

**LAKWOOD WATER DISTRICT
BOARD OF COMMISSIONERS
Minutes of Special Meeting
Thursday, April 28, 2016**

The Special 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., G. J. Rediske; General Manager R. Black; Superintendent I. Black; Finance Director D. Logan; District Secretary C. Butler; and Financial Bond Consultant A. Dashen of Northwest Municipal Advisors. Bond Counsel M. Greenough joined the meeting later in the agenda via phone.

PUBLIC COMMENT:

No members of the public were present.

APPROVAL OF MEETING MINUTES:

Commissioner Rediske moved to approve the minutes of the March 25, 2016 Special Meeting. Commissioner Korsmo seconded the motion, and it was passed by a unanimous vote.

FINANCIAL INFORMATION:

The Finance Director presented the March financials to the Board.

Disbursements made from the General Ledger Fund for check number 35054 through 35220 totaling \$1,225,198.14, payroll taxes totaling \$52,613.82, salary direct deposits totaling \$132,030.73, and other electronic payments totaling \$89,195.83, for a grand total of \$1,499,038.52 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.

BOND REFINANCING BIDS; BOARD ADOPTION OF RESOLUTION NO. B-1435:

Bond Counsel M. Greenough joined the meeting via phone.

Consultant A. Dashen presented a 2006 Bond Refinancing Summary to the Board outlining the five proposals received in response to the District's recent RFP (Request for Proposal). Four banks and one bond-issuing firm submitted proposals and, based on the review by Mr. Dashen and the District's Finance Director and General Manager, the recommendation was to proceed with the proposal received from Heritage Bank with a locked interest rate of 1.84 percent and no reserve account requirement.

There still remained the factor of the remaining surety bond/insurance policy in lieu of a reserve account on the refinanced 2006 bonds. As discussed at the March 25 meeting, there were two options: 1) to refinance all callable bonds; or 2) to leave the last maturity outstanding. Mr. Dashen recommended securing new surety insurance for the bonds.

Resolution No. B-1435, as prepared by Bond Counsel M. Greenough, was presented to the Board for adoption.

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The General Manager recommended the Board award the bond refinancing contract to Heritage Bank. Commissioner Rediske moved to award the bond refinance to Heritage Bank. Commissioner Korsmo seconded the motion. Commissioner Ghilarducci recused himself from voting on this matter due to a possible, remote conflict of interest in that he has a professional and personal relationship with a principal of the Bond-issuing firm that submitted a proposal. Therefore the motion passed.

The General Manager then recommended the Board adopt Resolution No. B-1435, authorizing the refinancing of the 2006 Bonds. Commissioner Rediske moved to adopt Resolution No. B-1435, and Commissioner Korsmo seconded the motion. Commissioner Ghilarducci again recused himself from the vote, so the motion passed. Commissioner Ghilarducci did, however, sign the adopted resolution as President of the Board, in that Heritage Bank, the institution chosen by the Board, was not mentioned in the bond resolution.

Messrs. Greenough and Dashen excused themselves from the meeting at that time.

WHOLESALE WATER UPDATE:

The General Manager briefed the Board on a meeting the District held with its wholesale partners on April 25 where they discussed the scope of work and cost allocation for Phase 1 of the Wholesale Transmission Main Extension as prepared by RH2 Engineers. The bulk of the \$82K contract for this project will be divided three ways between Summit Water & Supply Co., Spanaway Water Company, and Rainier View Water Company, with a cost of \$20-25K to the District which includes the cost of a hydrogeological analysis. The contract will be in the District's name. The contractor will bill the District, the District will pay the contractor and, after the District's \$20-25K is paid, the remaining funds will be invoiced and reimbursed to the District by the wholesale partners.

PONDERS FUNDING UPDATE:

The General Manager shared with the Board the good news that the legislature had awarded the District the \$1.5M proposed in the 2016 Budget for the first phase of the replacement of the Ponders Well Site water treatment facilities. Ponders serves the Tillicum, Woodbrook, and Springbrook areas as well as the District's wholesale water customers to the East in Pierce County.

