



**DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY**

**BOARD OF DIRECTORS  
258<sup>th</sup> MEETING  
THURSDAY, NOVEMBER 7, 2019**

**MINUTES**

**Present Directors**

Tommy Wells, Chairperson, District of Columbia  
Floyd Holt, Prince George's County  
Ellen Boardman, District of Columbia  
Steven Shofar, Alternate for Adam Ortiz, Montgomery County  
Rachna Bhatt, District of Columbia  
Randy Bartlett, Fairfax County  
David Franco, District of Columbia  
Major Riddick, Prince George's County  
Fariba Kassiri, Montgomery County  
Krystal Brumfield, District of Columbia

**Present Alternate Directors**

Howard C. Gibbs, District of Columbia  
Joseph Gill, Prince George's County  
Sarah Motsch, Fairfax County  
Rev. Kendrick E. Curry, District of Columbia  
Steven Shofar, Montgomery County  
Anthony Giancola, District of Columbia (By Telephone)  
Jed Ross, District of Columbia (By Telephone)  
Lavinia A. Baxter, Prince George's County

**DC Water Staff**

David Gadis, CEO and General Manager  
Matthew Brown, Chief Financial Officer  
Gregory Hope, Interim Executive Vice President, Legal Affairs  
Linda R. Manley, Board Secretary

Chairman Wells called the 258<sup>th</sup> meeting of the District of Columbia Water and Sewer Authority's Board of Directors to order at 9:32 a.m. Ms. Manley called the role and a quorum was established.

### **Approval of the October 3, 2019 Minutes**

Chairman Wells asked for a motion to approve the October 3, 2019 minutes. The motion to approve the October 3, 2019 minutes was moved, seconded, and unanimously approved by the Board of Directors.

### **Chairperson's Overview**

Chairperson Wells reported that D.C. Water was in the news for the Lead Pipe Replacement Program. The Deputy Mayor joined them in supporting the team and the partnership between the District Government and D.C. Water. Ratepayers are also excited about the program.

### **Environmental Quality and Operations Committee**

Reported by: Howard Gibbs, Vice Chair

Mr. Gibbs stated that the Committee met on October 7, 2019 and received an update from CFO Brown on the 10-Year Construction Capital Improvement Program (CIP) Modified Baseline CIP Budget of \$4.9 billion. Leonard Benson, Chief Engineer, summarized the overall objectives of the \$4.9 billion and stated that the Modified Baseline balances financial and affordability with additional investments in assets to address aging water and sewer infrastructure needs. For the sanitary sewer system, the average age is 82 years old, with approximately 20 years remaining of service life. The average for the water distribution system is 81 years, with approximately 19 years remaining of service life for the cast iron pipes and only 14 years remaining for unlined pit-cast iron pipes. The Committee was shown examples of typical water and sewer failures along with the importance and benefits of proactive investments in infrastructure. Mr. Gibbs reported that unfortunately there will be an increase in rates with the Modified Baseline Budget starting in Fiscal Year 2021.

Mr. Gibbs indicated that the update on the Advanced Wastewater Treatment Plant performance parameters were excellent and all permit requirements were met. The Committee was updated on the current Class A Biosolids Processing Facility's objectives versus the previous Class B biosolids.

The Committee was briefed on the quarterly update of the Clean Rivers Project. This included construction of the Division J Northeast Boundary Tunnel. A video by the Chesapeake Bay Magazine was shown featuring the construction progress of Division J.

### **D.C. Retail Water and Sewer Rates Committee**

Reported by: Rachna Bhatt, Chair

Ms. Bhatt indicated that the Committee met on October 22, 2019. They received a presentation from CFO Brown and Chief Engineer Benson on the average residential household consumption trends. Discussions have begun about the FY 2021 Budget with the Environmental Quality and Operations Committee and they received a presentation about infrastructure needs and the Capital Improvement Program. This conversation will continue with the Retail Rates Committee and in the fall about revenue assumptions, consumption trends, affordability, and rates.

