

WASHINGTON SUBURBAN SANITARY COMMISSION

MINUTES OF THE COMMISSION MEETING

**Wednesday, October 19, 2016
Laurel, Maryland**

Chair Fausto R. Bayonet called the meeting to order at 10:08 a.m. in the Auditorium of the Washington Suburban Sanitary Commission (hereinafter "WSSC") Richard G. Hocevar ("RGH") Building, 14501 Sweitzer Lane, Laurel, Maryland, 20707, with due notice having been given to all members of the Commission and the public. In addition to Chair Bayonet, Commissioners Omar M. Boulware, Howard A. Denis, T. Eloise Foster and Thomasina V. Rogers, were present at the meeting, reflecting the presence of a quorum. Also in attendance were WSSC General Manager and Chief Executive Officer Carla A. Reid, Acting General Counsel Russel Beers and Corporate Secretary Sheila R. Finlayson, Esq., who recorded the minutes of the meeting. Other members of WSSC management were also called upon, during certain portions of the meeting, to provide information to the Commission.

Absent: Commissioner Chris Lawson.

PLEDGE OF ALLEGIANCE

Chair Bayonet opened the meeting by welcoming everyone and leading the pledge of allegiance.

AGENDA APPROVAL

Commissioner Foster moved to adopt the Commission's Public Meeting Agenda of October 19, 2016, as drafted, to which Commissioner Boulware seconded the motion. The motion carried with five affirmative votes; one absent.

APPROVAL OF MINUTES

Commissioner Denis then moved to approve the open session minutes of the September 21, 2016 Regular Commission Meeting, as drafted. Commissioner Boulware seconded the motion. The motion carried with five affirmative votes; one absent.

WSSC RETIREES

No Retirees for the month.

COMMUNICATIONS VIDEO

Communications and Community Relations Director Jim Neustadt presented the video for the month, "Pipes and Trees," which is an informational piece educating customers on how WSSC attempts to save trees when pipe replacement construction is necessary.

COMMISSIONER/PUBLIC COMMENTS

Commissioner Comments. Commissioner Rogers commended management on the Trees video, expressing that trees are one of [our] most treasured assets. Commissioner Denis paid tribute to Montgomery County Executive Isiah Leggett, who recently announced that he will not run for another term, for his many years of outstanding public service, noting that he was the first African-American to be elected to the Montgomery County Council and the first African-American to be elected as County Executive for Montgomery County. Commissioner Denis has had the privilege of working with Mr. Leggett as a councilmember and now as a commissioner and hopes that Mr. Leggett's years of public service are not coming to a complete end.

Public Comments. A member from the public was present to address the Commission. Mr. Michael Friedman and his wife, Barbara Friedman, from Montgomery County, Maryland, shared a complaint concerning WSSC's claims process and denial of their respective property damage claim. Mr. Friedman experienced a sewer backup in his basement in 2012, which caused damage to his home and belongings. Mr. Friedman averred that, although he had filed a claim with WSSC, it had been dismissed wrongfully as not timely filed. Mr. Friedman and his wife are appealing to WSSC for a fair assessment of this matter as he does not believe he was treated fairly or respectfully. Chair Bayonet assured Mr. Friedman that delivering exceptional customer service is a top priority and that the Commission would follow up with the General Counsel's office and get back to him.

GENERAL MANAGER'S REPORT

General Manager ("GM") Carla Reid was recognized to provide her monthly report. The GM's full report can be found in the corresponding segment of the archived meeting video and the written "General Manager's Report" provided in the meeting materials, and both are referred to for that purpose. However, highlights are as follows:

The Potomac Water Filtration Underdrain Replacement Project is continuing. WSSC experienced another filter underdrain failure last month (mid-September); with 11 of the 32 filter units currently out of service. This has limited the plant's water production to about 135-140 million gallons of water per day. Even with the setbacks, WSSC is making progress and expects to have two new filters installed by the end of October; three additional new filters by Thanksgiving; and another three by the end of the year, bringing the total of new underdrain filters to eight. Additionally, WSSC's contractor is making spot repairs to one of the out-of-service filters and management anticipates it will be back in service before the end of October.

