



**DISTRICT OF COLUMBIA
WATER AND SEWER AUTHORITY**

Board of Directors

Finance and Budget Committee

Thursday, March 24, 2016

11:00 a.m.

MEETING MINUTES

Committee Members via (Conference Call)

Timothy L. Firestine, Committee Chairperson
Sarah Motsch

Other Attendee

Brian McClure for Ana Harvey

DC Water Staff

George Hawkins, CEO/General Manager
Gail Alexander-Reeves, Director, Budget
Robert Hunt, Director, Finance
John Madrid, Controller
Henderson Brown, General Counsel
Meena Gowda, Principal Counsel
Linda R. Manley, Secretary to the Board

Call to Order

Chairperson Timothy L. Firestine called the meeting to order at 11:02 a.m. via teleconference.

February 2016 Financial Report

Ms. Gail Alexander-Reeves, Budget Director, reported that with 42 percent of the fiscal year completed, financials are on track with budgetary expectations and targeted performance metrics. Total revenues are at \$253.7 million or 44 percent of budget, operating expenses at \$188.7 million or 35 percent of budget and capital disbursements at \$239.9 million or 44 percent of budget in the respective categories. Year-end projections will be presented to the Committee at the meeting in May.

DC Water's credit rating has been upgraded by Standard & Poor's Ratings Services from AA+ to AAA. External auditors completed the Financial Statement Audit and A-133 Single Audit, with "clean opinion" rendered on both items. Presentations on both audits were made to the Audit Committee on February 25, 2016. The DayForce System Implementation (Phase II) is underway for the centralization of all employee payroll, benefits and recruitment data.

Mr. George Hawkins, CEO/General Manager, spoke to the Combined Heat and Power (CHP) turbine shutdown that occurred as of February 29, 2016. Remediation has and will continue to be reviewed in detail with the Environmental Quality & Sewerage Services Committee.

Mr. Robert Hunt, Finance Director, reviewed the cash balances in the various operating and reserve accounts of the Authority. As of February 29, 2016, the operating cash balance totaled \$211.2 million and the debt reserve, construction funds and CSO grants totaled \$343.7 million.

The total cash for all funds was \$554.9 million. The investment portfolio is properly diversified and in compliance with the Authority's Investment Policy. The overall yield-to-maturity on cost of the portfolio is 0.61%.

Mr. Hunt also mentioned that members of Finance, Accounting and Budget as well DC Water's financial advisors met with Moody's Ratings Agency the previous week to review the methodology used to calculate numbers in our offering statement, comprehensive annual financial report (CAFR), and various presentations. The group also attended the annual Investors Conference, held by JP Morgan during the same week.

Merchant Credit Card Service Contract

Mr. Hunt reported that DC Water has offered retail rate customers the option to pay bill by credit/debit card since 2002. The current vendor is Bank of America (BofA) and the contract expires in June 2016. About 21,000 transactions are processed each month at a rate of \$1.95/transaction, which DC Water absorbs.

The credit card program is linked to the current Customer Information System (CIS). As DC Water is currently procuring a new CIS, Mr. Hunt recommends extending the existing credit card processing contract with BofA to May 31, 2018 and proceed with an RFP after the new CIS is implemented. The new CIS system is anticipated to have more functionality to accommodate new vendors and processes.

Chairperson Firestine inquired on the competitiveness of BofA's pricing. Mr. Hunt replied that it is competitive, and he has verified this with DC Water's financial advisors.

Action Item (1)

The Committee recommended the Merchant Credit/Debit Card Process Contract Extension for the Board's consideration.

Executive Session

The Committee moved into Executive Session at 11:29 a.m., and reconvened into open session at 11:55 a.m.

Action Item (2)

The Committee recommended the Environmental Legal Services Contract for Board approval.

Adjournment

Hearing no further business Chairperson Firestine adjourned the meeting at 12:05 p.m.

Follow-up Items

1. Report cost of CHP turbine shutdown (electricity generation and equipment) to May's Finance & Budget Committee meeting **(Mr. Hawkins)**