



District of Columbia Water and Sewer Authority

Board of Directors

MEETING MINUTES

Thursday, January 7, 2010

Present Directors

Chairman William M. Walker, District of Columbia
David J. Bardin, District of Columbia
Keith Stone, District of Columbia
Timothy Firestine, Vice Chairman, Montgomery County
Robert Hoyt, Montgomery County
Ralph Moultrie, Prince George's County
David Byrd, Prince George's County
Alan Roth, District of Columbia
F. Alexis Roberson, District of Columbia
Anthony Griffin, Fairfax County
Neil Albert, District of Columbia

Present Alternate Directors

David Lake, Montgomery County
Beverly Warfield, Prince George's County
Howard Croft, District of Columbia
Howard Gibbs, District of Columbia
Jimmie Jenkins, Fairfax County
Dr. Joseph Cotruvo, District of Columbia
Maurice Boissiere, District of Columbia
Paivi Spoon, Prince George's County
Brenda Richardson, District of Columbia

WASA Staff

George S. Hawkins, General Manager
Avis M. Russell, General Counsel
Linda R. Manley, Secretary to the Board of Directors

Vice Chairman Timothy Firestine called the 150th meeting to order at 9:38 a.m., and informed the Board that Chairman Walker was held up in traffic. Therefore, he will adjust the agenda slightly in terms of the committee reports. Chairman Walker would like to be present for the reporting on the Finance and Budget Committee meeting.

Vice Chairman Firestine welcomed Ralph Moultrie, Prince George's County, to the Board.

Vice Chairman Firestine asked Ms. Manley to confirm a quorum

Board Secretary Linda Manley confirmed a quorum.

Approval of the December 3, 2009 Meeting Minutes

Vice Chairman Firestine asked for a motion to approve the December 3, 2009 minutes. The minutes were Moved and Seconded with approval by the Board.

Chairman's Overview

Chairman Walker thanked Vice Chairman Firestine for chairing the meeting until his arrival. Chairman Walker provided the Board with a status of Board reappointments and new appointments. He noted that Maurice Boissiere will be joining the Board later in the meeting as an alternate member from the District of Columbia. Howard Croft was reappointed as an alternate and sworn in by Mayor Fenty. In addition, Joseph Cotruvo is being marked up by the Committee on Public Works and Environment and then his recommendation will be voted on by Council this month and sworn-in in February. From a technical standpoint, and because of a timing issue, Mr. Cotruvo is off of the Board for this meeting. Finally, Ralph Moultrie has joined the Board as a principal member representing Prince George's County.

Chairman Walker announced the resignation of Board member Jimmie Jenkins and thanked him for his service to the Board. Mr. Griffin noted that Mr. Jenkins will be replaced by James Patterson.

Chairman Walker gave kudos to the General Manager and staff for the newly created General Manager's Dashboard. Chairman Walker provided the Board with his thoughts of combining some of the committees and possibly creating a Water Quality and Public Health Committee of the Board and a Long Range Planning Committee. He charged the Governance Committee to look at the current Committee structure of the Board and bring the committee's recommendation to a future meeting, and reach out to Board members for their

interest in serving on the proposed Committee. In addition, he requested that the Governance Committee take a look at what is the proper size of a committee.

Chairman Walker welcomed a delegation from Botswana who will be touring the Blue Plains Plant.

Audit Committee

Reported by: Timothy Firestine, Chairperson

The Committee met on December 16th and its main focus was the Authority's initiative to outsource internal auditing. Mr. Joseph Freiburger is leading the contract support with SC&H group. The group has looked at all of the Authority's business processes and areas to focus on and has done a risk assessment by organizing the different processes within the organization. The risk assessment provided the basis for developing the proposed FY 2010 Internal Audit Plan which has 6,000 hours of audit time available for the work plan. There is a strong Internal Audit Plan in those areas that have been identified as high risk.

The Committee was provided with an update on the Annual Independent Audit. The final audit report is expected soon and the Committee will discuss the auditor's Management Letter comments at its February meeting.

Retail Rates Committee

Reported by: David J. Bardin, Acting Chairman

The Committee met on December 18th and received a presentation from the Chief Financial Officer on FY 2011 retail revenues, rates and fee proposal. The presentations included two alternative proposals for the water and sewer rate proposals. The Committee recommended that the Board urge the General Manager to resume intense negotiation about the payment in lieu of taxes with the city government. The Committee with the exception of one member recommended that the Committee go forward to the Board with a proposal for increasing the Payment in lieu of taxes (PILOT) fee charged to retail rate payers on a volumetric basis.

The Committee discussed ways to improve the Authority's presentation of rates (and related budgetary) information to all interested persons.

The Committee is recommending that the Board initiate rulemaking to expand the Customer Assistance Program discount for qualifying low-income customers to exempt up to 4 Ccf per month from volumetric PILOT and ROW fees starting in FY 2011.

The Committee is recommending to the Board the approval of the proposed FY 2011 single family six-tier residential rate structure.

