



**DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY
BOARD OF DIRECTORS
241st MEETING
THURSDAY, APRIL 5, 2018
MINUTES**

Present Directors

Tommy Wells, Chairman, District of Columbia
Nicholas A. Majett, Prince George's County
Ellen Boardman, District of Columbia
Timothy Firestine, Montgomery County
Rachna Bhatt, District of Columbia
James Patteson, Fairfax County
David Franco, District of Columbia
Bradley Frome, Prince George's County
Emile Thompson, District of Columbia
Fariba Kassiri, Alternate for Bonnie Kirkland, Montgomery County

Present Alternate Directors

Howard C. Gibbs, District of Columbia
Adam Ortiz, Prince George's County
Ivan Frishberg, District of Columbia
Anthony Giancola, District of Columbia
Lavinia Baxter, Prince George's County
Sarah Motsch, Fairfax County
Rev. Kendrick Curry, District of Columbia
Patty Bubar, Montgomery County

DC Water Staff

Henderson Brown, Interim CEO/General Manager
Meena Gowda, Deputy General Counsel
Matthew Brown, Chief Financial Officer
Linda R. Manley, Board Secretary

Chairman Wells called the 241st meeting of the District of Columbia Water and Sewer Authority's Board of Directors to order at 9:34 a.m. He advised that the Board was welcoming two new members, Patty Bubar, an Alternate Member from Montgomery County, and Lavinia Baxter, an Alternate Member from Prince George's County. Ms. Bubar has been assigned to the Environmental Quality and Operations Committee and the Governance Committee, and Ms. Baxter has been assigned to the Human Resources and Labor Relations Committee and the Strategic Planning Committee.

Ms. Manley called the role and a quorum was established.

Approval of the March 1, 2017 Minutes

Chairman Wells asked for a motion to approve the March 1, 2017 minutes. The motion to approve the March 1, 2017 minutes was moved, seconded, and unanimously approved by the Board of Directors.

Chairman's Overview

Chairman Wells stated that not enough can be said about D.C. Water's Tunneling Team. He reported that the opening ceremony for the first seven miles of the tunnel for the Anacostia River was great and provided an opportunity to explain to residents some of what their money is being spent on. From the environmental advocacy side, it was a real boost and shot in the arm since this is the year of the Anacostia. This shows the real tangible progress D.C. Water is making to correct and fix the combined sewer overflow and also to restore nature in an urban area.

Chairman Wells talked about how proud he was of D.C. Water and how well all of this has been done, on time, on budget, and expectations met. He thanked everyone involved and recognized the fact that this was just a small break before the rest of the tunneling and green infrastructure will occur.

The issue of the search for a new general manager was raised by Chairman Wells and he stated that he wanted to inform everyone that the search is continuing at a normal pace. An Executive Session will be held with Board members to go into more detail about the search. Chairman Wells reported that they hope to make a decision by the 1st of May.

Environmental Quality and Operations Committee

Reported by: James Patteson, Chair

Mr. Patteson stated that the Committee met on Thursday, March 15, 2018 and discussed the path to Asset Management's Work Plan. Chief Engineer Leonard Benson presented the tasks to be performed from March through September and what the different committees' focus areas are. This Committee's focus is on reviewing information such as the cost of proactive investment versus emergency repairs, the cost of ownership going forward, the socioeconomic impacts, benchmarking other utilities, and the affordability question.

Carlton Ray, Director of the Clean Rivers Program, provided a quick update. Mr. Patteson congratulated his entire team on the tunnel opening and a big day for Anacostia. He also congratulated Bethany Bezak, Green Infrastructure Manager for being recognized by Virginia Tech's Department of Biological Systems Engineering as the 2018 Outstanding Recent Graduate.

Charles Kiely, Assistant General Manager for Customer Care and Operations, updated the Committee on the water main history and the associated costs. He stated that D.C. Water has approximately 31 breaks per 100 miles of pipe. This is compared to a national average of 25 breaks per 100 and the American Water Works Association's range of 10 to 49. There was discussion about correlating the water main breaks to the types of pipes and the age of pipes. Mr. Kiely indicated that it is caused really by the cold weather and the temperature of the water

in the pipes, the surrounding temperature, the temperature change, and what happens during the peak of December to February.

Mr. Patteson reported that the Committee discussed the costs of water main breaks which fluctuate between \$8,000 and \$20,000 per location, and the impact of the components of overtime, contractor costs, and public restoration.

Craig Fricke, Director of the Department of Engineering and Technical Services, provided an update on the status of flood protection for the sewage pumping stations. Out of D.C. Water's 9 pumping stations, only 2 are at risk with the 100 year floodplan and 6 are at risk with the 500 year floodplan. D.C. Water has received grant funding to support 75 percent of the cost of protecting the main sewage pumping station. Staff will continue to work on other hazard mitigation as funding becomes available.

