

DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY

**BOARD OF DIRECTORS
272nd MEETING
THURSDAY, FEBRUARY 4, 2021**

MINUTES

Present Directors

Tommy Wells, Chairperson, District of Columbia
Floyd Holt, Prince George's County
Howard Gibbs, Alternate for David Franco, District of Columbia
Anthony Giancola, Alternate to Vacant Position, 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
Tara Jackson, Prince George's County

Present Alternate Directors

Kendrick E. Curry, District of Columbia
Jed Ross, District of Columbia
Steven Shofar, Montgomery County
Ivan Frishberg, District of Columbia
Joe Leonard, Jr., District of Columbia
Adriana Hochberg, Montgomery County
Lavinia A. Baxter, Prince George's County
Jared McCarthy, Prince George's County

D.C. Water Staff

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

Call to Order and Roll Call

Chairperson Wells called the 272nd 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 January 3, 2021 Meeting Minutes

Chairperson Wells asked for a motion to approve the January 3, 2021 meeting minutes. The motion to approve the January 3, 2021 meeting minutes was moved, seconded, and unanimously approved by the Board of Directors.

Chairperson's Overview

Chairperson Wells welcomed Tara Jackson, Acting Chief Administrative Officer from Prince George's County, and Jared McCarthy, Deputy Chief Administrative Officer of Prince George's County, to the Board. Also, he congratulated Fariba Kassiri and Adriana Hochberg for their reappointments on behalf of Montgomery County. Chairperson Wells also notified everyone with sadness that Krystal Brumfield had resigned and that her expertise and flight aviation management experience would be greatly missed. Ms. Brumfield was joining the Federal Government. He indicated that there will be other changes made and that the committee chairs should consider them. He stated that D.C. Water is one of the premier utilities in the world and that the Board has much hard work before it.

Chairperson Wells reminded everyone that the annual budget workshop would follow the meeting.

Governance Committee

Reported by: Lavinia Baxter,

Ms. Baxter stated that the Committee met on January 13, 2021 and received some very important updates. The first was from Thomas Kuczynski, President of Blue Drop, and Chief IT. He reported that Blue Drop received a clean audit in December and launched a web store in October. Mr. Kuczynski highlighted five strategic priorities for FY 2021 which are as follows: one, maximize net revenue and cost savings from marketing and the same of Bloom Class A Biosolids; two, maximize net revenue from marketing and sale of excess capacity at D.C. Water; three, collaborate with D.C. Water to advance a culture of innovation and grow the intellectual property portfolio; four maximize the net revenue from existing D.C. innovations and technology; and five, maximize revenue from Blue Drop and D.C. Water brands. Mr. Kuczynski reported great news that Blue Drop had a target of 62,000 tons sales of Bloom sales for FY 2021 which is 40 percent higher than in FY 2020 actuals of 44,750 tons. In terms of activities at Headquarters, due to COVID 19, they are unable to schedule events, including weddings. One event, however, has been scheduled for July 2021.

Mr. Kuczynski reported that Blue Drop collected revenue from renewable energy credits from the Blueprint Plan through December 2020 of over \$1 million and processed \$327,000 in sales

in FY 2021. Blue Drop has a cell tower target of \$178,000 in FY 2021 and has collected revenue in excess of \$130,000 through December 2020 and \$66,806 in January 2021. Other reporting included CAMBI products, Intellectual Property with international wastewater software companies, children's books about the wastewater process, certified business utilization. D.C. Water's Green Infrastructure projects and Compliance Program have awarded a combined of contracts.

Cory Gray, Compliance Officer, reviewed the CBE Program, Fair Share Objective Program, and reviewed the numbers on certified and disadvantaged women businesses. He pointed out that D.C. Water awarded \$182 million in contracts, modifications, and change orders, and of that amount \$64.97 million or 35 percent were awarded to certified firms.

