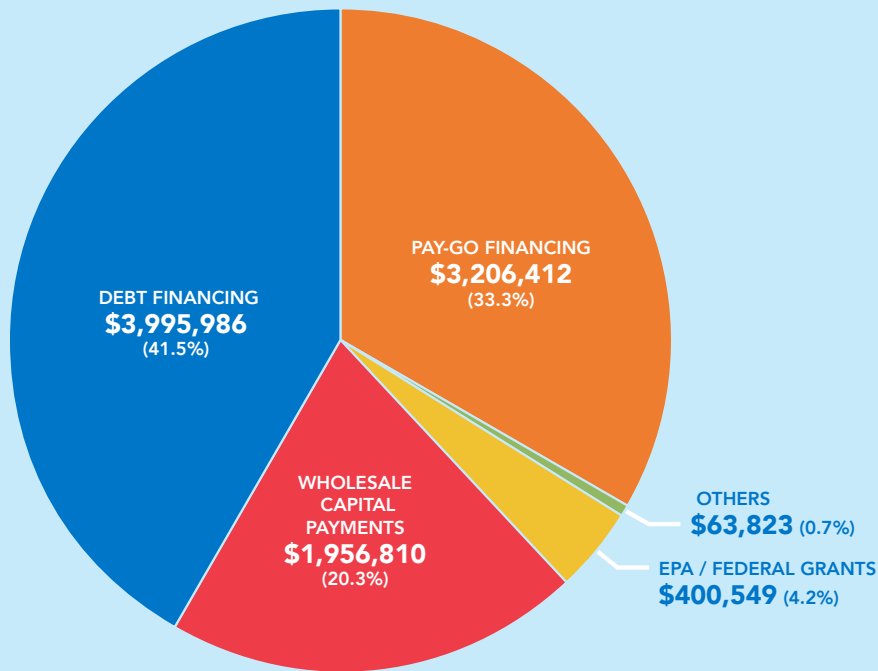




## Approved FY 2026 Budgets

### Section VI: Cash and Debt Financing

#### TEN-YEAR SOURCES OF FUNDS \$ THOUSANDS



#### SENIOR BOND RATINGS (BY JUNE 2024)



# AAA

STANDARD AND POOR'S CORPORATION

# Aa1

MOODY'S INVESTOR SERVICE

# AA+

FITCH'S RATING

#### ASSET VALUE AND OUTSTANDING DEBT FY 2025



#### NET ASSETS




# \$8.7B



#### OUTSTANDING DEBT

# \$3.9B

#### DEBT SERVICE COVERAGE

DEBT LEVEL	MASTER INDENTURE	BOARD RESOLUTION	MANAGEMENT PRACTICE	TEN YEAR PLAN (AVERAGE)
 SENIOR	140x	140x	140x	696x
 SUBORDINATE	100x	100x	100x	235x
 COMBINED	NA	160x	160x	197x

## Overview

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 42% percent of DC Water's Capital Program is funded by debt, 33% is funded by Pay-Go, 20% of the funds are contributed by the wholesale capital payments, 4% is funded by EPA/Federal Grants and the remaining estimated 1% comes from other available funds.

