



District of Columbia Water and Sewer Authority

MINUTES

***121st Meeting of the Board of Directors
Thursday, May 3, 2007***

Present Directors

Chairman Robin B. Martin, District of Columbia
F. Alexis Roberson, District of Columbia
Steven McLendon, Alternate to David J. Bardin, District of Columbia
Keith Stone, District of Columbia
Daniel Tangherlini, District of Columbia
Alan Roth, District of Columbia
Timothy Firestine, Montgomery County
David Lake, Alternate for Montgomery County
Anthony Griffin, Fairfax County
David Byrd, Prince George's County
Paivi Spoon, Alternate to Dr. Jacqueline Brown, Prince Georges County

Present Alternate Directors

Brenda Richardson, District of Columbia
Chris Akinbobola, Prince George's County
Joseph Cotruvo, District of Columbia
Kenneth Davis, District of Columbia
Paivi Spoon, Prince George's County
Paul Folkers, Montgomery 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 Martin called the 121st meeting of the District of Columbia Water and Sewer Authority's Board of Directors to order at 9:30 a.m.

Ms. Manley called the roll to establish a quorum.

Opening Comments - Chairman Martin

Chairman Martin welcomed everyone to the 121st meeting of the District of Columbia Water and Sewer Authority. He stated that there are a number of new Board members that the Board will get to know over time. He stated that missing member David Bardin had open heart surgery on Monday. Chairman Martin spoke with Ms. Bardin and David Bardin sends his greetings

Chairman Martin stated that his appointment to Chairman of the Board has been an interesting journey. He noted that there are many issues that have been raised by the DC City Council and by the Chairman of the Public Works Committee that will be discussed later in the meeting. The Board needs to pay attention to those issues since the City Council is the Authority's legislative body. The Council has the authority to change the legislation creating the Authority and the Authority has to understand and appreciate the relationship that it has with the City Council. Chairman Martin stated that over time the Authority's activities will reflect a more responsive relationship with the City Council. He believes that this is a joint learning relationship between the City Council and new Board members.

Chairman Martin stated that he has a few broad goals and has had the pleasure of sitting in the audience for the past few months, observing Committee and Board meetings. He stated that this is one of the most well-run, most civil discourses, and most intelligent body of people the he has seen in many years, particularly in a government organization. The management is competent and understands the issues; however that does not mean that people don't have different perspectives, but that is what makes a Board work. Chairman Martin stated that what he appreciates about the Board is its commitment to good governance and that is something that he think is a critical element of what the Board does. He pledges as the chair to help the Board continue to work in the manner that it has in the past. Chairman Martin thanked Glenn Gerstell for the leadership that he provided the Board over the last six years.

Chairman Martin stated that responsiveness is important and that he knows there have been initiatives over the past couple of years which have been very successful to rate payers, and to individual customers and how the Authority responds to them. The Automated Meter Reading Program and the Customer Call Center is working well. In terms of the Authority's rate setting process, the Authority is reaching out into the Advisory Neighborhood Community and around the District to ensure that people are notified and that their voices are heard. Chairman Martin stated that there is more to responsiveness than just dealing with individual rate payers. The Authority has businesses, commercial and government agencies which are the Authority's customers that the Authority needs to be responsive to. The Authority needs to be responsive, flexible and quick to respond to individual issues and there is a systematic way to handle that in terms of the Board's committee structure.

Chairman Martin stated that the Board and staff need to be mindful of the long-term planning nature of the Authority. The Authority has a day to day product that it provides, both in water and the wastewater side which have to operate well and the Authority is certainly under everyone's scrutiny. The Authority is a 24 hour-a-day, 7 days a week, 365 days-a-year operation and that is not an easy thing to maintain on a well-running basis. There are incredible challenges in the long term that demand thoughtful analysis and skillfull negotiations with those who impact the Authority. In addition, there are financial needs that are tremendous over a long period of time. The press, DC Council and other people who are interested in what the Authority does and how it operates all have a slightly different agenda and different perspective of how the Authority should accomplish what it needs to do. There must be a collective effort by the Board and staff to make sure that everyone is thoughtful about that process.

Chairman Martin then began to discuss Committee assignments. He stated that he will fill three of the committee chairman positions today. In addition, there is legislation that is working its way through the Council that might change some of the Authority's functions and therefore, some committee assignments will be made in the next few weeks and then some adjustments in September. There may be some changes in terms of either assignments or the structure of the committees themselves that might require a by-law change.

