

**MINUTES OF THE REGULAR MEETING SEPTEMBER 24, 2012  
OF  
PUBLIC UTILITY DISTRICT NO. 1  
OF  
THURSTON COUNTY, WASHINGTON**

The second regular meeting for September 2012 of the Commissioners of Public Utility District No. 1 was called to order on Monday, September 24, 2012, at 921 Lakeridge Way SW, Suite 301, Olympia WA 98502, commencing at 4:00 p.m. Commissioners Chris Stearns, Alan Corwin and Jim Lazar were present. Also present were John Weidenfeller, the District's General Manager (GM), Julie Parker, Chief Financial Officer (CFO), Kim Gubbe, the District's Operations Manager (OM), and Joseph Rehberger, Chief Legal Counsel.

Commissioner Corwin called the general meeting to order at 4:01 p.m.

**Pledge of Allegiance:** All

**Approval of Agenda:**

**Commissioner Corwin asked to revise the agenda. He would like staff reports ahead of the Public Hearing. Commissioner Lazar agreed as long as they break for the Public Hearing at 5:00 as advertised. Commissioner Lazar made a motion to adopt the agenda as revised, Commissioner Stearns seconded, all in favor.**

**Public comment – none**

**Consent Calendar:**

Approval of Minutes: September 11, 2012 Workshop  
September 11, 2012 Meeting

Prequalification of Contractors – Small Works Roster

SMA Contracts:

Correspondence:

Travel Approvals:

Other:

Resolutions:

Other:

Set a Public Hearing, Ready-To-Serve Rates, January 22, 2013

The Inter-local Agreement with Thurston County for SMA Management of Tilley Road and Emergency Operations Center Water Systems is not available so it was removed from the consent calendar.

CFO Parker also noted the vouchers were not available so they were removed from the consent calendar.

Commissioner Lazar asked to revise the minutes of the September 11, 2012 Workshop to read, "the Public was given the opportunity to ask questions of the Engineers, Commissioners and Staff."

**Commissioner Corwin made a motion to approve the Consent Calendar as revised, all in favor.**

**Action Items: None**

**Resolutions: None**

**Staff Presentations:**

**General Manager's Report:** John Weidenfeller, General Manager

GM Weidenfeller provided the Commissioners a report in writing. He did note that we are receiving the Exit Audit recommendations from the State Auditor's Office. CFO Parker explained that she has received some audit recommendations that she will provide to the Commissioners tomorrow. She has received copies of the accountability and financial audit report. She will distribute it tomorrow and have it on the web site as soon as possible.

Commissioner Lazar stated there were many positive comments in the Audit Report and this is a true reflection of a job well done by staff, management and the other Commissioners.

Commissioner Lazar asked for some input on wording for the fact sheet to revise the statement that the PUD has received a clean bill of health from the State Auditor's office.

GM Weidenfeller stated that the Special Meeting for the 2013 Budget and Rates Public Hearing will be held on Monday, October 1, 2012 beginning at 12:00 p.m. This Special Meeting has been advertised and listed on the PUD website.

GM Weidenfeller will not be attending the WPUDA Water Workshop.

Commissioner Stearns and GM Weidenfeller participated in a WPUDA Conference Call regarding changes in Group B water system rules. One disadvantage of the proposed rules is that it used to be fairly simple to expand a Group B water system to 14 connections; they will be using 2.5 people for the population to calculate the number of connections on the system. This will take away TPUD's ability to expand several of our water systems. Commissioner Stearns added that there are more regulations coming down from the Federal and State governments regarding Group B water systems.

Commissioner Lazar asked about the multi-family general facility charge (GFC) in Tanglewilde. He finds it unusual to have the same GFC for single residents as multi-family units. He has seen GFCs weighted by population served. Changing this may be an opportunity for the PUD to do something that is good for our systems, good for the consumers and good for the planet. He noted that the PUD could provide incentives if the developer is willing to go beyond the water efficiency requirements of the plumbing code and install dual flush toilets that are not required, 2 gpm shower heads, or horizontal access, and high energy efficient appliances, which could reduce the water consumption of the complex. If this were to happen, then the capacity we need would reduce our pumping, storage facilities, water rights, etc., could be reduced and we may be able to provide the developer a grant against those GFCs for going beyond code. He urged his

fellow Commissioners to take a serious look at the GFCs. Commissioner Stearns concurred with Commissioner Lazar's comments; he can see the value in some kind of incentive to developers.

