

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

Held on September 28, 2016

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 August 24, 2016. Commissioner Doug Kunkel, Board President, called the meeting to order at 5:01 p.m. Commissioner Ric Anderson, Board Vice President, and Commissioner Pamela Martin, Board Secretary, were present. District Staff Robert Russell, General Manager, Patrick Martin, Operations Manager, and Tish Hunter, Finance Manager, were present. Dave Hutley, consulting engineer, and John Milne, general counsel, were also present. Commissioner Martin attended the meeting by speaker phone.

APPROVAL OF AGENDA

Commissioner Martin made the motion to approve the agenda as presented. Commissioner Anderson seconded the motion, which carried unanimously.

CONSENT AGENDA

Approval of minutes – Regular Board Meeting of August 24, 2016

Ebenezer LLC – Sewer – Design Approval

GRE Newcastle II LLC – Water & Sewer – DEA Approval

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

CITIZENS' COMMENTS / CONCERNS

There were no comments from the citizen in attendance.

AVALONBAY REQUEST – MAINTENANCE BOND PROVISIONS

Russell reported that the developer of the AvalonBay Newcastle project had requested that they be allowed to submit a surety bond in lieu of the cash maintenance bond required by the developer extension agreement. Russell reported on past problems with surety bonds and therefore the District had changed its policy to require a cash bond in the amount of 15% of the performance guarantee provided by the developer.

Milne reported the 15% cash maintenance bond was required by the developer extension agreement as a contract, but if the Board determined to accept a surety bond, then other developers may be entitled to the same option.

Brian Fritz on behalf of the developer advised that a 15% cash bond was a substantial cash deposit for the two year maintenance period, and that the developer would be present to remedy any defects in the water and sewer systems that may arise during that period.

Commissioner Martin stated she was not comfortable with a surety maintenance bond due to problems the District had previously encountered with such bonds.

Commissioner Anderson asked if the 15% cash amount was subject to negotiation. Russell reported that the District had required only a 10% cash bond in the past, and that the Board could consider reducing the 15% amount to 10%.

Commissioner Martin expressed concern about the precedent of reducing the 15% cash bond required to 10% relative to other developers and projects. Milne advised if the Board determined to do so for the AvalonBay project, it should consider doing the same for other pending and future developer extension projects.

Fritz advised that reducing the 15% cash bond to 10% was acceptable to the developer.

Following discussion, Commissioner Anderson made the motion to approve an amendment to the AvalonBay Newcastle developer extension agreement to amend the 15% cash maintenance bond requirement to return to the former rate of 10%. Commissioner Martin seconded the motion, which carried unanimously.

Hunter suggested the District could delay receiving the cash maintenance bond for the Block 2 area phase until the remainder of the project improvements were considered for final acceptance. She advised the District presently held a performance bond applicable to all of the Project's water and sewer extension improvements, and therefore did not require the cash maintenance bond for the Block 2 phasing area at this point in time. Fritz supported the proposal to delay providing the cash maintenance bond as suggested by Hunter. Following discussion, the Board authorized deferring the provision of a cash maintenance bond until the time that all of the Project's utility improvements were considered for final acceptance. Fritz thanked the Board for amending the cash bond requirement to 10% and for deferring the requirement the developer provide a maintenance bond for the Block 2 area improvements until the remainder of the extension improvements were granted final acceptance by the District.

AVALONBAY REQUEST – TEMPORARY WASTEWATER DISPOSAL

Russell reported that the developer of the AvalonBay Newcastle project had requested to enter into an agreement with the District for the temporary discharge of treated contaminated diesel groundwater into the District's sewer system. King County Industrial Waste Program had issued a temporary permit to the developer to do so, conditioned on the District's approval for connection to and discharge into the District's sewer system. He advised the District had allowed

such discharges before as authorized by King County into the District's sewer system, subject to a written agreement with the District's required terms and conditions to regulate the discharge.

Commissioner Kunkel reported that another individual in his office had been working with the developer to obtain the discharge permit from King County, and therefore he recused himself from any Board discussion and vote regarding the matter.

Given the District's standard protocol to address such requests, Commissioner Anderson made the motion to authorize the proposed discharge subject to the terms and conditions included in an agreement acceptable to District staff and counsel. Commissioner Martin seconded the motion, which carried by a vote of 2-0, Commissioner Kunkel abstaining.

