



**MINUTES OF THE MEETING
FINANCE AND BUDGET COMMITTEE
MARCH 28, 2024
(Via Microsoft Teams)**

COMMITTEE MEMBERS PRESENT

1. Anthony Giancola, Chair

DC WATER STAFF

1. Matthew T. Brown, Chief Financial Officer & EVP
2. Marc K. Battle, Chief Legal Officer & EVP
3. Wayne Griffith, Chief Administration Officer & EVP
4. Michelle Rhodd, Secretary to the Board

The DC Water Finance and Budget Committee meeting was called to order by Anthony Giancola, Chairperson, at 9:30 AM. Board Secretary Michelle Rhodd called the roll.

I. MONTHLY REPORT TO THE FINANCE AND BUDGET COMMITTEE

Lola Oyeyemi, Vice President Budget, presented the February 2024 Financial Report. Total operating revenues were \$394.9 million, or 45.0 percent of the approved budget; operating expenditures were \$266.7 million, or 36.2 percent of the budget, and capital disbursements were \$172.8 million, or 28.6 percent of the budget. She informed the Committee that the FY 2023 Annual Comprehensive Financial Report (ACFR) and the Green Bond Report are completed and available online. Staff continues to work on finalizing the IMA Operating & Maintenance Settlement and the Office of Management and Budget Uniform Guidance Audit for FY 2023. Ms. Oyeyemi further highlighted that the rate town hall meetings have been scheduled to take place in April before the public hearing which is scheduled for May 9, 2024.

Total operating revenues were at \$394.9 million, with a year-to-date favorable variance of \$10.7 million mainly from the Residential, Commercial, and Multi-Family customers due to higher water consumption than anticipated in the budget. She noted that the unfavorable variance in the DC Housing Authority category was due to a late payment which was received in March; this will be reflected in next month's financial report. The unfavorable variance in the Other Revenue category was due to lower Developer Fees, System Availability Fee, and the Washington Aqueduct Backwash compared to budget.

Total operating expenditure was \$266.7 million with lower spending in Personnel Services and Water Purchases categories. Ms. Oyeyemi explained that the unfavorable variance in Supplies & Chemicals is due to increasing costs for critical parts, and staff will continue to monitor the market for any significant budgetary impacts. The authorized vacancy rate at the end of February was 13.1 percent and the active vacancy rate was 6.9 percent. In response to Mr. Giancola's question about vacancies, Ms. Oyeyemi stated that there are over 150 vacant positions and management continues to intensify efforts to lower the vacancy rate to achieve the target by the end of the fiscal year.

Total capital disbursements through the end of February were \$172.8 million, or 28.6 percent of the approved budget. Ms. Oyeyemi reminded the Committee that the capital budget was revised downwards as part of the recent budget process and the budget will be reflected in the next financial report.

The total cash balance was \$695.1 million at the end of February. This included the Rate Stabilization Fund (RSF) of \$35.6 million, operating reserves, \$323 million in undrawn bond proceeds and grants to fund the capital program, and other funds. The year-to-date interest income was \$4.6 million compared to the annual budget of \$7.0 million. Delinquent accounts balance increased to \$31.7 million for 10,472 accounts with half of the balances mainly in the multi-family customer category.

Next, Ms. Oyeyemi explained that the high overtime costs at 55 percent of the annual budget is primarily due to unplanned emergencies and responses during the winter period and year-end cyclical activities for the financial close-out and audit. The higher overtime usage by the Permit Operations department is due to the posture of allowing in-house staff to perform permit refunds rather than leveraging the consultant. Ms. Oyeyemi noted that this strategy has led to an uptick in the number of permit refunds processed totaling 158 to date in 2024, compared to 105 during the entire fiscal year 2023.

II. ACTION ITEM: RECOMMENDATION FOR APPROVAL OF SENIOR & CO-MANAGING UNDERWRITING SERVICES

John T. PappaJohn, Director, Procurement, presented the Fact Sheet for senior and co-managing underwriting services for a period of five years. The pool of 19 qualified investment bankers comprises of some returnees from the last award and new firms for both the senior underwriters and co-managers.

Mr. Giancola recommended that the action item be presented to the full Board for review and approval.

III. OTHER BUSINESS

Matthew T. Brown, Chief Financial Officer & EVP, mentioned that the Townhall hearings for the proposed rates are being scheduled and the dates will be posted on the DC Water website. He explained that two in-person sessions will be held on Saturdays for members of the public. This is a new approach that offers more flexibility for people to participate. There will also be two virtual sessions that will be held in the evenings via Microsoft Teams.

IV. AGENDA FOR THE NEXT COMMITTEE MEETING

Mr. Giancola noted that there is no meeting scheduled for next month, but a full agenda is anticipated for the May 2024 meeting.

V. ADJOURNMENT

Mr. Giancola adjourned the meeting at 9:44 AM.