



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

**MEETING MINUTES
THURSDAY, SEPTEMBER 1, 2016**

Present Directors

Matthew T. Brown, Chairman, District of Columbia
Nicholas A. Majett, Prince George's County
Timothy Firestine, Montgomery County
Obiora "Bo" Menkiti, District of Columbia
Bradley Frome, Prince George's County
James Patteson, Fairfax County
Howard Gibbs, Alternate for Vacant Principal, District of Columbia
Rachna Butani Bhatt, District of Columbia
Elisabeth Feldt, Montgomery County

Present Alternate Directors

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

DC Water Staff

George S. Hawkins, CEO/General Manager
Henderson J. Brown, General Counsel
Mark Kim, Chief Financial Officer
Linda R. Manley, Board Secretary

Chairman Brown called the 223rd Meeting of the District of Columbia Water and Sewer Authority's Board of Directors to order at 9:35 a.m. Ms. Manley called the roll and a quorum was established.

Approval of the July 7, 2016 Minutes

Chairman Brown asked for a motion to approve the July 7, 2016 minutes. The motion to approve the July 7, 2016 minutes was moved, seconded, and unanimously approved by the Board of Directors.

Chairman's Overview

Chairman Brown welcomed the Board back from summer recess and thanked D.C. Water's staff for all their community work during the summer.

Chairman Brown congratulated General Manager Hawkins for his appointment by the President to the National Infrastructure Advisory Council (NIAC). The Council provides advice, security, and resiliency of infrastructure through the Department of Homeland Security. He stated that Mr. Hawkins is the first and only member of the Council from a public water utility.

Because of some vacancies in the District complement of members, Chairman Brown thanked several D.C. and non-D.C. members who have been standing in as committee chairs. He reported that he anticipates the District's Mayor nominating new members this fall. When they are confirmed, he will go back through the committee assignments and make sure they are balanced, equitable, and fair.

Two items in the Finance and Budget Committee were pointed out by Chairman Brown. The first was the Environmental Impact Bond that is up for Board approval. He reminded the members that the practice is that the full Board will receive a briefing on new financing structures. Chairman Brown stated that he has asked for a quick presentation so that especially District members have a full understanding of the structure. The second item is the net cash surplus proposal to move \$10 million in net cash surplus and apply it to pay-go for next fiscal year. During the Retail Rates Committee meetings there was discussion that customers should benefit from how the Board allocates funds. It is proposed that \$10 million in this year's net cash surplus be applied to capital expenditures. This will reduce borrowing and benefit all ratepayers.

Chairman Brown indicated that he received a letter from some Northwest residents who are concerned about the Water System Replacement Fee asking that action be taken during this Board meeting. The letter concerned multiple homes on a single water meter. He stated that they will not be taking action until the Board and the staff address the policy issues that were raised during the Retail Rates Committee meeting. Chairman Brown noted that the fee is needed and is part of the 100-year replacement cycle for the water system. The second thing is that it is not a practice for the Board to approve individual exceptions for property owners. It is not a best practice. He has asked Ms. Butani Bhatt to address this in the Retail Rates Committee. Copies of the letter will be distributed to all Board members.

Governance Committee

Reported by: Chairman Matthew Brown

Chairman Brown stated that the Committee met on July 13, 2016 and received an update from Mr. Hawkins on D.C. Water's efforts to ensure safe and adequate lighting at construction sites, particularly in Bloomingdale. There has been some crime in the neighborhood, so D.C. has moved to install additional lighting and ensure that existing construction sites utilize all lighting.

The Committee received a presentation on the D.C. Water Works Permanent Jobs Program. The program is designed to encourage development and employment of local residents as employees for D.C. Water and construction and service projects. One of the goals is that 51 percent of contractors' workforces assigned to D.C. Water projects will be residents of the D.C. user jurisdictions and 60 percent of new jobs created as a result of D.C. Water contracts will be filled by residents of the D.C. Water user jurisdictions. It covers contracts valued at \$300,000 or greater and services of \$100,000 or greater. Chairman Brown stated that the real success of the program will be determined by how it is operated. D.C. Water will be a first source for referrals of candidates for all new jobs covered by the program. The priority will be to identify District residents who are qualified for the job referral program. Under the program contractors will give the program three business days to identify the qualified candidates for available job positions and then D.C. Water will team with strategic partners--businesses, governments, and other stakeholders--to refer the candidates.

