



**DISTRICT OF COLUMBIA
WATER AND SEWER AUTHORITY**

Board of Directors

Finance and Budget Committee

Thursday, February 23, 2017

11:05 a.m.

MEETING MINUTES

Committee Members

Timothy L. Firestine, Committee Chairperson
Adam Ortiz
Tommy Wells

Committee Member (via conference call)

Sara Motsch

DC Water Staff

George Hawkins, CEO/General Manager
Mark Kim, Chief Financial Officer
Meena Gowda, Deputy General Counsel
Linda R. Manley, Board Secretary
Paul Guttridge, Manager, Program Services

Other Presenters

Dan Hartman – PFM

Call to Order

Chairperson Timothy L. Firestine called the meeting to order at 11:05 am.

January 2017 Financial Report

Mr. Mark Kim, CFO, reported that at the end of January, with 33% of the fiscal year completed, DC Water is on track with budgetary and revenue expectations. Revenues totaled \$209.4M or 35.2%, expenditures totaled \$160.8M or 30% and capital disbursements totaled \$165.8M or 33% of budget in their respective categories.

Mr. Kim also commented on the successful completion of the FY 2016 financial statements audits with clean unmodified opinion by the external auditors and reviewed by the Audit Committee. He highlighted the improvement and great accomplishment of the Authority over the years in the number of significant deficiencies in its internal controls from five in FY 2013, three in FY 2014, and one in FY 2015 to zero in FY 2016.

Bond Sale Update – Series 2017A & Series 2017B

Mr. Kim apprised the committee on the successful closing of the 2017 Series A/B bonds sale at 10.30 am, just before the Committee meeting.

Mr. Dan Hartman, Managing Director of Public Financial Management (PFM) and financial advisor to the Authority, presented highlights of the \$300M bond sale with a combined total interest cost

(TIC) of 3.84%. This was DC Water's first senior lien bonds sale with its "AAA" rating and was well received in the marketplace. The bonds were sold in two series with the Series 2017A, Green Bonds, in the amount of \$100M for the Clean Rivers project. These bonds received a Green Bond rating of GB1, the highest rating, and was one of the first to be sold with a certification from Moody's using their new Green Bond Assessment. The Series 2017B bonds for \$200M were issued to provide additional funding for DC Water's Capital Improvement Program. He stated that only two ratings, obtained from Standard & Poor's and Moody's, were used for this transaction with approximately \$100K in cost savings to the Authority. He reported that the deal documentation was also provided to Fitch credit rating agency with the offer by the Authority to continue relationship in the future.

Chairperson Firestine, asked if DC Water uses premiums to fund projects and how the bonds compared to other utilities with AAA credit ratings. Mr. Hartman answered affirmatively, and that the pricing did fairly well and was comparable to other AAA revenue bonds that are highly rated, and generally issued by water utility organizations, citing the State of Texas, who recently issued bonds. He further stated that the proceeds drawn from the bonds would allow for 12 – 18 months of capital projects financing consistent with the Authority's policies.

CIP Quarterly Report

Mr. Paul Guttridge, Manager, Program Services for the Department of Engineering & Technical Services, stated that the current projections for the FY 2017 capital projects are on track at 0.3% and slightly above the baseline disbursement budget at the end of the first quarter.

He provided an overview of the disbursement projections by the various service areas noting that the higher spending in the CSO service area was for the DC Clean Rivers projects due to completion of some of the activities scheduled for FY 2016 and fast-tracking of some of the work planned for FY 2018. He further apprised the Committee on an upcoming large contract action for the North East Boundary Tunnel project, which would cost about \$500M. He stated that the Board should expect to receive information on this item sometime in June or July this year and that the project is included in the spending projection of DC Water.

Action Items

Mr. Kim provided a background on the proposal to expand the Customer Assistance Program (CAP) benefits to eligible customers that are charged the monthly Clean Rivers Impervious Area Charge (CRAIC) by providing a 50% credit off their monthly billed CRAIC. He stated that a review was conducted by General Counsel, a notice of public rule-making was issued, and the item was also presented to the DC Retail Water and Sewer Rates Committee to recommend to the Board for approval in the next meeting.

In response to a question by Mr. Tommy Wells on how the rate offset would be paid for, Mr. Kim answered that the amount, estimated at \$400K per year, would be effectively funded from operational savings within the Authority. Mr. Hawkins further explained the eligibility requirements and process of the CAP program which is in line with the Low Income Home Energy Assistance Program (LIHEAP) administered by the District.

Mr. Kim closed by reporting that the study to restructure the IAC charges is being delayed due to the ongoing implementation of the Customer Information System (CIS) project, which is anticipated to be completed later during the calendar year. He further stated that with the new CIS project, DC Water would be able to analyze data collected on customers and perform better rate projections and impact analyses on various customer categories in the future.

The Committee agreed to move the item forward for Board approval.

Other Items

Mr. Kim recommended that next month's meeting can be performed via teleconference or cancelled as there are no major planned items on the agenda.

Chairperson Firestine, on behalf of the committee members, congratulated Mr. Kim on his new job and thanked him for all his service to the community and the Board of Directors, as well as the great achievements the Authority has made under his leadership and tenure as the Chief Financial Officer for DC Water.

Adjournment

Hearing no further business, Chairperson Firestine adjourned the meeting at 11:28 am.