



**DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY
BOARD OF DIRECTORS
267th MEETING
THURSDAY, SEPTEMBER 3, 2020
MINUTES**

Present Directors

Tommy Wells, Chairperson, District of Columbia
Krystal Brumfield, Vice Chairperson, District of Columbia
Ellen Boardman, District of Columbia
Rachna Bhatt, District of Columbia
David Franco, District of Columbia
Floyd Holt, Prince George's County
Adam Ortiz, Montgomery County
Major Riddick, Jr., Prince George's County
Emile Thompson, District of Columbia
Randy Bartlett, Fairfax County
Adriana Hochberg, Alternate to Fariba Kassiri, Montgomery County

Present Alternate Directors

Kendrick Curry, District of Columbia
Anthony Giancola, District of Columbia
Howard Gibbs, District of Columbia
Joseph Gill, Prince George's County
Joe Leonard, District of Columbia
Sarah Motsch, Fairfax County
Jed Ross, District of Columbia
Steven Shofar, Montgomery County
Ivan Frishberg, District of Columbia
Lavinia Baxter, Prince George's County

DC Water Staff

David Gadis, CEO and General Manager
Matthew Brown, CFO and EVP for Finance & Procurement
Marc Battle, Chief Legal Officer and EVP for Government Affairs and Legal
Linda R. Manley, Secretary to the Board

Call to Order and Roll Call

Chairperson Tommy Wells (the Chair) called the 267th meeting of the District of Columbia Water and Sewer Authority's (DC Water, the Utility, the Authority) Board of Directors to order at 9:32 a.m. Ms. Linda Manley, Board Secretary, called the roll and determined that a quorum was present.

Approval of the 2 July 2020 Minutes

The Chair asked for a motion to approve the July 2, 2020 minutes. The motion was moved, seconded, and unanimously approved by the Board.

Chairperson's Overview

The Chair devoted his remarks to commemorating Ellen Boardman's service to DC Water, as she is cycling off the Board. He highlighted her devotion, the time she spent independently working on important board tasks, and her integrity. Other members were invited to give their remarks about their time on the board with Ms. Boardman. Her dedication, leadership, and passion for excellence were all recognized. Ms. Boardman accepted these remarks with a short speech, thanking the other board members and staff for the work they do.

The Chair then invited the following committees to make their reports to the Board.

Environmental Quality & Operations Committee

Reported by: Adam Ortiz, Chairperson

Adam Ortiz reported that the Committee met on July 16, 2020 and received a Blue Plains performance update from Aklile Tesfaye. All of the Committee's parameters and permit requirements were met. Jason Hughes reported that as of July 6, out of approximately 9,500 public fire hydrants, 55 were out of service, 32 had operational defects, and 23 were offline for the short term due to nearby repairs or construction. This is within the parameters and was not unexpected.

The Committee recommended six joint use items as well two non-joint items for Board approval. The Committee also requested that staff provide a future briefing on the process behind vetting contracts in the procurement process to better understand how competitiveness and minority participation factor into the decisions around contracts are made.

Len Benson briefed the Committee on the relationship between the Washington Suburban Sanitary Commission (WSSC) and the wholesale customer communication process via the inter-municipal agreement (IMA). The presentation also touched on various regional committees directly related to Blue Plains. Mr. Benson also highlighted that DC Water and WSSC and Fairfax County coordinate on a variety of other issues beyond the regional level, such as design build selections, advising state and federal authorities on various technical aspects, policies, rules and regulations.

Audit Committee

Reported by: Floyd Holt, Chairperson

Floyd Holt reported that the Committee met on July 23, 2020 and CFO Matt Brown presented the proposal for the new external audit contract award recommendations to KPMG. He outlined KPMG's credentials, the work they had done in the past, and their work with DC Water in the past, touching on their subcontract work with Bert Smith. The Committee discussed the proposal, and decided the KPMG proposal was the most responsive of the seven submitted. The Committee recommended moving forward with KPMG to serve as the external auditor to the full board.

