



**LAKEWOOD WATER DISTRICT
BOARD OF COMMISSIONERS
Minutes of Special Budget Study Meeting
October 11, 2022
Boardroom & Via Microsoft Teams**

1. CALL MEETING TO ORDER:

President Korsmo called the Regular Meeting to order at 8:30 AM.

Commissioner Korsmo thanked the staff for all their hard work on the budget workshops and how impressed he is with how the system has become more efficient and organized over the past few years. There is a lot of work to look forward not only to 2023 but the next five years.

He was very proud of the dedication ceremony last week, and we should be very proud of the work that the District does. Commissioner Barton seconded what Commissioner Korsmo shared about the District.

2. ATTENDANCE

Present at the meeting: Commissioners John Korsmo, Greg Rediske, and Gary Barton; Randall M. Black, General Manager; Jeri-Lynn Clark, Administrative Assistant; Marshall Meyer, Engineering Manager; Philip Mendoza, Finance Manager; Briana Levo, Human Resources Manager; Bobby Gaskin, Operations & Maintenance Department Head; Ian Black, Operations Manager; Don Stanley, Pumping and Water Treatment Department Head. *Online:* Christian Fast, IT Manager; Teri MacDougall, Office Manager; Carrie Bledsoe, Accounting Specialist; Michelle Kohler, Accounting Specialist.

3. PUBLIC COMMENT

None.

4. STAFF INTRODUCTIONS

Staff introduced themselves and their position titles.

5. 2022 BUDGET AND ACCOMPLISHMENTS

General Manager Black shared that half of the year still had effects of COVID-19, and we did not see many changes coming out of it until around May or June of this year. We had to shut down four wells to comply with SAL levels; there was no impact on service levels, but it did impact our flushing program.

There was a decline in revenue in 2022 and retail consumption over the past few years. The District did have an increase in wholesale, which helped offset the loss of revenue on the retail side. We did not fill three vacant positions over the past year and will continue that next year.

a. Pumping Department

Engineering Manager Meyer shared that we have done well over the past year, starting work on all the anticipated and budgeted projects in 2022. The exception and the only project that we were not able to accomplish was the FEMA Seismic Emergency Generator due to the bids coming in higher than anticipated. We were able to get more funding from FEMA for that project. The seismic retrofit for the Steilacoom Blvd. tank exterior painting should be completed today. We were able to install several new well pumps and motors. COVID, medical and paternity leave this past year left the pumping department down one person; despite these challenges, the staff has done a fantastic job keeping things running smoothly. With the four wells down, it demonstrated the value of having highly qualified staff. They were able to adjust and come up with different ways to see how the system responded in the North system to keep the water flowing to customers.

Pumping & Operations, Mr. Stanley shared the following updates:

In an average year, we typically would plan on replacing one to two well pumps and motors a year and usually a placeholder for two emergencies; this year we did nine. We had a pump and motor replacement at 88th Pine Booster 2. Staff is sampling PFAS regularly to track when we need to replace the media in the GAC systems; Ponders media will need to be replaced in 2024. We added HVAC to a couple of well sites to help keep the pumps cool during the day, and they turn off in the evening once the temperatures outside are cooler. Installed an additional wholesale pump at the Steilacoom Well, will need to have three of the four pumps running all time to produce the additional 2 mgd, and we will not need to rely on 88th and Pine as much. We will need a new chlorine generator for the P-1/P-2; the last one ran its 15-year cycle, and we installed a larger chlorine generator to feed both the R-1/R-2 wells simultaneously.

Engineering Manager Meyer shared that the R-2 well was one of the larger capital projects this year, and Holt Services is finishing drilling that well. The other project is the Abitibi Well investigation which should be completed this year, with the results available next year.

b. Construction and Operations

The staffing issues were paramount this past year, with two positions not being filled. This year, there seemed to be more impacts than in the past two years due to outbreaks and having staff quarantine from exposure. We had a few medical and paternity leaves throughout the year as well. During those times, the staff did a great job keeping things running.

Mr. B. Gaskin shared one of the main goals was to focus on training the newer staff on mains, hydrants, and pumping. Woodland Estates project included the installation of 800 ft of water main and 12 individual connection services. With the Austin Court water main project, they were both learning opportunities for the newer staff. The Pumping department trained staff on the new pumping programs. We were able to do 668 valve maintenance operations checks. Over the past few years, the fire departments performed hydrant checks and shared a list of needed repairs. Staff was able to repair 95 out of 186 minor repairs (packing leaks, missing O-rings, etc.); all hydrants were in operation, and none were out of commission. Staff performed open box checks to ensure there were no leaks, and they would mark near the meter box for easy locating, and staff completed 1,795 open box checks. The District installed 30 new services. District staff inspected 20-

30 contractor projects. The City of Lakewood had a lot of projects that caused us to move our utilities, which caused us to stop our projects to accommodate their projects.

