



# Approved FY 2025 Budgets

## Section VI: CAPITAL FINANCING, CASH AND DEBT



Green Roof / New Sewer Facilities



\$ in thousands

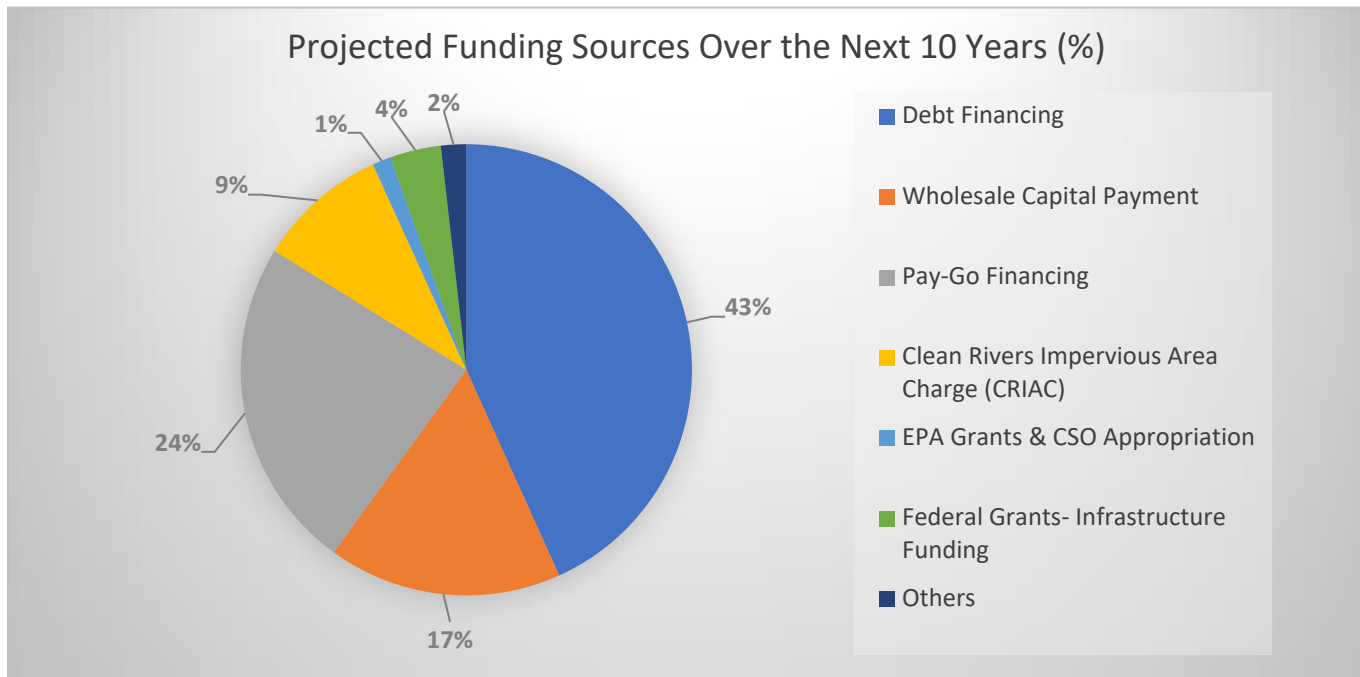
DC Water relies on several funding sources to finance its capital projects and cash flow needs. The process of identifying, obtaining, and managing these funds is a combined effort throughout the Authority. This includes future revenues, collections, grant applications, planning, and debt service management.

Approximately 67% of DC Water’s capital program is funded by debt and pay-go, 17% of the funds are contributed by wholesale capital payments, and the remaining estimated 16% of funds come from other available funds.

Below is the list of various funding sources and the percentage contribution to DC Water’s overall CIP needs.

Ten-Year Sources of Funds	Amount
Debt Financing	\$3,367,761
Wholesale Capital Payment	1,303,177
Pay-Go Financing	1,852,207
Clean Rivers Impervious Area Charge (CRIAC)	729,651
EPA Grants & CSO Appropriation	104,067
System Availability Fee (SAF)	77,000
Federal Grants- Infrastructure Funding	283,740
Interest Income	46,117
Curing Pad and Solar	17,848
<b>Total</b>	<b>\$7,781,568</b>

- Debt Financing refers to the borrowing of funds through long term revenue bonds, commercial paper and other short- term notes.
- Pay-Go financing is any funds available after meeting the reserves and rate stabilization fund deposits.
- Other financing comprises EPA Grants & CSO Appropriation, System Availability Fee (SAF), Federal Grants-Infrastructure Funding, Interest Income on Bond Proceeds and Curing Pad and Solar.



