



**DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY  
BOARD OF DIRECTORS  
252<sup>nd</sup> MEETING  
THURSDAY, April 4, 2019**

**MINUTES**

**Present Directors**

Tommy Wells, Chairman, District of Columbia  
Bonnie Kirkland, Montgomery County  
Ellen Boardman, District of Columbia  
Rachna Bhatt, District of Columbia (By Phone)  
Randy Bartlett, Fairfax County  
Emile Thompson, District of Columbia  
Joseph Gill, Prince George's County  
Krystal Brumfield, District of Columbia  
Floyd Holt, Prince George's County  
David Franco, District of Columbia  
Fariba Kassiri, Alternate for Vacant Principal, Montgomery County

**Present Alternate Directors**

Anthony Giancola, District of Columbia  
Sarah Motsch, Fairfax County  
Howard Gibbs, District of Columbia  
Lavinia A. Baxter, Prince George's County  
Ivan Frishberg, District of Columbia  
Jed Ross, District of Columbia  
Rev. Kendrick Curry, District of Columbia

**DC Water Staff**

David L. Gadis, Chief Executive Officer  
Matthew Brown, Chief Financial Officer, EVP for Finance and Procurement  
Gregory Hope, Interim Executive Vice President, Legal Affairs  
Linda R. Manley, Board Secretary

Chairman Wells called the 252<sup>nd</sup> meeting of the District of Columbia Water and Sewer Authority's Board of Directors to order at 9:30 a.m.

Ms. Manley called the roll, and a quorum was established.

### **Approval of the March 7, 2019 Meeting Minutes**

Chairman Wells asked for a motion to approve the March 7, 2019 meeting minutes. Krystal Brumfield asked that a change be made in the March 7, 2019 minutes to record that for the D.C. Retail Water and Sewer Rates Committee meeting Ivan Frishberg presented the report to the full Board, not Krystal Brumfield. It was so noted by Ms. Manley. The motion to approve the March 7, 2019 meeting minutes as corrected was moved, seconded, and unanimously approved by the Board of Directors.

### **Chairman's Overview**

Chairman Wells stated that one of his responsibilities is to fill the positions on the various committees. He has made draft assignments and as soon as the other Board vacancies are filled, he will finalize the list. With the exception of the D.C. Retail Water and Sewer Rates Committee which is only comprised of members from the District, all other committees are comprised of members from all of the jurisdictions. The Board also utilizes ad hoc committees when necessary. The Strategic Planning Committee is called the Committee of the Whole and all jurisdictions are represented. Chairman Wells noted that the committees do most of the work by meeting to consider issues and make recommendations to the full Board. In preparation for the General Manager's Performance Review Chairman Wells stated that he assigned to the ad hoc committee only those members who have been members for the past year.

Chairman Wells pointed out other committee procedures that are noteworthy. Under Board practices all of the committee chairs are voting principal members of the Board. In the past there have been two vice-chairmen, rotating between the surrounding jurisdictions who sit in during the Chairman's absences. He is interested in changing the bylaws to appoint vice-chairmen from each of the jurisdictions and having them form the executive committee which he believes will make the Board more nimble and provide an ability to utilize the Executive Committee between regular committee meetings whenever required. Chairman Wells listed Krystal Brumfield from the District as First Vice-Chairman, Major Riddick from Prince George's County as Second Vice-Chairman, Vacant Principal from Montgomery County as Third Vice Chairman, and Randy Bartlett from Fairfax County as Fourth Vice-Chairman.

Some Board members had indicated their preference for working on specific committees of interest and others Chairman Wells has not yet spoken to. He urged members to contact him within the next 30 days if they wish to serve on a specific committee. The Committee Assignment List was distributed to the Board. Chairman Wells asked that members contact Ms. Manley if they are available to serve on the committees and she will contact the committee chairs.

