



**DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY  
BOARD OF DIRECTORS  
231<sup>st</sup> MEETING  
THURSDAY, MAY 4, 2017  
MINUTES**

**Present Directors**

Matthew T. Brown, Chairman, District of Columbia  
Nicholas A. Majett, First Vice Chairman, Prince George's County  
Ellen Boardman, District of Columbia  
Timothy Firestine, Montgomery County  
Rachna Butani Bhatt, District of Columbia  
Elisabeth Feldt, Montgomery County  
Tommy Wells, District of Columbia  
James Patteson, Fairfax County  
David Franco, District of Columbia  
Bradley Frome, Prince George's County  
Ivan Frishberg, Alternate for Emile Thompson, District of Columbia

**Present Alternate Directors**

Howard Gibbs, District of Columbia  
Rev. Kendrick E. Curry, District of Columbia  
Sarah Motsch, Fairfax County  
Ana Harvey, District of Columbia  
David Lake, Montgomery County  
Anthony Giancola, District of Columbia

**DC Water Staff**

George S. Hawkins, CEO/General Manager  
Henderson J. Brown, General Counsel  
Robert Hunt, Acting Chief Financial Officer  
Linda R. Manley, Board Secretary

Chairman Brown called the 231<sup>st</sup> meeting of the District of Columbia Water and Sewer Authority's Board of Directors to order at 9:32 a.m.

Chairman Brown stated that before calling the roll he was going to introduce and have sworn in two new Board of Directors members so that they could participate in the meeting. The first was David Franco who is a native Washingtonian with 30 years of business and real estate

development experience in the District. Chairman Brown indicated that Mr. Franco will be able to assist D.C. Water in communicating effectively with the community about D.C. Water's large infrastructure projects and assisting in ensuring that the infrastructure is modernized and sustainable while keeping water bills affordable for District ratepayers. The second new member was Ivan Frishberg, a nationally recognized expert on clean energy, climate, and environmental advocacy and policy. Mr. Frishberg has held leadership positions at non-profit advocacy organizations such as the Environment America, U.S. Public Interest Research Group, and founding partner at FSC Partners, a climate advocacy consultancy. Chairman Brown indicated that Mr. Frishberg brings to the Board his expertise in clean and renewable energy and sustainable infrastructure investments. He is the alternate for principal Board member Emile Thompson. Mr. Franco and Mr. Frishberg were sworn in by Alan Karnofsky of the Mayor's Office of Talent and Appointments..

Ms. Manley called the role and a quorum was established

### **Approval of the April 6, 2017 Minutes**

Chairman Brown asked for a motion to approve the April 6, 2017 minutes. The motion to approve the April 6, 2017 minutes was moved, seconded, and unanimously approved by the Board of Directors.

### **Chairman's Overview**

Chairman Brown stated that he had recently completed the committee assignments. He thanked Board members who had served as acting chairs. He indicated that he had tried to ensure that members were placed on committees where they could do the most good for the organization. Chairman Brown asked members to provide their concerns on the assignments if they think they can be more effective somewhere else.

The Chairman indicated that items are brought to the committees that are of general interest. He wants to take the opportunity to use the monthly full Board meetings to raise issues that have been presented to the committees but usually not included in the committee reports. These items are of interest to all Board members and are a stand-alone item on the agenda. The first item is Blue Drop and next month it will relate to infrastructure issues covered at the Board Retreat. Presentations will be made and there will be time for some discussion. A full discussion of Blue Drop will occur at the next Governance Committee meeting.

### **Environmental Quality and Operations Committee**

Reported by: Howard Gibbs

Mr. Gibbs reported that the Committee met on Thursday, April 20, 2017. Aklile Tesfaye, Assistant General Manager for Wastewater Treatment, reported on the performance of the Blue Plains Advanced Wastewater Treatment Plant. Plant average inflow for March was 271 million gallons per day. Due to rainy weather, there was 10 million gallons of excess flow and the total precipitation was 3.2 inches. The Enhanced Nitrogen Removal Facility is performing well. Mr. Tesfaye stated that they will meet or be under the goal limit of 4,377,580 for the year. Plant performance was excellent with 100 percent permit compliance. The Combined Heat and Power Facility generated on average 165 megawatts per day, 26 percent of the energy consumed at Blue Plains.

