

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

Held on December 14, 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 December 14, 2016. Commissioner Doug Kunkel, Board President, called the meeting to order at 5:00 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, PACE Engineers, and John Milne, general counsel, were also present.

APPROVAL OF AGENDA

Following discussion, Commissioner Martin made the motion to approve the agenda. Commissioner Anderson seconded the motion, which carried unanimously.

CONSENT AGENDA

Approval of minutes – Regular Board Meeting of November 9, 2016

Approval of minutes – Special Board Meeting of November 16, 2016

May Creek Park Vista – DEA – Sewer – Final Acceptance

Hazelwood Ridge – DEA – Water/Sewer – Final Acceptance conditioned on provision of easements acceptable to District staff, the consulting engineer and District counsel

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

CITIZENS' COMMENTS / CONCERNS

Mr. Antonio Manalo, 7509 134th Ave. SE, Newcastle, Washington, requested a leak adjustment due to a leak in his irrigation system. He explained the circumstances of the leak, advised he had repaired the leaking irrigation line, but stated he planned to not use the irrigation system any more. He advised he had purchased couplings to repair the irrigation line, but did not have proof of the cost of the coupling parts. Ms. Hunter explained that the District required proof that the leak had been timely repaired, and written verification of the cost of the repair work. Following discussion, the Board authorized staff to apply the District leak adjustment policy to Mr. Manalo's utility account if he provided written verification to District staff of the cost of the repair materials.

Mr. John Dulcich, a Newcastle City Councilmember, advised that the City Council had considered enacting a utility tax which would have applied to District utility service and other utilities operating within the City, but there was strong citizen opposition to the utility tax. Therefore, the City Council had determined at a recent meeting not to enact a utility tax. That determination will be finalized as part of the City's 2017 budget to be voted on by the City Council at its next meeting scheduled for December 20, 2016.

CHINA CREEK SEWER/STORM REPAIR PROJECT

Mr. Martin reported the City of Newcastle had completed the China Creek Sewer/Storm Repair project. The total cost of the project work was \$161,293, and the District had agreed through an interlocal agreement with the City to pay 21.5% of the project cost because of the benefit of the project work to the District. Therefore, he requested the Board approve payment to the City in the amount of \$34,678.10 as the District's share of the project cost. Following

discussion, Commissioner Martin so moved. Commissioner Anderson seconded the motion, which carried unanimously.

440 RESERVOIR PAINT PROJECT STATUS

Hutley reported on the status of the recoating project. He also requested approval for an additional \$40,000 because of the more intensive inspection requirements of the contractor's work as authorized by District staff. Based on past experience with similar projects, continuous inspector presence on site was not anticipated in the original project engineering budget nor in the first project budget amendment. He reported the contractor routinely used a small crew which resulted in longer construction times and extended inspection requirements. The commissioners expressed dismay and their concerns that authorization for payment of the additional inspection services had been submitted after the services were performed, and not before the services had been performed and the additional inspection cost had been incurred.

Milne reported on the District's options relative to whether the additional inspection cost reimbursement request should be approved, including paying the additional cost because the work had been necessary and the District had benefitted from the work, or not agree to pay the additional cost. If the Board considered not approving the payment of the additional costs, Milne requested an executive session to discuss the matter with the Board due to potential litigation.

Following discussion, Commissioner Anderson made the motion to approve the payment of the additional costs in the amount of \$40,000. Commissioner Martin seconded the motion, which carried unanimously. However, the Commissioners determined by consensus not to approve any further engineering costs related to the project, including inspection, not included in an approved budget.

KING COUNTY FRANCHISE STATUS

Milne reported on his attendance at a recent meeting facilitated by Cascade Water Alliance of municipal utilities with concerns related to the ordinance recently enacted by the King County Council to increase costs and expenses to obtain a franchise to locate, operate and maintain utilities in County right-of-way, and to obtain right-of-way permits to do so. The adopted ordinance also included a provision for the payment of annual “rent” to use County right-of-way. The District and other utilities had submitted letters to the County in opposition to the ordinance before it was adopted. Milne advised the group facilitated by Cascade had created an attorney group to analyze the ordinance and provide talking points to a group of utility representatives that may meet with King County staff in January, 2017, to discuss the ordinance. The attorney group will meet on December 16, 2016, and Milne will keep the Board and staff further advised.

2017 COMMITTEE ASSIGNMENTS

Russell requested if any commissioners desired to change committee assignments in 2017. Commissioner Kunkel will consider adding some additional committee assignments. Following further discussion, the Board directed Russell to post the present committee assignment matrix on Dropbox for commissioner review and further discussion at the next regular Board meeting.

INSLEE BEST 2017 RATES

Milne requested an adjustment to his rates for legal services as set forth in a memo dated December 5, 2016. He advised that his office had not adjusted rates since the year 2014, and there had been significant increases in health care benefits and salary staff costs, as well as the

general increase in the cost of living. If approved, Milne advised he would extend the rates for the years 2017 and 2018. Following discussion, Commissioner Martin made the motion to approve the adjusted rates effective January 1, 2017, as requested by Milne. Commissioner Anderson seconded the motion, which carried unanimously.