Aklile Tesfaye, Assistant General Manager for Wastewater Treatment, gave a brief update on the Advanced Wastewater Treatment Plant's performance which met all the permit's parameter requirements. Repairs to the Combined Heat and Power Facility have resulted in its ability to provide 28 percent support of the Plant's total energy consumption.

Mr. Kiely reported on water quality monitoring and D.C. Water is doing well on Total Coliform Monitoring and the Lead and Copper Rule Monitoring. For the Fire Hydrant Upgrade Program 51 hydrants were out of service due to construction activities and water main repairs. The metric is no more than 96.

D.C. Retail Water and Sewer Rates Committee

Reported by: Rev, Kenneth Curry, Vice Chairman

Rev. Curry stated that the Committee met on March 27, 2018 and received a briefing from Matthew Brown, Chief Financial Officer, on the path to achieving asset management. Management's proposal for the Capital Improvement Program is for \$4 billion for 10 years, Fiscal Years 2018 through 2027.

CFO Brown updated the Committee on the five categories of issues that Management and the Board will address in the next few months. They are exploring investment and infrastructure, exploring alternative revenue sources, community outreach, the impact of the financial plan, and customer affordability. The Communications Plan's effort will include a video on aging infrastructure, incorporating the infrastructure messaging in social media content, summer outreach events, advertising, and media, with participation in the Value of Water Campaign, Imagine a Day Without Water, and Infrastructure Week.

CFO Brown spoke about customer affordability and briefed on conversations in the Finance and Budget Committee meeting about benchmarking and the appropriate characteristics to look for when identifying peers. Included will be utilities with consent decrees, methods for paying, how much is borne by ratepayers, and utility costs structures.

Customer affordability is intertwined with the Financial Plan under which a customer survey was conducted. CFO Brown briefed the Committee on some of the results that according to Rev. Curry led to a considerable amount of discussion. Sixty-five percent of participants believe that D.C. Water is an excellent value for the money and a good value compared to other utilities. Forty-one percent indicated that they were willing to pay more to improve the quality of water

and sewer services. The Committee asked about sample size, customer assistance programming, and whether the right questions were asked.

Rev. Curry stated that the Committee then received a briefing from CFO Brown on the path to achieve asset management and also the schedule. The Committee's Work Plan was also presented.

A discussion was held related to the Fiscal Year 2019 Clean Rivers Impervious Area Charge (CRIAC) for cemeteries. CFO Brown briefed on the history and noted that CRIAC was established to recover the costs, mainly of the debt service of \$2.7 million for the Clean Rivers Project. A cost of service study is done every three years to ensure that costs are appropriately allocated so that the CRIAC is recovering only the costs that it takes to service the debt. On May 1, 2017 the Board approved a 50 percent CRIAC discount for low income CAP customers and D.C. Water has taken action to lower the CRIAC impact on ratepayers.

Rev. Curry reported that Chairman Wells reminded everyone that this is a crisis situation and D.C. Water is trying to deal with matters of infrastructure under the court decree and it is having a disproportionate impact on cemeteries. Nonprofits, churches, universities and other facilities are also negatively impacted. The Mayor has established a \$6 million hardship fund and D.C. Water is acting in good faith to help the cemeteries. After further discussion, no action was taken on the action item.

Finance and Budget Committee

Reported by: Timothy Firestine, Chair

Chair Firestine stated that the Committee met and were briefed on the February 2018 Financial Report that showed that D.C. Water is on track and in line with budgetary expectations in all categories except capital disbursements. With 42 percent of the fiscal year completed, total operating revenues were at \$263.7 million, or 42.5 percent of the budget, operating expenditures were at \$211 million or 37.5 percent of the budget, and capital disbursements were at \$236 million or 52.5 percent of the budget. Even though operating revenues are on target, there is a lag in residential, commercial, and multi-family revenues as a result of delayed billing due to the implementation of the new customer information system. Chair Firestine indicated that the staff is resolving outstanding issues regarding the system and the Committee will be kept up to date on the progress. Capital disbursements are at \$1 million or half a percent above the revised budget with overspending in additional capital program items.

CFO Brown provided an overview of Management's meeting with Moody's Investor Services and Standard & Poor's rating agency held on March 20, 2018. The Board's adopted budgets, 10 year Financial Plan, and 2 year rate proposals were presented and those and D.C. Water's strong management team were highlighted as strong factors. CFO Brown indicated that Moody's report has been received and they expect Standard & Poor's immediately.