**Operations Manager's Report:** Kim Gubbe, Operations Manager  
GM Gubbe provided a report in writing and doesn't have anymore to add. Commissioner Corwin asked both OM Gubbe and CFO Parker if it costs more to serve and bill an SMA than a customer of an owned system, and if each SMA has its own rate schedule. CFO Parker said they each have their own rates governed by their Board and their specific system's needs. He asked if this causes extra burden on administration. CFO Parker answered yes, but she is satisfied that the charges have been set to collect for that time. She noted the District has a time based charge and suspects we are not charging for all of our time. We are getting better; we have had constant discussion about it. Commissioner Corwin stated he is concerned that the different SMA operational processes are creating additional stress on staff so we need to make sure we are collecting all of our costs.

Commissioner Stearns commented that is really good news about Tempo Lake. It seems that Cedarwood is moving along. He has a concern that we are managing a lot of loans. He also hopes that we are recovering all of our costs. Commissioner Corwin stated he will be reluctant to bring on other small SMA's if they are another unique system that requires a lot of time. Commissioner Corwin asked for a list of the SMA's we have and which Counties they are located in. Commissioner Stearns asked to add the number of customers on each system and when the PUD started serving them. OM Gubbe provided the Commissioners a list.

**Chief Financial Officer's Report:** Financial Variance Report

CFO Parker provided a written report. She added that our revenues are lower than we had anticipated, not as desperately low as we experienced last year. She has not been able to calculate how much lower. As usual, the PUD has been very conservative with our spending and should be able to adjust spending to fall within the revenue shortfalls without any problem. CFO Parker said residential and multi-family usage is down and this is something we need to anticipate in the future. Commercial and irrigation water consumption has been about normal. Commissioner Lazar asked about the budget item line for contractual services-Engineer and was wondering if some of those costs will be carried by the capital projects in the future. CFO Parker said those costs will be capitalized with the projects in the future.

**Commissioner Corwin opened the Public Hearing at 5:00 p.m.** There were no Public Comments. **Commissioner Corwin asked if there was anyone who wanted to speak to the Budget or Rates, none appearing, he closed the Public Hearing at 5:05 p.m.**

Mr. Youmans from Covington Water System asked about the status of the arsenic treatment on the system. GM Weidenfeller stated the PUD is making their third attempt to work out an agreement with all agencies involved and are making progress. The State has given us until October of next year to get treatment on-line.

**Commissioner Reports:**

Commissioner Stearns reported on the WPUDA meetings held in Ellensburg. He participated in the Group B water system conference call because Class B systems comprise a very large number of the PUD's systems. He did attend the Water Committee meeting on the 20<sup>th</sup> and attended a Roundtable discussion with the PUD's discussing what they are working on.

Commissioner Stearns was at a meeting today where they discussed sustainability regarding transportation and pedestrian traffic.

Commissioner Lazar reported that on Friday of last week he attended the all staff barbeque here at the office. By in large, the staff was in a pretty good mood.

Commissioner Lazar will be sitting in on the Yelm City Council meeting for Commissioner Corwin. On Thursday, he will be at the League of Women Voters forum on the Proposition No. 1 measure at the Washington Center. Tomorrow morning, he will attend the All Staff meeting.

Commissioner Corwin reported he was interviewed at length by a reporter from the Olympian about the PUD. This was strictly about the operations of the PUD. The interview was one week ago, Thursday. It was strictly a business report and had nothing to do with the Initiative.

Commissioner Corwin attended the WPUDA meetings in Ellensburg with Commissioner Stearns. On Thursday morning, he sat in on the Telecommunications Committee meeting. Chelan PUD seems to be concerned about retail telecommunications causing problems in their County. Most of the discussion was regarding government-to-government services. He communicated some of his frustration to leadership that only active telecommunication providers are allowed to vote on issues. He feels this is a flaw in the system.