CFO Brown spoke about average residential household consumption trends, affordability, and rates. He reported that even with an increase in population and significant ongoing construction, D.C. Water experienced in FY 2019 a one percent decline in water consumption which was more than projected in the 10-Year Financial Plan. This decline in water usage was like other utilities across the country. Consumption has declined by 19 percent since FY 2009 but water usage costs have continued to rise and the infrastructure has continued to age.

According to Ms. Bhatt, CFO Brown stated that the Board approved the capital program a year ago to continue the Clean Rivers Program, improve the Blue Plains Plant, achieve a one percent replacement of water lines, upgrade pump stations, and rehabilitate one per cent of sewer pipes per year. Additionally, D.C. Water will ensure the availability of capital equipment for crews, fund the Washington Aqueduct, replace and upgrade non-process facilities, and reduce the risk of roadway flooding.

Chief Engineer Leonard Benson reported that in June 2019 D.C. Water identified the amount of funding necessary to meet the Asset Management Plan. Also, they performed an analysis of a proactive investment infrastructure versus addressing issues retroactively when they arise. The Asset Management Program's needs are for \$3.8 billion for the current baseline, \$4.4 billion for the modified baseline, and \$5.4 billion for full asset management. CFO Brown noted that the Capital Improvement Program is the main driver of D.C. Water's Budget. Debt service has significantly increased in recent years and currently it is about 28 cents of every dollar collected.

Brian McDermott, Director of Permit Operations, gave a presentation on the amendment of engineering review and miscellaneous fees. Their functions include the permit review protection functions, field QA/QC inspections, and new customer account data collection. Approximately an average of 244 applications are handled each month and there is 92 percent on-time processing performance.

Mr. McDermott stated that the purpose of his presentation was to inform the Board of some modifications, provide greater clarity, make corrections and add missed items, condense certain fees for clarity, and include performance time. CEO Gadis reported that Permit Operations is used as a cost recovery center instead of like most water jurisdictions as a profit center. He reported that during the next cost of service study, they may look at its use as a profit center.

Cost recovery for the current year is estimated to be around \$4 million. Mr. McDermott provided a list of new renamed and adjusted fees and provided an explanation. Each Board member had been provided with the list of fees and a revised resolution. Two fees which had been originally left off the list had been added.

Ms. Bhatt stated that the Committee raised questions and recommended approval of the resolution by the full Board.

### **Audit Committee**

Reported by: Floyd Holt, Chair

Mr. Holt stated that the Committee met on October 24, 2019 and received an update on the FY 2019 Internal Audit Plan from RSM partner Dan Whelan. He reported that all the FY 2019 audits were complete, with the exception of Asset Management. The field work is substantially complete but Internal Audit is finalizing the additional procedures and receiving Management

responses to their report. Upon completion, the report will be issued to the Committee for the next meeting.

The status of prior audit findings indicated that there are three open FY 2016 audit findings: licensing, training, and certification, tied to the Blueprint Strategic Plan; business development plan; and annual budgeting and planning, which are tied to the new ERP System. For 2017 there are 11 open audit findings, and only one, the work order management finding, is pending testing. There is a follow-up action which has been deferred which is contingent on union approval.

Mr. Holt reported that the Committee took a look at the recommended FY 2020 audit proposal to identify items for review in FY 2020. Construction and engineering, legal affairs, and fleet will be reviewed.

Information Technology (IT) has three primary methods of contracting, staff augmentation, IDIQ and IRP. The focus was on IDIQ related to software development which is a large driver of IT spending.

