



**DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY
BOARD OF DIRECTORS
261st MEETING
THURSDAY, FEBRUARY 6, 2020
MINUTES**

Present Directors

Tommy Wells, Chairperson, District of Columbia
Krystal Brumfield, First Vice Chairperson, District of Columbia
Lavinia A. Baxter, Alternate for Floyd Holt, Prince George's County
Anthony Giancola, Alternate for Ellen Boardman, District of Columbia
Steven Shofar, Alternate for Adam Ortiz, Montgomery County
Rachna Bhatt, District of Columbia
Randy Bartlett, Fairfax County
David Franco, District of Columbia
Major Riddick, Prince George's County
Adriana Hochberg, Alternate for Fariba Kassiri, Montgomery County
Ivan Frishberg, Alternate for Emile Thompson, District of Columbia

Present Alternate Directors

Howard C. Gibbs, District of Columbia
Sarah Motsch, Fairfax County
Jed Ross, District of Columbia
Joe Leonard, District of Columbia

DC Water Staff

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

Chairperson Wells called the 261st meeting of the District of Columbia Water and Sewer Authority's Board of Directors to order at 9:39 a.m. Ms. Manley called the role and a quorum was established.

Approval of the January 2, 2020 Minutes

Chairperson Wells asked for a motion to approve the January 2, 2020 minutes. The motion to approve the January 2, 2020 minutes was moved, seconded, and unanimously approved by the Board of Directors.

Chairperson's Overview

Chairperson Wells thanked those members of the Board who have agreed to be reappointed to the Board. He stated that D.C. Water is the premier authority that does the same work it does and sets the standard in the nation. He then asked for the committee reports.

Governance Committee

Reported by: Lavinia Baxter, Vice-Chair

Ms. Baxter stated that the Committee met on January 8, 2020 and received a very detailed presentation from Korey Gray, Compliance Officer. He reported on hearings they held with City Councilmembers, specifically with Councilmember Cheh about contractors on D.C. Water projects.

Nicole Sprague, Manager of Talent and Acquisitions, reported that the percentage of new hires filled by District residents was 19.47 percent in Fiscal Year 2018, 12 percent in 2019, and 23 percent so far in 2020. She attributed this success to outreach programs. The percentage of District residents employed by D.C. Water decreased in FY15, from 22 percent in FY14, to 18.73 percent in FY15. Ms. Schouten explained that the 2005 and 2008 recession affected affordability in D.C. and impacted negatively D.C. resident participation with D.C. Water. Ms. Sprague stated that she and her team are committed to increasing participation of District residents by continuing to identify local qualifying residents for candidate pools, increasing their participation at target job fairs in the District, increasing the participation of veterans working at D.C. Water, and continuing to conduct research by performing surveys of the resident population to identify specific challenges impacting the population.

Mr. Gray reminded everyone that the D.C. Waterworks Program and construction contracts missions were that 51 percent of D.C. Water's contractor workforces be local residents and 60 percent of those opportunities created through procurements and contracts be filled by local residents. He reported that as of September 30, 2019, 7,876 full-time positions were filled on 86 new contracts which included janitorial services, temporary employees contracted through Mb Staffing, and specialty construction jobs. Of those, 11.9 percent were filled directly by contractors. Mr. Gray stated that 166 labor positions were filled between FY17 and FY18. Of those, 102 were held by District residents and of those 52 were technical positions, including operators and heavy machinery. Of those, 62 were held by District residents. There were 29 skilled positions and of those 13 were held by District residents.

Next on the agenda was an overview of the history of the program which was adopted by the Board in 1999 to establish a process for Certified Business Enterprises (CBE) utilization. It gives CBEs an opportunity to compete for construction, goods and services, and architectural and engineering project awards through preference points. The firms raised concerns that D.C. Water did not provide disadvantaged firms enough opportunities because of its program's utilization goals of 28 percent for minority business entrepreneurs (MBE) and 4 percent for women business entrepreneurs (WBE). Mr. Gray briefed the Committee on the proposed changes to the Business Development Plan. The first change was updating language or citations that are outdated. Next is proposed changes to the local, small business entrepreneurs (LSBE). Number three is the reconciliation of the Fair Share Objective Programs. The last proposed change is creation of new disadvantaged business entrepreneurs (DBE) programs for projects not currently funded by the U.S. Environmental Protection Agency.

