

**DISTRICT OF COLUMBIA**

**WATER AND SEWER AUTHORITY**

**BOARD OF DIRECTORS**

**GOVERNANCE COMMITTEE**

**MEETING MINUTES**

 **July 13, 2016**

**Committee Members** **D.C. Water Staff**

Ellen O. Boardman, Chairperson George S. Hawkins, General Manager

Matthew Brown, Board Chairman Henderson J. Brown, General Counsel

Rachna Butani Linda Manley, Board Secretary

David W. Lake

Shirley Branch

Chairperson Boardman convened the meeting at 9:05 a.m. Prior to the scheduled presentations, General Manager Hawkins updated the Committee on efforts undertaken by DC Water to ensure safe and adequate lighting at its construction sites. Mr. Hawkins noted there were reports of robberies and a murder in the Bloomingdale neighborhood over the weekend. Mr. Hawkins stated that he has been in contact with Councilmember Kenyan McDuffie’s office (Ward 5), the metropolitan police department, and DC Water’s Board Chair to make sure DC Water is doing everything it can to support safety in the neighborhood.

Among other things, DC Water conducted a full photographic assessment of all of the lighting at its construction sites in this area in collaboration with the District of Columbia metropolitan police department. Light bulbs also were checked to ensure the existing lighting is operating properly. Finally, DC Water will be installing additional lighting in some areas of its construction sites today (July 13, 2016).

**Agenda Item # 1 - DC Water Works! Permanent Jobs Program**

Korey Gray, DC Water’s Compliance Officer, presented on Agenda Item # 1 – DC Water Works! permanent jobs program.

Mr. Gray reported that in support of the Board of Director’s Strategic Initiative #2, the DC Water Works! program is designed to encourage development and employment of local residents as employees on DC Water construction and service projects.

Before describing the elements of the proposed program, Mr. Gray discussed the outreach and stakeholder engagement efforts DC Water undertook to build support for the program. In all, DC Water held more than 25 stakeholder meetings. Multiple statements of support were provided by various government agencies, businesses, and community organizations.

Next, Mr. Gray discussed the elements of the program. Complete details regarding the program were provided in materials submitted to the Committee members, including program goals, requirements and provisions, letters of support for the program, and other supporting documents.

**Program Goals**

Through DC Water Works! Permanent jobs program, DC Water proposes a mission goal where 51% of a contractor’s workforce assigned to a DC Water project will be residents of the DC Water User Jurisdiction, and ultimately 60% of new jobs created as a result of the DC Water contract will be filled by residents of the DC Water User Jurisdiction.

The program will cover contracts with DC Water for goods valued at $300,000 or greater and contracts for services valued at $100,000 or greater. There would be several exemptions to the program, including but not limited to:

* Financial Service, Legal Service, Goods-Only, and Emergency purchases.
* Contractors operating under the DC Water Green Infrastructure Memorandum of Agreement
* First source requirements for contractors with collective bargaining agreements or project labor agreements.

**Job Referral Process**

Mr. Gray explained that

DC Water Works! will be the “first source” for referral of candidates for all new jobs covered under this program**.**  DC Water’s efforts will prioritize identifying District of Columbia residents who may be qualified for the job referral process. The expectation under this process is to identify “ready to employ” individuals to meet the immediate hiring needs of DC Water’s contractors.

The reason for the focus on District of Columbia residents was due in part to the relatively high level of unemployment in the District (6.1%) as compared to the other DC Water User Jurisdiction counties.  According to the May 2016 employment statistics from the US Bureau of Labor Statistics (“BLS”), the unemployment rate for Fairfax and Loudoun Counties is 2.9%. The rate for Montgomery County is 3.3% and 4.3% in Prince George’s County.

Under the DC Water Works! program, covered contractors will give DC Water three (3) business days (Monday - Friday) from the date the job was submitted to DC Water to identify qualified candidates for available job positions. In the event that DC Water is unable to refer qualified candidates, contractors may fill available positions through other means, while still working to achieve the 60% new hire goal for local residents.

Mr. Gray explained that DC Water will team with other stakeholders such as government agencies, community organizations, and the business community to help identify potential candidates for referral process (Strategic Partners). DC Water will ensure that Strategic Partners are aware of contractor employment opportunities in order to allow the partners to forward candidates to DC Water Works! so that DC Water can make referrals within the three (3) business day period.

