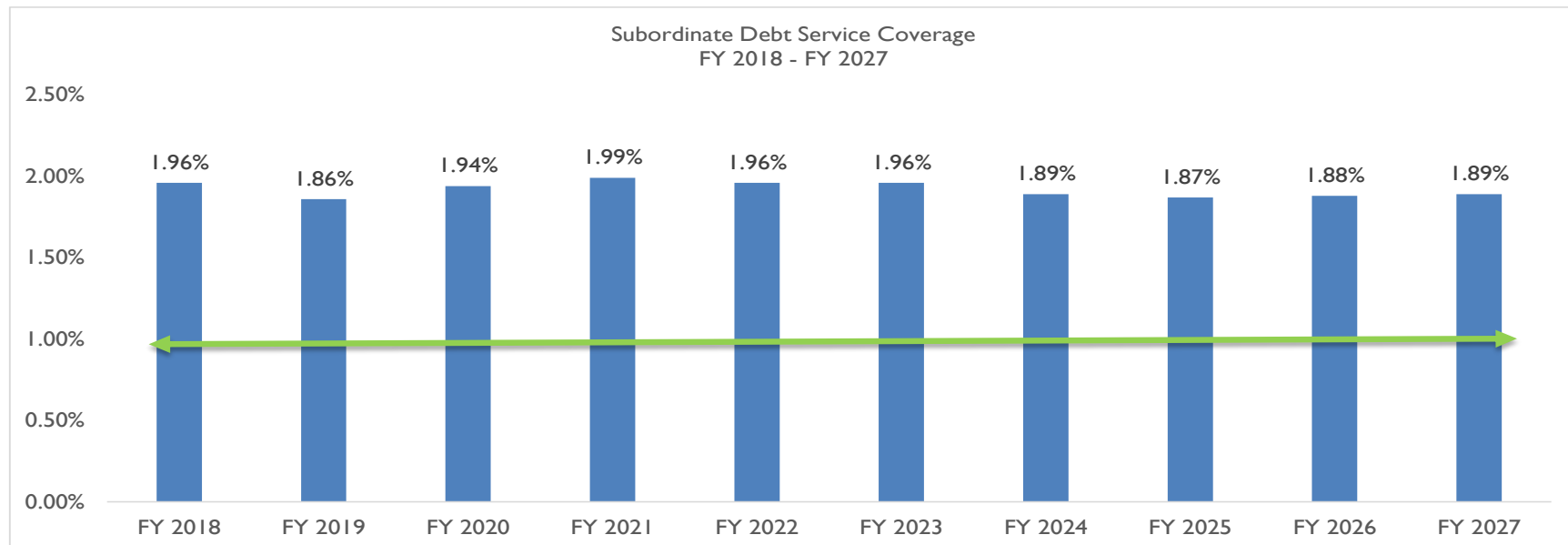
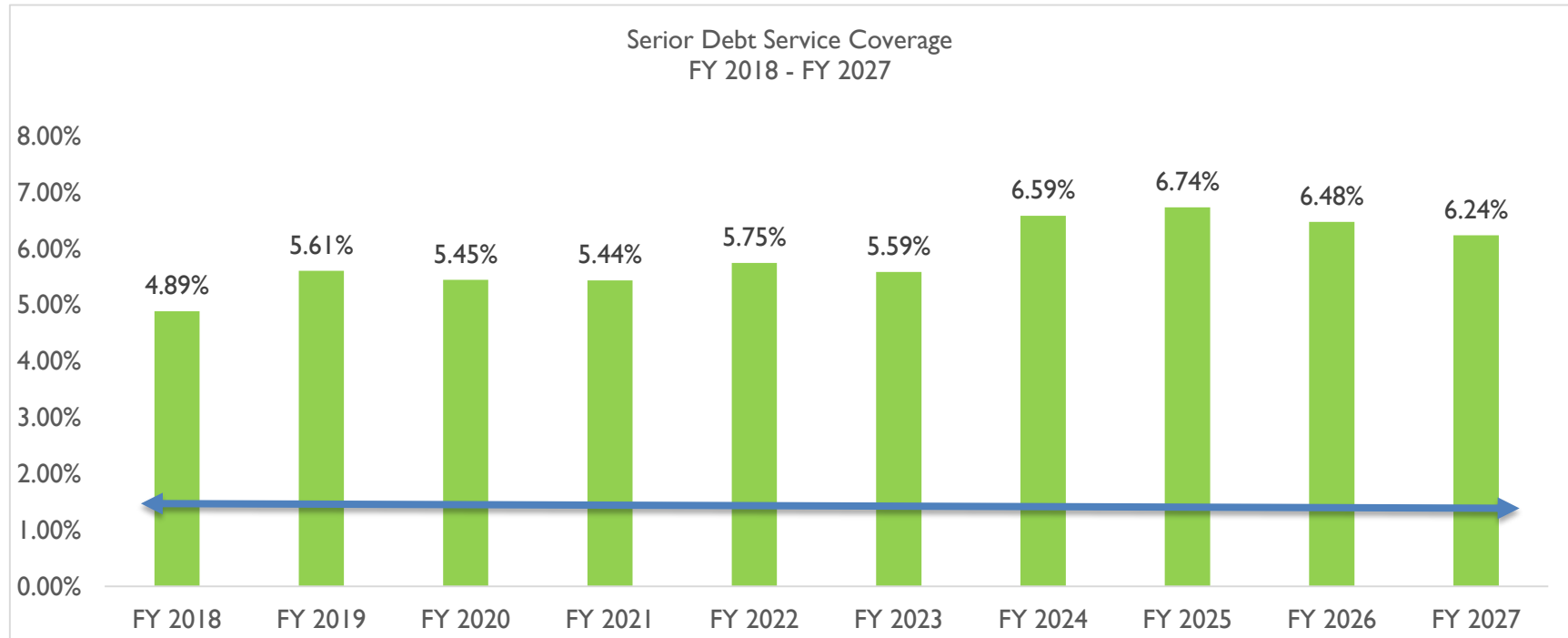
PUBLIC UTILITY SUBORDINATE LIEN REVENUE REFUNDING BONDS: 1) Series 2008A: (refunded Series 2004, fixed-rate, Aaa/AAA/AAA, Assured Guaranty insured, April 2008; 2) Series C taxable commercial paper: (refunded Series 2007B, April 2008); and 3) Series 2012C: (advance refunded Series 2003, fixed-rate, Aa3/AA/AA-, 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 \$250 million commercial paper program includes: 1) Series A (tax-exempt) aggregate principal amount not to exceed \$100 million; 2) Series B (tax-exempt) aggregate principal amount not to exceed \$100 million; and (3) Series C (taxable) aggregate principal amount not to exceed \$50 million.

