



Approved FY 2022 Budgets

Section VI: CAPITAL FINANCING, CASH AND DEBT



Solar panel installation, Blue Plains

\$ 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. Below is the list of various funding sources and the percentage contribution, to DC Water's overall CIP needs.

Approximately 61% percent of DC Water's Capital Program is funded by debt and pay-go, 21% of the funds is contributed by the wholesale capital payments, and the remaining estimated 18% funds comes from other available funds.

Ten-year Sources of Funds	Amount	Percentage
Debt Financing (1)	\$ 2,024,996	37.3%
Wholesale Capital Payment	1,136,195	20.9%
Pay-Go Financing (2)	1,294,012	23.8%
Clean Rivers Impervious Area Charge (CRIAC)	644,800	11.9%
EPA Grants & CSO Appropriation	161,569	3.0%
System Availability Fee (SAF)	76,300	1.4%
Uses of Available Fund	66,768	1.2%
Interest Income on Bond Proceeds	14,924	0.3%
Curing Pad and Solar	12,920	0.2%
Total	\$ 5,432,485	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 2020 Actual	FY 2021 Approved	FY 2021 Revised	FY 2022 Approved
Sources				
Beginning Balance	\$ 72,281	\$ 158,584	\$ 266,205	\$ 209,136
New Debt Proceeds / Commercial Paper / EMCP ⁽¹⁾	\$ 300,000	\$ 300,000	\$ 200,000	\$ 200,000
System Availability Fee (SAF)	5,270.64	7,700	7,000	7,700
Clean Rivers Impervious Area Charge (CRIAC)	29,346.81	35,675	49,158	52,095
Pay-Go Financing	122,588.91	90,252	71,406	89,226
EPA Grants	18,097.37	28,464	32,645	31,311
CSO Appropriation	8,038.00	-	-	-
Wholesale Customer Capital Contributions	52,942.76	95,205	75,803	83,640
Interest Income	3,497.54	6,365	1,749	2,623
Total Sources	\$ 539,782	\$ 563,661	\$ 437,761	\$ 466,596
Uses				
Water Projects	\$ 41,721	\$ 88,677	\$ 75,362	\$ 100,209
Wastewater Treatment	48,987	102,976	78,992	63,922
Sanitary Sewer Treatment	23,359	63,926	50,547	75,437
Combined Sewer & LTCP Projects	181,745	157,058	170,842	165,276
Stormwater Projects	2,587	9,631	5,931	9,228
Non-Process Facilities	10,016	31,849	38,004	12,725
Washington Aqueduct	13,073	16,266	15,382	13,324
Capital Equipment	18,548	27,327	26,327	32,940
Meter Replacement / AMR/ CIS	5,823	9,880	9,880	3,079
Total Uses	\$ 345,859	\$ 507,590	\$ 471,267	\$ 476,140
Contingency	\$ -	\$ -	\$ 23,563	\$ 47,614
Ending Balance	\$ 266,205	\$ 214,655	\$ 209,136	\$ 151,978

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

Cash Reserve Summary

	FY 2020 Actual	FY 2021 Approved	FY 2021 Revised	FY 2022 Approved
Beg. O&M Reserve Balance (Net of Rate Stabilization Fund)	\$ 186,764	\$ 180,000	\$ 186,827	\$ 185,000
Operating Surplus	\$ 160,152	\$ 115,046	\$ 98,407	\$ 122,961
Wholesale Customer Prior Year Billing Reconciliation	14,925	(5,417)	(5,243)	(3,342)
Project Billing Refund	(4,000)	(4,000)	(4,000)	-
Federal Customer Prior Year Billing Reconciliation	1,317	2,233	6,161	488
Transfer to CAP Fund	(15,000)	-	-	-
Transfer to Rate Stabilization Fund	(28,794)	-	-	-
Interest Earned from Bond Proceeds	113	410	57	85
Pay-Go Capital Financing	(128,651)	(103,272)	(97,209)	(111,192)
Ending O&M Reserve Balance (Net of Rate Stabilization Fund)	\$ 186,827	\$ 185,000	\$ 185,000	\$ 194,000
Rate Stabilization Fund	\$ 90,244	\$ 71,950	\$ 87,744	\$ 77,244

