



REGULAR MEETING OF THE BOARD OF DIRECTORS

AGENDA

BELLEVUE CITY HALL – ROOM 1E-108

APRIL 23, 2008

3:30 PM

1. CALL TO ORDER
2. ROLL CALL
3. EXECUTIVE SESSION
4. PUBLIC COMMENT – Comments limited to 3 minutes per speaker; 3 speakers on each side of any topic
5. CHIEF EXECUTIVE OFFICER'S REPORT
 - A. Staff Reports
6. APPROVAL OF AGENDA
7. CONSENT ACTION ITEMS
 - A. Minutes of the special Board Meeting (Board Retreat) held on March 15, 2008
 - B. Minutes of the regular Board Meeting held on March 26, 2008
 - C. Minutes of the special Board Meeting held on April 9, 2008
 - D. Warrant Authorization and Treasurer's Report
 - E. Resource Management Committee Membership
 - F. HDR Contract 5 Amendment No. 2
 - G. MWH Americas Re-Chlorination Design Contract
 - H. Pre-Purchase of Pipeline for Tacoma-Cascade Pipeline Construction Impact Assessment Reach B (Attu Property)
 - I. Audit Acceptance Agreements
 - J. 2009 Budget Calendar
 - K. Tacoma-Cascade Pipeline Construction Impact Assessment
 - L. Eastside Reservoir Due Diligence Engineer and Property Appraiser
8. OTHER ACTION ITEMS
 - A. Resolution No. 2008-08: Authorizing Board Member Attendance at Official Cascade Meetings via Telephone
 - B. Legal Counsel Contracts
9. STAFF PRESENTATION
 - A. Tacoma-Cascade Pipeline Background and Overview
10. COMMITTEE REPORTS
 - A. Audit Committee
 - B. Executive Committee
 - C. Public Affairs Committee
 - D. Resource Management Committee
11. NEW BUSINESS
12. NEXT REGULAR MEETING:

May 28, 2008 — Bellevue City Hall — 3:30 PM
13. ADJOURN

NOTE: AS ALLOWED BY STATE LAW, THE BOARD OF DIRECTORS MAY ADD AND TAKE ACTION ON ITEMS NOT LISTED ON THE AGENDA.

5. Chief Executive Officer's Report

A. Staff Reports

ATTACHMENTS AND ITEMS FOR APPROVAL OR ADOPTION:

7. CONSENT ACTION ITEMS

A. Minutes of the special Board Meeting (Board Retreat) held on March 15, 2008

B. Minutes of the regular Board Meeting held on March 26, 2008

C. Minutes of the special Board Meeting held on April 9, 2008

D. Approval of Warrant Authorization and Treasurer's Report

E. Revise the Resource Management Committee Membership

At the March 15, 2008 Board Retreat, the Resource Management Committee Membership was established with John Marchione as Chair and Board Members Jon Ault, David Knight and David Kappler. Following the Board Retreat, John Marchione determined that his schedule would not allow him to continue as a Member of the Resource Management Committee. David Knight has agreed to serve as the Committee Chair.

Options:

1) Approve revision of the Resource Management Committee to remove John Marchione as a Committee Member and appoint David Knight as the Committee Chair.

2) Provide alternative direction regarding revision of the Resource Management Committee.

Requested Action: Revise the Resource Management Committee to remove John Marchione as a Committee Member and appoint David Knight as the Committee Chair.

F. Amendment No. 2 to Contract 5 with HDR Engineering, Inc.

The budget for Cascade's Contract 5 for the design of the TCP North Segment with HDR is \$2,470,000. The proposed Amendment No. 2, valued at \$1,273,000 has been reviewed and is recommend for Board approval by the Cascade staff and the Regional Pipeline Team. The Amendment is necessary to continue work associated with the tasks required by King County and Washington Department of Transportation (WSDOT) as part of the review of Cascade's Franchise Application and associated Permit Applications.

Although the proposed Amendment anticipates the workload associated with completion of the design, the areas of greatest workload uncertainty are those where King County may require more work than is currently anticipated. Specific areas of uncertainty include Traffic Impact Analyses, Mitigation Plans and Stream Culvert Crossings. The proposed amendment represents a best estimate of the cost to complete based on comments received from King County on the Central Segment design. The North Segment design is currently at 20% completion. Further amendments may be necessary if it is determined that additional funding is necessary to complete the permitting process.

If approved, the proposed Amendment No. 2 would result in a total maximum compensation amount of \$3,743,200 for HDR Contract 5.

