



District of Columbia Water and Sewer Authority

MINUTES

***126th Meeting of the Board of Directors
Thursday, November 1, 2007***

Present Directors

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

Present Alternate Directors

Brenda Richardson, District of Columbia
Joseph Cotruvo, District of Columbia
Kenneth Davis, District of Columbia
Paivi Spoon, Prince George's County
Howard Gibbs, District of Columbia
Howard Croft, District of Columbia
Steven McLendon, District of Columbia

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 126th meeting of the District of Columbia Water and Sewer Authority's Board of Directors to order at 9:31 a.m.

Ms. Manley called the roll to establish a quorum.

Chairman Martin asked for a motion to approve the October 4, 2007 minutes. The minutes were Moved and Seconded with unanimous approval.

Chairman Martin asked the Committee Chairs to report by exception.

Environmental Quality and Operations Committee

Reported by: David Lake, Chairperson

The Environmental Quality and Operations Committee met on Thursday, October 11th.

Mr. Lake reported that there was a half inch of rain during the month and flows were below 280 million gallons per day, which is pretty unusual.

He reported that in the testing of the water system there were no positives for the month of September.

WASA has completed Lead and Copper Rule compliance testing, with no results above the action level.

The Committee had an extensive discussion of the fire hydrant program, but since the program has been the subject of several meetings, hearings and MOUs in the past couple of weeks, further discussion of the fire hydrant program will be held later in the meeting by the General Manager.

The Committee discussed the Adams Morgan fire and the General Manager will provide the Board a report later in the day.

The Committee received a report on the Potomac Interceptor Odor Control Project. This project has been in the works a long time and there are a variety of locations where there will be activated carbon filters built. There have been permitting issues over the years that prevented the project from moving forward. The Committee was informed that the project is now moving forward. Staff expects to bid the project for the District and Maryland sites next spring.

The Committee discussed energy savings and agreed that staff should develop a report on WASA's carbon footprint and discuss the opportunities of methane generation associated with the Biosolids Program.

The Committee is recommending to the Board four joint-use contracts and one non-joint use contract.

Under emerging issues, Mr. Dunn brought to the Committee's attention a recent action by EPA and MDE that resulted in the reallocation of 77,000 pounds of nitrogen from the Blue Plains AWTP to a WSSC plant. This is the subject of review by the Blue Plains Regional Committee who will be discussing it further and reviewing the options and the issues, and will report back to the Environmental Quality and Operations Committee on the findings and the impacts.

The next Environmental Quality and Operations Committee meeting will be a joint meeting with the Finance and Budget Committee to review the budget. Mr. Lake noted that he would like to have a separate meeting following the joint meeting. The purpose of the separate meeting would be to discuss the Washington Aqueduct issues with Tom Jacobus, General Manager.

Chairman Martin stated that on behalf of staff and the Board wishes go out to the firefighters who were injured several days ago in that terrible fire on Capitol Hill.

Mr. Bardin stated that the public should be informed on the Board's review of the Lead Service Replacement Program. Chairman Martin noted that there are some engineering studies that need to be completed as well as financial implications. Mr. Lake agreed that there should be a statement to the public of the Authority's thoughts on the Lead Service Replacement Program prior to asking the public to react. The General Manager stated that a preliminary outreach plan has been developed and will be provided to the Customer and Community Services Committee at its next meeting.

Customer and Community Services Committee

Reported by: Alan Roth, Chairperson

The Committee met on Tuesday, October 16th.

Mr. Roth noted that the Customer Service Department at the Committee's request has begun displaying the AMR installation pie charts in the General Manager's report in a manner that clearly illustrates the status of the project.

The Committee discussed media coverage of the fire hydrant and water main issues and continues to emphasize a key goal of the Board's recently adopted Public Information Policy to make WASA a primary trusted source of information about its activities, operations, and services. A good example of how well that can work is the handling of the sewage leak in the river by the Public Affairs staff.