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

Reported by: Howard Gibbs, Vice Chair

Mr. Gibbs stated that the Committee met on Thursday, March 21, 2019. They received the report on the performance of the Blue Plains Advanced Wastewater Treatment Plant from Aklile Tesfaye, Vice President for Wastewater Treatment. Plant performance was excellent for January 2019, with all parameters well within the seven-day and monthly National Pollution Discharge Elimination System Permit requirements. January was a wet month, with higher-

than-normal rainfall and snow accumulations. The influence to the Plant was greater than 300 million gallons per day. During the month a total of 270 million gallons of captured combined flows in the tunnels conveyed to Blue Plains were pumped and treated through the Wet Weather Treatment Facility. The Committee asked if all flows into the long-term control plant tunnel system are put through the Wet Weather Treatment Facility and the answer was yes.

Mr. Tesfaye reported that in March 2019 it was the one year anniversary of the commissioning of the Anacostia Long-Term Control Tunnel and the Wet Weather Treatment Facility. During the first year of operation, total volume captured by the tunnel system was in excess of 5 billion gallons. Approximately 1,300 wet tons of screening and grit were removed. If not for the tunnel system, all of that would have wound up in the Anacostia River. The Committee suggested that D.C. Water find ways to further spread the word and better inform the ratepayers of this performance, that more than 90 percent of the combined sewage was captured and treated.

The Committee also asked questions on the performance of Bloom and its marketing goals versus what was actually marketed. They wanted to know if the 2019 marketing goals were achievable and if it should be adjusted to a more realistic target. Mr. Tesfaye recommended that Blue Drop staff answer the questions.

Mr. Gibbs reported that Matt Brown, CFO and Executive Vice President for Finance and Procurement, and Craig Fricke, Director of the Department of Engineering and Technical Services, provided an update on the Fiscal Year 2019 to Fiscal Year 2028 Proposed Capital Improvement Budget.

The Committee had requested that D.C. Water investigate the possibility of increasing the replacement rates of water mains from 1 percent to 1 ½, 2 or even 2 ½ percent. The impact of each increase was analyzed and provided to the Committee. The biggest concern was financial in terms of the affordability at more than 1 percent. The Committee decided to accept Management's recommendation of a 1 percent replacement rate.

Mr. Gibbs stated that Carlton Ray, Director of the Clean Rivers Project, briefed the Committee on the quarterly report and the Project's progress. He also provided an update on the Kennedy Street Project. The Committee wanted to know who would be responsible for the streetscaping done by D.C. Water. Mr. Ray indicated that D.C. Water is responsible for maintenance of one block and then the District Government would be responsible for the rest of the Project.

The Committee received a report on the sewage and stormwater pumping stations and risk assessment of the flood potential of those facilities. Several of the facilities do have a potential to be inundated in the case of a 500-year flood, and there are some projects with significant financial input from FEMA.

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

Reported by: Rev. Kendrick Curry, Vice-Chair

Rev. Curry reported that the Committee met on Tuesday, March 26, 2019. Matt Brown, Executive Vice President for Finance and Procurement briefed the Committee on the Proposed Fiscal Year 2020 rates, charges, and fees and provided a detailed discussion of the methodology that is associated with the proposed shift from 18 percent to 28 percent in FY 2020, to 37 percent in FY 2021, and in FY 2022 a shift from the Clean Rivers' Impervious Area Charge (CRIAC) to the sewer volume metric rate. Mr. Brown stated that D.C. Water is

proposing a change from the FY 2020 rates, with the ultimate shift of 37 percent. In FY 2020 18 percent of the Clean Rivers' costs will shift to sewer volume metric rates.

Mr. Brown is asking the Committee to move the publication of the rates to begin the public hearing process. The rates are now scheduled to be adopted by the Board on July 11, 2019. The overall household charges increase is about 5.7 percent. If the Board decided to take no other action on the proposed shift of the CRIAC to volume metric sewer rates, the previous rates will go in effect October 1.

Rev. Curry stated that Mr. Brown provided some updates in terms of the various proposals from the Environmental Quality and Operations Committee. The budget proposal includes the one percent replacement of the water and sewer infrastructure per year. For the projected combined household increases will be 5.7 percent in FY 2021, with the phase-in of the increase in spending on capital resulting in an increase in average household to 8.5 percent.

