



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

**MEETING MINUTES
THURSDAY, SEPTEMBER 3, 2015**

Present Directors

Matthew T. Brown, Chairman, District of Columbia
Edward Long, Jr., Second Vice Chairman, Fairfax County
Rachna Butani, District of Columbia
Nicholas Majett, Prince George's County
Timothy Firestine, Montgomery County
Shirley Branch, Alternate for Bradley W. Frome, Prince George's County
Robert L. Mallett, District of Columbia
Elisabeth Feldt, Montgomery County
Ellen O. Boardman, District of Columbia
Obiora "Bo" Menkiti, District of Columbia
Alan Roth, District of Columbia (Via Telephone)

Present Alternates

Kendrick E. Curry, District of Columbia
Howard Gibbs, District of Columbia
Brenda Richardson, Montgomery County
Adam Ortiz, Prince George's County

DC Water Staff

George S. Hawkins, CEO/General Manager
Randy Hayman, General Counsel
Linda R. Manley, Board Secretary

Chairman Brown called the 212th Meeting of the District of Columbia Water and Sewer Authority's Board of Directors to order at 9:34 a.m. Ms. Manley called the roll and a quorum was established.

Approval of the July 2, 2015 Meeting Minutes

Chairman Brown asked for a motion to approve the July 2, 2015 minutes. The motion to approve was moved and seconded. The minutes were approved unanimously by the Board of Directors.

Chairman's Overview

Chairman Brown stated that the agenda for the meeting was short but it did not correlate well with the amount of work that went into the items on the agenda. He said that particular note would be paid to adoption of an amendment to the rate structure.

Chairman Brown welcomed a new Board member, Dr. Kendrick Curry, who is currently the Senior Pastor of the Pennsylvania Avenue Baptist Church in Washington, DC. He noted that Dr. Curry has held positions that include Researcher with Dow Chemical in Charleston, West Virginia, Associate Director of Research at West Virginia State University, and private consultant in engineering and education. Chairman Brown welcomed him as a District of Columbia member.

Chairman Brown said that he was also bringing not so good news, a farewell to Edward Long. He noted that Mr. Long has a very full day job as County Executive for Fairfax County. Mr. Long has shown his dedication, enthusiasm, determination, and has been a true asset since 2012 in making D.C. Water the organization it is today. Chairman Brown indicated that as noted during Mr. Long's farewell breakfast this morning, he has served on just about every single committee. Before resigning from the Board he was Second Vice Chairman of the Board and Chair of the Human Resources and Labor Relations Committee. Chairman Brown thanked Mr. Long for his strength and calm demeanor which all the Board members have appreciated. Chairman Brown presented Mr. Long with a plaque that read, "For Edward Long. Thank you for your dedication and outstanding service to the D.C. Water Board of Directors."

Chairman Brown reported that he had been talking with Board members about committee assignments and was providing his first draft. He noted that he was trying to match individuals with their strengths and to reduce the number of individuals who sit on each committee. Members voiced their belief that they felt they sat on too many committee and had been unable to attend all of the meetings. Chairman Brown stated that he hopes they find the assignments acceptable and would be happy to speak with members in more detail.

A Board Retreat is being planned for November and Chairman Brown stated that he has asked General Manager Hawkins to put together a one day retreat. He believes they need to spend time working on the Strategic Plan, the strategic direction of the Authority, and the incorporation of the work of the Strategic Planning Committee into all of the committees' work. Chairman Brown reported that he has asked Bo Menkiti to serve as chair of the Strategic Planning Committee and that he is well qualified and brings a wealth of experience.

Chairman Brown stated that a number of staff and Board members have worked really hard on the rate structure. He indicated that D.C. Water began hearing from some residents after customers were notified of the increase in water rates. Some customers living in single or double family homes who have fire suppression systems that were installed due to the code requirement, expressed concern about the increased rates they will be facing. It has been acceptable at D.C. Water to take customer comments right up until the rates are adopted. A special Retail Rates Committee meeting was held a day before the Board meeting to ensure

that receiving comments up to adoption of the new rates was not establishing a precedent and to ensure that the rate structure remained intact. The new rate structure will ensure that one percent of the water delivery system can be replaced each year so that the infrastructure does not decline as water usage declines.

Chairman Brown stated that he was convening a nominating committee per the bylaws to recommend first and second vice chairs to the Board for approval. He asked Timothy Firestine to chair the committee and asked Mr. Mallett and Ms. Butani to serve on the committee.

Governance Committee

Reported By: Ellen Boardman, Chair

Ms. Boardman stated that the Committee met on July 8, 2015. Korey Gray, Compliance Officer, presented an update on the D.C. Waterworks Employment Program. There were 24 new hires by contractors falling into the category of goods and services. Non-major construction projects showed an increase in the July data from the May data. The details of the numbers and the percentages are in the minutes.