Retail Services Committee

Reported by: Howard Gibbs

The Committee met on December 17th and received a report that three samples had tested positive for coliform in the month of November, and as of the meeting date, zero samples had tested positive in the month of December.

Mr. Kiely reported on the Lead and Copper Rule (LCR) compliance testing activities. He reported that the Authority has completed its second semester sampling and analysis. Of 103 1st draw samples having been collected and analyzed, one (1) 1st draw sample exceeded the EPA Action Level of 15 ppb; and the 90th percentile for 1st draw samples was 7 parts per billion, which is the actual standard, and well below the 15 parts per billion limit.

Mr. Kiely reviewed the steps that the Authority has taken to address the issue of nitrification within cast iron mains in the distribution system. The solution that is being recommended is an extended change in secondary disinfectant from chloramines to free chlorine from February 1st through May 17, 2010 to increase the level of chlorine in the system to fight the formation of nitrites.

Mr. Kiely reported on the status of the fire hydrants in the District of Columbia. The current number of "out-of-service", fire hydrants stands at 135 of which 83 were considered defective.

General Manager Hawkins noted that staff has evaluated every hydrant that is over 60 days and the ones that are remaining are for structural reasons and will be reconnected once the line is repaired.

Chairman Walker requested that the General Manager develop a list segmenting those hydrants and submit that list to Councilmember Graham and Councilmember Mendelson.

The Committee then received a presentation from Dr. Mohsin Siddique concerning the proposed plan to implement the Boards Low Impact Development Grant Initiative.

The Committee received a presentation on the two potential alternatives for consideration with respect to the revised FY2010 and proposed FY2011 Budgets. The Committee agreed to recommend modified Alternative 1, with the change in pay-go financing – to the Board for consideration with the understanding that additional discussion between Board members will occur prior to adoption of the final budget.

The General Manager informed the Board that he received a request from the Department of Environment asking if the Authority is prepared to pay for the independent study.

The Committee is recommending two contracts for Board approval.

Environmental Quality and Operations Committee

Reported by: David Lake, Chairperson

The Committee met on Thursday, December 17th and received a report on the operations of the Blue Plains Wastewater Treatment Plant. The performance of the Plant was excellent and all parameters have been met.

The Authority is still waiting on the issuance of the new NPDES Permit by EPA.

The construction contract for the Potomac Interceptor, Sewer Odor abatement Project for the Maryland and District sites was approved and executed by the General Manager with a notice to proceed.

The Committee received a presentation on the long-term control plan cost share.

The Committee also received a presentation of the Revised Fiscal Year 2010 and Proposed Fiscal Year 2011 Budgets, and was presented two alternatives. Alternative 1 was the staff proposed CIP, including projects that the Authority needs to move forward on. Alternative 2 constrained some of the CIP projects that were identified by staff as a potential to defer some expenses. There was no Committee consensus on the two alternatives. The District members of the Committee felt that their input would be more appropriately conducted through the retail rates, and the suburban representatives generally indicated a support for Alternative 1 which is moving forward with the budget as proposed by the staff, but did not take a position as it related to non-joint use projects and impacts on retail rate payers.

The Committee is recommending one action item to proceed with option year two of a contract for centrifuge maintenance.

Finance and Budget

The Finance and Budget Committee met on December 18th and received a financial report. Revenues are slightly ahead of estimate. The operating cash reserve objective is still being met.

The Committee received a presentation on various financing options with respect to issuing debt. There is a new form of debt available to tax exempt entities are called Build America Bonds. They came from the stimulus where entities actually issue taxable bonds, that are tax credit bonds, and then get a payment from the federal government. This is an option that the Authority is looking at in terms of its next bond issuance.

The Committee discussed pay-go financing and agreed that there is a need to have a pay-go policy developed by the Board to decide as a Board how much the Board would do under pay-go versus debt.

The Committee is recommending that the Commercial Paper Program proceed with an RFP to expand the program.

The Committee discussed a master equipment lease program as an alternative to pay-go financing for capital equipment. It was suggested that the Authority coordinate with WSSC to eliminate potential duplication of issuing bonds to lease similar equipment.

The Committee then discussed the budget and was presented the same two alternatives reported previously from other Committees. Alternative 1 would require an 18 percent retail rate increase and Alternative 2 a 13 percent retail rate increase. Staff's recommendation is Alternative 1. There is about a \$13.5 million difference between the two alternatives. After a lengthy discussion, there are a number of items outstanding that would need further discussion. Mr. Firestine was opposed to the digester project until he can meet with WSSC on how the digester project will affect their capital program and how it would be financed. Mr. Firestine has talked with WSSC and clearly paying for the project early has a rate impact. However, WSSC is going to explore other options.

The Committee then discussed the assumption used and wanted to make sure that the Authority is not being too conservative in the budget, and that possibly the Authority's projection for utility costs should come down by also saving money and making a difference between Alternative 1 and Alternative 2 less.

