



District of Columbia Water and Sewer Authority

Board of Directors

MEETING MINUTES

Thursday, July 7, 2011

Present Directors

Chairman William Walker, District of Columbia
Kathleen Boucher, Alternate to Timothy Firestone, Montgomery County
David J. Bardin, District of Columbia
Robert Hoyt, Montgomery County
Alethia Nancoo, District of Columbia
Anthony Griffin, Fairfax County
Alan Roth, District of Columbia
F. Alexis Roberson, District of Columbia
Bradford Seamon, Prince George's County
Dawn Hawkins-Nixon, Alternate to Carla Reid, Prince George's County

Present Alternate Directors

Joseph Cotruvo, District of Columbia
James Patteson, Fairfax County
Howard Gibbs, District of Columbia
Brenda Richardson, District of Columbia

DC Water Staff

George S. Hawkins, General Manager
Meena Gowda, Acting General Counsel
Linda R. Manley, Secretary to the Board of Directors

Chairman Walker called the 167th Meeting of the District of Columbia Water and Sewer Authority's Board of Directors to order at 9:30 a.m.

Chairman Walker asked Linda Manley, Board Secretary to confirm a quorum. Ms. Manley confirmed a quorum.

Approval of the June 2, 2011 Meeting Minutes

Chairman Walker asked for a motion to approve the June 2, 2011 minutes.

The minutes were moved and seconded with approval by the Board of Directors.

Chairman's Remarks

Chairman Walker noted that DC Water is halfway through the calendar year and the Board with staff has accomplished a tremendous amount. He congratulated the General Manager and Team Blue for all the great work that has transpired.

Chairman Walker noted that Mr. Bardin will be leaving the Board soon and it is not an understatement to say that Mr. Bardin has put time, effort and heart into his role as a director. He stated that at the appropriate time, the Board and staff will thank Mr. Bardin for all of his service.

Governance Committee

Reported by: Alethia Nancoo

The Committee met on June 8, 2011 and the purpose of the meeting was to provide a detailed overview of the Business Development Plan, as well as the enterprise's assurance of fair hiring practices of its contractors. The General Manager provided the Committee a thorough presentation on the two items. In particular, the Department of Employment Services (DOES) First Source hiring agreement practices, as well as DC Water's Local Business Enterprise Program, the Disadvantaged Business Enterprise Program and DC Water's history of compliance with regards to EPA Fair Share objectives. In particular, the General Manager pointed out to the Committee that DC Water has received a number of recognitions from EPA with respect to DC Water exceeding its Fair Share objectives.

The General Manager presented numerous mechanisms in place to ensure compliance with DC Water's Minority/Women Business Enterprise Program. The General Manager further reported that the managing partner of the joint venture for the Blue Plains Tunnel Project had hired a third-party consultant and DC Water had hired its own third-party consultant to provide compliance oversight. He enumerated numerous steps that were taken during and after the actual contracting period for the Blue Plains project to ensure that the project was adequately providing for DC Water achieving its WBE contracting compliance.

The General Manager then turned the presentation over to Loretta Caldwell of L.S. Caldwell Associates who detailed both the DC Water pre-proposal contract outreach efforts and the DC Water post-proposal contract outreach efforts for the Blue Plains Tunnel Project.

After a thorough overview of DC Water's Business Development Plan, the Committee stated that while DC Water has a fully developed Business Development Plan, there is no program in place to ensure the fair hiring practices of DC Water's contractors. In response, the General Manager emphasized that

the Clean Rivers Project is being constructed in phases and those contractors working on the Blue Plains Tunnel Project will be constantly monitored and their compliance for fair hiring practices would be taken into consideration for the selection process of subsequent phases.

The Committee then requested that the staff provide a detailed estimated amount of new hires for the Blue Plains Project. The Committee discussed various approaches for increasing local hires for DC Water projects. These approaches included starting a practice to look at the next lowest bidder(s) on any given project to determine if such bidders were in a position to hire more local workers. The Committee also asked the Acting General Counsel to see if there were any legal impediments for DC Water to adopt its own First Source Program rather than going through DOES.