Mr. Roth stated that the Committee, at its next meeting will discuss the Authority's website and practices for posting news and issues related to resources for the website.

The Committee continues its discussion on how to build understanding and support for the Impervious Surface Rate through a strategic approach to communication with stakeholders and the public.

The Committee was provided an update from Mr. Hemphill on implementation of the new WASA permitting process. The Committee discussed avenues to help WASA's customers see the changes sooner than later.

Ms. Quander-Collins shared with the Committee a draft of the implementation plan for the new Public Information Policy. The Committee discussed the need to focus the implementation plan on the objective of building public confidence in and support for WASA's work in the areas of drinking water and wastewater management.

Mr. Roth requested that Board members provide their comments on the draft implementation plan to the General Manager or Ms. Quander-Collins. The Committee will work on a final draft of the plan at its next meeting.

Chairman Martin noted that the Board at its retreat would discuss policy development and what it means to be a policy Board. The Board has to understand what its proper role with regard to management's implementation of the Public Information Policy.

Dr. Brown asked if the plan addresses communications to the wastewater treatment customers, who need to understand what happens to their wastewater treatment and how that operates. She stated that communications to the wastewater treatment customers should be a part of the plan and this is something that the Board should discuss.

Retail Rates Committee

Reported by: Robin Martin, Chairman

The Retail Rates Committee met on October 23rd as one of a series of committee meetings that will primarily deal with the Impervious Surface Rate development. The first portion of the meeting was devoted to the Rate Stabilization Fund Policy. Chairman Martin noted that he will offer an amendment to the proposed Rate Stabilization Fund Policy when the Board moves to the consent agenda.

The Committee received a presentation by the consultant working on the impervious surface rate. The presentation included discussion of the communications plan and rate policy development. The consultants reported good communication with the District's Office of Chief Technology Officer (OCTO). Eighty percent of the data required for mapping has been received. The remainder of the data primarily are

federal sites that the consultants need to get from other sources. The Authority is mindful of the work being performed by the District's Department of Environment and a new committee being structured at the behest of Chairman Graham working on the on-going Stormwater Billing Program.

The Committee discussed rate policy development. Mr. Bardin recommended a policy that sets broad parameters, and a high level discussion that would inform the public of the Authority's plan and how transparent it will be.

Chairman Martin noted that communications is a critical element because there will be a number of people who never received bills from WASA and will now receive bills for the first time. And those receiving bills from WASA before will receive bills in a different form.

Finance and Budget Committee

Reported by: Robin Martin, Chairman

The Finance and Budget Committee met on October 25th and received the September results for the year end. Revenues on a cash receipts basis totaled \$303.7 million, 99.6 percent of budget. Expenditures were \$290.3 million, 92.9 percent of budget. Capital disbursements for the year were \$182.7 million, 79 percent of budget. As discussed in the Retail Rate Committee, \$10 million was transferred to the Rate Stabilization Fund and the balance is now \$68.5 million.

The daily cash balance totaled \$120 million and the average daily cash balance totaled \$120.5 million which is \$9.2 million above the Board's 2007, 180-day operating reserve.

Mr. Adebo reported that the operating surplus in September 2007 was about \$3 million short of the previous month's projection primarily because wholesale customer payments that staff expected to receive by September 30th were not received until October 1.

The Committee discussed the independent budget review. Management received proposals from six firms. Staff short-listed the proposals and the interviews begin the second week of November. Chairman Martin noted that he transmitted a letter to the City Council on October 24th to inform Chairman Graham that the Authority is on track to produce the reports by the specified time. The letting of the contract was a few days later than required due to delays in getting answers to the RFP.

The Committee discussed the DCCFO oversight implementation plan. Chairman Martin reminded the Board that at the last Board meeting he requested that the General Counsel provide an implementation plan for the authority of the CFO.

Chairman Martin stated that since the last review of the CFO issue from an official Board standpoint, there is a new Mayor, City Council Chair and Attorney General.

