



**DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY
BOARD OF DIRECTORS
269th MEETING
THURSDAY, NOVEMBER 5, 2020
MINUTES**

Present Directors

Tommy Wells, Chairperson, District of Columbia
Krystal Brumfield, First Vice Chairperson, District of Columbia
Anthony Giancola, Alternate for Vacant Principal, District of Columbia
Howard Gibbs, Alternate to David Franco, District of Columbia
Emile Thompson, District of Columbia
Rachna Bartlett, District of Columbia
Adam Ortiz, Montgomery County
Randy Bartlett, Fairfax County
Major Riddick, Prince George's County
Lavinia Baxter, Alternate to Floyd Holt

Present Alternate Directors

Steven Shofar, Montgomery County
Ivan Frishberg, District of Columbia
Rev. Kendrick Curry, District of Columbia
Sarah Motsch, Fairfax County
Jed Ross, District of Columbia

D.C. Water Staff

David Gadis, CEO and General Manager
Matthew Brown, Executive Vice President for Finance and Procurement, Chief Financial Officer
Kishia Powell, COO and Executive Vice President
Marc Battle, Executive Vice President, Legal Affairs
Linda R. Manley, Board Secretary

Call to Order and Roll Call

Chairperson Wells called the 269th meeting of the District of Columbia Water and Sewer Authority's Board of Directors to order at 9:30 a.m. The meeting was held via Microsoft teams. Ms. Manley called the roll and a quorum was established.

Approval of the October 1, 2020 Meeting Minutes

Chairperson Wells asked for a motion to approve the October 1, 2020 meeting minutes. The motion to approve the October 1, 2020 meeting minutes were moved, seconded, and unanimously approved by the Board of Directors.

Chairperson's Overview

Chairperson Wells began by thanking Board members who participated in the retreat and the strategic planning process and thanked D.C. Water's leadership team.

Environmental Quality and Operations Committee

Reported by: Adam Ortiz, Chairperson

Chairperson Ortiz reported that the Committee met on October 15, 2020. Aklile Tesfaye provided an update on Plant performance. All parameters were excellent and all permit requirements were met. He stated that during the September 10th storm event 2 to 6 inches of rain fell on the city and filled the tunnel to capacity in approximately 35 minutes. Mr. Ortiz reported that the system volume was retained, pumped, and treated as designed and permitted.

Mr. Tesfaye briefed the Committee on other major activities and projects which included Bloom sales that were a little more than 43,000 tons, exceeding last year's but falling short of projections due to the pandemic and weather events.

Mr. Ray reported to the Committee on the Clean Rivers Project and the fact that construction is continuing. All consent decree deadlines are being met. An update was provided on measures taken during the pandemic. He reported on active and in progress projects, the Northeast Boundary Tunnel and the Potomac River Tunnel. The Committee asked Mr. Ray about the potential impacts of other significant weather events and Mr. Ray said there was an impact. They incorporated some float and flexibility in construction scheduling to accommodate unforeseen events.

Dan Bae, Director of Procurement and Compliance, provided an update on procurement process for verifying contracts and proposals. The issue concerning disadvantaged businesses and compliance and assurance of efforts is of concern to the Board. Mr. Bae reported that databases, site visits, payment documents, and a direct hotline to compliance officers and other internal resources are used to assure compliance and eligibility.

Mr. Ortiz reported that the Committee received a briefing on the September 10th storm from Chief Operating Officer Powell and Executive Vice President of Engineering and Operations Kharkar. An update on the After Action Report was received. and documents were being generated including an analysis of the performance of the Authority's core capabilities as well as areas of improvement from the event. There are four categories of recommendations going forward in the Report: (1) better leveraging of existing programs and infrastructure solutions; (2)

being more climate-adaptive; (3) enhancing customer service experience throughout the event; and (4) having proactive and timely engagement of leadership.

The Committee asked about efforts to update and improve emergency communications protocols. They asked that this and related information be provided at their next meeting.

D.C. Retail Water and Sewer Rates Committee

Reported by: Rachna Bhatt, Chairperson

Ms. Bhatt stated that the Committee met on October 20, 2020 and received a presentation from Carolyn MacKool, Director of Customer Service, on the new Emergency Residential Relief Program (ERRP) known as D.C. Water Cares. She reported that the new assistance program will differ slightly from the existing DOEE \$1.3 million assistance program which is a one-time credit not to exceed \$2,000. The D.C. Water program can be applied for multiple times a year but also is not to exceed \$2,000 each time and will last for all of Fiscal Year 2021. The DOEE program will last until conclusion of the public health emergency pandemic plus 105 days. D.C. Water's program is expected to last through Fiscal Year 2021. The Board approved \$3 million in residential funding for FY 2021 and \$5 million in FY 2022 for households and will continue it if the Board authorizes it in FY 2022.

