



DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY

BOARD OF DIRECTORS 277th MEETING THURSDAY, JULY 1, 2021

MINUTES

Present Directors

Rachna Bhatt, Acting Chairperson, District of Columbia
David Franco, District of Columbia
Floyd Holt, Prince George's County
Anthony Giancola, District of Columbia
Adam Ortiz, Montgomery County
Tara Jackson, Prince George's County
Sarah Motsch, Alternate for Ellie Coddling, Fairfax County
Ivan Frishberg, Alternate to Vacant Position, District of Columbia
Fariba Kassiri, Montgomery County

Present Alternate Directors

Kendrick E. Curry, District of Columbia
Jared McCarthy, Prince George's 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
Linda R. Manley, Board Secretary

Call to Order and Roll Call

Acting Chairperson Rachna Bhatt called the 277th 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 June 3, 2021 Meeting Minutes

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

Chairperson's Overview

Acting Chairperson Bhatt indicated that the Overview would be postponed until Chairperson Wells arrived. The committee reports were then presented.

Environmental Quality and Operations Committee

Reported by: Adam Ortiz, Chairperson

Chairperson Ortiz indicated that the Committee met on June 17, 2021 and received a number of updates. The first was from Aklile Tesfaye, Vice President of Wastewater Operations, who reported that all parameters and NPDES Permit requirements were met. It was reported that D.C. Water was awarded the Platinum Peak Performance Award by the National Association of Clean Water Agencies which recognizes excellence in wastewater treatment with 100 percent compliance with NPDES Permit requirements. This was Blue Plains' ninth consecutive year receiving 100 percent compliance for effluent discharge, even through COVID-19. Through May of 2021 a total of 717 million gallons of combined wet water flow was captured in the tunnel system with more than 1,000 tons of residuals removed instead of discharged into the Anacostia River. Since being commissioned in March 2018 approximately 11 billion gallons of combined water flow and over 6,000 tons of residuals have been removed. Blue Plains has been a leader in onsite energy generation. In May 2021 nearly 30 megawatt of energy was used at Blue Plains. Total electricity generated was 28 percent of total use, with a goal of 20 percent of total energy used.

Biosolids for May averaged more than 400 wet tons, and 13,000 wet tons of biosolids produced for the month met Class A Exceptional Quality EPA requirements.

Mr. Ortiz reported that Mr. Kurup, Director of IT Enterprise Solutions, briefed the Committee on the status of the IT application development contracts to satisfy their ongoing need for software application development for core services. They are attempting to identify vendors able to provide support services for the next five years in the areas of asset management, data management and customer service applications. Of the sixteen firms that responded, eight were short listed.

The Committee expressed a desire to see in-house project management to ensure institutional knowledge is retained and not outsourced. Kishia Powell, Chief Operating Officer, agreed to provide a summary in July of the project and program management contracts that are being executed.

Korey Gray reported to the Committee on D.C. Water's certified business utilization monitoring process and will also update the other Board committees. The process is documented in the Business Development Plan and in each solicitation issued to the public. As part of the process contractors must complete and submit a good faith effort checklist and supporting documentation and engage with certified businesses to identify certified businesses who can

successfully provide work under contracts. Mr. Gray discussed the compliance monitoring process which requires verification of payments to subcontractors.

Enforcement is part of the process. The Committee asked if certified businesses were terminated due to lack of performance and if it meant a permanent disqualification. Mr. Gray indicated that the firms are not permanently barred from future work but are referred to D.C. Water's network of strategic partners who assist certified small businesses with improving their performance. There is also a mentor protégé program and a contractor's college to help in developing certified businesses.

Finance and Budget Committee

Reported by: Anthony Giancola,

Mr. Giancola indicated that the Committee met on June 23, 2021. Director of Budget Ms. Oyeyemi reported that at the end of May with approximately 67 percent of the fiscal year completed, operating revenues were \$468.6 million or 63.9 percent of the budget. Operating expenditures were \$371.3 million or 57.8 percent of the budget. Capital disbursements were \$241.7 million or 51.3 percent of the budget.