Chair Firestine reported that the Committee was presented with a recommendation to increase the reserve requirements from the current Board policy of 120 days of operating and maintenance (O&M) expenses, or \$125.5 million, to 140 days of O&M expenses or \$140 million. This action was deferred because of additional information requests from the Committee.

D.C. Water's financial advisors, PFM, provided an overview of the 2018 bond issuance and a market update. Chair Firestine indicated that the plan is to go to the bond market on April 17 to issue \$300 million in revenue bonds comprising \$100 million in Series 2018A bonds for the

Clean Rivers Project and \$200 million in Series 2018B for non-Clean Rivers projects. They will be issued as long-term fixed rate debt under the senior lien provisions with a term up to 35 years.

Chair Firestine stated that the Committee recommended Board approval of the authorizing resolution, the supplemental indenture, the bond purchase agreement, and the preliminary official statement. The Committee was also briefed on the plan to achieve asset management.

Rev. Curry asked for the dates for submission of follow-up items to requesting members. CFO Brown reported that the Rate Stabilization Fund information will be presented at both the D.C. Water and Sewer Rates Committee and the Finance and Budget Committee meetings. For Item Number 2, the next Financial Report includes the breakout of the \$35 million for renewal and replacement as requested by the Chairperson. Item Number 3 will be also presented at both committee meetings. Chair Firestine stated that the list of peer utilities is still being worked on and no date is available.

Board member Rachna Bhatt stated that she reviewed Moody's report and noted that it says in three places that D.C. Water's high credit rating is based on the continuation of the aggressive increasing of rates. She asked CFO Brown to talk about this because Moody's has indicated that D.C. Water's continued increasing of rates is key to keeping the high rating. CFO Brown replied that it is certainly not solely based on the Board's approval of rate increases. The report which will be issued by Moody's indicates that the Board has increased rates to support the capital program, infrastructure repairs, and improve operations of the utility and the plant aggressively since 1996. CFO Brown stated that he thinks it is more of a recognition of improving of assets. Funding the Clean Rivers Project is the largest and fastest growing portion of the bill, but also improving its management and operations and will be reflected in the report.

Board member Patty Bubar wanted to know what the interest rates will be on the bonds. CFO Brown stated that they have estimated in the Financial Plan about 5.5 but they assume it will come in lower than that. The Financial Advisors, PFM, said it looks like a tick of less than 4 percent.

General Manager's Report

Reported by: Henderson Brown, Interim CEO/General Manager

Mr. Brown stated that the past month was very busy, starting off with D.C. Water's oversight hearing before D.C. Councilmember Cheh and attended by Councilmembers White, Allen, Todd, and Gray which was rare for an oversight hearing. He was told that D.C. Water answered 87 questions during the engaged conversation and what felt like an interrogation at times. The issue raised are the same as the Board committees are discussing in their meetings—the CRIAC fees, proposals to increase rates, and the Clean Rivers charges. He thanked the staff who do the right things always, the staff who prepared them for the hearing, and the staff who attended and assisted him.

The Town Hall meetings have started and as of the day of the Board meeting, Wards 1, 2, 3, and 4 were completed. The next meetings will be in date order, Wards 6, 5, 8, and 7. The Public Hearing will be on May 9 at the Council of Governments. At that hearing D.C. Water will decide its proposed budgets for 2019 and 2020 and the rates to support D.C. Water's activities. Interim General Manager Brown indicated that he thinks this is a great process because it provides a chance to listen to the customers. He pointed out that Pepco, Verizon, and Washington Gas do not do this and one meeting attendee expressed their appreciation.

During the month D.C. Water signed up to be part of the Mayor's D.C. Infrastructure Academy, where along with Washington Gas, Verizon, Pepco, and Exelon have committed to providing training materials and curricula to candidates who want to apply to become trade apprentices for four years. The agencies have agreed to give successful candidates first preference for jobs. This is a great collaboration among utilities to help people build careers.

Interim General Manager Brown stated that the commissioning of the Anacostia River Tunnel changes the conversation about environmental compliance. He further indicated that on this issue D.C. Water can state that there is not one compliance date in the consent decree that has not been met on time or in advance, and that is a 15 year journey. On the tunnel the Clean Rivers Project staff is given a lot of credit for it, but the tunnel Dewatering Pump Station was managed by Mr. Benson's team, built by Mr. Benson's team, and without the Pumping Station or the wet weather treatment facility, the tunnels do not work. It is a wonderful day for everyone.

