



DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY

BOARD OF DIRECTORS 236th MEETING THURSDAY, NOVEMBER 2, 2017

MINUTES

Present Directors

Tommy Wells, Chairman, District of Columbia
Nicholas A. Majett, First Vice Chairman, Prince George's County
Anthony Giancola, Alternate for Ellen Boardman, District of Columbia
Timothy Firestine, Montgomery County
Rachna Butani Bhatt, District of Columbia
James Patteson, Fairfax County
David Franco, District of Columbia
Bradley Frome, Prince George's County
Emile Thompson, District of Columbia
Elizabeth Feldt, Montgomery County

Present Alternate Directors

Bonnie Kirkland, Montgomery County
Howard C. Gibbs, District of Columbia
Rev. Kendrick Curry, District of Columbia
Adam Ortiz, Prince George's County
Shirley Branch, Prince George's County
Ivan Frishberg, District of Columbia
David Lake, Montgomery County

DC Water Staff

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

Chairman Wells called the 236th meeting of the District of Columbia Water and Sewer Authority's Board of Directors to order at 9:33 a.m. Ms. Manley called the role and a quorum was established.

Approval of the October 5, 2017 Minutes

Chairman Wells asked for a motion to approve the October 5, 2017 minutes. The motion to approve the October 5, 2017 minutes was moved, seconded, and unanimously approved by the Board of Directors.

Environmental Quality and Operations Committee

Reported by: James Patteson, Chair

Mr. Patteson stated that the Committee met on Thursday, October 19, 2017 and received an update from Aklile Tesfaye, Assistant General Manager for Wastewater Treatment on the performance of the Blue Plains Advanced Wastewater Treatment Plant. Mr. Tesfaye reported that all performance parameters were excellent, and all permit requirements were met.

For September 2017 the Combined Heat and Power Facility generated 92 megawatt hours per day, or 14 percent of the total energy consumed at Blue Plains. The goal of one third of the power has not been reached due to the damage to the duct burners and the heat recovery steam generators, and scaling on the interior walls. Mr. Tesfaye explained that as a result significant amounts of digester gas typically used to operate the combustion turbines were diverted to provide adequate steam to process the biosolids through the thermal hydrolysis and digestion. Repair work to restore one of the three recovery steam generators to the original factory conditions was completed on September 28 and a full inspection showed the repairs to be effective. Further inspection and monitoring will continue in October and November, and if the repair is still effective, the other two recovery steam generators will be repaired. Mr. Patteson notified the full Board that the Committee will receive regular updates on the repair work, performance contract issues, and cost recovery based on the loss of electrical generation.

Mr. Patteson reported that Carlton Ray, Director of the Clean Rivers Project, provided the quarterly update. The first issue was on the Anacostia River item in the Consent Decree which is to be turned over to Operations by March 2018. Everything is on time to accomplish this major task. Mr. Ray also reported that they are continuing to address the recommendations from the Mayor's Task Force on Prevention of Flooding in Bloomingdale and LeDroit Park. He stated that short-term projects such as the utility relocation (88 percent complete), the Northeast Boundary Tunnel design (Spring construction start date), and others are moving ahead. The Green Infrastructure Project's Rock Creek Project A is 10 percent complete and a kick-off meeting to celebrate the start of construction was held on October 23, 2017. The Kennedy Street Infrastructure Scape Project is being constructed with the District Department of Transportation's Kennedy Street Improvement Project, 2018 completion date. A third and fourth session of training under the Green Infrastructure Projects is scheduled for September/October 2017. Mr. Ray reported that 15 partner jurisdictions have been formalized with total commitments of over \$500,000. Mr. Patteson indicated that the Committee was informed that the D.C. Clean Rivers Project is on schedule in accordance with Consent Decree dates.

Mr. Patteson informed the Board that a tour of a tunnel is being scheduled for new Board members and that Board Secretary Linda Manley will inform them of the date.

The Committee recommended two action items. A joint-use action item to execute a contract for purchase of new Microsoft licenses and annual software maintenance renewal and the non-

joint-use item to execute Option Year 2 of a contract to provide compound water meters in various sizes for the Department of Customer Services.

Mr. Patteson stated that the Committee received an update from Jessica Edwards-Brandt, Director of Water Quality, on the Environmental Working Group (EWG). The Group is a non-profit environmental organization that specializes in research and advocacy in the areas of toxic chemicals, agricultural subsidies, public lands, and corporate accountability. They believe that legal standards in the United States do not adequately protect public health. Their Tap Water Database presents EWG's findings. Ms. Edwards-Brandt demonstrated the use of the database and how to query different water utilities and their performance. She reported that D.C. Water and the Washington Aqueduct meet or exceed all federal Safe Drinking Water Act standards and report contaminants in the system on its website. Ms. Edwards-Brandt updated the Board on other activities of her division.

Jason Hughes, Director of Water Utilities Services, provided an update on the Fire Hydrant Upgrade Program which has approximately 9,550 public service hydrants. As of October 2, 2017, 60 hydrants were out of service, 29 with operational defects, and 31 hydrants out of service due to nearby water main repairs, non-D.C. Water construction activities, or other hydrant obstructions. Mr. Hughes stated that the number of out of service hydrants continues to be below the ceiling of 1 percent.

