

WASHINGTON SUBURBAN SANITARY COMMISSION

MINUTES OF THE COMMISSION MEETING

**Wednesday, December 14, 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, General Counsel Jerry Blask, and Corporate Secretary Charlett Bundy.

PLEDGE OF ALLEGIANCE

Chair Moore asked WSSC Chief of Police Chris Brous to lead the pledge of allegiance.

Honoring Employee Charles Duckett

Chair Moore asked for a moment of silence for Charles Duckett, a WSSC employee who had gone missing December 2nd while on assigned duty on the Triadelphia Reservoir.

AGENDA APPROVAL

Commissioner Mandel moved to approve the agenda for the WSSC Commission public meeting for Wednesday December 14, 2011. Commissioner Jones seconded the motion. The vote was called by Chair Moore and the motion carried with six affirmative votes.

MINUTES

Commissioner Jones moved to approve the open session minutes of the November 16, 2011 Commission Meeting. Vice Chair Lawson seconded the motion. The motion carried with six affirmative votes.

WSSC RETIREES

This month seven employees retired. Those in attendance included Thomas P. Allen, a Senior Environmental Analyst, in the Environmental Group/COB who retired with 38 years of service; Belinda V. Pinkney, a Customer Care Center Unit Coordinator, Customer Relations Group/COB who retired with 32 years and 8 months of service; John C. Arrington, a Development Project Manager II, in the Development Services Program Group/COB who retired with 30 years and 11 months of service; and Brian Mapes, a Facility Technician III, in the Parkway Group/Parkway who retired with 30 years and 11 months of service.

Not attending the meeting were retirees Dorcel D. Harris, a Buildings and Grounds Supervisor in the Property Management

Group/Logistics/Anacostia who retired with 33 years and 4 months of service; Ray L. Weldon, an Industrial Investigator in the Regulatory Services Group/COB who retired with 30 years and 7 months of service; and Jimmy L. Owens, a Development Project Manager in the Development Services Program Group/COP who retired with 26 years and 8 months of service.

COMMUNICATIONS

A drawing was held to announce the schools that will participate in the WSSC Water Festival in 2012. Chair Moore drew the names of the elementary school entries from Montgomery County. Schools selected were: Garrett Park, Broad Acres, Laytonsville, and The Lourie Center School of the Reginald F. Lourie Center with Kemp Mill as an alternate school. Vice Chair Lawson drew names of the elementary school entries from Prince George's County. Schools selected were: Carmody Hills; Capitol Heights; Princeton; Gladys Noon Spellman; and the alternate, Rosaryville.

Chair Moore noted that to capture the interests of young people in science and math, studies show it has to be done by the 4th grade. Dr. Moore applauded the WSSC staff for conducting the Children's Water Festival which provides a day of science for fourth graders.

Memorializing Employee Charles Duckett

Mr. Jerry N. Johnson, GM/CEO on behalf of the WSSC staff expressed his humble and heartfelt condolences to the Charles Duckett family. He stated that the last 14 days have been trying for the family of WSSC staff as well as the Duckett family. He commended the number of WSSC employees and others who have been out on the reservoir every day since Mr. Duckett's disappearance working tirelessly to try to find Mr. Duckett. Mr. Johnson expressed again sympathy for the family on behalf of the entire Commission.

Mr. Neustadt, Communications Director, shared copies of news coverage of the recovery efforts and the vigil held for Mr. Duckett on the Triadelphia Reservoir. Then Chris Brous, Chief of WSSC Police provided a general overview of the search efforts for Mr. Duckett.

Chief Brous used a map to describe the scope of the search for Mr. Duckett. He then described in detail Mr. Duckett's disappearance and the scene where the boat he was working from was found. Chief Brous advised that Montgomery and Prince George's County Fire and Police Departments, WSSC volunteers, Maryland State Police Aviation Unit, and Search and Rescue Dogs of Maryland, undertook a massive search on land and water. The

search was augmented by assistance from the Rockville City Police, Baltimore City's Search and Dive Team; the U.S. Navy Carderock, Anne Arundel Dive Team, Blood Hounds, night vision goggles, and flotillas of boats were deployed daily to search the shoreline and the watershed. Sonar and diving platforms and underwater camera devices from the Department of Natural Resources were also employed in the search. Chief Brous acknowledged that WSSC owes a multitude of gratitude to the first responders, contractors and numerous WSSC employees who have worked and continue to work relentlessly in cold temperatures and pouring rain. Chief Brous said, "We remain committed until Mr. Duckett is found." The Federal Office of Safety and Hazards Administration and the Maryland Department of Natural Resources are conducting investigations as well.

