



**DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY
BOARD OF DIRECTORS
249th MEETING
THURSDAY, JANUARY 3, 2019**

MINUTES

Present Directors

Tommy Wells, Chairman, District of Columbia
Bonnie Kirkland, Montgomery County
Ellen Boardman, District of Columbia
Fariba Kassiri, Alternate for Vacant Principal, Montgomery County
Rachna Butani Bhatt, District of Columbia
James Patteson, 2nd Vice Chairman, Fairfax County
David Franco, District of Columbia
Lavinia Baxter, Alternate for Vacant Principal, Prince George's County
Ivan Frishberg, Alternate for Emile Thompson, District of Columbia
Krystal Brumfield, Alternate for Vacant Principal, District of Columbia

Present Alternate Directors

Anthony Giancola, District of Columbia (By Phone)
Patty Bubar, Montgomery County
Jed Ross, District of Columbia
Sarah Motsch, Fairfax County
Pastor Kendrick E. Curry, District of Columbia
Howard C. Gibbs, District of Columbia

DC Water Staff

David L. Gadis, CEO/General Manager
Matthew Brown, EVP for Finance and Procurement
Gregory Hope, Interim EVP for Legal Affairs
Linda R. Manley, Board Secretary

Chairman Wells called the 249th meeting of the District of Columbia Water and Sewer Authority's Board of Directors to order at 9:37 a.m. Ms. Manley called the roll, and a quorum was established.

Approval of the December 1, 2018 Meeting Minutes and December 19, 2018 16th Special Meeting Minutes

Chairman Wells asked for a motion to approve the December 1, 2018 meeting minutes and the December 19, 2018 16th Special Meeting minutes. The motion to approve the December 1, 2018 meeting minutes and the December 19, 2018 16th Special Meeting minutes was moved, seconded, and unanimously approved by the Board of Directors.

Chairman's Overview

Chairman Wells stated that they were saying goodbye to two Board members and that it was the nature of public service. He gave a special thank you to James Patteson from Fairfax County and Nicholas Majett from Prince George's County for serving the Board well. Chairman Wells noted that D.C. Water is one of the premier, if not the premier, water utility in the country, which requires thoughtful leadership. The way the governments work together is reflected in the manner in which representatives from each jurisdiction conduct themselves. Chairman Wells stated that a better model might not be found of joint leadership serving a joint interest than D.C. Water's Board.

Chairman Wells thanked him again and presented Mr. Majett with a beautiful water drop. Mr. Majett stated that he already spoke at the breakfast before the meeting but reiterated that it had been a real honor to serve on the Board for the past four and a half years. He indicated that this is a world-class enterprise and he thinks the Mayor has done a fantastic job of finding the best and the brightest to serve on the Board.

Next, Chairman Wells noted that it has not occurred often that the Board has a civil engineer on the Board sharing their expertise and leadership. He praised Mr. Patteson and reminded the audience of the subtle humor that often was a part of his reports. Mr. Patteson said that Len Benson, Chief Engineer, often shares that engineering is always humorous. He indicated that it has been a pleasure serving with such talented Board members throughout his ten years on the Board and appreciated their dedication and the time spent serving the community. He also commended the entire D.C. Water staff for their dedication and their talent, and called it incredible.

Finance and Budget Committee

Reported by: Sarah Motsch

Ms. Motsch stated that the Committee met on Tuesday, December 16, 2018.

The meeting began with the November 2018 Financial Report. Chief Financial Officer (EVP) Brown provided an update on operating revenues, expenditures, and capital disbursements. Approximately 16.7 percent of the fiscal year is complete. Operating revenues were at approximately 19.6 percent of the budget, operating expenditures at 14.4 percent, and capital disbursements at 17.4 percent of the budget. EVP Brown explained that the favorable budget was due to quarterly payments by the Federal Government and wholesale customers. Also, he noted that the District had paid the November billing of \$2.5 million in December. The variance in personnel services was partially attributable to the absence of the employee merit and bonus

payments which will be reflected in next month's report. EVP Brown noted that at this early stage in the fiscal year there are no other significant variances to report.

