



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

**MEETING MINUTES
THURSDAY, DECEMBER 3, 2015**

Present Directors

Matthew Brown, Chairman, District of Columbia
Nicholas Majett, Prince Georges County
Timothy Firestine, Montgomery County
James Patteson, Fairfax County
Ellen O. Boardman, District of Columbia
Bradley W. Frome, Prince Georges County
Alan Roth, District of Columbia
Carla Reid, Prince Georges County
Kendrick E. Curry, District of Columbia alternate to Rachna Butani Bhatt

Present Alternates

Sarah Motsch, Fairfax County
Howard C. Gibbs, District of Columbia
Bonnie A. Kirkland, Montgomery County

DC Water Staff

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

Chairman Brown called the 215th Meeting of the District of Columbia Water and Sewer Authority's Board of Directors to order at 9:35 a.m. Ms. Manley called the roll and a quorum was established.

Approval of the November 5, 2015 Minutes

Chairman Brown asked for a motion to approve the November 5, 2015 minutes. The motion to approve the November 5, 2015 minutes was moved and unanimously approved by the Board of Directors.

Chairman's Overview

Chairman Brown stated that the recent Board Retreat was a very successful event. There was a lot of discussion about the Strategic Plan and some of the new initiatives that D.C. Water may pursue. It was a good opportunity for the Board members to get together and have good conversations.

Two of the items in the Strategic Plan will be voted on by the Board following the meeting. These have been discussed in committee meetings and also at the Board Retreat. All of the Board committees will meet with the Strategic Plan team on the development of outcome measures.

Chairman Brown reminded the Board members who attended the Retreat that they were asked to respond to a survey to provide feedback on the Retreat. Ms. Manley will resend the link to the survey.

There are 16 joint use consent times and 1 non-joint use consent item. Chairman Brown indicated that this represents a lot of work that has been completed over the last month.

General Counsel Hayman was on the agenda to make a presentation about the Board's responsibilities under the Board of Ethics and Government Accountability.

Chairman Brown announced that Anna Harvey from the District of Columbia has been appointed an Alternate member of D.C. Water's Board of Directors. He asked that everyone welcome her. She is Director of the District Department of Small and Local Business Development and worked in the financial field for a number of years. She also served as President and Chief Executive Officer of the Greater Washington Hispanic Chamber of Commerce. He reported that she has not yet been sworn in but he has asked her to participate on the Board before that happens. Chairman Brown reported that he and Ms. Harvey participated in the same confirmation hearing before the City Council.

The FY 2017 budget was on the agenda for approval. Chairman Brown pointed out that there had been a tremendous accomplishment by the Board and staff to get the budget ready for approval. He stated that last year D.C. Water projected rate increases for 2 years at 6.5 percent for FY 2016 and 6 percent for FY 2018. Action would now be taken to approve rates for 2 years at 5 percent. He thanked the General Manager and CFO for their leadership. What will be approved will be not to exceed amounts. Chairman Brown stated that work will continue on the budget, so if there are additional questions, they can be addressed. He wanted everyone to remember that rate hearings would be held in each ward, so it is not over until it is over.

Chairman Brown acknowledged General Counsel Randy Hayman who had accepted a position at one of the premier environmental law firms. He stated that the Board will do a more formal thank you in the near future. He thanked Mr. Hayman for his good advice and counsel and told him that he had been a tremendous asset to the Board.

The evaluations for the General Manager are due and Chairman Brown asked the Board to complete and submit them within the next two days.

Chairman Brown reminded everyone that the weather would be getting cold soon and that everyone expects water main breaks. He thanked Assistant General Manager Charles Kiely

and Union President Jonathan Shanks in advance for their dedication, support, and those long hours.