Chairperson Wells indicated that Mr. Gray's presentation was for informational purposes only at this time and the proposed changes would be fully reviewed by the Committee before recommendation to the Board for approval.

Ms. Baxter stated that Mr. Gray presented the other proposed changes to the LSBE Program, including changes to preference points for simplified acquisitions, changes to the EPA Fair

Share Objective Program to include more projects for EPA and DOEE, and changes to include a full list of EPA's good faith efforts instead of a summary.

Human Resources and Labor Relations Committee

Reported by: Jed Ross, Vice-Chair

Mr. Ross reported that the Committee met on January 8, 2020 and discussed with the Union Presidents an upgrade and a reclassifying of Water and Wastewater Treatment Operations positions which are now grade RW-9. Barbara Milton, President of Local 631 requested the reclassification of Wastewater Treatment Operators from RW-9 to RW-11. Danyle Jackson spoke on behalf of the Operators about the demanding schedules and hazardous conditions. She also spoke about the rising cost of living and the potential for a boost of morale and increased productivity for Operators. The Committee suggested that Management keep working on this matter.

The second topic on the agenda was the D.C. Workers Compensation laws. Jonathan Shanks, President of Local 872 raised a concern regarding traumatic leave and sick leave offered to employees. One issue is the waiting period while claims are being investigated by a third party insurance company, PMA. The Manager of D.C. Water's Workers Compensation Program Robin Hayes explained the program and the various efforts to assist employees in managing their sick leave while waiting for their claim to be approved or denied. In 2019 there were 95 claims and of that total number, 3 were contested, 2 were approved, and 1 was approved in favor of the employee.

Mr. Ross stated that in the open discussion period Barbara Milton presented a letter to the Board regarding the unions' comments on parental leave. Ron Lewis, Benefits Manager, presented information to the Committee regarding the new benefit for eligible employees when they add a new member to their family. Succession development was also explained and it was indicated that there would be a pilot program. Critical positions and high performers across D.C. Water were also discussed. The Committee recommended to the full Board the amending of personnel regulations to add the paid parental leave benefit for non-union employees.

Environmental Quality and Operations Committee

Reported by: Howard Gibbs, Vice-Chair

Mr. Gibbs stated that the Committee met on January 16, 2020 and received a presentation from Aklile Tesfaye, Vice President of Wastewater Operations. He updated the Committee on the status and performance of the Blue Plains Plant and stated that all performance parameters were excellent and all permit requirements were met. The performance of the Wet Weather Treatment Facility was excellent. He provided an update on the production of biosolids. A total of 5,500 tons was sold in the first quarter. The goal for 2020 is 60,000 tons or approximately 40 percent of the overall biosolids production.

The Committee received a briefing on the proposed Capital Improvement Program (CIP) from Len Benson, Senior Vice President and Chief Engineer, on the level of funding for the service areas under the proposed baseline option. He presented the costs associated with some of the major initiatives funded in the \$4.9 billion proposed construction improvement program by service area. Mr. Benson provided a budget cycle review schedule and stated that the Board was part of the process which would culminate with a vote for approval in March 2020.

Mr. Gibbs reported that the Green Infrastructure Program was updated by Seth Charde, Manager of the Program, who provided a review of the long-term control plan consent decree which began in 2005. It was renegotiated to add a practicability assessment as a risk mitigation measure to reduce cost and performance related risks.

