



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

**229th MEETING
THURSDAY, MARCH 2, 2017**

MINUTES

Present Directors

Matthew T. Brown, District of Columbia, Chairman
Nicholas A. Majett, Prince George's County
Ellen Boardman, District of Columbia
Timothy Firestine, Montgomery County
Howard Gibbs, Alternate for Vacant Principal, District of Columbia
Bradley Frome, Prince George's County
Emile Thompson, District of Columbia
Rev. Kendrick Curry, Alternate for Rachna Butani Bhatt, District of Columbia
Elisabeth Feldt, Montgomery County
James Patteson, Fairfax County

Present Alternate Directors

Adam Ortiz, Prince George's County
Bonnie Kirkland, Montgomery County
Sarah Motsch, Fairfax County
David Lake, Montgomery County
.Anthony Giancola, District of Columbia

DC Water Staff

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

Chairman Brown called the 229th meeting of the District of Columbia Water and Sewer Authority's Board of Directors to order at 9:37 a.m. Ms. Manley called the roll and a quorum was established.

Approval of the February 2, 2017 Minutes

Chairman Brown asked for a motion to approve the February 2, 2017 minutes. The motion to approve the February 2, 2017 minutes was moved, seconded, and unanimously approved by the Board of Directors.

Chairman's Overview

Chairman Brown began his comments by thanking two of their best and brightest, Chief Financial (CFO) Officer Mark Kim and Board member Obiora Bo Menkiti for their service to D.C. Water. He stated that Mark Kim has served as CFO for four years and had been a tremendous leader and asset to D.C. Water, the Board of Directors, and the water industry. Mr. Kim was presented with a resolution that mentioned some of his accomplishments which included retail rates and their impact on the District ratepayers; finances including century and green bonds, and financing the Clean Rivers Program; and the leadership ability to be a bridge between two organizational components.

Chairman Brown then pointed to Bo Menkiti who served on the Board for about three and a half years. He stated that Mr. Menkiti is the founder of the Menkiti Group, a real estate company, and has been a significant asset to the Board. He worked on the Strategic Planning Committee where he did a tremendous job helping to move the Blue Horizons 2020 Strategic Plan forward. Mr. Menkiti also served on the D.C. Retail Rates Committee, the Water Quality and Water Services Committee, and the Finance and Budget Committee. Chairman Brown thanked him for his service.

Awards were presented to Mr. Menkiti and Mr. Kim and everyone applauded them.

Chairman Brown stated that they had the first meeting of the new Environmental Quality and Operations Committee in February and he was thrilled that this had moved forward. Committee Chair James Patteson will report on the Committee's activities.

On the Board meeting agenda was a resolution to provide a 50 percent credit for CAP ratepayers' Impervious Area Charge which funds the Clean Rivers Program. This action is taken to provide relief to some of the neediest customers.

Audit Committee

Reported by: Nicholas Majett, Chair

Mr. Majett stated that the Committee met on Thursday, February 14, 2017 and immediately went into executive session to discuss legal and confidential and privileged matters pursuant to D.C. Code which lasted approximately one and a half hours.

Next on the agenda was a report from Mr. Malasy, Program Manager for Financial Reporting. He indicated that the Authority's balance sheet remains strong, with noticeable growth. The total net position is \$1.7 billion, which is an increase of \$173 million or approximately 11.3 percent over the prior year. Operating revenue increased by 8.3 percent and operating expenses increased by 2.6 percent over the prior year. Standard and Poor's Investors Service upgraded D.C. Water's credit rating in Fiscal Year 2016 from AA+ to AAA status. Mr. Malasy reported that the Authority's operating revenue remains well-diversified and stable.

It was also reported that operating expenses were reasonably controlled and that the 2.6 percent involved personnel depreciation and contractual services expenditures, utilities, and was purchases this fiscal year. Mr. Malasy stated that the Authority's net capital assets increased by 9.5 percent from FY 2015 to FY 2016.

Mr. Majett indicated that they got a report from the External Auditor, KPMG. An overview of the Authority's financial statements and single audit was provided by KPMG's Mr. McLean. KPMG issued a clean, unmodified opinion on the Authority's FY 2016 financial statements, with no material weaknesses or significant deficiencies regarding internal controls over financial reporting. Mr. Malasy stated that they issued a management letter regarding control deficiencies that did not rise to significant deficiencies or material weaknesses.

For the single audit of CFDA 99 U and K, Combined Sewer Overflow in FY 2016, KPMG issued a clean opinion with no material weaknesses or significant deficiencies.

Mr. Majett reported that the Committee received an internal audit update from Dan Whelan of RSM, and the 2017 Audit Plan status update. Ms. Tomeo presented the status of prior audit findings.

Jill Reyes, RSM, noted that RSM is transitioning to a follow-up system and there will be a push to close many more items prior to the next Committee meeting. She also provided an update on COTR COR training and compliance monitoring implementation by management under the Contract Monitoring and Compliance Audit Part 2 findings. The Committee requested in its July 2016 meeting that there be periodic updates on the Management Action Plan. Phase 1 has been completed and in Phase 2 on the COTR training they are in the process of selecting a training program. Phase 3 will be the implementation of the automated vendor performance and compliance monitoring application.