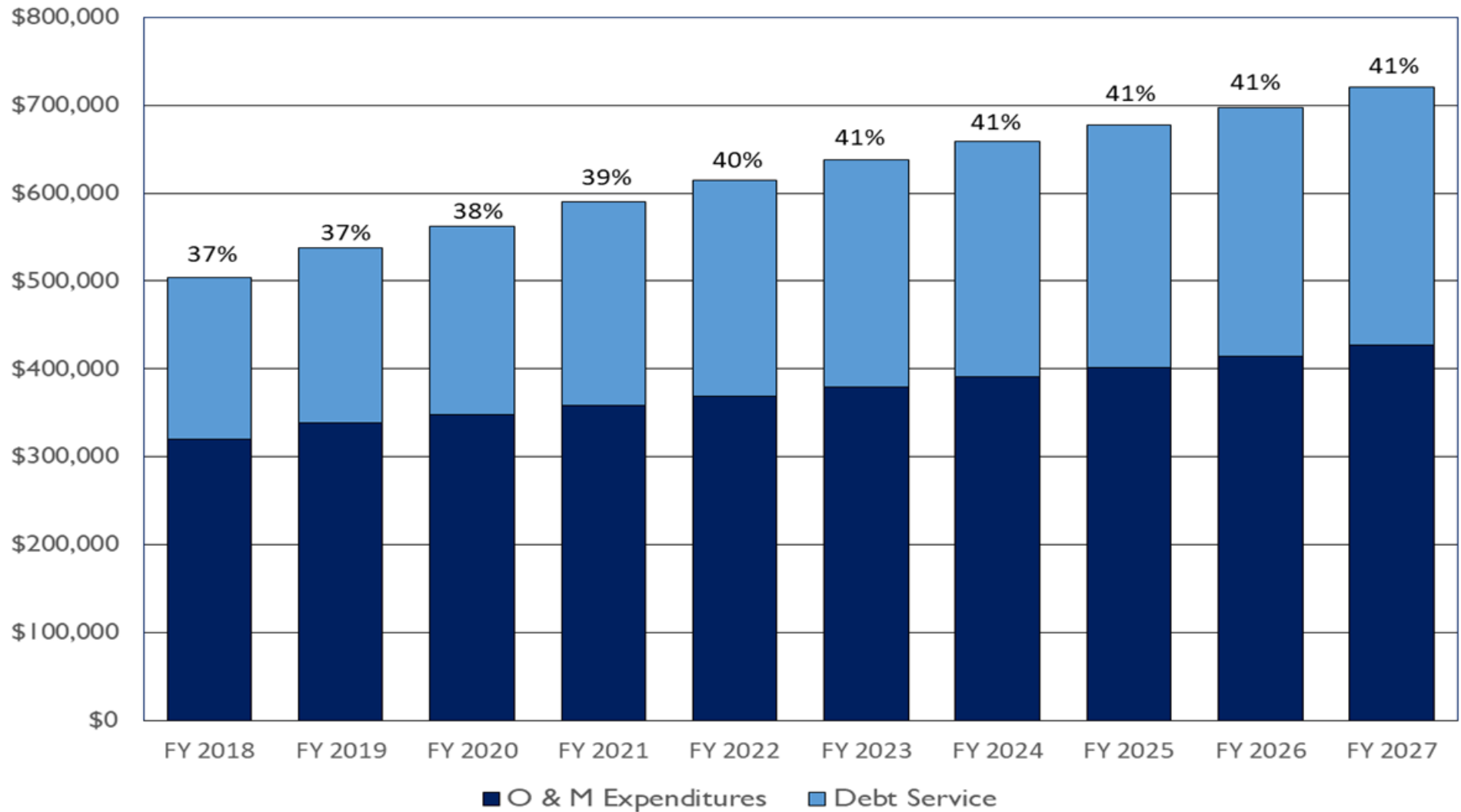
DEBT POLICY: DC Water's comprehensive debt policy can be found on our website at www.dewater.com.



