



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

**MEETING MINUTES
THURSDAY, FEBRUARY 4, 2016**

Present Directors

Matthew Brown, Chairman, District of Columbia
Obiora "Bo" Menkiti, District of Columbia
James Patteson, Fairfax County
Ellen O. Boardman, District of Columbia
Bradley W. Frome, Prince Georges County
Alan Roth, District of Columbia
Rachna Butani Bhatt, District of Columbia
Elisabeth Feldt, Montgomery County

Present Alternates

Sarah Motsch, Fairfax County
Howard Gibbs, District of Columbia
Ana Harvey, District of Columbia

DC Water Staff

George S. Hawkins, CEO/General Manager
Mark Kim, Chief Financial Officer
Meena Gowda, Acting General Counsel
Linda R. Manley, Board Secretary

Chairman Brown called the 217th Meeting of the District of Columbia Water and Sewer Authority's Board of Directors to order at 9:39 a.m. Ms. Manley called the roll and a quorum was established.

Approval of the January 7, 2016 Minutes

Chairman Brown asked for a motion to approve the January 7, 2016 minutes. The motion to approve the January 7, 2016 minutes was moved and unanimously approved by the Board of Directors.

Chairman's Overview

Chairman Brown provided a summary of Board and D.C. Water accomplishments and activities during the month of January 2016. Of special note was the meeting of the Human Relations and Labor Relations Committee with the unions . He thanked all of the unions for participating in this annual meeting and thought it was a very productive conversation. The Flint water situation was raised by Chairman Brown and he said that it should remind everyone that it is important for D.C. Water to be honest and open and to always think about ways to improve. He thanked Ms. Maldonado and stated that she represents the ideal in self-examination, honesty and forthrightness. This was exhibited during her presentation to the Water Quality and Water Service Committee.

The modification of the Clean Rivers Consent Decree was finalized and Chairman Brown indicated that it was tremendous news for the Authority. It means that D.C. Water can invest \$90 million to build green infrastructure. Also, Chairman Brown announced that this modification deleted a tunnel and modified the design of another, thus saving long-term costs. Five additional years for completion were added to the project. Chairman Brown indicated that this was worked on during the terms of three different D.C. Water Board Chairmen, Willy Walker, Allen Lew, and himself, and three different mayors, Adrian Fenty, Vincent Gray, and current Mayor Muriel Bowser. He thanked George Hawkins, Carlton Ray, Len Benson, Randy Hayman, John Lisle, Alan Heymann, John Cassidy, Dave Evans, Bethany Bezak, and others for their efforts.

Chairman Brown thanked everyone who helped the Authority with the response to Snowzilla. He asked a number of employees to stand for recognition.

Gus Bass was recognized by the Chairman for his 59 years of service and his work running the Capital Procurement Office, Department of Engineering and Technical Services. He thanked Board members Nicholas Majett and Sarah Motsch for attending Mr. Bass's retirement celebration.

Chairman Brown recognized Board member Alan Roth who has served the Board since 2007. He pointed out that Mr. Roth served as chairman of the former Customer Services Committee, chairman of the Governance Committee, chairman of the D.C. Water and Sewer Retail Rates Committee, and vice chair of several committees. Chairman Brown spoke about Mr. Roth's many strengths which include his preparedness, knowledge of details, good questioning, passion, and desire to improve D.C. Water. He announced that Mr. Roth was leaving the D.C. Board and also his position with the U.S. Telecom Association and that Mr. Roth would be spending the next year figuring out what he wanted to do in the next chapter of his life. Chairman Brown mentioned that D.C. Water is a better place because of Mr. Roth. On behalf of the Board the Chairman wished him the best.

Mr. Roth was provided an opportunity to address the Board. He stated that it was a great honor to serve the people of D.C. and the region for nine years. Mr. Roth note that he learned a lot from the Board, members of the staff, and employees of the Authority. He thanked Linda Manley, Board Secretary, and her staff for the thousand little things that they do to make the Board members' jobs easier.

Mr. Roth mentioned a number of programs and activities of D.C. Water that he was particularly proud of having been a part of or participating in. One was the work done on the Procurement Manual by Korey Gray, Compliance Manager, Chair Ellen Boardman and the Governance Committee, and General Counsel Randy Hayman and his legal team which now makes clear the definition of a responsible contractor. Other worthy mention was of Len Benson, Chief Engineer and his team for the brilliant execution of mind blowing engineering feats, the General Manager and his staff for the Board recommended local residents' employment programs for contractors to hire and train local residents for jobs; and the complete restructuring of retail rates managed by CFO Mark Kim, Assistant General Manager Charles Kiely, Customer Care Director Lauren Preston, Chief Information Officer Tom Kuczynski, and all of their teams.

