



Approved FY 2024 Budgets

Section VI: CAPITAL FINANCING, CASH AND DEBT



New Fleet 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 63 percent of DC Water’s capital program is funded by debt and pay-go, 18 percent of the funds is contributed by the wholesale capital payments, and the remaining estimated 19 percent 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	Percentage
Debt Financing (1)	\$ 2,734,308	39.3%
Wholesale Capital Payment	1,269,968	18.3%
Pay-Go Financing (2)	1,606,176	23.1%
Clean Rivers Impervious Area Charge (CRIAC)	772,401	11.1%
EPA Grants & CSO Appropriation	171,908	2.5%
System Availability Fee (SAF)	77,000	1.1%
Federal Grants - Infrastructure Funding	240,575	3.5%
Interest Income on Bond Proceeds	44,542	0.6%
Curing Pad and Solar	34,189	0.5%
Total	\$ 6,951,067	100%

- (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

\$ in thousands

Sources and Uses of Funds

	FY 2022 Actual	FY 2023 Approved	FY 2023 Revised	FY 2024 Approved
Sources				
Beginning Balance	\$ 151,031	\$ 281,405	\$ 494,562	\$ 304,193
New Debt Proceeds / Commercial Paper / EMCP ⁽¹⁾	\$ 395,433	\$ 194,519	\$ 38,211	\$ 180,488
Curing Pad and Solar	-	1,165	-	3,009
System Availability Fee (SAF)	9,194	7,700	7,700	7,700
Clean Rivers Impervious Area Charge (CRIAC)	52,095	52,514	52,514	63,348
Pay-Go Financing	124,919	114,315	120,851	130,873
Federal Grants - Infrastructure Funding	4,400	37,594	11,701	44,000
EPA Grants	39,656	27,101	21,984	26,651
CSO Appropriation	8,011	-	-	-
Wholesale Customer Capital Contributions	53,661	90,690	75,288	84,142
Interest Income	1,499	3,304	15,169	10,621
Total Sources	\$ 688,868	\$ 528,902	\$ 343,418	\$ 550,832
Uses				
Water Projects	\$ 71,316	\$ 227,116	\$ 108,909	\$ 188,371
Wastewater Treatment	69,277	78,574	71,907	84,442
Sanitary Sewer Treatment	31,056	103,383	68,031	118,457
Combined Sewer & LTCP Projects	117,675	117,703	108,031	110,256
Stormwater Projects	2,168	11,526	7,509	12,839
Non-Process Facilities	17,788	12,052	22,104	24,614
Washington Aqueduct	14,683	59,628	67,523	35,155
Capital Equipment	20,951	33,921	44,321	26,937
Meter Replacement / AMR/ CIS	423	3,100	3,100	3,598
Total Uses	\$ 345,337	\$ 647,003	\$ 501,437	\$ 604,671
Capital Contingency Reserve for LTCP	\$ -	\$ 32,350	\$ 32,350	\$ 33,432
Ending Balance	\$ 494,562	\$ 130,954	\$ 304,193	\$ 216,923

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

Cash Reserve Summary

	FY 2022 Actual	FY 2023 Approved	FY 2023 Revised	FY 2024 Approved
Beg. O&M Reserve Balance (Net of Rate Stabilization Fund)	\$ 196,286	\$ 235,600	\$ 257,374	\$ 274,600
Operating Surplus	\$ 214,789	\$ 143,799	\$ 185,953	\$ 172,571
Wholesale Customer Prior Year Billing Reconciliation	(2,351)	(5,000)	(7,500)	(5,000)
Federal Customer Prior Year Billing Reconciliation	(3,060)	(4,188)	(4,188)	(6,256)
Interest Earned from Bond Proceeds	89	225	521	351
Pay-Go Capital Financing	(148,378)	(127,837)	(157,560)	(153,665)
Ending O&M Reserve Balance (Net of Rate Stabilization Fund)	\$ 257,374	\$ 242,600	\$ 274,600	\$ 282,600
Rate Stabilization Fund	\$ 35,644	\$ 35,644	\$ 35,644	\$ 35,644

