



MEETING OF THE BOARD OF DIRECTORS

MINUTES

BELLEVUE CITY HALL

JANUARY 23, 2008

EXECUTIVE SESSION

At 3:42 PM Grant Degginger, Chair, called the meeting to order.

CONSENT ITEMS

- A. Approval of Agenda
- B. Approval of Minutes from the Regular Meeting held December 19, 2007
- C. Approval of the Treasurer's Report

A motion to approve the consent items was made by Mary-Alyce Burleigh, seconded by Jim Haggerton and unanimously approved.

EXECUTIVE SESSION

At 3:43 PM the Chair announced an Executive Session to last approximately 30 minutes to consult with counsel regarding acquisition of property and confidential settlement discussions. The Executive Session adjourned at 4:09 PM.

REGULAR MEETING

At 4:10 PM the Chair called the regular meeting to order. Board Members or Alternate Board Members from the City of Bellevue, Covington Water District, the City of Issaquah, the City of Kirkland, the City of Redmond, Sammamish Plateau Water and Sewer District, Skyway Water and Sewer District and the City of Tukwila were present, constituting a quorum.

PUBLIC COMMENT

No members of the audience in attendance commented.

ACTION ITEMS

- A. Consultant Contact for Financial Consulting Solutions Group

Cascade has received consulting services related to financial (including ratemaking and policy), organization and institutional issues from Financial Consulting Solutions Group Inc. (FCSG) since 1999. Cascade continues to be satisfied with the service provided by FCSG, and it is recommended that Cascade continue to contract with FCSG for financial consulting services for 2008, utilizing the standard Cascade consultant contract, containing a maximum compensation amount for 2008 of \$60,000, including the proposed 2008 Fee Schedule. A comparison of 2007 and 2008 Fee Schedules was attached to the January 11, 2008 memorandum from the General Manager to the Board.

A motion authorizing the execution of a Consultant Contract with FCSG for the period January 1, 2008 through December 31, 2008 with a maximum compensation amount of

\$60,000 and the 2008 Fee Schedule was made by Mary-Alyce Burleigh, seconded by Lloyd Warren and unanimously approved.

B. Consultant Contract for DashenMusselman, Inc.

Cascade has contracted with DashenMusselman, Inc. since 2005 as financial advisors. Cascade continues to be satisfied with the service provided by DashenMusselman, and it is recommended that Cascade continue to contract with DashenMusselman as financial advisors for 2008, utilizing the standard Cascade consultant contract, containing a maximum compensation amount for 2008 of \$15,000 for general financial advisory work. The Fee Schedule for 2008 will remain the same as 2007.

A motion authorizing the execution of a Consultant Contract with Dashen and Musselman for the period January 1, 2008 through December 31, 2008 with a maximum compensation amount of \$15,000 was made by Jim Haggerton, seconded by Mary-Alyce Burleigh and unanimously approved.

C. Consultant Contract for Benson & McLaughlin

Cascade has received accounting, audit, tax return preparation and bookkeeping services from Benson & McLaughlin since 2000. While Cascade has been satisfied with the services provided by Benson & McLaughlin, both the State Auditor and Moss Adams have recommended that bookkeeping and auditing services be separated. Therefore, it is recommended that Cascade contract with Benson & McLaughlin only for bookkeeping services in 2008 and issue an RFP for audit and tax return preparation services.

A motion authorizing the execution of a Consultant Contract with Benson & McLaughlin for bookkeeping services for the period January 1, 2008 through December 31, 2008 with a maximum compensation amount of \$25,000 was made by Jim Haggerton, seconded by Jon Ault and unanimously approved.

D. Consulting Contract with Richard Kirkby

Cascade has utilized Richard Kirkby to manage a number of activities since 2004, including the development of the Tacoma Wholesale Contract, Issaquah pipeline acquisition, King County planning activities, and King County and City of Covington franchise negotiations. Cascade continues to be satisfied with the service provided by Mr. Kirkby, and it is recommended that Cascade continue to contract with Mr. Kirkby for assistance in obtaining franchise agreements for the regional pipeline and continuing regional planning activities, utilizing the form of services agreement used in 2007, with a maximum compensation amount of \$50,000. The Fee Schedule for 2008 will remain the same as 2007.