Governance Committee

Presented By: Alan Roth

Mr. Roth stated that the Committee met on November 10, 2015 and received a report from Korey Gray, Compliance Officer, on the D.C. Water Works Employment Program. Through September 2015 there was an increase of eight workers in the category of goods and services contracts. Since the beginning of FY 2015 there were 30 new hires, 26 from user jurisdictions. In the category of non-major construction projects for September there was an increase of 23 positions. More details are available in the report on the website.

Mr. Gray provided an update on a mini-job fair that had been coordinated with American Contracting and Environmental Services. Details are available in the meeting minutes.

Mr. Roth reported that the Committee discussed with the General Counsel the Authority's new policy regarding employment ethics, conflicts of interest, and standards of conduct that pertain to nonunion employees. The changes had previously been presented to the Committee but they had some questions about provisions concerning gifts, speaking engagements, attendance at conferences, hiring of employees, and post-employment. Proposed changes in standards applicable to union employees are being discussed with union representatives. The General Counsel was asked to provide a response to some of the questions about the post-employment provisions. Mr. Roth noted that later in the meeting General Counsel Hayman will present standards that apply to Board members.

Human Resources and Labor Relations Committee

Reported By: Bradley Frome, Chair

Mr. Frome indicated that the Committee met on November 10, 2015. One agenda item was tabled until the January 2016 meeting—wastewater collections training.

During the meeting the Committee received an update on the health and welfare benefits renewals plan that included the annual premium rate increases and the final rates negotiated by D.C. Water's benefit consultant. Also updated was the plan design changes to the medical plan for CIGNA, CIGNA PPO, and Kaiser HMO, and the overall medical premium savings achieved.

Mr. Frome reported that benefits for part time D.C. Water employees were discussed and those benefits would include medical, dental, vision, life, AD&D long and short terms insurance, retirement, and leave. The benefits will be effective on January 1, 2016.

The Committee discussed and recommended two action items for Board approval.

An Executive Session was held.

D.C. Retail Water and Sewer Rates Committee

Presented By: Alan Roth, Chair

Mr. Roth stated that the Committee met on November 17, 2015. CFO Mark Kim provided an update on the status of new rate design implementation for the current fiscal year. The internal

auditors plan to conduct a post-implementation audit that will be completed in January and submitted to the Committee.

The Committee was provided with a presentation on the staff's proposal for new rates for Fiscal Years 2017 and 2018. This will be the first time D.C. Water moves to a two-year rate proposal and implementation process. Mr. Kim presented the potential benefits and potential risks of going to a multi-year rate structure. Mr. Roth reported that Mr. Kim provided a slide showing many utilities that have a rate structure that extends from two to ten years. Mr. Kim also presented a high level breakdown of the proposed multi-year rates and the proposed water and sewer rate increase of 5 percent. The residential customer bill will increase from \$96.53 to \$101.46 in FY 2017 and to \$107.65 in FY 2018. For a low-income CAP customer, the bill would increase from currently \$53.59 to \$56.80 in FY 2017 and to \$61.11 in FY 2018, which represents a discount of 44 percent in FY 2017 and 43 percent in FY 2018. See the meeting minutes on the website for more details.

Mr. Roth reported that the Committee also discussed the process of going through the two-year versus the yearly process, the status of the Rate Stabilization Fund and what is best for ratepayers, and an explanation by Mr. Kim on the Board approved FY 2015 Financial Plan against the actuals.

Environmental Quality and Sewerage Service Committee

Reported By: James Patteson, Chair

Mr. Patteson stated that the Committee met on November 19, 2015 and received an update on Blue Plains Plant performance. Aklile Tesfaye, Assistant General Manager for Wastewater Treatment, reported that under the EPA mandated effluent nitrogen limits the Plant has removed approximately 1.4 million pounds of nitrogen over the required limits. Plant performance is excellent, with 100 percent permit compliance.

