

# **DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY**

## **BOARD OF DIRECTORS**



*Finance & Budget Committee  
Tuesday, January 26, 2010  
9:30 AM*

## **MEETING MINUTES**

### **Committee Members**

Keith Stone, Acting Committee Chairman  
Maurice Boissierre  
Timothy Firestine

### **DCWASA STAFF**

George Hawkins, General Manager  
Avis Russell, General Counsel  
Olu Adebo, Chief Financial Officer  
Yvette Downs, Director of Finance & Budget  
Leonard Benson, Acting Chief Engineer  
Linda R. Manley, Secretary to the Board

### **Other Board members in Attendance**

David J. Bardin  
Howard C. Gibbs  
David Lake  
Brenda Richardson  
Alan Roth  
Paivi Spoon  
Beverly Warfield

### **Call to Order**

Acting Committee Chair, Keith Stone, called the meeting to order at 9:40 a.m.

### **December 2009 Financial Report**

Ms. Yvette Downs, Director of Finance and Budget, presented the December 2009 Financial Report. At the end of December, with approximately 25% of the fiscal year completed, DC WASA is on track with budgetary expenditure expectations and behind on anticipated revenue. Revenues were at \$82.4 million, approximately 13.4% below the projection. Capital Disbursements are at \$70.9 million, or approximately 3.1% below the spending projections. Consistent with previous reports to the Committee, operating revenues are trailing projections. In explaining the revenue variance, Ms. Downs explained that Federal payments and DC Housing Authority receipts were made in January after the cutoff period and are now current. Year-to-date Expenditures are at \$81.6 million, 21% of the budget and within budgetary expectations; personnel services costs are within budget, although overtime is slightly higher than budget in the first quarter, largely due to recent water main breaks and assisting the District in snow removal. Ms. Downs reported that staff will continue to monitor this category throughout the year. Mr. Stone asked with the exception of Personnel and Overtime, are there any other red flags that the Committee should be aware of. Ms. Downs responded that there were none at this time.

Ms. Downs reported that Capital projects are progressing and the American Recovery Reinvestment Act (ARRA) projects are to be awarded within the next few weeks. In closing, Ms. Downs reported that DC WASA has acquired \$296 million in various grants, which does not include the \$20 million CSO/LTCP that was recently approved by the U.S. Congress.

### **Electricity Cost Briefing**

Mr. Adebo, Chief Financial Officer, briefed the Committee on DC WASA's Electricity Purchasing Strategy and Cost. In response to a Committee request from their December 18, 2009 meeting, Mr. Adebo reviewed DC WASA's strategy for locking in electricity rates. The briefing material included background information, DC WASA's consumption trends, electricity pricing components, DC WASA's purchasing strategy and a review of lock strategies for FY 2011.

Given the Board's desire for greater budget certainty in FY 2011, and relatively low electricity unit costs at this time, the current January 2010 General Manager's Operating Budget proposal assumes locking the price for the majority of the FY 2011 anticipated electricity usage.

Following the presentation, Mr. George Hawkins, General Manager, assured the Committee that management will review all points and comments made by the Committee regarding energy management at the authority, staff will plan to brief the committee on DC WASA's role in the DC Public Service Commission (PSC) and provide a comparison of DC WASA's energy use to other large energy users.

### **Revised FY 2010 and Proposed FY 2011 Budget**

General Manager Hawkins, Mr. Adebo and Mr. Benson, Acting Chief Engineer, presented updated Revised FY 2010 and Proposed FY 2011 budget information, referred to as the January General Manager's Budget Proposal. Mr. Hawkins began his presentation by congratulating the Finance and Budget staff on delivering the multiple scenarios, options and analytical reviews regarding the budgets. As requested at the December 18, 2009 Finance and Budget Committee meeting, the General Manager provided FY2010 Revised and FY 2011 Proposed priority projects (some of which were rescheduled) to accommodate a 12.5% increase in the retail and sewer rates.

Mr. Boisserre questioned how DC WASA distributes rate increases to various customer groups. Mr. Adebo explained that DC WASA undertakes a cost of service study, which provides the basis for costs to each customer group. The rates are based on cost of providing services.

Continuing with his presentation, General Manager Hawkins also provided a budget summary of operating and capital budget impacts and comparisons.

Mr. Stone asked if the 8.5% increase, in Personnel Services, includes health and employee benefits and union contract salaries and asked if there are any other factors that will contribute to this increase. Mr. Hawkins confirmed Mr. Stones' assumption and referred to slide 13, which provides details of the 8.5% increase which happens to be actually lower than originally projected. Mr. Hawkins responded that based on discussions at the Human Resource Committee, the Board did not commit to reopening the FY 2011 collective bargaining agreement and as a result, management has taken cost reduction measures for non-union positions, as contained in the January General Manager's Budget Proposal.

Mr. Stone asked why there was an increase of \$150 million in construction change order cost within the Long Term Control Plan. Mr. Hawkins responded that the increase is due the cost of the work that was projected in 2001, as increased.

Mr. Roth requested further information to be provided to the Board regarding the Chief Administrative Officer's written agreement. The Committee members endorsed the General Manager's proposed budgets, with the exception of Mr. Firestine's objection to the \$3 million of pay increases for existing labor union agreements.

#### **Update on Commercial Paper Program/MELP**

Mr. Adebo provided a brief update on the commercial paper program and the Master Equipment Lease Program (MELP). Three requests for proposals (RFP) were distributed on January 8, 2010 and DC WASA has received responses from banks that are interested in these solicitations. The RFP's are scheduled to close by February 8, and will provide a letter of credit facility, a program dealer and a Master Equipment Lease.

DC WASA has contacted the DC Auditor regarding the mandatory audit, which is required prior to any debt issuance to confirm DC WASA's revenue sufficiency to provide for these services. The DC Auditor is currently scheduling the audit, but has not confirmed a date. Certification must be completed before June for the Commercial Paper program and October for the next issuance.

#### **Adjournment**

Hearing no further business, Mr. Stone adjourned the meeting at 11:56 a.m.