Commissioner Corwin also sat in on the Education Committee meeting. They are discussing and laying out training materials for new Commissioners. They are developing a much more comprehensive training package. They discussed the WPUDA Annual Meeting that is scheduled to be held in Spokane. This may be the last annual meeting that will be held in December.

**Legal Report:** Joe Rehberger, Chief Legal Counsel  
Joe Rehberger, Chief Legal Counsel, had nothing new to report.

**Information or Discussion of Operations/Policy Issues:**

Discussion - 2013 Budget and Rates

CFO Parker provided a narrative for the need of additional staff. She had provided the Commissioners a copy via e-mail. At the last couple of meetings, Commissioner Corwin asked about the tasks the customer service representative (CSR) staff are performing and additional tasks and services we are providing to our customers.

CFO Parker noted that in 2007, our ratio to staff was 1,183 customers per CSR. In 2012, we are just over 1,550 customers per CSR staff. In addition to increased customer payments and customer service tasks that have been added with the additional customers, there are a significant number of services that have been added. For example, in 2008, we implemented policies to protect the PUD interests by requiring applications from every new customer; in addition we do a screening on each applicant to determine if we should collect a deposit. In 2008, the staff received direction from the Commissioners to provide a kinder, gentler level of customer service. In doing so, we spend a lot of time taking promises to pay, following-up on promises to pay, and seeing if we can get assistance from other agencies for customers in need. This has added to the disconnect process. We have also started taking payments by phone; we currently receive over 300 payments a month by phone, each call adds at 4 minutes to gather the information and process the payments. In 2009, we stopped taking payments in the field from disconnected customers. We asked the CSR staff to begin making phone calls the Friday prior to disconnect, warning them of the pending disconnect. This is a very time consuming endeavor. Also, in 2009, the Commission adopted a policy to hold property owners responsible for the utility bill. This increased our efforts to get owner's authorization to bill tenants and to coordinate between the tenant and owner to change accounts. We have added 15 satellite management contracts and we have the billing associated with those customers. Since 2009, the capital improvement projects have increased requiring more correspondence with customers. The CSR staff is also the administrative support staff. They provide records management support and the administrative support to the GM, CFO, and OM and also provide Clerk to the Board support.

We have also added an Accountant to cover the higher-end duties. The Accountant is having to spend more time covering the CSR role along with the CFO covering at times. Management had anticipated the Accountant taking over more of the day-to-day account duties that the CFO is performing, but the CFO is still handling many of the clerical level accounting duties and covering phones during high volume times. In 2011, when we noticed the volume of work was increasing, we found that employees were not taking time off when they were sick; it is a struggle to take time off. At that time, we hired the part-time CSR to cover for vacation and sick days.

Commissioner Corwin suggested we do a cost service benefit survey to find if these services are cost effective. GM Weidenfeller stated these are not cost service benefit measurable items that would show a positive cost benefit; they are a level of service we choose to provide. Commissioner Corwin stated that maybe we cannot afford this level of service.

Commissioner Stearns added he recalls that we laid off someone from customer service to hire an Accountant. We upgraded because we had to have an accountant deal with some of the payroll issues we were having. It seems we sacrificed some needed customer service in trade for a full time Accountant position. He noted that we have already changed a lot of the roles in the customer service staff. CFO Parker responded that when we reorganized in 2011, we shifted from a half time accounting position to what we assumed would be a ¾ time position. We have found as we have moved on, that we need the accounting position full-time; we are coming to a road block. Due to the time constraints, we are doing the best we can but there is also a back

log. The CFO noted that today, two CSR staff are out sick and we had a very difficult time handling calls and setting-up for the meeting.

CFO Parker reported we are proposing taking a 60% CSR to a full-time position. We have stated that there is an associated additional cost of \$36,430 for salary, benefits and payroll taxes. As she went through the budget proposal, some other changes were made which helped offset that cost. She believes with the addition of the staff she should be able to do more analytical work; the Accountant will be freed up to help more and it will help absorb any growth we may have. This is a proposal that would go into effect on January 1, 2013 if approved.

