316TH BOARD OF DIRECTORS MEETING
MINUTES OF THE MEETING
FEBRUARY 6, 2025
(Via Microsoft Teams)

DIRECTORS PRESENT

District of Columbia Members

1. Unique Morris-Hughes, Chairperson
2. Rachna Butani Bhatt, Principal
3. Anthony Giancola, Principal
4. Howard Gibbs, Principal
5. Richard Jackson, Principal
6. Jed Ross, Principal

Prince George's County Members

1. Floyd Holt, Principal
2. Jared McCarthy, Principal
3. Jonathan Butler, Alternate

Montgomery County Members

1. Jon Monger, Principal
2. Fariba Kassiri, Principal
3. Jeffrey Seltzer, Alternate
4. Amy Stevens, Alternate

Fairfax County Member

1. Christopher Herrington, Principal
2. Sarah Motsch, Alternate

DC WATER STAFF

1. David Gadis, Chief Executive Officer and General Manager
2. Marc Battle, Chief Legal Officer and EVP, Government and Legal Affairs
3. Matthew Brown, Chief Financial Officer and EVP, Finance, Procurement and Compliance
4. Wayne Griffith, Chief Administration Officer and EVP
5. Jeffrey Thompson, Chief Operating Officer and EVP

6. Michelle Rhodd, Secretary to the Board

The 316th meeting of the District of Columbia Water and Sewer Authority's Board of Directors was called to order by Chairperson Unique Morris-Hughes at 9:31 a.m. The meeting was held via Microsoft Teams and streamed live at dcwater.com. Board Secretary Michelle Rhodd called the roll, and a quorum was established.

I. EXECUTIVE SESSION

The meeting opened in executive session to discuss to obtain legal advice and preserve attorney-client privilege under DC Official Code under DC Official Code § 2-575(b)(4)(A); and to discuss a personnel matter under DC Official Code § 2-575(b)(10).

The meeting resumed in public session with the Board Chair seeking to amend the agenda to add Resolution No. 25-05, which grants the General Manager authority to perform necessary actions to maintain operations in an emergency or crisis consistent with the direction of Resolution No. 25-05 approved by the Board of Directors. Dr. Morris-Hughes explained that the resolution was a non-joint use item, which required a vote of DC board members only and called for a roll call vote.

Upon a motion duly made the Board of Directors approved amending the agenda to add Resolution 25-05, Approval for the CEO & General Manager to Take All Actions Necessary to Maintain Continuity of Operations of the Washington Aqueduct.

Board member Christopher Herrington stated that Fairfax County did not agree that the motion is a non-joint use item.

Board member Jared McCarthy stated that Prince George's County did not agree that the motion is a DC matter only and looks forward to legal counsel's opinion being included in the record.

Board member Fariba Kassiri stated that Montgomery County also disagreed that the matter is a non-joint-use item.

II. APPROVE MINUTES

Board Chair Dr. Morris-Hughes asked for a motion to approve the minutes of the meeting on January 13, 2025.

Upon motion duly made the Board of Directors approved the minutes of the January 13, 2025, meeting as presented.

Next, Dr. Morris-Hughes asked Committee Chairs to report on their committee meetings.

III. COMMITTEE REPORTS

Meeting of the DC Retail Water and Sewer Rates Committee Report
Reported by Rachna Bhatt

DC Retail Water and Sewer Rates Committee Chair Rachna Bhatt presented a summary of the committee meeting held on January 28.

Matthew Brown, Chief Financial Officer and EVP, Finance, Procurement and Compliance presented the monthly report for Q1, noting that revenue was on track for the budget. There were favorable variances in the Residential/Commercial/ Multi-Family, Federal, and Municipal, Water System Replacement Fee, Pilot, and Other categories. 2025 revenues were adjusted in the budget to increase overall revenue by 3 percent and an additional $9.4 million was allocated to the Other category to include the Fire Protection Fee. There was a negative variance of $1.7 million in the DC Housing Authority category due to a missed payment.

Delinquent accounts increased by approximately $1 million. Board members expressed concern about the delinquency trend and Management discussed a new campaign to assist in this area. Mr. Brown reviewed the Consumer Assistant Program report, highlighting the high participation in the CAP+ program.

