

**MINUTES OF THE REGULAR MEETING JULY 24, 2012
OF
PUBLIC UTILITY DISTRICT NO. 1
OF
THURSTON COUNTY, WASHINGTON**

The second regular meeting for July 2012 of the Commissioners of Public Utility District No. 1 was called to order on Tuesday, July 24, 2012, at 921 Lakeridge Way SW, Suite 301, Olympia, Washington, 98502, commencing at 5:00 p.m. Commissioners Alan M. Corwin, Chris Stearns, and Jim Lazar were present. Also present were John Weidenfeller, the District's General Manager (GM), Kim Gubbe, the District's Operations Manager (OM), Joseph Rehberger, Chief Legal Counsel, and Cathy Skiles, Clerk to the Board. Julie Parker, Chief Financial Officer (CFO), was excused.

Commissioner Corwin called the general meeting to order at 5:00 p.m.

Pledge of Allegiance: All

Commissioner Corwin stated that there is a sign-in sheet in the back of the room; nobody is required to sign-in. If someone would like to speak he asked that they do sign-in to be called-up.

Approval of Agenda:

President Alan M. Corwin stated he would like to add two items to the Agenda. Commissioner Lazar also asked to add a discussion of the ballot measure and how the Board will proceed with the process and discussion among the Commissioners to decide if they will take a position on the measure. Commissioner Corwin asked to add a discussion regarding the tax policy and the policy regarding private conversations. **Commissioner Lazar moved adoption of the agenda as amended, Commissioner Stearns seconded, all in favor.**

Consent Calendar:

Approval of Minutes: July 10, 2012
Prequalification of Contractors – Small Works Roster
SMA Contracts:
Correspondence:
Travel Approvals:
Accounts Payable 7/11/12, 7/18/12
Payroll: 7/20/12
Other: Approve Certificate of Appreciation – Dean Stohl

Commissioner Stearns made a motion to adopt the consent calendar, Commissioner Corwin seconded, all in favor.

Introduction of Brad Chatwood, New Field Technician I – OM Gubbe introduced Brad Chatwood. He has worked for the Cities of Lacey and Yelm and had great references from both cities. The Commissioners welcomed him.

Public Hearing: None

Public Comments:

Amy Tousley, Municipal Public Director for Puget Sound Energy, said that on May 8th the Business Assessment Report had a target completion deadline of August 31st and asked if that date still the target date. GM Weidenfeller confirmed the final draft is still on-track to be completed by August 31. The second comment concerned the TRPC Sustainable Energy Committee. Ms. Tousley asked Commissioner Stearns if he knew if the Energy Workgroup was coming back together again. Commissioner Stearns explained that he did not know and he has not been involved with the Energy Workgroup.

Action Items:

Approve Strategic Priorities, Goals and Objectives

Commissioner Corwin asked GM Weidenfeller to give a presentation. GM Weidenfeller stated that at the last meeting the Commissioners recommended some changes that were made to the documents they were provided in the Commission Packet. Those changes were a change for item 2A on the 2013 Strategic Goals and Priorities from a medium to high priority, and a change to Item 4 that added a footnote. A footnote was added reflecting that Goal 6 would be changed to a low priority if the vote of the citizens in Thurston County does not approve the ballot initiative. In the 2012 Strategic Goals and Priorities, Goal 8 was added to ensure we take full advantage of Commissioner Lazar's expertise in discussing multiyear rates.

Commissioner Stearns stated he went over a few of the items before the meeting with the GM. He added the phrase under item 3 section H, to "continue to address the capacity of the PUD to respond to area wide emergencies." Commissioners Stearns added, "and to work with local jurisdictions". He thought we should change Item 2A noting that due to our experience using satellite management as a tool to purchase systems, we should omit "satellite management" from the goal. He also added the Port of Olympia to jurisdictions in 5B, also take out the word "adjacent" in 5B. The consensus was that these changes were fine, except that Ports should be referred to generally, and not specifically the Port of Olympia.