Audit Committee

Reported by: Nicholas Majett, Chair

Mr. Majett stated that the Committee met on October 26, 2017 and first on the agenda was an update on the internal audit by Dan Whelan. Mr. Whelan presented the 2017 Audit Plan status and modifications to the Plan. The Employee Recruitment/Selection and Onboarding Audit has been postponed until the beginning of Fiscal Year 2018 due to an organizational change with the Department of Human Capital Management. As of July 2017, the Department no longer reports to the Assistant General Manager for Support Services but to the Office of the General Manager.

Ms. Tomeo reported on the status of prior audit findings and those prior to FY 2015 which include four action-deferred items because they require union approval on a policy and three open items on water services and GIS mapping. For FY 2015 findings there are four items pending testing and one item relating to the network security assessment.

For FY 2016 follow-up testing showed 18 items closed, 16 pending testing, and 18 items remaining open.

Kelly Johnson provided an update on training and compliance monitoring implementation for contracting officer's representative/ contracting officer's technical representative (COR/COTR). Phase 1 and 2 have been completed and Phase 3 of the plan is the implementation of the automated vendor performance management and reporting application.

Jill Reyes presented the report on the Entity Level Assessment which reviewed the tone at the top which drives culture, accountability, and communication across the Authority. Multiple interviews were performed during the review to gain a full understanding of authority-wide controls. Two high-risk findings identified were a lack of an authority-wide formalized process for approving and updating policies and procedures, and a lack of a formal entity-wide risk management program. Mr. Majett stated that Ms. Reyes reminded the Committee that the

Authority had been working for an extended period of time to complete a comprehensive update to employee policies, but they are still awaiting union review and approval.

Mr. Majett stated that the second high-risk finding reported, a formal entity-wide risk management program, would be addressed during the annual board retreat.

Mr. Bickford presented the Materials Management, Operations, and Inventory Internal Audit which was performed to gain an understanding of the materials management process and assess the full materials lifecycle from purchasing to the exchange of materials with customers and inventory counts.

Mr. Majett reported that the Committee received an update on the Fraud, Waste and Abuse Hotline from Ms. Johnson who stated that the line is monitored by the Internal Audit Department. The Hotline received 10 calls since July, and of those 2 were fraud related. Eight cases have been closed this quarter and 9 cases are currently opened. A summary of FY 2017 activity showed that 30 cases were received. Ms. Johnson summarized the number received, calls requiring corrective action from 2013 to 2017.

The Committee was notified that EthicsPoint, a new case management system, was successfully implemented. Ms. Reyes presented an overview of the risk assessment process and how it is performed on an annual basis as the refresh of the overall internal audit process.

Mr. Majett reported that the Committee posed a question regarding the Impervious Area Charge (IAC). Ms. Reyes informed them that the IAC would be under review during the affordability programs audit, and a summary of the scope would be provided to them as soon as it was finalized.

Mr. Majett indicated that the Committee went into executive session and shortly after adjourned.

Mr. Giancola asked Mr. Majett if there was an overreach in that for FY 2018 18 audits were proposed in 2017 and that they completed 6. He stated that the complexity of the operations had him question if the right audits were being done. Mr. Giancola asked if it was overly taxing to the staff who helps the audits team.

The Committee by consensus accepted the proposed FY 2018 Audit Plan

Finance and Budget

Reported by: Timothy Firestine, Chair

Mr. Firestine stated that the Committee received the financial report for the end of FY 2017 from Chief Financial Officer Matthew Brown. Strong financial performance was shown. Total operating revenues were \$617 million, or 104 percent of the budget. Operating expenses were \$512.8 million, or 96 percent of the budget, which is good. Those two items together generated a surplus. For the capital budget, capital disbursements were \$545.3 million, or 107.6 percent of the budget. The \$10 million that the Board approved to be transferred to the right Stabilization Fund was transferred. Increased revenue came mainly from the Clean Rivers Impervious Area Charge, resulting from the updated flyover data.

On the expenditure side, most categories were within budget, with the exception of Personnel Services which was at 103 percent, related to the increased spending on Personnel Services

due to union settlement payouts, employee or end one-time payments, overtime expenditures, somewhat offset by health benefit costs.

Mr. Firestine reported that for the capital budget \$45 million was included for the Clean Rivers Project and \$24 million in the wastewater treatment area for additional payments that were not anticipated.

The Committee recommended Board approval of the one-year contract extension for Bond Counsel Services. Mr. Firestine concluded his report.

Ms. Feldt then informed the Board that effective on November 3, she will be leaving her position in Montgomery County. She stated that it had been her honor to serve the County Executive, CAO Tim Firestine, and the County Counsel.

General Manager's Report

Reported by: George Hawkins, CEO/General Manager

General Manager Hawkins welcomed Jodie Fleischer from NBC 4 and stated that they have been reporting on the Impervious Area Charge. He noted that he thinks it has been good journalism. Mr. Hawkins indicated that they are always welcome to join D.C. Water.

