



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

**MEETING MINUTES  
THURSDAY, SEPTEMBER 4, 2014**

**Present Directors**

Allen Lew, Chairman, District of Columbia  
Edward L. Long, Second Vice Chairman, Fairfax County  
Nicholas Majett, Prince George's County  
Timothy Firestine, Montgomery County  
Obiora "Bo" Menkiti, District of Columbia  
Rachna Butani, District of Columbia  
David Lake, Montgomery County  
Alan J. Roth, District of Columbia  
Ellen Boardman, District of Columbia  
Shirley Branch, Alternate to Victor Hoskins, Prince George's County

**Present Alternates**

Adam Ortiz, Prince George's County  
Bonnie Kirkland, Montgomery County  
Howard Gibbs, District of Columbia  
James Patteson, Fairfax County  
Brenda Richardson, District of Columbia

**DC Water Staff**

George S. Hawkins, General Manager  
Mark Kim, Chief Financial Officer  
Randy Hayman, General Counsel  
Linda R. Manley, Board Secretary

Chairman Lew called the 201<sup>st</sup> Meeting of the District of Columbia Water and Sewer Authority's Board of Directors to order at 9:31 a.m. The roll was called and a quorum established.

### **Approval of the July 3, 2014 Meeting Minutes**

Chairman Lew asked for a motion to approve the July 3, 2014 minutes. Ms. Boardman moved that the minutes be approved and the motion was seconded. The minutes were approved unanimously by the Board of Directors.

### **Governance Committee**

Reported By: Ellen Boardman, Chair

Ms. Boardman stated that the Committee met on July 9, 2014 and received a government update report from Will Pickering, Government Relations Manager, on the upcoming fiscal year appropriations from Congress. He indicated that the Clean Rivers Project was not included in the House of Representatives markup and that there is a 30 percent cut in funding for the Clean Water State Revolving Funds and a 16 percent cut to the Drinking Water State Revolving Fund. Mr. Pickering stated that he is optimistic that the bills will get restored and the issues resolved in the Senate House Conference.

Loretta Caldwell, Compliance contractor, provided a report on D.C. Water's Compliance Monitoring Program. There was an increase in minority business enterprises (MBE) and also women-owned business enterprises design costs, construction costs awarded and an increase in payments from May to June 2014. Under the D.C. Water Works Project there was an increase in hires in the District's Wards 1, 4, 5, and 7. Ms. Boardman reported that the Committee discussed with Ms. Caldwell the 25 percent of job information that was not being captured by the online tracking system. The staff will provide information to the Committee on additional methods for ensuring full reporting.

Ms. Boardman reported that Randy Hayman, General Counsel, provided the Committee a summary of the investigation of alleged labor issues on certain D.C. Water projects, including those involving contractors Lyn-Phill Construction, Collins Reinforcing, and Dominion Rebar. The summary identified which allegations were substantiated and which were not. The details of the allegations were provided to the Committee and are included in the Committee's meeting materials. Mr. Hayman stated that his office will review all documentation supporting the investigation's conclusions to determine legal sufficiency and will report at the next Committee meeting.

### **Human Resources and Labor Relations Committee**

Reported By: Edward Long, Chair

Mr. Long reported that the Committee meeting included no agenda items and consisted of a closed session to discuss the collective bargaining work conditions agreement for Local 631. No significant changes were made, and as a result, the Committee recommended approval of the agreement by the full Board.

### **Environmental Quality and Sewerage Services Committee**

Reported By: Howard Gibbs

Mr. Gibbs stated that the Committee met on July 17, 2014. The first agenda item was a briefing by Walter Bailey, Assistant General Manager of Wastewater Treatment, on plant performance. The plant met all of its permit conditions and went below the total nitrogen concentration target with an average of 3.4 milligrams per liter. Mr. Bailey provided a report on commissioning

activities for all of the new equipment that is coming on line at the plant. D.C. Water has been granted a 90 day extension for the Enhanced Nitrogen Removal Project and Mr. Bailey assured the Committee that the completion date would be met.

There was a presentation on the capacity allocation in the Potomac Interceptor and the fact that some customers are exceeding their allocations. Staff is working with the customers to hash out a more equitable allocation of the capacity of the pipeline.

Mr. Gibbs reported on the presentation the Committee received on the purchase of land for a new fleet maintenance facility. The existing facility is located by the National Stadium, and as part of the deal, the District will help pay for the relocation of the facility at a site in Prince George's County. The actual land purchase is progressing.

The Department of Maintenance Services showed a video which depicted the work they do and the value added to the organization. Mr. Gibbs stated the entire Board should view it.

