



DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY

**BOARD OF DIRECTORS
255th MEETING
THURSDAY, JULY 11, 2019**

MINUTES

Present Directors

Tommy Wells, Chairman, District of Columbia
Lavinia A. Baxter, Alternate for Floyd Holt, Prince George's County (Via Telephone)
Anthony Giancola, Alternate for Ellen Boardman, District of Columbia
Adam Ortiz, Montgomery County
Randy Bartlett, Fairfax County
David Franco, District of Columbia
Joseph P. Gill, Alternate for Major Riddick, Prince George's County
Emile Thompson, District of Columbia
Fariba Kassiri, Montgomery County
Krystal Brumfield, District of Columbia

Present Alternate Directors

Howard C. Gibbs, District of Columbia
Sarah Motsch, Fairfax County
Adriana Hochberg, Montgomery County
Jed Ross, District of Columbia

DC Water Staff

David Gadis, CEO and General Manager
Matthew Brown, Chief Financial Officer
Gregory Hope, Interim Executive Vice President, Legal Affairs
Linda R. Manley, Board Secretary

Chairman Wells called the 255th meeting of the District of Columbia Water and Sewer Authority's Board of Directors to order at 9:33 a.m. Ms. Manley called the role and a quorum was established.

Approval of the June 6, 2019 Minutes

Chairman Wells asked for a motion to approve the June 6, 2019 minutes. The motion to approve the June 6, 2019 minutes was moved, seconded, and unanimously approved by the Board of Directors.

Chairman's Overview

Chairman Wells stated that when D.C. created the Clean Rivers Tunnel Project it was to correct the combined sewer overflow problem and what they see now is the face of climate change and the importance of the project. He reported that on the Monday before the Board meeting the District experienced enough rain fall to provide half of the world's water needs for people to drink and use for one day. It was so significant that the national weather declared the first national weather alert for Washington, D.C., to alert people of threats to life and property. This was a challenge to the Washington, D.C. water system and Chairman Wells thanked all the crews, teams, staff, and contractors for keeping the city running.

Environmental Quality and Operations Committee

Reported by: Adam Ortiz, Chair

Mr. Ortiz stated that the Committee met on Thursday, June 20, 2019. An update on the performance of the Blue Plains Advanced Wastewater Plant was provided by Aklile Tesfaye, Vice President for Wastewater Operations. The performance was excellent, with all effluent quality requirements well below or within NPDES permit limits.

Mr. Tesfaye reported that the Waste Water Treatment Facility performed well, capturing 5,300 million gallons from March 2018 to May 2019. Marketing of the Bloom product resumed on May 21, 2019 after two weeks of non-detect results for fecal coliform since May 7, 2019. The elevated levels in March and April 2019 were associated with the failure of one of the four anaerobic digesters. A final plan for bringing the digester back in operation is being developed. The Environmental Protection Agency (EPA) and state regulators in Virginia, Maryland, and Pennsylvania were provided notification and all supporting data of the findings of the investigation and corrective actions.

Mr. Ortiz indicated that the Committee received an update on the Clean Rivers Project from Moussa Wone, Manager of Design, and Jeffrey Peterson, Manager of Construction. The Potomac Tunnel Facility Plan has been approved by EPA. Since March 20, 2018 the Anacostia Tunnel System has captured nearly 5.7 billion gallons of combined flow and 1,760 tons of trash and debris. The construction activities in progress for the Division J Northeast Boundary Tunnel were summarized. Of interest was the extensive community impact mitigation and stakeholder engagement activities conducted by D.C. Water. Mr. Peterson pointed to the success of the partnership of three Main Street organizations to enhance patronage of local businesses during construction. The Potomac River Tunnel Plan Environmental Assessment is complete, and D.C. Water is working with the National Park Service on a finding of significant impact agreement. Progress on the CSO Sewer Separation Project continues.

