



**327TH BOARD OF DIRECTORS MEETING
MINUTES OF THE MEETING
FEBRUARY 5, 2026
(Via Microsoft Teams)**

DIRECTORS PRESENT

District of Columbia Members

1. Unique Morris-Hughes, Principal, Board Chair
2. Rachna Bhatt, Principal
3. Anthony Giancola, Principal
4. Howard Gibbs, Principal
5. Richard Jackson, Principal
6. Jed Ross, Principal
7. Alexander McPhail, Alternate
8. Jimmy Ortiz, Alternate

Prince George's County Members

1. Kevin Stephen, Principal
2. Samuel Moki, Principal

Montgomery County Members

1. Jennifer Macedonia, Principal
2. Amy Stevens, Alternate
3. John Markovs, Alternate

Fairfax County Members

1. Christopher Herrington, Principal
2. Sarah Motsch, Alternate

DC WATER STAFF

1. David L. Gadis, CEO/General Manager
2. Gregory Hope, Interim Chief Legal Officer & EVP
3. Barbara Mitchell, Associate General Counsel and Director of Government Affairs

4. Lola Oyeyemi, Interim Chief Financial Officer & EVP
5. Matthew Brown, Chief Operating Officer & EVP
6. Kirsten Williams, Chief Administrative Officer & EVP
7. Michelle Rhodd, Secretary to the Board

The 327th meeting of the District of Columbia Water and Sewer Authority's Board of Directors was called to order by Chair Dr. Unique Morris-Hughes at 9:31 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. APPROVAL OF THE MINUTES

Board Chair Dr. Unique Morris-Hughes asked for a motion to approve the minutes of the Board of Directors meeting on January 15, 2026.

Upon a motion duly made, the Board of Directors approved the minutes of the meeting on January 15, 2026, as presented.

II. CHAIRPERSON'S OVERVIEW

Dr. Morris-Hughes acknowledged the efforts of DC Water staff to address the Potomac Interceptor break. She informed board members about the facilities tour taking place after the Environmental Quality and Operations Committee meeting on March 19. Additional tours are planned for April and May. Dr. Morris-Hughes concluded her remarks with an update on the Joint Use/Non Joint Use Workshop.

III. COMMITTEE REPORTS

*Meeting of the Governance Committee
Reported by Unique Morris-Hughes*

The Governance Committee met on January 21.

Chris Peot, President of Blue Drop, provided the quarterly update. Legislation targeting PFAS in biosolids may present challenges, though Blue Drop's Bloom maintains very low levels. Blue Drop and DC Water are working with local councils on draft bills in Maryland and Virginia that will address PFAS limits.

In December 2025, DC Water authorized \$2.5 million for land acquisition to build a Bloom storage facility to improve inventory management and address seasonal sales fluctuations.

New renewable energy credit (REC) sources include solar projects at Brentwood Reservoir, Fort Reno, and Ames Place, which generate lease payments, RECs, and power savings. Solar panels installed on the new curing pad are expected to generate over \$200,000 in solar RECs and \$80,000 in annual savings. Blue Drop also registered equipment for combined heat and power, qualifying for Tier 1 renewable energy credits and savings.

DC Water's new headquarters, HQO, now hosts corporate events that have helped enhance DC Water's profile. Blue Plains' intellectual property and cell tower revenues have also contributed income, though REC prices have dropped due to reduced REC demand resulting from a federal executive order.

A portion of Blue Drop's net revenue is returned to IMA partners, with reserved funds supporting sustainability initiatives.

*Meeting of the Audit and Risk Committee
Reported by Christopher Herrington, Chair*

The Audit and Risk Committee met on January 22.

Lola Oyeyemi, Interim Chief Financial Officer, reviewed the FY 2025 Audited Financial Statement Performance. DC Water received an unmodified, clean audit opinion for FY 2025, with no material findings. The Authority earned its 28th consecutive GFOA Certificate of Achievement for financial reporting and its third award for outstanding popular annual reporting.

Controller Henok Getahun noted two new GASB standards: No. 101 Compensated Absences led to an \$8.7 million accrual for union sick leave in the restated financials, while No. 102 Risk Disclosures required no extra disclosures. DC Water's net position increased 10% to \$3.8B, driven by operating results and capital contributions. Revenue rose to \$1.1 billion, and expenses were \$731 million. Operating revenue exceeded \$1 billion for the first time, driven by rate adjustments and increased wholesale revenue. The clean audit was DC Water's 29th consecutive clean opinion.

Auditor Graylin Smith of SB & Company confirmed management's full cooperation, a timely unmodified opinion, and that no material weaknesses or fraud were detected. For the uniform guidance audit, federal assistance totaled \$71.78 million, with 52% tested for compliance. Management policies and practices were found to be sound, with no adverse findings.

