

**LAKWOOD WATER DISTRICT  
BOARD OF COMMISSIONERS  
Minutes of Special Meeting  
Friday, March 25, 2016**

The Special Meeting was called to order at 9 a.m. at the District office. Present at the meeting: Commissioners L. R. Ghilarducci, Jr., J. S. Korsmo, Jr., G. J. Rediske; General Manager R. Black; Superintendent I. Black; Finance Director D. Logan; District Secretary C. Butler; financial bond consultant A. Dashen; and customer D. Maniece.

**PUBLIC COMMENT:**

Mr. Maniece was present because he and his neighbors wanted to know 1) about the work being done at and around the District's Oakbrook Tank near his home; 2) why trees were being cut down; and 3) about the microwave caution signs regarding proximity to the many cell phone antennae. Mr. Maniece had received no notification of the work to be done and was concerned about any precautions he may need to take in light of the cautionary microwave signs and his grandchildren visiting him at his home.

The General Manager and Superintendent explained to Mr. Maniece the District was in the midst of a seismic upgrade project addressing a number of tanks, including the Oakbrook Tank near his home. In checking later with the Project Manager, he did indeed knock on Mr. Maniece's home to give him notification, but no one was home or answered the door. The Project Manager did, however, succeed in notifying the other neighbors but had not circled back to Mr. Maniece's home.

The Superintendent explained the construction and trees being removed were to accommodate bigger footings for the tank; only trees absolutely needing to be removed were touched.

As for the many cell tower antennae, the new 3 and 4G dishes are significantly smaller, so there will be less equipment visible. Regarding the signs cautioning passersby to remain  $\geq$  four feet from cell tower antennae, it was later reported by the Project Manager that notification was received by the District from AT&T that the FCC required them (and all carriers) to post warning signs on sites with MW (microwave) communications as a precautionary measure. The theory is that the MW dishes can act similarly to a MW oven for exposures over 15 minutes at distances less than 10 feet in that they generate heat within an organic based medium. Mr. Maniece was notified of the information above and apologized to for not receiving notification of the project. Mr. Maniece was thankful for the seismic upgrades being done and for the information.

**APPROVAL OF MEETING MINUTES:**

Commissioner Rediske moved to approve the minutes of the February 18, 2016 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.

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As requested by Commissioner Korsmo at the February 18 meeting, the Finance Director provided a report to the Board reflecting budget versus actual active capital costs for 2016. This report did not include the Seismic Upgrade Project costs being paid back by FEMA (the District paid its portion of \$250K in 2015). This spreadsheet will reflect any movement of monies saved on one project redirected to another.

Disbursements made from the General Ledger Fund for check number 34021 through 35053 totaling \$596,953.46, payroll taxes totaling \$51,264.66, salary direct deposits totaling \$130,774.24, and other electronic payments totaling \$72,852.18, for a grand total of \$851,844.54 were presented to the Board for approval. After review, Commissioner Korsmo moved to approve the payables as listed. Commissioner Rediske seconded the motion, and it was passed by a unanimous vote.

**BOND REFINANCING DISCUSSION:**

The Commissioners had been provided in their pre-agenda packets a Refunding Analysis regarding the District's 2006 Bonds and a draft RFP (Request for Proposal) regarding the refinancing of those bonds in 2016; both documents compiled by bond financial consultant A. Dashen of Northwest Municipal Advisors (formerly A. Dashen and Associates). The General Manager introduced the subject at hand and invited the Finance Director and Mr. Dashen to take the floor.

The District has the opportunity to refinance its 2006 Water Revenue Bonds at a total savings range of \$300-400K depending on options chosen. Mr. Dashen recommended refinancing through a commercial bank rather than issuing bonds. This would include a simplified, more expedient, less expensive process. The Finance Director explained all the data-gathering and production of an Official Statement required by bonding companies would no longer be necessary thru a bank or credit union. Additionally, there would be no need for the underwriting that goes with the issuance of revenue bonds. The banks and credit unions, however, do have strict rules to follow and offer no advice to the customer; hence, the value of a financial advisor such as Mr. Dashen who served as the District's financial advisor in its 2014 Bond Sale. The RFP would be open to all interested—banks, credit unions, and bonding companies alike.