The Committee discussed several action items. It asked for an explanation concerning the three-month delay in solicitation of the methanol contract. Mr. Ortiz stated that the Committee was assured that the delay was due to D.C. Water's partnership with similar utilities to obtain better pricing. The Committee also inquired about a possible conflict with CCJM, a subcontract on both the SCADA contracts, which resulted in a 38 percent combined workload. Mr. Benson

assured them that CCJM, a minority business entrepreneur, was fully qualified and experienced to provide the services.

Mr. Ortiz reported that there was a robust discussion of the Green Infrastructure Program. Seth Charde, Manager, provided a briefing and reported that the Potomac River initial project and the Rock Creek initial project have been completed. The completed Green Infrastructure locations are 54 alley permeable pavements, 23 parking lane permeable pavements, 41 planter bioretention facilities, 2 curb extension bioretentions, and 2 Green Infrastructure challenge parks. The Committee asked about the operations and maintenance (O&M) costs and if they were budgeted for the facilities. Mr. Charde replied that the first-year O&M costs are included in the construction costs. Other costs are being developed. The Committee asked that it receive further reports and briefings regarding the per acre costs of developing, operating, and maintaining a grey versus green infrastructure program. Mr. Charde stated that the update will be provided. He updated the Committee on the ongoing Downspout Disconnection Program which is successful, two D.C. Department of Transportation and D.C. Water Green Infrastructure Partnership projects, the Kennedy Street vitalization completed in June 2019, and the Alley Palooza Green Alley Project completed in September 2018.

D.C. Retail Water and Sewer Rates Committee

Reported by: Howard Gibbs, Vice Chair

Mr. Gibbs stated that the Committee met on June 25, 2019. Chief Financial Officer (CFO) Matthew Brown made a presentation for Committee consideration of the Fiscal Year 2020 rate proposal and a decision on recommending it to the full Board for approval. Two changes are being made to the proposal. The first is the shift of a portion of the Clean Rivers Program from the Clean Rivers Impervious Area Charge (CRIAC) to the volumetric sewer rate because 37 percent of the flows in the tunnels are from sanitary sewage. Mr. Gibbs reported that the second change is an increase in the CRIAC incentive program discounts from 4 percent to 20 percent. The overall average household monthly bill will increase by 5.7 percent which was previously approved by the Board.

For 2020 the Clean Rivers Program needs \$122 million. Mr. Gibbs stated that after the phase-in of the 18 percent shift, \$99 million will be sourced by CRIAC and \$23 million by the sewer volumetric rates. This shift will continue with a 28 percent increase in FY 2021 and an increase to 37 percent in FY 2022. The Clean Rivers Program has a total cost of \$2.7 billion thus far and has been very successful. These rate proposals are based on cost of service studies conducted every three years, the last in 2018.

Mr. Gibbs reported that outreach activities associated with this proposal began with the Board in February 2019. Staff had conversations with the Stakeholders Alliance Group and customers and the Board made the decision to withdraw \$6 million from the Rate Stabilization Fund to assist burdened District customers. Following publication of the proposed rates in the D.C. Register and town hall meetings were held in each of the eight wards and then the public hearing was held.

The impact on customers is that there will be an increase in the sewer rate from the approved \$8.14 per hundred cubic feet to \$8.89 per hundred cubic feet and a decrease in CRIAC from \$23 per ERU to \$20.94. Customers with greater usage of water such as multi-family and commercial customers will pay more. The small volume customers will pay less, and the average residential customer will pay about the same.

Chief Financial Officer Matthew Brown stated that there is a plan to utilize an independent consultant to look at D.C. Water's rate structure from a best management practice perspective.

Mr. Gibbs indicated that the proposal also includes an extension of the Customer Assistance Program (CAP) programs funded by D.C. Water and the District Government. Methods to advertise the changes in CAP have included communicating with social services organizations, mailing inserts, Facebook campaigns, and informing delinquent customers by phone. Mr. Gibbs reported that enrollment has been low, so D.C. Water will continue to develop a more comprehensive campaign. The staff is soliciting suggestions and will increase contact with senior citizens, the Office on Aging, and other organizations. Chairman Wells noted that the outreach process was not fully implemented as planned since bill inserts only went out to delinquent customers. The error has been corrected.

