

District of Columbia Water and Sewer Authority

Board of Directors

Meeting MINUTES

Thursday, March 5, 2009

Present Directors

Chairman William M. Walker, District of Columbia
Vice Chairman Dan Tangherlini, District of Columbia
Anthony Griffin, Fairfax County
David J. Bardin, District of Columbia
Keith Stone, District of Columbia
Timothy Firestine, Montgomery County
Robert Hoyt, Montgomery County
Dr. Jacqueline Brown, Prince George's County
David Byrd, Prince George's County
Alan Roth, District of Columbia
Howard Gibbs Alternate to F. Alexis Roberson, District of Columbia

Present Alternate Directors

Joseph Cotruvo, District of Columbia
Jimmie Jenkins, Fairfax County
Paivi Spoon, Prince George's County
George Hawkins, District of Columbia
David Lake, Montgomery County
Brenda Richardson, District of Columbia
Beverly Warfield, Prince Georges County

WASA Staff

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

Chairman William Walker called the 141st meeting to order at 9:44 a.m.

Board Secretary Linda Manley called the roll to confirm a quorum.

Approval of the February 5, 2009 Meeting Minutes

Chairman Walker asked for comments on the minutes. He noted that prior to the meeting he requested that the Board Secretary review the recording of the last meeting, as it relates to his comments in the last paragraph where it talked about “go well beyond the call of duty. They come diligent and overly aggressive in insuring that people understand that the water quality in the District of Columbia is outstanding.” Chairman Walker does not want anyone to misinterpret the term “overly aggressive” to mean anything other than the Authority should be diligent and straightforward with its communication strategy.

Chairman Walker asked for a motion to approve the February 5, 2009 minutes. The minutes were Moved and Seconded with unanimous approval by the Board.

Audit Committee

Reported by: Timothy Firestine, Chairperson

Mr. Firestine requested that the Audit Committee members plan to attend the meetings.

The Committee received a report from the Authority’s external auditors who have completed the 2008 independent audit of the financial statements. The Authority received an unqualified opinion on the technical federal OMB A1-33 audit results requirement where they look at internal controls over financial reporting and found no problems. The external auditors also looked at compliance requirements and the Authority received an unqualified opinion. Mr. Firestine congratulated the staff with respect to the management letter, noting that there were no management letter comments.

The Committee received a follow-up on previous management letter comments and all of those comments have been resolved, except one which relates to the Authority’s policy for revenue refunds, which will be updated shortly.

The Committee discussed the General Manager’s proposal to shift from utilizing primarily internal audit staff to hiring an outside audit firm to actually manage, oversee and perform the internal audit function. The process is to issue an RFP,

and hire an outside firm to handle the internal audit function. The firm will perform an overall risk assessment to look at the organization, and its controls and create an audit schedule to view first those areas which have the highest risk. The General Manager plans to have the RFP out sometime over the summer.

Chairman Walker reiterated Mr. Firestine's request that those on the Audit Committee make future Audit Committee meetings.

Mr. Bardin questioned the reporting responsibility of the outside audit firm. Mr. Firestine noted that the contractor should have the same dual reporting relationship. The General Manager will prepare the RFP and his intent is to include the Committee in the process. The Audit Committee will participate in the selection of the firm.

Mr. Johnson noted that when contracting for outside resources, you cannot void yourself of expertise in a given area. So there has to be someone on staff who absolutely has the internal auditing expertise to manage the contract, which is the second phase. Arrangements will be worked through to have the Committee actively engaged in this process.

Mr. Roth asked a follow-up question relating to Mr. Hemphill, Chief of Staff designated as the supervisor over the internal audit functions. Mr. Firestine noted that the General Manager is looking to bring back someone or hire an outside consultant to assist with the transition and oversight of the audit function.

Environmental Quality and Operations Committee

Reported by: David Lake, Chairman

The Committee received a report on the plant performance. The Authority is meeting its nitrogen goal, which is important for the Chesapeake Bay issues, although there are still two reactors out of service for maintenance.

It was reported that staff was to meet with EPA the week after the meeting to discuss the discharge permit, and the total nitrogen and wet weather plan.

The Committee received the first quarterly report on the Capital program, and all major projects are on track based upon a review of that plan.

The Committee received an update on the Potomac Sewage Pumping Station. Mr. Lake noted that in September the pumping station was supposed to have reached its required pumping capacity. Staff is cautiously optimistic that they may have found the problem with the intake structure, and are continuing to work

on that to determine if, in fact, this problem will be resolved. They will report back to the Committee next month.

The Committee received a presentation on the Asset Management Program.

The Committee was provided an update on the Bio-Solids Management Program. The program is moving forward and staff is in the process of developing design criteria, contract packages, and evaluating contract delivery methods.

The Committee is recommending several action items for Board approval.

Mr. McLaughlin updated the Committee on the amounts of funding that WASA expects to receive under the stimulus package. The Authority is looking for a better understanding of what some of the guidance will be on the actual availability of those funds.

Mr. Bardin noted that decisions need to be made on the Digester Project. Chairman Walker asked the General Manager to provide the Board an update on the project. Mr. Johnson called on Leonard Benson, Acting Chief Engineer. Mr. Benson noted that the Authority is pursuing the project that was approved in the CIP, the Thermal Hydrolysis-Based Digestion Project. This is on a schedule that would deliver that project on line early 2013.

Mr. Lake proposed that the Environmental Quality and Operations Committee receive a monthly update on the digester project.

Mr. Hawkins provided the Board with an update on the stimulus questions. After discussion Chairman Walker noted that further discussion will be off-line.

D.C. Retail Services Committee

Reported by: Joseph Cotruvo, Chairperson

The Committee met on February 24th and received a report that the Authority is in full compliance with the coliform testing.