Options:

1) Authorize the Chief Executive Officer to execute Amendment No. 2 to HDR Contract 5 for Final Design of the North Segment of the Tacoma Cascade Pipeline for \$1,273,000. The Amendment would increase the total maximum compensation amount to \$3,743,200.

- 2) Direct the Chief Executive Officer to work with HDR on a revised amendment that segments the work. This direction may result in a delay in the Tacoma-Cascade Pipeline. It will also result in the need for future amendments to the HDR contract.
- 3) Do not authorize the CEO to execute Amendment No. 2 to HDR Contract 5 for Final Design of the North Segment of the Tacoma Cascade Pipeline. This option will result in insufficient funding to complete the tasks required by King County and WSDOT as part of the review of Cascade's Franchise Application and associated permit applications. This option will result in the inability to proceed with the Tacoma-Cascade Pipeline until future authorization by the Board is provided.

Recommended Action: Authorize the Chief Executive Officer to execute Amendment No. 2 to HDR Contract 5 for \$1,273,000, increasing the total maximum compensation to \$3,743,200.

G. MWH Americas Re-Chlorination Design Contract

In October 2007, Cascade requested proposals from three engineering consultant firms for design of the Tacoma-Cascade Pipeline Re-Chlorination facility. The Re-Chlorination facility is needed to provide for re-chlorination of water after travelling through 18 miles of the Tacoma-Cascade Pipeline. Cascade received proposals from Pace Engineering and MWH Americas, Inc (MWH). Cascade staff and the Regional Pipeline Team reviewed the proposals and recommend the selection of 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 scope of work includes developing the preliminary design, permit acquisition, specification development, final design and bid assistance. The contract is valued at \$584,000.

Options:

- 1) Authorize the Chief Executive Officer to execute a contract with MWH Americas in an amount not to exceed \$548,000 for the Re-Chlorination Facility design, permit acquisition, specification development, final design and bid assistance.
- 2) Do not authorize the execution of the Re-Chlorination Facility contract with MWH Americas and provide alternative direction to staff. Although this is not a critical path component at this point, significant delays in the design, development and construction of the Re-Chlorination Facility may impact the operation of the Tacoma-Cascade Pipeline.

Recommended Action: Authorize the Chief Executive Officer to execute a contract with MWH Americas in an amount not to exceed \$548,000 for the Re-Chlorination Facility design, permit acquisition, specification development, final design and bid assistance.

H. Pre-Purchase Pipe for the Tacoma-Cascade Pipeline Reach B (Attu Property)

The Tacoma Cascade Pipeline Reach B (Attu Property) contains the crossing of the privately owned Attu property. The Easement acquired by Cascade for crossing the Attu property contains a condition requiring completion of construction of this reach of the pipeline no later than March 31, 2009. Authorization was provided at the March 26, 2008 Board meeting to proceed with a separate construction segment of approximately 3,200 feet for the Attu property reach. Pre-purchase of the pipe in advance of the construction contract is necessary to provide the greatest likelihood of achieving this construction schedule requirement. The estimated pipe cost is \$1,200,000 to \$1,500,000.

Options:

- 1) Authorize the Chief Executive Officer to proceed with the actions necessary to pre-purchase pipe for Reach B of the Central Segment of the Tacoma Cascade Pipeline.

- 2) Do not authorize the actions necessary to pre-purchase pipe for Reach B of the Central Segment of the Tacoma-Cascade Pipeline. Delays in providing this direction may jeopardize completion of the Reach B construction by March 31, 2009.

Requested Action: Authorize the Chief Executive Officer to proceed with the actions necessary to pre-purchase pipe for Reach B of the Central Segment of the Tacoma Cascade Pipeline.

I. Approval of Audit Acceptance Agreements

The Audit Acceptance Agreements incorporate findings of the water audits, which define, among other things, Independent Supply Production requirements. These requirements include annual and peak season production requirements, and quantify the basis for award and redemption of RCFC credits. The Agreements contain a series of graduated responses depending on the severity and frequency of failures to produce or loss of supply by a Member. It is intended to recognize practical workings of dynamic supplies and demands while reasonably protecting Cascade's Members from (or compensating them for) replacement of independent supply. Through this structure and its application, the assumption remains that Cascade has a vital interest in the continued adequacy and reliability of those independent supplies, consistent with its limited supply obligation to supplement those resources. Application will necessarily rely on Board judgment to determine the need to respond.

The Audit Acceptance Agreements are recommended for transmittal to Members by the Member Staff Advisory Group and the Resource Management Committee.

Options:

- 1) Authorize the Chief Executive Officer to transmit Audit Acceptance Agreements adopting water audits to all Members for consideration and approval by their legislative body with a due date of June 30, 2008.
- 2) Do not authorize the sending of Audit Acceptance Agreements to each Member and provide alternative direction to staff. Members may not redeem RCFC credits until the Audit Acceptance Agreements are adopted.

