

**LAKWOOD WATER DISTRICT  
BOARD OF COMMISSIONERS  
Minutes of Regular Meeting  
Thursday, March 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. and G. J. Rediske; General Manager R. Black; Superintendent I. Black; Finance Director D. Logan; District Secretary C. Butler; and District engineering consultant M. Larsen of Kennedy/Jenks. Commissioner Korsmo was not able to attend the meeting and was officially excused by the remainder of the Board.

**PUBLIC COMMENT:**

No members of the public were present.

**APPROVAL OF MEETING MINUTES:**

Commissioner Rediske moved to approve the minutes of the February 16, 2017 Regular Meeting. Commissioner Ghilarducci seconded the motion, and it was therefore passed by a unanimous vote.

**FINANCIAL INFORMATION:**

The Finance Director presented January and February financials to the Board.

Disbursements made from the General Ledger Fund for check number 36436 through 36558 totaling \$380,853.12, salary direct deposits totaling \$139,321.95, payroll taxes totaling \$56,714.32, and other electronic payments totaling \$83,148.83, for a grand total of \$660,038.22 were presented to the Board for approval. After review, Commissioner Rediske moved to approve the payables as listed. Commissioner Ghilarducci seconded the motion, and it was therefore passed by a unanimous vote.

**BOARD CONDITIONAL ACCEPTANCE OF COMPLETION FOR SEATTLE AVENUE PROJECT:**

R. L. Alia Construction has successfully completed all the installation of the water main improvements on Seattle Avenue to Bridgeport Way and both sides of I-5. The project included the replacement of Pierce County's existing sewer line in order to accommodate two new 12-inch water mains in the County's existing casing under I-5. The contractor has met all of the requirements under the contract, and the District is satisfied with their work performance. The General Manager recommended and requested the Board's conditional acceptance of completion of this project, awaiting State agencies' approval on prevailing wages certification and taxes before final acceptance. Commissioner Rediske moved to conditionally accept the project as complete. Commissioner Ghilarducci seconded the motion, and it was therefore passed by a unanimous vote.

**BOARD AWARD OF SYLVAN PARK R&R PROJECT, PHASE 2:**

Eight bids were received on March 7 for this project. The engineering work was performed by Parametrix, Inc., with an Engineer's Estimate of \$656,645.00 before tax. The low bidder was Johnson & Maddox Construction out of Tumwater, Washington at \$615,316.00 before tax. The second lowest bidder was Pape & Sons Construction out of Gig Harbor, Washington at \$618,798.00 before tax; and the third lowest bidder was R. L. Alia Company out of Renton at \$626,548.00 before tax.

District contract legal counsel A. Tramountanas conducted a litigation check with clean results, and District Consulting Engineer C. Gibson checked references with good reports. This contractor has no prior work history with the District or in public works but does so in municipal work. The General Manager therefore saw no reason to deny award and recommended the Board award the project to Johnson & Maddox Construction. Commissioner Rediske so moved. Commissioner Ghilarducci seconded the motion, and it was therefore passed by a unanimous vote. Being a first-time contractor for the District, the District's Construction Inspector will keep a close watch over this project.

**BOARD AWARD OF PONDERS WELL SITE STAINLESS STEEL TOWERS PROJECT:**

District consultant M. Larsen of Kennedy/Jenks was present to assist in the presentation of the bid opening results on this project. There were five plan-holders with three bids received. The Engineer's Estimate from Kennedy/Jenks was \$437,000.00 before tax. The low bidder was Tonka Water out of Plymouth, Minnesota at \$372,138.00 before tax. The second lowest bidder was Layne Christensen Company headquartered in Texas at \$398,141.76 before tax; and the third and final bid was from Delta Cooling Towers out of Roxbury Township, New Jersey at \$412,150.00 before tax.

The General Manager requested conditional award pending positive reference checks. Mr. Larsen reported he had succeeded as performing one reference check that day which was positive. After discussion, Commissioner Rediske moved to conditionally award the project to Tonka Water pending positive reference checks. Commissioner Ghilarducci seconded the motion, and it was therefore passed by a unanimous vote.

**BOARD AWARD OF BACKFLOW DEVICE TESTING CONTRACT:**

Two bids were received for this year's Backflow Testing services for the District, effective April 2017 thru March 2018. This will be the second year of 2-year trial for this program. The two bids were from Backflows Northwest (contractor this year) and DM Backflow Testing. Backflows Northwest was again the low bidder, with the same price as last year. Last year, Backflows Northwest was the lowest of 8 bids received. The General Manager recommended the Board award this year's contract to Backflows Northwest. In the year ahead, and during the 2018 Budget process, the matter of whether or not to continue this program will be brought to the Board for discussion, determination, budgeting, and planning.

