

**LAKWOOD WATER DISTRICT
BOARD OF COMMISSIONERS
Minutes of Regular Meeting
Thursday, November 20, 2014**

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; and Secretary T. MacDougall.

PUBLIC COMMENT:

No members of the public were present.

APPROVAL OF MEETING MINUTES:

Commissioner Rediske moved to approve the minutes of the October 16 and October 30, 2014 Special Meetings. Commissioner Korsmo seconded the motion, and it was passed by a unanimous vote.

FINANCIAL INFORMATION:

The Finance Director presented the November financials to the Board.

Disbursements made from the General Ledger Fund for check number 32950 through 33031 totaling \$924,554.03, salary direct deposits totaling \$131,642.38, payroll taxes totaling \$48,585.56, and electronic payments totaling \$58,265.19, for a grand total of \$1,163,047.16 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.

PRESENTATION OF THE 2015 DRAFT BUDGET:

Finance Director D. Logan provided a summary of the draft income statement. The District's budgeted operating revenue is at \$8,289,258. The operating revenue in the 2014 forecast is anticipated to be \$8,256,564. The 2014 budgeted net income, is \$1,836,060, and the 2014 forecast is for a net income of \$1,845,627.

The operation and maintenance (O&M) forecasted cost is slightly lower by less than 0.1 percent or \$40,481 than the 2014 Budget. Over the course of 2014, management worked diligently to keep actual expenses lower than budgeted throughout the year.

At this time, the General Manager presented to the Board the 2015 Draft Budget. The General Manager reminded the Board of three of the four scenarios of the District's financial rate models that were presented at the Budget Workshop. Scenario one included the adoption of a system wide R&R program for water main replacement of

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180 miles of transmission pipe, a change in the District's rate structure to fund the R&R program with a specific fixed charge for R&R, and the installation of new AMI meters for the entire system and includes a weighted rate increase of 5.22 percent; scenario three addressed the option of no rate increase for the general rate and R&R rate 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 fee only increasing 6 percent starting in 2017; and scenario four is a modified approach of the five-year rate forecast. The District would maintain a rate increase of 3.5 percent for the general operation and an adjusted increase of 6 percent or \$.66 per month for the R&R fee. The overall weighted rate increase would be 4 percent for the next five years. After reviewing these scenarios, it was understood the Board's direction was to move forward with Scenario 4.

The District will be keeping two full-time temporary employees for the 2015 year; however, one is already included as a contract employee and the other is reflected in these changes. This budget also reflects the cash needed for the retirement cash-out of one long-time employee and the termination of a Sprint/Nextel contract totaling a net deduction of \$96,351. Several areas of savings were found which include the elimination of debt issuance costs amortization at \$37,296, eliminating the emergency response consultant at \$12,000, and eliminating seven hydrant replacements at \$14,500 to name a few. Medical rates will be decreasing by 11.1 percent and dental rates will only increase by 4.9 percent. These savings along with additional adjustments give a total savings of \$68,685.

The General Manager requested feedback on his suggestion of a five-year rate forecast with the benefits mentioned in his handout. Commissioner Ghilarducci expressed concern that it may be discouraging to rate payers. Commissioner Rediske stated the opposite. He feels the rate payers would appreciate knowing the future of their rate increases. The General Manager stated the final decision regarding this could be made at the December meeting.

Commissioner Korsmo asked if the rate increase was being managed to cash. The Finance Director explained the financial targets which are included in the financial policies are primarily driven by cash flows and balances. Commissioner Korsmo went on to compliment the staff who had prepared the budget. He stated the numbers had been consistent, and he was very impressed with the process and outcome of the budget. At the end of the discussion, the Board was concurrent with proceeding with a 4 percent rate increase reflecting a projected net income of \$1.4 million.

BOARD ADOPTION OF RESOLUTION NO. B-1420, CUSTOMER ASSISTANCE PROGRAM:

This Resolution and policy was brought to the Board at the November Board meeting. The policy, which governs the program, gives the General Manager approval to govern the policy and is in general agreement with LASA (Living Access Support Alliance) to be a guidance and authority. This resolution establishes a Customer Assistance Program (CAP) for the collection and disbursement of monetary contributions made for the

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benefit of eligible District retail customers requiring assistance with a water account, or in meeting expenses associated with the implementation of water conservation measures. The General Manager will report back to the Board on an annual basis on such areas of the annual contract with the third party administrators of the program regarding usage, contributions, balance, and any proposed changes to the policy. Commissioner Rediske moved to approve Resolution No. B-1420. Commissioner Korsmo seconded the motion, and it was passed by a unanimous vote.

SUPERINTENDENT'S REPORT:

The Superintendent's Report was provided to the Board in its entirety in the pre-agenda packets. Subsequent to this report he informed the Board the Sylvan Park project was in its final stages, the City project on Bridgeport was going well and will be completed by the end of the year. A new District inspector is currently being trained with this project, and once training is complete, the retiring employee will be working in the GIS department for the remainder of his time with the District. The Steilacoom Boulevard project is moving quickly and is on schedule to be completed by May 2015.

The Superintendent reported close to 10,000 AMI meters had been installed which was not as expedient as was anticipated. He met with contractor representatives and expressed his concerns regarding the timing of the project

FINANCE DIRECTOR/OFFICE SUPERVISOR'S REPORT:

The Finance Director reported the annual audit has been completed and the final report will be complete by the end of the year.

Board Acknowledgement of Employee Wage Increase—the Board acknowledged wage increases for employees B. Cash, J.M. Wall, and P. Kang.

Annual Legislative Meeting—the General Manager invited the Board to attend this year's annual Legislative meeting which has been scheduled for December 15, 2014 at 12:00 p.m. here at the District.

GFC Calculation Revisions—Res. No. B-1380 Exhibit A for 2015 and 2016—A calculation error was discovered on the pro-rated charges on the 2015/2016 fire and irrigation GFC charges. The 100 percent number to be implemented in 2017 is still the same, however, the first two years' numbers are different. A corrected GFC rate schedule was presented to the Board. The Board concurred with the changes.

With no additional business to address, President Ghilarducci adjourned the meeting at 4:47 p.m.

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BY:



ITS PRESIDENT

BY:



ITS VICE PRESIDENT

BY:



ITS SECRETARY

ATTEST:



DISTRICT SECRETARY