Chairman Martin asked Dave Lake to continue as the Chairman of the Environmental Quality and Operations Committee. He appointed Alan Roth as the Chairman of the Customer and Community Services Committee. Chairman Martin stated that he will serve as the Chairman of the Finance and Budget Committee.

Chairman Martin reported that he is proposing a one day Board retreat in June and asked the Board members to coordinate their schedules with Ms. Manley. The purpose of the retreat is to get to know each other and to discuss governance to ensure that all Board members are on the same track in terms of how the Board should be governed. The Board will discuss major issues that would require workshops on a quarterly basis over the next year. The workshop will address something that would be an in-depth topic that the Board would all agree would be a major interest to the Board and something of importance to the Board time wise.

Approval of Minutes of April 5, 2007 Meeting

It was Moved and Seconded that the minutes of the Board of Directors' meeting of April 5, 2007 be approved. The minutes of the April 5, 2007 meeting were unanimously approved.

Environmental Quality and Operations Committee

Reported by: David Lake

Mr. Lake reported that the flows to the Blue Plains Wastewater Treatment plant are consistent with what was expected given the average precipitation, 338 million gallons per day. The total nitrogen for the plant was unusually high. There were some solids handling problems at the facility as a result of an excess amount of solids within the clarifiers and the shut down of the total nitrogen process for a period of time until staff

was able to work throughout that temporary problem. It was an operational issue that was addressed. It is not expected to continue. As far as total nitrogen from the facility, it is well within permit goal, so it is doing very well.

The new National Pollutant Discharge Elimination System Permit (NPDES) was issued April 5th and it does have the 4.2 milligrams per liter of nitrogen requirement there.

Mr. Lake reported that the Authority had two positive water tests that were likely related to water main breaks that occurred in the system. The fact that there were two positives was not a concern, mainly because it was at a level one percent and there is not an action level until it reaches five percent. Therefore, it was also considered to be a temporary situation.

The orthophosphates continue to be added to the system for protection against contamination from lead. The lead service program samples continue and, again, there were a few exceedences above 15 parts per billion. It was explained to the Committee that staff believed that those houses had galvanized pipe and that there may be some correlation between the presence of lead and use of galvanized piping. It was mentioned that the Authority will be conducting a research project to look into the relationships with a galvanized lead in the future.

There was discussion from prior months about whether or not WASA would be able to drop back to a fewer number of samples in the distribution system since WASA is in compliance with the lead issue. It was indicated that EPA has informed WASA that they will consider a reduced sampling program for WASA after completion of the chlorine burn which was started in April. Because of the way the monitoring program is designed, that would be a consideration next year.

WASA continues to run test loops to profile lead concentrations in the laboratory setting and no increased lead levels have been observed. In that process a water hammer of the system was created. The water hammer gives it a good shake to see how tenacious the protective layer is that has been put down by the orthophosphates. WASA has also performed a "walk through" which is actually going into the homes and taking samples at various time intervals which in theory gives you a plug flow concept of sampling from a particular section of pipe. This process has allowed WASA to sample water that has been exposed to lead sections of the house connection; indicating that the water is protected from lead leaching into the water. The good news is that the materials that are plated onto the pipes has stayed on and continues to protect the pipes.

The chlorine burn was initiated in April and WASA staff have reported only a few odor/taste complaints and no impact is expected on the protective layers on lead pipes.

The Committee then discussed the NPDES permit. The discussion of the committee members centered on a point previously made by the General Manager that Blue Plains is not a leading source of nitrogen to the Chesapeake Bay. Recent Chesapeake Bay reports on nitrogen sources indicate that approximately 20 percent of the nitrogen load

to the Bay is from all point sources, 20 percent from air deposition, and greater than 50 percent from agricultural and urban/suburban runoff.

Mr. Lake stated that the importance of this information is that you hear a lot about Blue Plains being a major source of nitrogen causing problems with the Bay, whereas Blue Plains being does contribute nitrogen to the Bay it can not be accurately stated that it is a major source. Blue Plains is however the largest point source and that is why WASA gets the focus from EPA and environmental groups.

The Committee received a presentation on the digester project. The presentation was in keeping with WASA's commitment to the Board to provide updates on the status of the construction economy and whether or not things are moving forward in such a light that WASA will be able to reconsider going out for bid again with the egg shape digesters.

