

**MINUTES OF SPECIAL MEETING
OF THE BOARD OF COMMISSIONERS
OF COAL CREEK UTILITY DISTRICT
OF KING COUNTY, WASHINGTON**

Held June 15, 2015

A special meeting of the Board of Commissioners of Coal Creek Utility District was held at the District Office, 6801 – 132nd Place SE, Newcastle, Washington, on June 15, 2015. Commissioner Martin called the meeting to order at 8:15 a.m. Commissioners Anderson and Kunkel were present. District staff Robert Russell and Todd Hynek were present. John Milne, General Counsel, was also present.

APPROVAL OF AGENDA

Anderson made the motion to approve the agenda. Kunkel seconded the motion, which carried unanimously.

Martin advised the purpose of the special meeting was to conduct a Board Workshop.

CONSENT AGENDA

Aegis Living Developer Extension Agreement – Water/Sewer Design Approval.

Kunkel made the motion to approve the consent agenda. Anderson seconded the motion, which carried unanimously.

KING COUNTY WTD – COMPONENT AGENCY CONTRACT

District staff Steve Moyer reported on the status of efforts to negotiate a new long term wholesale wastewater treatment agreement with King County, which would replace the existing wholesale agreements with the component agencies, including the District. Moyer provided a draft work plan revised as of May 28, 2015 for work on the proposed new contract through December, 2015. He advised the draft contract had several elements similar to the District's full requirements wholesale water supply contract with the City of Seattle. He also advised he is

working closely with Dave Christenson, a City of Renton employee, on the proposed new agreement.

Milne advised regarding certain issues relating to the current long term agreement, including King County's sale of bonds with a maturity date beyond the expiration date of the District's current wholesale contract.

Moye will keep District management staff and the Board further advised regarding work on the proposed new agreement.

DEPARTMENT OF HEALTH WATER QUALITY UPGRADES

District employee Carla Snyder addressed the Board regarding potential water quality issues due to the low snowpack in the watersheds managed by Seattle which serve as the source for District water supply. She advised the District normally received most of its water supply from the Chester Morse Reservoir in normal snowpack years, but the District is receiving more water from the Tolt Watershed in 2015. That reservoir has a lower drawdown level and the District is located at the farthest end of the Regional Water System receiving water from the Tolt Watershed. She advised that chlorine residuals in the Tolt water supply were entering the District's system at approximately 0.9 parts per million (ppm). At each stage of pumping from the 440 reservoir to the 1060 reservoir, the chlorine residual drops by approximately two tenths due to low water demand, warmer than normal water temperatures, and organic compounds present in the water supply. Therefore, commencing in late March, 2015, District staff has commenced boosting chlorine levels in the 700 zone reservoir 1 to 2 times per week but still has concerns about low chlorine residual in the District's 1060 zone. Staff is boosting chlorine residual in the 700 reservoir, but that reservoir currently only has the 700 zone pump station to mix the chlorine while filling the reservoir. Therefore, to avoid sending high concentration

chlorinated pockets of water supply into the distribution system, Snyder recommended the District acquire and place a mixer in the 700 reservoir which would run on a continuous basis. The District is also installing six more sampling stations to monitor water quality and chlorine residual. She reported staff has obtained quotes for a mixer, and Pump Tech, Inc. has submitted a bid in the amount of \$4,895.00, not including tax for the mixer. She also advised the District would have to make certain SCADA adjustments and controls at an additional cost of approximately \$950.00.

Following discussion, due to the importance of maintaining acceptable water quality, Anderson made a motion to authorize and direct staff to acquire the mixer from Pump Tech and to undertake other adjustments and additions to the District's SCADA system at a cost not to exceed \$10,000.00, including applicable sales tax. Kunkel seconded the motion which carried unanimously.

VECTOR TRUCK UPGRADES

District staff Curtis White addressed the Board regarding the purchase of additional equipment to make the District's Vector Truck more effective. District staff used the Vector Truck in jetting and digging functions. White proposed the District acquire additional equipment as outlined in a bid dated July 11, 2015 from Owen Equipment Company at the cost of \$5,507.69, including tax.

Following discussion, Anderson made the motion to authorize the acquisition and installation of the proposed equipment at a cost not to exceed \$6,000.00. Kunkel seconded the motion with carried unanimously.

UTILITY BILLING/FINANCIAL SOFTWARE

District staff Todd Hynek addressed the Board regarding the District's procurement of utility billing and financial systems. The District undertook a request for proposal process pursuant to RCW 39.04.270 and received six proposals. Following his review of the proposals, Hynek recommended District staff be authorized to negotiate an agreement with True Point Solutions, LLC, to procure a utility billing system, and with Vision MS, LLC, to procure a financial system. If the Board authorized staff to negotiate those agreements, the agreements would be subject to further Board review and approval. Hynek advised Vision MS would probably proceed with the installation of the financial system commencing in August, 2015, and True Point would commence installation in October, 2015, with the expectation the implementation of the two systems in stages would take approximately 6 to 9 months. Following discussion, the Board authorized and directed Hynek to negotiate agreements with True Point and Vision MS for further Board review and approval.