Operations Manager I. Black shared that a training program was designed for water workers (WUW) to keep staff moving their career paths forward in the District. An example is moving from WUW1 to WUW2 and WUW2 to WUW3. This was a great collaboration to make this training available to staff.

Commissioner Korsmo shared that water districts are moving towards not flushing water out on the street, is the District looking towards doing something like this? I. Black shared that there are machines out there that start at \$500k-\$800k and are too expensive at this time for the District. It makes more sense for states like California, which have a strict water ban. Commissioner Korsmo would like to have a notice placed in the newsletter or in the annual report to let the community know that we would like to conserve water, but it is something we need to do.

c. Office and IT Update

Office Manager T. MacDougall shared a few updates from the past year, such as the new carpet in the boardroom, EOC room, and her office. The No Tenant Proposal went well this year, and the customer service department is down one staff member due to the promotion of Carrie Bledsoe to Accounting Specialist. The customer service department has been working well as a team with the vacancy and has moved things around to keep things running smoothly.

IT Manager C. Fast continued emphasis on Cybersecurity. There have been no significant incidents, and continued education with staff by testing staff on spam emails. The pumping and inspection teams were switched from tablets to notebooks. We started the integration of the Elements XS work order management program. The inspection and field staff are using it for non-service-related work orders while the Elements and Caselle integration completes. Replaced all staff cell phones this year and added four new firewalls to the SCADA system.

d. Human Resources Update

Human Resources Manager B. Levo completed two job analysis time studies this year; this helps the District determine actual staffing needs and helps to keep the District lean. She anticipates the need for more of these analyses in the future. The other was an employee opinion survey. Due to the results, the senior leadership and supervisor groups put action plans into place to address some of the concerns from the survey and help correct some of the concerns brought forward.

Staff collaborated to make a comprehensive Water Utility Worker competency program that lays out the path from hire to Water Worker 3; it allows us to be transparent with the requirements to move from one level to the next. This helps eliminate that subjectivity that doesn't have a structure or supporting data. This new program has moved three field staff from WUW 1 to WUW 2.

General Manager Black shared how valuable the Comprehensive Water Utility Worker Competency program is to staff. Going forward, it has the data and information available for staff to know what they need to do to move forward in their careers. The two staff who

moved up from WUW 1 to WUW 2 were very appreciative of this program and helped outline what they needed for the promotion.

e. Capital Projects Update

Operations Manager I. Black provided the update for 2022 Capital projects. The theme was delay, delay, delay. It took longer to receive supplies than he had ever seen. It required some creative ideas to be able to move projects forward. Bidding out the supplies prior to bidding on the project to help eliminate project start delays.

2022 Capital Projects:

Operations & Construction

- Completed the original contract for Scotts Well site improvements. We are waiting to complete the rebuild of the Scotts G-1 building and migrate the equipment to the new building. The building will have a backup generator set to arrive in January 2023.
- Completed the District's new Steel Building Warehouse. Waiting for the final inspection and installation of the upper lights.
- Rebuilt the cedar fence around the side and back of the property.
- Completed 39th Ave Phase 4 – Halcyon to Pac Hwy. 1,375 LF of 20" DIP connecting our Scotts Facility to the entrance of the Wholesale line.
- Design bid and completed 112th St project connecting a 24" DIP to the Wholesale line and from I-5 West back to Pacific Hwy.
- Finished the design on Lake Steilacoom Dr. Phase 2 and went out to bid, with work starting in early December.
- Naomilawn went out to bid, and the project will start in November.
- Continued work with the City of Lakewood on the Gravelly Lake Dr/Washington Blvd to Nyanza with Alia.
- Started work with the City of Lakewood on the Washington Blvd/Edgewood to Interlaaken project.
- Started the design process for the Hipkins Road project.
- Secured the final easements for the Spanaway connection to the Wholesale Main Extension. Work will start mid-October and be completed by December 30th.
- Finished plans for Front Street and will go out to bid the first part of 2023.
- 100ft lower Philips Rd. – City of Lakewood project
- Austin Court – LWD project
- Woodland Estates – LWD project

