



**DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY
BOARD OF DIRECTORS
247th MEETING
THURSDAY, NOVEMBER 1, 2018**

MINUTES

Present Directors

Tommy Wells, Chairman, District of Columbia
Adam Ortiz, Alternate for Nicholas A. Majett, 1st Vice Chairman, Prince George's County
Ellen Boardman, District of Columbia
Rachna Butani Bhatt, District of Columbia
James Patteson, 2nd Vice Chairman, Fairfax County
Howard C. Gibbs, Alternate for David Franco, District of Columbia
Bradley Frome, Prince George's County
Bonnie Kirkland, Montgomery County
Krystal Brumfield, Alternate for Vacant Principal, District of Columbia
Fariba Kassiri, Alternate for Timothy Firestine, Montgomery County

Present Alternate Directors

Rev. Kendrick E. Curry, District of Columbia
Anthony Giancola, District of Columbia
Jed Ross, District of Columbia
Lavinia Baxter, Prince George's County
Ivan Frishberg, District of Columbia
Sarah Motsch, Fairfax County

DC Water Staff

David L. Gadis, CEO/General Manager
Henderson Brown, General Counsel
Matthew Brown, Chief Financial Officer
Linda R. Manley, Board Secretary

Chairman Wells called the 247th meeting of the District of Columbia Water and Sewer Authority's Board of Directors to order at 9:40 a.m. Ms. Manley called the roll, and a quorum was established.

Approval of the October 4, 2018 Minutes

Chairman Wells asked for a motion to approve the October 4, 2018 minutes. The motion to approve the October 4, 2018 minutes was moved, seconded, and unanimously approved by the Board of Directors.

Chairman's Overview

Chairman Wells reported that in his role as the Director of the Department of Energy and Environment, they took a delegation to Copenhagen and Brussels, and in the delegation representing D.C. Water was Maureen Holman and Saul Kinter. The delegation was also comprised of representatives from Pepco, Akridge, Roadside, Flywheel, W.C. Smith, and the Federal Government. The discussion included Copenhagen and Brussel's response to the 1970s energy crisis which put them in a different direction based on how they utilized their heating and cooling utilities in their buildings and cities. He stated that he was proud of how Ms. Holman and Mr. Kinter engaged their counterparts and that he expected there would be more discussions in the future. Chairman Wells noted that he is discussing with the General Manager opportunities that reminded him of junior high school science classes where it was stated that energy is not just about electricity or the burning of natural gas. Copenhagen takes energy wherever they can find it, whether it be off the back of refrigerators and freezers and into their heating milieu, to different types of geothermal. He was reminded of the American Geophysical Union that tapped into D.C. Water's sewage pipe downtown to do a heat transfer, that could help to make their carbon zero or neutral. D.C. Water's new headquarters building near Buzzard Point is planning on tapping into heat energy from the pumping station. The trip emphasized some possibilities for D.C. Water.

Environmental Quality and Operations Committee

Reported by: James Patteson, Chair

Mr. Patteson stated that the Committee met on Thursday, October 18, 2018. Aklile Tesfaye, Assistant General Manager for Wastewater Treatment, provided an update on Blue Plains performance for September. It was excellent performance and all effluent quality parameters were below the Permit limits.

During the month 764 million gallons of combined sewage overflow was captured in the tunnel system. It was pumped and treated using the enhanced clarification facility. Since its commissioning on March 20, 3,000 million gallons have been pumped and treated through the Anacostia River Tunnel System and the wet weather treatment facility. Over 500 wet tons of screenings and grit have been removed which otherwise would have been discharged into the Anacostia River. Mr. Patteson noted that the system is up, working, and performing as intended.

Two action items were discussed by the Committee and recommended for Board approval. They were the annual maintenance and repair of electrical power distribution equipment with MC Dean and temporary staffing services from Mb Staffing Services.

