



DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY

**BOARD OF DIRECTORS
273rd MEETING
THURSDAY, MARCH 4, 2021**

MINUTES

Present Directors

Tommy Wells, Chairperson, District of Columbia
Floyd Holt, Prince George's County
Howard Gibbs, Alternate for David Franco, District of Columbia
Anthony Giancola, Alternate to Vacant Position, District of Columbia
Adam Ortiz, Montgomery County
Jared McCarthy for Tara Jackson, Prince George's County
Rachna Butani, District of Columbia
Randy Bartlett, Fairfax County
Emile Thompson, District of Columbia

Present Alternate Directors

Kendrick E. Curry, District of Columbia
Sarah Motsch, Fairfax County
Jed Ross, District of Columbia
Ivan Frishberg, District of Columbia
Joe Leonard, Jr., District of Columbia
Lavinia A. Baxter, Prince George's County
Adriana Hochberg, Montgomery 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, Chief Operating Officer
Marc Battle, Executive Vice President, Legal Affairs
Linda R. Manley, Board Secretary

Call to Order and Roll Call

Chairperson Wells called the 273rd meeting of the District of Columbia Water and Sewer Authority's Board of Directors to order at 9:32 a.m. The meeting was held via Microsoft Teams. Ms. Manley called the roll and a quorum was established.

Approval of the February 4, 2021 Meeting Minutes

Chairperson Wells asked for a motion to approve the February 4, 2020 meeting minutes. The motion to approve the February 4, 2021 meeting minutes was moved, seconded, and unanimously approved by the Board of Directors.

Chairperson's Overview

Chairperson Wells welcomed Jared McCarthy and Tara Jackson, Principal, from Prince George's County to the Board. They had already been sworn in. He stated that he did not know of any more important board in the region to serve on than D.C. Water. He stated that they had joined a board that was one of the highest performing modern water, sewage, and treatment plant programs in the world. D.C. Water's Blue Plains Advanced Wastewater Treatment Plant is the largest advanced plant in the world and has the largest biodigester of any North American plant. Chairperson Wells also noted that Ms. Jackson had been named Chief Administrative Officer for Prince George's County, and as such, sworn in by the County Council.

Environmental Quality and Operations Committee

Reported by: Howard Gibbs, Vice Chairperson

Mr. Gibbs reported that the Committee met on February 18, 2021. Aklile Tesfaye, Vice President for Wastewater Operations, gave a report on the performance of the Blue Plains Advanced Wastewater Treatment Plant which was excellent. All permit requirements were met, with all effluent parameters below the 7 day and monthly NPDES permit requirements.

A total of 56 million gallons of combined wet weather flow was captured in the tunnel system and all flow was treated through the Wet Weather Treatment Facility. There were no captured combined flows directly to the Wet Weather Treatment Outfall.

In January biosolids hauling averaged 380 wet tons per day and all met the Class A exceptional quality requirements of the U.S. Environmental Protection Agency.

Mr. Gibbs stated that according to Aklile's report, Blue Drop sold 1,590 wet tons of Bloom in January.

Paul Guttridge, Director of Capital Improvement Program (CIP) Infrastructure Management, provided an update on the first quarter of Fiscal Year 2021. Mr. Guttridge presented a high-level update on spending. Five of the six service areas are projected to be below baseline spending and the other service area is projected to exceed that spending limit. He gave an update also on significant contract actions in the next six months, which include two small diameter water main replacement projects, a reclaimed final effluent pump station project, Soapstone Valley Creekbed sewer rehabilitations, multiple projects involving miscellaneous facilities, multiple projects involving miscellaneous facilities upgrades, and an advanced utility construction contract for the Potomac River Tunnel.

Mr. Gibbs stated that the Committee asked whether budgeted spending has been adjusted to account for the effects of the COVID-19 pandemic. The answer was that a response was formulated in April 2020 and budgeted spending for both FY 21 and 22 were reduced by approximately \$170 million.

