



## 297<sup>TH</sup> BOARD OF DIRECTORS MEETING

### MINUTES OF THE MAY 4, 2023 MEETING

Microsoft Teams

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#### **DIRECTORS PRESENT**

##### **District of Columbia Members**

1. Tommy Wells, Chairperson
2. Rachna Bhatt, Vice Chairperson
3. David Franco, Principal
4. Anthony Giancola, Principal
5. Howard Gibbs, Principal
6. Jed Ross, Alternate

##### **Prince George's County Member**

1. Tara Jackson, Principal
2. Jared McCarthy, Alternate

##### **Montgomery County Members**

1. Fariba Kassiri, Principal
2. Steven Shofar, Alternate

##### **Fairfax County Members**

1. Christopher Herrington, Principal
2. Sarah Motsch, Alternate

#### **DC WATER STAFF**

1. David Gadis, CEO and General Manager
2. Marc Battle, Chief Legal Officer and Executive Vice President, Government and Legal Affairs
3. Matthew Brown, Chief Financial Officer and Executive Vice President, Finance and Procurement and Compliance
4. Wayne Griffith, Acting Chief Operating Officer and Executive Vice President
5. Kirsten Williams, Chief Communications and Stakeholder Engagement Officer and Executive Vice President
6. Michelle Rhodd, Board Secretary

The 297<sup>th</sup> meeting of the District of Columbia Water and Sewer Authority's Board of Directors was called to order at 9:31 am by Tommy Wells, Board Chairperson. The meeting was held via Microsoft Teams and streamed live at dcwater.com. Board Secretary Michelle Rhodd called the roll and established a quorum.

## **I. APPROVE MINUTES**

Chairman Wells asked for a motion to approve the minutes of the April 6, 2023 Board meeting.

**Upon a motion duly made and seconded, the Board of Directors approved the minutes of the April 6, 2023, meeting as presented.**

## **II. CHAIRMAN'S OVERVIEW**

Chairperson Wells announced board member Adriana Hochberg's departure from the Board. Ms. Hochberg has accepted a new role at the Environmental Protection Agency.

## **III. COMMITTEE REPORTS**

### ***Environmental Quality and Operations Committee***

*Reported by: Sarah Motsch, Chairperson*

Committee Chair Sarah Motsch reported on the Environmental Quality and Operations Committee meeting noting that all biosolids parameters were within the National Pollution Discharge Elimination Standard (NPDES) permit limits. She reviewed the monthly discharge flow and Combined Heat and Power generation data. Ms. Motsch informed the Committee that 11,852 wet tons of biosolids were sold as Bloom, which is a record for sales for any month since Bloom has been sold. The Committee recognized the Blue Plain Advanced Water Treatment Plant staff for their compliance with all permit parameters and exceeding the goals for Combined Sewer Operations (CSOs).

Ms. Motsch went on to report that the Department of Water Operations (DWO) efforts to establish a more proactive approach for identifying leaks to improve the reliability and resilience of the system resulted in a collaboration of DWO staff, the Innovations Team and FIDO AI (FIDO), to trial the use of FIDO's leak detection tools. The Committee received an update on next steps planned by DWO for leak detection. In addition to FIDO, acoustic leak detection technologies from Syrinix will be piloted on hydrants across the system.

Next, Ms. Motsch provided an update on the implementation of Oracle Primavera Unifier which is DC Water's Project Management Information System (PMIS). The five broad phases of the implementation were discussed which included the design of the system, user acceptance testing, user training, data migration and go-live phases. Over 500 users

(DC Water staff, consultants & contractors) have been trained to use Unifier via online training sessions. The implementation phase was completed at the end of 2022.

The Committee was informed that DC Water is below the out-of-service (OOS) level of 1% or less, established in the Memorandum of Understanding (MOU) with the District of Columbia Fire and Emergency Medical Services Department (DC FEMS). The Committee received an update on the status of the EPA drinking water regulated monitoring. It was reported there were zero positive test total chloroform results for the current samples. Additionally, none of the samples tested to date have shown results greater than the action level of 15 parts per billion for lead.

### ***Retail Rates Committee***

*Reported by: Rachna Bhatt, Chairperson*

Committee Chairperson Rachna Bhatt reported that overall year-to-date revenue is slightly lower than budget -- partly due to the upward adjustment made to chemical and energy expenses. Overall, 90-day customer delinquency has decreased both in dollar amount and in numbers of accounts from the prior month.

