

**LAKWOOD WATER DISTRICT
BOARD OF COMMISSIONERS
Minutes of Special Meeting
Thursday, June 29, 2017**

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.; General Manager R. Black; Superintendent I. Black; Finance Director D. Logan; District Secretary C. Butler; financial advisor A. Dashen; and commissioner candidate G. Barton. Commissioner Rediske was out of town on vacation and was not able to attend. The Board officially excused him at the beginning of the meeting. District general legal counsel J. Milne and bond counsel M. Greenough joined the meeting later in the agenda, as they were both delayed by traffic.

PUBLIC COMMENT:

President Ghilarducci asked Mr. Barton if he had any comment to make at this time; he replied he was simply there to listen.

APPROVAL OF MEETING MINUTES:

Commissioner Korsmo moved to approve the minutes of the May 18, 2017 Regular Meeting. Commissioner Ghilarducci seconded the motion, and it was passed by a unanimous vote.

FINANCIAL INFORMATION:

The Finance Director presented the May financials to the Board.

Disbursements made from the General Ledger Fund for check number 36837 through 37013 totaling \$700,545.33, payroll taxes totaling \$55,326.62, salary direct deposits totaling \$134,226.09, and other electronic payments totaling \$116,670.59, for a grand total of \$1,006,768.63 were presented to the Board for approval. After review, Commissioner Korsmo moved to approve the payables as listed, and Commissioner Ghilarducci seconded the motion.

Commissioner Korsmo inquired as to the District's recent bond payments as they were not included in the payables. Mr. Logan didn't have the payment information in front of him but stated he would get it to Commissioner Korsmo. He had intended for the principal payment made in May to be included in the electronic payments of the May payables, but it was missed due to a timing oversight. May's payables will be corrected to include the bond payment and reissued. The June payables will reflect the bond payment made in June. The motion passed by a unanimous vote.

ISSUANCE OF DISTRICT REVENUE BONDS:

This agenda item was deferred to later in the agenda due to travel delays for bond legal counsel M. Greenough.

BOARD AWARD OF TANK ASSESSMENT PROJECT:

Requests for Proposals (RFPs) were sent by the District to six engineering firms for this project. Three submitted proposals—KennedyJenks, Murraysmith, and RH2

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Engineering. Each firm was interviewed by District staff, including the General Manager, Superintendent, Pumping & Water Treatment Department Head, and Pumping Lead. In the interviews, kept to an hour in duration, the firms were invited to make a short presentation covering three primary areas: 1) tank condition; 2) recommendations and options; and projected life expectancies of the tanks.

All presentations were very well done. At the end of the District's review and analysis, the staff unanimously recommended RH2 Engineering, primarily due to analysis work they already performed for the District during recent FEMA projects. This would give them a higher, more advanced launching pad to the project, making the best use of time, resources, and a limited budget. The General Manager therefore recommended the Board award the project to RH2 Engineering. Commissioner Korsmo so moved, Commissioner Ghilarducci seconded the motion, and it was passed by a unanimous vote.

TOWN OF STEILACOOM WHOLESALE CONTRACT—EXECUTIVE SESSION per RCW 42.30.110(1)(i):

This agenda item was deferred to later in the agenda due to travel delays for the District's general legal counsel, J. Milne.

WHOLESALE WATER CONTRACT UPDATES:

This agenda item was also deferred to later in the agenda due to travel delays for the District's general legal counsel, J. Milne.

GENERAL MANAGER PROJECT UPDATES:

Ponders Well Site—The General Manager read a report he had received from District lobbyist B. Clarke earlier that day stating the Capital Budget was still on lockdown over the Hirst/Foster water right decision. The Senate's position was to not negotiate or pass a Capital Budget until the Hirst issue is resolved. Mr. Clarke stated this likely meant the Operating Budget would get done late on June 30th, and the legislators would come back later next week to address the Capital Budget.

There was some word of a possible Re-appropriations Only and Education Capital Budget, including only continuing existing funding levels for prior projects and funding for schools. Mr. Clarke felt the District had a better than 50 percent chance of getting more funding than the House funding level. He had talked with Rep. Muri, and he talked with House Capital Budget staff to make sure they understood this was an ongoing project, ready to go to bid this summer, making the case they should fully fund projects already underway versus starting to fund new projects.

City Permitting Process for Tree Removal—The General Manager discussed with City Community Director D. Bugher possible options for a more streamlined process for obtaining permits from the City to take down a hazard tree causing a main break or otherwise damage to the District's water infrastructure and/or leakage. Such options may include a) in the midst of a main break and/or emergency caused by a tree/tree roots, the District could remove the tree, repair the main, and circle back to the City for

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the permit; or b) be able to call to receive said "permit" over the phone and circle back for the electronic or hard copy. Mr. Bugher thought this sounded reasonable; the District awaits official word from the City on the matter.