Biosolids tonnage is down with the activation of the Cambi System. Mr. Tesfaye stated that they received written confirmation. The Virginia Department of Environmental Quality approved Blue Plains biosolids as Class A, which frees it for marketing. Mr. Tesfaye indicated that they are still waiting for Maryland's certification and that approval is anticipated. The Heat and Power Facility continues to operate in the commissioning phase, with all systems undergoing testing and optimization. Average energy generated during the commissioning phase has been 163 megawatts per day, which is 28 percent of the total need for Blue Plains.

Mr. Patteson reported that Ms. Maldonado, Director of the Engineering and Technical Services Department, provided an update on the Potomac Interceptor and the Odor Abatement Project. There is good news that all facilities have been completed. Fairfax and Loudon sites are undergoing turnover and doing the final punch list.

The not so good news is that a number of odor complaints have been received. At D.C. Site 1995 there was a complaint received. An investigation showed that work was underway in the C&O Canal and that some of the odors might have been contributed by that work. Old Angler's Inn also experienced a complaint and samples have been taken to see if there is something going on there. They will continue to monitor that site which hopefully is an anomaly. These two sites will continue to be monitored.

Mr. Patteson reported that five joint use action items were considered and recommended for approval by the Board. The five were option year for the protective services contract, a

modification for telecommunications with Verizon, for SCADA, local phone system, replacement of grid classifiers, option year for work uniforms, and a construction contract for cleaning and inspection at the sewer system adjacent to the Kennedy Center.

Ms. Maldonado provided an update on the Capital Improvement Program (CIP), with the disbursements at about 3.7 below the baseline. The Committee reviewed the key performance indicators (KPIs) of design completion and construction start and end. Sixty-six percent were started or completed on time.

The Committee also discussed the KPIs and how they are done and how the schedules are set early on. Ms. Maldonado stated that they are looking to update the KPIs in order to have a more comprehensive review of indicators that go into those metrics. This will be reported in future updates.

The St. Elizabeth Water Tank Project is late. Ms. Maldonado reported that permitting has been a contributing factor but they expect the project to be advertised soon.

Joint Meeting of the Environmental Quality and Sewerage Services Committee and the Water Quality and Services Committee

Reported By: James Patteson

Mr. Patteson stated that the Joint Committees met after the Environmental Quality and Sewerage Services Committee meeting and received an update on the 10 Year CIP. The total value of the 10 Year CIP for FY 2016 through FY 2025 is \$10.4 billion. The report is available on the website.

As covered during the Strategic Planning Retreat, the Committee focused on where the spending is going in the future and hitting the targets in terms of reinvestment in the sewer and water infrastructure. Due to aging infrastructure a 10 year-period will include \$50 million of spending for the sewer system and \$60 million in spending in the water system each year to meet the strategic targets. In terms of enhanced nitrogen removal and the permanent requirements, a lot of spending will be “inside the fence” which is shared with the jurisdictions. Also future spending will be “outside the fence” in the Clean Rivers Project and the collection distribution system.

Mr. Patteson reported that Ms. Maldonado updated the Committee on the Asset Management Program. Craig Fricks, Manager of the Enterprise for Asset Management, discussed that structure which includes a steering committee comprised of Executive Management. There is also a working team comprised of employees from the operational areas which is a little bit of a culture change. They will look across the whole enterprise in terms of prioritizing assets based on risk and performance criteria and ongoing maintenance and operations.

There was also a short presentation on some of the draft metrics directly related to an impact on the customers.

Mr. Patteson reported that the Committee recommended approval of two action items, one the project lifetime budget on the capital side and two, the disbursements.

Water Quality and Services Committee

Presented By: Harold Gibbs

Mr. Gibbs stated that the Committee met on Thursday, November 19, 2015. Assistant General Manager for Customer Care and Operations Charles Kiely reported on the total coliform rule testing. There was one positive in October. Tests were conducted upstream and downstream from the location and nothing was found. This indicates that the contamination is inside the system of the property tested, not in D.C. Water's system. So far in November there were no positives.