\$ in thousands

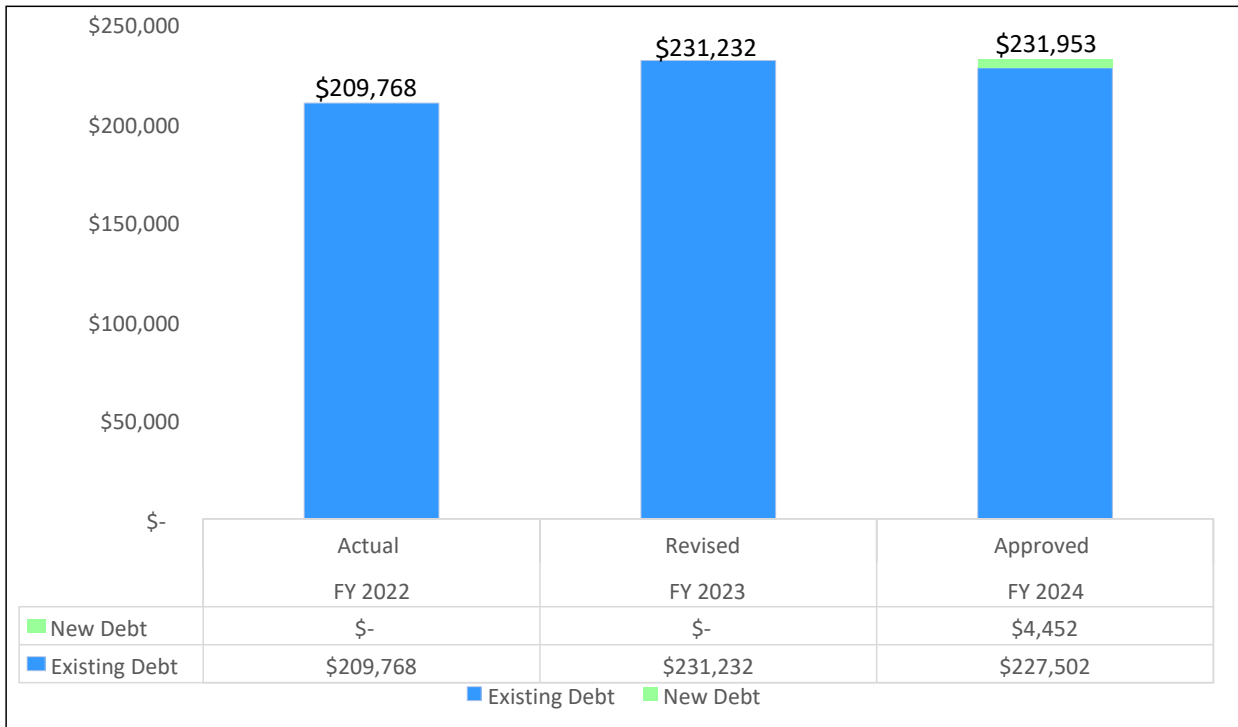
Interest Rate Assumptions

- Budget Appropriation and Financial Plan
 1. Variable rate
 - 5 percent and 4 percent for FY 2023 and FY 2024
 2. Fixed rate
 - 5.0 percent for FY 2023 and FY 2024 respectively
 - Plus, cost of issuance and insurance

Capital Financial Plan

- DC Water will issue debt for two purposes:
 1. Finance the costs associated with the CIP
 2. Refund existing debt to obtain Debt Service savings and / or restructure certain term of existing debt. The key goals of DC Water’s comprehensive capital financing plans are:
 - a) Minimizing the cost of capital
 - b) Increase operational flexibility; and
 - c) Optimize assets / liability matching through Interim Financing, Pay-Go Financing, and Federal Grants.

