

**LAKWOOD WATER DISTRICT  
BOARD OF COMMISSIONERS  
Minutes of Special Meeting—2015 Budget Workshop  
Thursday, October 16, 2014**

The Special Meeting was called to order at 8:30 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; Department Heads D. Hall and B. Gaskin; Consultant Engineer C. Gibson; Foreman S. Rae; Pumping Lead D. Stanley; District Secretary C. Butler; and Secretary T. MacDougall.

**PUBLIC COMMENT:**

No members of the public were present.

**GOALS AND OBJECTIVES FOR 2014 BUDGET:**

In introduction to the Budget Workshop, the General Manager asked the Board to share with him and the staff any and all questions, input, and direction as the staff moved through the agenda. A budget theme had not yet been selected but was in process.

**Implementation of District 50-year R&R Program**—the General Manager reported that all the efforts put forth by the District and its staff regarding this program in 2013 had paid good dividends, with little push-back on the 50-year R&R Program, or the new rate structure in place since March. The District also received a good rate on the bond sale in 2014 with funds primarily to pay for the AMI Meter Replacement Program. Of the calls received from customers, only about 25 percent were less than favorable.

The District continues to maintain good, current, accurate information on its website via the 50-year R&R Program logo, as well as on billings, quarterly newsletters, and the Annual Report.

**District Meter Replacement Program**—this program, scheduled to begin in July, commenced in August. The District had to work out some coordination issues with the contractor (Ferguson), and some timing issues resulted in some delays. Insufficient training for the installer (Apex CoVantage) combined with a number of personnel turn-overs presented challenges and additional time delays at the onset of the program. The condition of the infrastructure additionally presented some challenges resulting in time delay. However, Ferguson and Apex have a plan to catch up and still planned to complete the program by year-end. Ferguson plans to bring an installer group in to supplement installation to meet the goals of completing the project by year-end; however, the Superintendent stated he believed it would be closer to end of January 2015. The Ferguson installers will start with the larger meters and work toward The Superintendent reported 5200 of 16,500 meters had been exchanged to date.



**Return system maintenance to proper levels in 2014**—After a number of years of deferred maintenance due to a struggling economy and rate increases to customers, it was a goal of the 2014 Budget to bring maintenance back up to acceptable levels. While some temporary help did get to provide some much needed maintenance to sites, with the meter clean-out program and the other work of the District, District staff did not get to needed maintenance in the areas of valves and hydrants. Some maintenance will be performed by year's end, but not the amount needed. This maintenance, along with maintenance of the new meter facilities will be moved forward to the 2015 Budget.

**Restructuring of Plan for Tablets for Field Staff to include software**—turnover in the District's IT Technician staffing presented delays in the executing the District's plan to obtain tablets for field staff. This may have served the District well, in that at the American Water Works Association's national conference in June, what is believed to be a better, more productive and efficient solution was discovered—that of full work order management software versus simply digitized tablets. It was decided to put the tablets on hold to do the necessary research on the work order management software, and this will be presented in the 2015 Budget.

**REVIEW OF 2014 BUDGET TO DATE:**

**Capital and R&R**—the General Manager and Superintendent reviewed with the Board capital and R&R projects completed in 2014. Two R&R projects were completed—Lakeholme Road and Sylvan Park Phase 1. City of Lakewood projects slated for 2014 did not come into fruition, except for a project on Bridgeport Way from 75<sup>th</sup> to 83<sup>rd</sup> coming out next week. The District formed an agreement with the City for the City's contractor to install the water main for this project. Design work is complete on the I-5 at Seattle Avenue Project where the District has an agreement with Pierce County to use their casing underneath I-5. Design is also complete on the Wisteria Water Main Project, scheduled to go out to bid in November; however, construction may not commence until early 2015.

**P&L**—the Finance Director reviewed the Profit & Loss Summary Income Statement with the Board, with eight months of actuals and four months forecasted figures. The District is slightly ahead of budget at this time. The Finance Director reviewed with the Board the variances between the 2014 Budget and 2014 Forecast. The variances were in three main categories—deferral of valve maintenance, deferral of hydrant maintenance, and City of Lakewood projects planned that did not come into fruition.

In reviewing the P&L detail, the Finance Director pointed out that District General Operations and Maintenance and R&R are being accounted for as two separate funds. Water sales were down slightly from 2013, even with all the hot weather in 2014. Across the country, water consumption is decreasing. The Northwest used to be known for its water consumption; now it is only at the national average.

