



District of Columbia Water and Sewer Authority

Board of Directors

MINUTES

Thursday, October 2, 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
Timothy Firestine, Montgomery County
Robert Hoyt, Montgomery County
Dr. Jacqueline Brown, Prince George's County (Paivi Spoon 12:30 p.m.)
Beverly Warfield, Alternate to David Byrd, Prince George's County
George Hawkins, Alternate to Dan Tangherlini, District of Columbia
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
Kathleen Boucher, Montgomery County
Jimmie Jenkins, Fairfax County
Brenda Richardson, District of Columbia
Paivi Spoon, Prince George's County
Steven McLendon, 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 September 4, 2008 Meeting Minutes

Chairman Martin asked for a motion to approve the September 4, 2008 minutes. The minutes were Moved and Seconded with unanimous approval by the Board.

Chairman Martin noted that staff will make an important presentation to the Board on the Long-term Control Plan at 10:30 a.m. Chairman Martin asked the Committee Chairs for their assistance by making their Committee reports brief.

Environmental Quality and Operations Committee

Reported by: David Lake, Chairman

The Committee met on Thursday, September 11, 2008 with a conference call follow-up on September 29, 2008.

The Committee was informed that one of the major motors at the Potomac Sewage Pumping Station burned once it was put in and had to be sent back. When the station was put on line after replacing the motor, staff discovered that they were not able to meet its safe capacity at the pump station as required by the Consent Decree. Currently, WASA has several experts looking into the matter. WASA has written to EPA indicating that this is a force majeure situation for the Authority.

The Committee discussed the derivation of the capital cost allocations for Blue Plains and its facilities. The emphasis was that the IMA serves as the first document to be referred to in the determination of cost sharing and the IMA does specify procedures. The Board will receive a full presentation from staff today on the cost allocations, etc.

The Committee recommended all the action items for Board approval except the \$25 million contract for Greeley and Hansen. The Committee's concern was that the contract was identified as joint-use and a long-term control plan project. In addition, the contract identified the District of Columbia as 100 percent funding.

The Committee agreed and held a conference call on September 29th to further discuss the contract. The Committee reached an agreement that the Total Nitrogen Project also was part of this contract and the suburbs understand that they are part of the Total Nitrogen Project. After discussion, the Committee is in a position to recommend the contract to the Board.

D.C. Water Quality Committee (Ad-Hoc)

Reported by: Dr. Joseph Cotruvo, Chairman

The Committee met on September 11, 2008 and received a report on coliform testing. It was reported that there are a couple of positives but were not verified by repeat sampling. EPA has begun the process of revising the total coliform rule, which will likely lead to elimination of total coliforms as a Maximum Contaminant Level and rely on E. coli which are more specific indicators of fecal contamination.

The Committee was updated on the Lead and Copper Rule Compliance. The data from a partial analysis shows that out of 22 samples one was above the 15 parts per billion.

The Committee requested periodic updates on budget impacts of the Board's action to modify the Lead Service Line Replacement Program.

Customer and Community Services Committee

Reported by: Alan Roth, Chairman

The Committee met on September 16, 2008.

As a follow-up to Mr. Tangherlini's question of whether the Board could use 441 First St., NW, for Board meetings so that WASA could use existing video and webcasting facilities there rather than acquiring new equipment for the Blue Plains Boardroom, staff did a site visit and presented the Committee with an extensive report. The Committee unanimously concluded that for a variety of structural and practical reasons it was not appropriate to recommend moving Board meetings to that location. The Committee agreed to look at other options that Board members may suggest for DC Government or other downtown buildings with video capabilities.

The Committee also received additional information from staff about the video and webcasting equipment for the Board room, and whether acquiring fixed or portable equipment makes more sense. The Committee agreed with the staff's recommendation that the fixed option is preferable as a starting point.

The Committee discussed WASA's approach and policies with regard to responding to information requests. The Committee recommended that the General Manager prepare a written policy underlying the Board's public information policy of openness and transparency. The General Manager agreed to present to the Committee a management policy on information requests.

Governance Committee

Reported by: Keith Stone, Chairman

The Committee met on Thursday, September 25th.