Duffy Leidner presented the Billings and Collections Internal Audit Report which assessed and documented the billing process surrounding six federal and municipal customers and assessed the collections process for liens, bankruptcy, receivership, and tax sales. One reportable observation of moderate risk was that there are no sufficient standard operating procedures (SOP) for the Federal Group Bill process which accounts for 10 percent of D.C. Water's revenue. The Internal Auditor recommended that roles and responsibilities be evaluated and a comprehensive SOP be developed to detail the Federal Group Bill process.

Mr. Majett reported that Ms. Reyes also presented information on the following: the Business Development Plan Internal Audit Report, the Engineering Management Information System (EMIS), and the Engineering Contracting Management Phase 2 Internal Audit. She also provided an update on the hotline. Two calls were received since the last Audit Committee meeting in November. One was a fraud claim. There are nine cases currently open, and there were four total calls this entire fiscal year.

For more details concerning the various audit report updates, see the Audit Committee's meeting minutes on D.C. Water's website.

Environmental Quality and Operations Committee

Reported by: James Patteson, Chair

Mr. Patteson reported that the Committee met on Thursday, February 16, 2017 and received an update on plant performance from Aklile Tesfaye, Assistant General Manager for Wastewater Treatment. There was an excess flow of 20 million gallons caused by a wet weather event at the beginning of the month. He stated that the plant effluent quality was excellent. The Committee asked about one level, carbonaceous biochemical oxygen demand (CBOD), which was trending high. Mr. Tesfaye indicated that there were potential issues with the sampling line which has now been cleaned. CBOD is now trending down but it is being watched by staff and the Committee will continue to be informed.

The Enhanced Nitrogen Removal Facility is performing well. It is expected to remain below the permit limits. Plant performance was excellent, with 100 percent permit compliance.

Mr. Patteson continued by stating that the biosolids generated continue to be Class A. The Combined Heat and Power Facility generated an average of 192 megawatts, making up 31 percent of the total energy consumed at the plant.

Carlton Ray, Manager of the Clean Rivers Program, provided a quarterly update by reporting that D.C. Water received the Best of the Best Project of the Year recognition from the Engineering News Record (ENR). Mr. Ray and Mr. Allen provided an update to the Committee which included all divisions—Division H, Anacostia River Tunnel Project, which is 74 percent complete and on schedule and budget; Division D, the JBAB Overflow Diversion Structure, which is 44 percent complete; Division Z, Poplar Point Pumping Station Replacement, and the Main Outflow Sewer Diversion Project, which is 44 percent complete, on schedule, and on budget; Division I, Main Pumping Station, 57 percent complete, on schedule, on budget, and they are continuing to address the Mayor's Task Force recommendation to prevent flooding in Bloomingdale, Division U, Northwest Boundary Tunnel Utility Relocation, 13 percent complete; Division J, the Northeast Boundary Tunnel, with a planned notice to proceed in September 2017, which is in the procurement phase; and Division RCA, Rock Creek GI Project, which has completed the procurement phase. This is the first certification program that tests and certified 62 individuals nationally and 8 individuals certified in D.C.

Mr. Patteson reported that there were three action items, two joint use and one non-joint use. The Committee considered and agreed to recommend all items for Board approval. The first was a change order for settlement with Ulliman Schutte for equitable adjustment due to unforeseen site conditions. The second action item was to exercise option year four for the inspection and maintenance of the electrical plant. The purpose is to provide experienced power distribution test technicians and a supervisor to deal with the high-voltage and low-voltage systems. The third action item is a non-joint use contract with Skanska to request the execution of a construction contract for code-required ventilation rates at various areas in the O Street Pumping Station and upgrade the odor control plant.

The Committee got an update from Liliana Maldonado, Director of the Engineering and Technical Services Department, on the current projected 17 Capital Improvement disbursements through the end of the year which are at 0.3 percent above baseline which is on budget and on schedule.

Charles Kiely, Assistant General Manager for Customer Care and Operations, provided the water quality monitoring update which was new for the newly combined Committee. For total

coliform monitoring, there was one positive test in January but the upstream and downstream tests of the system were negative.

David Wall, Manager of the Distribution System, provided an update on the Fire Hydrant Program which is continuing to perform very well. There is a ceiling goal of one percent on out-of-service fire hydrants set by the Board of Directors, and Mr. Wall reported that it was at 0.5 percent for the reporting period.

D.C. Retail Water and Sewer Rates Committee

Reported by: Howard Gibbs

Mr. Gibbs stated that the Committee met on Tuesday, February 21, 2017. He thanked Mr. Kim for all his efforts. Mr. Kim provided the Committee an update on the status of the proposed rulemaking to implement the 50 percent credit for low income Customer Assistance Program (CAP) customers of their Impervious Area Charge in support of the Clean Rivers Program. The public comment has closed and no comments were received. The Committee recommended forwarding the rulemaking for implementation to the full Board for approval.

