STATUS OF THE DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY

HEARING

BEFORE THE

SUBCOMMITTEE ON THE
DISTRICT OF COLUMBIA

OF THE

COMMITTEE ON
GOVERNMENT REFORM
AND OVERSIGHT
HOUSE OF REPRESENTATIVES

ONE HUNDRED FIFTH CONGRESS

FIRST SESSION

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STATUS OF THE DISTRICT OF COLUMBIA WATER AND SEWER AUTHORITY

WEDNESDAY, NOVEMBER 12, 1997

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON THE DISTRICT OF COLUMBIA,
COMMITTEE ON GOVERNMENT REFORM AND OVERSIGHT,
Washington, DC.

The subcommittee met, pursuant to notice, at 2:05 p.m., in room 2247, Rayburn House Office Building, Hon. Thomas M. Davis (chairman of the subcommittee) presiding.

Present: Representatives Davis, Horn, Norton, and Allen.

Staff present: Ron Hamm, staff director; Howard Denis, counsel; Anne Mack, professional staff member; Ellen Brown, clerk; and Cedric Hendricks, minority professional staff member.

Mr. DAVIS. Good morning, and welcome. Let me just start by saying this is not one of Washington's tourist attractions, but the Blue Plains Wastewater Treatment Plant is the largest of its kind in the United States. It is the region's most significant environmental facility.

Let me note we have eight students in the back from Ben Franklin High School from New Orleans, and they are participating in the Close-up program, and we appreciate you all being here today.

Most all Federal facilities in all three branches of governments, plus around 2 million residential users in Virginia, Maryland and the District depend upon Blue Plains. It treats an average 325 million gallons a day on 154 acres in southwest Washington. A collapse of Blue Plains, which seemed possible last year, would be an ecological catastrophe.

As recently as September 1995, the EPA warned of a very real possibility that raw sewage would flow into the Potomac because of serious shortcomings at Blue Plains. But since the new Water and Sewer Authority came into existence on October 1, 1996, there have been no EPA violations, and there have been no more boil-water alerts. We have thus taken a giant step forward in providing the region the essential service of clean abundant water at a reasonable price and the sewage treatment which must go with it.

This subcommittee can be proud that we have played a leading role reversing many dangerous trends at Blue Plains. We did it by working cooperatively in a bipartisan fashion with the city, the suburban user jurisdictions and the Federal Government.

We now want to review the current situation at Blue Plains under the new Water and Sewer Authority, evaluating existing concerns, and looking to the future with practical solutions.

The new law, in place for 13 months now, stabilized an 11-member authority with five suburban representatives and a super-majority required for significant actions. Blue Plains was transferred to the Authority.

When Congress approved and the President signed our subcommittee legislation conferring borrowing power of the new authority, we consciously deferred some outstanding issues. These included privatization, and the ultimate creation of a true regional authority. I look forward to hearing appropriate witnesses today address those issues. It is the clear intent of Congress these matters be implemented as soon as possible.

The District's financial plan provides for an orderly payback of $83 million to the new Authority. The Control Board has assured the subcommittee and the participating jurisdictions that it fully intends to enforce the District's commitment to repay those funds. Congress, of course, retains both the ultimate power to force repayment and the ultimate guarantor.

Many thanks to all of the local, State and Federal officials who have made it possible to achieve so much progress in this important area.

[The prepared statement of Hon. Thomas M. Davis follows:]

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ONE HUNDRED FIFTH CONGRESS

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REP. TOM DAVIS
CHAIRMAN, D.C. SUBCOMMITTEE
NOVEMBER 12, 1997
OPENING STATEMENT

Though not one of Washington's tourist attractions, the Blue Plains Wastewater Treatment Plant is the largest of its kind in the United States. It is the Region's most significant environmental facility.

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which must go with it.

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The District's Financial Plan provides for an orderly payback of $83 million to the new Authority. The control board has assured the Subcommittee and the participating jurisdictions that it fully intends to enforce the District's commitment to repay those funds. Congress, of course, retains ultimate power to enforce repayment, and is the ultimate guarantor.

Many thanks to all local, state, and federal officials who have made it possible to achieve so much progress in this important area.

Mr. DAVIS. I see Ms. Norton is not here yet. We will allow her to make a statement when she comes in.

Mr. Horn, do you care to make an opening statement?

Mr. HORN. No, I just wish you well as a resident of Washington; fifth generation in the family.

Mr. DAVIS. Thank you. We have agreed to call our third panel first.

We have the county executive of Montgomery County, Douglas Duncan; Michael Errico, the deputy chief administrator officer of Prince George's County is here, and you can come up as well; and, of course, Tony Griffin, who is an alternate member from Fairfax County.

I have to swear you in first. That is the rule of the committee. If you will stand please.

[Witnesses sworn.]

Mr. DAVIS. Mr. Duncan, we will let you begin. We are glad to have you here, and we appreciate your cooperative leadership in bringing this about.

Mr. DUNCAN. Thank you very much, Mr. Chairman.

Mr. DAVIS. Give me 1 second. Ms. Norton has walked in, and she may want to make an opening comment.

I yield now to the Representative from the District of Columbia, Ms. Norton.

Ms. NORTON. Thank you, Mr. Chairman.

Mr. DAVIS. I know, Doug, you wanted to have the benefit of her input before you started today anyway.

Mr. DUNCAN. Absolutely. I always defer to Ms. Norton.

Mr. DAVIS. And, Mr. Allen, if you want to say anything after Ms. Norton.

Mr. ALLEN. Thank you, I will pass.

Ms. NORTON. Sorry, Mr. Chairman, I went to our usual meeting place.

Mr. DAVIS. Our regular hearing room. I see.

Ms. NORTON. Mr. Chairman, I expect today's hearing on the District of Columbia Water and Sewer Authority to be a good news hearing for the District and the region. The new Authority has quickly proceeded on strategies that are solving many of the problems that led to its creation.

Perhaps the best news is the news that affects the health of the residents of the region. The funds that were added to last year's appropriation by Representative Julian Dixon, who was then the ranking member of the D.C. Appropriations Subcommittee, have been used productively in a flushing program. This critical funding, as well as other activities by WASA, have resulted in the elimination of violations this year. The environmentalists with whom I worked so closely on water clean-up legislation and activities in the EPA are also glad to see this progress.

I am particularly pleased that we have been able to get the State funding match for the wastewater treatment plant construction funds changed from 55–45 to 80–20 in favor of WASA. In effect, this change relieves the District of another State function it cannot afford, and Virginia and Maryland get a benefit they did not anticipate.

The matching formula change makes it possible for WASA to use funds for renovation projects that it might otherwise not be able to pursue until much later, and the new funding formula helps the District to comply with a U.S. District Court-approved agreement with the EPA to institute a 2-year $20 million capital improvement program.

I want to thank Chairman Jerry Lewis and Ranking Member Lou Stokes of the VA–HUD Appropriations Subcommittee, with whom I worked closely on changing the matching formula. It is unfortunate that WASA had to raise rates a whopping 42 percent and to end free service to churches, hospitals and other nonprofit organizations. However, I am informed that generally cities charge nonprofits for water service and that D.C. was unusual in not doing so.

The 42 percent rate increase is a good example of how not to run an enterprise. Had the District conducted business in an appropriate manner, there would have been periodic incremental increases that even people with modest incomes expect and absorb. The failure to make these necessary increases also contributed to the deterioration of the facility.

Our investigation indicates that the three jurisdictions that are partners in the Authority have worked amicably and skillfully. They have done so pursuant to a compromise which left ownership of the facilities with the District. There is no reason to change that ownership structure, and I would fight strenuously against any attempt to overturn that compromise. A deal is a deal. It would be counterproductive to replay and reargue an issue that was settled by the agreement that set up the present authority.

This region is in no position to complain. Compared to other regions, this region has the best deal in the country, beginning with no commuter tax. We are not about to give up ownership of this asset. The emphasis now must be on bonding the partners, setting goals and timeframes, meeting them, and demonstrating that this region can work together to provide first class service of a vital resource for all our residents.

Thank you very much, Mr. Chairman.

Mr. DAVIS. Thank you very much. Mr. Duncan, we will let you lead, followed by Mr. Errico then Mr. Griffin.

STATEMENTS OF DOUGLAS DUNCAN, COUNTY EXECUTIVE, MONTGOMERY COUNTY, MD; MICHAEL ERRICO, DEPUTY CHIEF ADMINISTRATOR OFFICER, PRINCE GEORGE'S COUNTY, MD; AND ANTHONY H. GRIFFIN, ALTERNATE MEMBER (WASA), FAIRFAX COUNTY, VA

Mr. DUNCAN. Thank you, Chairman Davis, and members of the subcommittee. Very pleased to be here today. I am joined in the audience by Bruce Romer, who is the Montgomery County chief administrative officer, and also the vice chair of the WASA Board of Directors, and the Honorable Sidney Kramer, who is a former county executive and Maryland State Senator. Mr. Romer and Mr. Kramer are the Montgomery County appointed board members to the Water and Sewer Authority.

We support the activities being undertaken by WASA and are committed to regional cooperation in the provision of water and sewer service also through joint use facilities.

I also want to recognize the leadership of Chairman Michael Rogers as well as the diligence and determination of the five other District representatives and our five suburban representatives. Through their work a path has been set to establish WASA as a world class system. They have all worked consciously and cooperatively to improve the situation at WASA.

Chairman Rogers is going to outline the progress that has been achieved by WASA over its first year, and I expect that EPA Regional Administrator Michael McCabe will acknowledge that progress.

I think the progress has been extremely significant, and I want to acknowledge the WASA employees, who have remained dedicated and committed to improving services. Their actions are to be commended very highly.

Mr. Jerry Johnson, the new WASA General Manager, is going to make a presentation to you later today. His first order of business was to assemble a strong management team. This team has already made many positive improvements in the financial management and reporting systems. WASA staff has also been in frequent contact with WSSC, which is a Maryland bi-county agency, to coordinate their budget processes. WSSC pays about $40 million annually to handle 94 percent of the wastewater flows from Montgomery County and about 54 percent of the flows from Prince George's County.

WASA is preparing to approach the bond market. A financial adviser, bond counsel, and an independent engineering firm have all been put in place and the critical test will be the response of that market, and I expect that the market will look favorably upon WASA's sound financial management practices.

WASA recently adopted its own personnel regulations and is preparing to finalize its own procurement regulations. The enabling legislation also required studies regarding privatization and an independent authority. I understand that the selection of a consultant to perform the study on privatization is reaching its final stages, and the study on the feasibility of establishing an independent, regional authority is to be initiated soon.

With regard to the future, the Montgomery County Council and I see the need to establish an independent, interstate authority for WASA, similar to the Washington Metropolitan Transit Authority.

There is extensive oversight exercised over WASA by the D.C. Council, the Mayor, Chief Financial Officer, Financial Control Board and the U.S. Congress. Responding to these levels of oversight distracts the WASA staff away from their focus upon the critical operation of the water and sewer system. This oversight and reviews of procurements and budgets diminishes the role of the regionally representative policymaking body, the Board of Directors.

Another concern I have is that the most recent versions of the District's appropriations bill had provisions inserted which potentially affect WASA's ability to utilize sole source procurements and rescinds WASA's authority to expend revenues not budgeted.

Both of these provisions hamper the timely action of the Authority, particularly if the regional partners or Federal agencies provide funding to address an operating requirement. These provisions, it is my understanding, were added without prior notice or consultation.

Mr. DAVIS. Let me just add, were those in the House bill, as far as you know?

Mr. DUNCAN. That is my understanding, yes, sir.

Mr. DAVIS. Hopefully we have taken care of that, but we appreciate your putting that on the record.

Mr. DUNCAN. The procurement and personnel regulations continue to be tied to the laws of the District of Columbia. The objective was to formulate separate personnel and procurement regulations reflective of a modern, streamlined public utility. WASA, however, still is considered an agency of the District and these regulations needs to comply with District law. There is concern the regulations will not provide the flexibility and timely action common to similar regulations for independent public utilities.

In summary, much has been accomplished over the past year. Significantly more progress is anticipated over the next years. Building upon the strong foundation of the 1985 InterMunicipal Agreement and the demonstrated regional cooperation and partnership of the WASA Board, we see the need to move WASA to the next plateau, which is an independent regional authority.

I look forward to the cooperation of Congress and the respective legislatures of the District, Virginia and Maryland in establishing an independent, interstate authority. I want to thank you again for the opportunity to testify and to hear the testimony of the other panel members. We will be happy to answer any questions you may have.

[The prepared statement of Mr. Duncan follows:]

OFFICES OF THE COUNTY EXECUTIVE

Douglas M. Duncan
County Executive

Testimony of County Executive Douglas M. Duncan
Montgomery County, Maryland
November 12, 1997
District of Columbia Subcommittee, Government Reform and Oversight Committee

Good afternoon, Chairman Davis and members of the District of Columbia Subcommittee. I am Douglas Duncan, County Executive of Montgomery County, Maryland. I am joined today by Bruce Romer, our Chief Administrative Officer who also serves as the Vice Chair of the WASA Board of Directors and the Honorable Sidney Kramer, former County Executive and Maryland State Senator. Mr. Romer and Mr. Kramer are the County's appointed Board members to the Water and Sewer Authority.

Our presence today is to convey our strong support for the activities being undertaken by WASA and to demonstrate our commitment for continued regional cooperation in the provision of water and sewer services through joint use facilities.

I also want to recognize the effective and persistent leadership of Chairman Rogers as well as the diligence, dedication, and determination of the five other District representatives and our five suburban representatives. Through their work, a path has been set to establish WASA as a world class system. These directors have all worked conscientiously and cooperatively to set forth an aggressive agenda to restore public confidence in the operation of our region's water and wastewater system.

Much progress has been achieved by WASA over its first year as outlined by Chairman Rogers, and acknowledged by Regional Administrator McCabe. Drinking water quality has remained within federal standards, wastewater operations have all remained within permit levels and WASA has complied with all of its federal mandates, consent decrees, and stipulated agreements.

Water rates were increased 42% by the District Board members. This was the first rate increase in more than a decade. Policies have also been established to meter groundwater flows into the wastewater system and an aggressive plan has been adopted for collections and delinquent accounts. Fleet maintenance is also improving for field operations to perform repairs, read meters, monitor water usage and perform maintenance. Throughout this transition, the WASA employees have remained dedicated and committed to improving services. Their enthusiasm and hard work must also be acknowledged. The challenge will be to provide them with the appropriate training, equipment, technology, and resources to perform their jobs effectively and efficiently.

You've just had the opportunity to meet Mr. Jerry Johnson, the new WASA General Manager. Mr. Johnson's first order of business was to assemble a strong management team. The team has already made many positive improvements in the

financial management and reporting systems. The information flow and financial analysis has improved accountability as well as providing essential information required for policy decisions. This team recently discussed with our County Council the status of WASA activities and its FY99 capital and operating budget. Our payments to WASA are made through the bi-County agency, WSSC, which amount to about $40 million annually to handle 94% of the wastewater flows from Montgomery County and about 54% of the flows from Prince George's County.

WASA staff and the Board are preparing to approach the bond market to refinance existing debt and to finance its capital projects. A financial advisor, bond counsel, and an independent engineering firm have all been put into place. The critical test will be the response of the bond market to WASA's prospectus for revenue bond financing which is expected in early 1998. We anticipate that the markets will look favorably upon WASA's sound financial management practices.

WASA recently adopted its own personnel regulations and is preparing to finalize its own procurement regulations. The enabling legislation also required studies regarding privatization and an independent authority. I understand that the selection of a consultant to perform a study on privatization of all or portions of WASA operations is reaching its final stages. The study on the feasibility of establishing an independent, regional authority is to be initiated soon.

With regard to the future, the County Council and I continue to see the need to establish an independent, interstate authority for WASA, similar to the Washington Metropolitan Area Transit Authority. We remain concerned about the extensive oversight required of WASA, as an agency of the District of Columbia, by the DC Council, Mayor, Chief Financial Officer, Financial Control Board and United States Congress on procurements, financial management and budgeting matters.

Meeting these levels of oversight are distracting our management staff away from their focus upon the critical issues of the daily operation of the water and sewer system. The continuous oversight and reviews of procurements and budgets diminishes the role of the regionally representative policy making body, the Board of Directors.

The need to develop plans in the event of a continuing resolution or failure of Congress to appropriate the District expenditures is inconsistent with the critical public health and safety demands of operating regional water and sewer facilities.

Another concern is miscellaneous provisions often inserted in the District's appropriations bill, which have an impact on WASA. For example, the most recent versions of the District's appropriations bill had two provisions inserted which potentially affect WASA's ability to utilize sole source procurements and rescinds WASA authority's to expend revenues not budgeted. Both of these provisions hamper the timely action of the Authority, particularly if the regional partners or federal agencies provide funding to address an emerging need or unanticipated operating requirement. Furthermore, these provisions were added without prior notice or consultation with WASA Board or staff.

Procurement and personnel regulations also continue to be tied to laws of the District of Columbia. While the objectives have been to formulate separate procurement and personnel regulations reflective of a modern, streamlined public utility, WASA is still considered an agency of the District. Therefore, the regulations need to comply with

District law. We are concerned that these regulations will not provide the flexibility and timely action common to similar regulations for independent public utilities.

In summary, much has been accomplished over the past year. With the commitment of its Board members and the dedication of the professional staff, significantly more progress is anticipated. Building upon the strong foundation of the 1985 InterMunicipal Agreement and the demonstrated regional cooperation and partnership of the WASA Board, we see the need to move WASA to the next plateau - an independent, regional authority . We believe that will help achieve even further progress in the effective delivery of WASA services. We look forward to the cooperation of Congress and our respective legislatures of the District, Virginia and Maryland to establishing an independent, interstate authority.

Thank you very much for the opportunity to testify before the subcommittee. We will be happy to answer any questions you may have.

Mr. DAVIS. Mr. Errico.

Mr. ERRICO. Mr. Chairman and members of the subcommittee, it is a pleasure to be here today representing Prince George's County, MD, and as an alternate member of the Board of Directors of the District of Columbia Water and Sewer Authority.

Prince George's County has a vested interest in assuring a successful future for the Water and Sewer Authority and the Blue Plains plant in particular. Prince George's County and Montgomery County, through the Washington Suburban Sanitary Commission, contribute 40 percent of the operating costs and 49 percent of the capital costs for the Blue Plains plant. Currently 380,000 county residents, or more than 52 percent of our population, are served by the plant through the WSSC.

Within the sewer basins in Prince George's County we have adequate capacity for future growth. One of our goals, through this process, is to do everything we can to maintain and protect our future capacity at Blue Plains.

You have before you my complete testimony, which addresses in detail our comments regarding four key issues at WASA. They relate to administrative and staffing concerns, budget and financial concerns, plant maintenance and operations, and the impact on the Blue Plains InterMunicipal Agreement of 1985, just mentioned by County Executive Duncan. For the sake of time, I will quickly summarize our thoughts on these key points.

Probably first and foremost, of the positive changes occurring within the past year was the hiring of a new general manager. Since June, Jerry Johnson has proven to be a very able and capable manager. Already he has hired expert senior staff in the areas of financial management and plant operations, proposed a major restructuring of the services and functions of WASA, and begun assessing the various staffing, organizational, communications and fee structure issues that are prominent.

I applaud him for his ability to clearly identify and begin responding to the multitude of immediate priorities that face us. At the same time, he is setting in place a structure that will assist him in addressing other less immediate but equally significant priorities for the longer term.

Along with Paul Bender, WASA's new Chief Financial Officer, Jerry has taken a consistent and conscientious approach to all aspects of the budgeting process. An external review of our revenues shows we have finally arrived at what we hope is a solid foundation to move forward. After preliminary analysis, the fiscal year 1999 budget appears practical and doable from an implementation standpoint as well as being fiscally sound.

Blue Plains was once the most advanced facility in the world in providing sewage treatment. Unfortunately, years of neglect and funding diversions away from the Blue Plains plant have taken a serious toll. Again, however, the WASA Board actions and efforts by the new general manager are moving us back into a more productive and efficient arena and, hopefully, we will regain that place in the industry.

Current proposals to spend more than $1.7 billion for a 10-year capital improvement program are now under scrutiny by the Board of Directors. We in the counties are mindful this could potentially

triple WSSC's financial contribution from the current $100 million over 6 years to almost $300 plus million.

These are important accomplishments and have set us on a positive track. Prince George's County continues, however, to have concerns in several areas. One of the major reasons behind the creation of WASA as an independent agency was to allow for major changes to the organization's personnel and procurement regulations, which were hopelessly caught up in the District's procedures. Unfortunately, at this time, it is necessary that the District continue to handle WASA's payroll and personnel matters under a contract.

In addition, WASA's recently adopted personnel regulations still parallel too closely those used by the District of Columbia. Although they begin to move away from the business as usual personnel format, they are still far removed from the kind of flexible and goal-oriented regulations envisioned for the new authority. There has also been no formal action on the adoption of new procurement regulations at this point.

And although we are pleased with the new budget process, the county remains concerned that WASA must continue to operate within the framework of the District of Columbia's budget.

A related issue involves WASA's approaching bond issue. Again, the District Government retains legal responsibilities, and any bond action must go through the Control Board. The WASA Board and the suburban jurisdictions, in particular, are working hard to create a new climate of change and pro-activity within the WASA organization. However, actions such as those I have just mentioned only perpetuate the feeling among many WASA staffers that they are still an adjunct of the District government, a view with which we do not agree.

Turning to the Blue Plains InterMunicipal Agreement of 1985, the agreement clearly states the Blue Plains Regional Committee is the sole coordinating body among the parties for Blue Plains issues. The WASA Board and local jurisdictions have not yet begun to address the relationship between these two entities. The Blue Plains Regional Committee offers a solid base of technical expertise as well as policy guidance on wastewater and sewage issues. Discussions must begin soon to establish a coordinated effort to use these attributes in the WASA process. I should note WASA's General Manager, Mr. Johnson, indicates his wholehearted support for the continuation of guidance from the Blue Plains Regional Committee.

Last, I want to touch on two requirements of the authorizing legislation: The feasibility of establishing the Authority as an independent regional authority; and, second, the feasibility of privatizing or leasing the Blue Plains plant. A committee has been actively engaged in addressing the privatization study. However, the study will not begin until March.

Discussions are also underway regarding the direction and scope of the regional authority study, the next priority of the committee. We are somewhat disappointed it has taken this long to address these important aspects of the authorizing legislation. We recognize that the Board has been making a concerted effort to achieve consensus positions on the issues addressed to date. Although our ob-

jectives as Board members may be different, we have agreed our first priority was to increase the operation and efficiency of the plant and to satisfy EPA permits and other health requirements.

As we move into the thorny issues of assessing privatization and regionalization, it may not be as easy to resolve these issues, and conflicts may arise. We in Prince George's County are committed to working with the District and our other partners to ensure the regionalization study be given utmost priority during the coming months.

I want to thank you for the opportunity to testify before you today. We sincerely appreciate the outstanding efforts and commitments presented by Chairman Davis and Congresswoman Norton to ensure the Water and Sewer Authority works for all of its customers.

[The prepared statement of Mr. Errico follows:]

Mr. Chairman, Congresswoman Morella, Congresswoman Norton, and Members of the Subcommittee:

It is a pleasure to be here today representing Prince George's County, Maryland, and as an alternate member to the Board of Directors of the District of Columbia Water and Sewer Authority (WASA). It is most appropriate for us to be here today, following the one-year anniversary of WASA's first meeting as the entity responsible for directing the administration of one of the Nation's largest water and sewer plants.

Prince George's County has a vested interest in ensuring a successful future for the Water and Sewer Authority and the Blue Plains Plant in particular. Currently, 380,000 people--or more than 52 percent of our population--are served by the plant through the Washington Suburban Sanitary Commission. Every day, more than 47 million gallons of sewage is sent to the plant from the County.

I am pleased to report that in the sewer basins within Prince George's County, we have adequate capacity for future growth as well. One of our goals through this process is to do everything we can to maintain and protect our future capacity at Blue Plains.

One year ago, as the Board sat down for its first meeting, the future was not particularly rosy. As you are all too aware, the Board was faced with a monumental task, encumbered by an aging plant, disaffected staff, inadequate funding sources, and poor revenue collections. It was also challenged to meet various consent orders mandated by the U.S. Environmental Protection Agency.

Since that time, the Board has been meeting on a regular basis, with several standing and ad hoc committees currently at work, chipping away at the key problems facing the operations at Blue Plains. These issues can be grouped in four general categories:

1) Administrative and staffing concerns;
2) Budget and financial concerns;
3) Plant maintenance and operations; and
4) The impact on the Blue Plains Intermunicipal Agreement of 1985.

As a result of much hard work by many people, I can report significant movement on several of these fronts, and, in my view, the prospects for further achievement are bright for them all.

New General Manager and administrative and staff procedures

Probably first and foremost in the positive changes that occurred during the past year was the hiring of a new general manager. Since June, Jerry Johnson has proven to be a very able and capable manager in what arguably could be described as one of the most difficult jobs in Washington. Since his arrival, he has hired expert senior staff in the areas of financial management and plant operations, proposed a major restructuring of the services and functions of WASA, and began assessing the various staffing, organizational, communications and fee structure issues that are prominent.

I applaud him for his ability to clearly identify and begin responding to the multitude of immediate priorities while setting in place the structure that will assist him in addressing other, less immediate but equally significant priorities for the longer-term.

