

**MINUTES OF THE REGULAR MEETING OF JANUARY 28, 2014
OF
PUBLIC UTILITY DISTRICT NO. 1
OF
THURSTON COUNTY, WASHINGTON**

The second regular meeting for January 2014 of the Commissioners of Public Utility District No. 1 was called to order on Tuesday, January 28, 2014, at 921 Lakeridge Way SW, Suite 301, Olympia, WA 98502, commencing at 5:00 p.m. Commissioners Linda Oosterman, Russell Olsen 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), Joe Rehberger, Chief Legal Counsel, and Cathy Skiles, Clerk to the Board.

Call to Order:

President Commissioner Oosterman called the meeting to order at 5:00 p.m.

Approval of Agenda:

President Commissioner Olsen made a motion to approve the Agenda, Commissioner Stearns seconded, all in favor.

Consent Calendar:

Approval of Minutes: January 14, 2014 Meeting
Prequalification of Contractors – Small Works Roster
Chehalis Sheet Metal

SMA Contracts:

Correspondence:

Travel Approvals:

Other:

Voucher Approval:

Accounts Payable 01/15/2014, 01/22/2014

Payroll 01/21/2014

Declaration of Emergency Waiver of Competitive Bidding Requirements at the Tolmie Water System

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

Public Comments: None

Public Hearing: None

Executive Session:

As authorized by RCW 42.30.110(1)(b), Real Estate Acquisition (5:15) and RCW 42.30.110(1)(i) Potential Litigation

Commissioner Oosterman opened the Executive Session at 5:08 p.m. to discuss a potential Real Estate Acquisition and Potential Litigation as authorized by RCW 42.30.110(1)(b) and

RCW 42.30.110(1)(i). Commissioner Oosterman stated the Executive Session is expected to last ten minutes. At 5:28 p.m., Commissioner Oosterman extended the Executive Session for an additional ten minutes. At 5:38 p.m., Commissioner Oosterman closed the Executive Session. No decisions were made.

Information or Discussion of Operations/Policy Issues:

Discussion – Tax Levy Reduction & Implications

At a previous meeting, Commissioner Stearns asked to discuss a possible tax levy reduction. Commissioner Stearns stated he proposed this as a method to give back to the taxpayers who have been funding the PUD in prior years. Commissioner Stearns proposed a levy reduction of 2.5% annually over two years. The General Fund pays for Countywide activities the PUD Commissioners participate in. He commented that the Chief Financial Officer's report provided today shows through December the General Fund has not been fully allocated. CFO Parker stated all the costs have not been allocated to the 2013 General Fund, but the actual costs should come in at less than 100% of what was budgeted this year.

Commissioner Oosterman asked if the Commissioners would agree to cutting-back on Commission meetings per diem and travel costs. She stated her concern that most of the tax payers do not know they are paying the tax and bringing attention to it would cause problems.

Commissioner Olsen stated his concern is the PUD could be getting themselves into a deficit. He feels if the PUD were to cut back on the tax levy they should also cut back equally on customer rates to avoid just shifting costs from one fund to another. Commissioner Olsen will support a reduction, if excess revenues are coming in, but he sees a reduction creating a deficit in funding.

Commissioner Stearns added he does not believe anyone from the PUD is attending a meeting that is not fruitful for the PUD. The upcoming election costs are not known. He does believe the new leadership in the Thurston County Auditor's Office will bring a more favorable allocation of election costs to the PUD. The tax statements now list the PUD tax at the top of the list and he believes more people will become aware the tax. CFO Parker will provide the Commissioners a breakeven point of tax revenues versus General Fund expenses. With this information the Commissioners could review the General Fund expenses to look for reductions. The Commissioners and staff discussed the current fund balances. GM Weidenfeller encouraged the Commissioners to keep a reserve fund for future studies to evaluate potential Countywide services.

Commissioner Stearns asked if CFO Parker could provide the Commissioners an example of what a 1.5%, 2.0% and 2.5% decrease in tax levy over two years would look like. This information will be discussed during the 2015 budget preparation process.

Generator Options

GM Weidenfeller noted that the process of looking at generator needs for the Tanglewilde-Thompson Place water system is just beginning. It appears that a generator to support the 40 horsepower pump may be adequate for backup. OM Gubbe will work with an engineer to pencil-out some costs.

Webster Hill

GM Weidenfeller reported that the Webster Hill water system acquisition process is moving along.

Report on Acquisition Process (Strategic Plan Tasking)

GM Weidenfeller stated he provided the Commissioners with the process used to acquire water systems. GM Weidenfeller explained a situation where an acquisition did not pencil-out. The Commissioners and staff discussed the checklist used in reviewing a potential acquisition.

