



District of Columbia Water and Sewer Authority

MINUTES

***128th Meeting of the Board of Directors
Thursday, January 10, 2008***

Present Directors

Chairman Robin B. Martin, District of Columbia
Dr. Jacqueline Brown, Prince George's County
David J. Bardin, District of Columbia
Keith Stone, District of Columbia
Alan Roth, District of Columbia
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
Paivi Spoon, Prince George's County
Howard Gibbs, 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 128th 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.

Chairman Martin asked for a motion to approve the December 6, 2007 regular meeting and the December 20, 2007 special meeting minutes. The minutes were Moved and Seconded with unanimous approval.

Chairman's Remarks

Chairman Martin presented a plaque and gift to John Dunn on behalf of the Board for its appreciation of Mr. Dunn's outstanding and dedicated services to the D.C. Water and Sewer Authority. Chairman Martin noted that Mr. Dunn has represented the organization with an incredible amount of insight, intelligence, and perspective.

Customer and Community Services Committee

Reported by: Alan Roth, Chairperson

The Committee met on December 18, 2007.

Mr. Roth commended the Customer Service staff for an all time low in the Authority's accounts receivables.

The Committee had a brief discussion of the AMR Program and what impact the few remaining uninstalled meters have on revenues. The Committee was informed that a small fraction of total revenues are represented by the uninstalled meters. The majority of problems in achieving completion of the AMR Replacement Program stem from customers who have repeatedly refused access to their premises so that WASA can do the work. Mr. Kiely indicated that the situation is not critical as of this time. However, the Committee the possibility of a penalty or fee that could be imposed on customers who refuse admittance to WASA to do the work at the point that the issue becomes critical. The Committee decided to refer the issue to the Retail Rates Committee for its consideration.

The Committee had a lengthy discussion about the Authority's website and staff's plan for updating and improving the website.

The Committee received a report from Ms. Quander-Collins on activities in the Public Affairs Department. She noted a number of national media outlets, both TV and print, that have either done some filming here, interviewed the General Manager, or focused on Blue Plains particularly in the area of security of chemicals.

The Committee discussed the issue of the personnel legislation in the Government Relations area focusing on the future and assessing whether the Government Relations area has the staff and the resources it needs to do its job properly. The Committee identified the following three areas that can be addressed in the short and long term: (1) filling a vacant position, (2) finalizing an RFP for potential outside consulting, and (3) enhancing technology tools available to the Government Relations staff.

Environmental Quality and Operations Committee

Reported by: David Lake, Chairperson

The Environmental Quality and Operations Committee met on Thursday, December 20th.

Mr. Lake reported that the plant is running well. Flow for the month averaged 270 MGD, the lowest in 10 years due to low levels of precipitation over the prior months.

In the water supply coliform bacteria testing, there were a couple instances of positive tests, with the check samples testing negative. The Authority did not approach the 5 percent positive limit that EPA would require for further action.

Mr. Lake reported that in the lead and copper rule compliance testing, the Authority has not had anything close to the 10 percent level above the 15 micrograms per liter of lead which is the EPA action level.

The Committee discussed the Total Nitrogen/Wet Weather Plan. The plan is within the budget at \$800 million. There are still unresolved issues, relating to the NPDES Permit. The Committee raised questions on cost allocation relating to the wet weather components of the Total Nitrogen Removal project. There was also a brief discussion of the District having a higher concentration requirement, which is 4.7 milligrams per liter. It was indicated that this difference could potentially be handled as an operations cost difference.

The Committee was informed that the Memorandum of Understanding with District of Columbia Fire and Emergency Medical Services (DCFEMS) is working well. WASA is consistent in its number of out of service fire hydrants with the DC FEMS.

The Committee reviewed and is recommending 13 action items for Board approval.

The Committee reviewed the Authority's proposed budgets and noted that there were some issues related to cost allocation for the Long Term Control Plan and the Total Nutrient Removal program, and agreed that a footnote be placed within the budget to reflect that the cost allocations for these projects would be subject to future negotiations.

The Committee was provided a briefing on the Lead Service Repair Program outreach efforts and was informed that the Committee will be provided the outreach materials for review at its January meeting.

