

**MINUTES OF THE REGULAR MEETING OF JULY 8, 2014
OF
PUBLIC UTILITY DISTRICT NO. 1
OF
THURSTON COUNTY, WASHINGTON**

The first regular meeting for July 2014 of the Commissioners of Public Utility District No. 1 was called to order on Tuesday, July 8, 2014, at 921 Lakeridge Way SW, Suite 301, Olympia WA 98502, commencing at 5:00 p.m. Commissioners Linda Oosterman, Chris Stearns and Russell Olsen were present. Also present were John Weidenfeller, the District's General Manager (GM), Kim Gubbe, the District's Operations Manager (OM), Julie Parker, the District's Chief Financial Officer (CFO), and Kurin Rosado, Clerk to the Board. Joseph Rehberger, Chief Legal Counsel, was excused from the meeting.

Pledge of Allegiance: The Pledge of Allegiance was recited by all present.

Call to Order: Commissioner Oosterman called the Regular meeting to order at 5:03 p.m.

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

Consent Calendar:

Approval of Minutes: June 17, 2014, June 25, 2014

Prequalification of Contractors – Small Works Roster: None

SMA Contracts: None

Correspondence: None

Travel Approvals: None

Other: None

Voucher Approval:

Accounts Payable: June 18, 2014, June 26, 2014, July 3, 2014

Payroll: July 3, 2014

Resolution: Declaration of Emergency at Fuller Water System

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

Public Comments: None

Public Hearing: None

Discussion Items:

Information or Discussion of Operations/Policy Issues:

Review of the June 25 Public Meeting in Lewis County

Commissioners and staff reviewed the meeting and performance at the June 25 Lewis County Public Meeting. It was agreed that the meeting went well. The issues discussed during the prior Commission Meeting were resolved for the Lewis County Public Meeting.

Discussion of July 9 Public Meeting in Thurston County

The Commissioners and TPUD staff briefly discussed the upcoming meeting and transportation to the final meeting.

Tax Levy Discussion

CFO Julie Parker made a presentation on the impact of a 1.5%, 2.0%, and 2.5% decrease in the tax levy each year for the next two years. If the tax levy is decreased, the levy funds received will be reduced from \$255,599.16 (the 2014 highest lawful levy) to between \$251,765.17 and \$249,209.18 in 2015 alone, depending on the percentage decrease.

General Fund Revenues have increased 10.42% from 2008 to 2014. General Fund Expenses have also increased by 27.06% in the same timeframe. There has been a budget deficit every year since 2010, but careful spending and reallocation of expenses between funds has kept the PUD from spending reserves. Changes to the tax levy without changing the expenses would result in a reduction in spending from the General Fund or would force the PUD to shift costs to water customers.

A General Fund worksheet showing the 2014 budget was given to all present for review. CFO Parker has established an agreement with the Thurston County Auditor's Office to pay election costs every year, instead of every other year. However, this agreement is verbal; TPUD staff will work on getting a written agreement with the Auditor's Office. Reductions in specific expenses were discussed, as well as the public demand to reduce property taxes. All Commissioners expressed the wish for the PUD to grow and move forward and this wish may not be served by cutting back on essential expenses, like the WPUDA membership.

Commission Stearns made a motion to explore a 1.5% reduction of the General Fund Tax Levy in the 2015 budget once Commissioner Olsen has had a chance to review the details associated with the telecommunications venture, Commissioner Olsen seconded, Commissioner Oosterman opposed. Motion carried.

Discussion of 2015 Budget Priorities

CFO Julie Parker provided a cover sheet to all present regarding the previously identified budget priorities for 2015. These requested priorities include: providing options which include a 1.5%, 2.0%, and 2.5% property tax levy decrease, providing an analysis of the breakeven point for the General Fund, implementation of the 2014 Employee Salary Grid and review if Cost of Living Adjustment (COLA) is an appropriate option, and funding of the Asset Management Plan.

Commissioner Stearns would like to add a priority to include operational improvements for greater efficiency (e.g. solar power for pump house rebuilds, equipment that is more energy efficient, technological upgrades that allow TPUD staff to save time and/or money) to be considered for the 2015 budget. Commissioner Oosterman is concerned about oil and gas prices increasing. She would like an analysis completed for future projections. The Commissioner will contact an attorney she knows to see what can be done in regard to an analysis.