EVP Brown apprised the Committee of the Fiscal Year 2020 budget recommendations that will be presented for review by the Board in 2019. He also reported that the FY 2018 audit is underway and is expected to be completed in 2019.

An overview on the work completed by the Board committees on the Capital Improvement Program (CIP) was provided. Three scenarios were presented: the current baseline of \$4.1 million, a modified baseline ramp-up of \$5.0 million, and full asset management of \$6.5 million. EVP Brown went through the Financial Plan scenarios that were developed by running each capital scenario through Financial Plan models and he discussed the value of the AAA rating and the impact it has on customer rates. He stated that the approximate value of a AAA rating would save D.C. Water customers about \$19 million over a ten-year period when compared to a AA+ rating. EVP Brown showed a table which compared D.C. Water to other AAA and AA rated water and sewer companies using various metrics, including debt ratio, outstanding debt levels, coverage ratio, debt service as a percent of total revenue, days of cash on hand, and average bill as a percent of medium effective buying income. EVP Brown stated that the companies were chosen because they are on the higher end of the credit rating like D.C. Water. Mr. Gadis added that the utilities are some of the finest run utilities in the country and that it was fitting that they be compared to D.C. Water.

EVP Brown explained that the number of days of cash on hand is the number of days an organization can continue to pay its operating expenses given the amount of cash available. For the period Fiscal Year 2015 to 2017 the cash on hand was approximately 260 days and was between \$192 million to \$209 million, including the Rate Stabilization Fund. He noted that 250 days is considered a best practice for AAA rating agencies and that present D.C. Water policy is to keep 120 days of cash on hand. EVP Brown informed the Committee that Management is anticipating recommending that the Board adopt a policy that holds D.C. Water to the 250 days of cash on hand. He stated that this could be accomplished either through year-end contributions or planned contributions that do not include the Rate Stabilization Fund. He stressed the importance of the days of cash on hand. He cautioned that if D.C. Water pulled the ending cash balance at \$140 million per the current Board policy as operating expenditures, the days of cash on hand will fall and may result in additional funds being drawn from the Rate Stabilization Fund.

EVP Brown's presentation was detailed and included how D.C. Water's CAP customer rates compared to other large utilities. He reviewed projected annual water and sewer rate increases and customer impacts for each of the three scenarios for Fiscal Year 2018 to 2019. For FY 2019 and 2020 rates were 13 and 5 percent under all three scenarios. He further reviewed the related impacts on the average residential, multifamily and commercial customer categories.

D.C. Water's commitment to the community was highlighted, along with the various strategies and initiatives undertaken to ensure public outreach and customer engagement. He acknowledged that the District's water and sewer infrastructure has served well for over 100 years but is now showing its age. The need is to invest more than \$4 billion in utility systems to meet federal mandates and noted that that may not be enough. The investments require rate increases but they will boost the local economy and provide jobs and other quality of life benefits.

Chairman Wells asked if the U.S. Army Corps of Engineers was planning on any substantial changes in their rates, since that is what they use to fund capital investments. EVP Brown responded that there will be increases in investments based on conversations he has held with the Aqueduct.

Ms. Motsch reported that Chairman Wells asked about the community outreach plan and whether there was anything different being done with the Mayor's Office and City Administrator's Office regarding the budget presentation and D.C. Water's capital needs. EVP Brown stated that the outreach to the City will be specific regarding the conditions of D.C. Water's assets. He informed the Committee that community outreach plans have not been finalized and that the Marketing and Communications Department in conjunction with the Customer Service Department, are working to determine the most affective and appropriate way to reach the community.