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

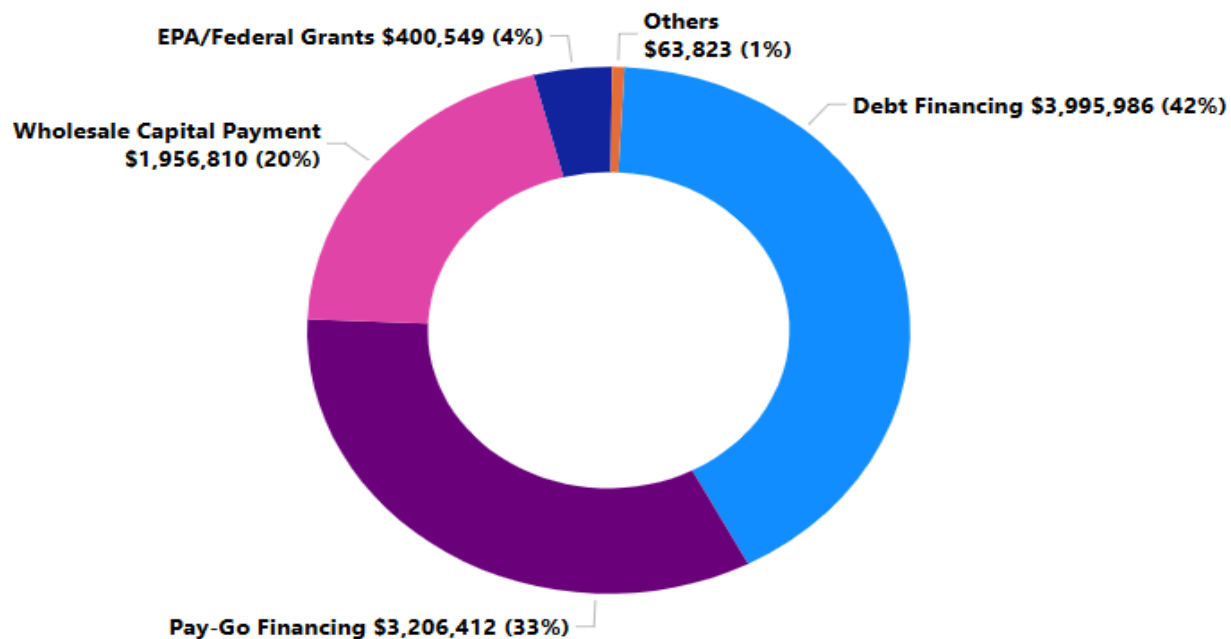
(\$ in thousands)

Ten-Year Sources of Funds	Amount (\$)
Debt Financing	3,995,986
Pay-Go Financing	3,206,412
Wholesale Capital Payment	1,956,810
EPA/Federal Grants	400,549
Others	63,823
<b>Total</b>	<b>9,623,580</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. It also comprises System Availability Fee (SAF) and Clean Rivers Impervious Area Charge (CRIAC)
- Other financing comprises Interest Income on Bond Proceeds and Curing Pad and Solar.

(\$ In thousands)

### Ten Year Sources Of Funds



\$ in thousands

## Sources and Uses Of Fund

Particulars	FY 2024 Actual	FY 2025 Approved	FY 2025 Revised	FY 2026 Approved
<b>Sources</b>				
<b>Beginning Balance</b>	\$ 366,735	\$ 184,103	\$ 238,907	\$ 269,051
New Debt Proceeds / Commercial Paper / EMCP <sup>(1)</sup>	26,014	351,000	351,000	486,620
Curing Pad and Solar	-	-	-	1,000
System Availability Fee (SAF)	2,603	7,700	7,700	7,700
Clean Rivers Impervious Area Charge (CRIAC)	63,348	60,977	60,977	69,711
Pay-Go Financing	167,392	127,369	189,859	170,335
Federal Grants - Infrastructure Funding	-	29,755	32,267	37,036
EPA Grants	24,185	20,144	21,792	13,461
CSO Appropriation	8,112	-	-	-
Wholesale Customer Capital Contributions	81,481	88,796	103,703	137,800
Interest Income	1,622	10,592	10,592	9,244
<b>Total Sources</b>	\$ 374,757	\$ 696,333	\$ 777,889	\$ 932,908
<b>Uses</b>				
Water Projects	163,737	222,494	185,094	270,680
Wastewater Treatment	51,117	103,291	68,282	106,353
Sanitary Sewer Treatment	82,772	92,235	146,901	148,796
Combined Sewer & LTCP Projects	138,861	213,408	223,832	250,386
Stormwater Projects	6,026	13,565	8,209	17,360
Non-Process Facilities	5,352	19,900	18,181	51,570
Washington Aqueduct	35,594	35,770	35,770	35,770
Capital Equipment	18,481	24,532	24,532	29,401
Meter Replacement / AMR/ CIS	645	6,944	6,944	3,080
<b>Total Uses</b>	\$ 502,585	\$ 732,139	\$ 717,745	\$ 913,396
Capital Contingency Reserve for LTCP	33,432	30,000	30,000	30,000
<b>Ending Balance</b>	\$ 238,907	\$ 118,297	\$ 269,051	\$ 258,563

