

**MINUTES OF THE REGULAR MEETING OF JULY 23, 2013
OF
PUBLIC UTILITY DISTRICT NO. 1
OF
THURSTON COUNTY, WASHINGTON**

The second regular meeting for July, 2013 of the Commissioners of Public Utility District No. 1 was called to order on Tuesday, July 23, 2013, at 921 Lakeridge Way SW, Suite 301, Olympia, WA 98502, commencing at 5:00 p.m. Commissioners Chris Stearns, Linda Oosterman and Russell Olsen 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 Cathy Skiles, Clerk to the Board were present. Joseph Rehberger, Chief Legal Counsel was excused from the meeting.

Call to Order:

President Commissioner Stearns called the meeting to order at 5:01 p.m.

Approval of Agenda: President Commissioner Stearns called for a motion to approve the Agenda. **Commissioner Oosterman made a motion to approve the Agenda, Commissioner Olsen seconded, all in favor.**

Consent Calendar:

Approval of Minutes: July 9, 2013 Meeting
July 12, 2013 Telecommunications Workshop

Prequalification of Contractors – Small Works Roster:

SMA Contracts:

Correspondence:

Travel Approvals:

Other:

Voucher Approval:

Accounts Payable 7/10/2013, 7/17/2013

Payroll 7/20/13

Resolutions:

Other:

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

Public Comments: None

Public Hearing:

Commissioner Stearns opened the Public Hearing on Covington Arsenic Mitigation: Lacey Water and Surcharges at 5:05

GM Weidenfeller stated a letter was sent out to all of the customers on the Covington Water System. He received two comments back, from Mr. Gabriel Brannon and Mr. Youmans who would like to pay the surcharge in one lump sum. The GM noted that there seemed to be consensus that the purchase of water from the City of Lacey to resolve the arsenic problem was the preferred option.

The decisions staff needs from the Commission are:

- Authorization to purchase of water from the City of Lacey, and
- Determination of the surcharge amount, and
- A decision if the Board will allow a prepayment of the surcharge in a lump sum.

Commissioner Oosterman asked that the Commissioners listen to what the speakers say and not make comments. She noted that the purpose of the Hearing is to listen to testimony then take that information for further consideration.

Testimony:

John Youmans-The staff has not had time to determine the solid costs. To argue over the numbers presented are not actual costs worth arguing over. He feels the financial analysis needs to be revisited.

John Martin-He asked what kind of arsenic was detected in their water system. OM Gubbe said she needs to look at the data to determine the type. GM Weidenfeller will send him copies of the arsenic report and information on the types of arsenic detected.

Gabriel Brannon: He asked if the federal government differentiates between the two types of arsenic, and the OM responded, "No". He asked why the costs could not be put into simpler terms. Why is the PUD willing to pick up more of the cost in Option 1 than they are in Option 2? GM Weidenfeller explained that in the treatment option the State Revolving Fund loan could be used, in the purchase of City of Lacey water, the loan can not be used. He referred Mr. Brannon to the breakout in the handout that was provided on page 2 of the July 15th letter that outlined the surcharge options staff asked the Commission to consider and choose between. There is a surcharge option of 34% of the costs, a \$28.28, a surcharge, as the Commissioners had originally considered under the arsenic removal option. He also noted that there was an option of a surcharge based on 24%, \$20.00 a month and one based on 21% of the costs, \$17.50 a month. Mr. Brannon said that the community was facing these surcharges at the same time they are currently being required to pay the new sewer installation costs.

CFO Parker explained her estimated operating costs for purchasing water from the City of Lacey.

Matthew Peterson: He noted that he had sent an e-mail expressing his interest in paying the surcharge and asked to be added as a third person on the list of two.

Commissioner Stearns stated he has concerns regarding separate rates for customer groups unless there is a noted benefit to the customers and the PUD. He indicated that he would not be willing to support a lump sum payment option unless at least five members of the community were willing to pay the lump sum payment.

John Youmans stated the fact that five customers attended the first meeting on this subject. Combined with the demands on people's time and difficulty he had understanding the numbers presented to them he is not surprised many people did not show up. He added that there may be money left in the Centennial Grant to pay a portion of the hook-up fees to LOTT and this could change the number of residents willing to pay a lump sum.