Staff felt that the economy is pretty much in the same position it was last year when WASA had only a single bid on the project that was much above WASA's budget and therefore there is not a recommendation to move the digester project at this time. However, given the fact that the construction economy has not changed, there is an opportunity to have staff look at various biosolids management plans and concepts. There is also a need to evaluate the existing solids handling facilities at the plant knowing that there are processes in place that are working today that are in need of replacement or repair since they were scheduled to be taken out of service soon under the implementation schedule initially adopted for the egg-shaped digester project.

The existing biosolids processing system requires renewed attention since the digesters will not be in place by 2009 as planned. WASA must repair equipment more quickly, increase the reliability of the system, eliminate bottlenecks and assure adequate capacity. An outline of the requirements for this program and related budgetary needs will be available this fall.

WASA's biosolids land application program is still viable and cost effective; however there is a continuing concern by a very vocal minority of anti-biosolids groups about the practice. It may be in WASA's best interest to have a plan, perhaps for producing a Class A product, as protection against the potential for legislative actions in response to negative public opinion.

The Committee discussed briefly the on-site generation of sodium hypochlorite. The preliminary analysis suggests that there are potential savings in the onsite generation of sodium hypochlorite.

The Committee received a presentation on issues related to what is often called wasted water. The concern is that WASA purchases more water than it is actually selling. This is not uncommon; it occurs at every utility throughout the country. The presentation illustrated that WASA is continuing to improve the accountability for this unsold water and track where it is being used.

The Committee received a presentation on the water meter replacement program. The Committee was informed that some of the large meters are in old vaults and locations

that are hard to get to. Therefore, the replacement of these meters has been deferred indefinitely.

A problem has developed with installation of compound meters (3-to-8-inches) that measure both large flows and small flows. There seems to be some design flaw and WASA is working with the manufacturer to determine the problem.

The Committee recommended one joint-use contract with Ideal Electrical Supply Corp. The M.C. Dean contract was deferred for action because the information that was provided to the Committee clearly in terms of size of the contract was in error. That contract is under administrative action on the Board agenda. In addition, the D.C. members of the Committee recommended three non-joint use contracts for Board approval.

The Committee discussed two emerging issues. The first issue was requested by Board members that the Board receive a listing of legal actions that involve WASA. The Committee requested that the listing be sent to the full Board. The second issue was a discussion on the water redundancy study that had been conducted by the utilities in the Washington Metropolitan Area. The draft report had been issued. This effort was coordinated by the Council of Governments and it suggests that there are possible options for interconnections of the water systems and for redundant backup power supplies. This is a preliminary draft and staff will work through the draft to determine whether they think any of the proposals are feasible and will bring that information back to the Committee.

Finance and Budget Committee

Reported by: Paul Folkers

The Committee met on April 26th. The revenues are on budget at about 49.5 percent or \$151 million in receipts. The expectation is that that will catch up over the summer as consumption of water increases.

Operating expenditures trail the budget at 43.2 percent or \$135.1 million. Capital spending trails budget at 36.9 percent or \$82.6 million. The actual average daily cash balances for the month total \$122.5 million or \$11.2 million above the Board's 180-day reserve requirement.

At 46 percent of budget, personnel services at the end of March continue to lag the budget due primarily to WASA's vacancy rate. It was reported that management continues its focus on filling vacant positions as well as monitor the overtime category to ensure that spending remains on target for the year.

Over the last couple of years, the chemical expenditures line item has been increasing and staff expects that it could exceed the budget by \$1.5 to \$2 million. This will be absorbed within the budget and projections are that the total operations and maintenance spending will remain within the authorized budget level.

In terms of the capital program, staff explained that a full briefing will be provided to the Committee at its next meeting. Spending for the capital program through March totaled \$82.6 million. Spending lags are occurring in the water service and Washington Aqueduct Program areas, while spending for wastewater treatment and combined sewer overflow areas are on track with budget.

The total cash balance at the end of March was \$237.1 million. Of that balance, a total of \$114.9 million was for the operating reserve, \$58.5 million for the rate stabilization fund, and \$63.7 million for the CSO long-term control plan appropriation.

WASA's investment continues to outpace the T-bill benchmark rate. At the end of March, WASA exceeded its investment benchmark with the yield on a portfolio of 5.24 percent, or 16 basis points higher than the target rate.

Electricity has been an area that WASA has continued to monitor over the last few years. During the early part of the winter the electricity rates were lower than expected, primarily due to warmer months. The expectation is that those rates are going to continue to increase heading into the summer. Staff has currently locked in one-third of the Authority's load through the summer months and is looking to lock in a second third to avoid the potential for price spikes during the summer months.