A special thank you went out to all of D.C. Water's staff, and especially line staff who go out there every day in all extremes of weather. Mr. Roth commended the Board for hiring a Board member, George Hawkins, as General Manager, an incredible leader. He concluded by stating that the Board was a high functioning unit and that the best evidence of that was the fact that D.C. Water never appears in the newspaper. Mr. Roth said it had been a real pleasure to be part of that and a part of all the work done.

Chairman Brown presented Mr. Roth with a plaque thanking him for all his dedication and outstanding leadership on the Board.

Governance Committee

Reported by: Ellen Boardman, Chair

Ms. Boardman reported that the Committee met on January 13, 2016 and received a briefing from Korey Gray, Compliance Manager, on the employment programs, including statistical information on goods and services, active major construction contracts, and non-major construction projects, and how any positions were filled with D.C. residents and user jurisdiction residents (see minutes on website). The compliance review of contracts for 2015 showed that of 11 investigations Mr. Gray's office recovered \$139,000 in wage restitution for employees of D.C. Water contractors.

General Counsel Randy Hayman presented information to the Committee on D.C. Water's Standards of Conduct Policy relating to speaking engagements and the extent to which D.C. Water employees who resign/retire may work for D.C. Water contractors and vendors. There was a lot of discussion by the Committee of these issues and Ms. Boardman stated that the members are pleased the policies are moving forward.

Human Resources and Labor Relations Committee

Reported by: Bradley W. Frome, Chair

Mr. Frome informed the Board that the Committee met with all of the unions to discuss issues of concern. Among those issues were a request from the unions to form a Labor/Management Partnership Program at D.C. Water. The Committee asked about the current relationship with Management, including the quarterly meetings with the General Manager, and how this program would differ. Much discussion revolved around including in the quarterly meetings an opportunity for the unions to bring up grievances and also to discuss more positive initiatives.

Mr. Frome reported that the second issue raised was the alleged failure by D.C. Water to timely pay an arbiter who reached a decision favoring the unions. It was alleged that this was

deliberately done to punish the arbitrator. Management responded that there were questions with some of the charges and that as soon as this was resolved, the invoices would be paid.

The issue of the civil service retirement buy-out was discussed and the unions were informed that another committee was handling this issue. The Committee agreed that unions should be brought into the process in a legal and respectful manner.

Chair Frome indicated that the next issue was on operator certification and what could be done to assist the 5 employees out of 16 who had taken the training but had not yet passed the certification test. They will continue to address this issue.

The ongoing issue concerning commercial driver licenses was raised and Management explained that the idea of more CDL positions was to further a more flexible workforce while they bring more contract work back in-house. The unions were concerned about whether this was excluding certain employees from promotions.

Chair Frome said that the Committee then went into Executive Session to discuss personnel matters.

Environmental Quality and Sewerage Services Committee

Reported by: James Patteson, Chair

Mr. Patteson stated that the Committee met by phone due to the snow and the fact that members were working on snow issues. Aklile Tesfaye, Assistant General Manager for Wastewater Treatment, updated the Committee on Blue Plains' performance. The Blue Plains Plant is being operated under the new EPA limits and is still performing very well. For nitrogen the concentration was 2 milligrams per liter, and the cumulative for the year was 2.7 million pounds, well below the permit limit of 4.4. Mr. Patteson indicated that his discussions with Mr. Tesfaye revealed that this is a significant achievement which allows for weather differentials and future growth.

Mr. Patteson stated that the Combined Heat and Power Facility is still under commissioning and producing 32 percent of the energy required by the Plant, which is on target. With respect to the NPDES renewal of the permit and the 14 items being evaluated, there were 3 significant items that are being negotiated: classification of Outfall 001, design capacity expansion from 370 mgd to 384 mgd because of the storm water to be treated when the tunnel system is completed, and the E. coli limit which is under appeal about how it is calculated. According to Mr. Patteson, this appeal may delay ultimate issuance of the permit.

Chair Patteson indicated that Carlton Ray, Director, LTCP, Clean Rivers Project, gave an update on the Northeast Boundary Design-Build Project for which the goal is to advance the completion date to December 2022. He also highlighted some of the flood mitigation projects, including the Irving Street Green Infrastructure Project, McMillan Storm water storage projects, and the First Street Tunnel Project.

