

DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY

**BOARD OF DIRECTORS
270th MEETING
THURSDAY, DECEMBER 3, 2020
MINUTES**

Present Directors

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

Present Alternate Directors

Kendrick E. Curry, District of Columbia
Sarah Motsch, Fairfax County
Jed Ross, District of Columbia
Steven Shofar, Montgomery County
Ivan Frishberg, District of Columbia
Joe Leonard, Jr., District of Columbia
Adriana Hochberg, Montgomery County

D.C. Water Staff

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

Call to Order and Roll Call

Chairperson Wells called the 270th meeting of the District of Columbia Water and Sewer Authority's Board of Directors to order at 9:34 a.m. The meeting was held via Microsoft team. Ms. Manley called the roll and a quorum was established.

Approval of the November 7, 2020 Meeting Minutes

Chairperson Wells asked for a motion to approve the November 7, 2020 meeting minutes. The motion to approve the November 7, 2020 meeting minutes were moved, seconded, and unanimously approved by the Board of Directors.

Chairperson's Overview

Chairperson Wells stated that he had expected Major Riddick, Prince George's Principal Board Member, to be a short term on the Board. He came out of retirement and the private sector to serve his county government and County Executive Alsobrooks. He reported that Major Riddick is now ready to leave the Board and return to the private sector. Chairperson Wells noted that Major Riddick provided great wisdom and great counsel to the Board, especially to him. His leadership and skills were very helpful. He was Chairperson of the Finance and Budget Committee and a member of the Human Resources and Labor Relations Committee. Even though he was absent from the meeting, Major Riddick will receive the water drop as a token of appreciation.

Human Resources and Labor Relations Committee

Reported by: Emile Thompson, Chairperson

Mr. Thompson stated that the Committee met on November 10, 2020 via Microsoft Team. The items on the agenda pertained to medical insurance policies and premium increases. Ron Lewis, Benefits Manager, presented the 2021 Medical Rate Plan options. There was discussion relating to the changes pertaining to generic medication and the impact it will have on employees. Sarah Motsch, expressed concerns about the changes and emphasized the importance of adequate communication with employees. Mr. Lewis spoke about D.C. Water's approach of keeping renewal percentages low and holding current rates at those levels for an extended amount of time. He also briefed on the impact COVID-19 has had on insurance premiums. Rates for dental and vision plans did not increase. He noted that a meeting was held with union presidents to update them on health plan rates and pharmaceutical changes the employees can expect.

D.C. Retail Water and Sewer Rates Committee

Reported by: Rachna Bhatt, Chairperson

Ms. Bhatt reported that the Committee met on November 17, 2020. The following two agenda items were covered: Matthew Brown, CFO and Executive Vice President for Finance and Procurement, provided a briefing on how the Authority is monitoring revenues through COVID-19 and Carolyn MacKool, Customer Service Director, updated the Committee on an amendment to the CAP Relief Programs. CFO Brown began the first presentation by stating that they use the following four data sources to forecast revenues: the amount of water purchased from the Aqueduct and analyzed on a monthly basis, NEDER Data Star which presents the daily consumption transmitted through the advanced metering infrastructure system, the billed consumption done through the new customer service system, and daily cash receipts. CFO Brown reported that the Authority ended Fiscal Year 2020 with revenues of \$710.1 million, slightly above the budget. Water consumption has declined between one and one and a half percent over the last several years prior to COVID. Aqueduct purchases have also decreased since March 2020 and according to CFO Brown, this is an indicator that this was caused by COVID.

Delinquent accounts have increased from \$12.8 million for 9,933 accounts in March 2020 to \$17.9 million for 13,775 accounts in September 2020. CFO Brown reported that Meter Data (Star) consumption declined for October 2020 by 12 percent compared to October 2019.

CFO Brown stated that D.C. Water is continuing to assist customers, monitoring and forecasting revenue, with responses including changing hiring processes, utilizing contractual service reductions, delaying some capital projects, and leveraging current market prices for major chemicals and electricity. According to CFO Brown, Fiscal Year 2021 departmental spending plan reductions would generate \$20 million in savings.

Ms. MacKool presented the proposed plan for the new D.C. CARES Multifamily Emergency Relief Program. This presentation came in response to the Board's September approval for \$7 million for emergency relief assistance for multifamily properties. She updated the Committee on the key issues of focus including assisting customers in affordable housing units, realizing that some citizens who need assistance do not reside in affordable housing units, and assisting customers who are in a crisis status because of the public health emergency. The calculation of benefits involves what the customer is experiencing with the current bill and what is past due on the account. Each customer's account will have a maximum credit amount over 3 to 6 months divided by each unit in the property. The maximum benefit is \$2,000 per unit. Owners of the multifamily property will be required to sign an agreement, communicate with tenants, and confirm delinquent payments not received from other resources. The benefit is applied to the tenant's account in the amount of 90 percent and 10 percent goes to the property owner as an incentive to participate in the relief program to offset estimated increases in water usage of 8 percent. Owners will also be required to place the remaining benefit balance in an installment plan to be applied to the remaining balance on the account through 2021, unless there is a change in ownership. Outreach efforts will include legal and marketing efforts using multiple outreach channels. D.C. Water is one of the first utilities to provide this type of assistance.