\$ in thousands

Interest Rate Assumptions

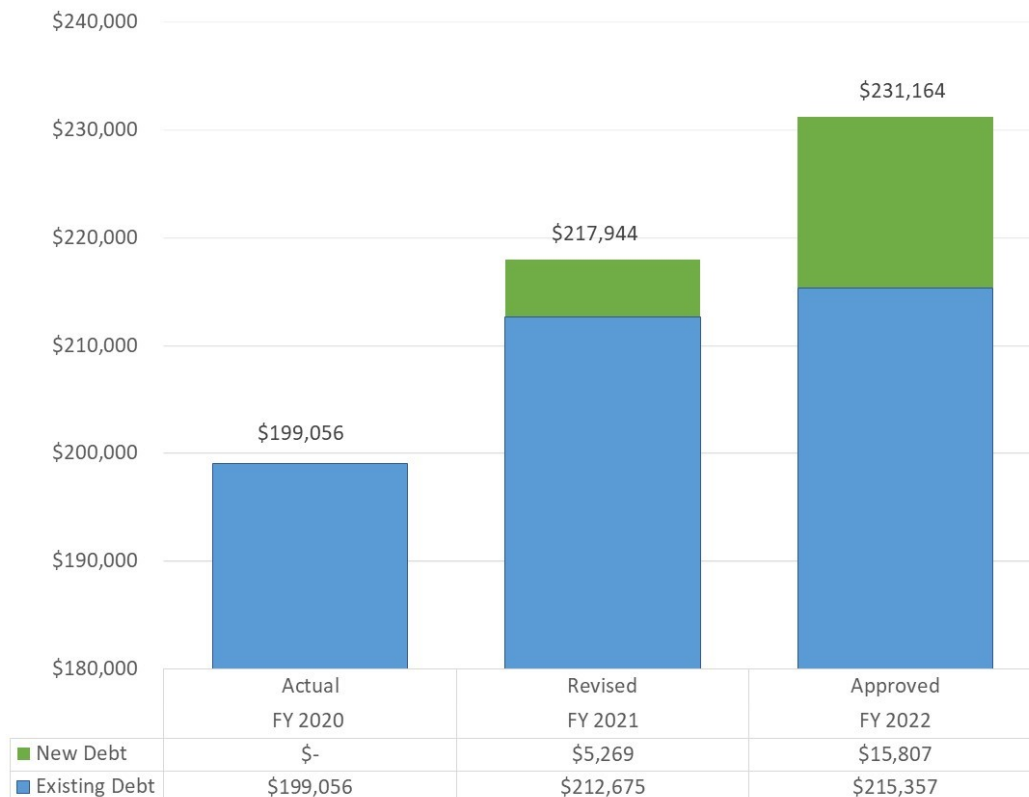
■ Budget Appropriation and Financial Plan

- 1) Variable rate
 - 2.50% for FY 2021 and FY 2022
- 2) Fixed rate
 - 5.00% for FY 2021 and FY 2022
 - Plus cost of issuance and insurance

Capital Financing 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 terms of existing debt. The key goals of DC Water's comprehensive capital financing plans are:
 - 1) Minimize the cost of capital
 - 2) Increase operational flexibility; and
 - 3) Optimize assets/liability matching through Interim Financing, Pay-Go Financing, and Federal Grants.