Mr. Patteson reported that they received a presentation from Leonard Benson, Chief Engineer, on the path to asset management and the costs of proactive action versus reaction action. Highlights from the presentation included a comparison of the three 10-year Capital Improvement Program (CIP) options of current baseline, modified baseline, and full asset

management for the six services areas of clean rivers, wastewater, storm water, water, sewer, and non-processed facilities. Additional infrastructure investment in the Washington Aqueduct option was also discussed by Mr. Benson. The conclusions on each were that the baseline, the funding issues of sewer collection and water distribution systems have become less reliable and potentially jeopardize the environment, public health, and safety issues. Band-aid solutions and emergency responses are growing and will only accelerate causing more service issues and frustration from both customers and operations and engineering. Mr. Patteson stated that he and the Committee concurred that Mr. Benson and his team's presentations and tours have really enlightened the Committee. The Committee noted that the current modified baseline CIP options for the water and sewer service area funding levels are still underfunded. Full asset management is where it is fully funded. Mr. Benson agreed and stated that he would change the nomenclature of the three options to reflect that.

Paul Guttridge, Manager of Program Services, stated that the current CIP disbursements through the end of September are 10.3 above baseline disbursement projections. He indicated that this is due to scheduling and no additional cost and that the Board will be provided a wrap-up report for the whole fiscal year at the November meeting.

Carlton Ray, Director of the D.C. Clean Rivers Program reported by exception that all activities are on schedule and progressing per plan.

Maureen Schmelling, Director of Water Quality, provided an update which stated that all tests show the water distribution system to be performing exceptionally well.

D.C. Retail Water and Sewer Rates Committee

Reported by: Rachna Bhatt, Chair

Ms. Bhatt reported that the Committee met on Tuesday, October 23, 2018. CFO Matthew Brown provided an update on the miscellaneous fees and charges cost of service study kick-off. He stated that the Board recently approved changes for several high-strength waste fees and pretreatment fees. The last time that those fees were updated was 2001 and the Board members expressed concern. Everyone agreed that in the future the review would be more timely. John Davis from Rafetlis assisted CFO Brown in the update and provided an overview of the objectives of the miscellaneous fees and charges. Two new fees were covered—the Fats, Oils, and Grease (FOG) Fee and the Cross Connection Backflow Prevention Fee (BFP). The discussion also included the Retail Customer fees and charges, Permitting Review fees, and others. Mr. Davis stated that the FOG and BFP programs were efforts to protect the system integrity and were based on FY 2019 budgeted costs. The FOG fee was to prevent fats, oils, and grease from being introduced into the collection system, and the BFP fee is to prevent siphoning back into the potable water system. The Committee members asked many, many questions and there was robust discussion.

Mr. Davis noted that as part of the methodology behind the retail fees, some fees were being better aligned to reflect how services are provided in accordance with best practices within the industry. Committee members asked questions about the communication plan for the miscellaneous fees and charges to manage the public response to the increase in costs to recover D.C. Water's expenses. Mr. Brown informed them that the first step was to publish the fees and charges. Mr. Lisle, Director of External Affairs, stated that most of the fees and charges would not impact the general public, and that they planned to communicate with the specific groups that would be impacted. The Committee members indicated that going forward they wanted to hear about the community outreach as part of any rate and fee considerations.

Ms. Bhatt stated that the Committee recommended two action items for approval by the full Board.

CFO Brown made a presentation on the Customer Assistance Program (CAP) Expansion implementation and Caroline MacKool, Director of Customer Service, provided additional details. Two members from the Department of Energy and Environment (DOEE) answered questions about the District's Nonprofit Relief Program which is CAP 3. Ms. MacKool reported that they are looking at several paths in order to have a successful implementation in January of 2019. She stated that they are already capturing customers through the DOEE application process. DOEE will complete the applications, and provide the eligible customers to D.C. Water. The rates and credits will be applied to the eligible accounts and tracked and monitored. CFO Brown informed the Committee that all unused funds will revert back to the Rate Stabilization Fund unless there was future action by the Board.