Mrs. Bhatt reported that Ms. MacKool will provide an update to the Committee in January.

Finance and Budget Committee

Reported by: Matthew Brown, Chief Financial Officer

CFO Brown informed the Board that Major Riddick would not attend the Board meeting, and he volunteered to give the report if they needed him to. Chairperson Wells thanked him and said it would be with the consent of the Board.

CFO Brown stated that the Committee met on November 17, 2020. The Finance and Budget Report was provided by Lola Oyeyemi, Budget Director. She indicated that revenue is on a cautionary basis and they continue to monitor the impact of COVID on consumption and customer payments. At the end of October operating revenues were at \$69.3 million, or 9.4 percent of the budget. Operating expenditures were at \$44 million, or 6.8 percent of budget. Capital disbursements were at \$39.4 million.

Ms. Oyeyemi provided highlights of the Finance Report. Development is underway on the FY 2022 Budget and will be provided to the Board in February. This will provide some additional time and revenue and consumption data on which to base the budget and financial plan going forward.

It was also reported that D.C. Water did not receive the \$2.2 million Build America Bonds subsidy, so it was paid from D.C. Water funds. They anticipate the funds being received at a later date.

Ms. Oyeyemi then went into detail concerning revenue. Revenue to date for October in the new fiscal year was within the budget. They were 2.7 percent below the receipts for the previous year. Total expenditures of \$44 million were consistent with budgetary expectations. The year to-date vacancy rate of 11 percent and the capital disbursements of \$39.4 million are within the approved budget.

Paul Guttridge, Director of Capital Improvement Program's Infrastructure Management (CIP), presented the CIP Quarterly Report which is a year-end report. He noted that the FY 2020 actual disbursements of \$309 million for capital projects was below the baseline budget and the target. He explained some of the underspending and how COVID impacted it.

Tanya DeLeon, Risk Manager, reported that for the five program insurance premiums approved by the Board, the actual premiums came in within the amount approved, \$9.4 million.

An overview of D.C. Water's current financial policies was provided by Ivan Boykin, Director of Finance. This information is provided regarding the financial policies, the Rate Stabilization Fund (RSF), other issues, and how D.C. Water compares to its peer group, the number of days of cash on hand, and how the Fund fits into the days of cash on hand. Mr. Boykin talked about the management target for debt service coverage at 1.6 being more stringent than the indenture requirement and the Board policies. He spoke about the RSF policies, transfers in and out, and how the policies are determined by the Board as part of a ten-year financial plan. During the Committee meeting Mr. Giancola raised questions about the Fund's balance and the policy requirement of 125 days of cash on hand. To address his concerns, the staff will continue to discuss the issues.

CFO Brown reported that the last agenda item was the Water Infrastructure and Financing Innovation Act (WIFIA) loan transaction update largely presented by Eric Brown of PFM. One of the benefits of WIFIA is the favorable low interest rate of 1.75 percent for D.C. Water. He covered the key terms of finance and the financing schedule, and indicated that interest payments are expected again on October 1, 2021, with final maturity in 2060. The Committee received copies of all the documents related to WIFIA.

Action items recommended by the Committee included the Senior Lien Loan for the WIFIA, including the authorizing resolution, a supplemental indenture, and the loan agreement.

Board Member Giancola reminded everyone that it was earlier agreed that based on his recommendation there would be future discussions on adjusting a policy of the RSF which is now inconsistent with actual practice. Mr. Giancola stated that the Governance, Joint Committee, or some other part of the Board could address the issues and update the policy. Chairperson Wells agreed and stated that it would be dealt with initially by the Governance Committee which would have CFO Brown incorporate it into the budgeting process.

CFO Brown reported that they agreed that they would gather comparable information from peers about their Rate Stabilization Fund and that research has begun. They will get advice from PFM and bring all of the information back to the Finance Committee. Chairperson Wells stated that he believes that financial responsibility for bond ratings is a governance policy. He agrees that this could be a joint committee endeavor. CFO Brown stated that they will do the

research and present it to the Board as instructed. Chairperson Wells stated that the D.C. Retail Water and Sewer Rates Committee should be included and then the full Board. They agreed to start it off with the Governance Committee.

Environmental Quality and Operations Committee

Reported by: Adam Ortiz, Chairperson

Chairperson Ortiz stated that the Committee met on November 19, 2020. Nicholas Passarelli provided an update on Treatment Plant performance. All parameters were excellent and permit requirements were met. The Committee requested a report on the amount of litter captured through the tunnel system and its originating locations. This is in keeping with the Board's interest in reducing litter in the Anacostia River.

