



**DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY  
BOARD OF DIRECTORS**

**226<sup>th</sup> MEETING  
THURSDAY, DECEMBER 1, 2016**

**MINUTES**

**Present Directors**

Matthew T. Brown, Chairman, District of Columbia  
Nicholas A. Majett, Prince George's County  
Ellen Boardman, District of Columbia  
Bonnie Kirkland, Alternate for Timothy Firestine, Montgomery County  
Sarah Motsch, Alternate for James Patteson, Fairfax County  
Bradley Frome, Prince George's County  
Howard Gibbs, Alternate for Vacant Principal, District of Columbia  
Rachna Butani Bhatt, District of Columbia  
Elisabeth Feldt, Montgomery County  
Obiora "Bo" Menkiti, District of Columbia

**Present Alternate Director**

Rev. Kendrick Curry, District of Columbia  
David Lake, Montgomery County

**DC Water Staff**

George S. Hawkins, CEO/General Manager  
Henderson J. Brown, General Counsel  
John Madrid, Controller  
Linda R. Manley, Board Secretary

Chairman Brown called the 226<sup>th</sup> Meeting of the District of Columbia Water and Sewer Authority's Board of Directors to order at 9:35 a.m. Ms. Manley called the roll and a quorum was established.

## **Approval of the November 3, 2016 Minutes**

Chairman Brown asked for a motion to approve the November 3, 2016 minutes. The motion to approve the November 3, 2016 minutes was moved, seconded, and unanimously approved by the Board of Directors.

## **Chairman's Overview**

Chairman Brown wished everyone a happy holiday season. He stated that it is a time of celebration and some self-reflection. An opportunity for the Board to do some reflection is coming up at the Board Retreat on December 15<sup>th</sup> and 16<sup>th</sup>. Chairman Brown indicated that the Retreat will be a time to discuss some important issues that have been raised at committee meetings, reflect on the services the Authority provides, and the Board's commitments both to the Authority and the ratepayers. He stated that the complex issues include the long-term outlook on rate increases, the needs of the Authority, the Clean River Program, and those ratepayers who have a limited ability to pay the rates.

Chairman Brown acknowledged the Authority's union partners and stated that Management and the unions are in the middle of contract negotiations regarding compensation and associated benefits. He asked both sides to work together in good faith to reach an agreement that is fair.

The approval of next fiscal year's budget was on the agenda and Chairman Brown stated that it was easier this year because they approved a two-year rate structure last year. Water and sewer rates were increased by five percent. He stated that the fastest growing portion of the bill, the Impervious Area Charge, will grow faster than that. Chairman Brown indicated that the Board has done a good job balancing the needs of the Authority, its people, equipment, and facilities with the rates paid by customers. Also on the Board's agenda was the approval of a 50 percent discount for the Impervious Area Charge for CAP customers. Chairman Brown thanked the Board members for their thoughtful participation in discussions of the issue.

Chairman Brown reported that two awards were recently received by D.C. Water. One was the Bond Buyer Non-Traditional Deal of the Year Award for the environment impact bonds and the other was the Engineering News Record's Engineering Project of the Year award for the Blue Plains Tunnel. He thanked Mark Kim, Carlton Ray, Chris Allen, and their teams for these fantastic achievements.

## **D.C. Retail Water and Sewer Rates Committee**

Reported by: Rachna Butani Bhatt, Vice Chair

Ms. Butani Bhatt stated that the Committee met on Tuesday, November 15, 2016 and received a presentation on a preliminary analysis of the Clean Rivers Impervious Area Charge (CRIAC) restructuring. Henrietta Locklear from Raftelis outline what a potential study could look like. It would assess the impact on certain customer segments, determine whether relief is needed or warranted, determine how revenue will be impacted by any customer programs, and develop cost recovery alternatives for consideration. Customer segments of interest would be non-profits, small business owners, charitable and religious organizations, and low income residential customers not enrolled in the Community Assistance Program (CAP).

The Committee discussed affordability and the U.S. EPA guidelines of four percent, which is two percent for water and two percent for sewer, based on median household income. Ms. Butani Bhatt stated that this was unsatisfactory but there were no thoughtful replacements identified.

