



## DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY

### BOARD OF DIRECTORS 295<sup>th</sup> MEETING THURSDAY, MARCH 2, 2023

#### MINUTES

#### **Present Directors**

Rachna Bhatt, First Vice Chairperson, District of Columbia  
Fariba Kassiri, Montgomery County  
David Franco, District of Columbia  
Floyd Holt, Prince George's County  
Anthony Giancola, District of Columbia  
Steven Shofar, Alternate for Vacant Principal, Montgomery County  
Howard Gibbs, District of Columbia  
Tara Jackson, Prince George's County  
Christopher Herrington, Fairfax County  
Wendell Felder, District of Columbia

#### **Present Alternate Directors**

Sarah Motsch, Fairfax County  
Jed Ross, District of Columbia  
Jared McCarthy, Prince George's County  
Adriana Hochberg, Montgomery 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  
Marc Battle, Esq., Executive Vice President for Legal Affairs, Chief Legal Officer  
Gregory Hope, Deputy General Counsel  
Keith J. Lindsey, Chief of Staff  
Lisa Stone, Chief, People and Inclusion Officer  
Kirsten Williams, Chief, Communications and Stakeholders Engagement Officer  
Michelle Rhodd, Board Secretary

### **Call to Order and Roll Call**

The 295<sup>th</sup> meeting of the District of Columbia Water and Sewer Authority's Board of Directors commenced at 9:30 a.m. and was called to order by Rachna Bhatt, First Vice Chairperson. The meeting held was via Microsoft Teams and streamed live at dcwater.com. First Vice Chairperson Bhatt welcomed Michelle Rhodd as the new Board Secretary and asked her to take the roll. After completing the roll call Ms. Rhodd confirmed that there was a quorum.

### **Approval of the February 2, 2023 Meeting Minutes**

Ms. Bhatt asked for a motion to approve the February 2, 2023, meeting minutes.

**Upon a motion duly made and seconded, the Board of Directors voted to approve the minutes of the meeting held on February 2, 2023, as presented.**

### **Finance and Budget Committee**

Finance and Budget Committee Chairperson Anthony Giancola informed the Board that the Committee met on Thursday, February 23, 2023 via Microsoft Teams. He reported that Lola Oyeyemi, Director of Budget, provided an overview of the Budget Report for January 2023. She stated that revenues were favorable at \$286.8 million or 35.7 percent of the budget. Operating expenses were \$210.5 million or 30.5 percent of the budget. Capital disbursements were \$117 million or 23.3 percent of the budget. Delinquent accounts were slightly lower at \$30.1 million or 10.2 percent of the total customer accounts.

Mr. Giancola reviewed management's response to board member David Franco request for clarification about the significant variance of the FY 2023 interest income compared to FY 2022 and where the Authority expects to end the fiscal year. Chief Financial Officer (CFO) & Executive Vice President, Finance, Procurement & Compliance Matt Brown explained that yields have increased during the fiscal year. Mr. Brown informed the Committee that interest rates are rising and DC Water's performance typically lags the benchmarks. He also reported that the Authority's investment advisor anticipates yields continuing to increase throughout the year and that the target probably will be met or maybe exceeded.

Mr. Giancola reported that Wayne Griffith, Chief Operating Officer (Acting) and Executive Vice President and David Parker, Vice President of Engineering updated the Committee on measures staff are taking to reduce the backlog of developer deposits. Mr. Parker stated that 17 percent of the refunds have been processed. Mr. Giancola reported that he expressed concern about the lack of progress to date, inquired about the percentage of reimbursements as of April 2022 and the number of staff currently working on the backlog. Mr. Parker responded that there is not a dedicated team of employees to address the backlog and he is working to bring on a consulting firm with a plan to have the backlog cleared within two years. Additionally, the department is hiring eight new positions in the Permit Office.

Mr. Brown explained that though D.C. law requires developers to request a refund within two years or forfeit their refund, DC Water's policy is to not forfeit funds until after ten years given the length of construction activities. Marc Battle, Chief Legal Officer & Executive Vice President, Government & Legal Affairs, noted that the Authority could publish a list of developers with refunds due to them; however, he recommended excluding the amount due.