Debt Management FY 2020 – FY 2022



\$ in thousands

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

Bond Series	FY 2020 Actual	FY 2021 Revised	FY 2022 Approved
Senior Lien			
Series 1998	\$ 19,360	\$ 23,365	\$ 23,365
Series 2014A	16,788	16,849	16,849
Series 2017A&B	17,777	17,848	17,846
Series 2018A&B	18,277	18,324	18,326
WIFIA Loan	-	367	978
Total Senior Lien	\$ 72,202	\$ 76,753	\$ 77,364
Subordinate Lien			
Series 2010A	\$ 15,836	\$ 15,402	\$ 15,511
Series 2012A,B-1,B-2&C	19,991	20,087	20,087
Series 2013A	1,244	-	-
Series 2014B	875	1,998	2,500
Series 2014C	30,255	30,348	30,393
Series 2015A&B	19,366	24,733	24,729
Series 2016	16,909	17,039	17,039
Series 2016B	855	835	813
Series 2019A&B	6,879	7,625	7,625
Series 2019C	1,572	1,741	1,741
Series 2019D	11,319	12,308	12,305
Series 2022A	286	-	1,446
EMCP	365	1,500	1,500
Commercial Paper	297	1,500	1,500
Jennings Randolph Bond	805	805	805
Total Subordinate Lien	\$ 126,854	\$ 135,922	\$ 137,993
Proposed Debt Service	\$ -	\$ 5,269	\$ 15,807
Total Debt Service	\$ 199,056	217,944	231,164

As of September 2020, DC Water received an upgrade to its Senior bond ratings from AA to AA+ by Fitch Ratings; this allows for 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

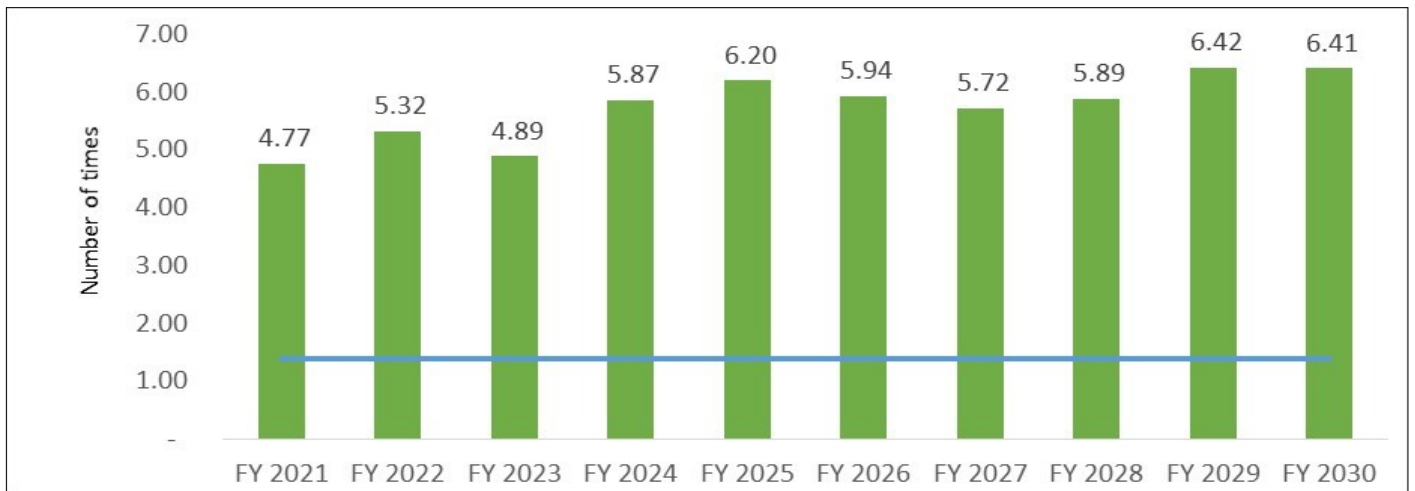
Debt Service Coverage (FY 2021 – FY 2030)