CFO Brown stated that he wanted to inform the Committee of what they have done to ensure that those who would be affected by the fees are aware and have the opportunity to provide comment and meaningful input. One-page handouts were created and there are web pages on each of the four categories of fees. The website has a link to the fee study and a link to the action item which specifically links each of the fees. CFO Brown stated that he personally contacted Lisa Mallory of the D.C. Building Industry Association (DCBIA), Kirsten Williams of the Apartment and Office Building Association (AOBA), and Eaton Jenkins of the Restaurant Association and provided them with the link to the Committee presentations. He informed them also that he would be sending follow-up information as soon as it was finalized. CFO Brown informed the Committee that he had already been invited by DCBIA to participate in a discussion.

Audit Committee

Reported by: Anthony Giancola, Vice Chair

Mr. Giancola indicated that Dan Whelan, RSM partner, presented the 2018 Internal Audit Plan and noted that the Work Order Management Audit is currently in the reporting phase. It will be presented during the quarterly January meeting.

The Information Technology Risk Management Audit was delayed until Fiscal Year 2019 due to the increased scope of the Customer Information System Post-Implementation Audit. There are no more open items prior to 2015 and from the 2015 Audit. There are 9 open items for the 2016 Audit. Three open items relate to the revised Strategic Plan which is in development. They expect this to change in November following the leadership Advancement. The Committee was informed by Ms. Tomeo that there are 16 open audit items from 2017, 5 of which are also related to the authority-wide Strategic Plan initiative.

Mr. Gibbs asked about the nature of the four open human relations employee privacy review items. Discussion was deferred to the Executive Session due to the sensitive nature of these findings.

Mr. Giancola thanked the audit team, staffs, COO George, and Management for their efforts in remediating follow-up items throughout the year.

It was reported that several additional audit issues were updated during the meeting. An overview of the Payroll and Timekeeping Internal Audit was provided and Mr. Giancola stated

that D.C. Water has gone through implementation of the Ceridian Dayforce Suite during March 2018 which streamlined further automated portions of the payroll process. There were no high risk findings, one moderate finding and three low risk findings which have already been addressed by Management. An overview of the Accounts Payable Internal Audit between October 1, 2016 and June 30, 2018 was provided. There were no high risk findings, two moderate risk, and three low risk findings. Two have already been addressed by Management.

Ms. Tomeo provided an update on the Hotline. Eight cases have been closed since July and one case remains open. Mr. Gibbs asked for more details regarding the nature of the hotline cases and the discussion was deferred to the Executive Session.

Mr. Whelan presented an overview of the Fiscal Year 2019 Risk Assessment and Audit Plan. Internal Audit compiles a risk register that assists in creating an audit plan for the fiscal year. The scope of each audit is then refined with Management and relevant departments. Mr. Giancola asked him about how risk prioritization is determined and was informed that Internal Audit assigns the impact and likelihood score for each risk and analyzes the risk based on ratings and factors such as time since the last audit or outstanding follow-up. With Management input, Internal Audit creates the audit plan.

Mr. Giancola reported that the Committee then went into Executive Session to discuss confidential matters and reconvened into open session and the meeting adjourned.

Finance and Budget Committee

Reported by: Krystal Brumfield

Ms. Brumfield reported that the Committee met on Thursday, October 25, 2018. CFO Brown requested a change in the agenda to make the Capital Improvement Program (CIP) presentation first. The Committee agreed.

CFO Brown provided background and indicated that the Board adopted the management recommended budgets on March 1, 2018. The staff was requested to develop the path to asset management for the CIP budget. The Environmental Quality and Operations Committee, the Chief Engineer, and staff conducted site visits to see the conditions of D.C. Water's assets to get an understanding of the system needs and areas requiring additional investments. The same presentation was provided to the Retail Rates Committee

CFO Brown indicated that the presentation addressed Management's commitment to assess the needs, risks, and investments in the Authority's capital infrastructure and provides information to begin budget discussions about the impact on retail customer rates.

Ms. Brumfield stated that all costs for the capital projects, capital equipment, and D.C. Water's cash contributions to support the Washington Aqueduct's capital program were included in the modified asset management CIP options.