\$ in thousands

## Sources and Uses of Funds

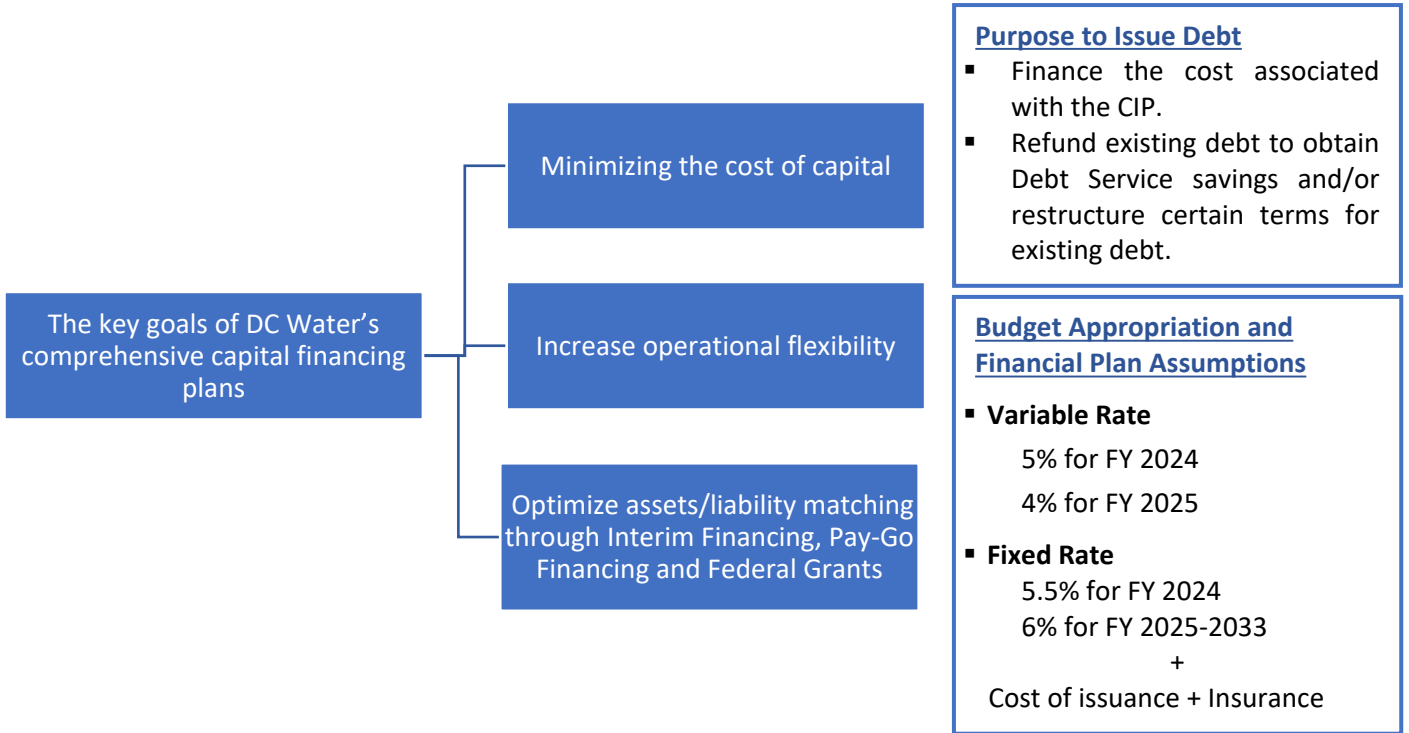
Particulars	FY 2023 Actual	FY 2024 Approved	FY 2024 Revised	FY 2025 Approved
<b>Sources</b>				
<b>Beginning Balance</b>	\$ 494,562	\$ 304,193	\$ 366,735	\$ 184,103
New Debt Proceeds / Commercial Paper / EMCP <sup>(1)</sup>	32,066	180,488	26,000	351,000
Curing Pad and Solar	-	3,009	-	-
System Availability Fee (SAF)	5,087	7,700	7,700	7,700
Clean Rivers Impervious Area Charge (CRIAC)	52,514	63,348	63,348	60,977
Pay-Go Financing	131,737	130,873	145,526	127,369
Federal Grants - Infrastructure Funding	-	44,000	24,598	29,755
EPA Grants	26,503	26,651	13,005	20,144
CSO Appropriation	8,000	-	-	-
Wholesale Customer Capital Contributions	41,865	84,142	77,404	88,796
Interest Income	9,550	10,621	7,946	10,592
<b>Total Sources</b>	\$ 307,322	\$ 550,832	\$ 365,527	\$ 696,333
<b>Uses</b>				
Water Projects	118,381	188,371	158,736	222,494
Wastewater Treatment	50,359	84,442	65,150	103,291
Sanitary Sewer Treatment	57,696	118,457	80,599	92,235
Combined Sewer & LTCP Projects	93,758	110,256	123,793	213,408
Stormwater Projects	3,523	12,839	7,293	13,565
Non-Process Facilities	10,272	24,614	13,074	19,900
Washington Aqueduct	74,728	35,155	35,546	35,770
Capital Equipment	24,680	26,937	26,937	24,532
Meter Replacement / AMR/ CIS	1,750	3,598	3,598	6,944
<b>Total Uses</b>	\$ 435,149	\$ 604,671	\$ 514,727	\$ 732,139
Capital Contingency Reserve for LTCP	-	33,432	33,432	30,000
<b>Ending Balance</b>	\$ 366,735	\$ 216,923	\$ 184,103	\$ 118,297

(1) Commercial Paper and Extendable Municipal Commercial Paper are used for interim financing and capital equipment