Recommended Action: Authorize the Chief Executive Officer to transmit Audit Acceptance Agreements adopting water audits to all Members for consideration and approval by their legislative bodies with a suggested due date of June 30, 2008.

J. 2009 Budget Development and Adoption Calendar

Cascade's By-Laws call for review of a proposed budget 180 days before year-end, or roughly July 1 and adoption of the budget 90 days before year-end. Traditionally, staff has submitted a budget for the Board's consideration at the September meeting, with final adoption at the October meeting.

- 1) A semi-annual update of the rate forecast will be completed in May and will include demand reconciliation and capital cost updates. It will also include a revised smoothed rate forecast and a preliminary RCFC re-calculation.
- 2) The rate forecast will provide the basis for a preliminary 2009 budget, based on prior estimates with cost escalation and known changes. The preliminary budget will involve initial adjustments to forecast numbers, staffing, debt size and timing, debt fund transfers, capital project cost refinements, and identification of new projects. This will be provided to the Board at the June meeting, following review by Member Staff.

- 3) Refinements of the 2009 budget will continue through July and August. A proposed 2009 budget and rates will be submitted to the Board for review at the September meeting. RCFC rates will be submitted for adoption at that time.
- 4) Final Board adoption of 2009 Rates and Charges, and the 2009 Operating and Capital Budgets is scheduled for the October meeting.

Options:

- 1) Approve 2009 Budget Development and Adoption Calendar.
- 2) Provide alternate direction regarding the 2009 Budget Development and Adoption Calendar.

Recommended Action: Approve the 2009 Budget Development and Adoption Calendar.

K. Tacoma Cascade Pipeline Construction Impact Assessment

The construction of the Tacoma-Cascade Pipeline (TCP) will cause disruption and inconvenience for the residents along the pipeline route. Cascade is working with Vanir Construction, Inc. (Vanir) to identify neighborhoods and specific properties that will be adversely affected during pipeline construction. Staff recommends the development of a matrix that assigns a numeric value to the affected properties based on proximity to construction, duration, noise, dust and other factors. The matrix will also include a list of mitigation actions with recommendations for specific properties. Vanir was asked to undertake this project because they have the most knowledge about the TCP. The estimated cost of this project is \$15,000-\$17,500 and will be done within the existing Cascade-Vanir contract.

Options:

- 1) Authorize the Chief Executive Officer to direct Vanir to proceed with the assessment of construction impacts to properties along the TCP.
- 2) Provide alternate direction to staff for approaches to assessing and mitigating construction impacts to properties along the TCP.
- 3) Do not authorize the Chief Executive Officer to proceed with the assessment of construction impacts to properties along the TCP.

Requested Action: Authorize the Chief Executive Officer to direct Vanir to proceed with the assessment of construction impacts to properties along the TCP.

L. Eastside Reservoir Due Diligence Engineer and Property Appraiser

As directed by the Board, discussions have been initiated with Seattle Public Utilities (SPU) concerning Cascade's acquisition of SPU's Eastside Reservoir. Cascade is proceeding with arrangements for engineering and environmental due diligence and property appraisals in connection with this project.

Proposals for the engineering and environmental due diligence were requested from URS Corporation and RW Beck, Inc. Proposals are due on April 21. A memorandum will be provided at the Board Meeting with a recommendation on selection of a consultant for this work. GordonDerr is assisting Cascade in soliciting proposals from appraisers. A recommendation on selection of an appraiser will also be included in the memorandum.

In discussions with SPU, we have agreed that each party will conduct independent appraisals of the land value only (Cascade and SPU will give common instructions to the appraisers). We have also discussed obtaining an estimate of the cost of decommissioning and removal of

the improvements to make the site suitable for an alternative use. The appraisals would be provided to both appraisers to be taken into account in determining the fair market value of the land. The value of the improvements would be determined by SPU's book value (initial cost plus improvements less depreciation) with appropriate adjustments made based on the results of Cascade's due diligence investigation.

Options:

- 1) Authorize the Chief Executive Officer to execute agreements with the recommended due diligence consultant and appraiser.
- 2) Do not authorize the Chief Executive Officer to execute agreements with the recommended due diligence consultant and appraiser. Provide alternate direction for conducting engineering and environmental due diligence and obtaining an appraisal of the Eastside Reservoir.

Recommended Action: Authorize the Chief Executive Officer to execute agreements with the recommended due diligence consultant and appraiser.

