



**DISTRICT OF COLUMBIA
WATER AND SEWER AUTHORITY
BOARD OF DIRECTORS**

Finance and Budget Committee

Tuesday February 1, 2011

10:30 AM

MEETING MINUTES

Committee Members in Attendance

Timothy Firestine, Committee Chair
David J. Bardin
Alethia N. Nancoo
Paivi Spoon

DC WATER STAFF

George Hawkins, General Manager
Randy Hayman, General Counsel
Olu Adebo, Chief Financial Officer
Yvette Downs, Finance & Budget Director
Linda Manley, Secretary to the Board
John Madrid, Controller

Call to Order

Mr. Timothy Firestine, Committee Chairman, called the meeting to order at 10:30 a.m.

December 2010 Financial Report

Ms. Yvette Downs, Finance and Budget Director, reported that with 25 percent of the fiscal year completed, revenues were at 24 percent, operating expenditures at 21 percent and capital disbursements at 18.6 percent of the respective budgets. She reported that revenues were lagging behind budget primarily in the other revenues, metering fee and DC Housing Authority categories due to lower consumption than anticipated as well as lag in timing of receipts. She also reviewed the new revenue summary format with the Committee. Mr. Bardin requested that additional information be included in the breakdown of retail receipts table to give a complete picture of retail receipts. Mr. Adebo, Chief Financial Officer, agreed to review the available data and get back to the Committee with suggestions.

In response to Ms. Paivi Spoon's inquiry on the electricity status report, staff was asked to modify the electricity chart for easier understanding as well as inclusion of the Authority's current performance on the block purchase in comparison to spot market prices during FY 2011.

In reviewing the capital spending report, Mr. Firestine asked staff to provide the amount and percentage of the significant reduction in estimates for the Enhanced Nitrogen Removal (ENR) project based on recent contracting experience. (Chairman Firestine)

Mr. Bardin asked that consideration be given to including the Accounts Payable information as part of the General Manager's dashboard report. The Committee discussed the Authority's Accounts Payable performance as compared to the set goal of 97% of invoices processed within 30 days. Mr. Olu Adebo, responded that the accounts payable process is for the most part automated and late payments are the result of either missing or insufficient balance on purchase orders, which are a prerequisite to processing payments. Mr. Adebo explained that the review process for invoices would be revisited through the Team Blue initiatives in order to develop a mechanism or systematic approach to expedite payments consistent with the goal. General Manager George Hawkins, further explained that most of the delinquent invoices were

those that had issues for resolution prior to payment, however, he will continue to work with management and staff to further improve the system. In order to assess the appropriateness of the current goal, he will make comparisons to industry performance and report back to the Committee.

Mr. Bardin questioned the delinquent accounts receivable report and requested staff to modify the footnote included as part of the chart to ensure transparency and accuracy of the information reported.

Proposed FY 2012 Budget Discussion

General Manager Hawkins, provided an overview of the Proposed FY 2012 Budgets highlighting the major changes between the December Proposal and the January Alternative as follows:

- a) The *revised* Proposed FY 2012 operating budget is \$422.4 million which is below the December proposal by approximately \$3.6 million with reductions made to any additional allowance for pay adjustments and the PILOT fee.
- b) Reduction of \$0.07 per Ccf in the Proposed FY 2012 Retail Water & Sewer rate to \$7.30 per Ccf.
- c) Reduction of \$0.8 million in the FY 2012 wholesale operating revenues to \$71.5 million.

The Committee reviewed the resolutions with highlights for changes made and recommended the FY 2012 Proposed Operating Budget, FY 2010 – 2019 Ten Year Financial Plan, FY 2010 – 2019 Capital Improvement Program (Lifetime & Cash) and FY 2012 Capital Authority Request resolutions as well as the PAYGO Policy for the Board's approval at the February 2011 meeting.

Other Business

Mr. John Madrid, Controller, gave an overview of the Authority's 2010 actual performance and results of the year-end audit. He reported that the Authority received its 14th consecutive unqualified audit opinion from the Authority's external auditors with no audit adjustments and that the Comprehensive Annual Financial Report (CAFR) would be made available to Board members and posted on the website on completion of the report. Mr. Madrid stated that the Authority ended fiscal year 2010 with operating income of \$55.1 million and cash & investment balance of \$151.3 million which exceeded the Board's requirement of 120 days of O&M or \$125.5 million. The external auditors will brief the Board at Audit Committee meeting scheduled for February 24.

Board Secretary, Ms. Linda Manley, informed the Committee that effective February 24, 2011 the monthly Finance & Budget Committee meeting would convene at 11 AM while the Audit Committee would be held every other month at 9:30 a.m.. The revised calendar would be forwarded to Board members.

Mr. Hawkins presented the 2010 Annual Report to the Committee noting that the report was completed ahead of schedule and under historic budget as the production was done in-house. The Committee commended staff on the timely production of the report with low cost impact.

Adjournment

Hearing no further business, Chairman Mr. Firestine adjourned the meeting at 11:50 a.m.