Engineering & Pumping

- Emergency Generators and Seismic Improvements at Critical Well and Pump Station Sites – The generators current delivery date is August 2023.
- Evaluation of wells at Abitibi Mill Site
- Pump Station Reliability Improvements at 88th Street and Pine Ave
- Rehabilitate and Expand Capacity of P-2 Well at Steilacoom Boulevard
- Rehabilitate and Expand Capacity of S-2 Well at Angle Lane
- Scotts well site Treatment Facilities and G-3 Well and treatment
- Steilacoom Boulevard Tank Seismic Retrofits – 7 million pounds of concrete on the bottom of the tank to meet the new requirements.
- Rehabilitate P-1R Well at Steilacoom Boulevard

- R-2 Well at 112th Street
- Rehabilitate and Expand Capacity of F-2 Well at 104th Street and Bridgeport Way

***Break 9:26 AM – 9:34 AM**

6. GOALS AND OBJECTIVES FOR 2023 BUDGET

General Manager Black shared that the budget theme will be provided before the draft budget is presented to the board in November.

The six-year rate forecast in the 2022 budget called out a 6.68% rate increase for 2023. The board requested that we stay with the rate forecast and let staff know what we can and cannot do. The staff worked hard to keep those items in mind; there are some impacts to following those suggestions. The current trend is a decline in retail water consumption, which will be noted in 2023, and we will be able to make up some revenue with the wholesale water sales with the addition of Spanaway Water.

PFAS is a focus for the District and the four wells affected by the State SAL level. The pumping department is focusing on addressing PFAS. We are getting information on areas where we can apply for funds and applying for all funding options available. We are also considering new avenues to deal with lead and copper with the Safe Drinking Water Act from the Federal Government to address utilities after the lead issues that occurred in Flint, Michigan. We are trying to find funding for surveying for lead and copper.

We have built in the worst-case scenario; we moved \$1.5M from 2023 to 2024 to stay as close as possible to the 2022 budget forecast. The question is, what are the long-term funding options? We have used revenue bonds in the past and are looking at new options, including WIFIA funding options. Information on WIFIA will be shared at the October 20, 2022, meeting.

The overhead cost is the recovery of adequate expenses from administrative costs. The current overhead cost allocation amount is typically 10%; this year, we are asking for 5% instead of 10%. There are currently no laws that require a certain amount of overhead cost amounts to be in place.

a. Highlight Significant Changes That Affect the Budget

i. PFAS/PFOS – 5-Year Mitigation Plan

Mr. Meyer shared that the PFAS response strategy is to replace the four wells that have been turned off this year. Next year will start our program in earnest, which we will work on in 2023. The new wells will be drilled at K-3 and G-4 sites; the design and permitting process have already started from the allocated Federal funding we have already received, and the well drilling on those sites will start in 2023. We will have replacement wells at I-3, O-2 & O-3, and we will begin designing them in 2023. We have already submitted six grant applications and are planning to submit six more grants. You will not see the full funding amount in the 2023 budget since they will be multi-year projects. The costs for the projects without grant funding will range from \$12M-\$16M depending on if they will need iron and manganese treatments.

Last year we budgeted that we'll need to replace the media at the G-4 well in 2023, but after reviewing/sampling the GAC Media, we are finding we are getting more life out of the media, and we will be able to replace it in late 2024 instead of 2023. This will help offset some of the costs in the 2023 budget.

ii. Inflation

Finance Manager Mendoza updated the Commissioners on the impacts of inflation. As part of the budget process, finance staff calls all the contract vendors to see if there will be any rate increases for the following year. Generally, there is an average increase of a percent or two, but a few said they were planning up to a 7% increase this year. The District staff will do their due diligence and see if there are better prices or different options for the same services. The biggest challenge for this budget is how to minimize this effect and keep the level we do. We try to bargain for our ratepayers.

b. Overview of the 2023 District R&R Program and Operations Capital Budget

Operations Manager Black shared that 2023 will be a busy year with design and engineering with the 2023 R&R projects. He shared the following projects:

- Naomilawn – start in 2022, finish 2023
- Steilacoom Lake Dr. start in 2022, finish 2023
- Hipkins Rd (w/ City of Lakewood) will start 2023, finish 2024
- Front Street
- Ardmore Ave (w/ City of Lakewood) – canceled due to funding
- Steilacoom Lake Blvd. – 83rd to Whitman
- Design Expenses for 2024 R&R Capital projects
- Scotts Well site improvements – carryover from 2022 to 2023
- Lead Service Line Inventory (investigating for potential grant funding)
- Training for field staff
- Building and Yard Expenses Paving and Drainage
- Tools - Pipe racks, bldg. and yard maintenance, new backhoe, annual vehicle replacement (new contract opens 8/2023)*
- Ten-Year Master Plan for Office Facility
- Crane for Chlorine Truck
- Decals, Registration, Warning Lights
- Radio Uninstall and re-install (\$1,700 per) Three Each
- Dispose of Vehicles, Remove Decals Transfer Tools, Clean Hours Per at \$ 52.20 = \$313.30 per (Sandy)

*Request for new backhoe, due to the age of the current backhoes and one was down three weeks while being repaired. We were down to one backhoe (17 yrs. old), and that one sprung a hydraulic leak during a water main break repair. We even tried to rent a second backhoe for some of the projects, but they were unavailable. This puts a strain on the District of not being able to do projects or emergency repairs.