A motion authorizing the execution of a Services Agreement with Richard Kirkby for the period January 1, 2008 through December 31, 2008 with a maximum compensation amount of \$50,000 was made by Lloyd Warren, seconded by Mary-Alyce Burleigh and unanimously approved.

E. Consultant Contract with Gordon Thomas Honeywell Governmental Affairs

Cascade received state governmental affairs consulting services from Gordon Thomas Honeywell Governmental Affairs (GTH) in 2007. Cascade continues to be satisfied with the service provided by the GTH and it is recommended that Cascade continue to contract with GTH for state governmental affairs consulting services, utilizing the same form of services agreement used in 2007, including a monthly billing rate of \$4,166.

A motion authorizing the execution of a services agreement with Gordon Thomas Honeywell Governmental Affairs for the period January 1, 2008 through June 30, 2008 with a billing rate of \$4,166 monthly was made by Mary-Alyce Burleigh, seconded by Jim Haggerton and unanimously approved.

F. Retention of Inslee, Best, Doezie & Ryder, PS

Cascade has received general legal services from Inslee, Best, Doezie & Ryder PS since 1999. Cascade continues to be satisfied with the service provided by Inslee, Best and it is recommended that Cascade continue to retain Inslee Best for general legal services under the terms of the May 19, 1999 Conditions of Service Agreement, including an hourly rate of \$235.00 for 2008. The 2007 hourly rate of \$210.00 has been in effect since 2005.

A motion to continue to retain Inslee, Best, Doezie & Ryder PS as legal council under the terms of the May 19, 1999 Conditions of Service Agreement and the 2008 Fee Schedule was made by Jim Haggerton, seconded by Mary-Alyce Burleigh and unanimously approved.

G. Retention of GordonDerr LLP (formerly Buck & Gordon LLP)

Cascade has received real estate and environmental assessment services from GordonDerr LLP since 2004. Cascade continues to be satisfied with the service provided by GordonDerr and it is recommended that Cascade continue to retain GordonDerr for real estate and environmental assessment services under the terms of the November 12, 2004 Engagement of Services letter, including the proposed 2008 Fee Schedule. A comparison of 2007 and 2008 Fee Schedules was attached to the January 11 2008 memorandum from the General Manager to the Board.

A motion to continue to retain GordonDerr LLC as real estate and environmental assessment council under the terms of the November 12, 2004 Engagement of Services letter and the 2008 Fee Schedule was made by Mary-Alyce Burleigh, seconded by Jim Haggerton and unanimously approved.

H. Retention of Foster Pepper & Shefelman, PLLC

Cascade has received litigation and financial council services from Foster Pepper & Shefelman, PLLC (Foster Pepper) since 2003. Cascade continues to be satisfied with the service provided by Foster Pepper and it is recommended that Cascade continue to retain Foster Pepper for litigation and financial services under the terms of the May 14, 2003 and July 29, 2003 Engagement of Services letters, including the proposed 2008 Fee Schedule. A comparison of 2007 and 2008 Fee Schedules was attached to the January 11, 2008 memorandum from the General Manager to the Board.

A motion to continue to retain Foster Pepper & Shefelman, PLLC as litigation and financial council under the terms of the May 14, 2003 and July 29, 2003 Engagement of Services letters and the 2008 Fee Schedule was made by Lloyd Warren, seconded by Mary-Alyce Burleigh and unanimously approved.

I. Contract with Portland Energy Conservation Inc.

Cascade has contracted with Portland Energy Conservation Inc. (PECI) for management of the clothes washer rebate program since 2004. Cascade continues to be satisfied with the service provided by PECI and it is recommended that Cascade continue to contract with PECI for washer rebate program management. Cascade participates in this program in partnership with Seattle Public Utilities, Seattle City Light and Puget Sound Energy. The total estimated cost of the 2008 program is \$209,412. The 2008 program is expected to provide a comparable number of rebates as in 2007.

