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**DISTRICT OF COLUMBIA**

**WATER AND SEWER AUTHORITY**

# Board of Directors

Finance and Budget Committee

## Thursday, October 24, 2013

 9:30 a.m.

 MEETING MINUTES

**Committee Members in Attendance DC Water Staff**

Timothy L. Firestine, Chairperson Mark Kim, Chief Financial Officer

Bradford Seamon, Prince George’s County Randy Hayman, General Counsel

Adam Ortiz, Prince George’s County Gail A. Reeves, Budget Director

James Patteson, Fairfax County (via phone) Robert Hunt, Treasury and Debt Manager

 Linda Manley, Secretary to the Board

**Call to Order**

Chairperson Timothy Firestine called the meeting to order at 9:30 a.m.

**September 2013 Financial Report**

Ms. Gail A. Reeves, Budget Director, reported that DC Water ended the fiscal year 2013 with strong financial performance and that the final results are subject to the year-end close out process. She reported that for the year ended September 2013; total revenues were slightly above the revised budget at $461.0 million or 103.0 percent due to higher retail revenues, which ended the year over budget by $10.6 million or 3.1 percent.

Operating expenditures for the fiscal year 2013 were below the revised budget at $390.8 million or 89 percent. Savings were primarily from various contractual services, water purchases, chemicals usage, and debt service costs. Capital disbursements for FY 2013 totaled $559.0 million, or 87 percent of the budget, with underspending mainly in the Wastewater Treatment and Clean Rivers service areas, as previously reported to the Committee. Ms. Reeves also reported that consistent with the year-end closing process, capital labor costs were adjusted with $4.9 million to reflect the total personnel charges to capital projects of $14.4 million for the year.

Ms. Reeves provided the quarterly report of accounts payable performance. During FY 2013, a total of 12,251 invoices were processed and paid compared to 11,632 in FY 2012. Approximately 96 percent of the invoices in FY 2013, less retainage and disputes, were paid within 30 days compared to 94 percent paid within 30 days during FY 2012.

Referring to the quarterly grants report, Ms. Reeves noted that as of September 2013, including the CSO appropriation, DC Water has a total of $331.2 million awarded in federal funds for various active projects. This includes Congressional CSO Appropriation & Other Grants of $182.8 million; EPA Safe Drinking Water Act Grants of $81.7 million; and, EPA Clean Water Act Grants of $66.7 million.

Lastly, Ms. Reeves reported to the Committee that the Office of the Chief Financial Officer recently received the Distinguished Budget Presentation Award presented by the [Government Finance Officers Association](http://www.gfoa.org) (GFOA) recognizing [DC Water's annual budget](http://www.dcwater.com/investor_relations/budget_information.cfm) for the fiscal year beginning October 2013. Chairman Firestine congratulated staff for this tremendous achievement, noting that the GFOA has high standards for their award programs and offered his congratulations.

**Cash Reserves and Investments**

Mr. Robert Hunt, Treasury and Debt Manager, reported that as of the end of September, the operating cash balance was $141.5 million or $16 million above the required reserve level of $125.5 million.  The total of all operating, reserve and bonds and CSO Appropriations funds were $540.5 million.  Mr. Hunt informed the Committee that DC Water’s investment portfolio is properly diversified in accordance with the adopted Investment Policy with the overall yield-to-cost of the portfolio at 0.29%.

Mr. Mark Kim, Chief Financial Officer, reported that as of the end of September, the balances in the Rate Stabilization Fund and the DC PILOT Fund totaled $28.9 million and $22.4 million, respectively. In response to Chairman Firestine's inquiry about the usage of the PILOT fund, Mr. Kim explained that $4.8 million of the PILOT fund was for FY 2013 with the remaining balance representing the “catch-up” of prior-year payments being withheld in this fund account.

**Federal Shutdown and Working Capital Fund Balance**

Mr. Kim stated that for the new fiscal year starting October 2013 till date, DC Water had cash receipts totaling $60 million while capital and operating expenditures totaled $70 million. He briefed the Committee on the use of the excess working capital balance of $16 million to fully fund operations at DC Water during the Federal Government shutdown. At the end of the shutdown on October 17th, DC Water had a remaining balance of $3.8 million in working capital.

**Vendor Recommendation for New Electricity Service Contract**

Mr. Mark Kim provided an update on the new electricity service contract stating that Consolidated Edison (ConEd) was selected to provide generation and transmission electricity needs for DC Water. The new contract will be for a base period of five years with five one-year options for contract extension. Chairman Firestine asked for a further breakdown for item #1 of the notes, which provides the cost breakdown of the contract, including administrative and bidding fees.

Mr. Bradford Seamon asked about the procurement process for the service contract and if Local business Enterprise (LBE)/Local Small Business Enterprise (LSBE) had the opportunity to apply for the contract. Mr. Kim responded that as noted on the fact sheet, the procurement process was advertised on the open market, however none of the firms that submitted offers identified any certified business enterprise participation in their proposal documents.

**Action Item**

The Committee recommended the New Electricity Generation and Transmission Services Contract for Board consideration at their meeting on November 7.

Hearing no further business, the Committee convened an executive session.

**Adjournment**

After reconvening the meeting, Chairman Firestine adjourned the meeting at 10:24 a.m.

**Follow up Item:**

1. Provide further breakdown for item #1 of the electric energy fact sheet notes, which provides the cost breakdown of the contract, including administrative and bidding fees. (Mr. Firestine)