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

\$ in thousands

## Cash Reserve Summary

Particulars	FY 2024 Actual	FY 2025 Approved	FY 2025 Revised	FY 2026 Approved
<b>Beg. O&amp;M Reserve Balance (Net of Rate Stabilization Fund)</b>	\$ 286,889	\$ 296,600	\$ 320,513	\$ 309,600
Operating Surplus	213,017	171,719	197,305	203,758
Wholesale Customer Refunds/Payments for Prior Years	1,564	(7,700)	(3,000)	(3,000)
Federal Customer Refund/Payments for Prior Years	(4,330)	(13,813)	(11,049)	(11,310)
Interest Earned from Bond Reserve	229	404	404	401
Pay-As-You-Go Capital Financing	(174,769)	(135,609)	(192,573)	(173,849)
Project Billing Refunds	(2,088)	(2,000)	(2,000)	-
<b>Ending O&amp;M Reserve Balance (Net of Rate Stabilization Fund)</b>	\$ 320,513	\$ 309,600	\$ 309,600	\$ 325,600
<b>Rate Stabilization Fund</b>	\$ 35,644	\$ 31,644	\$ 33,644	\$ 33,644

## Capital Financing Plan

### Purpose to Issue Debt

- Finance the cost associated with the CIP.
- Refund existing debt to obtain Debt Service savings and/or restructure certain terms for existing debt.

### Successful Strategy

On 30 July 2024, DC Water successfully issued Subordinate Lien Multimodal Revenue Refunding Bond Series 2024 A and B. This strategic move resulted in interest savings of approximately \$75 million. In addition, The Authority Partnered with Goldman Sachs & Co and JPMorgan Securities to modernize and expand its Commercial Paper Program. The program's capacity increased from \$150 million (Series B and C) to \$250 million (2024 Series D), enhancing financial flexibility and supporting capital improvements. This expansion ensures ongoing access to taxable and tax-exempt capital markets and optimizes long-term debt issuance timing, with TD Bank, NA continuing to provide liquidity and credit support for the next five years.

