

WASHINGTON SUBURBAN SANITARY COMMISSION

MINUTES OF THE COMMISSION MEETING

**Wednesday, August 20, 2014
Laurel, Maryland**

Vice Chair Adrienne A. Mandel, serving as the Acting Chair, called the meeting to order at 8:50 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 Vice Chair Mandel, Commissioners Gene W. Counihan, Chris Lawson, Mary Hopkins Navies and Roscoe M. Moore, Jr., were present at the meeting, reflecting the presence of a quorum. Chair Omar M. Boulware was absent at the start of the meeting due to an unanticipated scheduling conflict but will be arriving later in the meeting; Mr. Boulware joined the meeting at 10:50 a.m. 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

Vice Chair Mandel opened the meeting by welcoming everyone and asking Commissioner Navies to lead the pledge of allegiance.

AGENDA APPROVAL

Due to the Chair's anticipated late arrival, there was general consensus to push back Finance Agenda Item 3 A.2., "Recommendation to Update and Revise Ready to Serve Charge for Developing Spending Affordability Guidelines," until later in the meeting.

Whereupon, a motion was made by Commissioner Counihan, and seconded by Commissioner Navies, to adopt the Commission's Public Meeting Agenda of August 20, 2014, as amended. The motion carried with five affirmative votes; one absent (Chair Boulware absent from the vote).

APPROVAL OF MINUTES

Commissioner Counihan then moved to approve the open session minutes of the July 16, 2014 and July 31, 2014 Commission Meetings, as drafted. Commissioner Lawson seconded the motion.

The motion carried with five votes in the affirmative with one absent (Chair Boulware absent from the vote).

WSSC RETIREES

Richard Baker, Executive Director of the WSSC Employees' Retirement Plan, recognized the following WSSC Retirees for the month of August 2014: Wilson Hoerichs, Plumbing Inspector, Regulatory Services Group, retired with 26 years and 10 months of service; Paul Coverstone, Senior Manager, Innovation and Advanced Analytics, Information Technology Team, retired with 8 years and 2 months of service; Barry Troxler, Utility Technician, III, Utility Services West Group, retired with 41 years and 7 months of service; Kathleen McGinnis (present at meeting), Unit Coordinator, Project Management, Project Delivery Group, retired with 32 years and 1 month of service; Shirley Thacker (present at meeting), Clerk III, Customer Relations Group, retired with 30 years and 6 months of service; and, Ian Rennie (present at meeting), Meter Reader II, Utility Enhancement Support Group, retired with 25 years and 10 months of service.

COMMUNICATIONS VIDEO

Communications and Community Relations Director Jim Neustadt presented a video on "Proposed Customer Billing Changes" that was recently shared with WSSC customers during two public meetings held in August to discuss WSSC's rate structure plan and proposed adjustments.

COMMISSIONER/PUBLIC COMMENTS

The Vice Chair provided an overview of the Maryland Association of Counties (MACO) Summer Conference that she and other Commissioners attended last week in Ocean City, Maryland, sharing Conference session highlights and her experience and thanking staff for the excellent information provided to the attendees via presentations and the WSSC exhibitor booth.

There were no comments from the public.

GENERAL MANAGER'S REPORT

The General Manager'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:

Management is continuing to struggle with the call center; answer rate down to 82% for the month versus 91% last year; nearly complete on new road map for future direction of operation and will be reporting to the Commission next month.

Delinquencies are up for the month of July for commercial accounts; residential accounts are down. No concern at this time.

WSSC is in compliance with all permits for water and wastewater.

Management held two meetings recently with environmental groups to discuss sanitary sewer overflows ("SSOs") notification, signage and sampling requirements; ongoing process as WSSC works with groups and communities that continue to experience issues with SSOs.

WSSC continues to work with MDE and the Potomac Riverkeepers regarding the Clean Water Act lawsuit filed; additional meetings are planned; expect to bring it to closure soon.

Water main replacements are slightly down for first month of fiscal year as are sewer laterals; expect to catch up in the next few months.

External auditors in process of completing annual audit; done year-end close-out; no areas of significance to report; look forward to their final report.

WSSC continues to work with local officials on the Piscataway Drive Slope failure and water main break event in Prince George's County. Also continue to receive publicity on the Laurel flooding matter; no water has been released by WSSC with regard to recent rain events; however, area still experienced significant flooding (GM circulated photos to Commissioners of various areas in Laurel that experienced flash flooding).

Management expressed appreciation to customers in Southern Prince George's County who endured the recent boil water alert as a result of the water main break in Brandywine. WSSC is still in

the process of repairing the pipe; repair work delayed due to weather and flash flooding.