Chairman Wells and Committee Chair Bhatt agreed that the Board should have received notification of the low enrollment. Chair Bhatt requested that a more comprehensive plan be presented at the next Committee meeting, and Ms. Boardman asked that the plan be provided to the Committee prior to the meeting.

A public hearing will be held on August 14, 2019 to discuss the extension of CAP 2. Chairman Wells reiterated that the important point is that customers who need the help become knowledgeable about their eligibility. The issue of the date that the customer will receive the credit was raised. Some thought it went back to when the customer applied to the program. General Counsel Hope stated that retroactivity was only applicable to those who applied before March 1, 2019. Chairman Wells emphasized that the customer should not be penalized for shortcomings in the advertising campaign and it is up to the Board to correct the situation. Chair Bhatt stated that the Committee cannot act until all the information is available.

CFO Brown discussed the comments made at the last public hearing. The Apartment and Office Building Association of Metropolitan Washington, the People's Council, and D.C. Appleseed were all concerned about the impact on customers and did not support the changes. The Committee considered the comments and recommended the approval of the FY 2020 rates proposal by the full Board. It was included on the meeting agenda for vote.

Chair Bhatt asked about the budget surplus and CFO Brown indicated that it would be discussed at the July 27, 2019 meeting of the Finance and Budget Committee meeting. He stated that the surplus is projected to be about \$17 million and that it is proposed that excess funds be used for a curing pad for the Bloom product in the amount of \$2.3 million and for the insulation of solar panels on any new facilities. It is proposed that \$6 million be returned to the Rate Stabilization Fund and the remaining \$6.6 million go to PAYGO for Clean Rivers projects to slightly reduce future borrowing.

Finance and Budget Committee

Reported by: David Franco,

Mr. Franco stated that the Committee met on June 27, 2019 and received the May 2019 Financial Report from CFO Brown who stated that initially expenditures and revenues were on track and consistent with trends. With approximately 67 percent of the fiscal year complete, total operating revenues were at \$471 million or 6.3 percent ahead of the budget, operating expenditures were at \$355 million or 8.6 percent below budget, and capital disbursements were at \$258.2 or 21.7 percent below budget.

CFO Brown reported that External Auditors have begun the interim financial statements and D.C. Water plans to go to the bond market in September/October.

Chairman Wells inquired about D.C. Water's relationship with the Washington Aqueduct. CFO Brown explained that D.C. Water makes two payments to the Aqueduct for operating costs for the purchase of water and the capital costs based on the Water Sales Agreement.

Chair Franco also reported that Chairman Wells asked about the expectations for revenue and savings for solar investments next year. CFO Brown stated that the agreement was structured as a power purchase agreement, which affects the amounts of energy paid over the next 20 years.

CFO Brown indicated that the Rate Stabilization Fund had a balance of \$61.5 million prior to the Board authorizing the withdrawal of \$6 million for the CAP expansion initiatives. The funds not expended by D.C. Water and the District Government out of the two \$6 million allocations will be segregated into a separate account and carried over to the next fiscal year.

Board Member Giancola requested an update on the Automated Meter Reading Replacement Project and asked if the project will be completed this year. He was told that a full update will be provided to the Audit and Finance and Budget Committees in July. The project is expected to be continue into next year.

Tanya DeLeon, Risk Manager, reported that the annual property and casual insurance renewal totaled \$3.2 million which is below the not-to-exceed amount of \$3.3 million approved by the Board.

Chair Franco reported that Chris Peot, Director of Resource Recovery, provided a presentation which explained the work performed towards transforming biosolids sludge from waste products into valuable product. He also spoke about Bloom as being a stable, low-odor, low-cost, and high-value product. The raw product is sold to Homestead Gardens and others for about \$4 to \$5 a ton and they cure it. It is then sold for about \$25 a yard.