Prince George's County has and will continue to raise concerns, however, about changes we see that need to be made with personnel and procurement issues. One of the major reasons behind the creation of WASA as an independent agency was to allow for major changes to the organization's personnel and procurement regulations, which were hopelessly caught up in the District's procedures.

To date, WASA has adopted personnel regulations which, in our view, still parallel too closely those used by the District of Columbia. Although they begin to move away from the "business as usual" personnel format, they are still far removed from the kind of flexible and goal-oriented regulations envisioned for the new Authority.

The Board recently entered into a contract with the District to fulfill its personnel obligations as well as its payroll services. We are concerned that it is still necessary that these functions be handled by the District government. We are trying to create a new climate of change and pro-activity within the WASA organization. Actions such as these only perpetuate the feeling among WASA staffers that they are an adjunct of the District government, a view with which we do not agree.

In addition, we are concerned that there has been no formal action on the adoption of new procurement regulations, though temporary regulations that also parallel the District's were adopted and have been extended at least once.

Budget and financial concerns

As you are clearly aware, the finances of WASA were in almost total disarray when the Board took over. Several challenging months ensued, with budgets continually being revised as new information was developed and discovered. Again, we applaud Jerry Johnson for his hiring of Paul Bender as chief financial officer and together for their consistent and conscientious approach to all aspects of the budgeting process. We have undertaken an external review of our revenues and have finally arrived at what we hope is a solid foundation on which to move forward. After a preliminary analysis, the FY1999 budget appears practical and do-able from an implementation standpoint, as well as being fiscally sound.

The County remains concerned, however, that WASA must continue to operate within the framework of the District of Columbia's budget. In brief, this process as we understand it is:

- The Authority must review and approve a budget and Capital Improvement Program (CIP).
- Although they cannot revise it, the Mayor and Council must still review and transmit the budget.
- The District's Chief Financial Officer and the Financial Control Board maintain review and approval authority.
- The U.S. Congress must adopt the WASA budget as part of the District of Columbia budget.

In addition, there is another wrinkle for those of us in Montgomery and Prince George's Counties, which contribute 40 percent of operating costs and 49 percent of capital costs for

the WASA's budget through the Washington Suburban Sanitary Commission's capital and operating budgets.

Currently, the staffs of WASA and WSSC as well as the two Counties are working together to adjust and account for different scheduling and approval processes. Congress may not be aware, however, of the process now being used by the Prince George's and Montgomery County Councils to set spending control limits for WSSC. These spending limits may ultimately affect the WASA CIP, given the dramatic increases proposed for FY2000 and beyond. Therefore, the relationships and actions taken by the WASA Board in the future must be carefully coordinated to take into account these issues.

Bonding Authority

Under Federal legislation, WASA was specifically provided with the ability to issue bonds separately from the District of Columbia (D.C.) Government. This was an important provision of the enabling legislation intended to ensure that WASA would not be constrained by the same rules or subject to the same rating as the troubled D.C. government. In this way, WASA could be more responsive to the capital improvement needs of the Blue Plains Facility, rather than having to compete with other bond issues within the District of Columbia.

As WASA develops its first bond issue, we remain concerned that the District Government retains legal responsibility. Although the Chief Financial Officer (CFO) of the District is very cooperative in our effort, any bond action must go through the Control Board.

This is just another example of the continuing influence of the District over WASA's operations that are of concern to the Counties in general, and Prince George's County in particular.

Plant Maintenance and Operations

Blue Plains was once the most advanced facility in the world in providing sewage treatment. Unfortunately, years of neglect and funding diversions away from the Blue Plains Plant have taken a serious toll. Again, however, WASA Board actions and the efforts by the new general manager are moving us back into a more productive and efficient arena.

Current proposals to spend more than $1.7 billion for a ten-year capital improvement program to repair and upgrade the distribution system, rehabilitate wastewater treatment and sewer facilities, and upgrade the City's stormwater infrastructure are now under scrutiny by the Board. We in the Counties are mindful that this could potentially triple WSSC's financial obligations from the current $100 million over six years to $300+ million.

Among the most important projects for us is the fulfillment of recommendations contained in the Blue Plains Biosolids Study performed under the auspices of the Council of Governments.

The biosolids problem at WASA directly affects our contracts to haul sludge to various land application sites. WASA staff is currently developing an implementation strategy that will discuss staging, costs and magnitude of the project. Nevertheless, the study recommended capital improvements to the Blue Plains facility totaling approximately $350 million over five years.

Given the District's past extensive deferral of needed capital investment in the plant, some catch-up investment is to be expected. However, with spending affordability controls over WSSC's budget, requests for spending for the Blue Plains facility will have to be balanced with other capital investment needs in other WSSC service areas.

In a related issue, the authorizing legislation approved last year included provisions requiring two studies: 1) the feasibility of establishing the Authority as an independent regional authority and to make recommendations for the ongoing relationship of user jurisdictions to the Authority; and 2) the feasibility of privatizing or leasing the Blue Plains Plant.

A committee headed by Bruce Romer, Chief Administrative Officer for Montgomery County, has been reviewing Requests for Proposals (RFP) for the privatization study. At its most recent meeting, Mr. Romer indicated that a modified scope of work will be issued to responders to an earlier RFP, and that this study should be on track by March.

Discussions are also under way regarding the direction and scope of the regional authority study, the next priority of the committee. We are somewhat disappointed that it has taken this long to address these aspects of the authorizing legislation. We recognize that the Board has been making a concerted effort to achieve consensus positions on the issues it has addressed to date. Although our objectives as Board members may be different, we have agreed that our first priority was to increase the operation and efficiency of the plant and to satisfy EPA permits and other health requirements.

As we move into the thorny issues of ownership--including assessing privatization and regionalization, however, it may not be as easy to resolve these issues and conflicts may arise.

We in Prince George's County are committed to working with the District and our other partners to ensure that the Regionalization Study be given utmost priority during the coming months.

The Impact on the Blue Plains Intermunicipal Agreement of 1985

The Blue Plains Regional Committee was identified by the Intermunicipal Agreement of 1985 as "the sole coordinating body among the Parties for Blue Plains issues." During the past year, it has continued to monitor regional water and sewer issues and provide technical guidance and assistance. The Bio-Solids report, which I alluded to earlier in my testimony, is one outcome of its work.

Relationships between the Blue Plains Regional Committee and the WASA Board remain murky, however, and need to be addressed further in the coming year by both parties. The Blue Plains Regional Committee offers a solid base of technical experience as well as policy guidance on wastewater and sewage issues. Therefore, some mechanism may need to be developed to affect best use of these assets and insure effective coordination and communication among all parties. This issue may, in fact, be addressed during the Regionalization study. I should note that early indications from WASA's general manager indicate his wholehearted support for the continuation of this input and guidance from the Blue Plains Regional Committee.

In conclusion, the District of Columbia Water and Sewer Authority is well on its way toward establishing a track record of significant accomplishment on which to address future issues.

Thank you for this opportunity to testify before you today. We in Prince George's County sincerely appreciate the efforts and commitment presented by Chairman Davis, Congresswoman Morella and Congresswoman Norton to ensure that the Water and Sewer Authority works for ALL of its customers.

Mr. DAVIS. Thank you very much. Mr. Griffin.

Mr. GRIFFIN. Mr. Chairman, thank you, and honorable members of the subcommittee.

Slightly more than a year has passed since the Authority had its first meeting, and since then a total of 16 meetings have been convened, with many subcommittee meetings dispersed in between. In that time the Board has chartered a path toward the independent operation of the water and sewer utilities previously operated as an agency of the District of Columbia.

A new management team has been put in place and already very positive improvements and financial tracking and reporting have been observed. The new budget process and the associated documents have tremendously improved the quality of information about the operation of the Authority's utilities.

Significant improvement has occurred in the maintenance of the city's water lines, which the previous year had attracted so much publicity. Progress is being made on the rolling stock of the Authority so that its employees can get out to the field to make repairs, do maintenance or read meters. The Authority continues to operate the Blue Plains plant, meeting the requirements of its national pollutant discharge elimination permit and protecting the region's water quality.

The Authority is in the process of finalizing personnel and procurement regulations; in fact, the personnel regulations were approved at our last board meeting, all of which will move the Authority toward becoming an independent entity and which are crucial to the effective operation of the Authority. I believe the word is getting out that the Authority is aggressive in wanting to establish a very positive reputation in terms of how it does business and that it is intent on becoming a model agency for its peer equivalent worldwide.

I must credit my colleagues on the Authority's Board of Directors for their diligence and commitment to making the Authority the best it can be. There is the recognition that the fundamentals exist to make Blue Plains once again the model for the Nation, both in terms of operation and advanced technology. I also acknowledge the courage of the District of Columbia members of the Authority Board who made the unpopular decision to raise water rates by almost half in order to stabilize the fiscal foundation of the Authority.

The next critical test of the Authority is when it goes to the financial markets to sell revenue bonds in support of its capital improvement program. Even though the Authority has a large and ambitious program for the next several years, I anticipate a positive response from the markets because of the progress that has been made by the Authority in the past year.

It should be noted that the Authority needs to move quickly to catch up on a backlog of repair and rehabilitation of the water and sewer system. In the coming year I expect the Authority to finish the privatization study and to begin the study related to the Authority potentially becoming a regional authority. I expect that the administrative changes related to personnel procurement and information technology underway will be finalized and any remaining ties to the District Government will be by choice and contract.

Issues to be resolved by further legislation include changing the manner by which the Federal Government pays for the water it consumes, the deeding of the property which the Authority is operating at Blue Plains from the District government to the Authority, at no cost, and to set the Authority free from budget review by the District's Mayor and Council, and from oversight by the Control Board.

With regard to the last item, I hope that this past year and the coming one will enable the Congress to see that the Authority has a responsible board and responsive employees and that the additional oversight will not continue to be necessary, particularly in light of the participation by the suburban members of the Authority.

I thank you for the opportunity to be here today to comment on the progress of the Authority, and I would be happy to answer any questions.

[The prepared statement of Mr. Griffin follows:]

Mr. Chairman and Honorable Members of the House of Representatives.

My name is Anthony Griffin and I am Deputy County Executive for Fairfax County, Virginia. I am also an appointee by the Board of Supervisors as an Alternate to the Board of Directors of the District of Columbia Water and Sewer Authority. Previously in my capacity as Acting County Executive I was the Board of Supervisor's appointee to the Water and Sewer Authority Board of Directors for ten months. I am pleased to be here today to provide testimony on the progress that has been made by the Authority during the past year.

Slightly more than a year has passed since the Authority had its first meeting, and since then a total of sixteen meetings have been convened with many subcommittees meetings interspersed between. In that time the Authority Board has charted a path toward the independent operation of the water and sewer utilities previously operated as an agency of the District of Columbia.

A new management team has been put in place, and already very positive improvements in financial tracking and reporting have been observed. The new budget process and the associated documents have tremendously improved the quality of information about the operation of the Authority's utilities.

Significant improvement has occurred in the maintenance of the City's water lines which the previous year had attracted so much publicity. Progress is being made on the rolling stock of the Authority so that its employees can get out to field to make repairs, do maintenance or read meters. The Authority continues to operate the Blue Plains Plant meeting the requirements of its National Pollutant Discharge Elimination Permit, and protecting the region's water quality.

The Authority is in the process of finalizing personnel and procurement regulations, all of which will move the Authority towards becoming an independent entity and which are crucial to the effective operation of the Authority. I believe the word is getting out that the Authority is aggressive in wanting to establish a very positive reputation in terms of how it does business and that it is intent on becoming a model agency for its peer equivalent worldwide.

I must credit my colleagues on the Authority's Board of Directors for their diligence and commitment to make the Authority the best it can be. There is the recognition that the fundamentals exist to make Blue Plains once again the model for the nation, both in terms of operation and advanced technology. I also acknowledge the courage of the District of Columbia members of the Authority Board who made the unpopular decision to raise water rates by almost half in order to stabilize the fiscal foundation of the Authority.

The next critical test of the Authority is when it goes to the financial markets to sell revenue bonds in support of its capital improvement program. Even though the Authority has a large and ambitious program for the next several years, I am anticipating a positive response from the markets because of the progress that has been made by the Authority in the past year. It should be noted that the Authority needs to move quickly to catch up on a backlog of repair and rehabilitation of the water and sewer system.

In the coming year I expect the Authority to finish the privatization study and begin the study related to the Authority potentially becoming a regional authority. I expect that the administrative changes related to personnel, procurement, and information technology underway will be finalized and any remaining ties to the District government will be by choice and contract.

Issues to be resolved by further legislation include changing the manner by which the Federal Government pays for the water it consumes; the deeding of the property which the Authority is operating at Blue Plains from the District Government to the Authority at no cost, and to set the Authority free from budget review by the District's Mayor and Council, and oversight by the Control Board. With regard to the last item, I hope that this past year and the coming one will enable the Congress to see that the Authority has a responsible Board and responsive employees and that the additional oversight will not continue to be necessary, particularly in light of the participation by the suburban members of the Authority.

I thank you for the opportunity to be here today to comment on the progress of the Authority. I would be happy to answer any questions.

Mr. DAVIS. Thank you very much, Tony. I know that, Doug, you had introduced Bruce Romer. Sid Kramer is here, too, I don't know if you introduced him, from the WASA Board, who is a former county executive, and I am glad to see him here and his participation.

Mr. DUNCAN. Yes.

Mr. DAVIS. I will start the questioning with Ms. Norton and then go to Mr. Horn.

Ms. NORTON. First, may I congratulate all three of you and thank all three of you for, first, the way you have worked with the District, under very trying circumstances, to relieve problems that were entirely the District's making in the way it had formerly managed the facility. And may I thank you as well for what I regard as a very good and rapid start on improving the management of this vital facility.

You heard me indicate strongly how protective I am of the rightful jurisdiction of the District of Columbia. Let me say something that I feel equally strong about. I have zero tolerance for the District's regulatory scheme. I would not submit my worst enemy, and I choose my words carefully, to the regulatory regime of the District of Columbia. It is a disgrace, and it has been responsible for chasing people out of the District, for rage among residents, so that I can imagine the rage to somebody who is not a resident and has to submit himself to that.

So I want to be clear on that. There is a quid pro quo on this. I am not going to be able to protect the District's legitimate rights if the District subjects people, other jurisdictions, much less its own people, to the procurement outrage and the other regulatory outrage in the District. I just want to be clear on that.

It is very hard to protect the District when I hear that, for example, you are operating under the same 50 some layers of oversight, and that nobody has sat down and said, OK, we want to keep control and this is what we are going to do to streamline the oversight.

So I just want the District to understand that I do regard these things as quid pro quo, and I do think it is wrong, now that we are a part of an authority, to say now you are subject to the outrageous regulatory scheme in the District of Columbia, which still remains largely, as far as I am concerned, unstreamlined, even though they have moved. You should have seen what it was like before, is all I can say to you.

I want to ask specifically, I mean you have, one or the other of you, testified that there are not any new procurement regulations, and I would like to ask you to elaborate on that, because I don't see how you could have done anything by now under the existing procurement system.

Other agencies have had to borrow the procurement of the GSA or some other Federal agencies. I don't see how you are able to be in business if your business is being done through the procurement regulations of the District of Columbia. How are you doing procurement?

Mr. GRIFFIN. You may want to talk to and ask this question further of Mr. Johnson, but we have been working previously through the regulations of the District and working with the contractual administration to put contracts in place. We anticipate that when we

have the new procurement process for WASA itself, that we will be able to significantly streamline and reduce the time required.

But we have been making it work and our staff has been very aggressive in trying to make it work as quickly as possible.

Ms. NORTON. The extra man-hours it takes to make a broken procurement system work are precisely what needs to be avoided in a facility that we have to make work in the first place. I will question the managers when their time comes up. I recognize that is not your province.

Let me ask you about oversight. Now, assume that the District had worked out an arrangement whereby you didn't have to go through all these layers that we have to go through but you had a streamlined relationship. And here I am talking short of structural change, which gets us into an ownership argument and a home rule argument. But what kind of oversight within the present arrangement would you find satisfactory?

Obviously, there has to be some oversight. Now, assume for the moment, because the regionalism study has not been done, assume for the moment the present arrangement. What kind of oversight should the Authority have?

Mr. DUNCAN. I think a lot of that would depend on the streamlining that takes place, as you mentioned, the need to do that with the District's rules and regulations. If a lot of that occurs, then you could have some oversight by some of the bodies that do that now. But they are not getting down to the level that hinder the work effort and hinder the productivity gains.

Ms. NORTON. You indicate that the District, the Council——

Mr. DUNCAN. The Council, the Mayor, the Control Board, the Financial Officer, the Congress, and there is another one in there, too.

Ms. NORTON. They cannot change what you do? The Council cannot change what you do?

Of course, the Council is being admonished to do more oversight rather than less oversight. The District might not be in the condition it is if they cannot change. What could you do, then? In what form does the oversight take? What kind of feedback do you get from it.

Mr. DUNCAN. Part of the argument is the Board of Directors is an oversight group that is pushing progress and making this agency be much more responsive and get the gains that are needed through here. So there has to be recognition that we have the Board of Directors and is anyone willing to relinquish oversight or take a lesser role there.

But, again, with the personnel and procurement regulations, you can set up your own system, but it has to be in full compliance with District law. That does create all kinds of problems for us and leads to further problems.

Ms. NORTON. I am going to ask the chairman to see if he can help me with respect to the fact that the WASA budget is a part of the District of Columbia budget. We are sitting up here 6 weeks into the year with the District of Columbia having to borrow money at considerable cost to it, I hope you are not having to do so, and they are having to borrow money only because the Congress has failed to pass their budget 6 weeks into the year.

Now, the notion of subjecting the rest of the region to this is particularly outrageous, and I am going to ask Chairman Davis to help me with respect to that. At the same time, I am going to ask the Financial Control Board, the Council, and the Mayor to figure out how there can be some oversight, perhaps periodic oversight by the Council, but not this multiple oversight.

For example, I believe that when we went through the water scare the first time, and we had a hearing on water that there had not been—I am talking about the aqueduct now—it became clear it is necessary for somebody to have oversight. Now, the aqueduct was a Federal facility, and it had not had oversight. So we decided that once a year, at least, we should have the aqueduct come and talk to us about it.

With a Board of Directors, I am not sure you need a whole lot more oversight so long as you get all the documents and provide all the documents to the Council. For example, I am not sure what kind of oversight the other independent authorities have, and you are one of many. I am not sure what kind of oversight of the convention authority, and there are a number of authorities. But I do know this: that those are, at least, District of Columbia entities. Those independent authorities are at least District of Columbia entities.

It does seem to me, out of a spirit of comity and trying to make this work, by now the staff should have sat down and figured out how to propose to the District a streamlined method of oversight, assuring oversight, absolutely critical when taxpayers' funds are involved, here, of course, by payment for the service. But it seems to me streamlining is absolutely necessary.

Now, you say, I guess it is you, Mr. Duncan, that WASA staffers don't like it because it appears that they are an adjunct of the District government. Well, I am not trying to do anything about that. Over time they will get to understand who they are, but I don't believe that that is reason enough to change the structure.

I do think your complaint is an absolutely valid complaint that the District needs to respond to because it literally leaves people like me in an untenable position. And I'm telling you I am not going to defend the indefensible. I am not going to stand up here and say this is fine, you will just have to live with it. You do not have to live with it. The District should not have to live with it.

I have one or two more questions.

Mr. DAVIS. If you would yield. I understand you asked about removing that part from the D.C. appropriations, and I don't see any problem with that at all. I think it is probably better if we can do that, and I will work with you to see if we can. We are confident with what you are doing right now, and when Congress oversees these things, a lot of things can happen, and it is usually bad.

Ms. NORTON. Would you elaborate on how the Federal Government pays? The problem you see there. How the Federal Government pays for the service.

Mr. GRIFFIN. My understanding, and I think again Mr. Johnson can shed more light on this, presently the arrangement is that there is an estimation process in place, and estimates are made and we do not actually collect on those estimates until 2 or 3 years after the estimate is made. And that is something that I think

needs to be clarified so that the Federal Government is put on a "pay as they use the water" basis just like every other customer.

Ms. NORTON. Why should the Federal Government, of all entities, get a preference here? I'm sure Mr. Davis would help in that regard as well, a pay-as-you-go basis for proceeding.

Finally, let me ask you about the bond market. When do you anticipate—or perhaps this also is for the managers. Each of your jurisdictions have a very good bond rating. How do you anticipate that the District's bond rating, which is not very good, what effect do you anticipate it will have now that there is an independent authority when you go to the bond market?

Mr. DUNCAN. Mr. Johnson is probably the more appropriate one to speak to that, but my expectation is that because of the independent authority being established and the changes that have taken place and the new management team that has been put in place, they will look very favorably upon that as revenue bonds, and separate that from the District of Columbia's bond situation in general. I expect that will be a very positive response to what has happened over the past year.

Ms. NORTON. Thank you very much. And thank you, Mr. Chairman.

Mr. DAVIS. Thank you very much. Mr. Horn.

Mr. HORN. Let me start with the basics. The basics would be that you are members of the Board; is that correct, of this Authority?

Mr. DUNCAN. I am not a member of the Board. We have our two county representatives in the audience here.

Mr. HORN. They are what, now, county officials or county elected officials?

Mr. DUNCAN. One is a county appointed official, the chief administrative officer, the top manager in the county government, and the other is a former county executive, a former elected official.

Mr. HORN. Is that the same for the other counties?

Mr. GRIFFIN. I am an alternate, and I am an appointed official of the county.

Mr. ERRICO. I am an alternate and an appointed official of the county.

Mr. HORN. It seems to me the oversight authority is the Board. You can hire and fire; right, the administrator?

Mr. DUNCAN. Yes.

Mr. ERRICO. Yes.

Mr. GRIFFIN. Yes.

Mr. HORN. How far down the line can you go with your authority?

Mr. GRIFFIN. Essentially, the administrator, and then the administrator has authority over the other appointees.

Mr. HORN. You review the budget, you approve the budget; I take it?

Mr. GRIFFIN. Yes.

Mr. HORN. What is the voting difference, if any, between the counties and the government of the District of Columbia representation?

Mr. DUNCAN. Six District representatives, five total suburban representatives.

Mr. HORN. And their vote is equal? Nobody has figured out you vote by the number of people you represent or anything? It is simply one person, one entity?

Mr. ERRICO. Right.

Mr. DUNCAN. That's right, but Montgomery County gets two representatives, Prince George's gets two, and Fairfax gets one because of the dollars we are putting in.

Mr. HORN. So it is based on the contribution you made to the Authority in its construction?

Mr. DUNCAN. Yes.

Mr. GRIFFIN. The one exception to that would be if it is a vote strictly on a water issue as compared to sewer, then it is a vote by the District members only.

Mr. HORN. I see. Seems to me that it is very clear that Mr. Duncan, I'm sorry, Mr. Johnson, as the administrator, ought to be answering a lot of these questions, not you. On the other hand, you, I think, and your mentors, should have the oversight authority, not 15 other committees put together, and get on with the work, and that is your responsibility.

Now, let me ask you about the distribution system. Has any analysis been made at the request of the Board in terms of the quality of the distribution system for water and/or sewer, as the case may be, once it feeds into or out of that processing plant? And do we know about it?

I think that is the concern the average citizen has, at least the average citizen in southeast Washington. I don't know how they feel in southwest Washington, but we are all drinking water out of bottles around here. Of course, a lot of that is the Dalecarlia. Has anybody ever analyzed—you are relatively new counties in terms of explosion of population over the last 30 to 50 years. Washington is rather established, since 1789, when only Georgetown was here as a tobacco port, and Alexandria was across the river.

So who has analyzed the distribution system and to what extent will this authority have anything to do with it, or is it strictly the local entities' obligation and you either take it from them or put it to them one way or the other on either sewage and/or water? How do we deal with that?

Mr. GRIFFIN. There is a significant amount of data that exists already, because this Authority needs to meet the requirements of EPA, and I think Mr. McCabe will speak to that later this afternoon, but the requirements are being met both in terms of water and in terms of sewage.

The $1.7 billion capital program that is proposed for the next year has been ramped up and will be ramped up as quickly as we can to recognize the fact that there has been a lot of deferred maintenance over the last few years and that there is a lot of rehabilitation that needs to take place.

I think we would all hasten to assure folks that we are doing the right kinds of things and that the water is safe to drink.

Mr. HORN. Well, how would you grade your respective counties? Here we have Montgomery, Prince George's and Fairfax before us. Would you say that your distribution systems, do they predate the Water and Sewer Authority or were they in conjunction with the Water and Sewer Authority?

Mr. GRIFFIN. In Fairfax County, some of our distribution system is obviously fairly new, but some of it dates back 40 and 50 years, and there is an ongoing effort in terms of our capital program to make sure that the older parts of the system are well-maintained and that we meet the standards that we are required to meet.

Mr. HORN. How about Montgomery County?

Mr. DUNCAN. Montgomery and Prince George's Counties have the Washington Suburban Sanitary Commission, which provides water for both counties, and that dates back a long time, years and years.

Mr. ERRICO. We have a similar situation with old and new system both, but being maintained by WSSC and updated regularly.

Mr. HORN. And that is an authority also that brings in several governmental entities, I take it.

Do you put up, out of your own budget or bond issues within that county, the funding for the distribution or connection system, whatever you want to call it? How does that work?

Mr. DUNCAN. We do the funding through the WSSC bill to the water and sewer users in Montgomery County and in Prince George's County. All the bonding is done through that. They have their own bonding capability. Payments to Blue Plains are done through—to WASA, are done through the water and sewer bills that go to individual people.

