

WASHINGTON SUBURBAN SANITARY COMMISSION

MINUTES OF THE COMMISSION MEETING

**Wednesday, January 15, 2014
Laurel, Maryland**

Chair Gene W. Counihan called the meeting to order at 8:53 a.m., in the Auditorium of the Washington Suburban Sanitary Commission (hereinafter "WSSC") Richard G. Hocevar 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 Counihan, Commissioners Chris Lawson (Vice Chair), Omar M. Boulware, Adrienne A. Mandel, Roscoe M. Moore, Jr., and Mary Hopkins Navies, were present at the meeting. Also in attendance were WSSC General Manager and Chief Executive Officer Jerry N. Johnson, General Counsel Jerome K. Blask, 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.

PLEDGE OF ALLEGIANCE

Chair Counihan opened the meeting by asking Commissioner Mandel to lead the pledge of allegiance.

AGENDA APPROVAL

Commissioner Mandel moved to adopt the Commission's January 15, 2014 Public Meeting Agenda, as drafted, to which Commissioner Boulware seconded the motion. The motion carried unanimously with six affirmative votes.

APPROVAL OF MINUTES

Commissioner Navies moved to approve the open session minutes of the December 18, 2013 Commission Meeting, as drafted.

Commissioner Moore seconded the motion. The motion carried unanimously with six votes in the affirmative.

WSSC RETIREES

Richard Baker, Executive Director of the WSSC Employees' Retirement Plan, recognized the following WSSC Retirees for the

month of January 2014: William R. Camp, Technician, Fleet Services Group/Anacostia, retired with 30 years and 3 months of service; and, Richard P. Giguere, IT Administrator, Network Support Group, retired with 8 years and 9 months of service.

COMMUNICATIONS VIDEO

Communications and Community Relations Director Jim Neustadt presented a video on 84 WSSC employees who will be recognized for their service on January 29, 2014. Mr. Neustadt pointed out that one of the honorees has been with WSSC for forty years. The Chair and Commissioners thanked those employees that were present at the meeting.

PUBLIC COMMENTS

There were no comments from the public.

COMMISSIONER COMMENTS

Commissioner Mandel took a moment, on behalf of all Commissioners, to wish all employees a healthy and happy new year and to thank employees for their excellent work in ensuring that clean water is continuously provided to our 1.8 million customers in both counties, especially in light of the frigid temperatures and uptick in water main breaks as a result.

Dr. Moore recognized the birthday and upcoming holiday on Monday, January 20th, honoring Dr. Martin Luther King, Jr., sharing that he marched with Dr. King in Montgomery, Alabama and that his mother-in-law taught Coretta Scott King at the Lincoln School in Marion, Alabama in 1938.

GENERAL MANAGER'S REPORT

General Manager and Chief Executive Officer Jerry Johnson began his report by noting all plants and facilities continue to be well within permit parameters for the month. With respect to the budget, revenues and expenses at the end of November were about \$17 million less than projected; management is monitoring this closely but is not concerned at this time. Delinquencies up in December by \$1.3 million - mainly residential; increase attributable to no service cut-offs over the holidays. Management expects revenue to pick up in January with resumption of service

disconnections. Asset management program is progressing extremely well; pleased with changes so far with in-house production as opposed to use of outside consultants.

Water main reconstruction continues to slightly exceed goals; sewer repair and replacement continues to lag - permitting issues have delayed moving forward despite recently signed MOU; slightly more sewer laterals than planned.

WSSC hosted its 4th Annual Engineering Academy on December 27, 2013 at the Anacostia Depot; 22 students from numerous schools in both counties participated; goal is to inspire students to consider careers in water and wastewater/sewer industry.

WSSC employees remain generous in helping the community; donated approximately 3800 cans of food during the holidays - split between two charities in Gaithersburg and Fort Washington, Maryland.

WSSC will conduct a public hearing on January 29th at 3pm (main headquarters) on cross connection fee increases for FY 2015. WSSC will also host its Annual Legislative Breakfast in Annapolis, Maryland, on January 23, 2014.

The General Manager saluted employees in the field and call center for their dedication and tremendous efforts in ensuring continuing water flow to the WSSC service areas during the extremely cold temperatures and onset of increased water main breaks; 310 in January (thus far) and 281 in December.