Ms. Boardman asked EVP Brown if he thought the current federal shutdown would impact D.C. Water's quarterly federal payment. EVP Brown stated that he wanted to share an email with the Board that they received on Wednesday, January 2, 2019 from the Bureau of Fiscal Service, U.S. Treasury Department. It stated that the D.C. Water and Sewer Authority payment would not be fully remitted as planned for the second quarter due to the shutdown and the potential creation of Antideficiency Act violations. EVP Brown said that the email indicated that the Department of Treasury, in its capacity of collector and remitter for the Federal Government, will only collect and remit approximately \$10.5 million of the \$16.5 million owed to D.C. Water. The collection of the charges is legislatively mandated; however, it is the opinion of the Council that the Antideficiency Act supersedes this reimbursement directive. EVP Brown stated that they do not anticipate this having a significant impact on cash flow, but it obviously does affect D.C. Water.

Chairman Wells asked about how long D.C. Water carries someone's non-payment before cutting water off. He stated that to go to the absurd, how long will D.C. Water carry the Federal Government before it creates a fiscal weakness to the Enterprise? EVP Brown stated that if it is \$5 million a quarter, \$15 million by the end of the year, just off the top of his head he believes it will be approximately a year before it begins to be a real problem. That would be a \$20 million shortfall in a year and they would have to have a conversation on how to move forward. This includes all the federal charges, since all their charges are grouped together.

Board member Franco asked if D.C. Water was entitled to late payment fees from the Federal Government. EVP Brown replied that like the District of Columbia University payment, the federal bill is called a group bill because the Federal Government pays for multiple locations under a group bill. EVP Brown stated that as a practice D.C. Water has not charged late payments for late group bills, including the District of Columbia. Mr. Franco asked if they might reconsider that practice for the Federal Government in this particular instance. EVP Brown said that they would consider it.

Mr. Frishberg asked for the timeline regarding when the Board policy change on cash on hand and the bond rating will come to the Board. EVP Brown stated it will be this spring, likely with the budget. He wanted to start the conversation with the Committee and then the Board about the days of cash on hand and how the Rate Stabilization Fund plays into that. They want to ensure that they have 250 days cash, aligned with the budget. They anticipate a February or March timeframe.

Mr. Frishberg also asked for the timeframe on the outreach plan. EVP Brown stated that it would roughly coincide with the budget. They have begun some initial conversations with the District and will meet with the Council's Budget Director in a week. Mr. Gadis reiterated that the conversations have already begun and in January they will include different stakeholders, for example, Council members, the Mayor, and so forth. This will be a full-blown campaign and not one and done. It is about relationship-building. This is now done every day but will be more surgical. It starts here in January.

Board member Giancola also asked about the amount of cash on hand. He indicated that he thought there were previous discussion about it a couple of months ago. He stated that D.C. Water has not drawn from the Rate Stabilization Fund and yet the cash on hand had been going up. Mr. Giancola said that he was concerned that there has been no draw from the Fund and that there has been high ratings in the bond market for at least two years. So, maybe the 250 number is a little weak and could be lower, which is dealing with the issue of eventually reducing the rate structure, certainly in water rates. Chairman Wells responded by stating that he thought they had discussed it. He thinks the Finance and Budget Committee should visit it as an agenda item and the Governance Committee as a policy item. EVP Brown stated that they discussed it at the last Finance and Budget Committee meeting and they provided the same information to the Retail Rates Committee. They will review it again. He indicated that he wanted to reiterate that 250 days of cash is at the low end of D.C. Water's highly rated peers, and also with the Rate Stabilization Fund. EVP Brown stated that he provided a score card from a rating agency and to maintain D.C. Water's AAA rating it is his strong belief that they need to maintain at least 250 days cash, which is the floor. He recommended that they look at the other financial metrics since the bond rating is not made or broken on a single metric. EVP Brown asked that they look at all of the financial metrics, with the exception of the strong regional economy and the Board's willingness and ability to raise rates to meet the capital needs. They will see that all the financial metrics are at the low end when compared with its highly rated peers.

