

**LAKWOOD WATER DISTRICT
BOARD OF COMMISSIONERS
Minutes of Regular Meeting
Thursday, September 17, 2015**

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; and District Secretary C. Butler. Finance Director/Office Supervisor D. Logan joined the meeting at approximately 3:50 p.m.

PUBLIC COMMENT:

No members of the public were present.

APPROVAL OF MEETING MINUTES:

Commissioner Rediske moved to approve the minutes of the August 25, 2015 Special Meeting. Commissioner Korsmo seconded the motion, and it was passed by a unanimous vote.

FINANCIAL INFORMATION:

The Finance Director was not yet present at the meeting, so President Ghilarducci moved this matter to later in the agenda.

BOARD AWARD OF I-5 CROSSING AT SEATTLE AVENUE PROJECT:

The District received five bids on September 9, 2015 for this project with an Engineer's Estimate of \$1,260,275. The low bidder was R. L. Alia Company of Renton, Washington at \$1,152,392.25; the second-lowest bidder was James W. Fowler of Dallas, Oregon at \$1,192,458.91; and the third-lowest bidder was 3 Kings Environmental of Battle Ground, Washington at \$1,494,217.50.

District legal counsel from Short, Cressman & Burgess conducted a legal background check on R. L. Alia and Fowler and found that neither contractor showed pending lawsuits. However, when looking over the Washington Department of Labor & Industries' (L&I) records on R. L. Alia Company, some issues showed up regarding safety violations which were concerning. This is the first time Alia Company has worked for the District, so the District will emphasize more than normal its concerns to Alia Company regarding safety for all on this project, and the District's Construction Inspector will keep a close eye on the contractor. References on previous projects done by Alia Company were also checked, all coming back positive. District engineering consultant CHS Engineers also gave Alia a good recommendation, having done work for them in the past.

The General Manager recommended the Board award the project to R. L. Alia Company. Commissioner Rediske so moved, Commissioner Korsmo seconded the motion, and it was passed by a unanimous vote.

UPDATE ON INTERLOCAL AGREEMENT WITH CITY OF LAKEWOOD RE. OVERSIGHT OF IN-PREMISE ISOLATION BACKFLOW DEVICES:

The District has been endeavoring to work out an agreement with the City of Lakewood on the oversight of backflow devices and inspections located within a property or business in the city limits. The District has responsibility under WAC 246-290-490 to protect the water distribution system by implementation of a cross connection control program, and the City has the responsibility to protect in-premise water under WAC 246-290-490. The City can grant the District the authority to handle the in-premise inspection responsibilities through an interlocal agreement, and such an agreement was submitted to the City by the District over a year ago. The City has now brought back to the District this agreement with minor changes.

As part of this agreement, the District is seeking compensation for the hours it takes to manage the in-premise part of the Cross Connection Control Program, for which the City would normally be responsible. The District's estimate of the cost for administering the in-premise side of the Cross Connection Control Program is approximately \$18,000 per year. At this point in time, the City's Community Development Director is comfortable with this amount. The agreement speaks to using the greater Seattle-Tacoma-Bremerton Consumer Price Index percentage for the annual fee increase going forward. The contract is presently being reviewed by legal counsel J. Milne of Inslee, Best, Doezie & Ryder, and the General Manager hopes to present a final contract for the Board's approval at the October 15 Regular Meeting. The contract will be provided to the Board prior to the meeting for review.

JBLM PRIVATIZATION UPDATE:

The General Manager reported the District proposal team was continuing to work through the various components and requirements of the proposal and was beginning to get numbers calculated. There would be approximately \$280K/month in Operations & Maintenance costs including markup. R&R and Capital costs would be at about \$4.8M a year, for a total of a little over \$8M a year in costs.

A detailed report will be provided to the Board at the October meeting. Consultants Gray & Osborne, FCS Group, and legal counsel M. Greenough will be in attendance to provide information to the Board and field any questions the Board has.

Tacoma Public Utilities will not be submitting a proposal to JBLM on either the water or power side. Tacoma Water Deputy Superintendent reported their largest issue was the cost element for the 50-year R&R program that can only be adjusted based on a consumer price and tax agreed on by both the military and the proposer.

The General Manager has continued to endeavor to discuss a possible MOU (Memo of Understanding) or partnership with Pierce County. Pierce County had previously told the District it wanted to have an MOU that would allow the County to work with either the District or Tacoma Water if either was successful. The General Manager will put in a call to Council Member D. Richardson on September 18 to find out if there was any movement from a meeting Mr. Richardson had regarding this matter on September 14.

