



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

**MEETING MINUTES  
THURSDAY, JULY 7, 2016**

**Present Directors**

Matthew T. Brown, Chairman, District of Columbia  
Nicholas A. Majett, Prince George's County  
Ellen O. Boardman, District of Columbia  
Timothy Firestine, Montgomery County  
Obiora "Bo" Menkiti, District of Columbia  
Bradley Frome, Prince George's County  
James Patteson, Fairfax County  
Howard Gibbs, Alternate for Vacant Principal, District of Columbia  
Rachna Butani Bhatt, District of Columbia  
David Lake, Alternate for Elisabeth Feldt, Montgomery County

**Present Alternate Directors**

Kendrick Curry, District of Columbia  
Ana Harvey, District of Columbia  
Bonnie Kirkland, Montgomery County  
Sarah Motsch, Fairfax County  
Shirley Branch, Prince George's County  
Adam Ortiz, Prince George's County

**DC Water Staff**

George S. Hawkins, CEO/General Manager  
Henderson J. Brown, General Counsel  
Mark Kim, Chief Financial Officer  
Linda R. Manley, Board Secretary

Chairman Brown called the 222<sup>nd</sup> Meeting of the District of Columbia Water and Sewer Authority's Board of Directors to order at 9:32 a.m. Ms. Manley called the roll and a quorum was established.

### **Approval of the June 2, 2016 Minutes**

Chairman Brown asked for a motion to approve the June 2, 2016 minutes. The motion to approve the June 2, 2016 minutes was moved, seconded, and unanimously approved by the Board of Directors.

### **Chairman's Overview**

Chairman Brown recognized the 2016 summer interns and thanked staff members for their efforts to ensure a successful program. He stated that the interns come from across the world--Columbia, China, Iran, Mexico, Bangladesh, the Ivory Coast, Jamaica, Taiwan, Ethiopia, and of course the United States. They represent universities which include George Washington, Catholic, Morgan State, Bowie, George Mason, Auburn, Temple, and Virginia Tech, and also interns from Illinois, Kansas, and St. Louis.

Chairman Brown stated that the interns have two jobs to do during their internship—learn as much as possible and contribute as much as possible. He also encouraged them to network and make connections which will help them to advance their careers.

During May, the big work of D.C. Water was related to the retail rates which were voted on during this Board meeting. Chairman Brown thanked Rachna Butani Bhatt, Vice Chair of the Retail Rates Committee, and members of the Committee; Mark Kim, Chief Financial Officer; and his staff; George Hawkins, CEO/General Manager, and his staff, Henderson Brown, General Counsel, and other participants for all of their hard work during the process. He reminded everyone that there is still work to be done, specifically the implementation of the retail rates.

Chairman Brown indicated that there were a number of goals set for this major undertaking. One was to make sure D.C. Water had the resources necessary to do all of its work to efficiently perform its functions and that they invested appropriately in the enterprise. The goals also included concerns about the rates set that customers must pay, both residential and commercial customers. Lastly, they considered the low-income ratepayers and whether the rates were fair.

Chairman Brown stated that they will meet with Mr. Firestine and his Finance and Budget Committee concerning actions that they want the Board to consider. In addition, D.C. Water must continue to address lead in the drinking water and the water meter replacements.

### **Environmental Quality and Sewerage Service Committee**

Reported by: David Lake

Mr. Lake reported that the Committee met on Thursday, June 16, 2016. Aklile Tesfaye, Assistant General Manager for Wastewater Treatment, assured the Committee that 100 percent of plant requirements had been met. Excess flow was at 40 million gallons and they were treated and discharged. The Enhanced Nitrogen Removal System is performing good and the discharge permit targets for the Chesapeake Bay were met. Mr. Lake stated that at a recent EPA press conference here at D.C. Water it was announced that the 472 wastewater plants in

the region, Maryland, Virginia, and the District, had met their nitrogen discharge levels ten years ahead of the target date, which is very impressive. In the press conference D.C. Water was given special recognition as the largest wastewater plant for exceeding its permit requirements.

