

**LAKWOOD WATER DISTRICT
BOARD OF COMMISSIONERS
Minutes of Special Meeting
Thursday, October 30, 2014**

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; Secretary T. MacDougall; and District Office Staff member A. Dickens.

PUBLIC COMMENT:

No members of the public were present.

APPROVAL OF MEETING MINUTES:

Commissioner Rediske moved to approve the minutes of the September 25, 2014 Special Meeting as amended and the minutes of the October 7, 2014 minutes as presented. Commissioner Korsmo seconded the motion, and it was passed by a unanimous vote.

FINANCIAL INFORMATION:

The Finance Director presented the September financials to the Board.

Disbursements made from the General Ledger Fund for check number 32768 through 32949 totaling \$1,221,528.11, payroll taxes totaling \$47,33.67, salary direct deposits totaling \$122,795.24, and electronic payments totaling \$532,459.81, for a grand total of \$1,924,106.83 were presented to the Board for approval. After review, Commissioner Rediske moved to approve the payables as listed. Commissioner Korsmo seconded the motion, and it was passed by a unanimous vote.

CAP (CUSTOMER ASSISTANCE PROGRAM):

As promised at the October 16 Budget Workshop, a PowerPoint presentation was made to the Board by Office Staff Member A. Dickens outlining the proposed Customer Assistance Program through LASA (Living Access Support Alliance, formerly Lakewood Area Shelter Association) where District customers could make donations over and above their water bill to help customers in need of assistance to pay their water bill. This presentation was made simply to explain the need, the criteria, the function, and the benefits of the program to see if the Board was interested in moving the program forward. RCW 57.46.010 affords the District the legal authority to administer this program, facilitating voluntary contributions to assist low-income residential customers. If the Board deemed the program suitable for proceeding, a resolution adopting the program would be presented to the Board at the November 20 meeting.

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If ultimately approved by the Board at the November 20 meeting, the District would enter into a one-year agreement with LASA. This agreement will be modeled after a similar customer assistance program agreement between Lakehaven Utility District and Multi-service Center. A space will be made on District bills to afford customers the opportunity to make donations, and the donations will be accounted for via a General Ledger account.

After discussion, the Board concurred with moving the program forward. Ms. Dickens excused herself from the meeting at that time.

BOARD APPROVAL OF REVISED EXHIBIT A, RESOLUTION NO. B-1380, GENERAL FACILITIES CHARGES:

As discussed at the September 25 meeting, the revised GFC charges reviewed at that time were presented to the Board for approval via a revised Exhibit A of Resolution No. B-1380. The resolution allows for updated GFC schedules (Exhibit A) to be approved via Board motion. Also, as discussed at the September 25 meeting, the increases will be administered in three increments, effective January 1 of 2015, 2016, and 2017, respectively. The General Manager recommended the Board adopt the revised Exhibit A as presented. Commissioner Rediske moved to approve the revised Exhibit A of Resolution No. B-1380. Commissioner Korsmo seconded the motion, and it was passed by a unanimous vote.

BOARD APPROVAL OF REVISED EXHIBIT A, RESOLUTION NO. B-1410, WATER SERVICE CONNECTION CHARGES:

As also discussed at the September 25 meeting, the revised water service connection charges reviewed at that time were presented via revised Exhibit A of Resolution No. B-1410 for approval. Resolution No. B-1410 also allows updated and modified service connection schedules captured in Exhibit A to be approved by Board motion. The General Manager recommended the Board approve the new scheduled of water service connection charges as outlined in the revised Exhibit A. Commissioner Rediske moved to approve the revised Exhibit A of Resolution No. B-1410. Commissioner Korsmo seconded the motion, and it was passed by a unanimous vote. These increases will be effective January 1, 2014.

UPDATED INFORMATION RE. 2015 BUDGET:

In response to the Board's message at the Budget Workshop to avoid a rate increase if possible, the General Manager and staff prepared four possible scenarios for the

Board's consideration. The Finance Director presented this information via a PowerPoint presentation.