Ms. Oyeyemi informed the Committee that activities were underway for the Fiscal Year 2019 and Fiscal Year 2020 Intermunicipal Agreement's Operating Cost Audit for Blue Plains and multiuse jurisdictional facilities and the Rolling Owner Controlled Insurance Program billing for Fiscal Year 2014 through Fiscal Year 2020.

Mr. Giancola stated that operating expenditures totaled \$371.3 million and spending trends are consistent with prior reports to the Board. The Committee received an update on cash investments which consisted of the operating reserve, the Rate Stabilization Fund of \$90.2 million and the remaining balances of unrestricted and restricted reserve accounts.

Delinquent accounts were at \$25 million for 14,672 accounts or 11.4 percent of the total accounts as of May 2021.

Mr. Franco asked about the variance between the budget and actual operating revenues. Chief Financial Officer (CFO) Matthew Brown responded that cash collections are monitored daily and that collections to date for June looked good. He explained factors that impact revenue receipts such as water use, billing by the Customer Service Department, and customer payments. CFO Brown stated that additional functionalities are being built in to strengthen the connection in the financial data between the new ERP program and the billing system.

Chairperson Giancola asked if reopening efforts will impact revenue projections. CFO Brown replied that some of the anticipated increases in consumption have been built into the preliminary projections and that any additional revenues stay with D.C. Water. There will be a smaller raw on the bond proceeds.

Ms. DeLeon, Risk Manager, reported that insurance will be renewed on July 1, 2021. The actual cost of \$4.386 million is slightly below the Board approved not to exceed amount of \$4.4 million. Cost estimates are favorable because Insurance market conditions are challenging for insurance providers at this time. Mandatory coverage changes this year were for communicable disease exclusions and additional cyber exclusions on cyber policies. D.C. Water has a new cyber insurer that maintains the existing \$100,000 deductible.

CFO Brown presented an update on Green Bonds plans. He reminded everyone that D.C. Water is a leader in the Green Bond space and that it was the first Municipal Century Bond, the first Green Bond in the U.S. Capital market, and that its bonds have been independently reviewed by Vigeo and Moody's.

Chairperson Wells raised the question about asset protections and resiliency from climate change and how it impacts D.C. Water's credit worthiness. CFO Brown indicated that this is a guaranteed question from credit agencies when management goes to the bond market. Efforts include the flood wall, Blue Plains, flood proofing of the pump station, stormwater pump stations throughout the system and cybersecurity risks. Ms. Powell, Chief Operating Officer, reported that Management would be providing a presentation on resiliency and hazard mitigation efforts to the Environmental Quality and Operations Committee in the near future.

Mr. Giancola reported that the Committee then discussed the proposed amendment to the FY 2022 Capital Budget and 10-Year Capital Improvement Program to cover projected needs for the purchase of vehicles and the Lead Free D.C. Program initiative launched in 2019 to review all lead service lines by 2030. The preliminary cost estimates for the overall program range from \$944 million to \$1.19 billion for both the private and public side replacements. Mr. Giancola stated that the Board approved a 10-year CIP which includes \$632 million for the public side. Management continues to partner with the District Government for additional sources of funds. The overall funding shortage is about \$507 million.

CFO Brown reviewed the near funding challenges for the Lead Free D.C. Program, including program costs of \$2.7 million and \$4 million for the voluntary full replacement program based on current demands for replacement by customers. Funding needs also include for FY 2022 \$10.6 million for program management, \$25.4 million for construction costs for the public side replacements, and \$6.5 million needed for the voluntary program to meet the new threshold of \$10 million and the resolution adopted by the Board on June 3

CFO Brown informed the Committee that there were various funding options available for consideration, including the use of FY 2021 net cash surplus of \$12.9 million, the contingency of \$47.6 million included in the Board approved financial Plan for FY 2022, and a reprioritization of existing capital projects and the American Recovery Act or Infrastructure Funds Act, and other funding sources such as grants and community development block grants. The District Government has allocated \$10 million each year in the budgets for FY 2022, 2023, and 2024 programs for the private-side costs.