Mr. Lake reported that under the Biosolids Program and its new systems, biosolids produced were 445 wet tons per day and he reminded the Board that in the past he could remember when the production was 1,600 wet tons per day. The difference in the numbers has resulted in a dramatic impact. The biosolids produced are Class A and when the Bloom Program is completed, they will market the top notch quality product, thus adding revenue.

The Combined Heat and Power System associated with the digestion system is producing a third of the power used by the plant which was the goal.

Mr. Lake reported that the Committee recommended Board approval of six joint use and one non-joint use contracts. He stated that one of the contracts was for methanol and before he came for the Board meeting he attended a meeting at the Washington Suburban Sanitary Commission (WSSC) where they initiated a new procurement process for methanol which is required for nitrogen removal. Mr. Lake recommended that D.C. Water work with WSSC concerning the procurement of methanol and the staff agreed.

#### **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 joint committee meeting was held on Thursday, June 16, 2016. Ms. Maldonado, Director of the Engineering and Technical Services Department, gave a presentation concerning an action item up for recommendation and approval. This is related to the Capital Improvement Program and construction program management services. She stated that in the past contractors would manage individual projects and now a decision has been made to use program management and include combined water and sewer projects. The combination of different projects into a single program will better optimize the planning and execution of the Capital Improvement Program.

Mr. Gibbs indicated that the Committee had requested a statement from staff about coordinating with the Asset Management Program. He noted that the Committee was very interested in making sure that as they go through this realignment from project management to program management that the Asset Management Program play a big role. They were assured that it will.

Leonard Benson, Chief Engineer, presented an action item which requested execution of the architectural engineering services agreement to provide program management services for the development and implementation of the Capital Improvement Program (CIP). Mr. Gibbs stated that the Committee recommended the joint use action item for full Board approval.

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

Reported by: Howard Gibbs, Vice Chair

Mr. Gibbs stated that the Committee met and Charles Kiely, Assistant General Manager for Customer Care and Operations, reported that there were zero positive Total Coliform testing samples in May and one in June which is not unusual for this time of year. It was indicated that the report on lead and copper rule monitoring has been filed with the U.S. EPA. The results

were 2 parts per billion, with the EPA action level at 15 parts per billion. The results in Flint, Michigan were several hundred times above the action limit.

D.C. Water recently made available on-line an interactive map showing customers if their underground service lines are lead. For some time, there has been a program to remove lead service lines on the public side when customers planned to remove lead service lines on the private side. The interactive map assists by informing everyone of what D.C. Water know about what customers have underground. For real estate transactions everyone can go to the map and see what is underground which may assist in their decision making. Mr. Gibbs urged customers to make sure their information in the system and if not, complete a water test kit. The results will be entered into the system and reported to EPA.

Mr. Gibbs indicated that an update on fire hydrants was provided by David Walls, Distribution Manager. Of the approximately 9,500 public hydrants 59 were out of service with 29 defective. This is the lowest reported in years. The other hydrants out of service are due to reasons beyond D.C. Water's control, such as construction.

Mr. Kiely briefed the Committee on the Automatic Meter Reading (AMR) Program and indicated that a significant number of meters are reaching the end of their useful life and it is important that they be replaced now. There is a project underway to replace 122,000 meters in a short time frame. Two non-joint use action items were recommended by the Committee for approval by the Board.

Mr. Lake asked a question concerning terminology. He wanted to know if the AMR is the same as the Automatic Meter Infrastructure (AMI). Mr. Hawkins indicated that AMR was the 2002 original meter installation program, and that when the new program is done, it will be the AMI and replace AMR. AMR relates to the level of communication with meters. The new AMI system will allow far more frequent reads from the meter and allow two direction communication with meters.

Mr. Gibbs reported that Jessica Edwards Brandt, Water Quality Manager, briefed them on the project to improve and understand water quality in premise plumbing, inside homes and buildings. Some plumbing actions in homes and buildings are unregulated and may contaminate the water supply. D.C. Water, Corona Environmental Consulting Firm, and Xylem Incorporated are conducting research on premise plumbing and more information will be disseminated.