Len Benson, Senior Vice President for Project Development, reported on the 10-year Capital Improvement Program (CIP) Plan. The 10-year disbursements for FYs 21 through 30 are \$5.4 billion, the same as for the 10-year disbursements for FY 20 to 29 budget. Major initiatives were discussed which were for the proposed budget. The capital construction projects include \$1.03 billion for the D.C. Clean Rivers Project to meet Consent Decree requirements. The budget also includes \$100 million in each service area except for non-process facilities, throughout the 10 year period for better planning across all services areas. There were adjustments to the budgets due to the impact due to COVID-19 to revenue requirements. The capital disbursements budget was reduced by \$36 million for 2021 and \$135 million for FY 2022. The total \$171 million has been deferred to FY 2023 and beyond up to FY 2030.

Marlee Franzen, Senior Manager of Water Operations, updated on fire hydrants. D.C. Water is below a 1 percent ceiling which was set under an agreement between the D.C. Water Board and the District of Columbia Fire and Emergency Medical Services as an out-of-service level for hydrants. There were 71 out-of-service fire hydrants. Of that total 48 were defective and 23 are inaccessible as a result of temporary construction.

Maureen Schmelling, Manager of Water Quality, gave an overview of the Lead and Copper Rule Testing. Coliform testing showed one positive out of 252 samples. The testing for lead and copper has just started. They were asked about the revisions for Lead and Copper Rule Testing that were just issued by the Federal Government EPA. An update will be provided in the future when their questions are answered by EPA.

Chairperson Wells noted that the next three reports would be provided by Anthony Giancola.

Joint Meeting of the D.C. Retail Water and Sewer Rates Committee and the Finance and Budget Committee

Reported by: Anthony Giancola

Mr. Giancola urged everyone to read the Committee minutes and go to Diligent Board books for more details because it is a long report. During the coming month the Board will receive another separate briefing and hopefully the committee members will raise some questions on these minutes.

Mr. Giancola stated that CFO Brown presented the Budget for Fiscal Year 2021. He provided the major drivers and underlying assumptions. The total budget includes operating expenditures of \$658 million, a 10-year Capital Improvement Program of \$5.4 billion, and the related revenue requirements of the 10-Year Financial Plan. He further reported that \$10.5 million is being withdrawn from the Rate Stabilization Fund as part of the budget approved in last year's financial plan. Additionally the budget rates were adopted as part of the 2-year rate proposal last year and completes that shift of 37 percent of Clean River's costs from the Impervious Area Charge to the Sewer Volumetric Rate Charge.

CFO Brown reported on and advanced the efforts to build a culture of performance and accountability, the new customer programs to repair leaks, and the assistance being provided to customers impacted by flooding events and COVID.

The following are also parts of the budget: The budget funds 14 apprentice learning skills in preparing for job for D.C. Water and continues to recognize savings and energy costs and a reduction of biosolids from the Combined Heat and Power Facility. Phases 1 and 2 of the Enterprise Resource Planning System were successfully implemented on time and under budget. The Clean Rivers Program continues and more work is underway on the Northeast Boundary Tunnel. In FY 2020 there were \$376 million of active DBE construction awards underway, which is 32 percent of active construction projects. An overview was also given of the 2022 operating sources and use of funds of \$756.4 million. The Capital Improvement Program of \$476 million for 2022 and \$5.4 billion over a 10-year period was also outlined. This focused on the prioritization of projects currently under construction, including Clean Rivers Program and those that leverage outside funds.

CFO Brown reported on the budget replacement of 1 percent of small diameter water mains and ramps up to 1.5 percent 2031 and beyond. He also noted that this year's proposed CIP includes some project delays from the plan approved last year due to the COVID pandemic. Overlooked was the process improvements for the program administration and a new financial system which includes alignment between capital spending and rates in the financial plan.

Ms. Oyeyemi, Director of Budget, provided a detailed review of the 2022 proposed operating budget of \$658.4 million which is approximately \$15.8 million above the 2021 approved budget of \$643 million, mainly for debt service costs. She explained that the core Operations and Maintenance costs have been consistently stable with an average growth of 3 to 4 percent per year and about 73 percent of that cost is fixed and non-discretionary.

It was reported that the 2021 operating budget forecast is \$20 million below the approved levels due to the impact of the pandemic on revenues. Departmental spending plans were developed to prioritize critical infrastructure and achieve reductions in various areas.