Chairman Brown reported that a Skills Training and Placement Program will also be implemented to work with local development agencies and similar organizations to prepare qualified candidates for D.C. Water jobs.

Mr. Hawkins noted that the permanent program is scheduled to start in October 2016.

Chairman Brown indicated that General Manager Hawkins provided an update on D.C. Water's Blue Drop Program which will create a separate nonprofit entity called Blue Drop to generate net revenue. This will relieve some of the increasing rate pressure in the D.C. service area and customer community. Mr. Hawkins will be the Board's representative to Blue Drop and Mr. Hammond will be the Manager. Blue Drop's expenses and income from the products and services will be managed apart from D.C. Water and there will be a board of directors for Blue Drop. In regard to the exercise of control over the separate entity, there were questions and concerns from the Board and its committee members. Their strong preference is that D.C. Water's Board exercise control over Blue Drop. There will be additional discussions on these issues.

The products and services of Blue Drop will include Bloom, which is a product produced by the Blue Plains Advanced Wastewater Treatment Plant. Next will be the Advancing Research and Technology Program (ART) and finally peer-to-peer consulting services. The Governance Committee will be responsible for Blue Drop and it will be presented with the incorporation documents by General Manager Hawkins.

Chairman Brown reported that the Committee went into Executive Session to discuss cybersecurity matters.

Board member Ms. Feldt asked about additional information concerning the relationship between the D.C. Water Board and the Blue Drop Board. Mr. Hawkins replied that this issue will be addressed at the Governance Committee meeting.

Human Resources and Labor Relations Committee

Reported by: Bradley Frome, Chair

Mr. Frome stated that the Committee met on July 13, 2016 and reviewed the selection of medical and dental vendors and also received a presentation of employee engagement. A summary of the process was provided and the staff's end result was the selection of CIGNA for medical health and Delta Dental and United Concordia for dental health. The Committee

discussed the selection process and Mr. Frome asked if the Benefits Branch conducts yearly analysis and what other vendors provide for consideration. He was told that it is not done annually but that the pricing and performance components are reviewed on a year-to-year basis. Mr. Frome asked whether employee satisfaction was taken into account. He was assured that they do take employee opinion and feedback into consideration in the decision making process.

Mustaafa Dozier, Chief of Staff, provided a presentation on employee engagement. The main thrust is to develop, maintain, and recruit a high-performing work force. Future Human Resources and Labor Relations Committee meetings will include reports from the Human Capital Management Department on their efforts to achieve these goals and they will be tracked to determine results. This is about high retention of employees. Mr. Frome also reported that the presentation covered five main areas that will contribute to achieving high retention—culture, engagement, purpose, leadership, and coaching. Mr. Dozier talked about the new performance management system, the use of coaching as a key component of managing employee development, and the in-house Leadership Development Program. Mr. Frome stated that it was a very good presentation and well received by all of the Human Resources and Labor Relations Committee members.

Mr. Frome reported that the Committee then went into Executive Session before adjourning.

Environmental Quality and Sewerage Services Committee

Reported by: Obiora “Bo” Menkiti, Vice Chair

Mr. Menkiti reported that the Committee met on Thursday, July 21, 2016, and addressed five issues. They received an update on plant performance from Aklile Tesfaye, Assistant General Manager for Wastewater Treatment. Monthly flow was at 279 million gallons per day for June, which resulted from a dry month with reduced precipitation levels and no excess flow. The plant was 100 percent compliant with all permit requirements. Effluent quality was excellent and the enhanced nitrogen removal was on target for 2016. The biosolids generated were Class A that met the exceptional quality standards. The Combined Heat and Power Facility (CHP) generated an average of 120 megawatt hours a day, making up 19 percent of the total energy consumed at Blue Plains. Mr. Tesfaye reported that the CHP generated less power in June because of some performance related tests that required the use of digester gas which would have been used for power generation.

