



DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY

BOARD OF DIRECTORS 286th MEETING THURSDAY, MAY 5, 2022 MINUTES

Present Directors

Tommy Wells, Chairperson
Rachna Bhatt, District of Columbia
David Franco, District of Columbia
Floyd Holt, Prince George's County
Anthony Giancola, District of Columbia
Steven Shofar, Alternate for Vacant Principal, Montgomery County
Tara Jackson, Prince George's County
Dr. Joe Leonard, PhD., Alternate for Vacant Principal, District of Columbia
Christopher Herrington, Fairfax County
Fariba Kassiri, Montgomery County

Present Alternate Directors

Howard Gibbs, District of Columbia
Sarah Motsch, Fairfax County
Adriana Hochberg, Montgomery County
Jed Ross, District of Columbia
Andrea Crooms, Prince George's County

D.C. Water Staff

David Gadis, CEO and General Manager
Matthew Brown, Executive Vice President for Finance and Procurement, Chief Financial Officer
Kishia Powell, Executive Vice President for Operations, Chief Operating Officer
Marc Battle, Executive Vice President for Legal Affairs, Chief Legal Officer
Linda R. Manley, Board Secretary

Call to Order and Roll Call

Chairperson Wells called the 286th meeting of the District of Columbia Water and Sewer Authority's Board of Directors to order at 9:30 a.m. Linda Manley, Board Secretary, called the roll and a quorum was established. The meeting was held via Microsoft Teams.

Approval of the April 7, 2022 Meeting Minutes

Chairperson Wells asked for a motion to approve the April 7, 2022 meeting minutes. The motion to approve the April 7, 2022 meeting minutes was moved, seconded, and unanimously approved by the Board of Directors.

Chairperson's Overview

Chairperson Wells stated that while the pandemic is not over, D.C. Water is winding down. He announced that all Board members should prepare to meet in person for the Board's July meeting. He also reported that there will be a breakfast provided, so everyone should arrive early.

Environmental Quality and Operations Committee

Reported by: Sarah Motsch, Chairperson

Committee Chairperson Motsch began her report. The Committee met on Thursday, April 21, 2022 via Microsoft Teams. The first agenda item was the wastewater plant update from Aklile Tesfaye, Vice President for Wastewater Operations, and a presentation on construction monitoring and performance assessment that is required by the NPDES Permit for the Wet Weather Treatment Facility. Approximately 12.6 billion gallons of flow have been captured by the Anacostia CSO Tunnel System and treated through the Facility. The NPDES Permit will be reissued in 2023 and the feedback to the report is positive from EPA. Chairperson Motsch reported that D.C. Water is anticipating best practices as potential permit requirements versus say actual effluent monitoring requirements. This is based on the nature of the system.

The Committee next received an update from David Gill, Acting Director of Safety Operations, Department of Occupational Safety and Health (DOSH). He reviewed policies and procedures which are being updated to align with health, safety and wellness initiatives established in the Strategic Plan. Also covered were eight key performance indicators. Initiatives include improved communications through the Office of Marketing and Communication, including engagement with unions through monthly meetings to discuss safety policies, and focusing on employee engagement initiatives using a safety differently approach. This places an emphasis on people being the solution and encouraging everyone to speak up and having an open culture for safety.

Chairperson Motsch reported that the Committee also received a Lead-Free D.C. Program update from John Deignan. Phase I was completed in 2021. The number of lead service line replacements to date exceeds the target of 800. In 2020 block by block replacement projects (Phase II) were rolled out, with priority given to the most vulnerable customers in areas of the city. Construction has commenced on half of 150 targeted blocks planned for FY 2022. To meet the target, the rate of replacements must increase.

The Committee recommended one joint use contract to the full Board for approval on tank and reservoir cleaning.

Dan Bae, Vice President for Procurement and Compliance, and Rudy Gonzalez, Director of Procurement of Capital Programs, presented an update on transformation of capital procurement practices over the last two years. Chairperson Motsch reported that the Board will receive the same presentation on transformation of capital procurement practices during this Board meeting.