Debt Service FY 2022 – FY 2024



\$ in thousands

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

Bond Series	FY 2022 Actual	FY 2023 Revised	FY 2024 Approved
Senior Lien			
Series 1998	\$ 20,360	\$ 23,369	\$ 8,110
Series 2014A	16,849	16,849	16,849
Series 2017A&B	17,846	17,848	17,849
Series 2018A&B	18,326	18,329	18,326
WIFIA Loan	94	1,683	2,244
Total Senior Lien	\$ 73,474	\$ 78,078	\$ 63,379
Subordinate Lien			
Series 2010A	\$ 15,291	\$ 15,460	\$ 15,432
Series 2012A,B-1, B-2&C	17,667	-	-
Series 2014B	589	4,000	4,004
Series 2014C	28,057	25,764	16,046
Series 2015A&B	22,638	20,549	20,548
Series 2016	17,039	17,039	17,039
Series 2019A&B	7,625	7,625	7,625
Series 2019C	1,741	1,741	1,741
Series 2019D	12,303	12,305	12,305
Series 2022A	1,445	16,218	36,943
Series 2022B	2,078	3,979	3,979
Series 2022C-1	4,659	8,921	8,921
Series 2022C-2	92	177	177
Series 2022D	2,215	10,656	10,649
Series 2022E	1,509	2,891	2,891
Extendable Municipal Commercial Paper	252	2,880	2,880
Commercial Paper	287	2,143	2,139
Jennings Randolph Bond	805	805	805
Total Subordinate Lien	\$ 136,293	\$ 153,154	\$ 164,123
Proposed Debt Service	-	-	4,452
Total Debt Service	\$ 209,768	\$ 231,232	\$ 231,953

In February 2022, DC Water affirmed its senior bond ratings of AAA/Aa1/AA+ from S&P/Moody's/Fitch's Ratings. This allows DC Water to have a lower borrowing cost which in turn reduces ratepayer cost in the long run.

Senior Bond Ratings		
Standard & Poor's Corporation	AAA	Stable Outlook
Moody's Investor Service	Aa1	Stable Outlook
Fitch's Rating	AA+	Stable Outlook

\$ in thousands

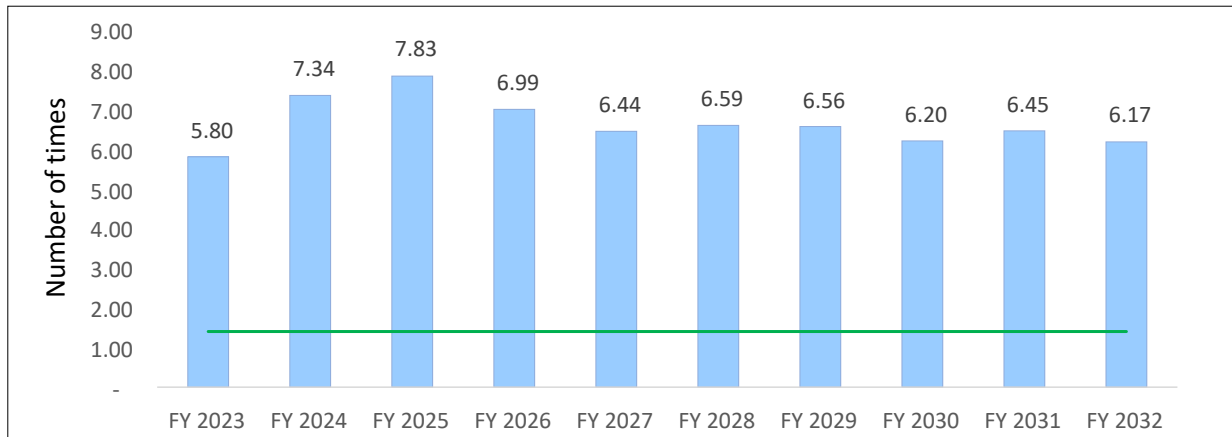
Debt Service Coverage (FY 2023 – FY 2032)

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 polices.