Mr. Hawkins then provided an update on the Blue Drop Board of Directors who met on Friday, October 27, 2017. They have selected two new Board members: Debra Silimeo, a marketing professional, and Rachna Butani Bhatt, D.C. Water Board member. He stressed that they are mindful of the separation of D.C. Water and Blue Drop but believe it is a strength to have a member of the D.C. Board and Governance Committee who has insight into how Blue Drop is running from an inside view. The next thorough report on Blue Drop will be presented at the January 2018 Governance Committee.

General Manager Hawkins then moved to a discussion of the Impervious Area Charge. He informed the Board that on October 23, 2017 the first Green Infrastructure Project was constructed. It is located on a square of grass bordered by Madison Street, N.W., Madison Place, N.W., and Third Street, N.W. Mr. Hawkins indicated that this was a huge accomplishment in that when he came to D.C. Water eight and a half years ago, he mentioned in his interview that his top issue was to include green infrastructure in the Long-Term Control Plan—Clean Rivers. The Mayor spoke and indicated her strong support for the project. Brandon Todd, Ward 4 council member highlighted that D.C. Water will have 77 projects for Green Infrastructure to capture rainwater. Tommy Wells, D.C. Water's Board Chair and Director of the D.C. Department of Energy and Environmental spoke as one of the greatest advocate for green infrastructure in the District. A gentleman, Raymond Coates, who had taken advantage of the national certification program that D.C. Water triggered and funded with 15 other cities, spoke eloquently of the program. Board members Ellen Boardman and Anthony Giancola also participated. The first set of projects which are being done in Rock Creek are funded by the Environmental Impact bond, a first. Mr. Hawkins recognized individuals through the entire agency for all their work.

General Manager Hawkins provided a brief background on the Impervious Area Charge and directed everyone to his General Manager's Report for a lot of materials. He stated that D.C. Water's project is called the Clean Rivers Program and is the Long-Term Control Plan for addressing the District's combined sewer system. Approximately 700 to 800 cities in the United States have combined sewer systems. When it rains, the excess rainfall overflows into the

Anacostia, Rock Creek, and Potomac waterways which causes violations of water quality standards. Facing enforcement actions for violations, a negotiated consent decree was executed with the Federal Court. D.C. Water's 20-year response to the consent decree is the Clean Rivers Program which is partially funded by the Impervious Area Charge. There are enormously high costs associated with this response, approximately \$2.6 billion. The challenge is that the IAC has gone up dramatically since 2009, from \$1.24 per ERU (1,000 square feet of impervious cover, to now \$25. This happened as the projects went from design to build—e.g., tunnel construction.

Mr. Hawkins stated that discussions with the Retail Rates Committee focus on whether this is unfolding fairly. Channel NBC4's reporting has focused on customers who own large pieces of property and those pay a large fee. The Committee is evaluating what this all means and the issues that need further assessment and resolution. Mr. Hawkins said he believes the Board is thoughtful, systematic and organized in the manner that it looks at questions. He reported that after the Board was confronted with the Impervious Area Charge for its CAP customers and an assessment and review were done, they extended a 50 percent credit to CAP customers for the Impervious Area Charge. When the Board realized that the System Availability Fee was going to charge residential customers for fire suppression, the fee was modified. This is no indication of what action the Board will take but it is always systematic and thoughtful and will take action when it deems it appropriate.

Ms. Feldt commended D.C. Water for their advancement of green infrastructure and indicated that Montgomery County is busy also with activities that foster green infrastructure. She stated that all of D.C. Water's jurisdictions are doing their best to implement green infrastructure programs. Mr. Hawkins noted that this region is in a leadership role nationwide and worldwide.

Consent Items (Joint Use)

Chairman Wells asked for a motion to approve joint use contract action items. Mr. Patteson moved to approve Resolution No. 17-71, and it was seconded. The motion to approve Resolution No. 17-71 was unanimously approved by the members of the Board.

Consent Items (Non-Joint Use)

Chairman Wells asked for a motion to approve non-joint use action items. Ms. Butani Bhatt moved to approve Resolutions No. 17-72 and 17-73 and it was seconded. The motion to approve Resolutions No. 17-72 and 17-73 was unanimously approved by the members of the Board.

Chairman Wells then listed some of the upcoming committee meetings that he felt should be of interest. The Environmental Quality and Operations Committee meeting is scheduled for Thursday, November 16, 2017 at 9:30 a.m. Human Resources and Labor Relations Committee's meeting will be held on Wednesday, November 8, at 11:00 a.m. D.C. Retail Water and Sewer Rates Committee's meeting will be on Tuesday, November 14 at 9:30 a.m. Finance and Budget Committee's meeting will be held on Tuesday, November 14, 2017, at 11:00 a.m. Mr. Giancola wanted to know when the Strategic Planning Committee's next meeting is scheduled. Chairman Wells stated that it was not yet scheduled but that everyone will be notified as soon as possible after the required work is completed.


Secretary to the Board of Directors