



**DISTRICT OF COLUMBIA
WATER AND SEWER AUTHORITY
BOARD OF DIRECTORS**

*Special Meeting of the
Finance and Budget Committee
Thursday, August 26, 2010
9:30 AM*

MEETING MINUTES

Committee Members

Timothy Firestine, Committee Chairman
Neil Albert
David J. Bardin
Alethia Nancoo

DCWASA STAFF

George S. Hawkins, General Manager
Avis M. Russell, General Counsel
Olu Adebo, Chief Financial Officer
Yvette Downs, Finance and Budget Director
Linda Manley, Secretary to the Board

Other Board members in Attendance

Howard C. Gibbs
Paivi Spoon

Call to Order

Committee Chairman Timothy Firestine called the meeting to order at 12:30 p.m.

Update on the Fire Hydrant/PILOT Fee Negotiations

Mr. Adebo provided a presentation reminding the Committee of the history of the fees and an update on negotiations regarding the memorandums of understanding (MOUs). General Manager George Hawkins discussed details of the basic parameters of negotiations with the District, as outlined by both the Chairman of the DC Water Board and the DC City Administrator. The guidance entailed a true-up of the PILOT fees through FY 2010, payment of the increased fire hydrant payment from the District to DC Water in the amount of \$6.2 million per year and also to negotiate which services would be covered by this payment amount. Under these terms, the District and DC Water were able to reach an agreement on a financial arrangement for both the PILOT and fire hydrant fee. At the suggestion from Chairman Firestine, Mr. Adebo went into detail of the agreed upon terms of the MOU. Ms. Russell provided a written statement on PILOT that noted DC Water's inability to pay taxes, but a legal responsibility to pay for fees and services received.

In response to a question from Mr. Bardin, Ms. Russell clarified that the \$6.2 million fee includes the cost of water provided by DC Water, maintenance of the fire hydrants, the capital cost of the program and now certain inspections. At the suggestion of Mr. Bardin, Mr. Hawkins agreed to provide to the Board a list of goods and services covered by the PILOT and the cost of these services. Mr. Albert offered to assist in providing documents summarizing these services.

Mr. Adebo responded to a question from Mr. Gibbs regarding the \$2.3 million credit to the District's Fire Hydrant fee. Mr. Adebo explained that as a result of DC Water's PILOT underpayments, these

funds will be applied against the District's Fire Hydrant fee obligation. Mr. Hawkins continued by giving further details as to why this agreement was reached and his support of this arrangement.

Ms. Nancoo questioned future negotiations, past FY 2011, if fees for the hydrants are being negotiated as well. Mr. Hawkins responded that the MOU establishes a cap of how much DC Water will charge through FY 2011 for fire hydrant protection with the understanding that DC will not request services above that CAP. If it is determined by DC that additional services are required, a new rate will need to be negotiated. Absent such a request, a new cost-of-service study will be conducted in FY 2011 to be effective for the FY 2012-2014 period.

Mr. Bardin and Ms. Nancoo noted that the MOU language in Section 2.04 should be revised to indicate the mutual intent to identify alternatives to the current PILOT fee and methodology. After further discussion, the District committee members agreed to move forward to the full Board management's recommended Fire Hydrant/PILOT Memorandum of Understanding and unfreezing of FY 2008 – FY 2011 PILOT payments.

FY 2010 Financial Projections and Rate Stabilization Fund Recommendation

Mr. Adebo provided his projections and recommendations for the Rate Stabilization Fund (RSF). CFO Adebo recommended transferring \$16.1 million to the RSF from the operating fund.. The District committee members agreed to recommend the FY 2010 Rate Stabilization Fund Transfer to the full Board.

Action Items

District committee members referred to the full Board for consideration the following action items:

- Authorization to execute a Fire Hydrant/PILOT Memorandum of Understanding and to unfreeze FY 2008 – FY 2011 PILOT payments.
- FY 2010 Rate Stabilization Fund Transfer Recommendation

Adjournment

Hearing no further business, Chairman Firestine adjourned the meeting at 1:30 pm.