

**LAKWOOD WATER DISTRICT  
BOARD OF COMMISSIONERS  
Minutes of Special Meeting—2017 Budget Workshop  
October 20, 2016  
8:30 a.m.**

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., and G. J. Rediske; General Manager R. Black; Superintendent I. Black; Finance Director D. Logan; District Secretary C. Butler; Department Head D. Hall; Department Head B. Gaskin; Foreman S. Rae; Pumping Department Lead D. Stanley; Secretary T. MacDougall; and new Senior Accounting Lead L. Voigt.

**PUBLIC COMMENT:**

No members of the public were present.

**2017 BUDGET WORKSHOP:**

The General Manager announced the general theme of the 2017 Budget would be planning for future replacements. An official theme had not yet been determined.

**Highlights of the Operations and Maintenance Budget—**

Information regarding 2017 employee wages and benefits was presented and discussed with the Board. October CPI (Consumer Price Index) numbers were not yet available and would not be until mid-November, hopefully in time for the presentation of the 2017 Draft Budget. Current CPI numbers were showing an increase of 1.6-2 percent. A comparison of possible base wage (COLA = Cost of Living Allowance) increases projected by peers for employees in 2017 averaged at 2.5-3 percent. The General Manager stated he presently planned to recommend a total increase of 3.5 percent in employee wages, with 1.5 percent base wage adjustment (awarded to all employees and applied to District salary ranges) and a maximum of 2 percent merit.

Based on numbers reported to the Washington State Office of Insurance Commission by medical carriers, medical premiums were projected to increase approximately 8.5 percent for the District's January 1, 2017 renewal, and dental premiums were projected to increase 1.5 percent. Official medical carrier premium numbers were not scheduled to be published until November 1.

Retirement contribution rates will increase in 2017 for both employer and employee. July 1, 2017, employer rates will increase from 11.18 to 12.52 percent and employee contribution rates will increase from 6.12 to 7.38 percent.

Projected revenues for 2017 were based on 2016 numbers, with 9 months actual and 3 months forecast. The Finance Director reported the projected 2017 Net Income was very conservative at this time. The District's Five-year Rate Forecast, as approved by the Board in the 2016 Budget, calls for a 4.5 percent rate increase in 2017.

Additional impacts to revenues may include an increased volume charge for the Town of Steilacoom's wholesale water. The Town's present wholesale contract is up in 2017, and the District plans to negotiate the renewal contract to include numbers in line with the District's present wholesale contract template and what the other District wholesale customers are paying. Summit Water & Supply Co., the only other partner taking water besides the Town, notified the District their estimated projected wholesale water consumption for 2017 would be 513,767 gallons per day (gpd). This would be below the projected 4-year average of 800K gpd. Summit actually took approximately 1.1 mgd (million gallons per day) in 2016.

It is anticipated the District will receive \$18.5K from the City of Lakewood to officially take over the in-premise isolation program. This is presuming the City signs the interlocal agreement with the District giving the District authority to manage the in-premise isolation program as well as premise.

The District's budgets will continue to include additional dollars for training replacement personnel in key positions due to retirements. As many as three retirements are on the horizon for 2018 and possibly three more in 2019. More of these details will be reviewed with the Board in early 2017 at the annual review/update of the Succession Plan.

At this time, the budget team moved through the various expense general ledger accounts, pointing out variances between 2016 and 2017 and the reasons therefore. One large variance is in GL 673.000, Mains Maintenance, due to needed increased leak detection in 2017 and needing to address the District's unaccounted-for water in accordance with required State standards. There have been a number of leaks under large trees due to root pressure the District has known about but has not yet been able to address due to the City's delay in getting a plan in place to remove hazard trees that meets with the City requirements/regulations regarding trees.

#### **Capital and R&R (Rehabilitation and Replacement) Budgets—**

A number of pumping infrastructure replacements are planned for 2017. A 40-year Source (wells, etc.) and Storage (tanks, etc.) is being developed to address upcoming infrastructure replacements in these areas; similar to the 50-year R&R Program started in 2014. The District's system is 73 years old, so good planning for properly scheduled replacement is eminent. The Board encouraged the staff to plan a good public outreach/education component to this plan to get this message out in front of the District's customers, again, similar to what the District did for the launching of its 50-year R&R Program.

Seismic Improvements on the Steilacoom Tank—due to a very strong chance of being awarded an additional grant from FEMA (Federal Emergency Management Agency), the seismic improvements on the Steilacoom Tank have been moved out to 2018. Grant money must be approved prior to breaking ground on the project. It is expected the District will receive word from FEMA in early 2017 as to the award or lack thereof of this grant.

Other capital projects planned for 2017 include design work on a possible extension of the Wholesale Transmission Main, Security Improvements, root-bound meter replacements, continued development of the District's GIS Program, and the first half of the production of the District's next Comprehensive Water System Plan update at \$150K. The second half will be included in the 2018 Budget. A new plan used to be required every six years; now, the State Department of Health (DOH) is allowing a 10-year option. The District intends to take the 10-year option with the 2018 update barring any changes made by DOH.

Planned R&R projects in 2017 total \$3.5M and include projects in Arrowhead, Thorne Lane, and Sylvan Park (Phase 2).

#### **Potential Opportunities for 2017—**

A PowerPoint presentation was given to outline five possible opportunities that may present themselves to the District in 2017.

#### **Opportunity 1, Ponders Well Site Treatment Facilities Replacement.**

The preliminary design and survey work is complete. The District is hopeful to receive the remaining funds as promised by the legislature in the amount of \$1M, with an additional request of \$500K to pay for the stainless steel towers and associated costs as presented by Kennedy/Jenks and discussed at the August 25, 2016 Board meeting.

#### **Opportunity 2, Wholesale Transmission Main Extension.**

Additional interest in the District's wholesale water has emerged with the acquisition of more water; the dry, hot summer of 2015; and development starting to awaken in the areas of the District's wholesale customers. The WTME would provide the venue by which to get the water to the District's wholesale customers in east Pierce County beyond Summit. A potential new customer, Firgrove Mutual Water Company, has also expressed interest in acquiring wholesale water from the District. Obviously, this opportunity lies primarily on whether or not the partners agree to ultimately fund the project.

#### **Opportunity 3, Town of Steilacoom Contract Renewal.**

The District's wholesale contract with the Town is up for renewal in 2017. The District plans to negotiate with the Town to bring the terms of the renewal contract up to the standards and levels of the District's current contract template and contracts with its other wholesale partners.

**Opportunity 4, Steilacoom Tank Seismic Improvements.**

As discussed above, this project has been moved out to 2018 due to the potential receipt of a FEMA grant in early 2017.

**Opportunity 5, JBLM Contract for the Privatization of the Water System.**

It is yet to be determined/made known if the District will be invited to enter into negotiations to take over the water system at JBLM.

**OTHER BUSINESS:**

With no further business to address, President Ghilarducci adjourned the meeting at 11:02 a.m.

**LAKWOOD WATER DISTRICT  
BOARD OF COMMISSIONERS**

**BY:**

  
ITS PRESIDENT

**BY:**

  
ITS SECRETARY

**BY:**

  
ITS VICE PRESIDENT

**ATTEST:**

  
DISTRICT SECRETARY