



DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY

BOARD OF DIRECTORS

Retail Rates Committee
Wednesday, December 19, 2007
11:00 a.m.

MEETING MINUTES

BOARD MEMBERS

Robin Martin, Chairman
David J. Bardin
Joseph Cotruvo
Howard Gibbs
Brenda Richardson
F. Alexis Roberson
Alan Roth
Keith Stone

WASA STAFF

Jerry Johnson, General Manager
Olu Adebo, Acting Chief Financial Officer
Avis M. Russell, General Counsel
Linda Manley, Board Secretary

Chairman Martin called the meeting to order at 11:15 a.m.

Impervious Surface Rate Project

David Tweedy from PB Consult (PB) provided a summary of the IAB project status and noted that a project Gantt chart will be provided at the next meeting of the Retail Rates Committee in response to a recent request from the committee chairman. He noted that General Services Administration (GSA) has been contacted and has agreed to share their data on the outstanding federal properties that require additional review. On the policy side, bench marking and a survey on other agencies were completed and are included in the package to be discussed later. In response to a Board member, Mr. Adebo noted that Detroit's data will be included in the survey for the next committee meeting in January.

Rachel Arulraj, the manager of the data collection and quality review described the data collection process and the protocols involved in indentifying and resolving discrepancies within each dataset. The identification of the discrepancies is the most time consuming on any project. The consultants noted that they are 85% complete and are on track with the data cleanup efforts.

Ms. Arulraj defined sliver lots as those parcels that are an oversight or a mistake that remains in the database once the data is digitized from a hard copy map or tax deed. These include specific categories of lots such as overlapping property polygons, (so that the same area is recognized as two separate records in the database) or polygons where the boundaries don't quite meet (causing a piece or sliver of polygon without clear ownership). Where these sliver lots have been identified, the consultant team has resolved any discrepancies.

Ms. Arulraj noted that, in the future, the DC WASA impervious surface database will be able to be updated using authentic information generated by custodians within the DC government. If

discrepancies exist between the datasets received from OTR, DCGIS, NCPC or GSA, they are resolved in consultation with the different agencies and then appropriately noted within the database for use by future DC government custodians.

To date, the project has identified 533.3 million square feet of impervious area within the District of Columbia. The distinction between pervious and impervious was based upon the categories defined and identified within the DCGIS provided data. There are 130,540 property polygons (compared to the 129,000 estimated in the original RFP). So far, 103,310 of these properties have been identified as residential properties and they represent 25% of the total identified impervious surface area. The DCGIS delineates whether the polygon is a driveway, building or sidewalk and those features are currently assumed to be impervious. Mr. Bardin requested that a large scale version of the monument mall area be provided to the Committee at the next meeting and identified as pervious or impervious utilizing the DCGIS features. He also requested that the committee be provided a larger scale version of the entire map of DC showing all of the DCGIS identified features.

Mr. Steven Kuhr reviewed the benchmark data, highlighting the findings including the observation that all of the municipalities surveyed used a binary concept of impervious rather than consideration of gradations. Also, no surveyor was needed to review or create the data and public rights of way were commonly exempted in most of the cities

Mr. Adebo updated the committee on the outreach activities. Meetings have been held with all council members (or their staff) sitting on the committee that has oversight on WASA as well as meetings with DDOE and the Deputy Mayor's Office. Meetings have been scheduled with Council Chairman Gray, Councilmembers Mendelson, Graham, Wells, and Thomas, and with Congresswoman Eleanor Norton Holmes over the next month. It was noted that the Washington Business Journal published an article on this issue on December 14, 2007. A request to see a sample invoice format with the new charge on it was made by Chairman Martin. Mr. Adebo replied that Rosborough Communications, Inc., has been added to the team to help define the message and help create the visual display of the message, whether it is on the bill or in written presentation material.

Mr. Kuhr reviewed the fact sheets on four issues to initiate discussion with the committee and receive feedback to help shape policy proposals for future review and adoption. The first discussion was on the definition to be used to identify impervious surfaces for the purpose of WASA establishment of fees. The dataset from DCGIS looks at 9 different characteristics and displays them through tone, color, and texture. The forms are identified in categories such as driveways, rooftops, and walkways. These characteristics will not enable a distinction between a concrete driveway and a gravel or dirt driveway. Therefore, the data are currently grouped on a binary basis. That is, a walkway can either be in the impervious or pervious category; not gradations in between. It is possible to supplement this data with satellite imagery which would provide the ability to do gradations, but that would add to the cost, time and also require the creation and maintenance of a separate WASA data set that could not easily be upgraded with new information from other agencies. As DCGIS does not categorize the data as impervious or pervious, Mr. Bardin requested that a list of all the categories available within the given dataset be developed with an identifier as to whether or not that category is recommended for inclusion within the proposed WASA definition of impervious.

