



District of Columbia Water and Sewer Authority

MINUTES

**111th Meeting of the Board of Directors
Thursday, June 1, 2006**

Present Directors

Glenn S. Gerstell, Chairman, District of Columbia
Bruce Romer, Montgomery County
F. Alexis Roberson, District of Columbia
Anthony Griffin, Fairfax County
Lisa Morgan, District of Columbia
Alexander McPhail, District of Columbia
Dr. Jacqueline Brown, Prince Georges County
Robert Bobb, District of Columbia
Steven McLendon, alternate for David J. Bardin

Present Alternate Directors

Brenda Richardson, District of Columbia
Howard Gibbs, District of Columbia
Joseph Cotruvo, District of Columbia
Kenneth Davis, District of Columbia
Paul Folkers, Montgomery County

WASA Staff

Jerry N. Johnson, General Manager
Webster Barnes, Principal Council
Avis M. Russell, General Counsel (via telephone)
Linda R. Manley, Secretary to the Board of Directors

Chairman Gerstell called the 111th meeting of the Board of Directors to order at 9:37 a.m.

Ms. Manley, Board Secretary, called the roll to establish a quorum.

Chairman Gerstell stated that the Board will have an Executive Session towards the end of the meeting, during which the Board will address a number of legal matters.

Approval of Minutes of May 4, 2006 Meeting

It was Moved and Seconded that the minutes of the Board of Directors' meeting of May 4, 2006 be approved. The motion carried unanimously.

Customer and Community Services Committee

Reported by: Alexander McPhail, Chairman

The Committee met on Thursday, May 11th and discussed the AMR project. Mr. McPhail reported that almost 121,000 meters have been switched over to the AMR, and most of the ones which are left are the 2 or 3 inches. The Committee is hopeful that all of the meters are going to be converted by the end of calendar year 2006.

SPLASH

The Authority is trying to increase the participation of commercial customers in its SPLASH program. Staff is also analyzing the amount of money distributed to the Salvation Army and the amount of money that is actually being dispersed to customers in need. This information will be reflected in the new customer service report, which is being revised to reflect some changes that have gone on within the Authority.

Award of Distinction

Mr. McPhail reported that the Authority received an Award of Distinction for its 62nd Public Service Announcement, "Keeping Catch Basins Clean".

Committee Work Plan

The Committee incorporated four items from the customer survey into the Committee's work plan. The four items were the highest priority and the most important items that the Committee felt needed to be addressed, and those included water quality, and communications about water quality, the permitting process and the electronic bill payment.

Community Outreach

The Committee discussed the Authority's community outreach efforts. For Fiscal Year 06 the Authority has appeared in more than 45 community meetings. Staff educates the public about WASA and if it is a lead service-related meeting, they discuss the lead service line replacements. In addition, staff handles customers inquiries.

Environmental Quality and Operations Committee Report

In the absence of Jim Caldwell, Chairman of the Environmental Quality and Operations Committee, the General Manager provided the report for the Committee.

Digester Project Update

The General Manager reported to the Board that the Authority reached some accord with the surety companies that will allow the Authority to move forward with the digester project. The General Manager stated that instead of rebidding the digester project, staff decided to extend the time frame for bidding, and that should be wrapped up during the coming week. Staff has had an exchange of the various pieces of language that will give the Authority the level of security that is needed in order to move forward with the project and avoid the major shifting of risk that the Authority has been looking at early on. That is certainly one of the major things that came out of that Committee meeting.

Capital Projects Quarterly Report

The General Manager reported that the Quarterly Capital Projects Report was presented at the Environmental Quality and Operations Committee meeting. He noted that there were several projects in the General Manager's Report that have lagged a little in terms of spending, but we think that the progress on the actual projects is good, and that the Authority will wind up getting those projects completed on time. There was also an extensive report on the various parameters, and the operation of the Blue Plains Wastewater Treatment Plant.

Plant Performance

The General Manager reported that the Authority was within all parameters and permit requirements during the course of the month.

