



DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY

BOARD OF DIRECTORS 263rd MEETING THURSDAY, APRIL 2, 2020

MINUTES

Present Directors

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

Present Alternate Directors

Lavinia A. Baxter, Prince George's County
Howard C. Gibbs, District of Columbia
Rev. Kendrick Curry, District of Columbia
Steven Shofar, Montgomery County Joseph
Gill, Prince George's County
Jed Ross, District of Columbia
Adriana Hochberg, Montgomery County
Ivan Frishberg, District of Columbia
Joe Leonard, District of Columbia

DC Water Staff

David Gadis, CEO and General Manager
Matthew Brown, Executive Vice President
for Finance and Procurement
Marc Battle, Executive Vice President, Legal Affairs
Linda R. Manley, Board Secretary

Chairperson Wells called the 263rd meeting of the District of Columbia Water and Sewer Authority's Board of Directors to order at 9:33 a.m. Ms. Manley called the roll and a quorum was established. She indicated that because they were not face to face but meeting through Microsoft Team, she included certain staff members in the connection. Chairperson Wells noted for the record that the meeting was held electronically.

Approval of the March 5, 2020 Minutes

Chairperson Wells asked for a motion to approve the March 5, 2020 minutes. The motion to approve the March 5, 2020 minutes was moved, seconded, and unanimously approved by the Board of Directors.

Chairperson's Overview

Chairperson Wells reported that scheduled committee meetings will be held through telephone conferencing. This will facilitate D.C. Water continuing to do its business and avoid asking for special meetings. He stated that since the Board will only deal with essential items for approval, the meetings should be brief. D.C. Water staff will keep the Board informed when there are no action items coming before committees and with the Committee Chair's approval, the Board Secretary will provide notice of meeting cancellations.

It was announced that the meeting agenda for April would be amended by adding Resolution 20-36 which authorizes the 2020 loan term agreement and the sale and setting of terms and details for Series 2022A, subordinate funding, refunding bonds. Chairperson Wells also announced that there would be an Executive Session.

Ms. Manley informed the Chairperson that she was notified by email that another action item would be added to the agenda, Resolution 20-37. It is the Memorandum of Understanding between D.C. Water and the District's Department of Transportation. Chairperson Wells agreed it would be added.

Environmental Quality and Operations Committee

Reported by: Howard Gibbs, Vice Chair

Mr. Gibbs stated that the Committee met on March 19, 2020 and started with an update from Aklile Tesfaye, Vice President for Wastewater Operations, on Blue Plains Plant performance. He reported by exception and indicated that all performance parameters were excellent and all permit requirements were met. Mr. Tesfaye also provided a briefing on operations and maintenance costs for the Wet Weather Treatment Facility.

An Asset Management Report was provided by Mandy LeBlanc and a report on SCADA improvements was presented by Karen Green. The Asset Management Report indicated that reliability-centered maintenance was going to be used and they looked at the principles. Ms. LeBlanc reported that seven system analysis steps had been undertaken and provided the results for the pilot projects. Ms. Green stated that the Department of Pumping Operations with the collaboration of the Department of Engineering and Technical Services, has created SCADA standards for programmable logic controllers' hardware, OIT hardware, PLC programming standards, graphic standards using high performance situational awareness concepts, and alarm prioritization and management. The standards have been implemented for five sewer pump stations, sewer and water overview pages, fabridam sites, and existing stormwater pump stations. The expected completion of this project is in mid-2021. Organizing the team and focusing on reliability-centered management has yielded positive results and increased the productivity and the sense of teamwork in the group. The Committee recommend the action items to the Board.

Governance Committee

Reported by: Ellen Boardman, Chairperson

Ms. Boardman stated that the Committee met on March 20, 2020. There were three agenda items, the first being D.C. Water Works Annual Report delivered by Korey Gray. He referred committee members to the report for details on the success of the program. Mr. Gray summarized by stating that 51 percent of the total contractors' workforces were made up of local residents and 60 percent of new opportunities were filled by local residents. The goals were met.

