

**MINUTES OF THE REGULAR MEETING OF SEPTEMBER 8, 2015
OF
PUBLIC UTILITY DISTRICT NO. 1
OF
THURSTON COUNTY, WASHINGTON**

The first regular meeting for September 2015 of the Commissioners of Public Utility District No. 1 was called to order on Tuesday, September 8, 2015, at 921 Lakeridge Way SW, Suite 301, Olympia WA 98502, commencing at 5:00 p.m. Commissioners Russell Olsen, Linda Oosterman, and Chris Stearns were present. Also present were John Weidenfeller, the District's General Manager (GM), Julie Parker, the District's Chief Financial Officer (CFO), Kim Gubbe, the District's Operations Manager (OM), and Kurin Rosado, Clerk to the Board. Joe Rehberger, Chief Legal Counsel, was excused from the meeting.

Call to Order: Commissioner Olsen called the regular meeting to order at 5:00 p.m. The Pledge of Allegiance was recited by all present.

Approval of Agenda: Commissioner Stearns made a motion to approve the agenda as amended; Commissioner Oosterman seconded, all in favor.

Consent Calendar:

Approval of Minutes: August 25, 2015

Prequalification of Contractors – Small Works Roster: None

SMA Contracts: None

Correspondence: None

Travel Approvals: None

Voucher Approval:

 Accounts Payable: August 26, 2015, September 2, 2015

 Payroll: September 4, 2015

Resolution: None

Other: Letter, August 29, 2015, Storm Declaration of Emergency Waiver of Small Works Roster Competitive Bidding Requirements, Multiple System Outages

 Letter, August 31, 2015, Declaration of Emergency Waiver of Small Works Roster

 Competitive Bidding Requirements, Aust Water System Nighttime Pump Replacement

Commissioner Oosterman made a motion to approve the Consent Calendar as presented; Commissioner Stearns seconded, all in favor.

Public Comments: See below.

Public Hearing for the 2016 Budget and Rates:

Commissioner Olsen opened the 2016 Budget and Rates Public Hearing at 5:03 p.m. Two members from the public were present: Mr. Larsen, who owns a property on the Hawk Acres water system, and Mr. Elliot, a customer of the Ridgewood water system. CFO Parker gave a brief overview of the budget handout provided to the public.

Mr. Larsen was granted a special billing dispensation by staff last year for his lot in Hawk Acres. He explained the tenancy issue he has had for his lot and asked for a billing exemption from the Commissioners. Commissioner Olsen explained that his issue wasn't appropriate for the Public Hearing, but should have been discussed during the Public Comments portion of the meeting.

Nevertheless, the Commissioners will discuss Mr. Larsen's request later in the meeting and staff will contact him with their decision.

Mr. Elliot, a customer of the Ridgewood system, had questions regarding meter sizes and how those are billed for by the PUD. Staff answered his rate questions. Mr. Elliot went on to discuss the Marvin Road Water Co. systems surcharges.

Commissioner Olsen closed the Public Hearing at 5:34 p.m. and the regular meeting was resumed.

Discussion Items:

Robert's Rules of Order Training for the Commissioners (September 22 and September 30)

The Commissioners have been registered for two webinars on the subject of Robert's Rules of Order that will occur later in September.

Revised Proposed Budget Presentation and Proposed Rate Options: 3.0% and 3.5%

The Commissioners discussed the budget proposal with staff. The proposed 2016 Operating Budget proposes a 3.02% increase in rate revenue for PUD operations and management. The budget:

- Adds half of a full time employee (FTE) for an internship opportunity in the Customer Service Department.
- Adds half of an FTE for a project engineer to assist in the field.
- Adopts the 2016 salary schedule approved by the Commissioners in Resolution 15-26.
- Shifts expenses from the General Fund to the Water Fund to ensure the General Fund is sustainable.
- Increases annual contribution for the replacement of vehicles to \$20,000 annually.
- Adds a line item for the cost of moving to a new office space.

Comprehensive Review of Financial Plan for the Next 20 Years

CFO Parker will provide more information on this subject later this year.

CIP Analysis of Asset Management Plan (AMP), Funds and Long Term Capital Plan

CFO Parker and OM Gubbe will provide more information on this subject later this year.

Resolution 15-27, Adoption of the 2016 Budget

The proposed 2016 Operating Budget proposes a 3.02% increase in rate revenue.

Resolution 15-28, Adoption of Rates, Fees, Charges, and Surcharges for 2016

The purpose of this resolution is to adopt the water rates and charges for 2016. The proposed rates reflect a 3.02% increase in water revenue, as stated above, and will raise the average residential customer bill in Thurston County by 3.55%. The resolution also reaffirms Resolution 14-21 in establishing the 2016 capital surcharge at \$2.90 per month per equivalent residential unit (ERU).

Resolution 15-29, Adoption of 2016 Capital Budget

The purpose of this resolution is to adopt the proposed 2016 Capital Budget, which continues to implement the Asset Management Plan (AMP) developed by the PUD.