CFO Mark Kim provided four possible assistance options to explore. The first was to provide discounted rates or credits for certain customers which is done now for some rates, charges, and fees. Mr. Kim reported that the third option was to establish a new assistance fund modeled after CAP. The fourth option was to develop alternative rate structures. The Committee also discussed the affordability solution of broadening the customer base to include reevaluating exempt customers and bringing tourists and suburban jurisdictions into the ratepayer's system.

Ms. Butani Bhatt reported that Board members asked about the cost of the study. Mr. Kim stated that the last cost of service study for restructuring of water and sewer rates, fees, and charges cost approximately \$300,000 and took over 18 months to complete. The Committee discussed limiting the size of the study.

### **Joint Meeting of the D.C. Retail Water and Sewer Rates Committee and Finance and Budget Committee**

Reported by: Rachna Butani Bhatt

Ms. Butani Bhatt stated that the Committees met jointly and received from CFO Kim the final recommendation on the CRIAC Restructuring Study. He presented information on the Capital Assistance Program and noted that since 2009 the number of CAP customers had declined steadily by nearly 30 percent, which mirrors DOEE's LIHEAP Program. CFO Kim explained that when a credit is introduced, a revenue shortfall results. The Authority is using the projected FY 2016 surplus to cover the loss of revenue for the FY 2017 and 2018 CAP CRIAC. Ms. Butani Bhatt indicated that after 2018 other customers' rates would have to be increased to cover the shortfall.

Management recommended a 50 percent credit based on the Committee meetings and D.C. Water's analysis of the economics. After debating the live date, it was agreed that the Committees would recommend to the full Board approval of the 50 percent credit and an effective date of May 2017.

Ms. Butani Bhatt stated that CFO Kim made a presentation on the Proposed FY 2018 Budget which included a Proposed Operating Budget of \$561.9 million, a Proposed Ten-Year Capital Improvement Plan and disbursements of \$3.75 billion, a Lifetime Project Budget of \$10.9 billion, and proposed revenues of \$617.2 million. Mr. Kim's staff members Annie Fulton George, Manager of Capital Budget, and Lola Oyeyemi, Manager of Operating Budgets, provided overviews of their respective budgets and information on the materialized savings resulting from the performance of the Digester Project and the impact of the consent decree modification on affordability.

The Committees agreed on recommending for Board approval the action items: the FY 2018 Proposed Budget and expansion of the CAP to provide 50 percent credits for eligible customers that are billed monthly for CRIAC. For more details on the issues discussed in the joint meeting, please refer to the minutes and meeting materials found on D.C. Water's website.

### **Finance and Budget Committee**

Reported by: Matthew Brown, Board Chairman

Chairman Brown stated that the Committee meeting was very brief. It was mainly a report on the current year financials. He asked that they address it by exception and stated that questions would be directed to the staff. Chairman Brown reported that they of course

discussed the budget briefly. The minutes and meeting materials are available on D.C. Water's website for more detailed information.

### **Environmental Quality and Sewerage Services Committee**

Reported by: David Lake

Mr. Lake stated that the Committee met on November 17, 2016 and was briefed on Blue Plains' performance and the status of the Clean Rivers Project. He reported that one interesting aspect of plant performance was that the flows for Blue Plains reached a 20 year low for one month. Mr. Lake indicated that over his Board tenure of many years, he has been in discussions about excess flow at the plant and some its causes. He stated that it is quite an achievement for the plant flow to be down to a 20-year low. Part of it is due to low precipitation since there was less than one inch of rain during the month. Mr. Lake reported that it also is due to the flow from the Combined Sewer Overflow (CSOs). The average effluent flow for the plant remains below 300 million gallons per day (mgd) which is excellent. Design capacity is 370 mgd.

Aklile Tesfaye, Assistant General Manager for Wastewater Treatment, reported that plant performance continues to be excellent and that all permit requirements have been met. Mr. Lake stated that in recent years a lot of money has been spent on nitrogen removal and that it is excellent. Mr. Tesfaye stated that biosolids management has also been focused on and the results have been excellent. Because of the digesters, biosolids hauling averaged 450 wet tons per day (wtd) in November, down from 1,200 wtd. They are looking forward to when the Bloom Project is converting 450 wet tons per day into revenue.