Ms. Boardman indicated that Mr. Gray also reported on several work force and jobs programs including the Commercial Driver License Training Program which is successful in meeting local resident goals. The Department of Facilities Training Program which operates with District subsidies through the LEAP Program (Learn, Earn, Achieve, and Prosper) provides D.C. residents with training in various facility-type trades. There are three participants in this program. The Green Infrastructure Program has successfully placed two participants in jobs. There are now 33 participants who are moving toward graduation. The Apprenticeship Program has 14 participants enrolled in various classifications. Mr. Gray stated that they have the Senior Community Services Program which now has two participants working part-time as data analysts in D.C. Water's Materials Management Department.

The Committee received an update on D.C. Water's Business Development Plan. The focus is on giving D.C. Water a better opportunity to hire disadvantaged local and small firms and revamping certification requirements, and adding outreach programs and mentor-protegee programs.

Ms. Boardman stated that Mr. Gray has done a magnificent job on these programs and his efforts to keep the Committee up-to-date. In the May Committee meeting they will receive a recap and will then be prepared to move the amended program forward for Board approval in its June meeting.

Gregory Hope, Legal Affairs, presented an amendment to D.C. Water's By-laws. Section 5.01 is to be amended to change the duties of the Environmental Quality and Operations Committee. After much internal Committee discussion and with the Environmental Quality and Operations Committee and the DC Retail Water and Sewer Rates Committee Chairs in agreement, it was recommended that the customer service function be moved to the D.C. Retail Water and Sewer Rates Committee. This was Resolution 20-30 on the Board's April meeting agenda.

Finance and Budget Committee

Reported by: Major Riddick, Chairperson

Major Riddick stated that Chief Financial Officer (CFO) Brown made a presentation on the impact of COVID-19 on D.C. Water's operation. The D.C. Water staff is working from home and coming in to keep everything operating in a timely fashion. The Finance staff was trying to quantify the impact under two different scenarios, one three months and one six months. CFO Brown stated that the full revenue and expenditure impact will not be known for some time. The situation is different, unusual, and unprecedented. They are trying to make every effort to keep operations to a reduced level and make sure staff is working as best as they can. The work day is broken down into two shifts and that employees are working enough to ensure payment for a full shift. There also is the potential revenue impact of the actions currently being undertaken, including waiving late fees. This has the potential to increase delinquencies from \$1 million to \$2 million monthly. It could generate as much as \$7 million in terms of waived fees, and has the impact of being fully assessed in the future.

CFO Brown reported that consumption is expected to increase for both residential and multifamily customers by approximately 10 percent. He stated that there will also be reduced consumption from the commercial side because of so many businesses being closed. They have also estimated for the three month pandemic period could have a revenue impact of somewhere between \$15 and \$25 million. CFO Brown stated that they will continue to monitor this and keep the Board informed.

Expenditures are now ahead by \$9.4 million. Even with the purchase of some supplies and services to ensure the safety of employees, the cost of responding has not yet been realized. CFO Brown indicated that if there are COVID-19 related expenditures, they will seek reimbursement from the federal government from the \$2.2 trillion CARES Act.

Major Riddick reported that CFO Brown also informed the Committee that the debt service costs will increase based on the current interest rates on variable debt portfolio and commercial paper. At this time Management does not anticipate the need to transfer anything from the Rate Stabilization Fund, but it will be reviewed later in the summer.

CFO Brown also reported that D.C. Water has been contacted by Fitch and they expect the other agencies to reach out as they are doing with other public utilities. Board Member Franco asked if there was any potential for a downgrade due to the present COVID-19 impact. CFO Brown stated that they are not expecting a downgrade due to the modest decreases in revenue. He reported that they are taking steps to protect D.C. Water's ratings.