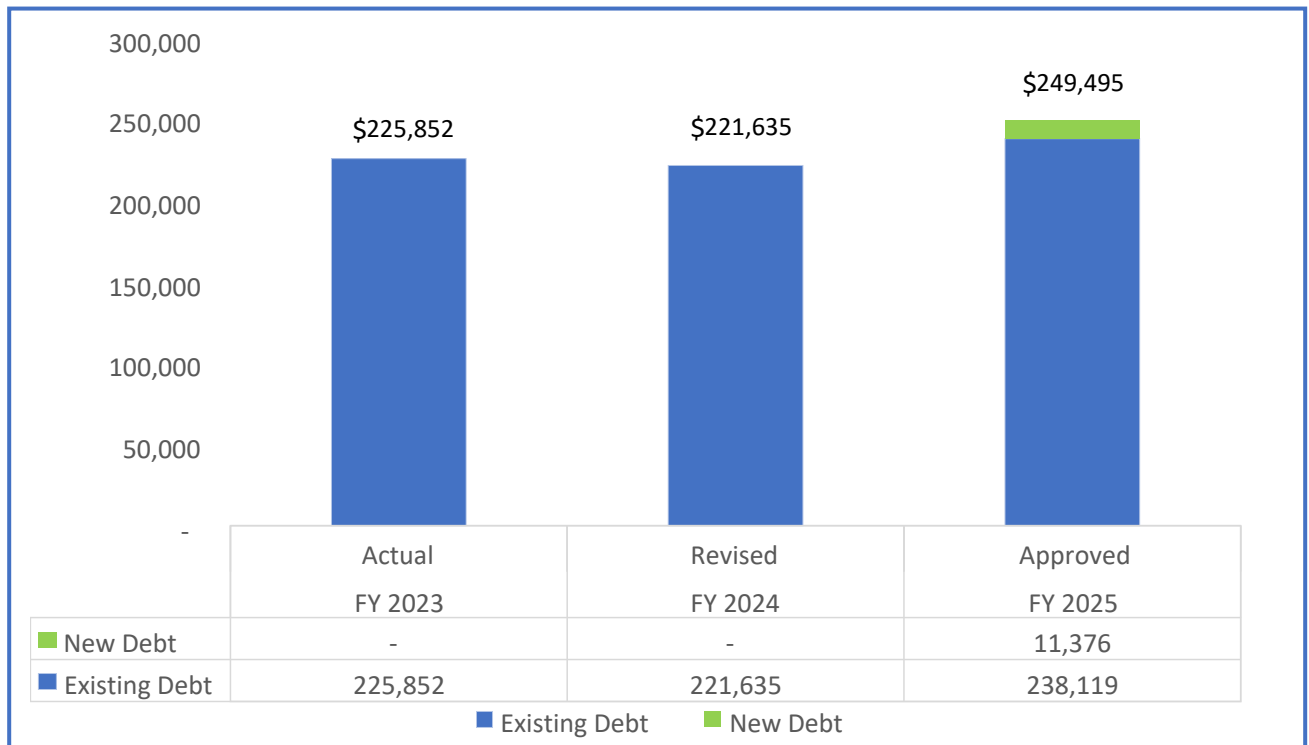
## Cash Reserve Summary

Particulars	FY 2023 Actual	FY 2024 Approved	FY 2024 Revised	FY 2025 Approved
<b>Beg. O&amp;M Reserve Balance (Net of Rate Stabilization Fund)</b>	\$ 257,374	\$ 274,600	\$ 286,889	\$ 296,600
Operating Surplus	179,168	172,571	185,544	173,502
Wholesale Customer Refunds/Payments for Prior Years	4,742	(5,000)	(9,000)	(7,700)
Federal Customer Refund/Payments for Prior Years	(4,188)	(6,256)	(6,256)	(13,813)
Transfer to Rate Stabilization Fund	-	351	-	-
AP Voided Checks/ACH Return for Previous Years	3,264	-	-	-
Interest Earned from Bond Reserve	137	-	445	404
Pay-As-You-Go Capital Financing	(153,607)	(153,665)	(159,022)	(137,393)
Project Billing Refunds	-	-	(2,000)	(2,000)
<b>Ending O&amp;M Reserve Balance (Net of Rate Stabilization Fund)</b>	\$ 286,889	\$ 282,600	\$ 296,600	\$ 309,600
<b>Rate Stabilization Fund</b>	\$ 35,644	\$ 35,644	\$ 33,644	\$ 31,644

## Capital Financial Plan



## Debt Service FY 2023 – FY 2025



\$ in thousands

The chart below shows debt service payment of principal and interest for a three-year outlook.

