

**LAKWOOD WATER DISTRICT
BOARD OF COMMISSIONERS
Minutes of Special Meeting
Thursday, July 27, 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., G. J. Rediske; General Manager R. Black; Superintendent I. Black; Finance Director D. Logan; District Secretary C. Butler; and Secretary T. MacDougall. A. Dashen of Northwest Municipal Advisors and Lindsay Sovde of Piper Jaffray joined the meeting later in the agenda via phone.

PUBLIC COMMENT:

No members of the public were present.

APPROVAL OF MEETING MINUTES:

Commissioner Korsmo moved to approve the minutes of the June 29 Special Meeting. Commissioner Ghilarducci seconded the motion. Commissioner Rediske recused himself from voting as he did not attend the meeting. The motion was therefore passed.

FINANCIAL INFORMATION:

The Finance Director presented the June financials to the Board.

Payables—

A revised set of the payables approved at the June 29 meeting was presented to the Board including bond payments made in May that were previously not included in the payables listing by mistake due to timing.

Subsequent disbursements made from the General Ledger Fund for check number 37014 through 37148 totaling \$1,594,798.11, payroll taxes totaling \$57,219.17, salary direct deposits totaling \$138,301.05, and other electronic payments totaling \$67,873.05, for a grand total of \$1,858,191.38 were presented to the Board for approval. After review, Commissioner Rediske moved to approve both sets of payables as listed. Commissioner Korsmo seconded the motion, and it was passed by a unanimous vote.

BOND SALE REPORT:

A. Dashen of Northwest Municipal Advisors (District financial advisor) and L. Sovde of Piper Jaffray (District bond underwriter) joined the meeting via phone to offer a report to the Board regarding the District's bond sale that occurred July 13 with the closing and receipt of bond proceeds earlier that day, July 27.

The District's bond rating from Standard & Poors was again AA-. Mr. Dashen reported this is one of the highest ratings amongst water and sewer districts and as high as any entity he works with. The District had opportunity to have a conference call with the two analysts of Standard and Poors to review the District's credit rating. They shared the

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facts surrounding the credit rating given and their evaluation of the District's strengths and weakness. There were still many of the same aspects as two years ago, but there were some real positives they felt could help the District in the future to possibly move to an AA rating. The first one had to do with the additional and new wholesale income. In their opinion, this brings more financial capacity to support the District without having to put all the burden on current rate-payers. Secondly, the institution of the financial policies and criteria was mentioned.

Piper Jaffray has a large selling network with six underwriters across the country. The bonds were sold to a number of commercial and personal investors. Par proceeds would have been \$7,140,000, but the District's bonds were sold at a premium, bringing \$7,308,000 in proceeds. The money will be transferred to the District's local investment pool.

WHOLESALE CONTRACT UPDATES:

Town of Steilacoom. The District is waiting on the results from Murraysmith's analysis of how much of the District's system delivers to and supports the town with the 2,000 gallons-per-minute average daily quantity and 4,500 for fire flow. Staff hope to meet with the Town in the next couple of weeks.

Firgrove. According to General Manager L. Jones, the board of Firgrove Mutual Water was going to be voting at the July 18 meeting to move forward with 2.0 million gallons per day (mgd) coming from Lakewood Water District. The District received no word from Mr. Jones that week, and he is on vacation the week of July 24, so it will be next week before the District can receive a report.

Summit. According to General Manager Darryl Scott, the first meeting with Summit's board went well and their second meeting is scheduled to take place today/this evening, July 27. Mr. Scott felt very confident his board would approve purchasing an additional 1.0 mgd; that, with their present 2.0 mgd currently under contract with the District, will total 3 mgd. District General Manager spoke with Mr. Scott earlier today. Summit has constructed a new main in their system to be able to take more water. They are wanting to now test the system to see if it will handle 3 mgd. Consultant S&B will make changes to the software to change the present 2 mgd limits to allow for 3 mgd. Summit's Board is ready to sign the contract for the additional 1 mgd as soon as they receive final numbers (costs) with whomever is involved.

Spanaway. It appears the District won't have a final answer from Spanaway Water until September at the earliest, and perhaps October. Spanaway's board will be considering a proposal from Tacoma Water and has expressed concerns surrounding the contamination at the wells on JBLM. Tacoma Water will make a presentation to Spanaway's board in August, and the District will make a presentation in September.