Cross Connection Control—The General Manager and staff met with Mr. Bugher on June 2 concerning transferring the in-premise backflow devices to the City. The City explained they've been working on the financial background for implementing the in-premise isolation program and asked the District its cost for administering the Cross Connection Control Program. The City is questioning whether or not it might be in its best interest to leave the in-premise program with the District because of the costs of operating a program. The Finance Director will forward the District's budget breakdown for the Cross Connection Control Program.

SUPERINTENDENT'S REPORT:

The Superintendent's Report was provided to the Board in its entirety in the pre-agenda packets. Contractor Johnson & Maddox is making progress on the Arrowhead Phase 1 project. The District is setting up engineering on next year's projects now to try to get jobs out to bid this winter to get better pricing; construction start dates would be after the new year.

Commissioner Korsmo said he was approached at his Lakewood Rotary Club about the possibility of the District donating some water main to connect to a new amphitheater at Fort Steilacoom Park. The City of Lakewood and the Lakewood Rotary Club are partnering on the amphitheater project, but there is not adequate water pressure or flow to support the project. The District's water main only reaches as far as serving for irrigation and the bathrooms at the entrance to the park; the rest of the park is on the Western State Hospital water system which is inadequate to support this addition to the park. Approximately 300 feet of water main and a fire hydrant would need to be installed by the District to be able to provide adequate fire flow.

A recent round of leak detection revealed fewer than 30 leaks identified. A full report was not yet available.

FINANCE DIRECTOR/OFFICE SUPERVISOR'S REPORT:

The District received its first large check from the L&I (Labor & Industries) pool through WASWD (Washington Association of Sewer & Water Districts) in the amount of \$17,829.54. This will more than mitigate the District's annual WASWD dues, especially in light of a recent dues calculation restructuring that reduced the District's dues from \$17-18K to \$11-12K/year. Mr. Logan served on the dues calculation restructuring committee and therefore was able to assist with the process.

Customer Service Representative II M. Thomas was recently promoted to Accounting Specialist I, filling a vacancy left earlier this month.

WHOLESALE WATER CONTRACT UPDATES:

Mr. Milne arrived at the meeting, so President Ghilarducci proceeded with this agenda item at that time. The District met with wholesale water partners on June 6 to discuss

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and address the concerns outlined in the May 8 letter from the partners regarding the proposed contract. A. Sanchez-Virnoche of FCS Group attended to assist with model and contract explanations and examples. Most of the issues were resolved through clarification and discussion.

A list of proposed responses to five remaining issues was presented to the Board for the Board's approval. Those matters were regarding 1) equal treatment/service for both wholesale and retail customers; 2) composing an Operations Committee of wholesale partners, as provided for in the District's wholesale contract, to keep them informed, aware, and with a platform for input on the District's annual capital improvement program; 3) depreciation credit for wholesale assets replacement; 4) a cap on increases of operating costs; and 5) confirmation that 59 percent of the District's water system (water mains 8 inches and larger) is utilized to deliver wholesale water.

The General Manager, with staff concurrence on all matters, recommended 1) equal treatment/service be granted for both wholesale and retail customers and 2) an Operations Committee be implemented once wholesale contracts have been amended. The parties understand that, ultimately, the District has authority to proceed in the best interests of the District. The proposed response to matter 3) was a) the District considers the funding of depreciation much like a sinking fund and recommended this mode of operation in these wholesale contracts; and b) there is no rate of return for prepayment of wholesale assets funded by the partners, so there would be no credit on the rate of return for wholesale assets. The proposed response to matter 4) included the recommendation to include an annual true-up for actual operation and maintenance costs; and 5) it was confirmed by an engineering analysis by Murraysmith that actually 61 percent of the District's water system is utilized to deliver wholesale water. For consistency in the contacts, the General Manager recommended the District retain the rate of 59 percent.

In conclusion, the General Manager recommended the Board adopt these changes and/or responses to the District's wholesale contract and/or customers. Commissioner Korsmo moved to approve the changes as presented, Commissioner Ghilarducci seconded the motion, and it was passed by a unanimous vote.

The District will follow the lead of legal counsel J. Milne as to whether it proceeds with amendments to existing contracts and a new contract for Firgrove or new contracts for all.

ISSUANCE OF DISTRICT REVENUE BONDS and ADOPTION OF RESOLUTION NO. B-1440:

Bond legal counsel M. Greenough was able to join the meeting, so President Ghilarducci proceeded with this agenda item at that time.

