



**LAKESWOOD WATER DISTRICT
BOARD OF COMMISSIONERS
Minutes of Regular Meeting
November 17, 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; Engineering Manager M. Meyer; Finance Manager P. Mendoza; HR Manager B. Levo; IT Manager C. Fast; and Administrative Assistant J. Clark.

3. PUBLIC COMMENT

Kris Koffman shared he attended the meeting to learn what we are doing with the District and the budget.

4. APPROVAL OF MEETING MINUTES FROM THE 10/11/2022 SPECIAL MEETING & 10/20/22 REGULAR MEETING.

Commissioner Barton noted that on page 2, Section a. Pumping Department, Paragraph 2, the wording needed to be changed from two wells a year to two well pumps and motors for clarification. Meeting minutes now reflect "replacing one to two well pumps and motors a year."

COMMISSIONER REDISKE MOVED TO APPROVE THE OCTOBER 11, 2022, SPECIAL MEETING WITH CHANGES, SECONDED BY COMMISSIONER BARTON. THE MOTION PASSED UNANIMOUSLY.

COMMISSIONER BARTON MOVED TO APPROVE THE OCTOBER 20, 2022, REGULAR MEETING, SECONDED BY COMMISSIONER REDISKE. THE MOTION PASSED UNANIMOUSLY.

5. FINANCIAL INFORMATION

Philip Mendoza, Finance Manager, presented the October 2022 financials to the Board. He shared that retail sales in October 2022 were 23.65% higher than budgeted and 3.49% lower YTD. Wholesale water sales are 6.02% higher than budgeted and 1.04% higher YTD. Operating revenue is 19.5% higher than budgeted and 1.3% lower YTD. Pumping operations is 45.64% over budget and 1% under budget YTD; Water Treatment operations are 25.41% under budget and 25.9% under budget YTD. Transmission and Distribution operations is 29.79% under budget and 14.03% under budget YTD. Total operating expense is 1.09% under budget and 4% under budget YTD.

a. Approval of Payables

Disbursements made from the General Ledger Fund for checks number 46756 through 46873 totaling \$1,170,518.50, salary direct deposits totaling \$186,664.12, payroll taxes totaling \$66,118.23, and other electronic payments totaling \$384,381.63 for a total of \$1,807,682.48 were presented to the Board for approval.

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

6. 2023 BUDGET UPDATE

General Manager Black shared that this has been a challenging budget year in his 27 years as General Manager, he is proud of the staff and their hard work and efforts to stay within the parameters the Board has shared. This year's theme is "Minimizing PFAS Impacts While Delivering on Customer Expectations." One of the biggest challenges is being on our own to address PFAS issues. We have applied to different agencies for grant funding; we will know if we will receive the funding in the spring of 2023.

The 2023 expenses are down just under \$100k from 2022, showing that we worked hard to stay within the operating and maintenance functions. The revenue forecasting is down compared to 2022 due to diminished use by customers.

Philip Mendoza, Finance Manager, presented the P&L budget and highlighted some of the major changes; we integrated a 6.67% rate increase to the retail water revenue. This transitions to \$10.6 M from \$10.3 M in 2022. The \$318K more in the budget does show that the 6.67% doesn't cover the increase itself; it is only about a 3% increase.

Commissioner Barton inquired whether we were being conservative or wishful. Finance Manager Mendoza shared we are being realistic; when we first started, we were under \$700K, then October and September were up around \$300K. General Manager Black shared a few additional points; we saw the effects of reduced water sales even though we had a 6.67% rate increase; the increase in revenue did not come in enough to see the level of increase in revenue due to the decline in water sales. We then looked at the decrease in water use in the last five years. We were conservative in what revenue sales will be. In the last couple of months, the revenue sales have picked up more like 4%, and we are using that as a baseline.

Finance Manager Mendoza shared that Wholesale Water sales are projected at \$5.7M with the true-up and the addition of Spanaway Water with 1.5 mgd. The Operating Expenses are up from \$4.7M to \$6.1M due to an increase in vendor fees, power cost increases, and the addition of Spanaway Water and the power needs. Admin & General Expenses have increased from transitioning our 10% overhead on capital projects to 5%. The other change is Engineering Manager Meyer's position was 90%(Capital) and 10% (Admin/Gen) and now is more of 60% (Admin/Gen) and 40% (Capital) due to more studies & planning that are not building up an asset, planning for PFAS/PFOA.