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

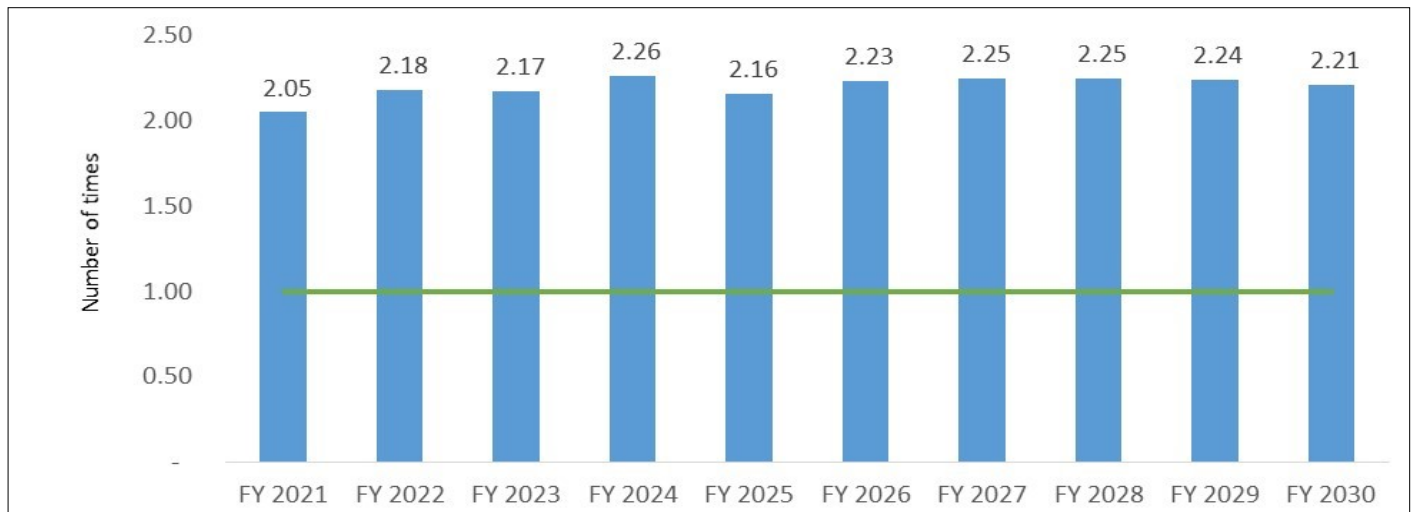
Senior Debt Service Coverage

Senior Debt Service Coverage (Management target = 140x)



