

**MINUTES OF THE REGULAR MEETING OF JULY 26, 2016
OF
PUBLIC UTILITY DISTRICT NO. 1
OF
THURSTON COUNTY, WASHINGTON**

The second regular meeting for July 2016 of the Commissioners of Public Utility District No. 1 was called to order on Tuesday, July 26, 2016, at 921 Lakeridge Way SW, Suite 301, Olympia, WA 98502, commencing at 5:03 p.m. Commissioners Linda Oosterman and Chris Stearns were present for the meeting. Also present were John Weidenfeller, the District's General Manager (GM), Julie Parker, the District's Chief Financial Officer (CFO), and Kurin Rosado, Clerk to the Board. Commissioner Russell Olsen and Kim Gubbe, the District's Operation Manager (OM), were excused from the meeting.

Call to Order: Commissioner Stearns called the regular meeting to order at 5:03 p.m. The Pledge of Allegiance was recited by all present.

Approval of Agenda: Commissioner Oosterman then made a motion to approve the agenda as amended, to include the Declaration of Emergency letter with the Consent Calendar: Commissioner Stearns seconded the motion; all in favor.

Consent Calendar:

Approval of Minutes: None

Prequalification of Contractors – Small Works Roster: None

SMA Contracts: None

Correspondence: None

Travel Approvals: None

Voucher Approval:

Accounts Payable: July 13, 2016, July 20, 2016

Payroll: July 20, 2016

Resolution: None

Other: Reschedule September 13, 2016 Commission Meeting to September 12, 2016

Letter, Declaration of Emergency Waiver of Competitive Bidding Requirements, Sargent Water System, July 22, 2016

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

Public Comments: There was a member of the Public present, but the individual did not comment during the meeting, nor did he sign in.

Discussion Items:

Information or Discussion of Operations/Policy Issues:

Reminder, PUD Picnic on July 29, 2016 at 2:00 p.m.

A reminder was given about the PUD picnic scheduled at 2:00 p.m. on Friday, July 29, 2016. The picnic will be held at the Ridge shelter located in Kenneydell Park at 6745 SW Fairview Rd, Olympia, WA 98512.

Set Strategic and Budget Priorities for 2017

GM Weidenfeller let the Commissioners know that this is the last time this item will be on the agenda. CFO Parker identified the three priorities brought forth at earlier meetings:

- Budget telecommunications events in 2017 to provide parameters within which the District can participate. (Growth Goal)
- Focus on how we communicate to the Public the relationship of the budget to the financial plan, asset management plan, and the impact of surcharges on our customers. (Stewardship and Sustainability Goal)
- Budget some funding to apply for tanks to better prepare for an emergency. (Sustainability Goal)

Commissioner Oosterman shared information regarding the Curlew, WA water holding tank; she will be contacting the Emergency Management Council (EMC) to inquire about the third budget priority. Commissioner Stearns clarified that the third priority should be modified to: 'Budget some funding to apply for tanks to better prepare in case of a natural disaster.' This will distinguish a possible natural disaster from other emergencies (i.e. fires).

2nd Quarter Strategic Plan Performance Measures Report

The Strategic Plan Performance Measures Report was updated to include pertinent information for 2nd Quarter of 2016. GM Weidenfeller addressed the topics in the each slide of the presentation. CFO Parker noted that complaints are up from prior quarters; staff discussed the reasons which may be attributed to this increase. CFO Parker also discussed an increase in the customer payments and the additional processing for customer service representatives. Staff also discussed the account of a customer whose service was recently disconnected for a very large leak.

GM Weidenfeller discussed the Covington water system lead issue with the Commissioners. It is expected that this issue will resolve itself in approximately one year, as it being attributed to a chemical reaction that occurs between the water (supplied from a City of Lacey source) and our Covington customers' plumbing; total coliform samples were also discussed. The Commissioners have been reviewing GM Weidenfeller's performance at the past few meetings, and their review was expected to be completed by the end of July (with this meeting). However, the review is not complete.