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Currently, approximately 1100 customers (backflow assemblies) are taking advantage of the District's program with a total of approximately 4800 assemblies known in the system. A temporary District employee is carrying out a meter box check program for the District and, in so doing, is checking for backflow devices that are not in the District's system and/or the need for backflow device installation.

The General Manager recommended awarding this year's backflow testing contract to Backflows Northwest. Commissioner Rediske so moved. Commissioner Ghilarducci seconded the motion, and it was therefore passed by a unanimous vote.

**UPDATE RE. TEMPORARY WATER SERVICE AT WESTERN STATE HOSPITAL:**

All indications to the District thus far are that, at this time, Western State Hospital has elected to go with the less expensive option of installing hyper-chlorination treatment facilities within the hospital system as opposed to connecting to Lakewood Water District. However, the hospital states they will still reevaluate their long-term options as to whether they want to continue to be in the water supply and treatment business. The General Manager stated the hospital needs to install a Reduced Pressure Device at some point.

**UPDATE RE. WATER TESTING RESULTS AT JBLM:**

As recorded at the March 16 meeting, the District received notification of contaminants found at JBLM due to the chemical foam retardant used at McCord Air Force Base for practicing the extinguination of fuel fires as well as aircraft fires. Because the District's Ponders Well Site is down gradient of McCord Air Force Base, the District tested those wells at Ponders and found very low-level traces of both chemicals.

The EPA has no regulation for contaminant levels and no guidelines for health risk associated with these two chemicals. At this time, the EPA only has what they are calling a "Lifetime Health Advisory Level" of 70 parts per trillion. In light of this information along with action information received from JBLM to date, the District reached out to State Department of Health (DOH) representative S. Hulsman and requested a meeting to discuss this matter.

The General Manger shared a copy of an article from the editorial Board of Tacoma's *The News Tribune*, criticizing the base for its lack of effort in getting the word out regarding the sample results. The District will sample the wells at the Ponders Site as well as one on each side. If there are no or very low levels in the wells or distribution system, the District will proceed with just well site sampling for 4 quarters. These sampling tests are expensive; however, the District must be proactive in this situation, and DOH is recommending the sampling as well. Treatment of these two chemicals has been added to the Ponders Well Site facilities replacement plans.

The General Manager asked for the Board's acknowledgement and concurrence to proceed according to the plan laid out with DOH. The District will track costs; it may be

years before the Federal Government takes any responsibility in this matter. The Board acknowledged the matter and concurred with the General Manager's proposed plan.

**ANNUAL CAP (CUSTOMER ASSISTANCE PROGRAM) UPDATE:**

The District's Customer Assistance Program was instituted by the Board in November 2014. Proceeds thus far total \$2,867.95, averaging a little over \$1400 a year. These funds are available to be used to pay for water services only for District customers (not applicable to penalties, late charges, or other service fees), up to a maximum benefit of \$300/year per customer. The funds are paid to and administered by LASA (Living Access Support Alliance).

Similarly, the South Sound Subsection of the Pacific Northwest Section of the American Water Works Association donates the proceeds of their annual golf tournament at approximately \$5K/year to LASA, also to help water purveyor customers in Pierce County with their water bill.

**GENERAL MANAGER PROJECT UPDATES:**

**Wholesale Transmission Main Extension—**

The General Manager and Finance Director had finished their itinerary of meeting with the District's wholesale partners individually, conducting the final meeting with Summit the morning prior to this meeting. Summit confirmed its commitment to buy an additional 1 million gallons per day (mgd) from the District.

Firgrove is interested in 2 mgd, and Spanaway is committed to the 1 mgd already contracted for but uncertain about an additional 1 mgd. Rainier View, presently contracted for 1 mgd, is exploring the possibility of buying an additional 1 mgd, for a total of 2 mgd.

Tacoma Water is offering to lower their pricing to compete with the District's pricing, offering to sell 2.5 mgd to Firgrove for \$1/ccf (100 cubic feet), down from their normal average wholesale water price between summer and winter rates of \$2.36/ccf.