Mr. HORN. Let us take Montgomery County as an example. How many different sources of funding are there to build the infrastructure that is needed to either supply material into this authority and its plant or out to distribute it?

Mr. DUNCAN. It would be really the ratepayer who uses the system and is assigned their share according to their usage and according to whatever bills we get from WASA, and if there are any Federal grants that would come in or any State grants that would come in. That is primarily where the dollars come in.

We have, in limited cases, county government or, for example, our solid waste fund would pay money if we asked WSSC to do certain things for us in certain parts of the county.

Mr. HORN. OK. There is a board. Does it have a priority system of projects and infrastructure that is to be built, and is it a reasonable plan that everybody is satisfied with; that, yes, this is the oldest here and they ought to get first treatment?

Mr. DUNCAN. There is a 6-year capital improvements program that WSSC has and there is agreement on that. There is a lot of discussion and debate as to what gets into that program, and again that program changes every year.

But there is a process set up that some say is too cumbersome. I have my own concerns about that. But that process has worked for a number of years.

Mr. HORN. So you are satisfied with the process. Seems to me that is the other major function of a board, the administrator gives them a recommendation and, based on the needs they see and the areas they represent, they can build coalitions or whatever to get the job done. But that is where the oversight should be coming from. Is that agreeable?

Mr. DUNCAN. In terms of oversight by the Board of Directors for WASA, that is clearly the appropriate place for it. And then you have each government sort of overseeing their members and get-

ting input and feedback back and forth with their members of the Board. So you really have a good tie-in to the four major jurisdictions in this region.

Mr. HORN. Mr. Chairman, that is all I wanted to question them on.

Mr. DAVIS. Let me recognize the gentleman from Maine, if he has any questions, a former mayor of the city of Portland.

Mr. ALLEN. Thank you. I do have 6 years of experience on a city council in Portland, ME, but I am new to this city and have a lot to learn.

I am interested in the structure of your board and the fact that you have six votes from the District and five from the counties collectively, but you also have a super-majority requirement for, I guess it is the firing of the administrator and the budget; is that right?

[All three witnesses nod in affirmative.]

Mr. ALLEN. How is that system working as suburban representatives? How do you feel that structure, I guess, is working?

Mr. DUNCAN. All the reports I have gotten is it is working very well. What has happened, there was a fear when we entered into the negotiations to decide what the makeup of the Board would be and where the representatives would come from, there was a fear it would be the District against the suburbs, or vice versa, or people would start to form alliances.

What has happened is there has been tremendous cooperation across all borders. People are not acting as if they are a District representative or a suburban representative, they are acting as if they are WASA representatives and looking after WASA, and they are voting that way. And it has worked very well and has been a hallmark over the past year.

Mr. GRIFFIN. I would support Mr. Duncan's comments from Fairfax County's point of view.

Mr. ERRICO. I see no parochialism at all. It seems to be a truly united body. Initial fears were there would be some, but to date it has been that whatever is best for WASA, everyone has gone along with.

Mr. ALLEN. As you move forward into dealing at some point with the combined sewer overflow issue, will it keep working? Can you talk a little bit about how to deal with the combined storm water and sewer overflow issue?

Every municipality in the country is worried about that issue, trying to figure out how to deal with it. In your case, I gather, correct me if I'm wrong, you don't have title to Blue Plains or to some of the water mains, but you do have control and now bonding authority. I just wonder what are your plans for dealing with that particular problem?

Mr. DUNCAN. I think General Manager Johnson would be the one to address the specifics of that question. I think he can give you all the details of that.

Mr. ALLEN. OK. I will hold it, then. Thank you, Mr. Chairman.

Mr. DAVIS. Thank you very much. You just asked a couple of important questions. Do you all think that the rate setting mechanism your counties agreed to in the IMA is still in effect, and you are not subsidizing District customers?

Mr. DUNCAN. Whatever you say, Mr. Chairman.

Mr. DAVIS. You agree to that?

Mr. DUNCAN. I think, as was mentioned, the District representatives voted on the water rates and took a very, very courageous step——

Mr. DAVIS. Yes, they did.

Mr. DUNCAN [continuing]. In increasing them to the level they did. But it really put WASA on real sound financial footing. It was something that was tremendously needed.

Mr. DAVIS. So, basically, you are comfortable with what the mechanism is?

Mr. DUNCAN. Very comfortable. I think the mechanism was working. There was concern that money was being siphoned off and spent elsewhere. That is not occurring anymore and that issue has been resolved.

Mr. DAVIS. OK. I would agree with Ms. Norton to this extent, to the extent these decisions are not final and they have to come back before Congress in an appropriations bill, it is harder to get tough decisions out of the city, out of everybody else. So that is a good reason for taking it out of that. We still have oversight responsibility if something goes wrong.

But for the most part we have every confidence, and the first year shows the people on there have the best interest of the region at hand, and I think the degree of cooperation between WASA and your counties has been very good, is what I am hearing in the testimony here. Probably surpasses my expectations when this started. So you deserve a lot of credit, as well as the initial board and everybody pooling together and recognizing we had an opportunity to do something positive for the region and everybody benefits, Montgomery County, Prince George's County, Fairfax County and the District. So my congratulations to all of you. I appreciate your being here today and for the leadership that all of you have shown in your respective jurisdictions. We appreciate it.

Mr. DUNCAN. Thank you. May I make one final comment?

Mr. DAVIS. Please.

Mr. DUNCAN. As Ms. Norton said, this is a good news day, and there is a lot of good news that you will hear today. There has been tremendous accomplishments made over the past year, and I just want to make sure that I, and we, leave with that thought; that some of the issues that we have raised are ones that can be worked out cooperatively. We are committed to regional cooperation and solving these problems together, and I think that is an important point to be made, too.

Mr. DAVIS. Thank you very much. Ms. Norton, you get the final word here.

Ms. NORTON. As you depart, I just want to say to Mr. Davis that the last thing we want to do is to subject Maryland and Virginia to the same kind of oversight the District has from the Congress, so I think that——

Mr. DAVIS. She is always looking out for me. I appreciate that.

Ms. NORTON. So I am hoping to get some allies on the question of your oversight.

And let me just say, particularly in light of how well you have worked together, I want to associate myself with the chairman's re-

marks just now. But just let me ask you to give us the opportunity to work on the personnel procurement and oversight problems before we kind of try to break the deal.

I think you have a very legitimate complaint. I congratulate you for what you have done in spite of these problems, and I think it is our obligation in the Congress and the obligation of the District of Columbia now to rapidly break through those problems and see just how smoothly we can make the present arrangement work. Then, perhaps if that does not work, it would be ripe to consider some changes, but please give us the opportunity to try to work on some of these impediments.

Thank you very much, Mr. Chairman.

Mr. DAVIS. Thank you very much for your statements, which will be included in the record.

I want to call our next two panels together. W. Michael McCabe, the Regional Administrator of the U.S. Environmental Protection Agency, Region III; Michael Rogers needs no introduction to this. He has been a staple of many of our hearings and has taken a key role in bringing this together. He is the chairman of the Water and Sewer Authority. And Mr. Jerry Johnson, the general manager of the Water and Sewer Authority.

If all of you will come forward. Mr. McCabe we will give you the middle ground, or wherever you are comfortable. That is fine. We will start with Mr. McCabe, but if you will stand for a second while I swear everybody in.

[Witnesses sworn.]

Mr. DAVIS. Your full written statements will be part of the record. Hearing no objection, so ordered.

Mr. McCabe, we will start with you and then move to Mr. Rogers and then Mr. Johnson, and then we can do one round of questions for everyone, which will move this along and get you back to your duties.

Mr. McCabe, I want to thank you and the EPA for the high degree of cooperation that we have had for the past several years. You have been working to alleviate the problems at Blue Plains. You testified candidly before us twice last year and followed up with significant action. I appreciate your being here for a third time, and I can't thank you enough, you have been a real help.

STATEMENTS OF MICHAEL McCABE, REGION III ADMINISTRATOR, EPA; MICHAEL ROGERS, CHAIRMAN, D.C. WATER AND SEWER AUTHORITY [WASA]; AND JERRY N. JOHNSON, GENERAL MANAGER, D.C. WATER AND SEWER AUTHORITY [WASA]

Mr. MCCABE. Thank you, Mr. Chairman, Congresswoman Norton, and other members of the subcommittee.

I appreciate the opportunity to be able to appear before you again today, certainly with much better news and reviews than I had the last two times that I came up here.

Let me begin with a clear and unequivocal statement. There have been no violations of drinking water standards and no significant violations of the wastewater permit since the Water and Sewer Authority officially opened its doors in October 1996.

I think that that bears repeating. There have been no violations of drinking water standards and no significant violations of the wastewater permits. That fact alone stands in stark contrast to the District's troubled history over the last decade with its drinking water and wastewater programs, and it is something that I have focused on specifically since my tenure as Regional Administrator.

I think that last year, when I came before the subcommittee, I testified both times that the drinking water and wastewater systems in Washington are in serious trouble. While I still have concerns about the long-term health of the drinking water and wastewater operations, which I will detail in a minute, I am pleased to offer a much more positive assessment today. There are several reasons for optimism and a number of factors which deserve credit for getting us to this point.

First, the EPA has taken an active role, some would say a very aggressive role, in addressing these problems. We have taken legal actions, requiring major changes in the way that the city conducts its drinking water and wastewater operations. We have put together a team of national experts to work specifically on the drinking water crisis in 1996. Members of my staff took samples virtually every day of the District's water that summer, and we analyzed those samples in our laboratory in Annapolis. We ran a consumer hotline that was updated daily. And with the strong support of EPA Administrator Carol Browner and Deputy Administrator Fred Hansen, today one of the agency's most senior experienced and talented employees, Rebecca Hanmer, is on special assignment, serving as my liaison to the District, and she is here today. Ms. Hanmer served as headquarter's Director of EPA's water programs in the past and, in fact, has also served as Regional Administrator. Today she is working directly with the top leadership of WASA, city government and the Control Board.

Obviously, the Congress and your committee deserves credit, too. The behind the scenes efforts the chairman and Ms. Norton undertook to build political support for the new Authority was critically important, although little recognized. Legislation you authored, Mr. Chairman, was essential for WASA to go to the bond market. The 1996 Safe Drinking Water Act amendments established a special grants program for the District that will bring an infusion of nearly $20 million by the end of fiscal year 1998.

And just last month Congress approved Ms. Norton's measure that temporarily lowers the match requirements, enabling WASA to begin work immediately on 19 projects at Blue Plains, totaling $97 million.

While the EPA and Congress both deserve some of the credit, a great deal of it also belongs to the Water and Sewer Authority itself. WASA has selected a top notch management team, developed detailed and intelligent long-term financial plans and has made politically difficult decisions ranging from setting rates to establishing priorities. The Authority's operational leadership team has provided a refreshing degree of professionalism. Perhaps most importantly, the Authority has done a good job of rolling up its sleeves and getting to work on an enormous backlog of neglected maintenance and past failures to invest properly in its infrastructures.

When I appeared before your subcommittee last year, I said an independent authority can be focused on its mission, and that, in fact, is what has happened. Let me quickly update the subcommittee on the status of the various enforcement actions we took in 1996.

Citing drinking water violations going back to 1993, the EPA proposed an administrative order against the city, which was agreed to by the city on July 12, 1996. The conditions of the drinking water order are very extensive, ranging from flushing and disinfection programs for all storage facilities to a valve repair and replacement program. While we have been impressed with the breadth and quality of work done so far, not every facet of the administrative order has been implemented.

For example, EPA approved a significantly improved bacteria sampling plan on June 2, 1997, but WASA is several months behind on the installation of the new samplers. We don't view these deficiencies as critical at this time, but we are carefully monitoring and working with the Authority to ensure compliance with all the elements of the order.

In the area of wastewater, because of numerous permit violations at the Blue Plains plant, EPA took the city to court on April 4, 1996. At the same time, we proposed a series of steps that the District would have to take in order to resolve these violations of the Clean Water Act. We required the city, and subsequently WASA, to meet very specific operational performance standards and undertake eight improvement projects. The Commonwealth of Virginia challenged these terms in court in May, and I expressed concern at your June 12, 1996, hearing that such a challenge could delay progress at the plant.

Fortunately, the District agreed to go ahead with the provisions of the order during the appeal. After hearing and dismissing the Commonwealth's arguments, the order was finally entered in August 1996. Today I can report that WASA has met every one of the performance measures we established and as of last month had completed all eight projects. And the Authority did so both ahead of schedule and under budget estimates, and that is very good news.

While extraordinary progress has been made by the new Authority, I cannot say that all is well, and I would like to raise four issues, some of which were raised by the panel before me.

In the area of procurement and personnel rules, WASA continues to operate under the cumbersome procurement and personnel rules of the District of Columbia. That has been mentioned by the folks before me. New rules are in the works, but until they are implemented I remain concerned about WASA's ability to respond in a timely and efficient fashion to emerging issues or unforeseen problems.

In the area of preventive maintenance, much of the infrastructure that WASA operates is very old. Some of the pipes date back to the Civil War era. While the Authority is busy with major new capital projects, it is vital that there be a commitment from WASA's leadership to the less exciting, but no less important task of daily and routine preventive maintenance.

In the area of the aqueduct, the Army Corps of Engineers continues to operate the Washington Aqueduct, which prepares the drinking water for the city and many Virginia customers. Under current law, the Corps is to turn over the operation of the aqueduct within 2 years.

I want to stress the Corps' current day-to-day operation of the aqueduct is excellent and that the Corps can now borrow Treasury funds for vitally needed capital improvements. Until the ownership issue is settled, however, we will continue to be concerned about this absolutely critical link in the preparation of drinking water for the people who live in the District, Arlington and Falls Church, as well as countless visitors to the area.

The last area of concern involves the reorganization of the District Government. Some of the key functions relating to the Clean Water Act in the city fall under the jurisdiction of the Environmental Regulation Administration in the District's Department of Consumer and Regulatory Affairs. Eighteen months ago, the Mayor proposed to consolidate EPA's functions in the Department of Health. We worked extensively with top management there to prepare them for all these functions, which ranged from air pollution to hazardous waste management, as well as water pollution control programs. EPA funds about 80 percent of the programs, so obviously we have a strong interest in how they are managed.

We fully support the move of these operations to the Department of Health. We are quite frankly frustrated that they remain in limbo. The failure of the District and Control Board to provide a home for these functions virtually assures that they will continue to lack the kind of leadership that is necessary to revitalize them. This failure leaves a major gap in the effective implementation of drinking water and wastewater operations for which WASA is responsible.

In a similar vein, there is an ongoing dispute between the city and WASA concerning which entity has responsibility for the District's stormwater sewer system. As you know, stormwater carries vast quantities of contaminants into the city's rivers. Efforts to clean up the Anacostia in particular will continue to be hampered until we can sort out who is in charge here and how can we meet the enormous financial hurdles of this ubiquitous urban problem.

The Authority, the Congress and EPA have worked collaboratively to put the crises of the last year firmly behind us. We still have a lot of hard work ahead of us. Clearly WASA is on solid footing and continued progress can be expected. The important impediments to the effective functioning of the new Authority lie just beyond the organizational structure of the Authority itself. The future of the Washington Aqueduct is key, as I mentioned, in ensuring safe and clean drinking water for both the District and residents of Arlington and Falls Church.

Similarly, the effect of reorganization of the city's environmental functions is critical. We stand ready to continue working with you, WASA and other stakeholders to address the remaining issues that could derail the substantial progress that has been made over the past year.

Again, thank you, Mr. Chairman, Congresswoman Norton, other members of the subcommittee, for giving me the chance to appear before you and for working so hard to bring us to this point today. I would be glad to answer any questions after my colleagues finish their testimony.

[The prepared statement of Mr. McCabe follows:]

TESTIMONY OF
W. MICHAEL McCABE
REGIONAL ADMINISTRATOR
U.S. ENVIRONMENTAL PROTECTION AGENCY, REGION 3
BEFORE THE
SUBCOMMITTEE ON THE DISTRICT OF COLUMBIA
OF THE
COMMITTEE ON GOVERNMENT REFORM AND OVERSIGHT
U.S. HOUSE OF REPRESENTATIVES

November 12, 1997

Thank you Mr. Chairman, Congresswoman Norton and Members of the Subcommittee. I appreciate having the opportunity to address the issue of the District of Columbia's Water and Sewer Authority (WASA) with you again today.

My name is W. Michael McCabe, and I am the Regional Administrator for the United States Environmental Protection Agency (EPA), Region 3.

Let me begin with a clear and unequivocal statement:

There have been NO violations of drinking water standards and no significant violations of the waste water permit since the Water and Sewer Authority officially opened its doors on October 1, 1996.

Let me repeat – There have been **no violations** of drinking water standards and no significant violations of the waste water permit since the new Authority took control a year ago. That fact alone stands in stark contrast to the troubled history of drinking water and waste water operations in Washington, dating back for more than a decade.

Last year I had the privilege of appearing before this Subcommittee on two occasions -- on February 23 and again on June 12. As you will recall, I expressed serious concerns at those hearings, saying that, "the drinking water and waste water systems in [Washington] are in serious trouble." I went into considerable detail, enumerating numerous violations of the Clean Water Act and the Safe Drinking Water Act that raised real questions about potential threats to human health and the local environment, including the Potomac and Anacostia rivers as well as the Chesapeake Bay.

While I still have concerns about the long-term health of the drinking water and waste water operations, which I will detail later in my testimony, I am pleased to offer a much more positive assessment of those operations today.

There are several reasons for optimism. The Environmental Protection Agency has taken a very active, some might even say aggressive, role in addressing the problems that have plagued these operations in recent years. We have taken a series of legal actions, requiring major changes in the way the City conducts its drinking and waste water operations. We put together a highly skilled team of national experts, with able assistance from the U.S. Army Corps of Engineers' Washington Aqueduct Division, to work specifically on the drinking water crisis of the summer of 1996. At that time, members of my staff took samples of the District's drinking water *every day* and analyzed them at our laboratory in Annapolis. We ran a consumer hotline, updated daily in both English and Spanish, to provide District residents with timely, accurate information that they could trust about the quality of the drinking water coming out of City taps.

The Congress, too, deserves credit for taking important steps to address these issues. This Subcommittee helped bring the problems into clear focus during the course of the hearings you held last year. Legislation you authored, Mr. Chairman, was essential in giving the newly-established Water and Sewer Authority the ability to go to the bond market to raise the capital funds it will need for long-term viability. The behind-the-scenes efforts both the Chairman and Ms. Norton undertook to craft an independent authority that could garner the political support of both the District of Columbia and the suburban user jurisdictions was critically important, although little recognized. In addition, the 1996 Safe Drinking Water Act Amendments established a special grants program for the District that resulted in the critical infusion of $12.5 million last year. Another estimated $7.2 million will be available in FY98 for capital investments. The Congress also provided a special $1 million appropriation in FY97 for an overdue program to flush the City's drinking water distribution system. Finally, just last month the Congress approved a measure, authored by Ms. Norton, that will temporarily lower the local match requirements for waste water construction grants for the Water and Sewer Authority, thus enabling them to begin work immediately on 19 major projects at Blue Plains for a total cost of about $97 million.

While the EPA and the Congress both deserve credit for the significant improvements that have occurred during the last year, a great deal of the credit belongs to the Water and Sewer Authority itself. In its first year of existence, the WASA Board of Directors has worked well: in selecting a top-notch management team, in developing more detailed and intelligent long-term financial plans, and in making politically difficult decisions ranging from setting rates to establishing priorities. The Authority's operational leadership team now consists of a new General Manager, a new Chief Financial Officer, and a new Chief Engineer. These three have provided a refreshing degree of professionalism and, along with other staffing changes, have had a significant positive impact. Perhaps most importantly, the Authority has done a good job of rolling up its sleeves and getting to work on an enormous backlog of neglected maintenance and past failures to properly invest in its infrastructure.

In one important instance, in fact, WASA has reestablished Blue Plains as an innovative world leader in environmental protection. For a year now WASA has been operating a pilot Biological Nutrient Removal, or BNR, program at Blue Plains. The BNR project is designed to limit harmful excess nitrogen from being discharged into the Chesapeake Bay, and it is working significantly better than we had hoped. Treating just half the flow through the plant, the BNR pilot is designed to remove 3 million of the 13 million pounds of excess nitrogen discharged into the Potomac on an annual basis. But the project is about 50% more effective than we thought it would be. Because of these excellent results, we are already having serious discussions with WASA about expanding this innovative process to treat the entire flow through the plant. The result would be that WASA will have slashed excess nitrogen discharges to the Potomac by over half, demonstrating both that the process can work on a large scale and that the Authority can be a leader in Chesapeake Bay protection and restoration.

When I appeared before your Committee last year, I said, "An independent authority can be focused on its mission," and that has indeed been the result.

Let me quickly up-date the Subcommittee on the status of the various enforcement actions we undertook in 1996.

DRINKING WATER

Citing a series of violation of drinking water standards going back to 1993, the EPA proposed an Administrative Order against the city in November of 1995 Because of the government shut-downs that occurred that winter, we were unable to hold a public hearing on the proposed order until April of last year. We continued to negotiate with the city on the final order in an effort to get them to agree to its provisions. (These types of administrative orders make compliance easier to achieve because the offending party agreed to the provisions of the order from the beginning.) Quite frankly I had nearly run out of patience with the City and was ready to impose the conditions of the order unilaterally when the City again violated the Safe Drinking Water Act in June, 1996, by having excessive total coliform bacteria in its distribution system. Against that backdrop, on July 12, 1996, the City agreed to the terms of the order. The problem with total coliform bacteria, or biofilm or regrowth in the distribution system, continued throughout the summer, causing additional violations in July and August of 1996.

The conditions of the drinking water order are very extensive. They include:

- setting up a new public notification system when violations occur;
- developing a new monitoring and sampling plan;
- flushing and disinfection programs for all storage facilities;
- a cross connection control program;
- a storage tank rehab and maintenance program;
- a corrosion control treatment and monitoring program;

- a detailed financial management plan;
- a valve repair and replacement program; and
- regular reports on progress.

The key component of the order was the development of the detailed Remediation Plan, including the financing plan to support the outlined work. The final Plan was approved by EPA on March 6 of this year and is automatically incorporated into the Administrative Order.

WASA has done a very significant amount of work to meet the conditions of this Order. For example, reservoirs have been cleaned and disinfected in a timely fashion. The Authority has a good flushing program underway and has initiated improved training for its operations staff regarding cross connections and disinfection programs. While we have been impressed with the breadth and quality of the work done so far, not every facet of the Administrative Order is being fully implemented. For example, WASA submitted, and EPA has approved, a significantly improved bacteria sampling plan on June 2, 1997. WASA is several months behind, however, on the installation of new samplers. We do not view these deficiencies as critical at this time, but we are carefully monitoring and working with the Authority to insure compliance with *all* the elements of the Order.

WASTE WATER

Because of numerous permit violations at the Blue Plains plant, EPA went to federal court on April 4, 1996, taking the City to task for violations of the Clean Water Act. At the same time, we proposed a series of steps that the District would have to take in order to resolve the case. We required the City, and subsequently WASA when it assumed control of the facility, to meet very specific operational performance standards and to undertake eight specific projects, ranging from rehabilitation of the nitrification settling basin to installation of primary sludge screens. The Commonwealth of Virginia challenged that settlement in court in May, and I expressed my concern at your June 12, 1996 hearing that such a challenge could delay progress at the plant. Fortunately, we were able to reach an informal agreement with the District for them to go ahead with the provisions of the Order even before the Court formally ruled on the issue. After hearing (and dismissing) the Commonwealth's arguments, the Order was finally entered in August of 1996. Today, I can report that WASA has met every one of the performance measures we established and, as of last month, had completed all eight projects. And the Authority did so both ahead of schedule and under budget estimates. Clearly, a new day is upon us.

REMAINING ISSUES

While extraordinary progress has been made by the new Authority, I would be remiss if I were to suggest to the Subcommittee that *all* is well with the drinking and waste water operations in the District and surrounding jurisdictions. There are four issues that I would like to call to your attention.

Procurement and Personnel Rules

WASA continues to operate under the cumbersome procurement and personnel rules of the District of Columbia. New rules are in the works, but until they are fully implemented (and any potential legal hurdles overcome), the EPA will continue to be concerned about WASA's ability to respond in a timely and efficient fashion to emerging issues or unforeseen problems.

Preventive Maintenance

Much of the infrastructure that WASA operates is very old -- some of the pipes date back to the Civil War era and even many of the major components of the Blue Plains facility are nearing the end of their useful lives. Preventive maintenance is especially important with these older systems, and it is an issue we have raised with WASA on a number of occasions. While the Authority is busy with major new capital projects, its is vital that there be a commitment from WASA's leadership to the less exciting, but no less important, tasks of daily and routine preventive maintenance.

Disposition of the Aqueduct

In the complicated arrangement that has developed over time, the Army Corps of Engineers continues to operate the Washington Aqueduct, which prepares the drinking water for the City and many Virginia customers. Under a provision of the Safe Drinking Water Act amendments of 1996, the Corps is to turn over operation of the Aqueduct to a non-federal entity within two years. I want to stress that the Corps' current operation of the Aqueduct is excellent. The Congress has granted the Corps the unique ability to borrow Treasury funds so that it can go ahead with vitally-needed capital improvements. Until the ownership issue is settled and any new operator has demonstrated an equally high level of performance, however, we will continue to be concerned about this absolutely critical link in the preparation of drinking water for the people who live in the District, Arlington and Falls Church as well as countless tourists who visit annually.