GIS UPDATES

Hynek advised that King County was now proceeding with a regional aerial imaging project to provide aerial imaging to all participating governments. A regional funding agreement has been prepared for consideration by potential participants. If the District participated, Hynek projected the District cost not to exceed \$1,500.00. He felt the District should now participate in the project because the District had not updated its aerial mapping of the District since 2009. Following discussion, the Board authorized and directed Hynek to proceed with the negotiation of the funding agreement for further Board review and approval. Hynek also mentioned the district was looking into an automated meter reading system that uses the Verizon network.

REVENUE RECONCILIATION AND FINANCIAL MANAGEMENT POLICIES – FCSG

Sergey Tarasov, Financial Consulting Solutions Group, Inc., the District's financial consultant, presented the findings of reconciliation for the year 2014 of water and sewer revenues and expenses comparing budgeted to actual amounts. The findings were summarized in a report dated June 15, 2015. He advised that water revenues were slightly higher than budgeted, but that administrative expenses were also higher than budgeted. With regards to net revenues and expenses for the water utility, he advised that operating expenses had increased more than operating revenues, creating an operating deficiency, but that GFC revenues, which can be used for debt, were substantially higher than budgeted amounts, which off-set the operating deficiency. However, he recommended the District continue to monitor expenses and GFCs and consider rate revisions at a later date if necessary.

With respect to the District's sewer utility, he advised that sewer rate revenues were slightly higher than budgeted, that GFCs were substantially higher than budgeted, that administrative expenses were higher than budgeted, but operation and maintenance expenses were lower than budgeted. A prior study undertaken by FCSG had recommended using reserves for the years 2014 through 2016 for rate stabilization, and that the District's plan was on track without taking GFCs into consideration. Therefore, he recommended continuing monitoring revenues and expenses relative to the sewer utility, but did not recommend any rate revisions at this time.

Russell advised District staff had been working on the update of the District's financial management properties with Tarasov, Milne and other District consultants and provided an updated financial management policy which would supersede the prior District's fiscal policies as adopted by Resolution No. 1677. Following discussion, Anderson made the motion to approve

the updated financial management policies to manage District financial resources by the adoption of Resolution No. 1817. Kunkel seconded the motion, which carried unanimously.

CONNECTION CHARGE STUDY – SCOPE OF WORK PROPOSAL

Russell provided the Commissioners with copies of a proposal dated June 12, 2015, from PACE Engineers to provide a GFC/LFC update study for District water and sewer connection charges. The consultant proposed a “not to exceed” cost of \$17,500.00, but had not provided an itemized breakout of task orders and their related projected cost. Following discussion, as it was not clear whether the consultant was proposing a lump sum cost for the study or payment on a task order basis, the Commissioners directed staff to obtain further information from the consultant regarding its cost, and to also provide the cost of the prior GFC/LFC study for the Board’s information.

EXECUTIVE SESSION – EVALUATION OF QUALIFICATIONS OF APPLICANT FOR PUBLIC EMPLOYMENT

Russell requested the Board convene an executive session pursuant to RCW 42.30.110(1)(g) to evaluate the qualifications of an applicant for public employment. Following discussion, Kunkel so moved on that basis. Anderson seconded the motion, which carried unanimously. Before convening the executive session at 11:40 a.m., Martin advised the executive session would be concluded at approximately 12:10 p.m. The Commissioners, Russell, Hynek, and Milne then attended the executive session. At 12:10 p.m., the executive session concluded and open public meeting reconvened. Following discussion, Anderson made the motion to authorize the manager to communicate with an applicant for public employment regarding the District’s needs, including financial management assistance. Russell will then

report back to the Board regarding the applicant's interest in the position. Kunkel seconded the motion, which carried unanimously.

EXECUTIVE SESSION – EMPLOYEE PERFORMANCE REVIEW

Russell requested an executive session pursuant to RCW 42.30.110(1)(g) to review the performance of certain District employees. Following discussion, Anderson so moved on that basis. Kunkel seconded the motion, which carried unanimously. Before convening the executive session at 12:15 p.m., Martin advised the executive session would conclude at approximately 1:00 p.m. The Commissioners, Russell, Hynek and Milne then attended the executive session. At 1:00 p.m. executive session concluded and open public meeting reconvened.

Following discussion, upon the recommendation of the General Manager, the employment position for District employee Patty Shank was reclassified to be "Office Administrator – Accounts Payable and Payroll", and the employment position for District employee Tish Hunter was reclassified to be "Office Administrator – Accounts Receivable and Developer Extension Agreements". Russell also recommended the hourly compensation for those two employees be as follows: \$37.51 for Shank; and \$35.10 for Hunter. Those compensation rates would be effective June 1, 2015.

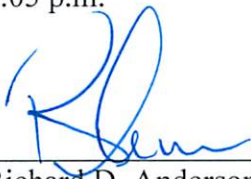
Following discussion, Anderson made a motion to approve the employment position reclassifications for Shank and Hunter as recommended by the General Manager, and to approve the revised hourly compensation rates, also as recommended by the General Manager effective

June 1, 2015. Kunkel seconded the motion which carried unanimously.

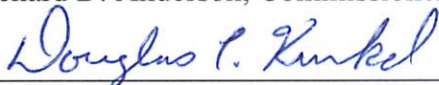
OTHER DISTRICT BUSINESS

As there was no other further business or persons to be heard, the meeting concluded at

1:05 p.m.



Richard D. Anderson, Commissioner



Douglas C. Kunkel, Commissioner



Pamela A. Martin, Commissioner