**Skills Training and Placement**

Through DC Water Works!, DC Water also will implement a skills training and placement program. Citing BLS Occupational Employment and Wage Estimate data, Mr. Gray explained that roughly 14% of the individuals with the skills and qualifications typically required for construction positions frequently used on DC Water projects reside in the District of Columbia as compared to the broader DC Water User Jurisdiction.

Accordingly, DC Water will seek to work with local development agencies and similar organizations to implement a skills training and placement program to prepare District residents for the types of jobs that are frequently sought after on DC Water projects.

The areas of training under this program may change from time to time, but shall generally be based on DC Water’s construction forecast and the needs of project contractors.

The skills training and placement program will have three (3) stages:

* Stage 1 - DC Water will partner with area organizations to create a pipeline of individuals prepared and interested in becoming contractor trainees. Individuals referred under this stage will have, among other potential requirements, relevant soft skills as well as basic reading and math, OSHA training, and an introduction to basic elements of construction.
* Stage 2 – DC Water will work with qualified third party organizations to provide relevant skills training for selected participants. This training is designed to be a bridge to either an actual job or apprenticeship opportunity. Ideally, the program seeks an 80% skills program graduation goal.
* Stage 3 – DC Water will set a placement goal of 50% of the graduates from Stage 2. In support of this goal, graduates will have the opportunity to participate in an exclusive and targeted career fair with DC Water contractors. Graduates of the program will be entered into the DC Water Works! database as preferred candidates for referrals. Employment of individuals who graduate from the skills training program will count towards the DC Water Works! hiring goals for covered contractors.

**Apprenticeship**

DC Water proposes to enhance the apprenticeship component under the permanent program to require that contractors with a DC Water contract valued at $500,000 or greater will participate in an apprenticeship program registered with its home State Apprenticeship Agency or the District of Columbia Apprenticeship Registration Agency, and maintain the District’s 3:1 journeyman to apprenticeship ratio. DC Water Works! will be used as the first referral source for new candidates for the contractors’ apprenticeship programs.

**Monitoring and Reporting**

Mr. Gray discussed the monitoring and reporting elements of the Program. To minimize the administrative burdens to DC Water’s covered contractors, the program proposed to include only two new reporting elements: the Employment Plan, and a bi-monthly employment compliance report. Both the Employment Plan and bi-monthly report are similar to those under the District’s First Source Program but are streamlined significantly. All other necessary information will come from existing payroll reports such as certified payrolls submitted by vendors for contracts covered by the Davis Bacon Act. DC Water also is implementing a new online reporting tool to collect information electronically.

**Closing Remarks**

The Committee and Mr. Hawkins praised Mr. Gray for his extraordinary work and commitment. Mr. Hawkins also thanked Rosalind Inge, AGM for Support Services, Dan Bae, Director of Procurement, and Mustaafa Dozier, Chief of Staff, among numerous other staff members, for their assistance with this project. Mr. Hawkins further praised the strong collaboration between the Board, the Committee, and DC Water staff on such an important issue. He described how the group went through a very systematic process to come to this point. He emphasized that part of what makes an entrepreneurial or innovative public agency is a willingness to try things even if they don’t initially succeed. By doing so, the team could gather real time data and go with what the knowledge suggests is the best route forward.

Mr. Hawkins noted that the permanent program is scheduled to start in October 2016, which will coincide with the beginning of DC Water’s Fiscal Year. As always, the DC Water Works! team will continue providing ongoing reports to the Board.

Chairperson Boardman thanked Mr. Hawkins for his comments. She further stated that the priority first and foremost is to the ratepayers and indicated that these are clearly benefits that will help our community. Ms. Boardman added that it would be exceptional for DC Water to put together a program that can stand as a model for other communities.

**Agenda Item # 2 - DC Water’s Blue Drop Project**

General Manager Hawkins made a presentation to the Committee on DC Water’s Blue Drop proposal. Mr. Hawkins opened by introducing Alan Heymann, Chief Marketing Officer, who has been one of the key staff members to lead this effort along with Chief Operating Officer Biju George and General Counsel Henderson Brown.

Mr. Hawkins described DC Water’s initiative to create a separate, nonprofit entity called Blue Drop. By way of history, Mr. Hawkins explained that the Board had approved in the General Manager’s budget an allocation of funds to develop opportunities to generate non-rate payer revenue. He stated that with increasing rate pressure in DC Water’s service area and customer community, the creation of a separate, nonprofit entity can help generate net revenue to offset that rate pressure.

