

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

**MEETING MINUTES
THURSDAY, OCTOBER 1, 2015**

Present Directors

Nicholas A. Majett, First Vice Chairman, Prince George's County
Edward Long, Jr., Fairfax County
Rachna Butani, District of Columbia
Timothy Firestine, Montgomery County
Robert L. Mallett, District of Columbia
Elisabeth Feldt, Montgomery County
Ellen O. Boardman, District of Columbia
James Patteson, Second Vice Chairman, Fairfax County
Obiora "Bo" Menkiti, District of Columbia
Alan Roth, District of Columbia
Bradley W. Frome, Prince George's County

Present Alternates

Kendrick E. Curry, District of Columbia
Shirley Branch, Prince George's County
Howard C. Gibbs, District of Columbia
Bonnie A. Kirkland, Montgomery County
David Lake, Montgomery County
Sarah Motsch, Fairfax County

DC Water Staff

George S. Hawkins, CEO/General Manager
Randy Hayman, General Counsel
Dan Bae, Director of Procurement
Linda R. Manley, Board Secretary

First Vice Chairman Majett called the 213th Meeting of the District of Columbia Water and Sewer Authority's Board of Directors to order at 9:36 a.m. Ms. Manley called the roll and a quorum was established.

Approval of the September 2, 2015 Minutes and the September 22, 2015 Special Meeting Minutes

First Vice Chairman Majett asked for a motion to approve the September 2, 2015 minutes. The motion to approve was moved and seconded. The minutes were approved unanimously by the Board of Directors. Vice Chairman Majett then asked for a motion to approve the September 22, 2015 Special Meeting minutes. The motion to approve was moved and seconded. The Board of Directors unanimously approved the minutes of the Special Meeting.

Chairman's Overview

First Vice Chairman Majett stated that he is honored to have been appointed the Board's first vice chairman.

First Vice Chairman Majett reported that the christening of the Digester was scheduled for Wednesday, October 7, 2015 at Blue Plains. He encouraged the Board members to attend. Mr. Hawkins noted that the christening was at 11:00 a.m.

Governance Committee

Reported By: Ellen Boardman, Chair

Ms. Boardman stated that the Committee met on September 9, 2015. Korey Gray, Compliance Officer, provided an update report on the D.C. Water Works Employment Program. He indicated that there was an increase in new hires for all contract types, goods and services, non-major construction, and construction projects. Mr. Gray stated that 36 individuals were hired at the D.C. Jobs Center.

Ms. Boardman indicated that General Counsel Hayman provided a report on the proposed ethics policy for D.C. Water employees. The policy reflects and mirrors the best practices and ethics policies of the D.C. Board of Ethics and Government Accountability (BEGA). The Board of Directors is already covered under the BEGA policy. Mr. Hayman provided a detailed summary of the policy and answered the numerous questions asked by Committee members. There was extensive discussion on identifying all affected employees and it was agreed that this issue would be an ongoing work-in-progress. Mr. Hayman was commended for the amount of work accomplished.

The Committee received a report from Carlton Ray, Manager of the Clean Rivers Program, and Bethany Bezack on the Green Infrastructure Certification Program. Ms. Boardman reminded everyone that the Board and D.C. Water put this program in place as part of the Green Jobs Memorandum of Agreement (MOA) with the City. It has components of certification, training, and implementation to achieve goals of the MOA.

Ms. Boardman reported that there was much discussion of the sole source contract in support of the MOA and consent decree. Issues concerned whether it was appropriate to incorporate training as part of the contract instead of it being only devoted to establishing certification standards only; the proposed outline of work to be done by the Water Environment Federation, the contractor; the fact that it was a three year contract as a sole source; whether the D.C. Youth Engagement Office would bring young people in for training opportunities; embedding requirements for high school diplomas as a criteria for completion; oversight and reporting requirements of the Governance Committee; and the degree to which there would be local minority and women business entrepreneurs. There was also a discussion on the intellectual

property aspects of the contract and the degree to which D.C. Water dollars were going to create a national certification and the extent to which D.C. Water will take ownership of it. Ms. Boardman reported that following the meeting more work was done and after reconsideration of the sole source contract and the component pieces, the General Manager and his team provided a revised contract that falls under the \$1 million value and no longer requires Board approval.

