

**LAKWOOD WATER DISTRICT
BOARD OF COMMISSIONERS
Minutes of Regular Meeting
Thursday, February 16, 2017**

The Regular Meeting was called to order at 3:30 p.m. at the District office. Present at the meeting: Commissioners L. R. Ghilarducci, Jr., J. S. Korsmo, Jr., and G. J. Rediske; General Manager R. Black; Superintendent I. Black; Finance Director D. Logan; District Secretary C. Butler; and Secretary T. MacDougall.

PUBLIC COMMENT:

No members of the public were present.

APPROVAL OF MEETING MINUTES:

Commissioner Rediske moved to approve the minutes of the January 19, 2017 Regular Meeting. Commissioner Korsmo seconded the motion, and it was passed by a unanimous vote.

FINANCIAL INFORMATION:

The Finance Director presented the January financials to the Board.

2016 Write-offs. The Finance Manager presented the 2016 write-offs which included the categories of collection, small balance, miscellaneous, 50 percent leak, and meter leak adjustments. The total write-offs for 2016 were \$27,863.86. It was explained to the Board, the meter leak adjustments, which made up \$6,783.51 of the total, were still mainly from leaky gaskets from new meter installs. This number will hopefully start going down in the next year. The miscellaneous adjustments range from adjusting off fees to incorrect billings. Commissioner Rediske moved to approve the 2016 write-offs, Commissioner Korsmo seconded the motion, and it was passed by a unanimous vote.

Disbursements made from the General Ledger Fund for check number 36310 through 36435 totaling \$430,824.80, salary direct deposits totaling \$174,039.13, payroll taxes totaling \$66,200.09, and other electronic payments totaling \$87,330.17, for a grand total of \$758,394.19 were presented to the Board for approval. After review, Commissioner Rediske moved to approve the payables as listed. Commissioner Korsmo seconded the motion, and it was passed by a unanimous vote.

BOARD CONDITIONAL ACCEPTANCE OF COMPLETION OF RESERVOIR SEISMIC RETROFITS PHASE 1:

A memo from the Superintendent was presented to the Board recommending and requesting conditional acceptance of the Reservoir Seismic Retrofits Project Phase 1. Substantial completion was successfully reached on August 22, 2016, with final project

Board of Commissioners Regular Meeting Minutes

February 16, 2017

Page 2

completion on September 6, 2016. This conditional acceptance will flow through to final acceptance of the project pending the final release requirements being met per the contract specifications.

The General Manger seconded the Superintendent's recommendation to grant conditional acceptance on this project under these terms. Commissioner Rediske so moved to conditionally accept this project as complete. Commissioner Korsmo seconded the motion, and it passed by a unanimous vote.

ANNUAL SUCCESS PLAN UPDATE:

The General Manager presented a current Succession Plan to the Board. Changes from last year's update included the retirement dates being set for employees J.M. Wall at March 31, 2017 and K.W. Slemp currently proposed at December 31, 2018. Two new employees, R. Alvis and F. Tuitasi, were added to the plan.

POSSIBLE TEMPORARY WATER SERVICE AT WESTERN STATE HOSPITAL:

The District has been working with the State Department of Health (DOH) over the past two months regarding a confirmed Legionella case at Western State Hospital (WSH). The hospital has its own water system and water supply. The District has had an emergency water supply intertie since the late 1980s, but it has only been used sporadically over the years. The emergency connection to the hospital was a result of two issues; first, an E. coli case; and second, dry conditions that resulted in one of the hospital wells going to very low levels.

WSH and DSHS (Department of Social and Health Services) representatives met with District staff February 8, to discuss a short-term and temporary water supply in order for the hospital to implement a plan to treat its water system. They are also considering the long-term outlook for supply to the hospital, weighing whether or not WSH should be in the water business.

Because the Western State Hospital water system is unknown as far as how and what comprises their water system, the District stated that a reduced pressure backflow assembly would be needed for the temporary service to the hospital. Because the hospital only takes water from the District in an emergency and, because of their need to shut down their system, the District wants to be absolutely sure the hospital's system is isolated from the District's distribution system and is in accordance with State requirements under Cross Connection Control RCW 246-290-490.

The District reacted quickly to their need and stands ready to help in a very desperate situation at the hospital. DOH is very supportive of and thankful for the District moving forward to help the hospital as quickly as possible.

As a long-term solution is determined by DSHS, a possibility that presents itself to the District may be the exchange of the cost of all the temporary service materials and potential water service for water rights from Western State Hospital. The General

Manager discussed various ways the District may be able to help the hospital mitigate the costs of a water service connection. The Board agreed the District would be willing to take payments from the hospital according to a signed agreement and that the District would provide the meter and vault with the agreement to take the temporary water service for at least 60 days, therefore recovering the District's costs.

