



**DISTRICT OF COLUMBIA  
WATER AND SEWER AUTHORITY**

Board of Directors

*Governance Committee*

**May 10, 2017**

**9:00 a.m.**

- 1. **Call to Order** ..... Ellen Boardman, Chairperson
- 2. **DC Water Works! Program FY 16 Annual Report** ..... Korey Gray, Compliance Officer
- 3. **Blue Drop**
  - A. **Mission**..... Henderson J. Brown, IV, General Counsel
  - B. **Activity Update** ..... Alan Heymann, Chief Marketing Officer
- 4. **Other Business**
- 5. **Executive Session\***
- 6. **Adjournment** ..... Ellen Boardman, Chairperson

**Follow-Up Items:**

\*The DC Water Board of Directors may go into executive session at this meeting pursuant to the District of Columbia Open Meetings Act of 2010, if such action is approved by a majority vote of the Board members who constitute a quorum to discuss: matters prohibited from public disclosure pursuant to a court order or law under D.C. Official Code § 2-575(b)(1); contract negotiations under D.C. Official Code § 2-575(b)(1); legal, confidential or privileged matters under D.C. Official Code § 2-575(b)(4); collective bargaining negotiations under D.C. Official Code § 2-575(b)(5); facility security under D.C. Official Code § 2-575(b)(8); disciplinary matters under D.C. Official Code § 2-575(b)(9); personnel matters under D.C. Official Code § 2-575(b)(10); proprietary matters under D.C. Official Code § 2-575(b)(11); decision in an adjudication action under D.C. Official Code § 2-575(b)(13); civil or criminal matters where disclosure to the public may harm the investigation under D.C. Official Code § 2-575(b)(14), and other matters provided in the Act.



District of Columbia Water and Sewer Authority  
George S. Hawkins, CEO and General Manager



# ***PROGRAMS UPDATE***

*Presented to the*

**Governance Committee**

*Ellen Boardman, Chairperson*

***Wednesday, May 10, 2017***



## New Opportunities through Water Works (since October 31, 2016)

Summary of Filled Positions (New Hire Goal: 60% for Local Residents)

Position Title	Type of Filled Positions	Number of Positions	New Hire Residence	Candidate Sources
Apprentices	Construction	3	DC-3	DOES-3
Cashier	Service	1	DC-1	DC Water Works Database – 1
CCTV Operator	Service	1	DC – 1	Database – 1
Cooks	Service	3	DC – 3	DC Water Works Database – 3
Custodian	Service	1	DC – 1	Individual Referral - 1
Facilities Program (Laborers)	Service	2	DC-2	ECC - 2
Flagger	Construction	5	DC – 5	Building Futures– 5
Laborer	Construction	8	DC – 3 FC – 1 PGC - 2 MD – 2	Contractor Referral - 5 DC Water Works Database - 1 Potomac Job Corps – 2
Security Officer	Service	1	PGC -1	DC Water Works Database – 1
Temp	Service	2	DC-2	DOES -2
Water Meter Installer	Service	Open-15 / 9 Filled	DC-7 MC-1 PGC-1	Database – 4 DOES - 2 ECC-1

- Total Number of Positions Filled: 36
- Total User Jurisdiction Residents Hired: 34 (94%)
- Total DC Residents Hired: 28 (76%)



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## Commercial Driver's License Training

- DC Water, through the Department of Facilities, conducted a CDL training program for fourteen (14) District residents.
- Participants earned \$15.00 an hour. (1099 workers).
  
- Corporate Partners Included:
  - Bulldog Construction
  - DC Line
  - Fleet Pro
  - K Neal Trucking
  - OAW Trucking
  - Monumental Concrete
  - Parts Authority

### Results:

- 13 Completed the Program
  - 1 Dropped Out

### Employment Status

- 1 Employed
- 5 Job Offers Extended
- 7 Job Offers Expected

*"Thank you for providing me the opportunity to speak to the potential candidates. Your team did a great job of putting some viable candidates in front of me. I really think we can place most of the applicants. Perhaps, they will find themselves in a position where they can choose their path. I'm not sure of the dynamics or how this program came together but I really do applaud you and the rest of your team. Please pass on my congratulations to all of them." - Pedro Leyton, Parts Authority*



## Green Infrastructure

DC Water partnered with the University of the District of Columbia and Washington Parks and People to train and prepare District residents to successfully complete the National Green Infrastructure Program (NGICP) exam.

Results:

- University of the District of Columbia – 7 passed
  - Employment Status
    - 2 Employed
      - 1 Employed with the US General Services Administration
      - 1 Employed with Advanced Manufacturing
    - 4 Being Considered by Anchor
      - 1 For Anchor’s Mentor Protégé Program
      - 1 For Videographer Position
      - 2 For Laborer Positions (upon commencement of construction work)
  - Anchor’s Apprenticeship Program: In anticipation of award of this contract and to comply with other DC contracts , Anchor developed and had approved by DOES a two years pipe layer apprenticeship program that we presently have ten persons enrolled in. Of these 10 persons, 3 were specifically hired for this green infrastructure project.
- Washington Parks and People– 1 passed
  - Employment Status
    - 1 Employed
      - 1 Employed with the District Department of Energy and Environment



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# FY 2016 Procurement Report

Matthew Brown, Chairman  
George S. Hawkins, General Manager





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George S. Hawkins, CEO and General Manager

## DC Water Local Small Business Enterprise and EPA Fair Share Programs

### **OUR POLICY**

The District of Columbia Water and Sewer Authority (DC Water) is committed to promoting economic and business development in the District of Columbia and the region it serves.

DC Water actively encourages and supports the participation of certified local businesses, local small business enterprises, and disadvantaged (minority and women-owned) business enterprises in its contracting and procurement activities.

### **OUR MISSION**

To enhance participation, growth and development of the local, small, minority and women-owned business communities.



# DC Water Local Small Business Enterprise and EPA Fair Share Programs

## Acronyms and Definitions

- **Certified Firms:** For the purposes of this report, CBE collectively refers to LBEs, LSBEs, MBEs and WBEs.
- **DBE** – Disadvantaged Business enterprise: An entity owned or controlled by a socially and economically disadvantaged individual
- **EPA** – Environmental Protection Administration
- **Exempt Awards** – Non Competitive purchases and awards as identified in Section 5332 of the DC Water Procurement Regulations
- **Fair Share Objective** – Amount of funds reasonably commensurate with the total project funding and the availability of qualified MBEs and WBEs taking into account experience on EPA-assisted projects and other comparable projects in the area.
- **LBE** –Local Business Enterprise - A business enterprise as defined by the District of Columbia or a user jurisdiction.
- **LSBE** – Local Small Business Enterprise - A business enterprise as defined by the District of Columbia or a user jurisdiction.
- **MBE** - Minority Business Enterprise - For the purpose of the federal mandated program and fair share objectives, a Disadvantaged Business Enterprise (DBE) other than a Small Business Enterprise (SBE), a Labor Surplus Area Firm (LSAF), a Small Business in Rural Areas (SBRA), or a Women's Business Enterprise (WBE).
- **P Card Purchase** – Purchases made through the Authority's Purchase Card Program.
- **Simplified Acquisition**– Purchase made in size ranging from \$1.00 – \$99,999.99.
- **User Jurisdiction** – DC Water's user jurisdiction consisting of the District of Columbia, Fairfax County, Loudoun County, Montgomery County, Prince George's County.
- **WBE** – Women Owned Business Enterprise: for the purpose of the federal mandated program and fair share objectives, a business which is certified as such by a state, federal agency, or a business which is at least 51% owned by a woman or women, who also controls and operates it.