Mr. Tesfaye indicated that the staff was working with the Maryland Department of the Environment to obtain a letter of authorization for potential soil blenders to allow the use of D.C. Water's Bloom product. There is also an application in that is being reviewed by the Virginia Department of Environmental Quality.

The Anannox-based DEMON Modification Process Facility is expected to be online in June. Mr. Tesfaye reported that the Committee will receive a presentation on it in the future.

Steve Caldwell, Director of Security provided an update on security measures and operations. He reported that at the present time there is no specific threat faced by D.C. Water but that there is a general threat based on what D.C. Water is and where it is—in the nation's capital, the size of the population, a leader in technology for the water industry, and the largest advanced wastewater treatment plant in the world. Mr. Caldwell stated that they have property patrols and remote visits to make sure all D.C. Water facilities are secure. He reported that they work closely with multiple local and federal agencies, especially the FBI sponsored Water Information Sharing Analysis Center, which alerts participating agencies about utility-related security incidents. Since the enhanced security measures were implemented, there has been an increase in the reporting of alleged workplace violence, property damage or loss, timecard fraud, accidents and incidents, unsecured properties, and breach events which are a result of better security management.

Mr. Gibbs stated that the Committee asked Mr. Caldwell if Security was involved at the beginning stages in the design of new facilities that were brought online or will be. Mr. Caldwell indicated that they are involved at all stages of the design and implementation of new projects.

Ten action items were brought to the Committee, seven joint use and three non-joint use. There are two condition assessments of large diameter water mains and major sewers. During the past Board Retreat concerns about the mains and sewers were raised and the contracts would start the process of trying to determine the direction D.C. Water needs to head.

### **Human Resources and Labor Relations Committee**

Reported by Bradley Frome, Chair

Mr. Frome indicated that the Committee was called to order on April 25, 2017, proceeded in to Executive Session, reconvened, and then was adjourned.

Chairman Brown explained that there would be an Executive Session during the Board meeting to discuss issues that the Committee discussed.

### **Audit Committee**

Reported by: Nicholas Majett, Chair

Mr. Majett stated that the Committee met on Thursday, April 27, 2017 and received the 2017 Internal Audit Plan status update from Dan Whelan who is with the contractor RSM. Kelly Johnson, RSM, presented the status of prior audit findings. For those prior to FY 2015 there are five action deferred items, six items still open, and one item is closed. For FY 2015 there is only one action deferred item, three open items, eight items pending testing, and sixteen that are closed. All deferred action items were policies that are pending union approval. For FY 2016 audit findings there are twenty-five open items, sixteen items pending testing, and nine items that are closed.

Ms. Kelly also presented more updates. The Committee had requested periodic updates on the Management Action Plan. Ms. Kelly stated that Management has decided to develop in-house training for CORs and COTRs on a quarterly basis. Phase Three has begun and a vendor performance management application was selected on March 31 and training began in April with a December target completion date.

Ms. Jill Reyes, RSM, presented information on the annual budgets, revenues and operating revenue, and the Annual Budget and Planning Internal Audit Report. For FY 2013 through FY 2015 the actual operating revenue fell within two percent of the budgeted amount and the actual operating expenses were seven to thirteen percent lower than budget expenditures. Ms. Reyes stated that the audit's purpose was to evaluate the effectiveness of budget monitoring techniques and to analyze budget trends for different departments. RSM attended and observed the budget development meetings between March 2017 and December.

There was one internal audit reportable observation of moderate risk. The internal audit recommended that the budget tool be considered as part of the upgrade or replacement of D.C. Water's Enterprise Resource Planning System. Management has begun planning for the system's implementation.

Mr. Majett also summarized the discussion on the following audit issues and status updates:

- Progress report on the automated meter reading implementation
- Chairman Brown asked for further explanation of the billing adjustments and Mr. George stated that they would be reported to the Committee.
- Mr. Blondell presented the findings on the Department of Maintenance Services work order management internal audit.
- Ms. Reyes and staff presented information on the purchase card internal audit.
- An update on the hotline was presented.

The Audit Committee went into Executive Session to discuss legal and confidential matters and then after returning, the meeting was adjourned.

Board member Ms. Feldt recommended that all committee reports contain a list of follow-up items at the end. She also requested a breakdown of preventive maintenance by plant area and recommended that the full Board receive a briefing on the closed session. Chairman Brown agreed that it would be effective to have a follow-up list and asked Ms. Manley to address it. He informed her that if time permitted it, they would hear what was discussed by the Committee in Executive Session.