Chairman Wells suggested that the EVP not do anymore research but come up with the recommendations on cash on hand and what the policy should be. EVP Brown stated that he will come up with a recommendation. There are multiple ways to get there, whether it is allocation of year-end surplus if it is available, or if it is included in the rates, or some combination of the two. The recommendation will be discussed with the Board committees and include not only a target but how they reached it. It will be based on a number of days.

Mr. Giancola's second question had to do with the Federal Government and the water cut-off. He stated that of course they do not want to cut-off the water but he thinks they should develop some kind of press release indicating that it is being discussed and when it would be considered because of non-payment of their water bill.

Mr. Franco also asked if D.C. Water relies on the Federal Government for some appropriations. EVP Brown indicated that the big one is for the Clean Rivers Program, about \$14 million a year. Mr. Franco asked if it was at their discretion. EVP Brown said yes, it is appropriated. He indicated that it has not yet been received for the year. EVP Brown agreed that he would be sensitive about it,

Environmental Quality and Operations Committee

Reported by: James Patteson, Chair

Mr. Patteson indicated that the Committee met on Thursday, December 20, 2018. Aklile Tesfaye, Vice President, provided an update on the performance of the Blue Plains Wastewater Treatment Plant. Record precipitation levels were recorded in the D.C. Metro Area and the performance of the Plant was excellent. Effluent quality and parameters were below the EPA permit limits. Rainfall was at a record during the month, a total of 7.57 inches versus a normal of 3.17, as measured at National Airport, and a total of 735 million gallons of combined sewer outflow (CSOs) were captured in the tunnel, pumped and treated at the new Enhanced Clarification Facility. Mr. Tesfaye reported that since its commissioning last March, the Facility has captured a total of 4.14 billion gallons and 800 wet tons of screenings and grit that were removed instead of being discharged into the Anacostia River.

Mr. Patteson reported that the Committee recommended that the Enterprise find a way to talk about the retail rates and what the system now does and will do. Significant performance such as this should get out to the public.

Chris Peot, who Mr. Patteson referred to as the mad scientist of D.C. Water, gave an interesting presentation which focused on the premises in the industry that there is no such thing as waste, only wasted resources. A Request for Information was issued seeking companies to partner with D.C. Water to look at ways to use waste that D.C. Water produces. Mr. Patteson stated that Mr. Peot presented an interesting energy map that looked at hydropower, thermal recovery from the wastewater systems in pipes, solar, wind, microgrids, and other possibilities. Eleven respondents responded and they met with three firms to outline a draft approach to pay for services through revenues that would be generated. The project's activities will be self-supporting. Potential projects identified include DiGas, RNG for fuel vehicles, solar, offsite solar, do-digestion, bloom storage and processing, Blue Plains thermal recovery, biosolids drying, secondary blower upgrades, sewer heat recovery, and district heating.

Mr. Patteson stated that the goal of the presentation to the Committee was to just inform them of the concepts and not to make decisions at this time. There will be future Requests for Proposals (RFPs) depending on how the discussions move forward. The goal is to realize under-leveraged resources at the Plant.

There were several joint use action items presented. They included supply and delivery of ferric chloride, repair and rehabilitation of various process assets. Mr. Patteson stated that a non-joint use change order was not recommended for full Board approval. This was related to Spring Valley Main Rehabilitation and Replacement.

Mr. Patteson informed the Board that the Water Quality Department alerted the Project Management Team of the possibility that lead particulates from old lead service lines may seep into the drinking water during operation of a cutter tool. So, D.C. Water elected to replace all known and suspected lead service lines in conjunction with the Rehabilitation Project resulting in the change order. Mr. Patteson stated that this conservative measure will avoid any issues that may arise in suspected service lines and provide protection to the customers.

Three action items were recommended to the Board for approval.

Carlton Ray, Director of the Clean Rivers Project, provided a quarterly update. Mr. Patteson congratulated the Project and spoke about the criticality of meeting the consent order date and years and years of work to get the Project done. The results include the grit and CSOs not

going into the Anacostia River. Mr. Ray stated that the first phase of the Anacostia River Tunnel System was commissioned on March 20. A lot more detail is included in his report on the Northeast Boundary Tunnel.