# DC Water Local Small Business Enterprise and EPA Fair Share Programs

## **FY 2016 Participation Summary**

Total Current Value of Active Projects in FY 2016 - \$2,063.1M

Report is divided into five (5) sections:

- I. Exempt Awards
  - Total Awards - \$272.7M
  - LSBE Participation – \$27.3M
  
- II. Simplified Acquisitions
  - Total Awards - \$19.7M
  - LSBE Participation – \$2.1M
  
- III. Discretionary Awards
  - Total Awards - \$411M
  - Total LSBE Awards - \$121.5M
  
- IV. EPA Eligible/ Non-Funded Awards
  - Design
    - Total Awards - \$56.7M
    - Total MBE Awards - \$17.3M
    - Total WBE Awards - \$3.6M
  - Construction
    - Total Awards - \$1,106M
    - Total MBE Awards - \$251M
    - Total WBE Awards - \$65.2M
  
- V. EPA Fair Share Objective Awards
  - Total EPA Awards - \$280M
  - Total MBE Awards - \$99.4M
  - Total WBE Awards - \$17M

For the purposes of this report, awards include modifications and other supplemental agreements.



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George S. Hawkins, CEO and General Manager

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# Section I

## Exempt Awards



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## DC Water FY 2016 Annual Report Exempt Awards

**These actions are not subject to the Business Development Plan.**

- DC Water Purchase Card Expenditures
- Procurement awards issued for:
  - Utilities (Electric Power, Telephone Service)
  - Legal Services
  - Specialty Parts and Components
  - Rider Contracts with entities other than DC Water (GSA/COG contracts)
  - Sole Source Contracts



## DC Water FY 2016 Annual Report

### FY 2016 Procurement Results – P Card Purchases

- Total Purchased: \$1,826,890.16
- Total Eligible: \$1,117,253.11\*
  
- Total Purchased with Certified LSBE firms: \$270,967 (24%)
  - Total Number of Certified LSBE firms: 41
  - Eight (8) New Certified Firms Introduced in FY 2016
    - Total Spent with the new Firms: \$73,221.11

#### Transactions by Type (Category):

Category	Type	Total Purchased	Total LSBE Participation
1	Fleet Related	\$71,869.59	\$4,222.98
2	Food and Catering	\$176,096.60	\$45,453.39
3	Government, Special Purchases, Professional Memberships	\$633,541.90	\$1661.00
4	Industrial	\$481,827.67	\$37,856.35
5	IT	\$47,470.00	\$0.00
6	Office Products	\$416,084.40	\$181,773.28

\*(Consideration of LSBE participation excludes Category 3: Government purchases, memberships, and special purchases)



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## DC Water FY 2016 Annual Report

### FY 16 Active Procurements

#### Categorical Exemptions, Legal Services, Riders, Sole Source, Utilities

- Total Number of all Active Projects: 63
  - Total Value: \$272,743,968.61
  - Total Paid to Date: \$131,054,185.01
  
- Total LSBE Participation: \$27,301,662.33 (10.0%)
  - LSBE Paid To Date: \$23,155,314.43

### FY 16 Activity

- Total number of Procurement Actions in FY 16: 15
  - Value: \$32,795,432.68
  - LSBE Participation: \$7,542,775 (23%)



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## Section II

# Simplified Acquisitions



# DC Water FY 2016 Annual Report

## Simplified Acquisitions

- Limited Competition
- Purchases not exceeding \$100,000.
  - Quotations must be obtained from at least two qualified sources.

**These actions are not eligible for preference points under the Business Development Plan.**

- Total Value of Purchase Orders Issued: \$22,583,904.42
- Total Number of Purchase Orders: 3789

Location	# of PO's	Value of PO's	Total Spent
DC	178	\$2,532,888.24	\$2,453,512.70
PGC	762	\$1,764,381.20	\$1,752,288.94
MC	48	\$791,612.50	\$791,612.50
FC	73	\$602,701.82	\$593,248.52
LC	9	\$190,493.05	\$155,593.05
Outside UJ	2719	\$16,701,827.61	\$16,383,880.91

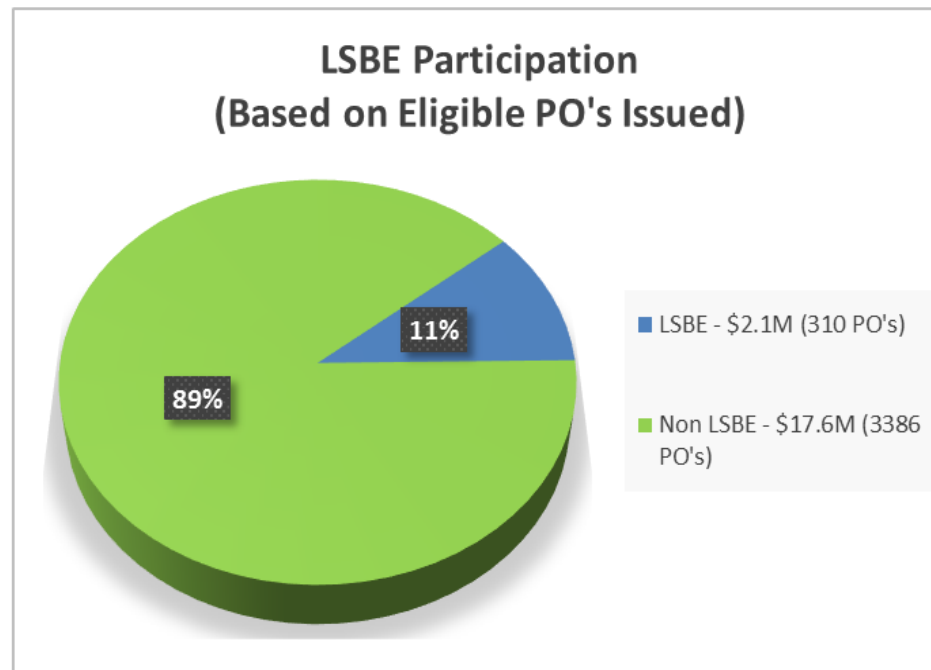


# DC Water FY 2016 Annual Report

## Simplified Acquisitions

### FY 2016 Procurement Results – Simplified Acquisitions (less than \$100k)

- **Total Eligible Purchases: 3696**
- **Total Value of Eligible Purchase: \$19,773,005.78**
  - Eligible purchases do not include transactions with government entities, utilities, medical, insurance, other exempt purchases as provided by the Procurement Manual
- **Total Value of Purchase Orders Issued to LSBE: \$2,153,435.08**
  - Total Number of Purchase Orders: 310







