



## DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY

### BOARD OF DIRECTORS 275<sup>th</sup> MEETING THURSDAY, MAY 6, 2021 MINUTES

#### **Present Directors**

Tommy Wells, Chairperson, District of Columbia  
Rachna Bhatt, District of Columbia  
David Franco, District of Columbia  
Anthony Giancola, Alternate for Vacant Principal, District of Columbia  
Tara Jackson, Prince George's County  
Ellie Coddington, Fairfax County  
Ivan Frishberg, Alternate for Vacant Principal, District of Columbia  
Lavinia Baxter, Alternate for Floyd Holt, Prince George's County  
Joe Leonard, Alternate for Vacant Principal, District of Columbia  
Fariba Kassiri, Montgomery County

#### **Present Alternate Directors**

Kendrick E. Curry, District of Columbia  
Sarah Motsch, Fairfax County  
Jed Ross, District of Columbia  
Howard Gibbs, District of Columbia  
Jared McCarthy, Prince George's County

#### **D.C. Water Staff**

David Gadis, CEO and General Manager  
Matthew Brown, Chief Financial Officer and Executive Vice President for Finance and Procurement  
Kishia Powell, Chief Operating Officer and EVP  
Gregory Hope, Deputy General Counsel  
Linda R. Manley, Board Secretary

#### **Call to Order and Roll Call**

Chairperson Wells called the 275<sup>th</sup> meeting of the District of Columbia Water and Sewer Authority's Board of Directors to order at 9:30 a.m. The meeting was held via Microsoft Teams. Ms. Manley called the roll and a quorum was established.

## **Approval of the April 1, 2021 Meeting Minutes**

Chairperson Wells asked for a motion to approve the April 1, 2021 meeting minutes. The motion to approve the April 1, 2021 meeting minutes was moved, seconded, and unanimously approved by the Board of Directors.

## **Chairperson's Overview**

Chairperson Wells noted that there had been quite an influx of new talent onto the Board. He welcomed new members and stated that he was proud to do so because of the incredible importance and responsibilities they assume by serving on the premiere water utility for the nation. He welcomed Ellie Coddling as a principal member from Fairfax County who replaced the very stalwart member, Randy Bartlett who accompanied her for her first meeting.

Chairperson Wells thanked Mr. Bartlett for the expertise, leadership, and independent thinking he brought to the Board. He stated that Mr. Bartlett should be proud of all his contributions to the organization. Mr. Bartlett thanked him for his words and said that he had already mentioned to the Chairperson and Ms. Manley that he was going to sit in with Ellie during the meetings in May and give her the back story during her transition. He stated that he really enjoyed his time on the Board and working with everybody at D.C. Water.

## **Environmental Quality and Operations Committee**

Reported by: Howard Gibbs, Vice Chairperson

Mr. Gibbs stated that the Committee met on Thursday, April 15, 2021 and first received the performance report on the Blue Plains Wastewater Treatment Plant by Vice President Aklile Tesfaye. All performance parameters were excellent and all permit requirements met. Elin Hernandez, Director of Maintenance Services, highlighted the accomplishments of his staff. Mr. Hernandez reported that the staff completed proactive electrical maintenance on power transformers that supply the Blue Plains Plant with uninterrupted electrical services. This extended the useful life of two of the three transformers which were initially installed in 1992.

Mr. Tesfaye reported that 142 gallons of combined wet weather flow was captured in the tunnel and through the Wet Weather Treatment Facility. Three million gallons of measured overflows were directed to the outfall from the Wet Weather Treatment Outfall. Ninety-eight percent total volume was captured by the tunnel system, well above the 80 percent expected.

In March a total of 10,970 tons of biosolids was hauled, of which 6,200 tons were sold by Blue Drop and the remaining 4,770 wet tons were plant applied.

The Committee asked if there was a backup plan for electrical service if one of the transformers is unavailable. Mr. Gibbs reported that that the Plant could operate on one transformer, with the second one as the backup. The third is an additional level of backup.

Next was a discussion of the performance of the Combined Heat and Power System with regard to energy project production. Mr. Tesfaye confirmed that the goal is to have a production at a minimum of 20 percent of the energy use at Blue Plains. The typical monthly projection for the system is around 23 percent. In March it was down a little bit because equipment was out of service for maintenance.

Mr. Gibbs stated that a report on the D.C. Clean Rivers Project was provided by Carlton Ray, Director, who acknowledged the work of the Clean Rivers Team in achieving a significant milestone in completing the mining operations of the Northeast Boundary Tunnel.

Leonard Benson, Senior Vice President for CIP Project Delivery, and Joel Grosser presented eight action items for Committee recommendation for approval by the Board.