The Developer Deposits report included a summary of all deposits from 2001 through 2014, which had a new balance of $421,423. Mr. Brown noted that the consultants conducting the cost-of-service study for miscellaneous fees were exploring the possibility of a fixed fee for inspections to eliminate the need for reimbursable developer deposits.

Board members inquired whether President Trump’s action to halt all grant funding had impacted DC Water. Mr. Brown explained that DC Water had secured $199 million of grant funding out of $400 million awarded, and the executive order appeared to affect only new grants, not those already secured.

Meeting of the Environmental Quality and Operations Committee Report
Reported by Sarah Motsch

Environmental Quality and Operations Committee Chair Sarah Motsch presented a summary of the committee meeting held on January 16.

Nicholas Passarelli Vice President, Wastewater Operations, reported on the performance of Blue Plains Advanced Wastewater Treatment Plant (BPAWTP) for December 2024. All parameters were within the national pollution discharge elimination standard permit limits. The tunnel systems and wet weather treatment captured 75 million gallons with no overflows. On-site energy generation was 22 percent of the plant's average consumption. 2,067 wet tons of biosolids were sold as Bloom, and the remaining 10,328 wet tons were land applied through existing land application contracts.

Brent Christ Director, Facilities Management, reorted on the successful implementation and outcomes of key performance indicators (KPIs) through enhanced collaboration between the facilities management team and the Enterprise Program Management Office (EPMO). The facilities team achieved a significant upward trend in meeting and surpassing targets. Through dedication to accountability, improved dynamics, and the use of the Maximo system to track and close out requests, the facilities team was able to significantly boost operational efficiency.

Mr. Brown presented the proposed FY25 to FY34 CIP Budget update, beginning with an overview of the proposed Capital Improvement Plan (CIP). After summarizing the approval schedule, he provided the operations and management budget and financial plan highlights. David Parker provided further CIP details. The proposed 10-year CIP budget of $9.62 billion represents an increase of $1.9 billion over last year's CIP. The Lead Free DC Program has increased by $200 million due to DDOT permits and the removal of brass service lines. A $429 million increase in wastewater is for odor removal and second source, and $783 million has been added to the sewer program for sewer rehabilitation.

An overview of the move to collaborative delivery was provided, highlighting the 47 staff trained by the Design Build Institute of America (DBIA), and the 20 staff who have achieved DBIA certification.

Future CIP needs were discussed, which may be $5 to $10 billion more than the current proposal. The path forward will include continued condition assessments, confirmation of inflationary increases, and evaluation of customer affordability. A series of presentations will be delivered to the Board committees throughout 2025.

The presentation concluded with a discussion on risks being monitored and mitigated, and optimization and revenue generation opportunities.

The Committee recommended moving one Non-Joint Use action item to the full Board for approval.

Meeting of the Human Resources and Labor Relations Committee w/Union Presidents Report
Reported by Jed Ross

Human Resources and Labor Relations Committee Chair Jed Ross presented a summary of the committee meeting held with Union Presidents on January 22.

Jonathan Shanks, President of AFGE 872, raised a concern about union work being contracted out in the meter section, stating that management should follow procedures outlined in the collective bargaining agreement (CBA). He noted that union leaders were assigned to train contractors, which had not been the case before, and emphasized the need for more staff to read meters. Management explained that the hiring of temporary contractors was necessary to clear a backlog. Mr. Shanks proposed halting contractor hires until management meets with union leaders.

David Gadis, Chief Executive Officer and General Manager, acknowledged training issues and clarified that contractors were hired to avoid overburdening union staff. Union leaders noted a trend in contractors taking union positions, such as project management and inspections, and expressed concerns about positions that were not backfilled. Mr. Ross requested detailed information on the eliminated positions to assess the impact of contracting. Shawn Brown Acting Vice President of Employment, Labor and HR Compliance stated that recent hires were made within the guidelines set out in the Collective Bargaining Agreement.

Barbara Milton, AFGE 631, raised concerns that recent changes to the Fitness for Duty process deviated from the contract and stated that management had not explained the program to the unions. She asked the Board to investigate the program and compare it to the contract requirements.