The Combined Heat and Power Facility generated 175 megawatt hours of power, which equates to 30 percent of the power needs at the plant.

Mr. Lake reported that Carlton Ray, Manager of the Clean Rivers Project, provided a status report and update on each project. For details, see the D.C. Water website for the minutes and meeting materials. The projects include work on the tunnels, and Mr. Lake noted that the news was extremely good relating to the percent complete data and all are on schedule. Mr. Ray stated that the Notice to Proceed for next year was received and that in the fall 2017 they will start on the Northeast Boundary Tunnel Project. It will be the longest tunnel in the Clean Rivers Project, over five miles long.

Five action items were discussed by the Committee. All were joint use--two chemical contracts, one an electrical service contract, one a supplemental for construction management, and the last a service contract. Mr. Lake reported that the Committee recommended all the contracts for approval by the full Board.

The last item discussed was the Quarterly Capital Improvement Program Report presentation by Paul Guttridge, Manager of Program Control. It was the fourth quarterly report at the end of the year. For the key performance indicators (KPIs) some were ahead of schedule, right on schedule, and several were behind. The reasons for some being behind were related to project-related issues that come up periodically but has never been a concern.

**Joint Meeting of the Water Quality and Water Services Committee and the Environmental Quality and Sewerage Services Committee**

Reported by: David Lake

Mr. Lake indicated that the Committees met jointly on November 17, 2016 to review the FY 2017 through FY 2025 Proposed Lifetime Capital Projects, and to discuss the ten-year Disbursement Plan. The details are available on the website in the minutes. Leonard Benson, Chief Engineer, reviewed the lifetime budgets, the disbursements, and major initiatives. He reported that there are projects in the plan that have been unfunded and they discussed how those projects were being covered. Mr. Lake stated that there were two action items recommended to the Board for approval. The Proposed Lifetime Capital Projects Budget for FY 2017 to 2026 is \$10.27 billion, \$27 million above the prior approved budget. Disbursements are a key part of the retail rate structure, so the Disbursement Plan is noteworthy. It is for \$3.75 billion, and the Lifetime budget is for \$10.9 billion.

Chairman Brown commended Mr. Benson, CFO Mark Kim, Ms. Maldonado, and the whole leadership team for balancing the needs of D.C. Water with the rates that the customers can pay.

**Water Quality and Water Services Committee**

Reported by: Rachna Butani Bhatt

Mr. Butani Bhatt indicated that the Committee met on November 17, 2016. Charles Kiely, Assistant General Manager for Customer Care and Operations, reported that coliform testing was at zero for October and November. He stated that this is excellent since they had expected a couple of positives in the fall because of the hot summer.

For Lead and Copper Rule Monitoring, Mr. Kiely stated that for the first time in ten years at the early date of November 17, they have received enough samples, 110, and that they are at the 90<sup>th</sup> percentile, with 3.4 parts per billion which is excellent.

David Walls, Manager of Distribution, updated on the 9,500 public fire hydrants and reported that 54 hydrants were out of service and 34 defective.

Ms. Butani Bhatt said that Craig Fricke, Manager of Enterprise Asset Management, presented information on the Asset Management Program's Kanew Project, a long-term strategic planning model for the renewal of water and sewer mains. It is a system-wide statistical model that predicts renewal needs and timing for different pipes. The model facilitated the development of an application, a risk tool, to determine the risk score for every water and sewer pipe in the D.C. water system. Mr. Fricke reported that Kanew was developed in cooperation with the Water Research Foundation. It uses an anticipated life expectancy, and age distribution of the pipes to calculate annual renewal needs. He stated that about 14 miles of sanitary sewer a year should be renewed. The target is to decrease it to about 8 miles a year over time, focusing mostly on the vitrified clay pipes. The median age of the pipes in the system will be reduced from 80 plus years to about 45 years. The residual life will be increased from just over 25 years to about 45 years. Mr. Fricke indicated that the focus now is to finalize the initial Asset Management Plan which documents all the work they have done to date and the tools utilized. It is expected that the bulk of their efforts should be substantially completed by March or April of 2017.

