



**DISTRICT OF COLUMBIA  
WATER AND SEWER AUTHORITY**

Board of Directors

*Special Meeting of the Governance Committee*

**October 12, 2016**

**9:00 a.m.**

1. Call to Order.....Ellen Boardman, Chairperson
2. Blue Drop Progress Report Discussion.....George Hawkins, General Manager and CEO
3. Executive Session<sup>1</sup>
4. Adjournment..... Ellen Boardman, Chairperson

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<sup>1</sup> DC Water's Board of Directors may go into executive session at this meeting pursuant to the District of Columbia Open Meetings Act of 2010, if such action is approved by a majority vote of the Board members who constitute a quorum to discuss: matters prohibited from public disclosure pursuant to a court order or law under D.C. Official Code § 2-575(b)(1); contract negotiations under D.C. Official Code § 2-575(b)(1); legal, confidential or privileged matters under D.C. Official Code § 2-575(b)(4); collective bargaining negotiations under D.C. Official Code § 2-575(b)(5); facility security under D.C. Official Code § 2-575(b)(8); disciplinary matters under D.C. Official Code § 2-575(b)(9); personnel matters under D.C. Official Code § 2-575(b)(10); proprietary matters under D.C. Official Code § 2-575(b)(11); decision in an adjudication action under D.C. Official Code § 2-575(b)(13); civil or criminal matters where disclosure to the public may harm the investigation under D.C. Official Code § 2-575(b)(14), and other matters provided in the Act.



# Blue Drop

Special Meeting of the Governance Committee  
October 12th 2016



**District of Columbia Water And Sewer Authority**  
George S. Hawkins, CEO and General Manager





# Objectives



1. Provide relief from rising rates to water and sewer customers in the District of Columbia and surrounding area



2. Commercialize products and services related to water



3. Improve the state of the water sector by sharing knowledge and expertise



## Benefits

- Spinoff of DC Water – nonprofit LLC to support ratepayer relief
- Singular, focused umbrella for existing revenue generating activities
- Transparency of income and expenses
- Nimble entity because of size and scope
- Limited ratepayer risk and liability to DCW
- Better positioned to bring products and services to market and compete with the private sector
- Three-year timeframe for launch and proof of concept
- Use existing time and existing budgeted funds to launch