The General Manager reported that the Authority had a power outage on the Plant that lasted for about three hours, as a result of a failure at the Mirant Plant in Alexandria. That is a line that basically serves the Blue Plains Wastewater Treatment Plant. The power was restored and an analysis is being done to determine what caused the outage. The Plant had a dry weather overflow as a result of that outage. It is believed that it was somewhere in the order of 13 million gallons, but because the Authority exercised the emergency plan for those kind of contingencies, the Authority avoided probably a spill of about 30 additional million gallons into the river. The system was used for storage, and several other emergency measures were taken. For instance, slowing down the pumping rate, and several other things are contingencies for an eventuality like this.

The General Manager stated that this is the first time in recent history that the Plant has had a power failure. PEPCO is in the process of installing a new second feeder into the plant and so WASA was functioning on one and did not have the capability of doing the switch-over that it would normally have the ability to do. It has been reported to all the appropriate agencies, and there should not be any repercussions as a result of the incident.

Finance and Budget Committee

Reported by: Chairman Glenn Gerstell

The Committee met on Thursday, May 25, 2006.

Financial Overview

It was reported to the Committee that at the end of April, revenues totaled \$168.5 million, or 58.1 percent of budget; operating expenditures totaled \$147.8 million, or 51 percent of budget. The capital expenditures continue to lag at 43 percent of the proposed budget at \$103 million.

Electricity

Chairman Gerstell reported that staff continues to monitor the cost of electricity. The Authority will continue to explore looking at joint purchasing with other entities around the region. The difficulty in lining up with other purchasers has to do with WASA's relatively unique needs for electricity and the way the loads work for the Authority's needs and the plant versus other customers.

If electricity costs continue to be in the range that they have been, and, of course, there is no way of knowing that because it is very heavily dependent on oil prices, WASA probably will not need to go back to seek any additional authorization for changes in the budget.

Cash Reserves and Investments

Investments continue on track. The cash reserves remained significantly in excess of board requirements.

Capital Program (Second Quarter Results)

The Committee reviewed the second quarter Capital Program results. WASA currently has 46 active A/E agreements valued at about \$335 million. The Committee was satisfied that the Capital Program continues to be on track.

Insurance Update

The Authority's insurance policies expire on June 15th. Renewal negotiations are currently on the way and it is expected that overall costs will increase by approximately 9 percent. The Committee will receive a report at the next meeting.

WSSC Payment

The Committee received a report on ongoing settlement negotiations with WSSC. The Board will receive a report from the General Manager later on in the meeting.

DCCFO Issue

The Committee was provided an update on the status of an ongoing difference of opinion with the District's Chief Financial Officer, and is hopeful that it gets resolved, through legislation.

Banking Services Contract Extension

The Committee is recommending to the full Board an extension of a contract for banking services with Wachovia Bank, and the service has been satisfactory. The services relate to Wachovia's cash management and cash collections on the Authority's behalf from the customers.

Audit Committee

Reported by: Anthony Griffin

The Committee met preceding the Finance and Budget Committee meeting on Thursday, May 25, 2006.

The Committee discussed two major agenda items; one was the work program of the auditor, and the other was how the Audit Committee might respond to the eight recommendations that came from the governance study.

The primary discussion was about those eight recommendations related to the relationship between the Board and the Auditor. The sense of the Committee is that the Authority would maintain that relationship pretty much as it is now, except that it would want to make it clear that the Auditor is appointed by and reports to the Board. The Committee also wanted to make sure that the Auditor had a relationship with the General Manager, such that the General Manager could also use the Auditor for management purposes in terms of making sure that the organization is doing the right kinds of things. The advantage of having the Auditor report directly to the Board is that

should there be a disagreement or difference of opinion between the General Manager and the Auditor, the ultimate relationship is with the Board.

In addition, Mr. Hunter reported on the Internal Auditor's work program which is covered in the report. The Committee requested that the Internal Auditor and the General Manager come back with recommendations on the eight items identified in the governance study. The Committee's intent is to review and act on them in a timely manner, such that any action that needs to be taken by this body can be done prior to the end of the calendar year.