The Committee also received a briefing on the lead pipe replacement assistance program. D.C. Water has updated its inventory of lead pipes in its system to minimize the unknowns and to be conservative in assuming lead. As of December 4, 2019 there are approximately 10,770 public and 21,952 private lead service lines. The program is governed by a memorandum of understanding between D.C. Water and the District's Department of Energy and Environment to have a partial program and a full Lead Pipe Replacement Program. The new program will cover 50 to 100 percent of the cost of replacement.

Mr. Gibbs reported that the Committee also received a report on the Water Distribution System. Maureen Schmelling, Director of Water Quality, provided a brief update on water quality monitoring. Total Coliform and Lead and Copper Rule testing showed excellent performance.

Audit Committee

Reported by: Anthony Giancola, Vice-Chair

Mr. Giancola reported that the Audit Committee meets quarterly. CFO Matthew Brown thanked the entire staff of D.C. Water and the accounting staff for their hard work during the year. He introduced Mr. Malasy, Acting Controller, who presented the Authority's Fiscal Year 2019 Financial Statements. The balance sheet remains strong with a total net position of \$2.3 billion, an increase of \$163.3 million from the previous year. Operating revenues increased by \$20.6 million and operating expenses increased by \$21.4 million from the prior year. Mr. Malasy reported that the Authority received an unmodified clean audit opinion from the External Auditors, KPMG. The Internal Auditor is RSM. The Authority received a Finance Officers Association Certificate of Achievement for Excellence in Financial Reporting for the twenty-second consecutive year.

D.C. Water also received an upgraded credit rating, an AA+ from Fitch for senior lien revenue bonds.

Mr. Giancola reported that KPMG's gave an overview of the external audit results. A clean unmodified opinion was issued on the Authority's financial statements. Government Account Standards are changed and implemented for the period. One change requires additional disclosures related to debt. KPMG is currently performing the uniform guidance compliance audits which include testing various programs. Their report will come later in the year.

An update was provided by Internal Auditor RSM's Mr. Whelan on the Fiscal Year 2020 Internal Audit Plan. He noted that the Asset Management Report is now complete and four audits are in progress.

RSM's Ms. Tomeo presented the status of prior audit findings. There are 20 findings open and 11 pending testing prior to the Fiscal Year 2019 audits. She also presented the status of the Fiscal Year 2020 follow-up items to the Committee for the first time. For the most recent audit there are 3 items pending testing. Two of the issues have been closed out and 25 remain open.

RSM's Mr. Bickford shared the results of the Asset Management Internal Audit. One high risk observation related to the accuracy of the GIS data table and map. He reported that 11 of the

31 asset management classes were reviewed to identify which required fields were incomplete. They found that 25 percent were lacking data. Management is developing a comprehensive plan by July 31, 2020 to focus on fields that are required and noting those that may not necessarily need all fields.

The Audit Committee requested two items from KPMG. One item is to provide a management letter to the Committee and the other is to provide details on Notes 2, 10, and 11.

Finance and Budget Committee

Reported by: Anthony Giancola

Mr. Giancola stated that the Committee met on January 23, 2020 and received the December 2019 Financial Report overview from Ms. Oyeyemi, Director of Budget. She reported that at the end of the first quarter of 2020 D.C. Water's expenditures and revenues were on track with budgetary expectations. CFO Brown reported on the proposed 2021 budget calendar milestones, deliverables, major drivers, underline exceptions and risks.

CFO Brown highlighted that the Authority's proposed ten-year capital plan doubles its investment in the water and sewer infrastructure by Fiscal Year 2022 to reach the one percent replacement cycle and triple the investment by 2027 to reach the 1.5 percent replacement cycle. Other highlights included fully funding the Clean Rivers Program, with expected completion in Fiscal Year 2030. This includes increases in personal services which include a \$.5 million investment in the Apprentice Programs to support entry-level positions and the addition of 5 new positions to support the D.C. Water Consumer Protection Amendment Act of 2018, and increased funding for fleet purchases by 60 percent to ensure that crews have they needed equipment. The Act added 8 new positions to the Office of the People's Counsel to advocate for customers and provide comments on the Authority's rates. Mr. Giancola suggested that the Authority consider outsourcing some of the functions instead of hiring full-time staff.