Next, Cherry Bekaert provided the internal audit update. The FY 2026 internal audit plan includes audits on billing, emergency management, legal operations, HR, and asset

management. Two audits are complete, and action plans are being drafted. Eight prior audit findings were closed in the quarter, including six high-risk findings. Only one high-risk finding remains open.

Six Fraud, Waste, and Abuse Hotline cases were received in 2026. Four were closed, and two remain open. SOPs for how the internal auditor handles hotline reports, particularly those involving senior management, will be shared for committee review.

Finally, Francis Cooper, Director, Enterprise Program Management Office, provided an ERM and non-revenue water update. ERM training has now been provided to most eligible staff, and a board-centric training session is planned. An annual ERM report is in development. For non-revenue water, efforts focus on better metering and data accuracy. A 91% meter read rate has been achieved, with plans to repair or replace 14,000 meters and install more at key points for more precise tracking of losses. A formal water loss control plan with the aim of advanced reporting performance is in development, and a remediation plan with targets to be presented at the next meeting.

*Meeting of the Environmental Quality and Operations Committee
Reported by Sarah Motsch, Chair*

The Environmental Quality and Operations Committee met on January 22.

Nicholas Passarelli, Vice President of Wastewater Treatment Operations, reported that the Blue Plains Advanced Wastewater Treatment Plant met all NPDES permit requirements for December 2025. The facility handled an average daily flow of 242 million gallons (MGD), with a peak of 358 MGD. December saw 1.8 inches of rain, with 23 million gallons collected and no overflows. On-site electrical generation supplied about 27% of the plant's total power needs. The average power purchased from Pepco was just under 20 MW due to high on-site power generation.

Sales of Class A biosolids (Bloom) were strong despite the winter weather. In December, 6,118 tons of Bloom were sold, bringing the fiscal year-to-date total to 14,516 tons. During the month, Blue Plains produced 12,439 tons of biosolids with 6,321 tons sold as Bloom.

Matthew Brown, Chief Operating Officer and EVP, and Moussa Wone, Chief Engineer and VP of Engineering and Clean Rivers, reviewed the proposed 10-year capital improvement plan (CIP). Mr. Brown outlined DC Water's risk-based prioritization for the CIP, focusing on regulatory compliance while supporting operational needs through investments such as valve and hydrant improvements, ongoing upgrades to aging infrastructure, and accelerating the AMI metering program. Financial planning assumes roughly 90% of CIP funds will be spent.

Dr. Wone noted that the approved \$9.7 billion CIP budget is allocated using a risk-based approach, prioritizing major assets such as sewers, transmission mains, and pump stations while keeping moderate replacement rates for lower-risk items.

*Meeting of the Retail Water and Sewer Rates Committee
Reported by Rachna Bhatt, Chair*

The Retail Water and Sewer Rates Committee met on January 27.

Syed Khalil, Vice President of Rates and Revenue, reported favorable revenue variances for the fiscal year ending December 31, 2025. Cash receipts were \$259.5 million, with the Residential, Commercial, and Multi-family categories favorable to budget due to higher Clean Rivers Impervious Area Charges (CRIAC) and prior bill collections. The DC Housing Authority had an unfavorable variance due to lower consumption resulting from account reclassifications. Revised projections for other customer groups will be reflected in March's budget update.

Delinquent accounts increased particularly in the Multi-family category, which accounts for 48% of the 90-day delinquent balance. The Developer Deposits team completed several refunds totaling over \$380,000 during November and December. Committee members highlighted ongoing concerns regarding commercial account delinquencies.

The 2025 Cost-of-Service (COS) Study by Raftelis analyzed water, sewer, and CRIAC rates, focusing on revenue sufficiency, cost allocation, simplicity, and affordability. The study projects that budgeted rates will cover cash needs and maintain reserves, with debt service coverage meeting bond requirements. Operating revenue differences between DC Water's financial plan and Raftelis' analysis are minimal.

Cost allocations in the financial plan reflect the Board's emphasis on equity and include customer assistance plan (CAP) support for low-income customers. A new public inconvenience fee from DDOT will be introduced in FY 2027, adding \$0.42 per unit consumed to increase the average customer's monthly bill by approximately \$2.28, generating roughly \$12.7 million annually or \$127 million over 10 years.

Alternative rate structures were discussed, including revised impervious area charge tiers to increase fairness and consistency for all customers. Stormwater asset costs will be reassessed once detailed tracking improves. Proposed rates will be published pending Board approval in March 2026.

Joint Meeting of the DC Retail Water and Sewer Rates Committee and Finance and Budget Committee

Reported by Anthony Giancola, Chair Finance and Budget Committee

A Joint Meeting of the DC Retail Water and Sewer Rates Committee and Finance and Budget Committee was held on January 27.