Mr. Peot proposed that the product be cured in-house on a large scale by building a curing pad at Blue Plains which would allow for the curing of 30,000 tons of product. Chair Franco asked about the return on investment and the total benefits or incremental benefits compared to where they are today. Mr. Peot explained that the benefits provide a savings of \$45 a ton by not having to outsource to a contractor. Presently the majority of product is sold as uncured or fresh Bloom. He stated that the project has been proposed for years but the curing pad and construction were always pushed back.

The Committee agreed to have further discussions on the proposal for the curing pad, solar panel installations, and PAYGO for Clean Rivers.

Chair Franco reported that next was the FY 2019 projected net cash position update. CFO Brown explained that D.C. Water is in a good position and anticipates revenues to be 103 percent of the budget, operating expenditures to be 98 percent, and capital disbursements to be at 98 percent of the budget.

CFO Brown indicated that for operating revenues, about \$12 million of the projected surplus is in the residential, commercial, and multifamily categories, plus \$6 million from the District CAP Expansion Program and from the Rate Stabilization Fund transfer, for a total surplus of about

\$21 million. Operating expenditure trends are in line with what was already noted, with net operating expenditures estimated at \$10.6 million below budget. The projected net cash position of reserves is favorable by \$21 million and expenses \$10.4 million for a total of \$31.7 million.

CFO Brown reported that project net income is \$16.9 million, and they are recommending a transfer of \$6 million back to the Rate Stabilization Fund, \$2.3 million to fund the District's share of the curing pad, apply \$2 million to fund the Enterprise Resource Plan projects, and use the remaining \$6.6 million for PAYGO to cash finance Clean Rivers projects to reduce further borrowing.

Mr. Giancola stated that he is not in favor of replenishing the Rate Stabilization Fund and would like to set a new limit of about \$45 to \$50 million. He indicated that he does not feel that D.C. Water is doing enough to provide a surplus of funds to reduce the rates of customers. Chair Franco concurred with Mr. Giancola and believes that a portion of the surplus should be provided to ratepayers in the form of a refund or credit on the bills. Board Member Gibbs indicated that they should reduce the amount of funds borrowed so that excess can be used to pay down capital expenses.

Chair Franco reported that after review and discussion the Committee recommended a carryover of \$6 million to the Rate Stabilization Fund and allocation of an additional \$2 million for the ERP project. The Committee recommended the following for full Board approval: The FY 2019 use of the projected net cash position of the Rate Stabilization Fund of \$6 million and the amount needed for the ERP of \$2 million, and the carryover of remaining unexpected CAP 2 funds to the FY 2020 budget.

Chair Franco stated that the follow-up item is referred to the Engineering Quality and Operations Committee with an update on the curing pad and solar projects. After discussion by Chairman Wells, CEO Gadis, Chair Franco, and Mr. Giancola, it was concluded that the delay would be acceptable and that everyone would continue to work on the issues. Board Member Gill asked if the process would include a marketing study and Mr. Gadis replied yes and that it is already underway. It will be presented in September.

General Manager's Report

Reported by: David Gadis, CEO and General Manager

Mr. Gadis stated that the great committee reports presented would have been impossible without the people at D.C. Water. He noted that he had a couple of recognitions of employees that he would make. They received an email from one of the customers stating that two D.C. Water employees were dispatched to her home due to flooding. The employees worked for hours on the drains to prevent the flooding from reoccurring. More work was needed to complete the job, but she wanted to thank the two employees for their exceptional work and service. Mr. Gadis asked that Chairman Wells join him in the well, along with Reginald Howell, Jr., and Gary Anjorin. The employees were applauded for their exceptional service.