In a memo from District consultant G. Peterson of Peterson Resources regarding potential risks in securing the additional \$1M needed for the replacement project as estimated by Kennedy/Jenks, he stated that both he and lobbyist B. Clarke were confident the additional \$1M would be awarded by the legislature in the next budget year based on their track record in fulfilling funding for projects they previously approved.

In the interim, the District will move forward with a strategy and timing recommended and outlined in the memo, including not going out to bid for work beyond the \$1.5M in hand before securing the remaining funding. Worst case scenario is the District would need to fund the remaining \$1M. The Board asked if the Public Works Trust Fund could cover this potential remaining cost. Normally, that would be possible and even probable, but the legislature again raided the Fund this year, so no funds were available.

The General Manager expressed the District's deep gratitude to Senator Steve O'Ban and Representative Christine Kilduff for all they did to champion this effort in both the Senate and House. Additionally, Senator Dammeier's leadership role on the Senate's Ways & Means Committee was critical to the success of this request being granted in such a tight budget year. To show their sincere appreciation, the Board signed letters of gratitude to Senators O'Ban and Dammeier and Representative Kilduff.

BOARD ADOPTION OF RESOLUTION NO. B-1433, MISCELLANEOUS CHARGES (repealing Resolution No. B-1400):

Resolution No. B-1433, covering the District's Miscellaneous Charges, was presented to the Board with two proposed changes from the recently adopted Resolution No. B-1400 on the same subject. The first change was the removal of all dollar amounts in the resolution, including them all in the Exhibit A which can be amended by motion in the future. This would do away with the need for a new resolution each time an amount changed. The General Manager recommended a second change in deleting the \$10 new account setup fee for tenants only (property owners would not be charged this fee). He had received input from staff regarding this fee, suggesting it seemed onerous to charge this fee on top of the \$50 deposit already paid by tenants (but not property owners) when signing up for service.

Commissioner Rediske moved to adopt Resolution No. B-1433, Commissioner Korsmo seconded the motion, and it was passed by a unanimous vote.

BOARD ADOPTION OF RESOLUTION B-1434, SICK LEAVE (repealing Resolution No. B-1359):

Resolution B-1434 was presented to the Board for adoption with the simple housekeeping item of removing outdated language in previous resolution No. B- 1359. Resolution No. B-1359 referenced the option for a retiring employee to convert sick leave beyond 480 hours into vacation hours 2 for 1 in the two years leading up to one's retirement, "...as defined by the Washington State Employee's Retirement eligibility." This had to do with the reportability of those hours to the Public Employee's Retirement System Plan 1 a number of years ago. No sick leave or vacation cash-out hours are now reportable to PERS in any PERS program; hence, the reference to a Department of Retirement Services provision is now mute.

Commissioner Rediske moved to adopt Resolution No. B-1434, Commissioner Korsmo seconded the motion, and it was passed by a unanimous vote.

BOARD ADOPTION OF RESOLUTION NO. B-1436, DECLARATION OF SURPLUS ITEMS:

Resolution No. B-1436 was presented to the Board, declaring the surplus of various items no longer of value or use by the District, to be sold at public auction or disposed of. Commissioner Rediske moved to adopt Resolution No. B-1436, Commissioner Korsmo seconded the motion, and it was passed by a unanimous vote.

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SUCCESSION PLAN UPDATE:

The General Manger presented an updated District Succession Plan to the Board. Five employees will retire within the next three years, with one retiring the end of 2016. This is a critical position, the position of Senior Accountant, targeted to be filled in July to allow for adequate training.

BOARD APPROVAL OF UPDATED WATER AVAILABILITY POLICY:

The General Manger presented an updated Water Availability Policy to the Board for its approval, more accurately and comprehensively capturing the District's policies and procedures in this area. Commissioner Rediske moved to approve the updated Water Availability Policy, Commissioner Korsmo seconded the motion, and it was passed by a unanimous vote.