The Committee spent a significant amount of time discussing the broker services and insurance policy renewals. It was a little complex because of the different approach that was proposed by staff. The Committee requested an executive summary with background information. The executive summary was e-mailed to the Committee.

WASA over the years has used brokerage services to receive quotes on its insurance policies. The difference now is the proposed engagement of multiple brokers to compete for WASA's business. The proposal is for three firms, AON, Wachovia and Alliant to work as brokers on behalf of WASA. A consultant from Albert Risk Management is working with staff on the insurance program.

The Committee received a presentation and all of WASA's insurance policies will come up for renewal at the same time. This was a direction that was taken a couple of years ago as well, so all of the insurance policies come up for renewal on June 15th.

WASA issued a request for proposals for property and casualty insurance brokerage of services. After concluding interviews and evaluating each firm, management is recommending selection of the three firms AON, Wachovia and Alliant. WASA will continue to maintain direct relationships with the incumbent property insurer, FM Global, and its incumbent excess general liability and automobile liability insurer, AEGIS Insurance.

Staff's intent is to have three brokers, and within each particular line of insurance to have two of the brokers competing against each other for coverage. Staff working with the consultant would identify the particular lines of insurance that the brokers would compete for.

In terms of the debt issuance, which was the other major area of discussion, the Committee had the participation of WASA's co-financial advisor in discussing this bond issuance.

The Committee received a briefing on the proposed \$300 million debt financing plan. That debt plan includes approximately \$225 million of tax exempt fixed rates, subordinate lien revenue bonds; and \$75 million tax law option rates subordinate lien revenue bonds. That is relative to the Washington Aqueduct activities. The discussion was the taxable versus the nontaxable and the bond counsel is continuing to look into this. Apparently the difference is that federal tax law views the federal government as a private person for tax law purposes, so any project done by or on behalf of the federal government is taxable. Bond counsel added that WASA is pursuing alternatives that may allow tax-exempt financing for the series. This is something that they are continuing to look into, and if it is determined that it can be done, then that is obviously the preferred direction.

The request is that the Committee recommends to the Board a proposal with two options. One, to pursue the taxable rate financing and the second to pursue the tax-exempt financing if it is determined to be allowable and proves beneficial to WASA.

The Committee agreed to forward the resolutions relative to the insurance broker contracts and the resolution relative to the debt issuance.

In addition, the Committee discussed the Washington Aqueduct's policy that requires funding for capital projects to be provided to them in advance of the capital project getting underway. WASA staff is continuing to work with the Aqueduct to ensure a fair arrangement relative to WASA in terms of keeping the interests from that fund until the time that the Aqueduct is ready to go forward with the project. Chairman Martin asked if the arrangement to keep the interest from the fund will take legislation or if it can be done administratively. The General Manager replied that WASA is working with the Office of Management and Budget because the funds are deposited with the Treasury Department. There is a provision in Circular 10A that requires these funds to be placed in advance. The General Manager stated that Ms. Norton has been working with an amendment on the WRDA (Water Resources Development Act) Bill that will be coming forth in an effort to ensure that WASA gets the interest payments from the money that is supplied.

Mr. Roth asked if there was some way that the Board could get a handle on what the legal, the environmental, and/or other practical consequences would be of deferring the disbursement of that expenditure until a more satisfactory resolution for WASA with OMB is received. The General Counsel responded that the Board looked at this issue when this came up during the budget approval process. Staff reviewed the Water Services Agreement between WASA and the Corps. The Technical Committee, consisting of representatives from the District of Columbia, Arlington and Fairfax Counties, reviewed the capital projects, and once the Corps presents the capital project and a good cause for having to go forward with the project, then you would have to present evidence that it was not a good purpose for them to go forward with the project. Because the Corps is under an order to do the project, WASA would have no basis to

say that it was not vetted in the community. Although WASA pays for 75 percent of the project, WASA has one vote on the Committee. Therefore, the project went forward.

General Manager's Report

Reported by: Jerry Johnson, General Manager

The General Manager reported that the transition of the SPLASH program to the Washington Urban League has been completed and all of the finalization of contracts with the Salvation Army will be completed on May 20th. An audit will be conducted at that time and then a full transition and transfer of funds.

WASA executed \$4 million in goods and services contracts and \$103.5 million in A&E contracts.

WASA is in full compliance with the Safe Drinking Water Act. Details are provided on pages 19 and 20 of the General Manager's report.

WASA received a \$7 million grant from the Federal Government to assist with the CSO long-term control plan. At this juncture, WASA has received close to \$100 million in support of the CSO program to be used as part of a 50/50 match as WASA moves forward.

