



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

**MEETING MINUTES
THURSDAY, February 5, 2015**

Present Directors

Edward L. Long, Second Vice Chairman, Fairfax County
Rachna Butani, District of Columbia
Nicholas Majett, Prince George's County
Obiora "Bo" Menkiti, District of Columbia
Timothy Firestine, Montgomery County
Robert L. Mallett, District of Columbia
Alan J. Roth, District of Columbia
Ellen Boardman, District of Columbia

Present Alternates

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

DC Water Staff

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

Second Vice Chairman Long called the 206th Meeting of the District of Columbia Water and Sewer Authority's Board of Directors to order at 9:33 a.m. The roll was called and a quorum established.

Approval of the January 8, 2014 Meeting Minutes

Second Vice Chairman Long asked for a motion to approve the January 8, 2014 minutes. Mr. Roth moved that the minutes be approved and the motion was seconded. The minutes were approved unanimously by the Board of Directors.

Chairman's Overview

Second Vice Chairman Long stated that he was giving this time to CEO/General Manager Hawkins to add on to his presentation of the General Manager's Report.

Governance Committee

Reported By: Ellen Boardman, Chair

Ms. Boardman stated that the Committee met on January 14, 2015. Korey Gray, Compliance Officer, updated the Committee on two programs under the D.C. Water Works Employment Program. The Workforce Training Pilot Program consists of two D.C. Water contractors, Capitol Paving and Fort Meyer Construction, who each have two trainees. Mr. Gray reviewed the allocated training budget, the expenditures for each trainee for wages and benefits, and the separate training contribution for certifications. In addition, Mr. Gray spoke about the level of D.C. Water's oversight monitoring of the program to ensure compliance and continuing progress. The monitoring includes submission of monthly reports, regular meetings with the contractors, and discussions with the trainees. Mr. Gray is preparing a report on what lessons have been learned and how the program can be improved. The Committee expressed its desire to continue promoting training and career opportunities for workers through D.C. Water programs

Ms. Boardman indicated that the Committee and Mr. Gray then moved to a discussion of the Workforce Incentive Pilot Program under which two contractors receive incentive payments based on the number of D.C. residents they hire. Mr. Gray reported that the program is coming to a close and the Committee will receive a report upon its completion.

Mr. Gray also reviewed the activity of the job centers. The Committee members expressed their pleasure with the progress and what additional steps could be taken to expand and enhance the programs. D.C. Water will continue to promote local hiring.

Ms. Boardman stated that the Committee received a report from General Counsel Hayman on the proposed amendments to the Procurement Manual. This effort has been underway for over a year and the Committee commended the General Counsel's Office for the comprehensive review of the manual's rules. Ms. Boardman indicated that the Committee's purpose is to ensure that D.C. Water has contractors who understand their responsibilities to D.C. Water and that bad actors are prevented from participating in the projects.

Mr. Hayman reviewed the proposed rule changes and clarifications. Ms. Boardman stated that the Committee will continue to review them until they come up for a recommendation for approval in the Committee's March meeting. It is planned that they will be presented to the Board at the April meeting.

Environmental Quality and Sewerage Services Committee

Reported By: Howard Gibbs

Mr. Gibbs reported that the Committee met on January 15, 2015. Walter Bailey, Assistant General Manager for Wastewater Treatment, updated the Committee on the performance of the Blue Plains Advanced Wastewater Treatment Plant. The Plant as usual is operating within all of the permit requirements. Mr. Bailey reported on the Enhanced Nitrogen Removal Facility where all projects have been completed and it has now been placed in service.

Mr. Bailey explained that the Methanol Facility contractor is required to demonstrate that there are no leaks in the piping before D.C. Water's final acceptance of the facility. There is annual testing required by the D.C. Department of the Environment.

It was reported that the digesters continue to operate and that approximately 60 percent of biosolids are going through the hydrolysis process. The remaining 40 percent of biosolids is expected to be processed by the end of the month. When 100 percent is being processed by the digesters, they expect there to be less trucks running in and out of Blue Plains. Class A biosolids is being produced.

Mr. Gibbs stated that the Odor Abatement Project is coming along fairly well. There is a problem with one of the Virginia sites because Dominion Virginia Power has delayed providing the electrical installation. Board member Patteson from Fairfax County has offered his assistance in resolving the situation. The Old Anglers Inn continues to have odor issues and efforts are still being made to resolve those issues before the odor season recommences.

There were two contracts presented for recommendation by the Committee for Board approval. The first one was an engineering services agreement for assessing, rehabilitating, upgrading, and improving the sewer system, and the second is a request to execute a contract to rehabilitate the Pope Branch Stream. Mr. Gibbs reported that the Committee recommended both contracts for approval.

Mr. Mallett stated that he did not understand the explanation for why there is no minority contractor participation required by one of the contracts. He requested clarification before the Board vote for approval. Mr. Gibbs explained that the Committee had questioned this also. The contractor will be working in the stream bed which is an environmentally sensitive area. The proposed contractor has extensive experience working in these situations. The Committee was informed that this contract was different because the work was of a specialty nature and only specifically trained and equipped contractors could perform the work. In addition to working in the stream bed, the contractor must provide materials like concrete and piping. The requirements for selection of the contractor is therefore different. Mr. Gibbs indicated that they asked about minority contractors providing goods and services if none were qualified to perform the stream bed work.

