

**MINUTES OF THE REGULAR MEETING OF JUNE 14, 2011
OF
PUBLIC UTILITY DISTRICT NO. 1
OF
THURSTON COUNTY, WASHINGTON**

The first regular meeting for June 2011 of the Commissioners of Public Utility District No. 1 was called to order on Tuesday June 14, 2011, at 921 Lakeridge Way SW, Suite 301, Olympia WA 98502, commencing at 5:00 p.m. Commissioners Chris Stearns, Alan Corwin (arrived at 5:10), 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, the District's Chief Legal Counsel, and Cathy Skiles, Clerk to the Board.

Commissioner Stearns called the general meeting to order at 5:07 p.m.

Approval of Agenda

Commissioner Pickett moved adoption of Agenda, GM John Weidenfeller asked to move the legal report to the first presentation Commissioner Pickett moved the adoption of the Agenda with the change, Commissioner Stearns seconded, all in favor.

Consent Calendar:

Approval of Minutes: May 24, 2011

Prequalification of Contractors – Small Works Roster

Leak Masters LLC – Insurance Certificate pending

SMA Contracts

Correspondence: Referral from AG's Office regarding payment of base

Travel Approvals: None

Other –

Voucher Approval

Accounts Payable 5/25/11, 6/1/11, 6/8/11

Payroll 6/6/11

Resolutions:

Res. 11-25 Prairie Ridge Water System Improvements

OM Kim Gubbe stated that she has received the Certificate of insurance for Leak Masters, LLC.

Commissioner Pickett moved to approve the Consent Calendar, Commissioner Stearns seconded, all in favor.

Public Comment: No Public Present

Legal Report – Tom McDonald the District's Attorney reported that there is not a lot to report other than the work he has been doing with GM John Weidenfeller. Mr. McDonald has been working with the GM & Julie Parker, CFO, on responses to customers regarding base fee

charges when a house has gone into foreclosure. He has also been working with them on some potential acquisitions.

At the next Commission meeting Mr. McDonald will give a presentation on the Municipal Water Law (MWL) and how it applies to PUD operations. Ecology has not yet reissued a policy regarding their position on the MWL.

Commissioner Pickett asked if staff anticipated that the Stillwell project might go to litigation and staff told him that they don't know if it will. The GM noted that in accordance with the contract specifications, our consulting engineer, Doug Eklund, is working on settling the issue. Tom McDonald said there will be an agreement where both parties sign-off on the project. In response to a question of there are any other issues, the GM noted that to the best of our knowledge all customer issues have been resolved.

The Commissioners and Tom McDonald discussed other water cases such as the "Easterday" suit regarding the stock watering exemption and the JZ Knight versus Yelm case. Tom McDonald added that he has been invited to participate in a Department of Ecology study on their groundwater rights process.

Presentation:

Staff Presentations:

General Manager's Report: John Weidenfeller, General Manager provided a report in writing. He pointed out that there is a WPUDA meeting on June 30. There was discussion regarding the meetings and their new format.

GM Weidenfeller said that Commissioner Stearns had reminded him to follow-up to see if any other members had submitted notice to withdraw from TRPC or change their category status; it was a Commission checklist request item from last year. The Commissioners discussed the membership changes and current members. Discussion continued regarding funding of the TRPC and benefits of the PUD participating in the organization.

Commissioner Pickett moved to continue the TRPC membership, Commissioner Stearns seconded, and Commissioner Corwin abstained.

GM Weidenfeller explained that the new State Revolving Fund cycle has opened and the PUD will apply for \$1.7 million to replace all 6-inch asphalt coated mainlines in Tanglewilde. If the request is funded, staff will review options, if accepting the loan, on how to best pay back the loan.

Operations Manager's Report: Kim Gubbe, Operations Manager provided a report in writing. She added that they have found another leak detection company, who may be able to go out to Tanglewilde next week.

OM Gubbe asked if the Resolutions can be handled prior to the information or discussion of Operations/Policy issues so she can leave before 7:00. The Commissioners agreed.

