



**DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY**

**BOARD OF DIRECTORS  
284<sup>th</sup> MEETING  
THURSDAY, MARCH 3, 2022**

**MINUTES**

**Present Directors**

Tommy Wells, Chairperson  
Rachna Bhatt, District of Columbia  
David Franco, District of Columbia  
Floyd Holt, Prince George's County  
Anthony Giancola, District of Columbia  
Steven Shofar, Alternate for Vacant Principal, Montgomery County  
Ivan Frishberg, Alternate for Vacant Principal, District of Columbia  
Joe Leonard, Alternate for Vacant Principal, District of Columbia  
Tara Jackson, Prince George's County  
Christopher Herrington, Fairfax County  
Fariba Kassiri, Montgomery County

**Present Alternate Directors**

Howard Gibbs, District of Columbia  
Jared McCarthy, Prince George's County  
Jed Ross, District of Columbia  
Adriana Hochberg, Montgomery County  
Sarah Motsch, Fairfax County  
Andrea Crooms, Prince George's County

**D.C. Water Staff**

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

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

Chairperson Wells called the 284<sup>th</sup> meeting of the District of Columbia Water and Sewer Authority's Board of Directors to order at 9:30 a.m. Linda Manley, Board Secretary, called the roll and a quorum was established. As usual the meeting was held via Microsoft Teams.

### **Approval of the February 3, 2022 Meeting Minutes**

Chairperson Wells asked for a motion to approve the February 3, 2022 meeting minutes. The motion to approve the February 3, 2022 meeting minutes was moved, seconded, and unanimously approved by the Board of Directors.

### **Chairperson's Overview**

Chairperson Wells stated that everyone is in a new phase of the pandemic and that those in government are aware of the changing rules around mask mandates. He indicated that soon the Board would be giving directions on when it will meet in person and when remotely. The public will be so notified under the Science of the Open Meetings Act and transparency. This will create maximum opportunity for engagement of ratepayers and other stakeholders. Chairperson Wells noted that he will ask CEO Gadis when his team will initiate the survey, hopefully in a week or sooner. He confirmed that he needs guidance from his Board colleagues and government leaders on best practices.

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

Reported by: Sarah Motsch, Chairperson

Ms. Motsch reported that the Committee met on Thursday, February 17, 2022 via Microsoft Teams. As usual the meeting began with a report on the excellent performance of the Advanced Wastewater Treatment Plant at Blue Plains by Aklile Tesfaye, Vice President for Wastewater Operations. The department has implemented precision maintenance to improve reliability of equipment as outlined in the Blue Plains 2.0 Strategic Plan. This included rotating equipment. Seventy-two employees have been trained to adopt precision maintenance as standard practice. Chairperson Wells stated that he was impressed and proud that the staff is continuing to grow their skills and improve the effectiveness and use of equipment.

Under Plant performance, all performance parameters were excellent and all operational and effluent parameters were within permit limits, including total nitrogen removal. Weather flows of 88 million gallons were captured and treated by the tunnel system. Electrical energy generated at Blue Plains was 26 percent, which is 6 percent above the goal set. Chairperson Motsch reported that all biosolids production met the Class A Exceptional Quality parameters required by EPA.

According to Chairperson Motsch the Committee was updated on the Fiscal Year 2022 First Quarter Capital Improvement Program (CIP) under Paul Guttridge, Director of the CIP Infrastructure Management Project. Total spending is anticipated to be 92 percent of the budget ceiling. Spending for the Lead-Free D.C. Program was forecasted to be \$10.2 million below baseline spending. The baseline had assumed a 90 percent participation rate by homeowners to replace lead service lines, but it was experiencing an average participation rate of 40 percent. Chief Operating Officer Powell noted the following actions being implemented to increase

participation: citywide campaigns such as ads, social media, and extensive community outreach campaigns to engage customers and the Advisory Neighborhood Commission.

It was reported that D.C. Water's Government and Legal Affairs is working to update policy measures to help drive replacement requirements and to simplify language in the customer access agreement to make it easier to understand by the non-lawyer customer. The Committee asked the staff if 90 percent participation rate should be revised to reflect a realistic rate. COO Powell replied that the 90 percent rate reflects what it will take to accomplish the goal of lead-free service lines by 2030.

The Committee next discussed the FY 2022 through 2031 CIP Budget and some alternative options. The Proposed Budget and alternative capital scenarios and rate options were discussed by COO Powell and CFO Brown. The objective is to develop a CIP budget that addresses the service needs and balances the impacts of rate increases on customers. The current Ten-Year Approved CIP Budget and the proposed FY 2022 to 2031 Budgets were discussed.

