

WASHINGTON SUBURBAN SANITARY COMMISSION

MINUTES OF THE COMMISSION MEETING

**Wednesday, December 17, 2014
Laurel, Maryland**

Chair Omar M. Boulware called the meeting to order at 8:49 a.m., in the Auditorium of the Washington Suburban Sanitary Commission (hereinafter "WSSC") Richard G. Hocevar ("RGH") Building, 14501 Sweitzer Lane, Laurel, Maryland, 20707, with due notice having been given to all members of the Commission and the public. In addition to Chair Boulware, Commissioners Adrienne A. Mandel (Vice Chair), Gene W. Counihan, Chris Lawson, Mary Hopkins Navies and Roscoe M. Moore, Jr., were present at the meeting, reflecting the presence of a quorum. 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 Boulware opened the meeting by welcoming everyone and asking Commissioner Lawson to lead the pledge of allegiance.

AGENDA APPROVAL

Commissioner Mandel moved to adopt the Commission's Public Meeting Agenda of December 17, 2014, as drafted, to which Commissioner Counihan 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 November 19, 2014 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 December 2014: Cheryl Cowan (present at meeting), Assessments Technician, Revenue Group, retired with 25 years and 5 months of service; Larry Johnson, Contract Manager, Systems Inspection Group, retired with 19 years and 7 months of service; Gary Little (present at meeting), Unit Coordinator of Meter

Operations, Utility Services West Group, retired with 30 years and 1 month of service; Denise Liverpool (present at meeting), Customer Care Agent I, Customer Relations Group, retired with 25 years and 1 month of service; Gary Villeneuve, Meter Reading Analyst, Utility Enhancement Support Group, retired with 34 years and 3 months of service; Pamela Walker (present at meeting), Administrative Assistant, Engineering and Construction Team Office, retired with 27 years and 2 months of service; Lloyd Wold (present at meeting), Logistics Support Application Developer, IT Operations Group, retired with 20 years of service; Vernon Wolf (present at meeting), Systems Construction Inspector II, Systems Inspection Group, retired with 21 years and 1 month of service; Valerie Wooten (present at meeting), Utility Technician II, Utility Services West Group, retired with 30 years and 10 months of service; Cynthia Mooney, Contract Specialist, Infrastructure Systems Group, retired with 25 years and 8 months of service; Chester Jenkins, Process Control Specialist III, Process Control Group, retired with 28 years and 1 month of service; Richard Carroll, Fleet Technician, Fleet Services Group, retired with 30 years and 11 months of service; Lester Kolpack, Collection Technician III, Utility Management Group, retired with 29 years and 11 months of service; Charles Card, Asset Strategy Manager, Planning Group, retired with 28 years and 1 month of service; and, Bradley Harmon, Survey Party Chief, Technical Services Group, retired with 34 years and 5 months of service.

COMMUNICATIONS VIDEO

Communications and Community Relations Director Jim Neustadt presented a video, "Online Claims," which highlights the various improvements WSSC is making in the technology area as it relates to customer service and the online claims process. Mr. Neustadt also made mention of a special winter weather segment that will be aired on Channel 4 News this coming Saturday evening at 7pm on "Cold Weather Jobs," featuring a crew of field workers from WSSC.

COMMISSIONER COMMENTS

Vice Chair Mandel took an opportunity to wish all employees a healthy, happy holiday season, thanking all for the gift of fresh, clean water that the entire workforce ensures is delivered around the clock to the residents of the Washington Suburban Sanitary District.

PUBLIC COMMENTS

Two members of the public signed up to address the Commission. Anish Senan, President of Aves Construction Corporation, a certified SLMBE company located in Temple Hills Maryland and subcontractor to one of WSSC's prime/general contractors (Civil Construction, LLC), apprised the Commission of an issue his company is experiencing with Civil Construction on a WSSC construction project. Barbara Sollner-Webb, a Laurel resident and equestrian, thanked the Commission and the General Manager for opening up the Triadelphia Reservoir trails to equestrians and other members of the public during the winter months, providing photos of the beautiful watershed, riding trails and the new parking lot that WSSC constructed for visitors.

GENERAL MANAGER'S REPORT

General Manager ("GM") Jerry Johnson was recognized to provide his monthly 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:

Call Center answer rate at 87% for the month; GM provided overview of developments in contact center to enhance operations.

WSSC Budget revenue, expense estimates and actuals on target. Water production is 1.6% higher than last year however over five year average period, it is about 4.2% below that average. GM distributed graph to Commissioners of "Water Loss" over the past five years, which shows water loss for Fiscal Year 2014 at just under 16% (the lowest it has ever been; down from last year's 17.1%).