General Manager's Report

Reported by: Jerry Johnson

Electricity and Chemical Costs Update

The General Manager reported on the monitoring of the electric and chemical costs, which are a couple of the Authority's push items this year with regard to expenses. A thorough review of the budget was done and it was determined that WASA will be well within budget, and that they have modified WASA's spending plan to cover those additional expenses, without having any major degradation in service or other problems.

Cost of Service Study

A cost of service study is well underway, and staff will be reporting on that to the Budget and Finance and Rate Committees as progress continues to be made.

Customer Service Technology

The Authority implemented its language line service at Customer Service, which is the introduction of technology that will allow all of its customers to receive the same service in terms of translation, and on-line kinds of languages.

Lead Service Line Replacements

The lead service line replacements are a little ahead of schedule. WASA continues to be disappointed, however, that this includes only about 26 percent of private side replacements, even though WASA has been encouraging those a great deal. It just seems that the customer don't have a great deal of interest in doing those replacements.

Legislative Proposal

Staff met with Mrs. Schwartz in an effort to try to advance the legislation that was endorsed by this Board. The legislative proposal that was endorsed by the Board to have disclosure and/or replacement of the private side lead service lines before property transfers, and Mrs. Schwartz is still considering whether to advance that or not.

Water Service

The Authority has about 110 fire hydrants that are currently out of service a number of which are backlogged. Staff is developing a plan to address that particular issue, and drive that forward.

The Authority continues its emergency planning and training exercises. Staff will be involved in a National Tabletop exercise with the District of Columbia's Emergency Management Office and others. Several emergency simulation exercises have been done here at the plant and in other facilities over the past month.

Retirement Counseling for Employees

The Authority is providing one-on-one retirement counseling with some of its employees through Fidelity, as well as through the Civil Service system program to ensure that they are on top of all the issues related to potential employment or potential retirement.

Community Service

On pages 33 and 34 there are a number of neighborhood and community meetings that staff has been attending. In particular the focus has been on the rates issues and providing explanation for those planned activities, to include a meeting that was recently held with AOBA, and another that is planned for the Hotel Association to have those discussions. The meetings have not been extremely well attended, and the reaction from customers has been recognized that improvements have been made. Obviously, they don't want to see rates increase, but they recognize the cost of everything is going up and have generally received the presentations quite well.

EPA Administrative Order Requirements

The General Manager reported that the Authority received a letter from EPA; albeit, very vaguely worded, that indicates that WASA has completed the requirements under the Administrative Order. It does not go quite that far, but one would conclude after reading the letter that we have met all of the requirements under the Administrative Order. WASA is continuing to do a number of things that are not necessarily required by EPA or the current Drinking Water Standards, as part of its community water pledge, and will continue to undertake those activities.

AS McGaughan

The General Manager reported that the Authority received two checks, one in the amount of \$3,964,243.45, and another in the total amount of \$18,500,000 in settlement of the McGowan and other accounting and audit issues with WSSC. WASA has also met with its partners in Fairfax and Loudon Counties to ensure that they are in agreement with the new accounting methodologies that have been established. WASA is very pleased to have gotten that behind us, and actually have the dollars in our hand.

The General Manager thanked Chairman Gerstell and other members of the Board who have been very helpful in the resolution of the WSSC issue. He also thanked Dr. Brown

and Bruce Romer who have worked diligently with their respective counterparts at the Commission to ensure that this issue was brought to closure.

Chairman Gerstell wanted to particularly note the efforts of Board member David Bardin for pushing the WSSC issue to the forefront.

Bruce Romer stated that the General Manager, on behalf of the Authority engaged, very skillfully in some complex negotiations and represented the Authority very well.

Negotiation Update

The General Manager informed the Board that the Authority received a decision from the arbitrator on the compensation issues that have been under negotiation with the labor unions. As you know, WASA declared an impasse and even after declaring impasse, attempted to work through some of the issues a couple of additional times. This was not successful. The arbitrator award for compensation adopted WASA's economic proposals, and this means that there will be a 3 percent a year increase for each of four years covered by this decision. The Authority also received a four-year award, as opposed to a three. There will be retroactive pay for 2004 through 2006, lump sum merit bonuses of 1-2 percent, depending on performance rating during '06 and '07. The Authority maintained overtime at all over 40 hours actually worked instead of all over eight hours, which is consistent with FLSA. The Sunday premium, shift differential and holiday pay remained unchanged.

