

WASHINGTON SUBURBAN SANITARY COMMISSION

MINUTES OF THE COMMISSION MEETING

**Wednesday, November 16, 2011
Laurel, Maryland**

Chair Roscoe M. Moore, Jr. called the meeting to order at 8:44 a.m. in the Auditorium of the Richard G. Hovevar Building, 14501 Sweitzer Lane, Laurel, MD 20707, with due notice having been given to all members of the Commission and the public. Vice Chair Chris Lawson, Commissioners Adrienne A. Mandel, Antonio L. Jones, Gene W. Counihan and Melanie Hartwig-Davis were present at the meeting. Also, present were General Manager Jerry Johnson, Corporate Secretary Charlett Bundy, and General Counsel's Office was represented by Associate Counsel Vicki Webb.

PLEDGE OF ALLEGIANCE

Chair Moore asked Internal Auditor Maxene Bardwell, to lead the pledge of allegiance.

AGENDA APPROVAL

Commissioner Jones moved to approve the agenda for the WSSC Commission public meeting for Wednesday November 16, 2011. Commissioner Mandel seconded the motion. The vote was called by Chair Moore and the motion carried with six affirmative votes.

MINUTES

Vice Chair Lawson moved to approve the open session minutes of the October 19, 2011 Commission meetings. Commissioner Hartwig-Davis seconded the motion. The motion carried with six affirmative votes.

WSSC RETIREES

Mr. Rick Baker, Executive Director of the WSSC Employees' Retirement plan announced that four employees retired this month: Mr. Emmanuel V. Senesie, a Water Rehabilitation Unit Coordinator, Infrastructure System Group/COB retired with 33 years and 9 months of service; Mr. Chris Malloy, Systems Construction Inspector I, Systems Inspection Group/Temple Hills retired with 32 years and 2 months of service; Mr. Russell H. Russell, a Construction Manager, systems Inspection Group at Lyttonsville retired with 30 years of service. Not in attendance was Mr. Robert F. Clark, a Job Facility Technician III, Piscataway Group who retired with 35 years and 1 month of service.

COMMUNICATIONS

Mr. Neustadt showed a public service announcement about the Can the Grease program. It was produced to be shown in movie theaters in the water district. To date, ten theaters have agreed to show the announcement. It is expected to run about 7,000 times on the big screens and 3,000 times on LCD televisions in the lobbies of the theaters.

COMMISSIONERS COMMENTS

Commissioner Jones wished everyone a Happy Thanksgiving and asked that everyone stay safe over the holidays and look out for those in need.

Commissioner Hartwig-Davis expressed thanks to Crystal Knight-Lee for organizing the tours of the Patuxent Wastewater Treatment Plant, Parkway Wastewater Treatment Plant and the Anacostia Depot for Vice Chair Lawson and her. She noted the importance of Commissioners seeing WSSC staff in action. It was a beneficial event and she stated she looks forward to attending other tours.

Additionally, Commissioner Hartwig-Davis advised she attended the Anacostia Trail opening in Bladensburg along with Governor O'Malley, Prince George's County Executive Rushern Baker, several state senators and delegates, and Washington, D.C. Mayor Gray.

MEDIA COMMENTS

There were no comments from the media.

PUBLIC COMMENTS

Several persons spoke about the change in access to WSSC horse trails and voiced their disagreement that the horse trails are a cause of erosion and/or the run-off of sediment into the reservoir. They were: Terry Ledley who also complained that the assigned access points to the trail do not have parking or a place to park a horse trailer; Barbara Sollner-Webb who described her participation in a clean-up activity sponsored by Kim Knox of the WSSC Communications Department; Mary Angevine who noted that deer cause damage; Ron McNabb, President of Trail Riders of Today (TROT) who read a written statement that WSSC has not availed itself of the offers of assistance from TROT for maintenance and patrolling of the trail areas. He advocated for WSSC to use volunteers to maintain the riding trails; Mary Dorr who stated Senator Victor Ramirez could not attend but will be sending a request to revoke the limited access privileges; Jessica Schaberg read a written statement advocating revising the access rules; Laurel Santamarina witnessed persons breaking the rules by riding a motorized vehicle on the unused/unpatrolled trails; and Pat

Olivia provided a history of the development of the Oliva Pass under Route 29.