The Committee discussed the proposed amendments to the By-Laws. The amendments were in response to the General Counsel's memorandum which identified the inconsistencies between the current By-Laws and Board practices. The Committee agreed with the General Counsel's proposed amendments and identified other minor amendments to the By-Laws. The Committee is recommending the revised by-laws for approval by the Board.

The Committee discussed the draft amendments concerning the definition of joint-use facilities. The Committee agreed to the proposed language with minor changes and is recommending approval by the Board.

Dr. Brown requested that the resolution for the definition of joint-use facilities be removed from the consent agenda. Chairman Martin agreed. Dr. Brown also requested that the selection of the bank depository, Wachovia Bank, and the selection of the investment bankers be removed from the consent agenda for discussion. Chairman Martin noted that he will take each of those separately for discussion. Mr. Roth requested that Item Nos. 10 and 11 be removed for additional discussion.

Retail Rates Committee (District Members)

Reported by: Robin Martin, Chairman

The Committee met on Tuesday, September 23, 2008. The Committee was provided an update on a number of continuing activities surrounding the IAB project and concerns that the General Manager shared with the Board regarding the progress of PB Consult.

WASA has added more internal resources and a quality assurance/quality control team in-house has been enhanced both for data collection and data management issues. PB's strategy is to deliver the data in five geographic blocks.

The Committee discussed an introduction by Chairman Graham of DC Council legislation that will allow WASA to implement the impervious area charges. An executive session was held to discuss legislative strategies.

Finance and Budget Committee

Report by: Robin Martin, Chairman

The Committee met on Thursday, September 25, 2008. It discussed the operating reserves and recommended approval to maintain the Authority's reserve fund at a \$35 million fixed number under the terms of its bond indenture

The Committee received a report from Robert Hunt, Treasury Management, on the Authority's investments.

The Committee discussed the Rolling Owner Controlled Insurance Program.

The Committee recommended resolutions regarding the selection of banking services, the Renewal and Replacement Fund, investment banking and underwriting services, and the transfer of \$10 million into the Rate Stabilization Fund for Board approval.

Audit Committee

Reported by: Timothy Firestine, Chairman

The Committee met on Wednesday, September 17, 2008 and discussed two completed audits. One was the security contract review, on which there were no significant findings, and the other was a complaint made to the Board Chairman and the D.C. Office of Inspector General from a WASA employee regarding underpayment. It was determined that the employee was not paid for one hour during the period in question.

The Committee discussed three audits that are in progress.

The Internal Audit staff is reviewing the Authority's local and small business enterprises and the Procurement Card Program audit in which they concluded that there were no major problems in the review of the card program.

Human Resources and Labor Relations Committee

Reported by: Anthony Griffin, Chairman

The Committee met on Thursday, September 15, 2008 and discussed the working conditions agreements with four of the five Labor Unions. The Committee discussed the desirability of possibly consolidating five agreements into one agreement.

The Committee is recommending that the Board approve the working conditions agreements on the agenda.

General Manager's Report

Reported by: Jerry Johnson

The General Manager presented his report by exception. He requested that the Board receive a brief presentation from the Authority's Financial Advisor regarding the financial conditions in the market. The General Manager advised the Board that the two tranches of commercial paper held by and managed by JP Morgan did not sell following maturity on September 29, 30, and October 1. Staff is looking at several other approaches and has not completed its due diligence. The General Manager will advise the Board of any actions necessary once the due diligence is completed by the General Counsel.

Ms. Barbara Bisgaier, PMF, and WASA's Financial Advisor, informed the Board that there was a single holder of the Authority's commercial paper. Upon maturity of the CP, JP Morgan, the placement agent, was unable to resell the paper to that holder or any other entity. JP Morgan bought the commercial paper for itself, and is rolling the paper on a daily maturity basis. The rate has been 6.5 each day and they do not have a legal obligation to hold the note. On the advice from the financial advisor management's recommendation is to buy the paper for one of the WASA funds and hold it while JP Morgan continues its attempt to remarket it.

The Board reviewed and discussed both the risks and the downsides as well as the potential upsides of the commercial paper program and authorized the General Manager, if needed, to proceed with the purchase in an appropriate fund of the \$14.2 million of taxable commercial paper until such time as it can be remarketed and sold on the street with the concurrence of the Finance and Budget Committee at such time as the General Manager's due diligence is completed.