WASA is in full compliance with the lead and copper rule, based on the sampling that WASA has done over the past several months. It is well below the EPA action level.

WASA participated through Bio-solids Manager Chris Peot at a radio show with Kojo Nondi?? regarding bio-solids and call-ins came from as far away as California. It was a very well listened to program based on the number of calls that came. WASA continues to work with the State of Virginia and several organizations to try to do more promotion and to ease the minds of people who have concerns about the bio-solids program and make sure that WASA is in alignment with the current requirements.

Staff is in the initial stages of negotiations with its labor unions. The compensation portion of the contract has been completed. The contract expires in September of this year.

The General Manager provided the Board with the responses from the rating agencies. He stated that WASA has been reaffirmed for all of its ratings with a very strong and positive outlook. One of the significant things that came as a part of this is that each of the agencies has indicated that WASA does not have to put aside a debt service reserve. In the absence of having to put aside a debt service reserve, that will save WASA \$25 million. The General Manager feels that this was based on WASA's adherence to the financial policies that were established some time ago and continuing to monitor those and the willingness on the part of the Board to increase rates to support the capital program as well as the reserves that WASA currently holds in place, especially, those that are restricted.

The General Manager informed the Board that he will meet with EPA and a group of environmentalist organizations here at Blue Plains on tomorrow, Friday, May 8th to discuss the nitrogen removal project that WASA is undertaking and the Board authorized at its last meeting, and the plan that was submitted to EPA. Staff feels that it is important to bring the stakeholders in early in the process, especially as WASA approaches the time period that would be set aside for comments and for contesting the permit and the plan that WASA has in place.

WASA has been having a series of meetings with editorial boards of the local newspapers to update them on where WASA is and what WASA is doing with the rate structure and plans for the organization as WASA goes forward. Staff met with the Washington Times yesterday and they have very prominently positioned WASA. The Washington Time focused primarily on the rates and a meeting is scheduled with the Washington Post. Staff previously met with the Examiner.

The General Manager called the Board's attention to the debt service issue. He noted that in section 10 of the resolution it speaks to the use of exempt facility bonds as an option for the issuance of the taxable debt that WASA has to issue for the Washington Aqueduct. This concept was recently brought to staff's attention. The concept would require WASA to go to the District Government which has an allocation of exempt facility bonds and request a portion of that allocation to be set aside for the \$75 million issue.

There are several legal questions and other matters that need to be answered before WASA can actually pursue this concept. If WASA can pursue this concept, it will result in a greater cost savings. This is a difference in the standard approach which has basically been the authorization to do very specific types of issues. He stated that there will be further discussion at the time of action for the resolution.

The General Manager informed the Board that WASA has been participating in a task force headed by the Secretary of Education with some high-ranking people from Public Schools to provide them with some technical advice and direction regarding the lead in schools issue. One of the issues that came out of an interview with the newspaper was whether WASA is recommending a 50-minute flush for the schools that was out of line with the EPA protocol. WASA did recommend a 50-minute flush only in very specific circumstances, where schools have been shut down for more than three days. The recommendation was not a part of the general accepted protocol for testing, but merely an approach that was supported by US EPA in WASA's discussions with them for bringing the schools that had been sitting and had not been utilized into line.

The other issue that has made the headlines recently has been the status of fire hydrants in the District of Columbia. There have been a series of fires that have occurred in the District of Columbia over the last several weeks, and two of the more notable ones were at the Farmer's Market and the library located at Wisconsin and S Street, N.W. which was the one that generated the greatest attention to WASA.

The General Manager stated that when the organization was started the number of fire hydrants in the District of Columbia was unknown. The exercise that was undertaken was to go into the field with WASA maps and physically identify each one of the hydrants and the location and determine the hydrants condition. In identifying the hydrants physically, it was found that there were in excess of 16 percent of the fire hydrants out of service. Standards were established in terms of outages to have a number less than one percent out of service at any point in time.

The General Manager stated that WASA has managed to maintain that one percent range. WASA utilized its crews, contractors and the District's Department of Transportation paving contract to get the number down to reasonable number.

The General Manager provided the Board with a slide presentation regarding the event of April 30th. He indicated that the fire hydrant at Wisconsin Avenue and S Street had a red marker which meant that the hydrant was out of service. He stated that the media continues to report

two fire hydrants being out of service. WASA can only confirm that there was one out of service, the closest one to the library.

