

DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY

BOARD OF DIRECTORS 282nd MEETING THURSDAY, JANUARY 6, 2022

MINUTES

Present Directors

Tommy Wells, Chairperson
Rachna Bhatt, District of Columbia
David Franco, District of Columbia
Joe Leonard, Alternate for Vacant Principal, District of Columbia
Anthony Giancola, District of Columbia
Steven Shofar, Alternate for Vacant Principal, Montgomery County
Ivan Frishberg, Alternate for Vacant Principal, District of Columbia
Tara Jackson, Prince George's County
Christopher Herrington, Fairfax County
Fariba Kassiri, Montgomery County

Present Alternate Directors

Howard Gibbs, District of Columbia
Sarah Motsch, Fairfax County
Jared McCarthy, Prince George's County
Andrea Crooms, Prince George's County

D.C. Water Staff

David Gadis, CEO and General Manager
Matthew Brown, Executive Vice President for Finance and Procurement, Chief Financial Officer
Mark Battle, Executive Vice President for Legal Affairs
Kishia Powell, Executive Vice President for Operations, Chief Operating Officer
Linda R. Manley, Board Secretary

Call to Order and Roll Call

Chairperson Wells called the 282nd meeting of the District of Columbia Water and Sewer Authority's Board of Directors to order at 9:30 a.m. Ms. Manley was experiencing computer problems, so Alfonzo Kilgore Stukes, Board Operations Specialist, called the roll and a quorum was established. Ms. Manley was able to reconnect to the meeting.

Approval of the December 2, 2021 Meeting Minutes

Chairperson Wells asked for a motion to approve the December 2, 2021, meeting minutes. The motion to approve the December 2, 2021, meeting minutes was moved, seconded, and unanimously approved by the Board of Directors.

Chairperson's Overview

Chairperson Wells wished everyone a Happy New Year. He observed that it felt like everyone was in the same place as last year but that those in leadership positions were leading their staff through a kind of fatigue and some felt disappointment that things were going backwards with the pandemic. Chairperson Wells stated that as leaders the job is to bolster your employees to be productive, feel good and positive and healthy as they conduct the work on behalf of the public. This is what leadership at D.C. Water is responsible for doing, keeping customers in the forefront. He commended CEO Gadis and the leadership team for continuing to do this.

Chairperson Wells announced that there would be a survey going out to Board members so they can weigh in on what they think now and what should happen in the future. He asked if Board and committee meetings, public hearings, and community meetings should be virtual versus in person. They are planning to look at the bylaws to support modern technology and the most efficient use of time for serving on the Board. They will hear from the D.C. People's Council and the community on proposed changes.

Finance and Budget Committee

Reported by: Anthony Giancola, Chairperson

Chairperson Giancola stated that the Committee met on December 14, 2021. Ms. Oyeyemi, Budget Director, presented the November 2021 Financial Report. At the end of November 16.7 percent of the fiscal year had been completed. Operating revenue was \$186.3 million or 23.3 percent of the budget. Operating expenditures were at \$86.9 million or 13.2 percent of the budget. Capital disbursements were at \$43.3 million or 7.6 percent of the budget.

Ms. Oyeyemi informed the Committee that D.C. Water received a Certificate of Achievement for Excellence in Financial Reporting for the fiscal year ending September 30, 2020. Controller Malasy and the entire Finance team was congratulated for achieving the award.

It was stated by Mr. Oyeyemi that the Proposed FY 2023 Budget is anticipated to be presented for Board review on January 6, 2022. It will include a two-year proposal for FY 2023 and FY 2024.

The Committee then discussed the operating budget cost drivers. Ms. Oyeyemi provided an overview of the annual budget process and highlighted major expenditure drivers and customer rates.

There is a two-month review period for the various Board committees and final recommendations will come in February 2022 and the budget option will come to the full Board in March 2022. The rate proposal portion will undergo the extensive public process prior to approval by the Board and approval by the Retail Rates Committee.

The components of the FY 2022 Budget were presented, including the core operational expenses of 57 percent, debt service of 39 percent, and payments to the District of 4 percent.