Mr. Brown provided an update on the projected CRIAC from FY 2019 through FY 2028. The current CRIAC is \$23 per ERU per month and with the shift the CRIAC will be \$20.94 in FY2020, to \$20.95 in FY 2021, and in FY 2022 to \$19.85. The CRIAC decreases at the same time the sewer volume metric rate increases higher than projected.

Rev. Curry reported that there was considerable discussion regarding the Customer Assistance Program (CAP). The customers will continue to receive the 58 percent discount.

With regard to the overall CRIAC discount, Mr. Brown stated that the budget proposed an increase from 4 percent to 20 percent for stormwater best-management practices. The proposal was well received by the Stakeholders Alliance. The City Council Budget Oversight Committee hearing members congratulated D.C. Water on this initiative.

Carlton Ray made a presentation on the methodology of the proposed shift. He covered the percent wastewater and combined sewage overflow. He stated that the purpose of the analysis was to estimate the percent of wastewater and combined sewer overflow for the purpose of recovering a portion of the cost for cleaning the rivers using a volume metric rather than impervious area.

Rev. Curry reported that the Committee went into Executive Session. Upon their return to public session, the Committee recommended the proposed FY 2020 retail rates, charges, and fees and the proposed 10-Year Financial Plan from FY 2019 through FY 2028 for Board approval.

Chairman Wells assured new members that they would pick-up on the complexities associated with utilities and would receive numerous briefings on this and other important issues. He explained that the Clean Rivers Impervious Area Charge was funded at a capital investment of \$2.5 billion by ratepayers. D.C. Water coordinates closely with the elected District Government which hears from its constituents.

### **Finance and Budget Committee**

Reported by: Sarah Motsch, Vice-Chair

Ms. Motsch stated that the Committee met on Thursday, March 28, 2019. Lola Oyeyemi, Director of Budget, provided the monthly Financial Report. She indicated that expenditures and revenues are on-track and in line with budgetary expectations. With approximately 42 percent

of the fiscal year completed, total operating revenues are \$303.2 million, or about 46.7 percent of the budget. Operating expenditures are \$220.2 million, or 37.8 percent of the budget. Capital disbursements are at \$172 million, or approximately 39.2 percent of the budget.

Ms. Oyeyemi reported that the Inter-Municipal Agreement settlement is being finalized and will be mailed out soon to the wholesale customers.

It is anticipated that the FY 2019 mid-year projections will be completed and ready for review by the Committee in May 2019. Revenue is trending higher than the budget due to the second quarter payments from the Federal Government and wholesale customers.

D.C. Water has received the \$6 million from the District Government for the CAP Expansion Program.

For the operating budget Ms. Oyeyemi stated that D.C. Water is experiencing the most pressure in chemicals, primarily due to higher prices for both methanol and ferric chloride. Higher than anticipated loads coming from the tunnel also impacts the treatment costs. Spending for contractual services in water purchase categories are expected to increase during the summer months. Overages will be covered by underspending in the personnel budget. This will result from the temporary hiring freeze and unlimited aged vacancies. It is expected that the overall budget expenditures will come within the overall budget by the end of the year. For capital disbursements, year-to-date spending is trending below the budget but it is anticipated that the projected spending for the year will come within the overall budget.

Mr. Brown reviewed cash levels and stated that the Financial Plan includes debt issuance of about \$100 million for the current fiscal year. It is anticipated that close to \$300 million of debt will be issued either in September or October to support the capital program.

Ms. Motsch reported that the Committee then received an overview of the solar project which has a goal of reducing energy costs and hedging against future grid energy cost increases. Chris Peot, Director of Resource Recovery, stated that D.C. Water has a Power Purchase Agreement with Ameresco for Phase I of the project at Blue Plains. They will finance the project by retaining the solar renewal energy credits (SRECs) to reduce D.C. Water's risk. Mr. Peot reported that in Phase I solar units will be placed over the parking lots and building roofs and is expected to generate an estimated 4.5 megawatts of power during daylight hours. Phase II will be over the settling tanks and generate approximately 10.5 megawatts of power.