Commissioner Olsen indicated he wanted staff to meet with Mr. Youmans to address the financial analysis and was not ready to make a decision on the surcharges until this was resolved.

Commissioner Stearns closed the Public Hearing at 5:40 p.m.

The Commissioners thanked the customers for attending and for their comments.

Staff Presentations:

General Manager's Report: John Weidenfeller, General Manager

GM Weidenfeller provided a report in writing. He provided Commissioners Olsen and Oosterman sign-up sheets for the Water Workshop; he would like to get those back tonight if possible.

GM Weidenfeller said the WPUA September meeting is in Chelan, he asked the Commissioners to let him know if any of them plan to attend.

The State Audit will begin August 12th. There will be two meetings that a Commissioner has attended in the past. The first meeting is an Entrance Briefing where the Auditor outlines what they will be looking at. The second meeting is the Exit Briefing where they discuss their visit and any issues that came up. GM Weidenfeller suggested the Board pick a Commissioner to attend the meetings; the meetings will be scheduled to fit the selected Commissioner's schedule. Commissioner Oosterman will attend the meetings.

The Part A Water System Umbrella Plan and the Satellite Management Plan has gone out to each County except Pierce. Pierce County has asked for a paper copy and charges a fee to review the plans.

GM Weidenfeller stated he discussed arbitrage and if the bond money needs to be spent within three years with the Bond Attorney. After reviewing the potential for arbitrage with the CFO, he feels that as long as the overall return of 3.37% in interest is not made, we do not need to spend all of the bond monies by May 2014.

GM Weidenfeller sent the Commissioners a draft letter to go out to all of the PUD customers. The letter invites the customers of the PUD to a public hearing on August 27 informing them the Commissioners would like their input regarding the issue of accepting or declining a \$3 million drinking water state revolving fund (DWSRF) loan for selected Tanglewilde-Thompson Place water mains and associated infrastructure. The letter will go out with the July bills.

The Pierce County Cooperative and the Regional Water Association are going to merge.

The RFP for a cost of service rate and general facility rate study has been advertised; proposals are due on July 29th. Commissioner Olsen, CFO Parker and GM Weidenfeller will meet on July 31st to review the proposals. They hope to make interview selections and hold interviews August 6th. The evening of the 6th they hope to have a recommendation for the Board.

On Friday, July 26, 2013, the Commissioners are having a Workshop at 1:00 p.m. at the Tumwater Library.

August 27th will be a follow-up meeting to the Telecommunications Workshop.

GM Weidenfeller noted that behind the GM Report he included a Projected Commission Agenda calendar outlining major business items for the rest of the year.

Operations Manager's Report: Kim Gubbe, Operations Manager

OM Gubbe provided a report in writing. Commissioner Olsen asked for an update on the Prairie Ridge water system. OM Gubbe reported two of the three pumps have been delivered. Once all the pumps are here, the work will be scheduled. She will follow up with the supplier and update the customers per Commissioner Olsen's request. Commissioner Stearns asked about the pressure. OM Gubbe stated the pressure issues were resolved shortly after the PUD acquired the water system. She added that the customers were using twice the water they do now.

OM Gubbe asked for a decision tonight regarding authorization for the Covington Water System to use City of Lacey water noting a lot of coordination was needed for this to happen. Commissioner Stearns supported the acquisition of water from the City of Lacey, noting the details for financing and surcharges can be determined later. Commissioner Oosterman said she supported moving forward with a connection to the City of Lacey and asked that a motion be added to the agenda under the Action Items Agenda Section. Commissioner Olsen said he was not comfortable with making a motion to move forward with the plan since it was not on the agenda that a decision will be made. Commissioner Stearns does not want to wait; he heard no comments tonight regarding the City of Lacey option, only regarding how it will be financed.

Commissioner Oosterman made a motion to add a motion to move forward with the purchase of water from the City of Lacey to serve the Covington water system on the Agenda under Action Items: Commissioner Stearns seconded, Commissioner Oosterman and Commissioner Stearns voted in favor, Commissioner Olsen against.