**DEPARTMENT HEAD HIGHLIGHTS OF 2014 ACTIVITIES:**

**Construction/System Maintenance Department**—Department Head B. Gaskin reviewed highlights of 2014 activities in his department. Valve Maintenance—this area



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is typically covered July thru October, but the Meter Replacement Program has taken the manpower in 2014, plus the department is short-staffed after unexpected personnel losses. Some maintenance will get accomplished by year's end, but the Meter Replacement Program will be priority. The same has been true for Hydrant Maintenance; only emergency repairs have been done. Meter Maintenance is over budget by \$25K due to needed register replacement in the course of the Meter Replacement Program.

**Pumping, Water Treatment, and Storage Department**—Department Head D. Hall Reported he started the year with four personnel but lost one to the AMI Meter Replacement Program field inspection work and lost another to another water purveyor. Therefore, the staff focused on peak demands and high priority maintenance. He was proud to report that with the highest number of 80-degree days in recorded history, there was uninterrupted water service to District customers.

Mr. Hall distributed a 3½-page outline of 2014 activities including various replacements and upgrades occurring in 2014 in the areas of source meters, pump motor starters and assemblies, on-site generator, AUMA valve actuator, and chlorine injection pumps. Phases 1 and 2 of the SCADA upgrade program were completed in 2014. Installation of Phases 3 and 4, which complete the program, are scheduled for early 2015.

**FINANCE DIRECTOR/OFFICE SUPERVISOR HIGHLIGHTS OF 2014 ACTIVITIES:**

The Finance Director reported a new rate structure was implemented this past year which included the Replacement and Rehabilitation (R&R) fee. This fee is based on meter size. The District had a proactive customer awareness program regarding this new rate structure with the creation of the Citizen Advisory Group (CAG). There was little feedback from customers with the first two to three monthly billings, approximately 25 to 30 customers per month called to inquire about the new structures and questioned the R&R fee. Once the summer bills were generated and mailed out, the amount of customer calls and inquiries increased by about double.

The 50-year R&R Program will be paid half by rates and half by debt. The District conducted a \$9.9M bond sale in March when the bond market was at a premium.

In April of 2014, a Request for Proposal (RFP) for a new banking service was initiated. The District chose to go with Key Bank which had reduced costs and has brought new technology to the District as well as better service.

In August of 2014, the Automated Meter Infrastructure (AMI) project went underway making all meters automated. The first bills going out would show two separate meter reads, one from the old meter and one from the new meter. Once a full two-month billing cycle has been installed, the bills will revert back to just the one reading on them which will occur in approximately the next week or two. So far, the process has been going well. The Office Supervisor wanted to recognize the District's IT technician P. Kang as he has been instrumental in the entire process of coordinating the new AMI system "talking" to the District's emGov software. Mr. Kang will also be involved with the implementation of tablets coming sometime in the near future. The General



Manager wanted to compliment the Superintendent, Finance Director, and the rest of the staff on the changes that had been implemented this year.

Updated Water Service Connection charges and GFC charges were presented to the Board for consideration and direction at the September 25, 2014 meeting. Both updated charge schedules will come to the Board via revised Resolution Exhibit for approval by motion. New Water Service Connection Charges will be effective January 1, 2015. New GFC Charges will become effective in three stages, effective January 1, 2015, 2016, and 2017 respectively.

**DISCUSSION AND OVERVIEW OF 2015 PROPOSED CAPITAL AND R&R PROJECTS:**

**Tablets and software**—The District had slated \$130K for the GIS program but found a company with a work order management software for tablets that automatically inputs information into the system rather than manually inputting it. One of the District's temporary employees has experience and education in GIS, so the District will be contracting with him for the next year to run the program. Costs are significantly lower than originally budgeted for. This new software can generate work orders and send them to the technicians through the tablets. Once the work is done, the software moves the information directly to accounting and billing. Lucidity is one of the companies the District is looking at. Five to six other agencies in the local area currently utilize Lucidity and have had good success. The District plans to move forward in budgeting for this software in the 2015 Budget.

**R&R**—A number of R&R projects had been slated for 2014 but only two materialized so far—the Lakeholme Road Project and Sylvan Park Phase 1. A number of City of Lakewood projects that had been slated for 2014 did not come into fruition. The General Manager reviewed with the Board a list of carry-over R&R projects. Of the projects on that list, the City's Bridgeport Way Project (75<sup>th</sup> to 83<sup>rd</sup>) is now under way and should be completed by year's end. The Wisteria (I-5 to South Tacoma Way), Sound Transit, and Bridgeport Way (123<sup>rd</sup> to San Francisco) will go to bid in 2014, but work will not comment until 2015.

**AMI**—Ferguson Waterworks will join forces with Apex to meet the program installation goals. Ferguson will begin with the installation of meters 3 inches and larger and then will work their way down to augment Apex's work with installing the remaining 1½ and 2-inch meters. The District is starting to see the benefits of the program in being able to show customers their exact usage through Logic as well as provide a great deal of information regarding customer's usage from continuous use (possible slow leak) to usage on low-flow customer meters. The District has seen increases up to 300% on billings from capturing all flows.

