

**LAKWOOD WATER DISTRICT
BOARD OF COMMISSIONERS
Minutes of Special Meeting
Tuesday, November 24, 2015**

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., and G. J. Rediske; General Manager R. Black; Superintendent I. Black; Finance Director D. Logan; and District Secretary C. Butler.

PUBLIC COMMENT:

In light of the presentation of the 2016 Draft Budget and the published notice of same in *The News Tribune* on November 18, 2015, Public Comment was made available at this Special Meeting. There were, however, no members of the public present.

PRESENTATION OF THE 2016 DRAFT BUDGET:

The General Manager presented to the Board the 2016 Draft Budget.

Finance Director D. Logan discussed with the Board the highlights of the P&L (Profit & Loss) Budget. One of the larger items in this budget was the subcontracting out of the annual Backflow/Cross Connection testing and the associated costs. The money budgeted for this item in the 2016 Draft Budget included funds to pay the contractor. In essence, the District will receive this money back from customer test payments plus a \$10 administrative fee per customer/device testing for those customers who sign up for this service through the District. There will also be the proposed \$18K received from City of Lakewood for the District's testing services of in-premise isolation scenarios if approved by the Lakewood City Council.

In the category of education, a new CEU (Continuing Education Units) three-year training year is beginning in 2016 for Washington State operator certifications.

As had been discussed with the Board during the 2016 Budget Status Update at the October 15, 2015 meeting, two primary stresses on the 2016 Budget over the rate forecast in the 2015 Budget were the deferred retirement of Department Head D. Hall and the retirement of Senior Accountant S. Ferreira, bring in her replacement six months prior to retirement.

Water revenues budgeted for 2015 were projected using 2014 actuals plus a 5 percent consumption increase based on the projected efficiency of the AMI meter system. Water revenues budgeted for 2016 were projected based on the 2015 Budget.

Plans A and C of Capital and R&R (Replacement & Rehabilitation) project summaries were presented, both for 2016 and the extended five-year forecast of 2016-2020.

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Additionally, a new Capital/R&R component was included—a 10-year forecast of major capital projects, to get larger projects in front of the Board and staff with more time to plan and prepare for scheduling, funding, etc. Plan C (for "Cuts") totaled \$4,421,273 for 2016 projects versus \$5,758,433 for Plan A (for "All"). After discussion, it was determined the District would move forward with Plan C in the final 2016 Budget.

The Rate Model in December 2014 reflected a necessary rate increase for 2016 in the total, weighted amount of 4.28 percent (3.5 percent General O&M and Capital and 6 percent R&R) as reflected in the Five-Year Rate Forecast in the 2015 Budget. With the present stresses on the current budget, along with other factors occurring in 2015, the Rate Model presently called for a 6.82 [later adjusted to 6.81] percent General increase, for a total, weighted increase of 6.55 percent.

Commissioner Korsmo stated he would like to see the District cut expenses so as to be able to stick with the rate increase forecasted for 2016 as stated in the Five-Year Rate Forecast in the 2015 Budget at a total, weighted amount of 4.28 percent. He further asked what the District staff managed rate increases to...to expenses, to reserves, to capital projects? The Finance Director suggested the District should manage rate increases to its financial policies, which includes minimum reserves of \$3.5M.

After much discussion and polling the Commissioners as to where their comfortability lay in the level(s) of a rate increase(s) for 2016, the Board directed the Budget team to run numbers reflecting 3.5, 5, and 6.82 General O&M and Capital increases for total, weighted increases of 4.31, 5.32, and 6.55 percent, respectively. Additionally, the Board instructed the staff to run numbers reflecting what it would take to bring the District's reserves up to the minimum of \$3.5M as reflected in its financial policies.

As reported in previous budget updates, a 4.5 percent increase in labor cost was reflected in the 2016 Draft Budget.

VETERANS DRIVE PHASE 4—BOARD CONDITIONAL ACCEPTANCE OF COMPLETION:

The Superintendent and General Manager submitted the Veterans Phase 4 R&R project to the Board for conditional acceptance. Conditional acceptance of completion by the Board notifies the State that the District is satisfied with the work but will hold the contractor's retainage monies until the District receives approval of the contractor's intent to pay prevailing wage and other items necessary for approval of the public works contract with the State and various agencies. Commissioner Rediske moved to conditionally accept completion of the Veterans Phase 4 R&R Project. Commissioner Korsmo seconded the motion, and it was passed by a unanimous vote.

With no further business to address, President Ghilarducci adjourned the meeting at 6 p.m.

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**LAKWOOD WATER DISTRICT
BOARD OF COMMISSIONERS**

BY:



ITS PRESIDENT

BY:

N/A

ITS VICE PRESIDENT

BY:



ITS SECRETARY

ATTEST:



DISTRICT SECRETARY