Slight decline in delinquencies over last month, primarily in multi-family and residential properties.

All plants and facilities are in full permit compliance with zero drinking water quality violations.

WSSC is experiencing an uptick in water main breaks due to the temperature changes. Water main construction is slightly higher than anticipated; sewer continues to lag due to permitting issues with MDE and NPS. Management is continuing to meet with MDE, U.S.

DOJ, U.S. EPA and respective environmental groups regarding extension of Consent Decree.

Management continuing to review graduation issue under SLMBE Program; SLMBE outreach efforts can be found on page 17 of GM Report. Pre-bid conference for Disparity Study RFP has been held; expect to award contract to successful bidder by end of January.

WSSC making forward progress with State and Counties on proposed Customer Affordability Program ("CAP"); resolved issue surrounding multi-meter households.

GM testified December 2nd at United States Senate Subcommittee Hearing on Water and Wildlife on importance of innovation and sustainability for water and wastewater utilities; message positively received.

WSSC hosted Water Research Foundation on December 3rd to discuss asset management; workshop very beneficial to all involved which included representatives from water utilities across the nation and abroad. WSSC Production Team hosted Dam Emergency Table Top Exercise on December 11th; many representatives from across State participated - required to conduct once every five years but may hold more frequently at request of participants.

WSSC has launched several Public Service Announcements (PSAs) over the past few months encouraging customers to "Can the Grease" and informing them about "WSSC Winter Preparedness."

GM acknowledged generosity of WSSC employees who have participated in various holiday charity events/drives to help the less-fortunate residents of the surrounding communities that WSSC serves.

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

INTERNAL AUDIT REPORT

Monthly Activity Report. Internal Audit Director Maxene Bardwell reported on the monthly activities of the Internal Audit Office (IAO) for the period of November 10, 2014 through December 5, 2014. The fiscal year-to-date System Development Charge (SDC) Audits remain same as last reported with no adjustments during

this period. Eleven SDC audit requests are in process with eight active and three inactive. With respect to Fiscal Year 2015 Audit projects - Auditors have been assigned for the Regulatory Services Group Operational Audit and an entrance conference has been scheduled for the Technical Services Group Special Audit. For Fiscal Year 2014 Carryover Audit Projects, fieldwork completed for the Blue Plains Audit with draft adjustments submitted to DC Water for review. Discussion draft for the Customer Relations Group Operational Audit is completed and currently under review by IA Director. The Construction Contracts Change Orders Special Audit has been postponed until completion of the Blue Plains audit. The Lead Auditor is in the process of preparing the final report findings and recommendations for the Physical Inventory Observation Audit. Under internal audit follow-up activities, no management action items were closed since the last status report and a review is underway for the eight implemented-pending Internal Audit verification action items. Implementation of one management action plan is delinquent.

Hotline. Report to be provided at the next quarterly audit committee meeting to be held in February 2015.

Board of Ethics. The Board held its regularly-scheduled meeting on November 13, 2014; several open and closed items were reviewed.

Code of Ethics Training. The Ethics Officer provided training to 11 new employees on November 24, 2014. Annual Ethics Training for all employees commenced on November 20, 2014 with 85% of the training completed for the total workforce.

External Auditors. The external auditors BCA Watson Rice, LLC, presented the WSSC Financial Report for the Year Ended June 30, 2014 during the November 19, 2014 Commission Meeting.

Audit Committee Meeting. Next quarterly meeting of the Audit Committee will be held on February 18, 2015.

Fiscal Year 2014 Annual Report. Ms. Bardwell, along with Internal Auditor Dana Whiting, delivered the Internal Audit Office's Annual Report for Fiscal Year 2014 contained in the board meeting materials and incorporated herein by reference. Specific details can be found in the report and the corresponding segment of the archived meeting video and both are referred to for that purpose.

In summary, Ms. Bardwell and Mr. Whiting provided an overview of the office's fiscal activities for the year, which included the IAO strategic priorities, key performance indicators, risk-based audit plans, financial impact analyses, Fraud, Waste and Abuse hotline allegations, and Ethics Office achievements.

Following discussion, the Monthly and Annual Reports of the Internal Audit Office were received as information.

OTHER REPORTS/BRIEFINGS

FINANCE

Approval of 2015 Front Foot Benefit Rates and House Connection Charges. Front Foot Benefit rates are charged by the Commission to recover the costs of construction for smaller water and sewer lines for single family or health hazard applicants. House Connection charges are charged by the Commission to recover the costs of construction for lines built from WSSC's water and sewer system to the applicant's property.