Water production during the month of September was down, as compared to the same time in 2015. However, water demand is seasonal and the current low demand is helping with the plant underdrain replacement project.

There were no permit violations for drinking water quality or wastewater effluent for the month.

WSSC is ahead of schedule in water main replacements / reconstruction. For Fiscal Year (FY) 2017, more than 17.5 miles of water mains have been completed; goal for year is 61 miles. With regard to sewer replacement; WSSC has completed 7.5 miles with goal of 47 miles for the year.

Revenue and operating budgets were lower than expected for the year with revenue at \$668 million and net operating fund expenses at \$637 million.

A briefing on the Customer Relations Team and customer service strategic goals will be provided by Customer Relations Team Chief Crystal Knight-Lee, later in the meeting. National Customer Service week was held at the beginning of October with employees engaging in team-building exercises with "service champions" theme.

The following organizational changes have been instituted:

- Industrial Assets Management Group (under Production Team) has merged with the Property Management Group (formerly under Logistics Team) to create new Facilities Maintenance

Group. This group will be responsible for the maintenance of all WSSC facilities and will fall under the Production Team.

- The Logistics Team has been renamed and transformed into the General Services Office with responsibility for Emergency Management, Fleet Services, General Support Services, Materials Management, Police and Security Services and the newly added areas of Real Estate, Records Management and Sustainability Services. Laura (Swisher) Ruprecht, formerly an Associate in the General Counsel's Office, has been selected as the new Director of General Services. David McDonough has been named the new Group Leader for Emergency Management and Homeland Security.

Employees throughout WSSC will be appointed to various focus groups to provide input on the organizational changes and other proposals.

SLMBE Office participated in twelve events last month to increase supplier and vendor participation in WSSC contracting opportunities, including the Montgomery County Executive Hispanic Gala in Silver Spring (held at Fillmore) where Chairman Bayonet and Human Resources Director Todd Allen awarded two engineering scholarships.

WSSC staff organized an excellent Hispanic Heritage Month kickoff celebration earlier this month, which Commissioner Rogers attended. The GM and Commissioners also attended the Prince George's County Chamber of Commerce Business Awards Gala. WSSC staff participated in the newly organized Prince George's County Snow Summits.

WSSC is presently at \$45,000 in its United Way Campaign fundraising efforts with goal of \$70,000. As an alternative to giving to an organization through United Way, employees may contribute to WSSC's Water Fund which provides WSSC customers-in-need with financial assistance in paying their water bills.

Commissioner Denis thanked the GM for her elucidation of the Potomac Water Filtration Plant Underdrain Project, suggesting that the matter be brought up before the Montgomery County Council next week during the spending affordability discussion, and stressing the importance of informing the Council and public on how

expensive these infrastructure repair projects can be. WSSC has requested a 6.0% increase under the Spending Affordability Guidelines, while the Transportation and Environment Committee of the Montgomery County Council had recommended only 3.5%.

Following discussion, the General Manager's Report was received as information.

INTERNAL AUDIT REPORT

Monthly Activity Report. Internal Audit Director Maxene Bardwell reported on the monthly activities of the Internal Audit Office (IAO) for the period of September 5, 2016 to October 7, 2016.

FY 2017 Audit Projects: None of the audits have commenced with the exception of the Basic Ordering Agreement (BOA) Audit which is in the field work stage.

FY 2016 Carryover Audit Projects: All in the field-work stages.

FY 2015 Carryover Projects: Final Audit Report has been issued for Regulatory Services Group Audit with Construction Contracts Change Orders Audit under IAO management review.

System Development Charges: No SDC Reports issued; 16 SDC audit requests in process with 13 active and 3 inactive.

Internal Audit Follow-up: Two management action items closed as of October 11, 2016. Thorough review underway for 2 implemented pending Internal Audit verification action items with one management plan of action 103-days delinquent (General Services).

Hotline. Status of cases to be reported during afternoon Audit Committee Meeting.

