



DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY

**BOARD OF DIRECTORS
262nd MEETING
THURSDAY, MARCH 5, 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
Steven Shofar, Alternate for Adam Ortiz, Montgomery County
Rachna Bhatt, District of Columbia
Sarah Motsch, Alternate for Randy Bartlett, Fairfax County
David Franco, District of Columbia
Joseph Gill, Alternate for Major Riddick, Prince George's County
Emile Thompson, District of Columbia

Present Alternate Directors

Lavinia A. Baxter, Prince George's County
Howard C. Gibbs, District of Columbia
Rev. Kendrick Curry, District of Columbia
Jed Ross, District of Columbia
Anthony Giancola, District of Columbia
Joe Leonard, District of Columbia

DC Water Staff

David Gadis, CEO and General Manager
Matthew Brown, Chief Financial Officer, Executive President for Finance and Procurement
Marc Battie, 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 9:35 a.m. Ms. Manley called the roll and a quorum was established.

Approval of the February 6, 2020 Minutes

Chairperson Wells asked for a motion to approve the February 6, 2020 minutes. The motion to approve the February 6, 2020 minutes was moved, seconded, and unanimously approved by the Board of Directors.

Chairperson's Overview

Chairperson Wells reported that CEO Gadis would provide a briefing on some of the issues the Board is concerned about in his General Report.

Environmental Quality and Operations Committee

Reported by: Howard Gibbs, Vice Chair

Mr. Gibbs stated that the Committee met on February 20, 2020. It received an update on the Blue Plains Advanced Wastewater Treatment Plant from Aklile Tesfaye, Vice President for Wastewater Operations. He reported that all test parameters were excellent and all permit requirements were met in December.

Leonard Benson, Chief Engineer and Senior Vice President, made a presentation on the lifetime budget and lifetime Capital Improvement Program (CIP), and lifetime disbursements. The ten-year CIP Lifetime Budget is \$11.5 billion. Mr. Benson reported that the ten-year period is from Fiscal Year 2020 through Fiscal Year 2029. CIP disbursements during the ten-year period are expected to be \$4.9 billion. The Committee asked for the kind of escalation rates D.C. Water uses for the purpose of preparing these forecasts. Mr. Benson replied that as a standard a yearly inflation rate of 3 percent is assumed. A working group has been formed to take a look at the assumptions.

The Committee also asked Mr. Benson when the Clean Rivers Project will be completed. He informed them that the consent decree has a finish date of 2030 and although completion of the line item in the CIP for the Clean Rivers Project will see a reduction, D.C. Water may decide to fund other service areas that have been underfunded.

Mr. Benson and Carlton Ray, Director of the Clean Rivers Project, responded to a question from the Committee about whether D.C. Water has had to account for climate change forecasts, and resiliency, and planning and design of projects. The environmental changes in project plans and designs have been accounted for. The examples given were the CSO tunnels that have been oversized by 20 percent and the capacity of some pump stations and other components have been oversized for future expansion. Also, projects are underway to harden Blue Plains and other facilities against a 500-year flood.

The Committee requested that D.C. Water include the risks associated with a potential privatization of the Washington Aqueduct and its impact on rates as a part of its analysis. Mr. Benson agreed that it would be done.

Mr. Guttridge provided an update on the CIP disbursements and reported that they are projected at \$397 million which is on track to meet the proposed budget of \$405 million. The project remains on schedule and under budget.

Dan Bae, Director of Procurement and Compliance, updated the Committee on procurement changes and goods and services procurement. There has been an implementation of recent new delegation of authority. An update on D.C. Water's assessment practices to determine contract responsiveness and responsibility and the EPA outreach program was provided to the Committee by Rudy Gonzalez, Engineering and Construction Services, and Korey Gray, Director of Compliance and Business Development

Finance and Budget Committee

Reported by: Anthony Giancola

Mr. Giancola reported that the Committee met on February 25, 2020 and received the January 2020 Financial Report. Ms. Oyeyemi, Director of Budget, provided the report by exception. She reported that at the end of the fourth month of Fiscal Year 2020 revenues and expenditures were on track with budgetary expectations. She indicated that the 2019 Comprehensive Annual Financial Report is available on the website. Also, the A-133 Audit has been completed and a green bound report is underway. Mr. Guttridge, Director of CIP Infrastructure Management, provided the 2020 First Quarterly CIP Report by exception.