The Committee was advised that management is a little behind on their final review of the updated Biosolids Management Plan. It was reported that this was

approximately a month behind schedule; a February Environmental Quality and Operations briefing is now anticipated.

The Committee recognized Mr. Dunn for his contributions indicating that Mr. Dunn had been a strong advocate for WASA and the Committee appreciated his service.

Retail Rates Committee (District Members)

Reported by: Robin Martin, Chairman

The Retail Rates Committee met on December 19, 2007.

The Committee discussed the Impervious Surface Rate Project in two parts, data collection and policy development, both which are still in process. The Committee is expecting at its next meeting a chart reflecting timelines and what the Committee should expect in terms of recommendations.

Chairman Martin noted that the impervious surface rate project has identified 533.3 million square feet of impervious area inside the District. It was also found that there are 130,540 property polygons, which is a nomenclature for a piece of property compared to the roughly 129,000 estimated in the original RFP. Twenty-five percent of the impervious surface area has been identified as residential properties.

The Committee discussed the definition of how impervious surfaces whether to issue exemptions for certain landowners, and billing credits.

The Committee was informed by Mr. Adebo of the outreach activities regarding the Impervious Surface Rate Project.

The Committee discussed the D.C. stormwater rate adjustment issue. One interpretation of the law indicates that the stormwater collection fee for commercial customers should increase at the same percentage that the retail rates increase. The stormwater rate collection has not been adjusted since the initial year that the stormwater rate was put in place. Based on a calculation, the average that the 30,000 nonresidential customers would owe if rates were increased as previously stated is in the range of \$10 to \$13.

The Committee discussed the 2009 retail rate and fee proposal which was then recommended for approval by the Board. In addition, the Committee discussed whether or not the PILOT and the right-of-way fee should be separated on the bills.

Chairman Martin noted that the Committee will meet every month for the next six months until the impervious surface rate is completed.

Finance and Budget Committee

Reported by: Chairman Martin

The Committee met on December 19, 2007.

The November financial report was presented to the Committee. With 17 percent of the fiscal year completed, the year-to-date cash receipts totaled \$68.1 million, which is 20.1 percent of the proposed revised annual budget. The overage is primarily attributable to some wholesale customers who make payments on a quarterly basis.

Operating expenditures were \$48.8 or 14.3 percent of budget, while the capital disbursements totaled \$41.0 million or 12.8 percent of budget. The 180-day operating reserve had a \$131.8 million actual average daily balance which is \$13.2 million over the Board approved reserve requirement of \$118.6 million.

The biggest expense pressure is the cost of chemicals which is a fairly large element of WASA's operating budget. Staff is working on alternate strategies in terms of locking in prices longer or using buying consortia to reduce prices down.

The Committee discussed briefly the Washington Aqueduct and the contract award that was delayed. WASA is expecting an invoice for payment late January or early February 2008.

The Committee discussed the investment and debt service markets. The subprime mortgage issue is a big one in the financial markets, and the Committee was assured that WASA's funds have no direct exposure to the current subprime problem.

Chairman Martin stated that since the market is moving quickly, he has asked the General Manager to provide the Board an update on how WASA is responding to the market.

The Committee reviewed the 2008 Revised Budget and the 2009 Proposed Budget and is recommending approval to the Board.

Chairman Martin noted that the District's CFO has responded to WASA's question about the cost of service study for the pilot payment and is planning to hire a consultant to perform the review and cost of service study.

Human Resource and Labor Relations Committee

Reported by: Dr. Jacqueline Brown

The Committee met on January 10, 2008 prior to the Board meeting.

The General Manager reported to the Committee that an agreement had been reached on December 14, 2007 with the Labor Unions regarding compensation. The compensation agreement provides for a four-year agreement October 1, 2007 through September 30, 2011, with general wage increases totaling 15 percent over 4 years. In addition, there was an overtime eligibility change from all over 40 hours to all over shift. The matching contribution for the 457 increased from 3 percent to 5 percent.

The General Manager reported to the Committee that all of the unions have ratified the Compensation Agreement. The Committee is recommending approval of the Compensation Agreement.