Reorganization of District Government

Some of the key functions relating to the Clean Water Act in the City fall under the jurisdiction of the Environmental Regulation Administration (ERA) in the District's Department of Consumer and Regulatory Affairs. Eighteen months ago the Mayor proposed to reorganize a number of City functions, and his new plan called for ERA's functions to be consolidated in an environmental health administration in the Department of Health. We have worked extensively with top management in the Department of Health to prepare them for all of these functions, which range from air pollution to hazardous waste management as well as water pollution control programs. We fully support the move of these operations from DCRA to the Department of Health, but are quite frankly frustrated that the City's remaining environmental functions remain in limbo. The failure of the District and the Control Board to provide a home for these functions virtually assures that they will continue to lack the kind of leadership that is

necessary to revitalize them. And, as they play an important role in some of the permitting requirements for WASA, the failure to institute these changes in a timely fashion leaves a major gap in the effective and efficient implementation of the drinking water and waste water operations for which WASA is responsible.

In a similar vein, there is an on-going dispute between the City and WASA about which entity has responsibility for the District's storm water sewer system. As you know, storm water carries vast quantities of contaminants into the City's rivers. Efforts to clean up the Anacostia in particular will continue to be hampered until we can sort out who is in charge and how we can meet the enormous financial hurdles of this ubiquitous urban problem.

THE FUTURE

We have all worked well collaboratively -- the Authority, the Congress and the EPA -- to put the crises of last year firmly behind us. We all recognize that we still have a lot of hard work ahead of us to continue the improvements that will better protect human health and the environment. A number of chronic problems have not yet been fully addressed, but clearly the new authority is on a solid footing and continued progress can be expected.

The most important impediments to the effective functioning of the new Authority may lie just beyond the organizational structure of the Authority itself. The future of the Washington Aqueduct is key to the future of safe and clean drinking water for both the District and for residents of Arlington and Falls Church. Similarly, the effective reorganization of City government functions will play a key role in establishing the kind of local regulatory control that will help assure the protection of human health and the environment for the entire Washington Metropolitan area.

In short, EPA has taken aggressive steps to protect the health and safety of the residents of Washington and the surrounding communities and to protect the aquatic environment of the Potomac and Anacostia rivers and the Chesapeake Bay. We will continue to do so. In the meantime we urge the Subcommittee to continue the effective leadership that you have provided in recent years. We stand ready to continue working with you to address any of the remaining issues that could derail the substantial progress that has been made over the past year.

Thank you again, Mr. Chairman, for giving me the chance to appear before the Subcommittee, and I would be happy to answer any questions you might have.

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Mr. DAVIS. Mr. McCabe, thank you, and thank you for all the work you have done.

Before we hear from Mr. Rogers, I would like to say that this is the first time, Michael, that you will be testifying before Congress before retiring, as city administrator and Deputy Mayor. We have always enjoyed working with you and I thank you for your years of service to our community. I am delighted you are continuing to serve in the important capacity as chairman of the Water and Sewer Authority, an entity that you did so much to create, both behind the scenes and publicly, and we are seeing the results of that today. Thank you.

Mr. ROGERS. Thank you, Mr. Chairman. Good afternoon, Mr. Chairman, Ms. Norton, other members of the subcommittee. I am Michael C. Rogers, chairman of the District of Columbia Board of Directors of the District of Columbia Water and Sewer Authority. I thank you for the opportunity to come before you today and share with you the Board's accomplishments, business plan and vision that was set well over a year ago.

This is indeed an opportune time to have this discussion, for WASA celebrated its first anniversary last month. The Board, management and employees have reason to be proud of the Authority's accomplishments during the past year.

The Board met for the first time on September 26, 1996, 3 months after appearing before this subcommittee. The Board faced many challenges at the time. The primary challenge was to transform the District government's Water and Sewer Utility Administration, WASUA, into a semi-independent Authority. This was a formidable task, as this entity is the District's—one of the District's most valuable assets.

There were other daunting challenges to confront. At that time, there was a deep and pervasive sense of skepticism about whether it was safe to drink the water in the Nation's Capital.

Throughout last summer, tests revealed levels of coliform bacteria that consistently exceeded Federal limits. Although harmful bacteria were never detected during this period, there was a public perception that the city's water distribution system was on the verge of collapse.

Additionally, the utility was tied to a cash-strapped city, mired in its own financial woes. Thus, in what might be described as the harmonic convergence of the political and the practical, WASA was born.

When the Board met in September 1996, we set an agenda, a comprehensive business plan that first included critical scrutiny of the operations at WASA. We knew then that in order to renew the confidence of our customers, it would be our obligation to devise a responsible, comprehensive business plan to make the successful transition from WASUA to WASA and provide quality services to our ratepayers.

Over the past year, the Board of Directors has been putting into place the elements of a long-term plan to position WASA as a world-class operation and leader in its industry.

In the past year, the WASA Board of Directors has developed as a functional business entity that has demonstrated that it is an an-

alytical and deliberative policymaking body that is open to public scrutiny and responsive to public concerns.

We adopted bylaws that guide our operation as a board. We established standing committees, including budget and finance, operations committee, human resources, labor relations, and retail rates committee. We established several ad hoc committees to facilitate board handling of policy matters that required our special handling.

As chairman of the board, I have endeavored to ensure that all members of the board, including alternate Board members, have had an opportunity to contribute to the fullest extent of their interest and time.

In 1 year, we have held 16 public board meetings, a numerous number of committee meetings, all open to the public and each well attended. Several meetings where we made decisions about water rates in the District were carried on the D.C. public access channel.

I am pleased to say that we have developed a board that conducts its business in the most collegial manner, but always getting to the heart of the issue before it. The Mayor appoints very prominent residents to represent the District, and appointments by the governing bodies of our partner jurisdictions also are outstanding members. We together see it as our mission to protect the interest of the region's wastewater treatment facilities and the District's water system in assuring that our waterways are not contaminated by our facilities, and that the region's drinking water is clean.

We have improved WASA's finances and laid a solid foundation for the future. We discontinued the practice of free and discounted water to nonprofit entities and churches. We are implementing the District law that requires metering for groundwater pumping.

We have increased water rates for the first time in 10 years, a 42 percent increase. We have an established aggressive plan for the collection of delinquent accounts, including publishing delinquent customers in local newspapers, placing liens on the property of delinquent customers. And soon we will securitize our delinquent accounts so that WASA gets more of its money up front, and the nonresponsive, delinquent customers will have to deal with someone even more aggressive than WASA.

We have worked with the District on a financing plan for repayment of the $83 million of Water and Sewer Utility enterprise funds used by the District in fiscal year 1994. Each fiscal year since the creation of WASA, we have received payment at the beginning of the fiscal year.

We have selected a first-rate financial adviser to guide us in restructuring our financing and to guide our entrance into the financial markets. We have also established a $25 million line of credit to facilitate management of our cash-flow challenges.

In short, WASA finances are in better shape than they were a year ago. We are charging all of our customers for service, we are aggressively collecting from all of our customers, we have laid the foundation for a strong financial entity that we hope will receive favorable consideration in the financial markets.

The WASA board is committed to building a world-class operation. To achieve that objective, we must have outstanding staff. We employed a national search firm to help us with this objective.

We attracted top-notch candidates for our general manager position and we believe we hired one of the best in the business when we appointed Jerry Johnson general manager of WASA. He is already demonstrating his expertise with the manner in which he is tackling issues facing our organization.

Mr. Johnson has taken the charge even further and attracted a top-flight CFO and chief engineer, and we are recruiting to fill many other management positions with people of similar quality and professional credentials.

It is our objective to quickly stabilize our relations with employee unions. We set an objective to have one labor contract covering all employees. We have achieved that. We have reached agreement with all of the unions on noneconomic issues. We are in arbitration with the unions on the remaining economic issues.

For the first time we are requiring our engineers to receive professional certification and we will implement performance measures for all employee groups.

We have adopted the WASA personnel rules, and we can talk during questions about the prior discussion about those rules, and we are well on our way to establishing WASA as an organizational culture based on excellence and customer service and responsiveness.

We have improved the WASA contracting operation. The board is committed to competitive contracting and has directed staff to assure that all contracts, particularly construction contracts, are awarded on the most competitive basis. Today I can say that we have achieved that objective. With our new procurement rules, which are going through the final stages of review and are expected to be implemented early next year, WASA will become an organization against which others in the industry can be benchmarked.

Our 10-year capital plan, the $1.7 billion capital improvement plan will allow the Authority to make repairs, perform the maintenance and schedule upgrades needed to make WASA preeminent in its field.

The plan is in three main categories: wastewater, stormwater and water projects. The lion's share of this total, $1.1 billion, goes to wastewater programs. The portion of the water treatment storage and distribution project is $484 million, and for stormwater projects the total is $47 million.

You have heard from Mr. McCabe about the improvement in the water quality in the District. I can repeat that over the last 14 months since WASA has been in operation, there have been no violations of Federal drinking water standards for coliform. In my written testimony, you have a chart that shows just how dramatic an impact that has been.

In my role as the District city administrator, I have spent the last year and a half working with the chief administrative officers of Arlington and Falls Church, VA, discussing issues concerning ownership and operation of the Washington Aqueduct, which is currently operated by the Army Corps of Engineers. We formed a collegial working committee, which I chaired, to flush out issues to determine what future arrangement would be in the best interest of all customers.

The Metropolitan Washington Council of Government facilitated the strategic thinking process of various aspects with respect to the future operational and ownership structure of the aqueduct.

Mr. Chairman, as you know, the committee had initially proposed four options for consideration that included creating a non-Federal private entity to operate the aqueduct that involved the sale, lease or management of the aqueduct; No. 2, the transfer of the operation to the Fairfax County Water Authority; No. 3, the transfer of the operation to the District of Columbia Water and Sewer Authority; and No. 4, the creation of a new multijurisdictional interstate entity.

After sorting through these options, the committee then drafted another recommendation for consideration. This would entail the continued operation of the aqueduct by the Army Corps of Engineers, which is more logical by our thinking, and we have forwarded this opinion to the Secretary of the Army for his consideration.

It is expected that once these discussions about the operational future of the aqueduct are concluded, we will return to Congress with the Secretary of the Army and the aqueduct officials, with the former proposal.

We look forward to your support on this critical issue to ensure the quality of our drinking water as the region continues to improve.

You know that we were committed to conduct a privatization study; you have heard from other board members that the study is underway and we expect to award a contract on that shortly.

With respect to the regional authority study, the authorities—WASA's legislation was mandated to conduct a feasibility study and we are about to begin that process. We know that because WASA is a part of the District of Columbia budget and that we don't have an approved budget today, yet. That is an issue that was not only highlighted by Mr. Duncan and other board members but it is one, as chair, I highlight as well.

The fact that WASA does not have a budget means that we have to juggle and we have to postpone and delay critical decisions about the financing of our operations and projects that we have committed to EPA that we would move forward on.

The board has put in place the tenets to successfully deliver quality customer service, and the management and staff are executing them.

Our work is still in its genesis. We are now moving to the next phase of maturity. As we move to the next phase of maturity, there are several changes to WASA legislation that I believe would further facilitate our transition to the world-class operation we desire.

First, the original WASA legislation recognized WASA as a public entity financed by ratepayers only and, as such, was designed to give the new entity maximum flexibility to operate as similar facilities and utilities. We were granted the right to use excess revenue in the course of the year, and to support our capital improvement program. Subsequent congressional legislation again limits the use of excess revenue by the authority without an appropriation. The flexibility originally given, we believe is important, and we will come to you for further discussion on this issue.

It was believed that WASA was outside the scope of the responsibilities of the chief financial officer of the District, with the board of Directors having fiduciary responsibility. We believe WASA should direct its own financial operations and not be subject to the same level of oversight of other District agencies. The CFO did not agree. For the time being, we have resolved the matter by agreeing to a memorandum of understanding with the CFO to delegate his responsibility to the Board of WASA and we to the general manager and the WASA CFO.

We still believe that the WASA legislation should be changed to make clear that the Board is responsible for the finances at WASA. Oversight by the District of Columbia Financial Responsibility and Management Assistance Authority has occasionally taken far longer than we believe is acceptable. We hope we can look at DCFRA's role with respect to WASA, particularly with respect to budget oversight and contract review, with an eye toward recognizing WASA as the independent multijurisdictional entity that it is.

As chairman I have enjoyed the full participation of the entire board. We have conducted our business in a collegial, intense and analytical manner. The District has benefited from the participation of our suburban customers and partners, and I appreciate the manner in which we have come together to protect WASA's valuable assets and service delivery.

I have truly been fortunate as WASA's chair during its transition, and look forward to the next phase. It has been gratifying to orchestrate WASA's interest with that of the government practices and business community, who all want to do the right thing, be they in the District or surrounding jurisdictions.

We have a very bright future with this Authority. Certainly as we discuss some of the issues that were raised by other board members, there may be some difficult discussions as we sort out the interest between the District and the suburban jurisdiction. But I have no doubt, Mr. Chairman, that we can work through those issues in the same collegial and deliberative manner that we have conducted our business over the last year.

I want to thank you and Mrs. Norton and all the members of the subcommittee for the support you have given this new Authority and we look forward to your continued support and cooperation. Thank you.

Mr. DAVIS. Mr. Rogers, thank you very much.

[The prepared statement of Mr. Rogers follows:]

Introduction

Good Afternoon Chairman Davis, members of the Subcommittee, and ladies and gentlemen. I am Michael C. Rogers, Chairman of the Board of Directors of the District of Columbia Water and Sewer Authority. I thank you for the opportunity to come before you today and share with you the Board's accomplishments, business plan and vision that was set well over a year ago for WASA.

This is indeed an opportune time to have this discussion, for WASA celebrated its first anniversary last month. The Board, management and employees have reason to be proud of the Authority's accomplishments during the past year.

The Board met for the first time on September 26, 1996, three months after appearing before this Subcommittee. The Board faced many challenges at the time. The primary challenge was to transform the District government's *Water and Sewer Utility Administration--"WASUA"*--into a semi-independent Authority. This was a formidable task, as this entity is the District's most valuable asset.

There were other daunting challenges to confront. At that time, there was a deep and pervasive sense of skepticism about whether it was safe to drink the water in the Nation's Capital.

Throughout last summer, tests reveled levels of coliform bacteria that consistently exceeded federal limits. Although harmful bacteria were never detected during this period, there was a public perception that the city's water distribution system was on the verge of collapse.

Additionally, the Utility was tied to a cash-strapped city mired in its own fiscal woes. Thus, in what might be described as a harmonic convergence of the political and the practical -- WASA was born.

When the Board met in September of 1996, we set an agenda -- a comprehensive business plan -- that first included a critical scrutiny of the operations at WASA. We know that in order to renew the confidence of our customers, it would be our obligation to devise a responsible, comprehensive business plan to make the successful transition from *"WASUA to WASA"* and provide Quality services to our ratepayers.

Over the past year, the Board of Directors has been putting into place the elements of a long-term plan to position WASA as a world-class operation and leader in its industry.

In so doing, the Board, in accordance with WASA's enabling legislation, has identified the elements of this plan that included:

A Rate Increase

After months of careful and conservative deliberation, we adopted a vitally needed and long-overdue rate increase that enabled us to continue to meet our federally mandated requirements, and to begin to address direly needed maintenance, repairs and upgrades. This was the first increase in more than a decade. It will not be the last. Undoing the withering effects of age and neglect is an absolute necessity, but it will be expensive and time consuming. Nevertheless, this will ensure quality service delivery to our customers.

This rate increase was also critically needed to complete the transition from a governmental entity to a semi-independent Authority. All support functions that were historically supplied by the District must now be undertaken by WASA.

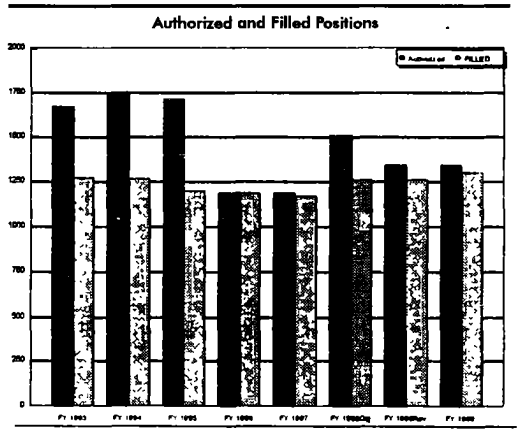
The Board consulted with the highly regarded firm of *Black & Veatch,* which specializes in rate studies and engineering design for public water systems. It was originally recommended to us that a rate increase of 78 percent was needed to adequately begin the structure of a new authority and have some cash reserves to attract the bond market. With much deliberation, the Board knew its customers simply could not bear the burden of an increase that expensive and all at once. However, inaction or further delay on the recommended rate increase would have resulted in the Authority's inability to adequately operate and maintain its essential public health and safety mission, or meet critical federal mandates, particularly in the areas such as the Safe Drinking Water Act and compliance issues with the EPA.

As such, we reevaluated what was urgently needed financially during our first year and planned the course for subsequent years. With the advice of Black & Veatch and the WASA management, it was determined that a 42 percent rate increase was the minimum increase that would afford WASA the direly needed improvements that Board had envisioned.

Human Resources

We have formed the nucleus of the team that we expect will lead us into the next century. Part of the team is with us today. Our general manager, Mr. Jerry Johnson, is one of the finest general manager's in the country. He is an experienced and superbly qualified manager. Mr. Johnson is the former Deputy City Manager for the City of Richmond, Virginia, and has a wealth of experience in water and wastewater treatment operations.

We also have employed an accomplished Chief Financial Officer and Chief Engineer. These new team members join existing qualified managers at WASA. Currently, we are recruiting for other key positions that include [but are not limited to] a General Counsel, Human Resources Manager, and an Information Technology Manager.



The Board has completed work on WASA's own personnel regulations that were published October 3 of this year in the *D.C. Register* and we voted on these rules at our November meeting in preparation for the final rulemaking.

A request for proposals (RFP) is currently being prepared for a pay, classification and benefits study and should be completed and ready for advertising by the end of November.

Procurement

We have made significant progress in our campaign to conform our internal business practices to generally accepted industry standards. These new standards mandate, among other things, competitive bidding on [almost] every contract. Additionally, we have hired the consultant, *Systemsflow, Inc.* to assist in the drafting of the procurement regulations and internal procedures. Once completed, this will untie us from the cumbersome District procurement process that generally impedes our purchasing requirements and ultimately, our service delivery.

Fleet Maintenance

In July of this year, we executed a new maintenance contract that will boost the percentage of vehicles on the street from less that 50 percent this past summer, to 80 percent by the end of the year. We have already brought that number up to 74 percent.

Billing and Collections

We are now charging a fee to [virtually] everyone who uses our services. Additionally, we guided the staff to devised a comprehensive collections plan that has been drafted. Mr. Johnson will have more details about this in his testimony.

Also, since adopting a more aggressive posture with delinquent account holders, we have thus far collected almost $3 million by modifying internal procedures. We have published a partial list of delinquent account holders to assist in this effort and to demonstrate that this Board will not tolerate such delinquencies any longer. Further, we want to demonstrate to our customers who do pay their bills, that they should not and will not any longer subsidize our collection efforts when delinquent customers do not pay their bills.

We also are looking at the sale or securitization of those accounts we cannot reasonably expect to collect through our own efforts. Our focus is, and must be, on revamping our billing and collection procedures so that we will *never again* find ourselves holding millions of dollars in long-overdue and largely uncollectable debt.

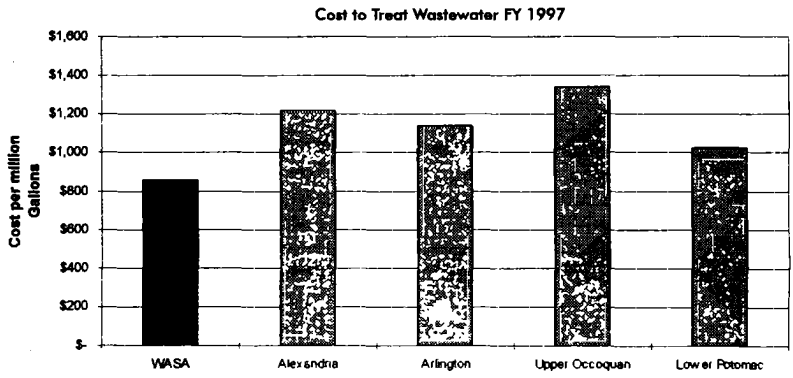
Training

This area has long been neglected, and in addressing the issue, we are guiding the systematic design of an authority-wide plan for upgrading the skills of all WASA employees. Remarkably, this Utility is the only plant in the United States or Canada, that does not certify its operators. We will give up that dubious distinction at the end of this year when the *Associated Boards of Certification* administers the first certification exam at WASA.

Capital Improvements

Our ten-year, 1.7 billion-dollar Capital improvement plan will allow the Authority to make the repairs, perform the maintenance and schedule the upgrades needed to make WASA pre-eminent in its field. The plan is in three main categories: Wastewater, stormwater and water projects.

The lion's share of this total -- $1.1 billion -- goes to wastewater programs; the portion for water treatment, storage and distribution projects is $484 million; and for stormwater projects the total is $47 million.



Water Quality

The District of Columbia's water quality has never been better. Last summer, for three months in a row, we exceeded the limit for coliform bacteria. This summer, we proudly reported quite a different story.

Test results for coliform bacteria -- the most closely watched barometer for drinking water quality -- have been, without exception, well within federal guidelines. The federally mandated limit is 5 percent. During the summer of 1996, the average was twice that -- about 10 percent. This summer, the average was about ONE (1) PERCENT.

Several factors have contributed to the improvement in drinking water quality, including a better drinking water sampling program; an updated disinfection, cleaning, lining and pipe repair program; a more effective valve flushing program and, the cleaning, inspecting and disinfecting of all reservoirs and storage tanks. During the course of this fiscal year, and as part of our multi-year capital improvement plan, we will begin various construction and rehabilitation projects that involve our water storage tanks and the reservoirs. Mr. Johnson will address these specific projects in his testimony.

Another significant factor is the close and effective working partnership WASA has developed with the Washington Aqueduct, which treats the water before it enters our distribution system.

We shared the news about this dramatic turnaround with the public at a joint press conference with the EPA in September this year Few would have envisioned that standing at the same podium with WASA officials, and praising the state of the District's drinking water, would be one of WASA's most critical voices. However, Michael McCabe, the EPA Region III Administrator, was there acknowledging that while much work remains to be done, WASA has passed a critical test.

During this transition period and to date, WASA has managed to comply with its myriad of federal mandates. This stellar record of compliance extends to the requirements of the Safe Drinking Water Act, WASA's operating Permit under the Clean Water Act, a Consent Decree, and a Stipulated Agreement with EPA.

But while safe drinking water and compliance with federal orders are the most impressive visible signs of our progress, a deeper look reveals other signs of significant change. These are the changes that will enable WASA to continue the vital tasks of upgrading an aging infrastructure while simultaneously taking advantage of new technology and modern business practices.

The overall blueprint the Board has designed and is implementing with staff is critical to WASA's future. But its success hinges on a decision by the bond market to -- quite literally -- buy into our vision for the Authority. We believe the steps we have taken, and those we have planned for the next few years, will provide our potential financial partners with the assurances they need to invest in WASA's future.

Washington Aqueduct

In my role as the District's City Administrator, I have spent the last year and a half working with the Chief Administrative Officers (CAO's) of Arlington and Falls Church, Virginia, discussing issues concerning the ownership and operation of the Washington Aqueduct, which is currently operated by the Army Corps of Engineers. We formed a collegial working committee, which I chaired, to flesh out the issues and to determine what future arrangement would be in the best interest of all customers.

The Metropolitan Washington Council of Governments facilitated the strategic thinking process of various aspects with respect to the future operational and ownership structure of the Aqueduct. Mr. Chairman, as you know, the Committee had initially proposed four options for consideration that included: (1) Creating a non-federal, private entity to operate the Aqueduct that involved the sale, lease or management of the Aqueduct; (2) The transfer of operation to the Fairfax County Water Authority; (3) The transfer of operation to the District of Columbia Water and Sewer Authority; and, (4) The creation of a new, multi-jurisdictional, inter-state entity.

After sorting through these options, the Committee then drafted another recommendation for consideration. This would entail the continued operation by the Army Corps of Engineers which is more logical by our thinking and we have forwarded this opinion to the Secretary of the Army for reconsideration.

It is expected that once these discussions about the operational future of the Aqueduct are concluded, we will return to the Congress with the Secretary of the Army and Aqueduct officials with a formal proposal. We look forward to your support, Mr. Chairman, on this critical issue to ensure the quality of our drinking water for the region.

Currently, we are engaged with the Corps regarding the design of an improved operating model that involves greater customer participation. This will also ensure the Washington Aqueduct meets benchmarked performance standards. We also have begun the financing improvements so that the Aqueduct's customers can borrow from the U.S. Treasury for capital needs. Working together, the CAO's have completed the first round of borrowing for the customers.

Privatization Study

WASA's enabling legislation (DC 11-111) included a provision requiring the Board of Directors to assess the feasibility, including the financial benefits, of engaging a private entity to lease or purchase all or any portion of the Blue Plains Wastewater Treatment Facility. In December of 1996, the Board reviewed an RFP for the privatization study. At the time, we were encountering several other critical issues at the Authority that required our immediate attention. This included the proposed rate increase, our negotiations with the labor unions, hiring key staff, including the search for a permanent general manager, and the critical oversight of our compliance with the myriad of mandates with EPA and WASA's own internal operational standards. As such, the direct focus on the privatization study was temporarily diverted. However, it is our intention to have the RFP reevaluated and we anticipate awarding a contract before the end of the year.