Mr. Griffith informed the Committee that staff have moved into the new Fleet building. The Authority has a temporary occupancy permit for 60 days to resolve the items on the punch list, of which approximately 40 of the 91 items have been resolved. In response to a question regarding whether there were any major items on this list, the Committee was informed about an outstanding permit issue with the waste oil reservoirs to change oil in the facility. DC Water is working on options to resolve this issue. Mr. Giancola reported that he recommended that staff update the Environment and Operations Committee about the issue at its next meeting.

Next Mr. Giancola updated the Board on the Capital Improvement Program (CIP). Paul Guttridge, Director CIP Infrastructure Management informed the Committee that disbursements were \$82 million through the first quarter of FY 2023. Mr. Guttridge noted that the baseline projection for FY 2023 was developed to better align with the anticipated execution of the planned work. In response to a board member's comment that historically CIP spending has fallen short of the budget and questions whether the Authority will start to see an increase to meet the plan, Mr. Guttridge responded that he anticipates that CIP spending will catch up by the end of the fiscal year.

Mr. Giancola continued his report with an update of the Proposed Capital Budget. He informed the Board that the proposed FY 2023 – FY 2032 CIP disbursement is \$6.95 billion. The \$6.95 billion disbursement includes an increase of \$531 million over the approved CIP. This will fund major programs anticipated to be completed by 2030 for the federally mandated Clean Rivers program and the Lead-Free DC program to remove all lead service lines in the District of Columbia (the District).

In concluding his report Mr. Giancola noted that the proposed FY 2024 operating budget of \$737.6 million, includes the operating and maintenance (O&M) budget of \$433.9 million for personnel and non-personnel cost categories, debt service budget of \$232 million, cash financed capital improvements (CFCI) budget of \$48.3 million, and payment in lieu of taxes (PILOT) and right of way (ROW) fees and payments to the District budget of \$23.4 million.

**Following his report, Mr. Giancola informed the Board that the Finance and Budget Committee recommended that the Board approve the FY 2024 Proposed Budget including the:**

- **Approval to Amend Fiscal Year 2023 Operating Budget – Resolution 23-12;**
- **Approval of Proposed Fiscal Year 2024 Operating Budget – Resolution 23-13;**
- **Approval of Proposed Fiscal Year 2023-2032 Capital Improvement Program – Resolution 23-14;**
- **Approval of Fiscal Year 2023 – 2032 Ten-Year Financial Plan – Resolution 23-15;**  
**and**
- **Approval of Official Intent to Reimburse Fiscal Year 2023 and 2024 Capital Expenditures with Proceeds of a Borrowing – Resolution 23-16.**

Mr. Giancola stated that the Finance and Budget Committee asked management for updates on the following items: (1) an update on developer fees and refunds, (2) the number of vacancies in Engineering Services for delivery of capital projects, and (3) the amount of federal grants received this fiscal year to be used for CIP in the same fiscal year.

## Environmental Quality and Operations Committee

Environmental Quality and Operations Committee Chairperson Sarah Motsch reported on the February 16, 2023 committee meeting. She informed the Board that the Committee received a performance update from Aklile Tesfaye, Vice President for Wastewater Treatment Operations, on the Blue Plains Advanced Wastewater Treatment Plant. Mr. Tesfaye provided an update on the performance of complete treatment at the Blue Plains Advanced Wastewater Treatment Plant (BPAWTP) for January. The monthly average flow to complete treatment was 294 million gallons per day (MGD), which is lower than the rolling 12-month average. All performance parameters for the month were excellent, and all effluent and biosolids parameters were within National Pollutant Discharge Elimination System Permit (NPDES) permit limits and Class A Biosolid Exceptional Quality requirements.

Ms. Motsch reported that Mr. Tesfaye also provided an update on the long-term trend of influents to Blue Plains and presented a chart which summarized the flows, precipitation, and groundwater level data from January 2013 through December 2022. It was noted that influent flows correlate with both total precipitation and ground water elevation below surface observed within the Blue Plains Service Area. The Committee enquired about the volume of combined sewer overflows (CSOs) captured across all systems for 2022 and the number of overflow events by month for 2022. Mr. Tesfaye agreed to provide the Committee with a chart summarizing the volume of CSOs across all systems for 2022 and the number of overflow events by month for 2022.