Debt Service as Percentage of O&M Expenditures

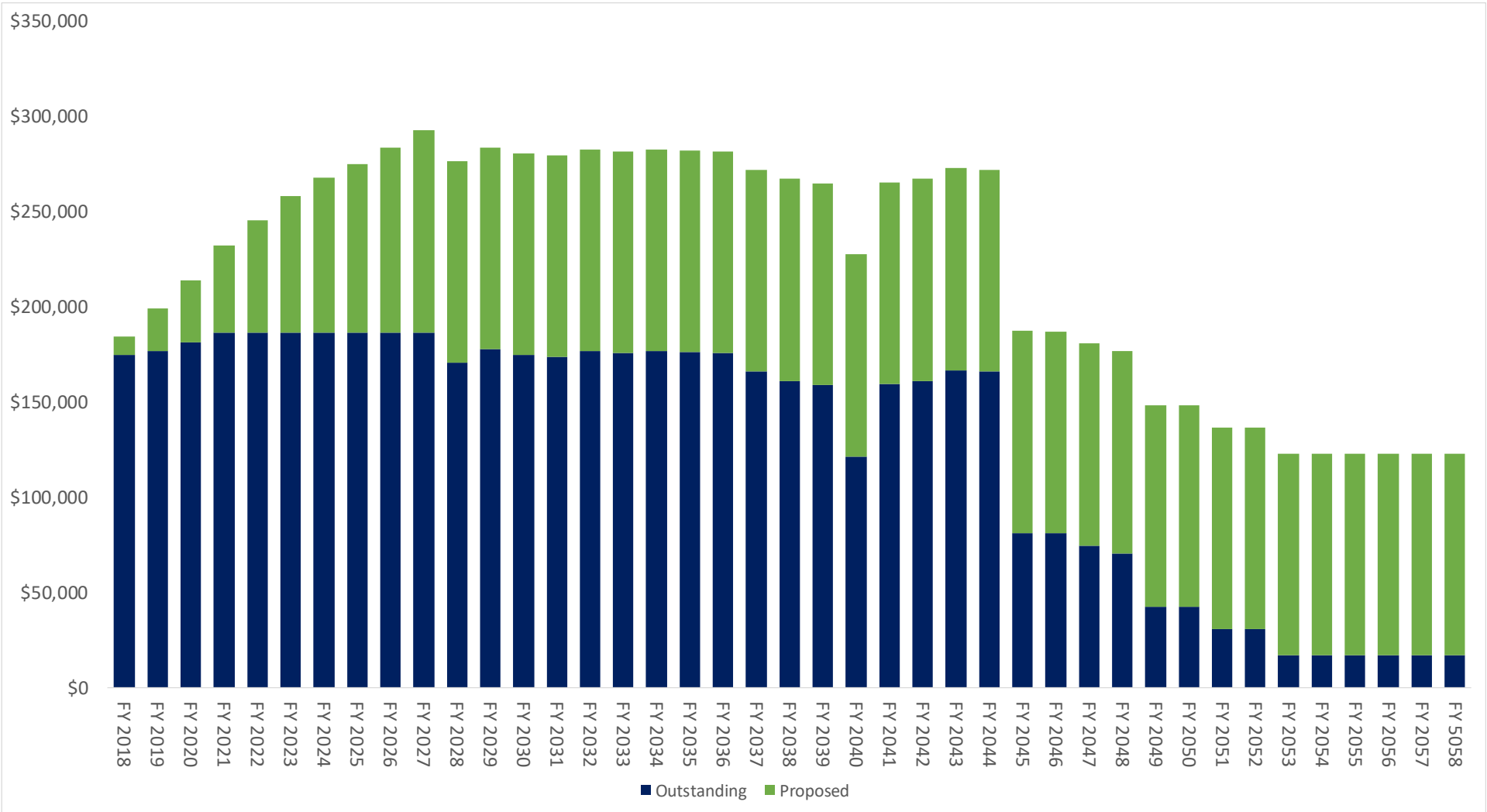
[summary](#)[overview](#)[financial plan](#)[rates&rev](#)[capital](#)[financing](#)[departmental](#)[glossary](#)