A motion authorizing the execution of a Clothes Washer Rebate Program Agreement with Portland Energy Conservation Inc. for the period beginning January 1, 2008 through December 31, 2008 with a maximum compensation amount of \$209,412 was made by Mary Alyce Burleigh, seconded by Jim Haggerton and unanimously approved.

J. Contracts with HDR Engineering, Inc.

Cascade has four contracts with HDR Engineering, Inc. that expire on December 31, 2007. These contracts cover work associated with the design of the Tacoma Cascade Pipeline Project, as follows:

- HDR Contract # 1 – Remaining Task; Lake Tapps SEPA
- HDR Contract # 2 – Overall Pipeline Project management
- HDR Contract # 3 – Final design of Central Segment
- HDR Contract # 4 – Preliminary design of North Segment

No additional funding is needed to continue activity under these contracts. It is recommended that Cascade extend the term of these contracts to December 31, 2008.

A motion authorizing the extension of the terms of contracts #1, 2, 3 and 4 with HDR through December 31, 2008 was made by Mary-Alyce Burleigh, seconded by Jon Ault and unanimously approved.

K. Resolution No. 2008-01 – Concerning Cascade's Conservation Plan

Resolution No. 2008-01 Adopts Cascade's 2008-2013 Water Conservation Plan. The Plan has been reviewed and approved by the Resource Planning Committee. The Plan is based on and consistent with Cascade's 2006 Conservation Policies and 2007 Conservation Goals. Cascade has conducted the appropriate SEPA review.

A motion to adopt Resolution No. 2008-01 was made by Jon Ault, seconded by Mary-Alyce Burleigh and unanimously approved.

L. Resolution No. 2008-02 – Authorizing Acquisition of the Sammamish Plateau Water and Sewer Districts' Segment of the Bellevue/Issaquah Transmission Pipeline

Resolution No. 2008-02 authorizes the Chair to execute a Pipeline Transfer and Acquisition Agreement and Assignment and Assumption Agreement of Easement for Water Lines with the Sammamish Plateau Water and Sewer District (copies included in the Board Package) and authorizes the General Manager to execute any other agreements as necessary to implement Cascade's acquisition of the District's segment of the Bellevue/Issaquah Transmission Pipeline. The agreements were reviewed and approved by the Resource Planning Committee and the Board of Commissioners of Sammamish Plateau Water and Sewer District adopted Resolution No. 3634, approving and authorizing the conveyance of the pipeline to Cascade on November 19, 2007.

A motion to adopt Resolution No. 2008-02 was made by Mary-Alyce Burleigh, seconded by Jim Haggerton and unanimously approved.

M. Ratification of BPA Option Agreement

The BPA Option Agreement was executed on January 7, 2008. The BPA property is part of the route for the Central Segment of the Tacoma/Cascade Pipeline. The purchase price is \$155,000, which is within the previously authorized limit. There were no substantial changes to our standard agreements.

A motion to approve ratification of the BPA Option Agreement as discussed during the Executive Session was made by Mary-Alyce Burleigh, seconded by Lloyd Warren and unanimously approved.

N. Ratification of the Lakeside Option Agreement

A motion to approve ratification of the Lakeside Option Agreement as discussed during the Executive Session was made by Lloyd Warren, seconded by Mary-Alyce Burleigh and unanimously approved.

O. S&S Option Extension

The initial option period for the S&S property expires on February 15, 2008. Board approval is needed to exercise the first extension, which will extend the option period until May 15, 2008. A payment of \$5,000 is also needed, which is fully applicable to the purchase price.

A motion to approve the S&S Option Extension as discussed during the Executive Session was made by Mary-Alyce Burleigh, seconded by Jim Haggerton and unanimously approved.

STANDING COMMITTEE AND STAFF REPORTS

A. Executive Committee

The Committee continues to work with Moss Adams LLP on the development of an Organizational Strategic Plan.

B. Resource Planning Committee

The Committee received briefings on the final Conservation Plan and the Tacoma/Cascade Pipeline franchise status and schedule.

Membership Audits have been finalized. The agreements will be distributed at the February Board Meeting.