### **Finance and Budget Committee**

Reported by: Major Riddick, Chairperson

Mr. Riddick indicated that the Committee met on October 24, 2019. The Committee received reports and summaries related to the budget and some bond offerings that were completed. Budget Director Lola Oyeyemi provided an overview that showed that D.C. Water ended the fiscal year with operating revenues above budget and operating expenditures and capital disbursements below budget, which is a good place to be. Total operating revenues were \$694.4 million, 104.3 percent of the budget because of the residential, commercial, and multi-family category. Operating expenditures were \$569.3 million, or 97.7 percent of the budget, in line with projections for chemicals and other purchases. This resulted from the in-sourcing of low-voltage maintenance contracting and the delay of the Enterprise Revenue Project (ERP). Budget disbursements were \$399.4 million, or 90.9 percent of the budget, due to delays, project closeouts, and overspending in the combined sewer overflow area at the Northeast Boundary Tunnel.

Ms. Oyemi reported that the staff is now preparing year-end closeouts. Work will continue on the development of the proposed FY 2021 Operating Budget and the 10-Year Budget request to be delivered to the Board in January 2020.

Mr. Riddick stated that the Federal Government and wholesale customers have already made quarterly payments and the District Government has paid \$10.8 million out of \$12.5 million for the fire protection fee with the balance coming soon.

Merchant card fees were reviewed. The discussion generated a request that the Committee send a recommendation to the full Board to modify the project. Ivan Boykin Director of Finance, requested that the Committee recommend a modification to the base year for additional funding. The average fee per transaction was 3.27 cents per card in 2019. It has increased 122 percent since FY 2016. Mr. Riddick stated that credit card costs and fees for walk-up and payment services is not passed on to the customer but absorbed by D.C. Water. The staff is looking at alternatives to merchant card processing for web which is at \$5.96 per transaction. Board member Franco asked if customers could be encouraged and directed to set up ACH (automated clearing house) payments and other credit or discounts. CFO Brown indicated that

they will look into different alternatives to lessen the increasing costs and burden on D.C. Water. The Committee recommended Board approval of the modification of year one and to increase the budget.

Chair Riddick reported that the Committee received a presentation from PFM's Eric Brown relative to the 2019 bond issuance. A savings was anticipated and \$343.1 million of Series 2019 taxable refunding bonds for debt service provided debt service savings. The Series 2019 D refunding generated significant debt service and a present value savings of \$50.8 million and a budget savings of \$77 million. This resulted from great timing on the bond issuance. The Series A, B taxable bonds are locked in at borrowing cost of 3.02 percent for 30-year debt. D.C. Water's ability to act quickly took advantage of that. Also, Fitch upgraded D.C. Water's credit rating to an AA+ on the senior lien and an AA+ on the sub-lien bonds.

Ms. Baxter asked Mr. Riddick what the likely fix will be for the increasing merchant card costs. Mr. Riddick stated that they will check into that but it is complicated. It is becoming a money maker for those in the industry who charge fees. He believes D.C. Water might need to consider transferring some of the costs, credit card or ACH. They will continue to look at what peers are doing.

### **Human Resources and Labor Relations Committee**

Reported by: Lavinia Baxter

Ms. Baxter stated that the Committee met on November 5, 2019. They received a presentation from Mr. Ron Lewis, Manager for Benefits, on medical plan rate renewals. He spoke about medical rate increases, and medical plan options available to employees. The Cigna Healthcare Plan premium will increase by 10.4 percent and the Kaiser Permanente Healthcare Plan will go up by 8.4 percent. The Delta Dental Plan will remain unchanged. D.C. Water's consultant Aon reported that the increases were based on some claims experience and also on medical and pharmacy trends. The Committee recommended approval of the three contracts by the full Board.

The Committee then went into executive session to discuss personnel matters according to D.C. law. Following their return to open session, they recommended to the full Board approval of the appointment of Marc Battle for Executive Vice President for Legal Affairs. Also, recommended to the Board was the adoption of the collective bargaining agreement on working conditions between D.C. Water and NAGE Local R3-06.

### **Issues of General Interest**

#### **Blue Plains Honey**

CEO Gadis asked Chris Peot, Manager of Resource Recovery, to come forward to talk about the jars of Blue Plains Honey that were on the Board's table. Mr. Peot explained that they have been hosting honey bees at the Blue Plains Water Resource Recovery Facility and supporting the values D.C. Water shares with the Urban Egg Community of Healthy Foods, Soils and Water. Since 2015 they have been working in partnership with the D.C. Beekeepers Alliance, an educational non-profit which has bee colonies in community gardens around the city. They do workshops, teach classes, and reach more than 1,000 D.C. households.