Ms. Motsch summarized the discussion on electrical energy use and onsite generation at BPAWTP for January. Onsite energy generation from the combined heat and power (CHP) facility and solar panels for the month was 27% of the total consumption at BPAWTP. A summary of the performance of the Phase I Solar Panels was provided through December 2022. The panels have generated approximately 9260 megawatts (MWh) of electricity, since being commissioned in 2021, the net savings of this generated energy for BPAWTP users is estimated to be \$770,000.

Next Ms. Motsch reported on biosolids production and Bloom marketing at BPAWTP for January, noting that 13,200 wet tons of biosolids were produced for the month. Approximately 1,850 wet tons of biosolids were sold as Bloom for the month, 3,000 wet tons were held onsite for future sales and the remaining 8,350 wet tons were land applied for beneficial use through Blue Drop and WSSC Water contractors.

Ms. Motsch briefed the Board on Dr. Haydee De Clippeleir, Director of Clean Water and Technology, presentation on the proposed direction for nutrient removal processes at Blue Plains. Dr. De Clippeleir discussed capital and operational costs associated with nutrient removal to comply with permit requirements at BPAWTP. A chart was presented showing cumulative capital investment and corresponding total nitrogen discharges at BPAWTP since 1985. It was noted that as more nitrogen has been removed, the capital cost to achieve this removal has increased significantly, resulting in diminishing returns as more capital is invested. BPAWTP uses approximately 40 million pounds of methanol per year for nitrogen removal, at an annual cost of \$10 million. As the price of methanol increases, the cost of nitrogen removal increases.

Dr. De Clippeleir noted that D.C. Water has not specifically looked at the potential impact of emerging regulatory changes. However, D.C. Water is evaluating alternative processes for nutrient removal to lessen the possibility of being severely impacted by fluctuations in the price of methanol. Dr. De Clippeleir also discussed actions being taken to integrate new processes into the operation at Blue Plains. These processes include partial denitrification-anammox (PdNA), which uses 50 percent less energy and 80 percent less carbon, and partial nitritation-anammox

(PNA) for nutrient removal. It was shown that the costs of implementing the process will pay for itself after approximately ten years of operation. Ms. Motsch directed board members to meeting minutes and materials for additional details.

Next, Ms. Motsch reported on the proposed Fiscal Year 2023 to 2032 capital improvement program budget (CIP budget). Ms. Motsch directed board members to their meeting materials for details. Ms. Motsch reported that committee members discussed the budget and agreed to move the CIP budget forward to the Board for approval.

Ms. Motsch reported that in response to a committee member's question regarding when alternate board members may vote at board meetings, Mr. Battle responded that alternate members could vote on some items but not all and may give input on specific matters at committee meetings. He stated that a chart will be prepared to clarify which board members may vote on which board matters.

Ms. Motsch next reported on the fleet management briefing the Committee received from Maureen Holman, Vice President of Shared Services. Ms. Holman reviewed the Fleet Management fact sheet on maintenance and repair activities and summarized fleet strategies for FY 2023 and 2024. Ms. Holman went on to inform the Committee that current maintenance and repair activities are operated under a temporary staffing contract and not through a fleet maintenance contract or a professional services contract. This has resulted in several challenges including access to adequate staffing expertise, retention of skilled staff, lack of performance standards for work completed under the contract and the need for separate contracts for significant repairs and body work. The FY23 and FY24 fleet strategy includes a professional maintenance services contract which includes significant performance standards, required certifications and skillsets for staff and requirements for professional scheduling and coordination of preventative maintenance activities.

Ms. Motsch concluded her report with an update on a fact sheet presented by Elkin Hernandez, Director of Maintenance Services, pertaining to a five-year extension of the maintenance contract for the Process Control System (PCS) for monitoring and controlling all processes at Blue Plains. Mr. Hernandez explained to the Committee that the system was installed in 2003 by the incumbent bidder. The contract is for the continued supply of maintenance and upgrades services to the PCS including cyber security services, required to keep the system current and mitigate vulnerabilities to the system. The existing contract has been in place for 20 years, the vendor has performed satisfactorily, and the system has remained operational during that period. Ms. Motsch informed board members that the Environmental Quality and Operations Committee was asked to extend the current existing maintenance contract with the bidder by 5 years.

