

**LAKWOOD WATER DISTRICT
BOARD OF COMMISSIONERS
Minutes of Regular Meeting
Thursday, November 17, 2016**

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; Finance Director D. Logan; District Secretary C. Butler, Secretary T. MacDougall, new Sr. Accounting Lead L. Voigt, and new Accounting Specialist I T. Tiffany.

PUBLIC COMMENT:

No members of the public were present.

FINANCIAL INFORMATION:

The Finance Director presented the October financials to the Board.

Disbursements made from the General Ledger Fund for check number 35941 through 36035 totaling \$382,388.64, salary direct deposits totaling \$140,352.97, payroll taxes totaling \$53,069.58, and other electronic payments totaling \$103,234.13, for a grand total of \$679,045.32 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.

PRESENTATION OF THE 2017 DRAFT BUDGET:

The General Manager presented to the Board the 2017 Draft Budget. Notice had been published in *The News Tribune* of this occurrence, inviting the public.

The 2017 Draft Budget included the suggested budget theme, one P&L (Profit & Loss) Summary Income Statement without a rate increase and one with a 4.53 percent rate increase, the 2017 capital and R&R (Rehabilitation and Replacement) projects for the District, and the five-year forecasted projects through 2021. Also included was a forty-year source and storage capital improvements list. This long-term planning spreadsheet identifies only the anticipated life expectancy of these current existing facilities and replacement of them. This budget included funds to cover an expert consultant analysis of the District's tanks (storage), with an analysis of District wells (sources) planned and budgeted for in 2018. This will provide more credible, concrete information to determine need and replacement timetables moving forward. This budget also included the CPI (Consumer Price Index) averages, a summary of peers' projected 2017 wage increases, a salary comparison with peers with adjustment recommendations based on the information obtained through the survey, and the General Manager's recommendation for the 2017 employee base wage and merit increase percentages. Lastly, a summary of employee benefit costs and coverages for 2017 is included.

The 2017 Draft Budget followed the five-year rate forecast as set by the Board in the 2016 Final Budget, where the Board elected and directed the management staff to return District reserves to appropriate levels and manage to the District's financial policies as approved by the Board in March 2014. At that time, the Board shared its expressed preference to enact consistent, smaller increases each of the five years in the forecast versus the "roller-coaster effect" initially laid out in the District's rate model. Therefore, the General Manager and Finance Director took the rate increases as projected in the District's rate model over the five years and normalized them, bringing them to approximately 4.5 percent per year. The rate model presently calls for an overall rate increase of 4.53 percent for 2017.

The five-year rate forecast shows slight pressure on the forecasted percentage of increases to rates. The rate forecast also ties to the five-year capital improvement forecast and, due to a large outlay of improvements planned for 2021 (not on the horizon in last year's budget), the forecast calls for annual increases slightly above 4.5 percent. These are simply *planned* financial long-term improvements. Again, once the analysis is completed on the actual condition and expectancies surrounding the District's sources (wells) and storages (tanks and reservoirs), staff will be able to refine the projected 2021 capital spending. In the meantime, these projects are in the plan, so the rate model can capture those needs and the associated financial impacts.

The enclosed capital improvement schedule, including the detailed 2017 capital and R&R plan and the five-year capital budget and R&R plan as laid out to 2021, maintains the budget amounts as presented in the 2016 Budget with the exception of the year 2021. In 2017, only those areas previously planning for are included to make sure costs would be covered. An example of this is related to the Steilacoom Tank earthquake improvements budgeted in 2016 to take place in 2017, now being moved out to 2018 because of a potential grant from FEMA (the District is reported in a favorable position to be awarded this grant). The dollar amounts remaining in the 2017 Budget would be better shifted to the potential funding requirements for the Ponders treatment facility upgrades.

In 2018, if the District does *not* receive funding for FEMA or does not receive the funding thru the State for the Ponders Well Site, one project would not be budgeted/funded. Since the District is committed to move forward with the Ponder project, the Board would then need to decide to defer the earthquake improvement project or fund it another way.

An outline of five potential opportunities possibly presenting themselves in 2017 was also included in the 2017 Draft Budget; namely, Ponders Well Site, the Steilacoom Tank earthquake improvements project, possible negotiations for JBLM and how to handle operations going forward, the renewal of the District's wholesale contract with the Town of Steilacoom, and the installation of the Wholesale Transmission Main Extension. At the time of this meeting, the October CPI numbers were not yet published. The summary of peers' projected wage increases for 2017 showed an average base wage adjustment (COLA) higher than the 1.5 percent the General Manager forecasted at the Budget Workshop. The General Manager therefore amended his base wage

adjustment recommendation to 1.75 percent, leaving the merit increase at 2.0 percent, for a total of 3.75 percent available. The Finance Director calculated this change to equal an additional \$5000. This would not put the District at the top of the range but within competitive comparison to its peers.

Based on the salary comparison, a number of the District's salary ranges were below the average; therefore, this 2017 Draft Budget included a number of proposed salary range adjustments. Additionally, a few proposed individual salary adjustments are also included based on skill set, qualifications, and salary comparison information. This will be itemized in more detail in the final budget.