The former Acting Chief Financial Officer presented the rate calculations for the Proposed 2015 Front Foot Benefit Rates and House Connection Charges at last month's Commission meeting and management is now before the Commission to request approval of such rates. In summary, management is not proposing any changes from the current rates to the Proposed 2015 Front Foot Benefit Rates and House Connection Charges. The public hearing on the proposed rates was held on November 19, 2014 and no public comments have been received to date.

Whereupon, a motion was duly made by Commissioner Lawson and properly seconded by Commissioner Counihan, to approve the 2015 Front Foot Benefit Rates and House Connection Charges, as proposed by management, to be effective January 1, 2015. The motion carried unanimously with six affirmative votes.

Approval of Fiscal Year 2016 Preliminary Proposed Operating and Capital Budget for Transmittal to Counties, Publication and Public Hearing Purposes. The Acting Budget Group Leader Letitia Carolina-Powell next presented WSSC's preliminary proposed operating budget for Fiscal Year 2016 for the Commission's approval for transmittal to Counties and public hearing purposes. State law requires that the Commission publish, before January 15th, a proposed operating and capital budget for the upcoming

fiscal year. Public hearings on the budget must then be held prior to February 15th with submission to the Counties to take place by March 1st.

Public Hearings on WSSC's FY 2016 Preliminary Proposed Budget have been scheduled as follows:

Montgomery County - Wednesday, February 4, 2015 - 7:30 p.m.

Stella B. Werner Office Building, 7th Floor Hearing Room

100 Maryland Avenue, Rockville, Maryland 20850

Prince George's County - Thursday, February 5, 2015 - 7:30 p.m.

RMS Building, Room 308

1400 McCormick Drive, Largo, Maryland 20774

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

Commission Hearing Room/Auditorium, WSSC, RGH Building (if necessary, due to inclement weather on either of the above dates)

The preliminary proposed budget for Fiscal Year 2016, totaling \$1.396 billion with operating expenses of \$715 million and capital budget of \$680 million, provides for a combined 1.0% average increase in water and sewer rates which meets the Spending Affordability Guidelines approved by both counties (Prince George's County and Montgomery County both recommended 2.1%).

The preliminary budget also proposes changes to the Commission's Ready to Serve Charge including recalibration of the existing account maintenance fee component and the phased-in implementation of an infrastructure fee component. The changes to the Ready to Serve Charge will not result in net new revenues to the Commission as the revenues from the fees will be used to offset revenues from rates dollar-for-dollar.

Running a water distribution and sanitary sewer system involves certain fixed costs that are not related to individual usage. In 1990, the Commission instituted a separate Account Maintenance Fee (AMF) to recover 100% of the fixed costs associated with having an account with WSSC. Examples of these costs include billing, meter reading, meter replacement and private fire protection. This fee has not been adjusted since its inception and recoups only 70% of these costs with the remaining 30% being subsidized with revenues

from rates. This budget proposes the recalibration of the AMF to fully recover the cost of providing customer account services.

A new infrastructure fee component of the Ready to Serve Charge would provide a dedicated, predictable, and transparent funding source for the Commission's large and small diameter water and sewer pipe reconstruction programs from the approved Capital Improvements Program. As recommended by the two Counties in the Spending Affordability Guidelines, the fee would be phased-in over two years; 50% of the fee total in Fiscal Year 2016, 100% of the fee total in Fiscal Year 2017.

Greater detail relating to the preliminary proposed budget projections can be found in the board report, incorporated herein by reference and the corresponding segment of the archived meeting video, and both are referred to for this purpose.

Following discussion, on motion made by Commissioner Counihan and seconded by Commissioner Mandel, the Commission voted unanimously by a vote of six-to-zero to approve the Commission's Preliminary Proposed Operating and Capital Budget for Fiscal Year 2016 for distribution to County officials and the public for public hearing purposes, as recommended by management.

CONSENT CALENDAR

Contracts for Approval

The Chair indicated that Commissioners had an opportunity to review the contracts provided in the advance board materials, and included on the Meeting's Consent Calendar, and that no one had requested that any contracts be removed prior to consideration at the meeting; however, the Vice Chair did raise a question pertaining to Construction Contract BL3192A01. Following a short discussion, the Chair then called for a vote.

Whereupon, a motion was made by Commissioner Counihan, and seconded by Commissioner Lawson, to adopt Resolution 2015-2072, approving the eleven contracts on the Consent Calendar for the December 17, 2014 Commission Meeting, as follows:

A. Engineering and Construction (Architect/Engineering Contracts)

- 1. CM4363B.C.D06, Design Services for Septage and Fats, Oils and Grease (FOG) Discharge Facilities, to**

Black & Veatch Corporation, Inc., in an amount not to exceed \$2,496,607.49.