Mr. Gadis indicated that he also wanted to recognize the budget team for their hard work in providing numbers and data that is very important to the financial stability of the Authority. Their detailed review of budget requests to guide management in the prioritization and decision-making process always shows teamwork, along with collaboration with all 26 departments. Their efforts resulted in the elimination of aged vacancies, saving the Authority over \$7 million a year, and other cost savings, thus reducing the impacts on burdened customers. They brought

creativity to the budget process and redesigned budget documents in a relevant, succinct, and user-friendly manner.

Mr. Gadis then recognized Birdina Miller, a Collection Agent in the Customer Service Department, who worked with a customer to collect \$617,000 in arrears on their account. He stated that Ms. Miller works behind the scenes on a day-to-day basis and was successful in obtaining a check in the amount of \$617,000. Her fantastic work will bring in more than \$1 million for accounts in arrears in the current month. He called Ms. Miller forward and congratulated and thanked her for the hard work she does for the Authority. The college interns were recognized by Mr. Gadis and asked to stand.

Next was a presentation by Armon Curd, Executive Vice President of the Customer Experience, and Carolyn McCool, Director of Customer Service, which was in response to Mr. Gibbs recommendation that the Board hear from employees about their work experiences. Mr. Curd reported that they hold "All Hands On" meetings once a quarter and he shared some of the insights they give to employees. He indicated that their model is to run the day-to-day operation with a customer-centric focus. Mr. Curd outlined four pillars they are focusing on—reducing accounts receivables, employee engagement, consecutive estimate reduction, and D.C. Water financial and revenue objectives.

Mr. Curd reported that employee engagement is very important and that they believe a happy employee results in a happy customer. They focused on the employees by holding skip meetings with Customer Service non-management and non-supervisory employees to identify their needs. From the meetings and the Employee Engagement Survey four themes were identified—improve employee morale, focus on development of employees, training, and better communication. Additionally, 46 action items were identified and 32 are already completed.

Among the action underway or planned around employee engagement are the following: In July Corey Gray, Cultural Transformation Director, hosted a series of focus groups and Mr. Gadis will meet with employees in August to get additional feedback; monthly coaching on performance is underway, including discussions of career planning; improved communication on the availability of opportunities across the Customer Service organization which includes reviewing and updating job descriptions and when appropriate creating new jobs; and partnering with Safety to enhance organizational safety and wellbeing. Mr. Curd indicated that they truly believe that their efforts are making D.C. Water a more customer-centric organization.

Ms. McCool spoke about technical objectives and the focus on how to improve revenue and how to reduce expenses.

On financial objectives, Ms. McCool stated that they looked at the budget last year to identify methods for making changes that will positively impact customers, as well as reduce expenses. They targeted postage which is a substantial cost and increasing enrollments in e-bill with an objective of reaching 31,000 by September 2019. That objective was met as of June 28, 2019 when 31,716 enrollments were reached, for an increase of 33 percent. Additional objectives include an increase in the automated mechanism for meter reads, thus reducing overall expenses. As of September 2018, 78.5 percent of the reads were through the automated system. Currently automated reads are at 92.4 percent, which is a decrease from a high in December 2018 of just over 18,000 manual reads down to 11,000 manual reads currently. Estimated bills have decreased from 11,000 to 7,700 to date.

Ms. McCool stated that financial objectives include increasing the processing of liens and reducing receivables. The goal is to reduce receivables from \$13.82 million to \$9.75 million by September 30, 2019. As of May 31, 2019, receivables were on track at \$11.10 million.

Ms. McCool indicated that they have developed a tactical approach to reducing receivables. Total accounts receivables have declined 26 percent, or by \$5.37 million, since the beginning of the fiscal year. Sixty plus arrears for mass market accounts have been reduced by 17 percent, nearly \$2.28 million, and they have declined by 6,626 accounts.

Disconnects are their strongest tactic and gets the greatest response from customers. Receivables had increased this past year because disconnects were suspended during the implementation of the new Customer Information System. Ms. McCool reported that they wanted to ensure that bills were accurate before disconnecting customers. Ms. McCool indicated that the system is now more stable, and that there are now about 120 cuts per day, or 1,100 account disconnects per month.

