

**LAKWOOD WATER DISTRICT
BOARD OF COMMISSIONERS
Minutes of Regular Meeting
Thursday, December 17, 2015**

The Regular Meeting was called to order at the District office at 3:35 p.m. due to technical difficulties. 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:

No members of the public were present.

APPROVAL OF MEETING MINUTES:

Commissioner Rediske moved to approve the minutes of the November 19, 2015 Regular Meeting. 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 34580 through 34677 totaling \$628,204.96, salary direct deposits totaling \$131,462.88, payroll taxes totaling \$47,696.35, and other electronic payments totaling \$340,394.72, for a grand total of \$1,147,758.91 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 2016 FINAL BUDGET:

The General Manager presented to the Board the 2016 Budget with a brief overview of its contents.

In discussing a potential rate increase for 2016, as directed by the Board at the November 24 Special Meeting, the District staff presented five scenarios in the Five-Year Rate Forecast Scenarios on page 19. Scenarios 1-3 reflected General O&M and Capital increases of 3.5, 5, and 6.81 percent, respectively. Scenario 4 reflected a 12.5 General increase to bring District reserves back to a minimum of \$3.5M as recorded in the District's Financial Policies. Scenario 5 reflected no rate increase in 2016 but a catch-up increase starting in 2017. Combined with the annual 6 percent R&R increase, the total, weighted averages for Scenarios 1-4 would be 4.31, 5.32, 6.55, and 10.4 percent, respectively.

Commissioner Ghilarducci, concerned over the rate impacts to District customers, asked how important specific reserves levels were to the District's financial health and wellbeing. The Finance Director responded the importance lay in having a good bond rating to be able to obtain more favorable interest rates when going out to bond sale, having cash on hand during short-falls, and maintaining/complying with the District's

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financial policies, as well as increasing financial security and ability to make purchases if the opportunity arises. The District would manage rate increases, debt ratio, capital expenditures, and other investments all to reserves.

Commissioner Korsmo, in challenging the Budget team to broaden their horizons in managing to the reserves in other ways than rate increases, asked about the possibility of skipping a year of capital projects and asked when the efficiencies put in place by the District in recent years were going to pay off in rates. He suggested possibly considering reducing the District's debt ratio, capital expenditures, or reserves versus rate increases. The Finance Director again suggested the District should manage to its financial policies, and if the District would see it could not do that, it should change the financial policies.

The General Manager and Finance Director presented a list of possible 2016 Budget Cost Reductions totaling \$199,068. These recommendations were quite weighty in nature and not believed to be in the best interest of the District's operations or the morale of its staff. These reductions included reducing the staff by not bringing a temporary employee who had worked for the District the past 20 months on permanently; it also included deferring the hire of the Senior Accountant's replacement by four months, dropping the District's membership in the Washington Association of Water and Sewer Districts, deferring the District's 3-year upgrade and general maintenance, and not keeping up on the District's GIS program in 2016.

After a considerable amount of discussion, Commissioner Rediske moved to approve and adopt the 2016 Budget and Scenario 4—a total, weighted rate increase of 10.4 percent to cover 2016 District O&M and Capital and R&R projects and bring the District reserves to a minimum of \$3.5M as set in the District's financial policies. Commissioner Korsmo seconded the motion, and it was passed by a unanimous vote.

BOARD ADOPTION OF RESOLUTION NO. B-1426:

Resolution No. B-1426, establishing a total, weighted rate increase of 10.4 percent (12.5 percent General O&M and Capital and 6 percent R&R) for 2016. Commissioner Rediske moved to adopt Resolution No. B-1426. Commissioner Korsmo seconded the motion, and it was passed by a unanimous vote.

CROSS CONNECTION/BACKFLOW TESTER BID RESULTS:

Letters were sent to 15 certified Cross Connection/Backflow testers inviting them to bid on the District's backflow device testing for its customers. Eight bids were received, ranging from the low bid of \$16.49 per assembly test from Backflows Northwest, Inc. out of Bellevue, Washington to \$40 per test. The General Manager recommended the Board accept Backflows Northwest, Inc.'s bid and award the project to them for 2016 testing. Commissioner Rediske moved to award the contract for 2016 testing to Backflows Northwest, Inc. Commissioner Korsmo seconded the motion, and it was passed by a unanimous vote.