Budget Director Oyeyemi indicated that the Financial Report showed that with approximately 42 percent of the year completed, D.C. Water expenditures and revenues are on track with

budgetary expectations and targeted metrics. Revenue is slightly ahead by 8.2, which is a good thing. Operating expenditures are at \$17.9 million or 7.5 percent below the budget, which is good.

Ms. Oyeyemi also reported to the Committee that the Intermunicipal Agreement (IMA) Operating Settlement is ongoing and that they will continue to watch this and get further updates.

It was reported that operating revenue is around \$312 million and both the federal and wholesale customers have made their quarterly payments. Total operating expenditures are at \$220.3 million which is consistent with last year's spending. Capital disbursements were \$128 million, or \$71 million below the budget. This will continue because of COVID-19. The operating reserve balance including the Rate Stabilization Fund totaled \$270 million at the end of February, excluding the restricted and unrestricted account balance.

Next came an update on the investment program. CFO Brown stated that just as 401(k)'s are not looking good, so also are D.C. Water's portfolio on the public side. Nelson Bush from PFM provided a market outlook, interest rate update, and discussed D.C. Water's portfolio and performance. He stated that before COVID-19 the economy was steadily growing and that D.C. Water was doing well. Then COVID-19 hit and things declined. The 2-year yield went from 3 percent downward. It signaled that the markets are anticipating a turbulent time. Short-term yields, such as 30-day and 90-day Treasury yields, are yielding a negative 5 or a negative 6 basis points. D.C. Water has experienced some significant market value gains from government securities, even as markets declined. Mr. Brown, Managing Partner for PFM, reported to the Committee the issue concerning replacement of the Helaba credit facility which supports the commercial paper program. D.C. Water maintains \$150 million in the commercial paper program, which is split between two scenarios or two series to provide short-term financing for taxable and tax-exempt. The program requires the bank to provide a credit facility, which provides liquidity and is used to pay investors upon maturity of issuance of commercial paper. Helaba is getting out of the business, so they will have to find a replacement. It expires on July 23, 2020. After much discussion, the Committee recommended going forward with the replacement.

According to Mr. Riddick other issues discussed by the Committee included an update on the implementation of Enterprise Resource Planning (ERP). There was an update on transitioning from the Lawson Financial System to Oracle. Due to COVID-19 there will be delays and they do not know when or how to plan. They will continue discussing this issue.

Another issue addressed is the culture transformation project that the Change Management Team, is still working toward making changes in operations. The team is comprised of 30 to 40 staff members. They also talked about the 2012 series debt that would generate \$53 million of present value saving. PFM is doing a Request for Proposal concerning D.C. Water's banking team and to do a bank loan which would deliver \$50 million in present savings. Other discussion issues were JP Morgan's forward loan for 2022 in the amount of \$300 million and the work on the risk that D.C. Water's rating could fall to a BBB minus or an A.

General Manager's Report

Reported by: David Gadis, Chief Executive Officer and General Manager

CEO Gadis began by discussing the State of the Utility address that he made in February which aired out some of the key agenda items for the Authority. He stated that the agenda items will ensure that D.C. Water functions as a high-performing team. They are working on being resilient and ready. The engagement with the customers will be strengthened. They will collaborate with the Board on these items and more. CEO Gadis reminded the Board that at the Retreat they spoke about the Dream, Decide, and Deliver stages. He stated that hopefully his Friday reports to the Board improves communication with the Board and shows that they are moving ahead on these stages. CEO Gadis indicated that they are working to enhance the Business Development Plan and to show that they are fostering diversity and inclusion at D.C. Water. They are now in the Dream Stage.

In the meeting of the Governance Committee, they provided helpful dialogue and questions about the Business Development Plan. According to CEO Gadis the proposed changes in the Plan will ensure compliance, program best practices, and that certified businesses have full and fair opportunities to compete for D.C. Water purchases, prime contracts, and associated subcontracts. He asked the Board to review the proposed changes and make further input before it is finalized. CEO Gadis emphasized that the community helped shape the proposal

Last year they conducted seven information sessions to collect feedback from DSLBD, federal agencies, universities, and over 80 firms. They received 40 comments which are reflected in the proposed changes. CEO Gadis thanked the Governance Committee, Korey Gray, Dan Bae, and their teams for their strong efforts to support the community and small businesses.