Bond Series	FY 2023 Actual	FY 2024 Revised	FY 2025 Approved
<b>Senior Lien</b>			
Series 1998	\$ 21,019	\$ 2,381	\$ 8,114
Series 2014A	16,742	16,849	16,849
Series 2017A&B	17,733	17,849	17,848
Series 2018A&B	18,229	18,326	18,324
WIFIA Loan	391	2,244	2,924
<b>Total Senior Lien</b>	<b>\$ 74,114</b>	<b>\$ 57,649</b>	<b>\$ 64,059</b>
<b>Subordinate Lien</b>			
Series 2010A	17,774	15,276	15,372
Series 2012A,B-1, B-2&C	-	-	-
Series 2014B	3,074	4,004	3,996
Series 2014C	25,503	16,046	28,644
Series 2015A&B	20,350	20,548	20,550
Series 2016	16,940	17,039	17,039
Series 2019A&B	7,583	7,625	11,045
Series 2019C	1,732	1,741	3,980
Series 2019D	12,241	12,305	12,308
Series 2022A	16,204	36,943	28,668
Series 2022B	3,893	3,979	3,979
Series 2022C-1	8,921	8,921	8,921
Series 2022C-2	177	177	177
Series 2022D	10,599	10,649	10,647
Series 2022E	2,892	2,891	2,891
Extendable Municipal Commercial Paper	1,637	2,890	2,889
Commercial Paper	1,414	2,148	2,149
Jennings Randolph Bond	805	805	805
<b>Total Subordinate Lien</b>	<b>\$ 151,739</b>	<b>\$ 163,986</b>	<b>\$ 174,060</b>
<b>Proposed Debt Service</b>	<b>-</b>	<b>-</b>	<b>\$ 11,376</b>
<b>Total Debt Service</b>	<b>\$ 225,852</b>	<b>\$ 221,635</b>	<b>\$ 249,495</b>

### SENIOR BOND RATINGS (DEC 2023)

Standard and  
Poor's Corporation  
**AAA**

Moody's Investor  
Service  
**Aa1**

Fitch's Rating  
**AA+**

### Asset Value and Outstanding Debt

Net Assets  
**\$8.2B**

Outstanding Debt  
**\$3.7B**

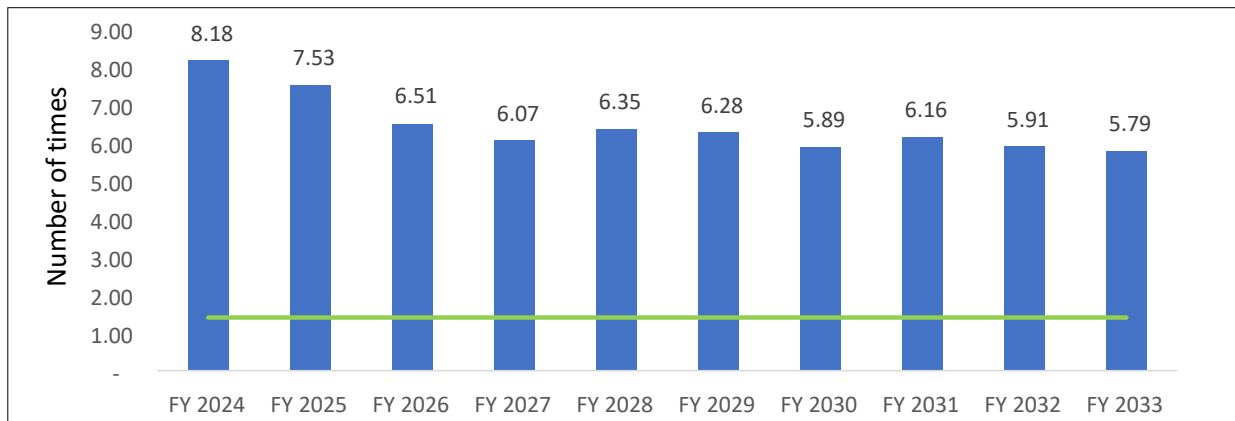
**Debt Service Coverage (FY 2024-FY 2033)**

DC Water is authorized to issue additional debt only to the extent that it can satisfy the Debt Service Coverage (annual net revenues as a percent of annual debt service) requirements established in the Indenture and certain Board policies.

Debt Level	Master Indenture	Board Resolution	Management Practice
Senior	120X	140X	140X
Subordinate	100X	100X	100X
Combined	NA	160X	160X

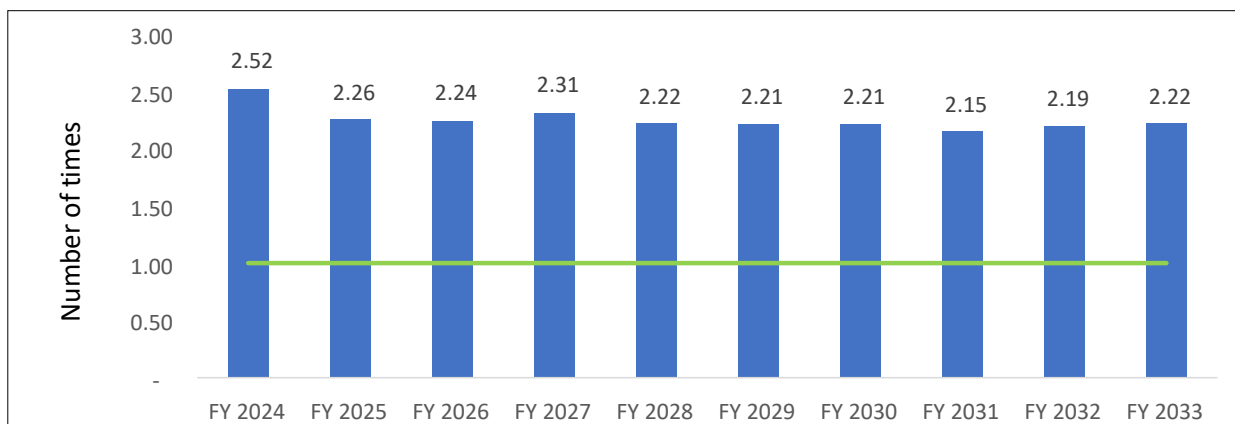
**Senior Debt Service Coverage**

Senior Debt Service Coverage (Management target = 140x)