Commissioner Corwin stated that in the 2013 document, Goal 8 is not really a strategic goal and we do not need to be that specific in the goals. The other Commissioners agreed and it was removed.

Commissioner Corwin stated, in Goal 1, Maintain Financial Stability, he would like to see something regarding multiyear rates. The other Commissioners agreed and 1.f) was added, "Consider the implementation of multiyear rates". He also has some concerns about Goal 3A, stating that it seems we want to keep adding staff without increasing revenues. Before agreeing to this goal, he would like to see some data going back five years showing the number of customers

compared to the number of staff and a comparison of revenues for five years. Wording will be changed to reflect this concern and staff will bring the requested information to a future meeting.

Resolutions:

None

Information or Discussion of Operations/Policy Issues:

Discussion – Water Use Efficiency

OM Gubbe stated that Water Use Efficiency is a State mandated program under the Municipal Water Law and has to be reviewed every six years. In 2009, our Goal was to, “Reduce water use in Tanglewilde by 3% per connection through outreach to our customers.” We are meeting that Goal. In 2010, we were required to set goals for the smaller Group A water systems. In 2010, the Board adopted a Goal to “Conserve 3% per customer in summer demand on average” and that goal is also being met ; she believes the tiered rates have helped with that significantly. On the whole, Thurston PUD is way below average use, based on the EPA averages. We are meeting the State regulations and we are meeting the requirements. We should continue encouraging conservation. OM Gubbe is looking at 2013 now. The Commissioners asked that she look into a Pilot Program for toilet rebates for the Tanglewilde-Thompson Place water system, and at a PUD system-wide shower head give away. She was asked to look into aerators, leak detection tablets, and dual flush toilets. In the year 2013, a Tanglewilde-Thompson Place Pilot Program for toilet rebates would be initiated to find out what the response will be. Commissioner Corwin asked to have a conservation article in the next newsletter. In 2013, OM Gubbe would like to budget for 40 each \$50 rebates to Tanglewilde-Thompson Place residences when they purchase a high efficiency low flow toilet, and system-wide, give-away of 100 low flow shower heads. These items would require a \$3,500 budget for conservation in 2013, an increase of \$1,500 from the 2012 budget. Commissioner Lazar asked if the budget considers the OM’s time and staff time in the cost and OM Gubbe confirmed it does not.

Introduction to Capital Improvement Projects

OM Gubbe noted the packet contained a multi-year Capital Improvement Program (CIP). The five projects under the DWSRF loans have been approved for funding. The report also lists the CIP reoccurring projects such as isolation valves, leak detection, rebuilding pump houses, and other reoccurring budget items projected out for the next three years. She added that we can not always capture what will come up during the year so things can change.

Some necessary expenditures for 2013 were addressed: 1) The hand-held Itron meter readers were purchased in 2005 and it is time to replace them and update the software. The budget should be approximately \$15,000. 2) Our Cowlitz waster system needs to be upgraded; \$40,000 is requested. 3) It is time to purchase some heavy equipment; \$50,000 is recommended. The heavy equipment will be used to perform work that is currently contracted-out and is expected to pay for itself in several years. 4) Two new vehicles are requested as replacements for high mileage vehicles. A budget of \$70,000 is requested.

GM Weidenfeller reported that OM Gubbe and staff are working on a Capital Asset Management program. All 155 water systems are being inventoried for future year replacement needs and will be costed-out. This plan will help us determine what our optimal capital general facility charge (GFC) should be and help us determine if we need to address capital surcharges. Commissioner Lazar added that the City of Olympia adds to the CIP the sources of funding to pay for the improvements.

Operations Manager's Report:

Kim Gubbe, Operations Manager, reported that the Tanglewilde Reservoir project is moving along great, the fish are almost complete and the reservoir should be up-and-running next week. The booster station is being completed and training will be done tomorrow.

OM Gubbe has scheduled site visits with the DWSRF staff regarding the archeological and environmental study for the five projects that were approved for improvement funding by DWSRF loans.