Maintenance Expenses there are no real significant changes. We tried to drill down the expenses, resulting in only a slight increase of \$2.024M to \$2.040M.

Net Operating & Maintenance Expense \$11.8M/2023 from \$9.95M/2022.
 Net Operating Revenue is \$5.9M/2023 from \$6.1M/2022.

*Water Infrastructure Finance and Innovation Act (WIFIA)

General Manager Black shared two options for funding the PFAS mitigations, we anticipate the projects will cost around \$5M. We will not know until we find out if we will need to treat iron and manganese. We will know more once we drill the wells, and we will also learn more once we find out about the grant applications.

Scenario 1: Revenue bonds

- Significant changes in scenario 1 to accommodate a lower rate increase.
- Borrowing occurs every year instead of every two years; it will put pressure on cash flow management and staff by 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 through grants, bonds, WIFIA, etc.) as soon as more information is available.

FIVE-YEAR RATE FORECAST (total, weighted)		8.11%				
	2023	2024	2025	2026	2027	
Annual Increase % - Weighted Average	6.67%	11.39%	8.76%	6.67%	6.67%	
General %	7.00%	14.00%	10.00%	7.25%	7.25%	
R&R %	6.00%	6.00%	6.00%	6.00%	6.00%	
Combined Debt Coverage Ratio (target 2.0)	2.23	2.35	2.28	2.41	2.39	
Debt Issues (Gross)	5,000,000	6,200,000	8,600,000	4,500,000	8,500,000	
Total Ending Cash Balances	9,311,037	7,640,284	10,419,372	9,772,000	16,371,457	
Days of Operating Expenses (180 target)	380	311	418	380	615	
Average Bi-Monthly Bill of 5/8" Mtr w/ 1500cf	\$ 56.67	\$ 61.95	\$ 66.74	\$ 71.12	\$ 75.78	
Bi-Monthly Bill Difference 1500cf	\$ 3.42	\$ 5.29	\$ 4.79	\$ 4.37	\$ 4.66	

Scenario 2: Revenue bonds + WIFA.

- We would borrow a minimum of \$20M 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

FIVE-YEAR RATE FORECAST (total, weighted)		6.68%				
	2023	2024	2025	2026	2027	
Annual Increase % - Weighted Average	6.67%	6.67%	6.68%	6.68%	6.68%	
General %	7.00%	7.00%	7.00%	7.00%	7.00%	
R&R %	6.00%	6.00%	6.00%	6.00%	6.00%	
Combined Debt Coverage Ratio (target 2.0)	2.23	2.41	2.38	2.59	2.64	
Debt Issues (Gross)	5,000,000	2,000,000	5,300,000	2,000,000	2,500,000	
WIFIA Borrowing	0	4,117,288	3,697,356	3,555,011	1,978,410	
Total Ending Cash Balances	9,311,037	7,431,359	10,201,736	10,458,759	13,212,691	
Days of Operating Expenses (180 target)	380	303	411	408	499	
Average Bi-Monthly Bill of 5/8" Mtr w/ 1500cf	\$ 56.67	\$ 60.30	\$ 64.17	\$ 68.29	\$ 72.68	
Bi-Monthly Bill Difference 1500cf	\$ 3.42	\$ 3.64	\$ 3.87	\$ 4.12	\$ 4.39	

***WIFIA Borrowing assumes more than just borrowing for PFAS/PFOA project and aggregates a number of projects*

Finance Manager Mendoza shared that we would still need to have some revenue bonds for some of our capital projects since WIFIA would only cover up to 49% of the project. WIFIA has an application fee of \$125K to review the applications so they know the project can be built and finished.

General Manager Black asked the Board if they would like to decide during the meeting the following:

- Revenue Bonds only
- Revenue Bonds and WIFIA
- Wait until spring to decide once more information becomes available regarding grants and iron/manganese.

