



GOVERNANCE COMMITTEE MINUTES OF THE MEETING

JANUARY 10, 2024
(via Microsoft Teams)

COMMITTEE MEMBERS PRESENT

1. Christopher Herrington, Chairperson
2. Fariba Kassiri, Principal, Montgomery County
3. Rachna Bhatt, Principal, District of Columbia
4. Jon Monger, Principal, Montgomery County

DC WATER STAFF

1. David Gadis, Chief Executive Officer and General Manager
2. Wayne Griffith, Chief Administrative Officer & EVP
3. Marc Battle, Chief Legal Officer Government and Legal Affairs & EVP
4. Matthew Brown, Chief Financial Officer, Finance, Procurement and Compliance & EVP
5. Jeffrey Thompson, Chief Operating Officer & EVP
6. Michelle Rhodd, Secretary to the Board

The Governance Committee meeting was called to order by Christopher Herrington, Chairperson, at 9:30 AM. The meeting was held via Microsoft Teams. Board Secretary Michelle Rhodd called the roll.

I. BLUE DROP FY23 YEAR END UPDATE

Chris Peot, President, Blue Drop, presented the Blue Drop FY23 Year-End Update. FY23 was a record for Bloom sales. Sixty-four thousand seven hundred seventy tons of Bloom were sold, which was 112% of the 58,000-ton goal. The mailing list for Bloom increased to 2,300. Bloom now has more customers than products, as it has become better known in key industries. Mr. Peot noted that in Spring demand outstrips supply.

The largest portion of sales comes from farms at 53,436 tons, or 82.5% of sales. Smaller sales, while they make up a smaller portion of the total sales, bring in additional revenue and savings. For example, construction sales, 6.1% of total sales, are beneficial as there are no hauling costs accrued through those sales.

Mr. Peot informed the Committee that PFAS levels in Bloom were tested and was found to be of very low risk. The amount of PFAS present in the product is about 1/10 of the amount found in household dust or 1/2,000 of what is allowed in food packaging. These results were presented at conferences and to government entities.

Typically, material runs out in the Spring, which creates an issue for market availability. Storage options are being investigated to control inventory and have materials available when there is demand in the market.

Mr. Peot reported that for the first four months of FY23, Bloom sales goal was not met, but sales increased in the Spring. For the first four months of FY24, Bloom sales goal was surpassed each month; overall, sales are projected to exceed goal and surpass the FY23 sales record. Mr. Peot went on to note that the greatest value for Bloom is its savings from outsourcing contracts. In FY23, Blue Drop saved \$2.5 million, and their partners in Maryland and Virginia saved \$1 million and \$408,000, respectively. Since this project began, there have been total renewable energy credits (REC) sales of \$11.38 million and Bloom sales were \$1.45 million. REC revenue is calculated based on the price of the product. Maryland, DC, and Pennsylvania have high baselines for renewable energy, which will rise every year, meaning that upward growth is expected for REC.

Next, Mr. Peot reported on HQO events. There were 63 HQO events held in FY23, surpassing the goal of 50 events, meaning that 126% of the goal was attained. With the hiring of a full-time event coordinator margins thinned while the number of events increased. Pricing was re-established based on feedback from a consultant and the events goal for FY24 was increased.

Mr. Peot reported that additional revenues included cell towers sales, which brought in \$282,000 or 81% of the budgeted goal. Additional revenue also included intellectual property sales (IP) of \$278,000, or 49% of the budgeted goal. There was a deficit due to the renegotiation of one of the IP sales plans.

The year-end financial position reflected \$7.5 million in income and \$4.1 million in expenses for a net revenue of \$3.3 million. Most of the revenue came from RECs which have little expense. Bloom sales contributed to revenues; however, expenses were higher when compared to other items. Though events increased net positive revenue, revenues from cell phone towers and IP sales were higher than expenses. Work to improve the business and decrease margins is ongoing. While cell towers and IP sales were below expected revenue goals, all other items were overstated goals.

Mr. Peot presented the FY24 budget. REC demand is expected to increase, along with prices. An increase in Bloom sales is also expected. Projected revenue for FY24 is \$5.1 million.

Committee member Jon Monger asked for a summary of budgeted savings. Mr. Peot stated that the savings of \$2.5 million that was previously reported were calculated based on the cost of Blue Plains hiring a traditional biosolids recycling contractor. Mr. Peot stressed the importance of this change, noting that DC Water previously had a vendor who provided resources at market rate rather than an internal rate.

Committee member Christopher Herrington noted that the mailing list had grown and asked if customers received physical mail or emails. Mr. Peot stated that for customers in the Amish community, letters were sent, but otherwise messages were sent via email.

Mr. Herrington noted that additional storage had been previously approved for Bloom and asked for status on the search for the storage facility. Mr. Peot stated staff were considering using an unused parking lot that would be covered for storage along with a curing pad, which had finished the design phase. Ideally, Blue Drop could buy a piece of land to store larger amounts of the product. Of the areas that will soon be available, 2,000 to 3,000 tons can be stored, but additional space will be needed.