Next, RSM Partners presented the FY 2020 internal audit plan, giving updates on the work order of planning assessment, the facilities management audit, benefits and compensation audit, and the second phase of the physical security penetration testing

The Committee also discussed four audits that would be deferred as a result of the COVID-19 pandemic, and added a new item. The deferred audits will be added to the FY 2021 plan when it is introduced.

The Committee looked at the work order planning assessment and identified two high risk findings. The first had to do with inconsistent and poorly defined roles and responsibilities. The second had to do with inconsistent job planning for equipment maintenance. Management is working to resolve both of those issues.

The Committee discussed the facilities maintenance management audit and focused on two specific findings. The first was an inconsistent entry of materials and labor costs into the maximum tracking system. The system's current configuration allows you to close out a work order without supervisory review. That issue will be resolved in the upgrade of the system. The second issue was a high risk finding related to tracking materials and labor. The second finding is currently being reviewed.

The Committee reviewed the benefits and compensation audit report, and there were no high-risk findings. They reviewed their hotline update, and convened into executive session to discuss one item. The Committee reconvened into the public session to adjourn the meeting.

D.C. Retail and Water & Sewer Rates Committee

Reported by: Rachna Bhatt Butani

Rachna Bhatt reported that the Committee met on August 25, 2020. Matthew Brown began his presentation to the Committee by stating the Committee would be asked to recommend the following to the full Board for approval: the multi-year rate proposal for FY '21 and '22 rates, charges, and fees; the proposal to increase the customer metering fees for FY '21 and '22; the proposal for CRIAC for CAP customers from 50 percent to 75 percent; and the proposal to amend regulations to make CAP II permanent. He also assured the Committee that ample steps had been taken to notify the public and allow for their comment. Mr. Brown stated that the participation in CAP has increased this year as a result of the pandemic and advertising and outreach efforts.

Mr. Brown stated that there is currently 13 million of current year savings, and that DC Water is proposing to put that sum into the rate stabilization fund for FY 2020 and to apply 2.5 million and 10.5 million in fiscal years '21 and '22 respectively. He provided an overview of the impact of the proposed and forecasted rate changes on the average customer and summarized the rating agency views of DC Water, with comparative information from peer utilities. Mr. Brown concluded the presentation with a discussion of the ways in which DC Water is working with the Office of the People's Counsel.

Mr. Brown next gave a presentation on FY 2020 net cash position; the same presentation will be given to the Finance and Budget Committee. The presentation provided the Committee with a revised FY 2020 year-end revenue and expenditure projection and an update on jurisdictional rolling owner-controlled insurance program, known as ROCIP, reimbursement. He explained

what ROCIP covers, that DC Water pays for it, and explained its costs and what to do with allocation of funds.

Mr. Brown explained that consumption has declined and delinquency has increased, especially among multifamily housing, resulting in impacted revenue. Mr. Brown said that though DC Water had not anticipated a cash surplus at the end of the year during its mid-year projection, it is now forecasting one due to cost reduction measures taken in light of COVID-19.

Mr. Brown stated that DC Water is proposing three uses of the surplus that the Finance and Budget Committee will consider and recommend to the Board for approval. The first is 3 million to continue the emergency residential program into FY 2021. The second is 7 million for a new program to provide one-time assistance to multifamily buildings where low-income occupants have been hurt by COVID-19. The third is 5 million held for FY 2020 targeted assistance for customers in need. Mr. Brown elaborated that these are broad outlines, and DC Water will come back with specifics.

The Committee had a discussion surrounding the proposed multifamily building proposal, and asked that DC Water come up with a plan to show how these multifamily buildings which are receiving these funds will direct them towards those in need.

Lastly, the Committee recommended an action item for full Board approval, which included approval of proposed FY 2021-2022 rates, charges, and fees, increased CRIAC discount for CAP, and amended regulations to make CAP II permanent.

Special Finance and Budget Committee

Reported by: Major Riddick, Jr., Chairperson

Major Riddick reported that the Committee met on July 25th, 2020 and received a report by Matthew Brown. That report explained the financial situation throughout the year, starting with the conservative projections, followed by the aggressive measures taken in response to COVID-19. Revenues were impacted by the significant changes in consumption around the various closings. Mr. Brown highlighted the good management and decisions made in response to COVID-19.

