

## 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 (PDF 31.6 mb) and operating budgets. The policies will continue to guide the development and implementation of the Authority's longterm financial plans.

### Capital Financing and Reserves Policy

- Senior debt service coverage will be maintained at 140%, exceeding DC Water's bond indenture requirements of 120%.
- Cash reserves will be maintained at a level equivalent to 120 days operating expenses (objective \$125.5 million).
- 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.
- 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. As of October 2010, the Rate Stabilization Fund had a balance of \$16.7 million.

- 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 that 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.

## Board Resolutions

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

- [Board Resolution 14-32: Approval of Investment and Deposit Policy](#)
- [Board Resolution 10-76: Approval of Revised Rate Stabilization Fund Policy](#)
- [Board Resolution 11-10 : Approval of Rate Setting Policies](#)
- [Board Resolution 11-22: Approval of "Pay-As-You-Go" Capital Financing Policy](#)
- [Board Resolution 13-57: Approval of Revised Financial Policies](#)