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**DISTRICT OF COLUMBIA**

**WATER AND SEWER AUTHORITY**

# Board of Directors

Finance and Budget Committee

## Thursday, January 23, 2014

 11:00 a.m.

 MEETING MINUTES

**Committee Members Present DC Water Staff**

Timothy L. Firestine, Committee Chairperson Mark Kim, Chief Financial Officer

Robert L. Mallett Randy Hayman, General Counsel

Adam Ortiz Gail Alexander-Reeves, Budget Director

James Patteson Robert Hunt, Treasury and Debt Manager

 Linda Manley, Secretary to the Board

**Call to Order**

Chairperson Timothy Firestine called the meeting to order at 11:00 a.m.

**Operating Revenues, Expenditures and Capital Disbursements**

Mr. Mark Kim, introduced the new dashboard-like reporting format and mentioned that the higher level summary information is now presented in the body of the report, while the granular details are contained in the Appendix. CFO Kim welcomed Committee input regarding the report. Ms. Gail Alexander-Reeves pointed that the December Capital Disbursements were a record $80.3 million, and included an extra check run for December. Mr. Kim explained that the capital disbursements curve is not linear and that disbursements are expected to be in line with projections by year-end. This area is being closely monitored.

In response to Mr. Firestine’s inquiry concerning the pay cards, Mr. Kim clarified that DC Water was legally obligated to pay regular salary by paper checks, if an employee so desired; however, staff are encouraged to use direct deposits for regular payroll and pay cards.

Continuing with the financial report, Ms. Alexander-Reeves reported that at the end of December, with approximately 25 percent of the fiscal year completed, revenues totaled $120.3 million, or 25.7 percent of the revised budget; and expenditures were $97.2 million or 22 percent of the revised budget, which includes estimated incurred but unpaid invoices and are subject to revision in subsequent reports. Ms. Alexander-Reeves indicated that Personnel Services were higher due to the impact of wage increases and first quarter adjustment for sick and annual leave accruals, which were not budgeted. Year-to-date spending on capital labor charges are consistent with expectations and prior year trend.

Capital disbursements, Ms. Alexander-Reeves noted that the major part of overspending of $17 million was attributable to the Wastewater service area followed by an update on insurance renewals, and highlights of the Rolling Owner Controlled Insurance Program (ROCIP). In response to Mr. Firestine’s inquiry, Ms. Alexander-Reeves informed that a detailed update on ROCIP will be provided along with the quarterly update on projects, next month. Ms. Alexander-Reeves provided an update on Accounts Receivable balances, highlighting that the increase was attributable to a lull in collection efforts resulting from the Federal Government shutdown, and that the Department head would be invited to provide further details to the Committee, next month. Accounts Payable balances for FY 2014 exceeded our goal of paying 97 percent of all undisputed invoices within 30 days.

In response to Mr. Adam Ortiz’s question regarding the reasons for overspending in the Wastewater area, Ms. Alexander-Reeves and Mr. George Hawkins informed the Committee that there would be a detailed report by the Engineering and Wastewater Operations departments, next month, as part of the quarterly update.

**Cash Reserves, Investments and Banking Service Contract Update**

Mr. Robert Hunt gave an update of the Cash balances, noting that of the total balance of $440.8 million, $199 million was Operating Cash balance (including the Rate Stabilization Fund). He further provided an update on the Portfolio performance, alluding to the detailed Investment report contained in the Appendix. He confirmed that TD bank was paying a return of 90 basis points, which the Committee thought was a good return. Mr. Hunt informed the Committee that the banking services contract is soon expiring and that the RFP would be sent out by next week. He further informed that once the initial review process is completed, staff’s recommendations will be placed in the April Committee meeting.

There was a discussion whether it was worthwhile to require the potential banking services contractor to accept counter payments from DC Water customers given that only 200 or so customers use that facility. The consensus was to transition away from this option after giving due notice to the customers.

Mr. Kim pointed that the Bond Fund balance, which was $183.9 million at December 31, 2013, was tapering down due to increased disbursements, and that it would carry us through mid summer, when we would draw down on commercial paper, and plan to go for the next Bond deal only in the later part of 3rd quarter (or early 4th Quarter).

The Committee discussed the February Meeting Agenda: Mr. Kim proposed a joint meeting of the Audit and Finance & Budget Committees (rather than separate meetings) to include discussion of the FYi2013 Audit.

Hearing no further business, Chairperson Firestine adjourned the meeting at 11:36 a.m.

**FOLLOW-UP ITEMS**

1. Provide an update on the Rolling Owner Controlled Insurance Program (ROCIP) **(Mr. Firestine)**
2. Quarterly update on Project performance / status, focusing on the increased disbursements in the Wastewater Area—DETS / Wastewater Operations **(Mr. Ortiz)**
3. Update on the Accounts Receivable balances and collection efforts - Customer Services