



DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY

Board of Directors

Finance and Budget Committee

Thursday, March 26, 2015

11:00 a.m.

MEETING MINUTES

Committee Members in Attendance

Timothy Firestine, Committee Chairperson
James Patterson, Fairfax County

DC Water Staff

Mark Kim, CFO, General Manager
Meena Gowda, General Counsel
Gail Alexander-Reeves, Director, Budget
Robert Hunt, Director, Finance
Linda Manley, Secretary to the Board

Call to Order

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

February 2015 Financial Report

Ms. Gail Alexander-Reeves, Budget Director, reported that with approximately 42 percent of the fiscal year completed, we are on track with budgetary expectations and targeted performance metrics. Total revenues are at \$239.0 million or 44 percent of budget, operating expenses at \$183.6 million or 36 percent of budget, and capital disbursements at \$243.2 million or 39 percent of budget in the respective category.

Mr. Firestine inquired about DC Water's dispute with the DC Government regarding the RFK Impervious Area Charges (IAC). Ms. Reeves explained that approximately \$2M dispute involved various federal and District entities regarding payment of the IAC.

CASH AND INVESTMENTS

Mr. Robert Hunt, Finance Director, reviewed the cash balances in the various operating and reserve accounts of the Authority. As of February 28, 2015, the operating cash balance totaled \$171.6 million our debt reserve and construction funds totaled \$309.1 million, the total cash for all funds was \$480.7 million. The ending operating cash balance of \$148.1 million was well above the targeted reserve level of \$125.5 million. The investment portfolio is properly diversified and in compliance with the Authority's Investment Policy. The overall yield-to-maturity on cost of the portfolio is 0.40%.

Proposed Series 2015A Refunding Transaction

The Committee received an update from Mr. Mark Kim, Chief Financial Officer, on the proposed refunding of certain bonds from the Authority's outstanding Series 2007A, 2008A and 2009A bond

issues. Management is targeting a present value savings level of 10%, which is consistent with the prior refunding transaction executed in October 2014. Mr. Kim noted that the refunding has been placed on hold due to volatility in the interest rates market and will be subject to achieving the targeted savings thresholds.

Mr. Kim informed the Committee that the Authority has selected the lowest bidder to renew multiple letters of credit to support its commercial paper program. The current letters of credit are due to expire in May 2015. A recommendation to the Committee is expected to be made at the April meeting.

Biosolids Update

Mr. Len Benson, Chief Engineer, provided an update to the committee on the Biosolids program. Mr. Benson stated that the seeding of the digesters began on 9/30/2014 and that the Cambi start up was completed on 10/14/2014. The final dewatering facilities started receiving THP digested sludge on 11/25/2014. Currently, the thermally hydrolyzed Class A biosolids are undergoing a state certification process.

Mr. Walt Bailey, AGM Blue Plains, responded to a question from Mr. Patteson and discussed hauling costs. Mr. Bailey stated that the Authority's contractors are aware of the projected changes in volume and are expecting a reduction in their hauling fees.

Mr. Firestine and Mr. Patteson inquired about the financial impact of the operating expenses for the Biosolids program against the budgetary assumptions for FY2015 and FY2016. They requested that this further analysis be presented at the April committee meeting.

Follow-up Item

- Management to provide analysis for FY2015 vs. FY2016 biosolids budgetary assumptions.

Adjournment

Hearing no further business Chairperson Firestine adjourned the meeting at 12:00 p.m.