The proposed 2022 budget funds two new positions to support the LeadFree D.C. efforts for inspection work and eight new positions to reduce continued reliance on consultants for support in several areas. It also includes \$1 million for a new assistance program to repair property leaks impacted by water bills, \$1.3 million for the maintenance of green infrastructure facilities to manage stormwater, and 0.7 million for additional security guards needed at the new Fleet Management and Sewer facilities related activities.

Ms. Oyeyemi reviewed the O&M budget drivers and noted that FY 2022 personnel services are at \$180.4 million, or an increase of \$2.5 million, primarily to cover requirements for merit increases, apprenticeship programs, and the ten new positions. Major chemicals used in wastewater decreased by \$1.9 million and utilities \$0.6 million, assumes onsite electrical generation of 6 megawatts from the Combined Heat and Power Facility which continues to slow the growth of energy costs.

CFO Brown reported that D.C. Water revised the 2021 revenue budget downwards to \$692.3 million from \$733.7 million that were adopted in the original FY 2021 budget. He stated that the 2022 rates and the 10-Year average monthly residential customer bills are the same as what was presented to the Committee and the Board when the multi-year rates for FY 2021 and 2022

were approved. He noted that the average residential and CAP customer monthly rates for 2021 and 2022 are the same since the Board recently approved the rates for both years.

CFO Brown provided an overview on customer assistance programs offered by D.C. Water and noted that D.C. Water has been seeing a significant increase of assistance over the previous year.

The 10-Year Financial Plan was outlined as a component of the budget adoption and will be presented to the Board for approval. The Financial Plan helps D.C. Water balance the investment in infrastructure versus rates and affordability.

CFO Brown reviewed Management recommendations and the action items for operating budget expenditures, 10-year capital disbursements in the project lifetime budget, the 10-year Financial Plan, and the intent to reimburse capital expenditures from proceeds from borrowing. He requested that Committee members submit budget-related questions to the Board Secretary and that the various Committee recommendations and actions are anticipated in March with final Board approval at the April meeting.

Finance and Budget Committee

Reported by: Anthony Giancola, Chairperson

Mr. Giancola stated that the Committee met on February 23, 2021. The monthly Financial Report was reviewed by exception by CFO Brown. At the end of January 2021 operating revenues were \$234.4 million or 31.9 percent of budget. Operating expenses were \$181.5 million or 28.2 percent and at the end of January 2021 operating revenues were \$234.4 million or 32.9 percent of budget. Operating expenses were \$181.5 million or 28.2 percent of budget and capitals for expenses were \$112.9 million or 22.2 percent of budget. CFO Brown reported that at the end of the fourth month D.C. Water revenue is \$16 million below budget which is slightly higher than previously forecasted through this reporting period.

The 10-Year Financial Plan includes an estimated revenue reduction of \$244.9 million, which includes \$41.5 million anticipated reduction in 2021. The revenue decline is the combination in commercial customer consumption of about 30 percent and increase in delinquencies. CFO Brown stated that Management has proactively to the reduced revenue by limiting expenditures and this has resulted in operating expenditures of \$19.4 million below budget.

Capital expenditures are \$63.7 million below budget in part because of the efforts to respond to a reduction in revenues. CFO Brown reported that the 2020 Comprehensive Annual Finance Report is being prepared and will be available on the website when completed.

The 2020 Intermunicipal Agreement, operating maintenance and settlement is progressing and will be circulated probably by the end of March.

CFO Brown reported that Management was preparing for a 2020-2021 public hearing scheduled for March 15, 2021.

Special Meeting of the Finance and Budget Committee

Reported by: Anthony Giancola

Mr. Giancola stated that the Special meeting was held on March 3, 2021. There is a consent item on the agenda which is an amendment which CFO Brown will outline. It was basically cleaning up some reports.

Chairperson Wells opened the meeting for to Issues of General Interests.

