



**MINUTES OF THE MEETING
FINANCE AND BUDGET COMMITTEE
MAY 22, 2025
(Via Microsoft Teams)**

COMMITTEE MEMBERS PRESENT

1. Anthony Giancola, Chair, Principal, District of Columbia
2. Jonathan Butler, Alternate, Vice Chair, Prince George's County
3. Richard Jackson, Principal, District of Columbia
4. Sarah Motsch, Alternate, Fairfax County
5. Fariba Kassiri, Principal, Montgomery County

OTHER BOARD MEMBERS PRESENT

1. Unique Morris-Hughes, Principal, District of Columbia
2. Jed Ross, Principal, District of Columbia

DC WATER STAFF

1. David Gadis, Chief Executive Officer and General Manager
2. Matthew Brown, Chief Financial Officer and EVP
3. Kirsten Williams, Chief Administrative Officer and EVP
4. Jeffrey Thompson, Chief Operating Officer and EVP
5. Lola Oyeyemi, Vice President, Budget
6. Moussa Wone, Vice President, Engineering and Clean Rivers
7. Paul Guttridge, Director, Shared Services and Asset Management
8. Meisha Thomas, Director, Customer Care
9. John T. Pappajohn, Director, Procurement, Goods & Services
10. Tanya DeLeon, Risk Manager
11. Michelle Rhodd, Secretary to the Board

Anthony Giancola, Chair, called the meeting to order at 9:30 AM. The meeting was conducted via MS Teams. Secretary to the Board Michelle Rhodd called the roll.

I. MONTHLY REPORT TO THE FINANCE AND BUDGET COMMITTEE

Lola Oyeyemi, Vice President of Budget, presented the Financial Report for the period ending April 30, 2025. As of the end of April 2025, with approximately 58 percent of the

fiscal year completed, total operating revenues were \$575.7 million or 60.5 percent of the budget; operating expenditures were \$396.7 million or 50.3 percent of the budget; and capital disbursements were \$305.3 million or 42.5 percent of the budget.

Ms. Oyeyemi noted that year-end projections for the current fiscal year will be provided at the next Finance and Budget Committee meeting in June. She also announced the completion and online publication of the FY 2026 Approved Budget Book that was transmitted to the District in April.

Total operating revenues were \$575.7 million with a year-to-date favorable variance of \$15.7 million, of which \$6.5 million was in the Residential/Commercial/Multi-Family category mainly due to higher than anticipated CRIAC receipts. A favorable variance of \$8.8 million in the Wholesale category was due to early payments by Fairfax and Loudoun County. The unfavorable variance for the DC Housing Authority was due to non-receipt of the March billing until May. Total operating expenses were \$396.7 million or 50.3 percent of the budget, with no significant deviations from previous reports. The vacancy rate at the end of April was 5.3 percent. Debt Service is favorable to budget due to lower variable interest rate than anticipated in the budget and the timing of the new money bond transaction.

Capital disbursements totaled \$305.3 million, or 42.5 percent of the budget. The favorable variance in the Combined Sewer Overflow category reflects the Clean Rivers project closeout. The Sanitary Sewer category reflects realignment for the Potomac Interceptor project.

Cash investments, including the Rate Stabilization Fund balance of \$35.6 million, totaled \$559.8 million. Operating interest income for the year to date was ahead of the \$4.7 million budget, with approximately \$1.4 million earned in April and \$8.4 million earned year-to-date. Delinquent Accounts totaled \$35.6 million at the end of April 2025, which was a small decrease in both dollar value and the number of accounts compared to March 2025. Multi-family accounts accounted for 54 percent of the total delinquencies.

Developer Deposits totaled \$36.89 million in credit balances (liability) and \$11.12 million in debit balances (receivables). In April 2025, 17 developer accounts were processed, leading to approximately \$57,613 in refunds.

Chairperson Giancola asked whether the FY 2026 budget transmitted to the District reflected the spending authority adjustments mandated by the federal government. Ms. Oyeyemi clarified that the spending adjustments are relevant to the FY 2025 budget and that the detailed projections will be provided to the Finance and Budget Committee in June 2025. Ms. Oyeyemi expressed confidence that the current spending limits will be sufficient to ensure DC Water complies with the mandate to maintain FY 2024 spending

levels in FY 2025. In response to Vice Chair Jonathan Butler, Ms. Oyeyemi reviewed strategies to reduce FY 2025 spending.

