



ANNUAL MEETING OF THE BOARD OF
DIRECTORS

AGENDA

BELLEVUE CITY HALL – ROOM 1E-122
FEBRUARY 26, 2008

3:30 PM – Executive Session regarding acquisition of property and confidential settlement discussions

4:00 PM – Regular Meeting called to order

1. CALL TO ORDER
2. ROLL CALL
3. PUBLIC COMMENT
4. CHIEF EXECUTIVE OFFICER'S REPORT
5. CONSENT ACTION ITEMS
 - A. Approval of Agenda
 - B. Approval of Minutes of the regular Board Meeting held on January 23, 2008
 - C. Approval of Treasurer's Report
 - D. Resolution No. 2008-03, for the purpose of authorizing reimbursement of costs associated with the processing of permits and franchises
 - E. Resolution No. 2008-04, for the purpose of adopting a water audit methodology
 - F. Amendment No. 3 to Contract 3 with HDR Engineering, Inc.
 - G. Contract with Watershed LLC
 - H. Consultant Contract with ClarkNuber
 - I. Chief Executive Officer's Employment Agreement
6. OTHER ACTION ITEMS
 - A. Appointment of Officers for 2008-2009
7. COMMITTEE REPORTS
 - A. Executive Committee
 - B. Resource Planning Committee
 - C. Membership Committee
 - D. Finance Committee
 - E. Public Affairs Committee
8. NEW BUSINESS
9. NEXT REGULAR MEETING:
March 26, 2008 — Bellevue City Hall — 3:30 PM
10. ADJOURN

4. CHIEF EXECUTIVE OFFICER'S REPORT

The Board retreat has been scheduled for Saturday, March 15, from 9:00 AM to 2:00 PM at the Tukwila Community Center. The focus of the retreat will be the Moss Adams Organizational Strategic Plan.

ATTACHMENTS AND ITEMS FOR APPROVAL OR ADOPTION:

5. Consent Action Items – require Board approval

A. Approval of Agenda

B. Approval of Minutes of the regular Board Meeting held on January 23, 2008

C. Approval of Treasurers Report

D. Resolution No. 2008-03, for the purpose of authorizing reimbursement of costs associated with the processing of permits and franchises

The construction of the Tacoma Cascade Pipeline (TCP) requires securing franchises and/or permits from the Washington State Department of Transportation, King County, the City of Covington, the City of Issaquah, and other public entities along the pipeline route. Cascade recognizes that it will be required to reimburse these entities for cost of processing the necessary permit applications and franchises.

The proposed Resolution was discussed with the Finance Committee on February 14 and is recommended for action.

Requested Action: Adoption of Resolution No. 2008-03

E. Resolution No. 2008-04, for the purpose of adopting a water audit methodology

Cascade's Interlocal Agreement provides that Cascade's supply obligation to a Member is net of that Member's Independent Water Supply, if any, and that a Member's Independent Water Supply, among other things, be established through a water audit conducted according to a methodology determined by the Board. Cascade has prepared a water audit methodology. Recognizing the need for Member certainty with respect to audits performed according to any methodology, the Board has determined that the water audit methodology (and any changes or modifications thereto) shall require approval of a 65% dual majority vote of the Board.

The proposed Resolution was discussed with the Resource Planning Committee on February 14 and is recommended for action.

Requested Action: Adoption of Resolution No. 2008-04

F. Amendment No. 3 to Contract 3 with HDR Engineering, Inc.

Cascade's contract 3 with HDR Engineering, Inc. for Final Design of the Central Segment of the Tacoma/Cascade Pipeline contains a maximum compensation amount of \$3,154,820 of which approximately \$2,119,000 has been spent to date, with an estimated cost of \$500,000 to complete the original Scope of Work. Amendment No. 3 (Amendment No. 2 to the contract was and extension of time only) to this contract, valued at approximately \$1,900,000, is needed primarily to address the significant additional new work being required by King County and City of Covington as part of the review of Cascade's Franchise Applications and associated Road Right of Way Use Permit Applications.

