

**MINUTES OF THE REGULAR MEETING OF AUGUST 27, 2013  
OF  
PUBLIC UTILITY DISTRICT NO. 1  
OF  
THURSTON COUNTY, WASHINGTON**

The second regular meeting for August, 2013 of the Commissioners of Public Utility District No. 1 was called to order on Tuesday, August 27, 2013, at 921 Lakeridge Way SW, Suite 201, 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. Joseph Rehberger, Legal Counsel, was excused from the meeting.

**Call to Order:**

President Commissioner Stearns called the meeting to order at 5:00 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 26, 2013 Workshop  
August 6, 2013 Meeting

Prequalification of Contractors – Small Works Roster:

SMA Contracts:

Correspondence:

Travel Approvals:

Other:

Voucher Approval:

Accounts Payable 8/7/13, 8/14/13, 8/21/13

Payroll 8/20/13

Resolutions:

Resolution 13-22, Approval of Water System Plan Part A – Umbrella Plan Update and Satellite Management Plan Update.

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 to receive public input on accepting or declining Drinking Water State Revolving Fund (DWSRF) loans for Tanglewilde-Thompson

**Place water system improvements and surcharge and rate increases to pay for the improvements:**

GM Weidenfeller thanked the customers for coming; he explained the purpose of the Public Hearing. He stated the Board will be listening to their comments, but do not expect a response to any questions tonight. The Board will not make a decision at this meeting. GM Weidenfeller added that nine (9) written comments have been received and the Commissioners have received those comments. He explained the rules of order for public comment.

Roy C. Hoffman - 3312 29<sup>th</sup> Avenue NE – Tracy 1 Water system customer. He spoke against a surcharge to pay for improvements on a water system he is not served by. He stated he is doing background work and has three lawyers working on the issue. He has been a resident of the system since 1999; it was a brand new system that year.

Bruce Adamson - 7113 5<sup>th</sup> Avenue SE – Tanglewilde water system resident. He stated there is a concerned group outside of Tanglewilde who do not want to pay a surcharge. Should the Commissioners decide to only charge the Tanglewilde customers, he would like to know what the surcharge would be.

Debbie Harding - 1332 Hensley St. – Tanglewilde water system resident. She would like to know what the time frame is for making a decision and implementing a surcharge. She would also like to know what the surcharge would be should the Tanglewilde/Thompson Place residents carry the whole amount.

Don Carney – 3309 83<sup>rd</sup> Avenue SW – Pedersen Place water system resident; He stated he is new to the PUD; he is interested in the PUD acquiring the low interest loan. He is willing to share a portion of the cost, knowing that his system will need maintenance in the future.

**There being no other comments from the public, Commissioner Stearns closed the Public Hearing.**

**Commissioner Oosterman requested a five minute recess at 5:20 p.m. Commissioner Stearns recessed the meeting for five minutes at 5:20 p.m. to adjourn at 5:25 p.m.**

**Commissioner Stearns called the meeting to order at 5:27 p.m.**

**Presentations:**

**Staff Presentations:**

**Operations Manager's Report:** Kim Gubbe, Operations Manager

OM Gubbe provided a report in writing. She also reported staff is getting a lot of things done. Commissioner Stearns asked about the Covington Water system. OM Gubbe reported the District has purchased a two inch meter and it should be installed in the next few weeks. She noted she is working with the GM on an intertie agreement. The State is requiring the agreement since the well will be decommissioned. We are on track with the State order to mitigate the arsenic issue.

Commissioner Olsen asked about the Prairie Ridge Project, he appreciates that bottled water will be provided to the customers. OM Gubbe believes the shut-down on Thursday will not last the whole day but it has been scheduled. She has not heard from any of the customers on the system and Commissioner Olsen added that he has not heard from any either.

Commissioner Oosterman reported she met with OM Gubbe to discuss the questions brought up at the Lew's 81<sup>st</sup> project public meeting. She commended OM Gubbe for answering the questions and getting back to the customers. Commissioner Oosterman asked OM Gubbe what the status is with the placement of the storage tank. OM Gubbe reported that she and GM Weidenfeller have received a recommendation from the Contractor and will get back to the Commissioners.

Commissioner Olsen commended OM Gubbe for her time spent at the Tanglewilde reservoir to provide an opportunity for the public to place handprints on the reservoir on Saturday.

OM Gubbe reminded the Commissioners the 75<sup>th</sup> Anniversary and Conservation program need to be addressed.

The PUD will have a booth at Harbor Days. Materials handed out will include toilet leak detection kits, shower timers, kid's coloring pages, and some flyers. A copy of the current newsletter will be on the table and she hopes to get some handouts from 811. The booth will be staffed by Commissioner Olsen, Commissioner Stearns, GM Weidenfeller, and OM Gubbe.

**General Manager's Report:** John Weidenfeller, General Manager

GM Weidenfeller provided a report in writing. GM Weidenfeller reported he received a call from a bank today about taking over a class B water system; the bank proposes they will give it to us. The system has 3 connections in Lewis County. OM Gubbe and he will be looking at the system.