Employees will receive in the next pay period a 9.2 percent increase because this has been three years in the making.

There was a non-economic proposal on official time, which has been the primary issue that has been holding up the whole contract process. That was kicked out by the arbitrator, and he moved that over to the arbitration currently being engaged in for the working conditions. The new grievance procedure for compensation matters was also moved over to working conditions, so the Authority is anxious to get those issues resolved.

Personnel Appointments

The General Manager informed the Board that four key management positions have been filled: Eva Liggins, Director of Customer Service; Lewis Jarvis, Director of Water Services; Katrina Wiggins, Director of Human Resources; and Carl Banks, Security Manager.

Annual Report

The General Manager announced that the Authority is caught up on all of its annual reports. He recognized Michele Quander-Collins for an excellent job.

Chairman Gerstell presented former Board member Stephanie Nash with a plaque for her diligent service to the WASA Board.

Consent Item (Joint-Use)

1. Approval of Option Year Two of Contract No. WAS-04-018-AA-MB, C&E Services Inc. of Washington – Resolution No. 06-48 (Recommended by the Environmental Quality and Operations Committee 05/18/06)
2. Approval of Change Order No. 24 of Contract No. 010140, FRU-CON Construction Corporation – Resolution No. 06-49 (Recommended by the Environmental Quality and Operations Committee 05/18/06)
3. Approval of Contract Modification No. 2 of Contract No. GS-35F-0197L, Networking for Future – Resolution No. 06-50 (Recommended by the Environmental Quality and Operations Committee 05/18/06)
4. Approval of Contract Modification No. 3 of Contract No. GS-35F-4076D, Dell – Resolution No. 06-51 (Recommended by the Environmental Quality and Operations Committee 05/18/06)
5. Approval of Contract Modification No. 1 of Contract No. GS-00F-0030P, Tessada & Associates, Inc. – Resolution No. 06-52 (Recommended by the Environmental Quality and Operations Committee 05/18/06)
6. Approval of Contract Modification No. 1 of Contract No. GS-355F-0650R, TieBridge, Inc. – Resolution No. 06-53 (Recommended by the Environmental Quality and Operations Committee 05/18/06)
7. Approval of Contract Extension to Contract No. WAS-02-021-AA-LW, First Vehicle Services – Resolution No. 06-54 (Recommended by the Environmental Quality and Operations Committee 05/18/06)
8. Approval of Option Year Three of Contract No. WAS-03-036-AA-JS, Wachovia Bank – Resolution No. 06-55 (Recommended by the Finance and Budget Committee 05/25/06)

The Motion to Adopt Consent Items (Joint-Use) was Moved and Seconded with unanimous approval.

Consent Items (Non-Joint Use)

1. Approval of Contract No. 050180, Fort Myer Construction Corporation - Resolution No. 06-56 (Recommended by the Environmental Quality and Operations Committee 05/18/06)
2. Approval of Contract No. 060020, Fort Myer Construction Corporation – Resolution No. 06-57 (Recommended by the Environmental Quality and Operations Committee 05/18/06)

The Motion to Adopt Consent Items (Non-Joint Use) was Moved and Seconded with unanimous approval.

Resolution No. 06-58, Contract No. DCFA #405-WSA, Hatch Mott MacDonald I&E, LLC was removed from the consent agenda for discussion.

The General Manager informed the Board that 25 percent of the contract is being awarded to WBE-MBE firms, as opposed to the 10 percent that was mentioned. In addition, there is McKissack & McKissack, which is a Woman-Owned MBE Firm in the District of Columbia, T. L. Brown and Associates is an MBE firm here in Washington (15 percent), DACO Science or SCI is an MBE firm of Columbia, Maryland (10 percent) and EA Engineering Sciences out of Baltimore.

