



**DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY
BOARD OF DIRECTORS
251st MEETING
THURSDAY, MARCH 7, 2019**

MINUTES

Present Directors

Jed Ross, Acting Chairman, District of Columbia
Bonnie Kirkland, Montgomery County
Ellen Boardman, District of Columbia
Major Riddick, Prince Georges' County
Rev. Kendrick Curry, Alternate for Rachna Bhatt, District of Columbia
Randy Bartlett, Fairfax County
Emile Thompson, District of Columbia
Krystal Brumfield, District of Columbia, Alternate to Vacant Principal
Floyd Holt, Prince George's County
David Franco, District of Columbia

Present Alternate Directors

Anthony Giancola, District of Columbia (Present via Telephone)
Sarah Motsch, Fairfax County
Howard Gibbs, District of Columbia
Lavinia A. Baxter, Prince George's County
Patty Bubar, Montgomery County
Joseph Gill, Prince George's County

DC Water Staff

David L. Gadis, Chief Executive Officer
Matthew Brown, Chief Financial Officer Executive Vice President for Finance and Procurement
Gregory Hope, Interim Executive Vice President, Legal Affairs
Linda R. Manley, Board Secretary

Acting Chairman Ross called the 251st meeting of the District of Columbia Water and Sewer Authority's Board of Directors to order at 9:33 a.m. He welcomed Major Riddick, Prince George's County, to the D.C. Water Board of Directors, and congratulated Krystal Brumfield,

District of Columbia, who has been elevated to a principle member. He reported that Rev. Kendrick Curry, District of Columbia, has been reappointed to the Board. Mr. Ross indicated that as soon as the representative from the Mayor's Office of Talent and Appointments arrived they would do a swearing in and a re-swearing in.

Ms. Manley called the roll, and a quorum was established.

Approval of the February 7, 2019 Meeting Minutes

Acting Chairman Ross asked for a motion to approve the February 7, 2019 meeting minutes. The motion to approve the February 7, 2019 meeting minutes was moved, seconded, and unanimously approved by the Board of Directors.

Chairman's Overview

Acting Chairman Ross stated that the D.C. Sustainable Energy Utility would make a presentation. Lilia Abron indicated that she is a member of the D.C. Sustainable Energy Utility which has operated since 2011 and has worked with D.C. Water for years. They are a program management contract and work with all ratepayers of D.C, helping them save money on their energy bills. The Utility is funded through the Sustainable Energy Trust Fund. D.C. Water has saved 6,320,904 kilowatts hours and based on that, Ms. Abron presented D.C. Water with a check for \$160,000 for this year. These savings were achieved at the Blue Plains Wastewater Treatment Plant for the secondary blowers and the new Combined Heat and Power Facility. She pointed out that they are working together with D.C. Water on three other projects. Ms. Abron stated that D.C. Water is on its way to being number one in the industry and in the world, and also the greenest.

Environmental Quality and Operations Committee

Reported by: Howard Gibbs, Vice Chair

Mr. Gibbs stated that the Committee met on February 21, 2019. Aklile Tesfaye, Vice President for Wastewater, presented a report on the performance of the Plant. All effluent parameters for December 2018 were well below the seven-day and monthly National Pollutant Discharge Elimination System (NPDES) Permit requirements. The 12 month rolling average effluent from the Plant has remained at 300 million gallons per day (mgd) since November.

Mr. Tesfaye reported that a total of 434 million gallons of combined sewer overflow was capture in the tunnel system, pumped, and treated using the Enhanced Clarification Facility. D.C. Water's portion of the flow was directed to the main plant to maximize complete treatment. The remaining portion was treated, captured, disinfected, dechlorinated, and discharged into the Anacostia through Outfall 001. The total volume pumped and treated has been 4,578 million gallons or 4.5 billion gallons. Since commissioning of the systems, over 1,000 wet tons of screenings and grit were removed that otherwise would have gone into the Anacostia.

The total pounds discharged in the complete treatment system in calendar year 2018 were 3.4 million pounds. This is below the NPDES Permit discharge limit of 4.3 million pounds.

Paul Guttridge, Manager of Program Services, provided a report on the first quarter Capital Improvement Program (CIP) by exception. There were no questions or comments from the Committee.

Leonard Benson, SVP and Chief Engineer, presented a report on the 10-Year Capital Improvement Program. They have proposed a modified baseline for capital construction costs of \$4.43 billion and additional capital programs at \$527 million over the next 10 years. Under the modified baseline total spending for FY 2019 and 2020 are kept constant, and the increased costs will be rolled over to future budgets. Mr. Benson reported that over the last year they approved the baseline CIP of \$4 billion for ten years which had some potential risks and shortfalls. The proposed modified baseline balances financial and affordability concerns with critical infrastructure needs starting from FY 2021 and beyond. The overall increase in capital projects is \$656 million. Program level details on proposed increases under the modified baseline were also provided to the Committee.