CFO Brown then went on to review the FY 2021 projected net cash position. The year-end forecast for operating revenues is currently \$45.1 million below the Board adopted level of \$733.7 million. This is mainly due to the consumption decline for commercial categories and lower revenue. The year-end forecast for the Capital Program is now estimated at \$30.8 million below the adopted with changes from previous forecasts due to the increase in spending for the D.C. Clean Rivers Project.

According to CFO Brown, operating forecasts remain the same at \$43 million below the adopted budget due to lower spending on core-operations and debt service.

The FY 2021 projected cash position of \$12.9 billion includes projected revenue shortfalls of \$3.6 million, lower expense of \$20.4 million, and the change of prior year federal billing reconciliation of \$3.9 million.

Mr. Giancola reported that management recommendations were proposed by CFO Brown on the use of the FY 2021 projected net cash surplus of \$12.9 million--\$6.7 million in FY 2021 for the Replacement Program, \$2.7 million for the LeadFree Program, \$4.5 million cash balance for the purchase of vehicles and specialized equipment anticipated to be delivered in FY 2022 and the remaining balance of \$1.673 million remaining balance of the project net capitalization to the cash balance for FY 2022. They also recommended for approval to amend the FY 2022 Capital Disbursement Budget by increasing by \$10.63 billion for the LeadFree D.C. project management costs funded with the use of capital contingency. Also, to increase the capital budget by \$4.5 million for vehicles funded with a projected FY 2021 cash net position and to increase the water service area and reduce capital equipment in 2030 to maintain the overall Board adopted CIP budget of \$5.4 million.

D.C. Retail Water and Sewer Rates Committee

Reported by: Rachna Bhatt, Chairperson

Ms. Bhatt indicated that the Committee met on June 22, 2021. CFO Brown informed them that there were three items on the agenda. The first was the monthly report, the second a request for the Committee's recommendation for the Board to approve the final proposal of the fire protection service fee for FY 2022 through FY 2024, and third was the D.C. Water's CARES Program progress update. Ms. Bhatt stated that she would skip over some financial metrics because Mr. Giancola had already covered them in his report. CFO Brown briefed the Committee on the forfeiture (about \$6.1 million) and refund of developer deposits. D.C. Water has received a total of \$1.7 million in requests from customers to date.

Ms. Bhatt stated that there was a request for a recommendation from the Committee to the Board for approval of the FY 2021 Fire Protection Service Fee for the period FY 2022 through FY 2024. There were no public comments received following the posting of the Notice of Proposed Rulemaking.

The final presentation to the Committee was made by Armon Curd, Executive Vice President of Customer Experience, on progress trends and assumptions for FY 2022 for D.C. Water CARES, the residential assistance program. The program has provided \$612,048 in assistance and anticipates issuing \$.9 million to \$1.2 million by the end of the fiscal year, assuming no collection activities. Mr. Curd anticipates that assistance will increase 248 percent as compared to pre- COVID levels. He also anticipates continued increases in arrearages.

Mr. Curd then presented the D.C. CARES Multifamily Assistance Program (MAP) overview on the program highlighting the details and FY 2021 program performance. It has provided approximately \$2.2 million in assistance from February 2021 to May 2021. The program is facing property participation challenges. As of May 2021, out of 10,031 eligible of multifamily and mixed use properties, only 254 properties are actually participating in the program. Mr. Curd described how they are attempting to increase utilization.

