



**District of Columbia Water and Sewer Authority**

**MINUTES**

**116<sup>th</sup> Meeting of the Board of Directors  
Thursday, December 7, 2006**

**Present Directors**

Chairman Glenn Gerstell, District of Columbia  
Dr. Jacqueline F. Brown, Prince George's County  
F. Alexis Roberson, District of Columbia  
David J. Bardin, District of Columbia  
Lisa Morgan, District of Columbia  
Kenneth Davis, Alternate for Vacant Position, District of Columbia  
Paul Folkers, Alternate for Bruce Romer, Montgomery County  
James Caldwell, Montgomery County  
Anthony Griffin, Fairfax County  
David Byrd, Prince George's County

**Present Alternate Directors**

Steven McLendon, District of Columbia  
Paivi Spoon, Prince George's County  
Brenda Richardson, District of Columbia  
David Lake, Montgomery County  
Joseph Cotruvo, District of Columbia  
Chris Akinbobola, Prince George's County

**WASA Staff**

Jerry N. Johnson, General Manager  
Avis M. Russell, General Counsel  
Linda R. Manley, Secretary to the Board of Directors

Chairman Gerstell called the 116<sup>th</sup> meeting of the District of Columbia Water and Sewer Authority's Board of Directors meeting to order at 9:36 a.m.

Ms. Manley called the roll to establish a quorum.

### **Approval of Minutes of November 2, 2006 Meeting**

It was Moved and Seconded that the minutes of the Board of Directors' meeting of November 2, 2006 be approved. The motion carried. The minutes of the November 2, 2006 meeting were unanimously approved.

The Board went into an Executive Session at 9:30 a.m. to discuss some legal matters and resumed into the public meeting at 11:01 a.m.

### **Joint Meeting of the Finance and Budget and the Environmental Quality and Operations Committees**

*Reported by: Chairman Glenn Gerstell and Chairman James Caldwell*

Chairman Gerstell reported to the Board that there was a joint meeting of the Finance and Budget and the Environmental Quality and Operations Committee on November 16<sup>th</sup> to review and discuss the fiscal year 2007 and proposed 2008 budgets.

Mr. Gerstell stated that he will discuss the budget issues and Mr. Caldwell agreed to comment and summarize any of the issues that are typically within the province of the Operations Committee.

Chairman Gerstell reported that the proposed revised FY 2007 operating budget totals \$311.2 million, approximately \$0.5 million less than the approved FY 2007 approved budget. He reported that the proposed FY 2008 operating budget totals \$341.2 million, which is a \$30 million increase over the revised FY 2007 budget. A substantial amount of that \$30 million increase is attributable to the projected increase in debt service costs associated with WASA's proposed new debt issuance in FY 2007.

Management is proposing a water and sewer rate increase for the District of Columbia at 7.56 percent in the 2008 budget. The PILOT and right-of-way fee would increase by about 6.8 percent.

In terms of the capital budget, the lifetime budget expenditures will total \$5.1 billion. Over a ten year period disbursements will be \$2.2 billion if WASA continues on track. The capital authority for the upcoming year is \$446 million. The projected spending for WASA's total capital improvement program will range from about \$160 million to \$420 million per year over a ten year period.

The FY 2008 operations and maintenance (O&M) budget is \$11.6 million higher than the revised FY 2007 budget. The key drivers of the O&M increase are higher electricity costs and water purchases.

The Committees reviewed the Board's financial policies and major assumptions underlying the ten year financial plan. The Board pays a lot of attention to assumptions to ensure that staff is proceeding on a conservative basis.

There is a projected 5 percent increase in retail revenue for large commercial and federal meter installations because of the Automated Meter Reading Project that is continuing.

The Authority was expecting about a 1 to 3 percent increase in wholesale customer revenues for 2008 through 2015, which is in line with the increasing cost of operations. The Committees reviewed a rate stabilization fund balance of \$58.5 million fully utilized by 2012 and an operation and maintenance expenditure increase of 14 percent annually for a ten year period. The Committees also discussed a new debt issuance in spring/summer 2007, with fixed interest rates at 6.5 percent. In addition, the Committees discussed the capital improvement program. The CIP request is for \$2.2 billion in terms of cash disbursements. That is about \$22 million less than last year's plan.

The Committees discussed and are recommending to the full Board a request for waiver of about \$50,000 of late fees on a long standing customer account receivable.

Chairman Gerstell turned the reporting of the meeting over to Mr. Caldwell. Mr. Caldwell reported that the plant continues to operate within permits. The Committee reviewed and discussed four joint use and four non-joint use items for recommendation to the full Board. After some discussion the Committees agreed to recommend that all eight of the items be forwarded to the full Board for approval.

The Committee requested and received a report of the failed fabric dam. It was reported that a dam at the B Street/New Jersey Avenue relief sewer failed in early October. The failure of the dam was reviewed by the company who put the dam into commission. It was found that the dam had ripped off its base at the foundation. The company anchored it at their cost, and it is now back in service.

### **Other Announcements**

Chairman Gerstell moved to other business and informed the Board that he would like to move the Customer and Community Services Committee to a quarterly meeting schedule. He will select a chairman of that committee once the new Mayor has taken office and filled the vacancies for the District of Columbia.

### **General Manager's Report**

*Reported by: Jerry Johnson, General Manager*

The General Manager reported that the operating receipts for the reporting period are \$27 million or 9 percent of budget, with 8 percent of the year having passed. Those receipts by category are found on page 2 of the General Manager's report. Expenditures exceeded just over \$16 million or 6 percent of the projected expenditure budget. The capital spending was \$16 million.