The Committee recommended approval of a contract for exercising an option year for purchasing large meters three inches and above. This will not include installation of the meters. Another action item recommended by the Committee for Board approval is the Vertex Customer Information System contract.

### **Audit Committee**

Reported by: Nicholas Majett, Chair

Mr. Majett stated that the Committee met on Friday, November 18, 2016 and received updates from the internal and external auditors. Richard McLean, External Auditor, provided a brief status of the financial statement audit which is underway. No significant findings have been identified to date. The planned issuance date of the financial statement audit is December 20, 2016. Mr. McLean indicated that they plan to issue the comprehensive annual financial report on or about January 20, 2017 and the single audit report will be issued about February 20, 2017.

Mr. Majett reported that Mr. Whelan of RSM, the Internal Auditor, provided an update to the Committee and talked about the 2016 internal audit which was in progress for customer billing and collections audit. Two other reports were completed and will be issued after discussion in an executive session.

Mr. Majett indicated that Ms. Johnson provided an update on the contract representative training which the Committee discussed at its previous meeting. The auditors found some inconsistencies and management has agreed to some remedial action which has already been done. In addition, the internal audit's management monitoring findings on the Blue Horizon 2020 Strategic Plan were presented. The auditors recommended that the monitoring system used to track milestones, goals, and completed percentages be replaced; that the Strategic Planning Committee meet semi-annually thus increasing communication and hopefully making goal champions more accountable; and that the reporting framework be modified to include delayed, late, on track, and completed goals, objectives, initiatives, and milestones. Management will engage the Board committees who have oversight for individual goals, and include reporting quarterly on the progress of their respective strategic goals. Biju George, Chief Operating Officer said that Management agreed with the findings and recommendations, and is looking for an automated system.

Mrs. Reyes reported on the hotline. Since the last Committee meeting, 12 new cases and 9 new calls came in, none involved fraud. Ten cases are currently open. The internal auditor held their quarterly meeting with the Office of General Council, Labor Relations, and the Department of Security. In FY 2016, 26 calls were received, of which 10 were fraud claims. The number of calls in FY 2016 totaled the calls received for the previous two years, thus showing an increase in hotline traffic. One fraud claim is still open and will be discussed in executive session. Twenty-nine of the FY 2016 calls have been closed and only four required corrective action. For others, the caller did not provide sufficient information or did not require corrective action. Four calls have been received so far in FY 2017.

Mr. Majett indicated that the Proposed FY 2017 Internal Audit Plan was discussed. The risk assessment has been updated from previous years. An overview of FY 2016 internal audit accomplishments was presented. The Committee approved the FY 2017 Internal Audit Plan and then went into executive session.

## **General Manager's Report**

Reported by: George S. Hawkins, CEO/General Manager

Mr. Hawkins informed the Board about late-breaking news concerning an oil sheen discovered on the Potomac River which appeared to have originated at White's Ferry or Dickerson, Maryland. It was being investigated and he anticipated an update any time. Mr. Hawkins explained that this was a good collaborative effort between the Maryland, Virginia, the District of Columbia environmental agencies, and the Aqueduct, D.C. Water, Fairfax Water, and WSSC. He indicated that as usual, Mr. Kiely, Assistant General Manager for Customer Care and Operations, leads D.C. Water's team. EPA's top water monitoring system has been deployed at the Aqueduct's Dalecarlia and is testing the intake water and the treated water. D.C. Water will be notified of the issues that are discovered. Mr. Hawkins stated that the oil appears to be hydraulic or a lubricating oil. For an additional precaution, he indicated that the Upper Falls intake has been closed and they are using water from the Lower Falls intake. EPA has taken the lead in the regional response and D.C. Water leads the local response. He assured everyone that if there were serious concerns uncovered, they would be prepared to close both intakes and inform customers to take conservation measures since the water in storage would be used. They have already prepared the communication that will go out to the public if serious problems are uncovered.

Ms. Feldt thanked Mr. Hawkins for D.C. Water's efforts. She stated that Montgomery County and WSSC were obviously following the situation and they recognized that there was still a lot of work to be done to establish definitively the source of the oil.