One uncertain factor was whether or not a bank would require a Bond Reserve Account. The District presently has a surety bond serving as insurance for the 2006 Bonds. Both Mr. Dashen and Bond counsel M. Greenough did not believe the bank would require a Bond Reserve Account. Whether or not there would need to be a Bond Reserve Account would make the difference in the savings of \$300-400K referenced above.

If the District needs to maintain the surety bond/insurance policy on the refinanced bond, it would have to leave the last principal and interest payment for 2026 outstanding. Hence, Mr. Dashen presented two Refunding Summary Options—Option 1 would refinance all callable bonds; Option 2 would leave the last maturity outstanding. Mr. Dashen discussed both options and potential next steps with the Board. The General Manager recommended moving forward with authorizing Mr. Dashen to proceed with the RFP. Commissioner Korsmo so moved; Commissioner Rediske seconded the motion, and it was passed by a unanimous vote. Mr. Dashen excused himself from the meeting at that time.

**WHOLESALE WATER RIGHTS AVAILABLE FOR SALE DISCUSSION:**

The General Manager briefed the Board on a meeting he, the Superintendent, and the Department Head of the Pumping & Water Treatment Department had with water rights counsel T. Pors and hydrogeological consultant B. Clothier on February 9 regarding estimated available water rights capacity.

The substantial water rights capacity for expansion of the District's wholesale supply and/or retail service was identified. The District current has 18.72 mgd (million gallons a day) of water rights. The average annual usage for the past five years is 9.14 mgd; that leaves a capacity of 9.58 mgd for sale/expansion. The available capacity can be utilized by a combination of three factors: 1) additional ERUs (Equivalent Residential Units) in the retail service area; 2) additional wholesale contracts and wholesale service area expansion; and 3) expansion of the District's retail service area, e.g., JBLM (Joint Base Lewis-McChord).

The District has an obligation to serve planned growth in its retail service area. The District has over-estimated that growth and therefore over-obligated/reserved water for growth in its most recent water system plan. The District estimated 1 percent growth; a more accurate yet still conservative percentage for growth over the next 20 years is 0.5 percent. This would increase the District's average annual usage to 10.62 mgd, still leaving an additional available capacity of 3 mgd beyond the 5 mgd presently contracted to District wholesale customers (5 of 6 mgd from the Abitibi water rights acquired in 2005 and approved by the Board to sell as wholesale water). Mr. Pors stated the District can acquire additional water rights as needed to supply new contract demands and retail growth, potentially to a capacity of an additional 7.92 mgd.

The General Manager requested the Board approve an additional 4 mgd to be allocated for wholesale water beyond the 6 mgd from the Abitibi rights, for a total of 10 mgd of wholesale water for the District, filling the Wholesale Transmission Main capacity of 10 mgd. Commissioner Korsmo moved to allocate an additional 4 mgd for wholesale water. Commissioner Rediske seconded the motion, and it was passed by a unanimous vote.

**WHOLESALE WATER INTEREST:**

The District currently has 5 of the 6 mgd of the Abitibi water rights contracted, and there is interest in another 4 mgd from present and potential wholesale customers. Summit Water & Supply Co., presently contracted for 2 mgd, is willing to purchase an additional 1 mgd. Similarly, Spanaway Water Co. is interested in an additional 1 mgd beyond the 1 mgd currently contracted. Firgrove Mutual Water Company, a potential new wholesale customers, is interested in 1-2 mgd. Fruitland Mutual Water Company has hinted at interest, but the level, while on the far horizon, is not high enough to consider seriously at this time. The District's Wholesale Transmission Main, which stops at Summit, will need to be extended five to six miles to deliver water to Firgrove, Spanaway, and also Rainier View Water Company. Rainier View, presently contracted at 2 mgd, is very interested in building the extension so they can begin taking the District's water, especially after paying an exorbitant amount of money to Tacoma Water last summer during draught conditions. The District has asked RH2 Engineering to put together a Scope of Work and Cost Allocation for the project, determining the best route or routes for the delivery of water to these wholesale customers.

