

**LAKWOOD WATER DISTRICT
BOARD OF COMMISSIONERS
Minutes of Special Meeting
Thursday, February 20, 2020**

The Special Meeting was called to order at 8:30 a.m. at the District office. Present at the meeting: Commissioners J. S. Korsmo, Jr., G. J. Rediske, and G. J. Barton; General Manager R. Black; Superintendent I. Black; Finance Director D. Logan; District Secretary C. Butler; Senior Accounting Lead P. Mendoza; and Assistant Office Supervisor T. MacDougall.

PUBLIC COMMENT:

No members of the public were present.

APPROVAL OF MEETING MINUTES:

Commissioner Rediske moved to approve the minutes of the minutes of the January 16, 2020 Regular Meeting. Commissioner Barton seconded the motion which carried unanimously.

FINANCIAL INFORMATION:

The Finance Director, scheduled to retire later in 2020, announced he would preface the financials and then defer to his successor, P. Mendoza, to complete the presentation of both the December 2019 and January 2020 financials. He further announced Mr. Mendoza would regularly be presenting the financials to the Board in the monthly meetings. After a couple introductory reports, Mr. Mendoza proceeded with the presentation of the December financials to the Board.

The General Manager presented to the Board a memo from the Accounting Department requesting the Board's approval to expense the costs associated with the JBLM Water System Proposal Project, District Job #635, in the amount of \$306,804.77. The project was initiated in 2015, complete with the District's proposal submitted to the military in December. The last cost incurred in association with this project was in 2017 and, to date, the District has received no word from the military as it relates to any decision or official response to the District's proposal. The General Manager recommended this project be expensed in the 2019 year-end accounting. Commissioner Rediske so moved. Commissioner Barton seconded the motion which passed unanimously.

Mr. Mendoza wrapped up the December 2019 and year-end financials and presented the January 2020 financials to the Board. Due to some January wholesale revenue details to be confirmed, the General Manager stated that updated January financials will be presented to the Board at the next meeting which will be Special Meeting on Monday, March 9 at 3:30 p.m.

Disbursements made from the General Ledger Fund for check number 41455 through 41645 totaling \$1,576,275.30, salary direct deposits totaling \$182,189.76, payroll taxes totaling \$70,115.53, and other electronic payments totaling \$230,704.61, for a grand total of \$2,059,285.20 were presented to the Board for approval. After review, Commissioner Korsmo moved to approve the payables as listed. Commissioner Rediske seconded the motion which carried unanimously.

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The General Manager introduced the subject of 2019 write-offs and invited the Assistant Office Supervisor to distribute the information to the Board and explain the various components in the categories of Miscellaneous A/R (Accounts Receivable), Small Balance, Collection, 50% Leak Adjustments, Meter Leak Adjustments, and Miscellaneous Adjustments. While the write-offs totaled \$26,297.84, a good portion was not forgiveness of debt. Over 85 percent of the Miscellaneous A/R write-offs was due to a contractor not paying for the replacement of a main they broke and the paving that had to be restored. Small Balances consist of any unpaid balance over \$7. These are kept on the books for one year in case the collection agency succeeds in obtaining any of the balance owed. Miscellaneous Adjustments include waived fees and/or forgiven charges in special circumstances. Again, not all of these were forgiveness of debt; some were from a wrong read or incorrect billing.

The District's total bad debt was only 0.8 of 1 percent, which is significantly low and in keeping with the District's financial diligence. Commissioner Korsmo moved to approve the 2019 write-offs. Commissioner Rediske seconded the motion which carried unanimously. The Assistant Office Supervisor excused herself from the meeting at that time.

REVIEW OF STRATEGIC PLAN FOR PFAS:

The General Manager reported to the Board on a meeting hosted at the District on January 11 with District legal counsel and consultants regarding a strategic plan in moving forward with requirements for PFAS as currently outlined by the State Department of Health (DOH). Commissioner Korsmo attended to represent the Board. The General Manager specifically requested the meeting to outline how the District should proceed with its public messaging and PR in advance of the outlined requirements coming out from DOH and also to provide to the Board with options and tools regarding best next steps.