WATER TESTING RESULTS AT JBLM:

The General Manager reported the District had received notification from DOH that recent water quality testing of wells on the McChord side of JBLM has detected low levels of a chemical compound called Perfluorohexanesulfoic acid (PFHx2) and Perfluorooctanesulfonic (PFO's) present in a number of their wells with two wells in particular having elevated levels. The detection levels are being measured in the parts per trillion.

DOH wanted to advise the District of the detection levels found because of the position of the District's Ponders Well Site down gradient of these wells. Subsequent testing of the wells at the Ponders wells showed very low level traces of both chemicals. Treatment for these chemicals will be added to the new facilities going in to the Ponders Well Site, and the Federal Government will be accountable for those costs.

The District will continue to monitor the situation. DOH is working with DOD (Department of Defense) to figure out what to do in this matter. There are no present EPA (Environmental Protection Agency) MCL (Maximum Contaminant Level) standards or regulations regarding these chemicals; rather only a "Lifetime Health Advisory" level of 70 parts per trillion, and there is no history of any health impact(s). The General Manager will keep the Board apprised of the matter in the days ahead.

BOARD APPROVAL OF SURPLUS DONATION OF OLD CHLORTEC T-36 ONSITE CHLORINE GENERATOR TO CITY OF BAINBRIDGE ISLAND:

The General Manager requested the Board approve the surplus and donation of the District's old ClorTec T-36 onsite chlorine generators replaced at the Deepwood and Angle Lane filtration plans in 2016. The District has no use for these units and, instead of recycling this equipment to a scrap yard, the City of Bainbridge Island has requested the equipment for use of some of the miscellaneous parts. The General Manager further presented to the Board a copy of a letter from Pumping, Water Quality, and Water Treatment Department Head D. Hall, recommending the equipment be donated to the City of Bainbridge Island. Commissioner Rediske moved to donate the equipment to the City of Bainbridge Island. Commissioner Korsmo seconded the motion, and it passed by a unanimous vote.

GENERAL MANAGER PROJECT UPDATES:

Wholesale Transmission Main Extension—The District has received almost all the volume numbers from its wholesale partners. Any water main 8 inches or over is considered a Joint Facility, and the cost is shared by the wholesale partners; however, calculations made by District engineering consultant MSA showed that about half of the

Board of Commissioners Regular Meeting Minutes

February 16, 2017

Page 4

District system provides water for the wholesale partners. The General Manager, Finance Director, and financial consultant FCSG (Financial Consulting Solutions Group) are working on the rate model and cost calculations for the wholesale partners; however, the biggest factor is volume/usage. The more water taken, the lower the cost per unit. The District has 2.8 mgd (million gallons a day) available for sale and still has the Abitibi 2 rights pending, with an estimated 80 percent chance of approval.

Ponders Well Site Facilities Replacement Project—The pre-design report, compiled by Kennedy/Jenks, has been sent to DOH, and Kennedy/Jenks has been given authority to proceed to the next phase, that of purchasing equipment, etc. The FEMA grant monies received by the District for this project must be used by June 30 of this year. The District is looking at storage options for storing the equipment until actual construction of the project, e.g., the Scotts property, the location of the Bridgeport Tank, etc. Kennedy/Jenks will provide additional recommendations.

There are two tracks for obtaining the requested \$1.8M final financing for the project from the DOE (Department of Ecology) and the Legislature in the Governor's Budget—an open track and the Capital Budget track. The District will maintain movement on both tracks with the assistance of lobbyist B. Clarke over the next two months. Representatives Muri and Kilduff and Senator O'Ban continue to be supportive of the District's receipt of the needed final funding.

Cross Connection Control—The General Manager and the District's Water Quality & Cross Connection Control Specialist met with City of Lakewood officials regarding the City's assumption of the in-premise cross connection control program. It became quickly apparent the City had little to no understanding of the magnitude or detail of this undertaking. Once more enlightened, they asked for the District's help and time of transition this year, with the plan to take over the in-premise isolation program January 1, 2018. In the meantime, the District will sign an Administrative Agreement with the City to cover the District carrying out the in-premise isolation program this year without jurisdiction. Legal Counsel J. Milne said this type of agreement would work well in these circumstances and cover the District from any liability. He also counseled the District to charge the City the \$18.5K planned in the proposed but unexecuted Interlocal Agreement with the City for these services.

SUPERINTENDENT'S REPORT:

The Superintendent's Report was provided to the Board in its entirety in the pre-agenda packets. Supplemental to this, he reported the Thorne Lane Project should be completed by month's end; the contractors were swapping hydrants and starting to install services.

The Invitation to Bid for the Sylvan Park R&R Phase 2 Project will air February 20, with a walk-thru of the project on February 28, and the bid opening on March 7. The design work is in process on Sylvan Park Phase 3, performed by CHS Engineers.

FINANCE DIRECTOR/OFFICE SUPERVISOR'S REPORT:

The 2016 Audit Exit Conference was held January 24, with no audit findings. There were two areas, however, the Auditors wanted the District to look at—depreciation accounting and documentation of reasoning for engineer selection on projects.