The Council and the Mayor have passed and signed into law a bill containing their stated intent of ensuring that the DCCFO has authority over WASA's financial, personnel and operations.

Congress thus far has chosen not to reject or amend Council legislation or enact different legislation. The District's Attorney General has issued an opinion which agrees with the previous District Attorney General's opinion about the authority of the DC CFO. Chairman Martin noted that while many members of the Board may believe that the authority over financial, personnel and operations of WASA by the DC CFO is not necessary and not beneficial, the Board is bound and sworn to uphold the laws of the United States and the District of Columbia. However, the apparent operational and legal issues about this authority over financial operations require the Board to get direction from the DCCFO about how that office plans implementation. Once the Authority receives the DCCFO's response and direction, WASA as a body can take appropriate steps on its part to resolve those issues.

Chairman Martin recommended by consensus that he send a letter to Dr. Gandhi informing him that the Board received a letter from Councilmember Graham, and the Board's response is that the Board requested that the Authority's General Counsel prepare a plan of implementation. However, WASA must be advised by the DC CFO's office about the manner in which it requires or desires the authority of the DC CFO to be implemented. Chairman Martin will indicate that according to the Authority's General Counsel and state that as can be seen in the attached plan, direction is needed before WASA can take further steps. The General Manager will designate a point person to begin the discussions.

Mr. Firestine wanted to clarify that the General Counsel still has a clear opinion that additional legal authority would have to be undertaken for the DC CFO to have oversight of this agency. Avis Russell, General Counsel, stated that the legal opinion that was issued previously from her office is still her legal opinion.

Mr. Bardin noted that the local unions who represent employees of WASA may have an interest in the implementation plan. He further complimented the General Counsel for identifying three Supreme Court cases which seem to be directly on point.

Chairman Martin reported that the Committee discussed the General Manager's budget presentation. He noted that the Finance and Budget Committee and the Environmental Quality and Operations Committee will receive a briefing in detail on the budget at the next Joint Committee meeting.

Chairman Martin noted that the revised FY 2008 operating budget totals \$340.8 million, \$0.4 million less than the Board-approved FY 2008 budget. For FY 2009, the operating budget request totals \$363.4 million, an increase of \$22.5 million. The \$22.5 million increase is due to:

- Debt Service – increased by \$14.7 million or 19.3 percent
- Personnel Services – increased by \$4.3 million or 4.8 percent
- Utilities (Electricity) – increased by \$1.3 million or 3.5 percent
- Chemicals – increased by \$1.9 million or 9.3 percent

WASA's ten-year capital improvement program (CIP) budget (disbursements) totals \$3.1 billion; an \$880 million increase from last year's approved CIP of \$2.2 billion. The increase in the CIP is primarily driven by a new project designed to meet more stringent nitrogen removal requirements at the Blue Plains Plant by EPA.

Mr. Lake noted that the suburban Maryland, which is Montgomery County and Prince George's County, portion of the enhanced nutrient removal is paid through a tax paid to the state. There was a meeting yesterday to review the tax. Mr. Lake received positive feedback on the meeting. He noted that he will keep the Board informed.

Human Resource/Labor Relations Committee

Reported by: Anthony Griffin, Chairperson

The Human Resources and Labor Relations Committee met on Tuesday, October 30th.

Mr. Griffin noted his appreciation to Linda Manley for the facilitation of turning around the minutes in less than 48 hours. He noted that he would highlight a few things in the minutes.

The General Manager reported to the Committee that the Authority is at impasse with two of the five unions regarding working conditions negotiations. Compensation negotiations are at impasse and the first mediation session is scheduled for December 10, 2007, which is the first step in the process before arbitration.

The Committee requested that the General Manager prepare a response to the presentation delivered by the union presidents. WASA is going to have continued discussion with the union leadership concerning anecdotal based experience versus the factual numbers presented by the General Manager.

There was a clear acknowledgement by the General Manager that in two instances communications should have occurred with the unions and did not. In each case, the situation was subsequently rectified but it does highlight the criticality of communications.

