



District of Columbia Water and Sewer Authority

MINUTES

***119th Meeting of the Board of Directors
Thursday, March 1, 2007***

Present Directors

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

Present Alternate Directors

Joseph Cotruvo, District of Columbia
Howard Gibbs, District of Columbia
Steven McLendon, District of Columbia
Chris Akinbobola, Prince George's County
Robert Stalzer, Fairfax 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 119th meeting of the District of Columbia Water and Sewer Authority's Board of Directors to order at 9:30 a.m.

Chairman Gerstell stated that this was his last meeting.

Ms. Manley called the roll to establish a quorum.

Approval of Minutes of February 8, 2007 Meeting

It was Moved and Seconded that the minutes of the Board of Directors' meeting of February 8, 2007 be approved. The motion carried. The minutes of the February 8, 2007 meeting were unanimously approved.

Environmental Quality and Operations Committee

Reported by: David Lake

Mr. Lake reported that the Committee was informed by Walter Bailey that all permit parameters were met.

The Authority continues in negotiations with EPA on both the reopening of the NPDES Permit to add an enforceable limit for nitrogen removal, and the TMDL process.

There was a discussion about the need or desire for the water distribution system to have a chlorine burn to prevent coliform growth concerns. WASA has not conducted a chlorine burn since the use of chloramines as the primary water disinfectant and has not had any system microbial problems. WASA has conducted an extensive water main flushing program to maintain the water distribution system. Other customers of the Washington Aqueduct in northern Virginia have requested the chlorine burn. This issue will receive additional review.

The Committee had an extensive discussion on the orthophosphate addition and the lead and copper rule. There had been some discussion by the Authority for a reduced sampling program for lead; however, EPA so far has denied a reduced sampling program for the Authority.

The Committee received an informative presentation by the Casey Tree Foundation on research that the foundation had undertaken, given a \$200,000 grant from EPA. The purpose of the research was to evaluate the contribution that green roofs and urban trees could contribute to the reduction of stormwater pollution in the surrounding streams and rivers. The conclusion indicated that they had a definitive positive impact on stormwater in the majority of storms, which are the smaller storms, and less effect of course during the larger impacts. Staff will provide a review of that research as it applies to the Authority in the near future.

The Committee received an extensive presentation of the procurement process at the Authority. It was a good review of the Authority's procurement program.

The Committee discussed the issues regarding the Georgetown sinkholes, that was related to sewers in the Georgetown area that are old and made of clay. It was determined that the sinkholes were a result of soil eroding into the sewers. Staff informed the Committee that the sinkholes can be repaired by using cured-in-place lining which is inserted from manhole to manhole, and filled with hot water which holds it tight to the inside of the pipe and cures the cured in place pipe polymer resin.

The Committee received a report on the Potomac Pumping Station Overflow (Dry Weather Discharge) Incident. The Committee asked some good questions regarding what was done wrong and how staff can avoid this from reoccurring. Staff reported that efforts were being made to improve operator's understanding of protocols and proper action was being taken to address the error.

The Committee reviewed three joint-use contracts and recommended approval. The District members of the Committee reviewed two non-joint use contracts and asked that further information on Contract No. 060050 be provided prior to the Board's approval.

Mr. Bardin noted that after the meeting there was some discussion with staff and additional information was provided to the majority of the District members, the members were okay with recommending the contract to the Board. In addition, that information was provided with the Board package.

Ms. Roberson noted that she was the Board member that dissented. After an extensive discussion regarding the contract Ms. Roberson was okay with staff's explanation.

Audit Committee

Reported by: Anthony Griffin

The Audit Committee met on February 22, 2007.

The Committee reviewed the Internal Auditor's current work schedule and proposed work program. Some exceptions were identified in the current work program and those exceptions were addressed. There was some concern raised about the ability to achieve the goals of the work program as identified. There is a 25 percent resource gap, and the internal audit function has four positions and one is vacant. Mr. Hunter informed the Committee that if the position was filled by the spring, there is a good chance that the audit program can be achieved.

Mr. Griffin requested that Ms. Manley circulate the proposed work program to the entire Board for an opportunity to review it.

Mr. Hunter reviewed with the Committee the role of auditing in the public sector governance. Mr. Griffin requested that the handout be shared with the entire Board.