Ethics Office. The Board of Ethics held its regularly-scheduled meeting on September 8, 2016; several open and closed items were reviewed. New hire orientation/code of ethics training was provided to 10 new employees on September 26, 2016. Ethics Officer in process of reviewing ethics training module with substantial changes to be incorporated for WSSC Annual Ethics Training for this year.

External Auditors. BCA Watson Rice LLP to present findings from Commission's financial statements audit at November 16, 2016 Commission meeting.

The report of the Internal Audit Office was received as information.

OTHER REPORTS

Finance

Resolution 2017-2140 - Appointment of Members to WSSC Employees' Retirement Plan Board of Trustees. Two current members' terms have expired during the September / October timeframe and management is recommending their reappointment. Ms. Sylvia Olivetti is eligible for reappointment as a Public Member to the Board of Trustees for a three-year term expiring September 18, 2019. Mr. Maz Mansoor is eligible for reappointment as an Employee Member to the Board of Trustees for a three-year term expiring October 20, 2020.

Whereby, a motion was duly made by Commissioner Foster and properly seconded by Commissioner Boulware, to adopt Resolution 2017-2140 reappointing Sylvia Olivetti as a public member and Maz Mansoor as an employee member, to the WSSC Employees' Retirement Plan Board of Trustees, for terms as specified in the aforementioned Resolution, as recommended by management.

The motion carried with five affirmative votes; one absent.

Customer Relations

HomeServe USA Status Report and Update. In response to Commissioner feedback from the briefing provided at last month's meeting; Customer Relations Team Chief Crystal Knight-Lee has provided a follow-up written report in the advance meeting materials responding to the several inquiries raised. Ms. Knight-Lee referred to that report (incorporated herein by reference) and asked if Commissioners had further questions, to which none were raised. Several Commissioners commended Ms. Knight-Lee on the thoroughly-prepared and detailed written response to Commissioner questions and concerns. Specific details can be found in the written report and corresponding segment of the archived meeting video.

The Commission received the follow-up report on the HomeServe USA partnership and contract, as information.

Customer Service Strategy. Ms. Knight-Lee next briefed Commissioners on the Customer Relations Team Strategy for improving customer service and overall performance. Ms. Knight-Lee introduced the new Customer Relations Innovation Officer JoAnn Butler, who has been brought in to review and transform the way WSSC provides customer service. Ms. Knight-Lee reported from a power point presentation, incorporated herein by reference. In summary, Ms. Knight Lee walked Commissioners through the current state of the department with a focus on people, process and technology; outlining the strengths, challenges, opportunities and threats existing in these areas, along with the strategies and transformation procedures being instituted to obtain desired results. Further details can be found in the corresponding segment of the archived meeting video and written power point presentation, and both are referred to for that purpose.

Commissioner Rogers applauded the emphasis on process, stating that it will determine the outcome. Commissioner Rogers also indicated that she plans to check in with management each month on efforts made that resonate with customers. Commissioner Boulware asked that Ms. Knight-Lee report on the costs of the envisioned changes to better understand how the dollars will be spent and where the investment is going. Commissioner Denis reminded all that, when Customer Service is working well, the counties are encouraged to give WSSC the necessary funding, suggesting that Ms. Knight-Lee attend next week's Montgomery County Council meeting to share this information.

Following discussion, the Customer Service Strategy report was received as information.

Engineering and Construction

Resolution 2017-2143 - Authorization for GM/CEO to Enter Into WMATA Sewer Installation Funding Agreement. Chief Engineer Gary Gumm, along with Development Services Group Leader Ray Chicca, provided the briefing on a sewer installation funding agreement between WSSC and the Washington Metropolitan Area Transit Authority ("WMATA") for WSSC to design and build a sewer main for WMATA at WMATA's expense. WMATA purchased property in Prince

George's County (Broad Creek Sewer Basin) to build a new bus garage facility. Certain upgrades to the Broad Creek WWPS are prerequisites to any new proposed development due to the current sanitary sewer overflow issues in the Broad Creek Basin with timing for completion of the upgrades years away. To allow the bus facility construction to proceed in light of the existing sewer overflow issues, WMATA has proposed diverting existing sewer flow out of the Broad Creek Basin and into the Western Branch Basin. Under these circumstances, WMATA's regulations will only permit WMATA to pay WSSC to design and construct the sewer relocation for WMATA. WSSC's General Counsel's Office has worked with WMATA to prepare the funding agreement and management is seeking the Commission's authorization for the GM to execute the agreement. Further details can be found in the presentation materials, draft agreement, resolution and corresponding segment of the archived meeting video; all are referred to for that purpose.