Mr. Gibbs closed his report by raising the subject of the Clean Rivers Rock Creek Project Green Infrastructure Virtual Tour and some of their projects such as at the Third Street and Kansas Avenue, N.W. and the project in the 100 Block of Kennedy Street.

Chairperson Wells stated again that the Clean Rivers Project is one of the most extraordinary major capital projects in the region. It has been a safe operation with high risks, on budget, on time, done with a level of integrity that has to be a standard in the country. Chairperson Wells thanked Mr. Gadis and his staff and declared that the quality, excellence, and stewardship is not taken for granted.

### **Audit Committee**

Reported by: Anthony Giancola, Vice Chairperson

Mr. Giancola reported that the Committee met on April 22, 2021. He informed the new Board members that the Audit Committee meets quarterly and receives quarterly summaries of most work. The Internal Audit staff is headed by Dan Whelan from the contractor RSM, who presented the status on the audits. Mr. Giancola noted that the update related to the Oracle Embedded Risk Assurance Phase One Audit was provided in the closed Executive Session. He also stated that three completed audits would be issued during the meeting—succession planning assessment, procurement preaward, and selection award.

Ms. Tomeo presented the status of the open high risk prior audit findings. Most of the target dates are unchanged from what was presented last quarter, with a few extended target dates based on Management delays. Mr. Giancola requested that the Internal Audit includes notes related to how many extensions have been requested by Management for high risk findings along with an explanation of the extensions.

Ms. Tomeo also updated on the Comprehensive Safety Plan development. Management has created a timeline to prioritize various safety policies to provide to the unions for their comments and concurrences. It is intended that all the policies go through leadership review by the end of the fiscal year.

Two open items related to Facilities Management were raised that were previously asserted to be closed by Management but could not be validated completed and the findings were thus reopened.

Ms. Tomeo presented a status update on prior Fiscal 2020 audit findings. She reported that there are only 7 open items remaining. It was also reported that 23 were closed overall for FY 2020 and 91 percent of all for FY 2014 to FY 2020 were now closed.

The results of the Procurement Fee Award and Selection Audit were presented which included a review period of calendar year 2020.



Ms. Tomeo shared that due to COVID-19 there were a lower volume of executed contracts in FY 2020—22 goods and services contracts and 12 capital contracts. There is one high risk finding related to the contract execution delays. The Auditor sampled 10 total contracts, 6 goods and services and 4 capital. Three of the goods and services and 4 capitals were executed after the contract period of performance start date. The delays ranged from 3 to 70 days past the period of performance. It was recommended by the Internal Auditor that Procurement begin the contract negotiation process immediately after contract award, since the legal process can be significant and vendors can have exceptions to the contract time.

Board Member Ross asked about the cause of a delay and stated that the procurement planning is important whether there is Board approval or not on contracts. The Procurement timeline should be scrutinized in order to turn around the contract execution prior to the performance start date. CFO Brown stated that the new Oracle System will help facilitate the procurement process workflow. Oracle will help the vendors get the information early in the process.

Mr. Giancola reported that RSM 's Mr. Bickford noted that there is succession planning related programming that kicked off early in the month focused on director level and preparing backfill candidates for those roles. A full succession program will be completed after the entire full program is rolled out Authority-wide.

Mr. Bickford indicated that there were no new significant findings to note on the semiannual analysis of the abuse hotline.

Mr. Giancola reported that the Committee went into Executive Session and then adjourned.

### **Finance and Budget Committee**

Reported by: Anthony Giancola

Mr. Giancola stated that the Committee met on April 22, 2021. He inquired about the EPA announcement regarding the \$156 million loan to D.C. Water to fund infrastructure. CFO Brown explained that it had been a two-and-a-half year endeavor by Finance and Engineering to collaborate on the effort and identify projects that would be eligible for the loan. He indicated that the loan is specifically for sewer rehabilitation projects, small diameter water main projects across the District, and some improvements at the Plant. Board Member Franco asked if the loan was for D.C. Water or the District. CFO Brown replied that it was for D.C. Water.

Director of Budget Oyeyemi reported that with 50 percent of the fiscal year completed, operating revenues were \$342 million or 46.6 percent of the budget. Operating expenditures were \$277.2 million or 43.1 percent of the budget. Capital disbursements were \$188 million or 37 percent of the budget. Revenues continued to be below budget mainly due to the decline of the consumption resulting from the impact of COVID epidemic. Ms. Oyeyemi explained that the underspending in personal services was due to the recruitment of only critical positions, lower employee benefit costs and the decline in overtime costs.

Mr. Giancola indicated that the year-to-date underspending in debt service is due to refinancing, refunding, and lower interest rates on existing debt. Mr. Franco asked about more details and CFO Brown replied that the underspending would remain throughout the year. He stated that the planned issuance of \$170 million would most likely be postponed until next year.