The Committee recommended Board approval of joint and non-joint use contracts. Related to the contract for Brown and Caldwell, the Committee requested a compilation of all contracts executed in 2020 and an update on strategy to gradually transfer in-house work to contractors. Mr. Ortiz stated that per Chief Engineer Len Benson the update would be provided at the Committee's next meeting.

Jason Hughes, Manager of Water Distribution, reported that of 9,391 public fire hydrants, 64 were out of service. Of those 64, 40 were operationally defective and 24 were out of service due to nearby repairs, construction activities, or other obstructions.

An update on water quality monitoring of total Coliform and lead copper rule testing was provided by Maureen Schmelling, Manager of Water Quality. She stated that tests showed excellent performance in the water distribution system.

Chairperson Wells asked Mr. Ortiz if in his role with Montgomery County there was anything that was of particular importance about the county sources of trash. He replied that they have done a number of things to reduce litter and identify where it has come from, source reduction to trash traps. They are trying to determine who is doing what and what they are sending downstream. He said that he is pleased that the tunnel is doing so much to keep trash out of the river.

CEO's Report

Reported by: David Gadis, CEO and General Manager

CEO Gadis stated that each month in the utility update he highlights 15 key initiatives for the Authority which contribute to the ability to function as a high performing team, enhance resilient and readiness, and effectively engage with D.C. Water's stakeholders. CEO Gadis reported that in late October the Retail Water and Sewer Rates Committee received a briefing on the new customer feedback program in efforts to improve stakeholder engagement. The program is called the Voice_of Customer Program. D.C. Water renewed its efforts to become a more customer centric organization by gaining a holistic understanding of the customer experience and identify gaps and opportunities in those experiences. CEO Gadis stated that they needed to implement a systemic method of collecting and evaluating customer feedback and include perceptions, attitude, not only in performance, but preferences as well. D.C. Water is now using Qualtrax and a SAP product which provides the ability to survey capabilities, the ability to launch targeted surveys across various touchpoints, and capture high quality feedback data. They will also be able to combine experiences with the operational data in the same system to take action and drive meaningful impact in the organization.

Mr. Gadis reported that the Voice of the Customer Survey will be deployed next month. They have completed three project milestones –the survey design, survey build, and governance structure dialogs. In Phase II they will build on understanding the customer experience by creating Journey Maps. They will keep the Board up to date on their findings.

CEO Gadis concluded by pointing to the improvements they have made in the CEO Report to make it more readable, not as thick with text, and one that contains all the information to keep someone up to date on what is happening at the Authority. Some of the comments from the Board will be incorporated into the report. Mr. Giancola questioned on Page 6, under Facilities Service Requests, Completion Rate and Fleet Service Maintenance and Preventative Maintenance, why the numbers have not improved. Also, on Page 7, the money numbers should include another column that addresses what was actually spent. CFO Brown indicated that this was a typo and the previous year is not the budget. This will be corrected.

Consent Items (Joint Use)

Chairperson Wells asked for a motion to approve joint use action item. Mr. Bartlett moved to approve Resolution Nos. 20-72 through 20-77 and it was seconded. The motion to approve Resolution Nos. 20-72 through 20-77 was unanimously approved by the members of the Board.

Consent Items (Non-Joint Use)

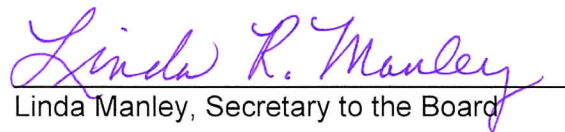
Chairperson Wells asked for a motion to approve non-joint use action items. Mr. Giancola moved to approve Resolution No. 20-78 and it was seconded. The motion to approve Resolution No. 20-78 was unanimously approved by the D.C. members of the Board.

Executive Session

Chairperson Wells asked for a motion to move into Executive Session pursuant to the Open Meetings Amendment Act of 2010, to discuss a personnel matter under D.C. Official Code 2-575(b) (10). It was so moved and seconded and unanimously passed with a roll call. Chairperson Wells indicated that the Board would come back into regular session to vote and adjourn, that forward actions are taken in public. Also, Ms. Manley will provide additional directions for coming out of Executive Session and moving to a different Teams room. Whereupon the above-entitled matter went off the record at 10:15 a.m. and resumed at 11:24 a.m.

Chairperson Wells reminded the Board members that the D.C. Retail Water and Sewer Rates Committee's December 15, 2020 meeting had been cancelled. The Finance and Budget Committee would meet December 15, 2020 at 11:00 a.m. The Environmental Quality and Operations Committee will meeting December 17 at 9:30 a.m.

There being no further business, the meeting was adjourned by Chairperson Wells at 11:25 a.m.


Linda Manley, Secretary to the Board