At 6:20 pm, Commissioner Oosterman called for a short recess. The meeting was called to order at 6:28 pm.

Water Use Efficiency Report, Conservation Measures, and Future Conservation Goals

OM Gubbe made a PowerPoint presentation, which showed the progress of the TPUD-owned Group A water systems for the following aspects: 1) meeting the conservation goals, 2) meeting the distribution leak loss, and 3) current, past, and future conservation measures.

The goal for the Tanglewilde-Thompson Place water system is , “Thurston PUD will reduce the amount of water used by 3% per Tanglewilde connection through teaching and encouraging water conservation to our customers over the next six years.” This goal was reached in June 2009 and usage per day per connection has been decreasing by an average of 11% since 2009. For all other Group A systems the goal is, “Thurston PUD will reduce seasonal summer demand by 3% on average for residential customers for the next six years.” This goal was reached in June 2010, with usage per day per connection decreasing an average of 29% since 2009. TPUD’s water systems are also under the EPA national average for consumption per day per connection. New conservation goals will be set in 2015.

The presentation gave details on the water loss control action plans for the 14 of 24 Group A systems over the 10% distribution leak loss threshold. Several conservation measures were also shown, in addition to the proposed toilet rebate program for 2014. **Commissioner Olsen made a motion to authorize 50 toilet rebates of \$50.00 each, in 2014, open to customers in all of the PUD’s water systems, on a first come-first served basis, not to exceed \$2,500, Commissioner Stearns seconded, all in favor.**

Commissioner Olsen inquired about security for the TPUD water systems. Most large water systems are fully fenced and centrally located within the community. Small water systems are usually located on private property, and citizens are monitoring their property. Warning signs have been placed at most locations to deter possible theft or vandalism. GM Weidenfeller is working to make each location more secure. GM Weidenfeller has said that the PUD needs to work to make each location more secure, particularly in reference to the larger water systems.

Action Items:

Resolution 14-15, Retire EME Loans from Marvin Road Water Systems

TPUD acquired the existing liability for the Extraordinary Maintenance Expense (EME) loan when the Hawk Acres, Ridgewood, and Horsfall water systems were purchased from Marvin Road Water Company. Since the loan is currently at an interest rate above that which TPUD would pay on a municipal debt, it is recommended that these loans are retired to reduce the debt. Adoption of Resolution 14-15 would reduce the expiration of the EME surcharge from March 2016 to approximately October 2015 for the former Marvin Road Water Company customers. CFO Parker will send a letter to each customer with details once she has determined the exact amounts and timeline. **Commissioner Olsen made a motion to adopt Resolution 14-15, Commissioner Oosterman seconded, all in favor.**

Resolution 14-16, Contract for Tanglewilde-Thompson Place Engineering

Adoption of Resolution 14-16 will give GM John Weidenfeller the authority to sign a contract with Jerome W. Morrissette & Associates Inc., P.S. to perform engineering services for the Tanglewilde-Thompson Place water system back-up generator. GM Weidenfeller and OM Gubbe will work with the Engineer to determine the optimal generator system and will discuss it

with the Board at a future meeting. **Commissioner Stearns made a motion to adopt Resolution 14-16, Commissioner Olsen seconded, all in favor.**

Resolution 14-17, Contract Amendment with Leidos for COS Study Time Extension

Resolution 14-17 extends the contract timeline with Leidos Engineering, LLC that was approved in Resolution 13-23 through May 2014. The contract amendment will show an extension through November 30, 2014. There is no monetary value associated with the contract amendment.

Commissioner Olsen made a motion to adopt Resolution 14-17, Commissioner Stearns seconded, all in favor.

Resolution 14-18, Nomination of Tiana Parker for the WPUDA Walkley Educational Scholarship

The General Manager recommends that the Board nominate Tiana Parker, daughter of CFO Julie Parker, for the WPUDA Walkley Educational Scholarship. This scholarship is given to a high school student who is the child of a PUD employee and the winner's name is drawn by WPUDA.