Discussion - Standby Fee

GM Weidenfeller asked for the Commissioner's approval to move forward with the process of addressing customers that are not paying any "ready-to-serve" fees, or water availability fees. He is recommending that staff move forward with developing a letter to those customers notifying them that the District will be holding a public hearing to consider establishing a rate for customers that have a right to service but are not currently paying any rates. A rate of 75% of the lowest base rate is recommended for approval as the standby fee rate. There are approximately 100 customers to whom this would apply. These customers had a standby fee rate prior to the PUD acquisition of the Virgil Fox systems, but the PUD did not adopt the rate. The GM noted that our water systems are wearing out and customers who have a right to be served are not contributing to these systems that were built to support them. The customers this would apply to are customers who can rightly expect to come in, hook-up and receive service on demand. The letter that the GM sends out would also state that the PUD has no record of them paying a general facility charge (GFC) and would ask them to provide documentation if they have paid a GFC. Staff plans to begin the process in September, and complete it sometime in early 2013. The Commissioners approved moving forward with the process.

Discussion – GM Evaluation Process

GM Weidenfeller stated he was directed by the Board to bring forward a process and evaluation form recommendation to the Board. His recommendation is in the packet and any monetary item would be put as a placeholder in the budget for any proposed increases in salary or benefits after requesting it from the Board. The review, as proposed, would happen in November or December. Commissioner Lazar stated there will be a change in Commissioners on November 27th when the election has been certified. The Board approved the concept as outlined in the materials and as discussed, but asked that for 2012, the process be moved up so that Commissioner Lazar can participate in the GM's review process before the newly elected Commissioner takes office.

Discussion - Resolution 12-13 Proposed Code of Ethics

Commissioner Corwin stated he has reviewed the proposed Code of Ethics and commends the GM and Commissioner Stearns for the good job they did. Commissioner Stearns noted this was a combination of the existing employee ethics policies and the Commissioner's Code of Ethics. Commissioner Lazar asked for more time to consider the policy since if a code is adopted, a violation of the Code of Ethics is a crime. He is particularly concerned about section 2.2, the disclosure of confidential information from an executive session. Commissioner Corwin asked Mr. Rehberger to address section 2.9 which discusses post employment agreements that can restrict prior employees from competing with the PUD. Commissioner Lazar and Mr. Rehberger will check on these items as discussed and will bring feedback to the GM so this item can be brought back to the next meeting.

Ballot Measure

Commissioner Lazar said there are two issues regarding the ballot measure. The provisions of RCW 42.17 very clearly limit the role the PUD can have in the ballot measure. It does appear to allow two things. The PUD can hold a public hearing to allow people to state their position. The PUD can adopt a resolution stating their position regarding the ballot. The City of Olympia has done that on many occasions. He asked if the other Commissioners would like to hold a public hearing and adopt a position on the ballot issue. Second, the City of Olympia has provided fact sheets on ballot issues. He was not sure if the District is allowed to prepare a fact sheet, but if we are allowed to, do the other Commissioners want to prepare a fact sheet? If they do, it should be scheduled on the agenda to discuss it. Commissioner Corwin stated he was not anxious to take a position; but he is not opposed to doing so. Commissioner Corwin stated he would support preparing a fact sheet if we are legally allowed to do so. Commissioner Stearns agrees with Commissioner Corwin. He does feel the Public needs more information regarding the ballot issue. Joe Rehberger, Chief Legal Counsel, will provide some guidelines to the Commissioners about what they can do and what they can not do.

Taxation

Commissioner Corwin asked staff to produce a policy regarding taxation, unless the other Commissioners do not agree with him. He would like to see an explicit statement that it is the policy of this PUD not to use any tax revenues for acquisitions. In the Whereas statements, he would like to see some reference to the total the cost the PUD assesses on a home valued at \$250,000 to demonstrate how miniscule an amount it is. He would like to make it clear that it would require a vote of the people to raise the levy lid tax.

Commissioner's Private Conversations

Commissioner Corwin said he would withdraw this topic from the agenda.