On February 6, the D.C. Metropolitan Police Department reported the hydrant to one of WASA's flushing crews as having a significant leak. The leak caused icing on the sidewalk and in the street creating both a pedestrian and traffic hazard in that area. The crew shut the fire hydrant off at the curb, but failed to take the necessary steps to get it into the WASA work order management system for repair and also failed to contact the command center, which conveys that information to exchange the D.C. Fire Department. Since this incident there has been training to refresh staff on what the process and procedures are for addressing this issue. The General Manager informed the Board that the Fire Chief stated at a Georgetown ANC meeting that the fire hydrant had no impact on their ability to fight the fire or to provide services.

The General Manager noted that one of the slide indicated there is a number for each of the fire hydrants. This is evidence that WASA has been working with the fire hydrant situation for a number of years, even after WASA got caught up on the ones that were out of service and not working well. He noted that the numbers represent a numbering system that is a part of a GIS layer that WASA has been working with the Fire Department and the District of Columbia's Office of Chief Technology Officer, to add. This will ultimately lead to having a real time computer system that will facilitate the exchange of information back and forth between WASA and the Fire Department.

On an immediate basis, once WASA determines that a hydrant is out of service, WASA advises the Fire Department either telephonically or by fax and a weekly report is produce that outlines all of the hydrants that are out of service as well as those hydrants that have been repaired since the last reporting period. WASA has developed and implemented a formalized fire hydrant upgrade program.

Expenditures over the last five years for fire hydrants have been about \$2.5 million in just repair, maintenance, and update of those hydrants. The new program that the Board approved through the budgeting process is a \$26 million program and it provides for fire hydrant upgrades and allows for mutual aid in the capital region. All Firefighters have to carry adapters on their truck because there are different threading systems in some of the jurisdictions. WASA will go back to a uniform threading approach working with the Fire Department to make sure that happens. In addition, WASA has about 10 different fire hydrant manufacturers in the system and the objective is to standard on two brands so that it will reduce WASA's response time for repairing them and also reduce the maintenance cost significantly because WASA will not have to maintain as much inventory in the system. The other approach is that when a WASA repair crew is working on a water main and there are hydrants near by, the crew will upgrade those hydrants. An example of this was the Wisconsin and S incident where WASA was repairing a water main break on an eight-inch main and the hydrant was over at the curb. It was an operable fire hydrant in reasonable shape, but since WASA was there making the cut, WASA repaired all of the hydrants in that area. WASA will continue this process as part of the lead service line program and with other main improvements that WASA is doing around the city.

Fire and Emergency Services has committed to working closely with WASA on the inspection of fire hydrants. The consolidation of fire hydrant data will come through the GIS and the real time sharing information that was mentioned earlier.

WASA has implemented new specifications in order to proceed with the two manufacturers and the projection is the replacement of about 35 percent of the hydrants in the system. The Lorton hydrants will be phased out.

The General Manager informed the Board that WASA presently has two full-time crews responsible for maintenance repair and inspection of hydrants and two crews responsible solely for replacement of hydrants. The crews consist of in-house staff and contractors. A performance based contract was issued on April 30th for the contractor to replace at least 15 hydrants per week.

The General Manager noted that whenever there is a two alarm or better fire, WASA 's personnel at the pumping stations are alerted to ensure that adequate water pressure is being provided for firefighting apparatus and for the efforts that they have to undertake.

The near-term hydrant plan calls for WASA to replace 900 to 1,000 hydrants in 2007 and 2008. There is a couple of hundred with the lead service line program. WASA has a new contract that will be in place soon.

Ms. Roberson asked if the fire hydrant inspection program could be accelerated. Mr. Johnson stated that WASA has accelerated the program and is in working with the fire department to assist in the inspection of fire hydrants. In addition, WASA has stepped up the program from spending \$2.6 million over the last five years, to spending \$5 million this year.

Mr. Griffin stated that WASA has a good program; however, his concern is the public perception and confidence in WASA to handle the problem. The General Manager responded that WASA has been pushing the fire hydrant issue with the editorial boards and he will give more consideration of how to handle public perception and confidence.

Mr. Tangerhlini asked if WASA knows how the one percent standard compares to the other jurisdictions. He then requested that the General Manager discuss the fact that there was some communication failure over the one non-working fire hydrant in Georgetown and what WASA is doing to address the failure. The General Manager acknowledged that there was a communication failure and the first action taken was to retrain staff in terms of knowing what should happen and what needs to be done in each one of those cases. In addition, staff is looking to see more specifically what may have happened to cause the slippage. The General Manager stated that regarding the comparison with other jurisdictions, he will research how other jurisdictions are handling non-operative hydrants.

