



District of Columbia Water and Sewer Authority

Board of Directors

MEETING MINUTES

Thursday, July 1, 2010

Present Directors

Vice Chairman Timothy Firestine, Montgomery County
David J. Bardin, District of Columbia
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
Alethia Nancoo, District of Columbia
Neil Albert, District of Columbia
James Patteson, Alternate for Anthony Griffin, Fairfax County

Via Conference Call

Chairman William Walker, District of Columbia

Present Alternate Directors

Howard Gibbs, District of Columbia
Howard Croft, District of Columbia
Brenda Richardson, District of Columbia
Paivi Spoon, Prince Georges County
Beverly Warfield, Prince Georges County
Joseph Cotruvo, District of Columbia
David Lake, Montgomery County

WASA Staff

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

Vice Chairman Firestine called the 156th Meeting of the District of Columbia Water and Sewer Authority's Board of Directors to order at 9:33 a.m.

Vice Chairman Firestine asked Ms. Manley to confirm a quorum.
Board Secretary Linda Manley confirmed a quorum.

Approval of the June 3, 2010 Meeting Minutes

Chairman Firestine asked for a motion to approve the June 3, 2010 minutes. The General Manager requested that in the third paragraph of the Chairman's overview "well above the limit" be changed to "well below the limits." Mr. Bardin requested to change the word "but" at the beginning of the sentence to "and" and also to add the word "additional" before "nitrogen control efforts"

The minutes with revisions were Moved and Seconded with approval by the Board.

Chairman's Overview Via Telephone

Chairman Walker thanked Vice Chairman Firestine for chairing the meeting. He noted that the rebranding efforts were incredibly well done. Chairman Walker gave kudos to Alan Heymann and his staff for all the work that was done. Chairman Walker thanked the General Manager for a reasonably standard corporate event that turned into a wonderful coming together of the DC Water staff of Team Blue to celebrate a new chapter in the entity's great history.

Chairman Walker noted that the Cardin bill coming out of Senate on yesterday is absolutely fantastic news. This is a major step if the Cardin amendment comes through and the Federal Government starts paying their waste water fees.

Chairman Walker noted that as the General Manager moves to do things differently at DC Water going forward, the Board is mindful that those changes hopefully are all in the best interest of the entity. If not, the Board will clearly flag them, have a good discussion about them and provide Mr. Hawkins and his team with the appropriate oversight and guidance to make sure that DC Water can move forward on the proper path.

Nominating Committee

Reported by: Chairman Walker

Chairman Walker reported that the Nominating Committee met via conference call on last week. In 2007, the Board passed a resolution that the Vice Chairmanship of the Board would rotate on an annual basis between the District of Columbia and the suburban counties. As everyone knows, Mr. Firestine has served very well in that role for the last year, and today as his send-off present

for having been in that role for the last year, he gets to chair the meeting. It was put forth by Prince George's County that David Byrd would serve in the role and capacity as the Vice Chairman of the Board of DC Water for the coming year. The Nominating Committee is recommending David Byrd as Vice Chairman of the Board.

Environmental Quality and Sewerage Services Committee

Reported by: Robert Hoyt, Chairperson

The Committee received a report from Walter Bailey, Director of Wastewater Treatment. He reported that the plant achieved full compliance with all permit parameters for May and that flow was below average.

The Committee received an update on Pre-Treatment and the Biosolids Programs, both of which are going fine.

Ms. Avis Russell, General Counsel, advised the Committee that there is no change in the status of the NPDES Permit.

The General Counsel reported to the Committee that EPA plans on reviewing DC Water's Long-Term Control Plan Consent Decree Modification shortly. The Committee discussed timing issues and is keeping a close watch on it because if EPA doesn't get to it probably sooner rather than later, there could be issues. The General Counsel is monitoring it closely.

The Committee received a status update on the Potomac Interceptor. It was reported that the issue at the Fairfax site between the county and the park authority has been resolved. Thanks to Board member James Patteson for his assistance.

Mr. Benson reported to the Committee that the District is the permittee on the MS4 Permit, but DC Water is a responsible party. DC Water has a number of obligations, including requirements for catch basin cleaning, and has submitted its own set of comments to EPA.

The Committee is recommending for Board approval a resolution on imposing pre-treatment requirements on WASA's significant industrial users.

The Committee received a second installment of Dr. Murthy's presentation on the role of estrogenic activity and water quality.

A number of contracts are recommended by the Committee for Board approval.

