

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

**MEETING MINUTES
THURSDAY, October 2, 2014**

Present Directors

Edward L. Long, Second Vice Chairman, Fairfax County
Ellen Boardman, District of Columbia
Nicholas Majett, Prince George's County
Robert L. Mallett, District of Columbia
Timothy Firestine, Montgomery County
Obiora "Bo" Menkiti, District of Columbia
Rachna Butani, District of Columbia
David Lake, Alternate for Vacant Principal, Montgomery County
Alan J. Roth, District of Columbia
Mathew Brown, Alternate to Chairman Allen Lew, District of Columbia
Shirley Branch, Alternate to Victor Hoskins, Prince George's County

Present Alternates

Adam Ortiz, Prince George's County
Keith Anderson, District of Columbia
Bonnie Kirkland, Montgomery County
Howard Gibbs, District of Columbia
James Patteson, Fairfax County

DC Water Staff

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

Vice Chairman Long called the 202nd Meeting of the District of Columbia Water and Sewer Authority's Board of Directors to order at 9:30 a.m. The roll was called and a quorum established.

Approval of the September 4, 2014 Meeting Minutes

Vice Chairman Long asked for a motion to approve the September 4, 2014 minutes. Ms. Butani moved that the minutes be approved and the motion was seconded. The minutes were approved unanimously by the Board of Directors.

Chairman's Overview

Vice Chairman Long welcomed new Board member Matthew Brown to his first official meeting.

There is a requirement that the General Manager be evaluated annually and Vice Chairman Long indicated that information will be distributed later in the month. Only principal Board members will complete the rating forms but everyone may comment. Vice Chairman stated that hopefully all the comments will be received and that a list can be available at the November meeting. Also at that time the Human Resources and Labor Relations Committee will present their recommendation to change the General Manager's title by adding Chief Executive Officer. Vice Chairman Long asked that new members notify him if they feel that they have not been on the Board long enough to submit comments so that the Committee can move forward with compiling and presenting them to the entire Board.

Governance Committee

Reported By: Ellen Boardman, Chair

Ms. Boardman reported that the Committee met on September 10, 2014. An update was presented by Katrina Wiggins, Chief of Staff, concerning the Workforce Hiring Pilot Program Initiative in which Fort Myer Corporation and Capital Paving are participating. She reviewed the program's two-tiered financial incentives and the two companies' percentages for hiring D.C. and they expressed interest in continuing the training program.

Ms. Wiggins reported that the D.C. Water Green roofs Project which took place at Fort Reno graduated eight of the ten trainees who participated. Three trainees were hired by a project contractor. General Manager Hawkins advised that additional trainees will not be hired until a funding stream is created, hopefully when the green infrastructure modifications to the consent decree are approved.

Ms. Wiggins also reviewed hiring by D.C. Water contractors for both goods and service contracts and construction projects. The statistics presented included data broken down by residents of D.C., user jurisdictions, and other areas of Maryland and Virginia. This data is included in the online Committee meeting materials.

General Counsel Hayman advised that as requested by the Committee he and outside counsel reviewed legal sufficiency related to Loretta Caldwell's report on the Ironworkers Davis-Bacon and OSHA complaints. The Committee went into Executive Session to further discuss the issue.

Ms. Boardman reported that General Manager Hawkins recommended that D.C. Water procurement regulations be amended to raise the limit on the purchasing amount for a micro-purchase procurement from \$5,000 to \$25,000. The limit on the purchase (P) card would not be raised at this time. He advised that there was no need for a formal resolution for Board approval.

Human Resources and Labor Relations Committee

Reported By: Edward Long, Chair

Mr. Long reported that the Committee received a presentation on succession planning. They received a long term plan and expressed concern about what would be done in the short term because of all the potential retirements coming in the near future. General Manager Hawkins indicated that short term plans for addressing vacancies are underway concerning the leadership team and he will brief the Committee in the future

The Committee discussed their concerns that they do not get union topics for meeting discussions prior to them completing the grievance, bargaining or disciplinary proposal decisions. Mr. Long stated that the Committee certainly wants to make sure they heard the unions concerns and a list of their concerns will be submitted by the unions and discussed in the November meeting.

Mr. Long indicated that the Committee was recommending a change in the General Manager's title by adding Chief Executive Officer. This is a trend in the industry since general managers are much more responsible in terms of job functions. This will be added when Mr. Hawkins' evaluation is done.