Mr. Hawkins assured everyone that every agency that is relevant has mobilized, that inspectors are out on the scene, and that the work is being done. He stated that he was glad the Board Retreat would commence on Thursday evening and that they would at that time come back to the Board with a challenge or opportunity statement. One challenge is concerning sewer capital investment and others are capital and operational needs that all infrastructure agencies face. Different aspects of this will be discussed during the Retreat. At the Retreat Friday, the opportunities and options available will be covered and Mr. Hawkins noted that the Board will be informed of those that are in full implementation mode and about possible solutions. He informed them that for the first time on the agenda there will be a period of time when the Board can meet on its own, as requested at the last retreat.

The budget and financial plan was also mentioned by Mr. Hawkins. He stated that there are two pillars of the Enterprise that are relevant, the first being the people which they need to treat fairly by paying them well and giving them good benefits. The second pillar is to be careful and steward the revenue and ratepayers' funds that support the Enterprise. This is important to be mindful of in compensation negotiations and budget negotiations. The needs of the Enterprise always seem to be greater than the funding and needs are seem compelling.

The awards received by D.C. Water were mentioned by Mr. Hawkins and he indicated how proud he was about them all. He pointed to one other award from the Engaging Local Government Leaders organization which is about getting young and talented professionals to work in local government. They have created a whole network and created a national contest to identify the top five local government entities in their national review. He indicated that he was glad that D.C. Water came in fifth since it was the only non-city.

Mr. Hawkins stressed the good news concerning the Impervious Area Charge (IAC) and the fact that when it was started in 2009 D.C. Water had 372,946 ERUs and raised \$450,000 a month.

Today there are approximately 403,000 ERUs and \$8.6 million is raised a month. The dollar figure D.C. Water collects is so much greater because of the Clean Rivers Project.

Two other issues that Mr. Hawkins noted were the fire hydrants and the call center. He felt that it was staggering that 34 public hydrants out of 9,500 were out of service which is .03 percent. Twenty of those are because they are obstructed, as opposed to defective. He said that he remembered when that was at 5, 6, 7, 10 percent, and the Board set it at a 1 percent goal. They did not think they would ever get there. It is an amazing accomplishment of this Enterprise over a very long time.

The second issue involves the call center which is not responding at the level desired, but there is an explanation. The Water Quality and Water Services Committee and the Retail Rates Committee members know that D.C. Water's estimated reads have gone up as the meters have aged. As the Meter Replacement Program proceeds, customers go from estimated reads to actual reads and the first bill is often a surprise. He indicated that they have been monitoring the issue and are hiring additional personnel. They are getting longer calls which are more complicated, not more calls. Mr. Hawkins noted that because of the replacement of meters there is an actual improvement, since estimated reads are going down and actual reads are going up.

#### **Consent Items (Joint Use)**

Chairman Brown asked for a motion to approve joint use contract action items. Ms. Kirkland moved to approve Resolutions No. 16-92 through 16-100, and it was seconded. The motion to approve Resolutions No. 16-92 through 16-100 was unanimously approved by the members of the Board.

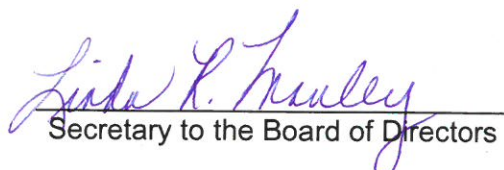
#### **Consent Items (Non-Joint Use)**

Chairman Brown asked for a motion to approve non-joint use action items. Mr. Menkiti moved to approve Resolutions No. 16-101 through 16-103, and it was seconded. The motion to approve Resolutions No. 16-101 through 16-103 was unanimously approved by the District of Columbia members of the Board.

#### **Executive Session**

Chairman Brown asked for a motion to move into Executive Session pursuant to the Open Meetings Amendment Act of 2010, to discuss legal, confidential, and privileged matters under Section 2-575(b)(4) of the D.C. Official Code. It was so moved and seconded. A roll call vote was conducted and the motion was approved unanimously. The Board went into Executive Session at 10:39 a.m. The public meeting was resumed at 11:39 a.m.

There being no further business, the meeting was adjourned at 11:39 a.m. by Chairman Brown.

  
Secretary to the Board of Directors