### The Key Goals of DC Water's Comprehensive Capital Financial Plans

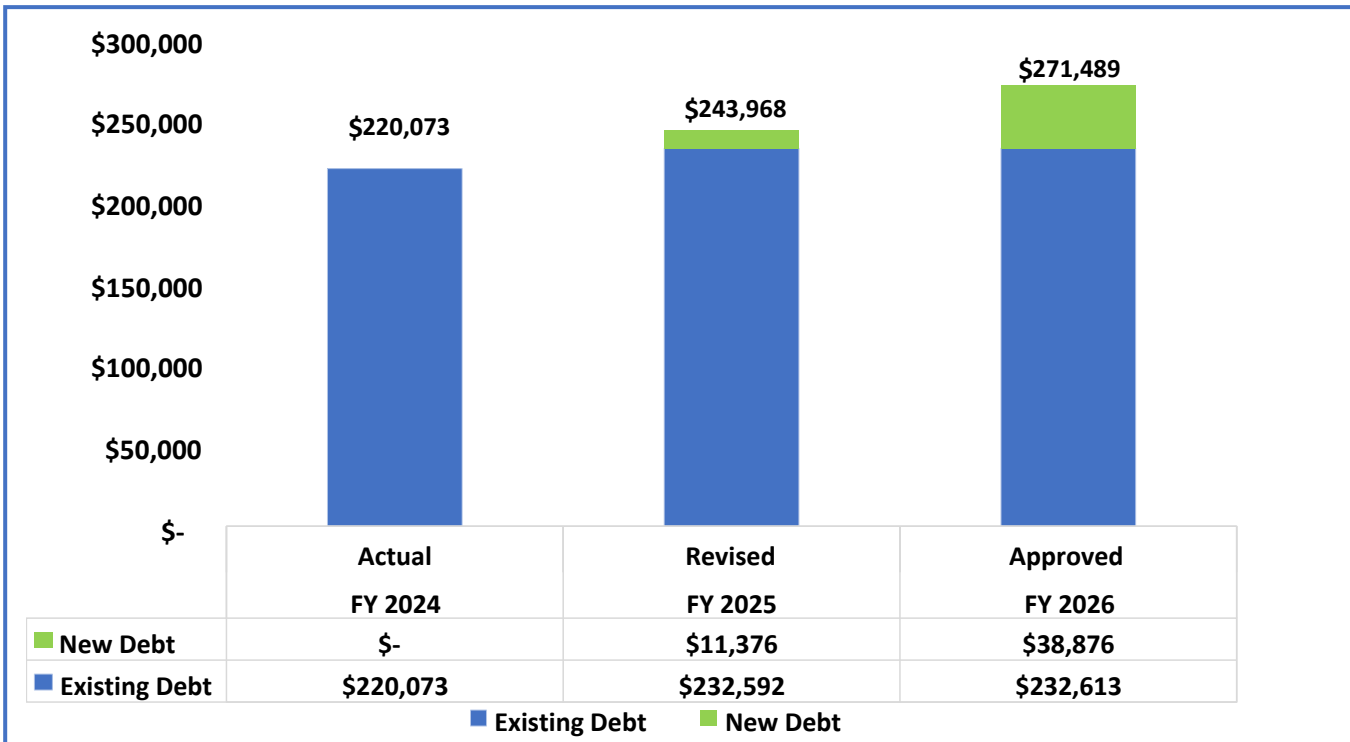
Minimize the cost of capital

Increase operational flexibility

Optimize assets/liability matching through Interim financing, Pay Go Financing and Federal Grants

\$ in thousands

## Debt Service FY 2024-2026



## Debt Service FY 2024-FY 2026

The chart below shows debt service payment of principal and interest for a three-year outlook.  
**\$ in thousands**

Bond Series	FY 2024 Actual	FY 2025 Revised	FY 2026 Approved
<b>Senior Lien</b>			
Series 1998	2,278	8,114	8,114
Series 2014A	16,657	16,849	16,849
Series 2017A&B	17,598	14,608	14,604
Series 2018A&B	17,935	16,527	16,529
WIFIA Loan	1,045	2,924	2,924
<b>Total Senior Lien</b>	<b>\$ 55,514</b>	<b>\$ 59,022</b>	<b>\$ 59,020</b>
<b>Subordinate Lien</b>			
Series 2010A	22,224	15,372	15,313
Series 2014B	3,534	3,996	4,000
Series 2014C	15,561	2,747	2,747
Series 2015A&B	19,236	14,189	14,186
Series 2016	15,885	11,638	11,638
Series 2019A&B	7,544	11,045	11,049
Series 2019C	1,579	-	-
Series 2019D	12,017	10,288	9,105
Series 2022A	36,558	28,668	28,568
Series 2022B	3,831	3,979	3,979
Series 2022C-1	8,921	8,921	8,921
Series 2022C-2	177	177	177
Series 2022D	10,404	9,685	9,413
Series 2022E	2,835	2,891	2,891
Series 2024A	-	42,303	43,928
Series 2024 B1,B2	577	3,978	3,982
Extendable Municipal Commercial Paper	1,809	2,889	2,892
Commercial Paper	1,062	-	-
Jennings Randolph Bond	805	805	805
<b>Total Subordinate Lien</b>	<b>\$ 164,559</b>	<b>\$ 173,570</b>	<b>\$ 173,593</b>
<b>Planned Debt Service</b>	<b>-</b>	<b>\$ 11,376</b>	<b>\$ 38,876</b>
<b>Total Debt Service</b>	<b>\$ 220,073</b>	<b>\$ 243,968</b>	<b>\$ 271,489</b>

## Bond Ratings (June 2024)

Bond Type	Rating Agencies		
	Standard & Poor's Global Rating	Moody's Investor Service	Fitch Ratings
Long Term Senior	<b>AAA</b>	<b>Aa1</b>	<b>AA+</b>
Long Term Subordinate	<b>AA+</b>	<b>Aa2</b>	<b>AA+</b>
Short Term	<b>A-1+</b>	<b>P-1</b>	<b>F1+</b>