The impacts of various rate increases discussed by COO Powell included the fully funded vision for all D.C. Water needs. There was an 8.5 percent increase for FY 2023, 7.4 percent for FY 2024 fully funded scenario, the current proposed budget scenario of 6 percent rate increase for FY 2023 and a 5.4 percent increase in 2024. D.C. Water's Management supports the Ten-Year CIP Budget of \$6.4 billion for FY 2022 through 2031.

Chairperson Motsch reported that the Infrastructure Investment in Jobs Act and the funding is in the Financial Plan. Also included in the Plan is the anticipated \$355 million to be received from the Drinking Water and Clean Water State Revolving Fund over the next 5 years which will significantly assist with CIP. Even with the funding from the two, it will not supplant the need for an increase in customer rates to fund CIP.

The Committee asked about the rate of replacement for small diameter water main replacement projects and why they have not achieved the annual one percent replacement goal. They wanted to know what operational changes will be implemented to reach the goal and also to achieve the increased goal of 1.5 percent replacement proposed in the FY 2022 to 2031 Budget.

COO Powell explained that during the last two years they have made changes in the CIP Budget due to revenue decreases due to the COVID-19 pandemic. Some small diameter water main replacements were delayed but they are working to add additional resources to increase the rate of replacement.

Chairperson Motsch indicated that the last item discussed was the quarterly update on the D.C. Clean Rivers Program. Director Moussa Wone reported that the Anacostia Tunnel System has performed well since being placed into service in 2018. Through December 2021 over 12.4 billion gallons of overflow and 7,900 tons of trash, debris, and other solids have been captured. The Northeast Boundary Tunnel, the final leg of the Anacostia Tunnel System is projected to be completed in late 2023. The Potomac Tunnel System has two projects currently under construction-- the CSO 025-026 Series Separation Project and the Advanced Utility Construction Project. Both are under design and construction is anticipated to commence in 2023. The Green Infrastructure Rock Creek Project B's construction is to commence in March 2022 and be placed in operation in 2023.

Chairperson Motsch reported that the quarterly update concluded with Mr. Wone informing them that Clean Rivers will continue its public outreach efforts on all the projects, including using community partnerships, virtual meetings, and other activities and projects.

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

Reported by: Rachna Bhatt, Committee Chairperson

Chairperson Bhatt stated that the Committee met on Tuesday, February 22, 2022 and the first agenda item was the Monthly Financial Report presented by CFO Brown. He reported that the year-to-date revenue projection through the end of FY 2022 was on track and that overall revenue was favorable. D.C. Water is 2 percent over budget.

It was indicated by CFO Brown that delinquencies had increased slightly to 10.5 percent of total accounts which was included as a brief overview of the Disconnection Moratorium Legislation Report.

Chairperson Bhatt reported that they received a presentation from Ed Marcus and Shan Lin of Ameroc Consulting on the independent review of the proposed rates for FY 2023 and 2024. Based on D.C. Water's strong financial performance it was comforting that expenditures and revenue estimates including for FY 2023 and 2024 were prudently developed. The reasons for rate increases are consistent with other peer utilities and investments in capital improvement programs that support the quality of life in the District. Ms. Lin stated that D.C. Water is effectively managing the financial impacts of COVID-19. Mr. Marcus noted that the average monthly residential charges for FY 2023 and FY 2024 will increase by 6 percent and 5.4 percent, respectively. He briefed on the impact of rate increases on sample customers which showed the increases were comparable to the average utilities.

Chairperson Bhatt read into the record the five conclusions reached by the independent review. The first stated that the proposed FY 2023 and 2024 rates are reasonable and adhere to Board policy. Second, the rate structure with charges not tied to consumption and availability of the Restabilization Fund provide some flexibility and risk mitigation of water usage declines at a faster rate than assumed. Third, COVID-19 continues to present challenges to the industry as a whole, and D.C. Water initiatives are significant tools for addressing its potential impacts. Four, reserved funds provide liquidity and helps strong credit ratings. Fifth and lastly, the affordability programs are in line with industry practices and also progressive in the level of assistance to low-income ratepayers.

CFO Brown reported that the Committee will be asked to recommend the proposed rate and fees and the FY 2022 to FY 2031 Ten Year financial plan for full Board approval. He briefed on Board policy and rates and the ratemaking process. The proposed rates for FY 2023 and 2024 are supported by the recent Cost Survey Study. CFO Brown discussed specific rate increases and changes. He also discussed FY 2023 operating revenue sources and the uses of funds. Almost 30 percent of funds were used to pay for debt services.

CFO Brown also briefed on downward trends in water usage. There will be multiple town hall meetings in early April in advance of the public hearing to inform customers about improved rates in the CIP and to promote the programs offered.