The Committee requested a briefing on a story which appeared in the media concerning a customer who had water leakage under their property and was waiting for DOT and D.C. Water to resolve the issue. Marc Battle, Chief of Legal, informed the Committee that a resolution has been reached between D.C. Water, DDOT, DOEE, and the Mayor's Office to rectify the situation. The customer has been informed and an agreement is moving forward which was decided a few weeks ago.

Chief Operating Officer Kishia Powell informed the Committee about a presentation to the community on the Soapstone Sewer Rehabilitation Project. This was an update on the proposed Air Quality Monitoring Plan for the project.

D.C. Retail Water and Sewer Rates Committee

Reported by: Howard Gibbs

Board Member Gibbs stated that the Committee met on Tuesday, April 26, 2022 via Microsoft Teams.

CFO Brown provided the Monthly Financial Report which indicated that the year-to-date revenues through the end of March were on track. Overall revenues were \$16.6 million, 4 percent over budget. Major categories with favorable variances were residential, commercial, and multifamily. Unfavorable variances in the federal category were due to the dispute with the Old Soldiers Home accounts. Also, two accounts, Union Station and Amtrak, were moved from the federal to commercial category.

Delinquencies at the end of March increased to \$28.3 million from \$27 million in February 2021. Delinquencies represent 10.2 percent of the total accounts.

CFO Brown updated the Committee on developer deposits and will provided more information at the next Finance and Budget Committee meeting.

Information on customers in the various categories was provided related to the Disconnection Moratorium Legislation Report and customer payment terms, 30-day account receivables, active plans, plan defaults, and nonpayment disconnections by zip code.

A briefing was provided on miscellaneous fees and charges, and the Cost-of-Service Study updates. Cost-of-Service studies are conducted every three years and the factors considered include appropriate cost recovery and economic equity. CFO Brown introduced John Davis of Raftelis to present on miscellaneous fees, along with Robert Ryall of Arcadis for the Potomac Interceptor studies. Miscellaneous fees are essentially fees that do not appear on a regular D.C. Water bill. Study objectives include budget-based fee calculations, cost of service-based fee calculations and inflation-based calculations. Details of the briefings can be found in meeting materials found on the website. The reasons for fee increases include ensuring that the fee revenue covers the cost of the permit organization, expansion of staff to expedite permits and review capabilities, a new approach to post-permit customer services, and an expansion on developer business support.

Fees of note include the fats, oil, and grease (FOG) fee which is going from \$13.70 to \$18.70. Cross connection remains unchanged at \$6.70. Backflow prevention also remains unchanged at \$6.70. Fire hydrant, high strength, and hauled waste will increase from \$70.00 to \$77.00. Non-residential reconnection, non-residential manual meter read and notice of follow-up service

usage fees will increase by 6 percent based on the consumer price index. The fees have not been updated since 2018 for the D.C. Metropolitan region.

Next on the Committee's agenda was a briefing on the 2022 Potomac Interceptor Cost-of-Service Study and rate update to determine the cost of providing wastewater services. Also, a true up evaluation for FY 2019 through FY 2021 was prepared using actual costs and wastewater flows and calculate projected rates per million gallons for cost recovery for FY 2023 through FY 2025. Mr. Ryall provided the briefing which included the Interceptor's smaller users—Dulles Airport, National Parks Service, Navy, and Town of Vienna. The agreements are separate from other municipal agreements and do not duplicate cost recovery. Rates are adjusted every three years and are based on a proportionate allocation of operating and capital costs.

According to Board Member Gibbs there was one action item, joint-use, and the Committee recommended approval to the full Board. More details on fees can be found in the meeting materials on the website.

Audit and Risk Committee

Reported by: Anthony Giancola, Vice Chairperson

Chairperson Giancola reported that the Committee met on Thursday, April 28, 2022. The first agenda item was discussion of the 2021 Financial Statements Audit Management Letter. CFO Brown presented details on one audit comment. KPMG recommended the strengthening of controls over service periods used in the capital accounts payable accruals. An unmodified clean opinion was received for the overall audit.