Mr. Giancola stated that Management has a proposal to make the CAP2 Program permanent. Also, the Authority will continue to work toward the District Government advancing a Lead Free D.C.

CFO Brown reminded the Committee that the Cost of Service Study was advanced to align with the rate proposal process. A two year proposed combined rate increase for average household customers of 6.6 percent for 2021 and a 6.7 percent in the 2022 period is included in the operating revenue budget. The proposed rate increases are lower than the 8.1 and 6.9 percent forecasted last year for those years.

Next CFO Brown provided an overview of the assumptions in the Ten-Year Financial Plan and changes in financial metrics.

Mr. Giancola reported that CFO Brown mentioned that the 2019 actual consumption declined by 1.8 percent due to efficiencies. The Financial Plan assumed a 1.5 percent conservation of each of the 2020 and 2021 and 1 percent for the 2022 period and beyond.

There were two follow-up items. The first was to explore the cost benefit analysis of hiring full-time legal staff compared to outsourcing legal services to meet the demand. The second item is to provide an update to the Authority's plan to replace D.C. Water's fleet assets with energy efficient vehicles.

Board Member Franco asked for clarification that the lower rate increases from the forecasted 8.1 percent and 6.9 percent are not the increase in the average household bill. CFO Brown replied that it is an increase in the average household bill and a combination of the water, sewer, Clean Rivers Impervious Area Charge (CRIAC), and Water System Replacement Fee. Mr. Franco suggested that they may want to clarify that instead of just the rate. CFO Brown stated that it is the percent increase in the average household charge.

D.C. Retail Water and Sewer Rates Committee

Reported by: Rachna Bhatt, Chair

Chair Bhatt stated that the Committee met on January 28, 2020. John Davis of Raftelis provided an update on the 2021 Cost of Service Study which consisted of three components—revenue sufficiency analysis, cost of service analysis rate equity, and alternative rate structure analysis. The objectives of the service study were revenue sufficient, cost of service recovery, simplicity, and affordability. The main drivers are increases in capital costs due to regulatory requirements and infrastructure rehabilitation.

Three initiatives go into the Cost of Service Study. The first is reallocation of some costs associated with the Clean Rivers Impervious Area Charge to the sewer volumetric rate to the reallocation of some customer service operating costs associated with metering, billing, collections, and activities metering fee. The revenue collected from the ongoing Water System Replacement Fee was originally designed to fund the annual cost of 1 percent of D.C. Water's Water Renewal and Replacement Program. Historically the CRIAC covered 100 percent of capital costs. D.C. Water has implemented a change to allocate the costs between the CRIAC and the sewer volumetric rates. An engineering study was done looking at CSO and the allocation was 63 percent for storm water and 37 percent for wastewater based on flows.

Chair Bhatt reported that they were informed by CFO Brown that the Office of the People's Counsel recommended that the Cost of Service Study be posted on D.C. Water's website. D.C. Water agreed and has started posting the presentation and reports on the budget rate proposal on its website.

Per Ms. Bhatt, CFO Brown gave the Committee a presentation on the multi-year rate proposal. The Board members had a lot of questions regarding the rates. The largest category of fund users is debt service which is about 30.3 percent of total uses. The average residential consumption continues to decline and that 54 percent of households use 4 CCFs or less per month.

CFO Brown reported that the independent review of rate structure and customer assistance programs identified that CAP households pay greater percentages in household income for water and sewer bills than the newer CAP2 and CAP3 expansion programs.

CFO Brown stated that D.C. Water is proposing to increase discounts for CRIAC from 50 percent to 75 percent for CAP customers. All the Committee members believe this is an extremely important initiative.

Ms. Bhatt stated that the Board members had numerous questions about CAP outreach and program utilization. CFO noted that an amendment of engineering review and miscellaneous fees was brought to the Committee for review and recommendation. It was published in November and the comment period was from November 23, 2019 to December 23, 2019. No

written comments were received. The Committee recommended the final amendment to the full Board for approval.

