



**302ND BOARD OF DIRECTORS MEETING
MINUTES OF THE MEETING
NOVEMBER 2, 2023
(Via Microsoft Teams)**

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. Wendell Felder, Principal
7. Jed Ross, Alternate

Prince George's County Members

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

Montgomery County Members

1. Fariba Kassiri, Principal
2. Jon Monger, Principal
3. 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. Matthew Brown, Chief Financial Officer and EVP, Finance, Procurement and Compliance
3. Wayne Griffin, Chief Administration Officer and EVP
4. Jeffrey Thompson, Chief Operating Officer and EVP
5. Michelle Rhodd, Board Secretary

The 302nd meeting of the District of Columbia Water and Sewer Authority's Board of Directors was called to order by Chairperson Tommy Wells at 9:33 a.m. The meeting was held via Microsoft Teams and streamed live at dcwater.com. Board Secretary Michelle Rhodd called the roll, and a quorum was established.

I. APPROVE MINUTES

Chairperson Wells asked for a motion to approve the minutes of the October 5, 2023, meeting.

Upon a motion duly made and seconded, the Board of Directors approved the minutes of the October 5, 2023, meeting as presented.

II. CHAIRPERSON'S OVERVIEW

Chairperson Wells welcomed Jon Monger, the new Board member serving for Montgomery County, and thanked him for joining them.

III. CEO AND GENERAL MANAGER'S REPORT

CEO and General Manager David Gadis reported that on Saturday, October 21, 2023, he was able to give remarks and celebrate the completion of the Northeast Boundary Tunnel, the final component of the Anacostia River Tunnel System. The celebration generated outstanding participation from the Federal District and Community Partners, including Congresswoman Eleanor Holmes-Norton, District Council members, Environmental Protection Agency (EPA) members, and more.

With the Northeast Boundary Tunnel complete, the Authority turned its focus to the Potomac River Tunnel Project, which is the next phase of the Clean Rivers Project. At the October meeting, the Board of Directors approved a design contract for the construction of the Potomac River Tunnel. Once operational, the 5.5-mile tunnel will reduce combined sewer overflows to the Potomac by 93%, which will improve water quality and habitat for aquatic life. Work is expected to begin in early 2024 and is expected to be completed in

early 2030, which will give the team time to plan another celebration worthy of the accomplishment.

On October 6, 2023 confirmation was received that Moody's affirmed DC Water's Aa1 and Aa2 ratings on the senior and subordinate leased revenue bonds. In their press release detailing the ratings, The Aa1 rating for the senior bonds "reflects the strength of the Authority's service area and revenue base, consistently sound coverage of debt service, and healthy liquidity." On October 10, Standard & Poor's (S&P) affirmed the Authority's AAA rating, with emphasis on the strong management and collective involvement of the entire executive team. CEO Gadis thanked Matt Brown, Chief Financial Officer and EVP, Finance, Procurement and Compliance and his team for their consistency and stewardship of the Authority, management, and market reputation. Additional support for the S&P meeting was acknowledged, as CEO Gadis felt it was key to this decision.

The employees were also celebrated at the 7th Annual Star for Water Employee Recognition Gala was held on October 14. Nearly 450 employees attended the event which recognizes and acknowledges the best and brightest of Team Blue as nominated by their peers. The biggest prize is the CEO General Manager's Award, of which this year, four employees received this award: Joe Edwards, Michelle Johnson, Jermaine Quattlebaum, and Daryl Tate. CEO Gadis congratulated those individuals.

Following Mr. Gadis' remarks Board member Anthony Giancola asked if events were being planned to honor veterans for the upcoming Veteran's Day. Mr. Gadis stated that Ms. Williams and her team are planning to do so this year, as they have done in previous years. Mr. Giancola recommended that the Authority consider soliciting veterans for employment. Mr. Giancola asked how many Authority employees have veteran status.