The Committee received updates on the operating reserves and the rate stabilization fund (RSF). Currently, DC Water Board policy sets 250 days of cash, which exceeds the indenture requirement of 60 days. While DC Water's 250-day requirement is high compared to peers, which typically require only 60 or 90 days of operating expenses, DC Water's actual balances are low in comparison to peers. Peers in the study exceeded the minimum requirement. According to a report by Moody's in 2021, DC Water's total days of cash on hand was 366 days, which is below median level of about 400 days for an AA rated bond issuer.

As a result of DC Water's plan to borrow \$2.7 billion in the next 10 years and efforts to maintain the very strong credit rating, Amawalk Consulting (Amawalk) recommended that the Authority: (1) increase the minimum operating reserve requirement from 250 days to 400 days -- this would bring the days cash on hand to a level more consistent with DC Water's highly rated peers; and, (2) DC Water continue to maintain its current level of \$35 million for the Renewal and Replacement Fund in cash or a combination of cash and commercial paper. Additionally, Amawalk proposed three RSF options for consideration by the Committee and the Board:

- Confirm or change the name of the RSF,
- Define a minimum, maximum or target balance requirement, and
- Update policies for the use of funds in terms of putting potential restrictions or guidelines on how they are used and preferences such as multi-year impact on rates.

Amawalk also recommended: a target RSF balance of 5% of projected retail revenues, that the authorization to withdraw funds in the future should include a plan to replenish funds to meet the target balance, that DC Water minimize the use of the RSF for retail rates and that priority should be given for initiatives that reduce the growth of rates like investment in new technologies and to defease higher cost of debt. Matt Brown, Chief Financial Officer and Executive Vice President informed the Committee that no action was required by the Committee at this time. Ms. Bhatt encouraged board members to read the report and review the presentation.

#### *Audit and Risk Committee*

*Reported by: Jed Ross, Acting Chairperson*

Mr. Ross reported that the Strategy & Performance team provided an overview and status of the Enterprise Risk Management (ERM) program. The goal for phase two is full integration of the ERM framework into the organization, and the effort is slated to begin in early May and to be completed by the end of fiscal year 2023.

The internal audit plan remains on track for the fiscal year. The payroll and time keeping audit was delayed due to an error that occurred during the W2 issuance process. It is on track to be completed before the next Audit and Risk Committee meeting. There is one outstanding audit related to the W2 processing error, but it should not prevent the overall plan from being completed on time.

There were no open high-risk findings to date. Ninety-six percent of prior audits that found findings from FY16 to FY23 have been closed. An audit of contract compliance was conducted in quarter two. One low risk finding was identified in that audit. The metering, billing and collection processes audits were also conducted in the second quarter. This was the first-time metering billing and collection processes have been audited since the Oracle implementation. Only one low risk finding was identified. As it relates to the Fraud, Waste and Abuse Hotline, 13 new calls have been made to the hotline in the past quarter. Eight of the calls were not related to fraudulent claims. They were passed along to the appropriate management team in the case. Three calls remain open.

#### *Finance and Budget Committee*

*Report by: Anthony Giancola, Chairperson*

Chairperson Mr. Giancola reported that total operating revenues were slightly below the budget at \$415.6 million or 49.3 percent of the budget; operating expenses were \$322.1 million or 46.9 percent, which is \$10.4 million below the budget; and capital disbursements were \$190.7 million or 38.0 percent of the budget. Overall, operating revenue was below the year-to-date budget by \$5.6 million. Total operating expenditure was \$322.1 million and was higher compared to the same period last year mainly for the

chemicals and energy cost categories. The year-to-date underspending is mainly in personnel, contractual services, water purchases and debt service cost categories. Staff continues to monitor the cost of chemicals and critical spare parts impacted by supply chain constraints. Overall capital disbursements to date are \$190.7 million with lower spending due to a lag in invoicing and slight delays experienced at the beginning of the year for capital projects. The total cash balance was \$848 million at the end of March and included the Rate Stabilization Fund balance of \$35.64 million. The interest income on investments to date is \$1.9 million. Delinquent accounts were lower at \$29.4 million for 12,739 accounts, or 10 percent of the total customer accounts and includes delinquent impervious only accounts at one percent. Developer deposits had a credit balance (liability) of \$45.2 million for 4,401 accounts and there was \$11 million in debit balance (receivables) for 1,902 accounts. The net credit balance was \$34.2 million. The Authority achieved the 97 percent target for invoices paid within 30 days -- this is the first time the goal has been met since the new ERP system was implemented about two years ago.