**Subordinate Debt Service Coverage**

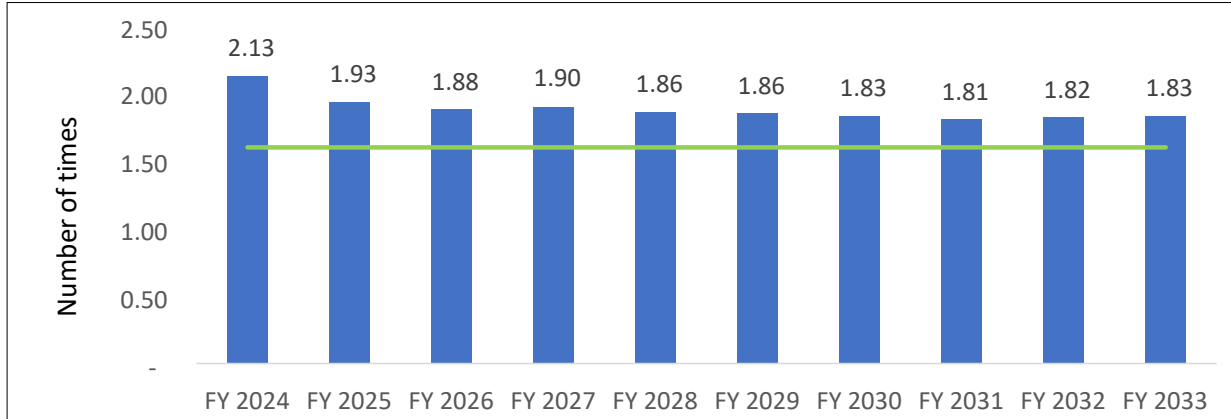
Subordinate Debt Service (Board/Management target = 100x)



\$ in thousands

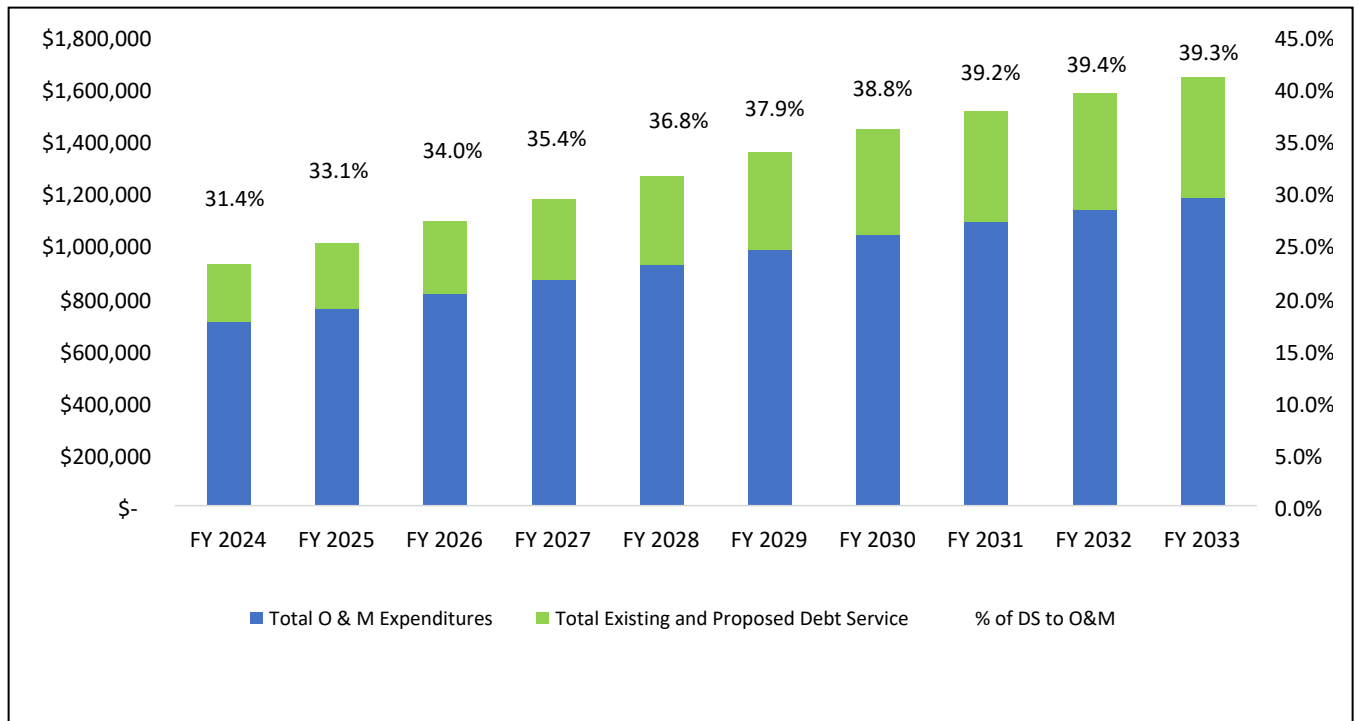
### Combined Debt Service Coverage

Combined Debt Service (Board/Management target = 160x)