MEDIA COMMENTS

There were no comments from the media.

COMMISSIONER COMMENTS

Chair Moore remarked about overhearing a customer in a Laurel restaurant comment that the glass of tap water was "great water." Dr. Moore added that this demonstrated there are people with discerning taste in Maryland who can recognize a good glass of water.

PUBLIC COMMENTS

There were no comments from the public.

GENERAL MANAGER'S OFFICE

Monthly Report. Mr. Johnson noted capital and operating budgets are on target with the year's projections. Plant performance was well within the parameters of the permits. Heavy rains on December 7th - 4" in 48 hours -- caused two overflows: one at Broad Creek and the other at Fort Washington Wastewater Pumping Station that experienced an overflow of 7200 gallons of diluted flow. The Piscataway Plant experienced 750 gallons of partially treated overflow. Improvements at the plants are part of the long-term plan to abate future overflows. Mr. Johnson noted that a manhole at Piscataway overflowed 800,000 gallons and a bypass will be set up to examine the system for a possible blockage.

Next Mr. Johnson discussed the Call Center's performance. At the end of December the call answer rate was 86% or one percent higher than reported in November 2010. Mr. Johnson

described the several options under consideration to improve the answer rate.

The Bi-County Tunnel construction requires \$300,000 additional funding due to soil and site conditions. It remains 2 to 3-1/2 months behind schedule. Some of this time may be made up during the winter and spring months.

Communications provided a winter briefing to the media. Most of the local TV stations sent a camera crew to the briefing excerpts of which continue to be broadcast on a Prince George's County cable television station. Parkway received 18 Laurel High School students who learned about careers in the water/wastewater area.

Kim Knox will be hosting a similar visit at the Seneca Plant in the spring for students in Montgomery County. Mr. Johnson also noted she was recognized for authoring an article titled, "Cultivating Young Volunteers" for the national magazine, Upflow, a publication of the American Water Works Association.

Mr. Johnson described the restructured Dispute Resolution Board: two volunteers from Montgomery County and four from Prince George's County. He noted the volunteers had been trained and will begin to address the backlog of requests for refunds. A consultant will soon deliver a report on the direction of the Citizens Advisory Board (CAB) as it fits within the business model of WSSC. It will also include a summary of the joint meeting/retreat with the CAB and WSSC staff.

Art students from grades two to five submitted artwork for this year's WSSC calendar. Winners were chosen among the 576 entries (six from each county school system). Each winner received a check for \$100. The calendar is sold for \$20 with proceeds going to the WSSC Water Fund. Mr. Johnson thanked Barbara Templeman who spearheaded the effort and Debbie Donnelly in Graphics who helped compose the calendar. Art teachers from Montgomery and Prince George's County school systems served as judges of the art contest. Next year, Mr. Johnson advised that he intends to seek sponsorship of the costs of the project.

Internal Audit Office

Monthly Activity Report. Ms. Bardwell advised that her report covered the period November 7th through December 3rd. She noted that the Final Audit Report was issued for the Information Technology General Computer Controls Audit. Her department is awaiting a reply to the Blue Plains Audit and follow-ups of ongoing audits continue. Ms. Bardwell thanked the Strategic Systems Management Office for developing a more user-friendly

chart for inclusion in the meeting packet so that Commissioners could review more easily the progress of various projects described in her department monthly report. Ms. Bardwell reported also on the number of calls to the Fraud, Waste and Abuse Hotline. The types and number of complaints were: two employee relations; two customer relations; one theft of time; and one conflict of interest.

DEPARTMENT BRIEFINGS

Finance

Resolution 2012-1947. Mr. J.D. Noel advised of the need to utilize the Water Quality Revolving Loan Program to finalize some projects not funded by the Bay Restoration Fund by issuing water quality bonds. The loan results in a \$52,500,000.00 bond issuance that will be amortized over 20 years and is within the debt limits for the 2012 budget.