Resolution 15-30, Second Revised 2015 Capital Budget Amendment

This resolution revises the 2015 Capital Budget to include the following purchases and projects:

- Increases allocation for leak detection and repair by \$30,000.
- Decreases allocation for pumphouse rebuilds by \$15,000 (staff was able to perform).
- Increases allotment for consolidation of the Lew's 81st with two Group B systems by \$165,821 (due to site changes and other project cost increases).
- Increases allocation for treatment system upgrades by \$20,000.
- Decreases allotment for several projects that have been deferred to 2016:
 - Crowder Road Main Line Replacement (\$80,000)
 - Contact Time for Tracy 1 (\$25,000)
 - Replace Booster Pumps at Travis Jack (\$50,000)
- Increases allocation for installation of the Tanglewilde Generator by \$139,000.
- Increases allocation for the beta installation of small system generators by \$20,000.
- Establishes line item for Deschutes Glen upgrades at \$25,000.

Resolution 15-31, Rate Stabilization Mechanism

The purpose of this resolution is to permanently adopt the Rate Stabilization/Revenue Adjustment Mechanism developed in 2012 and initially presented in Resolution 12-23 as an official policy of the PUD.

Resolution 15-32, Second KPFF Contract Amendment to the Lew's 81st Consolidation Project

The proposed contract amendment updates and approves changes to the budget and extends the contract with KPFF for engineering and construction of the Lew's 81st consolidation project. The Board approved the construction contract award at the August 25 Commission meeting.

Resolution 15-33, Policy and Procedures, Probationary Period Policy

The proposed policy adopts a probationary period for any new employees.

Resolution 15-34, Policy and Procedures, Incentive Pay Policy

The purpose of this resolution is to provide the District the ability to provide employees who have reached the top of their pay range the ability to receive merit pay. The employee must fulfill certain caveats to qualify for merit pay. Merit pay will not raise the salary range but will instead be treated as a merit reward for outstanding performance.

Action Items:

Resolution 15-35, Termination of SMA Contracts

The purpose of this policy is to authorize the General Manager to terminate an SMA management and operations contract when it is in the best interest of the District. Commissioner Stearns proposed an amendment to the motion to approve the resolution, but this amendment was withdrawn. **Commissioner Oosterman made a motion to approve Resolution 15-35 as presented: Commissioner Stearns seconded; all in favor.**

Commissioner Stearns made a motion to authorize staff to create a policy to periodically review SMA contracts to ensure goals/expectations are met by parties involved: Commissioner Oosterman seconded; all in favor.

Resolution 15-36, Rental Contract with CFS Investments, LLC

The owner of the building at 921 Lakeridge Way SW has offered the PUD a lease extension for three years with no increases in rent. The lease agreement has a 90 day notification for terminating the lease. **Commissioner Oosterman made a motion to approve Resolution 15-36 as presented: Commissioner Stearns seconded; all in favor.**

Legal Report: None

Presentations:

Staff Presentations:

General Manager's Report: John Weidenfeller, General Manager

GM Weidenfeller provided a written report. He reported that staff has been working on a 'lien-like' document for the ready to serve properties with outstanding balances. The results will be reported to Commissioners when the report is available.

Commissioners spoke with staff regarding the request made by Mr. Larsen earlier in the meeting. Staff members have had much contact with the customer regarding his lot. The Commissioners denied his request for a billing exemption; GM Weidenfeller will follow up with a letter later in the week.

Operations Manager's Report: Kim Gubbe, Operations Manager

OM Gubbe provided a written report. She shared a photo of an upgraded pumphouse, whose repairs were recently completed. She also reported on corrosion issue with chlorinated systems - there is possibly an alternate treatment that does not give off gas, but staff will need to explore that treatment further.

Chief Financial Officer's Report: Julie Parker, Chief Financial Officer

CFO Parker will provide a written report during the second meeting of July. She did report that representatives from the Auditor's Office will arrive on September 22 for the annual audit. Commissioner Stearns has been appointed as the Commissioner representation.

Commissioner Topics, Discussion and Reports:

Commissioner Olsen received an e-mail from GM Weidenfeller about a local radio show that would interview the Commissioner regarding the PUD. The Commissioners agreed to have Commissioner Olsen speak to the PUD's priorities and policies, should the PUD pursue an interview. The next Thurston Regional Planning Council (TRPC) meeting is scheduled for

September 11; the results of that organization's retreat will be discussed. Also, the Telecommunications Workgroup is scheduled to meet September 21 to review the NoaNet's feasibility study.

Commissioner Stearns is back from vacation. He is interested in reviewing SMAs that the PUD has long-term interest in.

Commissioner Oosterman spoke to the PUDs affected by the eastern Washington wildfires. She has an Economic Development Council (EDC) meeting to attend at the end of the month.

Summary of Assignments:

1. The Clerk to the Board will contact the Commissioners prior to their scheduled webinars as a reminder.
2. Update the proposed Probationary Period Policy as discussed.
3. Create a report/policy for SMA contract review.
4. Send a letter to Mr. Larsen regarding his exemption request.

**Adjournment: Commissioner Stearns made a motion to adjourn the meeting;
Commissioner Oosterman seconded; all in favor. The meeting was adjourned at 8:14 p.m.**

Russell E. Olsen

Russell E. Olsen, Commissioner and President

Attest:

Linda L. Oosterman vice President

Chris Stearns, Commissioner and Secretary

Linda Oosterman