Whereby, a motion was made by Commissioner Boulware and seconded by Commissioner Denis to adopt Resolution 2017-2143, authorizing the WSSC General Manager/CEO, on behalf of the Commission, to enter into a sewer installation funding agreement with the Washington Metropolitan Area Transit Authority (WMATA), for purposes and terms as specified in the aforementioned Resolution and proposed agreement provided to the Commission on this date.

The motion carried by a vote of five-to-zero, with one absent (Commissioner Lawson).

SLMBE OFFICE

Resolution 2017-2142- Proposed MBE Total Contract Expenditure Aspirational Goals for Contracting Areas. Small, Local and Minority Business Enterprise ("SLMBE") Office Director Towanda Livingston presented a follow-up report of last month's presentation relating to the Minority Business Enterprise ("MBE") Program proposed aspirational goals for WSSC's four broad contracting areas. Such aspirational goals will serve as benchmarks for MBE contract payments/expenditures for each of the contracting areas as follows:

- Architecture & Engineering - Twenty-four percent (24%)
- Construction - Thirteen percent (13%)
- Goods & General Services - Thirty-three percent (33%)
- Professional Services - Twenty-three percent (23%)

Following discussion, a motion was made by Commissioner Boulware and seconded by Commissioner Rogers, to approve Resolution 2017-2142, adopting certain aspirational total contract expenditure goals, as specified in the aforementioned Resolution, for WSSC's four broad contracting areas in connection with WSSC's Minority Business Enterprise (MBE) Program, to be effective November 28, 2016.

The motion carried by a vote of five-to-zero with one absent (Commissioner Lawson).

FY 2016 SLMBE Legislative Report. Ms. Livingston then provided an overview of the FY 2016 SLMBE Performance Results Report (formerly "Legislative Report") created in accordance with the Maryland Annotated Code, Public Utilities Article, Section 20-207. Such draft report is still in preparation and will be distributed to the Commission for review prior to finalization and distribution to Maryland legislators on October 31, 2016.

In summary, the SLMBE Office is dedicated to creating an inclusive purchasing environment while building sustainable relationships, expanding opportunities and cultivating the growth of small, local and minority businesses which add value to the Commission and to the local community. The Performance Results Report highlights the SLMBE program accomplishments in promoting inclusion of diverse suppliers in WSSC contracting opportunities.

Ms. Livingston noted that although total contract payments to Minority and Women Business Enterprise ("M/WBE") firms declined from \$134.4 million (25%) in FY 2015 to \$114.8 million (20%) in FY 2016, this was almost exclusively due to construction contracts (which are 60% of total contracts) impacting the aggregate results, which prompted the need for the Aspirational Goals that the Commission just approved.

In FY 2016, WSSC awarded approximately \$151 million in total contracts to Minority and Women Business Enterprises (M/WBEs) which is 27% of total contract awards with 30% of the M/WBE payments to firms in Prince George's County and Montgomery County. Of the \$151 million in total contract awards, \$105 million went to primes and \$46.3 million to subcontractors. Spending with Small,

Local Business Enterprises (SLBEs) totaled \$44.7 million, with \$31 million paid to SLBE firms.

The Commission received the briefing on the SLMBE Performance Results Report for FY 2016 as information.

CONSENT CALENDAR

Contracts for Approval

The Chair asked if there were any contracts that Commissioners would like removed prior to consideration of the Consent Calendar Resolution, to which Commissioner Denis requested that Contract 7056, Double Meter Setters be removed and considered separately due to a letter to Commissioners that had been received at the meeting from an unsuccessful bidder of that contract. The Chair then called for a vote on the remaining items on the Consent Calendar.