At these individual meetings with the wholesale partners, the General Manager and Finance Director did a "show and tell" with them on the rate model, being interactive in showing the wholesale customer the costs/quantities of water. As a result of these reviews, the General Manager and Finance Director recommended the Board adopt three changes to the rate model to make the cost/price attractive to the District's wholesale customers. These changes will only have a minor impact to the overall revenue.

The changes were outlined on a spreadsheet distributed to the Board. The first recommended change was to lower the Administrative & General costs from 1/3-2/3 to 80/20, as the District does not have that great of a cost in administering and overseeing the wholesale water contracts.

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The second recommended change was to lower the District's rate of return on the District's existing wholesale water rights from 9 to 6 percent. The District has used a 12 percent markup on the existing 6 mgd of Abitibi water rights and, then, after 20 years, the debt used to purchase those water rates is retired, giving a 3 percent discount to the District's wholesale customers, for a final markup at 9 percent. It was recommended that the additional water rights already owned by the District only be marked up to 6 percent. These changes are within the parameters of the contracts and would need the Board's approval before instituting final pricing for the wholesale customers.

The third and final recommended change was to no longer include R&R Program capital costs in the wholesale calculation. The District has been including the 50-year R&R Program costs in the rate model. This was an early intention in the first contracts administered; however, since the adoption of the 50-year R&R Program, District ratepayers are funding those replacement costs. So passing this on to the wholesale customers is not proportionate to the services they receive. They do pay for those joint facilities used to serve them plus any direct facilities in providing wholesale water. They do not, however, receive the benefit from the replacement of infrastructure; only the District's ratepayers do because of the age of the system.

The General Manager requested the Board's approval to make these recommended changes to the District's wholesale contract template. Commissioner Rediske moved to approve the recommended changes to the District's wholesale contract. Commissioner Ghilarducci seconded the motion, and it was therefore passed by a unanimous vote.

Mr. Logan then presented a demonstration of the model, showing 2 mgd over 20 years.

**SUPERINTENDENT'S REPORT:**

The Superintendent's Report was provided to the Board in its entirety in the pre-agenda packets. Supplemental to that report, the Superintendent related the South Tacoma Way Project was in the landscaping stage, where the contractor will put back in kind that which was taken out unless otherwise specified in the contract.

**FINANCE DIRECTOR/OFFICE SUPERVISOR'S REPORT:**

Per the request of Commissioner Korsmo, the District has been examining its bank fees and will provide a report by the next meeting. Mr. Logan found some fees differ based on how customers pay their bills.

The District has been including a Customer Payment Experience summary in the March billings and, depending on response, this process may be carried over into April.

The 2017 rate increase, effective January 1, 2017, was first realized in billings received by customers on or after March 1, 2017. No complaints have been received by District staff.

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**OTHER BUSINESS:**

**Board Acknowledgement of Employee Wage Increase**—The Board acknowledged an annual wage increase for employee C. Pulk.

**Meeting with Owner and Contractor on H&L Produce Project**—The General Manager and Superintendent met with the owner and another representative of H&L Produce and Project Manager B. Brazas on Friday, March 3, to discuss the matter presented at the end of the agenda at the February 16 Commissioners' meeting. It was mentioned during the meeting that the contractor had intended to get the paperwork in to the District prior to the 2016 year's end but there were delays getting the permit from the Fire Marshall due to holidays and short-staffed conditions. The District stated that if H&L and/or the contractor could get a letter from the Fire Marshall itemizing and/or confirming this, this may give the District a tangible, credible justification to honor 2016 General Facilities Charge pricing.

Subsequent to the meeting, the District was in receipt of a letter from H&L and the Project Manager asking for reimbursement of the \$17K difference between the 2016 and 2017 GFCs. The General Manger shared with the Board the District had received no letter or word from the Fire Marshall regarding delays in their office resulting in delays in getting paperwork in to the District. After much discussion, the General Manager stated he could not in good faith and above reproach—at least in perception—recommend a reimbursement without clear documentation and justification to honor 2016 GFC pricing. The honoring of 2016 pricing in 2017 without said justification would be called into question by the State Auditor's Office and would likely result in a finding. The Board, therefore, had to deny the request for the reimbursement.

With no additional business to address, President Ghilarducci adjourned the meeting at 4:45 p.m.

**LAKESWOOD WATER DISTRICT  
BOARD OF COMMISSIONERS**

**BY:**

  
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**ITS PRESIDENT**

**BY:**

  
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**ITS VICE PRESIDENT**

**BY:**

  
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**ITS SECRETARY**

**ATTEST:**

  
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**DISTRICT SECRETARY**