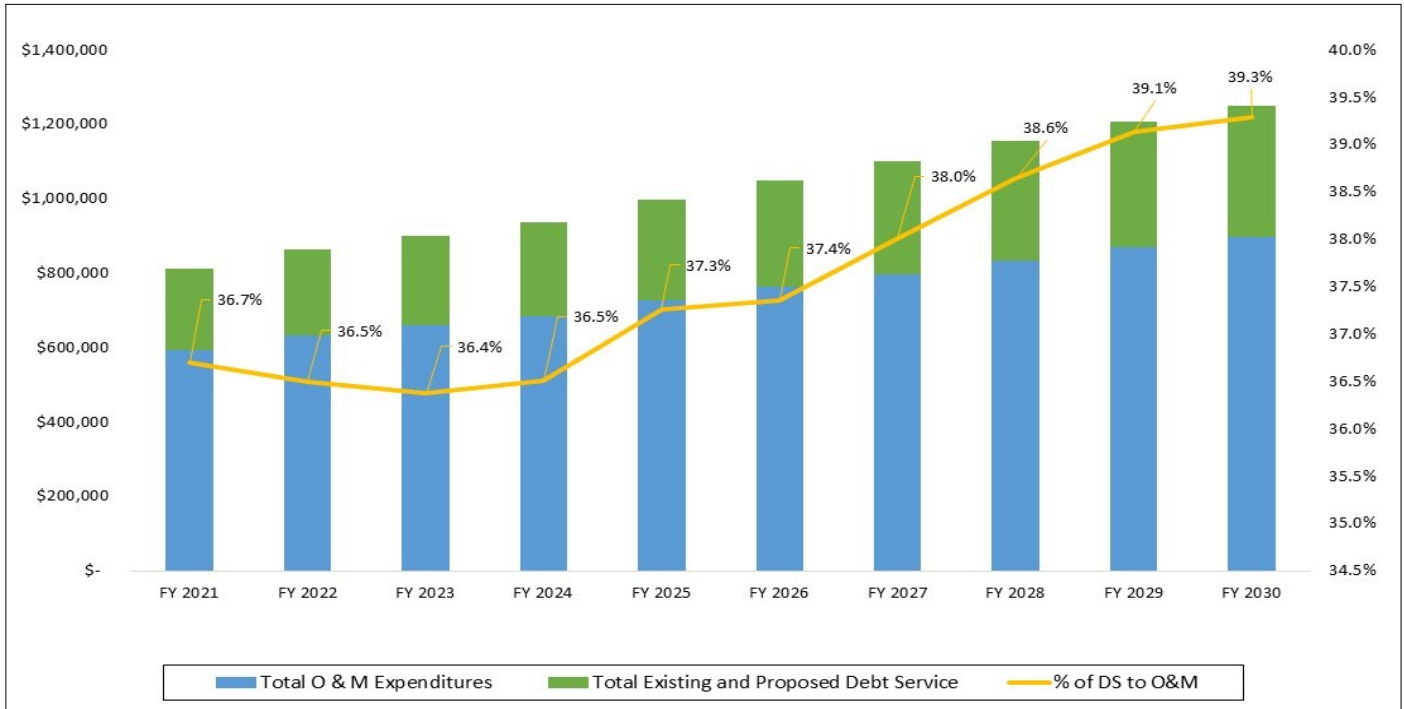
Subordinate Debt Service Coverage

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

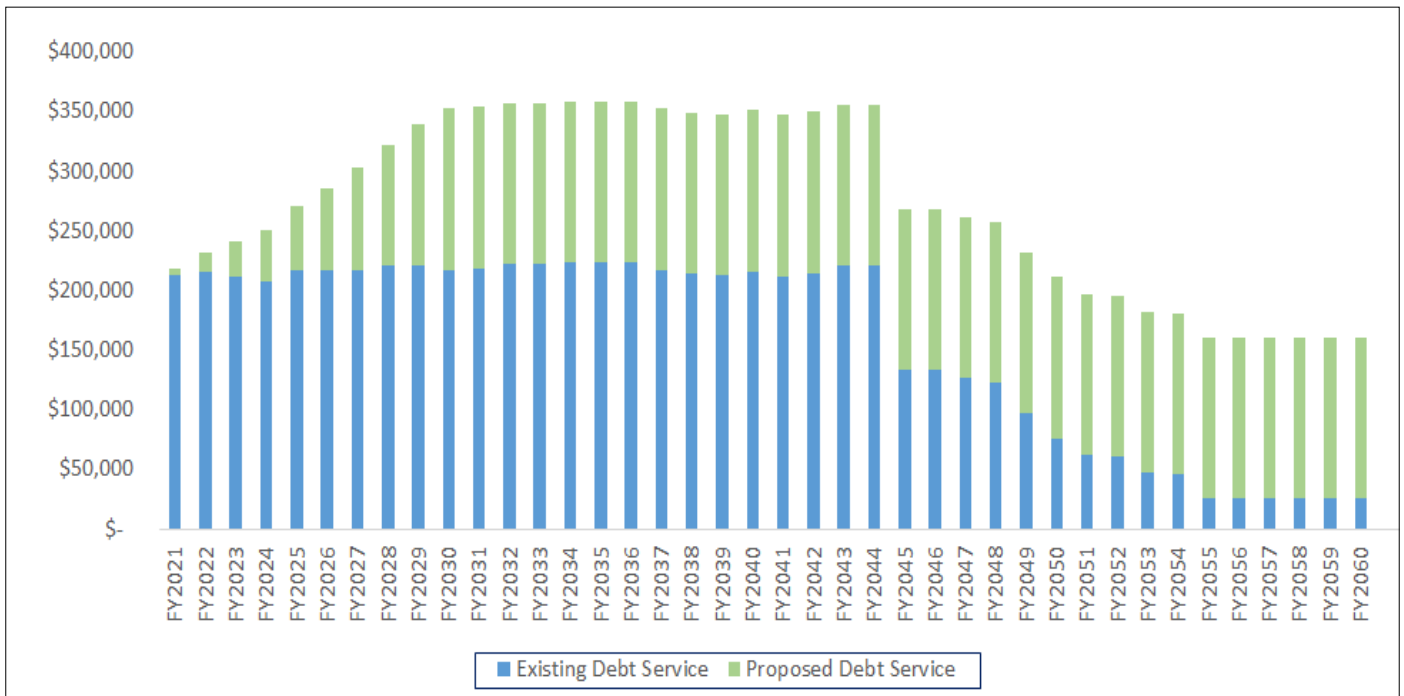


\$ in thousands

Debt Service as Percentage of O&M Expenditures