CFO Parker said they have identified services which could be cut without impacting the majority of customers. The warning calls to customers could be cut which takes approximately seven hours, this may have a direct impact on field staff. We could stop taking payments by phone and directing them to our website to pay; this would affect approximately 300-400 customers who pay by phone, this would save approximately 26 hours per month. There would be a transition until the customers learned they could no longer pay by phone. We could lower services provided to SMA customers but this would also reduce the revenue that comes in from those services. The last cost saving idea they came up with is to reduce the office hours where customers can call and come in to allow office staff to perform other duties.

The last page of CFO Parker's analysis shows where staff is spending their time. This is an estimate at this time. Commissioner Stearns asked if the changes made to the disconnect process has enabled the Operations staff more time to perform other duties? OM Gubbe said that yes, they have more time in the area to get some work done. Commissioner Stearns said we do not want to go backward by cutting services in the CSR duties.

Commissioner Stearns asked how much of the Accountant's time could be taken from customer service duties to accounting duties to help CFO Parker? She answered approximately 20%. Commissioner Corwin asked about the project management software to be purchased in the proposed budget and how much time would that save her. She answered approximately 20 hours. The way the PUD is tracking projects is too cumbersome and inefficient. There are duties the CFO is performing that should be shifted to the Accountant and there are things not getting done or being put off. These are things the CFO has to do on weekends. Commissioner Corwin asked if we purchase the Springbrook Software Projects Management package if there are additional annual costs associated. CFO Parker reported the proposed software purchase will have an annual maintenance cost of approximately \$1,700 per year.

CFO Parker referred the Commissioners to the PowerPoint presentation she prepared on the Budget. Commissioner Corwin stated he did go through her presentation earlier in the day. He is prepared to approve the budget under the understanding that approving the budget does not mean we are going to move that position to a full time position without a lot of study and questions. Commissioner Lazar added that he is not going to express an opinion prior to hearing from any customers who would like to make comment at the October 1, 2012 Public Hearing.

Mr. Youmans asked if the cost of the proposed full time position is reflected in the Manager's proposed recommended budget. CFO Parker confirmed the costs are included.

CFO Parker stated that the changes to the proposed budget since their last discussions are noted in red. The 2013 Proposed Budget includes \$2,665,000 for operating expenses, The proposed capital budget is \$9,058,000. The revised proposed increase is 4.7% for the Water Fund. The discretionary items have not changed a lot from previous discussions. We are still asking for the one FTE, a 1.5% COLA to employees, step increases for the employees, and implementation of a conservation program. A new item added to discretionary items is an allocation of overhead expenses to the capital projects. Management has looked at time spent on capital projects and believes that a 4% allocation is appropriate; that represents \$44,000 taken from the Operating budget. Staff will develop plans to change time sheets and forms for tracking their time spent on capital projects.

In the Proposed Budget, the employee benefit costs have been reduced. The CFO has done an analysis and the medical costs should not be as high as initially proposed. Commissioner Corwin asked if the increase in Commission costs includes the increase in per diem. CFO Parker confirmed it does. He suggested that anytime this is published it should be clarified and state just for that year. CFO Parker confirmed it is stated in the narrative. She noted that the projected payroll tax increases will not be so high. Last week, the State announced that they will not be increasing L&I taxes. The red font shows cost savings in 2012 that are anticipated through 2013. We are expecting purchased water costs to go down another \$8,000 and the interest expense will go down some. Items that have been expensed through operations in the past will be capitalized. Engineering and other services are going-up. Equipment rental will go up approximately \$5,000 since we will not purchase heavy equipment. The IT Support has increased \$5,000, this includes record retention costs that we started in 2012.

The proposed Capital Budget is \$9,058,000 and this includes wrapping-up the Tanglewilde well and reservoir projects that have been funded by a series of grants and loans. The annual replacement program is funded by bonds, multiple other projects that are funded by DWSRF loans, and new projects are in the budget that will be funded by proposed Public Works Trust Fund loans that are not yet approved. Staff proposed the purchase of two vehicles out of operating funds. The proposed project management software is scheduled to be purchased from bond proceeds.