Rainier View Water is 100 percent committed and is waiting to have their confirmed costs once all the parties are committed. Rainier View is already under contract for 2.0 mgd; they are looking for an additional 1.0 mgd, for a total of 3.0 mgd.

GENERAL MANAGER PROJECT UPDATES:

Wholesale Transmission Main Extension—The District General Manager and Superintendent met with Pierce County officials to discuss the possible routes for the Wholesale Transmission Main Extension in a cooperative effort to avoid any unexpected conditions in construction for the pipeline. The County was very supportive and shared that it has a lot of projects scheduled for 2018. There is a five-year moratorium on new roads (penalties if you cut into a road fewer than five years old), so timing is of the essence. The County has no idea yet what those penalties might be.

RH2 is compiling all the information on the routes. RH2 has come up with two different scenarios that will work whether Spanaway Water is in or out in receiving water from the District. The District plans to schedule a meeting with the wholesale partners in the next two weeks to discuss the information RH2 has gathered.

In-premise Cross Connection Control Program—City officials have compromised on the costs associated with taking over in-premise backflow devices and are now willing to recommend to the City Council to pay the annual \$18,500 for the District to manage the program. The City sent over a list of all additions, remodels, and business changes the District wasn't included in that may be places where potential cross connections exist. Without a clear knowledge of how much work will go into checking on the unknown number of permits for these additions, remodels, and business changes, the District added \$40,000 per year for two years to complete the lists from the City, conducting windshield survey inspections.

This matter will go before the City Council on August 14; General Manager Black will attend for the District. Once approved, a five-year Memo of Understanding will be generated between the District and City, and the District will amend its current Cross Connection Control resolution. It will most likely be this fall or winter before the parties are ready to sign all related documents and the District is prepared to officially—and with granted legal authority—take over the in-premise program.

Ponders Well Site— No capital budget was approved by the state legislature. The Republican-held Senate is standing steadfast to its position that they fix the Hirst decision before they will approve the 2017-2018 budget. This means no monies are presently available to the District for this project.

It appears the District will have to delay building the Ponders treatment facility with only half the financing secured. This will result in approximately \$100,000+ in carryover costs until the next legislative session. The District has worked tirelessly on this matter, and District legislative representatives have worked very closely with the District in

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helping to promote the \$1.8 million coming through the Senate's budget. The District now anticipates starting construction on this project in the spring of 2018, once the next legislative session is concluded and the monies approved in the budget. Design is at 90 percent completion; the only delay is the need for the remaining funds. In the meantime, the District will rent space to store the equipment already purchased for the facility.

SUPERINTENDENT'S REPORT:

The Superintendent's Report was provided to the Board in its entirety in the pre-agenda packets. Johnson & Maddox is behind schedule, halfway thru laying the main on the Arrowhead Phase 1 R&R project. This project will also include 163 water services. Design work is being done on the Silcox R&R project. It includes a main going thru customers' property for which the District cannot locate easements, so District staff are working with the property owners on this matter.

FINANCE DIRECTOR/OFFICE SUPERVISOR'S REPORT:

Mr. Logan had nothing to report.

OTHER BUSINESS:

Board Acknowledgement of Employee Wage Increase—The Board acknowledged an annual wage increase for employee W. Slemp and two six-month merit increases for new-hires R. Alvis and F. Tuitasi.

Regional Water Cooperative of Pierce County Annual BBQ—The General Manager invited the Board to attend the Co-op's annual BBQ and meeting at Sunnyside Beach in Steilacoom on Thursday, August 10, beginning at noon.

Request for Letter of Support—The General Manager informed the Board he had been nominated to serve as the Director for the Pacific Northwest Section/American Water Works Association and asked if the Board would be willing to sign a letter of support. The Board concurred.

Revised Uniform Policy—The General Manager presented a revised version of the District's Uniform Policy, now affording field staff new-hires a stipend of \$300 to be able to purchase District-required gear and equipment. The Board reviewed the revised policy and concurred with the change.

JBLM PFOS and PFOAs—A report from the State Department of Health stated the District should be very relieved as the levels of these contaminants in District wells are very low, and none have increased from initial sampling. The General Manager will continue to keep the Board informed on this matter.

With no additional business to address, President Ghilarducci adjourned the meeting at 4:50 p.m.

LAKWOOD WATER DISTRICT
BOARD OF COMMISSIONERS

BY:



ITS PRESIDENT

BY:



ITS VICE PRESIDENT

BY:



ITS SECRETARY

ATTEST:



DISTRICT SECRETARY