WSSC held two public meetings in August in both Counties to discuss proposed rate structure plan and customer billing changes.

Lynhill Condominiums delinquency continues to be a challenge; HOA filed Chapter 11 bankruptcy on July 2nd and WSSC was required to remove significant charges (over \$230,000.00) from their delinquent bill. Bankruptcy Trustee has filed a motion to dismiss the bankruptcy which may allow WSSC to collect amount owed or disrupt service. PEPCO is owed over \$500,000.00 and Washington Gas is owed over \$400,000.

Several plants received Peak Performance awards from the National Association of Clean Water Agencies (NACWA).

New HR Director Laurence Todd Allen is on board; comes with a wealth of knowledge and HR experience; previously ran all HR functions for the Howard County government.

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 July 7, 2014 through August 1, 2014. The fiscal year-to-date System Development Charge (SDC) Audits resulted in a non-savings adjustment of \$120,000. One SDC Audit was completed during the reporting period. Out of the eight audit requests in process; five are active and three are inactive. For Fiscal Year 2014 Risk-Based Audits, IAO is conducting field work on the Customer Relations Group Operational Audit and the Blue Plains Audit. The Construction Contracts Change Orders Special Audit has been postponed until completion of the Blue Plains audit. The IAO has observed the physical inventory count at the Anacostia Depot and is preparing the report findings and recommendations. With respect to Fiscal Year 2013 Carryover Audit projects, second exit conference has been postponed until August for the Information Technology Inventory Audit.

Hotline. Report to be provided during quarterly audit committee meeting.

Board of Ethics. The Board held its regularly-scheduled meeting on July 10, 2014; several open and closed items were reviewed.

Code of Ethics Training. The Ethics Officer provided training to 20 summer interns on July 21, 2014.

External Auditors. The external auditors BCA Watson Rice, LLC, wrapping up their audit and will provide final report (GM provided update during his report).

Audit Committee Meeting. The first quarterly meeting of the newly-established Audit Committee will be conducted later in this meeting during open session.

The report of the Internal Audit Office, as presented by the Internal Audit Manager, was received as information.

DEPARTMENT BRIEFINGS

FINANCE

Public Hearing Dates for Fiscal Year 2016 Budget.

Following management's recommendation, Commissioner Counihan moved that the Commission set the public hearing dates for the Fiscal Year 2016 Proposed Budget, as follows:

Montgomery County

Wednesday, February 4, 2015, at 7:30 p.m.

Stella B. Werner Office Building

7th Floor Council Hearing Room

100 Maryland Avenue, Rockville Maryland

Prince George's County

Thursday, February 5, 2015, at 7:30 p.m.

RMS Building - Room 308

1400 McCormick Drive, Largo, Maryland

Backup Date

Wednesday, February 11, 2015, at 7:30 p.m.

RGH Building

Commissioner Navies seconded the motion. The motion carried with five affirmative votes (Commissioner Boulware absent from the vote).

Resolution 2015-2063 - Purchase of Brink Reservoir in Montgomery County. The Acting Chief Financial Officer provided an overview of the action being recommended. The Commission was briefed on this proposal last month during closed session. Specific details can be found in the written report contained in the board materials, incorporated herein by reference, and referred to for that purpose.

In summary, the Brink Reservoir is located at 21701 Ridge Road in Germantown. It is a reservoir with a 10 million gallon capacity, built in 1984. WSSC owns the land upon which the reservoir sits. WSSC leased the land to Brink Limited Partnership who built the reservoir using economic development bonds issued by Montgomery County. The Commission pays Brink for use of the reservoir for our distribution system through a service agreement. The Commission has an option at the end of the first 30 years of the agreement (which is now) to purchase the leasehold estate. Brink has proposed a purchase price of \$3.0 million. Under the terms of the lease, if WSSC exercised its option to purchase the leasehold estate, the purchase price is defined as the fair market value of the remaining years on the leasehold estate. Brink is also required to satisfy its debt to Montgomery County as one of the terms of the purchase. There is one payment of \$240,000 due to the County in December of this year. The Commission has been paying an average of \$390,000 annually to Brink over the past five years for the service agreement. The Brink Reservoir is a critical piece of infrastructure for WSSC's distribution system. There is currently a CIP project which would construct a pumping station on the Brink site. The purchase of the Brink Reservoir would facilitate the construction of this pumping station as the Commission would not have to negotiate with Brink for use of the land. The reservoir has been inspected by the manufacturer and minor issues were found which the manufacturer has agreed to fix. The reservoir has been maintained well and currently meets MDE standards. The purchase of the reservoir would be contingent upon the repair of the reservoir and the final debt payment owed by Brink. Management recommends that the Commission accept Brink's proposal. The Commission would use funds from the water capital improvement funds to make this purchase.