2. PM0001A14, PM0002A14, PM0003A14, General Engineering Services Basic Ordering Agreement, to Whitman, Requardt & Associates, LLP, CH2M Hill Engineers, Inc., and Hazen & Sawyer, P.C. Each contract to be awarded in an amount not to exceed \$3,000,000.00 with a base term of three years and two (2) two-year option terms, in amounts not to exceed \$2,000,000.00 each; for a total requested amount of \$9,000,000.00.

Engineering and Construction (Construction Contracts)

1. BF5250A11, Potomac Water Filtration Plant Sedimentation Basins Corrosion Mitigation, to W.M. Schlosser Company, Inc., in the amount of \$12,533,000.00.
2. BR4797A08, South Potomac Supply Improvement Project, to Garney Companies, Inc., in the amount of \$14,677,770.00.
3. BR5543A13, Temple Hills Water Main Replacement, to Rivers Construction Group, Ltd., in the amount of \$2,720,974.00.
4. BR5552A13, Carmody Hills Water Main Replacement, to J. Fletcher Creamer & Sons, Inc., in the amount of \$3,684,705.61.
5. BTCR5268A11, Cedarbrook Lane Transmission Water Main, to Taylor Utilities, Inc., in the amount of \$3,162,530.00.
6. BT5598A13, Riggs Road 24-Inch Transmission Water Main Relocation, to Corinthian Contractors, Inc., in the amount of \$2,652,673.33.
7. BL3192A01, Change Order No. 4, Oak Grove/Leeland Road 24-Inch Transmission Main, to American Infrastructure-MD, Inc. dba American Infrastructure, in the amount of \$191,610.45, for a total upset limit of \$6,515,639.83.

[Point of Information: Following the morning open session, management discovered a calculation error in this contract and advised the Commission. The Commission took subsequent action relating to this contract and the Consent Calendar Resolution during the afternoon open session.]

B. Utility Services

1. Contract 75502483B, Large Water Valve Condition Assessment, to Wachs Valve & Hydrant Services, LLC dba Wachs Water Services, in an amount not to exceed \$3,400,000.00, with a base term of two years, and one (1) two-year option term.

C. Production

1. Contract 6742, Polyaluminum Chloride (Coagulant for Potomac/Patuxent WWTPs), to USALCO as an approved single source provider of DelPac 2500 grade of Polyaluminum Chloride, for a total amount not to exceed \$5,100,000.00, and a total contract term of eighteen months.

The motion carried unanimously with six affirmative votes.

Following the morning session, management advised the Commission Chair that Construction Contract BL3192A01, Change Order No. 4 (adopted by the Commission as noted above under the Consent Calendar Resolution 2015-2072) contained a calculation error. The original contract package submitted in the board materials incorrectly listed the Change Order No. 3 amount for this contract as \$191,610.45 (which is actually the Change Order No. 4 amount). The correct Change Order No. 3 amount is \$209,604.38. In addition, the original contract package listed a total upset limit of \$6,515,639.83, when, in fact, the correct total upset limit should have been \$6,518,639.83.

Management re-submitted the revised contract package for Construction Contract BL3192A01, Change Order No. 4, during the afternoon open session and the Commission voted unanimously 6-0 to reconsider the Consent Calendar action taken above; i.e., to reconsider the December 17, 2014 Consent Calendar Resolution 2015-2072 (Commissioner Moore - mover; Commissioner Counihan - seconder; motion carried with six affirmative votes).

The Commission then voted unanimously 6-0 to adopt Resolution 2015-2072, as amended, striking Construction Contract BL3192A01, Change Order No. 4, from the December 17, 2014 Consent Calendar Resolution and approving the remaining ten contracts listed on the Consent Calendar Resolution (Commissioner Moore -mover; Commissioner Counihan - seconder; motion carried with six affirmative votes).

The Commission then voted unanimously 6-0 to approve management's recommendation to award Change Order No. 4 for Construction Contract BL3192A01, Oak Grove/Leeland Road 24-Inch Transmission Main Project, as revised, to American Infrastructure-MD, Inc. dba American Infrastructure, in the amount of \$191,610.45, for a total upset limit of \$6,518,639.83 (Commissioner Mandel - mover;

Commissioner Lawson - seconder; motion carried with six affirmative votes).