\$ in thousands



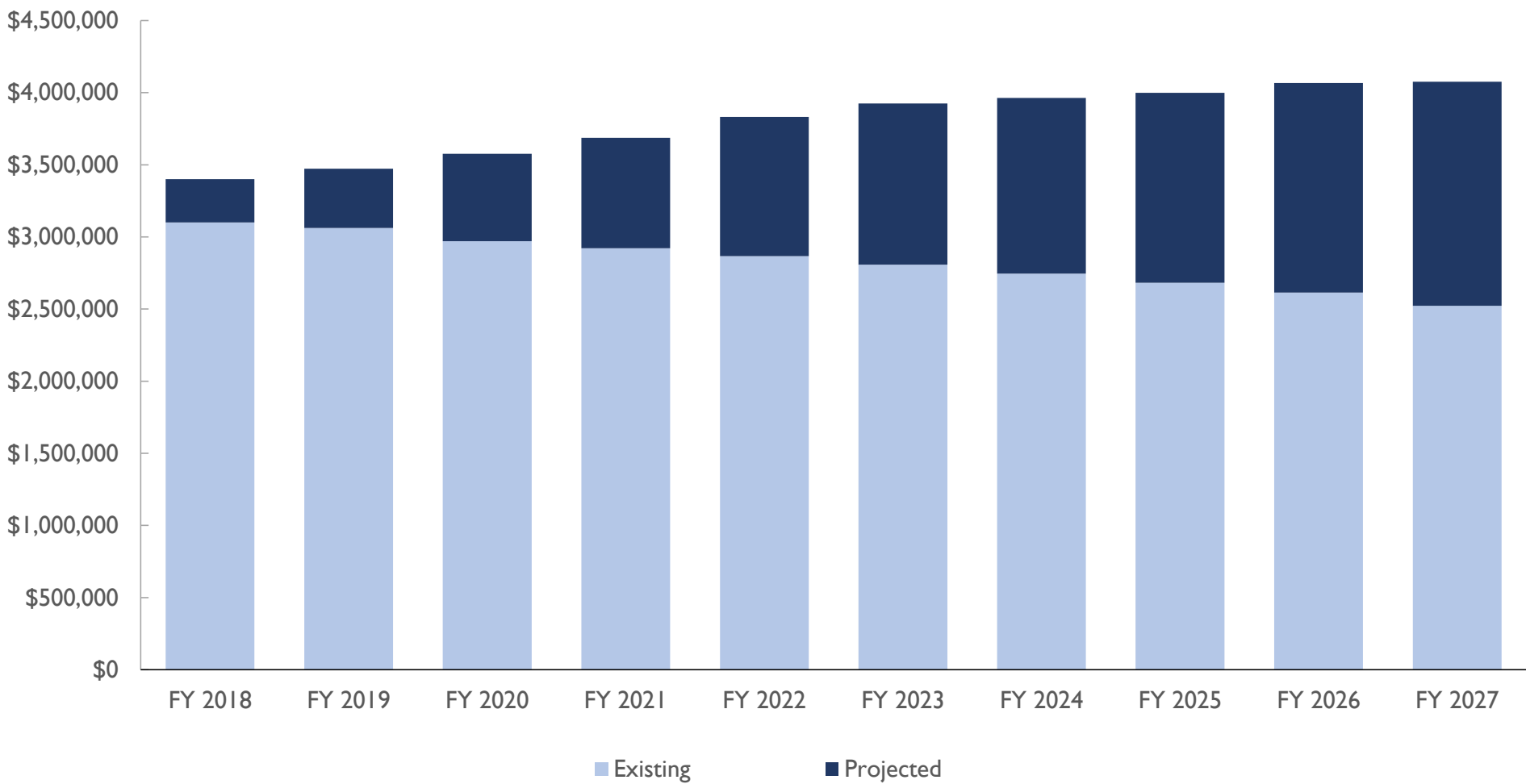
Total Proposed and Outstanding Debt Service

\$ 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 \$2.5 Billion in debt (this includes the funding of Reserves and Costs of Issuance), increasing total Debt Outstanding to \$4.6 Billion at the end of FY 2027.

Principal vs. Net Fixed Assets

\$ in thousands