### **Water Quality and Water Services Committee**

Reported By: Rachna Butani, Chair

Ms. Butani stated that the Committee met on July 17, 2014. Charles Sweeney, Director, Distribution and Conveyance Systems, reported that for Total Coliform Rule Monitoring there were two positive samples in June which was well below the limits, and no positives as of July 17.

Mr. Sweeney indicated that the Lead and Copper Rule Monitoring report for the first semester was sent to EPA. The breakdown was two parts per billion for the first draw samples which was the lowest that D.C. Water has obtained.

David Wall, Manager of Distribution, presented the update on the Fire Hydrant Program and reported that there were 9,454 public hydrants, with 79 out of service, representing less than the 1 percent maximum target.

Ms. Butani reported on the presentation made by Nicole Condon, Water Communications Coordinator, on hydraulic fracturing. This is of interest to D.C. Water and other regional stakeholders in the Potomac Watershed because of water resource risks, primarily in terms of what happens with the fracking fluid after it is used. She stated that there was a proposed prohibition against fracking in the George Washington National Forest Management Plan which is supported by D.C. Water in a letter sent to the Secretary of Agriculture. There are concerns for the water supply and the letter emphasized the risks should be acknowledged and explored further. The EPA is doing a report on fracking which is expected out by the end of the year.

Steve Bieber, Metropolitan Washington Council of Governments, briefed the Committee on the Colonial Pipeline. There was a meeting with Colonial to update everyone and talk about the risks associated with the transportation of chemicals. Approximately 75 percent of the region's fuel comes through the pipelines which are about three and a half miles upstream from the Potomac intakes that supply the region's water. Mr. Bieber reported that they reviewed the Potomac River Emergency Response Plan and the Potomac Tactical Response Plan. He stated that Colonial was extremely responsive and frank about the issues and he was impressed by their preparedness. Ms. Butani reported that the Committee overall was very impressed by what Mr. Bieber stated about the meeting and Colonial's willingness to take action to prevent accidents.

Jessica Brandt-Edwards, Manager of Water Quality, reported on the Colonial and Hawthorne Cleaning and Lining Project that has been completed and the process used to improve water quality. Tsedale Berhanu, Manager of Technical Support Services, reviewed challenges and lessons learned during the process.

### **D.C. Retail Water and Sewer Rates Committee**

Reported By: Alan Roth, Chair

Mr. Roth indicated that his briefing is on the Committee meeting on July 22 and the special meeting held on September 3 by conference call. During the July 22 meeting the Committee reviewed Management's retail rates recommendations for 2015. Mr. Roth stated that Mark Kim, Chief Financial Officer, discussed each of the volumetric rate increases being requested, 7.5 percent per CCF for water and sewer rates. The main drivers of the increases are the decline in consumption and the increases in personnel and debt service costs. Mr. Kim also stated that absent a planned draw down of \$17.5 million from the Rate Stabilization Fund, these proposed increases would be closer to 13 or 14 percent.

For the Clean Rivers Impervious Area charge, management is proposing an increase to \$4.90 per ERU per month, from the current \$11.85 per month to \$16.75. At 41.4 percent, this is the largest single line item increase in the proposal necessitated by the fact that D.C. Water will be at the peak of spending for the Clean Rivers Project in the coming fiscal year.

Mr. Roth reported about the Committee's discussion about affordability for low-income customers and its proposed non-joint use resolution recommended for Board approval. The resolution articulates certain general principles of affordability for low-income customers which will be part of the discussion when the Board later considers and sets retail rates. The Committee anticipates receiving a presentation this fall on affordability issues and programs.

A special meeting of the Retail Rates Committee was held on September 3, 2014 to discuss contract negotiations with the District's Chief Financial Officer and other officials in an effort to resolve issues. As a result of the special meeting a new resolution was approved that will alter the Pilot Fee by reducing it from the current 53 cents per CCF to 46 cents per CCF in FY 2015. This represents moving from a proposed 15 percent increase to a 13 percent reduction in the fee, a swing of 28 percent. This will also lower the overall rate increase for D.C. Water retail customers from 12.2 percent to 11 percent.

The Committee also recommended that the General Manager be authorized to enter into a new memorandum of understanding (MOU) with the District that has four main elements. The first is that the Pilot Program for FY 2015 will be just over \$15.3 million, approximately halfway between where several cost of service studies could have placed the figure. The second element is that the MOU will be for 10 years rather than open-ended as the last one was. Third, during the 10 year period the amount of the Pilot Fee will increase by a fixed amount of 2 percent per year roughly in anticipated administrative inflation, instead of the much higher increase in the water and sewer rate under the old MOU. Fourth, the roughly \$30 million in escrow as of the end of the fiscal year D.C. Water agreed to split evenly with the District. The remaining escrow funds will be retained for the exclusive benefit of District ratepayers. Two resolutions are recommended for Board approval.