It was reported by Ms. Baxter that because of D.C. Water's resilience and strength it has prepared to withstand revenue loss over the pandemic period. It is anticipated that a revenue shortfall of \$41.5 million by FY 2021. November revenues were reported at \$6.2 million or 4.5 percent below budget. D.C. Water has been able to maintain its AAA rating. The Rate Stabilization Fund withdrawals may be needed to cover shortfalls this year. They are identifying areas where operating and capital deferrals are possible but still below the financial plan adopted by the Board. Additionally, D.C. Water's strong financial position, utility reserves and sufficient cash flow have allowed its strong position and ability to reduce consumption.

As reported by Ms. Baxter, also discussed were other possible policy recommendations for the number of days, cash on hand, and reserves. Discussions will continue with the team and the Financial Advisor and they will come back with more details and changes in areas, including debt service coverage and the Rate Stabilization Fund.

Member Bartlett asked further about Blue Drop and all the revenue generating from the events, from the energy savings and from the biosolids from Bloom. He wanted to know more about CAMBI and requested a meeting maybe offline or with another committee to learn more. Mr. Bartlett found it interesting that a publicly-funded agency is partnering with a private company to sell technology and support it. He is afraid of a possible conflict of interest. He wants to understand it from a policy decision. Chairperson Wells indicated that this might be handled in the Governance Committee. He asked that this be put on the agenda for the Committee. Mr. Gadis agreed that they would.

Human Resources and Labor Relations Committee

Reported by: Jed Ross

Mr. Ross stated that the Committee met on January 13, 2021 and was chaired by Adriana Hochberg. It was attended also by five union presidents—Barry Carey, Barbara Milton, Jonathan Shanks, Michelle Hunter, and Calvert Wilson. Mr. Ross reported that a number of union topics were discussed including notification to the presidents of benefits and the process changes affecting terms and conditions of employment for union employees. President Milton expressed concerns about not receiving sufficient notice and the Committee discussed how to ensure that there is timely notice regarding management changes and decisions. According to Mr. Ross there was a request to meet with the insurance broker and advisor about concerns and questions related to bargaining and benefits. Management agreed to continue to work on communication with unions timely on issues.

The next discussion item was on COVID-19 cases in D.C. Water. Mr. Ross reported that Barbara Milton requested that they wanted more communication and immediate notice of areas

that are closed due to potential exposure. Ms. Milton also asked Management to provide information on vaccinations. Management agreed to consider the suggestions regarding best practices and procedures, especially around deep cleaning. Mr. Gadis indicated that they already have a team that works with D.C. Health on a regular basis to provide good support and they will continue working on communication.

Mr. Ross reported that the next topic related to a health provider for review for CDL employees. An examination around sleep apnea is related to CDL drivers. President Shanks expressed concern related to the current vender used by CDL licensure and getting medical approvals based on physical examinations. Workers compensation was then discussed by President Shanks. When an employee is injured on the job, he or she goes to a primary physician prior to being approved and referred to a physician for workers compensation treatment. President Shanks was concerned because employees have to use their sick leave while waiting, which employees prefer. Management has discussed this with the unions on numerous occasions. Robin Hayes, Program Manager for Workers' Compensation, is also involved in this and works on assisting employees when workers' compensation is in dispute. President Milton raise the 21 day continuation of pay program, traumatic leave; also raised were short-term disability and Family and Medical Leave.

Lastly, after discussion all action items were recommended to the full Board for approval. These actions involved changes to the 457(b) and 401(a) Contribution Plans.

Environmental Quality and Operations Committee

Reported by: Adam Ortiz, Chairperson

Chairperson Ortiz stated that the Committee met on January 21, 2021. He welcomed new members Tara Jackson and Jared McCarthy to the Board. Aklile Tesfaye, Vice President for Wastewater Operations, reported that all Blue Plains Plant performance parameters were excellent and parameters were all met, including EPA, effluent discharge permit requirements. An average of 430 million gallons of wet weather flows through the tunnels systems and treated, and an outfall discharge of more than 100 million gallons Class A biosolids averaged 367 wet tons in December. Blue Drops sold nearly 4,000 tons of Bloom. Nearly 7,600 wet tons not sold to market were applied to land through Blue Drop and WSSC contracts.

Clean Rivers Director Carlton Ray provided an update on COVID-19 that showed that all activities were on schedule and consent decrees were being met. An update was received from John Lisle on crisis incident management communications. They covered the crisis process for disseminating information to all relevant stakeholders, including Board members. For more details, stakeholders were directed to the packet of information provided.

D.C. Retail Water and Sewer Rates Committee

Reported by: Rachna Bhatt, Chairperson

Chairperson Bhatt stated that the Committee met on January 26, 2021 and received a presentation regarding approval of the final proposal to amend Customer Assistance Program regulations to establish D.C. Water Cares, an emergency residential relief program for low income residential customers. According to Chairperson Bhatt the information was provided by Carolyn MacKool, Director of Customer Services, to allow for emergency assistance to COVID-impacted residential customers with past due balances up to \$2,000. A public hearing was held in January 2021 and the People's Counsel was the only organization to file oral testimony and submitted written comments on the initiative. The Committee recommended that the full Board

approve the regulations. This is for the Multi-Family dwellings and commercial mixed-use properties where there are just over 10,000 eligible. The anticipated program start date is February 8, 2021.

The last presentation was made by Salil Kharkar, Senior Vice President for Engineering and Operations, who proposed formalizing the reimbursements for backwater values in separate sewer areas of the city for home that met the qualifications for the program. The Board has received weekly information on the program. Chairperson Wells stated that the Mayor has commissioned a task force on flooding in the City led by the Department of Energy and Environment. D.C. is on the task force.

Chairperson Bhatt indicated that there were three action items that the Committee recommended to the full Board for approval.

Audit Committee

Reported by: Floyd Holt, Chairperson

Chairperson Holt stated that the Committee met on January 28, 2021. The Internal Audit staff, Dan Whelan, Jill Reyes, Sophie Tomeo, Ethan Bickford, and Vivian Hong, and the External Auditors from KPMG were present. Mr. Holt summarized the FY '19 Financial Statements. He asked that everyone take a quick look at the external audit update and internal audit update. Comptroller Genese Malasy presented the FY 2020 Financial Statement results by mentioning that the financial position remains strong and is growing with a total net position of \$2.5 billion, which is an increase of \$223 million, or 9.9 percent from last fiscal year's results due to infrastructure. Operating revenue increased \$31.7 million, which is a 4.5 percent increase, while operating expenses decreased by \$7.2 million, a 1.6 percent over the prior year.

The Authority received an unmodified clean audit opinion from its External Auditor KPMG. It also received the Government Financial Officers Association's Certificate of Achievement for Excellence in Financial Reporting for 23 Consecutive Years for its 2019 Comprehensive Financial Reports.

Comptroller Malasy reported that the net position on the financial statement was that the net investment and capital assets increased from infrastructure investments, restricted for debt service, unrestricted funds line item and adding that the Committee should pay close attention to the unrestricted line item which included cash and cash equivalents.

According to Chairperson Holt the Comptroller provided an update on D.C. Water's debt administration which was a total of \$3.8 billion in long term debt outstanding for FY 2020, an increase of 8.2 percent. The Authority's operating revenue increased with the largest being in residential, commercial, and multi-family customers. A Committee member asked about the other line items and was told by CFO Brown that extra revenues came from special projects, permitting fees, and other miscellaneous items.

Committee Member Jed Ross inquired about the Authority's position of decreasing revenue due to COVID issues. CFO Brown responded that they are closely monitoring it and will incorporate the decreased predictions in the new budget. The current revenue position will be discussed further in the Finance and Budget Committee meeting.

KPMG, External Auditor, congratulated D.C. Water on a smooth audit and that a single audit was still in progress. The overview of the results showed a clean unmodified opinion on the FY

2020 statements, with no material weaknesses or significant deficiencies were identified regarding internal controls over financial reporting and that the items are just as important as an unmodified opinion. The Government Accounting Standards (GASB) implementation was postponed in 2020 due to COVID.

KPMG reported on three uncorrected audit misstatements that resulted in negligible change from the previous year. These items related to reversing the effect of the prior year's overstatement of interest expenses. No significant deficiencies or material weaknesses were reported. They are performing a uniform guidance compliance audit and will update the Audit Committee with the results.

Internal Auditor Dan Whelan presented the agenda for the FY 2021 Internal Audit Plan. Presently, Oracle Embedded Risk Assurance Phase 1 is in progress and the results will be presented at the next Committee meeting.

Mr. Whelan provided a restatement on prior FY 2019 and 2020 prior audit findings. Two items were pending testing; eight issues were closed, and 27 remain open. One action item has been deferred related to a personnel policy action where they share that the Executive Leadership Team has reviewed the policy and it is expected that this will be closed at the next Committee meeting. The work order management internal audit results were shared. The Hotline update was presented. There were three calls to the Hotline and two have been closed. Internal Audit met with Legal Affairs and Procurement on the investigation.

Finance and Budget Committee

Reported by: Anthony Giancola

Mr. Giancola indicated that the Committee met on January 28, 2021. CFO Brown reported that revenue are down 5.2 percent compared to the budget as anticipated due to COVID-19. He noted that staff continues to monitor spending and keep containment measures in place to align spending with reduced budget forecasts for revenue. Mr. Giancola reported that he thinks it has been 27 years of clean reports, with no major findings. They have had the management report issued to Board members individually. All of this has been pleasing to the Audit and Finance and Budget committees according to Mr. Giancola.

Ms. Oyeyemi, Director of the Budget, reported that at the end of December 2020 cash receipts totaled \$174.4 million, or 23.6 percent of the fiscal '21 budget. Lower receipts in residential, commercial and multi-family customer category was due to declining consumption regarding from -- resulting from the impact of COVID. Other revenue receipts were also lower at \$7.9 million, or 17.8 percent of the budget.

Total operating expenses were \$135.3 million, or 21.1 percent of the 2021 approved budget. The year-to-date underspending is mainly in the personnel services due to the deliberate pause in the hiring process. Of the 1,231 positions authorized, 1,086 were filled at the end of December, with a vacancy rate of 11 percent.

Capital disbursements are \$101.3 million, or 20 percent of the 2021 budget. The cash balance total, \$506.9 million in reserves including the rate stabilization Fund and unrestricted and restricted reserves. Clearly over time we're going to have discussions on the Rate Stabilization Fund which will probably occur at a later date.

She also gave an overview of the operating budget performance highlighting the strong financial results of a clean audit opinion. The overall operating expenses were \$37.2 million below the budget approved including other spending of \$29 million in personnel, chemicals, water purchases and contractual services. Additional underspending of \$8.2 million was from debt service costs due to the refunding of the 2013 2013 Series A bond.

Ms. Oyeyemi reviewed the fixed variable cost components of the operating budget, stated that approximately 75 percent of core O&M funds or costs are fixed. This includes personnel costs, comprising of the union agreement, chemicals, electricity driven by marketing conditions, and water purchases from the Aqueduct. She stated that the on-site electrical generation from the combine heat and power facility continues to reduce the rate of growth of electricity costs and refinance on the power grid.

Carlton Ray, Director of Clean Rivers Project, also updated on the Environmental Impact Bond. He explained again that the Rock Creek Green Infrastructure Practicability Assessment was completed to meet the consensus decree. The Assessment provided two approaches, a green and grey solution also known as the hybrid approach. These approaches were approved by the Board in June 2020 and by the EPA in November 2020. This bond was issues by D.C. Water to two institutional investors, with a principal of \$25 million face value in an initial 3.43 percent coupon, paid semi-annually for the first five years.

Seth Charde, Senior Advisor of the Green Infrastructure D.C. Rivers Program, provided a PowerPoint on the program infrastructure facilities that were constructed under the Rock Creek Project (RC-A). This included lessons learned about porous pavements and bio-retention facilities.

Chairperson Wells acknowledged the efforts of Clean Rivers to be on time and within budget, as well as meeting the expectations of growth. He asked about the other projects that might be ready and if there was substantial funding for targeted water utilities.

Chairperson Wells asked if anyone had Issues of General Interests that they want to bring to the Board. No one had any issues.

CEO and General Manager

Reported by: David Gadis, CEO/General Manager

CEO Gadis welcomed the two new Board members from Prince George's County and thanked them for serving the world's largest advanced wastewater treatment facility.

