



District of Columbia Water and Sewer Authority

MINUTES

***134th Meeting of the Board of Directors
Thursday, July 3, 2008***

Present Directors

Chairman Robin B. Martin, District of Columbia
Anthony Griffin, Fairfax County
David J. Bardin, District of Columbia
Keith Stone, District of Columbia
Kathleen Boucher, Alternate to Timothy Firestine, Montgomery County
Robert Hoyt, Montgomery County
Beverly Warfield, Alternate to David Byrd, Prince George's County
George Hawkins, District of Columbia Alternate to Dan Tangherlini
Alan Roth, District of Columbia
Howard Gibbs, Alternate to F. Alexis Roberson, District of Columbia

Present Alternate Directors

Joseph Cotruvo, District of Columbia
David Lake, Montgomery County
Howard Croft, District of Columbia
Jimmie Jenkins, Fairfax County
Brenda Richardson, District of Columbia

WASA Staff

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

Approval of the June 5, 2008 Meeting Minutes

Chairman Martin asked for a motion to approve the June 5, 2008 minutes. The minutes were Moved by Howard Gibbs and Seconded by Robert Hoyt. Mr. Roth requested a correction to page 2 of the minutes. The minutes with the revision were approved with unanimous vote by the Board.

Environmental Quality and Operations Committee

Reported by: David Lake, Chairman

The Committee met on Monday, June 30, 2008.

It was reported to the Committee that the average flow for the month of May was 368 MGD, with record rainfall of 10.66 inches. Excess flow of approximately 641 MGD was treated through primary treatment, disinfection, and dechlorination. All permit parameters were met.

The Committee discussed several major projects and having an energy balance assessment of each of these projects. It was agreed and supported by the General Manager that staff take a look at how to present energy balance on new capital projects.

The Committee is recommending one joint-use contract for construction management and three non-joint use contracts that are related to water and sewer, and fire hydrants.

The Committee received a presentation from Mr. Rich Batiuk, Associate Director for Science for the U.S. Environmental Protection Agency Chesapeake Bay Program on Defining Restored Bay Water Quality and Establishing and Allocating Cap Loads.

The Committee received a presentation from Leonard Benson, Acting Chief Engineer, on the Biosolids Management Plan. WASA staff has researched the Cambi Thermal Hydrolysis digestion process and believes that this is the most economically viable system for digestion at Blue Plains. The Committee requested that additional information be added to the report on analysis of the alternatives.

The Committee indicated its support of continuing development of the digester project concept design as recommended by staff.

D.C. Water Quality Committee (ad-hoc)

Reported by: Dr. Joseph Cotruvo

The Committee met on June 30, 2008 and discussed the Lead Service Replacement Program and the General Manager's recommendation that he will present to the Board.

Mr. Kiely reported that about the 90th percentile of samples continue to drop and are at 7 parts per billion to date.

Mr. Kiely reported on the coliform testing aspects. There was one positive, which required upstream and downstream sampling to be performed, and the results are pending.

Dr. Steve Reiber, Director of HDR's Water Research Program, presented to the Committee a comprehensive discussion of the results of studies on galvanic corrosion and particularly partial LSL Replacement. Mr. Reiber's conclusion was that there is very little effect on lead release due to galvanic corrosion.

Mr. Roth noted inconsistencies in Dr. Reiber's statement to EPA and his statement to the Committee regarding the insertion of a dielectric in the lead service lines. Mr. Roth requested that Dr. Reiber provide the Board an explanation of his statements. Mr. Bardin requested that the two versions of Dr. Reiber's presentation and the LSR presentation be posted to the website.

Mr. Roth requested that staff make the website more navigable without interrupting the overhaul of the website.

The Committee received a report from Mr. Hawkins, Committee member and the Director of DDOE, on the improved District Government response to reports of Elevated Blood Level (EBL) in children. Mr. Hawkins noted that DDOE will be responsible for managing the independent WQ Study. He informed the Committee that funding for the preliminary phase had been obtained from the Conference of Mayors.

The Committee discussed at length the Lead Service Line Replacement Program and will continue the discussion at its next meeting.

Governance Committee

Reported by: Keith Stone

The Governance Committee met on June 10, 2008. Mr. Stone noted that the Governance Committee had been reactivated as a standing committee of the Board.

Avis Russell, General Counsel, provided the Committee a presentation regarding the factors contributing to the creation of WASA, the enabling statute, the WASA by-laws, and relevant District of Columbia laws.

The Committee discussed the Board committee's structure and came to a consensus to continue the discussion at its September meeting.

The Committee discussed the by-laws and was encouraged to submit suggestions for possible changes or edits.

Gordon Fry, Director of Government Relations, provided a status of pending legislation and the ramifications that recently passed legislation has on the Authority.