Ms. Oyeyemi indicated that there have been \$30.6 million in annual savings and avoided costs due to operational initiatives and process improvements in recent years. Customer rates would be approximately 5.9 percent higher without the initiatives.

CFO Brown reviewed the rates and water usage trends. He stated that D.C. Water is a cost recovery organization, so rates are based on how much is spent or is planned to be spent to provide its services. A large part of the rates are based on water consumption. D.C. Water and other cities nationwide have experienced a decline in water usage and aging infrastructure. CFO Brown also presented the rate projection increase of 6.7 percent in FY 2023 and 8.8 percent in FY 2024.

In closing her presentation, Ms. Oyeyemi highlighted major initiatives that are being undertaken by the Authority which include the Blueprint 2.0 update, Lead Free D.C., small diameter water main replacements, and the methanol reduction program.

Mr. Boykin, Director of Finance, provided background on the investment policy and reminded everyone that the current policy was adopted in May 2014. He discussed D.C. Water's investment objectives which include safety, liquidity, and return on investment. Mr. Bush, Consultant, provided a sensitivity analysis along with historical benefits of increased duration when questioned about the risks associated with the proposed changes to the policy. He also discussed what D.C. Water would expect as reasonable interest earnings based on the changes. The investment duration will be extended from a one to three year period to a one to five year strategy where \$400,000 in interest earnings may be generated based on the historical look back for the past ten years.

CFO Brown then reviewed the Environment, Social, and Governance (ESG) Report. D.C. Water has been a leader in the industry based on its infrastructure and the way it is funded as a result of its first green bonds in 2014, the environmental impact bond, the annual green bond report, the new green bond framework, and now the first ESG Report. CFO Brown commended Mr. Ries, Ms. Barrett, and other members of the Finance Team for their collaborative effort in producing the report. The ESG Report will be shared with investors, underwriters, and rating agencies in January 2022.

Mr. Brown from PMF Financial Advisors presented the FY 2022 transaction and market update and approval recommendation. The Committee was updated on the upcoming bond transactions and their approval was recommended. The request for authorization is to issue \$400 million in subordinate lien revenue bonds to fund the capital improvement projects (CIP), Washington Aqueduct projects, and other permanent funding for outstanding commercial paper related to the environmental impact bond.

The rise in total debt service costs and projections that show continued increases were discussed by Mr. Brown. The increases are a result of increased borrowing to support CIP. He stated that debt service costs have increased an average of 6.5 percent each year since 2016.

There were many action items discussed by the Committee which break down into the following series, several under each series: 1) Approval of the revised statement of investment policy, and (2) Approval of series bonds and bond resolutions. There was one follow-on action item which was requested by Chairperson Giancola. The item provided a cost savings analysis

related to Blue Drop biosolids hauling services. The Committee recommended the action items for Board approval.

Environmental Quality and Operations Committee

Reported by: Howard Gibbs

Mr. Gibbs indicated that the Committee met on December 16, 2021, via Microsoft Teams. Aklile Tesfaye, Vice President for Wastewater Operations, updated the Committee on Blue Plains Plant performance and again reported that performance parameters were excellent with a 100 percent capture rate. All operational and effluent parameters were well within the EPA permit limits. Energy generation was 27.3 percent, which is above the 20 percent monthly goal. Biosolids produced in November were all Class A Exceptional Quality.

Elaine Wilson, Manager of Water Quality and Pretreatment, presented a proposal to amend the regulations to revise pretreatment discharge standards and non-wastewater flow requirements. She discussed the need for the proposed changes and summarized the schedule for adoption of the changes. Non-permitted industrial commercial dischargers who cannot meet revised discharge limits and the molybdenum limit will be educated through a campaign.

The Committee recommended approval of the non-joint use contracts by the full Board.

Marlee Franzen, Senior Manager of Water Operations, briefed the Committee on the status of the fire hydrants. D.C. is below one percent of the established out-of-service level established the Memorandum of Understanding between D.C. Fire and Emergency Services and D.C. Water.