Mr. Peot reported that they get volunteers to assist them with the Blue Plains bees and the harvesting of honey. They have tied the bees into the Bloom product and it helps them connect

with the Urban Egg and the gardening community. Mr. Peot indicated that they attend and participate in a number of community events. Bloom is now used on 70 community gardens and 50 different school gardens.

Mr. Peot stated that the honey is the best he has ever had. Their mantra in the Resource Recovery Group is that there is no waste, only wasted resources. So, they are using the acreage at the Blue Plains Wastewater Treatment Plant and promoting the idea that bees can be collocated there.

Ms. Boardman asked if D.C. Water was going to sell the honey. Mr. Peot replied that he would love to if they had enough to sell. He stated that they need 100 hives to have enough to sell. They only have 4 hives.

### **CEO/General Manager's Report**

Reported by: David Gadis, CEO/General Manager

CEO Gadis stated that he had two leadership updates, but one employee was not present. Chad Carter has been promoted to Manager of Compensation, People and Talent.

CEO Gadis recognized Makeda Weaver, facilitator and trainer, Line of Sight Group, and asked her 15 trainees in the Line of Sight class to stand. Line of Sight is a mandatory frontline supervisor program which includes training in communications, relationship management, coaching self-awareness, managerial courage, decision making and adaptability. The goal of the program is to provide frontline managers with a customized leadership experience which will have an immediate impact.

Several big groups of employees were asked to come forward to take a picture with the Board's Chairperson Wells. In keeping with the Authority's plan to insource, Jason Hughes, Director of Water Distribution, has shown his leadership abilities. In FY 2019 small-diameter water main replacement projects were completed by in-house repair crews. Insourcing shortened the timeline for receiving customer water quality issues by eliminating the contract bid process, reducing the response time from three years on average down to less than one year now to replace water mains. Distribution Maintenance Branch staff members benefited from the opportunity to learn and apply new skills. Foremen worked to ensure that all staff members got an opportunity to participate at different points throughout the projects. CEO Gadis stated that the projects require tremendous perseverance to navigate through limited resources, delicate customer interactions, and variable weather challenges as well. The crews showed a commitment to D.C. Water's values of teamwork, trust, accountability, and safety. He then called up for pictures the repair crews Omega 20, Omega 30, and Omega 10.

CEO Gadis presented a couple of updates. The first concerned D.C. Water's participation in bringing St. Elizabeth's Hospital back online. The Water Quality Department worked with the District Government and the Hospital staff. They did a fantastic job. D.C. Water attends weekly meetings with the City Administrator and the Mayor to ensure that St. Elizabeth's legionella does not occur again and does not exist in the future.

Lead service line replacements are continuing. CEO Gadis reported that they recently celebrated with Franklin Street residents where 39 new lead service lines were taken out and replaced with new ones. There were 575 feet of new main, new streets, and new sidewalks.

They were told that property values have increased by approximately \$20,000 due to the fantastic work D.C. Water did.

The assessment of Blue Drop has been completed and CEO Gadis stated that they will meet with the Governance Committee next week to unveil the results.

CEO Gadis reported that they are moving forward on forming a steering committee to look at District energy, specifically thermal. He stated that they will keep the Board informed as they move forward.

On safety, CEO Gadis announced that D.C. Water has the lowest recordable incident rate and lowest lost time incident rate in the past five years. He commended the management team and the employees. George Porter, the new Safety Director, was also commended for jumping in and making a true difference in how everyone works every single day.