The Committee discussed the need to address both the joint use and non-joint use issue and the need to make the current ad-hoc Committee on DC Water Quality a standing committee.

There was a brief discussion on the D.C. Aqueduct and water primacy. It was determined that any discussion on this topic would have to be postponed until January, when the new Executive legislation is in place within the White House.

Retail Rates Committee (District Members)

Reported by: Robin Martin, Chairman

The Committee met on Thursday, June 24, 2008, and received a report from PB Consult. It was reported that PB Consult provided total data on 93,000 properties, including in the last tranche 13,000 non-single family residential properties. The final database should be delivered shortly.

The consultants also reported on their independent Quality Assurance/Quality Control processes. The Committee was informed that PB Consult has a dedicated team of five individuals that are independent from the process of generating the data who will do their own QA/QC over the database and information that has been delivered to WASA.

The Committee then heard from Mr. Adebo regarding database anomalies that require policy decisions. The staff seems fairly confident that many of the issues, both anomalies and systemic ones, can be addressed.

Mr. Mohammad Tariq, IAB Project Manager, briefed the Committee on the QA/QC process that WASA is doing, which is separate from the one that PB Consult is doing from the consultant's perspective.

The Committee discussed extensively the Customer Assistance Program (CAP). The Committee had requested having a report on exactly how the program works. The General Manager made a recommendation to expand the program to cover sewer charges. The Committee was informed that there would be a budget impact to expand the program. It was noted that the funding slide provided to the Committee was incorrect and a revised slide was received showing that over a period of 10 years the cumulative cost is about \$12 million for the expansion of the program.

The expansion of the CAP would be coordinated and timed with the impervious surface action, which will begin with a rate process in early calendar year 2009; however the additional assistance would be credited retroactive to the October, 2008, billing. The Committee is recommending that the Board approve the expansion of the CAP.

Finance and Budget Committee

Report by: Robin Martin

The Committee met on June 26, 2008, and received the May, 2008, report from Olu Adebo, Acting Chief Financial Officer, and Ms. Yvette Downs, Director of Finance and Budget. With 67 percent of the fiscal year completed, revenues totaled \$219.8 million or 65 percent of budget, and operating expenditures totaled \$205.2 million or 60 percent of budget. Capital disbursements totaled \$222.7 million or 69 percent of budget.

The Authority continues to experience pressures on the expense side in chemicals and electricity.

The Committee received a capital projects quarterly update. All priority one and two projects are on schedule and within budget.

The Committee received an update on the Authority's insurance program. The Authority was successful in June renewing insurance with a very minimal increase in rates. It was noted that FEMA rescinded the D.C. Flood Map, and the General Manager will inform the Board whether there are any residual issues from that that still might affect the plant.

The Committee is recommending to the Board an action item relating to the rating downgrade of the Financial Guarantee Insurance Company (FGIC). FGIC provides a surety for one of the Authority's tax-exempt issuance of \$17.6 million. The bond indenture requires that a surety company have the highest rating and now the Authority is in a position of having to address that issue, because FGIC does not meet the terms of the indenture. In order to take appropriate steps in line with WASA's Master Indenture of Trust which requires WASA to act "immediately," the Committee is recommending via resolution to authorize the General Manager on receipt of notice from the Trustee to place \$16.8 million into the Reserve Fund subject to release when a Letter of Credit is obtained. It was recommended to revise the proposed resolution to add the \$16.8 million amount. The General Manger noted that the original surety was purchased for \$17.6 million, and he was not clear why the surety was purchased at a higher amount than was required in the indenture. He noted that to be on the secure side, the authorization resolution should be for the \$17.6 million and staff will revise the resolution to reflect that amount.

The Committee discussed the CFO Legislation and requested that the General Manager brief the Committee at its next meeting on the legislation that has now passed the Senate and the House, and is working its way to the President.

Audit Committee

Reported by: Robin Martin

The Audit Committee met on Wednesday, June 18, 2008.

The Committee received a status of several audit engagements. The Committee expressed its concern that a number of audits appear to be of a narrowly focused nature and requested that the audits are done on a higher level.

The Committee recommended to the General Manager that the Authority begin compliance with the OMB's Circular A-123, which relates to tightening up and a higher focus on controls within the organization. The General Manager informed the Committee that an internal assessment will be done and he will report back to the Committee.

The Committee briefly discussed the 2006 Governance Study recommendation that Internal Audit report to the Board. Mr. Firestine, Chairman Martin and the General Manager will meet to discuss how this may be implemented. The recommendation will be discussed at the Committee's next meeting.