The proposed Amendment No. 3 was discussed at the February 14, 2008 Resource Planning Committee meeting. The Committee Board Members Lloyd Warren, David Kappler, John Ault, Mary-Alyce Burleigh and Alternate Board Members Don Davidson and Steve Stevlingson directed staff to bring forward for Board approval an amendment to the HDR contract to keep work moving with King County and the City of Covington; and to do further evaluation of the other tasks required to secure the necessary permits and permissions required for constructing the TCP and return to the March 13, 2008 Resource Planning Committee with a recommendation on further amendment(s) to HDR contract 3.

Requested Action: Authorize the Chief Executive Officer to execute amendment No. 3 to the contract with HDR Engineering, Inc for Final Design of the Central Segment of the Tacoma-Cascade Pipeline (TCP) for \$700,000. In accordance with subtask 402.4 Permit Acquisition (of Contract 3); the amendment would increase the total maximum compensation amount to \$3,854,820 to cover estimated expenditures through April 30, 2008. An additional amendment to complete the final design of the Central Segment will be brought forward for consideration by the Resource Planning Committee and the Board at their March 2008 meetings.

G. Contract with Watershed LLC

Cascade's irrigation audit program provides valuable assistance to high-use customers during peak season. The program is consistent with Cascade's Conservation Goal and Long-Term Conservation Program. Cascade has contracted with Watershed, LLC since 2005 to provide irrigation audits at residences and commercial sites. Cascade advertised a Request for Proposals for the program in the Seattle Times in December 2007. Watershed, LLC was the only firm to respond. Cascade has been satisfied with the performance of Watershed, LLC in the past and the customer evaluations rate the program very high.

The 2008 program budget is \$67,700. The program targets 150 residential audits, 5 workshops, and commercial audits (number of audits will depend on the size of sites selected).

Requested Action: Authorize the CEO to execute a services agreement with Watershed, LLC for Cascade's irrigation audit program with a maximum compensation amount of \$67,700.

H. Consultant Contract with ClarkNuber

Cascade solicited responses to a Request for Qualifications from five accounting firms for audit and financial services. Two firms responded: Francis and Company and ClarkNuber. Ed Oberg and Steve Call interviewed both firms. On all counts, ClarkNuber was the more qualified firm. They stressed the importance of being independent and objective, including reporting directly to the Board; they are extremely familiar with QuickBooks, but also have experience with other, more sophisticated small business accounting software, to which Cascade may need to migrate.

The selection of ClarkNuber was discussed with the Finance Committee on February 14 and is recommended for action.

Requested Action: Authorize the Chief Executive Officer to enter into a consultant contract for auditing services with ClarkNuber for an amount not to exceed \$48,000 per year for three years, with the option to renew for two additional years.

I. Chief Executive Officer Employment Agreement

At the January 23, 2008 Board Meeting, the Board authorized hiring Ed Oberg in the position of Chief Executive Officer for a period estimated not to exceed 12 months. The initial salary

for the position was established at \$15,000 per month with direction to the Board Chair to meet with Mr. Oberg to determine the appropriate salary and benefits for the position. This meeting occurred on February 11, 2008. The recommendation by the Board Chair and Mr. Oberg is to leave the salary at \$15,000 per month; provide immediate vesting in the IRC 401(a) Retirement Plan; provide for an immediate Cascade match to the IRC 457 Plan in the amount of \$1,200 per month; pay \$1,000 per month for waiving participation in Cascade's medical, dental and vision plans; and pay \$300 per month car allowance.

Requested Action: Authorize the Board Chair or Vice-Chair to execute the Chief Executive Officer Employment Agreement with Ed Oberg for the period of January 24, 2008 through December 31, 2008 at a monthly salary of \$15,000 and other terms as reflected in the Employment Agreement.

6. Other Action Items – require Board approval

A. Appointment of Officers for 2008 – 2009

Pursuant to Section 4.04 of the Cascade Water Alliance ByLaws, the Board shall hold an annual meeting in February of each year. Further, Section 5.02 of the Bylaws states, "the Officers of Cascade shall be appointed by the Board at the Annual Meeting in even-numbered years, to serve for two years until the next Annual Meeting in an even-numbered year or until removed by the Board." Further, the Cascade Board has traditionally made Board Member appointments to its Board Committees (Membership, Finance, Resource Planning and Public Affairs) at its Annual Meeting.