### **Finance and Budget Committee**

Reported by: Chairman Brown

Chairman Brown stated that the Committee met on Thursday, April 27, 2017 and received a financial report from Lola Oyeyemi, Budget Director. With 50 percent of the budget year over, revenue is at 50.6 percent of target and expenditures are at 44 percent of target. Chairman Brown reported that expenditures are lower because the digesters, cost for energy, and other operating savings related to the digesters have helped the health of D.C. Water's environment and finances.

Next month the Finance Committee will receive a forecast of year-end expenditures and it will dictate what the appropriate action should be.

There was one action item recommended by the Committee for approval by the Board and it was a letter of credit related to the 2014 B1 and B2 series bonds. They are variable rate bonds and require a letter of credit which will expire July 23, 2017. There were two options presented to the Committee—seek a different provider than the current TD Bank which would probably cost more or extend or sign a new agreement with TD Bank at 28 basis points. It was concluded that TD Bank should continue.

### **Issues of General Interest**

Presented by: George Hawkins, CEO/General Manager

Mr. Hawkins began his presentation by explaining the purpose for this new agenda item. The items presented are of interest to the full Board, so if members are not on a committee, they may still get the information. Chairman Brown recommended this innovative and appropriate idea. The first topic is Blue Drop. In June, the topic will be on the high likelihood, high consequence of failure analysis on sewers and water mains. The update has already been provided to the Environmental Quality and Operations Committee and now the full Board will receive it.

There has been a line item in the General Manager's budget for the last five years for development of ideas to generate non-ratepayer revenue. Mr. Hawkins stated that he has never spent much of those funds, even though he believes in the concept. Water and sewer rates will keep going up, so to positively impact especially low and fixed income ratepayers, it is essential that additional revenue be generated. They have identified three routes for non-rate payer revenue. Mr. Hawkins stated that the first is expansion of the rate base since D.C. Water has capacity at Blue Plains that will not be used by the wholesale customers for many years in the future. They want to rent capacity to others who will need it temporarily.

Additionally, there is the possibility of generating more revenue from the Washington Aqueduct which has far more treatment capacity than it currently delivers. Aqueduct customers pay a fixed cost amount for water use, so additional revenue would come with expansion of the customer base. Mr. Hawkins reported that they are in talks about this. When realized, this would probably be handled by the Environmental Quality and Operations Committee.

Mr. Hawkins indicated that the second avenue is the rich research tradition at D.C. Water and there already is several patents and intellectual property in devices and approaches but so far very little revenue is being generated. The ART is D.C. Water's research office and this has also been looked at as a possibility. However, the Board was concerned about potential liability so it has been put on hold until more answers are determined. More information will be brought to the Governance Committee in July.

The third avenue is Blue Drop which the Governance Committee will be updated on in their May meeting. The idea for Blue Drop is that D.C. Water offer peer-to-peer consulting services to other utilities at probably a rate less than the market charge. The staff has determined that the best approach is to do the work through a non-profit affiliate of D.C. Water formed through a Board resolution. Blue Drop LLC has as its governing board the D.C. Water Board. Mr. Hawkins explained that Blue Drop also has its own Board, of which he is the Chair and there are five additional members. The Blue Drop Board cannot function without the approval of the D.C. Water Board which is the only member of the limited liability company (LLC). Mr. Hawkins reported that he has appointed four Board members: Willy Walker, D.C. resident and past Chairman of the Board; Robert Mallett, past City Administrator and past Board member; David

Henderson, managing partner of XPV Water Partners; and Andy Kricum, Chief Executive and Chief Engineer for the Camden Municipal Authority. Alan Heymann is the Manager of Blue Drop which is located in D.C. Water rental property at 810 1<sup>st</sup> Street, N.E. The Board has already met once.

Revenue is already being generated by Blue Drop on the following projects: Combined sewer project in New Jersey; strategic communications contracts in York, Canada and Harrisburg, Pennsylvania, and marketing of Bloom, D.C. Water's biosolids product.