Agency Project Coordination (APC) - "Changing the Way We Do Business." The General Manager recognized Chief Information Officer Mujib Lodhi and Infrastructure Systems Group Leader Marcia Tucker to report on a new project that WSSC has undertaken, namely, Agency Project Coordination (APC), whereby WSSC is working with other utilities in the jurisdiction and region to develop a tool (GIS-based application) that will track and facilitate coordination of projects with other public agencies and private utilities that share the limited public right-of-ways. Specific details of the presentation can be found in the corresponding segment of the archived meeting video and is referred to for that purpose.

Following discussion, the General Manager and Chief Executive Officer's Report, was received as information.

INTERNAL AUDIT REPORT

Monthly Activity Report. Internal Audit Manager Maxene Bardwell reported on the monthly activities of the Internal Audit Office (IAO) for the period of December 9, 2013 through January 3, 2014. Fiscal year-to-date savings for the System Development Charge (SDC) Audits total approximately \$471,101. No SDC audit reports were issued during the reporting period. For Fiscal Year 2014 Risk-Based Audits, IAO has commenced preliminary work on the Customer Relations Group Operational Audit and entrance conferences are in the process of being scheduled for the Blue Plains Audit and Construction Contracts Change Orders Special Audit. With respect to Fiscal Year 2013 Carryover Audit projects, a final internal audit report was issued for the Laboratory Services Group Regulatory Compliance Audit and the exit conference has been rescheduled for the Industrial Asset Management Group Inventory Audit. The General Manager has requested additional time to review the draft report for the Consent Decree Compliance Audit, which is a carryover audit from Fiscal Year 2012. Under internal audit follow-up activities, one management action item in Human Resources has been closed since the IAO last status report of December 6, 2013. The implementation of management action plans for 24 issues is delinquent with three over 120 days delinquent and one over 90 days delinquent. One of the 120 day delinquencies has been implemented pending IAO review and verification (sick leave bank policy).

Hotline. The next quarterly report will be presented at the March Commission Meeting.

Board of Ethics. The Board held its regularly-scheduled meeting on December 12, 2013; several open and closed items were reviewed.

Code of Ethics Training. The Ethics Officer provided training to 14 new hires on December 9, 2013.

Five-Year Value Added Analysis Report - the IAO provided a historical review of its operations which included an analysis of

the value the office has added to the Commission over the past five years. The Internal Audit Manager walked through a power point presentation circulated to Commissioners and incorporated herein by reference. Details of the presentation can be found in the corresponding segment of the archived meeting video and is referred to for that purpose.

After discussion, the report of the Internal Audit Office was received as information.

Amendment of Meeting Agenda - Commissioner Mandel moved that the Commission amend its Agenda for today's meeting to include a discussion under Closed of an internal audit matter. Commissioner Lawson seconded the motion. The motion carried unanimously by a vote of six-to-zero.

DEPARTMENT BRIEFINGS

GENERAL COUNSEL'S OFFICE

Resolution 2014-2031 - Authority to Condemn Rights of Entry for Consent Decree Work (SR3). General Counsel Jerome Blask (along with Associate Counsel Claudia Koenig and Associate Project Manager Michelina Oms of the Infrastructure Systems Group) provided an overview of the Resolution that is being presented to the Commission for adoption. In summary, the Resolution would authorize the General Counsel to file in the Prince George's County Circuit Court a petition for condemnation and declaration of taking that would allow WSSC to gain access to property controlled and owned by the Town Center at Camp Springs Homeowners Association (HOA) in order to undertake sewer repair, replacement and rehabilitation work mandated by the Consent Decree (specifically sewer relining and manhole repair work). WSSC's efforts to date have been futile in obtaining permission from the HOA to enter onto the property in order to conduct the required work. Access through the Town Center is the most favorable and least environmentally destructive path. The proposed access path would necessitate a temporary or permanent easement of 2.01 acres and the appraised value of the land has been assessed at \$58,000 for a permanent easement and \$24,900 for a temporary easement.

There was general consensus by Commissioners to special order further discussion and action on this item until later in the

meeting (with some discussion to take place in Closed to consult further with counsel).

FINANCE

Approval to Transmit Bond Refunding Plan to Counties.

Disbursements Group Leader J.D. Noell presented a proposed refunding plan, prepared by the agency's outside public advisory consultants, for approval and transmittal to the County governments of Prince George's and Montgomery County in accordance with the Washington Suburban Sanitary District Code.