Mr. Giancola reported that Matthew Brown, Chief Financial Officer and Executive Vice President for Finance and Procurement, provided an overview of the Fiscal Year 2020 Budget. He offered four action items which were recommended by the Committee for full Board approval. They were the Proposed Fiscal Year 2020 operating Expenditure Budget, the 2029 Capital Improvement Disbursement and Lifetime Budget, the Fiscal Year 2029 Ten-Year Financial Plan and the intent to reimburse capital expenditures with proceeds from borrowing.

Mr. Boykins, Director of Finance, reported on the merchant credit cards and Management's plan to reduce credit card costs. He spoke about the various ways customers have to make their payments which includes credit cards, lockbox payments, walk-in payments, and recently accepting credit cards to pay the water quality fire hydrant fees. The projections for the average credit card transaction fees were \$3.71 per transaction and costs \$1.6 million in fees based on the results of the first quarter of 2020. Mr. Boykins reported that the web transactions have increased the most since Fiscal Year 2018, from 14 to 35 percent in Fiscal Year 2019.

The web credit card processing concerns for transactions and fees from 2016 to 2019 were payment aggregators and proxies using fleet and fuel reward cards with D.C. Water absorbing the fees. Payment aggregators shifted credit card processing from low-cost Automated Clearing House (ACH) transactions at an average of 20 cents per transaction to a higher cost of \$7 to \$22 per transaction. They are considering a plan to block nonresidential customers from making credit card payments and thus eliminating all payment aggregators from processing high-end reward cards on D.C. platforms, thus reducing D.C. Water credit card processing fees. A comprehensive strategy to implement the plan will be presented in March to the Finance and Budget and the D.C. Retail Water and Sewer Rates Committees

Mr. Giancola reported that Ms. DeLeon, Manager of Risk Management, provided an update on the Rolling Owner-Controlled Insurance Program (ROCIP) where D.C. Water procures insurance protection for contractors working on CIP construction projects.

D.C. Retail Water and Sewer Rates Committee

Reported by: Rachna Bhatt, Chairperson

Ms. Bhatt stated that the Committee met on February 25, 2020 and received a presentation on the Proposed Fiscal Year 2021 and 2022 rates, charges, and fees, an increase in the CAP CRIAC discount, and an amendment of regulations to make CAP2 permanent. Chief Financial Officer Brown discussed the rate proposals, the Cost of Service Study done by Raftelis, the independent review of the rate structure, and the review of customer assistance programs done by Arcadis. CFO Brown reported that Arcadis recommended recovering additional costs through the customer metering fee. Both changes in the customer metering fee and an increase in the CRIAC discount for CAP customers have been proposed by D.C. Water in the Fiscal Year 2021 and 2022 rate proposal.

CFO Brown provided a summary of the rate proposal as follows: (1) annual water and sewer increase of 9.9 percent for FY 2021 and 7.8 percent for FY 2022; (2) increase for the customer metering fees from \$3.86 to \$4.96 for FY 2021 and from \$4.96 to \$7.75 for FY2022; (3) water system replacement fee will remain the same; (4) right-of-way will remain the same, 19 cents per ccf, while the PILOT fee will increase for FY 2021 and FY 2022 by 3 cents and 2 cents per ccf respectively; (5) the shift of CRIAC to sewer volumetric of 28 percent and 37 percent for FY 2021 and 2022, respectively; (6) an increase in the CRIAC discount for CAP customers from 50 percent to 75 percent; and (7) make CAP2 permanent.

According to Ms. Bhatt, CFO Brown, there is \$13 million of current year savings which includes \$8 million in debt service savings and the remaining \$5 million unused fund from the amount that was drawn from the Rate Stabilization Fund for CAP2. He stated that D.C. Water is proposing to put the total \$13 million savings into the Rate Stabilization Fund in FY 2020 and to Apply \$2.5 million and \$10.5 million in the FY 2021 and 2022, respectively.

