

**LAKWOOD WATER DISTRICT  
BOARD OF COMMISSIONERS  
Minutes of Special Meeting—2018 Budget Workshop  
October 3, 2017  
8:30 a.m.**

The Special Meeting was called to order at 8:35 a.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; Department Head D. Hall; Department Head B. Gaskin; Foreman S. Rae; Pumping Department Lead D. Stanley; Secretary T. MacDougall; Sr. Accounting Lead P. Mendoza; and IT Administrator P. Kang.

**PUBLIC COMMENT:**

No members of the public were present.

**BOARD AWARD OF N-3 WELL PROJECT:**

A bid opening was held on Tuesday, September 26 at 2 p.m. Four bids were received for this project. The low bidder was Charon Drilling Inc. out of Graham, Washington, with a bid of \$261,814.77, including tax. The second-low bidder was Holt Drilling out of Edgewood, Washington with a bid of \$279,169.08, including tax.

Charon Drilling has done an abundance of good work for the District over many years, so no additional reference was needed. Legal counsel A. Tramountanas of Short, Cressman & Burgess performed a litigation check with no findings. The General Manager recommended the Board award the project to Charon Drilling. Commissioner Rediske so moved, Commissioner Korsmo seconded the motion, and it was passed by a unanimous vote.

**UPDATE ON 2017 BUDGET:**

**Introduction and Overview**—The General Manager provided an introductory overview of the year. A very dry summer after a very wet winter and spring may leave revenues near budget by the end of the year. Additionally, the District maintained expenses even with decreased revenues during the year.

The Superintendent reported it was a busier-than-normal construction season. This trend is expected to continue in 2018. The District was able to complete all major capital and R&R projects budgeted for 2017. One carry-over project for 2018 will be the Pacific Highway and PRV (Grocery Outlet) project, and it will be put out to public bid. The District had planned to complete this project with District staff, but there has been no time this year to do so. With District staff faced with the increased construction, a record year of water services installations, and law changes resulting in requiring more time to do the same job, 2017 has been a year of priorities.

**Pumping Department**—The Pumping Department Lead, assisted by the Department Head, provided a summary of 2017 projects and activities in this department. These included painting and security upgrades at the American Lake Gardens Tank, upgrades at the Deepwood Treatment Plant, replacement of variable frequency drives at the K-1 and K-2 wells, restoration of the J-1 well, and replacement of two servers—SCADA and Cass (to back up the SCADA server.)

**Construction and Operations Department**—The Department Head reported 2017 was a record-breaking year for locates, main breaks (due to tree roots), and construction, both from developers and the City of Lakewood. This has prevented the staff from getting to scheduled valve and hydrant maintenance. AWWA (American Water Works Association) standards call for hydrant maintenance every two years and valve maintenance every three years.

The Foreman/Fleet Manager/Safety Officer reported Trucks #11 (the small dump) and #9 (the chlorine truck) will be replaced in 2018. The District's practice has been to replace vehicles after seven years, but it's been able to keep some trucks on the books for 13 years with low mileage and good maintenance.

The 2017 Safety expenditures will be near budget after a total of 16 hours of safety training in October. The District was able to invite staff from other water purveyors to attend, helping them obtain needed training and reducing District costs. CEUs (Continuing Education Units) were awarded for the training.

**Financial Forecast in 2017 and Office Update**—The Finance Director reviewed with the Board the 2017 forecast, budget, and projected variances. The forecasted net income for 2017 is \$2,384,717, with a \$93,050 variance from the 2017 Budget.

The Five-year Rate Forecast in the 2017 Budget projects a 4.75 percent rate increase for 2018.

**GOALS AND OBJECTIVES FOR 2018 BUDGET:**

The General Manager stated the focus of the 2018 Budget had been difficult to set in light of many unknowns.

**Wholesale Contracts and the Installation of the Wholesale Transmission Main Extension (WTME).** The District is still awaiting word from Spanaway whether they are participating in the WTME project and signing the wholesale contract amendment or possibly getting wholesale water from Tacoma Water. Their board is expected to render a decision at its meeting on Thursday, October 5. Tacoma has still not given firm numbers regarding wholesale water costs/prices.

**Western State Hospital.** The hospital now has a temporary service from the District that may end up going permanent. The District is willing to exchange water rights for the General Facilities Charge (GFC) if that bears out.

**Ponders Well Site Facilities Replacement.** The District remains in a holding pattern during the State legislature's stalemate, holding the capital budget ransom over the Hirst decision.

**JBLM.** A perpetual unknown.

**City of Lakewood Projects.** The District expects 2018 to be as busy as 2017 project-wise; however, it is unknown if the City will proceed with all planned projects.

### **Core Services Focus**

**Returning System Maintenance to Proper Levels.** In 2017, District staff was extremely busy with developer and City projects, resulting in a reduction in scheduled maintenance. There also was an increase in locates of over 30 percent. With 2018 anticipated to be just as busy with projects, the District needs to figure out adequate staffing/manhours to return system maintenance to proper levels. Additionally, there will be transitions with two staff retiring, hiring additional/replacement staff, and training.