Whereupon, a motion was made by Commissioner Lawson, and seconded by Commissioner Moore, to adopt Resolution 2015-2063, authorizing the General Manager to exercise the option under the lease agreement to purchase the balance of the leasehold estate for the Brink Reservoir in Montgomery County, Maryland at the price of \$3.0 million. The motion carried by a vote of five-to-zero, one absent (Commissioner Boulware was absent from the vote).

ENGINEERING & CONSTRUCTION

Contracts for Approval

Chief Engineer Gary Gumm, along with Technical Services Group Leader Dave Burke, Project Delivery Group Leader Theon Grojean and Infrastructure Systems Group Leader Marcia Tucker, presented three architect/engineer contracts and one construction contract; Dennis Geary, Plant Engineering Supervisor and Clarence Beverhoudt, Laboratory Services Group Leader and Acting Chief of Plant Operations, presented two Production contracts and Acting Chief Information Officer Minchy Shaw, presented one IT contract, for Commission approval. [Such contracts were approved as part of the August Meeting Consent Calendar].

CONSENT CALENDAR

Vice Chair Mandel then called for a vote of the seven items listed on the Consent Calendar for the August Commission Meeting.

Whereupon, Commissioner Navies moved that the Commission adopt Resolution 2015-2062, as amended, approving the seven contracts included on the Consent Calendar for the August 20, 2014 Commission Meeting, as follows:

- A. Engineering and Construction (Architect/Engineer Contracts)
 1. PM0013A13 and PM0014A13, Pre-Stressed Concrete Cylinder Pipe (PCCP) Design Services Basic Ordering Agreement, to Simpson, Gumpertz & Heger, Inc. and to Analytical Engineering, Inc., in an amount not to exceed \$1,000,000.00 for each contract with a base term of two years. Each contract will also contain two option terms, each with two years duration, for a total upset limit of \$2,000,000.00.
 2. BF1582H91, Amendment No. 1, Design Services During Construction for Patuxent Water Filtration Plant Phase II

Expansion and UV Disinfection Facilities, to AECOM Technical Services, in the amount of \$4,143,110.21.

3. PM0015A08, Staff Augmentation Basic Ordering Agreement, Option Term 2, to Parsons Water & Infrastructure, Inc., in an amount not to exceed \$1,500,000.00 with a one year contract term.

Engineering and Construction (Construction Contract)

1. Relocation Contract 08RE6885A, Change Order to Ongoing Prince George's County Road Improvement Construction Project and Betterment to Existing Contract - Surratts Road, Prince George's County, for a total amount of \$2,269,196.50.

B. Production

1. Contract 6584, Biosolids Management & Utilization for Parkway and Piscataway Wastewater Treatment Plants (WWTPs), to Synagro Central, LLC, to perform services at Parkway WWTP, in the amount of \$1,017,072.00; and Nutri-Blend, Inc., to perform services at Piscataway WWTP, in the amount of \$1,684,044.00, for a total contract award amount of \$2,701,116.00.

2. Contract 6655, Bulk Water and Wastewater Treatment Chemicals, to the following 18 vendors: Allegiance Chemicals, LLC, Cabot Norit Americas, Inc., Carmeuse Lime & Stone, Carus Corporation, Chemrite, Inc., Chemtrade Chemicals US, LLC, Greer Industries, Inc., JCI Jones Chemicals, Inc., Kemira Water Solutions, Inc., Kuehne Chemical Co., Inc., Maryland Chemical Company, Mosaic Crop Nutrition, LLC, PVS Chemical Solutions, Inc., Southern Ionics Incorporated, Thatcher Company of New York, Tricon Chemical Corporation, Univar USA, Inc., and USALCO, LLC, in the total amount of \$6,611,448.67, with a base term ending June 30, 2015 and four option terms with a duration of one year each.

C. Information Technology

1. Contract 77808, Telephone Services with Verizon, Change

Order No. 2, in the amount of \$353,400.00 for a total amount of \$1,533,704.00, for the Information Technology Team.

Commissioner Moore seconded the motion. The motion carried with five affirmative votes (Commissioner Boulware absent from vote).