Requested Action: Appoint Board Officers (Chair, Vice Chair, Secretary, Treasurer (or Secretary and Treasurer combined) for the 2008 through 2009 period. At the Board's option, appoint Board Members to the Membership, Finance, Resource Planning and Public Affairs Committees.

7. COMMITTEE REPORTS

A. Executive Committee

No specific report.

B. Resource Planning Committee

The Planning Committee met on February 14 and discussed, among other things:

(1) Guiding principles for construction community outreach – Tacoma/Cascade Pipeline "Construction Community Relations and Outreach Plan Approach" (enclosed) is intended to highlight Cascade's current approach to construction community relations and define the guiding principles that will be used to achieve the level of service desired by Cascade during construction. The guiding principles are intended to guide Cascade's outreach efforts related to the TCP project.

Requested Action: Obtain Board feedback on the Guiding Principles that will form the foundation on which the construction Community Relations and Outreach Plan Approach will be developed.

(2) Tacoma-Cascade Pipeline (TCP) Re-chlorination facility – In October, 2007 Cascade requested proposals from three engineering consultant firms for design of the TCP Re-chlorination facility. Proposals were received from Pace Engineering and MWH Americas, Inc (MWH). The Technical Team reviewed the proposals and recommends that Cascade select MWH to design the Re-chlorination facility. MWH is currently

preparing the TCP Operations plan; awarding MWH this contract would provide for seamless integration of the two scopes of work.

The Resource Planning Committee authorized negotiating the contract for design of the TCP Re-chlorination facility with MWH and to report back to the Resource Planning Committee on the proposed scope and budget prior to presenting a contract to the Board for consideration, likely at the March Board Meeting.

- (3) Soos Creek cost-share agreement** – The Soos Creek W&S District Comprehensive Plan calls for the construction of a water and sewer line along 192nd Street. Soos Creek has requested that Cascade and the District enter into an agreement for the joint construction of the Soos Creek projects and the TCP. Cascade would construct the Soos Creek project as part of Cascade's project.

The Committee authorized negotiating a Construction Cost Sharing Agreement with Soos Creek to be reviewed with the Committee prior to being presented to the Board for consideration.

- (4) Eastside Reservoir Acquisition** – Per prior direction from the Board, discussions have been initiated with Seattle Public Utilities regarding Cascade's acquisition of the Eastside Reservoir.

The Committee authorized staff to solicit proposals from qualified firms to conduct engineering due diligence and appraisal on the Eastside Reservoir to support Cascade's acquisition negotiations.

- (5) Lake Tapps Outlet Screening Study Proposal** – The Muckleshoot Indian Tribe (MIT) has requested that Cascade, as a condition of its Settlement Agreement, conduct a study to assess the need for screening Lake Tapps outlets to prevent exotic or predatory species from entering the White River. A general scope of work has been discussed with the MIT. The estimated budget for the study is \$15,000-\$30,000. The 2006 Draft Report of Examination provides for installation of fish screens on any new outlet structures (Cascade submitted comments that screens should not be required unless there is a demonstrated need).

The Committee authorized the Negotiating Team to include the study requested by the MIT as part of the Settlement Agreement.

C. Membership Committee

No specific report.

D. Finance Committee

See Action Item A, Resolution No. 2008-03 authorizing reimbursement of costs associated with the processing of permits and franchises.

See also Action Item F regarding the Consultant Contract with ClarkNuber.

E. Public Affairs Committee

The Committee is coordinating preparation of media outreach materials associated with the Board's consideration of the Lake Tapps Asset Purchase Agreement.

Directions to Bellevue City Hall
450 110th Ave NE
Bellevue, WA 98004
(425) 452-6800

From I-405 north or southbound:

Take NE 4th Street exit

Head west on NE 4th Street

Turn right onto 110th Avenue NE

Proceed ½ block on 110th Avenue NE and turn right into the entrance of Bellevue City Hall's visitor parking lot.

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WAY IN TO THE MEETING**