Mr. Mallett still required more of an explanation, so Leonard Benson, Chief Engineer, responded that they have been working with the contractor to encourage them to go out and get minority and women business participation. So far they have obtained a 6.4 percent participation and are still working on it. Mr. Benson agreed that these efforts should have been undertaken before this point is reached and the Board is asked to approve a contract. Mr. Mallett indicated that this is a serious problem with the process and he does not think anything will change after

the contract is approved by the Board. He stated that he did not want to hold up the contract if it could not be delayed but felt this was a critical matter.

Ms. Richardson agreed with him and suggested that some type of written stipulation be included that requires action by the contractor. After more discussion of this issue, Mr. Roth pointed to an asterisk on the fact sheet that stated that due to the nature of the work, the market for DBE subcontractors was not expected to be sufficient to meet the fair share objective, et cetera. He recommended that they be more careful in writing up the fact sheets. Mr. Roth also suggested that if feasible the contract be held for 30 days, until the next Board meeting. Mr. Benson stated that that would not be a problem and that in the future they would take additional action to ensure that the process is followed. When the situations with contractual awards are different from the routine, the approach must be different.

Second Vice Chairman Long stated that non-joint item Resolution 15-23 would be deferred.

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

Reported By: Howard Gibbs

Mr. Gibbs stated that the Committees met on January 15, 2015 to discuss the Capital Improvement Program, more specifically the lifetime capital budget. He indicated that the lifetime budget looks at the lifetime costs of any project that is ongoing or will start within the next ten years. Mr. Gibbs stated that there had been an increase of \$740 million because some projects such as the nitrogen removal project will be coming off the chart and new projects will go on to it. The projects are mandated by government decrees, the Board of Directors, safety related issues, etc. These projects stand at the end of the line and they hope there is enough money left over to try to work on some of them. The Committee is recommending approval by the Board of contracts concerning the \$10.1 billion lifetime budget.

Water Quality and Water Services Committee

Reported By: Rachna Butani, Chair

Ms. Butani reported that the Committee meet on January 15, 2015. Charles Sweeney, Manager of the Pumping Division updated the Committee on water quality monitoring. He stated that there was zero positive samples for the total coliform rule testing for December and one positive in January. Ms. Brandt Edwards, Water Quality Manager, indicated that the positive was at a fairly new site and that they were still investigating to determine if there was any activity in the area that might have caused the positive sample. Mr. Sweeney noted that for the lead and copper rule monitoring the next period of monitoring would begin on January 26, 2015 and that therefore there was no update.

Ms. Butani stated that the Fire Hydrant Upgrade Project update was presented by David Walls, Manager of Distribution. Of the 9,400 public hydrants, approximately 120 were out of service, half due to defect and half due to construction. Mr. Walls stated that there was a light increase in out of service hydrants because this is the water main break season when their resources are focused on addressing those emergencies instead of focusing on repairs.

Jason Hughes, Director, Water Distribution, provided a summary of the incident related to the petroleum-based smell in the R Street area. Mr. Hughes presented a detailed summary of what happened and the action taken by D.C. Water and other government agencies. D.C. Water's

employees were critical in resolving the issue. The Committee thanked everyone involved for their service. Details can be found on D.C. Water's website.

Ms. Butani reported that the Committee agreed to hold meetings every other month by conference call and every other month in person. They hope that this encourages more participation in the meetings.

Finance and Budget Committee

Reported By: Robert Mallett

Mr. Mallett stated that the Committee met and discussed the capital and operating budgets for 2016. The drivers in the budget for increased costs are personnel services, utilities, and debt service. The costs of electricity and power are going down overall because the Digester Project went online. They are trying to lock in some low rates for future power.

Mr. Mallett reported that they made some slight changes in the budget projections for sanitary and compliance rule, overflow service area and also had an opportunity to visit the issue of refunding some of D.C. Water's bonds. They will ask the Committee to approve the refunding in the amount of approximately \$390 million worth of bonds. This will include all of the past series now that they have caught up. Mark Kim, Chief Financial Officer, stated that it would include the remaining bonds potentially in the series that was partially refunded last fall. Mr. Mallett reported that the savings from the refunding will be about \$36 million.

Mr. Mallett stated that the Committee approved the operating budget, the Ten-Year Financial Plan, the Capital Improvement Plan, and the sale of the bonds. He indicated that the Committee was recommending approval of the consulting contract for financial services and the other items.

D.C. Retail Water and Sewer Rates

Reported By: Alan Roth, Chair

Mr. Roth reported that the Committee met on January 27, 2015 and discussed the retail rates, fees and charges that D.C. Water should propose in the D.C. Register to begin the FY 2016 rulemaking and rate setting process.