Chief Financial Officer's Report: CFO Parker reported the 2010 financial reports have gone to the State Auditors Office. Each Commissioner has a copy in their mail box; she reminded them these are un-audited versions.

The Bond proceeds were received on June 8, 2011. All the Cashmere Valley Bank loans have been paid and the statements for issuance fees are beginning to come in.

Commissioner Pickett reported on the Audit Team Entry Briefing. He learned that due to the commitments made for issuing the Bonds, a State audit will be required annually, although only an abbreviated process will be needed on off years. The rate charged by the State Auditor is also likely to go up. The audit staff will provide staff with an estimate for performing annual audits.

Commissioners Stearns noted that the PUD is required to have an auditor on staff. Commissioner Pickett had asked the auditors if an independent Auditor was necessary. The Audit Team explained they do not require an auditor but it is in the PUD statutes. The GM stated that we are required to have an auditor assigned per RCW 54 because in the 1930s when the statute was established, the State Auditor's Office was not conducting audits as they are now. Our CFO is assigned Auditor duties.

Commissioner Pickett asked about merit pay, and the Auditors explained the PUD needs to write a policy and do not use the word "bonus". The Commissioners discussed the possibility of designating a Commissioner to be a financial point for the Commissioners. Commissioner Corwin asked GM Weidenfeller to keep a log of the times he meets with the Commissioners. This will provide a log of the amount of time the Commissioners spend on PUD business. GM Weidenfeller explained that every bill and contract that goes through the PUD is reviewed by himself, Julie, Kim and our Accountant, they each initial every bill. The GM recommended that if the Board of Commissioners would like more auditing oversight we should budget for, appoint and assign duties to a new Auditor, but he does not recommend it.

Commissioner Stearns asked about the potential acquisitions. GM Weidenfeller reported that CFO Parker, Tom McDonald and himself had met on this just prior to the Commission meeting. We will be making an offer on several water systems soon. GM Weidenfeller gave a brief summary of each of the systems.

Commissioner Stearns asked about the Field Tech III and if it is higher than the Field Tech II position Jacob Larson moved up to, OM Gubbe said yes. She explained that Ron Funderburg was hired as the Field Tech I to fill Jacob Larson's position while Dave Doern was out on his injury, and had been interviewed for the Field Tech III position.

Resolutions:

Res. 11-23 Sole Source Purchase Approval (Phase 2 Tanglewilde)

Commissioner Corwin moved to approve Resolution 11-23 Sole Source Purchase Approval, Commissioner Pickett changed the wording from "Telemetry Control Panel" to "Pump Control Panel" for clarification. Commissioner Pickett moved to approve with the above corrections, Commissioner Corwin seconded, all in favor.

Res. 11-24 Sole Source Purchase Approval (Tanglewilde Reservoir & Booster Station Improvements)

Commissioner Pickett moved approval of Resolution 11-24 Sole Source Purchase Approval (Tanglewilde Reservoir & Booster Station Improvements), Commissioner Corwin seconded, all in favor.

Information or Discussion of Operations/Policy Issues:

Planning Unit Next Steps – Proposed MOU Extension

Commissioner Corwin discussed the WRIA 11 Planning Unit (PU) process to explore options for continuing into the future as is, in a different form, or disbanding. Commissioner Corwin is concerned about potential costs, the level of participation, and what the group could accomplish.

Commissioner Pickett moved they table the discussion until the ongoing interviews are finished and the PU can provide more information. Commissioner Stearns noted that in the outline of options one would turn the funding over to the Nisqually Land Foundation. Watershed planning funding was discussed.

June 28, Redistricting Meeting: County, Port and PUD Commissioners

This is a lunch meeting with all the Commissioners in the County from 11:30 to 1:00. Commissioner Corwin said if he were in the South County he would object to current District boundaries. Commissioner Pickett noted that during his meeting with Kim Wyman, she shared that they need to move some precincts from Commissioner Corwin's District into Commissioner Pickett's District, and then move some precincts out of Commissioner Pickett's District and into Commissioner Stearn's District.