Deloitte, contractor, provided an update report on the Enterprise Risk Management Program. The team established top enterprise risks, rated them by impact and vulnerability, and broke them out in five categories—people, digital, social pressures, assets, and revenue/costs. There are two risk tiers. The next steps include assigning risks, executive sponsors, risk owners, designated treatment strategies, and determining reporting cadence.

Chairperson Giancola indicated that the next item was RSM's comments on the internal audit process. Three high risk prior audit findings were closed since the last quarter. The one remaining high-risk item is on track to meet a June 6th target update. Ninety percent of all audits finds from FY 2014 to FY 2021 have been closed. Eight findings remain open, and 12 findings are pending testing. The audit on accounts payable was conducted and resulted in one moderate risk and two low risk findings. A management assessment of the supply chain was conducted on pipes and fittings procurement and fleet parts supply and demand planning. Fleet parts supply and demand planning was that repair hours are exceeding annual service hours due to noncompliance with the vehicle preventative maintenance schedules.

Seven new calls have been made to the Fraud, Waste and Abuse Hotline in the past quarter. Only two calls on the same issue remain open under investigation.

Finance and Budget Committee

Reported by: Anthony Giancola

Board Member Giancola stated that the Committee met on Thursday, April 28, 2022 via Microsoft Teams. They received the March 2022 Financial Report. Ms. Oyeyemi, Director of Budget, reported that the operating revenues were \$431.1 million or 54 percent of the budget.

Operating expenditures were \$288.9 million or 43.9 percent of the budget. Capital disbursements were \$166.7 million or 29.4 percent of the budget. Board Member Giancola stated that 50 percent of the fiscal year has passed, so revenues and expenditures should be at 50 percent also. He indicated that they are on the plus side with regards to revenue versus operating expenditures. Capital expenditures are woefully behind.

Ms. Oyeyemi reviewed the operating budget pressures which include rejected increases and supplies due to supply chain constraints, higher chemical prices of 10 percent to 15 percent in major chemical and increased utilities costs due to the current market conditions for fuel pricing. CFO Brown added that management is looking into chemical contracts and anticipates using debt savings from recent fund transactions to cover the budget shortfalls.

Mr. Guttridge, Director of Capital Improvement Program Infrastructure Management and Capital Programs, stated that he thinks there will be an uptick in the expenditure rates soon. There has been some underspending in the Lead-Free D.C. Program and lower participation rates. There have also been concerns with the Potomac Interceptor and small diameter water main projects due to external DDOT issues.

Mr. McDermott, Director of Permit Operations, briefed the Committee on permit refunds. He stated that the permit group reviews and approves plans submitted for new construction. At the completion of the review, they apply inspection charges for permit approval based on the scope of work. Refunds must be submitted no more than two years after the work is completed. In 2018 and 2019 the Internal Audit Report showed significant balances and retained monies of \$41.6 million, where the debt was about \$10.1 million, for a total net liability balance of \$31.5 million. Board Member Franco recommended that management consider adding more resources to deal with the backlog.

CFO Brown informed the Board that an internal group has been established to determine the path forward and issue an annual Forfeiture Policy Statement for greater transparency. The District has set a 2-year mandate but D.C. Water set 10 years, after which funds are forfeited. The Committee discussed the need for management to consider limiting the time to three to five years. CFO Brown indicated that the annual statement showing the credit and debit amounts is now provided to developers. The new fee proposal was submitted at the D.C. Retail Water and Sewer Rates Committee and asked for eight additional staff for the Permit organization.

Mr. McDermott reviewed the distribution of the accounts which amounts to \$2.7 million in the past 12 months. Board Member Giancola asked that management consider hiring a contractor to assist with the review and evaluation to handle short-term need rather than waiting for additional staff. Mr. McDermott agreed and stated that management will work toward transitioning the work in-house once new positions are hired in 2023.