Regional Authority Study

WASA's enabling legislation also mandated a study of the feasibility of making WASA an independent regional authority and to make recommendations for the ongoing relationship of user jurisdictions to the Authority. This study will be undertaken upon the completion of the privatization study.

Appropriations Process

When the plan was designed for this new Authority, a major tenet of the plan was that WASA would be modeled as a public utility operation, and should operate by the revenue it generates. Further, WASA should manage its revenue through its own internal processes. Because of the critical nature of our service delivery and the vitally needed resources we provide, WASA should not be subjected to the District's regulations and budgetary process that are historically unique to the District government and the Federal government. The Authority requires additional flexibility to improve service delivery and operate as a true business entity. As such, the Board plans to craft a legislative agenda and then draft legislation to forward to the District of Columbia Council to amend our current legal encumbrances. Our future success is threatened by the current appropriations process. Simply put, under the current configuration, we cannot pay our bills, purchase materials and chemicals and hire staff at will. In order to operate as an independent Authority, we must change the paradigm.

WASA's Board

My colleagues on the Board and I can proudly and assuredly say that WASA is well on its was to completing the first phase of our vision. There were many outcomes expected during the transition. Among them: Increased customer satisfaction, increased revenue, increased quality of services and improved productivity. We set out with an ambitious business plan. During our very first meetings, the Board instituted and adopted the by-laws and established standing committees that included all Board members and alternate members. This way, we were able to take full advantage of the expertise brought to the table by all.

Budget and Finance Committee

This committee, chaired by Mr. Ron Linton, has met numerous times and has devoted an abundant number of hours reviewing WASA's financial structure and budgets. The committee members' thorough analysis of WASA's finances with staff has enabled us to have a comprehensive understanding of our financial situation.

Operations Committee

This committee, chaired by Mr. Charles C. Johnson, has undertaken a critical review of the operational functions of the Authority. In consultation with staff and consultants, we are in a much better position in determining and implementing our operational requirements for the multi-year capital improvement projects.

Human Resources and Labor Relations Committee

This committee, chaired by Ms. Lucy Murray, has turned around a new paradigm in employee organizations. The committee, in consultation with staff, has achieved the creation of WASA's own personnel rules that were recently published in the *District of Columbia Register* and the Board passed a resolution for final rulemaking this month. Additionally, for the first time ever, the committee and the Board have negotiated a *single collective bargaining agreement* covering all of WASA's unionized employees, instead of the multiple contracts heretofore. Currently, all non-compensation issues have been agreed upon. We are in arbitration over compensation issues.

The Retail Rates Committee

This committee, which I chair, has spent many hours deliberating over the initial rate structure and increase that was effective in April of this year. It was a laborious process. The staff, financial and engineering consultants contributed a host of analyses. As discussed earlier, we were strongly advised to adopt a 78 percent rate increase in order to successfully address the planned repairs, upgrades, meet our requirements with EPA mandates, and still have adequate cash reserves. My colleagues and I simply could not in good conscience impose such a massive increase on our ratepayers all at once, although the justification was certainly staring us in the face.

Instead, we looked at WASA's immediate needs and determined that a 42 percent increase was the minimum increase that would adequately begin to address out operational requirements.

During the process, we held a public hearing in January of this year. Eighty-two witnesses -- individuals and organizations -- signed up to offer oral testimony. Over half (45) of the witnesses actually testified. A comment period followed the hearing whereby we garnered additional input from our ratepayers. Their opinions were thoughtfully and fully considered by the committee and shared with the entire Board.

As I mentioned earlier, this will not be the last increase. However, any subsequent rate increase will be much less -- approximately five percent in FY 1999 -- and the public will have full benefit of learning why rate increases are direly needed for our aging systems.

Ad-Hoc Committees

As Chairman of the Board, I have periodically assigned ad-hoc committees to address and provide recommendations on such areas as liability insurance and the privatization study. Once again, our able Board members took on the task and provided the requisite information in order for WASA to accomplish the mandates set forth in the enabling legislation and to execute the Board's overall vision.

Conclusion

The Board has put into place the tenets to successfully deliver quality customer service, and the management and staff are executing them. Our work is still in its genesis; we are now moving to the next phase of maturity.

As Chairman, I have enjoyed the full participation of the entire Board. We have conducted our business in a collegial, intense and analytical manner. The District has benefited from the participation of our suburban customers and I appreciate the manner in which we have come together to protect WASA's valuable assets and service delivery. I have truly been fortunate to Chair WASA's Board during its transition and look forward to the next phase. It has been gratifying to orchestrate WASA's interests with that of government practices and the business community, who all want to do the right thing, be they in the District or surrounding jurisdictions.

Our management team is nearly all in place. The hard working and valuable employees at WASA are rising to the challenge and, our customers are beginning to, once again, have confidence in our ability to deliver a quality product.

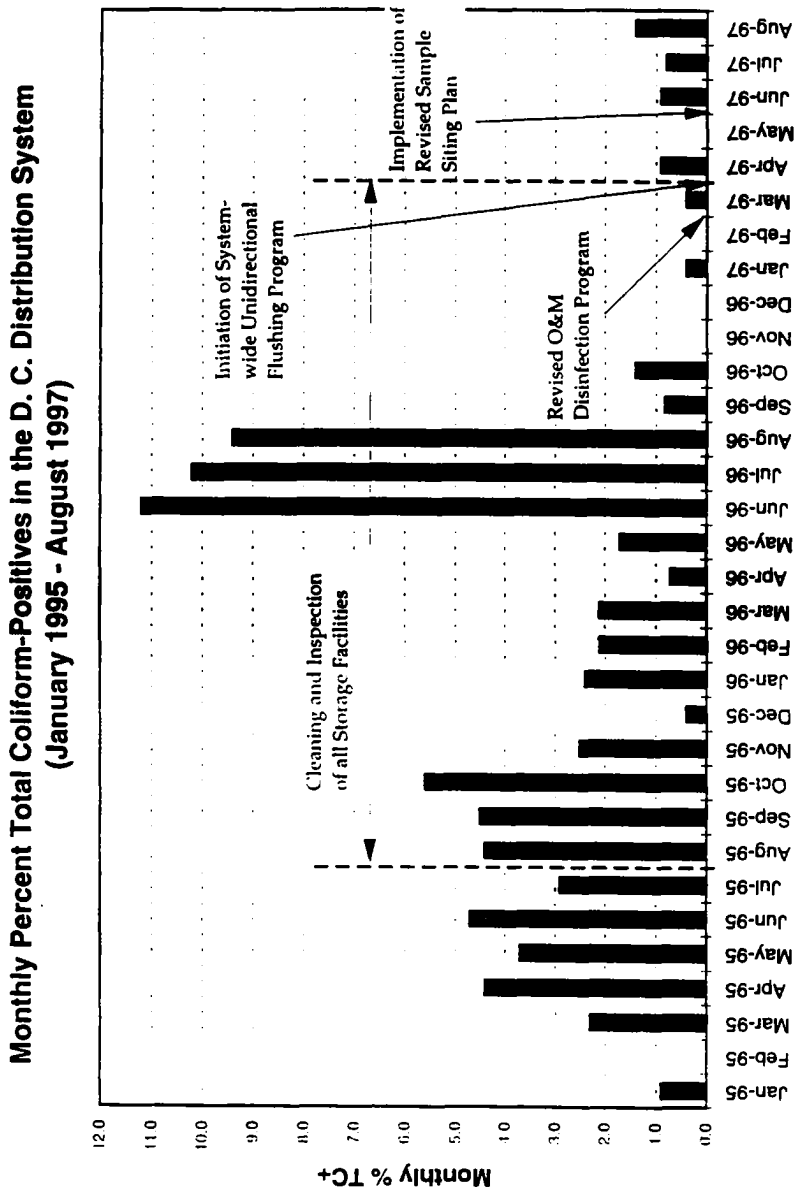
WASA enjoys solid and productive working relationships with our Intermunicipal Agreement partners, The Council of Governments, The District's Chief Financial Officer and the Control Board.

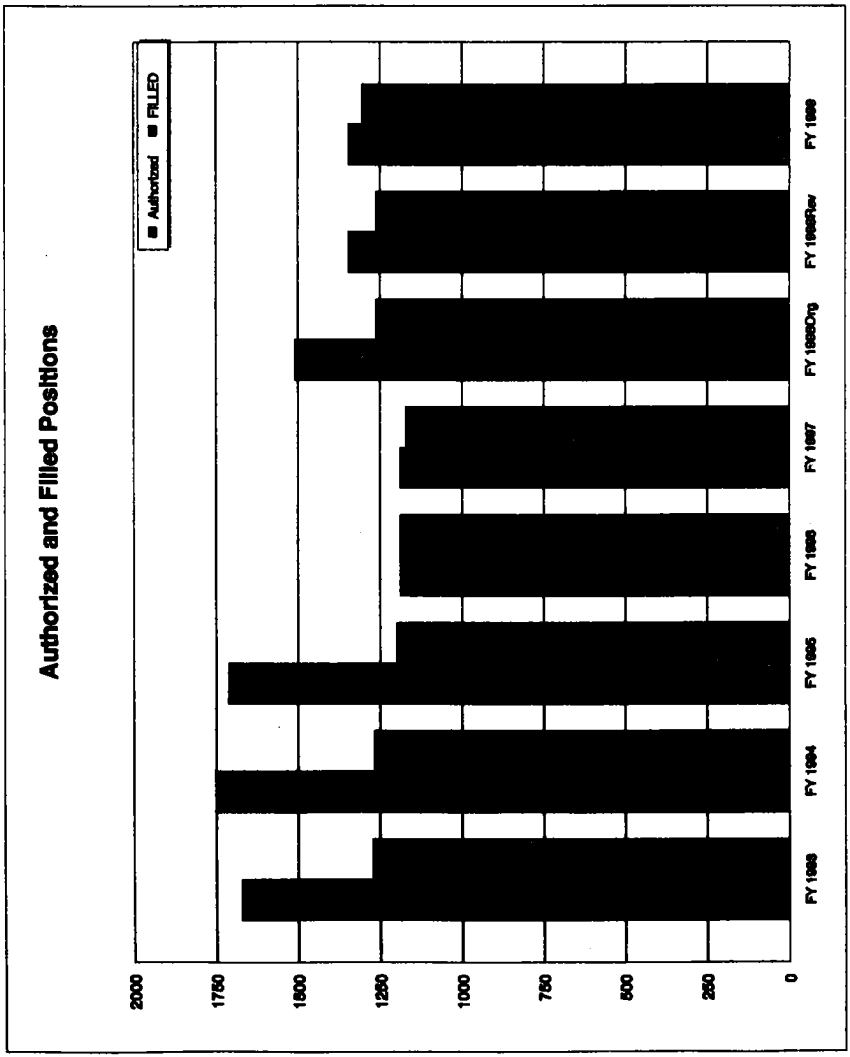
As always, it is the mandate of the Authority to provide the highest quality of wastewater treatment and water distribution services to our customers, while protecting the environment and maintaining costs at the most cost-efficient level.

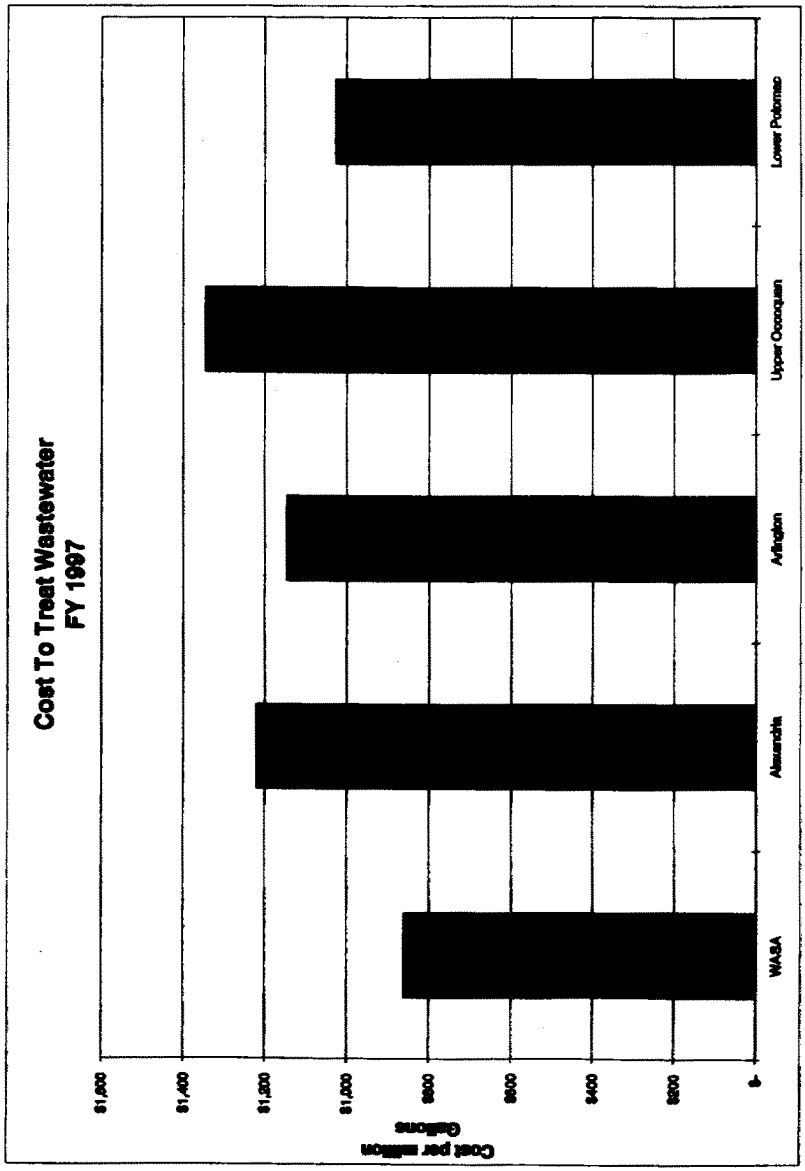
I thank you Mr. Chairman and members of the Subcommittee for this opportunity to report on the progress made by the one-year-old Water and Sewer Authority. And, I would like to assure you that, this Board is *resolved* in its commitment to provide the best customer service delivery to District consumers and our wholesale customers in Maryland and Northern Virginia.

I welcome the opportunity to answer any questions you may have. Thank you.

Attachments


Monthly Percent Total Coliform-Positives in the D. C. Distribution System
(January 1995 - August 1997)
Monthly % TC+
0.0
1.0
2.0
3.0
4.0
5.0
6.0
7.0
8.0
9.0
10.0
11.0
12.0
Jan-95
Feb-95
Mar-95
Apr-95
May-95
Jun-95
Jul-95
Aug-95
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Mar-96
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Nov-96
Dec-96
Jan-97
Feb-97
Mar-97
Apr-97
May-97
Jun-97
Jul-97
Aug-97
Cleaning and Inspection of all Storage Facilities
Initiation of System-wide Unidirectional Flushing Program
Implementation of Revised Sample Siting Plan
Revised O&M Disinfection Program


Authorized and Filled Positions
Authorized
FILLED
2000
1750
1500
1250
1000
750
500
250
0
FY 1993
FY 1994
FY 1995
FY 1996
FY 1997
FY 1998Org
FY 1998Rev
FY 1999


Cost To Treat Wastewater
FY 1997
Cost per million Gallons
$1,600
$1,400
$1,200
$1,000
$800
$600
$400
$200
$-
WASA
Alexandria
Arlington
Upper Occoquan
Lower Potomac

Mr. DAVIS. Mr. Johnson.

Mr. JOHNSON. Good afternoon, Chairman Davis, members of the subcommittee, ladies and gentlemen of the audience. I am Jerry Johnson, general manager of the District of Columbia Water and Sewer Authority. I thank you for inviting us here today to testify before the committee and welcome the opportunity to discuss management's plans for implementing the Board's vision for the Authority.

When I became general manager of WASA in June of this year, I was fortunate to be entering a situation in which the need for change had been recognized and the plan was in place. WASA's new board of directors had provided critical guidance and much work had already been started. My assessment in June was that WASA was on the right track, but that significant organizational and operational changes still were needed within the organization. These changes include taking steps to put the utility on sound financial footing, advising and implementing a plan to take advantage of technological advances, making organizational and operational changes to improve service delivery, making a comprehensive assessment of major capital needs, and making a comprehensive assessment and evaluation of staff capacity to deliver the services WASA is charged with delivering.

We have begun to make these changes, but they will take some time and WASA is changing its course with all deliberate speed. In recent months we have hired some major players for our management team. We are now focusing our efforts on several other critical positions, including general counsel, directors of human resources, procurement, and information technology, an internal auditor and permanent bureau chiefs for Water Services, Maintenance Services and Sewer Services. We expect to have offers for all of these positions made by the end of this year.

Our revised fiscal year budget for 1998, which is currently being considered by the board, reflects an overall $41 million cost reduction from the budget as originally submitted. We project a bottom line cash surplus that will be transferred directly to cash reserves of $20 million. This is $21 million more than the $1.3 million deficit that was originally projected for 1998. These revised budget numbers put us on track for establishing a $90 million cash reserve by the end of fiscal year 1999.

Our proposed fiscal year 1999 budget is similarly conservative in its approach. The proposed staffing levels in our revised fiscal year 1998 budget is 1,344. This is a reduction from the original budget of 164 positions. We are also conducting a comprehensive pay and classification study for all WASA employees to bring them more in line with the market.

With regard to contracting for services versus in-house staff, I am committed to carefully and systematically examining each component of the organization to determine its viability for private sector involvement through managed competition.

In order to continue the progress we have made in improving our water distribution system during the current fiscal year, we will initiate construction projects to rehabilitate storage tanks and reservoirs within the city. We will also design several projects for construction and repairs to be completed in the years 1999 and 2000.

We will spend $10 million a year to clean and line 27 miles of mains each year through fiscal year 2000, and we will be accelerating programs for cleaning and repairing the city's catch basins.

An added benefit of this year's flushing program, which was conducted citywide, is that all 9,500-plus fire hydrants in the city have been tested and evaluated. Approximately 95 percent of the hydrants are currently in full service. The Authority, in concert with fire officials, is going through now and systematically looking at the timing for replacement and repair of the balance of the hydrants.

In the area of wastewater treatment, we will increase the baseline staffing levels to reduce overtime and increase productivity and make improvements in our system and also make the system more accountable.

The lion's share of the $1.7 billion in the 10-year capital program goes to wastewater treatment and sewer programs.

Combined sewer overflow projects, we have proposed to spend $109 million to design and build facilities to address combined sewer overflows in the Potomac and Anacostia Rivers. We also have received a $7 million planning grant from the U.S. EPA to study and continue to address the combined sewer overflow problem.

For all intents and purposes, WASA does not at present have an information and technology infrastructure or the people and equipment to make one work. We propose to add staff and additional technical contractor resources over the next 2 years to design and begin to implement an information-technology and telecommunication systems to address critical areas such as financial management, billing procurement, meter reading, maintenance, human resources, telecommunications, operations, process controls and consumer services.

We have contracted out our fleet maintenance operation in order to control and manage operating costs and perform repair and maintenance in a more timely and efficient fashion. The maintenance of these functions is being handled by our newly created fleet management operations. WASA's fleet of 800 vehicles and varied equipment is an average age in excess of 10 years. Over the next 3 years, we will be updating our existing fleet with newer, more efficient vehicles while reducing the size of this fleet by over 200 pieces.

In the summer of 1997, less than 50 percent of the fleet was operational. Today we are proud to report that we have 74 percent of the fleet operational, and by end of the year we project having 80 percent of the fleet operational. By the end of 1998, it is our objective to have this fleet operational and everything roadworthy in the 90 percent range.

For all utility operations, long-term planning is essential to provide orderly maintenance, service delivery, growth and progress.

We have devised an ambitious yet absolutely critical capital improvements program. This long-term program will enable us to protect our assets, upgrade aging equipment and infrastructure, catch up on a substantial amount of deferred maintenance, and introduce new technology to assist us in meeting the environmental and regulatory mandates that we face.

After conducting a thorough internal review of staff capacity, a decision has been made to augment our staff by employing outside project management capability within the Office of Engineering Services to ensure that the capital program we are undertaking will be completed.

Over the next 10 years, as indicated earlier, we propose spending $1.7 billion to repair and upgrade this aging distribution system, rehabilitate the wastewater treatment plant and sewer facilities and to address the city's combined overflow problem.

In early 1998, we will go to the bond market, as we were authorized to do under WASA's enabling legislation, to borrow money to fund these capital improvement projects. We will seek money for restructuring of part or all of the existing debt, ranging from $80 to $277 million. We will also seek new money in the range of $50 to $100 million, depending on the cost of debt.

We have released our request for proposals and are seeking bond underwriters and expect to make that selection in early December. This will be the first in a two-stage process. First, we will secure a bond rating, and second, we'll be able to go to the bond market and do the financing that we need to do.

We have responded to all management letter comments received from the outside auditors. We are addressing their concerns by adopting business procedures that conform to generally accepted accounting and business practices. We anticipate receiving an audit without qualification this year. We are also hiring an internal auditor to monitor our practices and procedures on an ongoing basis.

Our comprehensive capital program is the backbone of WASA's plan to rectify the withering effects of age and deferred maintenance. Paying for this 10-year $1.7 billion package in addition to covering ongoing operating expenses will obviously require rate increases. However, I am pleased to report that our projections indicate we will not have to raise rates in 1998, and if the current proposal is adopted, we anticipate annual rate increases averaging about 5 percent beginning in 1999.

The rates we have projected and looked at follow a review of the internal rate-setting policies. This review has led us to propose a philosophy for setting rates for water and wastewater services that is very simple and straightforward. Each customer will be charged for those costs necessary to provide the services and the rates will be predictable and gradual. Some of those steps have been put in place now and we will await final approval by the Board.

A significant additional factor that we must consider as part of the rate-setting process is the financing cost for routine operations in our capital program.

We have also, as Mr. Rogers has indicated, adopted a very aggressive collections policy that includes termination of services. Our previous policy indicated we would not turn off water for multifamily dwellings. This is no longer a protected class.

We are also implementing late fees, we are establishing receiverships, property liens, publishing names in newspapers, negotiating payment agreements, installment agreements, and we have established an incentive program to pay WASA employees $50 for each account that they can find where people are not metering and properly utilizing and paying for services.

We will also enforce legal provisions for theft of services and move to monthly billing, beginning with our commercial customers. We will also begin the delivery of accurate bills by internal adjustments, and our goal is to read 100 percent of meters that are accessible, with an accuracy rate of 99.9 percent. There are several other detailed provisions of that policy that are included in my written testimony.

Because we have demonstrated our commitment and ability to carry out Federal mandates, EPA has requested and Congress has passed a provision increasing to 80 percent the portion of total project costs funded by grants. We have also spent considerable time and effort undergoing and looking over old grants and closing out the ones where work is finished but the paperwork has not been completed. However, there still needs to be a significant amount of work done, and to address that we have brought on full-time assistants to complete those grants.

We are also looking at comprehensive performance measures, not only for each work unit within the organization at WASA, but also on an individual basis in establishing performance goals and objectives.

There are several of the organizational initiatives that I would be pleased to discuss with you. However, at this time, given the time of day, sir, I would be glad to answer any questions you might have.

[The prepared statement of Mr. Johnson follows:]

Introduction

Good afternoon Chairman Davis, members of the subcommittee, and ladies and gentlemen. I am Jerry N. Johnson, General Manager of the District of Columbia Water and Sewer Authority. I thank you for inviting us to testify before the Subcommittee and welcome the opportunity to discuss the management's plan for implementing the Board's vision for the Authority.

When I became general manager of WASA in June of this year, I was fortunate to be entering a situation in which the need for change had been recognized and a plan was in place. WASA's new Board of Directors had provided critical guidance and much work already had been started by former interim general Manager Larry King and WASA's dedicated workforce.

But this is, nonetheless, an institution that has suffered from serious systemic problems. From its inception in 1938 to a little more than one year ago, what is now the DC Water and Sewer Authority was a part of the District's government structure. Over a period of years, the utility's needs had to compete with the needs of other agencies and programs. As a consequence, maintenance, repairs and upgrades were deferred. Additionally, rates were frozen in place for a decade, from 1987 to 1997, which further limited our ability to maintain the momentum expected of this organization.

WASA's Board of Directors, which just celebrated its first anniversary, responded to serious problems with drinking water and wastewater violations with a new course that would restore public confidence, bring us into regulatory compliance and shore up our finances. Within months, the Board had successfully implemented a 42-percent rate increase and developed a plan to address the utility's short-term drinking water crisis as it formulated the pieces of a long-term plan to address its aging infrastructure.

My assessment in June was that WASA was on the right track but that significant organizational and operational changes still were needed. These changes, which I will discuss in greater detail, included:

- Taking steps to put the utility on a sound financial footing to enable it to borrow the capital needed to make essential improvements to its aging infrastructure.
- Devising and implementing a plan to take advantage of technological advances, most notably in basic system infrastructure and telecommunications, that would greatly increase productivity.
- Making organizational and operational changes to improve service delivery and all aspects of customer relations.
- Making comprehensive assessments of major capital needs.
- Making comprehensive evaluations of staff capacity to deliver services provided by the Authority.