Staff Presentations:

General Manager's Report:

John Weidenfeller, General Manager

GM Weidenfeller provided the Commissioners a comprehensive report in writing. He added he has scheduled a Commission Workshop for August 28th from 3:00 – 4:30 to discuss multiyear rates. Commissioner Lazar will lead the Workshop.

Commissioner Corwin asked GM Weidenfeller to contact the Business Assessment Consultant to and have him add a paragraph regarding our tax issue policy and emphasize that it would take a vote of the people to authorize a tax increase.

At the last meeting, Commissioner Lazar asked PSE and the other members of the audience to provide responses to the draft Business Assessment in a timely manor so their comments can be considered for inclusion in the final report. He asked staff to contact everyone who has made a public request for the draft business assessment and ask them to provide comments by a date acceptable to the consultant. He added that we are scheduled to receive the report on August 31st and suggested the Board schedule a meeting with the consultant to ask questions and hear from the Public. The Board concurred and a meeting will be scheduled for September 11th at 2:30.

Legal Report: No new items to report

Commissioner Reports:

Commissioner Stearns offered to let Commissioner Lazar attend the All Staff meeting on the 27th to meet the staff.

Commissioner Corwin attended the WPUA meetings in Leavenworth; he also attended a very long meeting of the Education Committee. There was an emphasis on new Commissioner training. A lot of new ideas came-up.

Commissioner Stearns added that during the Education Committee meeting, he saw some members who have not attended the WPUA meetings for quite some time.

Commissioner Lazar reported he attended the Thurston County Board of Commissioners' meeting this afternoon. They adopted the Critical Areas Ordinance. Commissioner Lazar added the Sustainable Thurston process used the old forecast of a 170,000 increase in population during the planning period. A new forecast has come up with a slower increase in population and a shift of people who live in the urban areas. He would like the process revised to include the most current population forecast. Commissioner Stearns said they have extended the study period to account for the slower growth. Commissioner Lazar recommended that as a Board, the PUD recommend amending the study to include current forecasts. Commissioner Lazar will bring it up at the next meeting.

Commissioner Lazar will attend the September TRPC meeting.

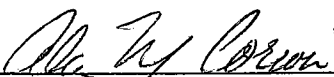
Executive Session: None Planned

Summary of Assignments:

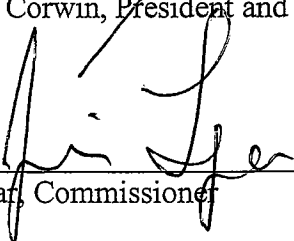
1. The GM will make revisions to the Strategic Goals and Priorities and bring them back to the next meeting.
2. GM Weidenfeller will initiate the process to address the standby fee rate issue.
3. The OM will review Commissioner's requests to look into aerators, leak kits and dual flush toilets in the conservation budget.
4. The GM will bring forward any recommended changes for GM salary and benefits for 2013 and the GM Evaluation process will take place while Commissioner Lazar is on the Board.
5. The GM will ask DHittle to include property tax information in the study.
6. Chief Legal Counsel Joe Rehberger will provide guidelines to the Commissioners regarding the ballot issue and what they can and can not do.
7. At the next meeting, the GM will bring forward a resolution addressing the Board's position on property taxes.
8. Commissioner Lazar and Mr. Rehberger will provide feedback on sections 2.2 and 2.9 of the proposed Ethics Code before the next meeting so that it can be incorporated for the August 14 Commission meeting.
9. The GM will contact all individuals that were provided the draft RFP Report and ask them for feedback on a date acceptable to the consultant.
10. At the next meeting, on the agenda, place Discussion of a Public Hearing on the Ballot Initiative and Discussion of a Fact Sheet.
11. Schedule Special Workshops as follows: 1) Multiyear Rates at 3:00 on August 28, and; 2) DHittle Business Assessment Report at 2:30 on September 11.

Adjournment:

Commissioner Lazar moved to adjourn the meeting at the point the last Commissioner leaves the room, Commissioner Stearns seconded, all in favor.



Alan M. Corwin, President and Commissioner

Attest: 

Jim Lazar, Commissioner