Next on the agenda was the procurement transformation update which will be presented to the full Board later in the meeting.

There was one follow-up item which was to provide more information about the forfeiture policy that will involve a gradual rolling reduction from the ten-year period and development of key performance indicators on the CEO's dashboard to monitor these permit funds.

Issues of General Interest

Board Member Giancola had one issue of general interest which was to obtain the numbers on attendance at the meetings this year which detailed changes to the rate structure, for a couple of virtual meetings and two in-house meetings. Board Member Giancola wants to compare this year's meetings to last year's virtual meetings held in every ward. Chairperson Wells noted that CEO Gadis will be able to address this issue in his presentation.

CEO/General Manager's Report

Reported by: David Gadis, CEO/General Manager

CEO Gadis stated that as usual he was providing in his State of the Utility update an overview of relevant programs and initiatives which support strategic objectives. They were framed around organizational imperatives as expressed in D.C. Water's Blueprint 2.0 Strategic Plan. The imperatives are health, safety and well-being, reliable, resilient, sustainable, and equitable. CEO Gadis stated that for this month he would focus on the Authority's reliable and equitable imperatives. On March 13, 2022 D.C. Water deployed the Oracle Enterprise Resource Planning System (ERP). Payroll components include time, labor, and absence management applications. Employees were provided a robust set of training tools, both Microsoft Teams and self-service training sessions. The training materials are on the D.C. Water Pipeline. Live support was through the dedicated human resources payroll help center, a Teams link, and a dial in number where employees can receive answers to their questions.

CEO Gadis indicated that he is pleased to report to the Board that the first two payroll runs have been a remarkable success of a launch of that magnitude. There were 86 off cycle payments in the initial run, which is 8 percent of the total payments. In the second run off pay cycle payments dropped to 52 or 5 percent of total payments. The third run was scheduled for the Tuesday after the Board meeting, and they had identified 14 off cycle payments of 1 percent. The industry benchmark for payroll deployments this size is roughly 10 percent for the first paycheck. CEO Gadis assured the Board that they will continue to address issues as they arise. The most common issues so far have related to meal breaks by the system and a manual lunch break. They will continue to keep the Board updated on the progress with the Oracle Project.

On April 26, 2022 CEO Gadis hosted a Water Week 2022 activity and welcomed the Honorable Ms. Radhika Fox, Assistant Administrator for the Office of Water, EPA, for a tour of the Blue Plains Wastewater Treatment Plant. Ms. Fox said it was one of the best tours and receptions that she has been to during her tenure with the EPA. There were also presentations and discussions. He thanked Ms. Crooms and Mr. Herrington for attending this event. D.C. Water then joined the National Association of Clean Water Agencies (NACWA) headed by D.C. Water's COO Powell, the Water Environment Federation (WEF), the Water Research Foundation (WRF), and the Re-Use Association. This was the first Water Week's National Water Policy Fly-in in three years.

The same week D.C. Water brought together approximately 126 managers, all the way down to foremen for a retreat. CEO Gadis noted that this was an opportunity to empower employees and increase morale.

CEO Gadis then addressed Board Member Giancola's issue relating to the public meetings. There was a low turnout for those events. Usually there is from 1 to 4 people in attendance. At these two events there was a total of 8 attendees. Ms. Williams continued to reply by stating that they took additional steps this year to engage across all 8 wards. A pop-up event was held at the new grocery store in Ward 8. Over 300 customers attended. Other events were held.

Chairperson Wells stated that they greatly appreciate the opportunity to push D.C. Water to the front and center in the industry as one of the best utilities in the country and world.