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Mr. Maniece excused himself from the meeting at this time.

**PONDERS WELL SITE—FUNDING UPDATE:**

The General Manager stated he had nothing new to report beyond that included in his pre-agenda memo to the Board. In that memo, it was stated the Capital Budget staff and legislators had been informed that, given the House of Representative's proposed \$2M in funding, additional funding would be needed in the future based on the \$2.5M estimate by consultant Kennedy/Jenks. The Budget staff and legislators were further informed that \$1.5M would be an acceptable amount for 2016, providing a "give" in this year's tight budget, with the additional \$1M potentially coming from the 2017 Budget. Senator O'Ban and Representative Kilduff continue to champion this effort for the District.

**POSSIBLE PURCHASE OF PROPERTY AT AMERICAN LAKE GARDENS:**

Again, the General Manager stated he had nothing to report beyond that included in his memo; namely, that District real estate agent K. Campbell had been working with the seller's agent regarding the asking price of \$276K, way too high based on property taxes and comparables in the area. The seller did lower the price to \$176; however, that is still overpriced. The District has received no response to its offer of \$125K.

**SUPERINTENDENT'S REPORT:**

The Superintendent's Report was provided to the Board in its entirety in the pre-agenda packets. Beyond that report, the Superintended informed the Board the City of Lakewood had awarded the Bridgeport Way from I-5 to JBLM project contract to Johansen Construction.

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

The Office Supervisor reported E. Aschermann, President and Principal of emGov Power (aka HMS), was on site installing the net DotNet software that the District paid for 7-8 years ago. Technology changes and revisions posed many challenges, resulting in many delays.

The District's CAP (Customer Assistance Program) has contributed over \$1500 to LASA, helping LWD customers in need pay their water bills. The program began in July 2015.

**OTHER BUSINESS:**

**Update on Cross Connection Control Interlocal Agreement with COL**—the District has sent all paperwork and agreement back to the City and is awaiting word as to when this item will be on a City Study Session prior to going to the Council for approval. Hopefully this will have taken place by the District's April 28 Special Board of Commissioner Meeting.

**District Employee in Intensive Care**—the General Manager reported employee D. Young had been in Intensive Care in Tacoma General Hospital since collapsing in a grocery store on March 4. Fortunately, two nurses were on the scene and performed CPR. Doctors do not know what caused a shortage of oxygen that resulting in the heart stopping. The healing process is very slow but progressing; all are prayerful and hopeful.

**PNWS Annual Conference**—the General Manager invited the Board to the annual Pacific Northwest Section/American Water Works Conference, this year held in Boise, Idaho May 4-6. The General Manager will be presiding at this conference as Chair of the Section.

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**Backflow Testing**—Commissioner Rediske asked how the backflow testing process was going. The General Manager replied the process was progressing very nicely, with many compliments from customers.

**Customer Portal**—Commissioner Rediske asked how the Customer Portal installation was progressing. The General Manager reported the District was told “anytime” six weeks ago by the provider. The District is ready to roll out the product and waiting on Sensus. [Note: Post this meeting, the product was tested, resulting in many challenges arising, proving the product not usable at that time. More waiting on Sensus.]

**Tablets**—Commissioner Rediske asked for a progress update on the tablets for field staff. Training was scheduled to begin the third week in April, with a partial go-live by the middle or end of the month. Three tablets are already in the hands of three members of the Pumping and Water Treatment staff, primarily limited to GIS functions.

With no additional business to address, President Ghilarducci adjourned the meeting at 11:10 a.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**