Human Resources and Labor Relations Committee

Reported By: Robert Mallett, Chair

Mr. Mallett stated that the Committee meeting consisted mainly of an executive session. The open session related to two union representatives presenting their concerns to the Committee. Mr. Shanks, President of Local AFGE 872, spoke about the impact of the new commercial driver's license (CDL) requirements on his members. Mr. Shanks indicated that a number of his members are older and have health issues that make it difficult for them to maintain their commercial driver's license if they get one. He stated that the union continues to believe that the number of CDL vehicles and the number of employees required to hold CDLs is superfluous. AFGE Local 2553's President, Mr. White, continued to raise his concerns about the number of CDLs and the reorganization of the Pumping Station. Mr. Mallett indicated that General Manager Hawkins and his staff are prepared to discuss the issues at the next committee meeting.

The Committee also heard the concerns voiced by Mr. Wilson of AFGE Local 2553 about the Pumping Station reorganization and the fact that the Utility System Operator position now requires certification and that his members who work with water services now are required to also know sewer. The training is not offered in the District but Maryland and Virginia do offer it. Employees are required to get trained and certified in 18 months. Mr. Mallett indicated that there is a question about the adequacy of the training and this issue will also be discussed further at the next Committee meeting. Mr. Mallett requested that the union representatives take advantage of the opportunity to meet with management prior to the next Committee meeting to clarify these issues.

Environmental Quality and Sewerage Services Committee

Reported By: James Patteson, Chair

Mr. Patteson indicated that the Committee met on Thursday, September 17, 2015. Aklile Tesfaye, Assistant General Manager for Wastewater Treatment, reported that with enhanced nitrogen removal facilities online, the Blue Plains Plant is performing well. Total nitrogen is down to 2.53 milligrams per liter which is very good. One hundred percent of permit compliance is being met. Biosolids is down to 440 wet tons. Mr. Patteson stated that he was flipping through the General Manager's Report and noticed the drastic drop of biosolids wet tons, from over 1,000 tons to 440 wet tons.

Mr. Patteson noted that a new stacked graph on electric usage is being presented which shows how much is coming from PEPCO versus how much is coming from the new combined Heat and Power Facility. D.C. Water is trending toward one third of the power coming from the Facility once the commissioning stage is completed.

Mr. Tesfaye reported that a two-day NPDES compliance inspection was conducted by the D.C. Department of the Environment on behalf of the U.S. Environmental Protection Agency. No major issues were identified and the inspection was successful.

Len Benson, Chief Engineer, informed the Committee that the Potomac Interceptor Project update showed that the Old Anglers Inn had no odor complaints following changes to the filter media in July and August.

Mr. Patteson stated that the Committee recommended six joint use contract action items to the Board for approval, including the sole source Water Environment Federation contract. The Committee had some of the same concerns that the Governance Committee had and deferred to the General Manager for further clarification of that contract.

The Committee received a quarterly update from Carlton Ray, Manager of the Clean Rivers Project, and Chris Allen. Both the Clean Rivers Project and the Green Infrastructure Program are moving ahead close to schedule.

Mr. Patteson stated that in regards to the consent decree, the comment period closed on July 27th and the Department of Justice has given a favorable response to the modifications. They are expecting it to be modified in the next couple of months.

The Committee also received the Capital Improvement Program (CIP) Quarterly Report with project forecasts. It is anticipated that 90 percent of the funding will be spent. The items are on schedule.

Mr. Patteson concluded his report.

Ms. Boardman had a question that pertained to the minority business entrepreneur staffing services contract. She asked why D.C. Water had such a sole source contract. Mr. Hawkins responded that they have the contract to use when the various departments need temporary staffing, not for long term staffing. It is used to fill holes until permanent solutions come up. Mr. Bae, Director of Procurement, stated that the contract has been used for several years and it includes two other local small firms, not just Mb Staffing. It is not a sole source contract. Each of the certified local small firms have their own contract. All certified firms can bid on the contracts, and three are selected each time. Ms. Boardman said that she wanted to make sure no full time employee positions were being displaced by using temporary staffing. She was assured that none will be displaced.

Finance and Budget Committee

Reported By: Timothy Firestine, Chair

Mr. Firestine stated that the Committee met in September and received the July Financial Report. All fiscal year end projections showed total revenues above the budget by approximately 1 percent and total operating expenses are projected to be approximately 3 percent below budget. This will produce an operating surplus for the year if everything holds. The surplus means that there will be no need to withdraw \$7.5 million from the stabilization fund.

Mr. Firestine reported that the Committee discussed a plan of finance for the upcoming bond sale. It includes \$350 million worth of new money, including \$100 million for a new short term financing vehicle called extendable municipal commercial paper and a new investment vehicle to generate additional income called a forward purchase agreement.

The Committee recommended several action items for approval by the Board related to the bond issue and investment policy.

Mr. Mallett asked if Board members would be allowed to buy the green bond or if it was a conflict of interest. General Counsel Hayman said that he would double check this. Mr. Mallett asked that he also check with the D.C. Board of Ethics and Accountability.

Water Services and Water Quality Committee

Reported By: Howard Gibbs

Mr. Gibbs stated that the Committee met on Thursday, September 17, 2015. Charles Kiely, Assistant General Manager for Customer Care and Operations, reported that there were zero positive coliform reports in August and to date in September. This was amazing considering that during the summertime is when positive tests usually occur, especially in a water distribution system that has significant unlined cast iron. The second report was on lead and copper rule monitoring where there were 19 samples that came back, with a result of 4.3 parts per billion, a very low level when the action level is 15 parts per billion.

Mr. Kiely also updated the Committee on the Fire Hydrant Upgrade Program. Out of approximately 9,400 public hydrants, 42 were out of service. The Board's goal is that no more than 1 percent or approximately 96 hydrants be out of service at a time. This is .50 percent which is excellent. Under the inaccessibility category due to construction where hydrants are obstructed by construction fences, etc., the number is down to 18 hydrants as a result of the District going around and enforcing regulations regarding blocked hydrants.

Mr. Gibbs reported that Lauren Preston, Customer Care Director, updated the Committee on implementation of the new water and sewer rates and the Customer Information System and billing. Training of staff has gone well. The response time for responding to customer concerns to the call center has increased because staff has to be relieved from responding to customers during training sessions. Temporary staff has been added to handle the anticipated upswing in customer calls once bills are received at the new rates.

Ms. Preston also addressed the fact that the customer database had to be adjusted because in addition to new rates, there are now more customer categories that dictate the rates. It is important that each customer is identified as commercial, residential, multifamily, etc. More than 10,000 accounts had to be updated, and 200 accounts required direct field verification.

The Committee also received a briefing on methods used in the communication program to educate customers and the public on the terms of the new rates.

Two action items were reviewed by the Committee and recommended for approval by the Board.

General Manager's Report

Reported By: George Hawkins, CEO/General Manager

Mr. Hawkins provided a briefing on the Green Infrastructure Program contract which will create nationally recognized certification for the work in D.C. Water's jurisdictions. The Governance and the Environmental Quality and Sewerage Services Committees raised questions about including certification training in the contract. He indicated that these discussions and others convinced him that they were premature in including training in the contract because there were

legitimate questions about identifying the proper vendors for conducting the training. The decision to removing the training component from the contract dropped the amount to \$900,000. Mr. Hawkins believes other cities who are interested in creating a certification program will contribute to the cost of this contract with the Water Environment Federation.

General Manager Hawkins assured the Board that they have prepared extensively for the new billing rates taking effect October 1, 2015. They will field test a group of the first bills before they go out to make sure they are accurate. The staff is trained to address the customers' concerns. He gave Mr. Kiely and his office tremendous credit for all their efforts, and thanked the Board and particularly the Retail Rates Committee for their leadership on the issue. Mr. Hawkins recognized CFO Mark Kim and his team and John Lisle and his External Affairs team.

D.C. Water will soon go to New York to the bond market. As Mr. Firestine reported the issuance will be for \$350 million, with \$100 million being a certified green bond. D.C. Water is the first issuer in the United States to get a certified green bond. The rating agencies have affirmed D.C. Water's ratings. The new rate structure was considered a rate strength.

For the first time D.C. Water did a joint investor meeting with the District. Also participating was WMATA and the Washington Airport Authority. A very large group came to Blue Plains Plant for the tour to see where their investments were going. The investor meeting was very successful.

Mr. Mallett asked if they had thought about encouraging D.C. Water's customers to buy the green bond through the billing system. He asked about the customer possibly wanting to buy 100 shares and paying for them over 12 months with their bill. CFO Kim stated that one of the purposes of the sale was to focus on ratepayers and stakeholders getting some of the bonds. They will keep looking at this. Also they are looking at the possibility of getting D.C. Water's employees to invest. Mr. Hawkins and Mr. Kim thought Mr. Mallett's ideas were very good and would continue to pursue them.

Mr. Hawkins announced that there was an earlier field test as part of the emergency response system when there was a spill of the latex material used to coat paper at the paper plant far up on the Potomac River. The Interstate Commission for the Potomac River Basin is addressing it. D.C. Water was probably the most active member and made sure the region engaged in evaluating the spill, its contents, and its risks, and that the proper monitoring was done and reviewed. Mr. Hawkins stated that he will report to the Water Quality and Water Services Committee on more details as it all unfolds.

The General Manager introduced to the Board a number of employees who have been promoted and a number of new hires. They include new hire Kern McKenzie, Foreman of Industrial Equipment Mechanics, Blue Plains. Employees promoted included Sree Opnpanamwa, Program Manager for Contract Management in civil engineering; Andre Carter, Foreman, distribution construction repair, Water Services; Seth Charde, Assistant Manager for Green Infrastructure; James Clarke, Program Manager, Maintenance Services; Alganon Kaligmore, Supervisor, Construction, Department of Engineering and Technical Services; William Alledge, Manager of Design, Department of Engineering and Technical Services; Dusty Lounds, Program Manager for Emergency Planning; Aaron Montgomery, Program Manager, Department of Engineering and Technical Services; Chido Ohan Yerawenewa, Program Manager, Department of Engineering and Technical Services; Aklile Tesfaye, Assistant General Manager, for Wastewater Treatment; Salil Kharkar, Director of Wastewater Treatment Operations; and Nicholas Paserelli, Director of Process Engineering. Mr. Hawkins stated that

D.C. Water has a lot of excellent and talented employees and they are proud to promote from within.

Mr. Hawkins reported that the November Board meeting will include a briefing on the budgets so that all members receive the same information.

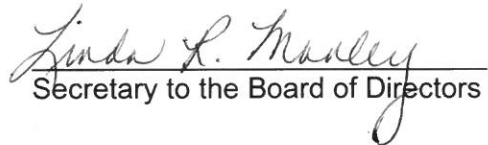
Consent Items (Joint Use)

First Vice Chairman Majett asked for a motion to approve joint use items. Mr. Patteson moved to approve Resolutions No. 15-74 through 15-83 and it was seconded. The motion to approve Resolutions No. 15-74 through 15-83 was unanimously approved by the Board.

Consent Items (Non-Joint Use)

First Vice Chairman Majett asked for a motion to approve three non-joint use items. Mr. Roth moved to approve Resolutions No. 15-84 and 15-85 and it was seconded. The motion to approve Resolutions No. 15-84 and 15-84 was unanimously approved by the District of Columbia members of the Board.

There being no further business or questions, First Vice Chairman Majett adjourned the meeting at 10:47 a.m.


Secretary to the Board of Directors