The Committee asked about the timeline for commercialization of Class A biosolids and about testing. Mr. Tesfaye replied that testing is required under the contract and that it is difficult to state when they will be completed.

Maureen Holman and Bob Cross from the Executive MBA class from George Mason University then made a presentation on their 2016 Capstone Project on a micro-grid proposal for power stability at the Blue Plains Plant. This partnership showed that research collaboration could be beneficial to both stakeholders. It was recommended that some additional areas be studied.

Carlton Ray, Manager of the Clean Rivers Project, provided an update on the Potomac Green River Infrastructure Projects Number 1, 2, and 3, which are all located in the Georgetown area. The first Potomac GI Project near Georgetown University is ready to go and it is expected that the construction contract will be awarded in June 2017, with construction completion for June 2019. Mr. Ray reported that they have been proactive and consistent in engaging the relevant stakeholders through development summits, workshops, and public meetings, and this resulted in the approval of the consent decree modification by the Environmental Protection Agency and

by the Advisory Neighborhood Commission, ANC 2E in 2014. Since then the ANC has raised some concerns including doubts as to whether the combined sewer overflows are actually occurring, the possibility of using the existing sewer system to control combined sewer overflows, doubts about the reliability of green infrastructure and the potential loss of neighborhood historic character, durability of the GI, central disruption of other utilities, and questions about parking. Mr. Ray stated that D.C. Water is continuing to work with the ANC and all relevant stakeholders to address the outstanding issues. The Committee asked about whether there was a formal approval or rejection role in the consent decree for the ANC and they were told that there was not, but D.C. Water's intent is to have a consensus from the ANC to successfully move forward on completing projects.

Mr. Menkiti reported that the Committee then went into Executive Session and reconvened into open session and recommended to the Board approval of the Hickey Run settlement and the approval for the Chief Operating Officer to execute the settlement agreement.

Water Quality and Water Services Committee

Reported by: Rachna Butani Bhatt, Chair

Ms. Butani Bhatt stated that the Committee met on Thursday, July 21, 2016. Charles Kiely, Assistant General Manager for Customer Care and Operations, provided the water quality monitoring report. There was one positive in June and one positive in July. Regarding the distribution system and the Total Coliform Rule Monitoring the testing results were negative. Mr. Kiely indicated that the Lead and Copper Rule Monitoring Report was filed with EPA Region III, with two parts per billion.

David Wall, Manager of the Distribution System, reported that of the approximately 9,500 public fire hydrants there was a slight increase in out-of-service hydrants from 59 the previous month to 80 this month. This was due primarily to construction projects.

Lauren Preston, Director of Customer Care, discussed the D.C. Water Customer Satisfaction Survey in detail and, as requested, explained the difference in satisfaction by ward. Across all wards customer satisfaction was at 76 percent, with the lowest in Ward 1 and the highest in Ward 7. A detailed accounting can be found in the minutes and materials of the July 21 meeting. None of the wards rated D.C. Water as unsatisfactory.

Ms. Butani Bhatt indicated that they moved on to a discussion of lead in water at schools which is a big issue in the District. General Manager Hawkins reported that he and Chairman Brown would convene their team to look further into action that could be taken on the issue. A meeting with the Mayor is scheduled and they want to place options on the table of things that D.C. Water and other agencies would be able to do.