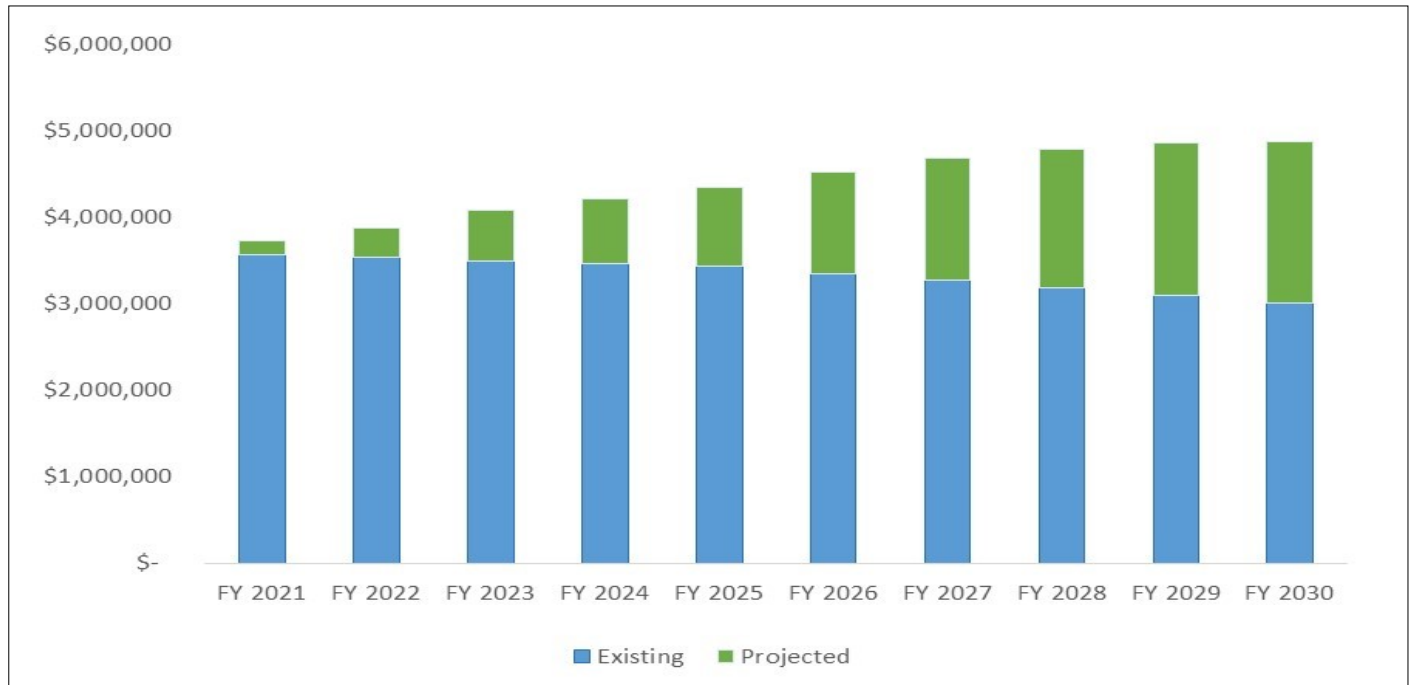


Total Outstanding & Proposed Debt Service

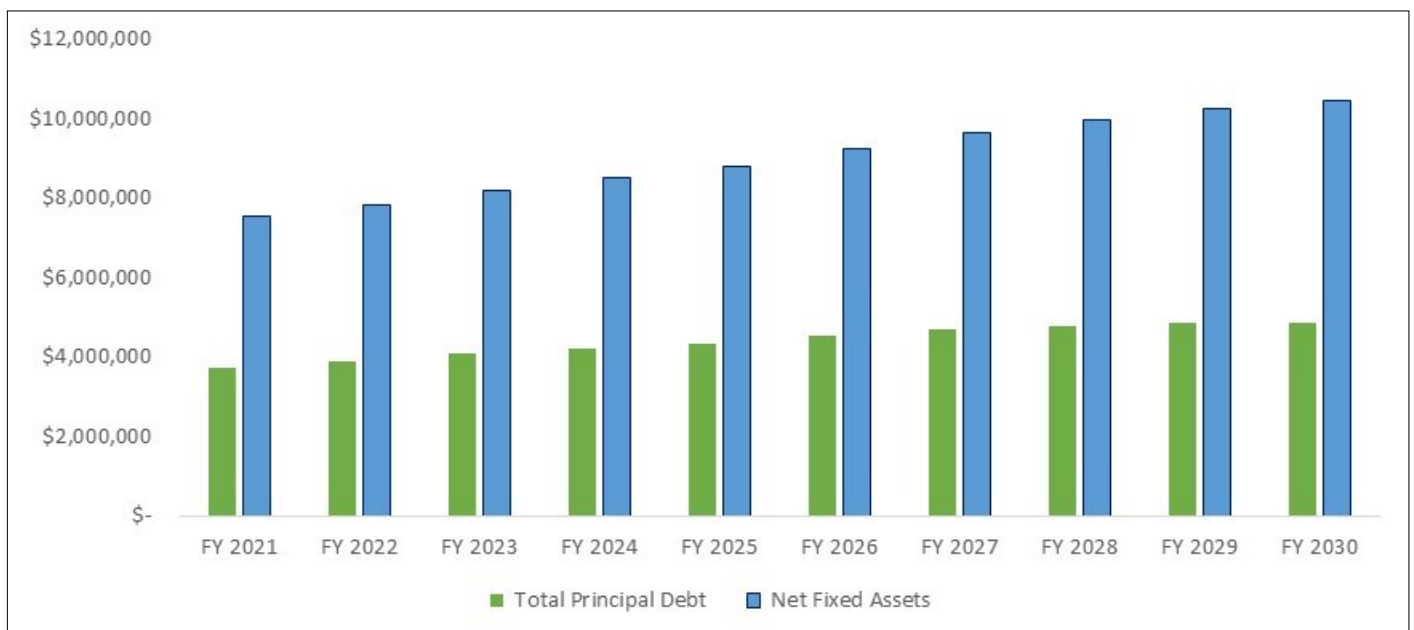


\$ in thousands

Principal Outstanding Debt