Investments were at 5.32 percent for the reporting period or 27 basis points higher than the target. Staff continue to monitor electric costs, as discussed in the budget meeting that preceded this meeting.

The year end closing is complete and WASA is in the process of doing both the general audit and A1 audit by the outside auditors.

WASA is in the process of shifting the SPLASH Program, which had a very successful year in collecting over \$66,000, to the Washington Urban League where WASA would anticipate a more aggressive marketing approach and a more aggressive spending plan on their part to assist residents of the District.

The Authority is in full compliance with the Safe Drinking Water Act.

The Authority experienced a water main break on Sargent Road. The water main break resulted in damage to some homes. The residents are now presenting claims and they will be evaluated on an individual basis to determine any responsibility on the part of WASA.

The residents of 8<sup>th</sup> and Varnum Street that are served by a private water main have hired an outside engineer and are looking at lease cost alternatives for continuing service once WASA disconnects that facility from the broader distribution system.

The House and Senate Appropriations Committee have included \$7 million dollars in the budget for CSO control, which will take the Authority's total federal contributions to about \$100 million. Final action will not be taken on that until February.

#### **Consent Items (Joint Use)**

1. Approval to execute Change Order No. 29 of Contract No. 010140, FRU-CON Construction Corporation – **Resolution No. 06-96** (Recommended by the Environmental Quality and Operations Committee 11/16/06)
2. Approval to execute Contract No. 040190, Ulliman Schutte – **Resolution No. 06-97** (Recommended by the Environmental Quality and Operations Committee 11/16/06)
3. Approval to execute Option Year One of Contract No. WAS-06-005-AA-ND, Urban Service Systems Corporation – **Resolution No. 06-98** (Recommended by the Environmental Quality and Operations Committee 11/16/06)
4. Approval to execute Contract Modification No. 3 of Contract No. WAS-02-021-AA-LW, First Vehicle Services – **Resolution No. 06-99** (Recommended by the Environmental Quality and Operations Committee 11/16/06)

### Consent Item (Non-Joint Use)

1. Approval to execute Supplemental Agreement No. 2 of Contract No. DCFA 384-WSA, EA Engineering, Science & Technology, Inc. – **Resolution No. 06-100** (Recommended by the Environmental Quality and Operations Committee 11/16/06)
2. Approval to execute Supplemental Agreement No. 4 of Contract No. DCFA 330-WSA, Greeley and Hansen, LLC. – **Resolution No. 06-101** (Recommended by the Environmental Quality and Operations Committee 11/16/06)
3. Approval to execute Change Order No. 1 of Contract No. 040220, Flippo Construction Co., Inc. - **Resolution No. 06-102** (Recommended by the Environmental Quality and Operations Committee 11/16/06)
4. Approval to execute Option Year One (1) of Contract No. WAS-06-002-AA-VW, Business Promotion Consultants, Inc. – **Resolution No. 06-103** (Recommended by the Environmental Quality and Operations Committee 11/16/06)
5. Approval for Waiver of Late Fees for Property Located at 860 Southern Avenue, S.E. – **Resolution No. 06-104** (Recommended by the Finance and Budget Committee 11/16/06)

Chairman Gerstell stated that the remaining business of the Board is not on the consent calendar and concerns something that came out of the Executive Session. He reported that the General Manager informed the Board that he had signed a memorandum of understanding, dated November 21<sup>st</sup>, regarding the transfer of WASA's O Street facility which sits on land owned by the District of Columbia. It is used pursuant to statute for joint-use activities to be transferred to the Anacostia Waterfront Corporation (AWC) as part of the overall development of the Baseball District and the South Capitol Street Corridor. The Board has been previously briefed about the General Manager's and the staff's general desires in this regard.

Chairman Gerstell stated that the Memorandum of Understanding is not binding, but does contemplate that prior to February a transfer agreement will be entered into formally between the Authority and the District of Columbia Government itself and AWC whereby the rights to use the land will be transferred from WASA, or WASA's use in it. Rights to use the land will be transferred to the AWC and in return WASA will receive rights to use some other property in the District that will be identified. WASA will then be able to move its fleet operation, and other systems and functions at the O Street facility, to the new site.

The Chairman emphasized the principle that the Board has insisted that the entire cost of relocation associated with moving from the O Street site is not to be borne ultimately by the Authority, because that would be cost imposed on ratepayers and WASA's wholesale customers. Instead it is to be borne by either the AWC or the District. The Memorandum of Understanding (MOU) makes that clear, and certainly any transfer that WASA enter into will also make that clear.

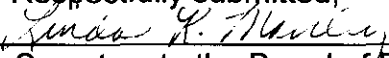
The Chairman proposed that the Board ratify the General Manager's signing of the memorandum of understanding, copies of which will be delivered to Board members, with the understanding that any transfer agreement that will be entered into would be binding on the Authority only when, as and if approved by the Board of Directors. That transfer agreement would very clearly enunciate the principle that was just described, which is that the Authority would not bear any costs associated with the relocation.

The Board requested a roll call vote. The roll call vote is as follows:

Chairman Gerstell – yes  
Kenneth Davis – yes  
Lisa Morgan – yes  
David Bardin – present and not voting  
Paul Folkers – yes  
James Caldwell – yes  
Jacqueline Brown – yes  
David Byrd – yes  
Anthony Griffin – yes

Chairman Gerstell declared the resolution adopted.

The meeting adjourned at 11:26 a.m.

Respectfully submitted,  
  
Secretary to the Board of Directors