**DISTRICT OF COLUMBIA**

**WATER AND SEWER AUTHORITY**

**Board of Directors**

*Finance and Budget Committee*

*Thursday, July 23, 2015*

*11:00 a.m.*

**MEETING MINUTES**

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| **Committee Members in Attendance** | **DC Water Staff** |
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| Robert Mallett, Acting Chairperson | Biju George, Chief Operating Officer |
| Adam Ortiz | Mark Kim, Chief Financial Officer |
| Matthew Brown | Randy Hayman, General Counsel |
| James Patterson | Ivan Boykin, Senior Financial Analyst |
|  | Linda Manley, Secretary to the Board |
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|  | **Other Presenters & Guests** |
|  | Dan Hartman, PFM |
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**Call to Order**

Robert Mallett called the meeting to order at 11:05 a.m.

**Monthly Financial Report**

Mark Kim, CFO, indicated that he will be presenting the monthly finance report going forward in an effort to streamline committee meetings. He noted that all performance indicators on the financial dashboard were satisfactory and on track with expectations.

With respect to revenues, Mr. Kim noted the shortfall in Municipal Revenues due to the ongoing dispute with the District government over the RFK IAC charge. This matter was further discussed in executive session. In addition, Other Revenue was below a straight-line projection, but Mr. Kim explained that this shortfall is due to a timing issue with several large payments expected at the end of the fiscal year in Q4. Mr. Kim stated that he expects the Authority’s total revenues to be at the projected levels or even slightly above budget by fiscal year end.

With respect to expenditures, Mr. Kim noted that the total year-to-date figures are below budget for both operating and capital. However, Mr. Kim expressed two areas of concern – Personnel Services and Utilities, both of which are experiencing budget pressures. These expenditure line items will be closely monitored by staff. In Capital Disbursements, the next Quarterly CIP Report is expected to be presented by DETS in September at the Environmental Quality Committee Meeting, but Mr. Kim explained that we are projecting capital spending to be at 90-95% of the CIP budget by fiscal year end.

Mr. Kim concluded the monthly report by noting that the Operating Reserve Account had an ending balance of $153.3 million versus the Board’s policy of maintaining a minimum balance of $125.5 million, the Rate Stabilization fund had an ending balance of $22.5 million, and the investment returns for the period averaged 0.49%.

**Plan of Finance Presentation**

Mr. Kim and our financial advisor, Mr. Dan Hartman of Public Financial Management (PFM), presented the plan of finance for the remainder of this year. Mr. Hartman gave a financial market update to the Committee and noted the continuing low interest rate environment in the municipal bond market. Mr. Kim stated that the DC Water is planning to issue $300 million in fixed rate, tax-exempt, 30-year subordinate lien revenue bonds in October, with $150 million issued as “Green Bonds” to finance the Clean Rivers Project and $150 million for other capital projects. The underwriting syndicate has been identified and bond documents authorizing the sale will be presented to the Committee at its September meeting for Board approval in October.

Mr. Kim then briefed the committee on an Extendible Maturity Commercial Paper (EMCP) program in the amount of $100 million. EMCP is a cost effective method of short-term interim financing relative to the Authority’s Commercial Paper (CP) program, as it does not require the use of a bank letter of credit. The EMCP is sold based on DC Water’s underlying credit rating and self-liquidity, and would be used to diversify and complement its CP program. The first anticipated use of the EMCP program will be to re-finance approximately $50 million existing floating rate notes in December.

Mr. Kim also briefed the committee on a Forward Purchase Agreement (FPA) as a means of providing additional interest income on monthly debt service set asides held by the Authority’s Trustee. It is anticipated that the FPA would cover approximately 50% of these monthly debt service set asides for a period of 3-7 years and will be exchanged for eligible interest bearing securities provided by a counter party bank, which will mature on or before the Authority’s semi-annual debt service payment dates. The FPA is expected to generate an additional $1 million in incremental interest income for DC Water.

Mr. Hartman described DC Water’s participation in the first DC Investor Conference to be held at the DC Convention Center on September 24-25, 2015. The District government, Metropolitan Washington Airport Authority (MWAA), Washington Metropolitan Area Transit Authority (WMATA) and DC Water will co-host the conference. This conference will give DC Water an opportunity to meet directly with investors as a group and in one-on-one sessions. The timing of the conference is particularly opportune with DC Water’s plan to issue new debt in October.

**Alternative Payment Systems Presentation**

A new plan to offer DC Water ratepayers Alternate Payment Sites (APS) was presented by Mr. Kim and Mr. Ivan Boykin, Senior Financial Analyst. This new program will establish 192 APS within the District, Maryland and Virginia to accept DC Water payments. There are 52 locations in Washington DC, many of which are in traditionally underserved communities. The vendor will charge DC Water a $1.00 convenience fee for each transaction processed. The Committee expressed its agreement with management’s recommendation that DC Water absorb this cost for its ratepayers. Mr. Kim noted that DC Water currently absorbs similar fees for credit card payments (approx. $1.60 per transaction).

Mr. Kim then moved to a discussion of DC Water’s Business Office at 810 First Street, NW. The analysis compared the overhead costs of maintaining the Business Office against the cash revenues collected, and concluded that it was no longer economically feasible for DC Water to maintain its Business Office. The Committee expressed its agreement with this conclusion and management’s recommendation to close the Business Office in January 2016.

**Other Items**

Agenda for the September meeting was accepted. The Committee agreed to meet in person in September due to the large volume of projected materials that will require review.

**Action Items**

None.

**Follow-up Items**

None.

**Executive Session**

The meeting moved into Executive Session at 12:05 PM and reconvened into open session at 12:30 p.m.

The meeting was adjourned at 12:32 p.m.