Mr. Gray provided the framework for the permanent D.C. Waterworks Program. He stated that the staff has received much guidance and support for the preparation of the program from the D.C. Apprenticeship Council, D.C. DOES' Small and Local Businesses, Department of Transportation, U.S. Department of Labor, and General Services Administration. Stage 1 of the program will involve creation of a pipeline of individuals to move into the program. Stage 2 will be a skills program that will be advanced and specific to a particular craft. Stage 3 is the actual placement of graduates with D.C. Water employers. The program will be presented to the Governance Committee and to the Board for approval.

Human Resources and Labor Relations Committee

Reported By: Ellen Boardman

Ms. Boardman reported that the Committee met on July 8, 2015 and received a presentation on new regulations for commercial driver licenses from Charles Kiely, Assistant General Manager for Customer Care and Operations. Background information was also presented on the notice to the collective bargaining units, some of the legal background on management's ability and rights under the bargaining unit contract, and applicable law to roll out the new requirements.

The Committee raised several concerns about the requirements. The first question was whether the new requirements were necessary for a current employee to maintain his or her position or to be promoted. Mr. Kiely informed them that there is a grandfather provision to eliminate the impact on current employees. There were also concerns about whether health-related criteria impacts an employee's ability to be promoted. This issue is being handled on a case-by-case basis by General Manager Hawkins and Mr. Kiely. The new requirement is being applied for all new hires as of 2015. There were other concerns and Mr. Kiely stated that he will review the issues and report back to the Committee at a future meeting.

Environmental Quality and Sewerage Services Committee

Reported By: Bo Menkiti

Mr. Menkiti stated that the Committee met on July 16, 2015. Walter Bailey, Assistant General Manager for Wastewater, reported that as usual plant performance was excellent with 100

percent permit compliance. Monthly flow was 333 million gallons per day (MGD) which brought the 12 month average to 290 MGD. Biosolids production was 523 wet tons per day.

Mr. Bailey updated the Committee on the combined Heat and Power Facility where two turbines were operating at the end of June, and where 1,575 megawatts of electricity was produced for plant consumption. He also reported that digester gas continues to be flared and that the operation of the third turbine was expected to use the remaining digester gas. The Committee asked that the electricity usage chart be updated to show the electricity generated by the Heat and Power Facility and the electricity purchased by D.C. Water.

Mr. Menkiti indicated that Mrs. Maldonado, Director of Engineering and Technical Services, provided an update on the Odor Abatement Project in the Potomac Interceptor Sewer. At Maryland Site 17 the failed valve actuator was being replaced. At Old Angler's Inn new carbon media designed to treat the hydrogen sulfide and dimethyl sulfide odors was installed and the site was back on-line at the end of July. At Virginia Site 31 the operation demonstration had received the required fire marshal approval and the full facility was expected to be placed in operation in August. The entire System Optimization and Balancing Project was started in August once all seven odor control sites were in operation.

The Committee recommended Board approval of a non-joint use action item from SAK Construction regarding rehabilitation of sewers under buildings and attempts to increase system efficiency.

Mr. Menkiti reported that an Executive Session was held and the follow-up item involved the modification to the electricity production to show the contributions of the Heat and Power Facility to overall electricity consumption.

Water Quality and Water Services Committee

Reported By: Rachna Butani, Chair

Chair Butani reported that the Committee met on Thursday, July 16, 2015 by conference call. The Committee is currently meeting by conference call every other month and in person the other months. Jason Hughes, Director of Utility Services, updated on the total coliform rule testing for June and it was at 0.8 percent positive as a result of two positive tests. One positive was at the U.S. Environment Protection Agency Headquarters Building. The other TCR positive was at a fast food restaurant that had the problem only on extended holiday weekends. Ms. Butani indicated that they are continuing to work to identify the cause of the issue.

Mr. Hughes indicated that the lead and copper monitoring results were well below the level of concern and the lowest that D.C. Water has ever had. First draw was 2.4 micrograms per liter on 208 samples and 4.1 micrograms per liter on 103 samples.

The Fire Hydrant Upgrade Program in July showed that 9,333 hydrants out of 9,457 were in service. Out of service hydrants as a result of defect requiring repair or replacement were 48 at the time of the report. Out of service hydrants due to inaccessibility for construction were 76 or 1.5 percent.

Chairman Brown reported that he sat down with General Manager Hawkins and the D.C. Fire Department Chief who had a lot of questions about the Fire Hydrant Upgrade Program. He wanted to know how the program was managed, how fire hydrants are replaced, what the performance metrics are, and how the District receives information about hydrants out of

service. Chairman Brown indicated that they agreed to start sending the fire hydrant report to the Fire Chief on a regular basis. He believes they are coming up with a new updated report, so it will be good to have communication going back and forth with the Fire Department.