PACE 2017 RATES

Hutley requested an adjustment to his firm's schedule of rates and charges for engineering services as set forth in a letter dated December 7, 2016. He too advised there had been significant increases in health care benefits and salary staff costs, as well as the general increase in the cost of living. If approved, he advised the adjusted rates would be effective for the year 2017. Following discussion, Commissioner Martin made the motion to approve the adjusted rates effective January 1, 2017, as requested by Hutley. Commissioner Anderson seconded the motion, which carried unanimously.

DRAFT EMPLOYEE MANUAL

Russell advised a revised draft employee manual applicable to District office staff was available on Dropbox. He proposed the draft manual be discussed at a Board meeting in January, 2017. Commissioner Martin requested information regarding a commissioner life insurance benefit. Staff will provide her with the information. Commissioner Kunkel requested that staff also post the existing employee manual on Dropbox for comparative purposes, and staff will do so.

ATTORNEY'S COMMENTS

There were none.

ENGINEER'S COMMENTS

Hutley reported he intended to reduce his weekly work schedule in 2017 to three days, and that he would introduce District staff to another PACE engineer that would be available for the District's engineering work.

APPROVAL OF VOUCHERS

The Board approved for payment Water/Sewer Maintenance Fund Voucher Nos. 1252 through 1279 in the amount of \$77,788.05.

The Board approved for payment Water/Sewer Maintenance Fund Voucher Nos. 1280 through 1328 in the amount of \$368,364.34.

The Board approved for payment Water/Sewer Maintenance Fund - Direct Deposit – Payroll in the amount of \$109,372.26.

FINANCE MANAGER'S COMMENTS

Ms. Hunter reported that representatives from the State Auditor's Office would conclude the audit of the District for the year 2015 the following week and an exit conference would then be scheduled.

Ms. Hunter reminded the Commissioners of the employee recognition lunch to be held at the Rock Restaurant, 828 N. 10th Pl., Renton, Washington, on Thursday, December 22, 2016, commencing at Noon. Following discussion, the Board determined to schedule a special Board meeting for that purpose at that place and time and to consider any other business that may come before the Board.

OPERATIONS MANAGER'S COMMENTS

Mr. Martin reported the District had experienced a water surge in the 1060 system due to a valve malfunction at the 700 Elevation Reservoir during maintenance activities. The District had received four calls regarding possible damage to hot water tanks. District staff had reported the matter to the Insurance Pool, but because each claim was less than \$300, and below the District's Pool deductible, the Board authorized staff to resolve the claims with the property owners and to reimburse repair costs incurred as they determined. Staff will also obtain a release from any property owners reimbursed for damages.

GENERAL MANAGER'S COMMENTS

Russell reported that Resolution No. 1839 which had previously been adopted by the Board had been corrected and renumbered to 1841, and the minutes of the November 16, 2016, Board meeting had been corrected to reflect that number change. The resolution addressed the waiver of formal bidding requirements to authorize the purchase of certain equipment necessary for the Olympus Lift Station.

COMMISSIONERS' COMMENTS

Commissioner Martin noted the letter from the former King County employee who had worked with the King County Investment Pool contending the Pool was mismanaged. District staff reported that Pool management had responded to the letter and they would provide the response on Dropbox.

Commissioner Martin reported on her attendance at the recent entrance conference with representatives from the State Auditor's Office (SAO), as well as a meeting with SAO representatives on risk management issues.

Commissioner Martin reported on her attendance at the Seattle Operating Board meeting on December 1, 2016.

Commissioner Martin reported on her attendance at the recent State Association Board of Directors' meeting and workshop which was held November 28, 2016.

Commissioner Anderson reported on his attendance at the recent State Association Conference and Training committee meeting.

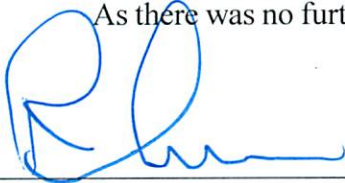
Commissioner Anderson reported on his attendance at the recent State Association Government Relations committee meeting.

ADDITIONAL CITIZEN'S COMMENTS

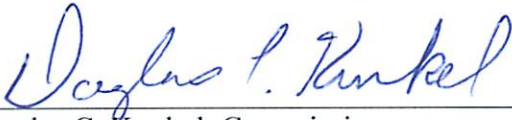
Dulcich asked questions about the iPads issued by the District to the commissioners for use related to District business because he indicated the City of Newcastle was considering issuing iPads to City elected officials.

OTHER DISTRICT BUSINESS

As there was no further business or persons to be heard, the meeting concluded at 6:55 p.m.



Richard D. Anderson, Commissioner



Douglas C. Kunkel, Commissioner



Pamela A. Martin, Commissioner