



PRESS RELEASE

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DC Water, Goldman Sachs and Calvert Foundation pioneer environmental impact bond

-- \$25 million bond sale to fund initial DC Water green infrastructure project --

September 29, 2016 – Today, the DC Water and Sewer Authority (DC Water) issued the nation’s first Environmental Impact Bond (EIB) to fund the initial green infrastructure project in its DC Clean Rivers Project, a \$2.6 billion program to control stormwater runoff and improve the District’s water quality, creating a healthier future for District residents. This deal offers a new type of financial instrument to fund environmental capital projects.

The \$25 million, tax-exempt EIB was sold in a private placement to the Goldman Sachs Urban Investment Group and Calvert Foundation. The proceeds of the bond will be used to construct green infrastructure practices designed to mimic natural processes to absorb and slow surges of stormwater during periods of heavy rainfall, reducing the incidence and volume of combined sewer overflows (CSOs) that pollute the District’s waterways. CSO reduction has become an increasingly urgent environmental challenge as a result of climate change, which has increased the frequency and severity of intense rainfall events.

The EIB allows DC Water to attract investment in green infrastructure through an innovative financing technique whereby the costs of installing the green infrastructure are paid for by DC Water, but the performance risk of the green infrastructure in managing stormwater runoff is shared amongst DC Water and the investors. As a result, payments on the EIB may vary based on the proven success of the environmental intervention as measured by a rigorous evaluation. By financing this project through the EIB, DC Water seeks to create a model funding mechanism that other municipalities can leverage to advance the use of green infrastructure to address stormwater management in their communities.

As part of its green infrastructure program, DC Water is also undertaking an ambitious Green Jobs initiative that targets local workforce development and sustainable job creation, including training and certification opportunities for District residents interested in green infrastructure construction, inspection and maintenance.

Mark Kim, DC Water’s Chief Financial Officer, said "This environmental impact bond represents the first time that DC Water has explicitly tied financial payments to environmental outcomes, in this case reducing stormwater runoff which causes the CSOs that pollute the District’s waterways."

DC Water Board Chairman Matthew Brown congratulated the financing team for “creatively reducing project risk and funding an environmental program that is important to District residents.” CEO and General Manager George S. Hawkins stated, “This unique bond offering is the result of DC Water's relentless commitment to innovate and pursue every available avenue to provide the best service at the best price to our customers and to the greater community we serve.”

“We’re thrilled to partner with DC Water to help pioneer this innovative financing mechanism that will not only benefit the community environmentally, but also stimulate local job creation,” said Margaret Anadu, Goldman Sachs Managing Director who leads the Urban Investment Group. “This first ever environmental impact bond will finance the construction of green infrastructure and support economic development in the District.”

“Calvert Foundation is excited to test the efficacy of green infrastructure in the District,” said Investments Director Beth Bafford. “This work is critical for residents in our hometown and has national implications for how to finance green infrastructure solutions to combat the effects of extreme weather on aged, vulnerable sewer systems.”

“In launching a project that is the first of its kind in the nation, DC Water has opened the door for others to follow their example,” said Dave Wilkinson, Director of the White House Office of Social Innovation. “We are pleased to see another successful investment by the federal Social Innovation Fund, which is advancing Pay for Success strategies to scale better, more effective solutions for communities, to channel private capital towards positive impact, and to encourage innovative approaches that reward successful outcomes. Developed in part by a modest Social Innovation Fund award of less than \$250,000, this project has helped make possible a \$25 million green solution that will make neighborhoods healthier and more resilient while creating good jobs in the community.”

DC Water would like to acknowledge the contributions of the following parties in launching the environmental impact bond: Public Financial Management, Inc. (Financial Advisor); Squire Patton Boggs LLP (Bond Counsel); Harvard Kennedy School Government Performance Lab (Technical Advisor); Quantified Ventures (Pay for Success Transaction Coordinator); and Orrick, Herrington & Sutcliffe LLP (Investors’ Counsel).

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About DC Water

The District of Columbia Water and Sewer Authority (DC Water), is an industry leading multi-jurisdictional regional utility that provides drinking water, and wastewater collection and treatment for millions of visitors, residents and employees in the District of Columbia, and also collects and treats wastewater for a population of 1.6 million in Montgomery and Prince George’s counties in Maryland and Fairfax and Loudoun counties in Virginia.

DC Water's service area covers approximately 725 square miles and the enterprise operates the world's largest advanced wastewater treatment plant with a capacity of 384 million gallons per day and has a peak capacity of 1.076 billion gallons per day.

About the Goldman Sachs Urban Investment Group

Established in 2001, the Goldman Sachs Urban Investment Group (UIG) deploys the firm's capital by making investments and loans that benefit urban communities. Through its comprehensive community development platform, UIG is a catalyst in the revitalization of underserved neighborhoods. UIG has committed over \$5.0 billion, facilitating the creation and preservation of over 20,700 housing units - the majority of which are affordable to low, moderate and middle-income families - as well as over 2,000,000 square feet of community facility space and over 6,100,000 square feet of commercial, retail, and industrial space.

About the Calvert Foundation

Calvert Foundation is a global impact investing institution that offers investors an accessible way to invest for social and environmental good. More than 15,000 investors have invested a total of \$1.2 billion through Calvert Foundation since 1995, supporting affordable housing, education, health, job creation, access to capital, and climate solutions.

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