We have begun to make these changes but they will take time. WASA operates the Blue Plains Advanced Wastewater Treatment Plant, one of the largest advanced wastewater treatment facilities in the world. We also have responsibility for a water distribution system serving the residents of the District of Columbia and other outlying areas. Putting this institution on a new course is akin to changing the direction of an aircraft carrier. Neither can be turned on a dime. But WASA is changing course with all deliberate speed.

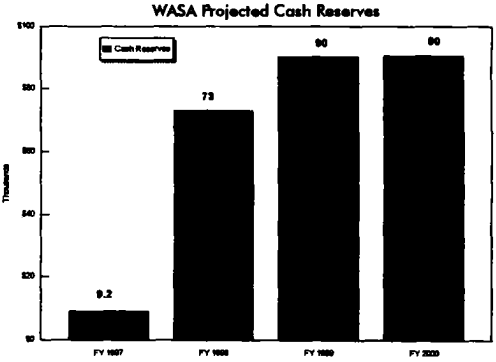
In recent months we have hired some of the major players for our management team. Paul Bender is our new chief financial officer and Michael Marcotte has joined us as chief engineer. Both have excellent credentials and already have begun to put their imprint on this utility.

We are focusing our efforts on several other critical positions, including a general counsel, directors of human resources, procurement, and information technology, an internal auditor, and permanent Bureau Chiefs for Water Services, Maintenance Services, and Sewer Services. We have cast a broad net for these critical positions. In fact, we have conducted a national recruitment effort and the responses we've received thus far indicate that people are keenly interested in what we are trying to accomplish here and want to be part of our team. We have clearly caught the attention of the leaders in our industry. We expect to have made offers on all of these positions by the end of the year.

Fiscal Year 1998 Budget

Our revised fiscal year 1998 budget, which will be submitted to The District of Columbia Council, the DC Financial Responsibility and Management Assistance Authority and Congress shortly, reflects an overall $41 million cost reduction from the budget as originally submitted. We project a bottom line cash surplus--that will be transferred directly to cash reserves--of $20 million; this is $21 million more than the $1.3 million deficit that was originally projected for 1998. These revised budget numbers put us on track to establishing $90 million in cash reserves by the end of FY 1999. This is an essential step in our efforts to position ourselves to enter the bond market successfully.

WASA Projected Cash Reserves



Staffing

The proposed staffing level for our revised FY 1998 budget is 1,344. This is a reduction from the original budget of 164 positions. We will accomplish this through organizational efficiencies, automation and the reallocation of staff in specified areas. For proposed staff growth, we will take the time to seek and hire the best qualified persons available.

We are also going to conduct a compensation and classification study for all WASA employees in FY 1998. Under the current system, there is wage compression in some areas; employees are overpaid in some instances and underpaid in others. There are also far too many individual classifications within the organization for us to maximize our effectiveness. The compensation and classification study will be the first step in addressing many of these inequities.

Additionally, I have proposed that we place two percent of WASA's total salary in a "pool" for bonuses based on performance. We will develop guidelines for this program during 1998.

With regard to contracting for services versus use of in-house staff, I am committed to carefully and systematically examining each candidate component of the organization to determine its viability for private sector involvement. We must first benchmark ourselves to ensure that we have achieved maximum efficiency and are conducting our business activities in the most cost effective manner. Once candidate functions are identified, and maximum efficiency plans are established, we will then look at managed competition in some areas in order to facilitate the absolute best service for the least cost and risk.

Drinking Water Quality

In the fall of 1996, the District of Columbia had just experienced three straight months of drinking water tests that revealed coliform bacteria in excess of federally prescribed limits. While no harmful bacteria were ever detected during this period, there was a public perception that the city's water quality distribution system was in serious trouble.

For the past 14 months, test results for total coliform--the most closely watched barometer for drinking water quality-- have remained safely within federal guidelines. EPA's administrator for Region III, which has oversight of WASA, praised this turnaround. While noting much work remains to be completed, given the age and condition of the infrastructure, Administrator W. Michael McCabe declared at a recent press conference that WASA had, indeed, turned the corner.

The dramatic improvement in drinking water quality can be attributed, in part, to the fact that for the first time all city reservoirs and water storage facilities were cleaned and

inspected, a new higher speed procedure was used to flush the water system, and a newer and more accurate drinking water sampling plan was put into practice.

In the past year, we have made significant progress in eliminating what water quality experts describe as "cross connections." These are situations where there is a possibility that untreated water from one pipe could back up into an adjoining pipe carrying treated drinking water. Additionally, we have accelerated our programs for cleaning and lining water mains, replacing valves, eliminating dead-end segments of water mains, and rehabilitating reservoirs and storage tanks.

During the current fiscal year we will initiate construction projects to rehabilitate the Good Hope Rd. elevated tank, the Fort Reno reservoir, and several projects to eliminate dead ends and replace valves. In all, we will complete nine projects worth $11.4 million. We will also begin the design phase of projects to rehabilitate the Bryant Street Pumping Station, Fort Stanton Reservoirs I & II, and the Brentwood Reservoir.

We will spend $10 million a year to clean and line 27 miles of mains each year through FY 2000. During the same time frame we will also replace about 800 valves. These defective valves were discovered as we flushed out the system and undertook other initiatives during the past year.

We are also accelerating our programs for cleaning and repairing the city's catch basins. In fiscal year 1996, we cleaned 14,364 catch basins. That figure climbed to 15,135 in FY 1997 and we forecast cleaning 16,500 in the 1998 fiscal year. We repaired 183 catch basins in FY '96 and 420 in FY '97. We project repairs to 500 basins in FY '98.

Fire Hydrants

An added benefit of this year's flushing program--which was the most systematic and comprehensive effort of its kind in the city's history-- is that every fire hydrant was tested and evaluated. The Authority is responsible for the operation and maintenance of approximately 9,500 hydrants, providing vital support to the District's firefighters. Approximately 95 percent of the hydrants are currently in full service.

The Authority, in concert with city fire officials, has prioritized the remaining hydrants, concentrating initial repair efforts on hydrants in areas with limited coverage from other hydrants and those requiring minor repairs. We are also systematically upgrading hydrants that have the remote possibility of back washing untreated water into pipes containing drinking water, and those on dead-end segments of water mains.

Wastewater Treatment

In the area of wastewater treatment, WASA must protect and make constant improvements to the nation's "flagship facility" at Blue Plains -- the largest advanced wastewater treatment facility in the world. Therefore, we will increase base line staffing levels to reduce overtime, increase productivity and make improvements to our system of accountability. Chemical costs for the Denitrification Demonstration Facility are included, as are costs for comprehensive management of our biosolids disposal operations. Funding for maintenance provided by WASA employees as well as contractors is also included at current spending levels.

The majority of our $1.7 billion 10-year capital budget goes to wastewater treatment and sewer programs.

Combined Sewer Overflow Projects

We have budgeted $109 million to design and build facilities to address combined sewer overflows to the Potomac and Anacostia and to minimize the frequency and volume of combined sewer overflows into the Potomac and Anacostia rivers. We also have a $7 million planning grant from EPA to study and continue to address the combined sewer overflow problem.

We will maintain our programs to improve water quality on the Anacostia River through interception and collection of floatable materials carried by storms through the combined sewer systems.

Rehabilitation of Reservoirs and Tanks

In the course of cleaning and inspecting reservoirs and water storage tanks this year, workers identified needed repairs. Those repairs are scheduled for January 1999 through March 2000 for Fort Stanton Reservoirs 1 and 2, and the Brentwood and Soldiers Home reservoirs. The schedule for rehabilitation of the two Anacostia elevated tanks is expected to begin in April 1998 and be completed in January 1999. Rehabilitation of the city's reservoirs will include:

- Repairing and sealing cracks to make the reservoirs water tight to prevent the infiltration of ground water and rainwater and to prevent drinking water from leaking out.
- Improving water circulation to prevent water from stagnating.
- Reducing the potential cross connections between the reservoir drains and overflow pipes.
- Tank rehabilitation will include reducing the potential for untreated water to leech into treated drinking water, closing all openings, providing safety ladders and ensuring proper ventilation.

Biosolids

A valuable byproduct of wastewater treatment is what industry professionals call "biosolids." In its simplest terms, a biosolid is sewage transformed into a semi-solid state. These residual biosolids are treated and processed so there are fewer disease-causing organisms. They greatly enrich soil used to grow feed crops and EPA studies indicate that biosolids reduce the amount of chemical fertilizers needed to produce comparable crop yields.

Blue Plains produces approximately 1,100 tons of biosolids each day. About 70 percent is land-applied to farms for fertilization. The Washington Suburban Sanitary Commission in Montgomery County composts approximately 15 percent of the biosolids and sells the product to distributors and retailers who then sell to individual consumers. More than 10 percent of the biosolids are sent to a waste-to-energy plant located in Fairfax County. Less than 5 percent is disposed of in landfills. This means that 95 percent of our biosolids are beneficially reused.

This program is a winner for WASA, for farmers, for our customers and for the environment.

Information and Technology

The linchpin of our modernization efforts is our information and technology initiative. For all intents and purposes, WASA does not at present have an information and technology infrastructure or the people and equipment to make one work. We propose to add 23 positions and additional technical contractor resources over the next two years to design and begin to implement an information-technology and telecommunications system that rivals that of any utility in the country. We will implement critical systems for financial management, billing, procurement, meter reading, maintenance, human resources, telecommunications, operations, process control and consumer services.

These systems will enable us to dramatically increase productivity while we reduce the rate of increase in our workforce. We will realize efficiencies in areas such as customer service and operations, purchasing and personnel tasks, meter reading, automation of pumping stations, opening valves, preventive maintenance, dispatching and upgrades.

Having the ability to share data across work units will dramatically shorten turnaround time and enable us to respond to our customers' needs much more quickly.

Fleet Management

The District no longer provides WASA with fleet services, so we have contracted out fleet maintenance operations in order to control and manage operating costs and to perform repair and maintenance in a more timely and efficient fashion. The management of these functions is being handled by our newly-created fleet management operation.

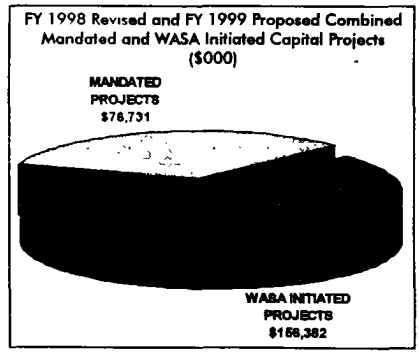
WASA's fleet of 800 vehicles and varied equipment includes a large number that have exceeded their useful life. The average age of this fleet is in excess of 10 years. We will systematically replace most of those vehicles while increasing maintenance on the rest of the older ones. Over the next three years we will be updating our existing fleet with newer and more efficient vehicles and equipment, while reducing its size by over 200 pieces. In the summer of 1997 less than 50 percent of the fleet was operational.

That number has climbed to 74 percent and by year end it will be close to 80 percent. By the end of 1998, we expect the percentage of road-worthy vehicles to be in the mid-nineties.

10-Year Capital Program

For all utility operations, long-term planning is essential to provide for orderly maintenance, service delivery, growth and progress. Capital projects in our business have a lead-time of three to five years or more and built into the cost of those projects are rigid and expensive regulatory requirements over which we have little or no control. This is why a change in WASA's direction cannot be achieved overnight.

Additionally, our utility operations are relied upon 24 hours a day. The wastewater plant is a major advanced production facility. Our water distribution system, with almost 1,300 miles of pipe, 9 storage facilities and 4 pumping stations is relied upon for constant uninterrupted delivery of quality water to hospitals, restaurants, hotels and homes. These facilities cannot wait until crises strike; they must be constantly maintained and improved upon in order to deliver the quality services our customers expect and deserve.



We have devised an ambitious, yet absolutely critical, capital improvement plan. This long-term program will enable us to protect our assets, upgrade aging equip-

ment and infrastructure, catch up on a substantial amount of deferred maintenance, and introduce new technology to assist us in meeting our environmental and regulatory mandates. To put it succinctly, all of these initiatives have, as their ultimate goal, improved customer service. 1After conducting a thorough internal review of staff capacity, a decision has been made to employ outside project management capability within the Office of Engineering Services. We are doing this to assure that the capital improvement program is developed and implemented within projected time and budget limitations.

Over the next 10 years we propose to spend $1.7 billion to repair and upgrade this aging distribution system, to rehabilitate wastewater treatment and sewer facilities, and to address the city's combined sewer overflow problems.

Wastewater treatment and sewer programs account for $1.1 billion of this amount; the portion for water treatment, storage and distribution projects is about $484 million; and for stormwater programs, the total is about $47 million Included in the water distribution total is $146 million--WASA's share--for Washington Aqueduct capital costs.

Bond Market

In early 1998 we will go to the bond market, as we are authorized to do under WASA's enabling legislation, to borrow money to fund these capital improvement projects. We will seek money for restructuring part or all of existing debt ranging from $80 million to $277 million. We will also seek new money, in a range of $50 million to $100 million, depending on its cost at the time of sale.

This is a two-stage process. First, we will secure a bond rating, and second, we will get the bond market to issue debt.

There are very specific and demanding requirements that must be met in order to secure and maintain a good bond rating. Among the required elements are a strong and credible financial plan; a stable rate base; a strong and stable management with a proven track record; a comprehensive, achievable capital program that addresses all capital needs; and, four to six months of operating expenses in cash reserves. Our plan contemplates achieving the requisite amount of operating expenses in cash reserves by the end of 1999 to cover operating needs and meet various bond market expenses.

We have responded to all management letter comments received from outside auditors. We are addressing their concerns by adopting business procedures that conform to generally accepted accounting and business practices. We anticipate receiving an audit without qualification this year. We are also hiring an internal auditor to monitor our practices and procedures on an on-going basis.

I am pleased to report to the subcommittee that the D.C. Financial Responsibility and Management Assistance Authority has approved WASA's bond counsel services contract to Hunton and Williams & Smallwood and Wells. The contract was awarded on

October 3. Also, the FRMAA approved, on October 7, our financial advisory services contract with Wheat First Butcher Singer and Ewing Capital, Inc. We have also released our request for proposals seeking bond underwriters and expect to make that selection by early December.

10-Year Rate Projections

Our comprehensive capital program is the backbone of WASA's plan to rectify the withering effects of age and deferred maintenance. Paying for this 10-year $1.7 billion package in addition to covering our ongoing operating expenses obviously will require rate increases. However, I am pleased to report that our projections indicate that we will not have to raise rates in 1998 if the current proposal is adopted. We anticipate annual rate increases averaging about 5 percent beginning in 1999.

Rate-Setting Policy

The rates we've projected follow an internal review of WASA's rate-setting policies by the Board. This review led us to establish a new philosophy for setting rates for water and wastewater services. It is simple and straight-forward: Each customer will be charged for those costs necessary to provide the service and rate increases will be predictable and gradual.

WASA will apply this rate-setting philosophy in a practical and prudent manner based on the following tenets:

- The Authority will achieve a positive net income and cash flow each year.
- Current rates will cover current costs and will allow the utility to meet all bond covenant requirements.
- We will attempt to establish rates and fees based on the actual cost to deliver each service. In 1998, we will take a comprehensive look at the components that make up the rates themselves to determine whether there are better ways to package and sell some of our services. This review will be accomplished through a cost-of-business study for every service WASA provides.
- Rates will be based on annually updated 10-year forecasts of operating and capital budgets.
- Once WASA achieves its required level of cash reserves, it will establish a rate stabilization fund or find other innovative methods to avoid "rate shock" and to ensure gradual and predictable rate increases.
- A significant additional factor that must be considered as a part of the rate-setting process is the financing cost of routine operations and our capital program. Following are the basic financing elements we are proposing for WASA:
- Establishing financial practices and policies that will lead to a high-quality invest-

ment-grade bond rating. The objective is to ensure the lowest practical cost of debt necessary to finance our long-term capital program.

- Establishing strong levels of cash reserves, equivalent to approximately six months of operating costs. Since our cash receipts from routine customer sales should exceed routine operating costs, we would expect any one-time cash receipts to go directly into cash reserves until they are at the appropriate level.
- Establishing strong debt service coverage requirements, consistent with our bond-rating objectives.
- Using a prudent amount of operating cash, generated as a result of our debt service coverage requirements, for capital financing–after we have established adequate cash reserves.
- Attempting to use the least costly type of financing for capital projects, based on a careful evaluation of WASA's capital and operating requirements and financial position each year.

Collections Policy

Over the past year, at the direction of the WASA Board of Directors, we have aggressively gone after delinquent account holders and have recouped nearly $3 million in outstanding debt. The Board also established more equitable billing procedures and we are now billing virtually everyone who uses our services. We also intend this year to put the Bureau of Water Management and Billing under the office of the chief financial officer. Previously, it had been a stand-alone department reporting to the general manager. We will make it more efficient and place a greater emphasis on customer relations.

Despite these efforts, we still have a substantial portfolio of long-term uncollected delinquencies. Among other strategies, we are exploring the possibility of selling these delinquent accounts . However, we do not want to find ourselves with a mounting pile of new delinquencies at some future date. Therefore, we have performed a careful analysis of our collection policies.

This analysis culminated in a decision to revamp our collections procedures and the result is an 11-point Collections Plan:

- **Termination of Service:** Our policy has been to terminate service for non-payment for all customers except those providing multi-family housing. Although we have the legal authority to do so, we have not cut off service to apartments with four or more units. This will no longer be a protected class. As soon as we provide the necessary legal notice to our customers, we will begin to cut off services to all own-

ers who do not pay their bills.

- **Late Fees:** We are going to begin adding a 1 percent late payment charge, compounded monthly, for any water bill that remains unpaid for more than 60 days. This is in addition to the one-time 10 percent charge we currently employ.
- **Receivership:** We will immediately ask for court-appointed receivers to collect rents from landlords and apply those rents to unpaid bills.
- **Property Liens** will be placed against properties with delinquent accounts.
- **Publishing the Names of Delinquent Customers** in local newspapers.
- **Negotiating Payment Agreements**
- **Installment Agreements**
- **Incentive Program:** We will offer a $50 payment to WASA employees who report situations where a customer has bypassed a meter and where water is being used but not being metered or billed.
- **Enforcement of Legal Provisions for Theft of Service:** In FY 1998, we will propose adding a Utility Investigator who will be responsible for investigating and enforcing all legal provisions relating to theft of water.

Additionally, we are reviewing the applicable provisions and the penalties, some of which were adopted many years ago, and may propose tougher penalties more in line with today's water and sewer rates.

- **Monthly Billing:** We are developing a plan to move all customers to monthly billing, beginning with our commercial customers. We know that many customers want this service and we will continue to bring on these customers based on requests, and all others within a targeted time frame.
- **Delivery of Accurate Bills:** We have also begun to make internal improvements to our own procedures to perform at the level our customers expect and deserve. Our goal is to read 100 percent of all accessible meters with an accuracy rate of 99.9 percent.

In addition, we will accelerate the large-meter testing program and replace all small meters at fifteen year intervals.

We will also accelerate our collection efforts in the early stages of non-payment because this is the time we are most likely to be successful.

Also, the Board of Directors has instructed us to begin charging building owners for the costs of treating groundwater that is pumped into our sewer system. We have informed the owners of their need to install meters and we will begin to bill for this service.

Protecting the Environment

During WASA's transition to relative autonomy, the Authority has managed to comply with all of its federal mandates and agreements. This stellar record of compliance extends, on the distribution side, to the requirements of the Safe Drinking Water Act. On the treatment side, it includes compliance with the Blue Plains operating permit under the Clean Water Act, and to an EPA consent decree and an EPA stipulated agreement.

As I mentioned earlier, we have been in compliance with coliform limits–the most closely watched barometer for drinking water quality--since September of 1996. The federally prescribed limit for positive distribution system samples is 5 percent. In the summer of 1996 we averaged 10 percent. In the summer of 1997 we averaged 1 percent.

We are proud of these accomplishments. But compliance is only the first step. We are moving beyond mandates to taking a proactive role in ensuring that we deliver clean water to our customers and return clean water to the Potomac River.

A comprehensive water conservation program is a vital part of WASA's mission. Conservation benefits our customers directly by reducing the size of their bills. Operationally, the effective management of water reduces the intake at Blue Plains, which reduces treatment costs. We will continue and enhance our successful public education programs, including our popular plumbing classes. We have provided do-it-yourself training to more than 200 customers. Another 100 have signed up for classes we'll be conducting over the next few months.

WASA has ongoing commitments and working agreements with a variety of governmental entities–most prominently with Congress and the EPA.

But we also have relationships with the Council of Governments, the District's chief financial officer, the DC Financial Responsibility and Management Assistance Authority, the Washington Aqueduct and our partners in the Intermunicipal Agreement /Potomac Interceptor Group. Over the past year, we have worked tirelessly to strengthen these relationships and instill confidence in our operations and future plans. Those efforts are bearing fruit.

Our relationship with the Environmental Protection Agency is excellent. We have established a covenant of trust--exemplified most dramatically by the improvements we've made in the District's drinking water and our compliance with wastewater treatment plant mandates--that serves both institutions well.

As you know, all grant money WASA applies for and receives is money that would otherwise have to be provided by our customers.

Because we have demonstrated our commitment and ability to carry out our federal mandates, EPA requested, and Congress passed, a provision increasing to 80 percent the portion of total project costs funded by grants, thus reducing WASA's burden to 20 percent. The match has varied over the years from 55 - 75 percent. (From 1988 to 1997,

we received $73 million, with a federal share of 55 percent.] This grant match adjustment does not change the total number of grant dollars to be received by WASA but makes them available sooner.

We have also spent considerable time and effort going over old grants, closing out ones where the work was finished but the paper work never had been completed. However, WASA still needs to close grants more quickly and improve its record-keeping and monitoring procedures to ensure that we do not lose grants because we are unprepared. We are addressing this issue through the dedication of specific, full time resources for monitoring and supporting these important grant programs.

Similarly, our relationship with the Washington Aqueduct, which treats the drinking water WASA distributes, is also excellent. We have partnered on various projects in the past year, including devising and instituting a new water sampling system for analyzing drinking water. We have also negotiated a new financing plan with the Aqueduct, which will carry us through 1999, as we move nearer to agreeing on a more permanent mechanism for financing improvements at the Aqueduct.

We are also working with the U.S. Army Corps of Engineers, which operates the Aqueduct, to establish a new framework that will provide for a greater degree of involvement in their ongoing operation and capital planning process.

Customer Service

It is important to note that our Board of Directors, in assessing WASA's operations, quickly recognized the intrinsic strengths brought to the table by many of our employees. Many of the initiatives we undertook in the past year reflect the recommendations our employees made in task force studies that critically examined every aspect of our organization.

But, while recognizing those strengths, it is essential to note that we cannot become a world-class utility without a radical change in WASA's corporate culture. We have made progress. But the task of WASA's new management team is to instill in every employee an understanding that we are a business whose primary purpose is to provide top-quality service to its customers.

The importance of WASA's customer service delivery must be felt throughout every work unit because every function of the Authority has an impact on its customers.

In order to design and implement a first-rate customer service operation, we are undertaking a comprehensive top-to-bottom review of our current strengths and weaknesses. Our goals are to streamline the customer inquiry process; to facilitate quicker turnaround time in service delivery; to cut down on overtime; to seek opportunities for managed competition, and to cross-train employees in the customer conflict resolution process

To successfully accomplish our goals in the customer service arena and elsewhere, we must, as I've mentioned earlier, set measurable benchmarks and standards. This is an on-going business improvement process.

Labor Relations

A significant accomplishment of the new Board of Directors has been the successful negotiation of a single collective bargaining agreement covering all of WASA's unionized employees. Prior to the establishment of the Authority, there had been three separate contracts with three unions having five locals.

Negotiations on the first collective bargaining agreement for all unionized workers have produced agreement on all non-compensation issues. We have not yet reached agreement on wage issues. However, we have entered into formal mediation and anticipate resolution in the near future.

Comprehensive Performance Measures

We will have in place by the end of 1998 measurable performance standards and benchmarks for every work unit in WASA. In order to serve our customers well, we need to be able to quantify virtually every service we provide. How quickly do we answer the phone and how responsive are we to the customers? How long does it take to respond to a billing question or a leaking valve or a faulty meter? How much time does it take to respond to and repair water leaks? What is the cost of service delivery?

We must establish these standards and benchmarks against the most progressive industry leaders and then hold ourselves accountable to goals for improving our delivery of those services. We will simultaneously work to make WASA the standard by which others measure their own performance. In addition to organizational standards, we will put in place standards for individual performance and a system by which to measure that performance.

These performance measures will give us an accurate read of how well we are doing our jobs and what we must do to improve upon our performance. This effort will include a critical look at our existing business practices: How can we do our jobs more effectively and efficiently?

Once these benchmarks are established, we will enter into individual performance agreements with our employees; the quality of their work will be measured by how closely they meet the performance standards of their unit.

Emergency Response

We are making internal changes to facilitate better coordination of emergency situations such as water main breaks, valve and hydrant replacements.

As a part of these efforts, we are adding key positions to allow us to respond more quickly and efficiently to emergencies twenty-four hours a day, seven days a week. These initiatives and others will help to keep WASA in compliance with federal drinking water requirements and meet the needs of our customers.

ORGANIZATIONAL INITIATIVES

We intend to make additional structural and procedural changes. In many cases, this will mean a reallocation of existing personnel and resources to refocus on certain critical areas rather than adding staff. We do not have to establish a costly new bureaucracy to accomplish our goals.