## Debt Service Coverage

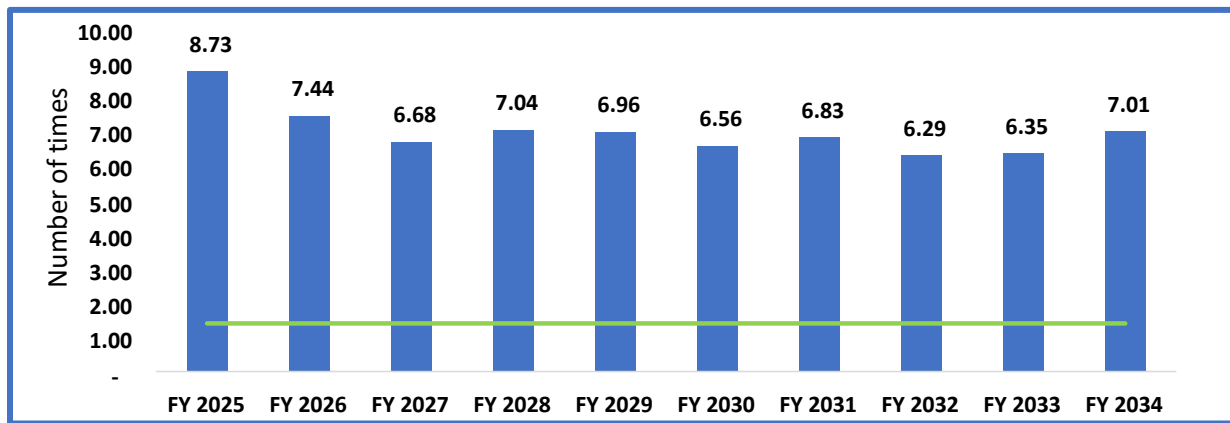
### Debt Service Coverage (FY 2025-FY 2034)

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

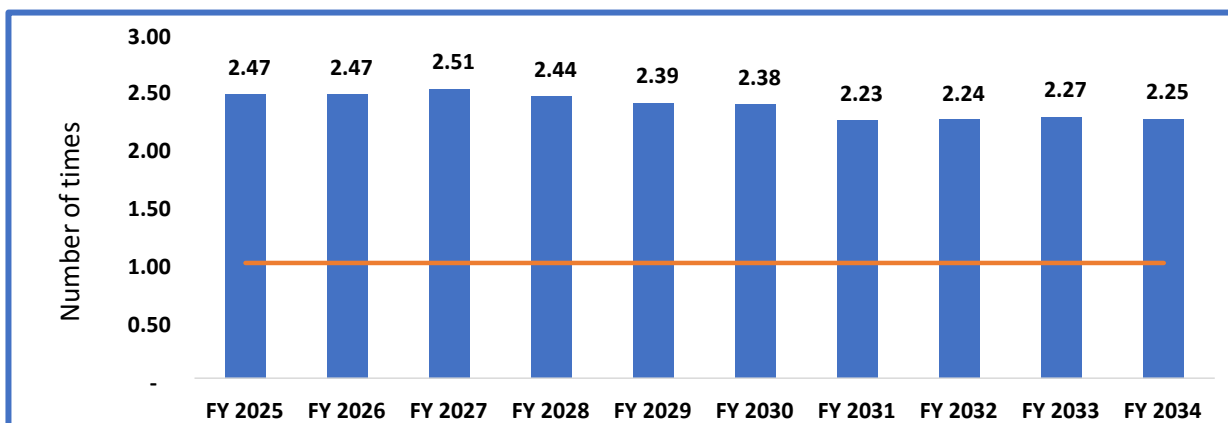
### Senior Debt Service Coverage

Senior Debt Service Coverage (Management target = 140x)