**Mini-excavator/meter testing benches**—The purchase of a mini-excavator was being proposed as a purchase in 2015 to help the District work in the right-of-way and being able to work in one lane at a time, being able to use remaining lanes for traffic flow, versus the backhoe which takes up two lanes at a time to utilize. It was proposed the District would keep the 410 backhoe and trade in the 310.



It was also proposed to purchase a meter-testing bench that will be able to test the District's new meters up to 2 inches and read down to the accuracy levels of the new Iperl meters. The District's present meter can only read one meter at a time and does not read to the level of the Iperls. It was suggested the District could possibly provide a meter-testing service to other utilities in the Regional Water Cooperative of Pierce County for a charge that would benefit these local water utilities while mitigating the cost to the District.

**Staffing Hours**—Currently, the District has enough staff to keep up with current mandatory requirements, however, there is not enough staff to keep up with levels of training and maintenance. A staffing spreadsheet was provided to the Board to show a need for 34K man hours, but as of September 2014, the District only had 30K hours. Extra hours would be available with the meter reader not being needed after the AMI project is complete, however, meter box cleanouts and inspection of meters will be needed which will utilize the meter reader. Longtime employee M. Landon will be retiring next year, and it was proposed to not replace him, but the District is seeing now that this position should be replaced. Pumping Department Head, D. Hall, was planning on retiring soon but has decided to stay a few more years. The District has always tried to keep minimal staff but is continuing to fall behind in maintenance and other areas; plus, there has been no time for staff to improve with training or build good cross-training. The General Manager will be proposing to replace M. Landon's position after retirement and add one extra employee in 2015 to enable the District to return to proper levels of maintenance and operation and also provide opportunities for growth and cross-training amongst the field staff.

**Ponders Well Site**—The chemical stripping facilities at this 30-year-old site are projected to fail within five years and must be replaced. The site strips chemicals deposited in the ground by the former Plaza Cleaners located across I-5 from the Ponders Well Site many years ago. Once funded by an EPA SuperFund, funding now needs to be obtained to replace the facilities. Money was budgeted in 2014 for CH2MHill to host assessment meetings with the District, Department of Health (DOH), Department of Ecology (DOE), and EPA to endeavor to compose a plan for replacement and obtain funding of same. It is the General Manager's quest that this cost not fall on District customers. It is unclear at this time who, EPA or DOE, would fund replacement of the equipment or how.

The first step agreed to by all parties is a study to determine if the current form of treatment should continue or perhaps if there is new technology that exists that would be less expensive while maintaining treatment goals. CH2MHill will be conducting this \$85K study in 2015 to determine what type of treatment might be most effective at the site. Currently, the cost of the study is not funded. While DOH does have a grant available, it is unclear what, if any, funds are available from DOE, and EPA hasn't any funds available. The District would have to pick up the remaining costs.



**DEPARTMENT HEAD DISCUSSION OF NEEDS AND AREAS OF FOCUS IN 2015:**  
**Construction/System Maintenance Department**—Areas of focus in 2015 in this department will be Flushing, Valve Maintenance, Meter Maintenance, Hydrant Maintenance, and City Franchise Projects.

**Pumping, Water Treatment and Storage Department**—Areas of focus in 2015 in this department will be Well Head Protection, SCADA, Pumping Equipment Maintenance, Fire Flow, Water Treatment and Sampling, and GIS. The primary focus will be the completion of the SCADA update in 2015.

**OFFICE SUPERVISOR DISCUSSION OF NEEDS AND AREAS OF FOCUS IN 2015:**  
One area of focus for the Office Staff in 2015 will be the implementation and maintenance of the new Customer Assistance Program (CAP) through LASA (Living Access Support Alliance). A PowerPoint presentation will be made to the Board on the program at the next meeting in hopes of receiving its concurrence to proceed. Should the Board concur with the program moving forward, a resolution will be presented at the November meeting for adoption and implementation of the program. This program will allow customers to make donations to LASA for District customers in need of assistance in paying their water bills.

In January/February staff will be reviewing miscellaneous charges with possible revisions. Training for new staff will be provided by giving them the opportunity to attend various training classes and conferences such as the Washington Finance Officer Association annual conference and American Water Works Association annual conference, both of which are local in 2015. Office staff will also continue to advance with the computer, customer service, and billing aspects of the AMI system after all meters are changed out as well as the implementation of tablets.

**REVIEW OF FORECASTED 2015 P&L BUDGET AND FUNDING OPTIONS:**  
The General Manager and Finance Director reviewed with the Board the variances between the 2014 Forecast and the 2015 Budget.