Environmental Quality and Sewerage Services Committee

Reported By: David Lake

Mr. Lake stated that the Committee met on Thursday, September 18, 2014 and received the briefing on the operations of the Blue Plains Wastewater Treatment Plant from Aklile Tesfaye, Director of Wastewater Treatment. Mr. Tesfaye reported that the overall plant performance has been excellent and 100 percent of treatment and discharge requirements have been met. There was progress on the activities associated with commissioning major projects that include enhanced nitrogen removal facilities which are now operational and digesters tanks being readied for seeding operations to allow the digesters to begin producing Class A material by next month. They will ramp up the production so that Class A biosolids will come out of the digesters by February 2015.

David McLaughlin, Director of Engineering and Technical Services, updated the Committee on the Potomac Interceptor sewers. The Loudon County facility will be completed by the end of October and the Fairfax facility by the end of the calendar year.

Mr. Lake reported that four action items for joint-use and one for non-joint use were being recommended for Board approval.

The quarterly report briefing on the Clean Rivers Project was presented by Carlton Ray, Director of the Clean Rivers Project, and Chris Allen, Assistant Director. The briefing was on the construction schedule, budget status and major accomplishments through the third quarter. The program remains on schedule and on budget.

Mr. Lake stated that the Committee asked about safety records on the Clean Rivers Project since the work is more than 100 feet below ground and is quite an extensive operation. Mr. Ray reported that there have not been any significant injuries and no time has been lost. The safety record extends to all the capital projects at Blue Plains over the past few years which Mr. Lake felt was incredible.

Mr. McLaughlin also provided the Capital Improvement Program (CIP) Quarterly Report. He stated that three large projects are still within budget. The three large projects are the D.C. Clean Rivers, the digestion system, and the tunnel dewatering pump station. They are moving ahead faster than predicted and some fourth quarter milestones have been accomplished in the third quarter.

Mr. Lake indicated that the Committee was very pleased with the progress made and that the presentation showed that at Blue Plains with over \$1 billion in construction over the past three years, the D.C. Water staff and management have successfully planned, designed, constructed, and employed project management for the facilities and that the projects remain on budget and on schedule.

Water Quality and Water Services Committee

Reported By: Rachna Butani, Chair

Ms. Butani reported that the Committee met on September 18, 2014. The Coliform rule update by Mr. Kiely indicated that there were no positive samples in August and two positives in September at the same location. The required upstream and downstream testing found that the problem was at the sampling site and not in the water system. Mr. Kiely stated that the buildings management was notified and told what action needed to be taken to correct the problem.

David Wall, Director of Water Distribution, stated that there was a large decrease in out of service fire hydrants because they had focused more on replacement and making sure there was more coordination in terms of the shutdown process. The Committee indicated that there were concerns about the large quantity of hydrants that were out of service for more than four months. Mr. Walls agreed to provide a spreadsheet to the Committee that states the reasons why they were out of service for so long.

Ms. Butani notified the Board that the Committee went into Executive Session to discuss a contract issue. After going back into an open meeting the Committee discussed a non-joint use contract which was an Option Year Four for the Fasteners RX contract. It is for compound water meters that are used to measure accurate water consumption in large buildings that typical turbine water meters cannot monitor. The Committee recommended the contract for Board approval.

D.C. Retail Water and Sewer Rates Committee

Reported by: Alan Roth, Chair

Mr. Roth reported that the Committee met on September 23, 2014. Chief Financial Officer Mark Kim (CFO) and John Davis of Raffellis Consulting, who is assisting Mr. Kim on the 2015 Cost of Service Study, updated the Committee. They provided an analysis of D.C. Water's retail rate structure with an emphasis on how to best address the issue of affordability, particularly for low income customers. The Committee had asked the CFO to do the analysis prior to the Board recommending approval of the FY 2015 rates. They showed a water consumption analysis by income and an impervious area charge analysis by income. When these two analyses and analysis of low income customers were done, it suggested that D.C. Water's customer assistance discount program may be reaching only about half of the potentially eligible households. The conclusion reached was that the discounts and charges provided by the CAP Program for low income customers was probably set at their right level and that D.C. Water

would do more good by expanding participation in the program to a greater number of eligible customers rather than by increasing their subsidy level to the existing participants.

Mr. Roth indicated that the last analysis presented was an analysis of peak demands placed on the system by each of the customer classes that are being billed. It was evident that the classes have significantly different peaking factors, with the nonresidential class much higher than the residential or multi-family classes. An approach to restructuring the rates would be to employ a peaking factor for each class. The General Manager and CFO were asked to refine their data and present more detail in this prior to the Board moving forward with the FY 2016 rate-setting process. Also three potential new fees and charges were described and will be further discussed.