AVALONBAY REQUEST – PHASING ACCEPTANCE

Russell reported the developer had requested final acceptance of the water and sewer extension improvements serving the area designated as Block 2. The District had previously granted the sewer improvements in that area conditional final acceptance by motion on April 27, 2016. The developer was requesting final acceptance to be able to obtain occupancy approval from the City of Newcastle, the public agency with land use jurisdiction over the project. Russell advised all of the water and sewer improvements in the area generally referred to as Block 2 had been completed. He further advised the District had the authority under provisions in the developer extension agreement to allow the phasing of the extension improvements. However, he recommended that final acceptance of the Block 2 area improvements should be conditioned on the performance and satisfaction of all of the applicable extension agreement requirements, including the provision of necessary bills of sale and easements, and payment of all due and owing fees and charges.

Following discussion, Commissioner Anderson made the motion to authorize the phased acceptance of the Block 2 area water and sewer extensions subject to a written agreement with the developer with terms and conditions acceptable to the General Manager and District counsel, and to authorize the General Manager to sign such an agreement on the District's behalf.

Commissioner Martin seconded the motion, which carried unanimously.

DRUG & ALCOHOL POLICY

Russell advised District staff and counsel had prepared and provided to the Board of Commissioners a revised drug and alcohol policy applicable to all District employees. The Board had tentatively approved the revised policy at the April 27, 2016, meeting, subject to the right of the union representing the District field employees to request the negotiation of the policy prior to the Board's final approval of the policy and implementation by District management staff.

Russell now advised that union representatives had advised him the revised policy was acceptable to the Union and that the Union did not require the negotiation of the policy before its final adoption and implementation.

Following discussion, Commissioner Martin made the motion to approve the revised drug and alcohol policy by the adoption of Resolution No. 1838. Commissioner Anderson seconded the motion, which carried unanimously. District management staff will now implement the revised policy.

ATTORNEY'S COMMENTS

Milne reported on his presentation on the laws addressing the selection and procurement of engineering and architectural services applicable to water-sewer districts at the recent State Association conference in Spokane.

ENGINEER'S COMMENTS

Hutley reported on the status of District engineering projects as set forth in a written report dated September 28, 2016. There was no engineer's report. Relative to the District's 440 Reservoir Project, he advised that applying the clear coat to the reservoir's exterior had been delayed for more favorable application conditions.

APPROVAL OF VOUCHERS

The Board approved for payment Water/Sewer Maintenance Fund Voucher No. 1087 through 1125 in the amount of \$339,882.98.

The Board approved for payment Water/Sewer Maintenance Fund Voucher No. 1126 through 1157 in the amount of \$256,680.06.

The Board approved for payment Capital Improvement Fund Voucher No. 2 in the amount of \$186,248.11.

The Board approved for payment Water/Sewer Maintenance Fund – Direct Deposit/Payroll in the amount of \$121,511.91.

The Board approved for payment Water/Sewer Maintenance Fund – Direct Deposit/Payroll in the amount of \$30,107.03.

The Board approved for payment Water/Sewer Maintenance Fund – Direct Deposit/Payroll in the amount of \$13,100.

FINANCE MANAGER'S COMMENTS

The Finance Manager had no comments.

OPERATIONS MANAGER'S COMMENTS

Mr. Martin reported on the status of the City of Newcastle Storm Project, which involves re-routing storm water lines located in and near the China Creek development. The City has

contacted District staff regarding the District's potential participation in the City's Project, as the Project will help to protect the District's sewer line in the area. The City awarded a project contract to a contractor in the amount of \$161,440.80. District and City staff agreed the District would be responsible for 21.5% of the total project cost, with a maximum contribution of based on the awarded contract amount plus 10%. Mr. Martin advised that the City Council would now consider an interlocal agreement documenting the cost sharing agreement which would be provided to the Board of Commissioners at a future meeting for approval.

GENERAL MANAGER'S COMMENTS

Russell reported the District had received a letter of appreciation relative to District employee Tish Hunter who had assisted Kim and Curt Heasley with a credit fraud matter.

Russell reported on his attendance with Mr. Martin at the recent State Association conference in Spokane. He felt the information provided at the conference would be beneficial to the District.

COMMISSIONERS' COMMENTS

The Commissioners commended Hunter for her dedication and professionalism in assisting the Heasleys.

Commissioner Martin thanked District staff and the commissioners for the support provided during her recent health issue.

ADDITIONAL CITIZEN'S COMMENTS

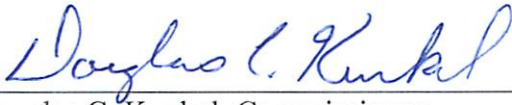
There were no comments from the citizen in attendance.

OTHER DISTRICT BUSINESS

As there was no further business or persons to be heard, the meeting concluded at 6:15 p.m.



Richard D. Anderson, Commissioner



Douglas C. Kunkel, Commissioner



Pamela A. Martin, Commissioner