GENERAL MANAGER'S OFFICE

Monthly Report. This month Mr. Johnson first announced the appointment of Jay Price as Chief of Production. Mr. Price started as a maintenance worker and has worked in all of the plants. He has been acting Chief of Production in excess of three years and competed with internal candidates. Candidates recruited for the position in a nation-wide search were not interviewed because of Mr. Price's strong credentials. Mr. Price has been a steward of the Commission's environment and resources and has earned the respect of his colleagues.

Mr. Johnson and the Finance Office staff met with the bonding agencies who reaffirmed WSSC's AAA bond rating. This allows for cost savings because the bonds can be sold at a much lower cost. WSSC sold \$300 million in consolidated public improvement bonds. Merrill-Lynch won with a bid of 2.98%, a bid which was less than a basis point from the next highest bid, an indicator of a very good rate.

Copies of the Legislative Report produced by WSSC's Small, Local, and Minority Business Enterprise office were distributed to Commissioners and will be sent to the state legislators. It notes on pages 7-8 that for FY 2011 WSSC spent \$66.9 million or 27% in total contract payments to MBE firms compared to 26% in FY 2010. WSSC awarded \$133.2 million or 31% to MBE firms and WSSC MBE total contract awards were \$427 million, an increase of 2% over awards in FY 2010.

As for the call center's performance, this month the center was close to its 95% call answer rate. Some new technology has been incorporated since last year: New phone system; interactive voice system (IVR); and outbound courtesy calls to customers. Returned bills are out-sourced to a business to provide updated addresses. To improve answer rates, job descriptions were reorganized, and modified. Other improvements include re-locating staff resources during peak periods; analyzing root cause for customer calls and trying to address those causes; evaluating benchmarking data from high-performing call centers; and identifying other technology solutions that are viable for WSSC in order to improve customer service. Feedback from the customer survey provides some information on what else may be undertaken and that survey will be shared in the coming months.

WSSC raised \$60,800 for United Way, 93% of the \$65,000 goal. A significant amount of money was contributed to the WSSC Water Fund through this fundraising event.

The distinguished budget award was presented to WSSC's Budget Office for the 17th consecutive year.

WSSC's Asset Management Plan has been of great interest to Japan who sent representatives on October 26th from Tokyo's metropolitan government to review WSSC's asset management plan. The U.S. Environmental Protection Agency also recognized the quality of WSSC's asset management plan and facilitated the WSSC visit with the government workers from Tokyo.

Two electronic innovations went online last month - one for the Fleet Management System and the other for the Planning Group. The fleet management system has been on the verge of failure necessitating its replacement. This system is the first system in the company to be fully replaced in a number of years. Mr. Johnson Congratulated the IT and CIO who participated in this important changeover. He noted this replacement project represented a major accomplishment in a short time and well under the budget. Mr. Johnson also referenced an electronic planning system in use by the Planning Group. It changes how WSSC interacts with developers and other persons needing to get plans reviewed: It speeds up that process and allows those outside the company to see in real time where their plans are in the review process; who is conducting a review and allows for necessary changes to be made electronically.

Budget is on target for both expenses and revenue. No projected problems are anticipated. All plants are operating within permits and functioning well. Construction at several plants is on target.

A change in the design manual has been undergoing a long process to address a proposed 80-foot setback requirement. On October 25th and November 1st WSSC hosted meetings with public stakeholders, attorneys, developers, and planning staff from Montgomery County and Prince George's County. WSSC will reconvene in a week or so, another meeting with the stakeholders, planning staff, and WSSC staff to brief them on the current proposal for the set-back modification and gather comments and suggestions before briefing Commissioners. WSSC staff have weighed a number of concerns and issues that were raised by county planning staff, developers and attorneys and intend to have additional interaction over the next several weeks.

During November, staff worked with the Customer Advisory Board following the internal audit of the activities of the Dispute Resolving Board. WSSC requested participation from the CAB to develop DRB panels and received limited response. The 243 customers now seeking resolution of billing disputes were sent letters apologizing for the delay while WSSC formulated a new internal policy for managing billing dispute resolutions. A meeting scheduled for November 29th will review this with the CAB. A consultant was hired to facilitate the meeting. The new DRB will be comprised of one member of the CAB and five customers (four are from Prince George's County and two are from Montgomery County) who will constitute two panels of dispute resolution groups. Training for the two panels will occur over the next several weeks. Following the training they will hear the pending disputes while we continue to work with the CAB to refocus the efforts of that organization in dealing with the matters that come before it.

