

**DISTRICT OF COLUMBIA**

**WATER AND SEWER AUTHORITY**

**BOARD OF DIRECTORS**

**GOVERNANCE COMMITTEE**

**MEETING MINUTES**

 **October 12, 2016**

**Committee Members** **D.C. Water Staff**

Ellen O. Boardman, Chairperson George S. Hawkins, General Manager

Matthew Brown Henderson J. Brown, IV, General Counsel

Bradley Frome Alan Heymann

David W. Lake Linda Manley, Board Secretary

Sarah Motsch

Rachna B. Bhatt

Bonnie Kirkland

Chairperson Boardman convened the meeting at 9:05 a.m.

**Agenda Item # 1 - DC Water’s Blue Drop Project**

General Manager & CEO George Hawkins provided a follow-up presentation to the Committee on the progress of DC Water’s Blue Drop proposal. He highlighted the objectives with emphasis on the primary and fundamental objective, “Relief for rising rates to water and sewer customers in the District and surrounding areas.” He also discussed the revisions made to the Operating and Shared Services Agreements, and the Bylaws in response to comments received by Board Members at the September 2016 meeting.

Throughout the presentation, several board members asked many questions pertaining to the key documents, operations and reporting, and other issues provoked by Mr. Hawkins presentation.

Chairperson Boardman asked why there was a need for a separate entity to accomplish the objective of providing relief to customers from rising rates. Mr. Hawkins responded that while DC Water already strives to keep the rates to customers down, there are several reasons that support the idea of a separate entity. He stated those reasons include consolidating activities that are performed by different segments within DC Water to bring increased transparency to those activities of DC Water. He also stated that consolidating revenue producing activities into a separate entity will help DC Water evaluate the success of those efforts. Finally, Mr. Hawkins stated that he hoped that consolidating activities will help in marketing products and services offered to others.

Chairperson Boardman also asked about the employment relationships and physical location of Blue Drop. Mr. Hawkins responded that while the current plan is to house Blue Drop and maintain the location of its resources at DC Water, this will be revisited after Blue Drop is better established and its needs (manpower and other resources) are more specifically defined.

Committee Member Lake inquired about the reason for the name Blue Drop. Mr. Hawkins responded that the name is simple and easy to remember, and any materials disseminated to the public will make very clear what Blue Drop is and the products and services it will provide to customers.

Committee Member Frome inquired about capitalization and Mr. Hawkins stated that he intends to look within the current General Manager’s budget and third party sources for funding (grants, etc.) for Blue Drop. Mr. Hawkins added that any revenue generated will be distributed back to DC Water first, and an accounting of all contributions and funds generated will be reported on a regular, and continuous basis, to both the Finance and Governance Committees.

Chairperson Boardman asked Mr. Hawkins to explain the Blue Drop platform. Mr. Hawkins stated that the initial step is to devise a portfolio showing customers what Blue Drop offers in terms of products and services, as well as providing a meeting place for other utilities to discuss and share information and ideas, and work together.

Chairperson Boardman asked about the marketing of Bloom and if partnerships with other organizations will provide DC Water with opportunities to receive credit on its DC PILOT or ROW fees. Mr. Heymann responded that the discussion has been ongoing. Mr. Hawkins responded that the discussion has been ongoing.

Mr. Hawkins then reviewed the proposed Operating Agreement for Blue Drop. He pointed out several revisions, including clarification of titles and/or positions, membership, a more general tax-exempt status, operational decisions, and governance and management.

Committee Member Kirkland asked if “sewer services” will be included as a part of Blue Drop’s purpose and business activities under current Article 2.3. (b) and (c) of the Agreement, since DC Water is not an organization that solely focus on water treatment. General Counsel Brown suggested additional verbiage, which will encompass the entire DC Water universe.

Regarding Article 3.5 (a) (Intellectual Property (“IP”) of Blue Drop), Committee Member Motsch asked if DC Water employees are developing IP, at what point do they become employees or contractors of the LLC. Mr. Hawkins stated that Intellectual Property (IP) of DC Water would be licensed to Blue Drop as necessary and if in the future Blue Drop developed IP, that IP would be Blue Drop property. With respect to employees developing IP for Blue Drop, Committee Member Bhatt asked if that should be stated in the Operating Agreement. Mr. Heymann responded that such provisions will be expressed in the Shared Services Agreement. Mr. Hawkins agreed and added that the Shared Services Agreement will outline the use and ownership of IP.

The Committee and staff agreed, to delete Article 10 (series memberships) because there is no need for issuance of series memberships at this time. The Operating Agreement may be amended in the future if the need arises

Chairperson Boardman asked Mr. Hawkins to clarify the reference to a Director’s resignation based on disability in section 13 of the Blue Drop Bylaws, and if that meant a legal disability such as lack of capacity. Mr. Hawkins and General Counsel Brown affirmed that the term meant a legal disability as defined under applicable law.

Committee Member Lake expressed his comfort level with the proposed resolution based on several factors: identification of DC Water as the sole member of Blue Drop; appointment of DC Water’s General Manager & CEO as the Chairperson of Blue Drop; and the inclusion of a three-year trial period to determine Blue Drop’s viability.

Chairperson Boardman echoed Mr. Lake’s comments, and requested to see the final version of the Operating Agreement and Bylaws prior to its presentation to the Board of Directors at the next Board meeting in November 2016, and further requested that all key documents be forwarded to the Board Members well in advance of the November meeting for review and comments. She added that she was excited about the new venture and appreciated the commitment of the Blue Drop Team.

**Conclusion**

There being no further business Chairperson Boardman adjourned the meeting at approximately 10:25 a.m.