Maureen Schmelling, Manager of Water Quality, made a presentation on the sources of lead in schools, larger buildings, apartment buildings, and day cares. In schools and apartment buildings there usually is no lead services but they do have lead solder which connects the pipes together. Over the years through erosion and corrosion the solder particles have been released into the water system in the buildings. Ms. Schmelling spoke about the District laws and how D.C. Water can help in educating and minimizing exposure. Mr. Hawkins explained that D.C. Water will be monitoring and advising rather than have direct responsibility for replacing lines and fixtures on the premise side of these buildings. Board members asked about the measures that could be taken to remedy the issues in apartment buildings, the one part per billion requirement announced for District schools. Ms. Schmelling stated that that

regulated level will be used when the water is tested and that water filters will be installed in designated water sources. When lead exceeds the one part per billion level, the water sources will be removed from service until remedial action is completed.

Chairman Brown reported that they had their first meeting of D.C. Water, TGS, DOEE, and the Deputy Mayor. He thanked D.C. Water for its willingness to help the District address this issue.

Audit Committee

Reported by: Nicholas Majett, Chair

Mr. Majett stated that the Committee met on Thursday July 28, 2016 and received the FY 2016 Internal Audit Plan status update from the Internal Audit contractor, RSM. Ms. Murtha reported that five audits were in process and that hotline management and follow-up remediation are ongoing. There were three plan modifications, one expansion of the business development plan scope from a rapid assessment to a full scope internal audit; pushing forward to the FY 2017 audit year; and the replacement of the customer data collection and CIS audit with the Human Capital Management/employee privacy review.

RSM's Ms. Johnson discussed the training, licensing, and certification audits where three observations were identified as high risk. Those were the identification, monitoring, and required certifications on licensing; the identification and monitoring of training requirements, and training, tuition, and conference approvals and payments. RSM will follow-up on all the items noted.

Mr. Majett reported that Ms. Reyes presented a summary of the Contract Monitoring and Compliance Audit, Part 2, which examined the executed contract monitoring process that has been decentralized to the contracting officer representative/contracting officer's technical representation (COR/COTR). Fleet, janitorial, and biosolids contracts were reviewed. One high risk observation related to COTR training and management was identified. Details concerning these observations can be found in the Audit Committee minutes and materials for the July 28 meeting.

Ms. Johnson provided the hotline update. She reported that since the April 4th Committee meeting they had received eight calls, of which four were fraud claims and four were classified as other. There are twelve cases still open and six have been closed. RSM has reinstated their regular quarterly meetings with the Office of the General Counsel, Labor Relations, and Security to discuss ongoing investigations.

Mr. Majett indicated that the Committee moved into Executive Session to discuss legal matters and reconvened into open session and then adjourned.

Finance and Budget Committee

Reported by: Timothy Firestine, Chair

Mr. Firestine indicated that the Committee met on July 28, 2016. Since meeting in July, they received an update on the financials and he addressed those instead of the June financials. With 83 percent of the fiscal year completed, operating results were on track with projections. Through July cash receipts totaled \$483 million or 83.3 percent of the budget. Operating expenditures totaled \$383 million or 70.8 percent of the budget. The operating reserve balance was at \$141.7 million compared to the objective of \$125 million. Capital project spending is projected to slightly exceed the budget but will be offset by underspending in other areas. Mr.

Firestine stated that capital project spending was at \$448 million or 90 percent of the budget. At the end of the year capital projects are projected to be over budget by about \$15 million. That \$15 million should be offset by underspending in the capital equipment budget, which was at 33 percent of the budget at the end of July.

Mr. Firestine reiterated that the Committee was also provided with the 2016 projected net cash surplus amount of \$13.4 million. It has been recommended by Management that \$10 million be transferred into payroll and that the remaining \$3 million be held in cash. The Committee recommended approval of Management's recommendations.

Next was a discussion of Management's proposal to issue environmental impact bonds to finance the first project under the Clean Rivers Green Infrastructure Program (GI). Mr. Firestine stated that the bonds represent a very innovative approach for financing this type of project. Environmental impact bonds are a type of pay for success or social impact bonds. Some payments are contingent on the successful outcomes of the project. D.C. Water's environmental impact bonds will be the first social impact bonds used to finance environmental outcomes.