Nominating Committee (Ad-Hoc)

Reported by: Robin Martin

The Nominating Committee met prior to the Board meeting today. The Committee is recommending via Resolution No. 08-67, the election of Mr.

Tangherlini as the Vice Chairperson of the Board. Mr. Griffin moved the motion and Mr. Roth seconded the motion. The Board unanimously approved Mr. Tangherlini as the Vice Chairperson of the Board.

General Manager's Report

Reported by: Jerry Johnson

The General Manager reported that an additional \$14 million in funding for the additional Long Term Control Plan has been approved by the House Appropriations Committee. There are no further status reports.

The General Manager informed the Board that he and Chairman Martin met with Chairman Gray and Councilmember Graham regarding the proposed impervious surface rate. He noted that both Chairman Gray and Councilmember Graham's perspective was that WASA is overly optimistic in thinking that it will get the authorization needed to make adjustments in the rate structure by the November timeframe. Both Chairman Gray and Councilmember Graham took the position that having a public hearing on this proposal is very important.

Chairman Martin noted that although it was not the subject of the meeting, Councilmember Graham expressed his concern on the closure of the IMA negotiations and the incentives to get to a resolution. The General Manager and Chairman Martin explained the process and the progress of the IMA negotiations.

The Board and the General Manager discussed Mr. Tangherlini's June 23, 2008 letter to Chairman Martin.

Administrative Items (Joint-Use)

1. Approval of the General Manager's Performance Agreement and Salary Adjustments – Resolution No. 08-58

Mr. Griffin noted that this item was recommended by the Human Resource and Labor Relations Committee at the June Board meeting. However, the item was deferred to this meeting based on a request to provide Board members more time to review it and to receive the redlined version of the General Manager's performance agreement. Mr. Griffin moved approval of Resolution No. 08-58 and Mr. Stone seconded the motion. Mr. Roth requested a discussion and it was agreed that the discussion should be held in executive session.

2. Approval of the 2008-2013 Strategic Plan for the District of Columbia Water and Sewer Authority's Board of Directors – Resolution No. 08-59
3. Approval of the Strategic Plan Policy and Statement of Philosophy – Resolution No. 08-60

Emery Robinson, IMG, provided a brief explanation on the final draft of the strategic plan. The Board discussed at length the Critical Success Factors and objectives.

Motion to adopt Resolution No. 08-59 with revisions was Moved and Seconded with unanimous approval by the Board of Directors.

Motion to adopt Resolution No. 08-60 was Moved and Seconded with approval by the Board of Directors and one abstention by David J. Bardin.

4. Authority to the General Manager to Deposit, as an Interim Step, the amount of the Series 2003 Subordinate Debt Service Reserve Requirement in the Series 2003 Subordinate Debt Service Reserve Account – Resolution No. 08-66

Mr. Bardin suggested to have a slightly higher number than the \$17.6 to round the number upwards. Chairman Martin agreed to round the dollar amount to \$17.7 and the Board agreed.

Motion to adopt Resolution No. 08-66 with amendment to include the amount of \$17.7 million to be put into reserve was Moved and Seconded with unanimous approval by the Board of Directors.

Consent Items (Joint-Use)

1. Approval to execute Contract No. DCFA #413-WSA, Bryant Associates, Inc., O'Brien and Gere Engineers, P.C., Construction Dynamics Group/ARCADIS Joint Venture – Resolution No. 08-61

Motion to adopt Resolutions No. 08-61 was Moved and Seconded with unanimous approval by the Board of Directors.

Consent Items (Non-Joint Use)

1. Approval to execute Contract No. 040200, Anchor Construction Corporation – Resolution No. 08-62
2. Approval to execute Contract No. 080070, Corinthian Contractors, Inc. – Resolution No. 08-63
3. Approval to execute Contract No. 080300, Anchor Construction Corporation – Resolution No. 08-64
4. Approval of the Expansion of Customer Assistance Program (CAP) to Retail Sewer Service Charges – Resolution No. 08-65

Motion to adopt Resolutions No. 08-62 – 08-65 was Moved and Seconded with unanimous approval by the District Members of the Board of Directors.

The Board convened into an executive session to discuss a personnel matter at 12:16 p.m.

The Board reconvened into open session at 12:44 p.m.

Administrative Items

1. Approval of the General Manager's Performance Agreement and Salary Adjustments – Resolution No. 08-58

Mr. Griffin noted that there is a process in place per a contract extension for the General Manager that a performance evaluation will be done on an annual basis. The Board will at its January 2009, meeting, consider again the General Manager's performance to get the evaluation process on an annual and consistent basis.

Motion to adopt Resolution No. 08-58 was Moved and Seconded with unanimous approval by the Board of Directors.

The meeting adjourned at 12:46 p.m.



Secretary to the Board of Directors