Ms. Butani stated that there was one action item for a small diameter water main replacement contract which is in support of ongoing efforts to replace one percent of the water distribution system annually. The Committee recommended that the Board approve the contract.

Strategic Planning Committee

Reported By: Robert Mallett, Chair

Mr. Mallett stated that the Committee met on July 16, 2015 to review the Blue Horizon 2020 Strategic Plan and be updated on progress. They received a report from Sarah Neiderer, Strategic Planning Officer, who indicated how the Authority was proceeding on the goals and initiatives. Many are more than half complete. Mr. Mallett indicated that some goals were reported as 100 percent complete which generated much conversation about whether or not some goals are ever completed. Continued improvement will be done to reevaluate some of the goals. The Committee wanted to make sure that benchmarking was against world class entities that are beyond D.C. Water's sector.

A few revisions were suggested by the Strategic Plan staff and the Committee. The staff will engage each Board committee to make certain progress on strategic goals is reported and addressed by the committees. Mr. Mallett indicated that Chairman Brown has decided to have a Board Retreat this fall to reconsider the direction and make sure all committee are well informed.

Audit Committee

Reported By: Nicholas Majett, Chair

Mr. Majett reported that the Committee met on Thursday, July 23, 2015 and received an update from KPMG's Paul Geraty on the fiscal year 2015 financial audit in OMB Circular A-33 Single Audit. The timeline for the entire audit is from August 2015 to January 2016 and an update of the audit's status at the October Audit Committee meeting.

Mr. Whelan, Auditor General for McGladrey LLP's (rebranded as RSM), D.C. Water's Internal Auditor, updated on the status of the FY 2015 Audit Plan and reported on prior audit findings on the Procurement, Pre-Award, and Selection Audit Report. They also reported on past observations or recommendations from procurement reports. The Audit Committee requested that McGladrey (RSM) review the observations that are still in the process and determine if it is a process improvement or an internal control finding. They also requested a risk rating for the internal control findings and documentation of management's response to the internal control findings.

McGladrey (RSM) then presented additional audit actions which included the Engineering Contractor Management Report that was done to gain an understanding of the design controls. The audit did not result in any specific observations that would cause the assignment of a risk level or a response by management. The audit actions on hotline calls showed that the calls were routine customer service-related, three on fraud and three classified as other. Four call cases are closed and five are open.

Finance and Budget Committee

Reported By: Robert Mallett

Mr. Mallett stated that the Committee met on July 23, 2015. Mark Kim, Chief Financial Officer, reported on revenues for this year that were lagging because of the timing of several large payments that are expected to be received by the end of the fourth quarter. Expenses are below target. The operating reserve account balance is \$153.3 million which is ahead of the Board mandated policy of at least \$125.5 million. The stabilization fund's ending balance is \$222 million and the investment returns are about a half percentage point.

Mr. Kim had Mr. Hartman, D.C. Water's Investment Advisor, present the plan for future financing. There will be about \$300 million issued this year in revenue bonds, hopefully in October. Half will be Green Bonds to finance the Clean Rivers Project and the other half for other capital projects. There were also briefings on the Commercial Paper Program, a new Extendable Maturity Commercial Paper Program, and the Forward Purchase Agreement. More details are available in the Committee's meeting minutes and finance materials.

Mr. Mallett reported that the last presentation was on an alternative payment system for customers. At the present time customers pay their bills by mailing them in, paying by credit card, and paying in person at the business office on North Capitol Street. The alternative is to expand the number of locations for in-person payment and contract with an alternative payment system. There are 52 alternative payment places in the District and a total of 192 in the metropolitan area. The plan is to close the business office at North Capitol Street and merge it with the business office on 1st Street. Mr. Mallett stated that this is without question the direction D.C. Water should be moving based on cost concerns and the small number of customers who pay their bill in person.

D.C. Retail Water and Sewer Rates Committee

Reported By: Alan Roth, Chair

Mr. Roth stated that the Committee held two meetings, one on Tuesday, August 25, 2015 and the special meeting on Wednesday, September 2, 2015. He indicated that he was reporting slightly out of order because he wanted to first discuss the issue raised by Mr. Mallett about the business office phase-out. Both the Finance and Budget Committee and the D.C. Retail Water and Sewer Rates Committee were individually briefed about the issue. Mr. Roth noted that he agreed that it is a good and positive approach for the customers.