According to Ms. Bhatt, the Committee recommended for full Board approval the Proposed FY 2023 and FY2024 water rates, charges, and fees, retail groundwater sanitary sewer service rate,

and high flow filter backwash sewer rate. Also recommended was the Proposed Ten-Year Financial Plan for FY 2022 through FY 2031.

Chairperson Wells thanked Ms. Bhatt and stated that they have to continue to inform the public of all opportunities for input on rate setting. He wanted confirmation on his thoughts that D.C. Water's volumetric charge means a decrease in revenue. Ms. Bhatt confirmed this and stated that it is why it is important to figure out how to earn back money to keep the system operating while decreasing revenue on the volumetric side.

### **Finance and Budget Committee**

Reported by: Anthony Giancola, Chairperson

Chairperson Giancola indicated that the Committee met on Thursday, February 24, 2022 and received the January 2022 Financial Report. Ms. Oyeyemi, Director of Budget, reported that at the end of January 2022 operating revenues were at \$310.2 million or 38.9 percent of the budget. Operating expenditures were \$190.6 million or 28.9 percent of the budget, and capital disbursements were \$98.7 million or 17.4 percent of the budget. Ms. Oyeyemi reviewed the operating expenditures, highlighting areas of overspending mainly in chemicals and utilities. She reported that there has been a significant increase in the prices of electricity and major chemicals due to supply chain issues and the closure of some plants and market volatility.

Mr. Guttridge, Director of CIP Infrastructure Management, briefed on the CIP Quarterly Report. He stated that the Committee questioned the low participation rates in the Lead-Free Program. Board Member Franco asked if there were any incentives currently for homeowners to participate in the program. Under the marketing plan some homeowners have been resistant to participating because of the customer access agreement and difficulties in getting customers to execute the agreement. It is being reviewed to make it easier to understand.

CFO Brown is in discussions with the D.C. Director of the Office on Budget and Performance Management regarding the Infrastructure Investment and Jobs Act to obtain the authority to develop incentives for residents. Every possible effort is being made to encourage residents to participate in the program.

Committee Chairperson Giancola addressed the Proposed 2023 and 2024 budget and the two-year rates, and since Ms. Bhatt and Ms. Motsch had already addressed the details, he raised certain issues. The first was the adoption calendar for the budget rates in order to inform the Committee of the ratemaking process increases, public hearings and outreach which starts in April. He encouraged all Board members to attend. Chairperson Giancola next noted the rate calculator which assists customers in anticipating what their bills will be under the new rates. He also noted the customer system programs, including low-income household water assistance programs which was created through the Consolidated Appropriations Act of 2021 and the American Rescue Plan Act of 2021.

All action items were recommended for approval by the full Board concerning the proposed budget for Fiscal Year 2023, the operating expenditure budget of \$686.4 million, the Fiscal Year 2022-2031 Capital Improvement budgets which includes a ten-year disbursement plan of \$6.4 billion, and a lifetime budget of \$13.38 billion which also included the Fiscal Year 2022 to 2031 Financial Plan, Intent to reimburse capital expenditures with proceeds of borrowing. Also recommended was the First Data Merchant Services, LLC contract.

## **Issues of General Interest**

Committee Chairperson Giancola commented on the fact that the oversight hearings for the Committee on Transportation Environment for D.C. were held. D.C. Water performed admirably regarding issues involving water and sewer issues. He indicated that the presentation by CEO Gadis and the question and answer period provided a lot of information that sometimes is not addressed at Board meetings. Mr. Giancola recommended that all Board members take the opportunity to go on-line and review especially CEO Gadis' opening statement, and the questions and answers section, particularly those with Chairman Cheh and Ward 4 Council Member Lewis George. He commended D.C. Water's team for the job done at the oversight hearings.

Committee Chairperson Motsch gave her kudos to the staff for their participation at the Water Environment Federal and American Waterworks Association Utility Management Conference. The staff's presentations were very insightful and thoughtful, and highlighted their expertise and insight. A lot of work goes into putting on these conferences behind the scene and it benefits the industry as a whole.

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

Reported by: David Gadis, CEO/General Manager

CEO Gadis presented his monthly State of the Utility Report which are framed around organizational values as expressed in the Blueprint 2.0 Strategic Plan. These values are accountability, trust, teamwork, customer focus, safety, and wellbeing. He noted that these values are posted on his conference room wall to remind everyone of their commitment and guide their actions on a day-to-day basis at D.C. Water. These values frame a number of issues that are in his CEO/General Manager's Report.

The first update relates to three of the organizational values: accountability, trust, and customer focus. CEO Gadis reported that on February 17, 2022 D.C. Water held a virtual public meeting on the Soapstone Valley Park Project. More than 100 people attended the session, and the high-profile project will address aging and defective sewer pipes at Soapstone Valley which is next to Rock Creek Park. Chief Operating Officer Powell led the Authority's presentation along with contractor Hazen and Sawyer. The need for the project and community benefits were addressed. The planning and analysis of alternative approaches, environmental views and permitting and procurement were presented. CEO Gadis stated that they will continue to update the Board on the project and on new developments and related community engagement efforts.

