



DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY

BOARD OF DIRECTORS

Finance & Budget Committee

Thursday, July 27, 2006

9:00 a.m.

MEETING MINUTES

COMMITTEE MEMBERS

Glenn Gerstell, Chairman
Robert C. Bobb

Other Board Members in Attendance

David J. Bardin
Joseph Cotruvo
David Lake
Beverly Warfield

WASA STAFF

Jerry Johnson, General Manager
Olu Adebo, Acting Chief Financial Officer
Avis M. Russell, General Counsel
Linda R. Manley, Secretary to the Board

Chairman Glenn Gerstell called the meeting to order at 9:10 a.m. and announced that immediately following the Finance and Budget Committee meeting the Retail Rates Committee will convene.

FINANCIAL OVERVIEW

General Manager Johnson made reference to the financial report distributed to Board members prior to the meeting and asked staff to discuss summary highlights for the month of June.

Chairman Gerstell concurred and Olu Adebo, Acting Chief Financial Officer, proceeded with summary financial highlights for the month of June. At the end of June, with 75 percent of the fiscal year completed WASA continues to meet all its key financial and budgetary expectations. Revenues totaled \$216.5 million or 74.7 percent of budget; operating expenditures totaled \$186.5 million or 64.1 percent of budget; and, capital spending totaled \$137.7 million, or 57.4 percent of budget. Actual average daily cash balances for the month totaled \$161.75 million; this is \$59.3 million above the Board's 180-day reserve requirement.

Operating Revenues and Receipts

Next, Mr. Adebo summarized operating revenues and receipts for the month of June. All revenue and receipts categories are on track with budgetary expectations with the exception of receipts for the right-of-way/PILOT fee, with total receipts through June of \$11.5 million, or 71 percent of budget. We expect this to change during the summer as billings increase.

Mr. Lake asked whether the current report reflects the recent payment from the Washington Suburban Sanitation Commission (WSSC). Mr. Adebo explained that the cash flow statement for this month reflects the \$22.4 million WSSC payment, a wholesale customer payment from prior years.

Operating Expenditures

Continuing with a report of operating expenditures, Mr. Adebo reported at the end of June all spending categories are in line with budget with the exception of chemicals and utilities. Each month staff continues to report to the Committee concerning budgetary pressures attributable to price increases within these line items. Overall, we expect to end the year within budget.

Mr. Bardin asked for a report concerning how staff expects to end the year in the debt service category. Mr. Adebo responded that we expect to end the year slightly below budget.

Capital Program

Mr. Adebo asked the Committee if there were any questions concerning the capital program for the month of June and hearing no questions, continued with other financial highlights.

Cash Reserves and Investments

Mr. Adebo reported that WASA's cash balances at the end of May totaled \$225 million, which includes a \$117.3 million operating reserve balance. However, we anticipate that the average for the year will exceed the Board reserve requirement of \$102.4 million.

In May WASA yielded 4.64 percent on its investments, or approximately 20 basis points below the three-month Treasury bill benchmark. Within our portfolio WASA has \$295 million worth of variable rate debt issuances that we locked in on when rates were much lower than they are now. For our new investments since March, WASA purchased approximately \$54 million in new securities with a simple average yield of 5 percent, or 34 basis points. Mr. Gerstell asked whether we will catch up with the Treasury benchmark in July when the variable rate issuances fully mature. Mr. Adebo confirmed that this is the expectation.

Other Reports

Mr. Adebo continued with following updates:

FY 2006 Budget Calendar - Mr. Adebo referenced the detailed calendar budget (Attachment 4 to the report), and noted that the budget process is underway and will continue through the summer. In October, management will present the FY 2007 revised and FY 2008 proposed budgets to the Finance and Budget Committee, the Environmental Quality and Operations Committee, and to all Board members.

FY 2006 Audit & Year-End Closing - The FY 2006 year-end budget audit process is underway. WASA's external auditors, Thompson, Cobb Bazilio & Associates, began their interim work and plan to complete their audit work by December 31, 2006.

Financial Advisor Request for Proposals – We began our search for a financial advisor to ensure that this service is in place when the current contract with Public Financial Management expires on September 27. Staff issued a request for proposals (RFP) in July, and we anticipate responses by

August 7. Management will recommend the selection of a firm to the Committee at its September meeting.

Retail & Wholesale Accounts Receivable

At the conclusion of Mr. Adebo's summary report, Mr. Gerstell noted that he is pleased to see that the wholesale accounts receivable greater than 90 days is 0 this month and asked Mr. Adebo what the plan is for cleaning up the remaining retail accounts receivable. Mr. Adebo responded that the accounts receivable balance for retail customers' has continued to decline from the September 2004 level of \$16.3 million to \$8.5 million as of June 2006. This achievement is the result of WASA's collections program which the Customer Service Committee closely monitors. Mr. Johnson noted that many of the remaining delinquent accounts are customers who will seek a legal remedy before they pay the bill or wait until we begin cutoff action before they pay their bill. In order to provide additional perspective, Mr. Johnson offered to provide the Board with a report that shows aging on the remaining outstanding retail accounts receivable.

Mr. Gerstell explained that his general concern is that all customers receive fair treatment and that everyone pays their bill.

Automated Meter Reading Project

In reviewing the AMR section of the report, Mr. Bardin asked staff to provide a monthly report that tracks the number of repairs completed by the various sizes of meters noted in the report and with timeframes for completion. Mr. Bardin explained that such information will be useful in analyzing the impact of AMR installations with the revenue impact. Mr. Johnson agreed to provide the information requested in a format that may be more useful to the Board.

Hearing no further business, Chairman Gerstell adjourned the meeting at 9:28 a.m.