Commissioner Stearns discussed the PUD's philosophy regarding satellite management agency management and operations of non-owned water systems. He would like to examine this and will make this a point of discussion at the Strategic Plan workshop.

Chief Financial Officer Report: Julie Parker, Chief Financial Officer-Financial Variance Report (every 4th week's meeting)

CFO Parker provided quarterly reports, she pointed out that on page 2 the Water Reserve Account looks low. The reason it is low is we are required to pay all capital costs upfront then request reimbursement from the loan funds. She explained we are at the end of the Tanglewilde projects and are waiting for close out before getting reimbursement, she hopes to have that process completed before the end of the month. Another project needing reimbursement is the Lew's 81st consolidation.

Commissioner Stearns pointed out that the past due account balances are coming down. CFO Parker explained the Customer Service staff is working really hard to collect payments before sending field staff out to disconnect the service.

Commissioner Oosterman inquired about the Bond Indebtedness Tax Revenue formula on the 3rd page of the Quarterly Report. She asked if the money would stay with the PUD? CFO Parker explained this is the maximum bonding capacity according to statute; this is a high number. GM Weidenfeller

explained he asked CFO Parker to add it to the financials as a notation. Commissioner Oosterman asked about the comment she receives from citizens that they pay taxes for the PUD through their property taxes. CFO Parker will provide Commissioner Oosterman more information regarding property tax assessments for Thurston PUD. She asked when the taxes are collected where the funds go. GM Weidenfeller explained the monies are deposited into the PUD Account with the County. CFO Parker explained the annual amount of the 2 mils of property tax is approximately \$248,147. The CFO explained that this will vary due to previous uncollectible and property value adjustments. CFO Parker said the tax revenue pays County-wide expenses the PUD is involved in such as a portion of Commissioner meeting expenses, County-wide memberships and meetings, etc. These funds are never used for water system operations.

The CFO reported that yesterday our Accountant gave her resignation effective August 8, 2013. Today the position was advertised in the Olympian. The position is also posted on the following web-sites: Work Source, the Association of Washington Cities, WPUDA, Washington Finance Officers Association and Thurston PUD. CFO Parker has already received one inquiry; she intends to fill the position as soon as possible, so she is reviewing applications as they come in. The departing Accountant has offered to come in after hours to help with training. GM Weidenfeller added one of the challenges is we have four people in that tight little space. The GM is looking into moving the CFO and the new Accountant to the GM's office and moving the GM to the CFO's office. Commissioner Oosterman stated she will actively look for better rental space, preferably on a first floor. GM Weidenfeller said we should think about buying if we are going to move. Commissioner Oosterman stated she feels strongly about needing different facilities and has expressed it to GM Weidenfeller. OM Gubbe added that the field staff needs more work space, a shop and a secured place to park the PUD vehicles. One of the considerations is that we should be in an area where the Thurston County IT can serve us; that relationship has been beneficial.

Information or Discussion of Operations/Policy Issues:

2014 Budget Discussions

CFO Parker provided the Commissioners a handout of a calendar for the 2014 Budget process. She explained the calendar of events that will occur over the next few months before the 2014 Budget is approved. Once the Strategic Plan is approved, she will evaluate the costs to implement the plan. She will be providing the Commissioners a revision to the 2013 Capital Improvement Plan. She has also been asked to look at the other ancillary charges; the review will not include the General Facility Charge. GM Weidenfeller has asked CFO Parker to provide the Commissioners three budget options at the August 27, 2013 General Meeting. One option will be what the Budget looks like should they not increase rates. The second option will show the budget with a mid-range increase. The third option will show the budget with a rate increase that meets all the expense and capital needs of the PUD.

On August 27, the Commissioners will be provided a salary grid and COLA review. This needs to be determined early on so the affect on the budget can be determined. Commissioner Olsen asked about a biennial budget. GM Weidenfeller stated now that they have an asset management plan and once the rate study has been completed this will be a more feasible option.