The District has included a five-year rate forecast in the budget over the past several years. The Five-year Rate Forecast included in the 2014 Budget on page 20 showed an annual general rate increase of 3.5 percent in addition to the 3 percent inflation escalator in place for the 50-year R&R Program fixed fee. It was assumed in the 2014

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rate forecast that the District needed to issue debt for \$4,067,018 in 2015. Because of cash flows in 2014 and higher net proceeds from the \$9.9M in revenue bonds, this allowed the District to move out two years to 2017 in all scenarios to follow.

Each scenario included the components of Annual Increase (General increase plus 50-year R&R Program increase), Cash Balance, Debt Issues, Debt Coverage, Days of Cashflow, and Dollar Amount of Rate Increase.

Scenario 1 embodied the 2014 Budget Five-year Rate Forecast moving forward, as reviewed by the Board during the 2014 Budget process. It assumes the General Fund would primarily recover 3 percent for inflation. The R&R fee would increase by \$2 per billing cycle or 9 percent which would cover the built-in 3 percent escalator in the model. This equates to 6 percent in the rate model as rates pay for this escalator and it is assumed that rates and debt issuance would fund the R&R program at a 50/50 ratio. The 2015 Annual Increase would be 5.22 percent.

In Scenario 2, the rate increase required for 2015 and thereafter would follow last year's plan (Scenario 1) except lower the R&R Fund increase to 6 percent based on the assumed escalation, and rates pay for the escalation. To avoid a General rate increase in the 2015 Operations and Maintenance (O&M) budget, it would require O&M expenses to be reduced by \$280K. Existing debt needs to be paid and cannot be cut. A list of options to lower O&M costs in 2015 by \$280K was presented. This list was composed of cuts that would significantly affect the quality of the District's service, such as eliminating one staff member, eliminating WASWD and Co-op memberships, eliminating needed replacements and improvements, and cutting office training by 50 percent.

Scenario 3 addressed the option of no rate increase for the General Fund and R&R Fund for 2015. Then from 2016 through 2019, the District would revert back to rate increases outlined in the five-year rate forecast with the adjustment of the R&R Fund increasing only 6 percent. To "catch up," the results would require an overall rate increase in 2016 of 9.4 percent, of which the R&R Fund would increase 18.8 percent. This kind of rate increase could cause concern with the rating agencies that may possibly lead to lowering the District's high credit rating.

Scenario 4 is a modified approach of the 2014 Budget Five-year Rate Forecast reviewed by the Board. The District would maintain a rate increase for the General O&M Fund and an adjusted annual increase of 6 percent or \$0.66/month for the R&R fee. This would increase the R&R fee by \$1.32 every two months versus \$2. The overall rate increase would be 4.25 percent for the next five years.

After much discussion, the Board unanimously concurred with Scenario 4. The General Manager stated he will propose a five-year rate forecast at the November 20 presentation of the Draft 2015 Budget.

BOARD ADOPTION OF RESOLUTION NO. B-1419, DECLARATION OF DISTRICT SURPLUS ITEMS:

The General Manager presented Resolution No. B-1419 to the Board for adoption, declaring a list of vehicles and equipment as surplus. Per the District's long-time practice in accordance with the vehicle replacement schedule maintained via the annual budget process found on page 10 of the 2014 Budget, two vehicles had been recently sold at auction. This resolution would officialize this process, provide Board ratification of the surplus items sold and to be sold via public bid and auction as published in *The News Tribune*. The remainder of the items on the proposed surplus list consisted of old computers and some appliances obtained as part of the District's recent purchase of the property on 108th Street.

Commissioner Korsmo moved to adopt Resolution No. B-1419. Commissioner Rediske seconded the motion, and it was passed by a unanimous vote.

BOARD APPROVAL OF ON-SITE FITNESS FACILITY:

The General Manager presented to the Board the idea of having a fitness facility on-site at the District as a number of other districts and water utilities in Pierce and King counties provide as a way of promoting good health and fitness. Some offer membership to health clubs in lieu of an on-site facility.