Mr. Majett asked about the statement that in premise plumbing there are no regulations. He wanted to know if this was in the Department of Consumer and Regulatory Affairs realm which includes installation and inspections of plumbing. Mr. Hawkins indicated that the lack of regulations pertains to the lead levels in premise plumbing in homes and buildings. The only number that has any meaning is the 15 part per billion action level set by EPA. D.C. Water and the District have adopted a 1 parts per billion action level but that is voluntary and not regulated. That is a number presented by the American Association of Pediatric Doctors for achievement in schools, recreation centers and libraries. There are no other regulated levels to set as benchmarks.

#### **Retail Water and Sewer Rates Committee**

Reported by: Rachna Butani Bhatt, Vice Chair

Ms. Butani Bhatt indicated that the Committee met on June 9 and 28, 2016. The June 9 meeting was to obtain a better understanding of how D.C. Water uses its money, whether there is excess, and whether the Board has somehow hampered the ability to have more excess which might reduce rates. This meeting provided a pause by the Committee in order to spend more time evaluating, asking questions, and being more responsible Board members in the process.

Chief Financial Officer Kim briefed the Committee on D.C. Water's operating reserve fund requirements established by the Master Indenture in Board Policy which requires maintenance of a 60 day equivalent of operating and maintenance expenses in its operating reserve fund. The Board has established a policy of maintaining greater than 120 days or \$125.5 million and management has set a target of \$140 million in total cash reserves. The Committee asked numerous questions about the reserve fund including when it has dipped below the required amount, how previous years have fared, and how excesses have been used.

The Committee was briefed on other issues including debt service coverage ratio requirements, the Rate Stabilization Fund and the impact on ratepayers of rate increases to maintain the absolute level of the Fund, and funding the Clean Rivers Program. The Committee asked the staff to consider a number of alternative approaches to balance the amount of Fund replenishment with the current relief of the Impervious Area Charge. Mr. Kim reviewed the Capital Improvement Plan and gave an update on the Fiscal Year 2016 Capital Improvement Disbursement Budget. He also reviewed key FY 2017 operating budget assumptions and risks. A review of the wastewater treatment operations and the digester related assumptions for the FY 2017 budget was done. Mr. Kim presented the proposed FY 2017 and 2018 rates for the Committee's consideration. It was agreed that a decision on approving rate proposals for FY 2017 and 2018 would be held off until the June 28<sup>th</sup> Committee meeting.

Ms. Butani Bhatt recommended that Board members review the June 28 meeting minutes to obtain an understanding of the Committee's robust discussion of how to use the projected surplus of \$13.4 million. The Committee recommended Board approval of the non-joint use resolution. Additional discussion included the issues of affordability, the concern for CAP customers, an increase in the Impervious Area Charge, and a desire to come up with a relief mechanism for those and all customers.

### **Finance and Budget Committee**

Reported by: Timothy Firestine, Chair

Mr. Firestine indicated that the Committee met and received the May 2016 Financial Report and year-end projections. With 67 percent of the fiscal year completed, financials were on track with budgetary expectations. Revenues are at \$393.2 million or 68 percent of the budget, operation expenses at \$302.1 million or 56 percent of the budget, and capital disbursements at \$378.6 million or 69 percent of the budget. Mr. Firestine stated that formal recommendations for use of the surplus will be reviewed at the next Committee meeting.

The Chair reported that the Committee received a briefing on a new approach being considered to finance the Authority's Green Infrastructure Project related to its agreement to incorporate green infrastructure (hybrid green/gray solution) to control combined sewer overflows as part of the D.C. Clean Rivers Program. The approach utilizes an instrument called social impact bonds or at D.C. Water, environmental impact bonds. It is an innovative financing model that will be the first of its kind in the water industry. Under the bonds investors will be repaid based upon the effectiveness or success of the green infrastructure in managing the storm water runoff,

using a three-tiered performance range of potential outcomes. This will be a \$20 to \$30 million program with a 30-year term on the bonds. More information will be provided to the Committee at its next meeting.