DC Water’s debt service cost covers 31 percent of the total operating and maintenance expenses for FY 2024 with a cost of \$705 million. By FY 2033, debt service costs are expected to be approximately 39 percent and projected to increase over the next 10 years to finance capital projects.

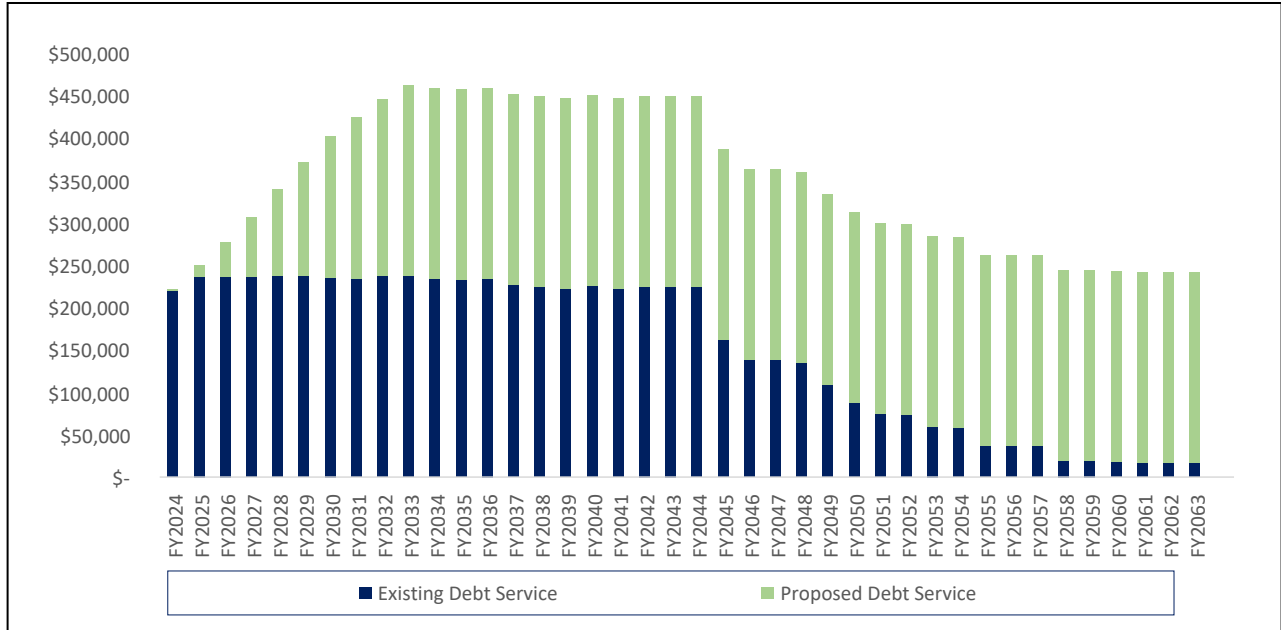
### Debt Service as Percentage of O&M Expenditures