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

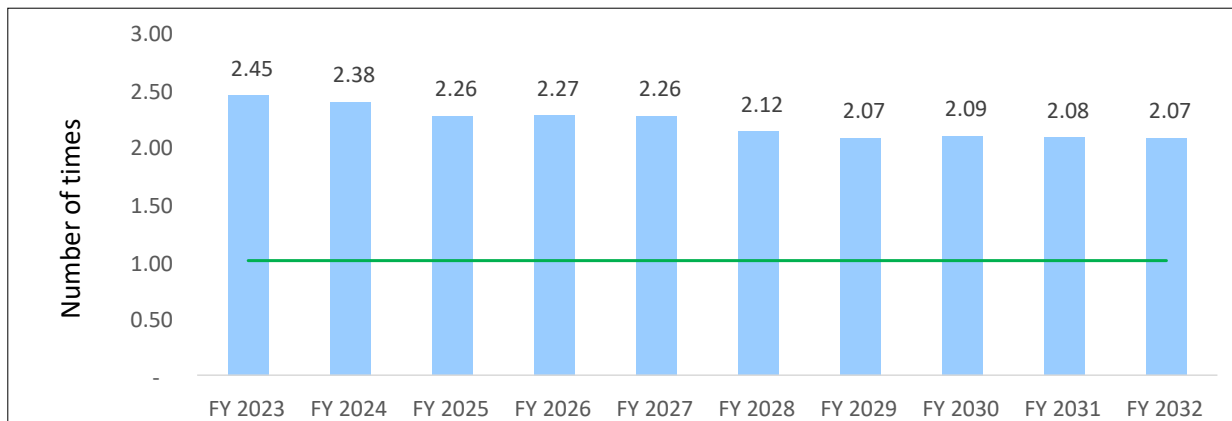
Senior Debt Service Coverage

Senior Debt Service Coverage (Management target = 140x)



Subordinate Debt Service Coverage

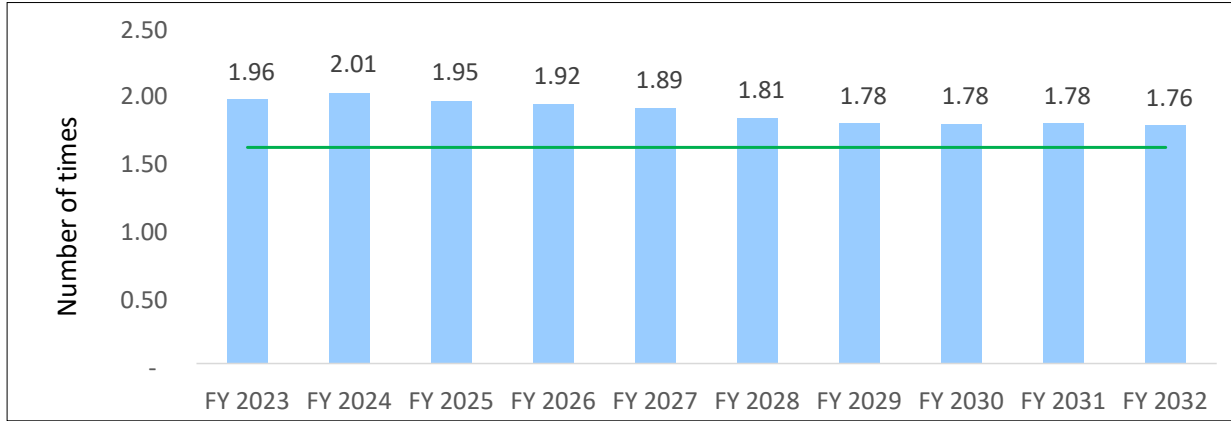
Subordinate Debt Service (Board/Management target = 100x)