Maureen Schmelling, Director of Water Quality, briefed the Committee on the status of the EPA drinking water regulated monitoring from November 21. There was one positive total coliform result from samples collected and the sample was negative for e. coli. In comparable sampling it remained low at 2.6 parts per billion for the 90 percentile for the first raw sample which is well below the actual limit of 15 parts per billion. EPA is still planning to implement the proposed lead and copper rule revisions, so staff continues to evaluate how the revisions will impact D.C. Water.

Upon his retirement, Mr. Gibbs recognized Len Benson, Executive Vice President for Watershed Management, for his years of outstanding and dedicated service to the Board, the Committee and to D. C. Water. He stated that Len Benson had in various leadership positions performed invaluable work for the last 25 years. Chairperson Wells indicated that Len Benson had become a legend for D.C. Water and that they all were indebted to him. He oversaw the installation and development of the Cambi System, along with the biodigester, oversight of the Clean Rivers Project, and many more innovations. Chairperson Wells noted that he and the Board had never taken Len's leadership for granted, for how he has served the communities in all jurisdictions, and they have always understood how extraordinarily blessed they have been for Len's leadership.

There being no Issues of General Interest, Chairperson called for the CEO/General Manager's Report.

CEO/General Manager's Report

Reported by: David Gadis, CEO/General Manager

CEO Gadis stated that as usual he was providing his monthly State of the Utility update to the Board. This included an overview of relevant programs or initiatives that support D.C. Water's strategic objectives in keeping with the strategic plan, Blueprint 2.0 and its five imperatives.

CEO Gadis updated on D.C. Water's COVID-19 response and revised guidance issued to employees. He reminded everyone that they continue to monitor the latest health guidance from the Centers for Disease Control and the operating posture of the District Government to protect the workforce and align with District operations to the possible extent.

On January 3 CEO Gadis issued a communication to all employees that announced changes to the operating posture. The changes will remain in effect until January 31, 2022. Telework flexibility was increased for all eligible employees to work remotely up to five days per week. Critical operations staff will remain separated for continuity of operations. Use of staggered shifts and additional work muster stations for front line staff will continue. Face coverings are required inside all D.C. Water facilities, outside at all Authority worksites, and while traveling in D.C. Water vehicles. Indoor residential work will remain restricted to emergencies only with full PPE, social distancing, and all other safeguards.

CEO Gadis declared that one challenge for COVID is the speed at which pandemic conditions change. He thanked Kishia Powell, Chief Operating Officer, and her team for their effective oversight of recovery efforts from COVID-19.

CEO Gadis then presented updates on several long-term activities relating to resilient imperative. The Water Resilience Summit was held in December and was attended by D.C. Water staff. It was cohosted by the Association of Metropolitan Water Agencies and the National Association of Clean Water Agencies. Dr. Matt Ries, Director of Strategic Leadership and Sustainability, participated in a panel discussion on the importance of stakeholder communication and engagement. COO Kishia Powell also participated with Dr. Ries on a cross sector task force focused on establishing a vision for the water sector's push to meet zero.

The leadership team also participated in the District's resilience roundtable in December and the D.C. Council's public hearing on climate resilience. CEO Gadis testified during the hearing on D.C. Water's action plans following the September 10, 2020 flood event, water and resource development management efforts at Blue Plains, the Clean River Project, and green infrastructure planning. D.C. Water also participated in the Interstate Commission on Potomac River Basin Supplemental Storage Working Group.

Board Member Giancola had three items of concern he presented to CEO Gadis for comments. The first was on Page 12 of the CEO/General Manager's Report about Facilities Preventative Maintenance Program's big drop from 75 percent to 43 percent completion. There were many reasons given and among them is Fleet Maintenance continuously needing to assess resource needs. Board Member Giancola stated his concern about consistency in all preventative maintenance and wants to see a report that addresses the need for additional resources and that action is taken to get the resources whether it is staff or contract support.

On Page 37 of the overall report and Page 16 of the CEO/General Manager's Report, Board Member Giancola noticed a big increase in November of water line breaks. He asked to hear an assessment of what caused the large number of breaks.

On Page 40 of the overall report and Page 19 of the CEO/General Manager's Report there seemed to be a missing page on the open end high-risk audit items.