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The General Manager and Superintendent spoke with a proposer for the Tinker Air Force Base water system privatization in Oklahoma near Oklahoma City that had just submitted a similar proposal, in an endeavor to learn more about the process and how they worked through it, etc. Their scenario was very different in that there were no other bidders. In talking with the proposer in Oklahoma City, it was learned that a firm in Oklahoma called Gernsey has previously worked with the military in developing "should costs" to compare against pricing in proposals. District consultant S. Bash of FCSG is checking to see what they would charge to check the District's costs and advise accordingly.

Commissioner Ghilarducci asked if the District could run into roadblocks regarding "agreeing" with the military re. 50-year R&R program cost adjustments, as Tacoma mentioned. The General Manager stated he felt the District had enough fail-safe measures in place in its pricing, but there are no guarantees. Commissioner Ghilarducci also stated he wanted to make absolutely certain that the JBLM operations would be kept separate from the District's, such that JBLM would not affect the District or its customers. The General Manager stated District bond counsel M. Greenough thinks the District can keep the two entities separate and has a good plan for the District. Commissioner Ghilarducci stated he wants to have clear guidance to protect the District.

FINANCIAL INFORMATION:

The Finance Director presented the August financials to the Board.

Disbursements made from the General Ledger Fund for check number 34168 through 34279 totaling \$296,195.06, salary direct deposits totaling \$128,321.00, payroll taxes totaling \$48,413.39, and other electronic payments totaling \$79,981.05, for a grand total of \$552,910.50 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.

FINANCE DIRECTOR/OFFICE SUPERVISOR'S REPORT:

The Finance Director/Office Supervisor, Assistant Office Supervisor, and Accounting Specialist attended the recent WFOA (Washington Finance Officers Association) annual conference held this year in Tacoma and reported it to be very valuable and beneficial.

The State Auditors are expected to arrive for this year's audit before the end of the month.

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 stated the Veterans Drive Phase 4 R&R project was progressing well; contractor South Bay Excavating, Inc. was finishing the main installation today and starting to install services on Monday.

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The installation of up to 1600 AMI Customer Service Portals is nearing; staff is narrowing down when it can be integrated with the District's system. The District's IT Technician will be discussing this matter with Ferguson on Monday.

OTHER BUSINES:

Board Acknowledgement of Employee Wage Increases—the Board acknowledged wage increases for employees C. Bledsoe and A. Dickens.

No Need for October 12 Special Meeting—there is no longer a need for a Special Meeting of the Board on October 12. The October 15 Regular Meeting will commence at 3:30 p.m.; the General Manager warned the meeting will be a couple hours in duration to discuss a summary of the JBLM proposal.

Request for Board Approval to Close District at 1 p.m. for Holiday Luncheon Annually—the Board has graciously allowed the District staff to close the office for "half a day" (1-5 p.m.) for a holiday luncheon the last few years around the Christmas holiday, with the Employee Fund either catering a luncheon in the District Board Room or, the last couple years, hosting a luncheon at the local Ram restaurant. The General Manager asked if the Board would consider making this an annually approved benefit to close the District office at 1 p.m. on a designated day in December and allow staff to attend a holiday luncheon. Each year the General Manager would come to the Board with the proposed date. This year, the requested date is Friday, December 18. The General Manager stated he would present a resolution to the Board for adoption at the next meeting if the Board concurred. The Board concurred.

The General Manager thanked the Board on behalf of all the staff; and with no additional business to address, President Ghilarducci adjourned the meeting at 4:43 p.m.

**LAKWOOD WATER DISTRICT
BOARD OF COMMISSIONERS**

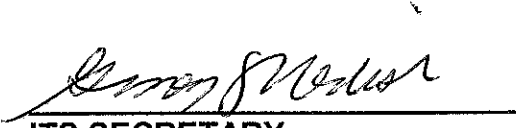
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ITS PRESIDENT

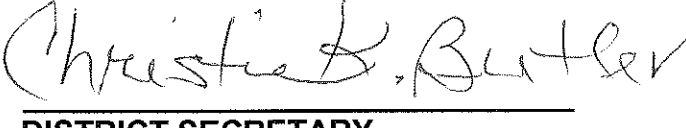
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ITS VICE PRESIDENT

BY:


ITS SECRETARY

ATTEST:


DISTRICT SECRETARY