Leonard Benson, Chief Engineer, provided a detailed overview of previous presentations and work plans. He reviewed the details of the three CIP options of the current approved baseline, modified baseline, and asset management. Ms. Brumfield stated that Mr. Benson informed the Committee that it was not prudent to continue with the current baseline because it showed continued under investment in the infrastructure. Based on asset management best practices, the age of the pipelines indicated a need for small diameter pipeline replacement of 22 miles per year for the water distribution systems and 20 miles per year for the sewer collection systems.

The costs of emergency repairs versus proactive costs is estimated at 10 times and are not sufficient to recover the assets. Mr. Benson compared the three 10-year CIP options for the six service areas of clean rivers, wastewater, storm water, water, sewer, and nonprocessed facilities. He reviewed each service area explaining the funding levels under each CIP option. Details concerning Mr. Benson's presentation on the service areas can be found on the D.C. Water website in the meeting minutes.

CFO Brown reviewed the funding levels for the capital equipment and Washington Aqueduct and explained that the current baseline is underfunded for capital equipment and generally funded for the Aqueduct with increased funding levels under both the modified and asset management CIP options. They will need to increase the level of funding to maintain the infrastructure. The asset management option includes D.C. Water's proportionate share of the federally owned water main and advanced treatment projects.

Mr. Benson explained the challenges of the current baseline and that the impact of delayed investments increases the risk of explore and cost. CFO Brown reported that the Finance Office is currently running financial models for the impacts on customer rates, level of borrowing, and other metrics. Initial estimates show that based on 10-year CIP options, the current baseline would increase rates by 60 percent. The modified baseline would increase rates by 75 percent, and asset management would double rates. Details will be presented during the special meeting of the Retail Rates Committee on November 29.

Ms. Brumfield stated that CFO Brown provided the preliminary Year-end Financial Report. Operating receipts are \$631.2 million and above budget by \$10.7 million. Estimated operating expenditures are \$553 million and below budget by 98.5 percent. Capital disbursements total \$489.9 million or \$40 million above budget. The overall operating revenues were in line with previous projections, with residential, commercial, and multifamily categories slightly lower than budget at \$353.6 million. Operating expenditures were in line with projections, with the major budget variances in personnel services due to the impact of the Board ratified union contracts and other salary adjustments, the chemicals due to higher prices, and the debt service cost being lower than budget primarily due to refinancing of the Authority's debt. Capital labor at \$15.1 million was less than the budget of \$21 million for the year and the midyear projection of \$71.3 million.

The meeting was concluded by CFO Brown reviewing the cash balance report highlighting that the carryover of \$18 million, thousands of dollars over the target reserve will be used for Paygo financing.

General Manager's Report

Reported by: David Gadis, CEO/General Manager

Mr. Gadis stated that he has been General Manager for five months and that one thing he has heard from a number of employees is that they want the opportunity to advance within the Authority and are yearning for training. He reported that under the leadership of the Chief of Staff, Mr. Dozier, they rolled out in October 2018 the first stage in the pilot program of Leading Blue which is a program for leadership and development of first time and front line supervisors, foremen, general foremen, and managers. He indicated that the aim is to institutionalize the Authority's leadership competencies and provide a model that they can get behind and live with, while advancing the leadership and capability of the supervisors, and improving leadership and relationships between supervisors and employees. The Authority-wide program will launch in

early 2019, with approximately 200 supervisors participating as a mandatory requirement for their first year.

General Manager Gadis reported that he chaired his first Blue Drop Board meeting on October 12. The focus of the meeting was a discussion of finding new markets and revenue opportunities, as well as reviewing the key elements of the draft of Blue Drop's Strategic Plan.

Next week is Mr. Gadis' first time leading the staff advancement for senior management. D.C. Water's new Strategic Plan called Blueprint will be launched during the advancement. This serves as an opportunity to empower the leadership team to deliver on D.C. Water's commitment to the workplace and the community.

The organizational assessment is about 95 percent complete and is being conducted by Accenture and ADC. It assesses the Authority's current state and will recommend alignment, capabilities, and functions to deliver on the strategic priorities and community expectations. Preliminary findings highlight key findings and opportunities for change in D.C. Water's structure, culture, and operation.