Matthew T. Brown, Chief Financial Officer and EVP elaborated that spending reductions are mainly in four key areas: a personnel hiring freeze that allows flexibility for high-priority hires; a reduction in non-personnel services spending including a reduction in contractual services; debt service savings achieved by both refinancing the Authority's bonds, lower interest rates, and bond issuance timing; and reducing usage of the PAYGO, where cash spending on the capital budget is included in the operating budget.

Chairperson Giancola inquired about the impact of the spending reduction on capital projects. Mr. Brown noted that the federal action takes off one year of the 10-year capital program and represent an approximate 10 percent spending reduction but will have no impact on the CIP in the near term.

II. CAPITAL IMPROVEMENT PROGRAM QUARTERLY UPDATE

Paul Guttridge, Director of Shared Services and Asset Management, provided the Capital Improvement Program (CIP) update for the second quarter beginning with a review of the FY 2025 CIP disbursement performance. The revised budget is \$650 million for the fiscal year, while current projections anticipate spending \$587 million or approximately 90 percent of the budget.

A review of spending performance by service area reveals that the Water Program is expected to overachieve due to better-than-anticipated progress, the Lead Free DC Program is on track with projections, and the Sewer Area project is expected to spend less than projected due to reassessment of the Potomac Interceptor projects while condition assessments are completed. In total, 52 KPIs are due in FY 2025. Five have been completed within the threshold and 21 are projected to be completed outside the threshold by greater than 90 days.

In response to Chairperson Giancola, Mr. Guttridge discussed the impact of tariffs on the supply chain for supplies sourced from overseas, noting some impacts on supply availability. As the tariffs are unpredictable and in flux, the management team is closely monitoring the situation. Moussa Wone, Vice President, Engineering and Clean Rivers, reported that the North Tunnel boring machine had completed its factory acceptance test in Germany and was due to be shipped to the United States in August 2025. DC Water was recently notified of potential tariff impacts on the cost at the time of shipment.

Dr. Wone provided updates for the Water Service, Sewer Program, Facilities, and Non-Process Facilities service areas. Dr. Wone highlighted ongoing project contract spotlights and accomplishments achieved in each area. For the Water Program, Procurement

outreach for the Water Pumping & Storage Facilities Progressive Design Build (PDB) has been conducted with a Request for Proposal (RFP) anticipated in July 2025, and condition assessment of large diameter water mains continued use of non-invasive technologies to evaluate pipeline conditions. High-resolution assessments were expected to start in June and data was expected to be available in July 2025.

Accomplishments for the Sewer Program include completion and pending approval of contractor pre-qualifications for the \$200 million Linear Water and Sewer Rehab Master Services Agreement (MSA), which will be used to issue smaller contracts as needed to support the project. In FY 2025 to date, inspections have been completed on 27 miles of local sewers, 14 miles of very large sewers, and 1,444 manholes.

With respect to the Non-Process Facilities Program, highlights include a bidding package in preparation for 14 HVAC system replacements at a projected cost of \$4.5 million, the completion of roof assessments for 84 roofs in the Blue Plains Campus, and the submission of WELL Health-Safety Ratings certification applications for four buildings in March 2025.

III. EXTENSION OF PAYMENT PLAN INCENTIVE PROGRAM INTO FY 2026

Meisha Thomas, Director of Customer Care, presented a request to increase the assistance provided by the Payment Plan Incentive program from 40 percent to 50 percent credit of the payments made towards delinquent balances and to fund the program for FY 2026 with a \$1 million transfer from the Rate Stabilization Fund (RSF).

Ms. Thomas provided an overview of the program, which was launched on June 1, 2024, to assist residential customers with outstanding balances of \$500 or more that were delinquent for at least 60 days by offering a 40 percent credit on the amount paid to reduce delinquent balances faster. The credit is applied every fourth month after three consecutive months of on-time payments. The program budget was \$2 million each year for FY 2024 and FY 2025, using the RSF.

A key goal of the program is to get customers back into the process of maintaining monthly payments. Extension of the program in FY 2026 will ensure that customers who establish a payment plan after June 2025 will be eligible for program benefits. Increasing the payment credit from 40 percent to 50 percent aims to both reduce delinquent balances more quickly and provide greater payment incentives to delinquent customers while reducing the number of disconnection orders.

