

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

Held March 12, 2014

A regular meeting of the Board of Commissioners of Coal Creek Utility District was held at the District Office, 6801 – 132nd Place SE, Newcastle, Washington, on March 12, 2014. Commissioner Anderson called the meeting to order at 5:00 p.m. Commissioners Kunkel and Martin were present. District Management Staff Robert Russell, Todd Hynek, and Pam Nelson were present. John Milne, General Counsel, was also present.

CONSENT AGENDA

Approval of minutes – regular Board meeting of February 26, 2014

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

CITIZENS' COMMENTS AND CONCERNS

There were no comments from the citizens in attendance.

TRAILS AT NEWCASTLE DEVELOPER EXTENSION

Hynek advised the project developer had requested conditional final acceptance of the developer extension utility improvements to allow for service to a model home prior to utility services to the rest of the project. Staff recommended the request be approved. Following discussion, Martin so moved conditioned on no other service to the development until the extension improvements were given unconditioned final acceptance. Kunkel seconded the motion, which carried unanimously.

Nelson advised that Isola Capital Management LLC had sold the project to Trails at Newcastle LLC and the developer extension agreement required the District's approval of the assignment of the developer extension agreement from Isola to Trails at Newcastle. Following

discussion, Kunkel made a motion to approve the proposed assignment and assumption agreement between Isola and Trails at Newcastle. Martin seconded the motion, which carried unanimously.

SURPLUS PROPERTY

Hynek recommended the two old meter trucks be declared surplus to the District's needs due to their age and obsolescence. Following discussion, Martin made the motion to declare the property surplus to the District's needs and to authorize Staff to dispose to the property in accordance with applicable law by the adoption of Resolution No. 1792. Kunkel seconded the motion, which carried unanimously.

Russell advised that certain District computers were obsolete and could be declared surplus to the District's needs. Following discussion, Kunkel made a motion to declare the property surplus to the District's needs and to authorize Staff to dispose of the property in accordance with applicable law by the adoption of Resolution No. 1793. Martin seconded the motion, which carried unanimously.

OFFICE MANAGER'S COMMENTS

Nelson confirmed that Kunkel would not be attending the State Association Spring Conference, but that she would register Commissioners Anderson and Martin for the Conference unless she heard from them otherwise.

Nelson advised that she, Russell, and Milne had met with representatives from the State Auditor's office on March 10, 2014, relating to the audit of the District for the year 2012. The auditors had four items to discuss with District Staff and two matters may require the issuance of a management letter to the District. Nelson advised staff and counsel had disagreed with the auditors' analysis and will provide the auditors with additional information regarding the matters

to resolve them. They will keep the Commissioners further informed regarding the status of the audit.

To allow time to provide additional information to the auditors, staff recommended the March 26 audit exit conference be rescheduled. The Board also discussed cancelling the April 9, 2014, regular Board meeting due the absence of Anderson and Martin at the Spring Conference. Following discussion, the Board determined to cancel the April 9, 2014 regular Board meeting and directed Staff to check with the auditors to determine whether an exit conference could be held on April 15, 2014. If so, a special Board meeting will be scheduled on that date at a time yet to be determined for the exit conference and other District business.

OPERATIONS MANAGER'S COMMENTS

Hynek reported on the status of installation of a new carport at the District's operation site.

GENERAL MANAGER'S COMMENTS

Russell reported staff had located documentation from 1971, which appeared to obligate the District to pay for gas lamps at the entrance of the Newport Woods development. However, the gas lamps had since been removed and replaced with electrical lights. He advised the District had been paying for lights on the monolith at the entrance to that development. The District was reviewing whether it was appropriate for the District to continue to pay for the street lights. However, Russell advised the lights were not presently activated due to work in the area. Milne advised there did not appear to be any benefit to the District in paying for the lights at the entry to the project without recovering those costs from the residents of that area as it did elsewhere. Following discussion, the Board reached consensus to discontinue paying for the lights on the monolith and directed the Manager to notify PSE and the Newcastle City Manager to that affect.

Russell advised he had responded to a letter of intent from the City of Newcastle to purchase the District's former operation center by letter dated March 7, 2014 to the Newcastle City Manager. Russell recommended the Board now authorize him and Kunkel to meet with representatives from the City to discuss the City's interest in the property. Following discussion, the Board authorized Russell and Kunkel to meet with the City representatives regarding the matter and to report back to the Board.

COMMISSIONERS' COMMENTS

Martin reported on her attendance at the most recent Seattle Operating Board meeting.

Martin reported on her attendance at the most recent State Association Emergency Management Committee meeting.

Anderson reported on his attendance at the most recent Sno-King Water Alliance meeting.

ADDITIONAL CITIZENS' COMMENTS

Mr. Gordon Bisset, a District customer and a City of Newcastle Councilmember, advised the City Manager was responsible for the operation and management of the City and had been authorized to take the lead on the City's interest in acquiring the District's former operations center.

APPROVAL OF VOUCHERS

The Board approved for payment Water/Sewer Maintenance Fund Voucher No. 042587 through 042621 in the amount of \$259,454.80.

The Board approved for payment Water/Sewer Maintenance Fund Voucher No. 10158 through 10180 in the amount of \$105,069.69.

The Board approved for payment Water/Sewer Maintenance Fund Voucher No. 10181 through 10193 in the amount of \$13,250.00.

EXECUTIVE SESSION – EMPLOYEE PERFORMANCE REVIEW

Russell requested an Executive Session pursuant to RCW 42.30.110(1)(g) to review the performance of a District employee. Following discussion, Kunkel so moved on that basis. Martin seconded the motion, which carried unanimously. Before convening the Executive Session at 6:35 p.m., Anderson advised the Executive Session would be concluded at approximately 6:55 p.m. The Commissioners, Russell, Nelson, Hynek, and Milne then attended the Executive Session. At 6:55 p.m., the Executive Session was concluded and open public meeting was reconvened.

Following discussion, based on the present performance of District employee Dennis Axt, his performance when Axt was previously employed by the District, the successful completion of his orientation period, and given the fact Axt would be performing an increased workload because the District would not be hiring temporary summary help this year, Kunkel made the motion to adjust his hourly rate from \$25 to \$30 effective April 1, 2014. Martin seconded the motion, which carried unanimously.

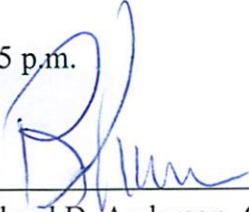
EXECUTIVE SESSION - SALE OF REAL PROPERTY

Russell requested an Executive Session pursuant to RCW 42.30.110(1)(c) to discuss the possible sale of District real estate. Following discussion, Kunkel so moved on that basis. Martin seconded the motion, which carried unanimously. Before convening the Executive Session at 7:00 p.m., Anderson advised the Executive Session would be concluded at approximately 7:20 p.m. Milne was then excused from the meeting. The Commissioners, Russell, Nelson, and Hynek then attended the Executive Session. At 7:20 p.m., the Executive Session was concluded and open public meeting was reconvened.

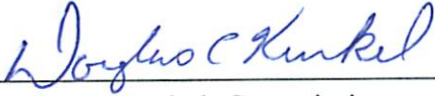
OTHER DISTRICT BUSINESS

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

7:25 p.m.



Richard D. Anderson, Commissioner



Douglas C. Kunkel, Commissioner



Pamela A. Martin, Commissioner