Commissioner Jones moved that the Commission approve Resolution 2012-1947 authorizing the issuance of Water Quality Bonds for 2012. Commissioner Mandel seconded the motion. The motion carried with six affirmative votes.

Approval of FY 2013 Preliminary Proposed Budget for Public Hearing Purposes. Mr. Johnson updated Commissioners with information on the progress of tasks designed to align the Commission's strategic priorities with the budget: He highlighted the 2013 strategic goals and objectives. In a slide presentation Mr. Johnson demonstrated the alignment begins with establishing the strategic direction provided by Commissioners. Then an annual budget is designed that supports the strategic goals and objectives as stated in the strategic plan. This approach Mr. Johnson advised, allows for priorities and pressing customer needs to drive the amounts allocated in the budget. It also ensures that more budgeted projects that are "shovel ready" at the start of the fiscal year.

Planning for the 2014 budget will begin in January 2012. This is the first time the planning is so far ahead of the budget process and it will ensure appropriate funding of FY 2013 goals and objectives with the Commission's strategic priorities. Such an approach should improve relations with customers, suppliers, and stakeholders.

The new budget/strategic alignment planning process will not interrupt the on-going infrastructure improvements or interfere with WSSC meeting its current consent decree obligations. Mr. Johnson then described the many categories of projects that will be supported by the strategic-focused budget.

He referenced overall water and wastewater renewal including: Increasing replacement of water mains by 5 miles; increasing lateral line replacement by 5 miles; construction of 33 miles of residential sewer; PCCP inspection and repairing including installation of acoustic fiber cable; and continued deployment of asset management strategy to include water main lining and protection.

Mr. Johnson described technology changes including the introduction of new tools and technology to ensure improved customer service and improved access to customer information including: Fuel, accounting, and permits management system; GIS upgrades; and environmental stewardship projects. WSSC's focus on conservation, sustainability and the strategic use of alternative energy will be visible in budgeted projects. WSSC will repair 10.3 miles of access road along the southern boundary of the access road to help maintain and control the water shed. A Patuxent Reservoir buffer reservoir and use study will be undertaken to review armoring along the shoreline to avoid further soil erosion. In fact, Mr. Johnson noted that a notice to proceed for the consultant to provide assistance in that effort had been recently issued.

WSSC's programs need to be reengineered in a way that attracts new business. Other budgetary projects will strengthen WSSC's work force in a way that supports WSCC best practices and as a best place to work: the newly-instituted succession management is an example of such a project. This will be accomplished as WSSC strengthens its practices to ensure employee and public safety with the development of a plan to ensure continuity of core operations and security.

Lastly, Mr. Johnson noted the need to implement the recommendations of the Bi-county Infrastructure Funding Work Group. All of these concepts have led to a recommended rate increase of 7.5%. WSSC's overall objective now is to ensure budgets fund the Commission's strategic priorities now and well into the future.

Ms. Sheila Cohen presented the preliminary proposed \$1,457,925.00 budget for Fiscal Year 2013 for public hearing purposes. She described the highlights of the projects covered by the budget and mentioned the previously-approved budget hearing dates/locations. In addition to the construction projects, Ms. Cohen noted there are 12 new work years in the FY 2013 budget which would bring WSSC to a total of 1693 work years.

All 12 are directly in support of operation and maintenance of the system.

Other features of the budget include an allowance for a \$10.2 million reserve contribution to continue to work towards increasing the reserve to 10% of the water and sewer revenue. For FY2013, the reserve would rise to 7.7%. The billing factor has been coming in under budget so the billing factor will be reduced and water production will continue at 170 million gallons per day. Ms. Cohen stated both a 2% cost of living adjustment for all employees and merit increases for all employees are proposed in the budget. WSSC's union employees will receive what is consistent in the union contract. The FY 2013 budget will continue to fund obligations for other post employment benefits in this, the 6th year of an 8-year ramp up which is designed to have such benefits reach full contribution in the FY 2015 budget. Debt service is increasing as a percentage of the budget from 33.3% to 34.1%. Capital costs increasing 41% over FY 2012 in the sewer disposal bond fund. The Blue Plains project, sewer construction/reconstruction and the ENR projects are the major components in the Capital costs. In closing, Ms. Cohen noted there were no changes in the fiscal policies and recommended approval of the preliminary budget for transmittal to the counties.