ADDITIONAL BRIEFINGS

Hydraulic Fracturing Informational Briefing. Senior Scientist, Dr. Martin Chandler, of the WSSC Environmental Group presented an informational briefing on "Hydraulic Fracturing in George Washington National Forest," which poses a potential threat to the Potomac River drinking water source. Such presentation, circulated to the Commission at the meeting, is incorporated herein by reference. Specific details can be found in the handout and in the corresponding segment of the archived meeting video, and both are referred to for that purpose. Recently, the Prince George's County T H E Committee adopted a Resolution regarding the Hydraulic Fracturing that is currently taking place in the National Forest (i.e., 'wait and see' cautionary approach) and recommended that WSSC consider taking a similar position. The U.S. Forest Service has issued a "no horizontal drilling stipulation" proposal in the George Washington National Forest as a precaution against adverse impacts to water resources, which has been supported by many local municipalities and DC metro region water utilities such as Fairfax Water, DC Water and the Department of the Army Washington Aqueduct. Management is recommending that the Commission adopt a position of support for the US Forest Service Proposal; however, the General Manager has advised that WSSC should wait until Prince George's County has adopted its formal position (and Montgomery County as well), prior to acting.

Chair Omar Boulware arrived at this juncture, 10:50 a.m.

The Commission received the informational briefing, as delivered by Dr. Chandler, as information.

Legislative Update. Acting IRO Director Eugene Williams of the Intergovernmental Relations Office (IRO) provided an update of the anticipated legislative proposals (i.e., Customer Affordability Program and Commissioner Salary Bills) that WSSC is planning to put forward for the upcoming 2015 Legislative Session. The

General Manager also circulated a revised copy of the Legislative Strategy previously shared with the Commission. The proposed bills will be presented to Commissioners at the September meeting for formal action.

The Commission received the Legislative Update, as information.

COMMISSION OFFICE

Corporate Secretary Report. Corporate Secretary Sheila Finlayson provided an overview of her activities for the month, sharing, among other things, highlights of her experience attending her first MACO Conference last week with Commissioners.

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

WSSC Employees' Retirement Plan Board of Trustees. Commissioner Lawson reported on the June investment results, noting that, as of June 30, 2014, the Plan's assets were \$758.9 million, which reflects a year-to-date investment gain of \$38.9 million or an increase of 5.5% from December to June. Domestic and International equities represented 62.1% of the Plan's invested assets, while Domestic Fixed Income represented 19.2%; Global Tactical 15.3% and Real Estate investments 3.4% of the Plan's total investment portfolio. As of June month-end, fixed income was below its range minimum and U.S. Stocks were above range maximum for their respective asset allocation ranges. The annual July 1 WSSC Retirement Plan contribution is expected to bring all asset classes back within prescribed ranges. The next meeting of the Board of Trustees is scheduled for Wednesday, September 24, 2014.

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

Personnel and Governance. Commissioner Mandel provided an update of the Committee's activities for the month, which included planning for the Commission Office direct reports annual performance reviews to be conducted over the next few months. Commissioner Navies will review the Commission budget with regard to sponsorships to see if this should be reinstated.

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

Legislation. Commissioner Counihan provided an overview of the MACO Conference and the various opportunities that he and other attending Commissioners had to interact with County and State-elected officials to discuss legislative matters and other topics of interest (e.g., rate study proposal).

The Commission received the report of the Legislation Committee, as information.

Audit Committee Meeting. The Commission officially convened as an Audit Committee at 11:35 a.m. to conduct its first quarterly meeting of the newly-established Audit Committee. Business related to the Audit Committee concluded at 12:17 p.m. Minutes of this proceeding were recorded separately and can be found in the Audit Committee Minutes incorporated herein by reference.

The Chair then called for a lunch recess at 12:20 p.m. The Commission Meeting to resume in Open Session at approximately 1:30 p.m. in the Auditorium to discuss the Finance item relating to the Ready to Serve Charge proposal.

The Chair reconvened the Commission meeting at 1:50 p.m. in the Auditorium of the WSSC RGH Building with all six Commissioners present, along with the General Manager, General Counsel and Corporate Secretary.

Recommendation to Update and Revise Ready to Serve Charge for Developing Spending Affordability Guidelines. Acting Chief Financial Officer Chris Cullinan walked through the recommendation to restructure the WSSC Service Rate for the purpose of developing Spending Affordability Guidelines. Specific details can be found in the corresponding segment of the archived meeting video, which is referred to for this purpose.