DC Water Quality and Water Services Committee

Reported by: Neil Albert, Chairperson

The Committee met on June 17th and received a briefing on the water quality monitoring, the Fire Hydrant Program, the protocol in governance structure of the Washington Aqueduct, the SPLASH Program and the rebranding of DC WASA to DC Water.

In addition, the Committee forwarded two consent items to the full Board for approval.

The Committee received an update that there were no positive coliform samples in May or so far in June.

Mr. Kiely reported that the first semester monitoring was completed and three samples exceeded the Action Level. These results track within the required EPA standards.

It was noted that there are 118 defective out-of-service hydrants which represents just over 1 percent of the total public inventory. This number is slightly above DC Water's stated goal of 1.1 percent defective rate.

It is estimated that 246 of 1,395 privately owned hydrants were reported to be out of service. There is current legislation pending in City Council to address the issue of responsibility for privately owned hydrants. Staff will provide an update to the Committee on the status of the pending legislation.

The Committee received a presentation from Tom Jacobus, General Manager, Washington Aqueduct, on the working relationship between the Aqueduct and DC Water. The presentation focused on governance and communication.

The Committee received a customer service update from Lauren Preston, Director of Customer Services. Ms. Preston reported that SPLASH fundraising is expected to exceed its FY 2010 goal of \$80,000. She noted that at the end of May, \$63,475 in contributions had been received. She also noted that SPLASH is administered by the Urban League on behalf of DC Water. DC Water is currently reviewing the administration, performance, and management of this performance and is considering whether or not to explore relationships with other nonprofit agencies in order to increase competition and optimize the program.

The Committee is recommending two non-joint use items for Board approval. Resolution 10-79 which recommends approval of a \$3.6 million one-year contract with two option years that provides for the operation of water valve maintenance in accordance with DC Water's Capital Improvement Program. In addition, Resolution 10-80 recommends approval of \$1.1 million for an over a year contract with four option years that provides for replenishing the inventory of positive displacement meters and propeller meters.

Finance and Budget Committee

Reported by: Timothy Firestine

The Committee met on June 24, 2010.

It was reported that at the end of May with approximately 67 percent of the fiscal year completed, DC Water is on track with financial expectations.

DC Water is 60 percent of the Revised FY 2010 Revenue Budget; however, it is 67 percent of the revenues when the "Other Revenues" category is excluded.

Operating expenses are at 59 percent of the Board adopted FY 2010 Revised Budget and there are no major areas of concern at this time.

The Committee was informed that DC Water budgeted a 17 percent increase for insurance renewals and the renewals actual came in at 9 percent.

The Committee is recommending modifications to the current Rate Stabilization Policy. Mr. Bardin noted that this policy provides the process by which funds go into or out of the Rate Stabilization Fund.

The Committee received an update on the Facilities Master Plan Implementation. As part of the consolidation, there was a need to look at what DC Water has in inventory because it had to see if there was a need to retail all of the items.

The Committee is recommending via resolution the elimination of 4,353 items with a book value of \$2,138,772.

The Committee is also recommending approval of a contract with the Bank of America.

Audit Committee

Reported by: David J. Byrd

The Committee met on Thursday, June 24, 2010.

The Committee reviewed the Internal Audit Charter and is recommending the charter to the full Board for approval.

The Committee was updated on two special projects. The Internal Auditor did a review of the WSSC biosolids cost to determine the accuracy and propriety of costs incurred by WSSC for biosolids processing and the allocation of cost to DC Water. The Internal Auditor determined that there were no irregularities and everything was adequately supported with invoices and no inappropriate charges to DC Water's account.

In addition, there was an investigation into a former DC Water employee to review transactions and control to determine if there was any improper activity that occurred at the hands of this terminated employee. This investigation is still in progress and the Committee will receive a report at its next meeting.

The Committee was informed that the Internal Auditor has completed four projects. There are five projects in process and four projects are scheduled for the fourth quarter.

Mr. Byrd noted that based on the Committee's discussion of a succession planning audit, the Committee requested that he speak with Chairman Walker regarding the request for the Human Resource and Labor Relations Committee to have a succession plan in place

General Manager's Report

Reported by: General Manager, George S. Hawkins

The General Manager introduced two videos to the Board. The first video was on the Authority's name change. The second video was a product from IBM which highlights a partnership that DC Water has had with IBM for several years that has been supportive of the application DC Water has with Fire and EMS for visual depiction of the status of fire hydrants, as well as what DC Water is doing out in the field.