With regard to the matters raised regarding the horse trail, WSSC's first and over-arching priority is the protection of the raw water source that provides drinking water for the 1.8 million residents that we serve in this region. Mr. Johnson stated WSSC has learned a lot since the reservoir was formed. As time has passed and knowledge and information has been gathered WSSC has had to modify its management of the reservoir.

The commission recently adopted in 2011 updated watershed regulations for the T. Howard Duckett and Triadelphia Reservoirs in order to protect and improve both the reservoir quality and drinking water quality supply and the ecological condition of the watershed. The Commission considers it a serious responsibility to protect our environment for the present residents and for future generations. Mr. Johnson acknowledged the appreciation horseback riders have for the stark beauty of the watershed during the winter months but he asked that they appreciate the necessity for seasonal closing. Yet, in the spirit of cooperation, Mr. Johnson stated the Commission will only issue warnings to horse back riders who are found in violation of WSSC watershed regulation regarding the changed access date. This will provide both an opportunity for WSSC to ensure that interested parties are more fully informed of WSSC objectives regarding the closure. The Commission will engage a consultant to provide additional analysis of the watershed and to meet with representatives of the stakeholders to improve understanding on both sides. Mr. Johnson noted that he has shared WSSC's plans

with Commissioners as well as several elected officials, including Delegate Pena-Melnick, chairperson of the Prince George's bi-county delegation that that oversees WSSC. Delegate Pena-Melnick has worked to help all parties reach a resolution of the closure issue.

Following the report there were several questions addressed to Mr. Johnson.

Amendment to Agenda

Commissioner Hartwig-Davis moved to amend the agenda to include a closed session item to allow Commissioners to receive a legal opinion on the trail regulation changes. Commissioner Mandel seconded the motion. The motion carried with six affirmative votes.

Internal Audit Office

Monthly Activity Report. Ms. Bardwell advised that her report covered the period October 10th through November 4th. For the FY 12 Audit Plan, three audits are in the preliminary review stage. One has not yet been started. FY 11 carryover audits continue. The Information Technology General Controls Audit will be issued next week. The Blue Plains Wastewater Treatment Plant Audit is awaiting feedback from DC WASA. There are no special audit requests pending but Internal Audit is awaiting a response from the Logistics Team Chief regarding observations of the 2011 fiscal inventory count. Internal Audit in this last month issued the final report for the Human Resources Phase I Regulatory Audit and offered to meet with the Commissioners to discuss the report's contents.

Advisory services continue including the Internal Security Task Force Watershed Use Permits project planning, RGH shut-down communications, and Purchase Order Review Committee. A temporary administrative support person was hired for the Ethics Officer. A summary report of the fraud, waste, and abuse hotline was included in the meeting packet.

Board of Ethics. The Board held its regularly-scheduled meeting November 13th and considered open and closed items including lobbyist awareness and registration campaign; ethics training for Commissioners will be presented before the afternoon session of this meeting. The Board also addressed the status of the fraud, waste, and abuse hotline; the WSSC Code of Conduct and additional informational items. The Ethics Officer reported that

she trained 15 new hires. The WSSC Code of Conduct is camera-ready and is awaiting quotes for printing.

External Auditor. A new external auditor was identified as Clifton Gunderson as the lowest responsible bidder but no award has been presented. Thompson, Cobb and Basilio (TC&B) presented the results of the FY 2012 Audit. Mr. Albert Lucas, a TC&B partner reviewed the highlights of the audit completed August 30, 2010. As to the financial statements, in all material respects, TC&B's opinion was unqualified.

TC&B audited the federal grant program and checked for compliance and internal controls -- there were no issues on the grant. Auditors reviewed the annual report for consistency with the financial statements and they were found to be consistent. There were no significant deficiencies or material weaknesses in the internal controls and no significant changes in assets over the prior year. A consolidated public bond issuance of \$240 million occurred during the year audited. Revenues increased due to increased water consumption and higher rates. Overall the capital contribution increased to \$36 million from a prior year increase by \$9.2 million.