The Interim General Manager indicated that they met with the D.C. Environmental Network for the first time to hear speakers from the Riverkeepers, the Sierra Club, and the environmental community on why D.C. Water's comments to the Department of Energy and the Environment did not make sense. He stated that they sat, listened, had an engaging conversation, and volunteered to hold the next conversation about why D.C. Water's comments do make sense. That is the kind of collaboration in a highly contested area that should be fostered and Mr. Brown believes the tunnel commissioning tremendously helps because everyone is proud of this event.

Interim General Manager Brown announced that the Executive Team held a meeting and took on a challenge to find \$20 million of alternative revenue and \$20 million of efficiencies and savings by Year 2020. It is not a huge amount, \$3.6 million which equates to 1 percent of the rates or probably to 1 year of no rate increases. Mr. Brown stated that he developed two teams, one is the Innovative Revenue Team, which will try to implement the recommendations from the 3m team that recently visited a couple of weeks ago, and the other team will look for savings and efficiencies in what D.C. Water is engaged in. Chief Information Officer Tom Kuczynski will head up the Savings Team with his analytical mind, and Chief Operating Officer Biju George will lead the Innovations Team with passion. This challenge dovetails nicely with D.C. Water's efforts to fashion the 2021 Budget which starts in May and with the efforts to refresh the Strategic Plan.

Board Member Giancola asked for the number of people who attended the first three meetings in Ward 1, 2, and 3. Mr. Brown indicated that in Ward 1 there maybe 8 or 10 and the same in Ward 2. In Ward 3 there were at least 3 times that number. He indicated that he was told there would be more and then as they go across the river there will be even more. Mr. Giancola said he assumed most comments were regarding the storm water charge. Mr. Brown responded that many were and that many others were regarding the impervious area. It is a wide gambit of questions and comments from my water is too wet, to shower installations, to how come the bill is so high.

Board Member Bhatt stated that she attended the Ward 3 Town Hall and though Mr. Brown and his team did a great job addressing the questions and needs. She pointed out that Councilmember Cheh attended, got up and introduced Mr. Brown, and reiterated that the rates were not D.C. Water's fault and how the consent decree was something it could not get past

But had to work with, deal with, and pay for. Ms. Bhatt stated that Mr. Brown and D.C. Water's work with Ms. Cheh and her committee is testimony of how well they work together. A lot of great work has been done and hopefully this is filtering down to the other councilmembers.

Mr. Brown commended Board Member Boardman for her attendance at two of the three Town Halls. He also recognized Mr. Franco for his attendance.

Rev. Curry asked General Manager Brown about the disinfectant switch that is happening from March 26 through May 7, 2018 when residents may notice a taste and smell change as a result of a switch from chloramine to chlorine. He wanted to know if Mr. Brown received concerns at the Town Halls. Mr. Brown informed him of a individual at the meeting who wanted to know why the water tasted so much like chlorine. Charles Kiely responded with a magnificent answer that it was because D.C. has so many cast iron pipes in the system and all the tuberculation in the pipes are great housing places for bad things. So, D.C. does have a higher percentage of chlorine because the pipes are older. The individual was happy with the explanation.

Chairman Wells thanked Mr. Brown and his team for their diplomacy while going out into the neighborhoods. It is a difficult time for many who are non-profits, on fixed incomes, et cetera, who must make choices. Mr. Brown and his team are D.C. Water's face, out there talking to them. Mr. Brown being commended by Councilmember Cheh who has oversight is very reassuring.

Rev. Curry acknowledged Chairman Wells for an amazing job getting the Mayor to include a \$6 million hardship for the Clean Rivers Impervious Charge to include addressing affordability.

Consent Items (Joint Use)

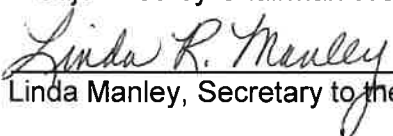
Board Chairman Wells asked for a motion to approve joint use contract action items. Mr. Firestine moved to approve Resolution Nos. 18-30 through 18-33, and it was seconded. The motion to approve Resolution Nos. 18-30 through 18-33 was unanimously approved by the members of the Board.

Consent Items (Non-Joint Use)

Chairman Wells asked for a motion to approve non-joint use action items. Ms. Boardman moved to approve Resolution No. 18-34 and it was seconded. The motion to approve Resolution No. 18-34 was unanimously approved by the District members of the Board.

Executive Session

Chairman Wells asked for a motion to move into Executive Session pursuant to the Open Meetings Amendment Act of 2010, to discuss legal, confidential, or privileged matters under Section 2-575(b) 4 of the D.C. Official Code. It was so moved and seconded. The Board went into Executive Session at 10:27 a.m. The public meeting was resumed at 11:16 a.m., and there being no additional business, the meeting was adjourned by Chairman Wells at 11:16 a.m.


Linda Manley, Secretary to the Board