GM Weidenfeller said staff will be working on the Webster Hill water system acquisition.

Commissioner Stearns asked about the Audit, GM Weidenfeller asked to defer the question to CFO Parker who said it was progressing well.

**Chief Financial Officer Report:** Julie Parker, Chief Financial Officer

CFO Parker provided financial statements in the Commission packet. She reported that July's revenue was good. This is good news since the last three year's revenues have been dismal. She is watching a couple of the expense accounts. Office expenses are up; she cannot tell if things are costing more or we are using more supplies. She is also checking out the credit card processing fees, there are more people using the on-line payment and phone payment charge options. Commissioner Olsen asked about the I-Pads costs. The CFO reported the cost is \$120 per month that was not budgeted.

CFO Parker stated she will be preparing a budget adjustment for the end of the year.

CFO Parker said the District had their entrance interview for the State Auditor's Office Annual Audit. It was rather uneventful primarily making introductions. The Auditors are doing a Financial and Accountability Audit. The focus of the Audit seems to be about payroll and payroll procedures. She noted staff has received a lot of questions regarding contracts and the small works roster. There have been no problems.

CFO Parker reported she hired an Accountant to replace the Accountant who left. The Accountant is now located in an office adjacent to the CFO.

Commissioner Stearns asked how the weather is affecting revenues. CFO Parker stated she anticipates revenues to be up again in August.

Commissioner Stearns asked CFO Parker about the two elections this year and how it will affect expenses. CFO Parker replied that she will be addressing that in the budget discussions scheduled at the end of the meeting.

**Commissioner Topics, Discussion and Reports:**

Commissioner Oosterman attended the Audit Entrance Conference with CFO Parker, GM Weidenfeller, and three Auditors from the State. Their thorough explanation of what they will be looking at was very interesting. She also reported that she toured a building for possible future space, but it is not worth reporting on at this time since she has not talked to the owner of the building. She has also responded to some of the customers on the Lew's 81<sup>st</sup> project.

Commissioner Oosterman said she would like a rate setting policy developed after the cost of service study has been completed. Commissioner Olsen stated he will be having discussions with GM Weidenfeller and CFO Parker regarding rate setting policies. Commissioner Stearns asked if there could be a proposed workshop in the Spring to discuss this issue. Commissioner Oosterman replied, the timeline would be based when the Cost of Service Study is completed.

Commissioner Olsen stated he would like to hear from GM Weidenfeller and CFO Parker on rates. GM Weidenfeller reported the CFO Parker will be leading a budget discussion tonight. He suggested a workshop on rate setting after the Budget has been drafted. After discussion the Board decided to schedule a Workshop on Monday September 23<sup>rd</sup> at 5:00 p.m.

The Commissioners discussed setting a rate policy that explains the philosophy of how the PUD sets rates. It needs to be clear to customers how the Commissioners set the rates.

Commissioner Stearns reported there was no TRPC meeting this month. There is a report being prepared on the sustainability grant. He did not attend the Chehalis meeting.

**Action Items:** None

**Information or Discussion of Operations/Policy Issues:**

**Rate Stabilization – Brief Commissioners on Possible Rate Increase**

CFO Parker stated she has been working on a report about how our 2013 consumption has measured-up to projections. Last December, the PUD Board adopted a policy establishing a rate

stabilization charge. If consumption drops below what was budgeted, the District can develop a charge the first six months of the year to make up that lost revenue. If the consumption increases, the District can provide a rebate to our customers. Based on our consumption for the months of January through June we had a slight increase in consumption. The increase was less than 1%. She found that two classes of customers had a large increase in consumption; the irrigation and commercial customers. Residential customers are reducing their consumption. No increase in revenues or a rebate is necessary. Commissioner Stearns stated the trigger is a 2.5% increase or decrease in consumption that requires Board action.

#### **Discussion – Review of Ancillary Fees and Charges**

CFO Parker reviewed the Ancillary Fees and Charges; she provided the Commissioners a copy of the current fees in their agenda packet. Ancillary Fees include everything except water charges and general facility charges (GFC). The GFC will be reviewed as part of the cost of service study. The ancillary fees are reviewed approximately every three years. These are cost based fees. CFO Parker contacted the cities of Lacey, Tumwater and Olympia; our fees in most cases are slightly higher than the cities. She recommends the Board does not increase any of the fees except the Pierce County water availability letter fee (WAL). She recommends this be reduced because the County has reduced their requirements so they are not as difficult to prepare.

#### **Schedule Preliminary Budget Hearings 9/10, 9/24, 10/7**

GM Weidenfeller stated that the PUD needs to set and publish budget hearing dates on September 10, September 24 and October 7. October 7<sup>th</sup> is a Monday, and it is the statutory budget approval date. CFO Parker recommended the Board change the October 8<sup>th</sup> meeting to October 7<sup>th</sup>. The change can be advertised with the Hearing notice. The Board will discuss the October 7<sup>th</sup> and 8<sup>th</sup> meetings and make a decision at a later time.