Two joint use contracts were recommended for approval by the Board.

Water Quality and Water Services Committee

Reported by: Rachna Butani Bhatt, Chair

Chair Butani Bhatt stated that the Committee met for a three-hour historically long meeting to address some questions raised by Committee members on certain projects, schedule overruns, work quality, and the roles of the contractors. Ms. Maldonado, Director of Engineering and Technical Services, provided four presentations, two which gave a big picture understanding of the overall project processes and two that addressed two specific projects, large valve replacements and small diameter water main replacements. She was assisted by Deidre Saunders, Manager of Construction Management. Both discussed some of the delays in projects which included the District Department of Transportation's (DDOT) temporary restoration patch requirement for street pavement cuts that the staff believes should be discarded so that project crews can proceed directly to permanent restoration patching. Another issue is the DDOT inspectors who come on construction sites and negotiate with staff and contractors on how much pavement needs to be replaced. Sometimes there is no meeting of minds which results in higher costs that are unjustified. There are also delays in the arrival of DDOT inspectors at the beginning of projects. There also are quality control issues with the way the patches are applied and the way plates are installed that cover some cuts. These issues and others sometimes result in traffic delays, damage to vehicles, and other inconveniences to residents. A Committee member recommended that D.C. Water's General Manager and Chairman of the Board meet with DDOT's top leaders to resolve the issues. They were informed that efforts have already begun to organize a meeting. Another Committee member suggested that D.C. Water's staff hold a pre-construction conference with DDOT inspectors prior to cutting the street so that reasonable limits can be placed on the amount of pavement to be restored.

Also addressed were delays in a specific project and how they had handled the contractor who was not in compliance with the contract schedules. The contractor who was new to D.C. Water and new to working in the City will be assessed liquidation damages and the bad experiences will negatively impact the contractor's selection in the future. Ms. Maldonado summarized lessons learned and indicated that she will come back to the Committee and present methods for avoiding all of these and other process and contracting problems.

Ms. Butani Bhatt indicated that Charles Kiely, Assistant General Manager for Customer Care and Operations, updated the Committee on Total Coliform Testing and Lead and Copper Rule Monitoring. There were zero positives samples in January and so far in December and as of the reporting date in February. This is expected in cold months. He also reported that the Lead and Copper Rule Testing Report was presented to EPA on January 10, 2016, with 3.7 parts per billion. Ms. Butani Bhatt gave kudos to the Drinking Water Division and to the Office of General Counsel for all of their efforts and they believe optimum corrosion control has been achieved. This was one of the lowest levels in the history of the Authority.

During the Committee meeting David Wall, Manager of the Fire Hydrant Program, reported that there were 31 defective fire hydrants out of approximately 9,400. Ms. Butani Bhatt stated that it was the lowest since she had joined the Board and she thought since D.C. Water assumed responsibility for the program.

Ms. Butani Bhatt stated that two contracts were recommended for approval by the Board with a caveat that contractors be reminded of the importance of scheduling and quality of work. She noted that it is important that D.C. Water hold contractors accountable for quality work.

Mr. Roth thanked the Committee for the meeting that he probably provoked. He stated that DDOT inspectors are not adequately supervising the work done by contractors which results in old deteriorating temporary paving causing traffic congestion and other inconveniences to citizens. Mr. Roth said that D.C. Water does a much better job than any other utility on repair work.

Ms. Butani Bhatt thanked Mr. Roth for his comments. She said she is especially appreciative of the General Manager and other staff focusing on meeting with DDOT leaders to resolve these issues. Ms. Butani Bhatt stated that she agrees that there should be better quality control in terms of plates and patches because that is what the public sees. She believes Management heard this in the meeting. Hopefully the contractors will appreciate the kind of quality D.C. Water expects.

Finance and Budget Committee

Reported by: Sarah Motsch

Ms. Motsch stated that the Committee met on Thursday, January 28, 2016. Gayle Alexander-Reeves, Budget Director, reviewed the December 2015 Financial Report with the Committee. Total revenues were about 26 percent of the budget, operating expenses were at 21 percent of the budget, and capital disbursements were at about 31 percent of budget. The financial results for fiscal year 2015 were all favorable. The financial audit was completed and an unmodified clean opinion was issued in December 2015.

Robert Hunt, Treasurer, and Ms. Chris Lover of Public Financial Management briefed the Committee on the recent Board refunding and indicated that the bond sale was a tremendous success. The new 2016A bonds refunded a portion of other bonds and saved the Authority an estimated \$56.8 million over the life of the bonds. This is an annual average debt service savings of \$3.3 million.