For example, we are reorganizing our procurement unit. Where we originally projected a need for 27 employees, we now expect to accomplish our goals with a staff of 14. This unit, as with some of the other units we will create, will be geared toward monitoring and reviewing tasks that have been transferred to the requesting units. For example, we believe that units requiring RFPs can and should prepare those documents using their own staffs; the role of the procurement unit will be to provide oversight and advice.

Our staff projections have shrunk as we've looked more closely and critically at WASA's budget and organizational structure. We have concluded that we can work more efficiently and increase productivity with a lean, decentralized organization and better trained employees who are held accountable to higher standards.

It is also important to stress that most of the positions in these new units will be comprised of existing staff. Among our planned initiatives:

A Revenue Enhancement Effort: We will explore, in a methodical and purposeful way, wide-ranging opportunities to increase WASA's revenues. For example, there may be opportunities to lease currently underutilized space in some of our facilities. Or there may be opportunities to break out fees or charges for services that are now wrapped into the overall rates and bill. This effort will produce better revenue projections and enable us to quantify areas in which current business practices are costing us money. For example, we still generate an unacceptable number of estimated meter readings. We will eliminate this practice.

A Large-Accounts Management Effort: The needs of some of our largest customers are often specialized or unique. We will recognize this and provide the customized services they require.

A Business Analysis and Productivity Unit: This group will greatly enhance the organization's ability to conduct ongoing self-evaluation and continuous improvement of our business practices.

A General Counsel's Office: The General Counsel for WASA and supporting legal staff will work interdependently with the Board and all WASA bureaus in evaluating and tracking legal, regulatory and environmental requirements, as well as claims, debt collection, and managing other complex legal issues.

A Risk Management Unit: This group will address all insurance and liability issues for WASA and it will work closely with the General Counsel's office.

An Office of Human Resources: WASA's enabling legislation mandates that the Authority develop and establish a personnel system and publish rules and regulations for minimum standards for all employees, including pay, contract terms, leave, retirement, health and life insurance, disability and death benefits. WASA's personnel rules were published on October 3 in the *D.C. Register*. The final rules were adopted by the Board of Directors on November 6.

The rules will significantly streamline current procedures and processes and allow greater flexibility in managing personnel and personnel issues.

There are numerous services that traditionally were provided by the District that we are now responsible for as an independent Authority, including HR functions. We will hire a top-flight manager to direct the activities of this office and we will devise policies and procedures for providing our employees with these services which include personnel and payroll functions.

Within this department will be a labor relations function responsible for labor contract administration and quick resolution of employee issues.

Regulatory and Legislative Affairs: We have assigned internal staff to review all federal and District laws affecting WASA. Where appropriate, we will respond to and/or initiate regulatory or legislative initiatives and monitor and comment on EPA and other agency requirements that may affect WASA's operations.

Training: This is one of our most acute needs. It is not possible to become a world-class organization without having a well-trained and skilled workforce.

Clearly, we need training in order to be qualified to do our jobs and we need it in order to stay on top of the latest technological advances. We also need this training as individuals who want to set career goals. In acknowledgment of these needs we are instituting a comprehensive training program as directed by the Board, to address certification, skills and career development.

Office of Procurement: WASA's enabling legislation mandates the establishment of a procurement system consistent with the principles of competitive procurement and to publish accompanying rules and regulations. We are in the process of drafting the

necessary procurement regulations and internal procedures required to implement a first-rate procurement system.

We are making major changes to current procurement practices. Among other things, we will establish a centralized unit to procure materials for inventory, allowing bureaus and offices to buy directly from this unit. We intend to improve and administer a comprehensive supply management and fixed-asset program to manage supplies, materials and equipment to support the administrative and maintenance operations.

We have made considerable progress in our efforts to conform our procurement policies to generally accepted industry standards. For example, we now require competitive bidding on almost every contract. In fact, we did not award a single sole-source construction contract in fiscal year 1997.

An outside firm is evaluating the regulations we have crafted. When that review is complete, in mid-December, we will forward the regulations to the District's Corporation Counsel to determine legal sufficiency. Once that review is complete we will publish the regulations in the *DC Register*. Following the required review and comment period, we expect to present the regulations to WASA's Board at its March 1998 meeting.

Overtime: We have analyzed the amount of overtime being charged by WASA employees and believe it to be greater than required. Part of this will be reduced as we hire staff to fill vacant positions. Part of it will be reduced by tighter procedures and better planning. Part of it will be reduced by re-aligning certain contractor functions.

We have already put into place the first phase of the procedures to accomplish these goals. I have required all overtime to be classified as either planned or emergency

Planned overtime covers the vast majority of the overtime WASA is incurring and includes overtime due to staffing shortages and overtime to meet known deadlines. Planned overtime must be approved in advance by WASA's CFO as part of a monthly overtime plan.

Actual dollars spent on overtime in 1996 was $9.5 million and in 1997 it was $8.8 million. Projections for 1998 are $7 million and for 1999 the estimate is $6.5 million, which is about 10 percent of salary--a reasonable level for a utility that operates 24 hours a day, seven days a week.

Emergency overtime is that which cannot be anticipated and therefore cannot be approved in advance. This type of overtime accounts for a very small percentage of the overtime WASA has been incurring. Bureau chiefs have been instructed to submit monthly overtime plans and to report emergency overtime to the CFO within 24 hours.

In addition to these changes, we are cutting overtime costs by adhering more closely to provisions of the Fair Labor Standards Act.

Contractor Evaluations: We are entrusted with ratepayer resources and are expected to be responsive and perform in a responsible manner. Part of this responsibility

includes insisting that we get what we are paying for from contractors and others doing business with WASA.

In order to do this, one activity to be undertaken is a "mid-stream" evaluation of all of our contractors, vendors, consultants and suppliers–that is, an immediate evaluative review followed by an evaluation at the end of the contract period. If the service or product does not meet the established standards then we will seek redress and/or discontinue doing business with the individual or firm.

Safety: We also have an obligation to provide a safe and secure environment in which WASA employees can perform their jobs. This extends to delivering our product to our customers in a manner that does not endanger the public or the environment. Employees will be provided with the equipment and the tools to perform their work safely and efficiently.

WASA has issued an RFP seeking assistance in the development of an Authority-wide safety program that covers the needs of our workers and our customers.

Security: We will upgrade WASA's security systems. WASA is one of the region's most valuable assets and service providers. We must protect all of our assets, which includes our employees, facilities, work and personal property. To address these issues we will hire a security specialist who will review our current security systems. This specialist will propose and implement system enhancements, manage our security contractors and investigate thefts and other incidents affecting security. Our security needs are paramount in creating a safe, secure and productive working environment for WASA employees.

Facilities and Grounds: With regard to our facilities, we have underutilized buildings and grounds and some of our existing facilities are not configured well for the uses we are making of them.

We will address these issues in 1998. Additionally, we have embarked on a major campaign to clean up and maintain our facilities and grounds and to take pride in the resources we have been entrusted to maintain.

Conclusion

Managing this vast and valuable District asset is no small task. A great deal of deferred maintenance has occurred. Our operational systems are not yet perfect. In short, we have a great deal of work to do. However, it is evident that WASA's Board of Directors has put into place the plan and the vision for a world-class operation and it is incumbent upon me and the staff to make that plan and the vision a reality.

We also recognize that the Board's blueprint is the beginning of a longer, continuous improvement plan for WASA and its customers. Delivering the best possible customer service is our main objective and day by day we get closer to providing the service our customers expect and deserve. Further, we believe the plans we have devised under the Board's direction will chart a course to ensure the fiscal integrity of the Authority.

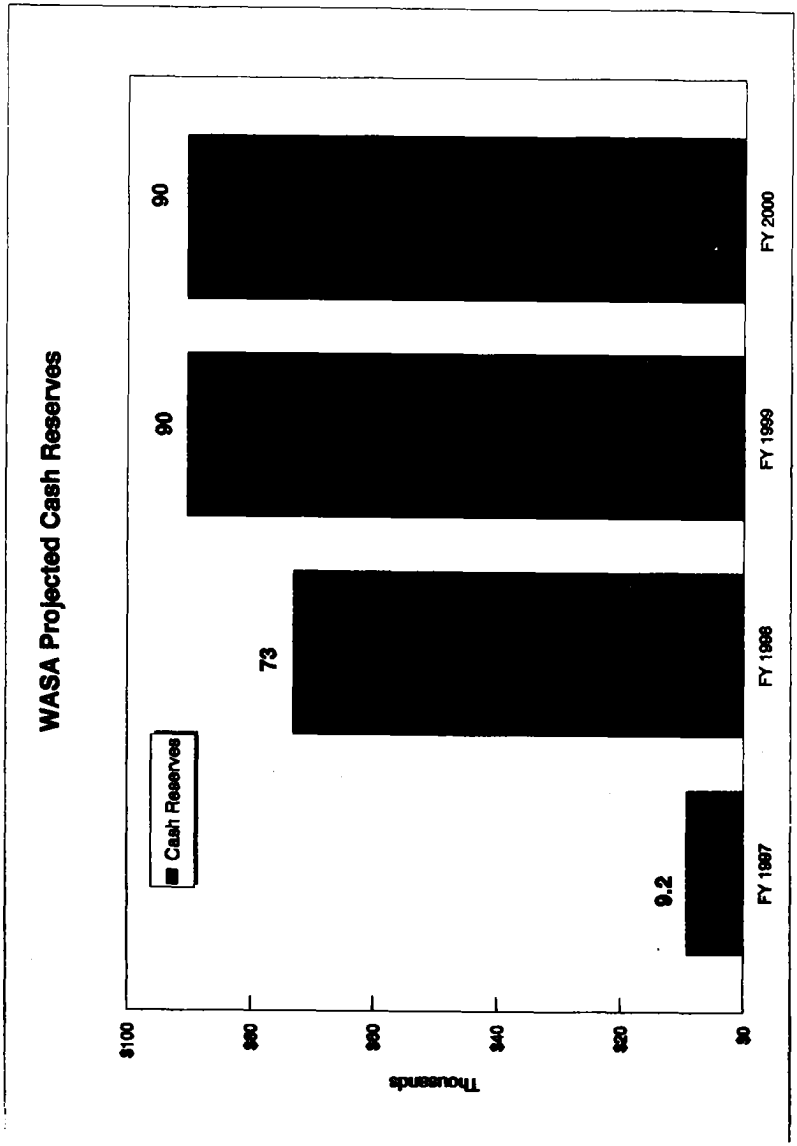
I would like to note for the record a special thanks to District agencies and this Congressional Subcommittee for the support needed to make the transition from a District government entity to a semi-autonomous Authority. We could not have come this far without you.

Our commitment is solid and underscored in our restructuring plans and proposed budgets you will review soon. And that commitment is: to provide the best customer service while protecting the environment.

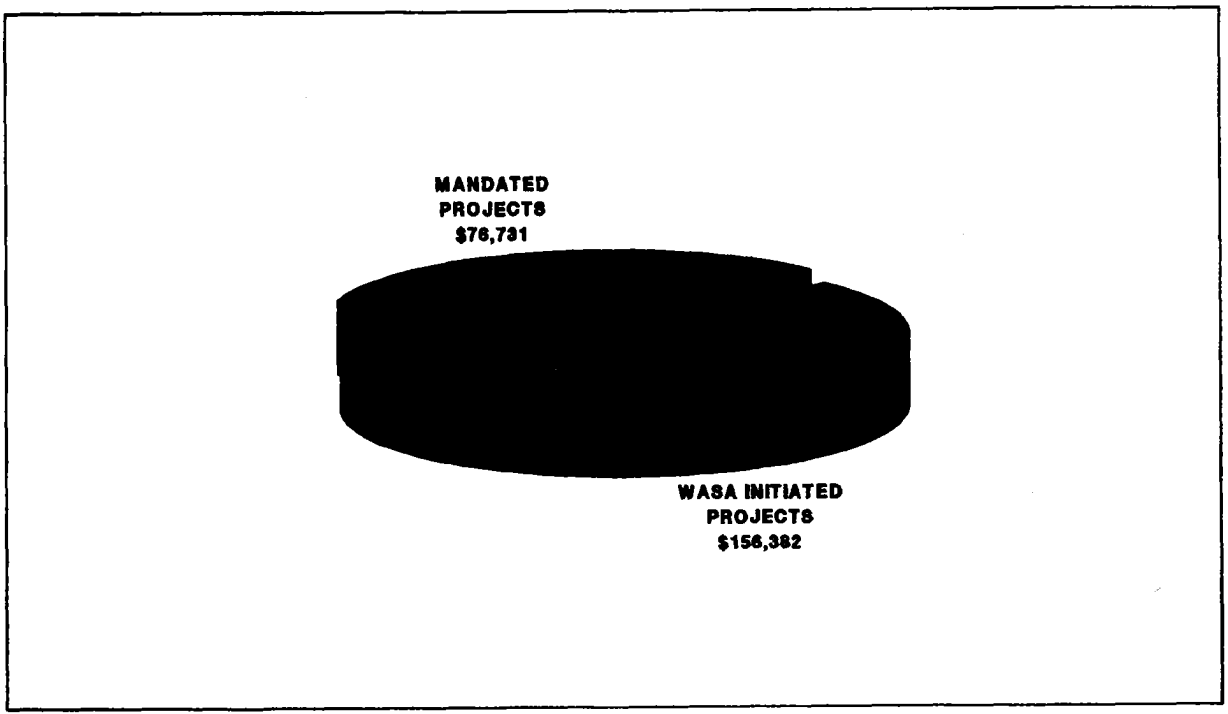
I thank the members of the Subcommittee for this opportunity to address you today and look forward to continuing an ongoing dialogue with you and your staff.

I will be pleased to respond to any questions you may have. Thank you.

Attachments


WASA Projected Cash Reserves
Cash Reserves
Thousands
$100
$80
$60
$40
$20
$0
9.2
73
90
90
FY 1997
FY 1998
FY 1999
FY 2000

FY 1998 Revised and FY 1999 Proposed
Combined Mandated and WASA Initiated Capital Projects
($000)



Mr. DAVIS. Thank you very much. Let me start, if I can, briefly.

Mr. McCabe, you testified that there had been no significant violations of the water permit for a year. Have there been any violations at all, even minor ones?

Mr. MCCABE. There was a violation, I believe it was June 5, of the dissolved oxygen standard. It was immediately addressed, and I believe new equipment was brought in the next day. So for 2 days the dissolved oxygen standard was violated, but we did not feel that that was a particularly harmful violation and it was remedied very quickly.

Mr. DAVIS. In your testimony, you mentioned 19 projects at Blue Plains totaling $97 million. Could you provide the subcommittee a list of those projects?

Mr. MCCABE. I would be glad to. The 19 projects range from the expansion joint and pipe support replacement for process air system, to No. 19, flotation thickener rehabilitation. If you ask me what that is, I don't have a clue.

Mr. DAVIS. We both have staff people to figure that out.

Mr. MCCABE. It is important.

[The information referred to follows:]

In your testimony you mention "19 projects at Blue Plains totaling $97 million." Would you provide the Subcommittee with a list of those projects?

The 19 projects at Blue Plains that WASA intends to initiate during the next year include

1. Expansion Joint and Pipe Support Replacement for the Process Air System
2. Nitrification Main Power Feed Cables
3. Dewatered Sludge Loading Facility Odor Control System
4. Filtration and Disinfection Facility Filter Backwash System Phase II
5. Filter Diversion Conduits and Dropshafts
6. Primary Effluent/Excess Flow Control - Short Term
7. Chlorination of Nitrification Return Sludge
8. Plant Wide Main Power Feed Cables
9. Primary and Secondary Interim Metal Salt Systems
10. Primary Sedimentation Tanks 1 & 2 and Associated Work
11. Filtration Facility Pumping Systems Upgrade
12. Area Substation # 5
13. Additional Chemical Systems
14. Electrical Power System Additions - 69 kv Modifications
15. Electrical Power System Additions - Switchgear Replacement
16. Electrical Power System Additions - Electrical Power Supervisory System
17. Electrical Power System Additions - Miscellaneous Plant Modifications
18. Nitrification Lime Facilities - Short Term
19. Flotation Thickener Rehabilitation

Please update the Subcommittee on the overall status of compliance with EPA's Administrative Order.

A more detailed report on the compliance with the Drinking Water Administrative Order can be found in my written testimony on pages 5 and 6. In addition, I can provide the Subcommittee with a table summarizing compliance with the Order.

ISSUE: COMPLIANCE STATUS OF THE DRINKING WATER CONSENT ORDER WITH THE DISTRICT OF COLUMBIA'S WATER AND SEWER AUTHORITY

The following table summarizes the compliance status since we signed the Administrative Consent Order on July 12, 1996, to address bacterial violations which occurred in June, October and November, 1995. The Order directed WASA to develop a comprehensive Remediation Plan. EPA approved WASA's Remediation Plan in March 1997. The plan sets schedules and a budget for making improvements including: public notification, water monitoring, operation and maintenance procedures, reservoir rehabilitation, distribution system flushing, cross connection control, and disinfection. There have been many accomplishments since the Order, but much remains to be done in the next five (5) years. There may be over 4100 cross connections that need to be closed, and there are major capitol improvements needed on the eight (8) storage reservoirs.

ISSUE	EPA RESPONSE	COMPLIANCE STATUS
Systemic inadequacies that could be addressed in the short term to mitigate future violations.	EPA initiated enforcement action on July 12, 1996 requiring: a. Financial management , b. Public notification, c. Monitoring and sampling plan, d. Flushing and disinfection, e. Storage facility rehabilitation, f. Cross connection control, g. Storage tank maintenance , h. Corrosion control, and i. Report progress.	EPA approved the WASA final Remediation Plan on March 6, 1997 which was then incorporated into the Order.
Financial Management Program	EPA negotiated to obtain annual submissions of budget updates, and agreed upon procedures for funding requests.	The 1997 budget was adequate; the proposed 1998 budget is due in the December 1997 Progress Report.
Public Notification Program	EPA directed WASA to adhere to the regulations, including more comprehensive notices.	WASA met the requirements in their plan and improved public notifications were published for the violations which occurred during the summer of 1996.
ISSUE	**EPA RESPONSE**	**COMPLIANCE STATUS**
Sampling Program	EPA ordered a more formal program to be developed, since bacteria monitoring is critical to maintaining water quality.	WASA is four (4) months behind on the installation of new samplers. EPA approved the sampling plan on June 2, 1997.

Flushing Program	The Order directed more than routine flushing by adding two additional levels of flushing: emergency and nonroutine. Emergency flushing is for acute violations; non-routine flushing is for non-acute violations, customer complaints, research and taste/odor control.	WASA is in compliance with the routine flushing directives, but EPA has not been advised about emergency and non-routine flushing procedures.
Disinfection Program	An upgrade to the procedures and improved training was ordered.	WASA is meeting its commitments in the disinfection program.
Storage Facility Rehabilitation Program	EPA insisted that all contamination pathways in the nine (9) old storage facilities be sealed, and that these facilities be cleaned, disinfected, and completely overhauled.	WASA adequately cleaned and disinfected the reservoirs. They also sealed them in a timely fashion. One storage reservoir has been abandoned, and they are about two(2) months behind in the start of the rehabilitation of four (4) of the remaining eight (8) reservoirs.
Cross Connection Control Program	There may be over 4100 connections between a source of contamination and drinking water in the District's distribution system, not counting those which may be on private property. EPA ordered these connections to be sealed.	Adequate progress is being made. The closing of the cross connections are to be handled by seven (7) contracts.

ISSUE	EPA RESPONSE	COMPLIANCE STATUS
Storage Tank Maintenance Program	The Order required individual maintenance programs for each of the storage facilities.	O & M manuals have been developed for each reservoir and the program appears to be on schedule.
Corrosion Control Monitoring Program	EPA required WASA to develop and implement a monitoring program to determine the effect corrosion control might have on secondary growth in the system.	There has been no progress in this activity.
Reporting Progress	EPA directed WASA to report progress on a 90 day basis.	WASA is in compliance with this directive.

Mr. DAVIS. Two weeks ago at the Chesapeake Bay Program Executive Council Meeting, Governor Allen of Virginia announced that the Commonwealth of Virginia would be budgeting tens of millions of dollars to help produce excess nitrogen pollution from entering the bay. Will any of that money be used for the biological nutrient removal project at Blue Plains that you mentioned in your written testimony.

Mr. MCCABE. My understanding is that the Governor's proposal, which is significant, would be aimed at helping clean up the Chesapeake Bay and a portion of that could be used for nutrient reduction, that part of that could be used at Blue Plains. As I believe you know, there is already a nutrient reduction pilot project at Blue Plains which has been very successful. It has already reduced 50 percent of nutrients at the plant, and is operating much more efficiently than we had anticipated when we first put in the pilot project. So there is further to go and I believe the Governor's proposal is aimed at contributing some Virginia funds to help meet a higher standard.

Mr. DAVIS. You noted that the District and WASA are in a dispute over who has responsibilities for the city's storm sewers. Let me hear everybody's kind of opinion on where that sets right now. Let me start with you Mr. McCabe, and then move on to Mr. Rogers and Mr. Johnson.

Mr. MCCABE. Do you want me to go ahead?

Mr. DAVIS. Sure.

Mr. MCCABE. Obviously I think that with stormwater runoff, it contains many contaminants which are harmful to public health. WASA is responsible for the sewer system. Storm sewers are a little bit different because it doesn't—it is not necessarily captured by the sewage system, and you don't have a rate base on which to charge for improvements in the system or for building up the system.

I think that obviously you need to bring the Department of Public Works in, you need to bring in the other departments that have involvement in this important issue. I think it is important not only for the people of Washington, particularly in Anacostia, but also for the downstream residents in Maryland and Virginia, and I would just encourage WASA and the appropriate levels of city government to work together toward a quick resolution of this issue, because it is one that needs resolution.

Mr. DAVIS. They have today in the paper a letter you sent to Dr. Brimmer at the Control Board, asking that the District's environmental regulation and administration be transferred from the city's Department of Consumer and Regulatory Affairs to the Department of Health.

Mr. MCCABE. Yes, that had been proposed.

Mr. DAVIS. What is the rationale for that request? Is it already on the recommendations regarding sewer water management?

Mr. MCCABE. Well, the functions that are in ERA are environmental regulatory functions; they involve the health of District residents. It seemed like an appropriate transfer to be made. And in fact, since that was first announced 18 months ago, we have been working very closely with the Department of Health individuals to help with the transfer. We heard that that transfer might

not go through, and since we had had no communication with people in the other departments, we felt that it would be inappropriate to make that move without at least some discussion about what the purpose was of not making the move. It just seems to make a lot of sense and we have been preparing for that.

Mr. ROGERS. Mr. Chairman, if I may add to that. The transfer of the Environmental Regulation Administration from DCRA to the Department of Health was contemplated as a part of the Mayor's transformation plan. DCRA was one of the agencies included in the business services and economic development business. That reorganization plan was submitted to Council and was not acted upon at the end of last year, and has not been acted on yet, so that is one organizational stumbling block.

Second, the Department of Health is going through its establishment as a new separate agency, and perhaps there has not been the focus on that, but I think that in that it was contemplated as a part of the transformation plan, the Control Board and the city should be focusing on that move and could do a separate reorganizational plan—submit a separate reorganization plan to the council, moving environmental regulation from DCRA to the Department of Health.

Mr. DAVIS. Mr. Rogers, and Mr. Johnson, as you know, the suburban members may vote on all issues affecting general management or the joint use of facilities. So far, have we had any difficulties in interpreting what those words mean?

Mr. ROGERS. No.

Mr. DAVIS. Do you concur with that, Mr. Johnson?

Mr. JOHNSON. Absolutely, Mr. Chairman.

Mr. DAVIS. Can you tell us what the status of the $83 million that the District government agreed to repay was?

Mr. ROGERS. As I indicated in my testimony, the District has made two payments to WASA at the beginning of fiscal year 1997 and fiscal year 1998. It was agreed to as a part of the District's financial plan and budget, that the District would repay WASA over a 4-year period, and so far, there is no indication of the District wanting to do anything other than meet that obligation.

Mr. DAVIS. Thank you.

Ms. Norton.

Ms. NORTON. Thank you, Mr. Chairman. First I would like to engage all three of you, since all have mentioned in one form or the other the procurement and personnel rules. Let me begin by congratulating you directly, as I did the prior panel. I say to you directly, because you are the team that is responsible for the changes. I want to congratulate Mr. Rogers as he leaves the government on what he can truly regard as a feather in his own cap, because I know how hard you have worked not only on other District matters but certainly on this matter, and it probably has shown the greatest progress and you should be very proud of that.

Mr. ROGERS. Thank you.

Ms. NORTON. I want to congratulate Mr. Johnson because we obviously see very good management here, and I know that that could not have happened without the kind of attention that your testimony reveals you have given to this matter.

And if I may say so, Mr. McCabe, your oversight of the District has been always productive and honest, and I think it has helped to move the city forward.

Mr. MCCABE. Thank you.

Ms. NORTON. I tend to get exercised over bureaucracy. I think that those of us who believe in sound regulation have been challenged quite successfully by people who don't believe in regulation in the first place because of the way in which regulation is carried out. So if you really believe that environmental regulation, for example, is necessary, then you better do it well or else you will get the kind of challenges that we got in the 104th Congress, many of which were turned back, but very frankly would simply have overturned much environmental regulation that had produced great good for the American people.