Ms. Bhatt reported the program utilization information for the Customer Assistance Program. For FY 2020 the CAP provided \$1.584 million in benefits, compared to \$1.291 million in FY 2019. CAP2 tripled to \$173,000 in FY 2020 compared to \$47,000 in FY 2019. CFO Brown stated that District-funded programs provided the following benefits: For CAP3 \$26,000 in benefits in FY 2020 compared to \$9,000. FY 2020, the non-profit relief program benefits decreased from \$1.28 million compared to \$1.36 million in FY 2019 while the enrolled accounts actually increased.

The Committee was informed that the Clean Rivers Impervious Area Charge decreased in FY 2020 compared to 2019. The new ERRP provided \$0.884 million, so \$884,000 in program benefits. Ms. Bhatt reported that according to CFO Brown, the number of enrollments increased from 3,249 to 3,818 in the CAP program. CAP 2 enrollments increased from 260 to 624 in FY 2020 compared to 2019. CFO Brown reported that FY 2020 enrollments in CAP3 and non-profit programs were 133 and 189 compared to 48 and 175 in FY 2019. Total enrollments for the ERP in FY 2020 were 2,098. The increase number of enrollments could have been due to advertising and outreach by D.C. Water and increased need caused by COVID-19.

The final presentation was made by Armon Curd, Executive Vice President of Customer Experience on D.C. Water's Customer Feedback Strategy Priority. Mr. Curd stated that one of the program's objectives is to better understand the community D.C. Water serves and to deliver exceptional customer services. Since March 2020 they have used the new feedback tool, Qualtrics. It focuses on mass market customers--residential, commercial, and multifamily. The Committee asked many questions about small businesses, specifically restaurants.

Audit Committee

Reported by: Anthony Giancola

Mr. Gaincola stated that the Committee met on October 22, 2020. He pointed out that details concerning the specific issues he was updating on would be found in the minutes. RSM is the Internal Audit contractor. Don Whelan provided the 2020 Internal Audit Plan update. All

FY2020 audits are now complete, with the exception of the Oracle Embedded Risk Assurance Phase 1 Project. All the field work has been completed and observations have been provided to Management, and internal auditors are waiting Management's response to finalize the reports.

Next, Ms. Tomeo presented the status of prior audit high risk findings. Ms. Tomeo informed the Committee that this was a new report that the Committee would be receiving every quarter. This corresponds to the quarterly Audit Committee meetings. There is one open high risk finding in FY 2016 pertaining to the training, licensing, and certification report. There are four open high risk audit findings for FY 2017 related to the data privacy assessment, entity level assessment, and materials and management, operations and inventory. Mr. Giancola asked why there are new target dates which are over one year away for the entity level assessment findings. Mr. Griffith stated that it was taking that long to determine how to leverage the ISO framework throughout the organization. They are working with People and Talent and the Office of Legal Affairs to determine the best way to administer the relevant policies and procedures. Mr. Griffith stated that COVID-19 pandemic has influenced the delay as well.

Ms. Tomeo updated that there were three open high risk findings in FY 2018 and five open high risk 2019 findings, two which came due at the end of last month. Three of the six high risk open FY 2020 findings pertain to work order planning assessment and physical security penetration testing, Phase II, have not yet come due. The other three findings for FY 2020 relate to facilities management and physical security penetration testing have been delayed due to COVID-19.

Mr. Bickford of RSM shared with the Committee the results of the engineering change order internal audit. Detailed testing was performed on the change order intake, change order scope, titlement review, change order cost and estimate review, change order negotiations, and change order approval. The change order review and approval process has transitioned from the paper-based manual system to a new Share-Point-based electronic system workflow. Mr. Giancola was concerned that the reduction in the number of change orders and the shift to the electronic system may slow the process. Mr. Guttridge said that he would look into the reasoning behind the reduction. Mr. Jed Ross asked if there were any disputes on change orders resulting in contract appeals or litigation that are notable. Mr. Guttridge said that some change orders were part of disputes but that they have been resolved and agreed upon and included in the contracts.