IV. COMMITTEE REPORTS

Environment Quality and Operations Committee Report Reported by Sarah Motsch

Environmental Quality and Operations Committee Chairperson Sarah Motsch reported that Nicholas Passarelli, VP, Wastewater Operations, briefed the Committee on the performance of the Blue Plains Advanced Wastewater Treatment Plant (BPAWTP). All parameters were within the National Pollution Discharge Elimination Standard (NPDES) permit limits. The monthly average flow to complete treatment was 284 million gallons per day (MGD) for September. The tunnel systems and wet weather treatment captured 235 million gallons despite 3.67 inches of rain from a number of rain events. Onsite energy generation from the Combined Heat and Power (CHP) facility and solar panels for the month was 23% of the average consumption at the BPAWTP. 1,524 wet tons of biosolids

were sold as Bloom in September, further exceeding the 55,000 annual goal with 64,818 sold to date.

Moussa Wone, Vice President, DC Clean Rivers presented the quarterly update for the Clean Rivers project. The Anacostia Tunnel System Performance for 2023 was affected by the Northeast Boundary Tunnel (NEBT) commissioning in July and August but following the necessary shutdowns the commissioning of the NEBT and the Combined Sewer Overflows (CSOs) controls for the Anacostia River Tunnel system are now complete.

Since the NEBT went into service, the facility has retained 137 million gallons. Total capture for the Anacostia Tunnel System since inception in 2018 is 15.5 billion gallons, and over 9,961 tons of trash for a total trash capture rate of 91%. CSO 025 and 026 Separation projects were completed for the Potomac River Tunnel and the Potomac River Tunnel Advanced Utility Construction is 75% complete. Notice to Proceed for the Potomac River Tunnel construction is anticipated for November 2023 with the place in operation date projected to be February 2030

The Green Infrastructure Project B in the Rock Creek Watershed is on track to meet the substantial completion date of October 21, 2023 with final completion projected to be almost a year, ahead of the January 23, 2024 consent decree date.

Dr. Wone informed the Committee of the Northeast Boundary Tunnel grand opening celebration on October 21, 2023.

Getachew Melsew, Senior Planning Manager for Engineering presented the risk-based prioritization of linear assets. DC Water follows a risk-based Asset Management approach, which is a data driven process where inspection of linear water and sewer assets and information obtained from field crews and customers is used to calculate the risk of asset failure. Mr. Melsew explained how the asset failure risk is calculated using software, which is then plotted on a scatter diagram and also entered into the Geographic Information System (GIS) to show the risk magnitude and spatial distribution of the assets. Operations and Engineering staff evaluate the analysis to determine agreement with their system knowledge and consider other information that was not captured in the analysis. These maps and risk-based prioritization results are then compared to equity maps to identify vulnerable communities and prioritization is adjusted accordingly.

Mr. Melsew provided a more detailed explanation about equity considerations during prioritization. The equity lens considerations include racial demographics, socioeconomic demographics, and household characteristics. This approach allows DC Water to prioritize certain projects that benefit vulnerable communities but does not impact the priority of the high-risk assets with a high consequence of failure. The consideration of equity in the planning of capital projects is developed based on lessons learned from several utilities and counties in the nation. One of the most important aspects of equity is community involvement and giving the opportunity or platform for sharing of community priorities. To help achieve that goal, DC Water is developing a dashboard to connect with

customers. The DC Water Equity Dashboard is intended to become an outward-facing platform where customers can interact and see the impact they are making.

Once projects are prioritized, an implementation plan is developed with considerations for prioritization with other DC Water and third-party projects and availability of funds within the Capital Improvement Program. Once the implementation plan is approved, capital projects proceed with the design and construction phase.

The risk-based asset prioritization process considering equity will continue to evolve through improved data management, community engagement, and use of technologies and analysis tools.

William Elledge, Director of Engineering & Technical Services, presented the cost impacts to the Capital Improvement Program due to Cured In-Place Piping (CIPP) changes. The Soapstone Sewer Rehabilitation Project in Northwest D.C. includes over a mile of sewer rehabilitation using CIPP. Following feedback from the community and the air quality permitting group within the District Department of Energy and the Environment (DOEE), the steam cure method and styrene resins for the CIPP lining were changed after construction started to minimize the air emissions. The changes to curing method, resin type, and additional air quality monitoring, have increased costs by about 30% to 35%, which when applied to the 10-year CIP could add up to \$200 million to \$300 million in increased costs. Although the new curing method no longer uses steam, air testing is still necessary for regulatory compliance per DOEE and to date, all air monitoring is in compliance with DOEE requirements. Air quality sampling is also being done in partnership with a research project by the Water Research Foundation (WRF), the results of which may impact standards for future CIPP work in DC and beyond. Mr. Elledge stated that DC Water is currently not allowing CIPP to use the steam cure method and styrene resins, which creates cost impacts in current projects and delays that DC Water will monitor closely.