Mr. Ray reported that the Green Infrastructure Project in Rock Creek is nearing completion. The projects in the Potomac River Basin will be completed in the spring of 2019. The Potomac River Tunnel Facility Plan is on track and Mr. Patteson assumed that it had been submitted to EPA by the end of 2018.

It is expected that the Clean Rivers Project will meet the Fiscal Year 2019 spending goal. He concluded his report by mentioning a song that was played for the Committee. The song referenced the Clean Rivers Project and congratulated the team for their accomplishments on the Anacostia River. Mr. Patteson recommended that the song be shared with all Board members.

CEO/General Manager's Report

Reported by: David Gadis, CEO/General Manager

Mr. Gadis wished everyone a Happy New Year. He announced two employees that he would honor at the meeting. He stated that he received a letter from one of D.C. Water's customers that truly tells you who D.C. Water is and who it wants to continue being, through the actions of these employees. Mr. Gadis stated that he appreciates the fantastic job done by the staff on a day-to-day basis. He indicated that the two workers are Kenneth Bass and Earl Crews. The customer reported that the employees came to their home in response to an emergency call about a water backup on their property. The problem was not a D.C. Water problem but Mr. Bass offered to come to the back of the property and unclog a drain. He was successful. The customer is a 72 year old lady and indicated in her letter that the water was rising in her cellar well drain. She was relieved to have the problem solved. The customer stated that what they did was above and beyond the call of duty and she wanted to pass the information on to their supervisor. Mr. Gadis stated that she concluded her letter by stating that she loves D.C. Water and that it is her favorite utility. She indicated that whenever she calls D.C. Water, the staff on the emergency line is prompt, polite, and responsive. Mr. Gadis called the two employees up front, made a presentation, and took a picture with them.

Mr. Gadis presented a summary of the General Manager's Report. During the month of December the team prepared for the 2020 Budget. EVP Brown and his staff did a fantastic job bringing everyone and everything together to attack the affordability issue in the District. They are looking at solving the problem through volumetric of part of the fee, allowing customers to control their CRIAC charge to a certain extent which they have never had. CEO Gadis noted that the EVP and his group are also looking at increasing the 4 percent credit. He and EVP Brown have not decided what the new credit number should be. Therefore, they are working with the Stakeholders Alliance Group, the Board, and the District. Everyone is also being brought to the table to determine how much the CRIAC charge and credit should be.

CEO Gadis commended a number of employees on the job they did for George H.W. Bush's state funeral. They worked with the Secret Service, Homeland Security, DC Homeland Security Emergency Management Agency, and others to prepare. Their work was done during the night, not during the event.

In December D.C. Water signed a development agreement with Urban Ingenuity and the National Housing Trust regarding solar installation at the Brentwood Reservoir. CEO Gadis

reported that the agreement allows D.C. Water to explore the development of solar capacity, thus providing direct revenue to D.C. Water to offset operations. This will position D.C. Water as a champion for low income residents by supporting the capacity of the D.C. Community Solar for All Program.

CEO Gadis reported that the Green Infrastructure Initiative's first project has been granted substantial completion in Rock Creek for approximately 24 acres that will be managed by Green Infrastructure during a 1.2 inch storm event. It is an important accomplishment to reach substantial completion.

Winter preparations are continuing and staff is ensuring that all equipment is up and running. Mr. Fitzgerald, Director of Fleet Management, and his group are commended for their efforts on the fleet side to make sure there are operable units and equipment. D.C. Water's men and women put in a lot of good work during the winter.

CEO Gadis announced that D.C. Water has received an Aqua Platinum Peak Performance Award for 6 years of 100 percent compliance. He declared that Blue Plains is definitely the gold standard in the industry and will continue to receive awards in the future.

The Financial Group received the 22nd consecutive clean, unmodified audit opinion on financial statements for FY 2018. The group is commended for its work.