Commissioner Barton inquired if we have looked at used equipment, and Operations Manager Black shared that the price difference between a new and used one is around \$30k. The used machinery does not come with a warranty; we know nothing about it, and it could have 3k-4k hours on them.

c. Overview of 2023 Pumping Capital Budget

Engineering Manager Meyer shared the Pumping Capital categories: PFAS/PFOA Mitigation, Carryover Projects, Storage and Seismic Upgrades, and Source and Supply Projects.

PFOA/PFAS

- G-4 Well (New Well) - *Grant Funded*
- R-2 Well Equipping (New Well)
- R-2 Well Equipping - Carryover
- K-3 Well (New Well) -*Grant Funded*
- O-2 Well (Replacement Well)
- I-3 Well (Replacement Well)

Carryover Projects

- FEMA Seismic and Generators Upgrades
- Abitibi Well Evaluation
- Expand Capacity and Replace F-2 Well Pump/Motor
- Expand Capacity and Replace P-2 Well Pump/Motor

Storage & Seismic Upgrade

- Washington Blvd Seismic (Design)
- 104th & Bridgeport Seismic (Design)
- Vents at Oakbrook and Farwest
- Nyanza CP System
- ShakeMonitor Sensors

Source & Supply Project

- Replace Well Pumps and Motors/Main Breaks
- WBPS1 - Pump 1 Rebuild
- Inspect/Rehab E-3
- 104th & Bridgeport Generator
- Supply and Pump Structure Maintenance
- Source Meter Replacements (2/yr.)
- Motor Starter and Drive Rebuilds (4/yr.)

Treatment Projects

- Steilacoom Blvd BPS VFD
- Control Valve Maintenance (5/yr.)
- Camera Installation - 4 Sites (Bridgeport, Oakbrook, American Lake Gardens, 88th and Pine)
- Software - WinCC licenses (Segment S&B Network for Cybersecurity Purposes)
- SCADA Server Updates and Reliability Improvements
- ATEC Media Replacement at Deepwood and Angle
- Scotts site security/fencing
- Chlorine Generator Replacements (2/yr.)
- CL2 Sensor Replacement (4/yr.)
- Replace Cl2 Analyzer (4/yr.)

d. Overview of 2023 Office & Technology Capital Projects

- Update Office Network Cables
- Laptops, Computers, Firewalls, etc.
- Insurance renewals
- Office Chairs for office and admin staff
- Possible new proposal regarding utility shut-offs (potential mailing costs)

e. Five Year Capital

District staff always strive to stay within the 2022 five-year capital budget. The most significant change is moving some items planned for 2023 to 2024, 2025, etc. The budget presented is the worst-case scenario if we cannot get funding to address PFOA/PFAS.

Finance Manager Mendoza shared that PFOA/PFAS has had a significant impact on the budget and is the primary reason for moving capital projects around, and the impact will be felt for the next five years. Many capital projects are being deferred to the 2024 budget.

Engineering Manager Meyer & Operations Manager Black recapped many of the capital projects that will need to be completed throughout 2023-2028, which years the projects will be completed in, and specific programs, including the annual vehicle replacement, pumping, and operations R&R program budget.

d. 2023 O&M Budget Discussion

Finance Manager Mendoza shared information regarding the 2022 budget vs. 2022 forecast and how 2023 compares to the 2022 budget.

Revenue analysis shows a decline in water consumption resulting in a reduction in revenues since 2016. We are budgeting conservatively due to the decline. We will see an increase in water consumption in 2023 due to Spanaway Water receiving wholesale water. Additionally, IT Manager Fast was able to secure four new cell tower leases, which will help the budget.

Finance Manager Mendoza reviewed the increase in the expenditures from higher prices with salt, increase in electricity, valve operations, flushing, cross connection testing costs, locating costs, etc.