Program extensions for FY 2022 were discussed. Mr. Curd discussed the next steps for extending the program into FY 2022, including a four to five month rulemaking process to update the CAP regulations and Board approval for the use of the funds in FY 2022. Instead of extending the program, D.C. Water has proposed pausing CARES assistance after FY 2021 to reassess how to better serve customers. They are reviewing the impact on customer need of the new federally funded assistance program Stronger Together by Assisting You (STAY D.C.) and Low Income Household Water Assistance Program (LIHWAP). According to CAP

regulations, D.C. Water's MAP is not available to customers who currently receive federal or District assistance.

The Committee expressed concern about the amount of time that the program would be offline. Ms. Bhatt informed the Board that she had received an update from Mr. Curd that they had developed a plan to prevent the long gap. That presentation will be made at July's committee meeting.

General Manager's Report

Reported by: David Gadis, CEO/General Manager

CEO Gadis stated that it was an honor to present the State of the Utility update to the Board on a key program or initiative that contributes to D.C. Water's ability to No. 1, function as a high performing team, No. 2, enhance D.C. Water's resilience and readiness, and No. 3, effectively engage with stakeholders. Mr. Gadis reported that this month he is pleased to update on activities supporting the strategic emphasis on stakeholder engagement.

Under the Authority's Strategic Plan, Blueprint 2.0, Wayne Griffith, Chief Strategy and Performance Officer, engaged Board members, more than 200 employees, and the Stakeholder Alliance to develop an enterprise strategy for the next five years. It is a roadmap to unparalleled water services, improved water quality and equity to the community, as well as serving and further elevating D.C. Water's leadership role within the industry. A copy was mailed to each Board member. Mr. Gadis instructed the Board to contact Board Secretary Manley if it was not received.

In the next coming months Team Blue will be building and mobilizing the strategy which includes establishing the governance structure, confirming programs, and establishing monitoring systems. To maximize employee engagement, a deliberate communication and messaging campaign will be delivered as they focus on going into the new fiscal year, October 2021.

CEO Gadis reported that the Lead Free D.C. Plan was unveiled in June and is ambitious to remove all lead service lines in use within the District by 2030. On June 8 Mr. Gadis appeared with John Deignan, Program Manager, Lead Services and CFO Brown to brief the D.C. Council's Committee on Transportation and Environment on the Plan and progress to date, the cost and planning estimates and highlighted funding gaps under current allocations. Lead Free combines several existing programs into one umbrella to prioritize the most vulnerable populations, including children, who have been historically underserved.

The last update by CEO Gadis pertained to stakeholder engagement centered around employees of Team Blue and their phased return to the Authority's worksites beginning in June. D.C. Water is aligned with Mayor Bowser's leadership of the District's economic recovery from the COVID pandemic. Approximately 65 percent of D.C. Water employees reported to worksites throughout the pandemic. In June the first group of teleworking staff at the Director level and above were returned to their worksites. Another group will return on July 12. CEO Gadis reported that the team is preparing a comprehensive guide for employees returning from telework with information on all aspects of work life from parking availability to addressing connectivity issues to cleaning and disinfecting services available through Facilities Services. The top priority is ensuring employee safety and mitigating the risk of virus transmission in the workplace.

Consent Items (Joint Use)

Acting Chairperson Bhatt asked for a motion to approve joint use action items. Mr. Giancola moved to approve Resolution Nos. 21-47 through 21-54 and it was seconded. The motion to approve Resolution Nos. 21-47 through 21-54 was unanimously approved by the members of the Board.

Consent Items (Non-Joint Use)

Acting Chairperson Bhatt asked for a motion from a District member to approve the non-joint use item. Mr. Giancola moved to approve Resolution Nos. 21-55 through 21-57 and it was seconded. The motion to approve Resolution Nos. 21-55 through 21-57 was unanimously approved by the District Board members.

There being no further business, Acting Chairperson Bhatt adjourned the meeting at 10:13 a.m.


Linda Manley, Board Secretary