CEO Gadis stated that they are in the Dream Stage and have got a lot of input from the staff in regard to inclusion and diversity. He asked the Board for their input in the Dream Stage. He introduced the integrated concept to cultivate and celebrate diversity and inclusion at D.C. Water. Components include a refreshed Women of Water, which fosters leadership, and a performance-based culture and refreshing DC. Water's recognition program, a team led by Lisa Stone, Executive Vice President of People and Talent. CEO Gadis stated that diversity and inclusion are everyone's responsibility. The Board through the Human Resources and Labor Relations Committee will continue to be briefed on strategy and programs.

CEO Gadis then turned to COVID-19 and the efforts under the leadership of Executive Vice President of Administration Maureen Holman and the Authority's Incident Management Team (IMT) in managing mitigation and response efforts toward establishment of a common operating picture for the Coronavirus and COVID-19 pandemic efforts. They continue to direct messages from D.C. Water leadership to staff, coordinate with the Districts HSEMA and regional stakeholders, and provide steady updates to D.C. Water's internal website, Pipeline, to ensure a trusted source of information about the pandemic. CEO Gadis reported that he wrote a letter to Congress urging members to include financial relief for water utilities in the stimulus package. The letter was signed and supported by a number of utility leaders across the country. Other utility leaders, associations, and other organizations sent their own letters. Next CEO Gadis updated on the Customer Assistant Program. It has over 2,700 customers enrolled, which includes a 34 percent increase in CAP2. Outreach efforts have had a positive impact.

Operational Safety is improving at D. C. Water and is becoming part of the culture here. Last month 95 percent of the Department of Wastewater Engineering employees were trained on confined space entry. Additional safety courses are going forward. CEO Gadis congratulated the Safety Group.

Lastly, CEO Gadis indicated that from an innovation standpoint Matt Ries, Director of Sustainability and Watershed Management, delivered the keynote address for the American Society of Civil Engineers. He received a number of letters from individuals in attendance indicating the fantastic job he did.

Consent Items (Joint Use)

Chairperson Wells asked for a motion to approve joint use contract action items. Mr. Bartlett moved to approve Resolution Nos. 20-19 through 20-30, and it was seconded. The motion to approve Resolution Nos. 20-19 through 20-30 was unanimously approved by the members of the Board.

Consent Items (Non-Joint Use)

Chairperson Wells asked for a motion by the District members to approve non-joint use action items. Mr. Franco stated that before making a motion to approve the non-joint use items, he wanted to provide in the interest of disclosure that regarding the JP Morgan refinancing, his company is involved in a joint venture with JP Morgan as the equity for a real estate development project. He stated that he did not think this posed a conflict, but just wanted to provide disclosure. Chairperson Wells thanked him and noted that he knew that Mr. Franco had already consulted the General Counsel for guidance.

Mr. Franco moved to approve Resolution Nos. 20-31 through 20-37 and it was seconded. The motion to approve Resolution Nos. 20-31 through 20-37 was unanimously approved by the District members of the Board.

Executive Session

Chairperson Wells asked for a motion to move into Executive Session pursuant to the Open Meetings Amendment Act of 2010, to discuss legal, confidential, or privileged matters under Section 2-575(b) 4 and 10 of the D.C. Official Code. It was so moved by Ms. Boardman and seconded. It was unanimously passed with a roll call. Chairperson Wells asked the Board Members to disconnect from the current line and connect to the Executive Session line by going to their calendar which has the Executive Session dial-in. The Board went into Executive Session at 10:22 a.m.

The public meeting was resumed. There being no further business before the Board, Chairperson Wells adjourned the meeting.


Linda R. Manley, Secretary to the Board