The Committee discussed Sarbanes-Oxley and Mr. Griffin reiterated that the Authority has no specific commitment under Sarbanes-Oxley, but it is a useful reference in terms of how this Board and organization might conform relative to issues of transparency and making sure that the public understands the Authority's mission and how that mission is accomplished.

The Committee discussed the Authority developing a code of conduct and suggested that a code of ethics should be associated with the code of conduct. The code of ethics is useful to clearly articulate what the expectations are of all persons associated with the Authority, be it employees, management or the Board.

The Committee spent the majority of its time reviewing the external audit report. Thompson, Cobb, Bazilio & Associates issued an unqualified opinion on the Authority's financial statements.

The external auditors also reviewed the OMB Circular A-133 audit, which essentially is how D.C. WASA complies with federal grants. The Authority received a significant amount of money through the federal grants program. Thompson, Cobb, Bazilio & Associates reported no problems to the Committee.

The external auditors informed the Committee that although the Authority received an unqualified opinion, there were several observations. Three recommendations for improvement were to develop an asset impairment and retirement policy, to fill key vacancies in key management. Although the auditors are aware of the Authority's issue regarding the Chief Financial Officer's position, they noted that the Authority needs to resolve that issue sooner rather than later. They also recommended that the Authority be more aggressive in terms of its internal controls as it relates to the third party providers, to make sure that those providers are in fact meeting WASA standards.

The Committee met with the external auditors in closed session to discuss whether there were any issues in terms of their ability to conduct the audit, and how management did in complying with requests from the auditors.

The auditors reported that they received 100 percent cooperation from management, were very pleased with the cooperation they received, and were positive about the progress and the direction that the Authority is moving in an auditing perspective.

Mr. Bardin asked about the follow-up process on the auditors recommendations. He stated that there should be a timetable by which the Board will receive resolution on the recommendations. Mr. Griffin responded that the Audit Committee will receive a progress report at its meetings.

In addition, Mr. Bardin requested minor revisions to the Comprehensive Annual Financial Report (CAFR).

Finance and Budget Committee

Reported by: Chairman Gerstell

The Committee met on February 22, 2007.

At the end of January, with 33 percent of the fiscal year complete WASA continues to meet all its key financial and budgetary expectations. Revenues are slightly ahead of budget at about 34 percent. Expenditures were slightly behind, some due to timing differences and some due to under expenditure in areas, at about 27 percent of the budget, with \$84 million having been spent.

Capital expenditures are also running slightly behind projections at 29 percent of the budget with 33 percent of the year complete.

The total cash balance at the end of January was \$244.8 million; \$115.1 million of that balance was for the operating reserve, \$58.5 million for the rate stabilization fund, and \$71.2 million for the CSO LTCP Appropriation from Congress.

The Committee discussed the Automated Meter Reading Project. Staff reported that the project is already approximately 98 percent completed, and the target date for completion of the entire project is the end of July.

The Committee discussed the proposed bond issuance. The current projection is that the Authority will borrow a little more under its commercial paper program to pay for construction costs that are expected to be paid by WASA over the next several months, and then wrap that up with financing in the bond market probably at a fixed rate as opposed to a variable rate issuance sometime perhaps in May. The amount the Authority anticipates is about \$300 million or a little less.

To put that in perspective, Mr. Gerstell stated that the Authority's current debt is over \$776 million, of which \$500 million is in the form of subordinate debt, and \$226 million is senior debt.

The Committee discussed the hiring of a bond counsel. Staff reported that 9 firms responded to the bond counsel solicitation. The evaluation team, which included the Authority's General Counsel, reviewed each response and recommends selection of Squire Saunders and Leftwich and Ludaway, a joint-venture partnership as well as WASA's previous bond counsel team.

Mr. Gerstell asked the secretary to correct the agenda to reflect that the Finance and Budget Committee is recommending the selection of the bond counsel in lieu of the Environmental Quality and Operations Committee.

General Manager's Report

Reported by: Jerry Johnson, General Manager

The General Manager reported that the proposed rates have been advertised in the D.C. Register.