CFO Brown stated that the combined rate increase for the average household customer was less than the 8.1 percent forecasted last year at 6.6 percent for FY 2021 and from 6.9 percent to 6.7 percent for FY 2022. He reported that 30.3 percent of fiscal year 2021 operating budget of \$733 million is for debt service. There are higher increases compared to last year's projections because of the Board's desire to incorporate a 1.5 percent replacement cycle for water and sewer pipe replacements.

D.C. Water's Ten-Year Financial Plan serves as a fiscal roadmap to achieving the Board's strategic plan and its objectives, including minimizing rate increases, meeting financial obligations, satisfying indenture requirements and Board policies, and maintaining current credit ratings. CFO Brown stated that the assumptions of the financial plan are to maintain debt service as a percentage of revenue equal to or below 33 percent, to maintain combined coverage of 160 percent, and to maintain 250 days of cash, including the Rate Stabilization Fund.

The projected average residential bill at 5.42 ccfs ranged from \$104 in FY 2020 to \$180 in FY 2029. CFO Brown noted that the proposed Capital Improvement Plan is the main driver of the rates.

MS. Bhatt reported on the presentation that proposed an amendment to Board Resolution 97-91 to increase the General Manager's authority for abatement of charges for customers. It is proposed to increase the abatement amount from \$25,000 to \$50,000. D. C. Water works with customers to help bring them into good standing with their accounts through the use of

customer assistance programs and flexible payment terms. This is with residential customers, multi-family dwelling customers, and nonresidential customers. Ms. Bhatt stated that after much discussion, the Committee agreed to recommend the full Board's approval of the General Manager's abatement authority but asked that they be informed when large abatements are granted. Mr. Giancola noted that the Committee's notification request was omitted from the minutes and asked Board Secretary Manley to reflect their request by correcting the minutes of the last meeting.

Ms. Bhatt indicated that there was a discussion on the Rate Stabilization Fund. It was decided that they would have a follow-up item added that requested that the Finance and Budget Committee have a discussion on the Rate Stabilization Fund in their Committee meeting. Ms. Bhatt reported that after Finance and Budget completes their discussion and analysis, they will refer the issue to the Governance Committee in the event that it requires a change in Board policies.

Board Member Baxter asked a question on the 250 days of cash on hand instead of 120 days and if this was D.C. Water's internal policy. CFO Brown stated that the 250 days cash on hand has been policy since 2014. It was not incorporated into the Financial Plan until a couple of years ago. This is on the low end of cash on hand policies maintained by AAA rates agencies.

Issues of General Interest

Mr. Giancola raised a question about the Fiscal 2020 Enterprise Performance Plan. He wanted more discussion of it by the General Manager and his staff or discussion at the retreat or during an executive session. General Manager Gadis agreed that it could be discussed at whatever level they desired. Chairperson Wells recommended that it be added as an item for discussion during strategic planning meetings scheduled for half days. General Manager Gadis agreed to add it.

General Manager's Report

Reported by: David Gadis, CFO and General Manager

CEO Gadis introduced the new Executive Vice President of People and Talent, Lisa Stone who is responsible for developing and executing the human capital and diversity strategy for D.C. Water. He summarized her professional experience and credentials and the many things she has accomplished here since she came on board, including the Enterprise Performance Plan.

CEO Gadis reported that after the conclusion of the first phase of the AMI Replacement Project there were approximately 3,000 inside security-sensitive meter locations remaining to be changed. He stated that some of the locations had infrastructure issues that prevented D.C. Water from changing the meters and reducing estimated bills which causes D.C. Water problems. Contractors have shied away from this meter work due to the high risks involved in plumbing concerns and potential property damage. D.C. Water work crews have been amazing in changing meters at locations where no one else had success. They have gone in crawl spaces, closets, basements, and other hard spaces installed the new meters and ended estimated readings, leaving customers with a superior customer service experience. CEO Gadis stated that they are celebrating a milestone of changing 1,000 meters in very difficult places. The employees were asked to come forward and join CEO Gadis and Chairperson Wells for recognition of their dedication, expertise, and hard work creating of a positive and lasting impression on customers of D.C. Water's excellent customer service.