**Committee members discussed the following joint use consent action items:**

- **Approval to Award Contract No. 10331, Fleet Maintenance and Repair Services and Fund the Two-Year Base Term, First Vehicle Services - Resolution No. 23-09;**
- **Approval of Contract No. WAS-10-051-AA-CE To Extend Maintenance and Upgrade Contract for Five Years, Emerson Process Management Power and Water Solutions, Inc. – Resolution No. 23-10;**
- **Approval of Master Supply Agreement and Purchase Order Award, Ferguson Enterprises, LLC and Core & Main LP – Resolution No. 23-11; and**
- **Approval of Proposed Fiscal Year 2023 – 2032 Capital Improvement Program – Resolution No. 23-14.**

**and recommended approval by the full Board (see list of consent items on Page 7).**

Ms. Motsch informed the other board members that management intends to follow-up with the Committee as follows: (1) Mr. Parker will arrange a presentation to the Committee on D.C. Water's approach to incorporating equity considerations in the prioritization of CIP infrastructure projects; (2) Mr. Tesfaye will provide a chart summarizing the volume of CSOs captured across all systems for 2022 and provide the number of overflow events by month; (3) Mr. Battle will provide a chart summarizing when principal and alternate board members vote.

### **D.C. Retail Water and Sewer Rates Committee**

DC Retail Water and Sewer Rates Committee (Retail Rates Committee) Chairperson Rachna Bhatt reported on the Committee meeting held on February 28, 2023. The Committee received the financial report from Mr. Brown. In his report, Mr. Brown informed the Committee that overall year-to-date revenues were favorable by 4.1 percent in part due to higher than anticipated consumption. The current year budget and ten-year financial plan have been revised to include a new revenue estimate. The wholesale category, because of an early payment by Loudon County, is also ahead of budget. Ninety-day customer delinquencies decreased slightly in dollar amount and in number since December 2022.

Ms. Bhatt reported that the Committee was briefed on the operating reserve study which is performed once every five years; the last one was completed in 2018. Since that time the Board has adopted a new financial policy that requires 250 days of cash. The Committee was informed that the consultant's presentation would include considerations and information learned from peers, and that recommendations would be presented at a future meeting.

The Committee also received a report from Ed Markus from Amawalk. Mr. Markus provided background on the reserves and the rate stabilization fund policies. Mr. Marcus pointed out the growing debt service coverage and levels of reserve and how it has correlated well with the increasing strength of DC Water's bond ratings, even as the total debt increased. In comparison to its industry peers, DC Water's operating reserves are routinely cash positive, very liquid, and have had modest judgements and claims in the last five years. D.C. Water's policy of 250 days reserve is below the medium levels for A rated and AA rated users.

The Committee also heard from Mr. Markus about the Renewal and Replacement Fund (RRF), which was included in the peer comparison. He noted that there is no uniformity in the industry regarding the use of the funds. Of the 12 peers surveyed, five did not have this reserve requirement.

In his discussion of the Rate Stabilization Fund (RSF), Mr. Markus informed the Committee that over the last ten years DC Water has made both contributions to the RSF and withdrawals from the RSF; the RSF is more flexible than the operating reserve or RRF in terms of deposits and withdrawal with no requirement to replenish after a withdrawal, unlike the operating reserve and RRF. With respect to key bond ratings and financial considerations, the Committee learned that D.C. Water is highly rated by all three agencies. The Authority's strong bond ratings allow it to optimize the cost of borrowing.

The Retail Rates Committee also received a presentation on the Proposed FY 2024 Budget, FY 2023 to 2032 Ten Year Plan and the other budget recommendations from Mr. Brown. He reviewed the various budgets, including the Proposed Operating Budget, and Proposed Ten-Year Capital Budget, and the Proposed Ten-Year Financial Plan and stated that DC Water's high credit rating will be maintained by meeting all bond indentures and Board-required financial covenants.