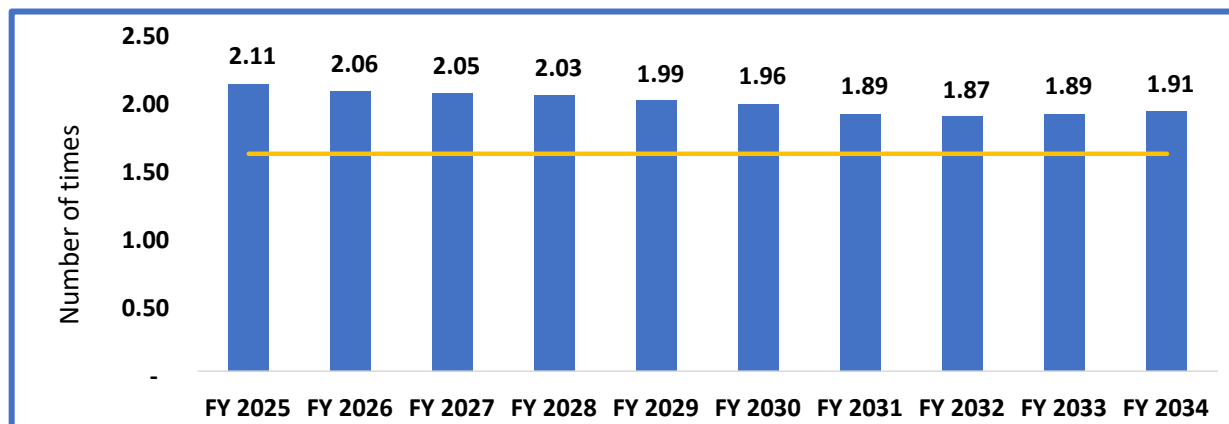
### Subordinate Debt Service Coverage

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



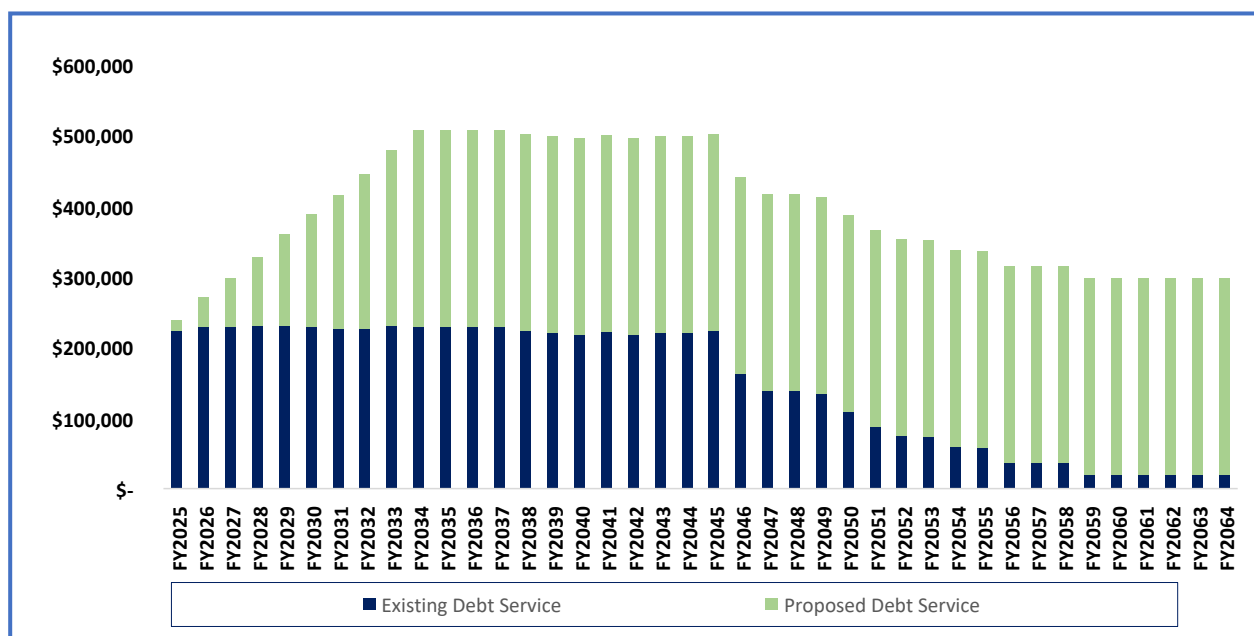
## Combined Debt Service Coverage

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



\$ in thousands

## Total Outstanding & Proposed Debt Service

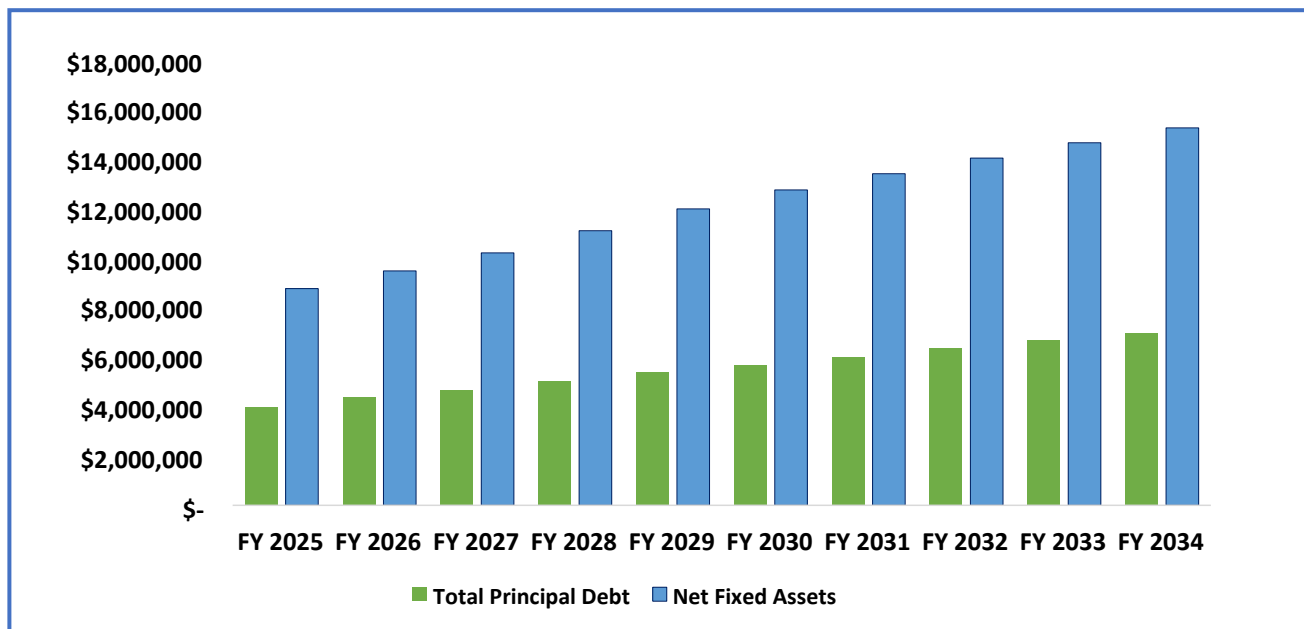


**Note:** 40-year debt service schedule above assumes no new debt issuances after FY 2034

Over the next 10 years, DC Water plans to disburse \$9.62 billion for its capital program. As of FY 2025, its net fixed assets total \$8.7 billion, with projections reaching \$15.2 billion by FY 2034. To support these investments, DC Water anticipates issuing approximately \$4.2 billion in new debt over the period. Outstanding debt stands at \$3.9 billion in FY 2025 and is expected to grow to \$6.9 billion by FY 2034.