Every year, the financial advisors review WSSC's debt portfolio for potential refunding opportunities. The consultants prepared a Refunding Plan and Analysis that identifies three bond issues that would result in debt service savings of approximately \$3.8 million or a net present value percent savings of 6.9%. Management is recommending approval. [The Refunding Plan is included for consideration under the Meeting's Consent Calendar].

CONSENT CALENDAR

Following discussion, on motion made by Commissioner Mandel and seconded by Commissioner Lawson, the Commission voted to adopt Resolution 2014-2032, approving the Proposed Bond Refunding Plan on this Meeting's Consent Calendar and its transmittal to the Prince George's County and Montgomery County governments, as recommended by management. The motion carried by a vote of five-to-zero (Commissioner Boulware temporarily left the room and thus, was absent from the vote).

ADDITIONAL BRIEFINGS

CONSENT DECREE UPDATE

Chief Engineer Gary Gumm provided Commissioners with a quarterly update on the status of projects being undertaken to comply with the Consent Decree. Mr. Gumm circulated copies of the presentation he reported from, which is incorporated herein by reference. Detailed information can be found in the presentation handout and the corresponding segment of the archived meeting video.

In summary, Mr. Gumm reported on schedule status, work ongoing, work completed, projected/actual costs to date and areas of concern. Cumulative projected costs over \$900 million with total program costs estimated at \$1.37 billion. Areas of concern continue to center around External Resources; National Park Service; Rights of Entry; Maryland Department of Natural Resources (DNR) Mitigation, Stream Design and Joint Permits; and, Consent Decree Modification.

The Commission received the quarterly report on the Consent Decree, as information.

2014 Legislative Agenda Update. Acting Intergovernmental Relations Director Eugene Williams provided an update on the 2014 Maryland Legislative Session currently underway (began January 8, 2014) and the WSSC-sponsored bills, non-sponsored bills and other bills of interest affecting the Commission. Mr. Williams reported from a handout that his office provided to Commissioners, which is incorporated by reference.

WSSC Commission Sponsored Legislative Proposals (as of today's date) are as follows:

PG/MC 102-14 - WSSC Commission - Commission Infractions - Watershed Regulations;

PG/MC 103-14 - WSSC Commission - Customer Affordability Program; and,

PG/MC 106-14 - WSSC Commission - System Development Charge - Definitions.

WSSC Non-Commission Sponsored Legislative Proposals:

PG/MC 101-14 - WSSC Commission - Budget Approval, Rates and Front Foot Benefit Charges (Sponsored by Delegate Marvin Holmes); and,

PG/MC 108-14 - WSSC Commission - System Development Charge - Upgrade of Facilities (Sponsored by Delegate James Gilchrist),

Other Proposed Legislation of Interest:

PG-413-14 - Prince George's County - Deferred Water and Sewer Charges Homeowner Disclosure Act of 2014 (Sponsored by Senator Douglas Peters).

The Acting Intergovernmental Relations Director also shared confirmations received to date for the Annual Legislative Breakfast being hosted by WSSC in Annapolis on January 23, 2014 (8:00 a.m., Room 170, Lowe House Office Building).

The Commission received the 2014 Legislative Agenda Update, as presented by the Acting Intergovernmental Relations Director, as information.

COMMISSION OFFICE

Corporate Secretary Report. Corporate Secretary Sheila Finlayson provided an overview of her activities for the month, which included, among other things, an overview of her experience serving as the corporate representative for WSSC in a litigation matter in the Prince George's County Circuit Court that began on November 12, 2013 and continued through December 16, 2013.

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

WSSC Employees' Retirement Plan Board of Trustees. Commissioner Moore reported that no meeting was held in January 2014 and that the next meeting of the Board of Trustees will be held on February 26, 2014.

The Commission received the report of the WSSC Employees' Retirement Plan Board Sub-Committee, as information.

Personnel, Governance & Legislation. Commissioner Mandel provided an update of the activities of the Committee, noting that the Committee wrapped up its annual performance evaluations for two of its direct reports last month and is currently working with the General Manager on his goals for FY 2014. The Committee will also be monitoring and following closely the legislative activities of the Commission over the next three months.

