

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

Held May 14, 2014

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 May 14, 2014. Commissioner Anderson called the meeting to order at 5:00 p.m. Commissioners Kunkel and Martin were present. District Staff Robert Russell, Todd Hynek and Pam Nelson were present. Dave Hutley, Consulting Engineer, and John Milne, General Counsel, were also present.

CONSENT AGENDA

Approval of minutes - regular Board meeting of April 23, 2014.

Renton School District - Developer Extension Agreement execution.

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

CITIZENS' COMMENTS AND CONCERNS

There were no comments from the citizens in attendance.

FINANCIAL CONSULTING SERVICES

Russell provided the Commissioners with copies of a proposal dated May 13, 2014 from the District's accounting consultant, CP McAuliffe, to prepare the District's financial statements for the year ending December 31, 2013. Following discussion, Martin made the motion to approve the scope of work and fee proposal, which will be included in an agreement for consulting services to be prepared by District Staff. Kunkel seconded the motion, which carried unanimously.

LATECOMER AGREEMENT – LAWRENCE PARK

Russell advised the Board had previously considered revising District latecomer reimbursement requirements based on changes to the applicable statute. The developer of the Lawrence Park sewer extension had applied to the District for a sewer latecomer agreement. At the March 26, 2014 meeting, the Board had identified revised requirements for District latecomer reimbursement agreements and Staff and Counsel were currently preparing those updated policies. However, Hutley prepared a sewer latecomer reimbursement agreement for the Lawrence Park Project with the updated requirements for consideration by the District. The updated requirements included extending the latecomer reimbursement term from 10 years to 15 years, requiring a 20 percent administrative charge for all latecomer payments received and processed by the District, requiring the developer to pay all fees and expenses relating to the preparation and administration of the latecomer application and agreement, and requiring a public hearing before the Board's approval of the agreement. Because Staff will submit updated latecomer reimbursement policies and procedures for consideration and adoption by the Board at the next regular meeting, Hutley, Staff and Milne recommended the Board now proceed with consideration of the Lawrence Park latecomer reimbursement agreement. Following discussion, Kunkel made the motion to now consider Lawrence Park sewer latecomer reimbursement application and schedule a public hearing on the proposed latecomer agreement at a special Board meeting to be held on June 2, 2014, at the District office with the public hearing commencing on or after 6:00 p.m. Martin seconded the motion, which carried unanimously. Staff and the Consultants will now arrange for publication of notice of the public hearing and the mailing of notice to the individual property owners affected by the latecomer application.

Given the engineering and legal expense to process an application for a latecomer reimbursement agreement, staff, Hutley and Milne recommended the non-refundable application

fee of \$1,500 set forth in the current version of the District's developer extension agreement be increased to \$3,000. The fee is applied to the total fees, costs and expenses incurred by the District related to the processing and approval of a latecomer reimbursement application. Following discussion, the commissioners concurred the application fee should be revised and established as \$3,000 in the revised application policy.

STAFFING SERVICES FOR GMPC, RWQC AND MWAAC

Russell provided the Commissioner's with copies of a letter dated May 7, 2014, from Cedar River Water and Sewer District inviting the District to participate in funding for staffing to represent the interest of King County water-sewer districts for the Growth Management Planning Council, the King County Regional Water Quality Committee and the Metropolitan Water Pollution Control Abatement Advisory Committee. The District had previously participated in the joint funding in the amount of \$1,500 for the year 2013. Due to the benefits of monitoring the activities of those committees, Martin made the motion to approve a contribution for the 2014-2015 year in the amount of \$1,500. Kunkel seconded the motion, which carried unanimously.

WATER AND SEWER REVENUE REQUIREMENT PROPOSAL

Russell provided the commissioners with copies of a scope of services proposal from the District's financial consultant, FCSG, to prepare a water and sewer utility revenue requirement update. The Consultant estimated the fees for the work to be in the range of \$6500 to \$8900. Because the Board had previously discussed the preparation of the revenue requirements update in past rate-making procedures, Martin made the motion to approve the proposed scope of services and fee proposal as provided. Kunkel seconded the motion, which carried unanimously. The General Manager was then authorized to provide notice to the consultant to proceed with the work as appropriate.

ENGINEER'S COMMENTS

Hutley advised the District's combined water-sewer comprehensive plan had recently been approved by the Washington State Department of Health, and would be scheduled for consideration for approval by the King County Council in July, 2014. He will keep the Board further advised.

OFFICER MANAGER'S COMMENTS

There were none.