#### **Introduction of Capital Improvements for 2014, Capital Asset Plan**

GM Weidenfeller stated staff will provide the Commissioners three scenarios for the Operating Budget. The first option will be a no rate increase bare bones budget. The second option will present a middle of the road increase and cover expenses. The third option will be a budget that covers all increased costs. The Board will also need to approve the Capital Improvement Budget. Once decisions on the Operating and Capital Budgets are made, the Board will need set rates to establish revenues to cover the projected expenditures of the approved budget. CFO Parker will provide information regarding the affect of employee salary increases to rates during the budget discussions.

CFO Parker provided the initial proposed budget options in a handout to the Board. Staff and the Commissioners discussed the different methods of looking at budgets and revenues. CFO Parker provided the Commissioners a copy of the 2014 proposed Capital Budget. Funding for the Capital Budget was discussed. Staff routinely applies for grants and low interest loans, but these possible revenues can not be projected as approved funding for the 2014 Budget. CFO Parker anticipates the bond funds will be spent by the end of 2014 and there will be a need to dip into Capital reserves. CFO Parker will provide the Commissioners a copy of the 2011 and 2012 Capital budgets for comparisons.

### **Initial Proposed Budget Presentation**

CFO Parker stated, in the Operating Budget we have two sources of revenue. The first source is the General Fund which is funded by the Countywide tax revenue that is collected. The second source is funding sources of the revenue collected from water sales, the Water Fund. This is why there two separate budgets: the General Fund and the Water Fund.

CFO Parker introduced the General Fund budget. The General Fund is funded by the tax revenue. This fund pays for Commissioner expenses, per diem, elections, for countywide activities and for a small amount of certain salaries. The General Fund is limited and in the past she has had to allocate more of the Commissioners expenses to the Water Budget. She provided the Commissioners a budget with no allocations to the water fund. A decision needs to be made how much of these expenses can be transferred to the water fund or do expenses need to be cut. Commissioner Stearns stated that the contributing factor is the down turn of property values. CFO Parker responded we have a 1% cap per year; the reduction is not due to property values. Since 2008, the revenue has been creeping-up. CFO Parker provided actual figures for the last two years. In addition, she described the three budget options. Commissioner Stearns stated he will be waiving his increase in salary so he does not agree with the budgeted Commissioner Salary line item; the CFO will amend this line item in the budget.

CFO Parker introduced the Water Fund budget. The Water Budget is funded by all sources of water revenue. There are three options in both budgets. Option One holds employee salaries at the 2013 level and increased employee benefit costs. Four percent (4%) of employee salaries have been allocated to capital projects. The CFO noted that operating permit costs for Group B systems has increased, there are increased water costs with City of Olympia and now the City of Lacey. An 11% power cost increase is projected, chemicals have increased, legal fees, office expenses, IT support, and credit card fees are all increasing. There are a couple of reductions; they include engineering fees and, liability insurance. In Option One, GM Gubbe has offered to decrease her operating budget by \$27,000 in order to maintain rates at their current level.

Option Two proposes increasing the vehicle replacement from \$11,000 to \$18,000. This option also proposes step increases to employees at the 2013 salary schedule; we have four employees who are at the top of their range so they would not receive increases. This option would require a 4.45% increase in rates. Commissioner Stearns said the Commissioners make the budget decisions.

Option Three proposes all of the above plus employee increases to the 2014 salary schedule and on the employee's anniversary date they would receive a step increase. To cover this budget it would require a 6.2% increase in rates.

Commissioner Stearns commented that rates have remained relatively stable considering the stellar year of progress. He does not want to comprise employee's wages to the point of losing quality employees, but some juggling needs to be done.

CFO Parker added that the Bond Agent stopped by yesterday. He reminded her that the Bond rating is based on strong debt service coverage. They discussed what kind of budget and reserves will meet the criteria.

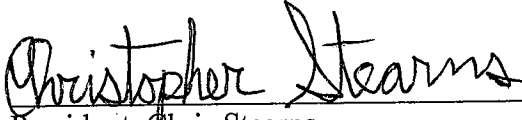
**Summary of Assignments:**

1. Advertise a Workshop for Monday, September 23, at 5:00 p.m. to discuss rates and other budget issues.
2. Provide the Commissioners a capital budget showing the budget amounts for 2011 and 2012 with the proposed capital budget for 2013.
3. Develop a rate setting policy once the cost of service rate and general facility charge rated study is completed.
4. Provide a written narrative with the budget for the September 10 Commission meeting.
5. Review the vehicle replacement plan and the projected increase recommended in the budget from \$11, 000 to \$18,000.
6. Provide the Commissioners the rate increases historical information.
7. Provide the Commissioners information on the last time the employees had a cost of living allowance (COLA).


Commissioner Stearns said he may be at the Harbor Days booth on Friday, GM Weidenfeller will cover Saturday and Commissioner Olsen will cover Sunday.

**Adjournment:**

**Commissioner Oosterman made a motion to adjourn the meeting at 7:21 p.m.,  
Commissioner Olsen seconded, all in favor.**

  
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President, Chris Stearns

Attest:

  
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Secretary, Linda Oosterman