A list of near term activities for Board consideration was included with the January Board package.

C. Membership Committee

No specific report.

D. Finance Committee

A Request for Qualifications for Audit Services was sent to 4 firms. Proposals are expected February 1.

E. Public Affairs Committee

Committee Members met with the Director of the Department of Ecology and senior officials in the Governor's office to provide an update on the status of the Lake Tapps transaction and discuss the upcoming issuance of the Lake Tapps water rights.

A Legislative hearing is scheduled on Friday, January 25, 2008 to consider adding a new section to chapter 39.34 RCW to grant authority of a watershed management partnership to exercise powers of its forming governments. A House hearing will be held in 2 weeks.

Cascade will be sponsoring a table at the Cascade Land Conservancy breakfast on May 1, 2008. An invitation will be sent to the Board to participate.

GENERAL MANAGER'S REPORT

Preliminary discussions have been initiated with Seattle Public Utilities regarding the possible acquisition of the Eastside Reservoir in Bellevue.

NEW BUSINESS

The following motion was made by Lloyd Warren, seconded by Mary-Alyce Burleigh and unanimously approved:

- create the regular, full-time position of Director of Planning, which shall report to, and take direction from, the Chief Executive Officer;
- effective immediately, transfer Michael Gagliardo from his current position of General Manager to the position of Director of Planning;
- in the position of Director of Planning, provide Mr. Gagliardo an initial base salary in a gross amount equal to his final gross salary in the position of General Manager, subject to subsequent adjustment at the Board's discretion;
- in the position of Director of Planning, provide Mr. Gagliardo the same benefits offered to all other similarly-situated, regular full-time employees, subject to the eligibility criteria set forth in the governing plan documents, plus a car allowance in the monthly amount of \$300; and
- effective immediately, rescind the prior authorization to extend Mr. Gagliardo's January 1, 2007 employment contract for a period of two months.

The following motion was made by Lloyd Warren, seconded by Mary-Alyce Burleigh and unanimously approved:

- hire Ed Oberg in the position of Chief Executive Officer effective January 24, 2008 for an indefinite period to be determined at the Board's discretion and currently estimated not to exceed 12 months, subject to earlier termination by either party with or without cause upon ten (10) business days' prior written notice;
- establish an initial salary in the gross monthly amount of \$15,000, subject to subsequent adjustment at the Board's discretion per the general procedure described below;
- agree that Mr. Oberg and the Board Chair, or his or her designee, shall periodically meet and confer regarding the appropriate monthly salary taking into consideration all relevant factors, including without limitation, 1) Mr. Oberg's usual and customary billing rate of \$125 per hour as a Member of Ed Oberg Consulting, LLC; and 2) the workload demands to address the issues and recommendations identified in the Moss Adams Organizational Strategic Planning Study;
- explore potential adjustment of the compensation for the Chief Executive Officer position, including retroactive adjustment to January 24, 2008, at the February 2008 Board Meeting, if and to the extent deemed appropriate by the Board;
- provide Mr. Oberg all benefits that are offered to other regular, full-time Cascade Water Alliance employees, subject to the eligibility criteria set forth in the governing plan documents, plus a monthly car allowance in the amount of \$300; and
- prepare and enter into a form of written employment agreement that sets forth the above terms and any additional terms agreed to by and between Mr. Oberg and the Board Chair.

The Board expressed congratulations to Michael Gagliardo and Ed Oberg.

Mr. Degginger stated this change is a result of Cascade's success, and Mr. Gagliardo's leadership has been paramount to get where we are. As we move to an implementation phase, having a Chief Executive Officer will fill several skill sets that focus on the innovation of Cascade.

ADJOURN

The meeting was adjourned at 4:46 PM.

Board Members signed approved Minutes, Resolutions and checks.

NEXT MEETING DATE

The next Board Meeting will be held:

February 26, 2008

3:30 PM – Executive Session

4:30 PM – Meeting of Cascade Water Alliance Board of Directors

APPROVED BY:

Grant Degginger, Chair

Lloyd Warren, Vice Chair