General Manager's Report

Reported by: David Gadis, CEO and General Manager

CEO Gadis stated that this is the fun part of the meeting when he gets to honor and recognize a number of employees. In the meeting was the tenth class of a five day leadership program for front line managers. He asked the employees to stand to be honored. Those present applauded them.

CEO Gadis read a letter from Mr. John McCaskill, a customer, commending D.C. Water's staff who worked to solve problems with his plumbing. The teams were very professional and explained the problems and what it would take to solve them. Mr. McCaskill reported that they did an amazing job.

Another letter from a customer was read by CEO Gadis. It was regarding D.C. Water employee Christopher Armstrong. It stated that the customer Michael Bing's fiancé noticed a D.C. Water crew on their block and asked if they could determine their water problem. Mr. Armstrong identified the problem and recommended that they contact their landlord because their murky water and nosy pipes were related to the hot water heater. They appreciated Mr. Armstrong's capabilities and commended him. Even though they were not his job on that day, he helped them and was a godsend. Mr. Armstrong came forward into the well with Chairperson Wells and CEO Gadis and received a round of applause.

CEO Gadis then notified the Board that they have before them the 2020 Annual Report. He recognized Dennis Samson for working so hard on the report. Mr. Samson received a round of applause.

The last recognition by CEO Gadis was of Keith Lindsey and his team regarding training. He had asked them to focus on a couple of areas which included learning organization, engagement performance management, leadership development, succession planning, and total rewards.

CEO Gadis then presented the state of the Utility. He stated that Chairperson Wells earlier spoke about how D.C. Water is the Authority recognized across the country. CEO Gadis stated that D.C. Water has the best employees and gives some of the best services in the industry. He indicated that the state of D.C. Water is strong and it is only getting stronger. He encouraged everyone to review the recently released 2019 Annual Report which illustrates many accomplishments over the past year. CEO Gadis reported that he recently introduced a new concept, 3D Communication, to enhance communications at all stages. This is a multi-dimensional strategy to ensure transparency and promote alignment for the team, including how they dream, decide, and delivery together, not only as a Board but as an organization.

CEO Gadis indicated that over the next year D.C. Water will focus on becoming a high performing team, advancing its resilience and readiness in improving stakeholder engagement. This directly aligns with strategic programs under the Blueprint.

CEO Gadis stated that they will be improving the communication with the Board. The General Manager's Report will be refreshed and they will begin providing weekly highlights of items as they arise, particularly where they could expose the Authority to risk, require long term funding

commitments, or involve public outreach and communication. He stated that he and his team are committed to strengthening a strong partnership among D.C. Water, its leadership, and its Board of Directors.

Board Member Giancola asked for an explanation of what is meant by capital procurement transformation activities. He stated that he thought D.C. Water was doing pretty good in execution of the capital program. Secondly, he asked if the additional resources and additional hires are in the budget. CEO Gadis responded by stating that it has been pointed out that D.C. Water is not very good at being an open shop—it continues to do business with the same contractors and vendors over and over again. The more people who get involved in procurement, that will drive prices down and D.C. Water will become better for it. Mr. Gadis stated that this was one thing Board Member Bhatt brought to their attention and it was raised by others in the community as well. The procurement professional will assist the engineering and construction group in helping them bring those procurement ideas or items forward and come up with new ways to drive procurement in the future. This is a new way of looking at procurement. CFO Brown added that they are trying to ensure that engineering services does engineering work and that procurement activities be handled by a central procurement function. This will make D.C. Water a better organization, get better prices, and make business more open for more competitive procurements.

Mr. Giancola asked again if the new positions were in the budget. CFO Brown stated that they are in the budget. They are not net new but they are repurposing vacancies that have been open for a long time. They will also use consulting resources to bridge the gap in the current fiscal year. These positions are in the next fiscal year.