Commissioner Stearns made a motion to adopt Resolution 14-18, Commissioner Olsen seconded, all in favor.

Legal Report: None

Presentations:

Staff Presentations:

General Manager's Report: John Weidenfeller, General Manager

GM Weidenfeller provided a written report. Construction for the North Thurston School District new schools was scheduled to begin in 2017; however construction has been pushed back to possible 2020. This delay might be due to bond issuance or the county growth rate. TPUD received nine RFQ submittals and will be scheduling interviews with the most qualified engineering firms.

The Skookumchuck Maintenance water system is a Group A water system in the Tenino area. The DOH has recommended they contact water purveyors including TPUD in regard to ownership of their system. The homeowners are reluctant to relinquish ownership of their water system, but are experiencing significant financial challenges affecting their ability to retain ownership. GM Weidenfeller and OM Gubbe will meet with the HOA Board on July 23.

GM Weidenfeller and CFO Parker attended the June 19 WPUDA Human Resources (HR) meeting. They both found the meeting beneficial and now have unique resources to help with HR questions come up. There will be other meetings next year.

Operations Manager's Report: Kim Gubbe, Operations Manager

OM Gubbe provided a written report. She reported that the Coker well (Tanglewilde-Thompson Place water system) will be functional within the next three weeks. Also, all the Consumer Confidence Reports (CCR) and Water Use Efficiency Reports have been completed and submitted to the DOH.

Chief Financial Officer's Report: Julie Parker, Chief Financial Officer
CFO Parker provided a written report for May. She noted that metered water revenue has come in lower than budgeted. She will monitor and adjust as needed.

Commissioner Topics, Discussion and Reports:

Commissioner Olsen attended the Telecommunication Workgroup with GM Weidenfeller on June 30. The group was comprised of representatives from the cities of Lacey, Tumwater, and Olympia. It was noted that the group was supportive of the vision presented for area WI-FI services, which was more business-oriented. Another meeting will be scheduled in July to further explore the potential. Commissioner Olsen thanked TPUD staff and the other Commissioners for their support.

Commissioners Oosterman and Stearns attended the WPUWA Water Committee meeting, and Commissioner Oosterman attended the WPUWA Government Relations and Communications meeting; it primarily regarded the legislature.

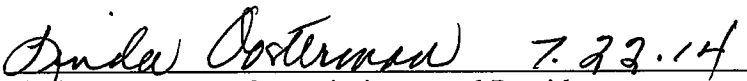
Executive Session: Review the Performance of a Public Employee (RCW 42.30.110 (1)(g))

Commissioner Oosterman announced the Board would be in an Executive Session for the purpose of reviewing the performance of a public employee as authorized by RCW 42.30.110 (1)(g) for 15 minutes at 8:20 pm. At 8:35 pm, it was announced in the public area that the Executive Session would be extended for three more minutes. The Executive Session was closed at 8:38 pm. No actions were taken.

Summary of Assignments:


1. TPUD staff will work on getting a written agreement with the Auditor's Office to split payments for elections costs every year.
2. Add a budget priority to include operational improvements for greater efficiency (e.g. solar power for pump house rebuilds, equipment that is more energy efficient, technological upgrades that allow TPUD staff to save time and/or money) to be considered for the 2015 budget (Stearns).
3. Conduct an analysis of future cost projections for oil and gas prices increasing.
4. CFO Parker will send a letter to each customer who was a previous Marvin Road Water Company customer with the details once she has determined the exact amounts and time line.
5. Staff will notify our customers of the availability of toilet rates.
6. CFO Parker will send a letter to each of the former Marvin Road Water Company customers with the details once she has determined the exact amounts and time line.
7. Brief the Board on the Coker Well at the next meeting.
8. GM Weidenfeller and OM Gubbe will work with the Engineer to determine the optimal generator system for the Tanglewilde-Thompson Place water system and will discuss it with the Board at a future meeting.

Adjournment: Commissioner Olsen made a motion to adjourn the meeting, Commissioner Stearns seconded, and the meeting was adjourned at 8:38 pm.



Linda Oosterman, Commissioner and President

Attest:



Russell E. Olsen, Commissioner and Secretary