The benefits summary included the District's medical premiums increasing 7.6 percent versus the 8.5 percent projected at the time of the Budget Workshop. Dental premiums are increasing 1.5 percent as presented at the Budget Workshop, with no changes in Principal life insurance and long-term disability premiums.

There will be PERS (Public Employee's Retirement Systems) contribution rate increases for both employee and employer effective July 1, 2017. The employee rate will increase from 6.12 to 7.38 percent, and the employer rate will increase from 11.18 to 12.52 percent.

The General Manager asked if the Board had any questions regarding the 2017 Draft Budget and requested any additional input, direction, or guidance they might have to offer.

BOARD APPROVAL OF T-MOBILE EQUIPMENT RATES FOR AMENDMENTS:

When there have been upgrades of equipment in the past, a general pricing mechanism has been used based on the size of the equipment and the weight. However, today and going forward, the equipment is getting smaller and more sophisticated, so there are not the same issues with height and weight as before. This does not change any of the cell tower contracts/vendors; rather, these are just equipment upgrades being requested by the company. In most cases, however, even though the pieces of equipment are smaller and lighter-weight, they're using more of them. This new proposed pricing mechanism will provide the District with Board-approved parameters moving forward as companies want to change out old equipment for new. The General Manager recommended the Board adopt the proposed rate changes for equipment upgrades.

BOARD APPROVAL OF MOTION OF CAP POLICY UPDATES:

An update copy of the CAP policy was presented to the Board, incorporating a few suggested changes to better clarity to the terms and conditions of the program. Some of those changes include CAP pledges being limited to the water bill only, not to penalty fees or deposits, and senior citizens will be allowed up to \$300 in pledges per year. The General Manager recommended the Board approve the updated policy presented. According to Resolution No. B-1420 which adopted the CAP policy, the Board reserves the right to amend, suspend, or cancel the provisions of the policy at any time. Commissioner Rediske moved to approve the revised policy as presented. Commissioner Korsmo seconded the motion, and it passed by a unanimous vote.

GENERAL MANAGER PROJECT UPDATES:

Wholesale Transmission Main Extension Study—

The District received a draft final report RH2 Engineers last week on their recommendations and route for the Wholesale Transmission Main Extension. The cost estimate in the report was \geq \$40K over the previously reported estimate, so the General Manager will be talking to RH2 regarding this matter.

Town of Steilacoom Wholesale Water Contract Renewal—

District staff will meet with Town representatives on December 14 regarding this matter.

City of Lakewood for Cross Connection Control—

The Board's decision at the October 27 meeting to turn over the in-premise backflow devices to the City resulted in the City asking if the Board of Commissioners would reconsider their position. The General Manager said he would be willing to take the matter back to the Board in the future once the details were worked out.

The General Manager made it very clear to the City that if the Board were willing to reconsider their position, the District could no longer perform the work at the cost previously stated at \$18,500 in the Interlocal Agreement; this due to the recent information received by the District regarding the level of work it would require to go back to businesses, such as commercial and retail, that have had either remodel or additions done that were unknown to, and therefore untracked by, the District and would require the installation of appropriate backflow devices. Due to this new level of effort required of the District, the General Manager informed the City this annual cost to the City would now be \$40K-\$45K for this service. The General Manager will get with the City in the near future, after a planned vacation, to discuss the matter.

City of Lakewood Approval Process for Tree Removal—

This matter continues to present larger, continued issues as it relates to trees causing main breaks as mentioned at the October 27 Commissioner's Special Meeting. The General Manager is waiting to talk with the City regarding this challenge. Three weekends in a row, District staff had to respond to emergency main breaks, two of which included having to reroute water mains to keep District customers in water.

Ponders Well Site—

There was nothing new to report on this project.

SUPERINTENDENT'S REPORT:

The Superintendent's Report was provided to the Board in its entirety in the pre-agenda packets. Except for processing a few invoices, all projects are completed as reported. The District's valve and hydrant maintenance will be completed by year's end.

FINANCE DIRECTOR/OFFICE SUPERVISOR'S REPORT:

The Finance Director reported the State Auditors completed their field work the previous Monday. He will inform the Board when the exit audit is scheduled. The District is scheduled to go live with Lucity on Tuesday, November 29, and the JBLM audit is scheduled for December 5.

OTHER BUSINESS:

Board Acknowledgement of Employee Wage Increases—

The Board acknowledged increases for employees B. Cash and M. Wall.

December BOC Meeting—

The General Manager reminded the Board the December Board meeting will be a Special Meeting held December 21 at 3:30 p.m.

Retirement—

Senior Accountant/Accounting Lead S. Ferreira is retiring; her last day of work will be November 30, with December being paid via accrued but unused vacation. December 31, 2016 will be her official retirement date. A reception will be held in her honor on November 30 beginning at 3:15 p.m.; the Commissioners were invited to attend.

Resolved Matter—

The General Manager reported the water high-lining matter at 75h Street and Oakbrook regarding Mr. Wenner had been resolved and the invoice paid.

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

**LAKWOOD WATER DISTRICT
BOARD OF COMMISSIONERS**

BY:



ITS PRESIDENT

BY:




ITS VICE PRESIDENT

BY:



ITS SECRETARY

ATTEST:



DISTRICT SECRETARY