Mr. Riddick mentioned the Fitch Ratings observations, and highlighted the fact that COVID-19 is not yet over and DC Water still has some unknowns to deal with in that sector. Possible subjects include the impact of evictions and of the Federal PPP Program which could cause changes in DC Water revenues based on what happens in the private sector.

Mr. Oyeyemi informed the Committee of what was being looked at in preparation for close-out. 83 percent of the fiscal year has been completed, and operating revenues were at 589, or 0.3 percent above the budget. There was good activity on the revenues side of the budget, expenditures were very far down because of the COVID situation, but because of the actions taken by management, the impact was not so significant. The capital project also had reductions, but a significant amount of that was managed by ERP and AMI project decisions. Overall program disbursements for the CIP were lower than expected in all areas, except for the Clean Waters Rivers project.

Mr. Brown gave a presentation on net cash position and ROCIP, as was discussed by Ms. Bhatt Butani in the D.C. Retail and Water & Sewer Rates Committee report.

In response to the COVID pandemic, DC Water has reconnected 220 customers, and Mr. Riddick cited the important role of utility companies in the crisis to maintain quality of life for people dealing with the pandemic. Mr. Riddick also expressed a need to continue to sort through recommendations of how to help those affected.

Mr. Brown's report addressed the significant increase in customer delinquency, increasing from last year's approximately 11 million. In March 2020, delinquency increased from 13 million to over 18 million, mainly in residential, commercial and multi-family. Despite this, DC Water is in a much better position than previously forecasted. Mr. Brown also stated that COVID could continue to affect DC Water's revenues over the next 3 years. Based on actions already taken, the previous forecast in underspending and operating expenditures has changed by 23 million. The FY 2020 net cash forecast is now in a positive variance of 19.9 million.

Mr. Riddick then reported on the action item of approval for transfer of the FY 2020 projected net cash surplus of 19.894 million, to be used in this manner: 4.894 million to the rate stabilization fund, 15 million to customer assistance program, and approval to transfer 10.3 million of the ROCIP amount to the rate stabilization fund had been moved to be sent to the full board. Mr. Riddick concluded his report by noting that DC Water was in a good position financially, and this was due to management's leadership.

Mr. Giancola, Alternate Board Member for the District of Columbia, commented that the rate stabilization fund will grow again from 61 million to 76 million in this two-year cycle, and emphasized that the Board needs to have a conversation about how it runs and how it's used. He expressed some concern that it was growing too quickly, and asked if DC Water was doing enough to help less privileged customers. Mr. Giancola finished by asking the Chair if he would consider talking about this issue in a future meeting. Mr. Riddick responded that he agreed with Mr. Giancola's assessment of the situation, and seconded the need for a conversation.

CEO/General Manager's Report

Reported by: David Gadis, CEO/General Manager

David Gadis began his presentation by recognizing the work done by CFO Matt Brown and his team. Over the past month, they had worked extensively with the executive team and the customer service and communications group to bring proposals before the Board. The town hall meetings with the rate payers were record-breaking due to the virtual setting, which Mr. Gadis said would continue whether COVID remained or not. The public input process was completed with a public hearing in early August, and a recommendation was brought before the Rates and Finance Committee with a recommendation coming to the Board this meeting. All of this was done while handling the COVID-19 pandemic response. Mr. Gadis commended Team Blue and stated that DC Water remained strong in all aspects of business.

Mr. Gadis went on to highlight two programs that have continued to move forward and were cited as crucial to DC Water's development as an authority. The first was a 2016 modification to the 2005 consent decree between DC Water, The District of Columbia, US EPA, and the DOJ to construct large-scale green infrastructure to control CSOs in the Potomac and Rock Creek. Recently, two key milestones were met that keep DC Water in compliance with that consent decree. Mr. Gadis highlighted the hard work of Carlton Ray and the DC Clean Rivers team in evaluating, installing, and maintaining green infrastructure demonstration projects in Rock Creek and also in Potomac sewer sheds.