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## Section III

### Discretionary Awards

# DC Water Local Small Business Enterprise Participation



# DC Water FY 2016 Annual Report

## Large Discretionary Procurements (Open with Preference)

### Program Overview

- Program applies to discretionary competitive awards over \$100k.
  - Large Goods and Services
  - Construction (non federal)

### FY 2016 Procurement Results – Discretionary Awards Combined: Goods and Services & Construction

- Total Value of Active Discretionary Projects: \$428.4M
- Total LSBE Awards: \$121.5M
- LSBE Achieved: 28.4%
  - Up from 26% in FY 15



# DC Water FY 2016 Annual Report

## Large Discretionary Procurements

### **FY 2016 Procurement Results – Discretionary Awards (Over \$100k) Large Goods and Services**

- Total Number of Active “Eligible” Awards: 157
  - Total Value: \$328,023,680.17
  - Total Paid: \$253,043,260.34
  
- Total Value of LSBE Participation: \$69,378,958.35 (21.2%)
- Total Number of LSBE Firms: 56
  - Total Value: Total Paid: \$48,438,018.77

#### FY 16 Activity

- FY 16 “Eligible” Actions: 39
  - Value of FY 16 Actions: \$24,093,845.28
  
- Actions with LSBE Firms: 12
  - Value of LSBE Participation: \$5,158,194.30 (21.4%)



## DC Water FY 2016 Annual Report

### Large Discretionary Procurements

#### **FY 2016 Procurement Results – Discretionary Awards (Over \$100k) Construction**

- Total Number of Active Projects: 9
  - Total Value of Base Award: \$83,049,631.80
  - Total Current Value of Awards: \$100,375,435.91
  - Total Paid: \$71,588,088.07
  
- Total LSBE Participation: \$52,099,598.00 (51.9% of Current Awards)
  - Total Number of Certified LSBE firms: 9
    - Total Number of Projects with LSBE Primes: 3
  
  - Total Paid to LSBE firms: \$38,217,211.35 (38%)



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## Section III

# EPA Eligible (Not funded) Non-Discretionary Awards



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## DC Water FY 2016 Annual Report EPA Eligible Procurements

### **Total Number of Active Eligible Projects: 30**

- Total Original Value of Eligible Projects: \$1,164,701,313.64
  - Total Current Value of Eligible Projects: 1,289,816,467.92
  - Total Paid: \$864,537,115.42

**Though not actually funded, these projects are identified as being subject to the EPA Fairshare Objectives**



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# DC Water FY 2016 Annual Report

## EPA Eligible Procurements

### Eligible Design Projects

Eight (8) Projects were awarded as Design Build. There were separate goals on the design and construction portions of the project. For the purposes of this report, the design and construction components are analyzed separately.

### Total Number of Eligible Design Projects: 8

- Total Original Value of Eligible Projects: \$56,755,069.14
  - Total Current Value of Eligible Projects: \$63,505,069.14
  - Total Paid: \$53,114,908.51



# DC Water FY 2016 Annual Report

## EPA Eligible Procurements

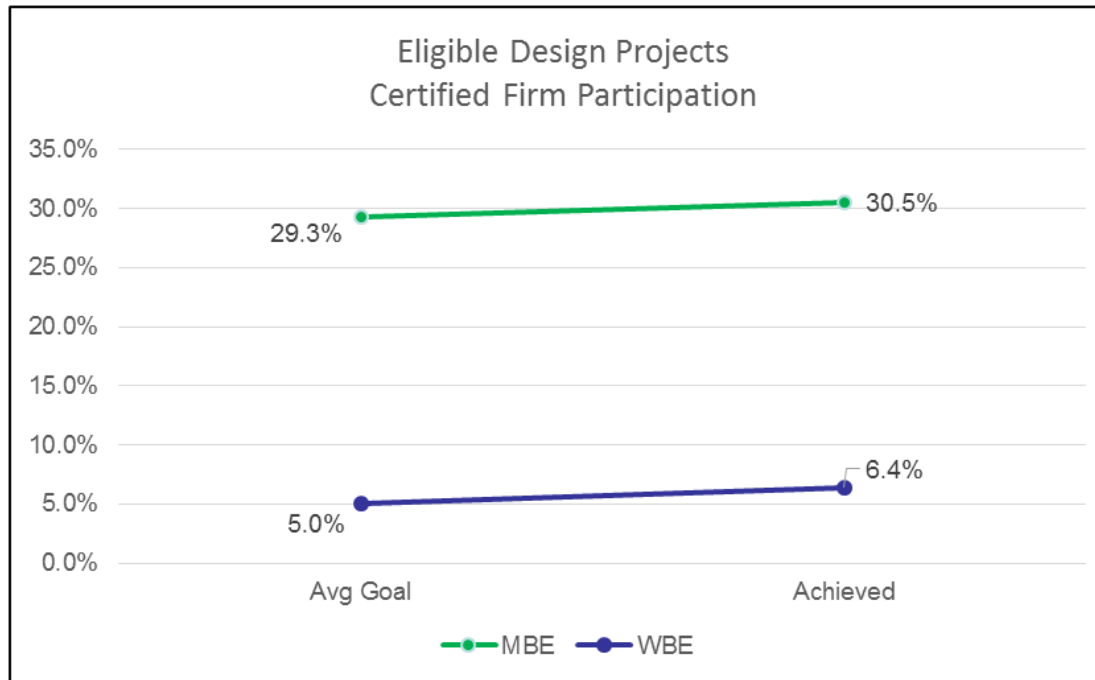
### FY 2016 Procurement Results – EPA Eligible Participation Eligible Design Projects

#### MBE Utilization

- Avg MBE Goal (as indicated on the Fact Sheets): 29.3%
  - Range: 39% Highest Goal/ 22% Lowest Goal
- MBE Awards: \$17,296,104.44 (30.5%)
  - MBE Paid: \$13,571,153.86

#### WBE Utilization

- Avg WBE Goal (as indicated on the Fact Sheets): 5%
  - Range: 9% Highest Goal/ 4% Lowest Goal
- WBE Awards: \$3,616,013.20 (6.4%)
  - WBE Paid: \$3,143,658.61







# DC Water FY 2016 Annual Report

## EPA Eligible Procurements

### Eligible Construction Projects

Eight (8) Projects were awarded as Design Build. There were separate goals on the design and construction portions of the project. For the purposes of this report, the design and construction components are analyzed separately.