Mr. Gibbs reported that Moussa Wone, Manager of Design, CSO Long-Term Control Plan, made a presentation to the Committee on the sewer separation in Georgetown. The investigation will include a topographic and utility survey, closed circuit TV condition, assessment of existing sewers, dye testing to confirm locations of lateral connections, geotechnical investigations, and a utility investigation through test pits or potholes.

Mr. Gibbs stated that Mr. Wone ended his presentation by giving them a look-ahead list of activities which includes outreach through ANC Commissioners and City Council Member Jack Evan's staff, the recent general community commencement of field investigations, and development of preliminary design layout.

D.C. Water and Sewer Retail Rates Committee

Reported by: Ivan Frishberg

Mr. Frishberg stated that the Committee met on February 28, 2019. The meeting began with an update from the Executive Vice President for Finance and Procurement, CFO Matthew Brown on the FY 2020 rates, charges, and fees. Two main issues were raised. First, Mr. Brown reported that they will request from the Environmental Quality and Operations Committee additional capital spending for water and sewer replacements from the one percent annually to one and a half, two percent annually to two and a half each year, and the impact on rates. Secondly, was the issue of the phase in of the Clean Rivers Impervious Area Charge (CRIAC) shift to volumetric flow of 18, 28, and 37.

Mr. Brown reminded the Committee that when they adopted the FY 2020 rates, they forecasted an overall household increase in household charges of about 5.7 percent, and this will remain the same. It is proposed that 18 percent of the Impervious Area Charge will be shifted to the sewer rate. This is based on methodology that allocates pollutant loads. Under the proposed budget there will be a decrease of the CRIAC charge from projected \$25.58 in FY 2020 to \$20.94 per ERU per month. This increases the water and sewer rate by 11.5 percent in FY 2020. Average household charges change will be from \$114.48 to \$114.49. The shift of volumetric flow gave customers the ability to reduce their bills. Multifamily and commercial customers will pay more, while the Federal Government will pay less. The smaller volume users in every class will pay less and the average residential customers will pay about the same. The shift will be phased in. The modified asset management plan is recommended because it balances infrastructure investment with growth in rates.

Mr. Brown stated that the Customer Assistance Program (CAP) has been updated. The CAP customer will receive a 58 percent discount. Their bills will increase by \$2 in FY 2020.

The Committee received a detailed Committee Work Plan update. Under legislation by the Council which is under Congressional review, D.C. Water must provide a 45 day notice on hearings under a new requirement. This has been D.C. Water's practice but will become a requirement.

Joint Meeting of the D.C Water and Sewer Retail Rates Committee and the Finance and Budget Committee

Reported by: Sarah Motsch

Ms. Motsch stated that the joint meeting was held on February 28, 2019. CFO Brown presented a summary of the FY 2020 Proposed Budget which included FY 2019 through 2028 capital improvement program disbursements of \$4.96 billion, FY 2020 operating expenditures budget of \$614.5 million, and FY 2020 operating revenue of \$694 million.

Mr. Brown noted that the budget proposal is consistent with previous presentations made at the budget workshop with the exception of the shift of the Clean Rivers Impervious Area Charge (CRIAC) to sewer volumetric rates, which was updated to include analysis for both the 18 percent and the 37 percent cost shifts.

Mr. Brown and Mr. Gadis commended the Budget team for their efforts in reducing the budget gap of \$37 million which resulted from the initial submission. They explained that the budget requests received, tough choices considered, and the approach taken to balance the budget, and achieve its goals.

Mr. Brown reviewed the budget adoption calendar and highlighted the action items for recommendations by the various committees in March 2019, with the budget adoption by the full Board on April 4, 2019.

The Environmental Quality and Operations Committee was provided with the information on the comprehensive capital plan. The proposed 10 year capital disbursement budget of \$4.96 billion supports two major programs—the capital construction projects of \$4.3 billion and the additional capital program of \$527 million for capital equipment and D.C. Water's share of the Washington Aqueduct's infrastructure improvements.

Mr. Brown stated that the proposed operating expenditure budget increase of \$31.7 million over the approved FY 2019 budget was mainly due to personnel services and debt service costs, which are two of the largest components of the operating budget. The personnel services cost increase of \$8.1 million over FY 2019 reflects the annualized impact of salary adjustments, overtime, vacancies, and employee benefits. The budget eliminates 64 positions and adds 12 new positions for a net decrease of 51 positions. The increase in debt service of \$16.3 million reflects the previously approved and projected increases in the capital disbursements. Debt service represents 31 percent of the FY 2020 Operating Budget and projected it to be at 33 percent by FY 2018. The projected increase in chemicals and supplies is due to unit price of major chemicals, as well as, additional wastewater treated on the plant from the Tunnel Dewatering Pump Station that became operational in FY 2018.