Mr. Herrington asked if the Authority could recover lost customers due to PFAS misinformation. Mr. Peot stated the farming customers who were no longer customers experienced a lot of community pressure to disengage. Mr. Peot went on to note that a meeting was held with farmers to educate them about the risk, however, due to community pressure the farmers stated they would wait. Mr. Peot expects that some of those farmers will request more product in the Spring.

Mr. Herrington asked how Blue Drop profits are allocated. Mr. Peot stated there was an ongoing discussion with Intermunicipal Agreement (IMA) partners to discuss how the money should be used. The founding Blue Drop documents provide that those profits should be returned to DC Water. Mr. Peot explained that Blue Drop profits are meant to be used to control rates for all IMA partners; however, there is discussion about using those funds to fuel future investments as well.

Ms. Bhatt asked how the Bloom product was being stored. Mr. Peot responded that to preserve the quality of the product staff is looking to do covered storage.

II. FY23 CBE REPORT

Korey Gray, VP of Contract Compliance and Business Development, presented the FY23 Certified Business Utilization Report. Within the Certified Business Program (CBE), there are three smaller programs: The Local Small Business Enterprise (LSBE) Program for projects under \$1 million, the DC Water Disadvantaged Business Enterprises (DBE)/Women Business Enterprises (WBE) Program to increase equitable access to available procurement, and the Fair Share Objectives that establish utilization goals for DBEs/WBEs.

Good faith efforts within DC Water govern the interaction between DC Water and their contractors to ensure that the certified firms are getting paid for the work that they do in a timely manner, with clear communication, and with engagement so that the results show themselves accordingly. The DC Water Compliance Process involves every aspect of the Authority to ensure success from the Pre-Award Phase to the Award Phase to the Post-Award Phase.

In FY23, certified firms received 38.1%, or \$155.4 million, of the \$407.5 million total awards or task orders, which included large projects like the integrative supply program and Lead-Free DC. DC Water met its utilization goals for FY23.

Goods and Services Awards of over \$1 million to certified firms attained 33% DBE utilization and 6% WBE utilization. There were 26 large Goods and Services projects worth \$65.1 million. Goods and Services Certified Firm Participation for FY23 was 47.1%, which exceeded the goal of 33.6%.

There were 15 Architect and Engineering (A/E) projects in FY23 for a total value of \$171.1 million. The value of DBE participation was \$46.97 million, or 27.5% of the total value, distributed amongst 35 DBE firms. The value of WBE participation was \$14.35 million, or 8.4% of the total value, distributed amongst 25 WBE firms. Many of the WBEs happen also to be DBEs but that determination is left to the enterprise based on the value of their opportunity. DBE participation has remained consistent over the last four years. WBE participation peaked in FY21 and has maintained its frequency at around 8.5% over the last two years.

There were 15 actions for Construction Projects for a total value of \$146 million. The participation goals were achieved at 54 DBE firms, totaling a value of \$46.1 million, or 31.6% of the total value. This goal was also met with 38 WBE firms totaling \$11.7 million, or 8% of the total value. Over the last four years, DBE participation was consistent at 32%, while WBE dipped in FY21 and FY22 but rose to 8% in FY23, which DC Water hopes to maintain.

Mr. Gray presented demographic data for these awards. An effort was made to award contracts within the user jurisdiction, and DC Water attained 60% of contracts within the jurisdiction. DC-based firms made up 97 of the awards for a total of \$127.56 million, making up the largest percentage of their contracts. DC Water is not race-based but socially and economically driven; however, demographics on race were requested by the Board, so this data was tracked. Minority-owned DBE firms received \$250.67 million, which made up 62% of the awards. Contracts granted to firms and certified firms were presented by race.

Over FY23, DC Water staff attended several speaking engagements to meet certified local firms. Working with their partners, DC Water became a leader in ensuring that local-based contractors are hired. Recognition and acknowledgment are still being received for the work DC Water does in this area. Mr. Gray informed the Committee that he was a

panelist at the Congressional Black Caucuses Annual Legislative Conference. These connections allow the Authority to develop new ideas on how to improve its work. Mr. Gray highlighted the accomplishments of DC Water in FY23 noting that more than 180 certified firms were hired to work with the Authority to grow their business and enhance the Authority's ability to serve their clients.

David Gadis, Chief Executive Officer and General Manager congratulated Mr. Gray on his work building the CBE Program. He shared that the National Environmental Achievement Award would be granted to Mr. Gray and his team for their work on the Workforce Development Program.

Mr. Herrington thanked Mr. Gray for gathering the demographics of the firms with which the Authority engaged, as it was important for the Committee's consideration. He went on to ask if the \$1 million threshold for small businesses should be updated based on the current economy. Mr. Gray stated that the Board set a threshold in the 2018 Business Development Plan. Typically, the larger the project, the fewer preference points it receives. By identifying items less than \$1 million, the Authority can generate business utilization for smaller businesses on projects. A recommendation will be made to the Board this year about the Business Development Plan.

III. EXECUTIVE SESSION

The Committee moved into executive session pursuant to the Open Meetings Amendment Act of 2010 to obtain legal advice and preserve attorney-client privilege under DC Official Code § 2-575(b)(4)(A).

IV. ADJOURNMENT

There being no further business, the meeting was adjourned at 10:55 AM.