The General Manager informed the Board of a bill, 2SSB 6342, from a State Senator as it related to PFAS. While the bill contains some components that would be good for utilities and their customers, it is significantly flawed in other components, primarily due to the author and the legislature not having enough good, accurate information on the subject. Utilities will be commenting on the bill with the hopes the legislature leaves this matter in the hands of the State Department of Health and the process it has already begun.

The General Manager told the Board that in the next two to three months, he and the District PFAS team should have good dialogue for the Board regarding a plan, public outreach, communication, messaging, etc. The Board will have the opportunity to review and comment prior to implementation.

At the meeting on February 11, District legal counsel J. Kray and S. Wightman provided an update on the case currently with JBLM. Legal counsel recommended changing the claim to not only include JBLM and the Federal Government but the manufacturers of the PFAS chemicals. This would add a second track to the lawsuit versus it solely being in the category of a federal lawsuit, and it could be collapsed into a class action lawsuit. Reportedly, there are 12 manufacturers; the General Manager was not certain which ones provided the PFAS chemicals used by JBLM. The General Manager also reported there was a federal bill passed in 2019 that is requiring all federal institutions to be rid of PFAS chemicals and adopt a more environmentally friendly environment by 2025.

CITY OF LAKEWOOD'S JBLM NORTH ACCESS IMPROVEMENT PROJECT UPDATE:

The General Manager invited the Superintendent to address this matter. The Superintendent distributed a memo he had written to the General Manager on the subject, "Washington Boulevard Water Main Replacement—Now or Future?" He also provided a spreadsheet outlining options and costs. He proceeded to present the information to the Board and, ultimately, his recommendation to proceed to coordinate with the City the replacement of the water facilities along Washington Boulevard from Gravelly Lake Drive to Northgate Road. This would replace the District's old existing asbestos cement (AC) main and appurtenances along that route at approximately \$900K less than it would cost 15 years from now when they would be scheduled to be replaced. The General Manager concurred with the Superintendent's recommendation and, at the conclusion of the discussion, the Board concurred with it as well.

WASWD SOLICITATION FOR FINANCIAL ASSISTANCE ON LITIGATION FOR STORM WATER INJECTION WELLS:

The General Manager reported that some water districts are highly concerned with possible issues with their groundwater sources as a result of Underground Injection Control (UIC) wells being located in the vicinity of their drinking water source aquifer. As UIC wells are used more, they may present an issue for more districts reliant on groundwater sources in the vicinity of where UIC wells are used for stormwater purposes.

According to a review by the Washington Association of Sewer and Water Districts (WASWD), the Department of Ecology (DOE) regulations on the subject are lax. With no legislative solution this session, the WASWD Board of Directors decided to move ahead with legal action related to the appeal of a decision from DOE, stating the laws governing UIC are too lax. The next phase of the appeal involves steps that will keep the issue alive with the Department of Ecology, continue to build a record on the issue for the policy discussion, and build a foundation of facts in the event WASWD pursues a legal remedy to its conclusion. WASWD reports the next phase of the appeal will cost about \$30,000 in legal fees and is contributing \$10,000 to this effort. They are appealing to districts to voluntarily contribute the other \$20,000 needed for this next phase of the appeal. Some districts have already stepped forward, and the General Manager recommended supporting this action in the amount of \$2,500; this would be in addition to dues. Commissioner Rediske moved for the District to contribute \$2,500. Commissioner Barton seconded the motion which carried unanimously.

GENERAL MANAGER PROJECT UPDATES:

The General Manager stated he did not have anything substantive to report beyond his memo except that the District is able to provide 5 million gallons a day in wholesale water versus what was previously reported in his memo [that the District could only deliver 4.5 mgd]. Post sending the memo to the Board, the District discovered that one of the 20-inch valves had been turned off and only the 2-inch bypass valve was open.