The meeting was very effective because the Committee identified both a short-term and a long-term goal in developing assurance with respect to contractors that contract with the enterprise and their fair hiring practices. In short term, the Committee identified that it would like to see the contractors for the Blue Plains Project buy into the concept of employing local residents, as well as providing and developing apprenticeship programs. The Committee requested staff to develop a monthly report that accurately reflects the compliance history and employment practices of the contractors. The long term goal is for DC Water to develop its own First Source Program and not rely on DOES, which in many respects was identified to be a broken system.

Mr. Seamon asked if the Committee discussed a timeline regarding the short-term and long-term goal. Ms. Nancoo replied that the Committee left it to the discretion of senior management to decide. The Committee will not meet again until September and at that time will give management its expectations regarding the goals. Chairman Walker asked if the development of a First-Source Program for DC Water is expected later on in the process. Ms. Nancoo responded yes, that it is something that would be long term. However, the Committee expects the General Manager to bring back to the Committee in September his plans.

Mr. Hawkins stated that staff is evaluating the Committee's questions regarding a First Source Program for DC Water. He noted that he met with Mayor Vincent Gray and the City is expecting a full revamp of its D.C. First Source Program. He stated that DC Water will evaluate the City's new First Source Program before making a decision to create DC Water's own program.

Ms. Boucher noted that DC Water should fine tune its language when using the term fair hiring practices. She stated that fair hiring refers to discrimination, harassment, violence, right to work place without discrimination, without violence, and without harassment. The discussion is really about a local resident preference program. Ms. Boucher suggested that the language used should be

a local resident preference program. Ms. Nancoo agreed stating that the nomenclature is more correct to identify it as the local hiring preference program. Mr. Hawkins noted that the confusion is that EPA requirements are called Fair Share objectives as opposed to fair hiring and that is where the language derived from.

Mr. Roth thanked the General Manager and Ms. Nancoo for an excellent Governance Committee meeting noting that he found the meeting to be very informative and educational. However, there is another issue which is not only who the contractors and subcontractors are but who they are hiring. His concern is that DOES and First Source applies only to new hires and the definition of new hires is so narrow and malleable that it is possible for a contractor to completely comply with the D.C. First Source Program or DC Water's voluntary participation in it without ever actually hiring a new hire because all those people they hire and bring from other areas are existing employees. He stated that DC Water has an excellent record with respect to women and minority-owned business contractors and subcontractors. DC Water needs to ensure that Skanska and other contractors are accountable for who they are hiring.

Human Resources and Labor Relations Committee

Reported by: Anthony Griffin, Chairperson

The Human Resources and Labor Relations Committee met on the same day following the Governance Committee. The primary discussion generated with the Union Presidents was DC Water's hiring practices as it relates to filling positions at the Authority. Their concerns were related both to the ability for employees to advance within the Authority and how the decision is made to advertise inside to fill position versus outside to fill positions.

The Committee received a presentation regarding the Team Blue efforts and additional information will be provided relating to the Team Blue concept that the General Manager introduced.

Environmental Quality and Sewerage Services Committee

Reported by: Robert Hoyt, Chairperson

The Committee met on June 16th and was provided a report on plant performance. May was a dry month and there was no excess flow. The Committee discussed the E. coli reports because this was the first time that DC Water has been asked to report on E. coli. The levels are way below the permit limit.

Mr. Bardin noted the relationship between drinking water purchases and waste water flows and requested that the Committee examine how the projections are made for the entire urban water area. The Committee will continue to look into it.

The General Manager provided the Committee an update on the Long Term Control Plan permits. DC Water has received permits from the National Park Service and the Army Corps of Engineers. The easement discussions with the U.S. Navy are continuing and on schedule. DDOT proposed to the Federal Highway Administration the hybrid solution involving permits for near surface facilities and easements for the deeper tunnel structure. The Committee discussed Contract No. 110050 and questioned whether the facilities being constructed under the contract could be impacted by future permitting decisions.