Mr. Roth reported that when the Committee met on August 25th it was to consider the proposed amendment to the rulemaking to reduce the Water System Replacement Fee (WSRF) to accommodate residential customers who have two inch meters due to fire suppression systems required by law. Their fees would be reduced for example from \$83.75 down to \$41.35 for a two inch meter. No comments were received on this issue from customers during the 30-day comment period. The Committee forwarded the action item to the full Board for approval after concluding that the charge was unduly burdensome, unfair, and represented a disproportionate imposition on the customers.

According to Mr. Roth, D.C. Water has also heard from residential customers in the one and a half inch category who have fire suppression systems in their homes. Unfortunately, D.C. Water does not have enough information about these customers such as the characteristics of their homes or whether they do or do not have fire suppression equipment. The Committee decided that out of administrative necessity and the fact that they did not have sufficient information, they would treat all customers with one inch, one and a half inch, and two inch meters the same

and impose the one inch WSRF fee. Mr. Roth informed the Board that the action item before them makes the change in the WSRF rate structure.

General Manager's Report

Reported By: George Hawkins, CEO/General Manager

Mr. Hawkins took a few moments to welcome new Board member Reverend Curry. He also wished departing Board member Edward Long farewell.

Mr. Hawkins also congratulated the Retail Rates Committee, especially Mr. Roth, for all their hard work. They have worked extremely hard over the last year and it has resulted in a new rate structure. He also commended the staff efforts to implement the new rate. Mr. Hawkins pointed out that now there are more categories of customers, a lifeline rate, and a discount on CAP customers.

In addition, Mr. Hawkins recognized CFO Mark Kim, Mr. Kiely, and Lauren Preston, Director of Customer Care, and their teams on their work to update the Customer Information System for the new rate structure. Tom Kuczynski, Director of Information Technology, was also thanked for his team's efforts on the software and data management sides.

Mr. Hawkins emphasized that the job is not done and that there will be testing and retesting through the sending of the first new bills starting on October 1st.

The Board members were asked to note on their calendars October 7th when there will be the formal christening of the new Digester Program. He stated that the decision by D.C. Water, a public utility, to invest \$460 million of rate payer money on the technology never used in North America and at a scale never used in the world represented a courageous step. The Board will soon receive additional information on the christening.

Mr. Hawkins reminded the Board of the Employee Service Awards to be presented the same evening of the Board meeting at 6:00 p.m. at Gallaudet University. He said that everyone will be able to see the extraordinary dedication of the team when they see those being recognized for 5 to 50 years of service. Mr. Hawkins indicated that he will receive a 5 year service award.

Mark Kim showed Mr. Hawkins the email which indicated that the Bloomingdale Memorandum of Understanding has been signed and executed. The MOU accelerated and modified the plan of D.C. Water and the District to reduce flooding in Bloomingdale. With a burst of engineering creativity, the whole plan was changed. Former Board Chairman Lew put it over the finish line with his direct help.

Mr. Hawkins notified the Board that Walter Bailey, Assistant General Manager for Wastewater, retired effective August 28, 2015. He had been on board for 43 years. Mr. Hawkins said that he will recognize Walt Bailey at the next Board meeting when he is present. He stated that Mr. Bailey is one of the most humble, warm, wise and experienced people that he has ever worked with.

Mr. Hawkins congratulated Mark Kim for his appointment as a member of the Municipal Securities Rulemaking Board. It is a congressionally-chartered private enterprise that is a self-regulating organization which is tremendously influential and prestigious.

Mr. Hawkins welcomed and introduced a number of employees who had recently been hired or promoted. They were as follows: Craig Fricke was hired as Manager for Enterprise Asset Management, Department of Engineering and Technical Services; Samant Garg was hired as Manager of SCADA and PCS Operations, Department of Distribution and Conveyance Systems; Joshua Maxurek was hired as Assistant Program Manager, Department of Water Services; Denise Mitchell was hired as Manager of Labor Relations and Compliance Programs, Department of Human Capital Management; and Alan Heymann was rehired in the new position of Chief Marketing Officer.

Consent Items (Non-Joint Use)

Chairman Brown asked for a motion to approve three non-joint use items. Mr. Mallett moved to approve Resolutions No. 15-70 through 15-72 and it was seconded. The motion to approve Resolutions No. 15-70 and 15-72 was unanimously approved by the District of Columbia members of the Board.

Mr. Roth stated that he overlooked recognizing and thanking some staff for their efforts on the rate issue. They included John Lisle, Charles Kiely and Lauren Preston.

In the September 2, 2015 meeting the Retail Rates Committee instructed Mr. Kiely and his staff to provide quarterly reports on the progress made during the next year in investigating the one and a half inch meter customers. They are to come back to the Committee next year with the refined information on those customers.

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 10:37 a.m. and resumed at 11:43 a.m.

There being no other items on the agenda, Chairman Brown adjourned the meeting at 11:43 a.m.


Secretary to the Board of Directors