Other audit highlights from the financial statements showed operating activities generate \$237 million in net cash and capital used in related financing activities is about \$200 million. During the audit no adjustments were proposed. The trial balance did not need any adjusting during the audit which TC&B characterized as a good result. There were no illegal acts that surfaced during the audit. Significant estimates appeared in the allowance from uncollectable accounts; legal contingencies; obsolescence of the plants; and the pension fund liability.

There was no adoption of any new accounting policies that would impact WSSC; no significant or unusual transactions; no alternative treatments discussed with management and no significant discussions with management prior to our retention. The auditors encountered no difficulties in working with the audit or finance department. There were no disagreements in how items were recorded and received or representations from finance of their ownership of the finance statements.

Control deficiencies were presented to management. These included that the system administrator account needs to be strengthened and management agreed to do that; one billing adjustment approval was absent even though the adjustment was warranted; and management expertise in finance was improved from the previous year's report.

Resolution 2012-1942. This resolution amends Section 2-2 of the WSSC Code of Ethics to recognize the role of the Board of Ethics in resolving issues related to an appeal of a contract to purchase legal services for Commissioners. Commissioner Mandel moved to adopt Resolution 2012-1942 that amends Section 2-2 of the Code of Ethics. Commissioner Jones seconded the motion. The motion carried with six affirmative votes.

Resolution 2012-1943. A revised Article 2 in the WSSC Code of Ethics would recognize the existence of an Ethics Officer at WSSC and would enumerate the duties of that position. Vice Chair Lawson moved to adopt Resolution 2012-1943 that amends Section 2-1.1 of the WSSC Code of Ethics. Commissioner Hartwig-Davis seconded the motion. Commissioner seconded the motion. The motion carried with six affirmative votes.

DEPARTMENT BRIEFINGS

Finance

Ms. Kim Luquette provided recommendations for the Front Foot Benefit and House Connection Rates for 2012.

Engineering & Construction

Construction Contract. Mr. Gumm provided information on Contract AC521A11 for Area Water/Sewer House Connections in Montgomery and Prince George's Counties.

CONSENT CALENDAR

Commissioner Jones moved that the Commission approve Resolution 2012-1944 that adopts the Consent Calendar for the October 19, 2011 Consent Calendar containing the following items: Contract AC521A11, Area Water/Sewer House Connections in Montgomery and Prince George's Counties to City Contractors for \$1,321,645.00. Commissioner Mandel seconded the motion. The motion carried with six affirmative votes.

BRIEFING AND ACTION ITEMS

Engineering & Construction/ Office of the General Counsel

Resolution 2012-1945. Mr. Gumm presented Commissioners with an amendment to Standard Procedure ENG 09-02 that addresses flow capacity issues with a process for granting a waiver to the flow capacity design parameters. It would be advertised for 30 days and become effective January 2, 2012 if adopted. Commissioner Jones moved to approve Resolution 2012-1945 The Adoption of an Amendment to Standard Procedure ENG 09-02 Pertaining to Use of WSSC Sewer Model in Conjunction with Phase 1 Hydraulic Planning

Analyses. Commissioner Mandel seconded the motion. The motion carried with six affirmative votes.

The General Manager discussed the design manual changes in his monthly report.

Intermunicipal Agreement Briefing. Commissioners received an update on the negotiations to create an inter-municipal agreement that would govern the business relationship among WSSC, Prince George's and Montgomery Counties, DC WASA, and Fairfax Water. The draft began in 1985 and has been in process since.

Acquisition Office

Revised Contract Form. Ms. Cathy Martin presented two drafts of forms that could be used to present contract award information to Commissioners in the meeting packets.

Chair Moore then called for a recess for lunch at 11:58 a.m. During lunch, the Commissioners received Ethics Training. The meeting resumed at 1:40 p.m.

Commission Office

Sub-Committee Reports:

a. **Governance/Personnel** - Commissioner Hartwig-Davis noted that the Governance Policy continues to undergo revisions and that she would present a draft to Commissioners at the December Commission meeting with a schedule for adopting the various chapters of the policy.