CFO Matthew Brown was asked to again speak quickly about D.C. Water's refinance of its debt. He reported that Fitch had just upgraded D.C. Water's credit rating to AA+ for the senior lien and AA+ for the subordinate lien, a portion was green and a portion was variable rate debt. They did well with the transaction and got a three percent interest rate. Due to the quick action of the Finance and Budget Committee and the Finance Team, they were able to refinance \$300 million worth of debt. This resulted in an overall budget savings over a period of about 28 years of \$77.7 million, a real savings for ratepayers. CFO Brown thanked the members of the Board and everyone involved for their quick action and their ability to take advantage of market conditions.

CEO Gadis recognized Executive Vice President Armond Curd for the work his team did during Customer Service Week which provided an opportunity to show how focused D.C. Water is on the customer.

Events in the new Headquarters Building are increasing and five events have been held to date. CEO Gadis reported that there are eight upcoming events already signed up. A couple of organizations have signed up for multi-year events.

Mr. Franco then asked CEO Gadis if the relevant committees could get an update on the marketing strategies or efforts on the Customer Assistance Program (CAP) for CRIAC fees. There was a low response last year by ratepayers and they want to learn the results of strategies instituted to address this. CEO Gadis agreed to keep them updated. Chairperson Wells asked if Mr. Franco had seen the recent full-page ad in the Washington Post and Mr. Franco replied yes. CEO Gadis reported that a Communications Plan has been completed and they will present it to the Board. He indicated that the Plan is very advanced and will assist in many areas including CAP.

Chairperson Wells stated that next on the agenda was an administrative item related to ratification of the appointment of Marc Battle as Executive Vice President for Legal Affairs. The Human Resource and Labor Relations Committee recommended the appointment and Chairperson Wells stated he had known Mr. Battle for a while. The Board members were asked by Chairperson Wells if there was the need to go into executive session to consider this appointment and no member responded. According to Chairperson Wells, Mr. Battle's background in the utility world and as a long-term employee of Pepco has made him a great choice for the position. He was highly recommended by professionals and elected officials in the District and the region.

**Administrative Item (Joint-Use)**

**Ratification of the Administrative Item to Appoint the Executive Vice President, Legal Affairs**

Chairperson Wells asked for a motion to approve the administrative item, joint use, which ratifies the appointment of Marc Battle to the position of Executive Vice President, Legal Affairs. Resolution No. 19-69. The motion to approve the administrative item, Resolution No. 19-69 was moved and seconded and unanimously approved by the members of the Board.

Ms. Boardman thanked Gregory Hope for the extraordinary work he has done while serving as Interim Executive Vice President, Legal Affairs. She stated that he had done a huge service to D.C. Water. The full Board applauded Mr. Hope. Chairperson Wells indicated that in the next Board meeting a resolution will be offered to officially honor the extraordinary work and leadership of Mr. Hope.

**Consent Items (Joint Use)**

Chairperson Wells asked for a motion to approve joint use action item. Mr. Bartlett moved to approve Resolution Nos. 19-70 through 19-73 and it was seconded. The motion to approve Resolution Nos. 19-70 through 19-73 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. It was moved to approve Resolution Nos. 19-74 and 19-75 and it was seconded. The motion to approve Resolution Nos. 19-74 and 19-75 was unanimously approved by the D.C. members of the Board.

Chairperson Wells stated that before going into executive session he wanted to inform the Board members and others interested that the Department of Energy and Environment (DOEE) will have an informal meeting to discuss with D.C. residents the financing of solar on their houses which include the complicated financing opportunities around the solar renewable energy credits, the income tax credits, and the net metering with Pepco. Chairperson Wells indicated that his team will meet with the Finance Team of D.C. Water and anyone interested to discuss the financing options.

**Executive Session**

Chairperson Wells asked for a motion to move into Executive Session pursuant to the Open Meetings Amendment Act of 2010, to discuss personnel matters Section 2-575(b) 10 of the D.C. Official Code. It was so moved and seconded and unanimously passed with a roll call. The Board went into Executive Session at 10:36 a.m. Following discussion, the public meeting was resumed.

There being no further business, Chairperson Wells adjourned the meeting.

  
Linda R. Manley, Board Secretary