Audit Committee

Reported by Chairman Martin in the absence of Mr. Firestine

The Committee met on December 14, 2007, and reviewed the completed internal audits through Fiscal Year 2007. The Committee reviewed the plan for audit engagements. There was some discussion about unplanned audits which the Internal Auditor reported included a number of reviews of overhead rates.

The Internal Auditor proposed a comprehensive enterprise-wide internal control review similar to what is in Sarbanes-Oxley which is not something that is required of WASA but something in terms of being progressive and in having a good controls environment.

The Authority's External Auditors reported that the financial audit, statement audit, and the A133 audit would be completed before Christmas. Mr. Adebo confirmed that the Audits had been completed.

The Committee met in executive session with the external auditors.

General Manager's Report

Reported by: Jerry Johnson

Mr. Johnson reported that the fire hydrant legislation that was enacted on an emergency basis in November has been advanced as permanent legislation. The mark-up on the legislation was last week and staff had been working with the staff from the D.C. Council and the language was adjusted consistent with the thinking of the Board to eliminate provisions related to payment and private hydrants. The legislation is expected to be acted on at the next legislative session.

Mr. Johnson reported that staff has had some discussion today on the Employment Preferences Act. It was determined that the layover period related to the legislation is adequate to allow staff to bring this matter back to the HR Committee at its next meeting and the proposed actions that would need to be taken by the Board at its February meeting.

Mr. Johnson noted that the Authority has nine known water main breaks in the system. There are about 36 fire hydrants that are known to be out of service in the system and WASA has reconciled those numbers with the fire department.

During the past reporting period, WASA executed \$3.6 million in goods and services contracts and \$5.1 million in construction and A&E.

Mr. Johnson reported that he will bring back a more comprehensive analysis of the chlorine burn for the Environmental Quality and Operations Committee at its February meeting.

Mr. Johnson reported that the Omnibus Bill that was recently passed by Congress contained \$7 million for WASA's CSO and \$5 million for the District for other related infrastructure improvements. The final numbers as understood are \$6 million for WASA for CSO that would be provided on a 50/50 match basis this year and \$2 million going to the District of Columbia on the same matched basis. WASA was advised yesterday by the Office of Management and Budget that they have included \$14 million in the President's budget for the upcoming year for the CSO Long-term Control Plan and WASA will continue to work with them to try to get an increase.

The issue of stormwater rates was discussed in detail following questions raised by the Board on whether staff's interpretation of the legislation was appropriate since it is a piece of D.C. legislation and a fee that is paid to the District of Columbia.

Mr. Johnson informed the Board that he has written to George Hawkins, Director of the Department of the Environment, and asked him for his review of the matter and interpretation. Staff will determine what actions should be taken based on Mr. Hawkins' response.

WASA continues to watch the financial markets which are changing on a daily basis. Staff will take a hard look at WASA's market rate securities and determine if there is a need to do something different with the variable rate securities. Staff is currently looking at the indenture, legal requirements and other obligations surrounding those securities. Staff will make a recommendation at the upcoming Finance and Budget Committee meeting on its approach.

Consent Agenda

Chairman Martin requested that the Board amend the agenda to add Resolution No. 08-20. The Board consented. Chairman Martin stated that he would like to take Resolutions No. 08-00 through 08-11 which are joint use contracts as a group.

The motion to adopt Resolutions 08-00 through 08-11 and 08-20 was Moved and Seconded with unanimous approval by the Board of Directors.

Chairman Martin presented Resolution No. 08-19 (Non-Joint use) for approval.

The motion to adopt Resolution No. 08-19 was Moved and Seconded with unanimous approval by the District members of the Board of Directors.

The Board moved into an executive session at 11:02 a.m., to discuss a legal matter.

The Board reconvened into the public meeting at 12:51 p.m.