Mr. Brown explained that the full impact of the Clean Energy D.C. Omnibus Amendment Act of 2018 has not been quantified. There is a one percent increase in utility costs over the three percent baseline that had been assumed in the Financial Plan pending further analysis. He also spoke about the Act's requirement that 100 percent of energy be from renewable sources by FY 2032. This will make D.C. Water's renewable energy credits, including solar power projected to

come online in 2020, to be more valuable. Biju George, Executive Vice President for Engineering and Operations, further elaborated on the solar project and spoke about the guaranteed energy output of 0.4 megawatts, how the deal was structured for the Solar Renewable Energy Certificates and related benefits, and indicated that detailed information will be provided to the Board committees. Mr. Brown highlighted aspects of the proposed 2020 operating revenue of \$694 million, including the proposed shift previously discussed about the 18 and 37 percent of the CRIAC charges to a volumetric sewer rate, the increased CRIAC discount from 4 to 20 percent for storm water best management practices, and the projected average household charges for the 10 year period.

The Committees wanted more clarity and feedback regarding the Authority's efforts in pursuing the District Government in paying their proportionate share of the CRIAC charges associated with the roads and right-of-way and capital improvements for the pump station costs. Mr. Gadis reported that the CRIAC issue came up during the City Council hearings, and that Chairperson Cheh indicated that she was open to discussing it. He also stated that regarding the CAP Expansion Program, it was mentioned that the District Government would need to provide \$13 million for the program to continue on an annual basis.

The Rate Stabilization Fund was discussed and Mr. Giancola noted that the balance of over \$60 million was relatively high when the Authority received its highest credit rating in November 2014 when the Fund was only \$32.54 million. Mr. Brown explained that the Authority currently maintains 250 days of cash on hand and that the Rate Stabilization Fund is only one of several factors used by the rating agencies. He strongly advised that the Board maintain 250 days of cash on hand and indicated that falling below that level could have a negative impact on the credit rating.

Mr. Franco commented that the purpose of the Fund is to provide stability for rates and not a reserve to be used for bond ratings. Ms. Boardman emphasized the significance of maintaining a strong bond rating to prevent any downgrade of the Authority's credit rating. Chairman Wells added that the Fund has changed in character and functions since it was established, and that the reserve funds are available to absorb unforeseen events. The Board has the opportunity to reprogram the funds each year. Mr. Brown explained that in the event of an economic downturn that results in reduced revenue, the Fund would soften the impact on ratepayers.

Mr. Brown then reviewed the objectives and underlying assumptions of the Budget Financial Plan, including the CRIAC shift to the sewer volumetric rates, maintaining a combined debt coverage of 1.6, debt service as a percentage of operating revenues at 33 percent, and the 250 days of cash on hand, which includes funds in the Rate Stabilization Fund.

Additional revenue was identified by Mr. Brown stemming from the engineering permit fees of approximately \$200 million; fat, oil, and grease, and backflow prevention programs of approximately \$1.5 million; and further assumptions which included an increase of approximately \$9.5 million in county wholesale customer refunds due to updated flows which are lower than in previous years; \$7 million for project billing; and the one-time transfer of \$6 million from the RSF to the CAP for customer assistance.

Mr. Brown continued with this presentation by reviewing the 10-year Financial Plan, reiterating that the CRIAC costs shift was one of the outcomes of the collaborative efforts undertaken by the Stakeholders Alliance and several initiatives to reduce the burden of the CRIAC costs on customers. Mr. Brown provided information on the CRIAC Incentive Program and explained the proposed increase from 4 to 20 percent discount for storm water best management practices.

The discussion moved to financial metrics and planned borrowing. An overview was provided on the current financial metrics and the planned 2019 debt issuance. A scorecard from the Moody's rating agency was provided, with the focus on the strength factors for the AAA bond rating.

Mr. Brown reviewed the 2019 bond deal which is projected at \$300 million, utilizing two series for Clean Rivers, green anticipated, and non-clean rivers.

The debt issuance schedule was reviewed and indicated that the preliminary official statement will be reviewed by the Finance and Budget Committee in July 2019 and Board approval is expected in September 2019.

A Board member asked if the Authority has a resiliency plan relating to climate change since this was one of the requirements requested for financing in a recent bond deal in the District. Mr. Gadis and Mr. Brown responded in the affirmative and indicated that it includes asset vulnerability for the 100 and 500 year flood wall and information on technology infrastructure. They assured the Board that Management would continue to ensure that the comprehensive plan is updated and reviewed in preparation for each bond deal.