The General Manager followed-up with Mr. Lake's comments during his report from the Environmental Quality and Operations Committee. He noted that EPA denied the Authority the option to reduce the monitoring of the lead levels. Therefore, the Authority will continue the elevated monitoring levels.

The Authority executed \$1.2 million in goods and services contracts. \$26.2 million of A&E and construction contracts have been executed.

In February the Authority saw an increase in the number of water main leaks and breaks. The Authority is keeping up with the breaks as they are occurring in all categories.

The Authority is involved in several research projects. EPA has looked to the Blue Plains Wastewater Treatment Plant and the progress that it has made in odor control and lime as a stabilizing agent for biosolids and will be using that research and some of the results for a national manual that they will be publishing this spring.

In addition, there is an animox research collaborative that has been established between Virginia Tech, City College of New York, and the University of Innsbruck in Austria, looking at this animox bacteria and its impact on wastewater treatment.

The General Manager reported that there will be a performance hearing on March 14th with the Committee on Public Works and the Environment, chaired by Councilmember Jim Graham.

Mr. Bardin stated that the Authority is approaching the end of the five-year Greeley & Hansen study of the sewer system and requested that the Environmental Quality and Operations Committee receive a presentation on the outcome of the sewer system study. The General Manager stated that once the study is complete that staff will provide a detailed review of the sewer study.

Ms. Roberson requested the average amount in gallons of water usage between WASA, the fire department and other municipal activities. The General Manager stated that he will provide the information.

Mr. Bardin requested a comparison of WASA's experience in unaccounted water usage with experience in other water systems in the area.

Administrative Items

Vice Chairman Brown asked to amend the agenda to add another administrative item. The Board presented Chairman Gerstell with a Resolution of Appreciation.

1. Resolution of Appreciation – Chairman Glenn Gerstell
2. Resolution of Appreciation – Bruce F. Romer
3. Resolution of Appreciation – James A. Caldwell

The motion to Adopt Administrative Items was Moved and Seconded with unanimous approval.

Consent Agenda (Joint-Use Items)

1. Approval to execute Contract Modification No. 7 of Contract No. WAS-02-021-AA-LW, First Vehicle Services – **Resolution No. 07-27**(Recommended by the Environmental Quality and Operations Committee 02/15/07)
2. Approval to execute Option Year Two (nine months) of WAS-04-053-AA-MB, J. Givoo Consultants, Inc. – **Resolution No. 07-28** (Recommended by the Environmental Quality and Operations Committee 02/15/07)
3. Approval to execute Option Year Three of Contract No. WAS-04-001-AA-MB, M&M Electric Motor Repair, Inc. – **Resolution No. 07-29** (Recommended by the Environmental Quality and Operations Committee 02/15/07)

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

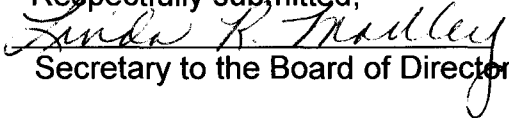
1. Approval to execute Option Year One of Contract No. WAS-06-014-AA-WW, WACHS Utility Services – **Resolution No. 07-30** (Recommended by the Environmental Quality and Operations Committee 02/15/07)
2. Approval to execute Contract No. 060050, Capitol Paving of DC – **Resolution No. 07-31** (Recommended by the Environmental Quality and Operations Committee 02/15/07)
3. Approval to execute Contract No. WAS-07-007-AA-JS, Squire, Sanders & Dempsey, LLP. – **Resolution No. 07-32** (Recommended by the Finance and Budget Committee 02/22/07)

Chairman Gerstell's Final Remarks

Chairman Gerstell stated that he feels very good about where the organization is at the moment. He has spent a fair amount of time with the incoming Chairman Robin Martin. He stated that over the years the members have instilled at the Board level a very high sense of dedication and professionalism and real sense of the goals that the Board wanted to aspire to.

Chairman Gerstell stated on a personal level that he had enjoyed working with the Board, both principals and alternates over the years. He stated that serving as Board Chairman has been a tremendous opportunity for him to work with some really true professionals. He also stated that the high point of his tenure as Chairman is his dealings and professional relations with the General Manager.

The meeting adjourned at 10:44 a.m.

Respectfully submitted,

Secretary to the Board of Directors