SUPERINTENDENT'S REPORT:

The Superintendent's Report was provided to the Board in its entirety in the pre-agenda packets.

In the Capital Budget versus Actual area, the Seismic Upgrade Project was over budget by approximately \$200K due to inside-tank painting needs discovered in the start-up stages of the project. This is mitigated in large part by the South Tacoma Way Project contract bid coming in at a savings of \$194K. The Seattle Avenue Project was at \$140K under budget, but a change order was on the horizon that will claim some of those savings. The Tank Painting Project is \$50K over budget.

Pape & Sons is scheduled to begin demolition work on the South Tacoma Way Project May 9, beginning the water work on May 11. They'll complete all facets of the work on the west side of the street first and then start the work on the east side in September; the water part of the project should be completed by mid-October. This project will have significant impact on traffic and local businesses.

Commissioner Rediske asked what happened to the N2 Well rehabilitation. By the time the pump was pulled, \$15K of cost had already been incurred. The challenge is that the actual need is not known until you're into the heart of the situation, and there is no viable choice at that point but to see it through to completion. The District basically has a brand new well there now at a depth of 1063 feet. The N2 Well is the only well designated by contract to feed the Town of Steilacoom.

FINANCE DIRECTOR/OFFICE SUPERVISOR'S REPORT:

The Finance Director/Office Supervisor had nothing new to report.

OTHER BUSINESS:

Board Acknowledgement of Employee Wage Increases—wage increases were acknowledged by the Board for employees S. Jorgensen, J. Lea, S. Skipworth, and Z. Smith.

JLBM Financial Capability Review—the District received a request for multiple documents showing the District's financial capability. The request came from Defense

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Contract Management Agency (DCMA) out of Chantilly, Virginia, as contracted by JBLM. The volumes of information in response to the request were placed on a cd and overnighted to DCMA on April 11, 2016, with a hard copy of all documents being overnighted the next day.

Public Concern—Lead in Drinking Water—in light of the volume of recent press regarding lead found in Tacoma's drinking water, the General Manager wanted the Board to know the District ceased to use lead-bearing materials in the mid-1960s and, as much as possible, had removed most leaded goosenecks in the District's system over time, especially during the voluminous amount of repairs done as a result of the sewers coming through in the early to mid-1980s. The District is actively executing a plan to find and remove any remaining leaded goosenecks in its system. In the meantime, the District has been faithful and diligent in its testing for lead and copper in the drinking water, all with good results to date. The District was the first utility in the state awarded a waiver reducing testing requirements due to its years of good testing results.

District office staff had received approximately 36 calls from customers in response to the recent articles in the newspaper, most of which were to ask where they could get their water tested.

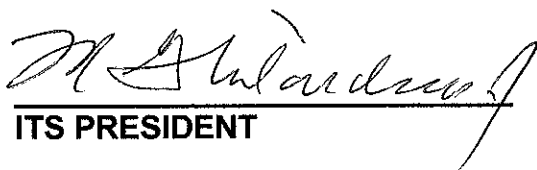
The District has good information posted on its website, with links to information from the Tacoma-Pierce County Health Department and Tacoma Public Utilities. This information is also included in the District's current newsletter presently going to customers in their bills.

PNWS Annual Conference—the General Manager invited the Commissioners to attend the annual conference of the Pacific Northwest Section of the American Water Works Association to be held May 4-6 in Boise, Idaho. The General Manager, current Chair of the PNWS, will chair this conference. He, along with three other staff members will be attending.

With no additional business to address, President Ghilarducci adjourned the meeting at 4:37 p.m.

**LAKWOOD WATER DISTRICT
BOARD OF COMMISSIONERS**

BY:



ITS PRESIDENT

BY:



BY:

N/A

ITS VICE PRESIDENT

ATTEST:

