

## DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY

### BOARD OF DIRECTORS 274<sup>th</sup> MEETING THURSDAY, APRIL 1, 2021

#### MINUTES

##### **Present Directors**

Tommy Wells, Chairperson, District of Columbia  
Rachna Bhatt, First Vice Chairperson, District of Columbia  
Floyd Holt, Prince George's County  
David Franco, District of Columbia  
Adam Ortiz, Montgomery County  
Joe Leonard, Jr., Alternate for Vacant Principal, District of Columbia  
Tara Jackson, Prince George's County  
Anthony Giancola, Alternate for Vacant Principal, District of Columbia  
Randy Bartlett, Fairfax County  
Emile Thompson, District of Columbia  
Adriana Hochberg, Alternate for Fariba Kassiri, Montgomery County

##### **Present Alternate Directors**

Rev. Kendrick E. Curry, District of Columbia  
Sarah Motsch, Fairfax County  
Jed Ross, District of Columbia  
Howard Gibbs, District of Columbia  
Ivan Frishberg, District of Columbia  
Steven Shofar, Montgomery County  
Joe Leonard, Jr., District of Columbia  
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, Chief Financial Officer and Executive Vice President for Finance and Procurement,  
Kishia Powell, Executive Vice President, Chief Operating Officer  
Marc Battlé, Chief Legal Officer and Executive Vice President, Government & Legal Affairs  
Linda R. Manley, Board Secretary

### **Call to Order and Roll Call**

Chairperson Wells called the 274th 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 March 4, 2021 Meeting Minutes**

Chairperson Wells asked for a motion to approve the March 4, 2021 meeting minutes. Mr. Bartlett made a motion to approve the March 4, 2021 meeting minutes and it was seconded, and unanimously approved by the Board of Directors.

### **Chairperson's Overview**

Chairperson Wells welcomed Board Member Franco back from his leave of absence and indicated that he looked forward to his leadership on the committees and the full Board. Mr. Franco thanked him.

### **Environmental Quality and Operations Committee**

Reported by: Adam Ortiz, Chairperson

Mr. Ortiz stated that the Committee met on March 18, 2021 and received a briefing on the performance of the Blue Plains Wastewater Treatment Plant which indicated that all performance was excellent and all parameters met. Aklile Tesfaye, Vice President of Wastewater Operations, reported that a total of 151 million gallons of combined wet weather flow was captured in the tidal system and treated. Biosolids were all Class A, an exceptional quality required by the EPA.

Next was an update from Leonard Benson on the 10-Year Capital Improvement Program (CIP). Disbursements are \$5.4 billion and the goal of the budget is to continue to invest in upgrading the aging water infrastructure. Due to the pandemic multiple projects have been deferred and account for protective revenue impacted by the pandemic. The third projects have a combined value of \$171 million, and have been moved from the current fiscal year to 2023 and beyond.

The Committee recommended for full budget approval two components of the CIP Budget and revised the CIP Disbursement Budget. There were several follow-up items that the Committee inquired about and received responses on. The first was from Maureen Holman, Executive Vice President for Administration, in reference to a question on compliance by D.C. Water's fleet of vehicles and the Mayor's Net Zero goal. D.C. Water met the Clean Energy D.C. Act which mandates that 100 percent of public fleets are to be zero emission by 2045 and 50 percent emission by 2030. It was also reported that 60 percent of D.C. Water's heavy vehicles are clean idle, 10 percent are electric, 5 percent are hybrid plug-ins, and 2 percent are biodiesel. The Authority is reviewing significantly increasing the number of electric vehicles and has already installed charging stations at Fleet facilities and at the Blue Plains Plant.

D.C. Water is attempting to partner with Public Works and the Department of Energy and Environment to replace the heavy vehicles with those that run on biodiesel. A \$1.5 million grant was approved for the fiscal year and a proposal has been approved for next year.

Chairperson Ortiz reported that EPA has revised the Lead and Copper Rule that will impact the Authority. EPA issued a delay in the effective date to allow time for additional public comment, for review again of the rules, and to make the additional revisions. A Lead Service Replacement Plan is now being developed under the Lead-Free Replacement Project. Mr. Ortiz indicated that the revised Rule should be submitted to the Committee in the next few weeks. Under the revised Rule, when action is exceeded, D.C. must replace 3 percent of the Authority known and unknown service lines annually. Additional funding has also been applied for from the American Rescue Plan Act to prevent taxpayers from having to assume all of the costs.

