

**LAKWOOD WATER DISTRICT  
BOARD OF COMMISSIONERS  
Minutes of Regular Meeting  
Thursday, March 20, 2014**

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; District Bond Counsel M. Greenough; Bond Pricing Advisor A. Dashen; and J. Bloomenthal and A. Face of District Bond Underwriters Martin Nelson.

**PUBLIC COMMENT:**

No members of the public were present.

**APPROVAL OF MEETING MINUTES:**

Commissioner Rediske moved to approve the minutes of the February 20, 2014 Regular Meeting. Commissioner Korsmo seconded the motion, and it was passed by a unanimous vote.

**FINANCIAL INFORMATION:**

The Finance Director presented the February financials to the Board.

Disbursements made from the General Ledger Fund for check number 31857 through 31997 totaling \$478,336.90, salary direct deposits totaling \$118,565.27, payroll taxes totaling \$44,859.62, and electronic payments totaling \$18,310.69, for a grand total of \$660,072.48 were presented to the Board for approval. President Ghilarducci asked why the Fat Boy rebate was \$40,757.11 versus the estimated \$36K reported at the February 20 meeting. The primary factor in this variance was the difference between the GFC (General Facilities Charges) for a 1-inch meter versus 5/8-inch meter. That difference was \$2317, times 17 services, equaling \$39,389. This, plus rebate for doing tie-ins the District had originally planned to install, plus reimbursement of \$600 in inspection charges, came to \$40,757.11. After further review, Commissioner Rediske moved to approve the payables as listed. Commissioner Korsmo seconded the motion, and it was passed by a unanimous vote.

**RESOLUTION NO. B-1415, ISSUANCE AND SALE OF WATER REVENUE BONDS:**

Copies of Bond Resolution No. B-1415, as prepared by the office of District bond counsel M. Greenough of Foster Pepper, were distributed to the Board for review. District bond underwriter J. Blumenthal of Martin Nelson & Company presented the details of the District's \$9.9M sale of 20-year, tax-exempt water revenue bonds, with a Bank Qualified, AA- Standard & Poor's rating. Proceeds of the bonds will be used to finance the District's Meter Replacement Program, its R&R Program, in addition to the improvements and

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betterments to the system included in the District's Comprehensive Water System Plan, to fund the Reserve Requirement and to pay the costs of issuances of the bonds. The Commissioners were supplied with a document itemizing the actual financials of the bond sale transaction.

A. Dashen & Associates served as the District's pricing advisor in the sale. Mr. Dashen summarized their comments in a letter addressed to the Board. The bonds were pre-marketed by Martin Nelson & Company the previous day to capitalize on interest rates 0.03-0.05 percent lower than they were anticipated to be the next day. At 0.03 percent lower, this results in a savings to the District of approximately \$43K in payments over the 20-year term of the bonds. The all-in interest cost, which takes into account the interest rates and issuance costs, is 3.76 percent.

Mr. Dashen stated the District's Standard & Poor's rating of AA- was a very good rating for a water utility and was a good rating to sell. He further stated the District's strong bond rating and the currently low interest rate environment resulted in a good bond sale for the District, and he recommended the Board approve the bond resolution.

District bond counsel M. Greenough presented Bond Resolution No. B-1415 to the Board at that time for consideration/adoption, stating the covenants in this bond resolution were the same as in all the other three bond resolutions prepared by Foster Pepper for the District over previous years and recommended Board adoption.

The General Manager further recommended the Board adopt the bond resolution, stating the District had the bond sale in the rate model at 4.5 percent interest with 1 percent closing costs. Commissioner Rediske moved to adopt Resolution No. B-1415. Commissioner Korsmo seconded the motion, and it was passed by a unanimous vote. President Ghilarducci called for a brief break from the meeting agenda for the signing of bond sale documents as presented by Mr. Greenough. After execution of all documents, the General Manager thanked the delegates from Martin Nelson & Associates; Foster, Pepper; and A. Dashen & Associates for all their efforts on behalf of the District, and they were excused from the meeting at that time.

**RESOLUTION NO. B-1414, BOARD APPROVAL OF HYDRANT METER POLICY:**

The General Manager presented to the Board a new Hydrant Meter Policy along with Resolution No. B-1414 to formally adopt the policy. The District had a list of procedures and requirements it had abided by for a number of years but wanted to update this list and formalize it in a policy. The policy calls for an increased deposit from \$100 to \$200, a six-month permit fee of \$50 (with six-month renewals at \$50), a base charge for water consumption at \$40/month (includes 800 cubic feet of water), and a \$5/day rental charge. Commissioner Rediske moved to approve the Hydrant Meter Policy and adopt Resolution No. B-1414. Commissioner Korsmo seconded the motion, and it was passed by a unanimous vote.

**LWD FINANCIAL POLICIES:**

The General Manager presented a compilation of written financial policies and parameters/targets that have been directed/encouraged by District Commissioners over time and followed by District management and staff but had not been organized and recorded in writing in one location. These included the District maintaining 90 days' operating reserves, establishing a target of 1 percent of utility fixed assets, maintaining a debt-to-equity ratio of no greater than 50:50, and maintaining overall cash reserves of \$3.5M and 180 days' of cash on hand. These types of standards are looked for by bond-rating agencies and carry a good deal of weight in rating a utility such as the District. President Ghilarducci stated that while the District is committed to these standards, targets, parameters, and limits, they are not binding absolutes with penalty.