Mr. Roth thanked Chairman Lew, Mr. DeWitt (District Chief Financial Officer), Mr. Hawkins, Mr. Kim, and Mr. Hayman, and others for all their efforts to put the agreement together after many years.

### **Finance and Budget Committee**

Reported By: Timothy Firestine, Chair

Mr. Firestine stated that the Committee met on July 24, 2014 and received the June 2014 Financial Report. With 75 percent of the fiscal year completed, revenues were at 74 percent and expenditures at 72 percent. The capital budget is running ahead of estimate at 91 percent. There is an updated version of the financials in the General Manager's Report which shows through the end of July with 83 percent of the year completed, revenues at 83 percent, expenditures at 79 percent, and reserves at 105 percent or \$135 million, above the target of \$125 million.

Mr. Firestine reported that they discussed the 2015 budget which they look at this time of the year to see if it needs to be amended or revised, and they concluded that there are no recommendations to change or revise necessary.

### **Chairman Lew's Announcement**

Chairman Lew announced that Nicholas Majett, Principal Board Member from Prince George's County, had agreed to serve as Chairman of the Audit Committee and Vice Chair of the Strategic Planning Committee. He stated that other appointments may be announced at the next Board meeting.

### **General Manager's Report**

Reported By: George Hawkins, General Manager

Mr. Hawkins announced that Robert Hoyt had stepped down from the Board as Principal from Montgomery County. He stated that when Mr. Hoyt is in attendance, he wants to give his and D.C. Water's accolades to him for his many years in public service and as Chair of the Board's Environmental Quality and Sewerage Services Committee.

General Manager Hawkins introduced the bankers who were present, Jeff Scruggs and Freda Wang from Goldman Sachs, and announced that they wanted to make a special presentation to Chairman Lew. Chairman Lew has been working with them for over 20 years and most recently on D.C. Water's Century Green Bond initiative. Mr. Scruggs presented a memento to Chairman Lew from the bond transaction which was unique. He also recognized the efforts of the Board, Mr. Hawkins, and the staff for their efforts.

Mr. Hawkins stated that the bond transaction was unique and gets a lot of attention in the industry. He announced that delegations from the Los Angeles Department of Protection, Texas, and others are coming to discuss the transaction with him. The Executive Director of the American Waterworks Association will be dedicating his next editorial to the transaction. It expanded the range of choices available in the industry.

The importance for D.C. Water having an effective state-of-the-art, world class, communication system fully integrated for emergency response, day to day operations, and WiFi capability, was highlighted by Mr. Hawkins. Joe Taylor, Communications Specialist, was commended for his expertise, diligence, vision, and hard work in ensuring that a state-of-the-art system was

effectively implemented. He also recognized Thomas Kuczynski, Director of Information Technology (IT), for orchestrating it from the IT perspective.

Mr. Hawkins informed the Board of some awards received by the enterprise. The first was the Water Environment Foundation's Camp Award for Applied Research for Sudhir Murthy's efforts in demonstrating a unique application of research and applying it to wastewater treatment facilities. D.C. Water also received the International Water Association's Applied Research Grand Honor Award for mainstream animox application. This award is shared with the Hampton Road Sanitation District, Singapore PUB, and Stross, a facility in Austria.

The General Manager highlighted several items detailed in this month's Report which included D.C. Water being above projections for both SPLASH and CAP projects which support low income customers; continued recruitment of new hires totaling 87 in 2014; on time vendor payments above 97 percent; efforts to prioritize IT projects to focus on completion; the success of the Pilot negotiations; and the efforts to save D.C. ratepayers \$130 million under the 10-year financial plan.

**Consent Items (Joint Use)**

Chairman Lew asked for a motion to approve the joint use contract items. Mr. Firestine moved to approve Resolutions 14-50 through 14-52 and it was seconded. The motion to approve Resolutions 14-50 through 14-52 was unanimously approved by the Board.

**Consent Items (Non-Joint Use)**

Chairman Lew asked for a motion to approve non-joint use items. Mr. Roth moved to approve Resolutions 14-53 through 14-58 and it was seconded. The motion to approve Resolutions 14-53 through 14-58 was unanimously approved by District members of the Board.

Chairman Lew adjourned the meeting at 10:18 a.m.

  
Secretary to the Board of Directors