In response to Mr. Franco's question on contractual services, Ms. Oyeyemi stated that staff has tightened the contractual services budget and anticipates the spending trends to continue until the end of the year.

Ms. Oyeyemi continued to review the capital disbursements which are \$188 million or 37 percent of budget. The underspending of \$50.9 million for capital projects is in comparison to the previously approved budget and reflects Management's efforts to prioritize spending because of the impact of lower anticipated revenues.

Next was an update by Ms. Oyeyemi on cash investments which comprise the operating reserve, including the Rate Stabilization Fund of \$90.2 million. Delinquent accounts were at \$23.6 million or 14,613 accounts or 11.3 percent of the total accounts by the end of March.

Mr. Bush, Managing Director of Public Finance, who handles D.C. Water's investments, provided an investment performance overview through a semiannual report. Mr. Bush said that D.C. Water has a very conservative investment approach. Mr. Bush provided also a short-term market outlook during the pandemic and the next one to two years. He also spoke about what to expect from the Federal Reserve Bank and reviewed the projections for the GDP, unemployment rates, inflation, federal fund rates, which are the measure of how well the economy is doing. The Fed's short-term market decisions have a direct impact on D.C. Water's investment portfolio. The consensus predicts that federal funds target rate will stay at or near 0 percent through 2023. Mr. Bush provided an overview of the D.C. Water portfolio returns as of March 31 on the operating fund, the Rate Stabilization Fund and debt service reserve and various construction funds. He also reviewed the permitted investments, including sector and issuer limits, rating requirements, and maximum maturity, including comparison to the District Government, Virginia, and Maryland.

Mr. Bush then moved to a discussion of D.C. Water's conservative investment strategy and reported that the operating portfolio during the average duration is just below 2 years with a yield of 1.13 percent where U.S. treasuries and federal agencies hold a significant percentage of the portfolio. The conservative strategy has been in place for approximately 10 years. Mr. Giancola asked what is the interest earned on \$300 million in D.C. Water's investments, excluding the Debt Reserve Fund restrictions in the last year. Mr. Bush replied that roughly 1 percent was earned. Mr. Giancola requested a plan of action to revise the investment policy adopted in May 2014. CFO Brown stated that his staff is reviewing the investment policy and how to invest a proportion of the Rate Stabilization Fund more actively.

The last issue discussed was the rolling owner controlled insurance program and its extension. CFO Brown provided an overview of the program and management sought the Committee's recommendation to approve worker's compensation, general liability, and excess liability insurance premiums of the program through October 15, 2022. CFO Brown informed the Committee that the contract needed to be extended to continue through 2022. Costs are higher than anticipated through the hardening of the insurance markets with less capacity, high premiums, and more stringent underwriting. He stated that the entire construction industry has been affected.

CFO Brown reviewed the program's 18 month costs of \$1.254 million and asked the Committee to recommend approval of the insurance extension for the term April 2021 through October 2022 in the amount not to exceed \$537,000.



Chairperson Wells stated that it is an interesting question in terms of D.C. Water's responsibility in risk tolerance versus stewardship of the ratepayer's fund. He asked that Finance and Budget keep them up to date on the investment return ratio issue and said he looked forward to their further recommendations.

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

Reported by: Rachna Butani, Chairperson

Ms. Butani stated that the Committee met on April 27, 2021. CFO Brown provided the monthly report. D.C. Water projected a \$30 to \$60 million shortfall in revenues for FY 2021, which is year-to-date actual revenues through March 31, 2021. They are below budget by \$23.6 million or 6 and a half percent. CFO Brown reported that the largest category that they are having unfavorable variance to budget with is in residential, commercial and multifamily categories, specifically the commercial portion where consumption is about 30 percent below the previous fiscal year.

Chair Butani reported that they were briefed on the number of accounts and arrears by customer category. CFO Brown explained a new section, the Developer Deposit Section that was added to the Committee's report. The new section will be reviewed again in next month's meeting based on the additional questions from Board members that are being forwarded by email to CFO Brown.

Next was approval of the notice for final rulemaking to amend Customer Assistance Program (CAP) regulations to establish D.C. Water Cares, the multifamily assistance program for low-income multifamily tenants. Armon Curd, Executive Vice President of Customer Experience, presented the final rulemaking resolution and shared with the Committee the planned customer outreach for the new program, which include a customer call, a letter campaign, paid advertising, social media, community outreach and partnerships, grassroots communications, and other methods. Mr. Curd presented the public comments received during the comment period. Comments were also received by the Office of People's Council, the Department of Energy and Environment, and the Tenant Advocate. He discussed the details of each comment and explained D.C. Water's response. Committee members were asked if they had any opposition to moving the action forward to the full Board and there were none.