OPERATIONS MANAGER'S COMMENTS

Hynek reported on a reservoir maintenance service provided by a company called Utility Service Company, Inc. (USC). Hynek provided the Commissioners with copies of a written description of tank maintenance services provided by USC, including periodic inspections, regular maintenance, repairs and recoating services. Hynek suggested the Board consider the services provided by USC to maintain the District's four steel reservoirs. He noted the District was planning to recoat the 440 Reservoir, which could cost approximately \$600,000 to \$1.4 million dollars, although the City of Bellevue by agreement will share the cost of that recoating project. Hynek reported that USC apparently had a good national reputation although was not presently providing its services to any municipalities in the State of Washington.

Following discussion, given the Board had scheduled a special meeting for the public hearing on the Lawrence Park sewer latecomer reimbursement agreement on June 2, 2014, at 6:00 p.m., the Board directed Hynek to check with the vendor to determine their availability for a presentation to the Board regarding their proposed services at 5:00 p.m. that day. Hynek will keep the Board further advised.

GENERAL MANAGER'S COMMENTS

Russell provided the Commissioners with copies of a revised letter of intent from the City of Newcastle to acquire the District's former operations center, which Russell had received from the City that day. He suggested the Commissioners discuss the revised proposal at an Executive Session later in the meeting, and also schedule an additional Executive Session to be held at the District's regular Board meeting on Wednesday, May 28, 2014, when special counsel could attend the meeting and discuss the proposal with the Board.

COMMISSIONERS' COMMENTS

Martin had questions regarding the individual billing rates for the Staff at CP McAuliffe to provide financial reporting services to the District. Staff will obtain the information for Martin.

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

Martin reported on her attendance at the most recent State Association Government Relations Committee meeting. She also advised she had been appointed to the Assumption Subcommittee given her prior experience with that process.

Anderson reported on his attendance at the most recent State Association Government Relations Committee meeting.

Kunkel advised he had no report.

EXECUTIVE SESSION – RCW 42.30.110(1)(i) – POTENTIAL LITIGATION

Russell advised the Washington State Healthcare Authority by bulletin dated March 27, 2014, had announced that certain healthcare surcharges would be imposed effective July 1, 2014. The bulletin advised there would be a surcharge for tobacco users and also a surcharge for employees whose spouse or domestic partner had medical coverage available through their employer, but elected not to enroll, but rather obtain coverage through the District. Russell

requested an Executive Session due to potential litigation depending on the Board's position whether District employees are required to pay these surcharges or whether the District would pay the surcharges, if applicable. Following discussion, Kunkel so moved on that basis. Martin seconded the motion, which carried unanimously. Before convening the Executive Session at 5:55 p.m., Anderson advised the Executive Session would be concluded at a proximately 6:10 p.m. The Commissioners, Russell, Hynek, Nelson and Milne then attended the Executive Session. At 6:10 p.m., the Executive Session was concluded and open public meeting was reconvened.

Following discussion, the Board determined that the surcharges were a legal mandate required by law and were not "optional" coverage under the collective bargaining agreement applicable to the District's field employees. Therefore, the Board directed Russell to advise the union representative that the covered employees were required to pay the surcharges, that the District had no ability to bargain the regulation to impose the surcharges, but the District was willing as permissible, to negotiate any identified impacts or effects of the imposition of the surcharges on the employees. Russell will keep the Board further advised.

ATTORNEY'S COMMENTS

Milne reported on a recent court case relating to certain voter statutes.

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 the District real estate. Following discussion, Kunkel so moved on that basis. Martin seconded the motion, which carried unanimously. Before convening the Executive Session at 6:30 p.m., Anderson advised the Executive Session would be concluded at approximately 6:45 p.m. At 6:45 p.m., the Executive Session was concluded, and open public meeting was reconvened.

ADDITIONAL CITIZENS' COMMENTS

There were no citizens in attendance.

APPROVAL OF VOUCHERS

The Board approved for payment Water/Sewer Maintenance Fund Voucher Nos. 042716 through 042761 in the amount of \$269,944.56.

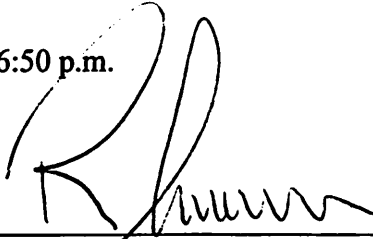
The Board approved for payment Water/Sewer Maintenance Fund Voucher Nos. 010230 through 010252 in the amount of \$113,160.92.

The Board approved for payment Water/Sewer Maintenance Fund Voucher Nos. 010253 through 010265 in the amount of \$13,250.00

OTHER DISTRICT BUSINESS

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

6:50 p.m.



Richard D. Anderson, Commissioner



Douglas C. Kunkel, Commissioner



Pamela A. Martin, Commissioner