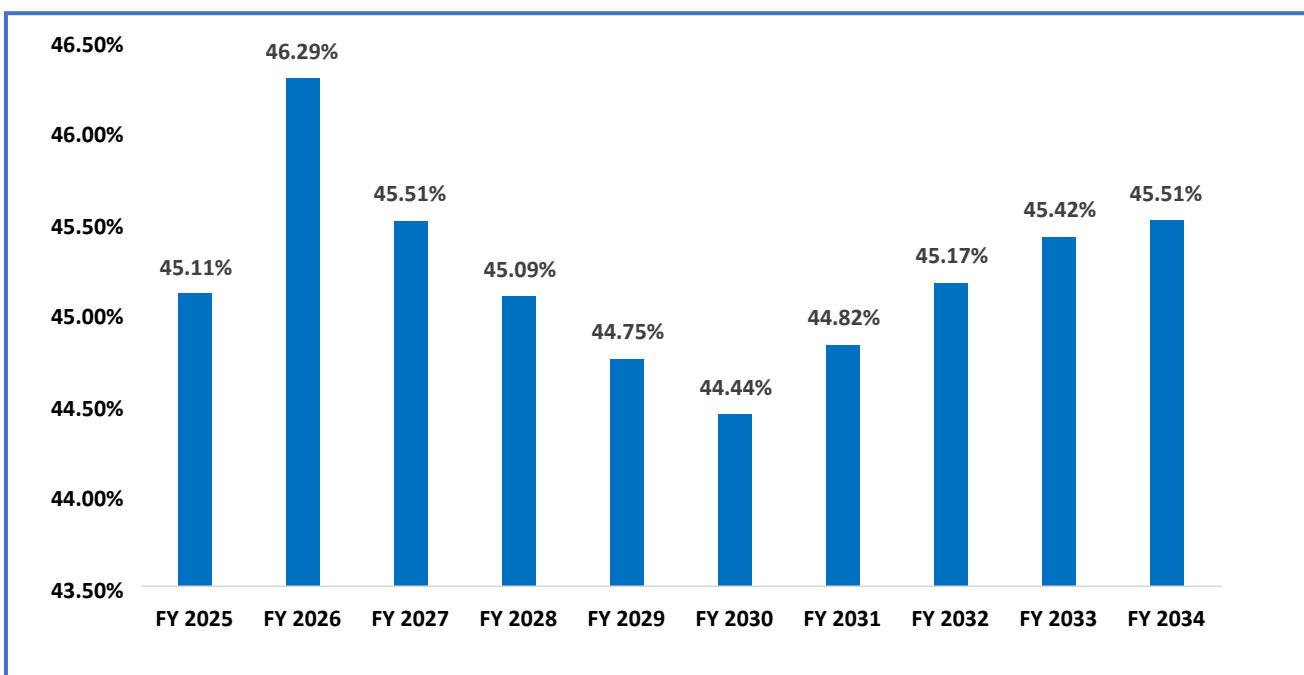
\$ in thousands

### Principal vs Net Fixed Assets



**Note:** Outstanding debt in the 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; 2) Series 2014A; 3) Series 2017A 4) Series 2017B; 5) Series 2018A; 6) Series 2018B; 7) 2021 WIFIA Loan

**PUBLIC UTILITY SUBORDINATE LIEN REVENUE BONDS:** 1) Series 2012A; 2) Series 2014B; 3) Series 2015A; 4) Series 2015B; 5) Series 2016B (Environmental Impact Bond; 6) Series 2019A; 7) Series 2019B; 8) Series 2019C; 9) Series 2022B; 10) Series 2022C; 11) Series 2022D; and 12) Series 2022E

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

**PUBLIC UTILITY SUBORDINATE LIEN REVENUE REFUNDING BONDS:** 1) Series C taxable commercial paper: (refunded Series 2007B, April 2008) 2) Series 2014C: (advanced refunded all or a portion of Series 2007A, 2008A, 2009A, and 2012B, October 2014); 3) Series 2016A: (advanced refunded all or a portion of Series 2007A, 2008A, and 2009A, January 2016); 4) Series 2019D: (advanced refunded all of Series 2013A); 5) Series 2022C: (refunded portion of Series 2014C, 2015A and 2015B, February 2022); 6) Series 2022D: (refunded portion of Series 2014C, February 2022); 7) Series 2022A: (forward direct purchase agreement to refund all Series 2012A and 2012C, July 2022) ; 8) Series 2024 A: (partial refunded portion of 2014C, 2015A, 2015B, 2016A, 2017B, 2018A, 2018B, 2019D and 2022D) ; 9) Series 2024 B (full refunded 2019 C)

**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.

**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 August 2024, DC Water revised the commercial paper (CP) program with Board authorization up to \$ 250 million. The CP program includes Series D (tax exempt) and (taxable). Additionally, DC Water selected JP Morgan Chase Bank and Goldman Sachs & Co. LLC as the dealers.

**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.

**DEBT POLICY:** DC Water's comprehensive debt policy can be found on our website at [www.dewater.com](http://www.dewater.com).