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

Bi-County Infrastructure Funding Working Group. Chair Counihan reported on the recent meeting of the full working group held on January 13, 2014, whereby the working group received a briefing from the Commission's utility rate consultant on the recently completed rate study and the viability of a separate system reconstruction fee to recover revenues needed to fund system reconstruction. The consultants made recommendations to the working group which the group is taking under consideration. The concepts centered on the following: 1) the implementation of a new separate reconstruction fee; 2) updating the existing Account Maintenance Fee (AMF); and, 3) increasing water and sewer rates, net of any additional revenues generated by the new proposed reconstruction fee or updated AMF. A presentation to the full Commission body is scheduled for February with briefings to the state legislators and County governments to follow. Public hearings would take place during the May/June timeframe and any proposed action on the new rates/fees would be considered by Commissioners at the July Commission meeting. Pending approval, the new rates/fees would then become effective on July 1, 2015.

The Commission received the report of the Bi-County Infrastructure Funding Working Group, as information.

The Corporate Secretary advised the Chair that the Commission should entertain a motion to go into Closed while in Open Session, to which the Chair agreed. Following the vote, the Commission will recess for lunch and reconvene in Closed Session in the Commissioners' Conference Room following lunch. After the Closed Session has ended, the Commission will consider the items that were special ordered in Open Session.

CLOSED SESSION

Whereby at 12:19 p.m., Commissioner Lawson moved that the Commission go into Closed Session pursuant to Maryland Code Annotated, State Government Article: Section 10-508(a)(13) to approve the December 18, 2013 Closed Session Minutes and to discuss an internal audit matter; and, Section 10-508(a)(7) to consult with counsel to obtain legal advice on pending litigation and matters related to Consent Decree work. Commissioner Navies seconded the motion. The motion carried unanimously with six affirmative votes.

At 12:19 p.m., Chair Counihan declared the meeting was Closed. The Chair then called a lunch recess at 12:20 p.m. The meeting reconvened into Closed at 1:48 p.m.

ATTENDEES: Chair Gene Counihan; Vice Chair Chris Lawson; Commissioners Omar Boulware, Adrienne Mandel, Mary Hopkins Navies and Roscoe Moore, Jr. Staff present: General Manager Jerry Johnson, General Counsel Jerry Blask, Corporate Secretary Sheila Finlayson, Associate Counsel Claudia Koenig; Chief Engineer Gary Gumm (Ms. Koenig and Mr. Gumm joined meeting at 1:50 p.m. and were excused at 2:29 p.m.); Internal Audit Manager Maxene Bardwell and Chief of Staff Johnnie Hemphill (both Ms. Bardwell and Mr. Hemphill joined the meeting at 2:39 p.m. and were excused at 3:18 p.m.).

Closed Session Minutes - On motion made by Commissioner Lawson and properly seconded by Commissioner Moore, the Commission voted unanimously by a vote of six-to-zero, to approve the closed session minutes of its December 18, 2013 Commission Meeting, as drafted.

Legal Advice/Condemnation Matter/Consent Decree Work -

Commissioners continued discussions with legal counsel on the proposed condemnation action being recommended by counsel and management.

Internal Audit Matter - Commissioners met with internal audit staff and certain members of management to continue discussions relating to a confidential internal audit report.

At 3:18 p.m., Commissioner Mandel moved to end the Closed Session. Commissioner Lawson seconded the motion. The motion carried unanimously with six affirmative votes.

OPEN SESSION RESUMED

Resolution 2014-2031 - Authority to Condemn Rights of Entry for Consent Decree Work

On motion made by Commissioner Mandel and properly seconded by Commissioner Lawson, the Commission voted unanimously to adopt Resolution 2014-2031, granting authority to WSSC and its

respective agents to proceed with condemnation proceedings for rights of entry as specified in the aforementioned Resolution, in connection with Consent Decree sewer repair, replacement and rehabilitation work.

The motion carried by a vote of six-to-zero.

ADJOURNMENT

There being no additional business, the Chair called for a motion to adjourn, to which Commissioner Moore moved to adjourn the meeting. Commissioner Navies seconded the motion. The motion carried unanimously with six affirmative votes.

At 3:21 p.m., the meeting was declared adjourned.

Respectfully submitted,

//signed//

Sheila R. Finlayson, Esq.
Corporate Secretary