**LEGISLATIVE REPORT:**

The General Manager reported an incidental meeting with Senator O'Ban and Representative Muri at a local business establishment where he was able to talk with the two legislators regarding HB 2682. They both felt the bill did not get to a vote in the Senate due to lack of time and strong opposition from the Association of General Contractors stating the bill would hurt small business in Washington state and committed to supporting the bill in the 2014 legislative session should they get re-elected. The Regional Water Cooperative of Pierce County and the Washington Association of Sewer and Water Districts lent significant aid and support in endeavoring to get this bill passed.

An assumption bill, requiring a vote of the people before a water or sewer district could be assumed, ultimately died in the House but got further than in previous legislative sessions.

**SUCCESSION PLAN UPDATE:**

The General Manager presented the Board with an updated District Succession Plan. Department Head D. Hall will be retiring in approximately 2.5 years and M. Landon will be retiring in a little more than a year. Internal replacements are in place and in the present plan. The Succession Plan also included new employees T. Stinson, A. Dickens, and M. Vashey and deleted departing employees R. Farmer and J. Flores.

**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 provided an update on I-5 Crossing at Orient Street Project. The District had been pressing hard for a resolution with contractor Nordic Construction regarding a change order involving Nordic wanting payment for work not done. The District had enlisted the assistance of District legal counsel A. Maron and was hopeful to be able to come to a resolve and close out the job in the near future.

The 88-page Sensus contract for the AMI Meter Replacement Program was under review by legal counsel B. Linton of Inslee Best, comparing with RFP to ensure all bases were accurately covered.

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

The Office Supervisor reported two employees continued to be out of the office on maternity leave, expected to return March 31. Four full-time temporary employees had been hired to assist the field staff in accomplishing the meter box clean-out portion of the Meter Replacement Program.

Commissioner Ghilarducci asked the Finance Director how the District planned to handle the \$9.9M in bond proceeds to be received March 31, 2014. Mr. Logan replied, besides there not being many investment-type options available (e.g., CDs, etc.), these proceeds will be spent in less than one year. Almost \$7M (\$6.9M) will be going to the AMI Meter Replacement Program, with radio testing the end of June and project completion anticipated to be four months later.

**OTHER BUSINESS:**

**Employee 6-month Merit Increase**—The Board acknowledged a six-month increase for employee A. Dickens.

**District Property on 115<sup>th</sup> Street Out to Bid**—This property is out to bid, advertised in *The News Tribune* and *Daily Journal of Commerce*. District realtor K. Campbell will accept bids, and the bids will be read May 1, 2014. For a bid to be acceptable, it must be for at least 90 percent of the appraised value. The average appraised value from the real estate brokers of John L. Scott, Better Properties NW, and Red Moon Realty is \$33,350-43,330, with a most likely estimated value of \$38,330, per Mr. Campbell. Ninety percent of these numbers are \$30,015-\$38,997 and \$34,497, respectively.

**Vandergriff Property Sold**—The General Manager reported the Vandergriff property at 106 Crestwood sold, so there will be no further need for the District to be concerned with this matter.

**Addition of "Commissioner Matters" to Website and "Commissioner Meeting Highlights" to Quarterly Newsletter**—The General Manager announced two new additions to the District's website and one addition to the District's quarterly newsletter, *The Pipeline*. Per recommendation from General Managers of other water and sewer districts in the state, the District will commence posting of all Board of Commissioner meeting minutes and resolutions on its website. Additionally, a "Commissioner Meeting Highlights" section has been added to the front page of the newsletter.

**Results of Banking Services RFP**—After careful review of RFPs for banking services from five local banks, the selection was narrowed to Umqua Bank and Key Bank, and Key Bank was ultimately selected as the best choice for the District, in large part to its forward-thinking in technology and technological services presently available. Signers on the District's accounts at Key Bank will remain the same as currently in place with Columbia Bank: Commissioners L. R. Ghilarducci, Jr.; J. S. Korsmo, Jr.; and G. J. Rediske; and General Manager R. M. Black, Superintendent I. M. Black, and Finance Director D. S. Logan.

**New Bills Out with 2014 Rate Increase, 50-year R&R Program Fixed Fee, and Revised Rate Structure**—Bills reflecting the 2014 rate increase as well as the revised rate structure and 50-year R&R Program fixed charge mailed for the first time on March 7, 2014. At the time of this meeting, the District had received only 31 calls, less than 1 percent of the customers billed. Some calls were simply for information/clarification. Most complaint calls were from the elderly on fixed incomes.

The District is working on setting up a program with LASA (Living Access Support Alliance) called CAP (Customer Assistance Program) where customers and staff can donate funds to help customers in need pay their water bills. LASA will serve as the primary depository and distributor. President Ghilarducci instructed the General Manager to submit the process to the State Auditor's Office for review prior to launching the program.

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

**LAKWOOD WATER DISTRICT  
BOARD OF COMMISSIONERS**

**BY:**

**BY:**

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**ITS PRESIDENT**

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**ITS VICE PRESIDENT**

**BY:**

**ATTEST:**

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**ITS SECRETARY**

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**DISTRICT SECRETARY**