The Board moved to the consent items.

Consent Items (Joint Use)

1. Approval to execute Option Year Two of Contract No. WAS-06-012-AA-JW, First Vehicle Services - **Resolution No. 08-78**
2. Approval to execute Option Year Two of Contract No. WAS-06-030-AA-ND, Allied Barton Security Services – **Resolution No. 08-79**
3. Approval to execute Change Order No. 05 of Contract No. 050250, Ulliman Schutte Construction, LLC – **Resolution No. 08-80**
4. Approval to execute Contract No. DCFA #419-WSA, EMA Services, PC - **Resolution No. 08-81**

Motion to adopt Resolutions No. 08-78 – 08-81 was Moved and Seconded with unanimous approval by the Board of Directors.

5. Adoption of Working Conditions Agreements for AFSCME 2091, AFGE 631, AFGE 872, and AFGE 2553 – **Resolution No. 08-82**

Motion to adopt Resolutions No. 08-82 was Moved and Seconded with unanimous approval by the Board of Directors.

6. Approval to execute Contract No. WAS-08-043-AA-MB, Selection of Bank Depository Wachovia Bank – **Resolution No. 08-83**

Chairman Martin asked for a motion to approve Resolution No. 08-83. Mr. Firestine moved the motion for discussion purposes and Dr. Brown seconded the motion.

Mr. Johnson, General Manager and Olu Adebo, Acting Chief Financial Officer described the procurement process that took place prior to the selection of Wachovia Bank for banking services. Mr. Adebo noted that since the selection it was learned that Wachovia had entered into an agreement to be acquired by Citigroup. Staff has been in conversation with Wachovia to understand the terms of the acquisition and its impact on this procurement. Wachovia informed staff that this should not have any impact on Wachovia's ability to provide contractually required service to the Authority.

The Board discussed extensively with staff and the Wachovia regional president the acquisition between Citigroup and Wachovia. The Board expressed its concern about the Authority entering into a contract with Wachovia.

The Board agreed to defer consideration of the selection of bank depository Wachovia Bank until the next Board meeting.

Motion to defer Resolution No. 08-83, Selection of Bank Depository Wachovia Bank, until the next Board meeting was Moved and Seconded with unanimous approval by the Board of Directors.

7. Approval for Renewal and Replacement Reserve – Resolution No. 08-84

Motion to adopt Resolution No. 08-84 was Moved and Seconded with unanimous approval by the Board of Directors.

8. Approval of Selection of Investment Bankers – Resolution No. 08-85

Mr. Adebo informed the Board that when staff started this procurement, Lehman Brothers was one of the firms that responded to the procurement and therefore was evaluated. Subsequently, Lehman Brothers was acquired by Barclay's Bank. Barclay's is now the investment group that the Authority is working with on the same terms.

Mr. Bardin moved to defer Resolution No. 08-85, Selection of Investment Bankers, until the November Board meeting to receive additional information.

Mr. Adebo and Barbara Bisgaier explained the process of selecting the investment bankers from a pool of banks in response to Mr. Roth's concerns about the criteria and evaluation process.

After a detailed discussion among staff and Board members, Mr. Bardin withdrew his motion.

Mr. Roth suggested amendments to the resolution. He suggested deleting in the Whereas and the Resolve clauses "the selection of," and in place of "to serve as," substitute the words "to be selected as."

Motion to adopt Resolution No. 08-85 with amendments was Moved and Seconded with unanimous approval by the Board of Directors.

9. Approval of Amendment to the Definition for Joint-use Sewerage Facilities – **Resolution No. 08-86**

Chairman Martin noted that the intent of Resolution No. 08-86 is to present to the DC Council the Board's position on language to incorporate into legislation changing the definition of "joint-use sewerage facility".

The resolution was moved and seconded and the motion was put on the floor for discussion by Mr. Firestine. Mr. Firestine requested the history of the joint-use sewerage facilities. The General Manager and Mr. Bardin provided the Board the origin and history of joint-use sewerage facilities.

The Board agreed to move Resolution No. 08-86 for discussion and approval following the IMA presentation.

10. Approval of Amendments to the By-Laws of the District of Columbia Water and Sewer Authority – **Resolution No. 08-87**

Mr. Stone moved Resolution No. 08-87 and Mr. Bardin Seconded.