Mr. Gadis reported that in October he attended the Water Environment Federation (WEF) conference in New Orleans, Louisiana, and D.C. Water received recognition as the Utility of the Future, for the third straight year. This was a joint activity for WEF and the National Association of Clean Water Agencies. Mr. Gadis stated that the Utility of the Future concept encourages the nation's water systems and assists in transforming the operations through innovation and technology. D.C. Water met a stringent requirement in the category of watershed stewardship to earn this year's recognition.

D.C. Water has been assessing its SCADA System during the last three years and making incremental improvements to existing distribution and conveyance data systems to ensure reliable monitoring and control of the systems. Substantial progress has been made on improving the capabilities of the system and complexities of the environment, but much work still remains to be done on growing the assets through the aged infrastructure. Expanding the system is essential to achieving and sustaining a successful asset management program and a more focused and aggressive plan is necessary supported by dedicated resources. A Request for Proposal has been issued for qualified vendors to assess D.C. Water's current capabilities, identify opportunities for improvement across the hardware and software platforms, and help with the execution of a comprehensive plan for D.C. Water's SCADA System.

General Manager Gadis reported that D.C. Water underwent in September 2018 the annual NPDES compliance evaluation and inspection by the District's Department of Energy and Environment of all permanent facilities. It included field inspections, review of treatment processes and equipment, effluent sampling, and laboratory procedures and records, discharge monitoring reports, storm water pollution prevention plan, and other operations and maintenance records. He was happy to report that no concerns were identified during the inspection.

Mr. Gadis stated that he participated on a panel where he addressed students from historically black colleges. Howard University was one of the featured universities. He was proud that among the 50 students were a number of D.C. Water's interns. He introduced a number of the students to the water and wastewater industry.

Mr. Giancola asked about a concern about the Customer Assistance Program, as well as the SPLASH Program. He noticed that D.C. Water is behind in distributing money. The General Manager's Report shows that \$20,000 has not been spent through the Urban League of Washington. He believes they should look at the criteria , in particular the one-time requirement. Mr. Giancola stated that most of the time when people are experiencing problems, they need help more than one time. He suggested maybe looking at the requirements and changing them to a three-month period so that we help them by spending the money.

General Manager Gadis stated that he likes to honor employees every month. The first employee was Nichole Sprague, a new employee who serves as Supervisor of Recruiting and Talent Acquisition. He welcomed her to D.C. Water.

A Spot Award went to a group of employees who took ownership of an issue and showed professionalism and leadership above and beyond from a customer service standpoint. Mr. Gadis read a letter from a customer about the Sewer Repair Division crew of Gerald Newsome, Chris Wilson, Steven Lyles, Gregory Davis, Reginald Howell, and Ronald Lewis. They installed a clean out while respecting the landscape. The customer stated that Reggie Howell showed her a picture of the condition of the pipe. Their professionalism eased her mind. The customer also acknowledged customer service representatives in the Call Center who were pleasant and provided information on what was ahead. Mr. Gadis and Chairman Wells made a presentation to the employees.

Consent Items (Joint Use)

Chairman Wells asked for a motion to approve joint use contract action items. Mr. Patteson moved to approve Resolution Nos. 18-69 through 18-71, and it was seconded. The motion to approve Resolution Nos. 18-69 through 18-71 was unanimously approved by the members of the Board.

Consent Items (Non-Joint Use)

Chairman Wells asked for a motion to approve non-joint use action items. Ms. Boardman moved to approve Resolution Nos. 18-72 and 18-73, and it was seconded. The motion to approve Resolution Nos. 18-72 and 18-73 was unanimously approved by the members of the Board.

Executive Session

Chairman Wells asked for a motion from District Members 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) of the D.C. Official Code. It was so moved and seconded. The Board went into Executive Session at 10:24 a.m. and resumed at 12:08 p.m.

There being no additional comments and issues, Chairman Wells adjourned the meeting at 12:08 p.m.


Secretary to the Board of Directors