



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

**MEETING MINUTES
THURSDAY, MARCH 3, 2016**

Present Directors

Matthew Brown, Chairman, District of Columbia
Rachna Butani Bhatt, District of Columbia
Timothy Firestine, Montgomery County
James Patteson, Fairfax County
Ellen O. Boardman, District of Columbia
Howard Gibbs, Alternate for Vacant Principal, District of Columbia
Rachna Butani Bhatt, District of Columbia
David Lake, Alternate for Elisabeth Feldt, Montgomery County
Nicholas Majett, Prince George's County

Present Alternates

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

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 218th Meeting of the District of Columbia Water and Sewer Authority's Board of Directors to order at 9:38 a.m. Ms. Manley called the roll and a quorum was established.

Approval of the February 4, 2016 Minutes

Chairman Brown asked for a motion to approve the February 4, 2016 minutes. The motion to approve the February 4, 2016 minutes was moved and unanimously approved by the Board of Directors.

Chairman's Overview

Chairman Brown stated that the meeting would be fairly short and that there were four committee reports and four action items for approval. He noted that an Executive Session would be held to discuss human resources and legal matters.

Chairman Brown noted that with the arrival of spring comes a couple of events. First comes spring cleaning in the water treatment system which means that the Aqueduct changes over to chlorine which smells. This results in an increase in customer complaint calls to John Lyle's External Affairs Office. Also in the spring comes D.C. Water's public hearings in the wards which culminate in a rating hearing in May. Chairman Brown indicated that the Board members would soon receive a schedule of hearings and he asked that all of the District members plan to attend.

As referenced in the General Manager's Report, Chairman Brown announced to those in attendance that D.C. Water is now a Standards and Poor's AAA rated entity which is a tremendous accomplishment. He stated that it reflects the financial order of D.C. Water, the financial strength, the work of the CFO, and the work of the D.C. Water staff, the General Manager George Hawkins, and the Board. Chairman Brown indicated that this was really phenomenal because D.C. Water is a young agency that has only existed since 1996.

Chairman Brown reported that another piece of good news was that D.C. Water received a clean audit. There were no material weaknesses, two less deficiencies from the three of last year, and all of the good things the auditors wrote about the entity and the improvements made on the significant deficiencies. This reflects the good work going on at D.C. Water.

The Chairman stated they have received some public comments on the System Availability Fee. The comment period has been extended by three weeks. He indicated that this would ensure that they can have a thoughtful discussion and that they have the comments of all of the entities.

Environmental Quality and Sewerage Services Committee

Reported by: James Patteson, Chair

Mr. Patteson indicated that the Committee met on Thursday, February 18, 2016 and received an update from Aklile Tesfaye, Assistant General Manager for Wastewater Treatment, on the Plant performance. The Enhanced Nitrogen Removal Facility is performing well and meeting all permanent requirements. Winter storm Jonas dropped approximately 18.8 inches of snow at Reagan Airport and resulted in about 10 days of high plant influent of 70 million gallons per day over the normal amount.

The performance of the Combined Heat and Power Facility during the commissioning phase was updated. Mr. Patteson said that the energy generated was 23 percent, a slight decrease due to planned and unplanned outages. The turbines were shut down as a precautionary measure to prevent moisture buildup due to the wetness. Also, tests were conducted on the

boilers instead of generating combined heat and power. This experience is part of the learning curve as they develop the standard operating procedures for the system.

Mr. Patteson reported that the Committee received its annual presentation on the Intermunicipal Agreement (IMA) Regional Committee from Tanya Spano, Council of Government's Chief of Regional Water Quality Management. She focused on flow and load measurements that serve as the cash register for the system and ensure that the different jurisdictions pay their fair share. Ms. Spano updated on the 2008 and 2009 Billing Meter Study that was conducted and showed that the 88 billing meters throughout the system were calibrated and functioning well. There is a new contract for 2015 billing that will evaluate and assess any changes to the meter system since the 2009 study. A scope of work is being prepared to have one contractor maintain and calibrate the billing meters instead of each jurisdiction. The contract costs will be pro rate shared by the jurisdictions.

