

**LAKWOOD WATER DISTRICT  
PIERCE COUNTY, WASHINGTON**

**RESOLUTION NO. B-1470**

A RESOLUTION OF THE BOARD OF COMMISSIONERS OF LAKEWOOD WATER DISTRICT, PIERCE COUNTY, WASHINGTON, CREATING A STORAGE REPLACEMENT ACCOUNT AND A SOURCE REPLACEMENT ACCOUNT, AND ESTABLISHING THE PROCESS FOR FUNDING SAID ACCOUNTS AND THE USE OF FUNDS FROM SAID ACCOUNTS.

**WHEREAS**, Lakewood Water District (“District”) is a special purpose water-sewer municipal corporation authorized and existing under the laws of the State of Washington, Title 57 RCW; and

**WHEREAS**, the District supplies water to its customers through a water supply system, which includes water mains, wells, reservoirs, transmission facilities, and remote stations; and

**WHEREAS**, in November 30, 2002, the District purchased the Abitibi water rights, which increased the amount of water the District has by 6 million gallons per day (MGD); and

**WHEREAS**, to purchase the Abitibi water rights, the District borrowed \$6,135,000, to be paid back over 20 years; and

**WHEREAS**, the District purchased the Abitibi water rights with the intent to sell the water to wholesale customers; and

**WHEREAS**, since it purchased the Abitibi water rights it has entered into a number of wholesale water agreements, whereby the District will receive income from the sale of the water; and

**WHEREAS**, those wholesale water agreements require the wholesale water customers to pay for the building and maintenance of the wholesale water facilities; and

**WHEREAS**, two significant long-term costs to the District for providing service to its residential customers is replacement of water storage facilities (e.g., reservoir tanks) and replacing water sources (e.g., re-drilling failed wells and replacing pumps); and

**WHEREAS**, the reason the District purchased the Abitibi water rights was to not only generate revenue to allow for the District to lower rates now, but also to ensure the District has funds set aside to help pay for the large costs associated with storage and source replacements; and

**WHEREAS**, the District has engaged expert consultants to prepare reports to provide the District with an analysis of the timeline for when certain storage and source replacement projects will need to take place. Said reports are attached to this Resolution as Exhibits A and B; and

**WHEREAS**, to ensure that the District properly prepares for the known need of replacing storage facilities and water sources, it is necessary to create separate funds that are only used for storage facility replacement or water source replacement; and

**WHEREAS**, by creating the separate storage facility and water source replacement funds, the District is helping ensure it is fiscally responsible to its customers; now therefore,

BE IT RESOLVED by the Board of Commissioners of Lakewood Water District of Pierce County, Washington, as follows:

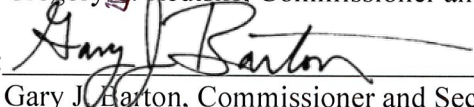
1. The Recitals set forth above are adopted as if set forth in full herein.
2. A separate fund is created titled "storage facility replacement fund," whereby 30-35% of net income from wholesale water sales will be placed to be used only for replacing storage facilities.
3. A separate fund is created titled "water source replacement fund," whereby 15-20% of net income from wholesale water sales will be placed to be used only for replacing water source facilities.
4. The remaining 50% of net income from wholesale water sales shall be placed in the general fund.
5. Before the District can use any funds from either the storage facility replacement fund or the water source replacement fund for any purpose other than stated in this Resolution, the District must declare an emergency and state with specificity the reason it must divert the funds from their intended purpose.
6. If the District declares an emergency and uses funds from either the storage facility replacement fund or the water source replacement fund for any purpose other than stated in this Resolution, the District must replace those funds using the net income from wholesale water sales as soon as practically possible.

**ADOPTED** by the Board of Commissioners of Lakewood Water District, Pierce County, Washington, at the regular open public meeting thereof held the 23rd of September 2021.

**LAKWOOD WATER DISTRICT**

By:   
John S. Korsmo, Commissioner and President

By:   
Gregory S. Rediske, Commissioner and Vice President

By:   
Gary J. Barton, Commissioner and Secretary