**Carry-over Projects.** Carry-over projects include: the N-3 Well, I-3 pump and motor replacement, I-3 source meter replacement, replacement of the remaining seven actuary valves at View Road, the Pacific Highway PRV and Main R&R, Arrowhead R&R Phase 1 chip sealing, District parking lot paving, and the Steilacoom Tank retrofit (with pending \$1M FEMA grant; \$125K paid by the District and \$125K paid by the State Department of Health).

### **Areas of Significant Change with Impact to the 2018 Budget**

**Economy.** A robust economy in 2017 resulted in significant increases in locating and construction. Next year is expected to be equal to or more than this year.

**Regulations.** Some regulations, e.g., in the areas of locating and L&I safety, are resulting in additional needed manhours to complete the work.

**Technical Complexity.** Mr. Hall addressed this subject in a PowerPoint presentation later in the agenda.

### **Overview of 2018 District R&R Program**

**Prospective Approach to 2018 Budget.** R&R projects projected for 2018 include Sylvan Park Phase 3, Silcox, and Lake Steilacoom Drive. The proposed 2018 R&R lineup is estimated to come in just under the \$3.5M annual R&R budget. R&R priorities include the replacement of undersized, aged, and asbestos/cement mains and removal of any and all leaded goosenecks.

**Office and Technology Budget.** New office furniture and a copier are on the docket for 2018. The present office furniture is about 25 years old.

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The District's IT Administrator made a PowerPoint presentation outlining the District's IT infrastructure needs and upgrades, 2017 accomplishments, 2017 projects planned but not yet started, and projected projects and plans for 2018.

The District has replaced outdated physical servers with one physical server and eight virtual servers, with 24 bays of storage. The 2017 accomplishments included the implementation of Lucity (asset and computerized maintenance management system), website redesign and development, and offsite data backup solutions. Projects planned for 2017 but not yet started were email server migration and firewall replacement. Projects proposed for 2018 include wireless network expansion, District office security camera system replacement, failover physical server/virtual host, utility locates integration with Lucity, backflow prevention software migration to Lucity, and a Customer Payment Solution.

The District will continue to maximize its technology to increase efficiencies and productivity.

**Tank Analysis Preliminary Report.** The General Manager provided a preliminary report of the analysis performed on 9 of 13 of the District's tanks by RH2 Engineering; a detailed report will be presented at the November meeting. Eight of the tanks have high-level seismic faults but are in good shape otherwise. It would cost an estimated \$8.5M to bring them up to proper seismic condition. To replace the tanks today would cost an estimated \$38.8M in today's dollars; waiting to replace the tanks for 50 years would cost an estimated \$108M in today's dollars. Input will be requested from the Board as to how to proceed in 2018.

**STAFFING:**

Pumping & Water Treatment Department Head, D. Hall gave a PowerPoint presentation outlining the volume and detail of the variegated and multi-faceted duties and responsibilities carried out by District staff each day.

**Staffing Recommendations.** The General Manager shared four major factors contributing to the need for additional staff: 1) adherence to new safety requirements; 2) increases in developer jobs requiring a greater amount of manhours than previously forecasted; 3) over 30 percent increase in locates, requiring 1.5 FTE (Fulltime Employee); and 4) staff reluctance to work overtime.

The proposed staffing plan for 2018 would include hiring a Water Utility Worker II (preferably, due to transition/training time) and a Customer Service Representative I in January; hiring a Water Utility Worker I in March, and an additional Water Utility Worker I in June.

**WAGE AND BENEFIT PROPOSALS FOR 2018:**

**PERS Rate Projections.** According to the State Actuary, no changes in PERS contribution rates are projected until July 2019.

**Projected Medical and Dental Benefit Renewals.** Trends seen by the District's broker in these areas indicated a possible 12-15 percent increase for medical and unknown for dental. The District has put 12 percent in the 2018 Budget as a placeholder until it gets more detailed numbers and information expected later this month.

**CPIs, Projected Employee Wage Increase Percentages of Peers.** The Seattle-Tacoma Bremerton Consumer Price Indexes are currently showing an average of 3 percent inflation from 2016 to 2017. Similarly, the average base wage or COLA (Cost of Living Allowance) projected by peers in both Pierce and King counties is also 3 percent. Numbers are still coming in regarding merit. Not many purveyors award an annual merit increase but have step increases instead. More definitive numbers will be available at the presentation of the 2018 Draft Budget in November, as October CPI numbers will hopefully be published by that time.

The General Manager asked for a general nod of consensus or redirection as it related to the broad strokes of the 2018 Budget presented at this meeting and their comfortability with the direction it was going. The Board expressed their general acceptance and support as the budget team proceeds. Additional budget updates will be presented and discussed at the October 26 Special Meeting.

With no further business to address, President Ghilarducci adjourned the meeting at 11:15 a.m.

**LAKWOOD WATER DISTRICT  
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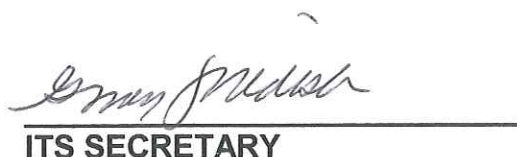
**BY:**

  
ITS PRESIDENT

**BY:**

  
ITS VICE PRESIDENT

**BY:**

  
ITS SECRETARY

**ATTEST:**

  
DISTRICT SECRETARY