The status of the Solar Panel Project was presented to the Committee by David Parker, Director of Wastewater Engineering. The project will be under contract with Marbury Point, LLC, for the installation, operation, and maintenance for 20 years, with a 5 year option. There is a guaranteed annual savings for purchase increases from \$.3 million to \$.4 million per year over the 20-year contract. The project is 93 percent complete and is in the commissioning phase and it was anticipated to be complete by the end of March 2021. Mr. Ortiz reported that construction at the last location, a dock along the Potomac River, is anticipated by the end of spring.

### **D.C. Retail Water and Sewer Rates Committee**

Reported by: Rachna Bhatt, Chairperson

Ms. Bhatt stated that the Committee met on March 23, 2021. Chief Financial Officer Brown presented a new monthly Financial Report that the Board would begin receiving in addition to the regular report. It had a great level of detail and a trend analysis which was very helpful. The next presentation was regarding the proposed Ten-Year Financial Plan from Fiscal Year 2021 to Fiscal Year 2030. CFO Brown spoke about the objectives of the Plan which are to serve as a fiscal road map to achieve the Board's Strategic Plan, to be a key tool to monitor progress in meeting financial goals and targets, and ensure that D.C. Water meets or exceeds all debt-related legal and policy requirements, as well as maintaining sufficient liquidity to meet all current financial obligations.

CFO Brown noted that the current Ten-Year Plan, CIP, sources and uses of funds of \$5.4 billion is approximately the same as the previously approved Fiscal Year 2020 to Fiscal Year 2029 Ten-Year Financial Plan. He then spoke about different aspects of the Plan, including the anticipated revenue reduction due to COVID-19.

The last presentation was from Ed Markus from Amawalk Consulting Group on a Fiscal Year 2021 Fire Protection Service Fee Cost of Service Review which is done every three years. Mr. Markus reviewed the findings of the 2021 Cost of Service Study and recommended the appropriate fees for recovering fire protection costs for the District. He noted that the 2013 Fire Protection Memorandum of Understanding is the most recent that governs this process. The District paid \$10.736 million annually from FY 2015 through FY 2018 and \$12.527 million per year from FY 2019 through the current year. This allowed the District to catch up on the net credit due to D.C. Water for fire protection, and the net credit due to the District at the end of FY 2021 is estimated to be about \$2.4 million. According to Chairperson Bhatt, the Committee then discussed the possibility of the District agreeing to deploy the \$2.4 million for the CAP Program.

### **Executive Committee**

Reported by: Tommy Wells, Board Chairperson

Chairperson Wells indicated that the Executive Committee met on March 24, 2021. He reminded everyone that the primary functions are as follows: one, to act as the Performance Review Committee for the General Manager; two, to assist the Chairperson in identifying chairs for standing committees; and three, to guide the Board when there are instances of emergency or emergent circumstances for decisions that need to be made quickly, but later ratified by the Board. The principal from each jurisdiction has one representative on the Committee in accordance with the bylaws. The vacant principal position (Major Riddick departed) from Prince George's has been filled by Tara Jackson who will serve as Board Vice Chairperson for Prince George's County in compliance with the bylaws. Board Chairperson Wells reported that the First Vice Chairperson's position was also vacant (Krystal Brumfield departed) and has been filled by Rachna Bhatt from the District of Columbia.

### **Finance and Budget Committee**

Reported by: Anthony Giancola, Chairperson

Chairperson Giancola summarized the Committee meeting held on March 25, 2021. The first agenda item was the Monthly FY 2021 Financial Report. CFO Brown provided the February Report. Total operating revenues were \$295.1 million or 40.2 percent of the budget. Operating expenditures were \$228.5 million or 35.6 percent of the budget. Capital disbursements were \$141.5 million or 27.9 of the budget. He also highlighted the FY 2020 Intermunicipal Agreement, with operating settlement completion expected by the end of March. CFO Brown indicated that FY 2020 green bond expectations and comprehensive annual financial reports are available on D.C. Water's website.

CFO Brown mentioned that the year-to-date decline in revenues of \$24.7 million is mainly due to the commercial consumption and the growth and delinquencies during the COVID-19 crisis. It was mentioned that positive trends have been seen recently and it is hoped that they are maintained. He also noted that delinquencies were \$23.9 million at the end of February and consists of about 14,973 accounts, or 11.6 percent of total accounts.