Ms. Russell distributed a revised copy of the bylaws noting that she deleted "composed of all six members" and added "composed of members from the District of Columbia" in reference to the composition of the Retail Services Committee. She also noted the removal of the language regarding additional joint-use sewerage facilities. Mr. Stone accepted Ms. Russell's amendments.

Mr. Lake proposed modifications for clarification purposes: In Section 5.01, Establishment, page 7 to read, "The Chairperson of the Standing or Ad Hoc Committee," and change the end of the sentence to say, "Chairing a particular Standing or Ad Hoc Committee meeting."

Mr. Lake proposed a modification to Section 5.01 (a)(iii) Environmental Quality and Operations Committee. Chairman Martin suggested adding "and its treatment" to the second to the last line. Lastly, Mr. Lake proposed to add in Section 5.01 (a)(viii) the last sentence "and non-joint use sewerage facilities". Mr. Stone accepted Mr. Lake's proposed amendments. Mr. Roth agreed to submit his suggested amendments to Mr. Stone for later review by the Governance Committee.

Motion to adopt Resolution No. 08-87 with amendments was Moved and Seconded with unanimous approval by the Board of Directors

11. Approval of Contract No. DCFA #420-WSA, Greeley and Hansen LLC – **Resolution No. 08-91**

The Board agreed to postpone action on Resolution No. 08-91 until after the IMA briefing.

12. Recognition of Existence of Proportionate Use and Costs of Long Term Control Plan Facilities – **Resolution No. 08-92**

The Board agreed to postpone action on Resolution No. 08-92 until after the IMA briefing.

Consent Items (Non-Joint Use)

1. Approval to execute Contract Modification No. 06 of Contract No. WAS-06-014-AA-VW, WACHS Utility Services – **Resolution No. 08-88**
2. Approval to execute Change Order No. 03 of Contract No. 040230, W.M. Schlosser – **Resolution No. 08-89**
3. Approval of Transfer to Rate Stabilization Fund – **Resolution No. 08-90**

Motion to adopt Resolution Nos. 08-88 through 08-90 was Moved and Seconded with unanimous approval by the District members of the Board of Directors.

Long-term Control Plan Briefing

Leonard Benson, Acting Chief Engineer, and Ron Bizzarri, CSO Program Manager, presented the briefing to the Board to gain understanding of why staff believes that there is excess flow during rain events coming into the combined system from outside of the District, and that the system serves both the District as well as surrounding jurisdictions.

The Board resumed its discussion on Resolution No. 08-86, Amendment to the Definition of Joint-use Sewerage Facilities. Mr. Griffin requested a recess to allow time for discussion with the jurisdictions' attorneys. The recess was granted by Chairman Martin at 1:52 p.m.

The Board reconvened at 1:58 p.m.

Mr. Griffin requested an amendment of Section 34-2202.05, Duties of the Board. The Board agreed to amend the section to say "the Board shall approve and maintain."

Chairman Martin asked for a motion to approve with revisions. Mr. Stone moved and Mr. Bardin seconded. The resolution with revision was approved by the Board.

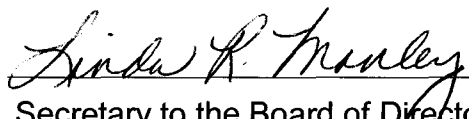
The Board agreed to defer Resolution #08-92, Recognition of Existence of Proportionate Use and Costs of Long Term Control Plan Facilities until the November Board meeting.

After a lengthy discussion, the Board discussed the possibility delaying action on Contract No. DCFA #420-WSA, Greeley and Hansen LLC. The General Manager noted that the Authority has dates that must be met under the Consent Decree. The Board continued its discussion on the contract. Mr. Roth moved to defer consideration of the resolution until the November Board meeting. Mr. Stone seconded. Chairman Martin asked for further discussion on Mr. Roth's motion. The Board resumed discussion and a roll call vote was taken. The vote was six to five and the motion passed to defer the resolution until the November Board meeting.

The Board convened into an Executive Session to discuss pending legislation.

The Board reconvened in a public session at 3:20 p.m.

The 136th meeting of the District of Columbia Board of Directors adjourned at 3:23 p.m.


Secretary to the Board of Directors