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DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY

BOARD OF DIRECTORS
276h MEETING
THURSDAY, JUNE 3, 2021

MINUTES

Present Directors

Tommy Wells, Chairperson, District of Columbia
Rachna Bhatt, District of Columbia
David Franco, District of Columbia
Anthony Giancola, Alternate for Vacant Principal, District of Columbia
Adam Ortiz, Montgomery County
Tara Jackson, Prince George's County
Ellie Codding, Fairfax County
Ivan Frishberg, Alternate for Vacant Principal, District of Columbia
Fariba Kassiri, Montgomery County
Joe Leonard, Alternate for Vacant Principal, District of Columbia

Present Alternate Directors

Kendrick E. Curry, District of Columbia
Sarah Motsch, Fairfax County
Adriana Hochberg, Montgomery County
Jed Ross, District of Columbia
Jared McCarthy, Prince Georges County
Lavinia A. Baxter, Prince George's County
Steven Shofar, Montgomery County
Howard Gibbs, 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
Marc Battle, Chief Legal Officer and Executive Vice President for Government Affairs
Kishia Powell, Executive Vice President, Chief Operating Officer
Linda R. Manley, Board Secretary

Call to Order and Roll Call

Chairperson Wells called the 276th 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 May 6, 2021 Meeting Minutes

Chairperson Wells asked for a motion to approve the May 6, 2021 meeting minutes. The motion to approve the May 6, 2021 meeting minutes was moved, seconded, and unanimously approved by the Board of Directors.

Chairperson's Overview

Chairperson Wells declared that it is a dynamic time of determining D.C. Water's relationship and interaction with the Federal Government regarding funding opportunities. Everyone knows that the Biden Administration is determined to address infrastructure needs, including lead pipes and service lines. D.C. Water is working with the Mayor on her budget and is looking forward to the next bill dealing with infrastructure and eliminating lead service lines. D.C. Water has assisted in the campaign to advance infrastructure investment by providing information and spreading it throughout the community. Chief Operating Officer Powell has testified before Congress to promote it. The D.C. budget is before the City Council and D.C. Water may be asked to testify there also in support of the Mayor's allocations in the budget.

Human Resources and Labor Relations Committee

Reported by: Adrianna Hochberg

Ms. Hochberg stated that the Committee met on May 12, 2021 and welcomed its newest member, Tara Jackson of Prince George's County. There were three issues on the agenda, two of which were raised by the unions. The first was brought by Jonathan Shanks, President of AFGE Local 872, pertaining to a requirement that workers accomplish a certain number of jobs per month which determines if they get raises and bonuses, and how much. Even in 100 degree or 12 degree weather in a snow storm, Mr. Shanks alleged that his workers must perform under severe conditions. In order for the workers to take care of their families, they feel forced to do unsafe things.

Mr. Gadis disagreed with the allegation and said that D.C. Water does not put employees in danger. There is a Heat Index Policy in affect that states that when weather is excessively cold or hot, they will bring employees in from the street to protect them. This policy will be shared with the Board. Mr. Gadis stated that Mr. Shanks has voiced his concern with goal setting because it puts pressure on supervisors to keep working under bad conditions. Goal setting and developing plans to achieve the goals is part of Management's responsibility, under its control, and an important part of the day-to-day operations.

The second issue was related to the CDL Waiver Program. Mr. Shanks thanked Management for proposing the policy. Under the existing CDL policy older employees with diabetes, heart disease or other illnesses may be at risk of being prevented from driving and lose their jobs. Driving is only one part of their jobs and after years, they are very qualified with years of technical experience. In the last meeting they discussed this issue, proposed some changes in the policy and the union leadership requested an updated copy of the proposal which was not received. Barbara Milton, President of AFGE Local 631, reported that four unions wanted to continue discussions. Mr. Shanks had some issues that were not resolved in that meeting. He stressed that this needs to move forward as soon as possible.

Joe Spears, Director of Labor Relations and Compliance, explained that this is a negotiable topic and must include all five unions. In the last meeting on the issue four locals agreed with the terms somewhat but AFGE Local 872 did not. It was therefore tabled for other important matters until a later date which Management agreed would be soon.

The last issue was an update on COVID relief and the health care flexible spending benefits. Ron Lewis, Benefits Manager, provided the update and indicated that in 2020 some employees did not use their benefits as planned because of COVID issues. Appointments were not kept and child care was changed. As a result, less money was spent out of the flexible spending benefits of many employees. Mr. Lewis reported that COVID relief has now allowed funds from 2020 to be transferred to 2021.