The Committee received an update on the Potomac Pump Station. DC Water is continuing with the new impeller design. If the impeller change does not sufficiently improve performance, staff is working on an alternative proposal which would require modifications to the Consent Decree.

The Committee is recommending five contracts for Board action, three joint-use and two non-joint-use.

The Committee received the same presentation that the Governance Committee received on employment requirements.

The General Manager brought to the Committee's attention an arrangement that has been worked out with DDOT to provide upfront funding to ensure that the long-term control plan will continue. The Committee cautioned Mr. Hawkins on setting the precedent but acknowledged and agreed with Mr. Hawkins that in this case it was the appropriate thing to do.

Mr. Roth asked the General Manager why the rate stabilization fund transfer is a joint-use resolution as opposed to a non-joint use. Mr. Adebo responded that it has been the Board's determination over the years that financial matters are a full Board decision.

Mr. Roth asked if the miscellaneous facilities upgrade contract recommended for approval is a contract in which EPA has any financial participation. Mr. Benson replied that there are no federal funds for the contract. Mr. Roth then noted that the difference between the winning bidder and the next lowest bid out of an almost \$24 million contract was \$9,000. In accordance with the fact sheet, almost a third of participation among the subcontractors relates to a firm that is based in Franklin, Ohio. He asked if staff knew who the second lowest bidder's subcontractors were. Mr. Benson stated that he could get back to Mr. Roth with the response.

Mr. Roth noted that he was not going to object to the contract and will vote on the contract. However, he reiterated that he was not satisfied that DC Water is doing all it can and should be doing to keep local dollars local.

Mr. Hawkins stated that this conversation should be taken off line for a review of DC Water's procurement policies in which there is a significant component in the policies relating to minority and women-owned businesses, and local contractors.

Ms. Nancoo noted that the Governance Committee asked the General Counsel to look at the issue and see whether DC Water going forward can modify its procurement practices.

Chairman Walker asked the Finance and Budget Committee to have a presentation by staff at its September meeting with the issues that were discussed highlighting opportunities for change, limitations of change and legal ramifications of potential changes to the policies and report back to the Board at its October meeting. In addition, Chairman Walker asked the General Counsel to make sure that if there are significant legal issues raised that Ms. Nancoo's committee from a governance standpoint be involved.

Ms. Roberson asked staff to take a look at how many dollars went out to companies outside the region within the last year.

Water Quality and Water Services Committee

Reported by: Joseph Cotruvo, Vice Chairperson

The Committee met and received a report from Mr. Kiely that there were two positive coliform samples taken so far in June, but that follow-up sampling was negative.

The Committee received a report on the Lead and Copper Rule. The 90th percentile value was at 5 ppb. There was one sample taken above the action level and it was determined to be at a home with galvanized pipe in the plumbing.

Chairman Walker asked the General Manager if DC Water has done enough to share and explain results from the lead and copper rule testing. The General Manager replied that the results have been posted on DC Water's website. In addition, the results are in the CCR report that went to every resident in the District of Columbia. Chairman Walker stated that he applauds the results and knows that DC Water has several mechanisms to disseminate the results. However, there is still work to be done to communicate with various stakeholders and explain DC Water's situation today.

There was a slight increase over the previous months of total hydrants out of service, which is still in the normal range. There was some discussion on the numbers of hydrants classified as defective or obstructed for periods greater than sixty days. It was noted that in many cases, although the hydrant is physically obstructed by construction fencing, in the event of an emergency the Fire Department or DC Water would be able to gain access quickly by removing the obstruction.

The Committee received a brief update on physical security of the facility. The Committee requested a briefing on the vulnerabilities to deliberate contamination and water quality upsets that can occur.

Mr. Kiely presented to the Committee, the Authority's current initiative to upgrade the components of its Automated Meter Reading system.

The Committee is recommending two action items for Board approval.