Ms. Milton discussed the reclassification of wastewater treatment (WWT) operators, noting multiple requests over several years to reclassify WWT operators as Grade 10 or higher. Mr. Brown explained that the process of reclassification requires a feasibility study and negotiation, if applicable. Ms. Milton stated that management had advised it was performing a classification study that would address the request, but People and Talent confirmed that the classification study only applied to non-union employees. Mr. Ross stated that he would follow up with management for a timeline for a response to the request.

Keith Lindsey, Chief of Staff and acting EVP of People and Talent provided an HR update, focusing on the Enterprise Human Capital Strategy to improve staffing and efficiency, succession planning, and performance management. A staff survey developed with union input will be distributed in February for analysis.

Committee member Christopher Herrington asked for clarification on the number of employees participating in the contribution matching plan. Kenya Zeigler, Manager, Benefits stated that 67 percent of employees are participating at over 5 percent and receiving the full matching contribution, while others receive less than the full match.

Jermaine Quattlebaum of AFGE 631 asked for more information on the 457(b) Roth plan. Ms. Zeigler confirmed that Fidelity representatives would provide more information through webinars and at the annual benefits fair.

Meeting of the Audit and Risk Committee Report
Reported by Floyd Holt

Audit and Risk Committee Chair Floyd Holt presented a summary of the committee meeting held on January 23.

The internal audit update included the FY25 audit plan progress report. The audit is in progress toward a planned 11 audits for the fiscal year. Fieldwork has begun for the first three audits: work order management, an artificial intelligence policy and governance assessment, and a safety audit. SCADA penetration testing will begin in February, 2025.

Open high-risk prior audit findings included one from FY23 and two from FY24. The finding for the FY23 fleet management audit had encountered delays and a new target date was set for September 30, 2025. There are no open audit findings prior to FY23. A total of 92 percent of all prior audit findings from FY24 to FY27 are closed: management's target closure rate is 95 percent.

There were four calls received during the last quarter by the Fraud, Waste, and Abuse Hotline. Two were found to be not related to fraud, waste or abuse, one was closed due to lack of information, and one will proceed with further investigation but was noted to be out of scope and therefore a special project to be handled outside the Audit and Risk Committee.

Meeting of the Joint DC Retail Water and Sewer Rates and Finance & Budget Committee Report
Reported by Anthony Giancola

Finance and Budget Committee Chair Anthony Giancola presented a summary of the Joint DC Retail Water and Sewer Rates Committee and Finance and Budget Committee meeting held on January 28.

Matt Brown presented the proposed FY26 budget. The proposed Operating Budget is $838.1 million, an increase of $49.9 million over the current fiscal year. The proposed 10-year CIP budget is $9.62 billion, an increase of $1.88 billion over the current CIP. Mr. Brown reviewed the proposed FY26 budget's sources and uses of funds totaling $1.01 billion.

Mr. Brown noted that Congress is discussing removing tax-exempt status for bonds for entities such as DC Water, which would have significant negative consequences for the Authority. He also informed the committee of the various executive orders regarding federal grants and noted staff will continue to monitor for any significant impact.

Lola Oyeyemi, Vice President of Budget, compared the FY25 and FY26 operating budgets. For FY26, the largest expenditures are personnel services and debt service, and the target vacancy rate is reduced to 5 percent from 7 percent. Chairperson Giancola stated he is not in support of lowering the vacancy rate as he does not feel this is attainable. He also noted that the net reduction of 42 positions should offset the projected increase in personnel costs. Ms. Oyeyemi noted that personnel increases are tied to wage increases in the union agreement.

DC Retail Water and Sewer Rates Committee Chair Rachna Bhatt asked whether the projected vacancy rate was a result of People and Talent setting a goal for the staffing level they would like to see. Ms. Bhatt stated that she would like to make sure the vacancy rate goal is based on what is ideal for DC Water.

Finance and Budget Committee member Jonathan Butler inquired whether there is a debt service ceiling. Mr. Brown stated that there is a management cap of 33 percent of operating revenues. Mr. Giancola noted that the projection for FY34 is that debt service will be 41.8 percent for the CIP and asked what the combination debt service cost will be at that time. Mr. Brown stated that the combined debt service cost for FY34 would reach 33 percent of revenues in the ten years.

Mr. Giancola noted that the amount budgeted for overtime had been increased from $9 million to $11 million, and praised this decision.