Whereby, a motion was made by Commissioner Boulware and seconded by Commissioner Denis, to adopt Resolution 2017-2141, as amended, approving the remaining seven contracts included on the Consent Calendar for the October 19, 2016 Commission Meeting, as follows:

A. Engineering and Construction

Architect/Engineer Contracts

1. CD4260A05-B05, Seneca WWTP ENR Expansion Design Services During Construction, Change Order No. 3 to Amendment No. 1, to Atkins North America, Inc. Change Order No. 3 adds \$174,318.00 for a new total contract amount to Atkins of \$6,364,163.00. Contract No. CD4260A05 is a multi-award contract; this change order only impacts the Atkins contract.
2. PM0009A16, Sewer Planning Basic Ordering Agreement (BOA), to CDM Smith, Inc., in an amount not to exceed \$8,000,000.00, for a base term of four (4) years, with a one (1), year option term, in the amount of \$2,000,000.00.

Construction Contracts

1. MV5237E11, Old Baltimore & Prince George's Pressure Reducing Valve Replacement, to Ross Contracting, Inc., in the amount of \$3,534,300.00, with a substantial completion time of 269 calendar days.
2. BT5529A13, Seat Pleasant Transmission Water Main Replacement, Change Order No. 3, to Taylor Utilities, Inc., in the

amount of \$92,325.95, with 66 non-compensable calendar days, and a new contract value of \$2,464,893.95.

Goods and Services / Professional Services

1. Contract IC2016A16, Consultant Inspection Services, to Development Facilitators, Inc., for a base term of two (2) years and an amount not to exceed \$12,000,000.00, with two (2) additional two (2) year option terms, in an amount not to exceed \$12,000,000.00 each.
2. Contract 1050, Inspectors and Project Managers, Change Order No. 3, to Jackson & Tull Chartered Engineers, in the amount of \$95,000.00 and a new contract value of \$547,709.63.

B. Logistics

1. Contract 7056, Double Meter Setters (Removed and considered separately).

C. GM/CEO

1. PM0011.12.20A16, Business Case Planning BOA, to Black & Veatch Corporation; Whitman, Requardt and Associates, LLP; and CDM Smith, Inc. Each consultant shall be awarded a contract in an amount not to exceed \$3,000,000.00 with a base term of three (3) years and a three (3) year option term. Total contract value for all three contracts is \$9,000,000.00.

The motion carried by a vote of five-to-zero with one absent (Commissioner Lawson).

Contract 7056, Double Meter Setters. Following discussion, a motion was made by Commissioner Boulware and seconded by Commissioner Foster, to approve Contract 7056, Double Meter Setters, to Daytner Corporation, in an amount not to exceed \$3,000,000.00 for the period starting November 1, 2016 through October 30, 2019. The contract to be used by the Anacostia Warehouse in Hyattsville, MD with base term of three (3) years with one (1) one-year option term.

Motion carried with five affirmative votes, one absent.

COMMISSION OFFICE

Corporate Secretary Report. Corporate Secretary Sheila Finlayson provided an overview of her activities for the month as set forth

in her report provided in the advance board materials; no questions were raised by Commissioners.

The Commission received the Corporate Secretary's report as information.

WSSC Retirement Plan Board of Trustees. Commissioner Foster reported on the recent meeting of the Board of Trustees held on September 28, 2016. As of August 31, 2016, the Plan's assets were \$748.5 million which represents an investment gain of \$48.3 million or an increase of 7.2% since December 31, 2015.

The Commission received the report of the Retirement Plan Board of Trustees, as delivered by Trustee Foster, as information.

Personnel and Governance Committee. Chair Bayonet reported that the Committee is in the process of performing evaluations for two of its direct reports.

The Commission received the report of the Personnel and Governance Committee, as information.

Legislation Committee. Nothing to report.

Audit. Chair Bayonet indicated that quarterly meeting will be held during the afternoon open session in the Commissioners' Large Conference Room.

The Chair then announced that the Morning Open Session business has concluded and called for a motion to go into Closed. The Commission will go back into Open following Closed to conduct the Spending Affordability Briefing and Audit Committee meeting.

After noting his approval of the written closing statement, the Chair called for a vote.