Finance and Budget Committee

Reported by: Sarah Motsch

Ms. Motsch stated that the Committee meeting followed the very long joint meeting. Updates on the FY 2019 Financial Report and the Quarterly Capital Improvement Program were provided by exception. Total operating revenues, operating expenditures, capital disbursements and capital improvement program disbursements were in line with the budget, with a third of the fiscal year completed.

General Manager's Report

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

Mr. Gadis began his summary of the General Manager's Report with leadership updates. Seth Charde has been promoted to the position of Manager of Green Infrastructure, Clean Rivers. Since 2013 he has worked as Infrastructure Planning Coordinator. Another promotion went to Henok Getahum who is now Manager of Treasury and Debt, Finance Department. He has been with D.C. Water since 2014 in the position of Senior Accountant. Jeffrey Peterson was promoted to Manager of Construction, Clean Rivers Program. Mr. Peterson joined D.C. Water in 2014 and worked on the Long-Term CSO Control Plan. He congratulated the three employees.

An email from a customer was read by Mr. Gadis. He indicated that reading such correspondence is an effort to thank the men and women for what they do on a day-to-day basis. Mr. Gadis called them heroes in the community. The email is from a resident who stated that she wanted to give her sincere thanks and gratitude to certain D.C. Water employees who assisted her. She was having plumbing problems and her personal plumber and so far D.C. Water could not identify the problem and provide solutions. Then a group of D.C. Water employees arrived and were able to solve the issues and she and her husband were again comfortable in their home.

Mr. Gadis called the following employees to the well to take pictures: Jayson Poland, James Taylor, Keven Glover, James Dawson, Vera Philson, Paris Morton, Kenneth Bass, and Jeffrey Coleman.

Mr. Gadis then discussed the recent oversight hearing. He reported that there were 36 witnesses who testified. Of those, 26 had positive things to say about D.C. Water. Ten of the witnesses raised issues that the staff had already worked on. Several witnesses spoke about high bills and D.C. Water was able to refer them to the Customer Service Representative who were available at the hearing to assist them. Others had problems with tunneling project noise.

Mr. Gadis stated that some witnesses praised D.C. Waters for good contractor and consultant relationships and the Stakeholders Alliance. Council Member Cheh commended D.C. Water for its transparency, CDL training, Blue Plains industry leadership, Bloom minority business outreach, community outreach, the cleaning of the Anacostia River, and improved relationships with the unions. Mr. Gadis thanked three union presidents who spoke on D.C. Water's behalf.

Complaints included CRIAC affordability, Board composition, construction management, and lead services.

Council Member Cheh asked D.C. Water 42 questions which were all responded to. They related to customer service, overtime, technology, Blue Drop Bloom, and infrastructure.

Mr. Gadis stated that one of the best things that came out of the oversight hearing was a video of it. He showed part of it to the Board. The hearing lasted four and a half to five hours.

Chancy Anderson, a D.C. Water employee, was called forward to receive a token of appreciation from Acting Chairman Ross and Mr. Gadis.

A number of issues were then highlighted by Mr. Gadis from the General Manager's Report. He stated that they completed a meter to cash operational assessment and that a report would be issued and shared. They looked at what actions can be implemented from the assessment.

An assessment was also done of Engineering and leveraging Procurement and financial activities and bringing the two parts together in the organization.

Mr. Gadis commended the Department of Management for a great job of maintaining the fleet for the tough winter months.

An invitation was extended to Board members to attend the D.C. Water Safety Oscars where awards will be presented.

Mr. Gadis indicated that the Engineering group would like to report that the performance of the Anacostia River tunnel System is very, very good. They received a 90 percent capture rate, exceeding the 80 percent capture rate forecasted. He declared that the implementation has been fantastic.

Acting Chairman Ross presented each of the joint use and non-joint use consent items before the Board of approval.

Consent Items (Joint Use)

Acting Chairman Ross asked for a motion to approve joint use consent items. A Board member moved to approve Resolution Nos. 19-08 through 19-10, and it was seconded. The motion to approve Resolution Nos. 19-08 through 19-10 was unanimously approved by the members of the Board.

Consent Items (Non-Joint Use)

Acting Chairman Ross asked for a motion to approve a non-joint use action item. A Board member moved to approve Resolution No. 19-11, and it was seconded. The motion to approve Resolution No. 19-11 was unanimously approved by the District members of the Board.

There being no need for an Executive Session or additional business, Acting Chairman Ross adjourned the meeting at 10:28 a.m.


Linda Manley, Board Secretary