Legislative Strategy. Mr. Wineland described the strategy for the upcoming legislative session.

Compensation Committee. Commissioner Counihan reported on the committee's first meeting. A telephone poll will be taken of the Commissioners' opinions on compensation philosophy and a final report will be issued after the next meeting.

Bi-County Infrastructure Funding. Commissioner Jones reported that the committee met on October 7th and 26th. A final report will be issued by the end of the year that addresses a specific proposal for a customer affordability program, alternative structures for issuing new debt and existing debt, and rate structure options for infrastructure renewal cost recovery.

Commissioner Jones then discussed an "idea" he had about a regional water summit to discuss common issues regarding the funding shortfall. He shared the information with Jerry Johnson and then gave the idea to America Speaks, an organization that does large town hall forums all over the world. He recommended that the summit include WSSC, DC Water and Baltimore Water. The

project is seeking funding to hold the event in Prince George's County, Baltimore, D.C., or Montgomery County.

Pension. Vice Chair Lawson advised that the WSSC Employee's Retirement Plan Trust as of September 30, 2011 was valued at \$580.4 million. Since September 30th, the Plan lost \$44.2 million. Domestic and international equities (U.S. and non-U.S. emerging markets) were at 50.7% of the Plan's invested assets; domestic fixed assets were at 31.7%; global funds were at 14.7%; and real estate was at 2.9%. As of September 30, 2011 fixed assets were above range. Fears of economic slow down drove the market down.

Corporate Secretary. Ms. Bundy summarized her monthly activities. She advised that Maryland's Sunshine Law had been amended to allow public entities that video their meetings to avoid recording minutes.

CLOSED SESSION

At 3:57 p.m. Commissioner Hartwig-Davis moved that the Commission go into closed session pursuant to Maryland State Government Article 10, Subtitle 5, Section 10-508(a)(13) to approve the October 19, 2011 Closed Session minutes; Section 10-508(a)(1) to discuss a personnel matter related to a direct report; and Section 10-508(a)(7) to receive legal advice regarding the policy to modify the access rules to WSSC horse trails. Commissioner Jones seconded the motion. The motion carried with six affirmative votes.

COMMISSIONERS' CONFERENCE ROOM

At 3:01 p.m. Chair Moore reconvened the meeting in closed session in the Commissioners' Conference Room.

ATTENDEES: Chair Dr. Roscoe Moore; Vice Chair Lawson; Commissioners Adrienne A. Mandel, Gene Counihan, Antonio Jones, and Melanie Hartwig-Davis. General Manager Jerry Johnson, Secretary Charlett Bundy, Jay Price, Production Team Chief; Gary Gumm, Chief Engineer; Claudia Koenig from General Counsel's Office; Vicki Webb Associate General Counsel; and Johnny Hemphill, Chief of Staff.

Policy on Water Shed Access. Commissioners received advice regarding the modifications to the policy concerning equestrians' access to the riding trails abutting the reservoir.

At 3:55 p.m. Mr. Gum, Mr. Price, Mr. Hemphill, and Ms. Koenig left the session.

Closed session minutes. Commissioner Jones moved to adopt the Closed Session Minutes for the October 19, 2011 Commission meeting. Commissioner Mandel seconded the motion. The motion carried with six affirmative votes.

At 4:00 p.m. Mr. Johnson, Ms. Webb and Ms. Bundy left the room. Thereafter, Commissioners conducted the performance evaluation of a direct report and voted unanimously to take a personnel action as stated in the direct report's employment contract.

Commissioner Counihan moved to end the closed session for the November 16, 2011 Commission meeting. Commissioner Mandel seconded the motion. The motion carried with six affirmative votes.

OPEN SESSION RESUMED

Vice Chair Lawson moved to end the Commission meeting for November 16, 2011. Commissioner Jones seconded the motion. The motion carried with six affirmative votes.

Adjournment

At 4:59 p.m. Commissioner Hartwig-Davis moved to adjourn the meeting. Commissioner Mandel seconded the motion. The motion carried with six affirmative votes. At 5:00 p.m. Chair Moore declared the meeting was adjourned.

Respectfully submitted,

 //signed//
Charlett Bundy Esq.
Corporate Secretary