General Manager Black shared that the District will need to replace three tanks in fourteen years. During that time, the tanks will be replaced over a seven-year period. This might be the optimal time to use WIFIA funds to cover those projects.

Commissioner Korsmo likes the idea of a WIFIA line of credit option; only use what you need. He also understands getting revenue bonds, where we are paying on money that we are not using and paying interest fees and not making enough interest that we are being charged. We are starting off with \$11.8M and ending with \$9M. Do we need \$5M, or do we need \$2M or none? If our reserves are \$6M, I prefer not to borrow and pay for it only if we use it.

Finance Manager Mendoza shared that we are targeting \$6.2M in reserves based on our financial policies. July is when we would start dipping down below \$6.2M. We do have specific projects that we will need to carry over. We are able to borrow a lot less. We have it set using the target rate modeling and rate target specific.

If we can get rid of the PFOA projects, we can go back to the 7% rate increases.

General Manager shared that it takes a year to apply for WIFIA; if we wait until August 2023, we will know more if we have grant funding. September is the application accepted month. If they have extra funding, we can apply anytime.

Commissioners would like to wait until spring before deciding on the option of revenue bonds only or revenue bonds with WIFIA. They would like to see if any grants are awarded.

General Manager would like to go with option one and earmark the \$125k for the WIFIA application if needed and the 6.67% rate increase.

Commissioner Barton would like us to work closely with our local legislators to determine if they can help secure funding.

Engineering Manager Meyer provided a Capital projects update that the price increase for the backhoe is \$20K more than budgeted. Remove the \$25K Ten Year Master Plan for Office Facility because the City of Lakewood states that everything will need to go through permits, and we no longer benefit from having one. The vehicle replacement program change reduces the fleet by two Ford Explorers rather than one Ford Explorer.

There were no modifications to the projects.

We are not planning on filling the three vacancies for 2023; we have one position in the budget for a field worker if necessary mid-year if construction projects increase. The other is the cost of living and merit increases. It is very difficult to find qualified staff and keep staff; this is an across-the-country issue, particularly hard for water districts. This will keep us current with other districts. Medical and dental have gone down from a 6% to 2.9% increase, and the Principal life insurance has no rate increase.

HR Manger Levo shared the changes for the retirement program:

We examined the practices of our peers with respect to sick leave payouts for separating employees and provide the following options for your consideration:

Option A:

Upon separation, employees with a minimum of two years of service to the District will receive 25 percent of their sick leave at their current rate of pay.

Option B:

Employees with at least five years of service will receive payment for their sick leave at their current rate of pay up to 480 hours.

Option C:

Separating employees will receive a percentage of the sick leave at their current rate of pay based on the following years of service schedule:

- 0 – 2 years: 0%
- 3 – 6 years: 25%
- 7 – 14 years: 50%
- 15 – 24 years: 75%
- 25+ years: 100%

General Manager Black's recommendation is Option C, and it would be effective January 1, 2023, for all new employees; current employees would be grandfathered in.

Commissioners approve Option C as presented.

7. GENERAL MANAGERS REPORT

Randall Black, General Manager, provided his report and inquired if any Commissioners had any questions.

8. OPERATIONS REPORT

Ian Black, Operations Manager, was absent; please see his report.

9. ENGINEERING MANAGER'S REPORT

Marshall Meyer, Engineering Manager, shared that things are proceeding well with the equipment operating well. F-2 Well was inspected for the first time since 1983 and will be test-pumped after Thanksgiving. Commissioner Rediske, there is no column for pool pumping. Do they go a year without pumping to the swimming pools? It would be nice if it showed up once or twice a year to see.

Commissioner Barton inquired how often we test the GAC system. Engineering Manager Meyer, each GAC vessel has four sample points; we sample at different sample points each month. We currently have no breakthroughs in terms of what is being delivered to customers at that facility. We have detections in the first vessel (we have well below the SAL), but by the time it goes through the second vessel, there are no detections.