## Precedent

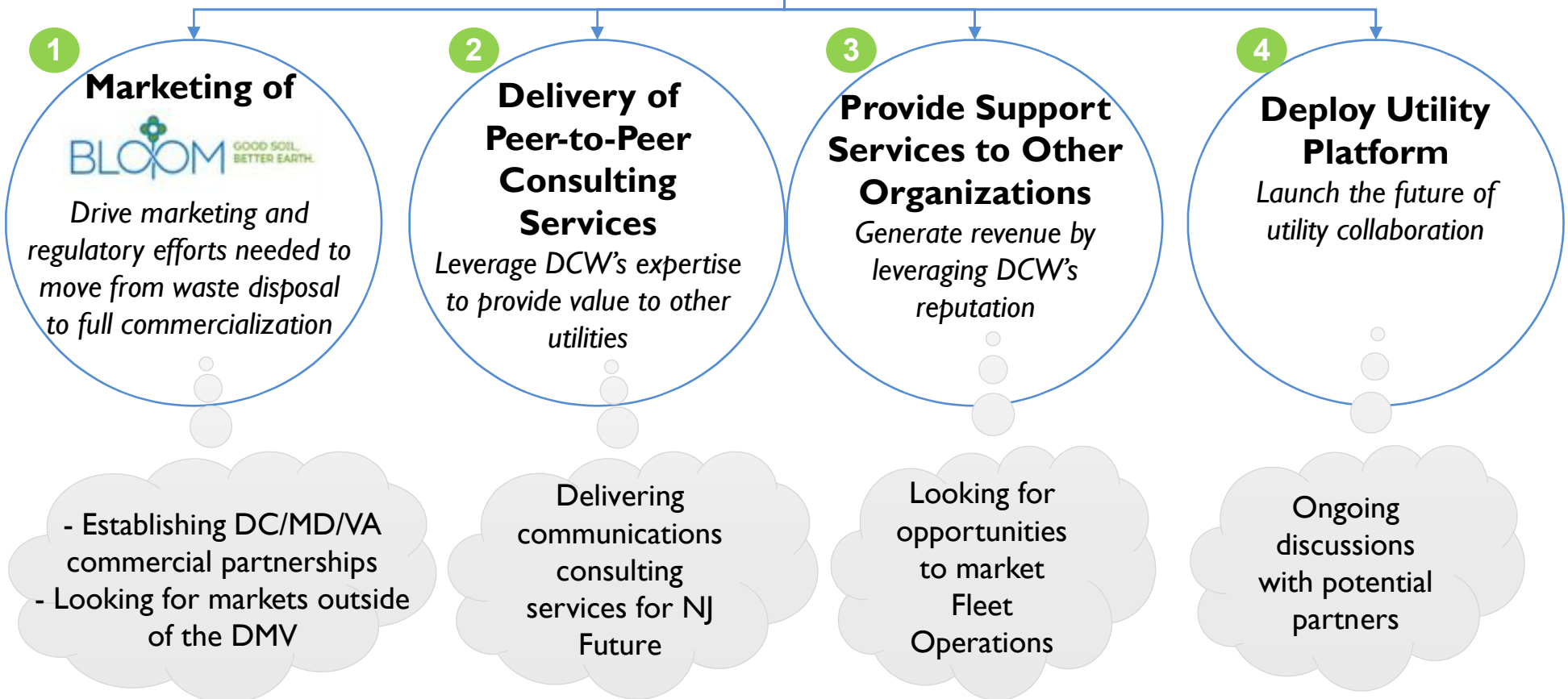
Other organizations have created similar entities to Blue Drop, including Clean Water Services (Oregon), Easton Utilities (Maryland), DC Public Library, DC Housing Authority, and the National Zoo.