Mr. Peot reminded the Committee that he had received the request from Chairman Wells to provide the overview of the financing plan for the solar project during the period that the developer received the benefits of the SRECs. He stated that the District market for SRECs is increasingly robust and is the most valuable market in the country. There is an opportunity to sell the SRECs if D.C. Water funds the projects in the future. The Ameresco contract includes a buyout for Phase I in years six and nine, which would provide an option for D.C. Water to own the power and the SRECs which should be considered at that time. Phase II has not yet been bid and is anticipated to generate an estimate of more than double the energy power of Phase I. Mr. Peot reported that at the end of Phase II, along with the power generated by the digesters, D.C. Water will produce up to two-thirds of the power needed to run the plant during daylight hours when energy costs are most expensive.

Mr. Peot explained in detail the project solicitation process and options considered the structure of the PPA, the value and sustainability of SRECs compliance penalties, and the impact of the

Clean Energy D.C. Act of 2018 on D.C. Water's electricity bills. The Clean Energy Omnibus Bill commits D.C. to achieve 100 percent energy from renewable sources by 2032, 10 percent must be solar.

Addition project opportunities include solar and offsite reservoirs, such as Fort Reno, Fort Stanton, and Brentwood, renewable natural gas injection, RNG, and construction of a curing pad. All of these opportunities could generate \$30 to \$40 million in annual revenue after the initial two to three year capital payback. Chairman Wells stated that since D.C. Water is one of the largest users of electricity in the District, to reduce reliance on the power grid, Management should consider pursuing the solar projects using the value of the SRECs rate stabilization fund. He also advised that they look closer at the resiliency/redundancy issue so that the burden does not continue to be paid entirely by D.C. Water.

Ms. Motsch summarized the overview of the Proposed Fiscal Year 2020 Budget provided by Mr. Brown. The Environmental Quality and Operations and the D.C. Retail Water and Sewer Rates Committees have reviewed and provided their recommendations to proceed with the Ten-Year Capital Program and the Fiscal Year 2020 water and sewer rates to the full Board for action. Mr. Brown highlighted the Board's and Management's commitment to addressing infrastructure challenges and continued focus on balancing the needs with customer affordability. The FY 2020 Operating Budget also included the modified baseline capital disbursement budget at \$4.96 billion, which is an increase of \$0.95 billion over the previously approved plan.

The Committee recommended three action items for Board approval. They included the FY 2020 Proposed Operating Budget, the FY2019 to 2028 Capital Improvement Program, the FY 2019 to 2028 Ten Year Financial Plan, and the intent to reimburse capital expenditures with proceeds of a borrowing.

Chairman Wells recognized Mr. Giancola as having an Issue of General Interest that he wished to discuss at the meeting or put on the agenda for a future meeting. Mr. Giancola stated that he wished to hold his issue until the General Manager's Report.

### **General Manager's Report**

Reported by: David Gadis, CEO and General Manager

Mr. Gadis stated that he first wanted to honor employees who were caught doing good things. Customers have emailed D.C. Water to acknowledge their efforts. An email was received from D.C. resident Joyce with a request to notify Melvin Chaney's and Frank Stewart's supervisor that they had provided excellent service at her rental property at 230 Second Street, S.E. She wrote that she had already had several plumbers to come out without any solution to the strong sewage odor. Mr. Chaney and Mr. Stewart came and she appreciated their efforts and expertise. She asked that they be honored. Mr. Gadis asked them to come forward for recognition.

The second email pointed to by Mr. Gadis was from another customer concerning James Taylor and Frank Stewart, again for superb service. The problem was a water backup in the customer's basement floor drain. Again, private plumbers were unable to solve the problem. Mr. Taylor and Mr. Stewart arrived after she called D.C. Water; they located the problem and called for a second truck to blow out the line. It was much quicker than the customer had expected. The customer stated that Mr. Taylor explained what the problem was, what was done to fix it, and that he would note it in their records so that if the problem reoccurred, someone

would see it. Again, Mr. Gadis asked the employees to join him and Chairman Wells for recognition.