At that point Board Member Giancola raised the possibility that maybe virtual meetings were best to raise attendance. His next issue was to give kudos for the continued improvement in the facility's preventative maintenance side, up to 87 percent now, with a goal of 90 percent. He stated that there has not been the uptick projected and questioned what the plan was. He commended staff for the catch basin cleaning in Anacostia which is up to 94 percent in a few months. Board Member Giancola raised the issue that in the CEO Report there are explanations for missing targets of lack of resources which gets back to vacancy rates. He asked about whether budgeting was proper and what can be done about recruitment

CEO Gadis responded that for fleet, the issues include the inability to get new vehicles. People are not bringing in their vehicles for preventative maintenance because there are no replacements. In addition, they took 60 to 80 vehicles out of service because of exposure to lead. This is their first encounter with issues of this type, and it points to the COVID pandemic. Additional recruiters have been brought on board to address the 30 requisitions to be filled within the next 30 days, and then an additional 30 requisitions.

CEO Gadis then stated that the staff is working very hard and that improvements have been made.

Board Member Herrington then spoke about the recent meetings he attended with staff and thanked them for the invitations. He was able to see the facility and interact with staff members. He looks forward to future events.

Board Member Kassiri from Montgomery County stated that this recruitment struggle is not exclusive to D.C. Water and that she believes her counterparts in Prince George's and Fairfax counties are also struggling. She declared that this was their number one challenge, almost equal to cybersecurity. Board Member Kassiri stated that they are using search firms for all kinds of jobs.

CEO Gadis then introduced Dan Bae, Vice President for Procurement and Compliance, and Rudy Gonzalez, Director of Procurement for Capital Programs. They made a presentation on procurement transformation which has been in operation as requested for about two years. He commented that D.C. Water is a better organization for it. They have continuously briefed the Board through the committees. He announced that all major steps for the transformation were done by the end of March. Major objectives include creating a centralized procurement operation for all procurement-- goods and services, and Capital Improvement Programs. The result will be more transparency and collaboration in the process, increased value, reduced risk, and addressing customer affordability. The goals were to establish an industry leading best in class procurement practice at D.C., including establishing a clear segregation of duty to avoid potential conflicts of interest and improving business diversity and inclusion through extensive vendor development and outreach, and relationship management. No jobs were lost through the transformation. Mr. Bae and Mr. Gonzalez continued with their presentation and more details and presentation slides that are very noteworthy and essential can be found on the website in the meeting materials.

Board Member Kassiri commended this major effort and called it a progressive approach. She requested the slides.

Board Member Tara Jackson congratulated them and CEO Gadis and his team for taking this on. She stated that efficient procurement is critical to a well-functioning organization. She asked if they were finding it difficult to retain procurement staff. Mr. Bae answered yes and stated that they are losing highly capable and experienced staff to Amazon and Microsoft. It is a challenge. D.C. Water's industry reputation and benefits are helpful. He indicated that their attrition rate has been low.

Consent Action Item Joint Use

Chairperson Wells asked for a motion to approve joint use action items. Board Member Herrington moved to approve Resolution No. 22-28 and it was seconded by Board Member Giancola. The motion to approve Resolution 22-28 was unanimously approved by the members of the Board.

Consent Action Item (Non-Joint Use)

Chairperson Wells asked for a motion to approve non-joint use action items. Board Member Giancola moved to approve Resolution No. 22-29 and it was seconded by Board Member Leonard. The motion to approve Resolution No. 22-29 was unanimously approved by the District members of the Board.

Chairperson Wells then presented the dates and times for upcoming committee and other meetings. He reported that there will be the following committee meetings in May via Microsoft Teams:

- Governance Committee – Tuesday, May 10th @ 9:00 a.m.
- Human Resource and Labor Relations Committee – Wednesday, May 11th @ 11:00 a.m.
- Environmental Quality and Operations Committee – Thursday, May 19th @ 9:30 a.m.
- DC Retail Water and Sewer Rates Committee – Tuesday, May 24th @ 9:30 a.m.
- Finance and Budget Committee – Thursday, May 26th @ 9:30 a.m.
- Public Hearing on Proposed FY 23 & 24 Rates, Fees and Charges, Wednesday, May 11th @ 6:30 p.m.

Chairperson Wells stated that there being no further business, the meeting was adjourned at 10:13 a.m.


Linda Manley, Board Secretary