Mr. McLendon asked if that would count as LSDBE participation. The General Manager responded that this is MBE-WBE participation because there is federal money in the contract. He further stated that the LSDBE does not necessarily mean that it is a minority firm, because WASA is doing federal participation. WASA has a federal fair share that allows WASA to actually, based on an availability analysis, do a MBE and WBE portion of the contract, and that is 34 percent.

In addition, he reminded the Board that the two contracts had been contracts related to Baker Engineering, and Killum, which had been a joint venture. WASA experienced some significant difficulty with its business relationship with Baker. Therefore, the contracts were split to allow one to focus primarily on the water system and the management of that water system program, which is a major program that looks at the various things that are done. The other one was a split off to be a separate contract for the support of the construction program, as well as the maintenance of the lead services program.

Ms. Roberson requested information on the local participation before the contracts were divided into two separate contracts.

Mr. McPhail asked the General Manager why only two firms submitted bids on a \$12 million contract. Ms. Roberson requested the information on Mr. McPhail's question prior to voting on the contract.

Chairman Gerstell asked the General Manager what would be the effect if the Board did not approve the contract today. The General Manager replied that the contract expires the end of June with the anticipation that the two new contracts would come into place to replace that one.

After a discussion among the District members of the Board. The District members approved Resolution #06-58, Contract No. DCFA #405-WSA, Hatch Mott MacDonald I&E, LLC.

Resolution No. 06-59, Contract No. DCFA #406-WSA, Joint Venture: Bryant Associates, Inc., O'Brien & Gere Engineers, P.C., Construction Dynamics Group/ARCADIS was removed from the consent agenda for discussion.

Mr. Bob recommended disapproval of Resolution No. 06-59.

Mr. McPhail stated that this is a large contract to have only three firms submit proposals. He stated that he would feel more comfortable if the contract was sent back to the Environmental Quality and Operations Committee to review why the Authority only received three firms for a \$20 million contract.

The General Manager stated that although there were three bidders, if you drill down into those bids you will see that one group was comprised of at least four different firms. There was another consortium of people who had come together, so there were three bids but there were a number of firms that were involved in those three bids. Bryant Associates is a 100 percent minority-owned firm who joint ventured with two other firms to come into the project, so 30 percent of that is minority participation. Bryant Associates has done an excellent job for the Authority in past activities that they have been involved in with regard to the lead service replacement program in support of the capital program work that WASA has been doing here in the District.

The General Manager also stated that staff is following the general guidelines and direction that has been enunciated by the Board. Should there be interest in modifying that policy, staff would be willing to do that.

Mr. Griffin stated that in Northern Virginia, Fairfax in particular, they have several large construction contracts and are only receiving two or three bidders. The particular construction environment in which the Washington Metropolitan area is in right now has totally stretched the capacity of the industry to respond to these kinds of contracts. Therefore, they are being very selective about what they bid on, because if they have to make an investment in order to make the bid, and if they don't make the cut, that is a loss for them, so this has generally been going on for a couple of years.

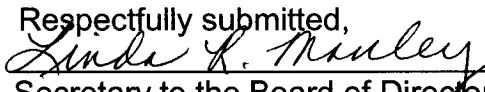
Ms. Roberson stated that her concern is out of the \$20 million contract, only 8 percent is going to District-based businesses.

Mr. Bobb asked if Bryant Associates, Inc., has its own employees, engineers, maintenance people and supervisors? The General Manager replied, yes.

After discussion the District members of the Board decided to table Resolution No. 06-59, Contract No. DCFA #406-WSA, Joint Venture: Bryant Associates, Inc., O'Brien & Gere Engineers, P.C., Construction Dynamics Group/ARCADIS and send the contract back through the Environmental Quality and Operations Committee with the questions raised by members and then bring the contract back to the July Board meeting.

The Board convened into an Executive Session to consider a number of legal matters at 10:50 a.m.

The Board reconvened into the public meeting at 12:01 p.m. The meeting was adjourned at 12:02 p.m.

Respectfully submitted,

Secretary to the Board of Directors