### Total Number of Eligible Construction Projects: 29

- Total Original Value of Eligible Projects: \$1,106,001,316.50
  - Total Current Value of Eligible Projects: \$1,224,366,470.78
  - Total Paid: \$810,625,427.39



# DC Water FY 2016 Annual Report

## EPA Eligible Procurements

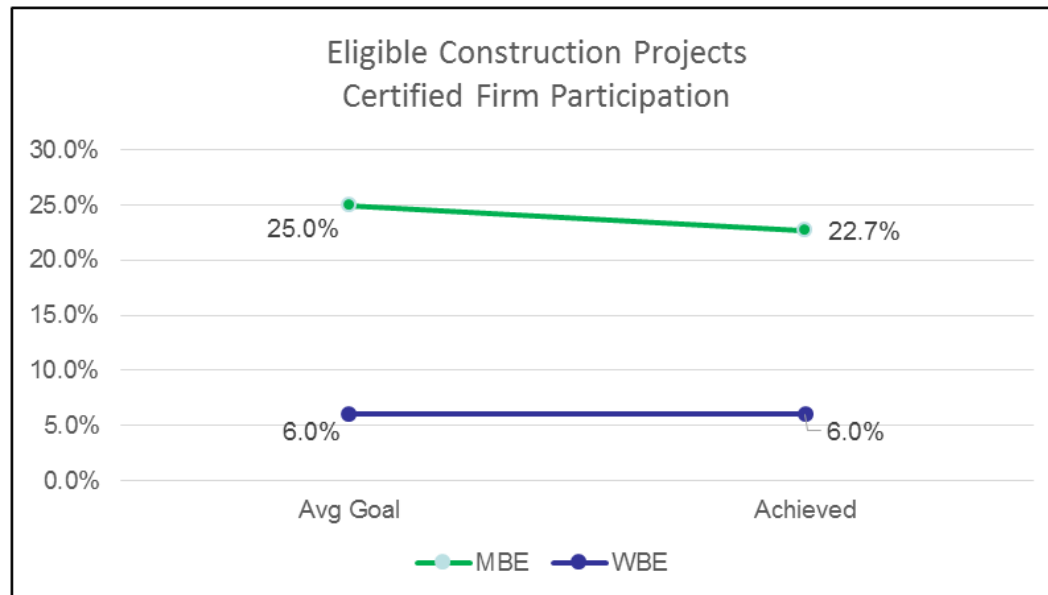
### FY 2016 Procurement Results – EPA Eligible Participation Eligible Construction Projects

#### MBE Utilization

- Avg MBE Goal (as indicated on the Fact Sheets): 25%
  - Range: 35% Highest Goal/ 5% Lowest Goal (30%)
- MBE Awards: \$251,071,751.31
  - MBE Paid: \$171,065,771.48

#### WBE Utilization

- Avg WBE Goal (as indicated on the Fact Sheets): 6%
  - Range: 10% Highest Goal/ 0% Lowest Goal (10%)
- WBE Awards: 65,272,012.56
  - WBE Paid: \$37,829,667.88



**Subcontracts are not 100% awarded. Projects are still expected to achieve the MBE Goals**



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## Section IV

# EPA Fair Share Objective Awards and Expenditures



## DC Water EPA Fair Share Program EPA Funded Procurements

### **Nondiscretionary Procurement Awards**

### **Federal (EPA) Assisted Projects**

- EPA requires “Fair Share” objectives for capital projects
  - M/WBE Goal for A/E Services: 32% Overall
  - M/WBE Goal for Construction: 38% Overall

### **(As Of FY 2016) Total Number of Projects: 15**

- Total Original Value of Eligible Projects: \$280,763,077.50
  - Total Current Value of Eligible Projects: \$304,436,550.13
  - Total Paid: \$267,441,807.22



# DC Water FY 2016 Annual Report

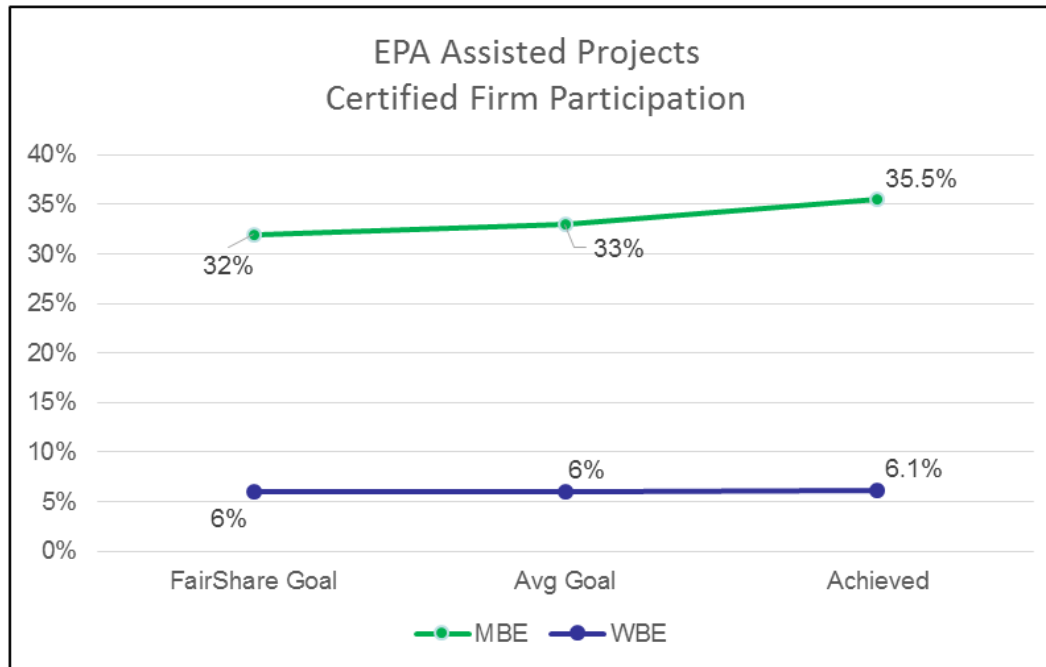
## EPA Funded Procurements

### MBE Utilization

- Avg MBE Goal (as indicated on the Fact Sheets): 33%
- Range: 35% Highest Goal/ 32% Lowest Goal (3%)