Next was the Billing and Collections Internal Audit which was not in the original Fiscal Year 2020 Audit Plan but was brought up as an emerging risk in April of FY 2020 due to the pandemic's financial strain on repairs. The full report included one moderate and two low risk findings but no high risk finding.

There was an update on the hotline provided to the Committee. They have plans to update the hotline standard operating procedures and the remarketing of the hotline to employees through the employee newsletter in an effort to increase awareness and effective usage. Only 10 hotline calls were received in FY 2020, the lowest number since 2013. The two open calls from FY 2020 have apparently been delayed due to the pandemic. The three open calls from FY 2019 were delayed due to the pandemic. The corresponding investigation is recommended is being worked through by the Chief Legal Officer and Procurement.

Mr. Whelan reported that a fiscal 2021 risk assessment approach was done during the Internal. Twenty-five interviews were distributed to the full Board for input. Thirteen Board members responded to the survey. The proposed Audit Plan encompassed cycle audits of high transaction, high dollar value processes such as timekeeping, work order management, and engineering change order as well as the traditional internal audits that are produced every year.

Ms. Tomeo reviewed the proposed FY 2021 Internal Audit Plan that resulted from risk assessment insights. They included hotline case management, going remediation and follow-up, FY 2022 risk assessment, procurement pre-award and selection, contract compliance, succession planning, work order management, penetration testing, remote workforce security assessment, and strategic plan monitoring and all aspects under the proposed plan.

The Committee concurred with the proposed FY 2021 Audit Plan.

Finance and Budget Committee

Reported by: Major Riddick, Chairperson

Mr. Riddick stated that the Committee met on October 22, 2020. They received an update from Budget Director Lola Oyeyemi and status of D.C. Water's financial position. Mr. Riddick reported that it actually ended up being a good year in the midst of the pandemic. At the end of the FY 2020, operating revenues were at \$710 million, or 1.6 percent above the budgeted amount. Operating expenditures were at \$566.6 million or 93.4 percent of the budget. Capital disbursements were at \$345.9 million or 76.5 percent of the budget.

Ms. Oyeyemi then covered the FY 2021 budget and indicated that the budget would be developed and present in early FY 2021. They are preparing a water infrastructure finance application that will be used to develop the budget. Ms. Oyeyemi explained to the Committee that the receipts exceeded the budget and that the three-year total revenue increased 2.3 percent and was lower than expected due to the commercial consumption decline of 15.2 percent. Performance declined because of COVID-19.

Mr. Riddick reported that year-end operating expenses were \$11.5 million or almost 2 percent lower than previously reported as projections. They are preliminary estimates that are subject to change with the final audit. In the midst of the virus they had the lowest spending from contractual services.

Mr. Riddick informed the Board that there was underspending in the ERP project even though they were able to work on Phase One and Phase Two. Training and travel expenditures were lower and the pandemic effected employee accessibility to quality and professional training resources. They converted to virtual training to maintain skills. This was important as they moved toward implementing the ERP as well.

During the Committee meeting Mr. Giancola inquired about the 11 percent vacancy rate and the impact on maintenance operations. CFO Brown indicated that mostly temporary workers and contractors were impacted by the vacancies. Even with retirements, they were able to move along smoothly and carry out all the top priorities.

CFO Brown stated again that capital disbursements were below budget projections but that detailed performance on overall capital projects will be provided. There were Committee discussions and they addressed the balance compromise of overall reserves for the Rate Stabilization Fund and restricted and unrestricted reserves Rate Stabilization Fund balance of \$90.2 million which includes a Board approved transfer of \$15 million in surplus to help with customers impacted by COVID-19. The Board will continue to look at the Fund making sure that they are doing things in a manner that benefits ratepayers and those impacted by COVID.

Mr. Riddick reported that instead of being able to cut back a little, ERP will be moving ahead fully to implement the Oracle cloud-based ERP system. They have had some major accomplishments in the financials and procurement Phase I and II. These are critical phases that started the beginning of the fiscal year, October 1. Mr. Riddick stated that they will move forward with Phases II, IV, and V, the human capital management, the budgeting, and advanced human resources. Phases III and IV will kick off this month. The complete ERP project approved budget was \$18.7 million but it ended up being \$3.4 million less.