The Committee discussed the labor agreements and what is assumed in the budget for general wage adjustments or increases to salary. Mr. Firestine noted that he and Mr. Griffin, as members of the regional Chief Administrative Officers, participated in a conference call with all of the area school superintendents and major governmental employers in the area. It was clear that none of the regional governments or school systems are going to be paying a general wage adjustment for the coming year and this is an issue that the Board needs to discuss. After a discussion on awareness in the environment and prudence of having a discussion with the labor unions, the Board agreed to have the Human Resources Committee meeting engage in a discussion with the labor unions regarding the budget issues.

The General Manager noted that the Authority is a whole and requested that whatever the Board considers relative to pay increases that it is done across the Authority.

The Committee discussed the Long Term Control Plan, the application of the federal dollars that need to be resolved, the PILOT and other items that are

outstanding on the budget. Chairman Walker stated that he thought the application of the federal dollars was off the table. Mr. Adebo responded that there are several details that still need to be worked out as it relates to the grant or the direct appropriation. It is clear that any new funds that are received should be split. However, the \$73 million dollars was received prior to the CO Agreement and there needs to be a discussion internally and then staff will come back with a recommendation to the Board.

Chairman Walker noted that the Board is discussing very sensitive issues as it relates to cost of revenue adjustments in union contracts, and as it relates to going to the District Government for an increase in the fire hydrant reimbursement rate at a time when the District Government has informed the Authority that they do not have the money. Chairman Walker stated that the Authority needs to have a budget that is as close to exactly what it is going to cost the Authority. The bottom line is that the Authority needs to get tight on the numbers particularly if it is going to take on some of the challenging issues outlined in the Finance and Budget Report.

Chairman Walker charged the Finance and Budget Committee with looking at if the recommendation is to lock in the electricity cost now and hedge that exposure out, or whether we want to let it ride.

Mr. Bardin requested that staff provide two sets of capitol projects subdivided between joint use projects, the cost which is shared between the suburbs and the District and non-joint use projects where 100 percent of the costs are borne by District rate payers.

General Manager's Report

Reported by: General Manager, George S. Hawkins

Mr. Hawkins recognized the WASA employees that worked in the middle of the blizzard of 2009, when there was a water main break on 21st Street between New Hampshire and N.

Mr. Hawkins thanked Aleizha Batson for serving as Acting Director of Public Affairs. Mr. Hawkins introduced and provided background on the new Director of Public Affairs, Alan Heymann.

The Board was provided a brief demonstration on the new General Manager's Report and the Authority's face book.

Mr. Hawkins informed the Board that IBM has selected the Authority for a project where they are bringing some of their best research minds here to look at how the Authority works and how they might enhance existing products to improve the efficiency and effectiveness of the Authority and unroll to the rest of the industry.

In addition, Mr. Hawkins met with the Brookings Institution who is interested in highlighting the needs of infrastructure and whether or not the Authority has been adequately funding this sector. Mr. Hawkins is working with Bruce Katz, Brookings Institution, to do a joint Op Ed to kick off the effort.

Mr. Hawkins noted that the Authority is having discussions on doing a press event about the stimulus funds coming to the Authority. The Authority was allocated \$19.5 million for drinking water funds and \$4.8 million in clean water funds, which is a total of \$24 million. The Authority was notified that because of contracts that were not accomplished for other recipients of stimulus funds, the Authority received an additional potential of \$935,000 in clean water funds. This is all based on the Authority's ability to get the contracts up and running by February 17th, and it is anticipated that the Authority will be able to award all of those contracts. Mr. Hawkins recognized Olu Adebo, Len Benson and others for taking the benefit of the federal stimulus money.

The Authority at the request of Senator Barbara Mikulski submitted a request for \$83.7 million for nitrogen enhanced removal. Those are costs that the Authority will hit in 2011, as well as additional costs for the Long-Term Control Plan. Therefore, over \$100 was submitted.

The Authority will be kicking off a community advisory committee and an environmental advisory committee.

The Board received a brief presentation from the Information Technology staff on the GM's Report and board package that is now on the website.

Chairman Walker requested that the Governance Committee review the Board schedule going forward at its next meeting.

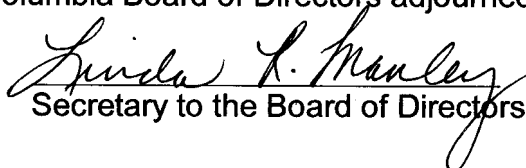
Consent Items (Joint-Use)

Mr. Bardin moved the adoption of Resolutions No. 10-00, 10-06 and 10-14. The resolutions were moved and seconded with unanimous approval by the Board of Directors.

Consent Items (Non-Joint Use)

Mr. Bardin moved the adoption of Resolutions No. 10-07, 10-08 and 10-10. The resolutions were moved and seconded with unanimous approval by the District members of the Board of Directors

The 150th meeting of the District of Columbia Board of Directors adjourned at 11:16 a.m.


Secretary to the Board of Directors