SUPERINTENDENT'S REPORT:

The Superintendent's full, written report was provided to the Board in the pre-agenda packets. Supplemental to that report, the Superintendent shared the District had started

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the Veterans Drive and Arrowhead Phase 3 R&R (Replacement and Rehabilitation) projects, and it looked like contractor R.W. Scott Construction Co. would have the Arrowhead project completed ahead of schedule. The Superintendent reported that Johnson & Madox, the contractor on the Veterans Drive project, does good, thorough work but moves a bit more slowly. The District pulled back the schedule of the Sylvan Park Phase 4 R&R Project to accommodate movement on the Washington Boulevard project with the City. The 32nd Avenue R&R Project is out to bid. The bid opening was initially scheduled for February 25 but was moved to March 3 due to questions that came up during the project walk-thru.

Prospect Construction is testing the new pumps at the existing Booster Pump Station (BPS). Substantial completion of second Booster Pump Station is scheduled for July 13. Having the second BPS online will allow the District to deliver 10 mgd, but there would still be a need to augment the infrastructure to accommodate that delivery. The Superintendent stated the District plans to test the current wholesale delivery system to see what it can handle; e.g, it can presently deliver 5 mgd, can it deliver 5.5 mgd? 6 mgd?

On the subject of private work, that is highly difficult to budget and yet the District has to respond. This can lead to the District not getting to scheduled maintenance programs which is neither desirable nor best. The District may look at alternatives such as subcontracting out some of the maintenance work and have District staff perform the inspection of the work.

FINANCE DIRECTOR/OFFICE SUPERVISOR'S REPORT:

Mr. Mendoza reported there was no budgeted revenue from the Wholesale Transmission Main Extension (WTME) booster pump station for the first six months. Billings for January are being prepared to send to the Wholesale Partners, with the Utility Basis pricing being in place beginning January 21 when the District made wholesale water thru the WTME officially available. The District's cash flow stood at \$900K, with \$19M in the District's Local Government Investment Pool account.

OTHER BUSINESS:

Board Acknowledgement of Employee Wage Increases—the Board acknowledged increases for employees S. Bosma, B. Davison, and M. Golden.

Government Relations Committee Report—Commissioner Barton reported he did attend this month's meeting but had nothing substantive to report beyond the matter of the WASWD bill that the General Manager already covered.

Financial Statements (F1s) Due April 15—the General Manager reminded the Board that these statements are to be submitted by April 15.

March Board of Commissioner Meeting—the General Manager reminded the Board the March meeting will be a Special Meeting on March 9 at 3:30 p.m.

No-rate-increase Letter Customer Comments/Thank-you's—the General Manager reported he had received a number of compliments and thank-you's from customers on the phone, at Rotary, and around the District.

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Board Approval of Revised 2020 Salary Range Page for 2020 Budget—the Board signed a revised 2020 Budget salary range page as approved in the 2020 Budget approval process at the December 20, 2019 meeting.

Meeting with Sensus—the General Manager reported on a meeting District staff had with representatives of Sensus the previous day as it related to repaying the District for costs associated with the failures and deficiencies with the iPerl meters and the Meter Replacement Program. While Sensus replaced all failed meters free of charge, the District still incurred the costs of installation, etc.

The meeting went well, with Sensus taking full responsibility for the situation. Prior to the Meter Replacement Program, the District's experience with the iPerl meter had been excellent. Just prior to the launch of the Meter Replacement Program, Sensus changed manufacturing companies, moving to a company outside of the country that offered a lower production price. These meters had a flaw allowing water intrusion into the meter which was causing them to fail. There are 6400 meters that may still have this problem. If the meter failures continue, Sensus will simply replace all 6400 meters. The General Manager stated Sensus had been a good partner throughout this entire process.

Going forward, instead of a subcontractor (previously, Concord) performing the changeouts of the failed meters, etc., the District may hire a part-time person to perform the work, and Sensus would pay that person.

With no additional business to address, President Korsmo adjourned the meeting at 10:21 a.m.

**LAKWOOD WATER DISTRICT
BOARD OF COMMISSIONERS**

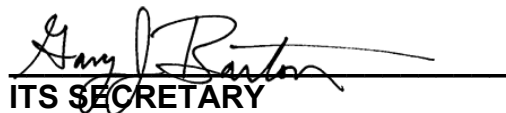
BY:


ITS PRESIDENT

BY:


ITS VICE PRESIDENT

BY:


ITS SECRETARY

ATTEST:

JLC for Christie Butler
DISTRICT SECRETARY