Mr. Roth stated that the Committee is proposing moving to a new rate structure in which a larger portion of the retail bill will consist of fixed as opposed to variable rates. This moves D.C. Water away from an undue reliance on consumption based pricing when in fact there are significant fixed costs on the capital side of the budget. The Committee is introducing a new fixed charge referred to as a water system replacement fee that will pay for the Board's decision to speed up replacement of the aging water infrastructure from once every 300 years to once every 100 years. The 1 percent replacement rate costs about \$40 million a year and will be charged based on customers' meter size and average flow. This will amount to an increase of approximately \$6.30 monthly for the average residential customer.

The water rates will be restructured and D.C. Water will be able to establish peaking factors that separate out residential from nonresidential classes so that different rates are charged those customers based on classes. Additionally, water rates for all residential customers will be at or below the FY 2015 rates. For nonresidential customers the rate will rise slightly by 2.8 percent to account for the higher peaking factor for that class. There will be incentivized conservation

for residential customers and the creation of a more progressive rate structure they propose establishing a lower lifeline rate for the first four CCFs of core water consumption.

Mr. Roth reported that the Committee is discussing with the staff a robust outreach and education program on water conservation. The Committee is exploring ways to ameliorate the increases.

Mr. Roth commended Mr. Kim and his staff for a fantastic job working to develop a much more sophisticated retail rate structure.

General Manager's Report

Reported By: George Hawkins, CEO/General Manager

Mr. Hawkins spoke about a meeting he and other staff members attended which was arranged by Board member Brenda Richardson. The meeting was at the D.C. Public Library and related to the Mentor Protégée Program which pairs up well known companies with up and coming companies who wish to learn and gain more awareness and skills to be in the market. He commended them on their ingenuity and creativity.

Mr. Hawkins also announced that Vice President Biden, Secretary of Agriculture Vilsack, EPA Administrator McCarthy, Congresswoman Norton, and Mayor Bowser visited D.C. Water's Blue Plains Advanced Wastewater Treatment Plant in January to raise the significant issue of infrastructure initiatives prior to President Obama's State of the Union Address. They used the Nannie tunnel boring machine as background for the Vice President's address. Mr. Hawkins stated that the Administration has identified infrastructure as one of its priorities both with respect to job creation, economic support to businesses and people around the country. They received a letter after the address from the Secret Service saying that it had been one of the smoothest events they had done and appreciating D.C. Water's efforts. John Lisle, Director of External Affairs, his staff, Will Pickering, and Carlton Ray were tremendous in coordinating everything.

It was reported that the budget reviews usually held in January were delayed until February because of the budget number and huge dollar amounts associated with the large projects now underway or planned for the future. This required preparation of extensive data and documentation so that everything that is underway or planned is understood. Mr. Hawkins thanked the Board's Finance and Budget Committee, executive team, CFO's staff, and everyone who worked on the budget for a tremendous job.

Mr. Hawkins stated that a safety video contest was held in January and there were three winners. First prize went to External Affairs, second to Labor Relations, and third to Engineering and Technical Services.

There were 96 water main breaks in the month of January. The unstable state of the temperatures in the cold months is the biggest challenge for water distribution systems. Mr. Hawkins stated that Charles Kiely and his team, Union President Shanks, and all of his union members are again at the center of D.C. Water's response and are doing a fantastic job.

Mr. Hawkins then introduced new hires and promoted employees to the Board and noted that they all are the best and brightest. The employees are Darelle Quick hired in the position of Assistant Manager for Maintenance and Service Part Materials; Antron Sutton hired in the position of Program Manager for Wastewater Treatment Operations Support; Johnnie Walker

hired to the position of Director of Facilities; Dan Bae hired as Director of Procurement; Sarah Neiderer promoted to Strategic Planning Officer; Bob Hunt promoted to Director of Finance; and Bijou George hired as Chief Operating Officer.

Consent Items (Joint Use)

Second Vice Chairman asked for a motion to approve joint use items. Mr. Firestine moved to approve Resolutions No. 15-15 through 15-21 and it was seconded. The motion to approve Resolutions No. 15-15 through 15-21 was unanimously approved by the Board.

Consent Items (Non-Joint Use)

Second Vice Chairman Long asked for a motion to defer a non-joint consent item. Mr. Mallett moved to defer Resolution 15-23 and it was seconded. The motion to defer Resolution 15-23 was unanimously approved by the Board.

Second Vice Chairman Long asked for a motion to approve non-joint use items. Mr. Roth moved to approve Resolutions No. 15-22 and 15-24 and it was seconded. The motion to approve Resolutions 15-22 and 15-24 was unanimously approved by the District members of the Board.

Randy Hayman, General Counsel, stated that a motion was needed to move into Executive Session to discuss legal, confidential, and privileged matters pursuant to Section 2-575(b)(4) of the D.C. Official Code. Following a vote by roll call, it was so moved. The Board went into Executive Session at 10:32 a.m. and resumed at 11:57 a.m.

Second Vice Chairman Long asked for a motion to approve a joint use item. Mr. Long moved to approve Resolution No. 15-14 and it was seconded. The motion to approve Resolution 15-14 was approved by the Board with four abstentions.

Second Vice Chairman Long adjourned the meeting at 11:58 a.m.


Secretary to the Board of Directors