Mr. Hawkins announced that Blue Drop was having an open house and Board meeting the next day. Mr. Giancola asked if the business plan would be discussed at the Board meeting. Mr. Hawkins replied that it would be included on the agenda. He indicated that they would meet with the Governance Committee in May and present additional information. Mr. Hawkins stated that he will regularly communicate about Blue Drop in the monthly General Manager's Report. Chairman Brown stated that there will be a discussion at the Governance Committee meeting about Blue Drop governance and responsibilities.

Mr. Firestine made a comment about the use of excess capacity at Blue Plains. He believes the Intermunicipal Agreement (IMA) must be reviewed before moving to use the excess capacity. Mr. Hawkins assured that before proceeding this would probably be presented to the Environmental Quality and Operations and Finance and Budget Committees, since the capacity has already been allocated. Discussion would also take place about how the revenue would be shared. The IMA would be up front and center in discussions and plans.

Other Board members asked the following questions: Ms. Feldt asked if the peer-to-peer consulting is defined as other water utilities or if it is not that narrow. Mr. Hawkins replied that the initial definition is water utilities. Ms. Harvey asked Mr. Hawkins to provide more information on the expertise of the Blue Drop Board members and what he is looking for in the fifth member he is seeking. He provided the information. For more information, with the exception of Willy Walker, biographies for the Board members can be found at [bluedrop.co](http://bluedrop.co). Mr. Hawkins reported that Mr. Walker is the Chief Executive Officer and Chairman of Walker & Dunlop, a very successful real estate firm. He stated that they are looking for a fifth member who is running a small business of sustainable products and knows what it takes to grow.

### **General Manager's Report**

Reported by: George Hawkins, Chief Executive Officer/General Manager

Mr. Hawkins welcomed new Board members David Franco and Ivan Frishberg.

He announced that D.C. Water had completed a sequel to the popular video, A Drop's Life, and it was shown to the participants. They have added information about green infrastructure, the Clean Rivers Project. He spoke about the popularity of the video which is available on YouTube. Mr. Hawkins noted that the fastest way to get to parents about environmental issues is through their children. The video has been shown by teachers to their students and is one of the most watched videos in the water industry. Mr. Hawkins indicated that he is working with the Mayor on the Green Alley Program. Because of the Board, D.C. Water is funding the District's Department of Transportation to use techniques designed and approved for the Green Alley Program in parts of the city where D.C. Water needs to capture storm water to reduce the size of big tunnels.

General Manager Hawkins reported that the Global Water Alliance had a meeting in Spain and he was informed that they selected six utilities in the United States and six utilities from the rest

of the world to be in a new network of 12 leading utilities in the world. D.C. Water was selected first.

Another issue of importance is D.C. Water's efforts to move its sewer operations and Fleet Management facilities out of the area next to the ballpark. The finish line is near in completing the negotiations for the new locations.

Mr. Hawkins introduced the following new hires and promoted employees: Yvette Judge hired as Program Manager for Performance Management and Workforce Planning, Department of Human Capital Management; Keith Lindsley promoted to Manager for Talent and Development, Department of Human Capital Management; Joshua Mazurek promoted to Operations Program Manager, Utility Services, Department of Water Services; and Lola Oyeyemi promoted to Director of Budget, Finance, and Accounting, Office of the Chief Financial Officer. Others who could not attend the Board meeting will be presented at a later meeting.

Chairman Brown acknowledged the attendance of the union partners. He explained that the union presidents attend the Human Resources Committee meetings regularly where they raise and discuss their concerns with Committee members. The Committee brings the unions' concerns to the Board.

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

Chairman Brown asked for a motion to approve joint use contract action items. Mr. Firestine moved to approve Resolutions No. 17-25 through 17-32, and it was seconded. The motion to approve Resolutions No. 17-25 through 17-32 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. Ms. Boardman moved to approve Resolutions No. 17-33, 17-34, and 17-35, and it was seconded. The motion to approve Resolutions No. 17-33, 17-34, and 17-35 was unanimously approved by the District 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, or privileged matters under Section 2-575(b)(10) 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 10:43 a.m. The public meeting was resumed at 11:23 a.m.

Chairman Brown asked for a motion to approve Resolution No. 17-36. Ms. Boardman moved to approve Resolution No. 17-36 and it was seconded. The motion to approve Resolution No. 17-36 was unanimously approved by the members of the Board.

There being no further business, Chairman Brown adjourned the meeting at 11:24 a.m.

  
Secretary to the Board of Directors