\$ in thousands

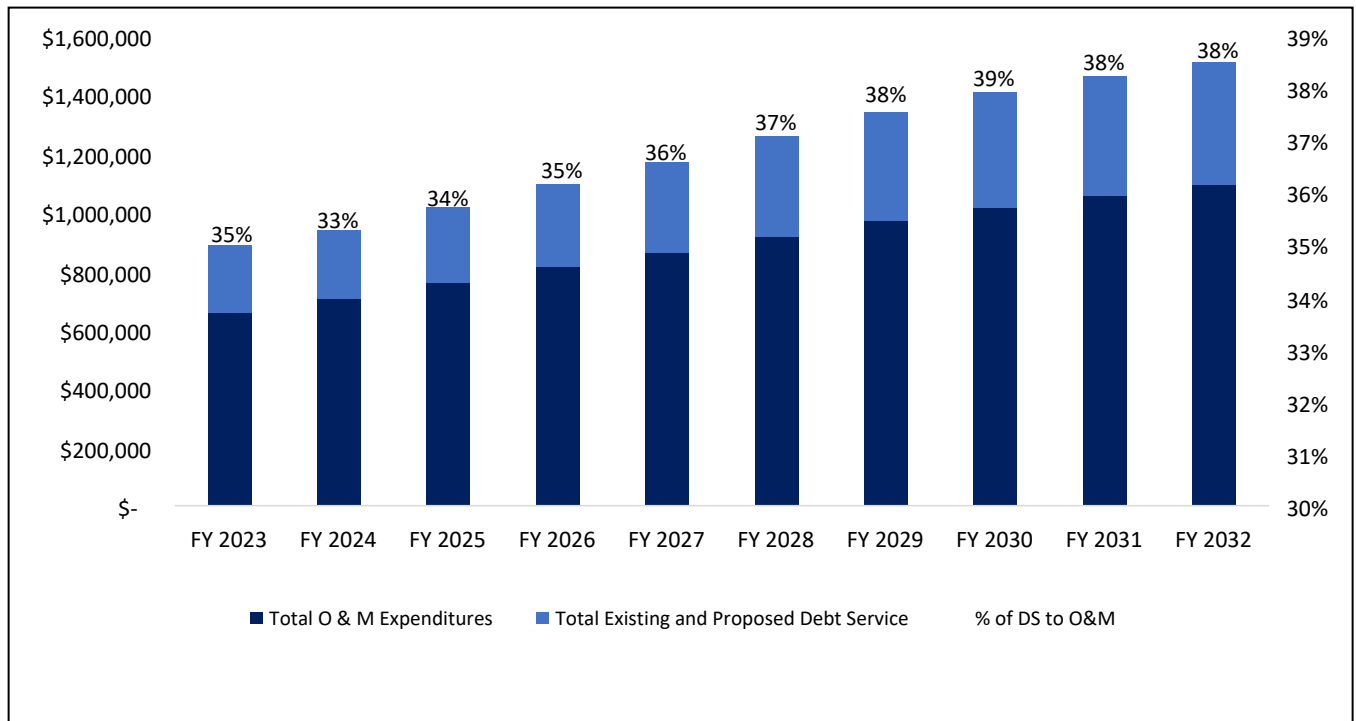
Combined Debt Service Coverage

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



DC Water’s debt service cost covers 35 percent of the total operating and maintenance expenses for FY 2023 with a cost of \$231 million. By FY 2032, debt service costs are expected to be approximately 38 percent and projected to increase over the next 10 years to finance capital projects.

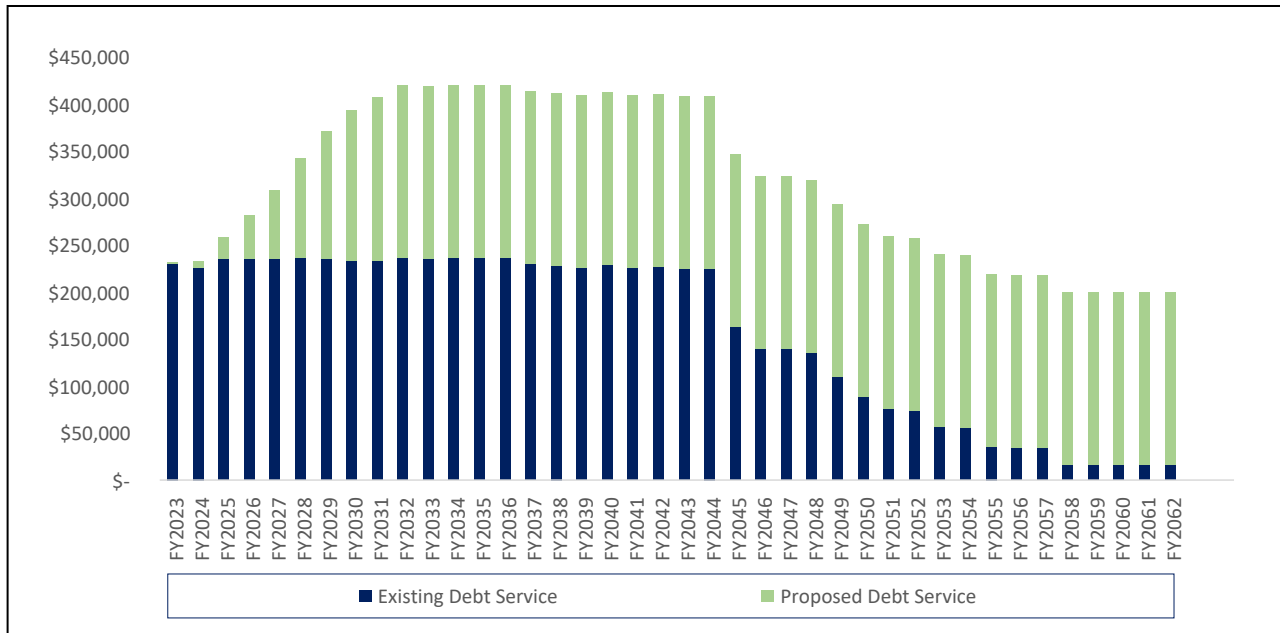
Debt Service as Percentage of O&M Expenditures