Commissioner Barton inquired if there is a way only to replace what is in the incoming vessel and protect the second vessel and maybe the GAC can last longer and save us money. Engineering Manager Meyer, one of the complications with that idea is you would only be monitoring one vessel. By the time you detect, you might be exceeding the SAL level. We run the vessels in series, and then we will replace that first volume of carbon. We will have whatever is left in the second vessel. That will then become the lead so that you maximize each vessel. We do multiple monthly samples from different locations, either top, middle, or bottom level creating a good rotation cycle. We always take it from the finish going out to the customer. Commissioner Barton said we have a good plan to get the samples and save money for the District. Engineering Manager Meyer is very proud of the staff for being mindful and efficient in saving the District money.

The Commissioners really appreciate the reports the managers provide; they are very thorough.

11. IT MANAGER REPORT

IT Manager Fast shared a brief report; there was one minor cyber security issue, a staff member clicked on the spam email that IT Manager Fast sends out monthly. The staff member has completed the cyber security training.

a. Resolution #B-1476 Cross Connection Control Program

General Manager Black recapped the discussion of changes to the Cross Connection program adding in the compulsory testing and new fees accompanying the testing at the last meeting. The Board approved the notice to be sent to the customers for the 60-day notice and to bring back the revised resolution. The letter was mailed out, and there were some calls regarding the letter needing to be less technical and clearer. The staff has acknowledged this and will work on writing less technically when writing future letters. Customer service staff will review letters in the future.

This amendment is to Resolution B-1432, adding the compulsory testing, fees, and the 48-hour notice. Commissioners had no additional questions.

MOTION TO APPROVE RESOLUTION B-1476 CROSS CONNECTION CONTROL PROGRAM BY COMMISSIONER REDISKE, SECOND BY COMMISSIONER BARTON. THE MOTION PASSED UNANIMOUSLY.

12. HR MANAGER'S REPORT

HR Manager Levo asked the Commissioners if they were comfortable with the recruiting schedule for the General Manager that was presented at the last meeting. Commissioners all agreed that they were. She also confirmed that their one-on-one meetings are still good for next month; again, they all agreed.

Other Business:

- a. General Manager Black shared that Finance Manager Mendoza has been accepted into the AWWA Transformative Water Leadership Academy. This is a high honor to be accepted into this program. There were 150 applicants, and he was selected as one of the fifty participants.

Commissioner Rediske asked if it was made up of water management or just finance. Mr. Mendoza shared it is all water management fields. He is teamed up with engineers, project managers, water conservationists, water districts, wholesale water, and municipalities from the West Coast. The Board congratulated Mr. Medoza on this great accomplishment.

- b. Commissioner Barton provided a brief update on the WASWD Legislative Committee. Public Trust Work Fund is lobbying for funds and to keep all of its funding. He attended a bio-solids training on regulations; he shared it was beneficial training. He shared with the attendees the water supply side and focused on any level of PFAS in biosolids being applied in protected areas.
- c. General Manager Black shared a letter that he received regarding a petition being distributed about PFAS; the petition had many unfounded statements which are not true. The District only distributes safe water and follows the State Action Levels.

Commissioner Rediske & Commissioner Korsmo share the District has been very transparent and up-front with the customers regarding PFAS.

General Manager Black will prepare responses to the statements and speak with our legal counsel and invite the petitioner to a meeting with a Commissioner and himself to go over the information to clarify any misunderstandings.

- d. Our next Commissioner's meeting will be on December 15, 2022, at 8:30 AM.

12. PUBLIC COMMENT

Mr. Koffman asked for clarification that the two Ponders wells can operate at full capacity without putting any more PFAS in the water with the GAC system treating the water. Engineering Manager Meyer confirmed that this is correct. Mr. Koffman also shared that his father-in-law was president of AWWA in 1957. He comes from a family of water workers.

13. ADJOURN

President Korsmo adjourned the meeting at 5:08 PM.

**LAKWOOD WATER DISTRICT
BOARD OF COMMISSIONERS**

BY:


ITS PRESIDENT

BY:


ITS VICE PRESIDENT

BY:


ITS SECRETARY

BY:

 12/15/22
DISTRICT SECRETARY (DATE)