The other significant approach to reducing receivables is liens, which compels customers to pay. By year end the lien process will be highly automated and the Collection team will focus on outbound collections. Ms. McCool reported that they have set specific goals and that by the end of October 2018 there was coverage of about 29 percent of lien eligible accounts. By the end of May 2019, they had achieved 54 percent coverage of lien eligible accounts. The goal is 59 percent by the end of FY 2019.

Ms. McCool emphasized that it takes team communication and collaboration, with a focus on targets, talents, and tasks to attain the success experienced to date. It takes not only Customer Service but Water Services, Finance, and other D.C. Water departments. She shouted out to the team of collection agents who collected \$1.167 million last month which was a big accomplishment. Ms. McCool gave a special shout out to Rosie Taylor, Collection Manager, who is leading this group and Collection Agent Katrina Johnson.

Ms. McCool reported that they are having difficulty getting good results with accounts with consecutive estimated bills for 12 or more months, but are continuing their efforts to develop the right tactics for greater success. Next month the Manual Meter Read Fee will go into effect because of challenging situations caused by customers who will not allow access to change their meters. Ms. McCool stated that they feel that the fee will help them gain access.

Mr. Giancola questioned Ms. McCool about their success in meeting their goal of 106 or 108 large meter replacements. Ms. McCool indicated that that number was large meter replacements completed through May 2019. She emphasized that she has great confidence in her team, and they have determined that they have the capacity to meet their goal of replacing 300 meters this fiscal year.

CEO Gadis then pointed to some achievements by D.C. Water which were worthy of mention to the Board. He announced that D.C. Water will receive from the National Association of Clean Water Agencies a Peak Performance Award on July 18, 2019, and he congratulated the Wastewater Operations Group.

Mr. Gadis announced that Deidre Saunders, Manager of Construction, Department of Engineering and Technical Services, has been recognized by the Construction Management Association of America. He congratulated her for the work she and her group did on the Anacostia 2nd High Residential Pressure Reducing Valve Installation Project, one of many

issues that had to be addressed prior to bringing the St. Elizabeth's Water Tower on line. Mr. Gadis declared that Engineering did a fantastic job.

The next recognition by Mr. Gadis went to the Talent and Development Group under the leadership of Keith Lindsey. They have experienced a lot of success. The vacancy rate has gone down from 15 percent in 2017 to under 7 percent. The new hire turnover went from over 5 percent to 3 percent in the last 12 months and that has happened through the strategic hiring of individuals versus transactional. Mr. Gadis informed the Board that Mr. Lindsey's group will make a presentation at the September Board meeting.

Mr. Giancola had a question concerning the Potomac River Tunnel information in the General Manager's Report. It stated that terms were being negotiated for a draft programmatic agreement with the National Park Service and the D.C. State Historic Preservation Office to resolve the impacts of the project. He wanted to know about this. Mr. Gadis stated that they would get back to him regarding that agreement.

Ms. Motsch asked a question concerning the recruitment activity on Page 16 of the General Manager's Report and the number of internal promotions. Mr. Gadis informed her that Mr. Lindsey would bring that information to the Board in their September presentation to the Board. He stated that they have done a fantastic job on internally promoting people. The information will be provided on the new scorecard.

Consent Items (Joint Use)

Chairman Wells asked for a motion to approve joint use contract action items. Mr. Bartlett moved to approve Resolution Nos. 19-38 through 19-44, and it was seconded. The motion to approve Resolution Nos. 19-38 through 19-44 was unanimously approved by the members of the Board.

Consent Items (Non-Joint Use)

Chairman Wells asked for a motion to approve non-joint use action items. Ms. Brumfield moved to approve Resolution No. 19-45 and it was seconded. The motion to approve Resolution No. 19-45 was unanimously approved by the District members of the Board.

There being no further business before the Board, Chairman Wells adjourned the meeting at 10:44 a.m.


Linda Manley, Board Secretary