The Retail Rates Committee meeting concluded with a briefing by Mr. Brown on the FY 2023 Proposed Work Plan.

**Ms. Bhatt stated that there was one consent item action the Committee wants to recommend to the full Board for approval, the Fiscal Year 2023 to 2032 Ten-Year Financial Plan -- Resolution 23-15 (see Page 7).**

**CEO/General Manager's Report**

CEO/General Manager David Gadis provided an overview of the Authority's progress relating to imperatives and initiatives that support the Authority's strategic objectives. He and his team have been finalizing testimony in preparation for the annual D.C. Council Performance Oversight Hearing before the Committee on Transportation and the Environment which will be held on Tuesday, March 7, 2023.

Mr. Gadis outlined the five Strategic Blueprint 2.0 imperatives which were included in the presentation to the Council members. He planned to remind Council members of the progress the Authority has made on projects such as the Lead-Free D.C. Program and the Clean Rivers Project; support of the Flood Task Force; the recently released Environmental, Social and Governance (ESG) Report, the Customer Assistance Programs; communication with stakeholders on PFAS and related emerging science; and collaboration by D.C. Water's team on office and marketing communications with the Metropolitan Washington Council of Governments to prepare for the regional summit on PFAS on March 22, 2023 here at the Authority.

CEO Gadis thanked everyone for their collaboration with the Finance Department during the FY 2024 budget cycle which began in the summer of 2022.

**Consent Action Items Joint Use**

First Vice Chairperson Bhatt asked for a motion to approve joint use action items.

**Upon a motion duly made and seconded, the Board of Directors voted to approve Resolutions No. 23-09 to 23-16 as presented.**

There were no non-joint use action items.

Ms. Bhatt announced the following committee meetings for March 2023: the Governance Committee will meet on March 8; the Human Resources and Labor Relations Committee will meet on March 8; the Environment Quality and Operations Committee will meet on 16, 2023; and the Finance and Budget Committee will met on March 23, 2023. The D.C. Retail Water and Sewer Rates Committee will not be held in March 2023.

There being no additional comments and issues, the meeting adjourned at 10:16 a.m.

  
Michelle Rhodd, Board Secretary

## SUMMARY OF RESOLUTIONS AND CONTRACTS

### **Consent Action Items (Joint Use)**

1. Approval to Award Contract No. 10331, Fleet Maintenance and Repair Services and Fund the Two-Year Base Term, First Vehicle Services - Resolution No. 23-09 (Recommended by the Environmental Quality and Operations Committee 02-16-23)
2. Approval of Contract No. WAS-10-051-AA-CE To Extend Maintenance and Upgrade Contract for Five Years, Emerson Process Management Power and Water Solutions, Inc. – Resolution No. 23-10 (Recommended by the Environmental Quality and Operations Committee 02-16-23)
3. Approval of Master Supply Agreement and Purchase Order Award, Ferguson Enterprises, LLC and Core & Main LP – Resolution No. 23-11 (Recommended by the Environmental Quality and Operations Committee 02-16-23)
4. Approval to Amend Fiscal Year 2023 Operating Budget - Resolution No. 23-12 (Recommended by the Finance and Budget Committee 02-23-23) This Board Meeting can also be viewed via livestream: <https://dcwater.com/watch-board-meetings>
5. Approval of Proposed Fiscal Year 2024 Operating Budget – Resolution No. 23-13 (Recommended by the Finance and Budget Committee 02-23-23)
6. Approval of Proposed Fiscal Year 2023 – 2032 Capital Improvement Program – Resolution No. 23-14 (Recommended by Environmental Quality and Operations Committee 02-16-23 and the Finance and Budget Committee 02-23-23)
7. Approval of Fiscal Year 2023 – 2032 Ten-Year Financial Plan - Resolution No. 23- 15 (Recommended by the Finance and Budget Committee 02-23-23 and the DC Retail Water and Sewer Rates Committee 02-28-23)
8. Approval of Official Intent to Reimburse Fiscal Year 2023 and 2024 Capital Expenditures with Proceeds of a Borrowing – Resolution No. 23-16 (Recommended by the Finance and Budget Committee 02-23-23)