\$ in thousands

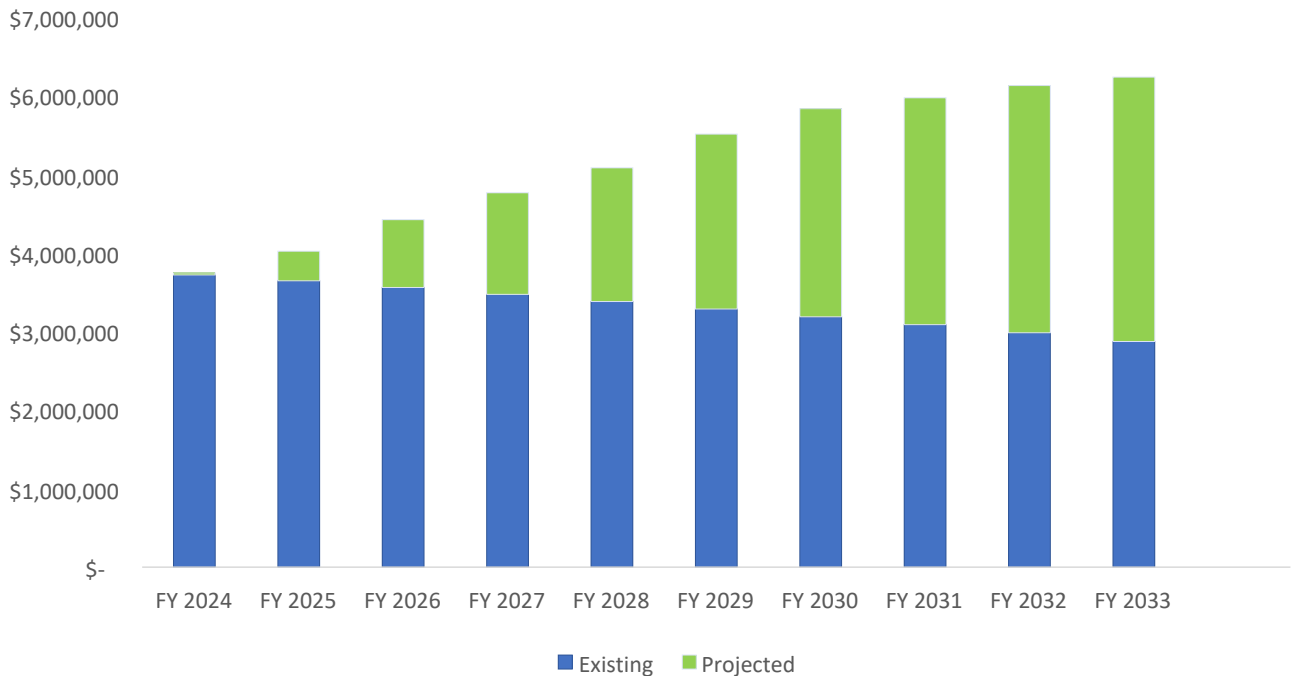
The largest source of funding for DC Water’s capital program is debt. DC Water will issue approximately \$3.3 billion in new debt over the next ten years. DC Water has \$3.7 billion in outstanding debt as of FY 2024 with an estimated \$6.2 billion by FY 2033. DC Water’s annual debt service cost is \$221 million in FY 2024 and estimated to be \$463 million by FY 2033.

