



DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY

Board of Directors

Finance and Budget Committee

Thursday, July 25, 2013

11:00 a.m.

MEETING MINUTES

Committee Members in Attendance (Via conference-call)

Timothy L. Firestine, Committee Chairperson
James Patteson
Bradford Seamon

Other Board Members

Robert Mallett

DC Water Staff

Mark Kim, Chief Financial Officer
Randy Hayman, General Counsel (via
conference call)
Charles Kiely, AGM, Consumer Services
Gail Alexander-Reeves, Acting Director Finance & Budget
Meena Gowda, Principal Counsel
Robert Hunt, Treasury and Debt Manager
Maureen McGowan Holman, Program Manager
Carlton Ray, Director Clean Rivers
Linda Manley, Secretary to the Board

Other Presenters & Guests

Daniel Hartman, Public Financial Management (PFM)
Chris Lover, Public Financial Management (PFM) (via conference call)

Call to Order

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

June 2013 Financial Report

Ms. Gail Alexander-Reeves, Acting Finance and Budget Director, reported that DC Water's financial performance remained strong with approximately 75 percent of the fiscal year completed. Ms. Reeves noted that in May, Mr. Mark Kim, Chief Financial Officer, reviewed the FY 2013 Year-End Projections in detail with the Committee, and that those assumptions remain unchanged.

Through the end of June 2013:

- revenues totaled \$335.4 million or 75 percent of the revised budget;
- operating expenditures were \$283.2 million or 64 percent of the budget; and
- capital spending totaled \$381.4 million or 59 percent of budget.

Ms. Reeves reported on all relevant variances in both the capital and operating expenditures and with no committee questions she updated the committee on the quarterly grants and accounts payable

reports as well as our insurance renewals. Ms. Reeves noted that DC Water is being affected by sequestration through a reduction in the amount of EPA funding allotted to the District for Clean Water from \$7.1 million to \$6.5 million and for Safe Drinking Water from \$8.9 to \$8.4 million. Mr. Firestine inquired about the attainability of our current accounts payable goal and Mr. Mark Kim, CFO responded that the FY 2015 budget will address the issue. In response to Mr. Firestine question regarding any fiscal impact on our crime and theft insurance renewals Ms. Tanya DeLeon, Risk Manager reiterated that the financial impact was very minimal

Mr. Robert Hunt, Treasury and Debt Manager, reviewed the cash reserves and investments. As of June 30th, the average cash balance year to date is \$170.7 million compared to the operating reserve objective of \$125 million.

The total of all funds available is \$338.0 million consisting of \$190.0 million in operating cash and \$23.4 million in the 1998 Debt Service Reserve, \$80.0 million in construction fund proceeds and \$44.6 million in CSO Grant Funds.

All investments are properly diversified and the portfolio is in compliance with the Authority's Investment Policy. The overall yield-to-cost of the portfolio is 0.46 percent.

Bond Sale Update

Mark Kim and Daniel Hartman, Financial Advisor from Public Financial Management (PFM) reviewed the results of the 2013 bond pricing held on July 23, 2013. The par amount of the bond sale is \$300 million. The total interest cost (TIC) is 5.02 percent and the term is for 35 years. The municipal bond market has been very volatile for the past few months. Despite the difficult market, DC Water was still able to obtain \$600 million in orders for the new bonds. There were several new institutional buyers for the bonds and DC Water continues to have broad appeal from various investor types. Prior to the sale all three rating agencies re-affirmed our current bond ratings. The syndicate was led by Barclays Capital and Loop Capital (minority firm). The bond sale is scheduled to close on August 1, 2013.

Revised Master Plan Update

Maureen McGowan Holman, Program Manager presented the Non-Process Facilities Master Plan update to the Committee. The presentation included an in depth analysis of both its goals benefits, strategic importance and its conformity with DC Water's strategic plan and Blue Horizon 2020. The Committee recommended moving the Non Process Facilities Master Plan to the full Board for approval.

Clean Rivers Project Update

Carlton Ray, Director of Clean Rivers and Chris Allen, Deputy Director, presented the update. They described in detail how diaphragm walls are constructed including excavation techniques, engineering practices and materials needed to meet design requirements. Mr. Allen gave the reasons for the non-conformance of two out of the forty-five panels currently constructed, corrective action taken. Board member Patteson stressed the importance of quality control assurance given all the moving parts involved in the project. He was reassured by Mr. Ray that he shared the same sentiment and was invited for a tour of the project.

Action Items

- A. The Committee recommended the Revised Master Plan Update for the Board's approval.
- B. The Committee recommended extending the current energy contract for the Board's approval

Agenda for September Committee Meeting

With no further changes, Chairperson Firestine approved the agenda for the September Committee meeting.

Follow-up Discussion – Energy Hedging Contract

Mr. Mark Kim, Chief Financial Officer requested extending our current energy contract which is due to expire in January 2014. He stated the possibility of a market opportunity for savings of close to a million dollars if we hedge at the appropriate time and will like for us to preserve our options.

Adjournment

Hearing no further business, Chairperson Firestine in accordance with the Opens Meeting Act convened into an Executive Session at 12:12 p.m. The committee reconvened into open session at 1:05 p.m. The meeting was adjourned at 1:07 p.m.