\$ in thousands

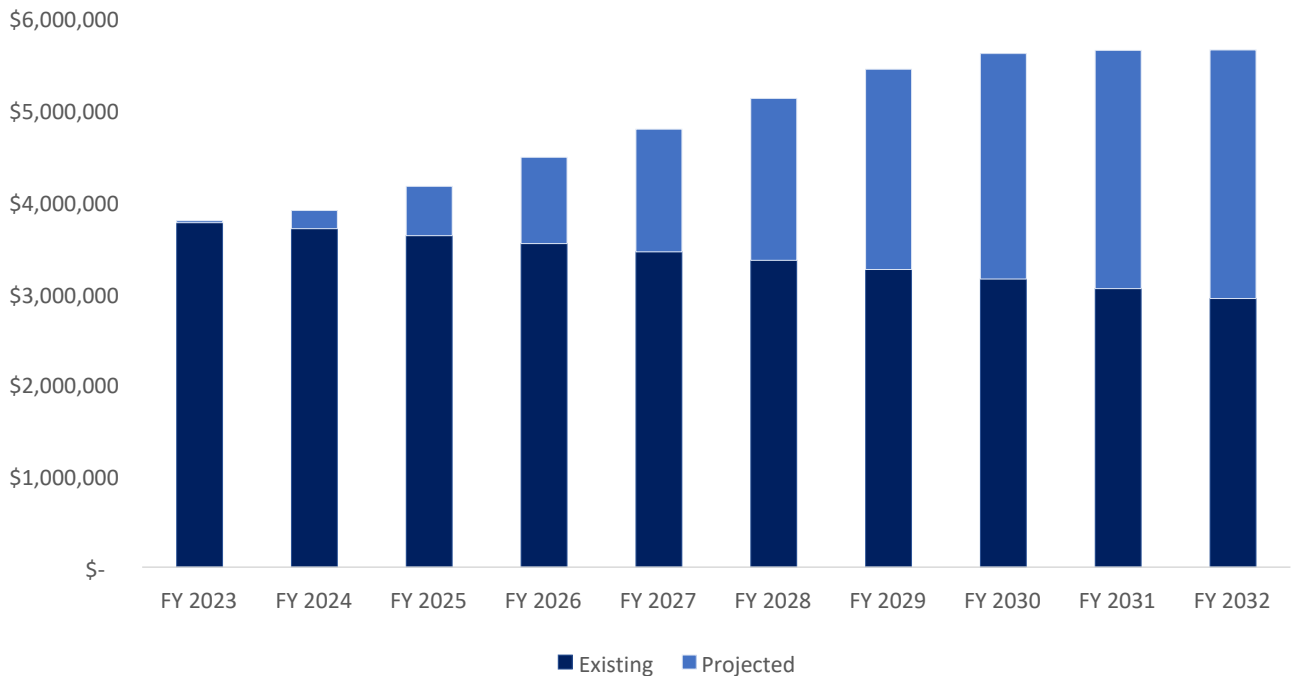
The largest source of funding for DC Water’s capital program is debt. DC Water will issue approximately \$2.7 billion in new debt over the next ten years. DC Water has \$3.8 billion in outstanding debt as of FY 2023 with an estimated \$5.7 billion by FY 2032. DC Water’s annual debt service cost is \$231 million in FY 2023 and estimated to be \$419 million by FY 2032.

Total Outstanding & Proposed Debt Service



Note: 40-year debt service schedule above assumes no new debt issuances after FY 2032