Issues of General Interest

Mr. Giancola had two questions. On January 14, 2021 the Board received a memo from Mr. Gadis saying that the Enterprise Performance Plan was completed in January 2021 and it would be scheduled for a full Board briefing in March. He stated that obviously because of the budget process it could not be held. He stated that he does not want to lose sight that they still will want a full briefing on the Plan in the next couple of months. Chairperson Wells acknowledged this.

The second item, according to Mr. Giancola relates to the oversight hearing on March 15, 2021. From his perspective, it would be nice to get some idea from the General Manager and CEO on how they are preparing and what will be talked about and highlighted. He believes in D.C. Water's assistance programs and how they are ramping up and expanding in coverage. Chairperson Wells stated that it is general practice for the General Manager to share his testimony ahead of time and he believes the General Manager will continue to do that.

Chairperson Wells also reported that the Board members should have received the 2020 Annual Report. He commended Mr. Gadis on a well done Report, for the tribute to former Board chair Allen Lew, the environmental sensitivity of the report being printed with soy ink, recycled paper, and all sorts of things. So he thanked them for reflecting the values of D.C. Water and the community. Chairperson Wells asked for the General Manager's Report.

Mr. Gadis then responded to Mr. Giancola's questions and comments. First he stated that he is still continuing to prepare his testimony for the oversight hearing and will share as soon as it is final. Mr. Gadis stated that he had already received a full briefing on the Enterprise Performance Report. A few changes need to be made, so the Board will receive those, too. He informed the Board that they will be briefed as soon as possible.

General Manager's Report

Reported by: David Gadis, CEO/General Manager

CEO Gadis stated that he is proud to provide the State of the Utility monthly updates which have now been done for a year. This is an overview of the programs that collectively contribute to D.C. Water's ability to function as a high-performing team. He reminded the members that the Report came from the Boards feedback at the December 2019 Retreat regarding communication and Board engagement. During this last year improvements have been made. They have met quarterly with the Board, in addition to the regularly scheduled meetings, to enhance resilience and readiness and engage effectively with stakeholders.

Two updates were provided by CEO Gadis on activities that support the third program, effectively engagement with stakeholders. Joint meetings were held between the Board and senior staff to discuss critical strategic issues like financial policies, customer assistance, and climate resilience. They presented an annual State of the Utility Address, related monthly program updates, streamlined the CEO's Report, and the agenda in front of you. Staff worked very hard to produce a more concise report. Instead of a 100 page report, it is now a 14 page

summary with an auxiliary of different reports to dig deeper and with weekly highlights on relevant topics.

CEO Gadis stated that his first update is on an important hire he is proud of. Kirsten Williams has been welcomed as Chief Communications and Stakeholder Engagement Officer. She has extensive experience, was recently Deputy Executive Director of the D.C. Public Service Commission, and has also worked at PEPCO and Duke Energy. A Strategic Communications Plan is being developed and when launched will be key to the important step of becoming a more customer-centric organization.

In 2020 the D.C. Water and Sewer Retail Rates Committee received a briefing on the upcoming Voice of Customer Program which D.C. Water is initiating. Several program development milestones were set and the program is now live and customer surveys have been deployed. Word is going out through social media channels, D.C. Water's website, and direct emails with surveys sent to over 51,000 customers so far. With a month before the survey concludes, 2,000 surveys have been submitted. The different clusters within D.C. Water will assist in reviewing, analyzing, and disseminating the results. Lines of communication will be open between the program and the Board.

Chairperson Wells also welcomed Ms. Williams aboard and commend her on her great career in Washington and a great history of service with utilities.

Consent Items (Joint Use)

Chairperson Wells asked for a motion to approve joint use action item. Mr. Giancola moved to approve Resolution Nos. 21-17 through 21-21 and it was seconded. The motion to approve Resolution Nos. 21-17 through 21-21 was unanimously approved by the members of the Board.

Consent Items (Non-Joint Use)

Chairperson Wells asked for a motion to approve non-joint use action items. Mr. Thompson moved to approve Resolution Nos. 21-22 through 21-24 and it was seconded. The motion to approve Resolution Nos. 21-22 through 21-24 was unanimously approved by the D.C. members of the Board.

There being no further business, the meeting was adjourned by Chairperson Wells at 10:12 a.m.


Linda Manley, Secretary to the Board