Director of Budget Oyeyemi provided an overview, mostly by exception, of the operating expenditures and capital disbursements for the month. She recommended going to the appendix of the report for more details.

Next was the Fiscal Year 2021 year-end close out status update by Controller Malasy. He reported that D.C. Water received an unmodified opinion on the basic financial statements. Within the Internal Control Financial Report, no material weaknesses or significant deficiencies were identified, and no instances of noncompliance reported. Mr. Malasy also reported that the OMB and uniform guidance has been completed and submitted to the Federal Audit Clearinghouse.

Chairperson Giancola stated that overall D.C. Water received a clean, independent accountants review report from the PwC Auditor.

Next was CFO Brown's overview into the FY 2022 Budget and informed the Committee that full action items will be required with their recommendations to the Board. The proposed operating budget is \$658.4 million and includes \$366.7 million for personnel and non-personnel expenses, \$231.2 million for debt service or cash finance capital improvements budget of \$37.8 million which acts as a contingency on the operating side but is used as pay-go on the capital side.

The Proposed FY 2021 to FY 2030 CIP disbursement is \$5.4 billion and includes \$10.5 million from the Rate Stabilization Fund. The budget contained a shift of 37 percent of Clean River costs from Clean River accounts to sewer volumetric rates. Clean River continues to be a significant portion but continues to decline in overall share of the capital programs as D.C. Water moves toward its completion in 2030. The budget includes spending reductions of \$36.3 million in FY 2021 and \$134.9 million in 2022 compared to last year's plan due to the impact of the pandemic on revenues.

CFO Brown reviewed the FY 2021 and 2022 operating revenues. The forecasted FY 2020 operating revenues of \$692.3 million is \$41.5 million below the adopted budget due to COVID, and is primarily due to commercial consumption and the growth of delinquent accounts.

CFO Brown then reviewed Management's recommendations, the action items, and the budget proposal. He expressed appreciation to his staff for their work, and recommended four action items for full Board approval.

Mr. Giancola stated that he had an item, a letter from D.C. Water sent to the District requesting funds from the COVID Relief Plan that had been distributed he believed to the full Board by Ms. Manley.

Chairperson Wells reiterated that it was good advice from Mr. Giancola that the Board members as closely as possible and thoroughly read the reports presented and discussed by CFO Brown and others during the meetings.

### **Issues of General Interest**

Chairperson Wells asked if there were any announcements of general interest. Mr. Giancola asked if the Board's next retreat had been scheduled. Chairperson Wells stated that he would defer to the executive leadership team. CEO Gadis indicated that they are working on it right now and is looking at May.

Chairperson Wells announced again a reminder of the public hearing on the proposal to amend the CAP rates for multifamily which is to be held on April 7, 2021, at 6:30 p.m.

### **CEO/General Manager's Report**

Reported by: David S. Gadis, CEO/General Manager

CEO Gadis stated that each month in his State of the Utility summary he provides an overview of key programs and initiatives that contribute to D.C. Water's ability to function as a high performing team, to enhance its resilience and readiness, and effectively engage with its stakeholders. He provided an update on activities supporting the Authority's resilience and readiness with respect to progress made on water equity initiatives through engaging with local and national level industry peers and communicating those efforts through participation in several high profile events. D.C. Water was invited by the National Water Equity Network, a nationwide community in which participating utilities and city learning teams build cross sectors,

collaboration, and engage in peer exchange. This is done to advance equitable water management practices at the local and national level.

D.C. Water remains committed to ensuring that equity remains at the core of what it does on a day-to-day basis. CEO Gadis is excited for an opportunity to drive an inclusive collaborative strategy that will tie in many components of programs and initiatives to best serve customers and communities.

CEO Gadis reported that in January 2021 D.C. Water launched a monthly cross-collaborative water equity working group made up of District Board member volunteers Howard Gibbs, Anthony Giancola, and Joe Leonard, Jr. Several senior staff leaders are also on the team. The team is now designing an equity roadmap focused on priorities identified by the Board, key internal stakeholders, and through invitations to internal and external partners, such as the Advanced Energy Group (AEG). The AEG is a stakeholder-supported organization committed to developing and delivering advanced energy policies and solutions in targeted cities.