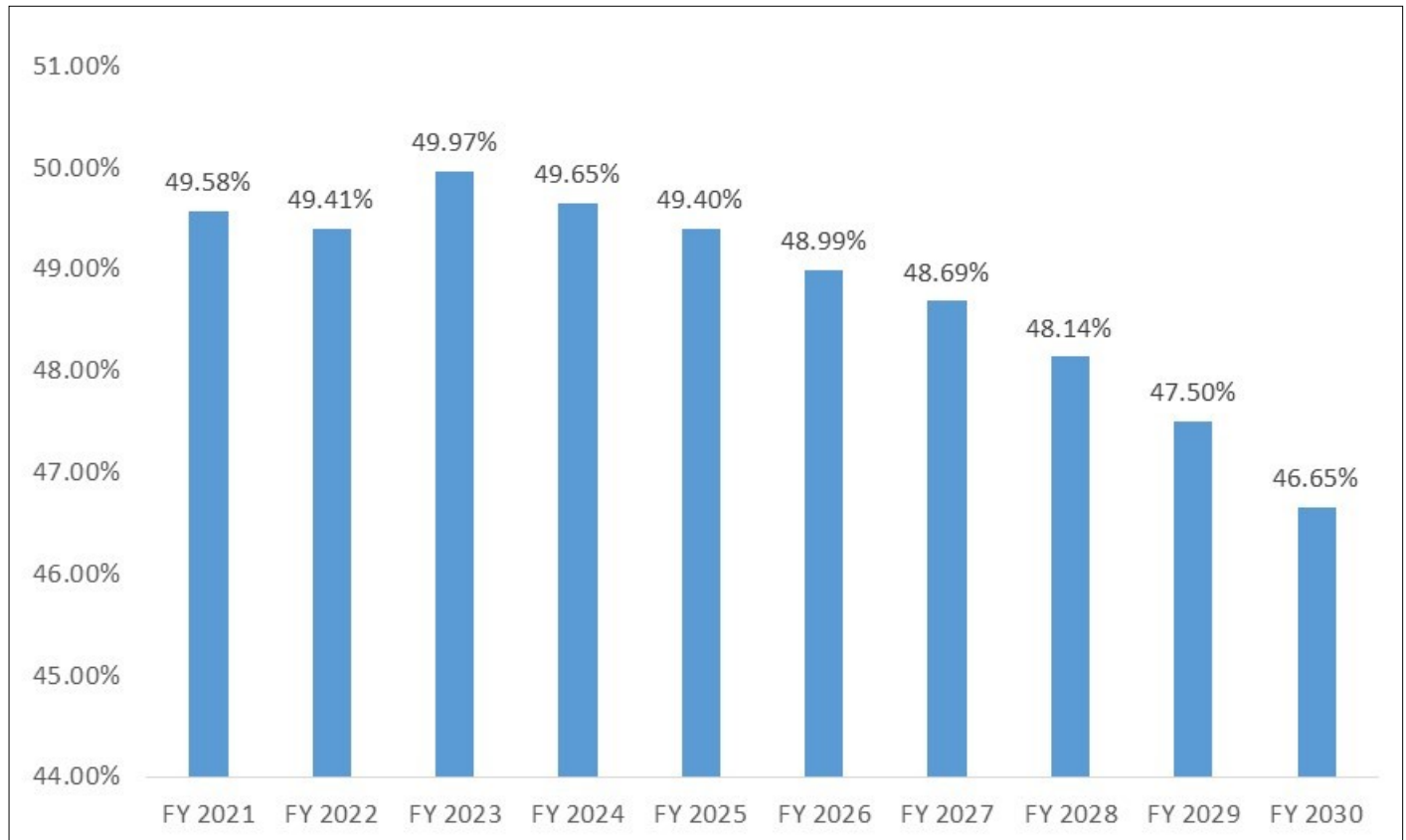


Principal vs Net Fixed Assets



\$ in thousands

Debt to Net Fixed Assets Ratio



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); and 12) Series 2019D Refunding (October 2019).

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).

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.

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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