



DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY

Board of Directors

Finance and Budget Committee

Thursday, March 29, 2012

11:00 a.m.

MEETING MINUTES

Committee Members in Attendance

Timothy L. Firestone, Chairperson
Allen Y. Lew
Bradford Seamon

DC WATER STAFF

George Hawkins, General Manager
Randy Hayman, General Counsel
Yvette Downs, Finance and Budget Director
Robert Hunt, Treasury & Debt Manager
Tanya DeLeon, Risk Manager
Linda R. Manley, Board Secretary

Presenters

Dan Hartman, Public Financial Management

Call to Order

Chairperson Timothy Firestone called the meeting to order at 11:30 A.M.

February 2012 Financial Report

Ms. Yvette Downs, Director Finance and Budget, reported that with 42 percent of the fiscal year completed, revenues and expenditures were on track with budgetary expectations. Revenues totaled \$181.9 million or 42.6 percent of the revised budget; expenditures were \$148.9 million, or 36 percent of the revised budget, and capital disbursements were \$185.5 million, or 35 percent of the capital disbursements budget.

In addition, Ms. Downs discussed some of the relevant variances with regards to the Operating Revenues & Receipts. Cash receipts were \$181.9 million or 42.6 percent of the FY 2012 Revised Budget as of February. Residential, Commercial and Multi-Family categories cash receipts were \$90.9 million or 40.2 percent. This was due to lower consumption experienced during the winter months. DC Housing Authority's receipts were a little high due to FY 2011 fourth quarter payment received in the first quarter of FY 2012.

The FY 2012 expenditures through February were 148.9 million. Ms. Downs reported that there are no particular issues or concerns so far this year. She noted that the overtime budget is on track with expectations. In addition, Ms. Downs indicated that the Finance and Budget department has already started to engage all departments in the mid-year reviews and year-end projections to be presented to the Committee in May of this year.

Ms. Downs reviewed the rest of the report with particular note to the recent bond rating upgrade in February and successful bond issuance in March 2012.

Cash and Investments

Mr. Hunt, Treasury & Debt Manager, reviewed with the Committee the Investment Performance Report for February 2012 reporting that the overall yield to cost of the portfolio is 57 basis points (up two points from last month) and DC Water's investment portfolio remains properly diversified and is in compliance with DC Water's established Investment Policies.

Mr. Hunt indicated that recently DC Water has taken advantage of the Certificate of Deposit Account Registry Service (CDARS). The Authority has invested a total of \$10 million in CDARS.

FY 2012 Bond Financing

Mr. Hunt introduced Mr. Daniel Hartman of Public Financial Management, to present a summary of the Series 2012 Bonds Issuance. Mr. Hartman indicated that it was a very successful bond sale for DC Water with the lowest long-term financing cost of any bond issuance in DC Water's history with a combination of fixed rate and variable rate bonds. The refunding component of the 2003 bonds will save DC Water approximately \$1.3 million annually. Mr. Hartman referred to the Series 2012 Bond Transaction Highlights, Rating Results, Pricing Comparisons, Results of Refunding, and Investor Distribution that were provided as an attachment in the 2012 Bond Issuance Summary. He also indicated that because of the recent rating upgrade from the Standard & Poor's, DC Water's Bond rating went from AA to AA+ significantly contributing to the success of the bond sale. In response, the Committee complimented and congratulated everyone contributing to the successful bond sale.

Credit and Collections Review

Mr. Kiely provided historical background and feedback regarding collection tools from a credit and collections campaign which began in 2003. Statistically, the 90-Day Receivable has improved due to the successful use of collection tools and policies in place. As part of the campaign, Mr. Kiely indicated that DC Water has done a lot of active residential collection calls. In addition, DC Water also uses other tools such as Tax Sale, Reminder Notices, Liens and Shut-off Notices. Mr. Kiely indicated that although there is no law restricting shut off, DC Water makes every effort to collect prior to terminating service. He indicated that normally DC Water does not shut-off connection extremely cold weather. Nevertheless, Mr. Kiely indicated that service termination can and will be used when necessary to ensure revenue collection. The most challenging collections arise from Multi-Family accounts, Impervious Only Accounts, and other difficult high balance cases.

Action Item

Property & Casualty Insurance Brokerage Contracts

Ms. DeLeon, Risk Manager, provided an overview of the competitive contracting results for a insurance broker pool of vendors that will support risk management activities over the next few years. Regarding the competitive process, Ms. DeLeon described that there was a three team panel that put together a matrix that involved ranking the best offered insurance coverage and expertise. From this process, the three brokers selected were AON, Alliant and Wells Fargo.

After the presentation, Ms. DeLeon asked for the Committees' recommendation to forward the insurance renewal to the Board for action. The Committee agreed to recommend the insurance renewal to the Board.

Adjournment

Hearing no further business, Chairperson Firestine adjourned the meeting at 12:45 P.M.