The Public Hearings for the 2017 Budget and Rates is planned be held during the same dates as the September Commission meetings. GM Weidenfeller discussed Satellite Management Agency (SMA) contracts and personnel issues arising from SMA work and regular duties. The GM is hoping to have staffing recommendations for the Board at the first meeting in August. Commissioner Stearns requested information on the end goal for the capital surcharge that is currently billed to customers; he would like transparency and accountability with our customers about any fees that are billed to them. GM Weidenfeller explained that updates are provided through the budgeting process, especially in regard to the Asset Management Plan.

Action Item(s):

Approval to Initiate an SMA Contract(s) for Todd Hanson's Water Systems

Todd Hanson, owner of Hanson Construction, is in need of SMA services for his six privately-owned water systems. Mr. Hanson is willing to let the PUD purchase a few of his systems. Four of the systems are located in the Rochester area, and one system is located in the Tolmie area of Lacey. Staff had already discussed acquisition with Mr. Hanson in 2011, but due diligence will still be completed prior to any offer made. **Commissioner Oosterman made a motion to authorize the General Manager to enter into SMA agreements with Todd Hanson and amend as appropriate as the District acquires his water systems: Commissioner Stearns seconded the motion; 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 the final walk-through for the Tanglewilde-Thompson Place emergency generator took place on July 20th - the project is fully completed. Joe Rehberger, Chief Legal Counsel, has been working with the legal counsel for Cedar Ridge Estates Water Association (CREWA) to get the water permits extended. The GM gave an update on the well projects for the Indian Crest 1 and 2, Fir Tree 2, and Loma Vista water systems – staff will be meeting with a hydrogeologist on July 21st.

Information regarding the Hawk Acres water system claim should be sent to the District's insurance carrier soon. Staff and Mr. Rehberger met with representatives with the Blue Horizon water system. The Board approved SMA services and acquisition of the existing system connections is being discussed. This system is being expanded to include another 404 lots.

Operations Manager's Report: Kim Gubbe, Operations Manager

OM Gubbe provided a written report. GM Weidenfeller went through OM Gubbe's report, since she was excused from the meeting.

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

CFO Parker provided a written report. She reported that revenues and expenses are in line with the budgeted amounts so far. The CFO reported on the capital surcharge account balance and the amount collected from customers each month.

Commissioner Topics, Discussion and Reports:

Commissioner Olsen was excused from the meeting.

Commissioner Oosterman attended the most recent Economic Development Council (EDC) meeting, part of this organization's strategic planning process. She is now the utilities contact for this process, and she will attend the last of these strategic planning meetings in September. The

Commissioner and CFO Parker attended a function where a financial economist presented about predictions for the state. Commissioner Oosterman also spoke about a personnel change at Puget Sound Energy, and the switch from an annual budget to a biennial budget for Thurston County. Commissioner Stearns reported at the last Commission meeting that he attended the Water Resources Advisory Committee meeting - this entity declares drought and analyzes water supply. He received an inquiry from Rainier Mayor Schleis regarding the benefits his constituents receive from paying the County-wide property tax assessment for the District. The Commissioner discussed what information he shared with Mr. Schleis; Commissioners and staff discussed the property tax assessment, which is roughly \$2.40 for a \$250,000 home per year. In addition, Commissioner Stearns attended a ground-breaking ceremony for a Marriott hotel that will be built in Ground Mound.

Summary of Assignments:

1. Contact legal Counsel Joe Rehberger to inquire about the process and/or authority of cities/towns to withdraw from the PUD's property tax assessment.

At 7:17 p.m., Commissioner Stearns announced that the Board would be entering Executive Session to discuss the performance of a public employee, as authorized by RCW 42.30.110 (1)(g), and to discuss real estate acquisition, as authorized by RCW 42.30.110 (1)(c), for 18 minutes until 7:35 p.m. At 7:35 p.m., it was announced in the public area that the Executive Session would continue for 10 more minutes. At 7:45 p.m., the Executive Session was adjourned and the regular meeting resumed. No decisions were made.

Adjournment: Commissioner Oosterman made a motion to adjourn the meeting: Commissioner Oosterman seconded; all in favor. The meeting was adjourned at 7:45 p.m.



Chris Stearns, Commissioner and President

Attest:



Linda Oosterman, Commissioner and Secretary