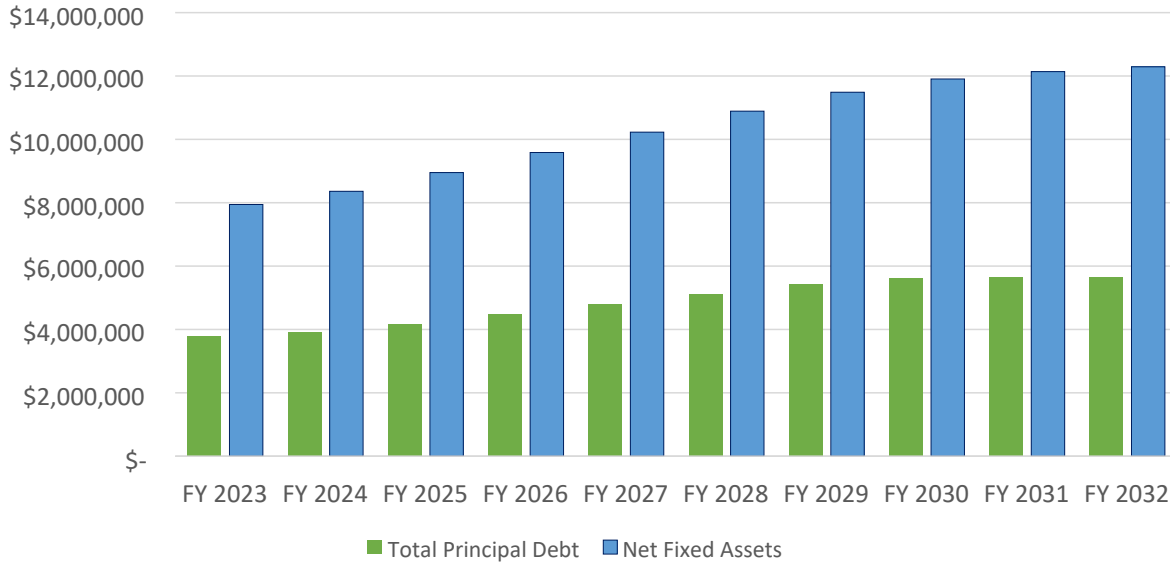
Outstanding Debt



\$ in thousands

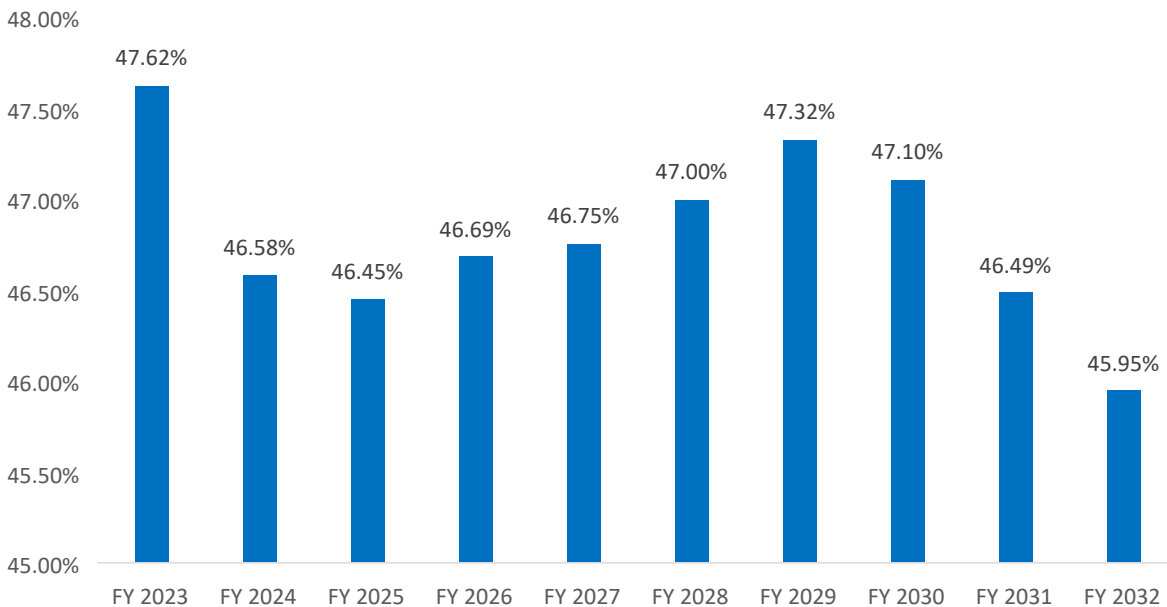
Over the 10 years, DC Water’s projected disbursement plan for its capital program will be \$6.95 billion. DC Water’s net fixed assets are \$7.9 billion as of FY 2023 and estimated to be \$12.3 billion by FY 2032.

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); and 6) Series 2018B (April 2018)

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 (CP): 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 (EMCP): 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

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

INVESTOR RELATIONS: DC Water's investor relations can be found via BondLink at www.dewaterbonds.com



this page intentionally left blank