Mr. Butler asked whether there should be a line item in the CIP budget to reflect investment in a second source of water for the District. Mr. Brown noted that one project is dedicated to second source, but the complete project would cost well over $1 billion. Initial work on water resiliency is included within the 10-year CIP. Mr. Parker stated that part of the funding request will look at the Blue Plains facility and possible reuse, reclamation, or high-level treatment for a second source as well as additional water storage for both finished and raw water. Mr. Giancola requested the budgeting for a second source be more visible in future budgets.

DC Retail Water and Sewer Rates Committee member Jed Ross requested a budget conversation regarding federal funding for the Washington Aqueduct.

Mr. Brown provided a review of projected rate increases in each of the next ten years. He noted that near-term rate increases are slightly lower than original projections due to increased revenue in the FY25 budget. Mr. Giancola asked for the projected rate increases table to be augmented with the projected national inflation rate for each year.

Board Chair Unique Morris-Hughes inquired whether there had been information from grant providers regarding the impact of President Trump's executive order stopping grant funding. Mr. Brown stated that information received to date from the EPA regional office anticipates continuing to process reimbursements for grants that have already been awarded.

Meeting of the Finance & Budget Committee Report
Reported by Anthony Giancola

Finance and Budget Committee Chair Anthony Giancola presented a summary of the committee meeting held on January 28.

Ms. Oyeyemi presented the December 2024 financial report. At the end of the first quarter of FY24, total operating revenue was approximately $247.6 million or 26.7 percent of the budget, operating expenses were approximately $171.3.6 million or 21.7 percent of the budget, and capital disbursements were $177.2 million or 19.7 percent of the budget. The vacancy rate was 7.5 percent based on the authorized headcount.

Ms. Oyeyemi noted that in January, the auditor presented its findings to the Audit and Risk Committee with the issuance of an unmodified "clean" opinion for DC Water's FY24 financial statement. There are ongoing activities to complete the Office of Management and Budget Uniform Guidance Audit, Annual Comprehensive Financial Report, and the Green Bond Attestation.

IV. CEO AND GENERAL MANAGER'S REPORT

CEO and General Manager David Gadis provided an update and began with appreciation for Team Blue's hard work during the inauguration to ensure that there were no main breaks or sewer issues during the event. There was one main break and it was handled quickly.

Mr. Gadis noted that with respect to the Bipartisan Infrastructure Law and President Trump's recent executive order titled "Unleashing American Energy," DC Water continues to submit invoices and continues to be paid. Mr. Gadis noted that the legal team continues to monitor the impact of the executive order.

On January 23, the Stakeholder Alliance Welcome reception was held to welcome new members. Mr. Gadis noted that the group was set back during COVID-19 but had started up again. He discussed the importance of the group to connect with members of the community and hear their concerns about fee increases and services.

Mr. Giancola shared three questions with the Board concerning the CEO's report:

1. The Administration Metrics report states that the target for Fleet Priority One Vehicle Service is 50 to 90 percent. Mr. Giancola stated that 80 to 90 percent may be acceptable, but 50 percent is too low.
2. The People and Talent: Annual Turnover Metrics report shows that employee turnover is increasing at close to 1 percent annually, from 4.92 percent to 8.11 percent from 2020 to 2024. Mr. Giancola asked whether this increase is factored into vacancy rate projections.
3. Mr. Giancola noted the extended target date for the open high-risk audit finding for the 2023 Fleet Management Audit and asked for elaboration on why the timeline has been extended.

Mr. Gadis noted Mr. Giancola's questions and stated that additional detail on these report items would be provided at the next Audit and Risk Committee meeting.

V. CONSENT ITEMS (NON-JOINT USE)

1. Approval to Execute Amendment No. 1 of Contract No. 240070, Construction Manager at Risk (CMAR) Guaranteed Maximum Price (GMP), Division RC-C– Rock Creek Project C(GI), Fort Myer Construction Corporation – **Resolution No. 25-04** (Recommended by the Environmental Quality and Operations Committee 01/16/25)
2. Approval of **Resolution No. 25-05,** as amended.

Upon a motion duly made the Board of Directors voted to approve the Non-Joint Use Resolutions 25-04 through 25-05 as presented.

VI. ADJOURN

There being no further business to come before the Board, the meeting adjourned at 12:47 p.m.

Michelle Rhodd

Michelle Rhodd
Secretary to the Board of Directors