Mr. Gadis reported that the recommended approach was a hybrid one, emphasizing both green infrastructure solutions and a CSO storage tank to help control CSOs in the Rock Creek sewer shed. The best long-term course of action in Potomac River sewer shed was to extend the proposed Potomac River tunnel to capture the three CSO outfalls in Georgetown. The two practicability assessments submitted in June and August are now pending EPA review at this time

The second important milestone Mr. Gadis highlighted was the selection of an outside consultant to help guide DC Water in the process of developing the next strategic plan. Mr. Gadis explained that the current strategic plan, known as Blueprint, was developed during a time of leadership transition, and was accordingly designed to be shorter term. The goal now is to expand and refresh that strategic plan, while embedding a culture into DC Water that is aligned with that strategic plan. Mr. Gadis finished this highlight by emphasizing the importance of Board involvement with this project.

Mr. Gadis addressed the week of August where there was the possibility of boil-water actions, and commended the great work of the water quality team in looking into that possibility. Due to COVID precautions, the team had been forced to test water quality by drawing from fire hydrants, but has recently been approved to move back indoors, which will result in significantly more accurate tests.

Mr. Gadis next discussed the importance of safety and the improvements DC Water has made recently, citing the decrease from a reportable incident rate of 6.8 in 2016 to a rate of 2 in 2020 and an employee lost-time incident rate of 5.2 in 2016, to 0.9 in 2020. Mr. Gadis attributed these colossal successes to the emphasis on the importance of safety in the culture at DC Water.

Mr. Gadis finished his report by announcing that starting in October, the executive team will be giving the Board an update every month of all of the high-risk findings, producing a Gantt chart and reporting what that high-risk finding is, what they are doing to correct it, and what the date is that they plan to have it corrected by, as opposed to the Board having to wait until the next monthly or quarterly meeting to be updated.

Mr. Giancola asked Mr. Gadis to elaborate on a 56 percent drop in the call center for departments. Mr. Gadis responded that there was a combination of a new system being implemented, and COVID precautions involving temps that led to that rate decrease, but that now they plan to move back in the right direction, and he expected performance to go back up to past levels.

Rachna Bhatt commended Mr. Gadis for the significant improvements made to the safety of DC Water and noted how concerned the Board was the previous year. Mr. Gadis again cited the improvements in culture and thanked everyone who worked on the day to day to make DC Water a safer place to work.

The Chair asked Mr. Gadis to speak to why his team couldn't cut expenditures like they did this year to avoid a rate increase every year. Mr. Gadis said that any more expenditure cuts would involve kicking needed maintenance and repairs down the road. Ultimately, there are concerns that if some of the CRIAC projects that had been put on hold because of the pandemic were to be put on hold again, water quality issues would arise. Mr. Gadis further said that the rate and hiring freeze for staff is something that can't continue forever if DC Water wants to continue to provide service at the level rate payers have come to expect.

Matt Brown echoed Mr. Gadis' comments, adding that though there were a number of costly capital programs that had been paused, there is nothing that does not need to get done, and that while it's good they were able to provide some short-term savings, projects such as Clean Rivers, water and sewer infrastructure improvements need to be done.

Consent Items (Joint Use)

The Chair asked for a motion to approve Resolution Nos. 20-58, 20-59, 20-60, 20-61, 20-62, 20-63, 20-64, 20-65, and 20-66. A motion to approve the resolutions was made by Adam Ortiz and seconded by Major Riddick. The resolutions were unanimously approved by the Board

Consent Items (Non-Joint Use)


The Chair asked for a motion from a District member to approve Resolution Nos. 20-67, 20-68, and 20-69. A motion to approve the resolutions was made Ms. Rachna Bhatt, was seconded by Emile Thompson. The resolutions were unanimously approved by the District members of the Board.

Executive Session

The Chair asked for a motion to go into Executive Session, which was given by Ellen Boardman, seconded by Adam Ortiz. Board Secretary Linda Manley called the roll to convene into the Executive Session. The Board reconvened into open session.

Adjournment

The meeting was adjourned.


Linda R. Manley, Secretary to the Board