Mr. Gadis then thanked the Department of Finance for all their efforts. He stated that when he came they sat down and worked through the process and made some changes. He voiced his appreciation that Mr. Brown and his team approached the budget by putting the responsibility on each department to own their budgets and look for savings they could create instead of just providing numbers. Everyone has made tough choices, tightened the costs to the core business operations, increased process efficiencies, increased investments in capital infrastructure, and ensured comparable rates. Mr. Gadis expressed his appreciation to the staff and the management from all of the departments, including Operations, Engineering, Administrative, and Finance Departments for their dedication, commitment, and collaborative efforts in delivering the budget proposal to vote on at the full Board meeting. He stated that it was a true testament of teamwork and value, D.C. Water's new blueprint strategy. He especially pointed to Matt Brown, Executive Vice President for Finance and Procurement for his leadership in producing the budgets this year.

Mr. Gadis indicated that D.C. Water's Emergency Management team did a fantastic job in March and throughout the winter. Late at night they worked to make decisions about the bad weather and the Authority's operations. He thanked Dusti and her team and Lisa Barton, his assistant, for phone calls at 4:00 a.m. about delayed arrivals, etc. He stated that the Safety team also did a fantastic job throughout the winter.

Mr. Gadis announced that D.C. Water now has a new Safety Director, George Porter. He will be formally presented to the Board at a later date. The Safety Oscars were quite a show. Mr. Gadis thanked Board member Howard Gibbs for attending. A contest was held for the best safety-related video and the winning video was shown to the full Board. Mr. Gadis stated that the Oscars was a great event and they look forward to expanding it in the future by having more participants and Board members in attendance.

The Facilities Department was thanked by Mr. Gadis for the job they did throughout the winter, with the snow and ice and creating a safe environment. He also thanked them for getting everyone moved into the new building. He noted that that group also deserved accolades.

Mr. Gadis thanked the Information Technology group, and the Chief of Staff and his team for the road shows they had completed. Each quarter he has gone to one of D.C. Water's facilities to meet with employees and talk about some of the issues that D.C. Water can do better to make it more successful.

Mr. Gadis spoke about the employee survey that was completed and thanked Keith Lindsey and Randy Lewis for rallying the employees and getting 81.5 percent to take the survey versus 50 to 55 percent in the past. He noted that they will talk about the outcomes at a later date.

At the conclusion of the General Manager's Report, Chairman Wells recognized Mr. Giancola. He thanked Mr. Gadis for raising the safety issue, since his issue was concerned also with safety. He stated that he was happy to see that Mr. Porter had now come on board and wanted to see his resume. On Page 50 of the General Manager's Report it showed that there was a significant jump in lost time accidents and Mr. Giancola was concerned. Mr. Giancola agreed with Mr. Gadis' suggestion that the new Safety Officer hold a briefing with the Board so that they can hear from them on what is causing the accidents, what kind of training is needed to make

improvements, and what physical hazards need to be corrected. Mr. Gadis stated that he wrote a note on that and will make sure that there is a presentation at the next Operations meeting.

Mr. Giancola noted that on Page 36 on capital disbursements it seemed to be dropping significantly as far as meeting the goal. He wanted to know what the problem was and if it was something the Board needed to be aware of. Mr. Brown replied that there is no issue that they have noticed in Finance on capital expenditures. Some early projections were that they would exceed the budget, but they will be on budget this year. Mr. Brown stated that there seems to have been a slow level of expenditures in recent months and they expect that will increase. Mr. Giancola stated that he understands about the invoices from vendors but he wanted to know if they had enough staff and if D.C. Water would be able to meet its goals for executing a program that is funded. Mr. Brown indicated that they will have that discussion in the Environmental Quality and Operations Committee. They regularly review with the Engineering Department the quarterly forecasts of expenditures and talk about all aspects of the capital program. Mr. Brown said that they will incorporate the questions Mr. Giancola raised in their meetings.