In FY 2024, the program helped 470 customers by providing approximately \$122 thousand in adjustments. In FY 2025 to date, 1,375 customers have accessed the program at a rate of approximately 150 per month, for just over \$382 thousand in

adjustments year-to-date. As of April 2025, 66 percent of program participants are maintaining payments. The aim is to increase the percentage of customers that maintain their payment plans by providing a higher incentive.

In response to Chairperson Giancola, Ms. Thomas noted that of 8,996 total delinquent customers, 3,413 are eligible for the program and 939 have enrolled. Efforts to recruit the remaining 2,474 eligible customers include email campaigns and customized flyers. The Authority also has a robocall system that could be used.

Ms. Thomas noted DC Water had planned to use the RSF for program adjustments in FY 2024 but due to the lower than anticipated participation rates, the RSF was not used and \$2 million was transferred back to the fund. Management is monitoring expenditures in FY 2025 to determine whether \$2 million will be transferred back to the RSF for absorption into 2025 revenue. The current projected expenditure is approximately \$650 thousand.

IV. PROPERTY AND CASUALTY INSURANCE PREMIUMS FOR 2025–2026

Tanya DeLeon, Risk Manager, presented a request to seek Board approval for the July 1 insurance renewal at a total not to exceed \$5.6 million. Ms. DeLeon noted that this amount includes a \$198 thousand membership credit and a \$132 thousand credit for investments in resiliency from the insurer, FM Global, for a total credit of \$330 thousand. Formal quotes for the new policy are due June 11, 2025, and the final cost will be provided at the June Committee meeting.

Ms. DeLeon reviewed market conditions affecting insurance costs, noting that global insured losses from natural disasters in 2024 are estimated at \$368 billion with insured losses of \$145 billion, 54 percent above the twenty-first century average. She noted an above average Atlantic hurricane season is forecasted and there is concern that inflationary pressures may affect property replacement cost values. One abating trend is that January 2025 reinsurance market results improved over 2024. Based on these factors, Ms. DeLeon noted that the current flat renewal rate is fair. Also, the Authority purchases other national flood insurance policies for additional coverage.

With respect to liability, Social Inflation continues to drive higher liability insurance costs, with average premium rate increases of approximately 5 to 15 percent on average. DC Water has the benefit of two mutual insurers able to provide the \$100 million total limit purchased. Insurers have also seen an uptick in phishing and ransomware losses, and there are concerns regarding threats to public sector and critical infrastructure accounts given geopolitical risks. Ms. DeLeon noted that DC Water recently completed a cybersecurity assessment and received positive scores for its controls.

In response to Chairperson Giancola, Ms. DeLeon confirmed that the FY 2025–2026 rate is relatively flat compared to the FY 2024–2025 rate of \$5.6 million.

In response to Board member Jed Ross, Ms. DeLeon confirmed that there are four brokers on the account. Mr. Ross noted it would be helpful to see the brokerage fees for each.

Committee member Fariba Kassiri asked the Board to consider discussion of its ransomware coverage and ransom policy as an executive session item.

V. ACTION ITEMS

- A. Recommendation for approval of funding for Annual Property and Casualty Insurance Renewal of a not to exceed value of \$5.6 million
- B. Recommendation for approval to make the transfer from the Rate Stabilization Fund to the Authority General Fund in the FY 2026 budget

The Committee agreed to submit the action items to the full Board for consideration

VI. AGENDA FOR THE JUNE 2025 COMMITTEE MEETING

The agenda for the meeting on June 26, 2025, includes the May 2025 Financial Report, FY 2026 Mid-Year Projections, and a review of upcoming summer 2025 financing activities.

Mr. Giancola noted that the Board is due for an update on legal matters pertaining to high delinquencies in multi-family residential units. Marc Battle, Chief Legal Officer and EVP noted that a legal update and an update on the Old Soldiers Home could be prepared for an executive session at the June 2025 Board meeting.

VII. ADJOURNMENT

The meeting adjourned at 10:20 AM.

FOLLOW-UP ITEMS

- 1. Provide the Committee with the brokerage fees for each insurance broker
- 2. Prepare a legal update on high delinquencies in multi-family residential units and an update on the Old Soldiers Home at the June 2025 Board meeting