CEO Gadis provided the State of the Utility Address here at D.C. Water. He stated that he made this presentation and he informed everyone that D.C. Water was getting stronger. The pandemic is challenging everyone and is proud of everyone's tenacity and accomplishments and the ability to overcome challenges and deliver crucial service. He suggested that everyone get a copy of the 2020 Annual Report. It also contains a status update on the Blueprint 2.0 providing clear guidance for the next five years with measurable progress and performance goals.

The Authority is committed to a priority of transparent communication style with employees and to continuing town hall meetings led by the Senior Executive Team. This will be supported by D.C. Water's support and evolution as a learning organization. CEO Gadis stated that they want to expand the Leading Blue Leadership Programs. Secondly, it is committed to improving

resilience and readiness. They will continue to promote transparent business practices and processes, leveraging the game changing Enterprise Resource Planning (ERP) System to improve financial planning and progress towards data-driven decision making. The third and last priority is improving stakeholder engagement. CEO Gadis indicated that they are implementing its new customer feedback platform and finding new ways to engage with D.C. Water customers to find ways to utilize the new customer feedback platform to improve the experience.

Over the next year updates will be provided as significant milestones, accomplishments, and decisions arise. CEO Gadis said they are committed to keeping them engaged. He thanked everyone for their commitment.

Chairperson Wells commended CEO Gadis and his team for their continuing efforts during the pandemic and for being creative and helping customers with vital services. He stated that the team is also showing other utilities in other cities how to how preserve multi-family buildings and affordable housing. Chairperson Wells thanked, CEO Gadis. CEO Gadis said that he would pass this on to the team.

Board Member Giancola commented on the improved report and said he appreciated it. Page 50 of the report covers Fleet, Facilities, Safety, Security, and Emergency Management metrics. He is concerned about preventative maintenance being related to vehicles in service. Mr. Giancola believes it is going into a downward trend and service availability. He had a second issue related to services, reactive maintenance and water quality complaints. On Page 54 under water quality complaints, there is also a downtrend. He asked what it meant, did they not respond to those complaints. Mr. Gadis responded that it is about the availability of some staff but that they did resolve the complaints. He stated that he will get Mr. Giancola's responses to the complaints.

Maureen Holman, Executive Vice President for Administration, said that this is due sometimes to staffing availability challenges. There was a retirement she thinks related to COVID-19. It was related to the contractors relied on for maintenance—Criswell Chevrolet. There was also an incident with a gas leak at the Facilities Department that closed things down for a few days. The COO and CEO have spoken to them about the issues and they expect the problems to clear up. Mr. Giancola suggested that they include a footnote on the report of some kind to explain the issues.

Another issue was related to COVID, keeping track, vaccines, etc. He asked for additional information on all of this. Mr. Gadis turned this over to the COO, Legal, Safety, etc., for answers. Mr. Giancola wanted to know whether D.C. Water's facilities could be used to administer the vaccine. The Executive Team indicated that they have met weekly on the COVID issues and made sure that they worked with the union also to keep communication open with union, employees, etc. There was discussion with the other Board members, including Ms. Kassiri, Montgomery County, and the State of Maryland and other jurisdictions about where and when employees can be vaccinated. They also are working very closely with the D.C. Health Department to address the issues and categories employees are in.

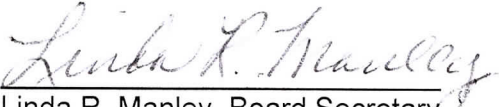
Consent Items (Joint Use)

Chairperson Wells asked for a motion to approve joint use action item. Mr. Giancola moved to approve Resolution Nos. 21-08 through 21-13 and it was seconded. The motion to approve Resolution Nos. 21-08 through 21-13 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 Nos. 21-14 to 21-16 and it was seconded. The motion to approve Resolution Nos. 21-14 to 21-16 was unanimously approved by the D.C. members of the Board.

Chairperson Wells announced that there was no further business before the Board. He provided the following schedule of January meetings for the committees:


Linda R. Manley, Board Secretary