The last update was on merchant credit card fees that have increased from 32 percent in 2016 through 2020. Director of Finance Ivan Boykins reported that the WEB credit card fees are the largest portion and have the highest cost, about \$0.2 million or just 0.4 percent of the credit card revenue, in \$1.2 million in FY 2016. Mr. Riddick reported that Mr. Boykins is leading an effort to find ways to reduce the credit card fees. He spoke about what other selected local and utilities around the country do. They charge a convenience fee to absorb these fees. David Calvert, a financial consultant from PFM explained that some utilities include the payment fees. Mr. Riddick stated that at some point D.C. Water will have to figure out a strategy and a hybrid solution.

CEO/General Manager's Report

Reported by: David Gadis, CEO/General Manager

Mr. Gadis reported that back in February he provided an update on some key programs that were part of his State of the Utility and his monthly report. For November he highlighted a program that assisted in enabling and accelerating other programs and D.C. Water's three themes—high performing teams, resilience and readiness, and stakeholder engagement. At the Joint meeting of the Board and Executive team the concept of innovation kept coming up and the need to swing the organization back toward innovation is what Mr. Gadis and his team are aiming to achieve. As a relaunch of D.C. Water's innovation program, they are trying to move from the dream stage into a decide stage. Mr. Gadis reported that the program is a 10-week process and they are working hand-in-hand with innovation partner Accenture.

Phase I produced the innovation vision and strategy and the operating model. The working group is comprised of 13 members from Team Blue from every cluster of the Authority. The collaborative process included feedback and workshops with the Senior Executive, representatives and the Stakeholder Alliance. Wayne Griffith, Executive Vice President of Strategy and Performance is the sponsor of the innovative project, and it is led by Matt Ries, Director of Sustainability and Watershed Management.

Mr. Gadis stated that D.C. Water is still recognized as one of the most innovative water utilities in the country in the areas of wastewater treatment operations, information technology applications, and innovative financing vehicles. He indicated that they want to build on those pockets of innovation—every department, every cluster, every facility, every team, and every team member. D.C. Water now has a roadmap and Mr. Gadis stated that he will be working with the Senior Executive Team to develop a resourcing plan with details from the earlier strategies and stages over the next year. As ideas for innovation are evaluated, they will incorporate feedback from the Joint meeting by filtering and selecting ideas to maximize value and address challenges and opportunities. Mr. Gadis indicated that they will keep updating the Board as the project moves forward. They want to continue the high-performing team and grow it.

Mr. Giancola commended Mr. Gadis and staff on the evolving CEO/General Manager Report. He stated that he liked it more and more. On Page 5 under Administrative metrics there is a footnote and looking at Facility Service Request Completion Rates and Fleet Preventive Maintenance Rates, they are significantly lower. The footnote indicates that they have not been met due to the reduction in services and activities due to COVID-19. Mr. Giancola asked if this reduction in services meant that they do not have the people, even though he thought staff levels were being maintained. Mr. Gadis stated that D.C. separates its employees, sometimes into A and B shifts and then pass loads are down, they may work every other day so that staff is not put in danger every day at the same time and same activity. All vehicles have been up and running.

Ms. Powell, Chief Operating Officer, reported that Fleet personnel are working in the same areas but on rotating teams. She reported that now they are staggering shifts so that they can catch up on work. The goal is to keep as priority one equipment operational and make sure staff is cleaning and sanitizing vehicles between the different teams using the same vehicles. Ms. Powell stated that they are catching up on preventive maintenance work.

Mr. Giancola's second question is on Page 6 under Customer Assistance Programs. The last column is entitled Fiscal 2020 dollars and he assumed that it is the cumulative effect by month of all expenditures made in that area. Mr. Giancola suggested that another column be added that stated what the allotment was for that year. It will give some sense of where they are in the cumulative dollars spent of the total dollars available. Staff agreed to add the new column.

The next question from Mr. Giancola concerned the Call Center performance. He stated that he thought the numbers would go up due to the new system. Mr. Giancola said he would keep his eye on this also from the customer experience point of view as the Call Center responds to customers in a very timely manner

Consent Items (Joint Use)

Chairperson Wells asked for a motion to approve joint use action item. Mr. Giancola moved to approve Resolution No. 20-80 and it was seconded. The motion to approve Resolution No. 20-80 was unanimously approved by the members of the Board.

Consent Items (Non-Joint Use)

Chairperson Wells asked for a motion to approve non-joint use action items. Ms. Bhatt moved to approve Resolution Nos. 20-81 through 20-82 it was seconded. The motion to approve Resolution Nos. 20-81 through 20-82 was unanimously approved by the D.C. members of the Board.

There being no further business, the meeting was adjourned by Chairperson Wells at 10:33 a.m.


Linda Manley, Secretary to the Board