Audit Committee

Reported by: David Bardin, Acting Chairperson

Mr. Bardin reported that the Committee discussed a number of follow-up items. John Madrid, Controller, explained to the Committee the controls implemented within the Purchasing Card (P-Card) process.

The Internal Auditor performed a security audit and made a number of recommendations. Staff has taken action to address some of the recommendations. The majority of the recommendations will be made following the completion of a full vulnerability and risk assessment by an outside firm.

The Committee received a status on internal audit activities. The fire hydrant maintenance audit was completed. There are no major issues with respect to fire hydrant maintenance and the out-of-service hydrants number is low compared to other utilities. There are a number of recommendations in reference to improving documentation of findings as meters are checked. The other recommendation was to change the data that is included in the General Manager's dashboard. However, the Committee agreed that it would not be useful to adjust the data recommended by the Internal Audit. In addition, there are four audits in the reporting stage: the IT disaster recovery and business continuity audit, audit of permitting operations, audit of fleet management, and audit of automated meter reading and customer billing.

Finance and Budget Committee

Reported by: David J. Bardin, Acting Chairperson

The Committee met on June 23rd and is recommending three action items for Board approval today, regarding transfer into the Rate Stabilization Fund (RSF), extension of electricity purchase contract, and revision of the Fiscal Year 2012 Budget.

Ms. Yvette Downs, Director of Budget, presented the monthly financial report. As of May 31, with about 67 percent of the fiscal year completed the revenues were at 66 percent of expectations, the expenditures at 59 percent of

expectations and the capital disbursements were at 53 percent of expectations, still lagging behind.

The monthly investment performance report lays out the entire portfolio of securities held by the Authority for debt service, operating reserves and capital construction funds. The total is over \$400 million. In addition, the Committee received an interest rate update as to current unfolding market situations and asked for similar market updates monthly.

Chairman Walker said DC Water again should look at its cash deposits and the type of return it is making. There is \$125 million operating reserve maintained as a matter of policy and is parked in short-term instruments right now earning on average 38 basis points. If it was in 10-year treasury bonds it would be earning close to 3 percent. That delta of 2 percentage points more or less is worth \$2.5 million a year to the Authority in just interest on the money. Chairman Walker asked the Finance and Budget Committee to re-examine the issues.

The Committee then discussed and moved forward to the Board management's proposal to revise the FY 2012 downward, subject to coordination with any additional proposals that Retail Rates Committee discussion may engender.

The Committee and General Manager discussed the cash surplus of over \$16 million now anticipated for the end of FY 2011. Most of that surplus would stem from drawing down \$9.5 million from the RSF in accordance with the Revised FY 2011 budget. And almost \$3 million will be returned to suburban customers as their share of anticipated FY 2011 capital disbursements which will be delayed.

The Committee recommends and moved forward to the Board a decision now to restore the entire \$9.5 million RSF drawdown to the RSF before the end of this FY 2011, consistent with Board Policy as to timing. Otherwise, how the Board decides to use the rest of the FY2011 cash surplus will await General Manager recommendations, probably in the October to November time frame, after the final amount of that surplus is ascertained.

The Committee was provided an update on the insurance renewals in anticipation of July insurance renewals; staff traditionally updates the Finance and Budget Committee.

The Committee is recommending to the Board the staff's proposal to extend the electricity contract with Hess Corporation for an additional year and \$22 million.

Finally, the Committee received a report from the General Manager on the Cost Allocation process between D.C. retail rate customers and the various suburban customers. The General Manager informed the Committee that a multi-jurisdictional cost allocation study which had been the subject of a report to the Environmental Quality and Sewerage Services Committee, explained why it is

beneficial to DC Water and its suburban customers to reach accurate results in a timely fashion and to begin billing and payment subject to a true up potential if continuing review identifies superior methodology.