## Total Outstanding & Proposed Debt Service



**Note:** 40-year debt service schedule above assumes no new debt issuances after FY 2033

## Outstanding Debt

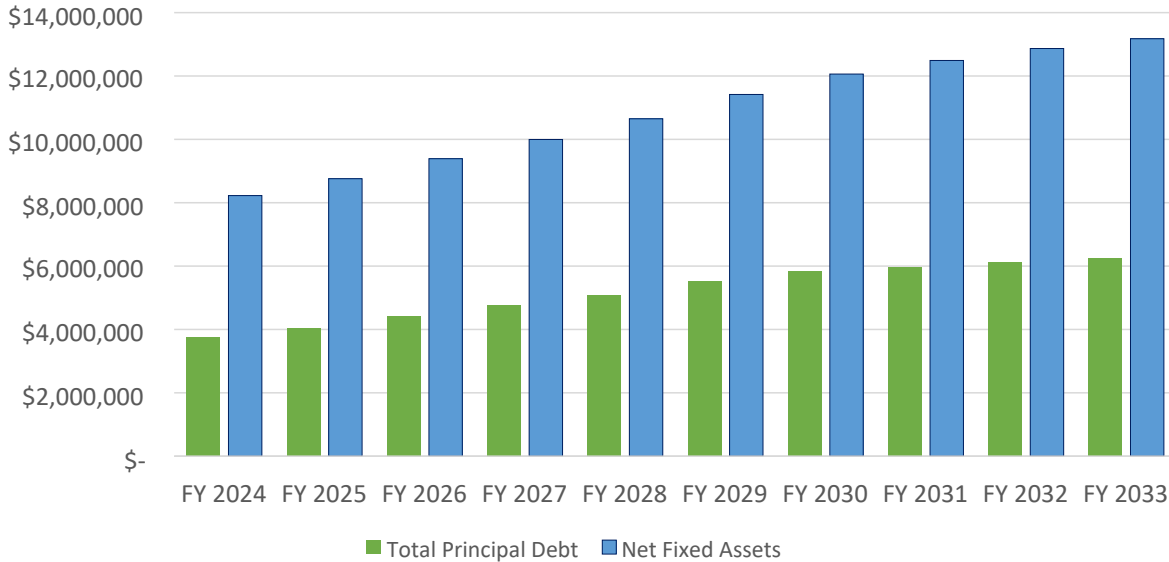




\$ in thousands

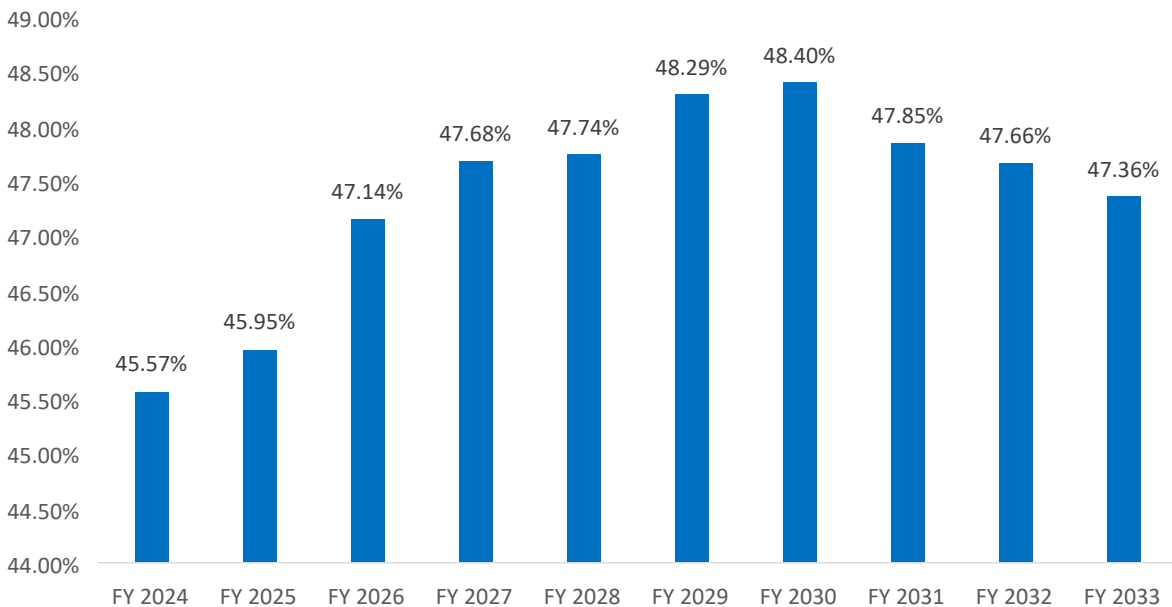
Over the 10 years, DC Water’s projected disbursement plan for its capital program will be \$7.74 billion. DC Water’s net fixed assets are \$8.2 billion as of FY 2024 and estimated to be \$13.2 billion by FY 2033.

### Principal vs Net Fixed Assets



**Note:** Outstanding debt in above graph illustrates principal vs the net fixed asset amount over 10 years

### Debt to Net Fixed Assets Ratio



**Note:** The above graph illustrates the debt to net fixed asset ratio over 10 years

**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 (March 1998); 2) Series 2014A (July 2014); 3) Series 2017A (January 2017); 4) Series 2017B (January 2017); 5) Series 2018A (April 2018); 6) Series 2018B (April 2018); 7) WIFIA Loan (March 2021).

**PUBLIC UTILITY SUBORDINATE LIEN REVENUE BONDS:** 1) Series 2012A (March 2012); 2) Series 2013A (July 2013); 3) Series 2014B (July 2014); 4) Series 2013A (July 2013); 5) Series 2014B (July 2014); 6) Series 2015A (October 2015); 7) Series 2015B (October 2015); 8) Series 2016B Environmental Impact Bond (September 2016); 9) Series 2019A (October 2019); 10) Series 2019B (October 2019); 11) Series 2019C (October 2019); 12) Series 2022B (February 2022); 13) Series 2022C (February 2022); 14) Series 2022D (February 2022); and 15) Series 2022E (March 2022).

**PUBLIC UTILITY SUBORDINATE LIEN REVENUE BONDS (FEDERALLY TAXABLE ISSUER SUBSIDY BUILD AMERICA BONDS):** 1) Series 2010A (October 2010).

**PUBLIC UTILITY SUBORDINATE LIEN REVENUE REFUNDING BONDS:** 1) Series 2008A: (refunded Series 2004, Assured Guaranty insured, April 2008); 2) Series C taxable commercial paper: (refunded Series 2007B, April 2008); and 3) Series 2012C: (advance refunded Series 2003, March 2012); 4) Series 2014C: (advanced refunded all or a portion of Series 2007A, 2008A, 2009A, and 2012B, October 2014); 5) Series 2016A: (advanced refunded all or a portion of Series 2007A, 2008A, and 2009A, January 2016); 6) Series 2019D: (advanced refunded all of Series 2013A); 7) Series 2022C: (refunded portion of Series 2014C, 2015A and 2015B, February 2022); 8) Series 2022D: (refunded portion of Series 2014C, February 2022); and 9) Series 2022A: (forward direct purchase agreement to refund all Series 2012A and 2012C, July 2022).

**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 May 2020, DC Water authorized the Letter of Credit facility to TD Bank, NA. Additionally, DC Water successfully extended JP Morgan Chase Bank as the authorized dealer and US Bank as the Issuing Paying Agent. The \$150 million commercial paper program includes: (1) Series B (tax-exempt) aggregate principal amount not to exceed \$100 million; and (2) Series C (taxable) aggregate principal amount not to exceed \$50 million.

**EXTENDABLE MUNICIPAL COMMERCIAL PAPER:** This program will provide interim financing for a portion of the Authority's Capital Improvement Program. Under this program the notes are issued backed by the liquidity and credit rating of the Authority. Each Series A EMCP Note will mature on its respective "Original Maturity Date", which may range from one to 90 days from the date of issuance, unless its maturity is extended on the "Original Maturity Date" to the "Extended Maturity Date", which will be the date that is 270 days after the date of issuance of the Series A EMCP Note. The notes are payable from and secured by a subordinate lien on the Authority's net revenues, as further described in the Authority's master trust indenture as supplemented. In November 2015, DC Water authorized the dealer for the EMCP program as Goldman, Sachs & Co. The \$100 million extendable municipal commercial paper program includes: (1) Series A (tax-exempt) aggregate principal amount not to exceed \$100 million.