Mr. Wells stated that the Clean Rivers project is one of the most amazing in the country. It is at least a \$3 billion project. By opening the Northeast Boundary Tunnel, the rainwater captured for the Anacostia River overflow tunnels was now complete. He suggested hosting a thematic event celebrating this accomplishment.

*Retail Water and Sewer Rates Committee
Reported by Rachna Bhatt*

Retail Rates Committee Chair Rachna Bhatt reported that Syed Khalil, the Vice President of Rates and Revenue, presented the Monthly Report. He reported that total cash received in September 2023 was \$853.3 million or 101.3% of the Revised Budget. Total receipts were very close to the mid-year projection at 100.4%. Federal receipts were \$83.8 million or 98.9% of the budget and were lower by approximately \$0.9 million due to disputed accounts of Soldiers Home. DC Government receipts were slightly under budget at \$21.5 million or 92.6%, mainly due to lower consumption as compared to the budget.

Mr. Khalil highlighted areas of variances against budget. He reported that Other Revenue was lower than expected at \$45.9 million or 87.6% of the budget, due to lower receipts for interest earnings, the System Availability Fee and Washington Aqueduct Backwash. Residential, Commercial, and Multi-family receipts were higher at \$490.8 million, or 103% of the revised budget. DC Housing Authority was slightly higher at \$15.8 million or 111.2% of the budget. Wholesale customers were at \$105.3 million or 100.7% of the budget. Delinquencies greater than 90-days increased by approximately \$0.3 million in September as compared to the previous month, whereas it decreased by approximately \$0.5 million in August. The current delinquencies balance of \$28.0 million is lower than \$31.0 million in December 2022. Delinquent accounts as a percentage of total accounts were 8.0%.

Ivan Boykin, Vice President of Finance, presented DC Water's High Bond Presentation emphasized that: DC Water's high bond ratings from both Standard and Poor's (S&P) and Moody's were reaffirmed; DC Water plans to borrow \$2.7 billion over the next decade to support \$7 billion in capital programs; S&P assigned DC Water the highest rating (AAA); and Moody's rating is one notch below the highest, with an Aa1 ratings.

Challenges noted in the report include above-average leverage and planned capital investments that will require ongoing rate increases. S&P had an in-person meeting that included DC Water Board members and the Senior Executive Team. S&P's report mentioned DC Water's healthy financial margins, good liquidity, reserves, and high leverage. The presentation also covered several highlights from the reports:

- Robust customer assistance programs;
- Willingness to make rate adjustments as necessary;
- Elevated environmental risks; and
- The absence of unfunded benefits for DC Water.

John Davis from Raftelis presented the Stormwater Cost Recovery Presentation. Mr. Davis informed the committee that the study was to determine responsibilities between the District and DC Water in managing stormwater, with potential implications for maintenance, costs, and ratepayers. The study sought to evaluate if current responsibilities and funding sources should continue as is.

The District has two stormwater systems: a combined system processed through Blue Plains and separated sewers discharged to surface waters without treatment. The cost for the combined system is recovered through CRIAC and the Sewer Volumetric Rate while the cost for the separate system was recovered only through the Sewer Volumetric Rate.

Mr. Davis highlighted that data points were collected from various sources, including the Sewer System Asset Management Plan, DC Water O&M (operation and maintenance) data, budgets, permits, enabling legislation, MOUs, and EPA Settlement Agreement.

DC Water is responsible for catch basins, stormwater pipes, manholes, outfall structures, inlet structures, outlet structures and more.

The report recommended shifting from volumetric rates to an impervious area-based methodology for stormwater cost recovery through customer billing or other methods. It was noted that this change would promote proportional use and responsibility, with those using less will pay less. Concerns were raised by board members about how customers might perceive these changes and the potential impact on their bills. Discussions examined including stormwater fees in existing charges like CRIAC or District stormwater fees rather than creating a new line item.