It was announced that in January 2021 Chief Operating Officer Kishia Powell, made a presentation entitled, "The Winning Obstacle," to regional energy and utility leaders. She identified the most critical obstacles to reaching carbon and equity goals and the lack of a unified and prioritized protection portfolio that includes a cost analysis and also aligns collaborators and expedites funding from investors, D.C. Water, and its challenge team of key stakeholders. CEO Gadis stated that they will continue to collaborate on a strategic set of projects and priorities, and deliver on three milestones over the next 12 months.

CEO Gadis said that he wanted to mention the fact that Ms. Powell represented D.C. Water as one of four expert witnesses before the U.S. Senate Committee on the Environment and Public Works in a hearing entitled, "Examining the Challenges Facing Drinking Water and Wastewater Infrastructure Projects." She made a compelling case for funding infrastructure as an investment that promotes high levels of federal funding which currently is less than 5 percent of total funding, leaving customers to cover the remaining 95 percent of the cost of infrastructure. The burden from this disparity is most often borne by households of color and contributes to an increasingly acute and urgent environmental justice challenge.

CEO Gadis provided an update on the diversity and inclusion programs for D.C. Water's certified business community. He asked Korey Gray, Compliance Director, to form a business diversity and inclusion advisory council to bring in a broad coalition of partners to provide input and recommendations to the Authority in support of D.C. Water's efforts. The council will develop new strategies, policies, and operational procedures that will expand and improve recruitment, retention, and contracting for certified businesses in this community.

The Board was thanked for its support and partnership in advancing water equity efforts both regionally and nationally. CEO Gadis assured the Board that he would keep them updated on the equity programs and the advisory council in the months ahead.

Board Member Giancola stated that he listened to the four-hour performance oversight hearing and had two questions for CEO Gadis on his report. He stated that he wanted CEO Gadis to follow-up and provide the Board a report on the types of questions that were asked during the oversight hearing before the City Council, particularly from Council Members Henderson and Cheh. CEO Gadis stated that he will do as usual and receive the list of questions from the City Council and then respond. A copy of the questions and answers will be forward to each Board member.

His second question was about driving performance and under Initiative 1B, it states that the division will be leading the effort to remediate the Authority's issues with the Department of Consumer and Regulatory Affairs (DCRA) professional engineering representation statutory requirements. Mr. Giancola assumes this is related to registration or licensing. He asked how many people are involved and how many employees are in need of licensure or some type of certification. CEO Gadis replied that it is a licensure requirement. There are 138 employees that are impacted and they are working to ensure that they are following the rules. They have a meeting scheduled with the Director of DCRA in a couple of weeks. He will keep the Board informed. CEO Gadis reported that there are other agencies that must meet the standard, so they are working to discover what actions they are taking. He reported that he and Chairperson Wells have met and they have shared information about how DOEE is moving forward. He thinks it would be excellent to use their ideas.

Mr. Giancola commended COO Kishia Powell for her Senate testimony, especially for the remarks on the need for funding and the equity issue.

Board Member Bhatt commended CEO Gadis and his team, especially Kory Gray, for organizing the new advisory council. She wanted to know how they were organizing the council, if the participants are more government people or from a group of companies. CEO Gadis stated that he had done this before at other utilities and believes it is best to invite a cross section of individuals. Part of the goal is to learn from the companies what D.C. Water is doing well and not doing well. There will be organizations that they do and do not have business with. They want the best and the greatest ideas and want to figure out how they can get better. They will invite everyone to participate.

Chairperson Wells said he wanted to note to the Board that besides testifying before the Senate, the team is attuned to the opportunities that come from the Federal Government investing in America's infrastructure. He indicated that he has been reassured and convinced that no opportunity will pass D.C. Water by without it attempting to participate.

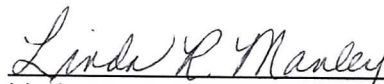
#### **Consent Items (Joint Use)**

Chairperson Wells asked for a motion to approve joint use action items. Mr. Giancola moved to approve Resolution Nos. 21-25 through 21-31 and it was seconded. The motion to approve Resolution Nos. 21-25 through 21-31 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. Franco moved to approve Resolution Nos. 21-32 through 21-34 and it was seconded. The motion to approve Resolution Nos. 21-32 through 21-34 was unanimously approved by the D.C. members of the Board.

There being no further business, the meeting was adjourned by Chairperson Wells at 10:14 a.m.

  
\_\_\_\_\_  
Linda Manley, Secretary to the Board