Mr. Griffin called to the Board's attention that in the last two years the turnover at WASA particularly union employees is in the range of five percent, which is in contrast to the concern raised by the unions that turnover was rampant. The numbers are much below the national standard for turnover in organizations comparable to WASA.

The Committee discussed communications with the unions. The General Manager highlighted some of the communications that have been ongoing, but the focus is what additional kinds of communication WASA needs to consider. The General Manager acknowledged that there use to be quarterly meetings between him and union membership. He proposes to reinstitute those discussions and also create a quarterly opportunity for management in appropriate departments of DCWASA to meet with the union leadership to discuss common issues. The General Manager will present at the Committee's next meeting an internal communications policy.

Mr. Griffin noted that the Committee will meet with union leadership in December. This was a commitment the Committee made based on its last meeting with the unions.

The Committee was presented with guidelines and criteria for administration of the recruitment incentives for hard-to-fill positions. The Committee requested projections as to the number of positions that might be extended incentives.

The discussion and review of the Committee's work plan was deferred to the next Human Resources/Labor Relations Committee meeting.

The Committee was briefed on the renewals for the health care plans for DCWASA employees. The Committee recommends an action item to advance the first option year of CIGNA HealthCare to the Board for approval.

Mr. Griffin reported that the Committee went into an executive session to discuss the General Manager's evaluation and agreed that he and the Chairman of the Board should continue the discussions with the General Manager concerning his evaluation.

Chairman Martin asked if the Authority should for the next year look at bidding out the health care plans contract to additional providers to understand whether the current cost is the market or not. The General Manager replied that this is the first option year of the contract. Staff did comparative shopping, looked at what the increase was for this year and found that WASA was on the low end of the increases that were being projected for other municipalities and units of government for comparable kinds of programs. The General Manager stated that staff will monitor the market continuously and bring back a recommendation next year.

Mr. Tangherlini stated that WASA should explore looking at the health care plans in a regional context with some of the other authorities. He stated that the way you drive down health care cost is to spread the risk over bigger pools of populations.

Mr. Byrd gave kudos to the General Manager and his staff on the report in response to the unions concerns. Mr. Bardin stated that the report should be posted to the website. Dr. Brown and Mr. Roth expressed concerns about posting the report to the

website with ongoing negotiations between management and labor. Mr. Griffin shared these concerns and stated that the Committee will meet with the Union Presidents in December and the Committee will explore with the union leadership how to have clear lines of communication and how to share information so that both management and union are on the same sheet of paper.

Chairman Martin stated that the Authority needs to get from its current position to the position of being more open and accessible. There needs to be an understanding of what is appropriate for the website.

Ms. Roberson noted that the Committee had a lively discussion about the labor management relationship. The Board needs to make it a sense of urgency to management that it resolve the management/labor problem.

General Manager's Report

Reported by: Jerry Johnson, General Manager

The General Manager requested that the Board receive his report by exception.

He noted that WASA testified before Councilmember Mendelson's Public Safety Committee. There was some discussion of the recent hydrant legislation that was passed. The General Counsel is reviewing the legislation to determine its fiscal impact and if there is some conflict between this piece of legislation and the Memorandum of Understanding.

The General Manager noted that he announced and the Board received a press release yesterday on the Google Earth hydrant presentation that is available to the general public on the website.

Staff has been working with the Fire Department in an effort to generate a joint report related to the Adams Mill Road Area Hydrant Flow Testing.

The General Manager introduced several new staff members to the Board. Yvette Downs, Director of Finance, LaDawn White, Public Affairs Specialist, Pamela Mooring, Public Affairs Coordinator and Edwin Coyle, Graphic Specialist.

John Dunn made a presentation to the Board based on Chairman Martin's testimony before Councilmember Graham in which the Board requested staff to provide a comprehensive analysis and evaluation of areas of the District of Columbia served by smaller diameter mains to ensure that there is an adequate supply of water within a reasonable distance to provide adequate coverage.