DC Retail Water and Sewer Rates Committee

Reported by: David J. Bardin

The Committee met on July 28th and received the monthly update from the General Counsel with a written report on the status of delinquent accounts involving Howard University, Soldier's Home and the Town of Vienna. Mr. Bardin noted that since the written report was distributed, Howard University has made its first payment of \$67,000 which is for volumetric sewer, impervious area and clean rivers charges.

The General Manager gave kudos to the Customer Services Department on the Howard University efforts.

Randy Hayman, General Counsel, also acknowledged LaVeeda Garlington, Attorney, for her efforts on Howard University.

The Committee discussed management's three proposals to increase the miscellaneous fees. It forwards to the Board and recommends approval of all proposed changes in engineering and review fees and waste hauler fees. However, at management's request, the Committee is deferring to its next meeting consideration of new industrial pre-treatment fees for permits, inspections, and compliance at facilities such as Dulles Airport. Although the Board received no objections to these industrial fees themselves, management has extended the time for public comments on another rule-making initiated after review by the Environmental Quality and Sewer Services Committee.

The Committee then discussed management's proposal on the water and sewer rates for FY 2012. The General Manager summarized to the Committee management's recommendations to trim back increases on the water and sewer rates from a 6 percent increase to a 4.5 percent increase, the Clean Rivers (IAC) fee from a 99 percent increase to a 92 percent increase, and the PILOT (Payment in Lieu of Taxes) fee from a 8.2 percent increase to a 6.1 percent increase – and not to trim back the proposed 7 percent increase in the right-of-way fee.

With one exception, the Committee decided to recommend and move forward to the Board management's recommendations as to water and sewer rates. However the Committee recommends against any increase at all in the present PILOT fee.

Chairman Walker stated that before the General Manager report out to the Board, staff would like to present the General Manager with the United States

flag signed by Eleanor Holmes Norton that was flown over the Capitol in commemoration of the first year anniversary of the branding of D.C. Water,

General Manager's Report

Reported by: George Hawkins, General Manager

The General Manager reported to the Board that DC Water recently sent its Consumer Confidence Report to every resident of the District of Columbia. He also reported that DC Water's information technology program for the fourth consecutive year was nominated for the Chief Information Officer's 100 list.

The General Manager noted that several DC Water employees will be attending the national conference for the National Association of Clean Water Agencies (NACWA). In addition, he has been nominated to become a member of the Executive Committee of NACWA

The General Manager introduced Samuel Bannerman, a new member of the organizational development team in the General Manager's office.

The General Manager noted that Charles Kiely, Assistant General Manager for Consumer Services, presented at the AWWA Conference on DC Water's Automated Meter Reading System. He noted that other jurisdictions are doing their first installation of automatic meter reading and DC Water is in its second stage of the program.

Chairman Walker noted that the Automatic Notification System is the one thing that he consistently hears people give DC Water praise on.

Consent Items (Joint Use)

Mr. Griffin moved the approval of Resolutions No. 11-71 through 11-76, and Mr. Bardin seconded the motion. The motion to approve Resolutions No. 11-71 through 11-76 was unanimously approved by the Board.

Consent Items (Non-Joint Use)

Mr. Bardin moved the approval of Resolutions No. 11-77 through 11-81. Ms. Nancoo seconded the motion. The motion to approve Resolutions No. 11-77 through 11-81 was unanimously approved by the District members of the Board.

Executive Session

Chairman Walker asked for a motion to go into executive session pursuant to Section 2 of the Open Meetings Amendment Act of 2010 to consult with DC Water's attorneys regarding a settlement case.


Mr. Griffin moved the motion and Mr. Bardin seconded the motion.

Linda Manley, Secretary to the Board, took a roll call vote for the Board to convene into the executive session and the motion passed. The executive session convened at 11:44 a.m.

The Board reconvened into open session at 12:46 p.m.

Mr. Griffin moved that the 167th meeting of the Board adjourned. Ms. Nancoo seconded the motion. The motion passed.

The 167th meeting of the DC Water Board adjourned at 12:47 p.m.


Secretary to the Board of Directors