

**MINUTES OF THE REGULAR MEETING OF OCTOBER 11, 2011
OF
PUBLIC UTILITY DISTRICT NO. 1
OF
THURSTON COUNTY, WASHINGTON**

Continuation of the 2012 Proposed Budget and Rate Hearing from the October 3, 2011 Special Meeting to accept public testimony.

Commissioner Stearns Reopened the Public Hearing from October 3, 2011 regarding the 2012 Proposed Budget and Rates. The meeting was brought to order at 5:12 p.m. All Commissioners were present. There was no public testimony on the 2012 Proposed Budget. Commissioner Stearns made a motion to adjourn the hearing 5:13 p.m., all in favor.

The continuation of the October 3, 2011 meeting was completed and the agenda of the October 11 meeting was begun

The first regular meeting for October 2011 of the Commissioners of Public Utility District No. 1 was called to order on Tuesday October 11, 2011, at 921 Lakeridge Way SW, Suite 301, Olympia WA 98502, commencing at 5:14 p.m. Commissioners Chris Stearns, Alan Corwin, and Paul Pickett 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), Tom McDonald, Chief Counsel, and Cathy Skiles, Clerk to the Board.

Commissioner Stearns called the general meeting to order at 5:14 p.m.

Approval of Agenda: Commissioner Pickett proposed moving the General Manager's Contract Amendment to the Consent Calendar. Commissioner Corwin asked to move the approval of the minutes to Action Items so they can discuss. Commissioner Corwin moved to approve the agenda as amended, Commissioner Pickett seconded, all in favor.

Consent Calendar:

Prequalification of Contractors – Small Works Roster

SMA Contracts

Correspondence:

Travel Approvals:

Other–Declaration of Emergency Waiver of Competitive Bidding Requirements at Elk Heights, October 5, 2011

Voucher Approval

Accounts Payable 9/28/2011, 10/5/11

Payroll 10/5/11

Resolutions:

11-51 General Manager's Contract Amendment

Commissioner Pickett moved adoption of the Consent Calendar, Commissioner Corwin seconded, all in favor.

Public Comment: None

Action Items:

Approval of Minutes: September 27, 2011 and Approval of Minutes: October 3, 2011-Special meeting -Commissioner Corwin stated that he wished to have a sentence added to the minutes of September 27, 2011 to clarify his position on the change of agenda at that meeting. The Board agreed to the change. The minutes for the September 27, 2011 meeting were tabled until the next meeting so a clean version could be approved that reflects Commissioner Corwin's concerns.

Commissioner Pickett moved to approve the minutes of the October 3, 2011, Commissioner Corwin seconded, all in favor.

Resolutions

Resolution 11-48 Contingency Reserve – Commissioner Pickett moved adoption of Resolution 11-48, Commissioner Corwin seconded. Commissioner Pickett said he reviewed the Resolution, he believes it is good for operational efficiency and includes accountability to the Commissioners. **Commissioner Stearns called the question all in favor, all are in favor of approving Resolution 11-48.**

Resolution 11-50 Commissioner Per Diem – Commissioner Corwin moved approval of Resolution 11-50. He stated the changes in the Resolution were in response to an e-mail received from Chief Legal Counsel Tom McDonald. The response was that the per diem can not be lowered based on the number of hours spent in a meeting. A Commissioner can request a lower per diem rate voluntarily. Commissioner Corwin explained that his goal is to save money for the PUD, and the only change to Resolution 11-50 is the removal of the \$25.00 per diem rate. Legal Council Tom McDonald discussed the regulations regarding per diem. Commissioner Pickett suggested each Commissioner write down how they believe the per diem should be handled and brings them back for discussion. **Commissioner Stearns moved to table the discussion, Commissioner Pickett seconded, all in favor.** The Commissioners will provide their ideas to the General Manager; he will compile the responses for the next meeting. GM Weidenfeller stated he needs their responses no later than 12:30 p.m. on Thursday October 20, 2011.

Resolution 11-46 Adoption of 2012 Budget - Commissioner Pickett moved adoption of Resolution 11-46, Commissioner Corwin seconded. GM Weidenfeller noted the Capital Budget has been added to the General Budget and should be considered a multiyear budget. CFO Parker noted to the Capital Budget for 2012 includes new items, they still have some 2011 Capital Budget items that may roll over into 2012. Reconciliations happen in the March-April timeframe with budget amendments proposed as needed.

Commissioner Pickett noted that the Budget on the table for discussion does include the amendment to the General Managers salary. It does not include the 2011 revisions because the Board has not approved them. This budget does include a 4% increase on the base rate only. GM Weidenfeller recommended they approve the Budget tonight and amend it as needed.

CFO Parker added that the increase to the average customer is 2.1% increase. It proposes adding \$.94 per month on the base rate. The average percentage increase will be based on the amount of consumption the customer uses and will be rounded to a 2% increase.

All in favor of adopting Resolution 11-46, 2012 Budget.

Staff Presentations:

General Manager's Report: John Weidenfeller, General Manager

GM Weidenfeller provided a report in writing. He attended training with Washington Cities Insurance Authority. He also attended a meeting with Washington State Emergency preparedness meeting. He learned you can be in compliance with all State regulations and still not qualify for FEMA money.

He provided the Commissioners with a letter from Grays Harbor regarding telecommunications stating they do not support retail authority.

Commissioner Pickett stated he heard the Thurston County Utility Planning meeting went well. He suggested sending a letter to the County Commissioners as a follow-up to the MOU signed with them one year ago.