Mr. Kiely reported that for the most recent reporting period, 29 samples have been analyzed to this point. One sample has exceeded the EPA Action Level of 15 ppb, the Authority is within the 90th percentile requirement.

Mr. Kiely reported that 70 fire hydrants out of the 9,000 are out of service. The term out-of-service does not necessarily denote a broken hydrant, since operational/working hydrants are taken out-of-service if they are inaccessible.

The Committee discussed "unaccounted for water" and the General Manager noted that the Authority has run models that have given a more precise

calculations of fire flow, water use for flushing, water use for testing hydrants, and a variety of other purposes.

The General Manager plans to present a different reporting format with the next General Manager's Report.

Tom Jacobus provided the Committee a second presentation on the relationship between the Washington Aqueduct and WASA. The Committee will continue those discussions and come up with some recommendations to the Board as to whether any changes should be made in the Washington Aqueduct and WASA relationship.

The Committee received a presentation from the District's Department of Transportation on porous pavement surfaces and the general area of low-impact development.

Mr. Hawkins noted that the drafting of an RFP for the Water Quality Study will take place shortly. In response to a question from Chairman Walker, Mr. Hawkins stated that the study is designed to go at least three seasons. The goal is to get the study in place and undertaken by the summer. In addition, Mr. Hawkins noted that all documents and minutes are on the Department of Environment's website.

Mr. Johnson noted that if the Authority is going to look at the issue of whether the water is safe, then the Authority can not stop with an audit of what occurred five or six years ago, or start looking at sampling results from lead in drinking water. The Authority must look at the water system from the source to the tap, because there are other elements out here that have concern about the production of the water, and whether filtration is the appropriate approach. In addition, this must be a peer reviewed study and not just the findings and outcome.

The Committee discussed recommending to the District of Columbia Council the adoption of legislation for the use of brass materials that are low-lead for new installations and repairs, so it would over time reduce the potential for some of that exposure coming from that source. The General Counsel will present the Committee a draft resolution for discussion at the next Committee meeting.

Chairman Walker stated that during the public hearing with Chairman Graham, Chairman Graham noted that the Chairman of DC WASA came out in a Washington post article and said the water is safe. But as the General Manager has just said that for pregnant women, people with immune sensitivities, as well as the elderly, there is a caveat to that statement. That caveat is not a Washington, D.C. – specific caveat. That caveat sits on the website of the Environmental Protection Agency, which is tasked with setting water quality standards for all municipal water systems in the United States of America.

Chairman Walker asked Mr. Tangherlini to provide the Board an update on the Public Hearing on the Impervious Area Charge (IAC). Mr. Tangherlini noted that the Retail Rates Committee of the Board held a public hearing on February 18th on the IAC rates. It was well attended and a number of people testified. The testimonies from organizations were very supportive of the effort. A concern was raised about the expansion and water and sewer related rates over time and how the message is conveyed on the utilization of the rates. There was great turn out from the DC Board members.

Chairman Walker asked Mr. Griffin to provide the Board an update on the CAO's meeting regarding the IMA. Mr. Griffin noted that the CAO's met prior to the Board meeting this morning and the focus was on cost allocation for the total nitrogen and the long-term control plan. The CAO's are at a point now where they are ready to start the negotiations in hopes that this can be accomplished in one meeting. In addition, the CAO's are committed to scheduling a second meeting to reengage the discussion around the extension of the IMA.

General Manager's Report

Reported by: Jerry Johnson

The revenues report with 33 percent of the year complete, cash receipts are about 30 percent of budget. The Authority deposited \$300 million of proceeds from the bond sale, and final closing was on February 11th. The General Manager congratulated the entire financial team, both internal and external.

The General Manager noted that a full report will be provided to the Retail Rates Committee regarding the clean-up of some inactive accounts.

Capital spending has been \$87.2 million year-to-date, with \$14.4 million in January. Capital projects are on target and with budget for the major capital projects.

A WASA team spent the last two days in Philadelphia working with the USEPA discussing a number of issues around the interim permit that was issued. It is expected that EPA will issue a permit sometime in April of this year.

The Authority continues to work with the District's Chief Financial Officer regarding the payment in lieu of taxes.

In response to a question, the General Manager stated that an extensive meeting was held with the City Administrator to review the findings of the fire services cost of service study and additional information will be forwarded to the City Administrator and then it will be advanced to the CFO for payment.

Chairman Walker requested that Olu Adebo take a look at the financial graphs in the General Manager's Report.

Consent Items (Joint-use)

Mr. Tangerhlini moved joint-use Items 09-39 through 09-43 and Mr. Byrd seconded.

Items 09-29 through 09-34 were unanimously approved by the Board of Directors.

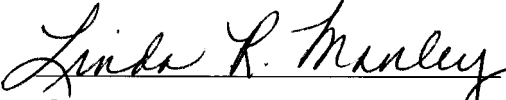
Mr. Tangerhlini moved joint-use Item 09-45 and Item 09-45 was seconded and moved for discussion at the request of Mr. Stone.

Mr. Stone requested an explanation on the bid range and why was the low bidder rejected under the procurement regulations. Mr. Johnson noted that there was a request from the low bidder to withdraw the bid because of an error that was made in the bidding process having to do with some borings that would need to be done associated with the particular project. After going through and examining it from an engineering and procurement prospective, it was determined that the bidder simply would not be able to do the project at the level that he bid, and allowed him to withdraw the bid. It went to the next lowest bidder.

Item 09-45 to be renumbered 09-44 was moved and seconded with unanimous approval by the Board of Directors.

Item 09-44, WACHS Utility Services, was removed from the agenda.

The 141st meeting of the District of Columbia Board of Directors adjourned at 11:28 a.m.


Secretary to the Board of Directors