Mr. Wells stated customers could decrease their costs by using less water and asked if increasing the CRIAC charge would remove the customer's ability to control their bill. Mr. Davis stated that was correct. Ms. Bhatt stated that she felt it was important that customers take action in order to control their bills. She acknowledged that the Board has a responsibility to follow the rate setting policy to allocate costs but felt that a new stormwater fee might be very frustrating for their consumers. She recommended that rather than creating a new line item in the billing, DC Water either include it in the CRIAC or District stormwater fee. The MOU allocating responsibilities with the District was 23 years old, and she suggested reviewing it to determine if it reflects what DC Water is doing.

Mr. Davis suggested a need for better cost data and recommended modifying accounting practices to better capture breakdown between sewer and stormwater costs. Developing a methodology to measure the cost impacts of assuming additional responsibilities was recommended.

Mr. Davis identified steps which include determining stormwater costs for impervious area-based charges, calculating rates in the COS Study, and updating need assessments and cost accounting. He stated that the majority of revenue from the changes would come from DC ratepayers, with no impact on suburban customer payments.

*Finance and Budget Committee Report
Reported by Anthony Giancola*

Finance and Budget Committee Chairperson Anthony Giancola reported that the Lola Oyeyemi, Vice President, Budget presented the September 2023 Financial Report. 2023 ended favorably as per the budget. Revenues were slightly above budget at \$853.3 million or 101.3 percent of the budget. Expenditures were below budget at \$675.2 million, or 98.4 percent, and capital disbursements were below budget at \$435.1 million, or 86.6 percent of the budget.

There were 1144 filled positions with a vacancy rate of 11.6 percent by the end of FY 2023. She noted that this was a significant improvement compared to the 17 percent at

the beginning of the fiscal year. Mr. Giancola asked for an estimate of the carryover funds, and Ms. Oyeyemi reported there was no significant variance from the \$11 million reported during the mid-year review. Mr. Giancola also asked what percentage would be used for vacancies in the 2025 budget process. Ms. Oyeyemi reported that historically, DC Water accounted for five percent, and it had been increased to seven percent in the FY 2024 budget. It was recommended to make that percentage higher in future budgets.

Board member David Franco stated that DC Water had issues with vacancies over the last few years and asked if there was a KPI that could track vacancies. Mr. Giancola stated there were no KPIs as far as he knew, but the vacancy rates are reported every month. Ms. Oyeyemi stated that the number of positions hired was tracked, and the committee would be informed about future reports to the Board. Mr. Franco also asked if DC Water needed to make any structural changes to recruit more people if the high vacancy trends continue. Ms. Oyeyemi responded that DC Water is working with a consultant on Human Capital Management Strategy with ongoing meetings with the Senior Executive Team and management to discuss the assessment of current skills, capabilities, and competencies of existing employees, consider future workforce needs and training opportunities, and leveraging Artificial Intelligence (AI) or technology to help with workload distribution. CEO David Gadis stated that when reviewing other utilities across the country, DC Water's performance is in the highest quartile for vacancies. Some utilities have much higher vacancy rates. He stated that DC Water would continue to work towards the goal of achieving a lower vacancy rate, and this will be included in future budgets. Ms. Oyeyemi also noted that the total operating interest income was \$6.2 million, which is higher than historical trends due to higher short-term rates. Mr. Giancola stated that management should revisit the need to budget higher overtime costs, review if departments are adequately staffed and/or revise the vacancy rate. Ms. Oyeyemi stated that FY 2023 was an anomaly as overtime was used earlier in the fiscal year to learn and stabilize the new ERP system for payroll functions in addition to year-end audit and inventory activities.

Ms. Oyeyemi next reported on the FY 2024 Committee Workplan. It was a standard report, except that in FY 2025, the budget cycle will include the two-year rate proposal for the review and recommendation of the committee and review of the upcoming contracts for underwriting services.

Next, Ms. Oyeyemi updated the Committee on the DC Water High Bond Rating Affirmation. As this item was presented in previous committee reports, Mr. Giancola stated he would focus on the comments and questions. Mr. Wells had asked why DC Water had been singled out by S&P for having a higher environmental risk than their peer utilities, as there was a risk of drought, flood and heat in the entire region. Ivan Boykin, Vice President, Finance responded he would follow up on that item. Mr. Wells had also requested an update on the cost of the Clean Rivers Project due to the impact of inflation, supply chain, and other things. He also asked if it was, therefore, recalculated in the budget. Ms. Oyeyemi stated that the increased cost for the award of the Potomac River Tunnel contract recently approved by the Board was funded by deferring other capital

projects and that the revised cost estimates will be included in the upcoming budget for consideration by the Board in January.