Chris Allen and John Cassidy presented a report on the CSO 21 Diversion facilities which are being moved forward along the Potomac River in concurrence with the Kennedy Center expansion. It was pointed out that 70 percent of the CSO volume in the Potomac River comes from CSO 21. A Memorandum of Understanding (MOU) was developed with the Kennedy Center that addressed the cleaning project for the Potomac Interceptor, the easement for future and existing facilities, and construction of the CSO and advancement of construction of the CSO 21 diversion facilities.

The MOU, the contract for calibration and maintenance, and two other contracts are action items recommended by the Committee for approval.

Mr. Patteson reported that the Committee also received an update on the Capital Improvement Program from Ms. Maldonado, Director of the Engineering and Technical Services.

Chairman Brown stated that Ms. Feldt had a question about the enforcement provisions of the MOU. He indicated that staff was looking at the issue. General Manager Hawkins reported that with the MOU they have all the standard enforcement powers that they would have under a contract. Both D.C. Water and the Kennedy Center are highly motivated to get the cleaning of the Potomac Interceptor completed and the easements agreed to. Both entities will use Davis Construction for their projects—the cleaning project and the expansion of the Kennedy Center.

Water Quality and Water Services Committee

Reported by: Rachna Butani Bhatt

Ms. Butani Bhatt stated that the Committee met on Thursday, February 21, 2016 and received the water quality update from Charles Kiely, Assistant General Manager for Customer Care and Operations. There were zero positives in January and as of the meeting date. Optimum corrosion control was achieved in the water treatment process which is great. Fifty lead and copper monitoring samples have been submitted to the laboratory for analysis but no results have been received.

Ms. Butani Bhatt reported that David Wall, Manager, provided an update on fire hydrants. He noted that only 54 of the 9,450 public hydrants were out of service. Thirty-five were due to defect, which is below the Board mandated maximum level of one percent. There were no clusters of out of service hydrants shown on the map.

Mr. Kiely provided a briefing on the annual spring cleaning of the water treatment system. The Aqueduct has switched from chloramines to chlorine which eliminates the bacteria which feed on the ammonia in chloramines. The cleaning usually takes place from March to April but has been extended to the first week of May due to Aqueduct operations. Customers have received much communication on the cleaning from Mr. Lyle's External Affairs Office and they have as usual started receiving an increase in customer complaints.

D.C. Retail Water and Sewer Rates Committee

Reported by: Rachna Butani Bhatt

Ms. Butani Bhatt served as chair of the February meeting. A presentation was received from Dan Whelan of RSM concerning implementation progress on the new retail rates. Mr. Whelan reported that they performed detailed testing and validation of the data cleanup efforts, including premise and meter size validation, changes, and customer site visits. They also conducted a review of billing adjustments made during October to December 2015. No exceptions were noted during the internal audits of 200 customer invoices.

During the meeting there was much discussion of the System Availability Fee. Mr. Hawkins gave a brief overview of the fee and the public comment process. Based on his recommendation, the System Availability Fee was removed from the agenda until all the public comments were received. Mr. Hawkins stated that the comments fell into six basic categories: technical in terms of how the System Availability Fee will work, the methodology in terms of how it was determined, if legal requirements were followed, the fee dollar amount which some felt was too high, how the fee will affect projects already in the pipeline, and affordable housing and fee exemptions. The Committee requested that the comment period be extended three weeks because of the late receipt of numerous comments. The action items will be addressed at the next Committee meeting. Chairman Brown encouraged District governmental agencies to also submit their comments.

Ms. Butani Bhatt reported that a briefing on the Water System Replacement Fee was received from by Brian McDermott on the fee's confirmation testing. Last year the Board voted to amend the original fee so that residential customers with meters larger than one inch would only pay the fee for one inch meters. They tested the assumption that those residents had large meters to accommodate a combined domestic and fire suppression service. To date of the 1,500 customers identified, 549 meters have been reviewed, and 197 were confirmed to be combined, which is 36 percent. They also looked at whether there were plans for any of the residential customers. Of the 145 plan sets found, 127 or 87 percent showed combined domestic and fire suppression service. The analysis will be completed by the end of March.

The Committee received an update on the Blue Horizon 2020 Strategic Plan's Goal 5, to assure financial sustainability and integrity. Members had questions about the wording and the Committee will be updated again in the March meeting.