Mr. Kiely reported on the lead and copper rule monitoring and as of the date of the meeting, 65 samples were tested, with an average of 4.9 parts per billion, well below the action level. There were 27 additional samples in the laboratory and it is expected that there will be no problem reaching the 100 samples needed by the end of December.

David Walls, Manager of the Fire Hydrant Upgrade Program, indicated that of the 9,453 public hydrants, 43 hydrants are out of service. This is a decrease from 59 the month before. Of the 43 defective, 15 are related to obstruction by construction. There was a reduction in the hydrants that have been out of service for more than 120 days. This is something the Committee was concerned about and efforts have been made to reduce those out of service hydrants.

The Committee asked for an update on private fire hydrants. According to Mr. Walls, the Authority has no responsibility for them, but does keep an eye on them. There is legislation that allows the City to decide that D.C. Water should take over maintenance of those hydrants when a problem arises.

Finance and Budget Committee

Presented By: Timothy Firestine, Chair

Mr. Firestine indicated that the Committee met and reviewed the October Financial Report which showed that everything in the operating budget is on track after one month of the new fiscal year. Revenues are slightly ahead and expenditures are slightly under budget, which is what is desired.

Capital budget disbursements were higher than projected but that is mainly attributable to year-end invoices being processed related to the closing process.

Mr. Firestine reported that in the closing process for FY 2015, based on audit results the net income came in \$60 million above what was approved by the Board. The Committee recommended to the full Board approval of a Resolution No. 15-107 which takes \$17.5 million of that amount and contributes it to the Rate Stabilization Fund and transfers \$22.3 million to pay-go. Mr. Firestine stated that the balance of \$20 million will be applied to the reserve so that cash would be above the targeted level. The proposed operating budget decreases \$5.8 million. The capital budget is \$1.18 billion below the 10 Year Capital Disbursement Budget for the previous plan. The main drivers in the operating budget were the facts that services costs were lower as a result of the delay in issuance of bonds from 2015 to 2016 and savings from the Digester Project.

General Manager's Report

Reported By: George Hawkins, General Manager/CEO

Mr. Hawkins stated that some Board members have expressed comments about the amount of time it takes them commuting to and from committee meetings to support the Authority. They

often have members contribute to meetings by phone. Mr. Hawkins indicated that they are looking into using a system like Skype. This can be accomplished with the new laptops the Board is using. A visual participation may be easier and more productive.

Mr. Hawkins informed the participants that the Board Retreat was an excellent day. He thanked the Board for participating. Mr. Hawkins also thanked Biju George, Chief Operating Officer, Sarah Neiderer, Strategic Planning Chief, Bo Menkiti, and Chairman Brown for setting up the agenda which focused on the manner in which the Strategic Plan and other measures will give attention to the core of the business. It also looked at how D.C. Water is performing on metrics that reflect the direction D.C. Water is heading and on some of the interesting revenue-generating ideas. Some of those ideas would generate revenue that would be used to take some pressure off wholesale and retail ratepayers.

The financial side of the enterprise will be big in December. Mr. Hawkins reminded everyone that in this meeting the Board will consider and approve the budget for FY 2017 (a not to exceed budget), CIP disbursements, the Financial Plan, the 10 Year CIP, and a two-year retail rates proposal. There will be numerous public outreach events, further assessments of the budget, and opportunities for modifications.

Mr. Hawkins informed the participants that during the week he and the CFO had taken action on the Extendable Municipal Commercial Paper Program. D.C. Water sold \$50 million apportioned for 30 days at 1.2 percent and apportioned for 90 days for 1.4 percent. He reported that D.C. Water now has a debt portfolio supporting the enterprise from 30 days to 100 years. Mr. Hawkins stated that they are always looking at the complement between various durations to make sure D.C. Water is getting an optimal collection for risk and for interest consequence. He congratulated CFO Mark Kim and his team on their efforts.