The General Manager informed the Board that staff member C. Butler had recently donated some furniture for the District's annex that is utilized for housing for on-call staff that live outside the 30-minute response time to the District. She also was donating a universal gym. The only expense to the District would be the staff and truck time to pick up the items.

Ms. Butler also had a used Spirit XE 100 elliptical for sale. Retailing at \$1100-1300 new, the General Manager did some research and believed a fair price for the used elliptical would be \$400. The General Manager recommended paying Ms. Butler \$400 for the elliptical and spending staff and truck time to pick up the furniture and fitness equipment. The General Manager stated he would make sure the matter was passed by the State Auditors and handled accordingly. The Board concurred and thanked Ms. Butler for her donations to the District.

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 updated the Board on the AMI Meter Replacement Program. With 6,397 meters replaced to date, 11 additional techs were being added to Apex's installation team that had just finished working on the Woodinville Water District project. Contractor Ferguson is still claiming they will complete the installation process by year-end as scheduled. Ferguson plans to bring an additional six techs in to join the installation process, for a total of 32. The General

Manager expressed it may be in the District's best interest to extend their timeline of the contract to avoid the potential associated problems stemming from the heavy workload of monitoring the activities of the contractor.

The Sylvan Park Phase 1 Project is in the punch-list stage. The Wisteria Project was ready to go to bid in late October but had to be postponed two to three weeks to conduct the SEPA process.

FINANCE DIRECTOR/OFFICE SUPERVISOR'S REPORT:

The Finance Director reported representatives from the State Auditor's Office were onsite for the District's annual audit. The Audit Entrance Conference will be scheduled soon, and the auditors are scheduled to complete the field work of the audit by the end of the first week of November.

OTHER BUSINESS:

Conditional Approval of Sylvan Park Phase 1 Project—As the Superintendent reported, this project is near completion, just finishing up the punch list, so he submitted a letter recommending conditional acceptance by the Board pending those last items, e.g., proof of paying prevailing wage, taxes paid, etc. Commissioner Rediske moved to accept the project as complete conditional upon all punch list items being completed to the District's satisfaction. Commissioner Korsmo seconded the motion, and it was passed by a unanimous vote.

Request for Board Permission to Close District Office Half Day for Holiday Party—The General Manager requested Board permission to close the District office for a half day on Friday, December 19, so the staff could go to the Ram for a holiday luncheon/party, closing the office at 1 p.m. The Board concurred.

Draft Proposal of Salary Adjustment for Superintendent Position—The General Manager presented a proposed salary increase plan and schedule for the Superintendent position, culminating with projected but not promised or contracted promotion to the position of General Manager upon retirement of the present General Manager in June 2021. This schedule of increases would be in addition to whatever base wage and merit increases were awarded each year and included an assumption that the General Manager and Superintendent would each receive the same annual base wage and merit increases.

The proposed additional increase for 2015 was \$500, for a total monthly salary of \$10,380; the Tacoma Water Superintendent position starts at \$10.5K, so the General Manager felt this level was commensurate and competitive with the largest utility with which the District compares salaries. By 2021, in keeping with the proposed schedule, the Superintendent's salary would be \$805 less than the General Manager's. The Superintendent's promotion to General Manager as well as his starting salary would be recommended by the General Manager with final determination by the Board at that

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time. The General Manager was very clear that this proposed schedule was in no way to be misconstrued as a promise or contract, and that would be emphasized to the Superintendent as well.

Commissioner Rediske commented this schedule should be tied totally to performance, and the other Commissioners agreed; however, the Board concurred for the General Manager to proceed as he saw fit, in the best interests of the District.

With no additional business to address, President Ghilarducci adjourned the meeting at 5:35 p.m.

**LAKEWOOD WATER DISTRICT
BOARD OF COMMISSIONERS**

BY:



ITS PRESIDENT

BY:



ITS VICE PRESIDENT

BY:



ITS SECRETARY

ATTEST:



DISTRICT SECRETARY