Lola Oyeyemi presented the proposed fiscal year 2027 budget, the two-year rate plan, and the 10-year CIP. She reviewed the budget schedule, which includes several meetings with the Board, committees, and stakeholders.

The proposed FY 2027 operating budget is \$844.1 million, and the 10-year CIP budget is \$9.69 billion, a \$67 million increase. For the next two years, proposed rates include a 6% annual increase for volumetric water and sewer services, CRIAC at \$25.50 per equivalent residential unit (ERU) in FY 2027 and \$27.22 in FY 2028, and increases for Payment in Lieu of Taxes (PILOT) and groundwater fees.

Average customer rates are anticipated to rise by 6.6% in FY 2027, lower than the previous forecast of 6.7%. In FY 2028, rates are expected to go up 5.3%, down from an earlier estimate of 5.7%. Without the public inconvenience fee, the FY 2027 increase would have been about 5% for residential customers.

FY 2027 operating sources and uses are balanced at \$1.07 billion. Debt service and Pay-Go constitute the largest expenditures. Ten-year CIP funding is \$9.69 billion, coming from \$3.3 billion in new borrowing, \$3.1 billion in Pay-Go funds (about 67% of financing), 21.3% from Wholesale Customer contributions, and 4.3% from federal grants.

Customer rates are based on using 90% of the CIP budget, excluding mandatory Clean Rivers, Capital Equipment, and Washington Aqueduct expenditure. Otherwise, the average bill for residential customers would increase 7.3% in FY 2027.

Finance and Budget Committee Chair Anthony Giancola noted past delays in capital project completion and asked whether budgeted rates match real spending. Mr. Brown confirmed working closely with advisors and peers to better align budgets and project spending, aiming to minimize future rate hikes.

Mr. Brown outlined the proposed CIP, starting with a 10-year budget of \$9.69 billion and a lifetime project budget of \$17.4 billion. CIP priorities are based on risk and consequences, focusing on large sewers, transmission mains, and urgent work on the Potomac Interceptor (PI) after a recent collapse. Dr. Wone noted that detailed CIP

updates have been provided to committees and the budget remains flat compared to prior approvals.

Ms. Oyeyemi then reviewed debt servicing. The Authority's debt was \$4.1 billion at the end of FY 2025. Another \$3.6 billion in borrowing is planned over the next decade to fund the CIP, which will push rates higher. The goal is to keep debt service at or below 33% of revenues.

Kirsten Williams, Chief Administrative Officer and EVP, discussed the inconvenience fee's role in supporting Lead Free DC. The Authority continues to work with DC Council and local government to stress the importance of completing Lead Free DC.

Ms. Oyeyemi outlined process improvements adopted during the budget preparation. Using feedback from internal auditors, DC Water moved to performance-based and then program-based budgeting for greater transparency and to follow best practices, supporting future decisions aligned with Blueprint 2.0.

The FY 2027 operating budget is \$844.1 million, a \$5.9 million increase over 2026. Personnel costs rose by \$9.5 million largely due to merit increases, overtime, and salary adjustments, per union agreements. Staffing remains at 1,283 FTEs, and the budget assumes a 5% vacancy rate. Mr. Giancola questioned the 5% vacancy rate and suggested overtime should be considered in the budget. Ms. Oyeyemi agreed that more funding may be needed for sick leave accrual and related costs.

Mr. Khalil reviewed FY 2026–2027 revenues, noting growth driven mainly by rate increases and the new inconvenience fee. Residential, commercial, and multi-family revenues are expected to increase due to rate adjustments in FY 2027 and FY 2028. Federal contributions remain stable, while revenue from wholesale customers goes up due to indirect cost and operational projections. Projected rate increases for FY 2027 and FY 2028 are 6.6% and 5.3%, respectively, both below last year's forecasts.

Ms. Oyeyemi outlined the financial plan, noting it supports strategic goals, monitors progress, ensures compliance with debt and liquidity targets, and maintains strong credit ratings for favorable borrowing. The Rate Stabilization Fund (RSF) has \$40.6 million. The RSF policy was revised in 2023 to keep 5% of projected revenues, prioritizing use for emergencies to reduce future rate shocks. The Authority also plans to issue about \$476 million in new bonds in Summer 2027.

*Meeting of the Finance and Budget Committee
Reported by Anthony Giancola, Chair*

The Finance and Budget Committee met on January 27, 2026.

Lola Oyeyemi presented the December 2025 Financial Report. By Q1 FY 2026, operating revenues were \$259.5 million or 25.7% of budget, expenditures were \$178.3 million or 21.3% of budget, and capital disbursements were \$179.2 million or 19.6% of budget. The actuals reflect the adopted budget, pending final adjustments. The Authority expects updated ratings from bond agencies next month after a recent meeting with the rating agencies about an upcoming refunding bond deal.