General Manager Hawkins and Chief Financial Officer Kim then made a presentation on the environmental impact bonds, the same presentation as was made to the Finance and Budget Committee. He introduced some members of the team as Ms. Jen North from the Harvard Kennedy School, Bob Hunt, Director of Finance, Dan Hartman, PFM Financial Advisor, and David Goodman, Squire Patton Boggs, who is providing legal advice.

Mr. Hawkins reported that the Green Infrastructure Program of the Clean Rivers Project is a District-funded project and that the environmental impact bonds will be used to fund Green Infrastructure projects. Mr. Hawkins stated that a modification of the 2005 Consent Decree incorporated the use of GI in a hybrid green-grey solution to control Combined Sewer Overflows (CSOs) as part of its D.C. Water Clean Rivers Program. When using the environmental impact bonds to finance projects, D.C. Water will be committed to a performance outcome for GI.

Mr. Hawkins indicated that more than \$100 million is expected to be invested in GI. There is a total of eight projects contained within the GI Program Plan: 5 projects in the Rock Creek sewer shed and 3 projects in the Potomac River sewer shed. The first project (Rock Creek Project A, RC-A) managing the volume of stormwater runoff, will be in the Rock Creek sewer shed and will include bioretention, permeable pavement, and downspout disconnection. It must be awarded by March 30, 2017 and placed in operation by March 20, 2019. For a complete list of projects, please see the meeting materials of the Finance and Budget Committee for the June meeting.

D.C. Water will conduct twelve months of pre- and post- construction monitoring of stormwater runoff in RC-A from strategically positioned rain gauges, groundwater monitors and flow meters. A major point raised by Mr. Hawkins was the fact that investors will be repaid based on the performance tier corresponding with GI outcome effectiveness. If GI performs less well, the investor will receive a smaller repayment based on the volume of stormwater runoff. The GI Program is structured so that if RC-A is deemed practical or effective in managing stormwater runoff, then the four remaining GI projects in Rock Creek will be implemented across the entire sewer shed. If it is not found to be practical, the GI will revert to grey infrastructure solutions (i.e., tunnels).

Board member Feldt asked Mr. Hawkins if performance of the Green Infrastructure was by volume or is it quality of water treated through the GI. Mr. Hawkins responded that performance

for the Consent Decree is only based on volume. He stated that they will be monitoring other attributes of performance also.

Chief Financial Officer Kim summarized how and why the Green Infrastructure Program was developed. In 2014 they came up with the option regarding the Combined Sewer Overflow Consent Decree and began to seek decree modification and identify GI funding. Mr. Kim stated that one of his concerns was what would happen if GI projects did not work. To lessen risk, they identified social impact bonds which were being used in the education, health, crime, homelessness, and other social fields. Harvard University's Kennedy School has been one of the leading advisors to state and local governments in developing Pay for Success models and social impact bonds. Mr. Kim stated that they applied for and won a technical assistance grant to use for development of an environmental impact bond. Ms. Jen North is the Government Innovations Fellow paid by Harvard to assist in these efforts. Mr. Kim also thanked the Clean Rivers staff for their efforts—Carlton Ray, Bethany Bezak, and Jon Cassidy. Detailed information on the structure of the financing method was presented by Mr. Kim.

Ms. Butani Bhatt asked about the under-performing and over-performing of the GI projects and if the previously issued social impact bonds have had successful outcomes. Mr. Kim replied that the 11 issued are still in the implementation phase, so there have been no results thus far. He stated that he is aware of two projects that have reached the first performance evaluation phase and the results have been mixed.

A number of other Board members asked various technical questions about the environmental impact bonds and the Green Infrastructure Program. More information on the bonds can be found on D.C. Water's website.

General Manager's Report

Reported by: George S. Hawkins, CEO/General Manager

Mr. Hawkins began his remarks by reminding everyone of D.C. Water's employees who are required to work outside in the field during 95 to 105-degree weather and high humidity. He stated that even though he thinks of weather challenges more in the winter, there actually are more life-threatening conditions in the heat. Mr. Hawkins thanked Jonathan Shanks, AFGE Local President for their service to the city and the region.