Mr. Kim briefed the Committee on the status of the restructuring proposal. The Board and Committee have been seeking to provide exemptions or investigate exemptions to help those who are a little above the CAP customer income level and other groups adversely affected by the run-up in rates cost, primarily by the Clean Rivers Impervious Area Charge. Mr. Gibbs stated that Mr. Kim recommended that the Committee reevaluate existing exemptions and then look at providing additional exemptions. They discussed the possibility of looking at the exemption for public rights of way (roads, alleys, and sidewalks). Mr. Kim briefed them on a proposal to do a study to look at various exemptions, however, it was placed on hold until implementation of the new Customer Information Service System.

Finance and Budget Committee

Reported by: Timothy Firestine, Chair

Mr. Firestine indicated that the Committee met and received the January 2017 Financial Report. With 33 percent of the fiscal year completed, budgetary revenue expectations are on track. Revenues totaled \$209.4 million, or 35.2 percent of the budgeted target. Expenditures totaled \$160.8 million, or 30 percent. Capital disbursements were at \$165 million, or 33 percent of target.

Mr. Firestine reported that the Committee was also apprised of the successful closing of the 2017 Series A and B bonds at \$300 million, with Series A being the green bonds in the amount of \$100 million for the Clean Rivers Program. Those bonds received a green bond rating of GBI which is the highest rating and was one of the first to be sold with a certification from Moody's using the Green Bond Assessment. The combined total interest cost for the sale was 3.84 percent, one of their historic lows. Mr. Firestine stated that this was the first senior lien bond sale with a AAA rating, and it was well received in the marketplace.

The Committee recommended Board approval of the resolution expanding the CAP benefits. The Committee also recognized Mr. Kim and thanked him for all his service to the community, Board of Directors, and D.C. Water.

General Manager's Report

Reported by: George Hawkins, CEO/General Manager

Mr. Hawkins indicated that when DC Water did the green infrastructure modification to the consent decree, they made an agreement with the Mayor that they would hire 51 percent of all employees associated with the green infrastructure from District residents. Mr. Hawkins stated that they wanted to do better than 51 percent and for those hired to have a standard of work behavior and knowledge which they could take to other cities throughout the United States. Spearheaded by D.C. Water and in partnership with the Water Environment Federation (WEF), they decided that they needed a national certification for green infrastructure work so that employees are trained and have credentials that can be utilized everywhere. Governments in Fairfax County, Montgomery County, Baltimore City, and Prince George's County partnered with D.C. Water and WEF. The cities of Harrisburg, Pennsylvania, Los Angeles, California, Cleveland, Ohio, Chicago, Illinois, San Francisco also participated in developing the national certification. On December 13, 2016 the first group of students took the certification exam and passed. The 62 certified individuals are from D.C. (8), Baltimore, Montgomery County, Harrisburg, Pittsburgh, Fairfax County, and Milwaukee.

Chairman Brown stated that Mayor Bowser likes to speak about is building pathways to the middle class, giving individuals a fair shot. He noted that the Green Infrastructure National Certification Program is a great example of that. Chairman Brown indicated that under the Green Infrastructure Memorandum of Understanding goals were set but that it takes more than a goal which is a target, it takes a lot more work. He stated that taking a District need and building a national certification program is a tremendous accomplishment to the leadership and vision of Mr. Hawkins. Chairman Brown congratulated Mr. Hawkins and all the people at D.C. Water who worked on it. A short video was shown which provided more details of the national certification program. Several individuals from outside of D.C. Water who assisted with the program were recognized and thanked for their efforts.

Chairman Brown and Mr. Hawkins presented certificates to District residents Nicholas Toney, Latif Celery, Sevyann Sullivan, and Ifedolapo Akinleye.

Mr. Hawkins reported on the City Council's oversight hearing he participated in. Committee Chair Cheh, Councilmember Silverman, Councilmember Todd, and staff from Councilmember Allen's office were present and Mr. Hawkins went through three rounds of questioning. As in the past hearings, questions related to rates and charges, service issues out in the community, and the status of projects.

Mr. Hawkins praised CFO Mark Kim for his service to DC Water and noted that Mark Kim will become the Chief Operating Officer of the Municipal Securities Rulemaking Board (MSRB)

The General Manager's Report was ended by Mr. Hawkins noting promotions and new members of the team

Ms. Feldt congratulated D.C. Water for their leadership on the Green Infrastructure Certification Program

Consent Items (Joint Use)

Chairman Brown asked for a motion to approve joint use contract action items. Mr. Firestone moved to approve Resolutions No. 17-15 and 17-16, and it was seconded. The motion to

approve Resolutions No. 17-15 and 17-16 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. Gibbs moved to approve Resolutions No. 17-17 and 17-18, and it was seconded. The motion to approve Resolutions No. 17-17 and 17-18 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 collective bargaining negotiations under Section 2-575(b)(5) 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 10:41 a.m. The public meeting was resumed at 11:02 a.m.

There being no further business, Chairman Brown adjourned the meeting at 11:02 a.m.


Secretary to the Board of Directors