Mr. Lewis also informed everyone about the new Dependent Care Flexible Spending Plan vendor, Connector Care.

Environmental Quality and Operations Committee
Reported by: Adam Ortiz, Chairperson

Mr. Ortiz indicated that the Committee met on May 20, 2021 and was again notified by Aklile Tesfaye that all Blue Plains parameters were excellent and requirements under the permit met. Since commissioning of the Anacostia River Tunnel in March 2018, over 10 billion gallons of combined sewage has been captured and sent to Blue Plains for treatment, a remarkable milestone and equal to 98 percent of the capture rate.

According to Mr. Tesfaye, Maintenance staff identified problems with flow meters throughout the system. Following discussions with the manufacturer, they agreed to replace 14 flow meter sensors with upgraded versions.

Mr. Ortiz stated that the Committee was informed that the Combined Heat and Power System was successful in generating 25 percent or 7 megawatts of electricity used at Blue Plains, which surpassed the 20 percent goal. Solar panels in April 2021 generated .3 megavolts which is 1 percent of the total electricity.

Paul Guttridge, Director of Capital Improvement Program Infrastructure, updated that disbursements in the 2nd quarter were projected to be less than baseline in 5 of 6 service areas and 1 projected to be slightly in excess of baseline.

The Committee received an update on the Lead-Free D.C. Program from John Deignan, Program Manager, on replacing lead service lines. Even though COVID caused deferrals of some projects, many proceeded and D.C. Water is on track to complete 800 service-line replacements this fiscal year. Since lead assistance funds were received from the District Government, 350 lines have been replaced.

Mr. Ortiz reported that the Voluntary Replacement Program assists customers in replacing the lead service lines on their private property, and it has been so popular that the budget has been exceeded. The Board is being asked today in an action item to increase the budget from $3.5 million to $10 million. The goal is still to replace all lead service lines by 2030. However, Mr. Ortiz noted that EPA may change their Lead and Copper Rule regulations, thus negatively impacting the target of 2030. There are more than 10,000 public and private lines, more than 11,000 private-only lines, and nearly 15,000 lines of unknown materials. CFO Brown reported that the increased funding would come from a surplus currently available.

An update on solar development installation was delivered by David Parker, Director of Wastewater Engineering, on estimated power consumed and generated, and the impact of solar renewable energy. In April peak output was 2.6 megawatts and the average was .6 megawatts. When installation is completed on solar panels on the dock, it is anticipated that it will add 25 percent to the solar output.

At Blue Plains 48 percent of energy consumption is from renewable energy sources, which include solar energy generated on-site, energy purchased from the grid, and both electricity and steam generated from the Heat and Power System.

Chris Peot, Director of Resource Recovery, discussed future projected power consumption at Blue Plains. In 2021, 53 percent of consumption is projected to be from renewable energy sources. Initiatives to increase renewable energy include purchasing from the grid, Completion of Phase 2 of the solar power purchase agreement, and possible completion of an off-site solar net metered back to Blue Plains. Revenue is being generated through the sale of renewable energy credits. CFO Brown stated that they are developing a financial plan now on how to allocate funding for more of these projects.

Mr. Ortiz reported that Marley Franzen, Senior Manager of Water Operations, informed the Committee that there were no areas of concern based on inoperable hydrants. D.C. Water is still below the 1 percent out-of-services level set by the Board years ago.

Maureen Schmelling, Director of Water Quality, reported that there were zero positive coliform tests in April and May. Lead and Copper test sample levels remained low at 2 parts per billion, which is the 90th percentile for the first draw.

Finance and Budget Committee
Reported by: Anthony Giancola

Mr. Giancola indicated that the Committee met on May 27, 2021. Ms. Oyeyemi, Director of Budget, provided the 2021 Financial Monthly Report for April, 58 percent of the fiscal year was completed. Operating revenues were $407.8 million or 55.6 of budget. Operating expenditures were $325.8 million or 50.7 percent of budget. Capital disbursements were $221.7 million or 47 percent of budget.

Chief Financial Officer Brown noted that the revenues reported included $3.3 million for customer assistance programs, included in the report as revenue.

Ms. Oyeyemi reviewed capital disbursements which are $221.7 million or 40 percent of budget. Underspending is mainly in the capital construction projects due to delays in procurement and delivery of fleet and other equipment, and low utilization of capital equipment reserve funds.

Cash investments comprise the operating reserves, including the Rate Stabilization Fund, of $90.2 million. The appendix to the report details information on the revenues.