Audit Committee

Reported by: Nicholas Majett, Chair

Mr. Majett stated that the Committee met on February 25 and reports were received from D.C. Water's Controller John Madrid, the Internal Audit staff, RSM, and the External Auditor, KPMG. He repeated the news that Standard and Poor's Investors Service had upgrade D.C. Water's credit rating to AAA status. Mr. Madrid indicated that the Authority's balance sheet remains strong with noticeable growth. The total net position is \$1.5 billion which is an increase of \$170

million over last year, a 13 percent increase. Operating revenue increased by \$76 million, up to \$549 million, a 16 percent increase. Operating expenses increased by \$22 million, to \$378.7 million, a 6 percent increase over the prior year.

The External Auditor KPMG's Paul Garrity provided an overview of the financial statements and single audits. Mr. MacLean informed the Board that KPMG issued a clean opinion on the FY 2015 financial statements. No material weaknesses were identified regarding internal controls over financial reporting. Deficiencies went from three last year to one. There were no instances of deficiencies in contracts and no instances of noncompliance as it relates to the report on compliance with laws, regulations, contracts, and grants. Mr. Max reported that there was one significant deficiency found in the IT access management space within the license system. This had been identified in an earlier audit but not yet remediated. They were going to review this further.

Mr. Majett stated that RSM, the internal audit firm, gave a report on the 2016 audit plan status update. Mr. Whelan indicated that all 2015 audits were completed and 2016 retail rates implementation progress report and overtime report were also completed. It was reported by Ms. Johnson that for prior audit findings, RSM closed 16 items, 15 remain open, and 9 are pending testing. Of 82 items from 2014, 54 were closed, a 66 percent resolution. In 2015 RSM issued 3 reports, of which 8 items are open, 2 items closed, and 1 item pending further testing.

Ms. Johnson also presented RSM's overtime audit report and analysis. This focused on five departments that made up 80 percent of the total overtime budget. She indicated that implementation of the Ceridian Dayforce System has led to increased transparency and automation in the overtime process. No significant issues were raised.

General Manager's Report

Reported by: George Hawkins, CEO/General Manager

Mr. Hawkins raised the issue again about the AAA rating by Board since this was such a remarkable accomplishment. He stated that he has shared the information with many of the past Board chairs and emailed Jerry Johnson congratulating him on his part in the progress. This reflects the entire enterprise, not just the balance sheet. Mr. Hawkins said that he is determined that the current leadership and some of the members still around from the beginning era share in the credit. He believes very strongly that it's the work of all of the employees, the customer service delivered, the ability to deliver projects on time and on budget that earns a AAA rating.

The General Manager reported that on Standard and Poor's Operational Management Assessment, D.C. Water got a 2 on a 1 to 6 rating scale, with 1 being the highest. On the Financial Management Assessment, D.C. Water received a 1. He quoted parts of the letter and report. Rating agencies have commented on the governance structure as a strength along with all the other strengths. Six percent of municipal agencies have a AAA credit rating. What distinguishes D.C. Water is that it is an independent authority.

Mr. Hawkins also spoke about the Flint situation and the parallels with what occurred in the District over ten years ago. He wants a more detailed update provided to the Water Quality and Water Services Committee because of the visibility of the lead in water issue.

New members of the management team were introduced by Mr. Hawkins. They were Daniel Augusti hired as Supervisor of Construction in the Department of Engineering and Technical

Services Department; Farisse Moore reclassified as Program Manager for Safety and Fire Life Safety in the Office of Emergency Management; and Ivan Tellez-Ugarte promoted to Foreman in the Department of Wastewater Treatment.

Consent Items (Joint Use)

Chairman Brown asked for a motion to approve joint use items. Mr. Firestine moved to approve Resolutions No. 16-15 to 16-18, and it was seconded. The motion to approve Resolutions No. 16-15 to 16-18 was unanimously approved by the members of the Board.

Chairman Brown announced that the Board would move into Executive Session to discuss a legal item. He 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. Office Code. The motion was moved and seconded. A roll call vote was conducted and the motion was unanimously approved. The meeting went into Executive Session at 10:30 a.m. and the public meeting resumed at 11:04 a.m.

There being no other items before the Board, Chairman Brown adjourned the meeting at 11:04 a.m.


Secretary to the Board of Directors