### WBE Utilization

- Avg WBE Goal (as indicated on the Fact Sheets): 6%
- Range: 10% Highest Goal/ 6% Lowest Goal (4%)





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# Section V

## Accomplishments and Recommendations



## DC Water FY 2016 Good Faith Efforts – Certified Business Outreach

### **October 2015**

- P Card Vendor Roundtable (DC Water)
- Three (3) Vendor Days (DC Water)

### **November 2015**

- Metropolitan Washington Airports Authority “Annual Business Opportunity Seminar” (Dulles, VA)
- Industrial Supplier Roundtable (DC Water)

### **January 2016**

- Prince George’s Community College Minority Business Development Weekly Business Development Radio Address (Bowie, MD)
- MD/DC Supplier Development Council Breakfast (Bowie, MD)
- Five (5) Vendor Days (DC Water)

### **March 2016**

- WSSC Women’s Business Expo (Laurel, MD)
- Fort Myer Vendor Roundtable (Washington, DC)
- Two (2) Vendor Days (DC Water)

### **April 2016**

- US Hispanic chamber of Commerce Business Summit (Chantilly, VA)

### **May 2016**

- MD Washington MCA Minority Business Outreach (Baltimore, MD)

### **June 2016**

- DC Government Small business Summit (Washington, DC)
- Four (4) Vendor Days (DC Water)

### **July 2016**

- Prince George’s County Vendor Day (Greenbelt, MD)
- Three (3) Vendor Days

### **August 2016**

- Minority Business Development Agency Med Week (Washington, DC)
- Ward 8 Rise Demonstration Center conference (Washington, DC)
- Six (6) Vendor Days



## FY 2016 Recommendations

### Proposed Recommendations for Goods and Services:

#### I. Overall

- 1) Generate a Procurement construction and services forecast at the beginning of each fiscal year.
  - 2) Establish links to certifying agencies on the DC Water Website.
  - 3) Implement a process to determine the eligible dollars for participation.
  - 4) For Discretionary projects- Update the certifying authorities recognized for LBE and LSBE certification
  - 5) For EPA funded projects – Update the definitions for Minority Business Enterprise (MBE) and Women Business Enterprise (WBE) to align with current EPA definitions
    - **(Current) Minority Business Enterprise (MBE)** – for the purpose of the federal mandated program and fair share objectives, at least one of the following:
      1. A business which is certified as socially and economically disadvantaged by the Small Business Administration; or
      2. A business which is certified as a minority business enterprise by a state or federal agency; or
      3. An independent business concern which is at least 51% owned and controlled by minority group member(s).
    - **(Revised) Minority Business Enterprise (MBE)** – as prescribed by 40 CFR Part 33.103 - for the purpose of the federal mandated program and fair share objectives, means a Disadvantaged Business Enterprise (DBE) other than a Small Business Enterprise (SBE), a Labor Surplus Area Firm (LSAF), a Small Business in Rural Areas (SBRA), or a Women's Business Enterprise (WBE).
- For EPA funded projects- update the reporting requirements to align with current EPA requirements.
- **C. Reporting**  
DC Water will implement a procedure for monitoring contractor compliance with MBE/WBE requirements and will submit quarterly MBE/WBE utilization reports to the EPA as required by 40 CFR Part 33.

#### II. Micro-Purchases

- Develop a formal process to identify certified firms for P Card use (Request for Information/Request for Qualifications) and modify the Procurement Manual to require the use of these firms (to the extent possible).
- **(Add) 32.2.4 Purchase Card Purchases (Under \$5,000)**  
To the extent possible, purchases made with DC Water Purchase Cards will be made with certified LBEs and/or LSBEs. The Department of Procurement is responsible for identifying certified LBEs and LSBEs for participation.





### III. Small Purchases

- Update the simplified acquisitions process for procurements under \$100k to focus on certified LSBE firms (consistent with Section 32.2.2 of the Procurement Manual).
  - Annually, through the use of competitive practices (RFP/RFQ) develop a short lists of firms to provide quotes for small purchases
  - Extend preference points allocation to small purchases

### IV. Large Discretionary Procurements

- In order to encourage greater diversity of certified firm participation, develop and implement “Good Faith Efforts” requirements for discretionary projects including a “Good Faith Efforts Checklist and best practices which would be included in all LSBE solicitations and posted to the web.
- Include certified contractor information for primes and subs, as applicable, on DC Water fact sheets. Information would include whether or not the firm conducted any outreach to the LSBE community and the overall level of LSBE participation if any.
- Provide contact information for compliance on DC Water’s Procurement web page.
- For G&S awards over \$1M, require the prime to submit an updated sub-contracting plan for LSBE participation for each Option Year exercised or modification.
- To encourage greater participation and partnering opportunities, Procurement should hold more pre-bid/pre-proposal meetings for goods and services and include time for networking.
- To reduce the possibility of a pass-through, the LSBE Program should be updated to award preference points based on the product or service authorized by the certifying authority.
- Set bi-annual LSBE goals for Goods and Services based on an accepted goal setting process and consistent with area jurisdictions.
- Develop prompt payment language for LSBE firms similar to those under the EPA program.

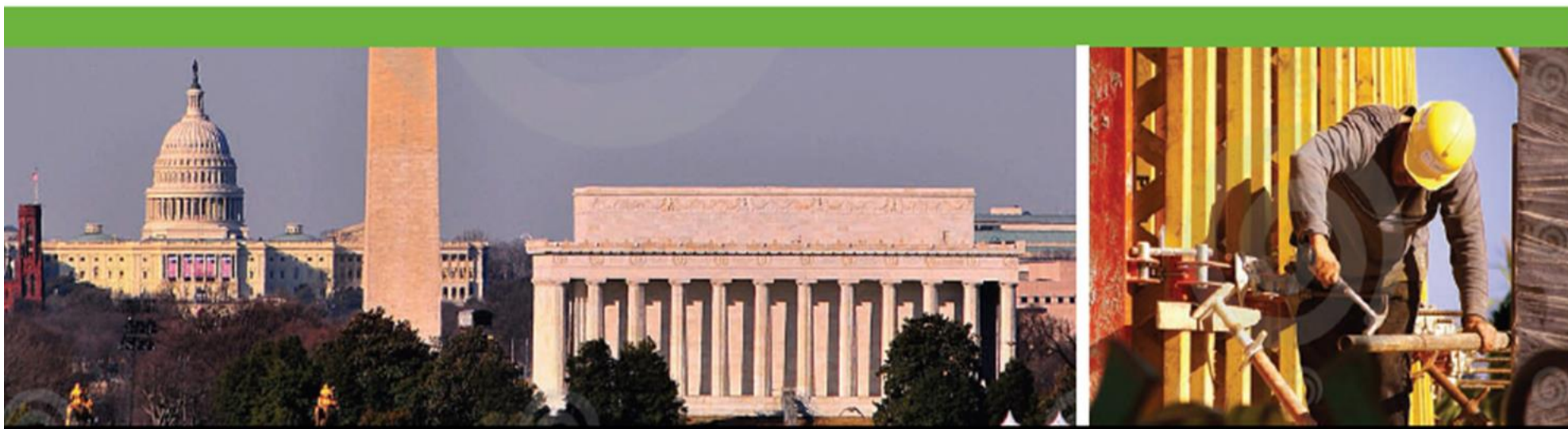
### V. Construction and Engineering

- Develop a new program for projects not funded by EPA



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George S. Hawkins, CEO and General Manager