CFO Parker explained the next step in the Budget process is a Special Meeting and Public Hearing scheduled for noon on Monday, October 1, 2012. After that Special Meeting, the Commission has a minimum of four resolutions to adopt. A Draft Resolution 12-22-Adoption of 2013 Budget will be discussed later in the meeting. Also a Draft Resolution 12-23 2013 Water Rates and Other Charges will be discussed later in the meeting. The Commission will also need to sign a Resolution adopting the 2013 Salary Scale and the 2013 Tax Levy resolution. Commissioner Lazar asked if there is a deadline for adopting any of the resolutions. CFO Parker responded that the tax levy resolution needs to be into the County by mid-November. He is hoping they can complete the General Manager's evaluation before that date.

Commissioner Stearns clarified that to increase the tax levy by more than 1% would require a vote of the people, by law. This PUD Commission has no intention of increasing the tax levy and wants to dispel the mistruth that taxes are going to increase.

Commissioner Lazar asked about the \$434,000 depreciation and debt service. CFO Parker clarified it is all principal. He explained one way to pay for capital is through depreciation expense and he would like to see depreciation expense for capital items that are paid for by grants to pay for future replacement of that plant. He believes there is not enough depreciation expense in the Operating Budget. CFO Parker stated the issue has been how to raise that amount through rates, this is the reason we are developing a capital asset plan. The capital asset plan is projecting replacement cost today rather than using historical costs. She is concerned about the cost of plant replacement. It will be a difficult discussion on how to fund replacement of the assets. Commissioner Corwin stated this needs to be dealt with. We do not want to end-up in the same situation we are in with Tanglewilde where there were no reserves to replace the tank at Tanglewilde and we had to incur debt to pay for it.

Commissioner Lazar asked about the conservation program budget; this is on the customer side of conservation. One criticism he has heard from PSE in their attempt to compare itself with the PUD is that they have made the comment that the PUD has no conservation budget. His understanding is the PUD has reduced its water needs in Tanglewilde by approximately 20% since we have taken over operations of that system. There is also \$2 million in the 2013 capital budget for line replacement in Tanglewilde to take over the massive leaks we inherited with the system. He noted that it does not matter if conservation is on the meter side of the service or the system, it is the overall reduction in water use and less demand on the aquifer that is the goal. Conservation is the reduction on using water rights, less chemicals used for treatment, and less power used to pump water. All of these items are all part of the goal and the PUD has demonstrated a huge water use efficiency program; it is spent on the utility side of the budget. It would be good for the Operations Manager to mark the items in the capital budget that will create water use efficiency.

#### **Draft Resolution 12-22 Adoption of 2013 Budget**

#### **Draft Resolution 12-23 2013 Water Rates and Other Charges**

GM Weidenfeller stated both draft resolutions were provided for the Commissioners to look at and get familiar with. There are some changes from last year to in the resolution for the adoption of 2013 Budget he wanted to ensure the Commissioners were aware of in advance.

Commissioner Stearns asked for an updated list of the water systems in each district since the legislative district boundaries have changed due to redistricting in 2012.

Commissioner Lazar asked if it would be beneficial to adopt the tax revenue budget prior to the October meetings to disseminate the rumor that the PUD is raising taxes. Commissioner Corwin seconded that idea.



The Commissioners discussed rates and when rates should go into effect. Commissioner Corwin asked staff to bring forth a budget next year with a multi-year rate proposal.

**Summary of Assignments:**

Cathy Skiles-Clerk prepare Vouchers for Accounts Payable 9/12/12, 9/19/12 and Payroll:  
9/20/12

Revise the 9/11/12 workshop minutes to read the Public was given the opportunity to ask questions of the Engineers, Commissioners and Staff.

Staff will work on some wording to address the Audit report for the fact sheet.

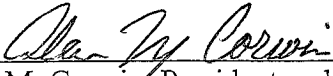
Provide the Commissioners a list of the SMA systems, what County they are located in, when we started providing service and the number of connections.

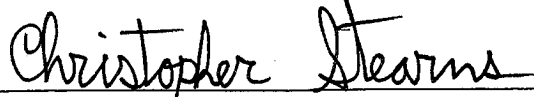
Provide the Commissioners a list of the water systems in each district since the district boundaries have changed.

**Executive Session:**                      None Scheduled

**Adjournment:**

**Commissioner made a motion to adjourn the meeting at the moment the last Commissioner leaves the room, all in favor.**

  
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Alan M. Corwin, President and Commissioners

Attest:   
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Christopher Stearns, Secretary and Commissioner