Engineering & Construction

Construction Contract. Mr. Gumm provided information on Architect and Engineering Contract P74846, Change Order 1, Program Management for Long Term Control Plan for the Consent Decree and Construction Contract BD4144A05, for T. Howard Duckett Dam Rehabilitation.

CONSENT CALENDAR

Commissioner Mandel moved that the Commission approve Resolution 2012-1946 that adopts the Consent Calendar for the December 14, 2011 Consent Calendar containing the following items:

Foot Benefit and House Connections rates for 2012 at \$4 for water and \$6 for sewer effective January 1, 2012; Architect and Engineering Contract P74846, Change Order 1, Program Management for Long Term Control Plan for the Consent Decree to Greeley & Hansen for \$1,700,000.00; and Construction Contract BD4144A05, for T. Howard Duckett Dam Rehabilitation to Howard Robson, Inc. for \$5,872,000.00. Vice Chair Lawson seconded the motion. The motion carried with six affirmative votes.

BRIEFING AND ACTION ITEMS**Acquisition Office**

Revised Contract Form. Ms. Cathy Martin presented the final draft of a form that will be used to present contract award information to Commissioners in the meeting packets.

Commission Office

Sub-Committee Reports:

a. Compensation Committee - Commissioner Counihan reported on the outcome of this committee's two meetings. The committee recommended a salary increase but suggested now might not be the time to request such an increase. Another idea was to submit the issue of commissioner salary increase as a summer study to the Maryland Legislature. Mr. Counihan clarified that to request summer study a bill has to be submitted before an item can be transmitted to summer study. The bill should authorize the county government to set the compensation. After some discussion, Commissioner Counihan moved that the Commission endorse the drafting and filing of legislation that would achieve a change in the state law to retain the state compensation as a floor but to extend the authority to the county governments to supplement the compensation through the WSSC budget process. Commissioner Jones seconded the motion. The motion carried with six affirmative votes. Commissioner Counihan then expressed thanks to the members of the Committee who attended the meetings and very conscientiously addressed the committee's work. He asked the Corporate Secretary to send the note on behalf of the Commissioners.

Legislative Strategy. Mr. Wineland described how late-filed bills are treated. Then he discussed the activities of his office in preparing for the upcoming legislative session.

MC/PG 101-12. This bill addresses WSSC's Systems Development Charge and how it is assessed for replacement of similar dwellings of an already currently served site. It is sponsored by Senator Benson. The recommendation is to take no action. A miscommunication may have warranted this bill and further discussions could dissolve this bill.

MC/PG 107-12. This bill is sponsored by Senator Peters the WSSC Transparency and Rate Relief Act of 2012. This bill was introduced last year and was opposed by WSSC. It will affect WSSC's ability to borrow over the long-term and adjust the legal right for the length of bonds Commission may issue and provide rate relief to certain rate payers at the expense of other rate payers. Mr. Wineland said a preliminary estimate of the immediate affect to the Commission's budget of the enactment of this bill would be in the amount of \$20 million. The GM/CEO recommended Commissioners oppose this bill. Mr. Wineland indicated his staff is reaching out to work with Senator Peters on this bill. Commissioner Coughlin moved that the Commission oppose MC/PG 107-12. Commissioner Mandel seconded the motion. When the vote was called there were six aye votes so the motion carried.

Mr. Wineland indicated that the planned breakfast for legislators at the opening of the legislative session sponsored by WSSC awaits a final determination of a venue where the breakfast can be held.

b. Governance/Personnel - Commissioner Hartwig-Davis requested 15 minutes later in the meeting to review the first sections of this new policy.

c. Bi-County Infrastructure Funding Work Group.