In summary, the Bi-County Infrastructure Funding Working Group, in June 2012, recommended the Commission undertake a cost of service based rate study as well as examine the viability of a fixed fee to create a dedicated stream of stable revenues to fund the Commission's growing need to rehabilitate, upgrade and replace water and wastewater infrastructure and related facilities. The Commission had not undertaken a comprehensive cost of service based rate study in approximately 20 years. The Commission

engaged the Municipal and Financial Service Group (MFSG) of Annapolis, Maryland to conduct the rate study, which was completed in December 2013. MFSG recommended, and Commission staff and the Bi-County Infrastructure Funding Working Group concurred, with the following rate design concepts, including changes to the Ready to Serve Charge (RTSC) on customer' bills:

- Moving a portion of the annual debt service expense for large and small diameter water and sewer pipe programs from the volumetric rate for water usage to a new component of the fixed fee RTSC;
- Recalibrating the existing Account Maintenance Fee (AMF) component of the RTSC to recover 100% of the costs for which the fee is intended; and,
- Keeping the Commission's current sixteen-step, inclining block rate structure.

The Commission voted to endorse the above concepts at its March 19, 2014 Commission Meeting and directed staff to communicate the recommendations to county and state-elected officials and WSSC customers by no later than September 1, 2014 for incorporation into the development of the Spending Affordability Guidelines and Fiscal Year 2016 Budget, with implementation by July 1, 2015.

Management is recommending that Commissioners approve the proposed fees shown on the "Revised Ready to Serve Charge" Tables included in the Commission meeting materials under Agenda Item 3.A.2., for the purpose of developing Spending Affordability Guidelines for the Fiscal Year 2016 Budget. Any changes in the proposed fees would be adopted when the Fiscal Year 2016 Budget is approved by the Montgomery and Prince George's County Councils in May 2015 and would be effective July 1, 2015.

After discussion, and on motion made by Commissioner Navies and seconded by Commissioner Lawson, it was resolved to approve the fees set forth in the Revised Ready to Serve Charge Tables included in Commission Agenda Item 3.A.2., for the purpose of development of Spending Affordability Guidelines and Budget for Fiscal Year 2016. The motion carried unanimously by a vote of six-to-zero.

The Chair then called for a motion to go into Closed while in Open Session.

CLOSED SESSION

Whereby at 2:20 p.m., Commissioner Mandel moved that the Commission go into Closed Session pursuant to Maryland Code Annotated, State Government Article: Section 10-508(a)(13) to approve the July 16, 2014 Closed Session Minutes; Section 10-508(a)(7) and 10-508(a)(8) to consult with counsel to obtain legal advice and to discuss pending litigation; and, Section 10-508(a)(1) to discuss personnel matters involving the Commission Office direct reports. Commissioner Counihan seconded the motion. The motion carried unanimously with six affirmative votes.

At 2:20 p.m., Chair Boulware declared the meeting was Closed. The Chair then called for a short recess. The meeting reconvened in Closed Session at 2:29 p.m.

ATTENDEES: Chair Omar Boulware; Vice Chair Adrienne Mandel; Commissioners Gene Counihan, Chris Lawson, Roscoe Moore, Jr. and Mary Hopkins Navies. Staff present: General Manager Jerry Johnson, General Counsel Jerry Blask, and Corporate Secretary Sheila Finlayson.

Closed Session Minutes - On motion made by Commissioner Mandel and properly seconded by Commissioner Counihan, the Commission voted unanimously by a vote of six-to-zero, to adopt the closed session minutes of its July 16, 2014 Commission Meeting, as drafted.

Pending Litigation/Legal Advice - Commissioners were briefed by counsel on pending litigation and other confidential/privileged legal matters affecting the Commission, including updates on a scheduled meeting with the Department of Justice (DOJ) and Environmental Protection Agency (EPA) on a potential extension of the Consent Decree; continued discussions with the National Park Service (NPS) on gaining access to WSSC property controlled by the NPS; and the Clean Water Act lawsuit filed by the Potomac Riverkeeper environmental group.

Personnel Matters - The Commission met in executive session without management present to discuss personnel matters relating to the Commission office direct reports. The General Manager, General Counsel and Corporate Secretary were excused at 3:18 p.m. Commissioner Moore departed the meeting during this discussion.

At 4:35 p.m., Commissioner Mandel moved to end the Closed Session. Commissioner Navies seconded the motion. The motion carried with five affirmative votes [Commissioner Moore absent from vote].

OPEN SESSION RESUMED

ADJOURNMENT

There being no additional business, the Chair called for a motion to adjourn, to which Commissioner Lawson moved to adjourn the meeting. Commissioner Counihan seconded the motion. The motion carried with five affirmative votes [Commissioners Moore absent from vote].

At 4:44 p.m., the meeting was declared adjourned.

Respectfully submitted,

//signed//

Sheila R. Finlayson, Esq.
Corporate Secretary