The CEO thanked Chairman Brown for highlighting the D.C. Water Works Program during his opening remarks and stated that he is pleased with how the program has turned out. He said that he honors and respects the creative innovations that went into the program. Mr. Hawkins indicated that it is going to be a model that the rest of the country is looking at with great interest.

The Board members were told that the Governance Committee would be meeting on September 14, 2016 at 9:00 a.m. and that the Blue Drop Program would be highlighted. They are trying to generate revenue and defray costs to ratepayers, including wholesale, and retail customers. Hopefully the success of the program can be shared with other public agencies. A draft of the Articles of Incorporation will be presented to the Committee and questions will be answered. They are seeking approval at the October Board meeting. He invited the Board members to attend the Committee meeting.

Mr. Hawkins announced that D.C. Water will soon receive a Healthiest Company Award. This means that D.C. Water's Health and Wellness Programs for its employees is judged as one of

the best in the country and in the public sector. The goal of D.C. Water's health and wellness programs starts with having high performing, well-trained, and health personnel.

Chairman Brown was thanked by Mr. Hawkins for his help and guidance in working with the District regarding lead in water. They recently held a meeting with the Mayor and others and will continue to work with them. The Chief Engineer is responsible for a contract with an expert international consultant to identify the best lead programs in the world. That report will be received soon and they will then benchmark to determine what is best for the District and region.

General Manager Hawkins mentioned a reorganization that was happening within D.C. Water concerning two existing positions—the Chief of Staff and the Chief Procurement Office. The new Chief Procurement Officer is John Bosley and his focus will be exclusively on excellence of procurement for both services and capital. Under Mustaafa Dozier, Chief of Staff, labor and human capital management will be reunited. Mr. Hawkins thanked Chief Operating Officer Biju George for his efforts with the restructuring.

One new hire and several promotions were highlighted by Mr. Hawkins. Samuel Ofori was hired as Program Manager for the Capital Improvement Program, Engineering and Technical Services Department. Promoted were Carlos Almeida to Manager of Facilities Mechanical Services; Kevin Jhingory to General Foreman in the Department of Sewer Services; and Dunbar Regis to Manager for Inspection and Maintenance Services, Department of Sewer Services.

Consent Items (Joint Use)

Chairman Brown asked for a motion to approve joint use action items. Mr. Firestine moved to approve Resolutions No. 16-62 through 16-68, and it was seconded. The motion to approve Resolutions No. 16-62 through 16-68 was unanimously approved by the members of the Board.

Consent Items (Non-Joint Use)

Chairman Brown asked for a motion to approve the non-joint use action item. Mr. Menkiti moved to approve Resolution No. 16-69 and it was seconded. The motion to approve Resolution No. 16-69 was unanimously approved by the District of Columbia members of the Board.

Chairman Brown 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. Official Code. It was so moved and seconded. A roll call vote was conducted and the motion was approved unanimously. The Board went into Executive Session at 11:12 a.m. The public meeting was resumed at 12:45 a.m.

Chairman Brown asked for a motion to amend Resolution 16-70. Mr. Menkiti moved to amend Resolution 16-70 and it was seconded. The motion to amend Resolution 16-70 was unanimously approved. The resolution was opened for discussion by Chairman Brown. Mr. Menkiti recommended amending the fourth to the last whereas which reads "so that the remediated specific area of Hickey Run impacted by the spills at a cost estimated at a hundred thousand" to instead read "not to exceed a hundred thousand dollars." Chairman Brown asked for objections to the proposed amendment and there were none. He then asked for a vote on the amendment. It was moved and seconded that the amendment be accepted. Acceptance of the amendment was unanimously approved.

Mr. Menkiti moved for approval of Resolution 16-70 as amended and it was seconded.
Resolution 16-70 as amended was unanimously approved by the District members of the Board of Directors.

There being no further business, the meeting was adjourned by Chairman Brown at 12:46 p.m.


Secretary to the Board of Directors