District financial advisor A. Dashen presented a 2017 Bonds Update. The components consisted of the current bond market (showing low interest rates, making it a good time to sell bonds); District outstanding bonds and 2017 bonds; estimated sources and uses of bond proceeds (totaling \$7,356,367); bond rating (AA-); and the District's bond

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schedule. With Board approval, the Preliminary Official Statement would be released June 30, with bond pricing occurring on July 13, and the bond closing and funds available July 27.

District bond counsel M. Greenough presented bond resolution No. B-1440 to the Board for adoption. A delegation bond, this resolution authorizes the General Manager to sign the Bond Sale Agreement. Commissioner Korsmo noted the resolution stated the bond proceeds were in the amount of \$9M. Mr. Greenough stated he would amend that to the intended, "not to exceed \$9,000,000" and forward new pages as appropriate. Commissioner Korsmo moved to adopt the resolution as amended, Commissioner Ghilarducci seconded the motion, and it was passed by a unanimous vote.

Mr. Greenough stated his firm's fee was a fixed fee, so he was available to help at any time, all for the same cost.

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

OTHER BUSINESS:

Board Acknowledgement of Employee Wage Increases—the Board acknowledged annual wage increases for employees M. Thomas and K. Wyckoff.

Board Declaration of 2017 Surplus—The General Manager presented a list of computers, printers, and GPS units to be declared surplus by the Board, no item on which was valued at \$2500 or more. On the list were two GPS Trimble Juno 3B units the District no longer needs. Trimble had discontinued the Juno line, but there are organizations eager to buy these units used. Subsequently, the District plans to sell these units to the University of Washington. These used units sell for between \$400 and \$700 [the District sold them the next day for \$500 each].

July Commissioner Meeting—With the bond sale closing on July 27, the General Manager asked if the Board wanted to move the monthly meeting to the 27th or have two meetings, the regularly scheduled meeting on the 20th and a special meeting on the 27th. The Board agreed on the 27th only.

Testing for PHOS and PHOAs—There are three drinking-water wells on JBLM with contaminant levels exceeding the EPA's (Environmental Protection Agency) health hazard limits. The District received word from S. Hulsman of the State Department of Health that the State may have monies to help fund sampling, estimated at \$30-35K. This would pay for sampling for these contaminants in the District's Ponders wells for a full year and therefore should not be a hit to the 2018 Budget.

ACE in Philadelphia—The General Manager thanked the Board for allowing staff to attend the American Water Works national annual conference in Philadelphia June 11-14. Five District staff members were able to attend. It was especially significant to staff in that a fellow member of the Pacific Northwest Section was sworn in as president of AWWA for the coming year.

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2018 Staffing Needs (needing 2017 action)—The General Manager reported some information had come to his attention recently that caused him to rethink 2018 staffing plans, with a recommendation to take action in September 2017. The retirement date for Pumping and Water Treatment Department Head D. Hall is October 10, 2018; however, if circumstances permit, he plans to leave the District as early as June, utilizing accrued but unused vacation and sick leave according to District resolution to cover those months. This potentially takes four months of training, preparation, and transition time away from filling this very critical position in the District and all the domino effect that comes with it.

Therefore, the General Manager recommended the District hire a Water Utility Worker I in September 2017 to help with this process and be trained and ready to go in January when other major transitions will take place. The staff found funding in the budget, some by savings in payroll and projects and some by deferrals in the areas of tools, truck fuel, and maintenance. The Board concurred.

TOWN OF STEILACOOM WHOLESALE CONTRACT—EXECUTIVE SESSION per RCW 42.30.110(1)(i):

President Ghilarducci informed Mr. Barton the Board was about to go into Executive Session on a matter and, therefore, invited him to give any final Public Comment prior to going into Executive Session. He declined the invitation to make comment and excused himself from the meeting at that time.

At 5:01 p.m., President Ghilarducci called for a 15-minute Executive Session to discuss contract negotiation matters with legal counsel J. Milne. At 5:16 p.m., President Ghilarducci called for an additional 5-minute Executive Session. At 5:21 p.m., the second Executive Session concluded and the open Special Meeting resumed. No Board action was taken.

With no additional business to address, President Ghilarducci adjourned the meeting at 5:25 p.m.

**LAKWOOD WATER DISTRICT
BOARD OF COMMISSIONERS**

BY:



ITS PRESIDENT

BY:




ITS SECRETARY

BY:



ITS VICE PRESIDENT

ATTEST:



DISTRICT SECRETARY