Mr. Roth said that one action item was discussed which was on the renewal of the right-of-way agreement with the District Department of Transportation (DDOT) which was successfully renegotiated last month with the pilot agreement. The Committee is recommending approval of the agreement to collect and pay DDOT a flat sum of \$5.1 million annually with no inflation factor. D.C. Water will also pay \$5.1 million collected from customers for FY 2014 that was in escrow pending resolution.

Audit Committee

Reported By: Nicholas Majett, Chair

Mr. Majett reported that the Committee met on September 25, 2014 and that Mr. Freiburger from SCMH Group gave a comprehensive closeout report. This was a final report for SCMH after having a five year working experience with D.C. Water. Since the June Committee meeting eight audits had been performed, with two put on hold at the request of D.C. Water management—the Maintenance Services Audit and the IT-GIS Audit.

Mr. Freiburger presented a summary of each of the six audits. He stated that the Emergency Mitigation and Response Audit determined that an additional grant-funded position should be added to coordinate with the Federal Government and the D.C. HSEMA's Emergency Management Office. The IT Disaster Recovery Audit emphasized how important it is to have a good disaster recovery program in place. There were three findings with that audit. The IT Asset Management Audit had seven findings. The GIS System Audit resulted in some issues with the accuracy of the GIS System but it was not considered a big problem. Mr. Freiburger reported that the Outside Contract Management Audit indicated the importance of having a good oversight of the contractors to prevent loss and prevent risk of errors that could cost D.C. Water money with mismanagement of those contracts. There were three findings in the audit. The next was the Warehouse and Inventory Audit. There were seven findings. One of the challenges found was staff turnover and the lack of a chief procurement officer. Mr. Majett reported that the position will be filled in the near future. The Fraud Hotline Audit showed that of the 29 cases since inception of the hotline, 27 have been resolved. Details of each audit can be found on the website in the Committee's Warehouse and Inventory Audit meeting materials.

CFO Kim introduced members of the new internal audit firm, McGladrey. He announced that a special Audit Committee meeting would be held immediately after the Board meeting when McGladrey's FY 2015 Audit Plan would be presented and approved.

Vice Chairman Long thanked Mr. Freiburger for the great job and relationship with D.C. over the last five years.

Finance and Budget Committee

Reported By: Timothy Firestine, Chair

Mr. Firestine stated that the Committee met and received the August 2014 Financial Report which showed that with 92 percent of the fiscal year completed, revenues were at about 95 percent of the budget and spending was at about 87 percent. This showed positive budget performance and everything appeared to be on track with the earlier projections presented for the full fiscal year. Spending in the capital budget is ahead of the budget at 112 percent.

The Committee recognized the CFO staff for receiving the Government Finance Officers Association's Distinguished Budget Award for the 14th consecutive year. Mr. Firestine stated this is not an easy award to achieve and requires meeting certain standards and it goes through an extensive review process.

Mr. Firestine reported that the cash reserves balance was at \$152.9 million which is well above the reserve and investments level target of \$125 million.

Within the 2015 budget there were certain adjustments made that included hauling costs that were reduced because of the biosolids reduction and reduction of chemical costs because of the elimination of the line stabilization process. Also assumed was a reduction in electricity costs because of the generation of electricity from the digesters.

Mr. Firestine indicated that the Committee took action on one action item. Because of low interest rates with some of the bonds that were issued in 2007, 2008, and 2009 there is the potential that there will be refunds and if that happens it looks like that it is the place where D.C. Water can generate some savings to help offset the digester costs. The Committee recommended approval of the resolution to move forward with those refunds.

General Manager's Report

Reported By: George Hawkins, General Manager

Mr. Hawkins reported that in September D.C. Water was invited to two meetings at the White House about this area and one meeting at the Treasury Department that focused on innovative financing techniques. There was tremendous interest in D.C. Water's use of design/build and the CHP design/build operation. There was also interest in the licensing arrangement D.C. Water has for one of the inventions that Walter Bailey, Assistant General Manager for Wastewater Treatment, and his staff have with a private firm that will take the invention to the market. Mr. Hawkins stated that they hope to obtain licensing fees which will help offset rate increases for wholesale and retail customers alike. This is one of the first arrangements of this kind in the industry. He indicated that they have worked with the Hampton Road Sanitation District and a host of partners on the project. It is hoped that it is the first of many where public enterprises have a chance to reap the rewards of the skill and talent of its staff by marketing ideas that are paid for and invested in by ratepayers and then the ratepayers garner benefits.

Mr. Hawkins informed the Board that the D.C. Plug Initiative will come before one or more committees. This is the undergrounding of PEPCO wires in the city in response to power outages that have occurred in some past storm events. This is of significance to D.C. Water which must determine the degree that undergrounding power assets would trigger work on D.C. Water's part and how to integrate that work into the existing capital plan which is incredibly intense, priority based, and cost sensitive. He stated that discussions are underway with the city as well and they are optimistic that a thoughtful, business-like arrangement will result.

The General Manager highlighted a number of other undertakings and spoke about the progress they have made. The details of these efforts can be found in the General Manager's Report.

Mr. Hawkins announced that D.C. Water won three Tongues on Fire Awards, including first place for social media for the Lady Bird Tweet account. The Tweet charts the progress of this giant machine. The second award was for the Tapit Program under which you can find an easy place to refill water bottles and hundreds of locations are right on the phone. The third award was for the electronic and print brochure update for the Blue Plains Plant. External Affairs was commended for their efforts.

D.C. Water's Sudhir Murthy received the highest award for applied research among scientists, the Camp Award from the Water Environment Federation.

The American Association of Environmental Engineers and Scientists recently announced in introducing Mr. Hawkins as a presenter that D.C. Water has received more awards from the association than any other authority in the United States.

Mr. Hawkins also announced the winners of the two General Manager's awards that were recently presented at D.C. Water's Service Awards for 2014. The employees are Christopher Allen, Assistant Director of the Clean Rivers Project and Kevin Jhingory, Department of Sewer Services, who is called the "Closer" because on any issue he displays his wisdom, experience, incredible cheer, and customer service to the people.

The General Manager announced several new hires and promotions. They included Saul Kinter, Innovations Program Manager, Andy Le, Director of Digital Communications; Genes Malasy, Program Manager in Financial Reporting; Sigrun Sharp, Program Manager for Catch Basins; Rosalind Inge, Assistant General Manager for Support Services; Daniel Frechette, Supervisor of Construction; Christopher Sandt, Supervisor for Engineering Review; Calwood Somers, Supervisor of CADD; and Hiram Tanner, Manager for the Potomac Interceptor.


Consent Items (Joint Use)

Vice Chairman Long asked for a motion to approve the joint use contract items. Mr. Firestone moved to approve Resolutions 14-60 through 14-63 and it was seconded. The motion to approve Resolutions 14-60 through 14-63 was unanimously approved by the Board.

Consent Items (Non-Joint Use)

Vice Chairman Long asked for a motion to approve non-joint use contract items. Mr. Roth moved to approve Resolutions 14-64 through 14-66 and it was seconded. The motion to approve Resolutions 14-64 through 14-66 was unanimously approved by District members of the Board.

Vice Chairman Long adjourned the meeting at 10:26 a.m.


Secretary to the Board of Directors

SUMMARY OF CONTRACTS APPROVED

Consent Items (Joint-Use)

1. Approval to Execute Supplemental Agreement No. 10 of Contract No. DCFA #380-WSA, Malcom Pirnie Engineers, PLLC - Resolution No. 14-60 (Recommended by Environmental Quality and Sewerage Services Committee 09/18/14)
2. Approval to Execute Contract No. DCFA #380-WSA, AECOM Services of D.C. - Resolution No. 14-61 (Recommended by Environmental Quality and Sewerage Services Committee 09/18/14)
3. Approval to Execute Contract No. 050110, SAK Construction, LLC - Resolution No. 14-62 (Recommended by Environmental Quality and Sewerage Services Committee 09/18/14)
4. Approval to Authorize the Sale and Setting Terms and Details of the Series 2014 Refund Bonds - Resolution No. 14-63 (Recommended by Finance and Budget Committee 09/25/14)

Consent Items (Non-Joint Use)

1. Approval to Execute Option Year Four of Contract No. WASA-10-060-AA-GA, Fastners, RX, Inc. - Resolution No. 14-64 (Recommended by Water Quality and Water Services Committee 09/18/14)
2. Approval to Execute Change Order No. 06 of Contract No. 110210, Corman Construction, Inc. - Resolution No. 14-65 (Recommended by Environmental Quality and Sewerage Services Committee 09/18/14)
3. Approval of the Terms and Conditions for Right-of-Way MOU with the District of Columbia - Resolution No. 14-66 (Recommended by DC Retail Water and Sewer Rates Committee 09/23/14)