# Activities

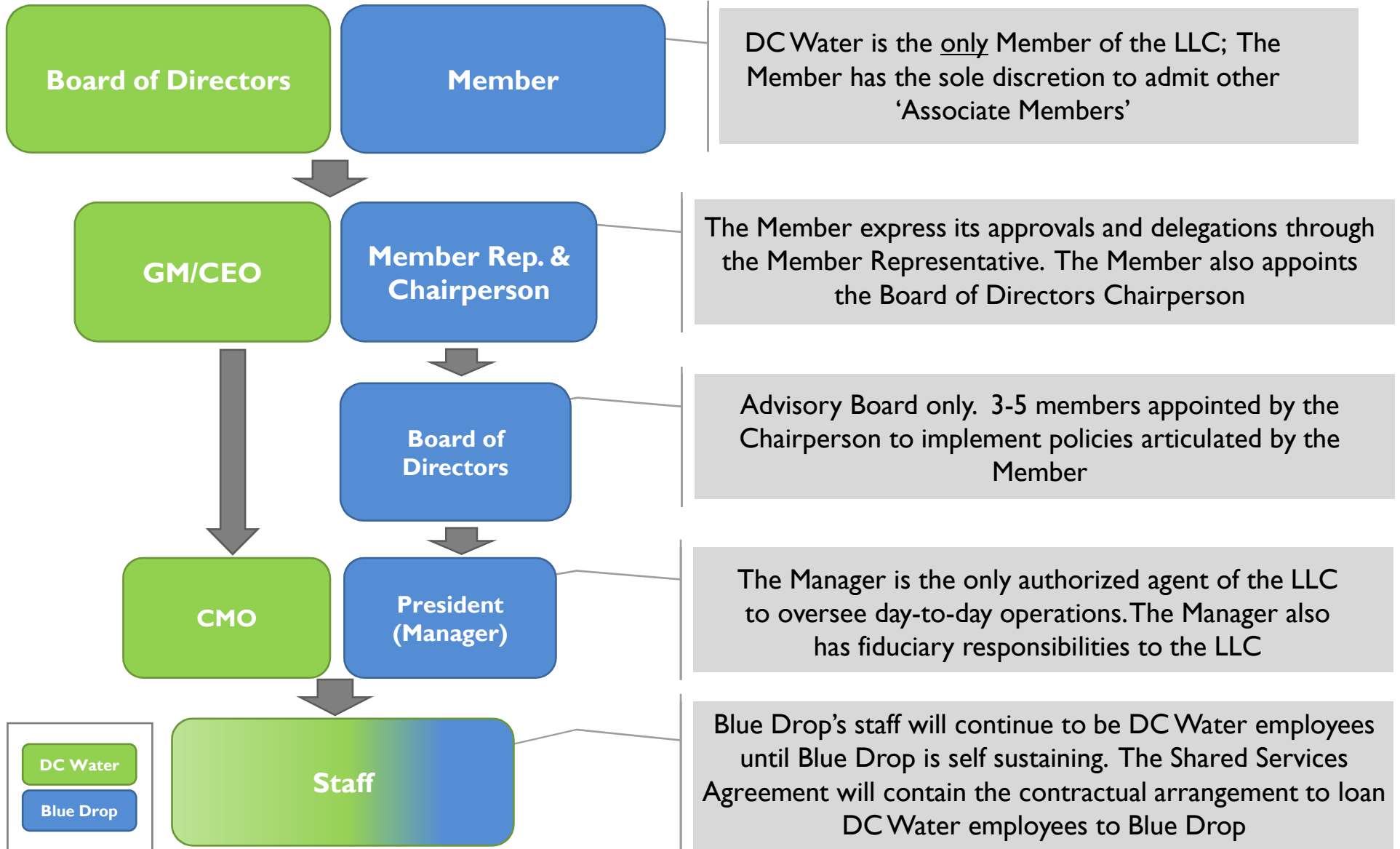


**Bring focus and investment to generate non-ratepayer revenue**





# Proposed Governance Structure





# Structural Boundaries

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- Blue Drop derives its authority from the DCW BOD. It may not alter or exceed that authority
- The Blue Drop BOD is appointed by the Chairman. It may not change the Chairman or the operating structure. The role of the Blue Drop BOD is limited to:
  - Advising staff
  - Directing day-to-day operations only
- As the sole member, DCW has control over the structure, nature of the operations, and legal authority of Blue Drop. Therefore, only the DCW BOD can change or revoke these at any time





# DRAFT Operating Agreement

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## 9.5. Acts Approved or Specially Delegated by the Member.

Neither the Blue Drop Board nor the Manager shall perform any of the following acts unless the Member approves or specially delegates the authority to perform such acts to the Blue Drop Board:

- A. Borrow money in the LLC name or use LLC property as collateral on either a recourse or a non-recourse basis,
- B. Admit or purport to admit a new member,
- C. Merge into, acquire or be acquired by another entity,
- D. Create any subsidiary, affiliate, series or class of interests,
- E. Sale, lease or exchange of all or substantially all of the assets,
- F. Perform any act which is not a nonprofit purpose,
- G. Amend this Agreement or the Certificate of Organization.
- H. Dispose of the good will and reputation of the LLC,
- I. Dissolve or purport to dissolve the LLC, or
- J. File a voluntary petition in bankruptcy



# Incorporation Activities

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## Legal

- Council oversight committee chair consulted
- Squire Patton Boggs memo received
- Operating agreement drafted
- Bylaws drafted
- Shared services agreement drafted



# Sample Revenue Waterfall

**DC Water project costs**  
(project staff time, equipment use)

**Blue Drop project costs**  
(contractors, travel)

**Blue Drop sustainability and growth**  
(business development, investments)

**RATEPAYER RELIEF**