Auditors provided a clean audit opinion for DC Water's FY 2025 financial statements. The remainder of the audit items are expected to close by February 2026.

There were significant revenue variances in the Residential/Commercial/Multi-Family and DC Housing Authority categories. Residential receipts were higher than anticipated due to the higher CRIAC assumed in the budget, while DC Housing Authority receipts were lower than expected due to lower consumption.

Operating expenses were in line with the budget, except for supply cost pressures, and capital spending will be detailed in the February 2026 committee meeting. Cash investments were \$725.1 million, including the \$40.6 million RSF. December interest income was \$1.2 million, totaling \$3.5 million year-to-date. Retail delinquencies were \$31 million across 12,346 accounts, and 96% of invoices were paid within 30 days.

Ivan Boykin, VP Finance, updated on 2026 Refunding Activities. Management will seek Board approval in February for issuing Series 2026A and 2026B fixed-rate re-funding bonds to refinance older series, seeking lower interest rates and saving over \$26.2 million or 8.9%. The 2026B bonds will be certified as green bonds. Authorization was requested to re-fund \$271.6 million in 2010 Build America Bonds.

IV. CEO AND GENERAL MANAGER'S REPORT

CEO and General Manager David L. Gadis began by recognizing the newest members of the DC Water Board. He also highlighted the work of a water services team on Cromwell Terrace who responded to resident requests and used the team's front loader to remove several large piles of snow and ice that were blocking a resident's vehicle.

Mr. Gadis noted that winter is typically the most difficult season for water main breaks. DC Water saw 109 breaks in December 2024 and 213 in January 2025, but this year had only 74 in December 2025 and 76 in January 2026 due to the diligent work of Team Blue in challenging conditions to ensure reliable water service. Mr. Gadis asked the Team Blue members to stand for recognition, a photo, and a token of appreciation.

DC Water's high bond rating has been reaffirmed by Standard & Poor's at AAA, AA+ and Fitch and AA+). Moody's ratings are expected to remain unchanged. These ratings will help the Authority maintain low borrowing costs and access market opportunities for refinancing debt.

The Pure Water DC Discovery Center is progressing, with a design-build contract underway. Groundbreaking is targeted for Summer 2026, and all Board members will be invited.

On February 19, 2026, a guaranteed maximum price proposal will be presented to the Environmental Quality and Operations Committee, seeking full Board approval in March, 2026.

On January 27, 2026, Mr. Gadis attended and spoke at the virtual stakeholder alliance meeting. Staff provided updates on rate-making, the FY2027 budget, infrastructure projects, and the Clean Rivers charge.

DC Water is also celebrating Black History Month in February, with staff reflections, coverage in newsletters, and promotion of local black-owned businesses.

V. ITEMS FOR APPROVAL (JOINT USE)

1. Approval to Award Contract No. 10577, Belt Filter Press Overhaul, Alfa Laval Inc. – **Resolution No. 26-06** (Recommended by the Environmental Quality and Operations Committee 01-21-26)
2. Approval to Fund Option Year 3 and Option Year 4 of Contract No. 10279, Security Systems, Pavion (d/b/a Enterprise Security Solutions) – **Resolution No. 26-07** (Recommended by the Environmental Quality and Operations Committee 01-21-26)
3. Approving the Substantially Final Form of Certain Documents, Authorizing the Sale and Setting Terms and Details of the Series 2026AB Bonds – **Resolution No. 26-08** (Recommended by the Finance and Budget Committee 02-05-26)

Mr. Herrington asked whether Resolution No. 26-08 is different from previous bond resolutions, recalling prior resolutions for refinancing or refunding of old debt. Ms. Oyeyemi confirmed a similar resolution was used last year for new bonds, while this year's deal is to refinance expiring series and Build America Bonds with delayed payments. The process aligns with past documents and does not authorize new debt, as it only refinances existing obligations. Mr. Herrington noted some confusion about delegated authority and execution sections, but agreed that refinancing old debt is consistent practice. He also

noted that the document uses gender-specific language despite their current female chairperson. Staff will make the correction.

Upon a motion made duly made, the Board of Directors voted to approve Joint-Use Resolutions Nos. 26-06 through 26-08 as presented.

VI. EXECUTIVE SESSION

After a motion duly made and majority vote, the Board moved into an executive session at 10:28 a.m. to consult with an attorney to obtain legal advice and to preserve the attorney-client privilege between an attorney and a public body pursuant to the DC Open Meetings Act of 2010, §2-575(4)(A).

The Board reconvened in open session at 11:04 a.m.

VII. ADJOURN

There being no further business to come before the Board, the meeting adjourned at 11:06 a.m.

Michelle Rhodd

Michelle Rhodd
Secretary to the Board of Directors