Mr. Tangerhlini stated that WASA is dealing with about 150 hydrants per square mile and asked if WASA has a more elaborate fire suppression infrastructure, and what the level of redundancy is, and are there parts of the city where as developed , WASA will need to pursue additional fire suppression capacity. The General Manager responded that when developers come in for a permit, they will receive a Certificate of Capacity which certifies that they do have adequate capacity, and if they do not have adequate capacity then it is up to the developer to make the necessary modifications. The General Manager noted that buildings and structures of a certain size in the city have their own stand pipes and separate firefighting apparatus that are appended to the building as a part of the building code.

Mr. Lake suggested that the Environmental Quality and Operations Committee receive a detailed presentation on the Fire Hydrant Inspection Program. In addition, the Environmental Quality and Operations Committee should brainstorm as to how WASA can get the message out on some of the technical issues.

Mr. Roth urged staff to ensure that quality assurance has been performed prior to payment to the contractors for the fire hydrant repairs and or replacement. In addition, Mr. Roth noted that if Congressman Waxmann pursues the request from Congressman Davis, he will not be satisfied with the power point presentation provided to the Board. He stated that Congressman Waxmann will get into WASA's e-mails, documents and records. Therefore, it is important that it is reflected in the minutes that the Board wishes the General Manager and the General Counsel to instruct the staff that all records are preserved until WASA gets through this issue. The General Manager assured the Board that as a public agency and having undergone several investigations, staff is aware that they cannot destroy any public documents. WASA staff has been trained with respect to the use of e-mails and is aware that all documents need to be maintained, and they will cooperate with any needed review.

Chairman Martin requested that the General Manager provide the Board with a report on the number of hydrants that are out to see the aging after 60 days because the Board should see the sooner rather than the later. He also requested a report on the accelerated program and concept on how WASA plans to get the information out to the public.

The Board discussed the Budget Support Act language that came up through the Public Works Committee. Chairman Martin stated that staff is analyzing the language and will present their analysis to the Board. The proposed language relates to the WASA CFO issue and the increase in the number of Board members. Chairman Martin suggested a special Board meeting to discuss the proposed language. Chairman Martin informed the Board that the proposal will be brought before the full Council in June and then transmitted to Congress.

Mr. Griffin stated that as the representative from Fairfax County he was troubled by the process that is being followed by Mr. Graham and that there was no formal intent to notify the Board. Mr. Tangherlini stated that there is time between now and the full vote of Council for the Board to weigh in and share its views, but he was not aware of any formal notification of the other jurisdictions contemplated by the Committee or by the Council. The Board agreed to have Chairman Martin and Mr. Tangherlini continue to have discussions with the District's CFO and Councilmember Graham regarding the CFO issue.

Mr. Firestine stated that his perception is that the organization worked incredibly well for the period of time that it has been in place. The organization has a good financial structure and a sound financial plan and as mentioned earlier a harmonious relationship. He noted that the Board is spending an incredible amount of time discussing structural issues and what he is observing is significant changes proposed. Mr. Firestine questioned where the jurisdictions fiduciary responsibilities end and the District's fiduciary responsibilities begin. He does not want to sit on the sidelines and watch the organization change, especially if it is going to create problems down the road and a less harmonious relationship.

Mr. Byrd stated that as a representative from Prince George's County, he too has concerns like his colleague from Fairfax and Montgomery Counties. He stated that Prince George's County has some concerns about expansion of the Board. DCWASA is functioning well and there is a harmonious relationship with the Board, so therefore, some of the things that are coming up are puzzling. He looks at it as new leadership and it gives us as an organization the opportunity to educate that leadership.

Chairman Martin stated that the Board and WASA in general, has not been as mindful of the Council and as engaged with the Council as it needed to be. This is a wake-up call.

Chairman Martin stated that the Board should continue with the report that is coming from staff explaining the analysis of the proposed language. He noted that the meeting or workshop will not be scheduled. Chairman Martin agreed to organize a meeting with Councilmember Graham and principal members of the Board from the surrounding jurisdictions.

Chairman Martin informed the Board that the Authority is in receipt of a report from the DC Auditor. There have been reports on the media about her negative comments on the rate increases over the years. The General Manager will be analyzing the Auditor's comments and reporting back to the Board.

The Board moved to the action items on the agenda.

