

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

Held October 8, 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 October 8, 2014. Commissioner Anderson called the meeting to order at 5:00 p.m. Commissioners Martin and Kunkel were present. District Staff Robert Russell, Todd Hynek and Pam Nelson were present. John Milne, General Counsel, and Dave Hutley, Consulting Engineer, were also present.

CONSENT AGENDA

Approval of minutes - Regular Board Meeting of September 24, 2014.

Martin made the 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.

BANKING SERVICES

The Board at the August 27 and September 24, 2014 meetings authorized District staff to terminate the District's banking relationship with Key Bank and to establish a banking relationship with HomeStreet Bank as soon as possible, and no later than October 1, 2014. Nelson reported the District's accounts with Key Bank had been transferred to HomeStreet Bank as of October 1, and that an ACH (Automated Clearing House) Agreement and Deposit Agreement with HomeStreet Bank required Board approval. Therefore, Russell and Nelson requested the Board ratify and approve (1) the termination of the acquisition of banking services from Key Bank, and approving the acquisition of banking services from Homestreet Bank effective October 1, 2014, and (2) an ACH Agreement and Deposit Agreement with HomeStreet

Bank, and authorize and direct the General Manager to execute such agreements and other required forms to establish a banking relationship with HomeStreet Bank. Following discussion, Martin so moved by the adoption of Resolution No. 1798. Kunkel seconded the motion, which carried unanimously.

DISTRICT CODIFICATION CHAPTER 2.04

Russell previously reported on the District project to update the District's Municipal Code. He now requested the Board approve and adopt Chapter 2.04 of the District Code regarding policies relative to the Board of Commissioners. However, he advised Section 2.04.070.B. had been revised to confirm there was no change in the monthly compensation paid to the Board secretary as provided by law. The monthly compensation was currently \$75, as established by Resolution No. 1192 in November, 1989, and the Board had determined at the September 24, 2014, meeting not to change the amount of the secretary's monthly compensation. Following discussion, Kunkel made a motion to approve updated Chapter 2.04 of the District Code by the adoption of Resolution No. 1799. Martin seconded the motion, which carried unanimously.

OPERATIONS MANAGER'S COMMENTS

Hynek reported on the status of the District's master meters used to report water conveyed to the City of Bellevue. Hynek had previously reported to the Board that almost all of the meters had developed problems of either over-reporting or under-reporting water usage. Therefore, the Board had determined to replace the meters, had authorized Hynek to obtain quotes to purchase the meters, and to award the purchase to the lowest responsible bidder. Hynek reported that S&B, Inc. had submitted the low bid by quote dated July 14, 2014, and had therefore been awarded the purchase contract as the lowest responsible bidder. The meters had

been ordered and were expected to be delivered within four to six weeks. Hynek will keep the Board further informed.

Hynek requested Board approval to close the District office on Friday, December 26, 2014, because most of the District staff would take that day off. For those District staff scheduled to work that day, vacation or comp time would be taken. Following discussion, the Board approved closing the District Office that day, recognizing there will be an on-call person available to address emergencies.

GENERAL MANAGER'S COMMENTS

Russell advised he, Todd Hynek and Susan Boyd had met with representatives from the City of Newcastle that day to provide information to the City for the update of its comprehensive plan, and specifically, the utilities portion of the City's capital facilities plan.

COMMISSIONERS' COMMENTS

Martin reported on her attendance at the SPU Operating Board meeting held on October 2, 2014. She advised she may attend additional meetings regarding the SPU Conservation Technical Forum. She also advised the Seattle City Council had recently approved wholesale water rates for the year 2015, effective January 1, 2015.

Martin reported Cedar River Water and Sewer District may offer incident command training at their office.

ATTORNEY'S COMMENTS

Milne requested input regarding agenda topics for the Commissioners' Workshop sponsored by the Washington State Association of Sewer and Water Districts to be held in January, 2015. The commissioners provided suggested topics such as the Open Public Meetings Act, ethics and conflicts of interest, and parliamentary procedure. Milne will share those topics with Association management.

PUBLIC HEARING – WATER & SEWER RATES AND CHARGES

At 5:30 p.m., Anderson convened the public hearing on the proposed revision of District water and sewer service rates and charges. He advised the purpose of the hearing was for public comment on the proposed revision of the rates and charges. He then introduced the Commissioners, District staff, and consultants, including Sergey Tarasov, FCS Group.

Milne reported notice of the public hearing had been published in the Seattle Times on September 24 and October 1, 2014, and had also been posted on the District's web site and at the District office.

Tarasov then presented recommendations regarding the District's service rates and charges as set forth in a report and power point presentation dated October 8, 2014. He noted for the study period of 2014 – 2019, approximately 37% of the District's annual costs for operation and maintenance (O&M) and general and administrative (A&G) costs for the District's water utility related to Seattle wholesale water purchases; and approximately 67% of the District's annual costs for O&M and A&G for the District's sewer utility related to King County treatment costs. He also noted the District had no control over the cost of Seattle water purchases or King County treatment costs. He then responded to questions regarding his recommendations from the Commissioners.

Anderson then invited comments from the citizens in attendance but there were no comments or parties desiring to address the Board. Therefore, Anderson closed that portion of the hearing for public comment on the proposed rate revisions.

He then advised the Board had the following options relative to the adoption of the proposed rate revisions:

1. Adopt a resolution adopting the proposed updated water and sewer service rates and charges as recommended by District staff and the financial consultant.

2. Take the proposed adoption of the updated rates and charges under advisement.

3. Request staff and the engineer to revise the proposed rates and charges for consideration by the Board of Commissioners at a future meeting.

Following discussion, because the proposed rate revisions were consistent with the rates projected by FCS Group in the last service rate study prepared by FCSG for the District in 2011, and only required modest and consistent rate increases, Martin made the motion to approve the water and sewer service rate revisions as recommended by FCSG by the adoption of Resolution No. 1800, effective November 1, 2014. Kunkel seconded the motion, which carried unanimously.

ADDITIONAL CITIZENS' COMMENTS AND CONCERNS

Gordon Bisset, a City of Newcastle City Council member, reported the information provided at the District's September 24, 2014, Board meeting regarding a request from the State Department of Commerce to modify the repayment date related to the District's PWTF loan had been helpful because Newcastle had recently received the same request from DOC.

APPROVAL OF VOUCHERS

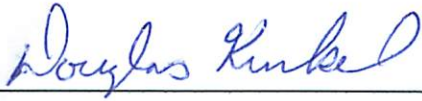
The Board approved for payment Water/Sewer Maintenance Fund Voucher Nos. 043070 through 043105 in the amount of \$359,161.80.

The Board approved for payment Water/Sewer Maintenance Fund Voucher Nos. 010409 through 010431 the amount of \$110,577.10.

OTHER DISTRICT BUSINESS

As there was no further business or persons to be heard, the meeting was concluded at 6:00 p.m.

Richard D. Anderson, Commissioner



Douglas C. Kunkel, Commissioner



Pamela A. Martin, Commissioner