General Manager Hawkins mentioned that the Bailey Facility continues to get tremendous coverage because of its bioenergy. A summary of that coverage is in the General Manager's Report which is on the website. Mr. Hawkins stated that a friend of his who participated in the climate change meetings in Paris sent him a snapshot of a spot he saw on the Bailey Bioenergy Facility. D.C. Water's efforts such as the Bailey Facility which is supported by the District and the suburbs jointly are radiating worldwide which is spectacular.

According to General Manager Hawkins, D.C. Water has been a party to the PEPCO-Exelon merger and has been negotiating with PEPCO because the majority of benefits are slated for residential customers and D.C. Water is not classified as residential. This is true even though the majority of D.C. Water's customers are residential and costs for electrical services are passed directly through to them. Successful negotiations will ensure that D.C. Water's customers benefit also. Two types of direct benefits are being negotiated to support D.C. Water. One is a \$2 million investment in the Green Infrastructure and Green Jobs Programs. Second is a plan for the PEPCO-Exelon merged enterprise to pay for the construction of a five megawatt photovoltaic facility at Blue Plains. Negotiations will continue. Mr. Hawkins announced that he will be testifying at a hearing the day after the meeting before the Public Service Commission.

Mr. Hawkins announced to the Board the promotion of some employees and new hires who have joined Team Blue. The employees are as follows: Sam Banner promoted to Manager for Learning Development in Human Capital Management; Tsedale Berhanu promoted to Manager for Construction Contract Management for Customer Care and Operations; Theresa Bruton promoted to Manager in Asset Management and Wastewater Treatment; Myacia Rorick

reclassified as Business Operations Manager; Jennifer Harper hired as Principal Counsel in the General Counsel's Office; Allyson Kitchel hired as Principal Counsel in the General Counsel's Office; Goran Pucar hired as Program Manager for Support Services; and Gert Van der Walt promoted to Supervisor for Planning in the Department of Engineering and Technical Services. Mr. Hawkins and Chairman Brown congratulated those promoted and welcome the new hires.

D.C. Ethics Law Presentation

Presented By: Randy Hayman, General Counsel

Randy Hayman, General Counsel, stated that the purpose of the presentation was to refresh Board members of their obligations and remind them of the ethics law under the D.C. Board of Ethics and Government Accountability (BEGA). He announced that BEGA is responsible for annual training in the future. Mr. Hayman asked the members to pull out a certification from their folders which acknowledges receipt of ethics laws, an awareness of what they are, and agreement to comply with them. The form should be signed and handed it in to Ms. Manley.

The D.C. Water Board of Directors is under BEGA because the members are considered public officials and have been appointed by the Mayor to serve. Violations of the ethics laws could result in civil fines, employment actions, or censor. Directors must maintain a high level of ethical conduct in performing Board duties and refrain from actions that would adversely affect public confidence in the integrity of D.C. Water.

Mr. Hayman presented a summary of the general principals and then went into more detail on accepting gifts, conflicts of interest, and financial disclosure statement requirements. He asked that members who have questions contact the General Counsel's Office. Mr. Hayman reminded them again that BEGA was responsible for ethics training and they would be notified by BEGA of the required training.

Consent Items (Joint Use)

Chairman Brown asked for a motion to approve joint use items. Mr. Firestine moved to approve Resolutions No. 15-92 through 15-107 and it was seconded. The motion to approve Resolutions No. 15-92 through 15-107 was unanimously approved by the Board. Mr. Roth recused himself from voting on the Verizon contract

Consent Items (Non-Joint Use)

Chairman Brown asked for a motion to approve a non-joint use item. Ms. Boardman moved to approve Resolution No. 15-108 and it was seconded. The motion to approve Resolution No. 15-108 was unanimously approved by the District of Columbia members of the Board.

There being no further business or questions, Chairman Brown adjourned the meeting at 10:43 a.m.

Secretary to the Board of Directors