IT Administrator P. Kang is on family medical leave after just welcoming his first baby girl.

OTHER BUSINES:

Board Acknowledgement of Employee Wage Increase—The Board acknowledged the annual wage increase for S. Bosma.

Board Acknowledgement of Automatic Renewal of General Manager Employee Contract—The Board acknowledged the automatic 3-year renewal of the General Manager's employee contract effective February 17, 2017. The next automatic renewal will be February 17, 2020.

Sole Source List (Exhibit A, Resolution No. B-1404) Update—An updated list of the District's sole-source suppliers was submitted to the Board for approval as the new, revised Exhibit A of Resolution No. B-1404. Commissioner Rediske moved to approve the updated Exhibit A of Resolution No. B-1404. Commissioner Korsmo seconded the motion, and it passed by a unanimous vote.

Request for Budget for Annual Employee Recognition Luncheon—The General Manager asked for the Board's approval of a budget of up to \$400 to be utilized for the District's Employee Recognition Luncheon to be held Friday, March 10 from noon to 2 p.m. Historically, the recognition awards have been distributed at the District's Christmas/holiday luncheon in December, but not all staff can attend that function due to religious preferences/restrictions. This separates the occasion to focus on recognition of employee excellence in performance in the workplace. Commissioner Rediske moved to approve the \$400 budget. Commissioner Korsmo seconded the motion, and it passed by a unanimous vote.

Contractor Concern Re. District GFC (General Facilities Charge) Rates—

Commissioner Korsmo reported his dealings with an unhappy District customer who was also unhappy with his contractor. Commissioner Korsmo had received serious complaints from the owner of H&L Produce regarding the District's GFC and fire meter installation charges. As the contractor for the project, Commissioner Korsmo recused himself from the matter but informed the remainder of the Board that the owner may attend a future Board meeting to express his strong contempt for the District's prices. As a Commissioner, he simply wanted to make sure the Board/District was not pricing itself out of local community development, especially with City permits and all other utilities costing considerably less than water connection costs.

Board of Commissioners Regular Meeting Minutes

February 16, 2017

Page 6

The General Manager explained the history of the District's GFCs. These charges—recorded as Exhibit A of Resolution No. B-1380—were reviewed in 2014 for the first time in seven years, and proposed revisions were presented to the Board for review at its September 25 meeting. An excerpt from the September 25, 2014 Board of Commissioner meeting records an explanation of the revisions:

The methodology was adjusted in the updated GFCs to include future costs and future customers, where future customers would help pay for part of what had been developed before them but being benefited from now and paying for their future share. Fire meters and equivalent units were included in the calculation because they are charged a fee. Where a private fire meter would not be charged a GFC, that component would be taken out. The future cost basis includes only capacity-enhancing projects and divided by future customers only. All R&R-related work is deducted since the original asset is in the existing cost basis.

The proposed revised Exhibit A included a three-year phasing in of the proposed adjusted GFC rates, over 2015, 2016, and 2017. In comparing the District's proposed revised rates with those of other water districts and utilities in Pierce and King counties, they were found to be comparable and competitive, in the low to middle range.

The Board approved the revised, 3-year phased Exhibit A of Resolution No. B-1380 at the October 30, 2014 Commissioners' meeting, the first phase to be effective March 1, 2015 and the second and third phases to be effective January 1, 2016 and 2017, respectively. This information has been posted on the District's website since adopted in 2014.

The General Manager reported the District did not receive a request for estimated water connection costs for the H&L Produce project until January 19, well after the January 1, 2017 effective date of the final phase of the revised GFCs. The first part of the challenge is that the 2017 GFC for this project would be over \$17K more than the 2016 GFC.

An additional part of the challenge is, due to fire code requirements and the nature of the remodel, the Fire Marshall is requiring a 6-inch fire meter where a 4-inch would typically more than suffice. The difference between a 6-inch and 4-inch meter is over \$30K.

While the contractor and owner had intended to move things along sooner than mid-January, December holidays, vacations, and other matters resulted in delays. Additionally, at the Pre-application meeting with the City, the contractor's representative was pointed to the District's website to review GFC and meter pricing. Since the District had no record of a request for pricing prior to January 19, 2017, it could not in good faith honor the 2016 GFC pricing.

Board of Commissioners Regular Meeting Minutes

February 16, 2017

Page 7

The District will anticipate a meeting with the owner and contractor representative and will be happy to discuss the matter and do all possible to come to a good resolve.

With no additional business to address, President Ghilarducci adjourned the meeting at 5:10 p.m.

**LAKWOOD WATER DISTRICT
BOARD OF COMMISSIONERS**

BY:



ITS PRESIDENT

BY:



ITS VICE PRESIDENT

BY:



ITS SECRETARY

ATTEST:



DISTRICT SECRETARY