



**LAKESWOOD WATER DISTRICT  
BOARD OF COMMISSIONERS  
Minutes of Regular Meeting  
October 20, 2022  
Boardroom & Via Microsoft Teams**

**1. CALL MEETING TO ORDER**

President Korsmo called the Regular Meeting to order at 3:30 PM.

**2. ATTENDANCE**

Present at the meeting: Commissioners J. Korsmo, G. Rediske, and G. Barton; General Manager R. Black, Operations Manager I. Black, Engineering Manager M. Meyer, Finance Manager P. Mendoza, IT Manager C. Fast, and Administrative Assistant J. Clark.

**3. PUBLIC COMMENT**

None.

**4. APPROVAL OF MEETING MINUTES FROM 9/15/22 REGULAR MEETING.**

**COMMISSIONER REDISKE MOVED TO APPROVE THE SEPTEMBER 15, 2022, SPECIAL MEETING, SECOND BY COMMISSIONER BARTON. MOTION PASSED UNANIMOUSLY.**

**5. BRIEFING FROM JEFF KRAY REGARDING JBLM LAWSUIT - *Executive Session RCW 42.30.110(i)***

At 3:42 PM, Commissioner Korsmo announced the Board of Commissioners would recess to Executive Session for the purpose of a briefing from Jeff Kray regarding JBLM lawsuit RCW 42.30.110(i) for approximately (27) minutes.

**6. FINANCIAL INFORMATION**

Philip Mendoza, Finance Manager, presented the September 2022 financials to the board. He shared that retail sales in September 2022 were 8.47% higher than budgeted and 7.60% lower YTD. Operating revenue is 8.45% higher than budgeted and 4.13% lower YTD. Pumping operations is 29.92% lower than budget and 9.73% under budget YTD; the flushing program is unable to be done due to down well sites. Water Treatment operations are 37.01% under budget and 9.73% under budget YTD. Transmission and Distribution operations is 25.07% under budget and 12.27% under budget YTD. Total operating expense is 6.08% under budget and 4.69% under budget YTD.

**a. Approval of Payables**

Disbursements made from the General Ledger Fund for checks number 46659 through 46755 totaling \$464,803.15, salary direct deposits totaling \$188,908.00, payroll taxes totaling \$66,102.17, and other electronic payments totaling \$342,872.23 for a total of \$1,062,685.55 were presented to the Board for approval.

**COMMISSIONER BARTON MOVED TO APPROVE THE PAYABLES AS LISTED. COMMISSIONER REDISKE SECONDED THE MOTION. MOTION PASSED UNANIMOUSLY.**

## **7. FUNDING OPTIONS – WIFIA (SERGEY – FCS GROUP)**

General Manager shared some long-term financing options on revenue bonds and the WIFIA program. We reduced net revenue for 2023 due to our revenue being down; we were not able to capture the revenue increase due to lower retail sales. The staff has worked hard to hold the line and maintain a 7% increase. The budgets after 2023 will be more difficult to predict with all unknowns with the new wells; will we need to treat iron and manganese or install a GAC system? 2023 is about buying time to get to the answers to find out what level of funding we can get through grants.

Finance Manager Mendoza presented two scenarios for the board to consider.

Scenario 1: PFAS funded through revenue bonds only & Scenario 2: PFAS funded through both revenue bonds and WIFIA.

### Scenario 1: Revenue bonds

- Significant changes in scenario 1 to accommodate a lower rate increase.
- Borrowing occurs every year as opposed to every two years; will put pressure on cash flow management as well as on staff with issuing bonds every year. This allows for the reduction of rates to 7% for 2023.
- 2023 results in significantly less borrowing and the District will need to figure out what to do for 2024's funding situation (whether it would be through grants, bonds, WIFIA, etc.) as soon as more information is available.

### Scenario 2: Revenue bonds + WIFA.

- We would borrow about \$16M-\$17M to address the PFAS projects. The first payment wouldn't be until 2033. Funding would be through 2072. This would allow the District to maintain the 7% rate increase until 2026 it would go up to 7.25%.
- 2033 – 2072 would be higher rate increases

#### *Caveats to WIFIA*

- On \$16.9M of WIFIA debt, incurs \$5.3M more in interest expense across the length of the debt. (Scenario 1 vs. Scenario 2)
- The more WIFIA is used, the more interest expense increases
- Future rate increases will have to address the increased interest expense. That is, we will have to sustain an elevated increase in rates potentially through 2033.

Commissioner Korsmo inquired if WIFIA interest is higher than bond rates. Finance Manager Mendoza shared that WIFIA borrowing is a lot less in terms of interest expense, it is based on U.S. Treasury rates. The costs come from capitalizing interest expense. In order to defer until 2033, the amount of interest we would have to pay we would also have to borrow. The further you defer, the more you have to borrow. Commissioner Korsmo inquired if the District could pay it off like we do revenue bond debt. Finance Manager Mendoza indicated that was a more in-depth question we would need to follow up with WIFIA on.