CEO Gadis announced that a new Apprenticeship Program will be introduced in 2019. Korey Gray, Contract Compliance and Business Development Manager, and his team are responsible for the program. D.C. Water has an aging work force and this provides an opportunity to bring people in from D.C. and teach them to move into some of the essential positions. The program is part of the Whole Team Blue Development Program that will bring new people into the discussion and get them ready to be organization and industry leaders.

Board Member Motsch had a question about the employee lost time accidents. She wanted some background on that. He referred the issue to Roger Brown, Executive Vice President for People and Talent. Mr. Brown indicated that Ms. Motsch must be asking about the increase in the cost as it related to lost time. Two factors come into play. One is that D.C. Water recently had an accident that involved three employees and they have yet to return to work. Also, two or three employees had a previous accident and had a flare-up which returned them to out of duty status to seek additional medical treatment. These incidents also caused an increase in the numbers.

Ms. Motsch asked if the employees would be okay. Mr. Brown indicated that he had been informed that they would be fine and were receiving additional therapy and treatment to get them back to full operation. Ms. Motsch asked if action was being taken to follow-up in terms of preventing this happening again. Mr. Brown stated that there is an investigation going on and that D.C. Water's employees did the right thing and just happened to be the recipient of an accident. He indicated that the staff does a phenomenal job on taking preventive measures such as training, stretch and flex exercises, and other proactive measures and discussions in the morning. Before going into the field, they will continue to do follow-up with employees to discuss methods for preventing such accidents.

Board member Giancola asked a question about the pretty high level of vacancies. He stated that with 1,200 employees and 131 vacancies in December this was an over 10 percent vacancy level. Are their efforts underway to reduce that to a more manageable level, like 5 to 7

percent. CEO Gadis replied that there were efforts underway. You will see a lower number in the future.

Board member Motsch asked if they were finding vacancies in particular areas or disciplines difficult to fill. CEO Gadis stated that this is a budgeting exercise. There are a number of positions that have remained open for a long period of time. As the 2020 budget is developed, these issues are being addressed and it will be noticed. EVP Brown added that they have set down with each executive and evaluated every single open position. There will be a recommendation in the budget in February.

Ms. Brumfield asked for more details on the Apprenticeship Program. Mr. Gray, Contract Compliance Manager, stated that they have worked closely with the Department of Employment Services (DOES) on the Apprenticeship Program. It is registered with the D.C. Apprenticeship Council and targets District residents. Strategic partners are the high schools, D.C. Ideal School, Wilson School, a few others, and DOES as well. The City will identify candidates and send them to D.C. Water for consideration. He reported that they will go through the Human Capital Management process and be retained.

There are five areas to start for apprenticeship—plumbing, heating, ventilation, and air conditioning; quality assurance for the Department of Fleet Management; wastewater treatment; water services; and sewer services. Two or three apprentices will be assigned to each area. They will put in 2,000 hours of on-the-job training and 150 hours of classroom training after their workday is completed.

Mr. Gray reported that they are working to identify a classroom provider through the issuance of a Request for Information or a Request for Proposal. They are trying to partner with the University of the District of Columbia and Howard University to help deliver classroom training.

D.C. Water foreman supervisors will be assigned to the apprentices and managers and directors will also be trained. Apprentices will receive the necessary wrap-around services from the District Government.

Consent Items (Joint Use)

Chairman Wells asked for a motion to approve joint use contract action items. Ms. Bhatt moved to approve Resolution Nos. 19-00 and 19-01, and it was seconded. The motion to approve Resolution Nos. 19-00 and 19-01 was unanimously approved by the members of the Board.

Consent Item (Non-Joint Use)

Chairman Wells asked for a motion to approve a non-joint use action item. Ms. Brumfield moved to approve Resolution No. 19-02, and it was seconded. The motion to approve Resolution No. 19-02 was unanimously approved by the District members of the Board.

There being no additional business, Chairman Wells adjourned the meeting at 10:33 a.m.


Linda Manley, Board Secretary