## Analysis of the EPA Fair Share Program on Non-Federally Funded DC Water Projects





## Proposed Revisions

Projects to be identified by one of three categories:

1. Federally Funded – Projects funded or supported by EPA Assistance.
  - Clean Water Act
  - Safe Drinking Act
2. Open With Preferences
  - Large Goods and Services
  - Simplified Acquisitions
3. (New Program) DC Water DBE Program
  - Architecture and Engineering Projects
  - Clean Rivers
  - Large non-funded/non-eligible construction projects

New Program “must haves”:

- Program does not adversely impact competitiveness (does not chase bidders away).
- Program does not discourage firms to bid/subcontract on EPA funded projects.
- No undue cost burdens on contractors/subcontractors.
- Can be monitored effectively with existing resources.
- Be consistent with other area programs.



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## Proposed Revisions

### DC Water DBE Program

#### Specifics include:

- Disadvantaged Business Enterprise Participation – Annual Goal (DC Water Defined)
- Women Owned Small Business Participation – Annual Goal (DC Water Defined)
- Good Faith Efforts to achieve the Goals (DC Water Defined)
- Program is not Race Based
- Board review of Goals every three (3) years
- Allow Prime Contractor participation to be counted towards Goals
- Expand the certifying authorities recognized for DBE and WBE
- Preference given for firms in user jurisdiction
- Define Commercially Useful Function (Follow the fed 30% definition)

#### Requirements

- Development of new “fairshare” program language
- Availability Analysis - Initial and Every three (3) years
- Clearly define the certifications accepted by this program.
- Define Good Faith Efforts. Develop standards for local outreach.

#### Pros

- Clarifies the goals and expectations for certified firms
- Follows established protocols
- Contractor familiarity
- Increases potential WBE participation
- DC Water Projects are achieving DBE and WBE participation (particularly with an expanded definitions)
- Regulation structure is already in place (not reinventing the wheel)



## Background

### EPA Funded/ Eligible Projects

#### Clean Water Act

- EPA awards Clean Water Act grants annually.
- Grants are awarded through the District Department of the Environment (DDOE)
  - DC water receives an estimated \$3M annually
- Grants covers up to 55% of the District's share of the project's costs

#### DC Water Grant Request Process

- In July the DC Water EPA Grants Coordinator pulls a list of projects from an approved CIP list that are scheduled to start the next fiscal year. This list is sent to DDOE for approval of grant funding.
  - DC Water can elect to submit a previously funded active project for consideration in lieu of a new list.
  - This grant stream supports projects inside the gate, which are large and multi year.
- Clean Water grants are competitive (Green Reserve Requirement).
  - Competition is with eligible DC Based Organizations (municipalities, nfp's).
- DDOE ranks the list of proposed projects and proportions the grant money accordingly.
- List approved by DDOE generally 60-90 days after submittal (Approved list).
- **All projects are ranked and approved for funding by DDOE. This is the basis for identifying the DC Water Projects as "EPA eligible".**
- In the event there is EPA funding available beyond the fiscal year appropriation, the remaining approved projects may received grant assistance.



## Background

### EPA Funded/ Eligible Projects

#### Safe Drinking Water Act

- EPA awards Safe Drinking Act grants every two (2) years.
  - DC water receives an estimated \$8.5M annually (list provided every two years)
- Grants covers up to 80% of a project's costs

#### DC Water Grant Request Process

- In July the DC Water EPA Grants Coordinator pulls a list of projects from an approved CIP list scheduled to start in the appropriate fiscal year. This list is sent to the EPA for approval of grant funding.
- Projects are sorted by construction start date.
- DC Water adds the current list projects to the “rolling” list of projects previously submitted for consideration.
  - DC Water can elect to use the grant money continuously fund a multi year active project.
- List approved by EPA generally 60-90 days after submittal (Approved list).
- **All projects are approved for funding by the EPA. This is the basis for identifying them as “EPA eligible”.**
- The EPA then indicates how much funding Dc water can expect. (The \$8.5 Million received on average is generally applied to one or two projects).
- The EPA Grants Coordinator identifies which projects will use the grant funds. The decision is generally based on the project costs and start date.  
Examples:
  - A project that begins on October 1 and costs \$20M will be allocated the entire \$8.5M grant.
  - A project starts Oct 1 and costs \$5M will receive a portion of the grant, and the next project will receive the remainder.
- In the event there is EPA funding available beyond the fiscal year appropriation, the remaining approved projects may received grant assistance.
- A list must be submitted every two (2) years.

District of Columbia Water and Sewer Authority



**CONSIDERATION REGARDING GOVERNANCE  
OF  
BLUE DROP**

*Presentation For:*

**DC Water Board of Directors – Governance Committee**

**May 10, 2017**



## BOARD RESOLUTION - #16-90 / APPROVAL TO AUTHORIZE THE GENERAL MANAGER TO ESTABLISH BLUE DROP, LLC

- Adopted on November 3, 2016
- Authorizes DC Water to establish Blue Drop, LLC, a not-for-profit limited liability company
- Blue Drop's Purposes are:
  - Provide relief from rising rates, fees, and charges to customers in the District and other jurisdictions, and joint-use sewage facilities users;
  - Advance and promote innovative strategies and technologies in treating, delivering and collecting potable and wastewater, and other products and services;
  - Improve the state of water and water treatment sectors by sharing knowledge, research and expertise; and
  - Promote resource recovery and conservation





## WHY CREATE A SEPARATE ENTITY?

- Small and nimble
  - Efficient contract and procurement processes
  - Capability to respond quickly to opportunities
  
- To allocate risks
  - Separate contract and tort exposure
  - Separate insurance
  
- Create marketplace advantage
  - Separation from DC Water can contribute to positive perception by other municipal bodies
  
- Accountable for targeted activities
  - Allows targeted analysis of costs of delivery of products/services



## BLUE DROP - ORGANIZATION

- Blue Drop has one (1) LLC Member – DC Water
  - George Hawkins is the DC Water Board of Directors “Member Representative” to Blue Drop
  
- Blue Drop’s Board of Directors
  - Chairperson – George Hawkins, General Manager and Chief Executive Officer, DC Water (Non-Voting Position)
  - Robert L. Mallet, President and Chief Executive Officer, Africare
  - David Henderson, Managing Partner, XPV Water Partners
  - Andrew Kricun, P.E., Executive Director and Chief Engineer, Camden County Municipal Utilities Authority
  - Willy Walker, Chairman and Chief Executive Officer, Walker & Dunlop, Inc.
  