Board member Tara Jackson congratulated Mr. Gadis and his team for reducing the vacancy rate.

*Audit and Risk Committee Report
Reported by Jed Ross*

Audit and Risk Committee Vice Chairperson Jed Ross reported that the ERM 101, ERM 201, ERM 202, and Board trainings have been completed. The next steps are to engage stakeholders to further advance ERM maturity and overall risk awareness. Additionally, risk deep dives were conducted for two enterprise risks: revenue erosion & expenditure increase and changing regulations. The team is now working to update the risk deep dive process and ERM playbook based on lessons learned from these pilot reviews.

The Enterprise Risk Management team has implemented the Origami risk solution, which includes both policy and risk management processes. The Origami system will serve as a repository for board resolutions and policies, aiming to consolidate this information which is currently housed in multiple locations. An overview of the role of the Senior Executive Team (SET) in achieving strategic imperatives was provided. Members of the SET will be executive risk sponsors, serve as points of contact for facilitated deep dives, and appoint risk owners to manage day-to-day activities.

The results of the 2022 Enterprise Risk Assessment were shared. There were 13 risks identified, with six classified as Tier 1 and seven classified as Tier 2.

Mr. Ross went on to report that with the completion and issuance of two completed audits and the risk assessment this quarter, the FY23 internal audit plan has been completed. There is one open high-risk finding to date. It is related to the FY23 DWO Work Order Management audit conducted in Q3 and its estimated closure date is 8/31/2024. 98% of prior audit findings from FY16 – FY22 have been closed.

Also, a management assessment of the Continuity of Operations (COOP) planning process was conducted in Q4. Given this was a management assessment and not an audit, Internal Audit did not have any findings to report. The RSM team stated that DC Water has one of the most mature COOPs that they have reviewed and commended the team on their efforts. Internal Audit provided recommendations regarding how the DC Water team could make policies around remote work more robust.

An audit of the Fleet Department and its management processes was conducted in Q4. The Fleet department had significant changes over the past several years, including changes in leadership, relocation of fleet headquarters, and outsourcing of repair and

maintenance activities to a contractor. Internal Audit identified one high, one moderate, and four low risk findings.

One new call has been made to the Fraud, Waste, and Abuse hotline in the past quarter. The call was related to alleged time theft and is under investigation currently. It is the only call remaining open at this time.

Internal Audit conducted their annual risk assessment, involving interviews of various members of management and the Audit Committee, as well as a survey sent to 36 members of management and all Board members. The results of the risk assessment were used to inform the FY24 internal audit plan.

Mr. Ross concluded his report by noting that the FY24 internal audit plan includes 7 cycle audits, 2 ad hoc audits, and 1 management assessment. RSM provided project justifications for all 10 proposed projects. The Audit and Risk Committee agreed with RSM's plan and recommends it for approval.

V. ISSUES OF GENERAL INTEREST

Mr. Wells informed the Board that the Executive Committee met to consider and discuss 2024 committee assignments. He stated he would reach out to Board members about their interests, but it does not appear there will be substantial changes unless it was requested.

Mr. Wells shared that he was moving on from his position at DC Government. He will continue as the Chair of DC Water at least through September.

VI. CONSENT ITEMS (JOINT USE)

1. Approval to Add Funding to Option Year No. 2 of Contract No. 10068, Supply and Delivery of Calcium Hydroxide, W.K. Merriman, Inc. – Resolution 23-68 (Recommended by the Environmental Quality and Operations Committee 10-19-23)
2. Approval to Execute Contract No. DCFA #535, Non-Process Facility Design Service Basic Ordering Agreement (BOA), Alphatec PC - Resolution No. 23-69 (Recommended by the Environmental Quality and Operations Committee 10-19-23)

Upon a motion duly made and seconded, the Board of Directors voted and unanimously approved the resolutions as presented.

VII. ADJOURN

There being no further business to come before the Board, Mr. Wells adjourned the meeting at 10:31 a.m.

Michelle Rhodd

Michelle Rhodd

Secretary to the Board of Directors