General Manager Black shared that there are no prepayment penalties that he knows of, he will check to verify. Finance Manager Mendoza shared WIFIA requires \$20M minimum to borrow through EPA. General Manager Black, WIFIA would fund up to 49% of the project and the District would fund the balance. If you received future grants, you would not need to borrow additional money, it is like a line of credit, only use what you need.

Commissioner Barton would like to avoid capitalizing interest and shared it is not prudent to do so. He would like staff to verify if there are any prepayment penalties; he thinks that it would be a better outcome for long-term rates than capitalize the interest. Finance Manager Mendoza shared that the District doesn't typically capitalize interest in our revenue bonds; this is to defer rate increases.

Commissioner Rediske inquired why we are looking at WIFIA when we have had the financial ability to get bonds in the past; this doesn't fit our philosophy. General Manager Black shared that it allows you to defer a lower payment before you have to start making payments. WIFIA allows you to have money that you control how and when you start paying it back and how you can reduce that payment with other funding coming in. He shared we have time before we need to make this decision to see if we can get funding for the projects from grants. Finance Manager Mendoza said one of the biggest advantages is not having that significant spike in rate increases. If you don't use WIFIA, we will need to raise the rates to make the payments. WIFIA will be a gradual rate increase rather than a significant increase (see chart below).

**Sample: All Revenue Bonds**

	2023	2024	2025	2026
Annual Increase:	6.67%	11.40%	8.76%	6.17%
General Increase:	7.00%	14.00%	10.00%	6.25%
R&R Increase:	6.00%	6.00%	6.00%	6.00%
General Av. Bil	\$56.67	\$61.95	\$66.74	\$70.82
Gen. New Debt	\$3.0M	\$6.2M	\$6.0M	\$4.5M
WIFA Debt	N/A	N/A	N/A	N/A
R&R Debt	\$2.0M	**	\$2.8M	**
Total Debt	\$5.0M	\$6.2M	\$8.8M	\$4.5M

**Sample: Revenue Bonds + WIFIA**

	2023	2024	2025	2026
Annual Increase:	6.67%	6.67%	6.68%	6.85%
General Increase:	7.00%	7.00%	7.00%	7.25%
R&R Increase:	6.00%	6.00%	6.00%	6.00%
General Av. Bil	\$56.67	\$60.30	\$64.17	\$68.35
Gen. New Debt	\$5.0M	**	\$4.0M	**
WIFA Debt	\$0	\$4,117,286	\$3,697,356	\$3,555,011
R&R Debt	\$2.0M	**	\$2.8M	**
Total Debt	\$7.0M	\$4,117,286	\$10,497,356	\$3,555,011

General Manager Black asked the commissioners if we are on the right track for 2023 or do they have any additional information before the November meeting.

Commissioner Rediske would like to hold back until next year to decide on using WIFIA until we hear more information on the grants. Commissioner Barton agrees with Commissioner Rediske and wants to wait to see our financial liabilities, if we need to treat the iron and manganese, and what grants we will receive. Commissioner Korsmo agrees with the other commissioners to stay the course for 2023.

#### **8. 2023 BUDGET UPDATE**

General Manager Black was looking for additional feedback from the budget presentation. Commissioner Korsmo feels that the information presented at the budget meeting and the information shared monthly has provided enough information; they do not have any additional questions.

#### **9. REQUEST FOR BOARD APPROVAL TO SUBMIT DRINKING WATER STATE REVOLVING FUND (DWSRF) APPLICATIONS FOR THE O-2, O-3, I-3, K-3, AND G-4 WELL PROJECTS.**

General Manager Black shared that to apply for the grant, the board needs to approve the application being submitted to the DWSRF.

**COMMISSIONER REDISKE MOTIONED TO APPROVE THE TO SUBMIT DRINKING WATER STATE REVOLVING FUND (DWSRF) APPLICATIONS FOR THE O-2, O-3, I-3, K-3, AND G-4 WELL PROJECTS, SECOND BY COMMISSIONER BARTON. MOTION PASSED UNANIMOUSLY.**

#### **10. GENERAL MANAGERS REPORT**

Randall Black, General Manager, provided the following updates:

Woodland Estates – Operations Manager Black will provide more details during his report.

Wholesale Transmission Main event, staff is requesting an additional budget request of \$1,200. The Commissioners approved the additional budget.

Cross Connection Control proposed changes will be presented by IT Manager Fast during his report.

#### **11. OPERATIONS REPORT**

Ian Black Operations Manager shared that construction on the Spanaway connection has started on Brookdale; we should be done by mid-November and will discuss with Spanaway if they want all 2 mgd or if they would like less at this time.

Steel building passed inspection, and the last item is installing the overhead lighting.

Woodland Estates has the water main and water meters installed. Paving will be completed near the end of November. Homeowners can now connect their homes to the meters. This was a great project for training newer staff. Commissioner Barton shared how impressed he was with this project and the quality of work the staff did. Operations Manager Black agreed that LWD has the best staff around.

## **12. ENGINEERING MANAGER'S REPORT**

Marshall Meyer, Engineering Manager, shared 85% of supply capacity is online. The remaining 12% offline is down due to PFAS, and 3% View Rd is down for mechanical issues.