8. OTHER ACTION ITEMS

A. Proposed Resolution No. 2008-08 authorizing Board Member Attendance at Official Cascade Meetings via Telephone

Currently, Board Members must physically attend Cascade Meetings (Board and/or Committee meetings) to participate in such meetings. However, circumstances occasionally arise that make it difficult for a quorum of Members to meet in one place.

Participation via telephone (phone in to a speakerphone) is allowable pursuant to the Open Public Meetings Act and some governmental organizations have established policies to allow for such remote participation in official meetings.

Staff recommends the following requirements for remote participation by Board Members in official Cascade meetings.

- 1) The meetings are in a location where the public can attend.
- 2) All Board Members and the public are able to hear the conversations that are occurring remotely.
- 3) All Board Members have access to all documentation that is available for action items.
- 4) Participation via telephone by Board Members at official Cascade meetings should be the exception and not the rule.
- 5) Where Board Members are participating via telephone, the Board or Committee Chair should state for the record that Board Member _____ is attending the meeting via telephone. The Chair should then ask if the Board Member can hear the Chair. The Chair should subsequently ask Board Members and the public if they can hear the Board Member participating via the telephone.

Options:

- 1) Adopt proposed Resolution No. 2008-08 authorizing Board Member attendance at official Cascade meetings via telephone.
- 2) Modify Resolution No. 2008-08 by adding or deleting requirements.
- 3) Do not adopt Resolution No. 2008-08 and as such, do not allow Board Member attendance at official Cascade meetings via telephone.

Requested Action: Adoption of Resolution No. 2008-08 authorizing Board Member attendance at official Cascade meetings via telephone.

B. Amend Legal Counsel Contracts to provide not-to-exceed compensation amounts

As a historic practice, Cascade has utilized private law firms for general and special legal counsel. Such arrangements have been through "engagement letters" (reaffirmed annually) which describe the type of legal services to be provided and the hourly rate for such services but have not specifically established not-to-exceed compensation amounts. Staff recommends modification of this arrangement to reflect our best estimate of the costs for the work components to be performed by the law firms. In the event that the nature and amount of actual work to be performed exceeds the amounts authorized, staff will return to the Board for modifications to the authorized amounts.

Approval is requested for legal services from the following firms for the period of May 1, 2008 through December 31, 2008:

Inslee Best Doezie & Ryder, P.S.			
General		\$ 34,000	
Lake Tapps Acquisition and Water Rights		80,000	
Water Law Litigation		30,000	
TOTAL			\$ 144,000
GordonDerr			
Lake Tapps Acquisition and Operation		\$175,000	
USCOE Dam Replacement		50,000	
Engineering Subcontractor		43,000	
King County & City of Covington Franchises		58,000	
TCP Right-of-Way Acquisition		225,000	
Engineering Subcontractor		610,500	
Eastside Reservoir Acquisition		50,000	
General Matters		25,000	
TOTAL			1,236,500
Davis Wright Tremain			
Construction		\$150,000	
TOTAL			150,000
Winterbauer and Diamond			
Human Resources Counsel		\$ 15,000	
TOTAL			15,000
Foster Pepper & Shefelman, PLLC			
General/Financial Issues Counsel		\$ 10,000	
TOTAL			<u>10,000</u>
GRAND TOTAL			<u>\$1,555,500</u>

Options:

- 1) Authorize the Chief Executive Officer to execute appropriate agreements with the private law firms utilized by Cascade for the period of May 1, 2008 through December 31, 2008 in the amounts shown above.
- 2) Provide alternative direction to staff in terms of law firms used by Cascade and/or the authorized amounts.

Requested Action: Authorize the Chief Executive Officer to execute appropriate agreements with the private law firms utilized by Cascade for the period of May 1, 2008 through December 31, 2008 in the amounts shown above.

9. STAFF PRESENTATION

Tacoma-Cascade Pipeline Background and Overview

Due to the magnitude and complexity of the Tacoma-Cascade Pipeline (TCP) project, monthly staff presentations are recommended to keep the Board up to date on current activities, seek policy direction from the Board, and seek Board approval on action items such as construction contracts.

At the April 23 Board meeting, staff will initiate the proposed monthly presentations by providing a summary level background and overview of the TCP project. Staff will also identify the upcoming policy issues for Board discussion and direction. Board feedback on this proposed approach will be helpful to staff in planning future presentations on the TCP project.

10. COMMITTEE REPORTS

- A. Audit Committee – No report.
- B. Executive Committee – No report.
- C. Resource Planning Committee – See attached Resource Planning Committee Meeting Recap.
- D. Public Affairs Committee – See attached Public Affairs Committee Meeting Recap.

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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