The next issue covered was the proposed Committee Work Plan. Ms. Butani reported that the most noteworthy item of the Work Plan is that next year is a rate making year and the planning process has begun. The budget process will take off in the fall and in early January the Board will have its budget workshop.

Ms. Butani stated that this year's Cost of Service Study has already begun and it will be the basis for the rates proposed to the Committee and for a recommendation of approval by the full Board.

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

Reported by: David Gadis, CEO/General Manager

Mr. Gadis began his report by reading a letter that was received from two customers who thanked D.C. Water and all the contractors for a great job. This related to a small diameter water main replacement project in Hillcrest. They have new water mains and connections to their homes and fire hydrants and newly paved streets. It took a long time to complete the project through some extreme weather. They worked through COVID and had to wear masks

and adhere to distancing requirements. The customer praised Emanuel Briggs of D.C. Water for keeping the community updated by email schedules on a regular basis. Also receiving special thanks was Clemence Atiase who provided onsite oversight of the project and served as D.C. Water Man on the Street. They called him “a Neighbor on the Street.”

As part of the monthly State of the Utility Report CEO Gadis presented an overview of key program initiatives that contribute to the ability to function as a high performing team, enhance D.C. Water’s resilience and readiness, and effectively engage with stakeholders. He stated that these accomplishments were driven from nearly every corner of the Authority and is a strong indicator of organizational alignment and the support for the strategic initiatives.

CEO Gadis spoke about the tunnel boring machine and the fact that the excavation of the Northeast Tunnel, the longest and final segment of the Anacostia River Tunnel System has been completed. He indicated that the stretch of the system is a major step forward in terms of flood resilience and adapting District water infrastructure to address challenges of climate change. Although the overall system will not be operational until 2023, the Office of Marketing, Communications, along with the Clean Rivers Project, have shared this story within the community and across the industry.

CEO Gadis indicated that Carlton Ray, Clean Rivers Director, along with other staff, participated in many interviews throughout media outlets. D.C. Water also capitalized on several advocacy opportunities with stakeholders and with elected officials and government administrators over the last month. On April 11, D.C. Water held a joint media event with the U.S. Department of the Environment to promote the Water Infrastructure Finance and Innovation Act and the \$156 million loan awarded to the Authority. This was the first public appearance of new EPA Administrator Michael Regan. Also present were Mayor Muriel Bowser, Congresswoman Eleanor Holmes Norton, and Board Chairperson Tommy Wells. Chief Operating Officer Kishia Powell appeared as an expert witness before the U.S. House of Representatives Subcommittee on Water Resources and Environment in a hearing on the nation’s wastewater infrastructure needs. Following Ms. Powell’s testimony, CEO Gadis and others were asked to brief Congresswoman Marcy Kaptur and Democratic members of the U.S. House on Energy and Water Development Committee on the Authority’s innovative approaches to water and wastewater treatment.

The CEO/General Manager’s Report was concluded by recognizing the work of Ms. Powell, Mr. Ray, and the staff from Government and Legal Affairs, Marketing and Communications, and Clean Rivers Project, and the many engineers and subject-matter experts who supported D.C. Water’s advocacy initiatives.

Mr. Giancola congratulated Ms. Powell again for her testimony before a congressional committee. He indicated that she hit a home run in his opinion.

Mr. Giancola had one question for Mr. Gadis and his staff. On Page 6 of the CEO/General Manager’s report, he thinks its Page 34 of the entire package, under total contract actions and certified firm participation, he said he assumes the certified firm participation is the small disadvantaged business enterprises. Firms often indicate in their awards of contracts that a certain percentage has to be given to small and disadvantaged businesses. Mr. Giancola wants to know if D.C. Water can check to find out if the percentages were met. He suggests that the Environmental Quality and Operations Committee take care of finding out if requirements were met. In the CEO/General Manager’s Report, the percentages are as follows: .4 percent in construction, 34.5 percent in goods and services, and 22.9 percent in architecture and



engineering. He is looking for monitoring and follow-up to ensure the accuracy of the numbers. Mr. Gadis stated that they do check it. When a contract is awarded to a prime, they follow-up with a phone call to some of the subcontractors that were selected so that they know they are part of the winning team. They follow-up with the contractor at the conclusion to make sure the contractor hit their number, and throughout the construction also.

**Consent Items (Joint Use)**

Chairperson Wells asked for a motion to approve joint use action items. Mr. Giancola moved to approve Resolution Nos. 21-35 through 21-39 and it was seconded. The motion to approve Resolution Nos. 21-35 through 21-39 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. Ms. Butani moved to approve Resolution Nos. 21-40 through 21-43 and it was seconded. The motion to approve Resolution Nos. 21-40 through 21-44 was unanimously approved by the D.C. members of the Board.

There being no further business, the meeting was adjourned by Chairperson Wells at 10:20 a.m.

  
Linda Manley, Secretary to the Board