Strategic Plan – Quarterly Report

A presentation was made to the Commissioners on the Strategic Plan's goals and performance measures for the 4th Quarter of 2013.

Action Items:

Decision on PUD PURMS Allocations – Affordable Health Care Act Implications

CFO Parker provided a discussion paper to the Commissioners. Her recommendation is to adjust the methodology in calculating health care premium calculations to prepare for future changes. She discussed the two options and how they would affect the employee contributions.

Commissioner Olsen made a motion to calculate employee contributions based on experience, Commissioner Stearns seconded, all in favor.

Resolution 14-02 Contracting and Bidding Policies and Procedures

Commissioner Olsen made a motion to open Resolution 14-02 Contracting and Bidding Policies and Procedures for discussion, Commissioner Stearns seconded. Chief Legal Counsel Joe Rehberger pointed out a couple of corrections to the wording of the Resolution. CFO Parker updated the Resolution to reflect the changes. **Commissioner Olsen made a motion to approve Resolution 14-02 as amended, Commissioner Stearns seconded, all in favor.**

Legal Report:

Joe Rehberger, Chief Legal Counsel, reported on a recent meeting with the City of Olympia concerning the wholesale water contract amendment. He discussed how the contract can be amended to reflect the PUD's efforts to become totally independent of the City of Olympia. The PUD staff and the City staff discussed elimination of the sharing of general facilities charges and the rate study the PUD and Olympia paid for together. He reported everyone seems to understand, and meeting also helped bring new City staff up to speed with the history of the contract and contract negotiations.

Staff Presentations:

General Manager's Report: John Weidenfeller, General Manager

GM Weidenfeller provided the Commissioners a report in writing.

GM Weidenfeller reported he received a call from Bob Wubbena today. Mr. Wubbena called to say it would be a very good idea for the PUD to join the Chamber of Commerce and he would

like to discuss it. Commissioner Olsen authorized GM Weidenfeller to provide Mr. Wubbana his phone number. He would be happy to meet with him.

GM Weidenfeller reported he visited the Rainier Vista water system.

Operations Manager's Report: Kim Gubbe, Operations Manager

OM Gubbe provided a report in writing to the Commissioners. She added she met with the Pierce County Cooperative group about combining projects. She will become a part of the group. Currently they are working on storage tank inspections and cleaning. The group will get bids on the combined projects which could potentially save all agencies some money. The group meets on a monthly basis.

OM Gubbe reported the Forest Glen SMA is possibly interested in being acquired by the PUD.

OM Gubbe will be on vacation February 9th through 16th.

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

CFO Parker reported she provided the Commissioners with the financial report yesterday. She described the information she provided. A new addition to this report is the *Project Help* program status. At the end of 2013, the PUD has received \$293.00; fifty people made a one-time contribution. At this time, there are 6 people who are contributing on a monthly basis. CFO Parker is working on the process to allow employees and Commissioners to contribute through payroll deductions.

Commissioner Topics, Discussion and Reports:

Commissioner Oosterman asked the GM Weidenfeller to write a Resolution to help differentiate when a Commissioner is speaking on behalf of the PUD or as a private citizen. The Commissioners discussed the difference and how they can be clear when speaking.

Commissioner Olsen has been asked by Curt Knapp, President of the WA PUD Association to serve on a *Dues Structure Committee*. The WPUDA dues structure has not been reviewed since 1994. Commissioner Olsen described the group that is being recruited to assure fair representation across the Association. After discussing it with the other Commissioners, Commissioner Olsen will confirm with Mr. Knapp that he will serve on the Committee.

Commissioner Stearns reported he attended the Chehalis Partnership meeting last Friday. He also attended a legislative review WPUDA conference call with GM Weidenfeller. These phone conferences will continue to occur every Thursday morning throughout the legislative session. Commissioner Stearns also reported he sat in on a legislative session, not representing the PUD. The discussion was about the Public Works Trust Fund.

Commissioner Oosterman attended all three days of the WPUDA meetings.

Commissioner Olsen stated he will be in Washington D.C. February 10th – 14th.

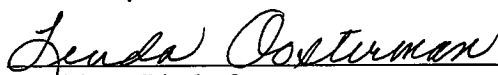
CFO Parker-provide the Commissioners a breakeven point of tax revenues versus General Fund Expenses.

CFO Parker-provide the Commissioners an example of what 1.5%, 2.0% and 2.5% decrease in tax levy over two years looks like.

GM Weidenfeller provide the Commissioners a customer survey, late February or early March. The survey is scheduled to go out with the end of March billing statements.


Adjournment:

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



President, Linda Oosterman

Attest:



Secretary, Russell Olsen