June 29, Elected Officials Summit at LOTT

Commissioner Pickett reported he received an invitation to attend as an observer. He did not feel all the Commissioners needed to attend. Commissioner Corwin stated no one has approached the PUD about using reclaimed water. GM Weidenfeller said he talked to the City of Lacey and the told him it would be at least 5 years before they were ready to market reclaimed water. Commissioner Corwin said he would like to make the City aware that we are interested in their reclaimed water when it is available. He suggested writing a letter from the PUD Board to the City of Lacey Council. Commissioner Corwin posed the question whether the work on Carpenter Road could affect the aquifer we are using for Tanglewilde, he suggested the PUD we

let Thurston County know we are thinking about these things. Commissioner Pickett will attend the meeting.

Discussion - 2012 Priorities

GM Weidenfeller provided a copy of each of the Commissioner's suggested revisions. The Commissioners went through each of the priorities, discussed them and agreed on revisions. The GM will send them the final version they agreed upon.

Commissioner Reports:

Commissioner Pickett reported that he attended the Deschutes TMDL Advisory Committee meeting; he has five pages of notes and would be glad to discuss the meeting with any of the Commissioners. They mainly talked about the municipal permits for storm water. Discussion continued regarding merits of continuing the meetings and the schedule to complete the TMDL.

At the next meeting Tom McDonald will provide a presentation regarding Municipal Water Law, a part of that is the future of exempt wells. Commissioner Pickett wants to continue educating ourselves about exempt wells for potential future discussions with the County or petitions to close basins.

Commissioner Pickett attended the TRPC meeting and noted it was mostly about transportation. He did hear about a Department of Commerce broadband outreach and suggested that TRPC invite them to give a presentation.

Commissioner Stearns reported he has been away for three weeks, he did call-in and participated in the last meeting. He attended the TRPC Water Infrastructure planning panel. Only staff attended; no other elected officials. Steve Morrison, from TRPC, is assigned as staff and also attended. Commissioner Corwin suggested we schedule a Commission meeting sometime in South County and advertise in their local papers. Commissioner Stearns mentioned the OM's selection as Operator of the Year, the current Bond funding and others at the meeting also shared their accomplishments. The Committee then held a brain storming session about challenges they are facing. Commissioner Stearns was elected Chairman of the group, which allows him to sit on the main steering committee.

Commissioner Pickett asked if they needed to consider their WPUDA membership by a given deadline. Any notice to withdraw needs to be made by the end of June. Review of WPUDA membership will be part of the next June meeting.

Commissioner Corwin asked for a ten minute executive session to present something to the Board. **Commissioner Stearns adjourned the regular meeting at 7:51 p.m. to go into Executive Session until 8:05 p.m. to discuss potential litigation for approximately ten minutes.**

The Executive Session adjourned at 8:05 p.m. and entered back into the Regular session at 8:05.

Summary of Assignments:

GM Weidenfeller will keep a log of the time spent in meetings with each Commissioner

Clerk will bring back Resolution 11-23 with corrections to next meeting for signature.

GM Weidenfeller will draft a letter from the PUD Board to Lacey City Council regarding interest in reclaimed water.

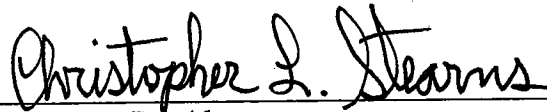
GM will send out the final version of 2012 strategic priorities.

GM will monitor whether any other PUDs request give notice to leave WPUA.

Adjournment:

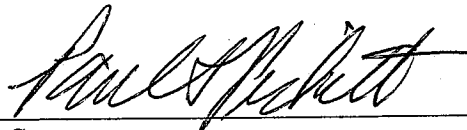
Summary of Assignments:

Commissioner Stearns moved to adjourn the meeting at 8:10 p.m., Commissioner Corwin seconded, all approved.



President

Attest:



Secretary