



DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY

Board of Directors

Finance and Budget Committee

Thursday, December 22, 2011

11:00 a.m.

Committee Members

Timothy L. Firestine, Chairperson
Bradford Seamon

DC WATER STAFF

George Hawkins, General Manager
Olu Adebo, Chief Financial Officer
LaVeeda Garlington, Principal Counsel
Yvette Downs, Finance and Budget Director
Robert Hunt, Treasury & Debt Manager
Linda Manley, Board Secretary

Presenters

Dan Hartman Public Financial Management

Call to Order

Chairperson Timothy Firestine called the meeting to order at 11:00 a.m.

November 2011 Financial Report

Ms. Yvette Downs, Director Finance and Budget, reported that with 17 percent of the fiscal year completed, revenues totaled \$82.0 million or 19.2 percent of the revised budget; expenditures were \$57.9 million, or 13.9 percent of the revised budget, and capital disbursements were \$72.9 million, or 13.7 percent of the capital disbursements budget.

For the month of November 2011, the average daily operating cash reserve, (\$163.5 million) was above the \$125.5 million operating reserve target. With the Committee's approval, Ms. Downs continued the financial report by exception, highlighting relevant variances in operating revenues and expenditures categories. Ms. Downs noted that the \$15.0 million lag in capital disbursements is due to pending final approval of the detailed schedule for the Blue Plains tunnel project (a project required deliverable) as well as delays in certain close out payments.

Mr. Olu Adebo, Chief Financial Officer, informed the Committee that the FY 2011 audit is complete with an unqualified opinion by the external auditors. A discussion of the FY 2011 audit and financial performance will be discussed at the next Committee meeting.

Mr. Firestine referred the Committee and staff to the letter in response to budget questions which was submitted to the Board members and dated December 9, 2011. He noted that in response numbers #FB-2013-002 and FB-2013-003, a reference was made to increased costs associated with a WSSC compost site rather than increased costs of biosolids hauling. He requested that this statement be corrected. Mr. Adebo concurred that the corrections will be made.

Investment Report

Mr. Hunt reviewed the Investment Report for November with the Committee. All investments are in compliance with adopted policy and the overall yield to cost of the entire portfolio is 0.57%. During November 2011, \$20 million from the 2010A construction fund was reinvested in short-term commercial paper with an average yield of 0.16%. Also during November approximately \$20 million dollars from our Operating Reserve was reinvested in short-term commercial paper at an average yield of 0.14% and \$20 million in 3 year callable Federal Agency securities were purchased at an average yield of 0.85%. Mr. Hunt noted that \$37 million in Federal Agency notes in the construction fund matured in December and that approximately \$15 million of this amount would be used to reimburse the operating reserve during December and the remainder transferred to the operating reserve during January.

Bond Issuance

DC Water plans to issue \$300 million in revenue bonds in March 2012 to finance a portion of the capital improvement plan. Mr. Adebo, Mr. Hunt and Mr. Dan Hartman, our financial advisor from Public Financial Management (PFM) briefed the Committee on the status of the capital program, current market conditions, the proposed structuring of the bond sale (a combination of fixed and variable rate bonds) and the possible refunding of a portion of the 2003 bonds for significant savings to the Authority. A bond working group comprised of DC Water staff, financial advisors, underwriters and counsel have met and will continue to develop a plan of finance advantageous to the Authority. The Committee will receive a more detailed briefing at its next meeting in January. The current planned issuance schedule calls for DC Water to meet with the bond rating agencies mid-February. The Committee will review bond financing documents during its February meeting with a recommendation to the Board on March 1. The pricing of the bonds is planned for the week of March 12, 2011 with a closing (funding) scheduled for the week of March 26, 2011.

FY 2013 Proposed Budget Discussion

General Manager Hawkins informed the Committee that the FY 2013 Proposed Budget was ready for Board consideration and that a thorough assessment and analysis was conducted. As previously noted, a response was submitted to the questions and inquiries received the Committee at its last meeting. With no changes to the General Manager's budget proposals, the Committee recommended all the action items for Board's approval.

Adjournment

Hearing no further business, Chairperson Firestine adjourned the meeting at 11.55 a.m.

FOLLOW-UP ITEMS (December 22, 2011)

1. Staff will correct the statement on biosolids cost increases contained in two responses within the December 9, 2011 letter to the Board and circulate to all Board members **(Mr. Firestine)**
2. Staff to modify the write-up in the Capital Book and future presentations to reflect the correct language regarding capital projects with changes to IMA shares **(Mr. Firestine)**.