There was a short discussion on exemptions and the written response to the issue of surveyors in DC. After noting that public streets and right of ways have already been exempted, the committee asked staff and the consultants to review items such as the Navy Yard (which may have its own outfalls) and small sized lots exemptions (including review of such policies by other municipalities). The Committee discussed the final policy issue: billing credits. Mr. Johnson noted some people from the environmental community have been supportive of the concept of impervious billings, not

because of the equity in terms of a cost sharing, but because of their belief that this is going to change people's behaviors. Mr. Adebo added that the whole concept of credits is to compensate for some activity for stormwater mitigation that a customer has undertaken, yet the LTCP plan cost is fixed and the costs of any credit earned will have to be passed back to the rest of the customer base if a credit program is provided. Chairman Martin replied he understands that and that there is balancing required between (1) a cost benefit analysis weighing the cost for issuing credits against the returns customer would receive; and (2) the simplicity of the process in response to the feedback from the Council and from customers. It was noted that the Council's stormwater task force is working in parallel with WASA and developing its credit policy although it does not have to be same as any potential policies adopted by WASA. However, WASA will continue to be in communication with the task force throughout the project. It is feasible that the Board may decide to take a phased approach, where initially there are no credit policies whatsoever until all the rate payers are phased in. After a year or more of experience, credit policies could be added.

DC Stormwater Rate Adjustment

Mr. Adebo discussed the recent discovery of an omission in calculation of the DC stormwater fee. Stormwater rates for multifamily and other non-residential customers have not been adjusted since 2002. A review of the original law indicates that the Council may have intended that the stormwater fee collection rate increase as water and sewer rates are adjusted and not just as a percentage of the original rates on record in 2001. Staff analyzed the difference that would have been collected from FY 2003-2007 and presented that information in a chart provided to the committee. Cumulatively, over the five year period the fund would have received an additional \$389,000. Mr. Adebo noted that staff is putting together a plan for the general manager to recoup the \$389,000 and collect the appropriate FY 2008 allocation assuming the legislated 1.4% and 2% of water and sewer rates applies to the stormwater fees. It is anticipated that these fees will be adjusted no later than February 2008. The impact is to just under 30,000 non residential customers. Focus on communication to the customers and DOE stormwater administrator will be discussed and planned. The impact will vary by customer because it's based on consumption but it will be an average of \$10.00. Mr. Bardin stated that the Council, Mayor's office and Director of the Department of Environment should be advised of the issue as soon as possible.

FY 2009 Rate and Fee Proposal

The FY 2009 rate and fee proposal has been reviewed in previous meetings and Chairman Martin opened the floor for discussion. He suggested to the General Manager that the relationship between expenditures and the ten year rate plan was complicated and consideration of outside assistance to help communicate the ten year rate plan may be beneficial to the Authority. The General Manager agreed and is in the process of contracting for such services.

Action Items

Chairman Martin preceded to the action items on the agenda. Mr. Bardin suggested that a footnote be added to the sewer rates to indicate that the board is actively pursuing a change which would have the three charges: water, sewer and impervious surface areas for the LTCP. He also requested a notation on the financial plan that would indicate a potential downward adjustment of retail rates due to possible contributions from wholesale customers toward the capital outlays and operating expenses for the LTCP. Chairman Martin stated his concern is that it implies that there would be a downward adjustment for FY 2009 of some number greater than zero and that might not be the case. Mr. Johnson suggested that the ongoing discussions within the region and possible additional contributions might be better captured as part of a "whereas" in one of the FY 2009 financial resolutions.

Mr. Bardin requested that the total nitrogen project be deferred for three years due to the ongoing appeal and the impact of the project on the rates payers. Chairman Martin stated that such a discussion should be referred to the Environmental Quality and Operations Committee rather than the Retail Rates Committee.

Mr. Bardin stated that there should be some kind of negative recommendation of the PILOT fee as it did not appear clear to him whether or not the requirement was legal. Chairman Martin recommended moving the item to the Board for action as it is presented while awaiting the DC CFO's response on PILOT cost certification. There will be time to revisit this impact prior to final approval of the rates later in the fiscal year.

The following action was recommended for forwarding to the full Board of Directors, with the recommended footnote on the pending impervious surface charge:

- FY 2007-20016 Financial Plan based on the following key assumptions:
 - An 8.5 percent increase in FY 2009 as proposed by the General Manager, and an average annual rate increase ranging from 8.0 percent to 12 percent from FY 2009 through FY 2016;
 - A 10.6 percent increase in the Right of Way/PILOT fee to recover the full cost of this District fee;
 - Operating expenditures of \$363.4 million in FY 2009, as proposed by the General Manager; and
 - A capital improvement program of \$3.1 billion on a cash disbursements basis.

Hearing no further business, Chairman Martin adjourned the meeting at 1:35 pm.