Mr. Dunn noted that there are no current system wide standards for fire flows specified for the District of Columbia. Staff identified some general guidelines for

system fire flows based on land use-type benchmarks, and also looked at these against other jurisdictions in the area.

Mr. Dunn stated that on October 10th WASA submitted to Fire Emergency Management Services (FEMS) possible fire flow guidelines for review, comment and approval. On October 18th FEMS responded that the proposed fire flows were “a good starting point.” He noted that staff plans to meet tomorrow to review the draft comments and provide the consultants any updates to incorporate into the report. The report will be available to the Board on November 5th.

Mr. Roth asked how the Board can be assured, when it receives the report that areas the staff has classified as low and moderate density are, in fact, that, as opposed to areas that have been built up beyond that as a result of a variety of circumstances. Mr. Johnson stated that staff will look at that question, and address it as a part of the report.

Chairman Martin asked if it is appropriate for WASA or the city or the Council to consider whether the District should have fire protection guidelines. He asked what kind of guidelines, standards, and laws or rules do other jurisdictions have regarding fire flow, proximity and density, and how other cities treat this issue, and what WASA can learn from the other cities, as best practices. Mr. Dunn responded that the information will be provided as part of the report in more detail.

Mr. Johnson noted that staff is meeting with the Fire Department today to reconcile the hydrant numbers and a report will be provided to the Board next week.

Chairman Martin noted that there will be a joint hydrant flow test report coming out tomorrow between WASA and FEMS.

The Board moved to the consent agenda.

Consent Items (Joint-Use)

1. Approval of Change Order No. 4 of Contract No. 040140 Ulliman Schutte – Resolution No. 07-79 (Recommended by the Environmental Quality and Operations Committee 10/11/07)
2. Approval of Option Year One of Contract No. WAS-06-012-AA-JW, First Vehicle Services – Resolution No. 07-80
3. Approval of Option Year Three of Contract No. WAS-04-024-AA-VW, Topflite Building Services – Resolution No. 07-81
4. Approval of Option Year Two of Contract No. WAS-05-027-AA-VW, Alpine Trading Company – Resolution No. 07-82
5. Approval of Option Year One of Contract No. WAS-06-020-AA-MB, CIGNA HealthCare – Resolution No. 07-83

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

Consent Item (Non-Joint Use)

1. Ratification of MOU with the District of Columbia Fire and Emergency Medical Services Department - Resolution No. 07-84
2. Approval of Contract Modification No. 4 of Contract No. WAS-06-014-AA-VW, Wachs Utility Services – Resolution No. 07-85
3. Approval of Policy on Impervious Surface Rates – Resolution No. 07-86
4. Approval of Rate Stabilization Fund Policy – Resolution No. 07-87

Chairman Martin requested two revisions in the Rate Stabilization Fund Policy. He requested that staff add at the end of No. 7 “and at other times at the discretion of the Board of Directors.” The other change is in b. “The General Manager will report the results of this analysis and his recommendations to the Finance and Budget Committee no later than at its regularly scheduled meeting in September for recommendation for Board action at its October meeting.”

The Committee wanted to ensure flexibility to the policy for possible decisions down the road on how to use the funds if available to go into the Rate Stabilization Fund.

Avis Russell, General Counsel, noted minor revisions to be made to Resolution No. 07-84, Ratification of MOU with the District of Columbia Fire and Emergency Medical Services Department. The first would be to indicate in the first paragraph before the “Whereas,” that this is a non-joint use matter, and to indicate that the General Manager has signed the document; otherwise, there would be no reason to ratify the MOU.

The motion to Adopt Consent Items (Non-Joint Use) with the revisions to the Rate Stabilization Fund Policy and the Ratification of the MOU was Moved and Seconded with unanimous approval by the District member of the Board of Directors.

The meeting was adjourned at 11:58 a.m.


Secretary to the Board of Directors