Next CEO Gadis covered accountability, teamwork, and customer focus. CEO Gadis reported that he and his team have been finalizing testimony and preparing for the Council Performance Oversight Hearing which was recently held before the Committee on Transportation and Environment which Mr. Giancola referenced. The video from the hearing has been posted on the Council's archive site. CEO Gadis also encouraged all Board members to view it.

The next values covered were on teamwork, safety, and wellbeing. CEO Gadis reported that during the last couple of months they have maximized telework opportunities for staff and closely monitored news reports on the Omicron variant to minimize the risk for employees and their families.

CEO Gadis reported that employees who were teleworking returned to the Authority and worksites on Monday, February 28, 2022. D.C. Water's Return-to-Work Guide has been updated and presented and contains the latest guidance from the CDC and the District's operational posture. CEO Gadis stated that they have shifted to a hybrid work model for eligible employees able to telework two days a week. On Collaboration Wednesday's employees will work at Authority sites. This hybrid model on Wednesdays will be reserved for in-person meetings and team collaborations to ensure continuation of the creative spark and innovative spirit that makes D.C. Water the best utility in the industry.

The last organizational values addressed by CEO Gadis were trust, customer focus, safety, and wellbeing. CEO Gadis reported that he participated in the American Waterworks Association's (AWWA) Good Day AWWA podcast. The podcast features conversations with water leaders and innovators.

CEO Gadis indicated that the bulk of the conversation centered on diversity, equity, and inclusion programs and how they serve as a core strategic principle for serving customers, employees, and the community.

Committee Chairperson Giancola spoke about the fact that he reads the CEO/General Manager's Report every month and focuses on facilities, preventative maintenance, and vehicle maintenance. He spoke about the fact that they saw a positive trend for facilities maintenance over the last period for it to be a rise from 44 to 63 percent. He found it was not adequate to see a drop in fleet maintenance or steady at 22 percent. Chairperson Giancola was also concerned about priority vehicle availability which went from 96 percent availability to 83 percent. Chairperson Giancola stated that the weather may have impacted these issues. Also, he questioned recruitment and rollover positions about which he requested clarification. CEO Gadis agreed to review the issues and reply back to him. He asked Lisa Stone, Chief of People and Inclusion, to provide a response. She stated that the rollover position is a carryover from the previous months. One number is included in the other. Chairperson Giancola indicated his understanding. He asked if the vacancy rate is 8 to 9 percent now and she replied that it was.

### **Consent Action Items Joint Use**

Chairperson Wells asked for a motion to approve joint use action items. Board Member Giancola moved to approve Resolution Nos. 22-14 through 22-21 and it was seconded by Board Member Herrington. There was a question from Board Member Holt. He asked if the recent dismantling of Constellation from Exelon had any impact on the risk factor of the contract. Mr. Grosser, Director of Procurement, responded that the answer was yes and no. It was looked at, but no at best. Board Member Howard Gibbs stated that the Environmental Quality and Operations Committee asked the same question. Ernest Jolly answered that the realignment of Exelon took Constellation away from the operating utilities and created a separate entity.

They were assured of the independence of the two entities. The motion to approve Resolutions 22-14 through 22-21 was unanimously approved by the members of the Board.

**Consent Action Items (Non-Joint Use)**

Chairperson Wells asked for a motion to approve non-joint use action items. Board Member Bhatt moved to approve Resolutions Nos. 22-22 through 22-24 and it was seconded as concluded because there were two mutes and the other one was a second. The motion to approve Resolutions Nos. 22-22 through 22-24 was unanimously approved by the District members of the Board.

The Governance Committee meeting scheduled for Tuesday, March 8, 2022 has been cancelled. The Human Resources and Labor Relation Committee meeting scheduled to be held on Wednesday, March 9 has also been cancelled. The Environmental Quality and Operations Committee will meet on Thursday, March 17, 2022 at 9:30 a.m. D.C. Retail Water and Sewer Rates Committee will meet on Tuesday, March 22, 2022 at 9:30 a.m. Lastly, the Finance and Budget Committee will meet on March 24, 2002 at 9:30 a.m.

Chairperson Wells stated that there being no further business, the meeting was adjourned at 10:13 a.m. CEO Gadis then stated that he was sorry for interrupting adjournment, but he wanted to let Mr. Giancola know that he was alerted that the catch basin 0 number indicated in his report was not correct. He stated that they will make the correction and get an update out soon. The above-entitled matter went off record at 10:14 a.m.

  
Linda Manley, Board Secretary