We had a similar situation, I know, and Mr. Rogers will remember, when I got a waiver of highway money. We were about to lose almost $200 million in highway money, and we were able to get that money. Federal highways became involved, and one of the things they worked out, and it was certainly partially successful, was a way to get the money on the street during the spring and summer season when, in fact, you needed to do so in order to build. And in order to do that, we had to streamline the processes. For the first time, I got to understand what those processes are like, and it was a daunting thing to see, and yet we got on paper and I think indeed for the most part, this was carried out, although we didn't bring it down as many days as we want to, the District did in fact bring it down considerably. We found, though, even after the agreement, people were sending things over to the corporation counsel and the poor corporation counsel's office was so backed up, they would just put the things on the side and that would hold up things from going out into the street.

Nevertheless, Mr. Rogers, you were there, and you cooperated very strongly with that effort. And I wonder if that effort or some other effort can assist you, the three of you, perhaps, in thinking through a way to streamline the oversight bodies to which you have—who have to punch your ticket before you can do anything.

You have heard the chairman say that we are going to try to disconnect the congressional process in your budget from that, and I don't think we have any other regular oversight, but the notion of having to go to the Control Board, the council, the Mayor, the corporation counsel and the rest of it is simply outrageous.

What it leads to is people really turning over the tables and they say, well, one way not to do this is simply to set up an entirely independent mechanism, and then everybody would be running over to me saying, keep them from doing that.

What I am asking you is have you considered a plan yourself, drawing a plan yourself, that would offer satisfactory oversight while eliminating the barriers through which you must now go in order to get things done?

Mr. ROGERS. If I may, Ms. Norton, let me say that the oversight by the Council of the District of Columbia over the past year has not been a problem. We are required to go to Council, submit our budget to Council for discussion. That is the one requirement in the legislation.

Ms. NORTON. Do you have to go to counsel—one of the things you had to do on highway was for $1 million and over.

Mr. ROGERS. $1 million and over, and I do believe that we had requested to be exempted from that single request.

Ms. NORTON. But are you exempted from it?

Mr. ROGERS. Yes.

Ms. NORTON. You do not have to go for $1 million and over contract?

Mr. ROGERS. Unless it was put back in the legislation.

Mr. JOHNSON. It was originally acted on, supposed to be acted on by the council, by the city council this month, because it got deferred and held over during the summer. There was also I think some conflict in the congressional legislation, and that particular exclusion that was being enacted by city council, and quite honestly as this point, Ms. Norton, I am not really clear where it stands, but I think one of the two actions will exempt us from the D.C. Procurement Act.

Mr. ROGERS. Because in our original legislation, you know we sought to be exempted and we worked with you and Mr. Davis for a specific exemption from the requirement of approval by the council of $1 million and above. But as I recall now, that never got to the floor because there were some other issues, you know, tied up with it. So we do——

Ms. NORTON. Although, let me say, I am prepared to do whatever it takes to exempt you from those regulations and have you operate under your own. Are you saying that is the problem now?

Mr. ROGERS. No, I do not find, having sat there as the protector of WASA, as chair and city administrator, we were able to remove a lot of the obstacles, and everyone knew when it came to WASA that I just did not want to hear standing in the way of those things that we could change.

Ms. NORTON. There is a lot that could be done administratively. The school Board went and said to GSA, and it didn't take any legislation to do that, the police department, after not being able to spend the $15 million we got for the police department, went to GSA and used their procurement.

Mr. ROGERS. Let me draw your attention to my statement. In that statement I said that oversight by the financial authority with respect to contracts takes far longer than is acceptable. I believe that to be true. That can be documented. I think that, certainly having worked on the inside, I am not saying necessarily that we should be totally exempted from all oversight, but surely those who have oversight can confine themselves and commit themselves to oversight within some reasonable time like 5 to 7 days.

Ms. NORTON. So the Control Board is the only entity that looks closely at your procurement process.

Mr. ROGERS. Well, there was another issue. We were exempted from—WASA was exempted from the District's procurement, but then when the new procurement act was passed by the District, there were amendments to that act that included all independent entities. So it is the position of the chief procurement officer of the District that WASA is included.

So we go back and forth. We win a victory here for WASA in one legislative body and then another legislative body comes back and

puts us back in the mix that we don't want to be in in the first place.

Ms. NORTON. I don't know where that stands now, but that is something we are prepared to untangle too, very quickly.

In terms of new procurement regulations, Mr. McCabe, you spoke about cumbersome procurement and personnel rules. What has been the evidence of that from one sitting in your shoes?

Mr. MCCABE. Well, we have just perceived a cumbersome mechanism which doesn't promote the kind of efficiencies that I think Mr. Rogers and Mr. Johnson are trying to bring about at WASA. Obviously from an oversight standpoint, we do have some oversight of the operation of the facility in terms of whether it is meeting its obligations under the permit, and we will continue to exercise that. But I think that without WASA being tied to the old procurement, old personnel rules, they would be able to operate much more efficiently.

Ms. NORTON. You spoke about the functions that have not made it to the Department of Health. I don't know if there is council resistance, because I think you, Mr. Rogers, or Mr. Johnson, testified that you had had the requisite legislation over there for some time. Is it just the process of getting to it?

Mr. ROGERS. No, I think that—the Environmental Regulations Administration is a part of the Department of Consumer and Regulatory Affairs. Consumer and Regulatory Affairs was to be reorganized as a part of the business services in economic development. It is that reorganization plan that was not approved by council at the end of last year. I think time ran out and it has not come up for action by council this year. But the short cut to that is to simply do a reorganization plan, moving Environmental Regulation out, without fooling with the rest of it.

Ms. NORTON. Yes, and I would advise that, if that could be done. Mr. Davis and I are going to have to go before the Rules Committee probably today on the D.C. budget, so I don't want to prolong this because I think your testimony has been excellent, and has fully informed us in light of our oversight responsibilities.

I congratulate you on recouping $3 million, I would like to know for the record how much remains. I am concerned at the cutoff of multifamily housing, even though I understand why you are doing it. The only reason I am concerned—I mean, the cutoff of water is if the water has not been paid. I am wondering if you have looked at how other jurisdictions have done this in order to make a crisis into yet another crisis. I certainly understand you have to do what you have to do, and I am only asking that you look at best practices on how that is done in other places.

I note that you talk about a 5 percent increase beginning in 1999, and you think that is what it will be from then on. I am concerned about knowing that far in advance that it is going to be that large. I would like to know if that has to do with making up for what you did not collect this time. I recall that you were advised that there should be a 78 percent increase; you came forward with only a 42 percent increase, so you may still be catching up. If so, of course, I would understand that entirely.

In light of the fact we have been able to change the share, I want to encourage you to go to the bond market as soon as possible. I

am very encouraged by what you may find there, and I want to assure you that Mr. Davis and I will work to make sure that the Federal Government pays on time and not with a preference schedule that is not available to other customers.

Thank you very much, Mr. Chairman.

Mr. MCCABE. Ms. Norton, I didn't realize that you were going to move so quickly and get beyond the issue of the reorganization, which I would like to just make one comment on. Obviously Mr. Rogers knows much more about the intricacies of how the District government works or doesn't work relative to the Control Board than I do. But my understanding is that the reorganization really is being held up by the Control Board now, that there were competing studies conducted for different members of the Control Board, and that they reached different conclusions. And that has been part of the reason that the ERA functions have not transferred, and in fact, that some functions that are proposed to not be transferred at all would be kept in the old regulatory affairs part of the government.

Ms. NORTON. Well, they now are mandated from the Congress that has moved them forward because the city had been so slow in management reform. We will contact the Control Board, both for that reorganization, and it looks like the Control Board holds up these contracts more than others, and we will also make an inquiry and make it perfectly clear that we want that, that we want those bottlenecks removed.

Can I say, Mr. McCabe, I appreciate your willingness to hold regular town meetings with me on water supply and on the Anacostia and I look forward to being able to hold another one, hopefully in early December.

Mr. MCCABE. I look forward to it.

Mr. DAVIS. Mr. Horn, any questions?

Mr. HORN. Thank you very much, Mr. Chairman.

I commend all three of you for your testimony, and particularly you, Mr. Johnson. I have read your report, it is a very thorough, honest report. You have got a number of problems ahead of you. The question is, how can we be helpful in this subcommittee as well as in Congress as a whole?

What concerns me is that to get something done in the schools here, we have to have a Federal court order, and I would hope we don't get to that in water and start in on where I am coming from.

I am curious about how much of your total budget is funded by the recipients of water sewage services, and what, if anything, is contributed beyond what the ratepayers are providing in terms of the surrounding counties or the District of Columbia government or the Federal money, if at all.

Mr. JOHNSON. Well, I don't have those very specific numbers in front of me, Mr. Horn. With respect to the wastewater treatment plant, about 47 percent of that is funded by the surrounding jurisdictions in terms of capital costs, and I believe there is a comparable number for operating that tends to parallel their utilization of Blue Plains as a facility.

The entire water distribution and wastewater distribution and wastewater collection system in the District of Columbia is paid by the District of Columbia ratepayers, with the exception of some dol-

lars that come in from the Federal Government to assist in support of certain capital programs that are undertaken at Blue Plains and in the water and wastewater distribution system. The formula is such that about 1 percent of the moneys that are utilized nationally from the State revolving loan fund are allocated to the District of Columbia as a grant, and that is the money that Congress recently approved to be moved to an 80 percent grant status.

I would be glad to get those very specific numbers for you if you would like.

Mr. HORN. That is fine. We will put them in the record at this point, Mr. Chairman.

Mr. DAVIS. Without objection.

[The information referred to follows:]

DC Water and Sewer Authority

SOURCES OF FUNDING

Source	FY 1998 Budget		Comments
OPERATING CASH PROVIDED			
Residential & Commercial	129,130,000	54.7%	
D.C. Government	22,675,000	9.6%	
Federal Government	23,173,695	9.8%	
Dept. Housing/Cmm.Dev.	7,633,000	3.2%	
Groundwater	1,000,000	0.4%	
Total Retail	183,611,695		Revenues from retail customers for the delivery of water and the processing of wastewater are determined by the water/sewer rate and accounts for 78% of total operating budget funding.
Potomac Interceptor Group	2,115,926	0.9%	
WSSC	35,005,095	14.8%	
Fairfax County	6,920,103	2.9%	
Total Wholesale	44,041,124		19% of total operating budget funding is received from IMA participants in surrounding jurisdictions. The distribution of costs is based on current flows to the plant.
OTHER OPERATING CASH PROVIDED			
Other Counties Reim. for Capital	1,915,100	0.8%	Reimbursement for indirect cost from EPA and surrounding jurisdictions.
Other Revenue	2,342,000	0.9%	Revenue from sales of water and sewer services to other DC and Federal governments and private entities.
Interest Earnings	2,096,777	0.9%	
N. Va. Water Debt Service Recovery	2,278,840	1.0%	Reimbursement from the Washington Aqueduct from their share of debt service payments.
Total Other Operating Cash	8,632,717		
TOTAL CASH PROVIDED	**236,185,536**	**100.0%**	
CAPITAL FINANCING			
EPA Grants	**5,232,000**	**5.0%**	
Long-term debt	80,934,000	77.2%	A combination of WASA revenue bonds to finance capital projects and US Treasury notes to finance WASA's share of Washington Aqueduct operations. Revenue from ratepayers provides 100% repayment of all debt financing.
Wholesale Capital Payments	18,694,000	17.8%	Jurisdiction participation in the wastewater treatment process.
TOTAL CAPITAL SOURCES	**104,860,000**	**100.0%**	

Mr. HORN. Overall, what is your estimate as to the amount of funds which you get from all these sources in the surrounding areas, as well as other governmental entities, as well as ratepayers? Is it 90 percent of your budget or is it even higher?

Mr. JOHNSON. I would say it is at least 90 percent, sir.

Mr. HORN. I guess, Mr. Chairman, where I feel very strongly is they shouldn't have to follow the procurement regulations of the District of Columbia, and we ought to stick it in the budget, if we have to, that entities that are self-funding ought to be free of some of these regulations, because it is simply delaying in time solving the problem. And I noted here that apparently suburban Board members may vote on all issues affecting the general management of joint-use facilities. Obviously I wonder to what degree is the status of the personnel system—are we following the District of Columbia on that too? I would certainly not recommend anything I can think of in this city to be followed, and I would think that you would want the most modern personnel system you can have. And where are we on that?

Mr. ROGERS. Mr. Horn, at the current time, there is a memorandum of understanding between the District and the Water and Sewer Authority for processing personnel actions, payroll, et cetera. That was a matter of convenience for the new Authority until we established our new personnel rules.

New personnel rules were developed by a committee of the Board, on which there was representation from all jurisdictions on the Board. Those regulations have now been adopted by the Board and will be published in the D.C. Register. I do not concur with the prior assessment that those new personnel regulations totally follow the District regulations. There was opportunity for the Board members, all participating Board members, to put on the record and include in the debate, you know, those changes that they felt incumbent to include.

If there remain some outstanding issues that we should address, then we as a Board will address those issues to make us even more independent. But in this first year, as we were trying to build this new Authority, we found that as a matter of convenience, considering the capacity of the staff that we found, to continue to rely on the District process, and we have—we negotiated through that, we treat them like any other contractor, we pay a fee, but we expect a service, and the District has been responsive. It was part of my job to see that they were.

Mr. HORN. Is the procurement system in the same situation in terms of your use of the procurement system? The testimony is the chief procurement officer feels you should be going through him.

Mr. ROGERS. Yes. As I pointed out, it was clearly our intent to separate ourselves from the District procurement system, and we felt we had done that in the WASA legislation. But a subsequent piece of legislation for procurement reform came back and included all independent agencies, you know, under the District's procurement system. And the chief procurement officer perceives that as including—and so does corporation counsel—including WASA. So clearly we need some additional clarity with respect to that, but I think we will work through it. The new chief procurement officer

of the District has shown a willingness to work with the staff at WASA so that our procurements are not held up.

If WASA can get its own house in order with respect to developing clear statements of work, if we have the capacity to develop statements of work and go through a procurement process, including award, et cetera, and evaluation, within 30 to 45 days, then certainly the continuation of the process through approval by the Council or the chief procurement officer or the Control Board should not take twice that, and it does currently.

Mr. HORN. Well, I would hope that the responsibility and the decisionmaking here that goes with that responsibility would stop with the Board of your Authority.

Mr. ROGERS. Yes.

Mr. HORN. And if there is something wrong with the Board of your Authority, there are a lot of people in a lot of counties and in this city that certainly can punch the right buttons and have us take a look at the Board; but when you start an entity such as this, we ought to be giving the Board and its general manager a wide area of discretion if we are going to get the job done.

This is one of the toughest jobs in the country. You have a good man in here as general manager, and it just seems to me he shouldn't be sort of like Gulliver, with little strings tying him down every time he turns around and tries to get something done.

Mr. ROGERS. That kind of feels like my job as city administrator.

Mr. HORN. So that is certainly one of my concerns. Where are we now in the transfer of facilities with the Army Corps of Engineers, that have done a wonderful job since the late 1850's of giving us water in this fine city, and what is happening? Are we going to reimburse them on some positions and continue or are you going to have complete takeover or what?

Mr. ROGERS. As I indicated in my testimony, we have spent the last 18 months working with Arlington and Falls Church and other groups of customers working through these issues, and we have concluded collectively that we believe it would be in the best interest of the region for the Corps to continue to operate the aqueduct.

We have entered into discussions with the Corps. We are seeking permission and support from the Secretary of the Army, and discussions are going well. So I think, with another year and a half in the current legislation within which to decide what operating model we are going to follow and, hopefully over the next several months we will come to a position that the Secretary of the Army can support, we can come back to Congress and resolve this issue.

Mr. HORN. I think you are making the right decision. When you say the aqueduct, do you include the Dalecarlia Reservoir and Water Development Purification Area?

Mr. ROGERS. Yes.

Mr. HORN. Let me get back to the distribution system. As a consumer of water in this city, but I notice everybody around here seems to be drinking bottled water now, so the metal still tastes in our mouth, or whatever is in those pipes, what is your plan within the District of Columbia to get a decent distribution system?

The suburbs, they are late developers. This city has been going for 150 to 200 years, 208 to be exact. What are we doing and what does EPA think about it? Do you check our outlets on the distribu-

tion system and know which of us is getting poisoned sooner than others? And have we got a priority list here of who gets—the oldest systems ought to be first.

Mr. JOHNSON. Mr. Horn, Washington, DC, like most older cities, suffers from aging infrastructure. The problem in the District of Columbia has been the deferred maintenance on that aging system. We have developed an aggressive plan, partly at the direction and with the cooperation of U.S. EPA to, No. 1, flush every water main and operate every valve and hydrant in the city on an annual basis. That process wound up this week. We have completed a very aggressive flushing program in the entire city, and we will begin to pick that program up again in March of this coming year.

In addition, we have identified all of the dead-end portions of the system, where water does not properly circulate and move on a regular basis. Those issues are being addressed. We are spending some $11 million in the rehabilitation this year of several water reservoirs and storage facilities. There is a plan in place to spend about $20 some million over the next several years in cleaning and lining water mains, where we basically go in, clean the mains, rehab them and cement line them.

We have a plan that looks at the worst areas of the city, the oldest areas where work has not been done and we get those done first. It will require some open cutting in some areas where the pipes are not in good enough condition to rehabilitate. We have over the past year gone in and cleaned all of our reservoirs and other facilities and, in the process of inspecting them, as I have indicated, we have identified a number of cross-connections and other things that will need to be corrected.

By 2000 we should have corrected all of the problems with the storage and reservoir facilities. And the cleaning and lining program and flushing kinds of programs are something that will continue over some period of time. We have some 1,300 miles of water mains and services in the city, and that should be an ongoing process in a city of this age.

Mr. HORN. Are there similar areas in the suburbs in some parts that have also antiquated pipelines and distribution systems or is it mostly in the city of Washington?

Mr. JOHNSON. Well, while I have not had an opportunity to do an evaluation of the suburban communities, I can certainly speak for Richmond, VA, where I was prior to coming here, and we had a similar program in Richmond. We from time to time would even uncover wooden pipes that were still in the ground and in service.

Mr. HORN. You came from a modern city because that is older than Washington by probably 50 years.

Mr. JOHNSON. But it is not so much the age of the pipes, Mr. Horn, as much as it is their serviceable condition and the maintenance that is done on those systems over time. The pipes that we will clean and line will probably give us another 50 years of service out of a pipe that is already, 50, 60 maybe, years old or older.

Mr. HORN. Now, I am curious as to the EPA on this. Do you check different points in the city?

Mr. MCCABE. Yes, we do. In fact, in July 1996, EPA entered an administrative consent order with the District to address the concerns that we had with the violations in the drinking water system.

And I can provide you with a summary of the compliance with that order.

The order required a plan which set schedules and a budget for making improvements. The improvements include public information, water monitoring, operation and maintenance procedures, reservoir rehabilitation, distribution system flushing, cross-connection control, and disinfection. It is a whole range of really rehabilitating the system. I can provide you with that status report on that.

Mr. HORN. I would appreciate that. Do we have a map anywhere where we have charted the areas that need the most help?

If your board is going to prioritize things, seems to me that is a basic tool, to use the scientific analysis of EPA, the Army Corps of Engineers, everybody else you can get your hands on.

Mr. JOHNSON. That does exist, sir.

Mr. HORN. I would like to see that, if I could. If you could have somebody come over, we will talk about it.

With EPA, is there any problem when they are dredging canal areas or water channels in terms of any problem with EPA and worrying about what is in that channel?

Because in some parts of the United States there have been problems such as that, where they could not clean the channels because of one reason or another. What is the story around here?

Mr. MCCABE. We do have concerns in other parts of the United States with sediments that perhaps are contaminated. In the Anacostia River we are working to address some of the problems there, but there is no dredging anticipated there, so it would not stir up those sediments, those contaminants at this time.

So really, within the District, it is not a concern as long as we are not engaging in any big dredging project.

Mr. HORN. I was interested in your views on the Anacostia situation. Is there a Superfund site anywhere in that area or is this just runoff?

Mr. MCCABE. We are currently working with the Navy on a corrective order under the Resource Conservation and Recovery Act, where they have to do an assessment and provide us with a schedule of how they plan to clean up the Navy Yard. We will probably, later, list portions of the Navy Yard as a Superfund site.

But because we wanted to address that issue head on and do it quickly, we decided to go the regular route rather than wait for the long process that it takes to put a site on the national priority list of Superfunds. So we are addressing that issue now and are getting quite a bit of cooperation from the Navy.

Mr. HORN. Good, I am glad to hear it. One of my other subcommittees is the Subcommittee on Water Resources and Environment of the Committee on Transportation and Infrastructure, and Ms. Browner appeared before us the other day and I raised that very question. Not on that site, because I didn't know about it until just now, but on her role in getting in the same room the people from Energy, the people from Defense and saying, look, folks, we have a problem here, and trying to push it through their bureaucracy.

Because my sort of layman's look at the Pentagon is they have been a little slow on cleaning up a lot of bases around the country, and certainly the Navy Yard, I am sure, with 200 years probably

of things being dumped around there, would be a real target. So you feel they are really willing to do something about it?

Mr. MCCABE. We feel that they have cooperated with us up to this point, and we still have some issues to work out, but they have been supportive, and I think that you are going to see a very strong schedule come forward.

Mr. HORN. I am delighted to hear it. Thank you all, appreciate your testimony.

Mr. DAVIS. Mr. Horn, thank you very much.

Without objection, the record will remain open for 10 days; and without objection, I ask that any written statements submitted by the Control Board and any other written statements from witnesses or Members of Congress be made a part of the permanent record.

[The prepared statement of Hon. Steny Hoyer follows:]

STATEMENT OF CONGRESSMAN STENY H. HOYER BEFORE THE GOVERNMENT REFORM AND OVERSIGHT SUBCOMMITTEE ON THE DISTRICT OF COLUMBIA'S HEARING ON THE STATUS OF THE D.C. WATER AND SEWER AUTHORITY (WASA)

NOVEMBER 12, 1997

CHAIRMAN DAVIS, LET ME CONGRATULATE YOU, CONGRESSWOMAN MORELLA AND CONGRESSWOMAN NORTON FOR HOLDING THIS HEARING ON THE STATUS OF THE D.C. WATER AND SEWER AUTHORITY.

A YEAR AFTER THE ENACTMENT OF LEGISLATION CREATING THE NEW AUTHORITY, IT IS APPROPRIATE TO ASSESS THE STATUS OF WASA AND ITS PROGRESS IN ADDRESSING THE VERY SERIOUS ISSUES WHICH HAVE PLAGUED WATER AND SEWER OPERATIONS AT BLUE PLAINS IN RECENT YEARS.

THE SAFE AND EFFICIENT OPERATION OF THE BLUE PLAINS SYSTEM IS, OF COURSE, OF GREAT IMPORTANCE TO MY CONSTITUENTS WHO RESIDE IN

PRINCE GEORGE'S COUNTY.

TO WASA'S GREAT CREDIT, IMPORTANT PROGRESS HAS BEEN MADE AND THERE IS REASON FOR RESIDENTS THROUGHOUT THE WASHINGTON METROPOLITAN AREA TO HAVE GREATER CONFIDENCE IN THE INTEGRITY OF THEIR WATER AND SEWER SYSTEM.

WASA HAS A NEW GENERAL MANAGER, JERRY JOHNSON, WHO HAS RECEIVED FAVORABLE REVIEWS

FROM ALL PARTIES; WASA HAS BEEN FREE OF EPA CITATIONS DURING THE PAST YEAR; AND A MUCH-NEEDED FLUSHING OF THE PIPES HAS BEEN ACCOMPLISHED. I AM ESPECIALLY PLEASED BY THE ACHIEVEMENT OF GREATER REGIONAL INPUT ENVISIONED BY THE 1996 LEGISLATION. THE PARTICIPATION IN TODAY'S HEARING OF MR. MICHAEL ERRICO, DEPUTY CHIEF ADMINISTRATIVE OPFFICER FOR PRINCE GEORGE'S COUNTY, IS EVIDENCE OF THIS COOPERATION.

I AM VERY PLEASED TO SEE MR. ERRICO HERE TODAY, AND I ENCOURAGE THE SUBCOMMITTEE AND WASA TO GIVE FULL AND APPROPRIATE CONSIDERATION TO THE CONCERNS OF PRINCE GEORGE'S COUNTY WHICH MR. ERRICO WILL DESCRIBE IN DETAIL. IN PARTICULAR, I WOULD HOPE THAT WASA, HAVING MADE STRIDES IN OTHER AREAS, WILL MAKE A CONCERTED EFFORT TO PROCEED WITH THE REGIONALIZATION STUDY AUTHORIZED BY THE 1996

LEGISLATION. THE PEOPLE OF PRINCE GEORGE'S COUNTY ARE VERY MUCH INTERESTED IN SEEING WASA EVOLVE INTO A TRUE REGIONAL AUTHORITY, WITH LESS DEPENDENCE UPON THE DISTRICT GOVERNMENT.

AGAIN, I THANK YOU CHAIRMAN DAVIS, CONGRESSWOMAN MORELLA AND CONGRESSWOMAN NORTON FOR HOLDING THIS IMPORTANT HEARING AND FOR GRANTING ME THE OPPORTUNITY TO MAKE A STATEMENT.

Mr. DAVIS. The subcommittee will continue to work with all interested parties in the ongoing efforts to continue the progress that has been made of the Water and Sewer Authority. I appreciate all of you staying and testifying and the efforts you have brought to date.

These proceedings are closed.

[Whereupon, at 4:16 p.m., the subcommittee was adjourned.]

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