CEO/General Manager Gadis stated that COO Powell and Maureen Holman would assist in talking about the maintenance items. He indicated that COVID hit them very, very hard and they are continually assessing and doing the routine the needed maintenance. They have identified several valves that are showing as open but could be partially open or closed that sometimes cause main breaks because of having to increase the flow of pressure.

CEO Gadis turned the response over to COO Powell. She reported that they kicked off phase two of the organization assessment at the end of last year. It consisted of looking at the department level resource needs and organization improvements that are necessary. Facilities Management had already identified additional resources that are needed to manage the facilities and now the resources are being stretched due to the need because of COVID to do deep clean and meet other facilities concerns resulting from COVID. Due to an uptick in the number of cases that staff must address, a work plan has been developed and it is expected that the routine work on work orders will decrease. COO Powell stated that the work is being done and that they are measuring response times against service levels. However, it is not being done within the time specified. The service levels were set as what they believed to be reasonable targets to help them understand what the resources should be, how many teams were needed, and how many staff were needed. She declared that staff would continue to assess that under the organizational assessment.

COO Powell reported that the Fleet Management Department has been impacted because maintenance and repairs of the fleet is performed by contracted resources. At the end of calendar year 2021 they formed a task force with Procurement to look at how services will be provided going forward and assess resources. Additional resources are needed and have been requested in the FY 2023 budget.

For Water Services, they have identified some issues with older valves and older pipes that may impact water main break repairs in specific areas of the Distribution System. The team is drilling down on this and will provide more information on the state of the Water System for the next Committee meeting.

CEO Gadis provided information on the audit report. He stated that several items in the high-risk category have been closed, so the list was accurate.

Board Member Giancola had a follow-up question for COO Powell concerning COVID-19. Of the staff who are not working, he asked for the numbers of how many were unvaccinated. COO Powell replied that they are pulling that information together. CEO Gadis has required all staff to report their vaccination status by Friday, January 7, 2022. That data will be aligned with data on individuals impacted by COVID and who have tested positive.

COO Powell stated that they will make a detailed presentation on the Capital Improvement Projects (CIP) to the Environment Quality and Operations Committee which will include a more operational review and a look at the number of water main breaks trending time. All will be tied into the investment in the Water System.

Board Member Gibbs indicated that the Committee had some concerns about Fleet Maintenance being contracted out and where the company is located, out of the area. He stated that they are looking forward to their report.

CEO Gadis weighed in on Len Benson's retirement. He stated that Len had been a fantastic member of Team Blue, a legend, and they will honor Len and do so as part of the 25 year anniversary celebration. He will also be honored as 2022 moves forward.

Consent Action Items Joint Use


Chairperson Wells asked for a motion to approve joint use action items. Board Member Giancola moved to approve Resolution Nos. 22-00 through 22-03 and it was seconded. The motion to approve Resolutions 22-00 through 22-03 was unanimously approved by the members of the Board.

Consent Action Items (Non-Joint Use)

Chairperson Wells asked for a motion to approve non-joint use action items. Board Member Giancola moved to approve Resolutions Nos. 22-04 through 22-07 and it was seconded. The motion to approve Resolutions Nos. 22-04 through 22-07 was unanimously approved by the members of the Board.

Chairperson indicated that the Governance Committee will meet on Wednesday, January 12 at 9:00 a.m. The meetings will be virtual. The Human Resources and Labor Relations Committee, with union presidents, will meet on Wednesday, January 12 at 11:00 a.m. The Environmental Quality and Operations Committee will meet on Thursday, January 20 at 9:30 a.m. The D.C. Retail Water and Sewer Rates Committee will meet on Tuesday, January 25 at 10:15 a.m. The Finance and Budget Committee will meet on Tuesday, January 25 at 11:00 a.m. The Audit Committee will meet Thursday, January 27 at 9:30 a.m. Chairperson Wells encouraged all Board members to attend Committee meetings, whether they are on the committees or not.

There being no further business, the meeting was adjourned by Chairperson Wells at 10:15 a.m.



Linda Manley, Secretary to the Board