Ms. Motsch stated that this is an extremely amazing accomplishment as a result of the judgment, skills, and timing of the D.C. Water group and results in a savings to the rate payers. The Board set a threshold of about 5 percent in terms of return on investment, and D.C. Water was able to achieve a 10 percent return.

The Committee also received an update on the Digester Project by Ms. Dandach in response to a request by the Committee to compare the expected cost benefits from the beginning of the conceptual phase to now when it is in the commissioning phase and generating about a third of the required power.

Ms. Motsch reported that a presentation on health costs was delivered by Otho Milbourne, Benefits Manager. He reported that D.C. Water is continuing to address its potential exposure to the excise tax which will be implemented in 2020 instead of 2018. It is estimated that it could cost D.C. Water \$5.5 million between 2019 and 2023. Mr. Milbourne stated that the Authority is looking at a gradual redesign of medical plans to lower exposure to that tax.

Ms. Motsch reported that the Committee then went into Executive Session.

General Manager's Report

Reported by: George S. Hawkins, CEO/General Manager

General Manager Hawkins congratulated Board member Alan Roth for his long period of service to the Authority and commended him on always being more than prepared to play a role in whatever committee he chaired or participated on. He stated that the organization is better because of Mr. Roth's great passion. Mr. Hawkins also thanked Mr. Roth for his hard questions on issues that sometimes cause them to rise on D.C. Water's priority list as board concerns should. He wished him well and stated that Mr. Roth would always have friends and allies at D.C. Water.

Snowzilla and D.C. Water's response to emergencies were highlighted by Mr. Hawkins. With the cold snap and variation in temperature over a number of days, there were water main breaks. He thanked Mr. Shanks, AFGE President, other staff from his department, and staff from other departments. In order to repair the water main, the crews had to locate the break under loads of snow, locate and shut valves, shovel all of the snow for access, mark out all the other utilities before excavation, all while additional snow was falling. Mr. Hawkins reported that they had major calls every six or eight hours, with many more also received. He said he listened to the calls and was amazed as usual of the detail and care taken with each incident. Mr. Hawkins commended everyone involved and stated that he believes D.C. Water has the best employees of any agency he has been engaged in.

Mr. Hawkins mentioned the water crisis in Flint, Michigan and indicated that they get requests for comments on how D.C.'s crisis in the early 2000s connects with Flint. In both cases a sudden change occurred which triggered lead leaching into the water. He stated that D.C. Water is sharing its hard-won experience when asked to be of service. The General Manager assured everyone that D.C. Water is continuing efforts to make sure that its constituents are safe and protected from lead in water. He informed everyone that the problems are almost never in the source of water or the water main but in the service lines that connect water mains to the plumbing in residences or buildings. Mr. Hawkins said that that is why they always encourage everyone to participate in D.C. Water's free monitoring program to measure water at the tap.

General Manager Hawkins spoke about the Green Infrastructure Project and the fact that with the modification finally going to effect in January 2016 one of his interests outlined during his interview for his position eight years ago is finally becoming part of D.C. Water's long-term control plan. Mr. Hawkins thanked the team for their extraordinary flexibility and innovation and spoke about how the design and other aspects of the plan had changed over the years. He asked the team to stand for recognition.

What he calls smart financing was also mentioned by Mr. Hawkins and he outlined some of their experiences in working toward going to the bond market at the right time. After all their preparation, they were prepared when the slowdown in China occurred which dropped commodity prices and drove people into bonds. When interest rates dropped they were able to put together a \$40 million transaction to take to the market. With interest rates continuing to drop, they hit the market and saved the rate payer \$55 million over the term of the bonds. Mr. Hawkins pointed out members of the team who were present and some who were absent.

Mr. Hawkins introduced several employees who recently received promotions or were recently hired.

Consent Items (Joint Use)

Chairman Brown asked for a motion to approve joint use items. Mr. Pattenon moved to approve Resolutions No. 16-11 and 16-12, and it was seconded. The motion to approve Resolutions No. 16-11 and 16-12 was unanimously approved by the members of the Board.

Consent Items (Non-Joint Use)

Chairman Brown asked for a motion to approve non-joint use items. Ms. Boardman moved to approve Resolutions No. 16-13 and 16-14, and it was seconded. The motion to approve Resolutions No. 16-13 and 16-14 was unanimously approved by the District of Columbia members of the Board.

There being no need for an executive session, Chairman Brown adjourned the meeting at 10:51 a.m.


Secretary to the Board of Directors