Chairman Wells stated that the next agenda item related to non-joint use items, related to only District repairs. Under normal circumstances the Environmental Quality and Operations Committee is presented with an action item and they discuss it and recommend it to the full Board for approval on the consent agenda. Chairman Wells stated that he was making three changes. The first had been inadvertently left off the consent agenda. It was the approval of the Proposed Fiscal Year 2019 to 2028 Capital Improvement Program. The second is to pull off Items 7 and 8, the Ten-Year Financial Plan and the 2020 Operating Budget. Chairman Wells said that he wanted to pull them off of the consent agenda for a short discussion. He asked for opposition. Ms. Kirkland asked for a point of inquiry. She wanted to know if the Capital Improvement Program was added to the consent agenda or would be addressed separately. Chairman Wells indicated that it was on the consent agenda.

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

Chairman Wells asked for a motion to approve joint use consent items. Ms. Kirkland moved to approve Resolution Nos. 19-12 through 19-16, and it was seconded. The motion to approve Resolution Nos. 19-12 through 19-16 was unanimously approved by the members of the Board.

### **Non-Consent Items**

Chairman Wells stated that he would take the other two items Resolution Nos and asked Mr. Brown to provide a quick summary of the two items that he pulled off the consent agenda. He reiterated that the items needed to be approved immediately during the meeting by the full board. He also wanted to reassure those voting that they were not voting for a deficit budget and that there are no unexpected things in there.

Mr. Brown, Executive Vice President for Finance and Procurement, stated that they had two months of discussion about all of the elements, the Capital Program, the Operating Budget, the Ten-Year Capital Improvement Program, and the rates. Tough choices were made this year. He summarized the important issues in the budgets. Mr. Brown stated that a \$614 million Operating Budget was before then--\$170 million for personnel services, \$82 million for contractual services, \$35 million to purchase water from the Washington Aqueduct, \$33 million to spend on chemicals and supplies, \$27 million on utilities, about \$1 million on small equipment, \$215 million for debt service, \$28 million on cash finance capital improvements \$21



million will go to the District of Columbia, \$17 million for the Pilot payment for the Blue Plains Plant, and \$5.1 million for the Right-of-Way fee to the Department of Transportation for maintaining the local roads and streets.

Mr. Brown and Chairman Wells then asked for questions. Mr. Bartlett asked for the debt service number again and Mr. Brown replied that it was \$215.3 million.

Mr. Brown indicated that next was the Ten-Year Financial Plan, which is a best practice. The District has a Four-Year Plan. This is a ten year projection of the costs presented in the Operating Budget. To accommodate new District legislation, the assumption on energy was increased to four percent. One of the largest items in the Plan is debt service expenditures and after much discussion with the Board, this year a little less than \$1 billion was added. Mr. Brown stated that that was a significant accomplishment. He emphasized that they have a year to discuss the Capital Plan spending for 2021 with the ratepayers.

Mr. Brown stated that all of those costs are included in the Financial Plan and they are ensuring that it meets the financial metrics, both that the Board has approved and the metrics that have been recognized in D.C. Water's AAA rating. The Ten-Year Plan is built on assumptions and they look at it every year.

Chairman Wells then asked for a motion to approve the FY 2020 Ten-Year Financial Plan, Resolution No. 19-18, and approval of the Proposed Fiscal Year 2020 Operating Budget, Resolution 19-19 together. Mr. Bartlett moved to approve Resolutions No. 19-18 and 19-19 and it was seconded. The motion to approve Resolutions No. 19-18 and 19-19 was unanimously approved by the Board.

#### **Consent Items (Non-Joint Use)**

Chairman Wells asked for a motion to approve two non-joint use action items. A District Member of the Board moved to approve Resolutions No. 19- 20 and 19-21, and it was seconded. The motion to approve Resolutions No. 19-20 and 19-21 were unanimously approved by the District members of the Board.

#### **Executive Session**

Chairman Wells asked for a motion to move into Executive Session pursuant to the Open Meetings Amendment Act of 2010, to discuss legal, confidential, or privileged matters under Section 2-575(b) (10) of the D.C. Official Code. It was so moved and seconded. A roll call vote was conducted and the motion was approved unanimously. The Board went into Executive Session at 12:46 p.m. The public meeting was resumed at 1:15 p.m.

There being no additional business, the meeting was adjourned.

  
Linda Manley, Board Secretary