The primary purpose of Blue Drop will be to improve the financial health of the enterprise and reduce rate pressure within DC Water’s customer community. Mr. Hawkins explained that a separate entity will allow greater transparency and financial control as well as a singularity of purpose. The expenses and income from products and services contemplated for Blue Drop will be managed apart from DC Water, making it easier to track financial investment and rate of return and help shape market strategy for offerings that have value in the consumer sector. He added that a separate entity will allow DC Water to bring its products and services to the broader market, including the private consumer market as well as governmental entities that otherwise may be reluctant to “hire” a metropolitan agency to assist its own public utilities.

Mr. Hawkins explained that the current proposal envisions a three-year time frame to launch Blue Drop. At the start-up phase, resources for Blue Drop will consist of existing staff time and an initial cash investment. Labor investment will be tracked to be clear as to the level of resources being utilized. If successful, it is anticipated the labor investment will move towards human capital hired directly by Blue Drop.

Presently, plans are that DC Water will be the sole member of Blue Drop and Mr. Hawkins will be the Board’s representative. Mr. Hawkins will report to the Board and the Governance, Finance, and Budget Committees. Mr. Heymann will be the manager of Blue Drop. Expenses currently within DC Water will be designated to Blue Drop.

Ms. Boardman asked about whether the funding for Blue Drop will come from DC Water, noting that the funds may be allocated to another ‘bucket’ but they nevertheless come from one source. Mr. Hawkins affirmed that DC Water will be the funding source, at least initially, and added that the stream of funding will be clearly allocated and tracked to ensure appropriate controls over the resources that DC Water will be investing into Blue Drop.

Ms. Boardman asked whether Blue Drop has been set up structurally at this point. Mr. Hawkins answered that preparation work on the organization of Blue Drop is underway. DC Water is collaborating with preeminent advisors, including the author of the D.C. non-profit statute, for guidance on creating the nonprofit entity. As to governance, there will be a board of directors for Blue Drop.

Ms. Boardman emphasized that the Board of Directors for DC Water should exercise control over Blue Drop so that the Board is not inadvertently preempted by staff, executive leadership, or others on Blue Drop’s board of directors. Mr. Hawkins agreed. Mr. Heymann responded that the operating agreement for Blue Drop will specify those terms.

Mr. Hawkins then described the products and services currently envisioned for Blue Drop. The first is a product called Bloom™, an advanced proprietary soil product that DC Water currently offers to the consumer marketplace. The second is expansion of ART (Advancing Research and Technology), also a service that DC Water currently provides. The third will be peer-to- peer consulting services. This area is being developed, but DC Water has already received its first contract in New Jersey for consulting services arising out of its Clean Rivers expertise. External affairs, customer outreach, branding, lead, and fleet management, are examples of additional consulting services DC Water is exploring. The fourth is a one-stop portal service. The portal service does not currently exist within DC Water but it is an exciting new prospect that brings together services and modes of communication into one system. This cutting edge approach to consumer outreach is already being advanced by major companies such as Google and it presents an exciting possibility for Blue Drop. Every year the challenge to manage rate pressure will get tougher. The portal is probably the most talked about idea or issue because it minimizes up-front costs of connecting to the customer. DC Water can also license its expertise to other entities, including the portal service.

Committee Member Lake inquired about whether water meter management, which conceivably could be outsourced to a third party vendor, is something that could be offered by Blue Drop. Mr. Hawkins answered that it is a service offering certainly worth examining and this idea touches upon a broader effort that underscores Blue Drop, namely, to scale DC Water’s intellectual property for use in the consumer market, gaining some of the initial investment back.

Mr. Lake added that other entities providing public utility services, such as WSSC, are good examples of potential customers in the market for Blue Drop products and services. Mr. Hawkins agreed. Mr. Heymann added that one opportunity currently being explored is licensing DC Water’s products, such as Bloom, to other entities for precisely that reason. Mr. Hawkins closed the discussion by indicating that this presentation describes the general framework of Blue Drop with the intention to discuss further details with the full Board at the next retreat, but now is the time to consider new methods for revenue generation for the benefit of DC Water’s ratepayers.

**Other Business**

The Committee entered into an executive session to discuss proprietary cybersecurity matters.

**Conclusion**

There being no further business Chairperson Boardman adjourned the meeting at approximately 11:00 a.m.