Mr. Giancola said the delinquent accounts were reported at $24 million, 14,707 accounts or 11.4 percent of the total accounts as of April 2021. He stated that he asked about the strategy for customer payment plans and available customer programs. CFO Brown responded that D.C. Water will eventually start phasing in the various collection activities for the suspended fees during the public health emergency. D.C. Water offers payment plans and will continue to advertise the various assistance and relief programs available. There has also been a pause in the placing of liens, reconnection of service to customers, and waiving late fees. The Retail Water and Sewer Rates Committee will receive additional information on the plan and new assistance programs, which include the Multi-Family Program and the D. C. Water Emergency Assistance Program.

Mr. Giancola indicated that the Fiscal Year 2021 year-end projections, for revenue and expenditure, were discussed. CFO Brown highlighted the impacts of COVID, including reduced consumption and increased delinquency. They were able to keep budget savings, protect employees and operations, maintain a strong financial position by implementing operating budget reductions to align to projected revenues, and delay $170 million in capital projects.

Forecast for operating revenues, including cash, disbursements, expenditures, and the financial plan, and the adopted budget. The current estimate is that the overall 2021 operating revenues will have a shortfall of $45.1 million below the adopted levels. The anticipated revenue shortfall is mainly in commercial, residential, multi-family revenue categories due to a 25 percent decline in commercial consumption and 2 percent increase for residential and multi-family customers. Other areas of lower revenues include $600,000 monthly reductions from not charging late fees, increased delinquencies, and lower-than-expected receipts for metering fees, system availability fees, and other revenues.

CFO Brown then explained that the projected payroll variance of $43 million for the operating budget includes the previously reported $20 million reductions in core operations and maintenance. He stated that there is an additional $3.3 million for the environmental impact bond fee no longer required to be based on the performance on green infrastructure.

Mr. Giancola said that CFO Brown reviewed the options available to the Board for the allocation of projected year-end surplus. These include the Board resolutions for Rate Stabilization Fund Policy, PAYGO Policy, and previous actions undertaken in previous years. He presented considerations for use of the year-end surplus, which is totaling $1.2 million, to carry over to Fiscal Year 2021. The needs include $4.5 million for the purchase of vehicles, $4 million for the lead-free Voluntary Full Replacement Program, above the ceiling of $3.5 million allocated for the Board's resolution, and $3.7 million for the Lead-Free Program for project management costs for the block to block program.

CFO Brown stated that the updated forecast recommendations for the projected net cash position will be presented to the Committee at its June 24, 2021 meeting and they are anticipating Board action in July.

Tanya DeLeon, Risk Manager, provided an update on the insurance renewals covering the period July 1, 2021 to July 1, 2022. She presented detailed information on the market conditions for property liability, management lines, and the premium rate floating basis. Ms. DeLeon explained that most of the premium increases are attributed to industry-wide property and liability losses. She stated that insurance buyers are presently experiencing one of the worse markets since the period following 9/11.

For D.C. Water Ms. DeLeon indicated that one significant factor is that Blue Plains is within the 100 year flood zone and insurers are aware of the loss preventative measures in place but pricing models still must treat it as a high-risk hazard. Ms. DeLeon informed the Board that D.C. Water is requesting authorization to bind the insurance renewal coverage at not-to-exceed $4.4 million. Negotiations are still underway, with terms being evaluated, and the final results will be presented at the June 24th meeting.

Mr. Franco asked the CFO to provide the number of active versus non-active accounts within the Delinquent Accounts Report.

Ms. Motsch asked to be provided information about how many customers could be eligible for assistance and the number of customers participating in relief programs due to events of the past year.

Mr. Franco asked to be provided a D.C. Water plan for increasing electric vehicles in the fleet and any information about the plan to purge less flexible vehicles from the fleet.

Ms. Motsch also wanted details on changes in construction bid prices, if any, due to the economy last year.

Mr. Giancola raised an Issue of General Interest. It pertained to cybersecurity attacks and such. He said it should be worthy of a report to the Board to include what D.C. Water has been doing and what needs to be done in the future to alleviate the concerns that are nationwide. Chairperson Wells agree and was sure the General Manager had taken his concern for a comprehensive briefing and/or a regular briefing.

Chairperson Wells reported that in case his computer screen should freeze, Ms. Bhatt will take over the meeting, thus providing a cyber-world backup for the Board.