The 2015 Budget includes a 3 percent increase in labor as a place-holder. Numbers had not yet been loaded in the rate model, but early projections regarding a rate increase for 2015 included the 3 percent escalator already built into the R&R fixed fee schedule and a 3.5 percent rate increase on the Operations and Maintenance side. All three Commissioners expressed their concern in not including a rate increase in 2015 if possible, in light of the 34 percent increase over the last two years coupled with probable additional increases in customer bills realized by way of the new AMI meters reading and recording flows of all water used. The Board suggested the increased metering might already serve as a "rate increase" for 2015.

**WAGE AND BENEFIT PROPOSALS FOR 2015:**  
**PERS projections**—The State Actuary shows legislature-approved increases for both the employer and employee effective July 1, 2015. The employer contribution rate will



increase by 1.79 percent, going from 9.21 to 11 percent. The employee contribution rate will increase by 1.2 percent, going from 4.92 to 6.12 percent.

**Projected Medical and Dental Benefit Renewals 1/1/15**—District broker Digital Benefit Solutions (formerly BergAndonian) projected an increase of 5 percent in the District's cost of medical insurance premiums and an increase of 10 percent in dental premiums since Delta Dental of Washington maintained 2013 premiums in 2014 for the District.

**CPIs, Projected Plans of Peers**—The Consumer Price Indexes monitored by the District showed an average increase of 1.99 percent, including first half, June, July, and August 2014 numbers. The average base wage of cost of living allowance increase projected by District peers in Pierce and King Counties was 2.5 percent. The General Manager stated a 3 percent place-holder was presently in the 2015 Budget but he would probably propose a total of a 4 percent increase overall, to cover base wage and merit.

**Staffing levels**—This matter was discussed earlier in the meeting. In summary, the General Manager suggested the District may want to consider a philosophy change regarding staffing. While having one-third less staff than other district's LWD's size has been notable and may have served the District well during the years of a challenged economy, it is evident the District needs to augment its staff at this time to ensure proper maintenance levels throughout the District's system, including the increased R&R schedule and proper maintenance and monitoring of the new AMI metering system, in addition to affording staff opportunity to grow, develop, and be cross-trained both for their betterment and their service to the District.

**Alternate choices to modified work week**—The General Manager briefly presented two alternate choices to the "5 8's" work week (five days a week, eight hours a day). He presented information gleaned from a study performed by the American Water Works regarding "4 10's" and a "9-80" schedule. Four tens would mean staff worked four days a week, ten hours a day. The 9-80 schedule would include working four tens one week and five eight-hour days the next.

The General Manager sent emails to 28 utilities to survey their schedules and pros/cons of each. Of the 17 responses he received, 11 utilities had a 9-80 schedule and 6 had a 4-10 schedule, although only 2 of the 6 held this schedule year-round; the others only ran that schedule in the summer. The General Manager asked for the Board's level of general interest, if it was worth putting more time into and reporting back. Commissioner Ghilarducci stated he did not feel it warranted spending a lot of time on the matter. Commissioner Rediske stated it would have to provide some significant savings to be worth it, and Commissioner Korsmo stated 4-10's can work well when crews are out of town but not in town. All three were curious and concerned as to how the staff would respond to these schedules.

**SALARY COMPARISON—ADJUSTMENTS AND RECOMMENDATIONS:**

The General Manager presented to the Board a spreadsheet outlining recommended salary adjustments for eight employees in light of where they stood in their salary range and how that compared to peers, including Tacoma Water. In two situations the adjustments included promotion, with the Acting Crew Leader being promoted to Construction Inspector and a Water Worker I promoted to Water Worker II. After review, Commissioner Korsmo moved to approve the proposed salary adjustments as presented. Commissioner Rediske seconded the motion, and it was passed by a unanimous vote.

**NEWLY ACQUIRED PROPERTY AT 4205-4215 108<sup>TH</sup> STREET—RAZE TWO BUILDINGS:**

The General Manager asked for the Board's permission to raze the two buildings at the newly acquired property not suitable for the District's use. Someone had already kicked in the door of one of the buildings at the site. The church building is the one building of three that is in good enough shape such as to provide value to the District, such as storage. This building has been secured. The General Manager asked to raze the other two buildings to avoid squatters. The Board concurred.

**PUBLIC COMMENT:**

No members of the public were present.

**OTHER BUSINESS:**

**Reschedule of October Regular Meeting**—The Regular October Meeting was rescheduled to Thursday, October 30, 2014 beginning at 3:30 p.m.

With no additional business to address, President Ghilarducci adjourned the Special Meeting Budget Workshop at 12:28 p.m.

**LAKWOOD WATER DISTRICT  
BOARD OF COMMISSIONERS**

**BY:**

  
ITS PRESIDENT

**BY:**

  
ITS VICE PRESIDENT

**BY:**

  
ITS SECRETARY

**ATTEST:**

  
DISTRICT SECRETARY