Commissioner Rediske inquired about sales, whether the lack of lawn watering seems to be the issue in the summer, and what our wholesale partners think the decrease in water sales means to them. General Manager Black shared they are having the same problems with water sales, some areas (HOA) require you to water your lawns, but most of their sales are from growth in the area.

Operations Manager Black shared that Lakewood's growth has a dwindling residential development due to more multi-family units being built than single-family homes. This effects water usage due to fewer lawns per capita.

General Manager Black shared that next year will be the 80th-anniversary celebration. He has tasked HR Manager Levo with leading a committee to work on changing the mission statement, organization goals, and objectives. The District will host the 80th

Anniversary celebration in conjunction with the historical wall and meet the new general manager.

7. STAFFING

General Manager shared that we will be losing Sandy Rae at the end of 2023, and we are not planning on replacing his position but delegating it to the different department leads.

a. Staffing Recommendations

HR Manager Levo shared that District has decided not to fill the three vacant positions (1) in Customer Service and (2) in Operations and Maintenance.

8. WAGE AND BENEFITS PROPOSALS 2023

a. Projected Medical and Dental Benefit Renewals 1/1/23

Project medical and dental will be unknown until November. There are no plans to change the plans. In 2022 0.68% decrease in medical, 2021 6.29% increase and in 2020 3.9% increase.

b. CPI's, Projected Employee Wage Increase % of Peer

In 2022 the Commissioners adopted to use a consistent CPI-W June to June to determine cost of living. For this year, it is 9.54% with an annual merit of 0%-3% based on employee performance and eligibility. Staff at the max range are not eligible for the merit increase. General Manager's recommendation to the board is they adopt the 9.54% COLA and keep the 0-3% merit range.

General Manager recommends keeping up with our peers to retain and attract quality staff. These amounts are reflected in the budget.

Commissioner Rediske is impressed by the three non-hires show that innovations, technology, and training are working.

c. General Manager's Recommendations

General Manager Black commented there could be a lot of changes with the new General Manager coming on board next year, and with our focus on PFAS and the issues that come with fixing it, that wasn't expected. The 2023 budget is set up with the worst-case scenario, and he feels confident in this budget and builds in the unknowns to be prepared for anything.

General Manager Black would like to thank the staff for all their hard work on this budget and for taking on the additional work.

9. OPEN DISCUSSION AND COMMENTS

Commissioner Korsmo opened the floor up for any comments from the Commissioners.

Commissioner Korsmo shared that PFAS will hit us hard and would like to know how much we have spent on legal fees over the past few years; how the Federal government addresses it through funding it; and he is hoping to get grants that we don't have to pay back and not use revenue bonds. We are spending good money on legal fees; is there

any way we can ask the attorney if these are actual expenses? Is there something we can do to get them lowered?

General Manager Black speaks with the attorneys annually regarding what fees are necessary. He shared they watch all the PFAS cases and are getting a lot of information from discoveries and depositions that they wouldn't usually be able to access. We filed a lawsuit against the Federal government, and we are asking for \$372M over 52 years so that we will be able to recover those costs to help keep the rates low.

Commissioner Barton, if we win, we are not winning just for Lakewood Water District; we are winning for everyone and holding the Department of Defense accountable.

Operations Manager Black shared that the grants will help us with the infrastructure in the next five years and the lawsuit is for the long-term maintenance of those systems.

Commissioner Korsmo would like to see a calendar plan for hiring the new general manager. General Manager Black shared that he is working with Ms. Levo on the planning process. His last day will be November 16th, 2023, and he will use that day and work backward to create the plan.

Commissioner Korsmo shared that he is not a fan of the paying out accrued sick leave and vacation pay at the end of employment. That this should not be used as a retirement plan. He would like to see this changed for all future hires, all current employees would be grandfathered in.

Commissioner Rediske shared that it is more like a bonus, not a retirement plan. The amount of sick leave and vacation could be more of a use-or-lose program unless we change how we handle sick leave or vacation. He said that sick and vacation time have already been accounted for in the budget, so he doesn't see the issue when paying it out at the end.

Commissioner Barton agrees with putting funds away, so we do not have a large payout at the end when someone leaves.

General Manager Black and HR Manager Levo will bring a few different options to the board at a future meeting.

12. PUBLIC COMMENT

None.

13. ADJOURN

President Korsmo adjourned the meeting at 11:51 AM.


(Signature page follows)

LAKWOOD WATER DISTRICT
BOARD OF COMMISSIONERS


BY:


ITS PRESIDENT

BY:


ITS VICE PRESIDENT

BY:


ITS SECRETARY

BY:

 11/17/22
DISTRICT SECRETARY (DATE)