Administrative Items

1. Approval to execute a contract extension of Contract No. WAS-01-041-AA-MB, M.C. Dean, Inc. – Resolution No. 07-039

Mr. Lake informed the Board that the information the Committee received regarding the amount of the contract extension was incorrect. The contract was rescinded to correct the dollar amount on the contract. The dollar amount of the contract was reduced from \$325,000 to \$70,000 for an extension until July 1, 2007. Mr. Lake confirmed that the contract is ready for Board action.

The motion to Adopt the execution of a contract extension of Contract No. WAS-01-041-AA-MB, M.C. Dean, Inc. was Moved and Seconded with unanimous approval.

Consent Items (Joint Use)

Chairman Martin requested that the Board approve Items No. 1 through 4 under the Consent Items – Joint Use and to vote on Item No. 5, Resolution No. 07-44, Approval of the Final Form of Certain Documents, Authorizing the Sale and Setting Terms and Details of the Series 2007 Subordinated Bonds separately.

1. Approval to execute a contract extension of Contract No. WAS-01-044-AA-MB, Ideal Electrical Supply Corporation – **Resolution No. 07-40**
2. Approval to execute a contract extension of Contract No. WAS-07-019-AA-JS, AON – **Resolution No. 07-41**
3. Approval to execute Contract No. WAS-07-019-AB-JS, Alliant Insurance Services, Inc. – **Resolution No. 07-42**
4. Approval to execute Contract No. WAS-07-019-AC-JS, Wachovia Insurance Services – **Resolution No. 07-43**

The motion to Adopt Consent Items (Joint Use) was Moved and Seconded with unanimous approval by the Board of Directors.

Consent Items (Non-Joint Use)

1. Approval to execute Supplemental Agreement No. 04, Bryant Associates, Inc. – **Resolution No. 07-45**
2. Approval to execute Option Year Two of Contract No. 040270, Anchor Construction Co. Inc. – **Resolution No. 07-46**
3. Approval to execute Option Year Two of Contract No. 040260, Anchor Construction Co. Inc. – **Resolution No. 07-47**

The motion to Adopt Consent Items (Non-Joint Use) was Moved and Seconded with unanimous approval by the District members of the Board.

Mr. Folker noted that Item No. 2 on the agenda is requesting that the Board execute a contract extension in which it should read approval to execute a contract. It was requested that the agenda be revised to reflect that change.

Chairman Martin requested a motion from the Board on Resolution No. 07-44. Ms. Russell, General Counsel, proposed an amendment to Resolution No. 07-44. Ms. Russell stated that in Section 10 of the resolution the language implies that the General Manager has some discretion and that he can make a decision. Under the WASA enabling legislation, there are specific duties that the Board can delegate to the General Manager. Therefore, the determination in the resolution states that the bond be issued as exempt or tax exempt is a decision that should be left to the discretion of the General Manager. The determination should be a Board decision. The amended language is an attempt for the Board to act as a body before WASA issue the bonds, which are supposed to be issued by the end of this month.

Ms. Russell stated that the Authority's Bond Counsel believes it is possible to finance the \$75 million for the Aqueduct with tax exempt bonds where staff believed previously that it had to be done by a taxable transaction because the Aqueduct is treated as a private entity. Bond Counsel is researching the option, because if in fact it can be done, the Authority will save about \$5 million.

The General Manager stated that the issuance of bonds, the matters of due diligence, and the representation to bond purchasers, are very critical matters and the Board should have a level of comfort with that type of delegation. If the Authority is going to be responsive to the bond rating agencies and represent the Authority as a Board that worked together for this issuance, it is important, as Mr. Firestine pointed out, that the full Board engage in this activity.

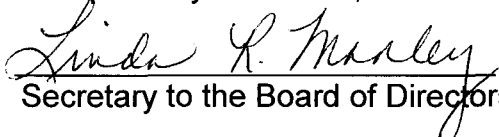
The Board agreed to delete Section 10 subject to other technical amendments by the General Counsel. In addition, if the Bond Counsel is successful in getting the tax exemption, the Board agreed to meet on May 17th prior to the Environmental Quality and Operations Committee to approve a revised resolution.

The motion to Adopt Resolution #07-44, Approving the Final Form of Certain Documents, Authorizing the Sale and Setting Terms and Details of the Series 2007 Subordinated Bonds, was Moved and Seconded with unanimous approval.

The Board convened into an Executive Session at 12:30 p.m. to discuss some personnel matters and litigation.

The Board reconvened into the public meeting at 1:00 p.m. The meeting adjourned at 1:03 p.m.

Respectfully submitted,


Secretary to the Board of Directors