- Blue Drop’s Manager
  - Alan Heymann, President
  - Manages the operations and business affairs of Blue Drop



## BLUE DROP – DC WATER’S BOARD GOVERNANCE

DC Code §29-804.07(c)(1) – Any matter relating to the activities and affairs of Blue Drop shall be “decided exclusively” by the company’s managers.

- The power to conduct the financial and business affairs of Blue Drop is vested in the Blue Drop Board of Directors and Management, including:
  - Operations and Accounting
  - Human Resources
  - Contracts
  - Research and Marketing
  - Strategic Business Initiatives
  - Managing Assets & Liabilities of Company
  - Managing Legal Affairs of Company
  - Any Other Activities in Ordinary Course of Business



## BLUE DROP – DC WATER’S BOARD GOVERNANCE (cont.)

As the Member of Blue Drop, LLC, there are certain areas where the DC Water Board should exercise oversight of the activities of Blue Drop, including:

- Formation and Dissolution
- Review of Financial and Business Affairs
  - Per D.C. Code §29-804.10(2) – A Member may obtain from the company, and inspect and copy, full information regarding the activities and affairs, financial condition, and other circumstances of the company as is just and reasonable
    - Powerful tool to exercise oversight
- Role of Member Rep
  - Manage communication of Member Rep
- Conduct regular reviews of Blue Drop compliance with the Stated Purposes and Mission (Reasonable Business Judgment)
  - Encourage appropriate reporting and metrics
- Regarding contracts between DC Water and Blue Drop
  - Recognize Blue Drop is a separate corporate entity; Protect against alter-ego relationship; Ensure contracts are arms’ length transactions
- Member Consent May Be Taken Without a Meeting and the Member May Appoint A Proxy to Consent or Act on Behalf of the Member (*e.g.*, DC Water’s Member Representative) [D.C. Code §29-804.07(d)] (George Hawkins appointment; see slide 4)



## BLUE DROP – DC WATER’S BOARD GOVERNANCE (cont.)

- Under D.C. Code §29-804.07(c)(4), Member (DC Water) Consent is Required to:
  - Engage in Mergers
  - Sell, Lease, Exchange, or Dispose of Blue Drop Property *Outside the Ordinary Course of the Company’s Activities and Affairs*
  - Amend the Blue Drop Operating Agreement
  - Undertake any Other Act Outside the Ordinary Course of the Company’s Activities and Affairs





Approved and Adopted: November 3, 2016  
RESOLUTION: Approval to Authorize the General Manager to  
Establish Blue Drop, LLC

#16-90  
RESOLUTION  
OF THE  
BOARD OF DIRECTORS  
OF THE  
D.C. WATER AND SEWER AUTHORITY

# Governance Committee Update

Wednesday, May 10, 2017

**Alan Heymann**

Chief Marketing Officer, DC Water  
President, Blue Drop

The members of the Board of Directors ("Board") of the District of Columbia Water and Sewer Authority (the "Authority") at the Board meeting held on November 3, 2016, upon consideration and approval by a vote of ten (10) in favor and none (0) opposed, to take the following action to authorize the General Manager to establish a not-for-profit entity under the laws of the District of Columbia to be known as Blue Drop, LLC.

WHEREAS, District of Columbia Home Rule Act states, "[n]otwithstanding any other provision of this chapter or any District of Columbia law, the financial management, personnel, and procurement functions and responsibilities of the District of Columbia Water and Sewer Authority shall be established exclusively pursuant to rules and regulations adopted by its Board of Directors," D.C. Code § 1-204.96(a); and

the District of Columbia created DC Water pursuant to the Department of Public Works Act, 2001 et seq.



# 1. What is Blue Drop?

Blue Drop is a separate, nonprofit organization created by DC Water in November, 2016.

Board Resolution #16-90:

- a. Providing relief from rising rates, fees, and charges to DC Water's customers in the District of Columbia, to other participating jurisdictions as defined in D.C. Code § 34-2202.01(5), and to users of the joint-use sewage facilities as defined in D.C. Code § 34.2202.01(4);
- b. Advancing and promoting innovative strategies and technologies in the treatment and delivery of potable water, the treatment and collection of wastewater, and related products and services;
- c. Improving the state of the water and wastewater treatment sectors by sharing knowledge, research, and expertise throughout the country and the world;
- d. Promoting resource recovery and conservation; and
- e. Other purposes consistent with and complementary to the principles described in this Resolution.