General Manager's Report
Reported by: David Gadis, CEO/General Manager

CEO Gadis stated that every month he does a State of the Utility update which is an overview of the key programs and initiatives that contribute to the ability to function as a high performing team, enhance resilience and readiness, and effectively engage stakeholders. This month he indicated that he would focus on the Authority's resilience and readiness.

CEO Gadis introduced the launch of the Business Diversity and Inclusion Advisory Council. The Advisory Council which was created in March 2021 was formed to engage a broad cross-section of the community and to leverage the independent perspectives of a wide range of matters related to the procurement processes and opportunities to improve contractor engagement using new tools and techniques. CEO Gadis believes the Council will be vitally important to improving equity for small, local, and disadvantaged businesses seeking to partner with the Authority. He thanked Compliance and Business Development Director Korey Gray, CFO Matt Brown, and Vice President of Procurement and Compliance Dan Bae for their efforts and investing in this. CEO Gadis believes the Advisory Council will be great for small businesses, women-owned businesses, and minority-owned businesses. D.C. Water will learn about what must be done in the future to better service these individuals and constituents. City Council member Kenyan McDuffie has agreed to serve on the Advisory Council, along with Board members Rachna Bhatt, Howard Gibbs, Dr. Joe Leonard, and staff facilitators Korey Gray, and Jonathan Carpenter.

Based on a survey and feedback from Council members, CEO Gadis reported that the initial focus will be on business diversity and inclusion best practices; procurement best practices, engagement and outreach to certified businesses, contractor education, training, and capacity building. He looks forward to sharing progress updates on initiatives as they move forward. The Advisory Council will help ensure that continuous progress is being made and that in these areas they are getting better.

A progress report was provided on the Recovery Team led by Chief Operating Officer Kisha Powell. They have been working diligently to prepare a plan for the safe return of teleworking employees to the Authority worksites. So far the plan is for the directors and above to return to worksites on Monday, June7th, with the remaining nonunion staff transitioning on Monday, June 12th. The Senior and Executive Team is continuing to work with union leadership to establish a date for union represented staff to return. As soon as all returning dates are determined, CEO Gadis indicated that they will begin notifying employees of the return plan. This will include information on daily health, self-check screenings, expanded cleaning of Authority facilities, staggered shifts, and other steps to mitigate workplace spread of the virus.

CEO Gadis stated that while everyone is anxious to return to worksites, reconnect with colleagues, and restore a sense of normalcy, he recognizes that a physical return only represents the beginning of the recovery process for employees. After more than a year apart, many will be faced with new challenges, whether it be senior or child care or simply a safe return to public transportation. The CEO declared that the Recovery Team with support from people in power is committed to helping employees navigate these challenges and feel connected, informed, and supported during the transition.

CEO Gadis commented on the Biden Administration's infrastructure bill and the money coming from the Federal Government and also the District's budget. They will continue to work with everyone as the Mayor's budget is worked on and work on infrastructure promotion. They will continue participating with roundtables led by Council Member Cheh and others.

Mr. Giancola commended CEO Gadis for the continuing improvements to the CEO/General Manager's Report. He stated that they are very detailed. The reports provide key performance indicators and monitor the organization's performance. He pointed out Page 8 of the report where the continuing poor performance of facility preventative maintenance and the fleet preventative maintenance is presented. He stated that he hopes this improves as staff comes back onboard physically.

On Page 15 in the report, the open high risk items for the internal review function are displayed. Mr. Giancola had asked for a list of the number of extensions requested for high performance items and it has been provided. He again commended CEO Gadis and his staff for continuing to work toward increasing improvements to the performance reports and key performance indicators. CEO Gadis thanked him and stated that they are still working to make the report even better and he welcomes the Board member questions, suggestions and recommendations.

Consent Items (Joint Use)

Chairperson Wells asked for a motion to approve joint use action items. Mr. Giancola moved to approve Resolution No. 21-45 and it was seconded. The motion to approve Resolution No. 21-45 was unanimously approved by the members of the Board.

Consent Items (Non-Joint Use)

Chairperson Wells asked for a motion to approve the non-joint use item. Ms. Manley reminded him that the resolution was revised and must be amended. Mr. Giancola moved to approve the amendment of the action item and it was seconded. The motion to amend Resolution 21-46 was approved by the Board of Directors.

Chairperson Wells then asked for a motion to approve amended Resolution No. 21-46. Mr. Giancola moved to approve amended Resolution 21-46 and it was seconded. The motion to approve amended Resolution No. 21-46 was unanimously approved by the D.C. members of the Board.

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

Linda R. Manley

Linda Manley, Secretary to the Board