Commissioner Jones reported that the committee met on October 7th and 26th. An intensive work session focused on affordability and debt financing. The Work Group made significant progress toward identifying financing options that would preclude the need to recover the costs through rate increases. Four options were discussed: 1) proposal for a customer affordability program; alternative structures for issuing new debt and existing debt; rate structure options for infrastructure renewal cost recovery; and strategies to generate one-time revenue sources. Short-term recommendations will be issued upon the receipt of the consultant's report which Commissioner Jones expects to share with Commissioners at the January meeting. A final recommendation will issue in late winter 2012 providing strategies that may require substantial policy review.

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.

d. Pension. Vice Chair Lawson advised that the WSSC Employee's Retirement Plan Trust met November 30th wherein the status of the Trust as of October 31, 2011 was reported. The plan's assets were \$624.1 million. Since September 30th, 2011 the Plan had an investment gain of \$47.6 million or 8.3%. Domestic and international equities (both U.S. and non-U.S. and emerging markets) were at 33% of the Plan's invested assets; domestic fixed income was at 29.4%; global tactical funds were at 14.6%; and real estate was at 3%. As of September 30, 2011 all assets classes were within range. Third quarter investment earnings brought good news to the market. The U.S. unemployment rate dropped to 9% even though in some places gasoline prices climbed. October housing results remain mixed despite low interest rates.

Miscellaneous. Chair Moore posed several questions about the external auditing process and the monitoring of the management of the assets of the Trustee Board. Mr. Traber, Ms. Bardwell and Vice Chair Lawson replied to the Chair's questions.

Corporate Secretary. Ms. Bundy summarized her monthly activities.

Human Resources

Ms. Yvonne McKinney, Director of Human Resources provided Commissioners an overview on the succession planning program. She first advised of the business case that led to the creation of the program and then described the program objectives, how success of the program will be measured, the keystones/foundation of the program, the program cycle, and the implementation plan.

At 12:11 p.m. Chair Moore recessed the meeting for lunch.

COMMISSIONERS' CONFERENCE ROOM

At 1:14 p.m. Chair Moore reconvened the Commission meeting in the Conference Room.

Delinquent Management Responses to Audit Findings. Ms. McKinney and Ms. Bardwell discussed the reasons that there remained items from the Human Resources Audit that had not been resolved 120 days after the audit findings.

Governance Policy. Commissioners reviewed the Sections 1.0 and 2.0 (see Appendix A, with changes made at the meeting noted in pink) and asked the Corporate Secretary to send it to General Counsel for a final edit.

Diligent Board Book Training. Commissioners received training in how to use the electronic board book software.

CLOSED SESSION

At 3:14 p.m. Commissioner Jones 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 November 16, 2011 Closed Session minutes and Section 10-508(a)(1) to discuss a personnel matter related to the employment contract a direct report. Vice Chair Lawson seconded the motion. The motion carried with six affirmative votes.

At 3:15 p.m. Chair Moore declared the meeting was closed.

ATTENDEES: Chair Dr. Roscoe Moore; Vice Chair Lawson; Commissioners Adrienne A. Mandel, Gene Counihan, Antonio Jones, and Melanie Hartwig-Davis, General Manager Jerry Johnson, General Counsel Jerry Blask, Internal Audit Manager Maxene Bardwell, and Corporate Secretary Charlett Bundy.

Closed session minutes. Commissioner Jones moved to adopt the Closed Session Minutes for the November 16, 2011 Commission meeting. Commissioner Mandel seconded the motion. The motion carried with six affirmative votes.

Commissioners discussed the facts surrounding the separation in December of a WSSC employee under the supervision of the Internal Audit Manager. They received legal advice from Mr. Blask regarding some of the facts and the defense. At 3:45 p.m. Mr. Johnson, Mr. Blask and Ms. Bardwell left the closed session.

Commissioners discussed the contract renewal of a direct report. At the conclusion of the discussion, Ms. Bundy was asked to leave the room.

At 4:05 p.m. Vice Chair Lawson moved to end the closed session. Commissioner Counihan seconded the motion. The motion carried with six affirmative votes.

OPEN SESSION RESUMED

Adjournment

At 4:12 p.m. Commissioner Counihan moved to end the Commission meeting for December 14, 2011. Vice Chair Lawson seconded the motion. The motion carried with six affirmative votes. At 4:13 p.m. Chair Moore declared the meeting was adjourned.

Respectfully submitted,

//signed//

Charlett Bundy
Corporate Secretary