Mr. Giancola also asked about strategy and performance and that it stated that a contractor will be selected to provide advisory services on the innovation program refresh and relaunch. The work will be done in FY 2020 and define a reimagines vision, agenda, critical policies, and execution strategies that build on what has been done to date. It seems that they will hire a contractor or advisor to help again within a year. CEO Gadis replied that it is refocusing on innovation again. It is separate from the strategic plan. Mr. Giancola asked for them to share who the contractor is. CEO Gadis said they could not share the information at this time.

CEO Gadis added another item to his report. He provided Wayne Griffith and his group an opportunity to make a presentation on performance management. Yvette Judge, Director of Business Performance Management, thanked all the leaders in the organization that helped put this second iteration of the D.C. Water FY 2020 Enterprise Performance Plan together. The Board members received a copy of the Plan. The Plan was previously presented to the Board, so she wanted to provide a status update on how it is being advanced at D.C. Water.

In advancing the large scale organizational change, they looked at D.C. Water's past state which included independent operations that were not operating in a unified and mutually beneficial manner. In the future they will be looking at more of a system perspective where the interdependent operations are looking at strategic objectives and action plans that work in tandem with D.C. Water's workforce and core competencies. Many people on the talent team have been working hard getting a number of leaders across the organization certified as change practitioners in Prosci. Prosci uses an acronym, ADKAR, which are five elements of change that must be achieved for change to be a success, ADKAR stands for awareness, desire, knowledge, ability, and reinforcement. Ms. Judge indicated that when they create awareness in the organization, they hear people saying, okay. When they create desire, people say okay, they will go along with this. When they create knowledge, people say okay, they know how to.

When they create ability, then people are able to do it. Through reinforcement, people can continue doing the practices that were actually brought forth.

Ms. Judge stated that they started at the Strategic Plan, the Blueprint. Then the Enterprise Performance Plan cascaded from this. The Plan first looked at the employees and ensured that employees have a clear sense of direction. It focused attention on common objectives. Ms. Judge presented the steps and phases they went through introducing the Plan to the organization. They aligned with the Blueprint, conducted one-on-one in group training via Business Skype. She spoke about the productivity tools they used, like SharePoint.

Board Member Giancola asked that the presentation be put on the website so that they can access it.

Consent Items (Joint Use)

Chairperson Wells asked for a motion to approve joint use contract action items. Ms. Bhatt moved to approve Resolution Nos. 20-06 and 20-07, and it was seconded. The motion to approve Resolution Nos. 20-06 and 20-07 was unanimously approved by the members of the Board.

Board Member Giancola asked a question concerning Mr. Gadis signing off on the fact sheets on January 16, 2020. He wanted to know if this was an administrative issue that they should resolve. Mr. Giancola stated that he thought they were signed after the Board actually approved the motion. Ms. Manley stated that Mr. Gadis signs the fact sheets prior to the Board meeting so that they will be on the agenda for approval. Once the Environmental Quality and Operations or one of the other committees recommend them, Mr. Gadis signs them. Ms. Manley stated that that has always been the policy. Mr. Giancola thanked her for the explanation.

Consent Items (Non-Joint Use)

Chairperson Wells asked for a motion to approve non-joint use action items. Ms. Bhatt moved to approve Resolution Nos. 20-08 through 20-10 and it was seconded. The motion to approve Resolution Nos. 20-08 through 20-10 was unanimously approved by the members of the Board.

Executive Session

Chairperson Wells asked for a motion to move into Executive Session pursuant to the Open Meetings Amendment Act of 2010, to discuss legal, confidential, or privileged matters under Section 2-575(b) 4 and 10 of the D.C. Official Code. It was so moved and seconded and unanimously passed with a roll call. The Board went into Executive Session at 11:00 a.m. The public meeting was resumed at 11:55 a.m.

There being no further business before the Board, Chairperson Wells adjourned the meeting at 11:55 a.m.


Linda R. Manley, Secretary to the Board