GM Weidenfeller asked if the Commissioners would like him to schedule meetings with key Legislators to tour water systems in their District. Commissioner Stearns said that since the Special Session begins just after Thanksgiving and if it is a packed session there may not be a good response. Commissioner Corwin suggested a letter go out to the legislators in each district in Thurston County and list the systems we own in their Districts and offering to consult with them on drinking water issues. Commissioner Corwin was asked to prepare the draft letter.

Operations Manager's Report: Kim Gubbe, Operations Manager

Commissioner Corwin stated they receive approval for statements. He said their primary responsibility is the oversight of the General Manager. He asked they move the Operations Manager report to the Consent Calendar. He also asked that the Operations Report be provided to the Commissioners at least three working days before the meeting so the Commissioners can pursue their questions prior to the meeting. When there are no questions the Operation Manager may not need to attend. It was decided the Operations Manager and the General Manager's reports will be provided to the Commissioners by the close of day on Thursdays prior to the Commission meetings so they may have any questions concerning them addressed before the meeting when possible.

Chief Financial Officer's Report: Financial Variance Report (every 4th week's meeting)

Information or Discussion of Operations/Policy Issues:

2012 Rates & Charges-CFO Parker reported on the residential rate since it is the primary base of the revenue. Most of the rate analysis is based on the residential rate. CFO Parker provided three rate options; her recommendation is the first option. The first rate option is 4% increase to base, the second is a 3% increase to base plus a 2.5% increase to consumption, making the average 2.19% increase. Commissioner Corwin asked to provide an option for an increase below 2% with the balance coming out of reserves. **Commissioner Pickett made a motion to develop a rate increase for 3.5% increase on the base rate so the increase in customers' bills is below 2% increase on the average.** GM Weidenfeller summarized that he understood the rate structure with an average of less than 2% would require additional funds taken from reserves. The Board, instead of passing the motion, directed staff to bring a resolution to the next meeting consistent with the motion. A budget amendment will also be brought forward at the next meeting to take the balance from reserves for a balanced budget.

Commissioner Pickett suggested going into Executive Session regarding acquisitions since staff does not need to be present for the *Re-branding* and *Individual Commissioner Initiatives* discussions.

Executive Session: Potential Acquisition

Commissioner Stearns made a motion at 6:58 p.m. to go into Executive Session for 25 minutes until 7:18 p.m. to discuss a potential acquisition. Commissioner Stearns adjourned the Executive Session at 7:15 p.m.

Re-branding – (Commissioners to Do List)

GM Weidenfeller said Commissioner Pickett had suggested this be brought up in October for discussion. after some discussion re-branding was tabled until the next Strategic Planning session in 2012.

Individual Commissioner Initiatives - Commissioner Stearns reported he has been working with a group regarding streamlining government. They are addressing streamlining the NEPA and SEPA process to expedite permit processing. The Developer of the Carpenter Road Project in the City of Lacey brought his delays on the project to the attention of U.S. Senator Patty Murray who became very interested in the issue. Commissioner Stearns has been working with some other agencies on this because the delays can happen to us on our projects.

Commissioner Pickett would like the Board to think about two things. First, if an item is put on the agenda, a written summary of the purpose and background should be provided so they are all prepared for discussion. The second item is that Commissioners should provide written reports whenever possible. Both items are consistent with what the Commissioners require staff to provide. He noted that possibly the above item could have fallen under Commissioner Reports.

Legal Report: Tom McDonald

GM Weidenfeller thanked Chief Counsel Tom McDonald for his presentation at the Thurston County Water Purveyor planning meeting. Commissioner Stearns said he has heard several compliments regarding the presentation.

Commissioner Stearns asked if there are any items that need to be addressed for the upcoming Legislative Session. Commissioner Corwin said the strategic plan needs to address the municipal water law. Tom McDonald suggested that agencies should be putting together their comments to Department of Ecology to provide their feedback to the Legislators. Commissioner Pickett wants to make comments regarding exempt wells allowing customers to not hook up to one of our systems. Commissioner Pickett suggested that DOE should try to simplify the process for consolidating six pack water systems to create a Group A water systems with water rights. Commissioner Stearns reported at the WPUA Water Conference he heard consolidation is something the Washington State Department of Health is working on. Commissioner Pickett asked GM Weidenfeller to work with Tom McDonald and John Kounts on comments the Board can present to the Department of Ecology, and bring the comments to the next meeting.

Commissioner Reports:

Commissioner Stearns reported on the Water Workshop he attended.

Summary of Assignments:

Commissioners compile their ideas on how to handle per diems and provide to the GM Weidenfeller by 12:30 p.m., October 20, 2011.

GM Weidenfeller will compile per diem ideas for the October 25, 2011 General meeting

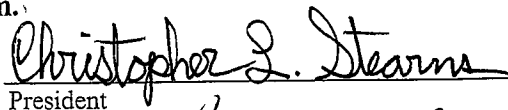
GM Weidenfeller will draft a letter to the County Commissioners regarding the Thurston County Utility planning group as a follow up to the MOU signed a year ago.

Commissioner Corwin will draft a letter to each of the Legislatures in Thurston County; GM Weidenfeller will provide the list of systems in each of the Districts.

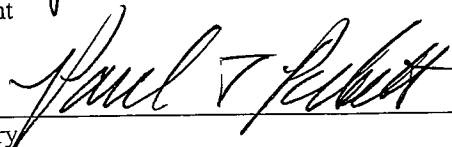
GM Weidenfeller will work with Tom McDonald and John Kounts on comments to the Department of Ecology.

Adjournment:

Commissioner Stearns moved to adjourn the meeting, Commissioner Pickett seconded. Meeting was adjourned at 7:52 p.m.



President

Attest: 

Secretary