Public Hearings regarding the 2014 Budget will be recommended to begin in September and be ongoing until the 2014 Budget is passed. A special meeting will be scheduled for October 7 to adopt the budget as required by statute.

Commissioner Oosterman asked if the proposed salary ranges will be compared to other agencies. GM Weidenfeller explained he has 15 - 20 agencies with whom he makes comparisons to when he conducts a salary survey. The salary survey will be completed before he goes on vacation.

CFO Parker explained the budget drives what the rate requirements are. Commissioner Stearns added that he hopes the several budget options show how each option affects the operations of the PUD. Commissioner Oosterman stated, in this County COLA's are not happening. Commissioner Oosterman asked if a temporary Accountant had been considered. The GM and CFO answered that we had, and would not rule it out, but the best option was hiring a new full time employee as an Accountant. OM Gubbe reported the loss of the Accountant does not only affect the CFO, but it also affects her. She was confident with the reports the Accountant provided her.

Action Items:

Motion to authorize the General Manager to vote to allow the Washington Water Utilities Council to support an amendment recommended by the American Water Works Association to pending legislation to make sure that water utility operations do not inadvertently violate federal law with respect to quagga mussels.

GM Weidenfeller noted he had provided the Commissioners the request from the Washington Water Utilities Council. **Commissioner Oosterman made a motion to authorize the General Manager to vote to allow the Washington Water Utilities Council to support an amendment recommended by the American Water Works Association to pending legislation to make sure that water utility operations do not inadvertently violate federal law with respect to quagga mussels. Commissioner Olsen seconded, all in favor.**

Make a decision on the Choice of water for the Covington Water System.

Commissioner Oosterman made a motion to authorize the General Manager to move forward with the purchase of water from the City of Lacey to serve the Covington Water System. Commissioner Stearns seconded, all in favor.

Commissioner Topics, Discussion and Reports:

Commissioner Oosterman made a motion to send a card to Senator Fraser in remembrance of her husband. Senator Fraser has attended several PUD meetings. Commissioner Stearns seconded, all in favor. GM Weidenfeller will purchase a card and bring it to the workshop on Friday for the Commissioners to sign.

Commissioner Stearns reported he will attend the All Staff meeting on Thursday morning.

Commissioner Oosterman will attend the emergency management meeting this week. The group has pared down to barely functioning and suggests the PUD moves forward with their emergency plan on their own. She talked to Jeff Davis and the Port is looking into telecommunications; she will report back to the Commissioners.

Commissioner Olsen had a similar discussion on telecommunications with Councilmembers Cooper and Ryder. Saint Martin's has a Wi-Fi system on their property. The City of Lacey is looking into partnering with them. They may build more equipment in the Woodland Square area, and are

preparing a report. The Commissioners continued to discuss what other agencies are doing and the contacts they can make. Commissioner Olsen summarized that the contacts are just preliminary; he has nothing to bring to the table at this time.

Commissioner Stearns reported he met with Mr. Phillips in the Governor's Office regarding the Columbia River treaty. He also talked to George Cann on the same subject. Commissioner Stearns discussed the agencies that are involved and why. He asked Bryan McConaughy to report on what PSE has decided to do on this issue. Mr. McConaughy noted that he had sent an e-mail before the meeting stating that PSE supports recommending renegotiation between the U.S. and Canada of the Downstream Power benefits and Non-Power benefits of the Columbia River Treaty.

Legal Report: Joe Rehberger, Chief Legal Counsel – was excused from the meeting.

Executive Session: None Planned

Summary of Assignments:

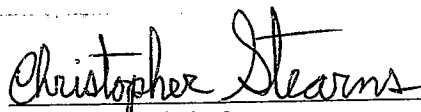
GM Weidenfeller will send John Martin the arsenic test results that show the type of arsenic found in the water.

CFO Parker will provide Commissioner Oosterman more information regarding property tax assessments for Thurston PUD.

GM Weidenfeller will bring a card for Senator Fraser for the Commissioners to sign.

Adjournment:

Commissioner Olsen made a motion to adjourn the meeting, Commissioner Oosterman seconded, all in favor.



President, Chris Stearns

Attest:

 8.6.13

Secretary, Linda Oosterman