CEO Gadis reported that last month he spoke about the State of the Utility. This month he is talking about resiliency as an organization. These will be updated monthly. Under the leadership of Maureen Holman, George Porter, and Brent Christ, they are positioning D.C. Water and its employees for success and organization safety by establishing a safety culture. This is being done through training systems and processes. The safety team is doing a good job because there has been a 25 percent reduction in the number of days away from work due to safety incidents. CEO Gadis also spoke about other successes they have experienced which are related to facilities and hygiene seen by an inspection and evaluation of facilities. CEO Gadis stated that they will continue to look at issues of interest and to provide status reports on the progress they are making.

Highlights for the organization in February were presented by CEO Gadis. They included the launch of a brand awareness and public education campaign by the Office of Marketing and Communications with a story of how D.C. Water touches every aspect of life in the District. The goal is to enhance public opinion of the trust they should have in D.C. Water, to show D.C. Water's commitment to the community and to water quality, and to start a conversation on the need to invest in the infrastructure. The Hydrate D.C. campaign has been launched on line at www.hydratedc.org. The D.C. Water performance group met with a group of environmental NGO leaders to discuss interest, priorities, and ways to work together moving forward with the NGOs. The participants included the Potomac Riverkeepers group, Anacostia Riverkeepers, Anacostia Watershed Society, and Rock Creek Conservatory. CEO Gadis and D.C. Water will continue working with these groups on waterways. On the engineering and technical services side, Planning and Permitting and Marketing and Communication staffs attended the Mayor's Walk where they communicated how D.C. Water and NPS have worked collectively on the Soapstone Valley Park sewer rehabilitation and environmental assessment, as required by the National Environmental Policy Act. They are awaiting finalization of the assessment.

CEO Gadis reported that he and staff had a performance oversight hearing before Council Member Mary Cheh. They were able to respond to many issues and answer all their questions.

The Coronavirus was then raised by CEO Gadis. He stated that the D.C. Water Office of Emergency Management and the Office of Safety are some of the best in the country. Communication among D.C. Water and the District for coordination of preparedness efforts ensure alignment and provide a weekly written situation brief to all of D.C. Water's senior leadership. He has tasked the two offices to communicate weekly and provide a weekly written situational brief to senior leadership here. A communication plan has been finalized to ensure that they are very strategic in communicating. A worksite has been established on D.C. Water's website. They are taking every step to making sure they have all the inventory necessary to address the problem. Mr. Gadis stated that they are continuing to discuss teleworking and have been told by IT that 90 percent of employees can work from home. They are in great shape.

Mr. Giancola followed-up on the question of the hearing. Mr. Giancola requested a report on the action items before they went to Council Member Cheh. Mr. Gadis stated that usually they get a letter with the issues before they prepare responses. He stated that they are working on some of the action items. CEO Gadis stated that one issue raised was concerning direct payments which they cannot do. They will meet with Council Member McDuffie about this and other issues. When he gets the letter outlining the action items, he will share it and their responses with the Board.

Chairperson Wells reported that he has communicated with the General Counsel about where they should hold the conversation on the performance report and it was concluded that it has to be in open meetings. He will refer the issue to the Governance Committee.

Chairperson Wells stated that he wanted to inform the public that some of the items the Board is approving went through a very open process before offered for full Board approval. This includes discussions by the Board committees in open sessions. The committee meeting agendas are published. The items are on the consent item lists meaning that the Board is trying to restrict conversations in the Board's full monthly meetings because there has already been a lot of conversation on the items.

Consent Items (Joint Use)

Chairperson Wells asked for a motion to approve joint use action item. Ms. Brumfield moved to approve Resolution Nos. 20-11 through 20-18 and it was seconded. The motion to approve Resolution Nos. 20-11 through 20-18 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. Brumfield moved to approve Resolution No. 20-19 and it was seconded. The motion to approve Resolution No. 20-19 was unanimously approved by the D.C. members of the Board.

There being no further business, the meeting was adjourned by Chairperson Wells at 10:23 a.m.


Linda Manley, Secretary to the Board