Mr. Firestine indicated that they received an update of the Authority's annual insurance renewal. Negotiations are underway and management anticipates a 10.6 percent increase in premium costs. The increase is due to increased operating exposures related to property values and increased payroll and operating budgets.

The Committee went into Executive Session and recommended Board approval of a contract modification for environmental legal services.

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

Reported by: George Hawkins, CEO/General Manager

Mr. Hawkins began his report by welcoming the interns and pointing especially to the local D.C. schools of Howard University, the University of the District of Columbia, Georgetown University, Catholic University, and George Washington University. He indicated that his son is one of the interns, unpaid, and he is very proud of him.

Mr. Hawkins pointed out members of the Board of Directors who are part of the unique governance of the Authority—Timothy Firestine, Chief Administrative Officer for Montgomery County, Maryland; Nicholas Majett, Chief Administrative Officer for Prince Georges County, Maryland; James Patteson, Director of the Department of Public Works/Environmental Services for Fairfax County, Virginia; and Matthew Brown, Budget Director for the District of Columbia. He also encouraged the interns to take advantage of this opportunity.

CEO Hawkins showed the participants the actual U.S. Water Prize for 2016 award received by D.C. Water. It is the highest award given to a water authority. He stated that he provided more information about the award in his blog at [georgehawkins.net](http://georgehawkins.net). Mr. Hawkins indicated that the award is for across the board performance and for the Bailey Bioenergy Facility at D.C. Water.

Mr. Hawkins noted that he will be calling the team together in the next few weeks to assess D.C. Water's full lead program. They will strategize and come to the Water Quality and Water Services Committee and to the District Government to present a strategy that all can jointly agree with.

Mr. Hawkins commended CFO Mark Kim and his team for the fantastic work they have done on financial matters.

Three new hires were announced and welcomed on board. Gwendolyn Brown was hired as Principal Counsel in the General Counsel's Office. Willie Williams was hired as a General Foreman for Industrial and Instrumentation. Kevin Butturff was hired as Program Manager for Asset Management. In addition to new hires, Mr. Hawkins also pointed to promotions within the Authority. Those promoted included Nija Ali to Program Manager for Strategic Initiatives; David Lamm to Supervisor of Purchasing Administration; Jigar Bhatt to Supervisor and Developer, Engineering Review, Permitting Office; Maria Garcia to Program Manager for the Capital Improvement Program; Maureen Schmelling to Manager of Water Quality; Syed Khalil to Director for Rates and Revenue; and Hoa Truong to Manager of Accounting.

Mr. Hawkins announced that in its next meeting the Governance Committee will receive a report on the final D.C. Water Works Program. Included will also be a preview of what is planned for Blue Drop, D.C. Water's efforts to offer services outside of D.C. Water.

**Consent Items (Joint Use)**

Chairman Brown asked for a motion to approve joint use contract action items. Mr. Firestine moved to approve Resolutions No. 16-48 through 16-55, and it was seconded. The motion to approve Resolutions No. 16-48 through 16-55 was unanimously approved by the members of the Board.

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

Ms. Boardman asked a question on the non-joint use Resolution 16-60. She noted that the heading includes a statement that the purpose is to reduce the Fiscal Year 2018 rate increase below five percent, whereas the text states below 6.2 percent. Chairman Brown and Mr. Hawkins stated that the 6.2 percent is the overall rate increase for the average residential customer and the 5 percent is the water and sewer rate portion. By reducing the 5 percent the 6.2 percent would also be equally reduced. Mr. Hawkins stated that the language should match. CFO Kim stated that the language would be changed to match for the record.

Chairman Brown asked for a motion to approve non-joint use action items. Ms. Boardman moved to approve Resolutions No. 16-56 through 16-61, and it was seconded. The motion to approve Resolutions No. 16-56 through 16-61 was unanimously approved by the District of Columbia members of the Board.

Chairman Brown asked for a motion 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. It was so moved and seconded. A roll call vote was conducted and the motion was approved unanimously. The Board went into Executive Session at 10:40 a.m. The public meeting was resumed at 11:04 a.m.

There being no further business, the meeting was adjourned at 11:04 a.m.

  
Secretary to the Board of Directors