CLOSED SESSION

Whereby at 12:57 p.m., Commissioner Denis moved that the Commission go into Closed Session pursuant to Maryland Code Annotated, General Provisions Article: Section 3-305(b)(13) to approve the September 21, 2016 Closed Session Minutes; Section 3-305(b)(7) and Section 3-305(b)(8) to consult with counsel to obtain legal advice and discuss pending or potential litigation

for attorney/client privileged legal matters; and Section 3-305(b)(1) to discuss personnel matters relating to Commission Office direct reports.

Commissioner Boulware seconded the motion. The motion carried with five affirmative votes, one absent (Commissioner Lawson).

The Chair declared the meeting was Closed at 12:57 p.m.

The Chair then called for a lunch recess.

Following lunch, the meeting reconvened in Closed in the Commissioners' Large Conference Room at 2:08 p.m.

ATTENDEES: Chair Fausto Bayonet; Commissioners Omar Boulware, Howard Denis, Eloise Foster and Thomasina Rogers. Absent: Commissioner Chris Lawson. Staff present: General Manager Carla Reid, Corporate Secretary Sheila Finlayson, Acting General Counsel Russel Beers, Deputy General Manager for Operations Joe Mantua, Deputy General Manager for Strategic Partnerships Monica Johnson, Deputy General Manager for Administration Thomas Street, Chief Engineer Gary Gumm, Outside Counsel Robert Carney and Outside Counsel Todd Horn.

Closed Session Minutes - The Corporate Secretary advised that the closed session minutes of September 21, 2016 were still in preparation and would be presented for adoption next month.

Legal Matters - Commissioners were briefed by WSSC Counsel and management on confidential legal matters affecting the Commission, which included attorney/client privileged legal and pending litigation matters.

Commissioner Rogers was excused for a portion of the legal report (at 3:05 p.m.) due to a potential conflict of interest that she disclosed to Commissioners relating to the firm of Venable LLP at which her husband is employed.

The Commission granted WSSC Counsel the authority to pursue further legal options with regard to a pending litigation matter before the Commission (Mover - Commissioner Foster; Seconded - Commissioner Denis; Motion carried by a vote of 4-0 with two

absent - Commissioner Lawson and Commissioner Rogers were absent from the vote).

Messrs. Carney and Gumm departed at 3:04 p.m. Mr. Horn was excused at 3:32 p.m.

Commissioner Rogers rejoined the meeting at 3:34 p.m.

The Commission did not discuss any personnel matters.

At 3:35 p.m., the Chair called for a motion to end closed, whereby a motion was made by Commissioner Boulware and seconded by Commissioner Denis to end the Closed Session. The motion carried with five affirmative votes; one absent.

OPEN SESSION

At 3:35 p.m., the Commission reconvened in open session.

Spending Affordability Briefing. Chief Financial Officer (CFO) Joseph Beach reported on WSSC's Spending Affordability Guidelines ("SAG") and Process for FY 2018. Mr. Beach walked through a power point presentation provided in the advance materials and incorporated herein by reference. Specific details can be found in the handout. In summary, the SAG was established in 1994 by Resolution of both Councils and is based on a multi-year planning model to stabilize annual rate increases and limit rate supported debt to less than 40% of the operating budget. The goal is to establish mutually acceptable limits by November 1 of each year for maximum average rate increase, debt service, new debt and total water and sewer operating expenses. Final Council approved budget/rates can be above or below November limits.

The Commission received the SAG Report, as delivered by the CFO, as information.

Audit Committee Meeting. At 4:40 p.m., the Commission convened as the Audit Committee to conduct the quarterly meeting of the Committee. The Audit Committee meeting concluded at 5:27 p.m. Minutes of this proceeding are recorded separately and can be found in the Audit Committee Minutes, incorporated herein by reference.

ADJOURNMENT

There being no additional business, the Chair called for a motion to adjourn, to which Commissioner Rogers moved to adjourn the meeting. Commissioner Denis seconded the motion. The motion carried with five affirmative votes.

At 5:27 p.m., the meeting was declared adjourned.

Respectfully submitted,

//signed//

Sheila R. Finlayson, Esq.
Corporate Secretary