For the last several weeks, we have worked on the diagnosis at the Wholesale Station Pump. We pulled out a pump and three decent-sized rocks were wedged in the pump impeller vanes, which impacted the performance and caused the vibrations. We believe the rocks were in the Wholesale Transmission Main since it was constructed and dislodged during the larger pumps' flow tests back in 2020. The flow tests pulled more water through the main than previously seen. With the increased flow, the rocks could have been dislodged and pulled into the pumps. This is consistent with the performance issues occurring suddenly not long after the pump test.

R-2 Well is scheduled to start on October 17, 2022. The additional well development activity is aimed at increasing the yield from the well compared to when it was initially developed and tested in May.

Abitibi well evaluation was awarded to Holt Services, and we have provided a notice to proceed. We are waiting for their start date; we have given them a start date of no later than November 10, 2022 and the project will go through the end of December 2022.

Steilacoom Blvd. Tank Seismic Retrofitting is now complete; the final steps are going through the punch list items with the contractor. It is a nice sky blue and will stand long after any earthquakes come through.

## **13. OFFICE MANAGER'S REPORT**

See report in packet.

## **14. INFORMATION TECHNOLOGY MANGER'S REPORT**

Dish Network has three cell tower contracts in place and they are working on details for a potential fourth cell tower.

*Proposed Cross Connection policy changes for 2023* – Currently, we are 91% on par with the State average; pre-Covid, we were at 99% compliance. We are having a challenge with keeping owners in compliance since Covid; we are looking at automatic testing if the customer is not in compliance instead of turning off their water until they have the testing done.

Currently, we would turn off their meter after the third notice (47 days), and we are proposing to do a compulsory test. We would charge the property owner \$100.00 per assembly tested.

The estimated total cost to the District exceeds the \$100 fee the District will charge for the compulsory test. If the customer does not allow access to test the assemblies, the District will shut off the customer's water until the customer allows access for testing or can provide proof of testing.

The \$100 fee amount was reached as follows:	
30 Minutes Document Preparation	\$40
Cost to deliver a 48 Hour Notice (Vehicle + Employee)	\$40
Estimated Backflow Test cost range	\$40 - \$50
Total Estimated Cost	\$120 - \$130

It would be beneficial to the District to contract a second tester for compulsory testing with the contractual obligation to attempt testing within a two-week time frame from receipt of the testing notice from the District. Having a second tester for the compulsory testing allows the District Backflow Program Tester to continue testing customers who have signed up for the District's Testing Program without delay. We expect the expedited testing cost will be higher than the District's regular testing contract.

In addition, we are proposing to assess a \$10 door hanger fee for Cross Connection 48-Hour Notices and a \$40 disconnect fee for Cross Connection Shut Offs. The District does not currently assess a fee for cross connection door hangers or disconnects. This fee structure is identical to the fee structure for billing disconnects. The ratepayers currently cover the cost of these services. Adding the fee relieves the District ratepayers from paying for customers not complying with State law and District resolutions.

Commissioner Rediske asked if someone who wanted to get their system tested, can they call us and sign up for our program? Can our contractor respond in a timely manner? IT Manager Fast shared that once they sign up for the program and sign the Right of Entry (ROE), they are removed from the shutoff list. If a customer schedules their test with a contractor, the contractor would need to call and let us know the date they are going out to test; the customer cannot call and let us know.

General Manager Black asked the board to review the proposed changes to the policy. Commissioner Korsmo would like to have the new policy brought back to the November 17, 2022, meeting.

**15. Other Business:**

- a. The Board acknowledged the wage increase this month.
- b. The proposed schedule for the General Manager recruitment was shared with the Commissioners to review.
- c. Commissioner Barton provided a brief update on the WASWD Legislative Committee. What is the opinion of water districts regarding bio-solids? WASWD committee members will receive a presentation from Scott Hazelgrove to educate them on bio-solids so that WASWD can address legislation in the next session. The Public Works Trust fund should be restored and not given to another program. Dept of Health requested WASWD to support funding failing water supply systems. Historically, WASWD has not taken a position and agreed to stay neutral. Commissioner Barton was selected to remain on the WASWD Board.
- d. The District insurance medical and dental renewal came in lower 2.9% vs 6% we budgeted for.

e. Our next Commissioner's meeting will be on November 17, 2022, at 3:30 PM.

**16. PUBLIC COMMENT**

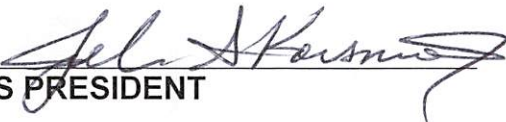
None.

**17. ADJOURN**

President Korsmo adjourned the meeting at 5:10 PM.

**LAKWOOD WATER DISTRICT  
BOARD OF COMMISSIONERS**

BY:

  
ITS PRESIDENT

BY:

  
ITS VICE PRESIDENT

BY:

  
ITS SECRETARY

BY:

  
DISTRICT SECRETARY (DATE)