Consistent with management's focus on reducing the vacancy rate, two metrics will be included in the monthly report to measure the progress on closing the gap. The Authorized Vacancy Rate will measure all existing vacant positions, whether under active recruitment or not, based on the total authorized positions of 1325 FTEs. The Authorized Vacancy Rate based on the current 210 vacant positions is 15.8 percent and trending downwards compared to the 17 percent at the start of the year. The second metric is the Active Vacancy Rate which will measure only vacant positions under active recruitment. There are 106 of the overall 210 vacant positions with ongoing recruitment activities. The year-to-date Active Vacancy Rate was 8.7 percent as of March.

#### **IV. ISSUES OF GENERAL INTEREST**

Governance Committee Chairperson Christopher Harrington informed the Board that the quarterly DC Water report will be emailed to them shortly after the meeting. The May 10 Governance Committee meeting has been canceled.

#### **V. CEO AND GENERAL MANAGER'S REPORT**

Chief Executive Officer and General Manager David Gadis provided updates around the Authority's five organizational imperatives. Following his update, Mr. Gadis introduced DC Water's new Chief Operating Officer and Executive Vice President Jeffrey Thompson. Mr. Thompson will officially start his tenure at DC Water on Monday, May 8<sup>th</sup>.

Next, Mr. Gadis informed the Board that Aklile Tesfaye VP, Wastewater Operations, will leave DC Water effective May 12<sup>th</sup> to take a new role at WSSC. Nicholas Passarelli, Director, Process Engineering will lead the Wastewater Operation team. Mr. Passarelli is

a licensed professional engineer with more than 30 years of experience in the environmental field and 15 years of experience in process engineering at DC Water.

## **VI. CONSENT ITEMS JOINT USE**

Chairperson Wells asked for a motion to approve joint use action items. A motion was made to approve Resolutions No. 23-23 through 23-26 and it was seconded.

**The motion to approve Resolutions No. 23-23 through 23-26 was unanimously approved by the members of the Board.**

## **VII. CONSENT ITEMS NON-JOINT USE**

Chairperson Wells asked for a motion to approve non-joint use action items. A motion was made to approve Resolution No. 23-27 through 28 and it was seconded.

**The motion to approve Resolution No. 23-27-28 was unanimously approved by the District members of the Board.**

## **VIII. NORTHEAST BOUNDARY TUNNEL COMMISSIONING**

Mousa Wone, Vice President, Clean Rivers Project provided an update on the Northeast Boundary Tunnels (NEBT) Commissioning plan. The NEBT (now out of service) is currently separated from the First Street Tunnel and Anacostia River Tunnel (both currently in service) by bulkheads at each of the connection points. Mr. Wone described the five major steps included in the plan to commission the NEBT. Once the NEBT is in service, there will be significant improvement to the Combined Sewer Operations tunnel system. The NEBT provides protection from a 15-year storm which is an improvement over the current 2-year storm storage capacity. The NEBT will mitigate but not completely eliminate flooding. High intensity rainfall related to climate change will continue to exceed the capacity of the NEBT. Mr. Wone concluded his report with an overview of the communications plan and dates for briefings with DC Water's Senior Executive Team, the Environmental Quality and Operations Committee, the Board of Directors and political and community leaders in the District.

## **IX. ADJOURN**

Chairperson Wells asked Board Secretary Rhodd to provide information on upcoming committee meetings. Ms. Rhodd noted that the Human Resources and Labor Relations Committee will meet Wednesday, May 10, 2023, at 11:00 a.m.; the Environmental Quality and Operations Committee will meet on Thursday, May 18, 2023, at 9:30 a.m.; the D.C. Retail Water and Sewer Rates Committee will meet on Tuesday, May 23, 2023, at 9:30 a.m.; and the Finance and Budget Committee will meet on Tuesday, May 25 at 9:30 a.m.

There being no further business to come before the Board, Mr. Wells adjourned the meeting at 10:25 AM.

*Michelle Rhodd*

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Michelle Rhodd  
Secretary to the Board of Directors