The General Manager noted that on the wall in the General Manager's suite there is a virtual tour of the enterprise and the virtual tour will be on the website shortly.

The General Manager informed the Board that DC Water was named as a 2010 laureate by the Computer World honors program. DC Water has been named as one of the top five finalists for the 21st Century Achievement Award.

The General Manager reported that the negotiations over the totality of the fire hydrant arrangement are still ongoing although significant progress has been made.

One of the critical components was maintaining capital improvements, actually replacing hydrants and DC Water has come to an arrangement with the District on the scale of that program. The Authority is inspecting, maintaining and now replacing the hydrants as planned.

The General Manager informed the Board that staff held internally its 2012 budget process kickoff and the priorities that the General Manager outlined to look for in development of the budget were health, safety, regulatory requirements and Board directives. The other priorities are efficiency, cost effectiveness and customer service.

The General Manager reported that the US EPA Clean Watershed Needs Survey was released and he will send an electronic copy to the Board. He highlighted that in the summary there is an analysis of costs to states that was done per capita and the need per person of residents in the District is \$4,315.

DC Water has been working aggressively in response to the Federal Government's stand on the Impervious Surface charge. Senator Cardin has proposed a short bill that would clarify that the Federal Government is responsible for these costs to be paid out of appropriated funds. That was reported unanimously out of Committee. DC Water is hopeful that a positive response will be received from the Federal Government. Timing is of great significance to DC Water because of the need for the revenue,

Mr. Roth asked what other steps have been taken to see that the same language that was in the Cardin Bill is incorporated into a bill that the House and Senate must pass and get to the President's desk. Mr. Hawkins responded that he will take a look at that.

DC Water is submitting to US EPA for certification its LCR compliance data. Based on the submission, DC Water will have the eleventh straight quarter of compliance with LCR and with the parts per billion number at seven which is well below the required level.

The General Manager noted that staff has seen significant consumption declines over a year or two which is tied to the recession. The level over the last 3 years, is about 10 percent and that is a dramatic reduction in consumption over a multi-year, period when in the historic three-year period it would have been about 1 percent a year. Staff is monitoring this carefully.

Mr. Hawkins at the request of Ms. Nancoo provided the Board with the Team Blue communication update.

Chairman Walker asked if the Board would receive additional information on the Rate Stabilization Fund, given the budget performance for 2010, as well as the negotiations that are ongoing regarding the fire hydrant fee, prior to the July Retail Rates Committee. This would allow the Committee to take that information in account prior to the Board's voting on a resolution at the September meeting. The General Manager affirmed.

Mr. Bardin requested that the General Manager provide the Board with the best information on the decline of the consumption and the fire hydrant fee resolution. The General Manager affirmed.

Ms. Nancoo asked that with respect to consumption and since DC Water is approaching its new bond issuance, if it is anticipated that there will be a

feasibility study that is related to the bond issuance. Is the feasibility consultant looking at the reduced consumption and projecting that out in projection years. Mr. Adebo replied that the consultants will factor the changes in consumption as part of the analysis.

Consent Items (Joint Use)

Mr. Bardin moved the adoption of Resolution Nos. 10-67 through 10-78. The resolutions were seconded and unanimously approved by the Board of Directors.


Consent Items (Non-Joint Use)

Ms. Roth moved the adoption of Resolution Nos. 10-79 and 10-80. The resolutions were seconded and unanimously approved by the District members of the Board of Directors.

Mr. Roth had a question on Resolution No. 10-81. He noted that the fact sheet indicates that the range of proposals among the 7 received went from \$.12 cents per transaction to \$2.00 per transaction. The General Manager's report indicated that DC Water currently pays on average about \$1.20 and how the Bank of America proposal stacks relative to both the range as well as the current costs. Mr. Adebo noted that the proposal had the lowest fee and the bulk proportion of the cost actually is the pass-through costs to Mastercard and Visa for their transaction fee which is separate from the charge that the merchant processing service provides. After a thorough discussion by the Board, Mr. Roth moved the adoption of Resolution No. 10-81. The resolution was seconded and unanimously approved by the District members of the Board of Directors.

The Board presented Avis Russell with a plaque thanking her for her outstanding leadership and dedicated services to the District of Columbia Water and Sewer Authority.

The 156th meeting of the DCWASA Board was adjourned on 11:02 a.m.


Secretary to the Board of Directors