



DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY

Board of Directors

Finance and Budget Committee

Thursday, May 24, 2012

11:00 a.m.

MEETING MINUTES

Committee Members in Attendance

Timothy L. Firestine, Chairperson
James Patteson
Bradford Seamon
Adam Clampitt

DC WATER STAFF

George Hawkins, General Manager
Randy Hayman, General Counsel
Olu Adebo, Chief Financial Officer
Yvette Downs, Finance and Budget Director
Robert Hunt, Treasury & Debt Manager
Rosalind Inge, Procurement Director
Linda R. Manley, Board Secretary

Other Board Members

Brenda Richardson

Call to Order

Chairperson Timothy Firestine called the meeting to order at 11:22 a.m.

April 2012 Financial Report

Ms. Yvette Downs, Finance and Budget Director, reported that with 58 percent of the fiscal year completed, revenues and expenditures were on track with budgetary expectations. Preliminary year-end projections have been completed and are included within the monthly financial report. Revenues through April totaled \$235.5 million or 55.2 percent of the revised budget. Revenue for the remainder of the year is projected at 99% of budget. Variations in several revenue categories were discussed, including the ongoing dispute regarding responsibility of payments for consumption at St. Elizabeth's Hospital. Mr. Firestine asked if there was a timeline for bringing it to a closure. Mr. Olu Adebo, Chief Financial Officer, stated that DC Water is expects to have the issue resolved before the end of the fiscal year.

Ms. Downs reported that Operating Expenditures were \$212 million or 51 percent of the budget with 58 percent of the fiscal completed. Projected expenditure for the year is 94% of budget. Total personnel service expenditures, including overtime, continue to track well with budget. Ms. Downs noted that Water purchases are below the straight-line budget due to hiring delays and lower than anticipated water demand at the Washington Aqueduct. Additional savings were identified in contractual services and electricity, due to delays in spending for contractual services in various departments as well as successful utilization of staff's lock-in strategy.

Capital spending through April was 260.1 million or 49 percent of budget. Projected capital spending for the year is at 94% of capital disbursement budget. The spending variance between the FY 2012 revised budget and actual was primarily due to decreased spending on a year to date basis in all service areas except Stormwater.

Ms. Downs continued with her summary report on cash reserves and investments. At the end of April, DC Water had an operating reserve balance of \$138.0 million. The Rate Stabilization Fund remained unchanged at \$16.7 million; the DC PILOT Fund also remained at \$10 million. The total cash balances, (including construction funds) were \$613.0 million.

Cash and Investments

Mr. Hunt reviewed the Investment Performance Report for April. He reported that the portfolio was properly diversified, that the portfolio is in compliance with the Authority's Investment Policy and that the overall return on the portfolio for April was 0.33%. The return on the short –term portfolio was 0.27% compared to the benchmark (Merrill Lynch 3-Month Treasury Index) of 0.07% and the return on the core portfolio was 0.82% compared to the Merrill Lynch 1-3 Year Treasury Index of 0.37%. Mr. Hunt reviewed the individual securities purchased for the month of April and for the first three weeks of May.

FY 2012 Projections

Mr. Olu Adebo, Chief Financial Officer, reported that through April FY 2012 Revenue is at \$235.5 million or 55.2% of budget, compared to 55.4% in FY 2011 and an historical average of 55.4% for FY 2005 through FY 2009 on a cash receipts basis. Mr. Adebo projected revenue for FY 2012 at \$422.5 million or 99% of the budgeted revenue. This projection assumes resolution of the dispute at St. Elizabeth's hospital and continuation of current consumption levels in the residential, commercial and multi-family revenue categories.

Regarding expenditures, Mr. Adebo reported FY 2012 expenditures through April at \$212 million or 51% of the budget, compared to 52% in FY 2011 and a historic average of 55%. Mr. Adebo commented that performance this year is much better than in the past years which he attributed to conservative budgeting on some line items. He projected Operating expenditures at \$388.6 million or 94% of budget for FY 2012. Mr. Adebo also noted that the Personnel Services projection included the recent non-union bonus but did not include any accruals for the ongoing Collective Bargaining or union employees. Regarding Contractual services, Mr. Adebo cautioned that this projection could change due to the fact that most activities for contractual services occur in the last quarter of each fiscal year.

Regarding the Capital Disbursement Program, Mr. Adebo reported that as of April 2012 our actual disbursements are at \$260.1 million or 49% of the budget as compared to 48% of budget in April FY 2011. He noted that FY 2012 projection is \$500.1 million or 94% of the FY 2012 revised budget.

Mr. Adebo reported that projected revenues less favorable expenditure estimates results in anticipated operating reserve cash projections of approximately \$20.5 million above the target of \$125.5 million (or \$146 million). These projections will be used to provide recommendations to the Committee in June on Paygo and Rates Stabilization Fund utilization, as well as the FY 2013 Revised budget proposal in accordance with Board requirements. If accepted, the recommendations would be presented to the full Board at the July 2012 meeting.

Responding to a question from Mr. Patteson regarding recommendations for FY 2012 Paygo and Rate Stabilization Fund, Mr. Adebo agreed to provide trending analysis for funding R&R through Paygo as well as additional information regarding his strategy at the June meeting.

CIP Quarterly Update

Chairperson Mr. Firestine decided not to have this information presented but requested that everyone read the material on their own.

Financial/Procurement System/Upgrade

Mr. Adebo briefed the committee on the Financial/Procurement System upgrade and stressed that DC Water is striving to improve efficiencies throughout the organization. Mr. Adebo commented on the ongoing multiple initiatives and explained that for them to be successful, DC Water requires a sound financial and maintenance management system, process improvements and talented and trained staff.

Ms. Downs and Ms. Inge provided highlights of enhancements to be undertaken by this project. The expansions will re-engineer our procurement processes, integrate our current work order system (Maximo) with our inventory management, create an integrated, electronic budget process, enhance security of our financial systems, generally improve the reporting capabilities, move away manual data manipulation to data analysis and move DC Water further toward a paperless environment. The ultimate goal is to provide better customer service and data necessary for operational decision making. The project is collaboration between the Chief Financial Officer, Chief Engineer, Procurement and IT to meet key organizational goals.

Per Ms. Downs, estimated implementation time is 18 months or the first quarter of FY 2014. Mr. Adebo commented that there will be a steering committee structure to oversee this process and that the project has received support from the General Manager. Chairperson Firestine noted that cost and time overruns are common within new system implementations. He also stressed the importance of having someone in DC Water assigned the responsibility for “change management”. Ms. Richardson suggested updates on the status of the implementation to provide visibility on the issues raised by Chairman Firestine. Ms Downs agreed to make arrangement future updates.

Action Item

Lawson Financial and Procurement System Improvements

The Committee agreed to move the modification of the Lawson software to the full Board for action.

Adjournment

Hearing no further business, Chairperson Firestine adjourned the meeting at 12:39 a.m.

Follow up Items

1. Provide trending analysis and strategy for funding repair and replacement through Paygo at the June meeting.(Mr. Patteson)
2. Provide Committee updates on the status of the Financial and Procurement System Expansion project implementation. (Ms. Richardson)