ADDITIONAL BRIEFINGS

2015 Legislative Agenda Update. Intergovernmental Relations Office (IRO) Director Michael Stroud provided an update of the IRO activities over the past month. He also provided an update on the WSSC-sponsored and non-sponsored bills being proposed for the upcoming 2015 Legislative Session and various meetings he's had with legislators relating to the bills. This year's Annual Legislative Breakfast that WSSC is hosting for State legislators is planned for Thursday, January 15, 2015 at 8:00 a.m. in Room 170 of the Lowe House Office Building in Annapolis, Maryland.

The Commission received the report of the Intergovernmental Relations Office on the 2015 WSSC Legislative Agenda, as information.

COMMISSION OFFICE

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

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

WSSC Employees' Retirement Plan Board of Trustees. Commissioner Moore provided a brief summary of the October 2014 investment results based on the last meeting of the Board of Trustees held on December 3, 2014, reporting that the Plan's assets at October 31, 2014 were \$756.7 million which represents a year-to-date investment gain of \$33.1 million or an increase of 4.9% (from December to October). There will not be a meeting in January; the next scheduled meeting of the Board of Trustees will be held on February 25, 2015.

The Commission received the report of the WSSC Employees' Retirement Plan Board, as delivered by Commissioner/Trustee Moore, as information.

Personnel and Governance. Commissioner Mandel provided an update of the Committee's activities for the month, stating that the Committee had concluded its performance assessments with regard to

the Commission Office direct reports and has met with two of its three direct reports regarding Fiscal Year 2015 Goals and is awaiting receipt of the goals from its third direct report; will be meeting with that individual following the holidays.

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

Legislation. Commissioner Counihan indicated that he had nothing further to add outside of the extensive report provided by the IRO Director and that the Committee and Commissioners are looking forward to the Annual WSSC Legislative Breakfast with State legislators in January in Annapolis.

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

Audit. The Chair indicated that the Minutes of the Audit Committee Meeting held on November 19, 2014 were before the Commission for consideration.

Whereupon, a motion was duly made by Commissioner Mandel and properly seconded by Commissioner Counihan to approve the Audit Committee Minutes of November 19, 2014. The motion carried unanimously by a vote of six-to zero.

The Chair announced that the morning business has concluded and called for a motion to go into Closed. Following the vote, the Commission will take a short recess and reconvene in Closed Session in the Commissioners' Conference Room.

CLOSED SESSION

Whereby at 11:00 a.m., Commissioner Lawson moved that the Commission go into Closed Session pursuant to Maryland Code Annotated, General Provisions Article: Section 3-305(b)(13) to approve the November 19, 2014 Closed Session Minutes; Section 3-305(b)(7) to consult with counsel to obtain legal advice on pending and/or threatened litigation; and, Section 3-305(b)(1) to discuss personnel matters.

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

At 11:00 a.m., Chair Boulware declared the meeting was Closed. The Chair then called for a short recess. The meeting reconvened in Closed Session at 11:38 a.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 Navies, the Commission voted unanimously six-to-zero, to adopt the closed session minutes of its November 19, 2014 Commission Meeting, as drafted.

Commissioner Mandel commended the Corporate Secretary on doing an excellent job at capturing and drafting the Commission Meeting Minutes for each meeting, noting that she found the minutes to be very accurate and thorough, with the right level of detail.

Pending Litigation/Legal Advice - Commissioners were briefed by the General Counsel on pending litigation and other confidential/privileged legal matters affecting the Commission, including updates on meetings with the Maryland Department of the Environment (MDE), Department of Justice (DOJ), U.S. Environmental Protection Agency (EPA) and respective environmental groups, 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 status of negotiations with the MDE relating to the Clean Water Act lawsuit filed by the Potomac Riverkeeper environmental group.

Mr. Blask departed the meeting following his legal report, at 12:00 p.m.

Personnel Matters - The Commission met in executive session at 12:04 p.m. without any members of management present to discuss personnel matters. The Corporate Secretary and General Manager were excused from this portion of the meeting.

At 1:13 p.m., Commissioner Moore moved to end the Closed Session. Commissioner Mandel seconded the motion. The motion carried unanimously with six affirmative votes.

OPEN SESSION RESUMED

Due to an error in one of the construction contracts approved earlier by the Commission under the Meeting's Consent Calendar, the Commission reconsidered its previous action with regard to Resolution 2015-2072 (Adoption of the December 17, 2014 WSSC Commission Meeting Consent Calendar). Such subsequent action is detailed in the Consent Calendar section of these Minutes.

ADJOURNMENT

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

At 1:25 p.m., the meeting was declared adjourned.

Respectfully submitted,

//signed//

Sheila R. Finlayson, Esq.
Corporate Secretary