Chairman Martin noted that the Board is back in session. The next items on the agenda are the approval of the budgets, Resolutions No. 08-12 through 08-17. Chairman Martin requested the Board take those items as a single motion. Mr. Stone made the motion and Mr. Byrd seconded the motion. Chairman Martin called for discussion of the motion. Mr. Bardin asked that the Financial Plan, Resolution No. 08-15, be a matter of discussion for amendments. Mr. Bardin proposed adding three of the "whereas" provision that appear in Resolution No. 08-16. "WHEREAS, there is an outstanding appeal under review by the Environmental Appeal Board on the requirements of the NPDES permit and the level of nitrogen output from Blue Plains and the results of this appeal may alter the strategy, requirements or costs of the nitrogen removal project; and WHEREAS, the Board and the representatives to the Intermunicipal Agreement (IMA) continue to review the level of participation of wholesale customers and allocation of costs to the Long Term Control Plan; and "WHEREAS, EPA's interpretation of Total Maximum Daily Pollutant Load (TMDL) and the projected issuance of a new TMDL schedule in the summer of 2008 may require adjustment to the LTCP in order to ensure full compliance with EPA regulations; and, "WHEREAS, progress and success of appropriate quality management of the water supply and implementation of the Lead Service Replacement program have continued the safe distribution of water and may result in deferral of the lead replacement program after FY 2008.

Chairman Martin proposed amendments from management on Resolution No. 08-15. The 4th "Whereas" provision is amended to read: WHEREAS, the Board and the representatives to the Intermunicipal Agreement (IMA) negotiating committee continue to review the level of participation of wholesale customers and allocation of costs to the Long Term Control Plan (LTCP); and after the last

"Whereas" provision add the following: WHEREAS, the Board is aware that any or all of the factors related to the NPDES permit, the LTCP, and the lead service replacement program may impact the FY 2007-2016 Capital Improvement Plan as early as FY 2008.

Mr. Lake requested an additional amendment to the Capital Improvement Program, Resolution No. 08-16. He requested an amendment to add "and the Total Nitrogen Removal Projects to the 4th "Whereas" provision that was amended by management. Chairman Martin restated the amendments to the resolutions for the record and Mr. Stone agreed to the amendments.

Mr. Bardin requested an amendment to Attachment A of Resolution No. 08-15. He proposed adding the word "retail" to the last line in Attachment A. In addition, he proposed that the Board strike the proposed rate increase line in Attachment A. Chairman Martin asked if there was a second to Mr. Bardin's amendment. There was no second, Chairman Martin noted that the amendment failed. Mr. Roth noted that he would second Mr. Bardin's amendment for purposes of discussion.

Chairman Martin noted that his primary concern is consistency, openness and accessibility and giving out the best information. He noted that this is a Financial Plan that the Authority is submitting in partial compliance with the legislation creating the Authority. Chairman Martin recommended that the proposed rate increase line in Attachment A remain in the document, adding the word "retail."

Mr. Bardin requested a roll call vote on the amendment to remove the proposed rate increase line in Attachment A of Resolution No. 08-15. The Board Secretary called the roll. The vote was 5 no's, 1 yes and 2 abstained. The motion failed.

The motion to adopt Resolutions No. 08-12 through No. 08-17 (Joint Use) was Moved and Seconded and approved unanimously by the Board of Directors.

Chairman Martin presented Resolution No. 08-18 (Non-Joint Use). Mr. Bardin made a motion to amend the resolution. His amendment was to spell out PILOT and add in the dollars per CCF. The District members of the Board approved Mr. Bardin's amendment.

Mr. Bardin posed a second amendment to Resolution No. 08-18. He proposed eliminating the PILOT payments to the Office of the Chief Financial Officer. After discussion, Chairman Martin stated that he does not disagree with the advantageousness of eliminating the PILOT from the standpoint of the retail rate payers. Chairman Martin recommended that the Board start a process which

would be three fold: (1) the Board would disapprove this amendment in the proposed action today; (2) management would provide rationales that the Board and management can take to the CFO, Mayor and the D.C. Council for reducing or eliminating the PILOT; and (3) the General Manager would report back to the Retail Rates Committee at its next meeting for further discussion. Mr. Bardin agreed to withdraw his amendment to Resolution No. 08-18.

The motion to Adopt Resolution No. 08-18 was Moved and Seconded with unanimous approval by the District members of the Board of Directors.

The meeting adjourned at 1:17 p.m.


Secretary to the Board of Directors