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SUPERINTENDENT'S REPORT:

The Superintendent's Report was provided to the Board in its entirety in the pre-agenda packets. The Superintendent further briefed the Board regarding two pending City projects—the Bridgeport Way project supposed to bid in January and the South Tacoma Way project supposed to bid in February. Besides these two projects, the District will probably do one more small R&R project in 2016 on Thorne Lane.

The District began the Walker Ridge project this past week; the District crew will be installing approximately 2000 feet of main and 41 water connection services; 1200 feet had been installed since Monday.

The District fared well at the local Richie Bros. auction, receiving \$7500 for its Ford F150 truck and \$17K for its Ford F450.

Seismic upgrades are progressing well. It had been determined by RH2 Engineers that some lead-based paint found would have to be removed to the tune of \$30K extra, beyond budget. District staff had hoped the engineers would have been able to figure out another method to deal with the matter; RH2 responded there was really no other effective way to manage the situation.

FINANCE DIRECTOR/OFFICE SUPERVISOR'S REPORT:

The Finance Director/Office Supervisor reported staff had been reviewing and working on update recommendations in the area of miscellaneous charges. A list of these suggested changes/charges is expected to be presented to the Board at the January meeting.

OTHER BUSINESS:

Board Acknowledgement of Employee Wage Increases—the Board acknowledged an annual wage increase for D. Funderburk and end-of-year merit and promotion increases for C. Bullard, A. Dickens, D. Funderburk, J. Lea, C. Pulk, E. Schwind, and Z. Smith.

Crisis Leadership & Decision-Making for Elected Officials—this training will be available to District Commissioners on January 21 from 8 a.m. to 1 p.m. at the McGavick Center. Commissioner Rediske had already registered.

Property at 6411 150th Street for Sale (by Eva Gasso tanksite)—this property is again up for sale. While the asking price is \$275K for this 3.5-acre property, District real estate agent K. Campbell reported its value to be \$100K-\$150K based on comparables. Commissioner Korsmo asked if there was money in the budget for this purchase. The General Manager stated there was \$150K in the 2016 Budget to cover this purchase and recommended pursuing the matter and bringing the information back to the Board at a later date.

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This is the only developable property left in Woodbrook and could be a key site if the District is successful in acquiring the JBLM water utilities. If the District does not get JBLM, the District could sell the small lot below and utilize the remainder of the property for a future tank(s) site. The house has been condemned due to previous use as a location where methamphetamine was produced. In 2009, this property was up for sale for \$2M; in 2012, it sold for \$67K.

The Board concurred with investigating the matter. Commissioner Rediske stated District staff would need to make a clear case regarding the importance of purchasing this property.

The District would still need an easement to get to its tank. It may take \$75K-\$100K to build a new road to access the District's tank. The District did not pay for the Eva Gasso tank or site; this tank was built and installed by the federal government when the District annexed the American Lake Gardens area into its water system.

The General Manager will come back to the Board with a recommended offer.

Board Approval of Cash-Out of 80 Hours of Vacation for General Manager—the Board approved a cash-out of 80 hours of unused vacation for the General Manager. The JBLM proposal project precluded him from taking planned vacation.

Reminder Invite to BOC re. Employee Winter/Holiday Luncheon Friday, December 17, at the Ram—the General Manager thanked the Board for the opportunity to close the office the next day for an employee holiday/winter season luncheon and invited the Commissioners to attend.

With no further business to address, President Ghilarducci adjourned the meeting at 5:03 p.m.

**LAKWOOD WATER DISTRICT
BOARD OF COMMISSIONERS**

BY:



ITS PRESIDENT

BY:



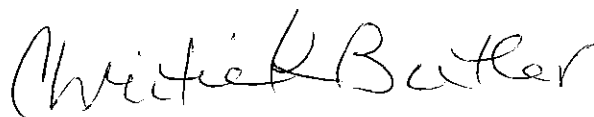
ITS VICE PRESIDENT

BY:



ITS SECRETARY

ATTEST:



DISTRICT SECRETARY