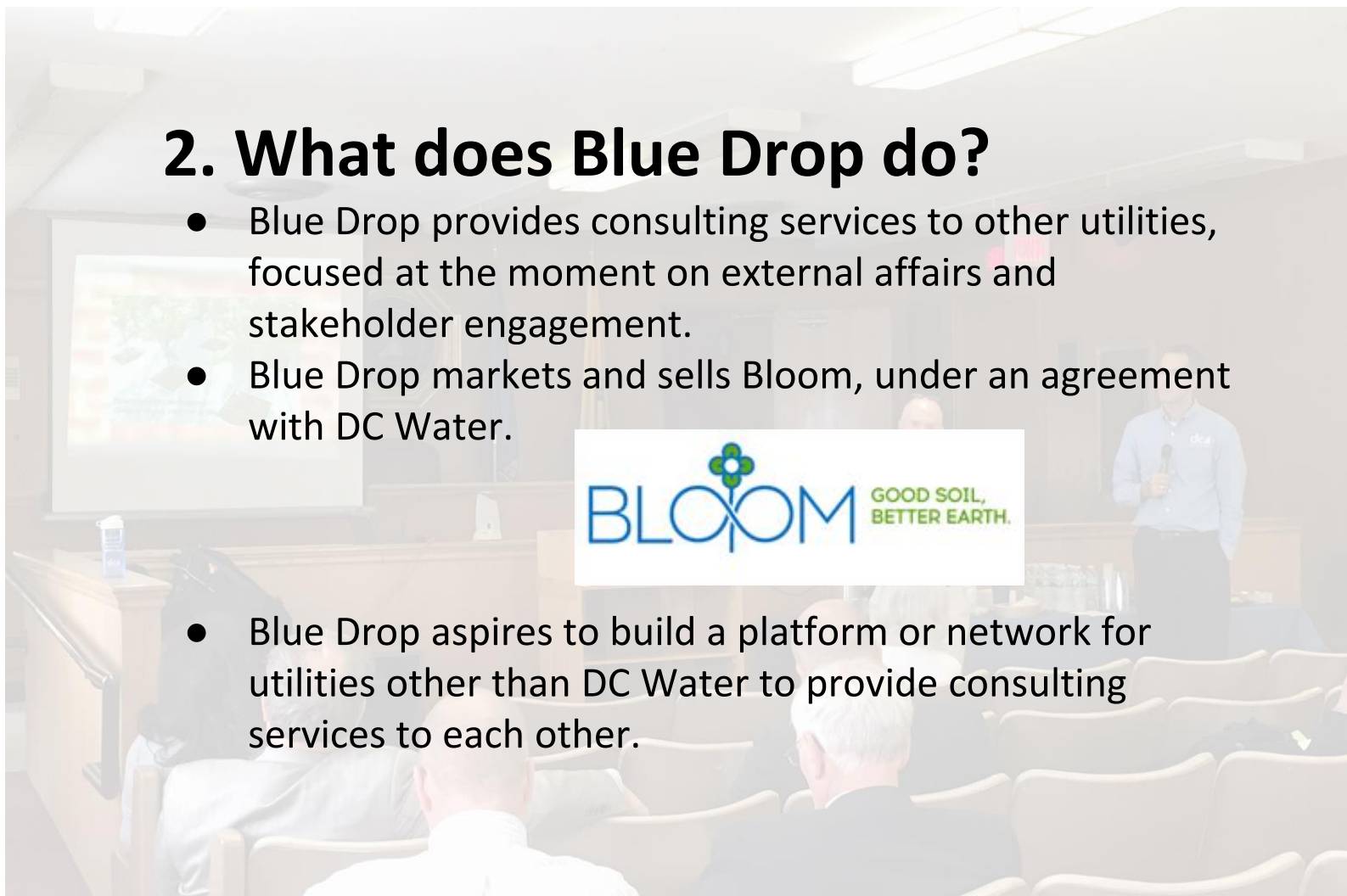


## 2. What does Blue Drop do?

- Blue Drop provides consulting services to other utilities, focused at the moment on external affairs and stakeholder engagement.
- Blue Drop markets and sells Bloom, under an agreement with DC Water.



- Blue Drop aspires to build a platform or network for utilities other than DC Water to provide consulting services to each other.





### 3. Where does Blue Drop work?

- Blue Drop “World Headquarters”: former DC Water payment office, 810 First Street NE, through Oct. 2018.





### 3. Where does Blue Drop work?





### 3. Where does Blue Drop work?

- After October 2018, Blue Drop will acquire its own space.
- Not in new DC Water Headquarters.
- Likelihood: WeWork or similar facility.



- Possibility: near present location.
- Possibility: closer to new DC Water Headquarters.





## 4. Who is Blue Drop?

- Board is appointed by Chairperson, CEO/GM of DC Water.
- Members:
  - Robert Mallett, Africare
  - Andrew Kricun, Camden County MUA
  - David Henderson, XPV Water Partners
  - William Walker, Walker & Dunlop
  - (vacant)
- Board meetings:
  - February
  - May 5
  - Next meeting TBA (likely fall)



## 4. Who is Blue Drop?

- Core Team
  - DC Water employees detailed to Blue Drop.
  - Alan Heymann, President (“Manager”)
  - Gloria Cadavid, Vice President\*
  - Saul Kinter, Problem Solver
  - \*Sarah Neiderer, Director of Business Development
- Project Support
  - DC Water employees who work occasionally on specific Blue Drop projects.
  - Office of External Affairs
- Blue Drop Employees (June 2017)
  - Director of Operations
  - Director of Client Services



## 5. What are Blue Drop's projects?

- Bloom
  - Marketing and sales agreement between Blue Drop and DC Water.
    - \$5/ton marketing fee to Blue Drop.
    - Short-haul transportation cost reimbursed.
    - Revenue stays with Blue Drop; DC Water saves on land application.
  - On track to meet target of 10,000 tons diverted from land application in FY 2017.
  - Largest customer = Maryland tree nursery.
  - Marketing fee to Blue Drop = \$50,000.
  - Sales revenue to Blue Drop = \$10,000 or less.
  - Cost savings to DC Water = \$200,000.



## 5. What are Blue Drop's projects?

- Bloom
  - Ongoing, constructive conversations with Maryland Department of the Environment on opening up new markets for Bloom via enforcement discretion.
  - Virginia permit still TBA.
  - Pennsylvania and District of Columbia permits in hand.
  - Bloom updates presented regularly to EQ&Ops committee and Blue Plains Regional Committee.





## 5. What are Blue Drop's projects?

- Consulting
  - New Jersey Future
    - Began 2016 under DC Water.
    - Consulting for 8 utilities and municipalities now beginning the planning process for CSO control.
    - Stakeholder engagement.
  - York Region Environmental Services
    - Began January 2017.
    - Strategic communications planning and organizational development.
  - Capital Region Water (Harrisburg, Pa.)
    - Began April 2017.
    - Comprehensive communications planning and stakeholder engagement.



## 5. What are Blue Drop's projects?

- New business development
  - Annual utility leadership conferences
  - CEO/GM speaking engagements
  - Market research underway shortly
    - What is the sweet spot for Blue Drop? Size, governance, services offered?
  - Incoming staff resources devoted to business development and client services.
  - DC Water management survey on potential services.
- Limiting factor
  - DC Water staff have their own jobs to do.



## 6. How are Blue Drop's finances?

- DC Water initial capitalization (FY17-19)
  - Staff time for Blue Drop Core Team (2.75 FTE).
  - Operating expenses, disbursed by fiscal year and budgets approved by Blue Drop Board (\$737k total).
  - Office space through October 2018.
- Estimated FY17 consulting revenue \$175k.
  - Sales targets for future years pending.
- Estimated FY17-19 Bloom revenue \$60-300k.
- Estimated FY17-19 Bloom avoided costs to DC Water \$780k-2.2M.
- Next up: seeking audit support and reviewing options.



Presented and Adopted: November 3, 2016  
RESOLUTION #16-90  
SUBJECT: Approval to Authorize the General Manager to Establish Blue Drop, LLC

## Further questions?

**Alan Heymann**

Chief Marketing Officer, DC Water  
President, Blue Drop

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RESOLUTION #16-90  
BOARD OF DIRECTORS OF THE DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY

The members of the Board of Directors of the District of Columbia Water and Sewer Authority (the "Board") at the Board meeting held on November 3, 2016, upon consideration of the matter, decided by a vote of ten (10) in favor and none (0) opposed, to take the following action to authorize the General Manager to establish a not-for-profit entity under the laws of the District of Columbia to be known as Blue Drop, LLC:

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